Preface and Reports

f. l. t. r.: Klaus Schmitt (COO) | Arwed Fischer (CFO) | Wolfgang Egger (CEO)

Letter to Our Shareholders

Dear shareholders,
Dear ladies and gentlemen,

the motto for this year's annual report is "Creating value with values". The PATRIZIA brand is closely tied to three core values: real estate value enhancement, the principle of sustainability and respect for our customers, partners and employees. Values matter. This applies more than ever in a constantly changing world, especially in times of economic turbulence.

And the real estate sector in particular is benefiting from this return to traditional values. The sovereign debt crisis appears to have had little effect on the German property market – on the contrary, compared to the rest of Europe German real estate is seen as an extremely attractive and secure form of investment with a stable stream of rental income. What is new is that the focus is first on value retention and then on the return. The main drivers influencing the purchase of property are still primarily concern about possible inflation and uncertainty over the future of the euro.

WHAT DID WE ACHIEVE IN 2011?

PATRIZIA took advantage of these sentiments and achieved a great deal in 2011. We completed the first corporate acquisition in the history of our company and as a result succeeded in repositioning ourselves. Today, PATRIZIA is more than just a residential property specialist. The acquisition of LB Immo Invest GmbH, what is today PATRIZIA GewerbeInvest KAG mbH, did not represent a change in strategy, but rather a "mere" logical step in our evolution. We are now in a position to offer our residential property customers commercial real estate products from the same source, and vice versa. If we are to be successful in the long term, we must respond to changing demand. New market opportunities are constantly springing up and we can only seize them if we evolve. With PATRIZIA GewerbeInvest KAG we now also have a platform which we can use to internationalize our residential real estate business. The opening of our foreign office PATRIZIA Scandinavia in Stockholm was a further step towards our goal of establishing ourselves as "the" fully integrated real estate investment company in Europe and providing our customers with every form of real estate investment service.

The expansion of our service business, which we have been pursuing unfalteringly for a number of years, has opened up further sources of revenue. Fees for purchasing and selling, for asset and property management and for fund management even out the typical fluctuations encountered in property trading and help to stabilize earnings. Services contributed 33.5% of the operating result in the past fiscal year. The intention is that half of the results should come from investment management by 2013 and not from the sale of real estate. The service field will provide a higher than average improvement to revenues and to our profitability thanks to higher margins.

The higher the volume of our assets under management, the broader the base will be for providing services and thus for increasing our earnings. The newly created business unit “Alternative Investments” will also strengthen our service business and expand our co-investments. In contrast to traditional investors in our two asset management companies, here we will be addressing inter alia investors characterized by a higher risk / return profile. We will also satisfy their requirements.

WHERE DO WE STAND TODAY?

In 2012 we will be able to continue on the course we set last year. A significant milestone for our continuing development was the award of the contract for LBBW Immobilien GmbH to the consortium based around PATRIZIA. The staff of the newly established business unit Alternative Investments played a major role in the bidding process. We have responsibility for leading the consortium, which is made up of well-known European and German pension funds, German insurance companies, professional pension schemes and one savings bank – all long-term oriented investors. We act as investment and asset managers, but are not just service providers. Our own equity stake of approximately EUR 17.2 million means that we also participate as a co-investor. This one transaction has increased our assets under management from EUR 5.2 billion to approximately EUR 7 billion. In terms of revenue, we expect to see annual income from managing the LBBW portfolio of up to EUR 6 million. And it is important not to underestimate that we now have close ties to further investors with strong liquidity who in the past had to some extent little contact with the real estate market. We have thus created a win-win-situation, since institutional investors gain appropriate access to opportunities in the area of real estate while we gain access to investors who wish to invest for the long term. It also results in a long-term, reliable situation for tenants and the municipalities concerned. We are in an excellent position to take advantage of opportunities that the future will also bring.

The market recognizes our new structure and our growth. Feedback from investors has been positive, both from real estate and from equity investors. By achieving our forecast for the year of EUR 16 – 17 million we have once more confirmed the trust gained in previous years.

We would again like to share this success with our loyal shareholders appropriately after 4 years without a dividend. The objective we set for the 2011 fiscal year was a dividend of around 8 cents per share. It would have been possible to realize this objective with the operating result achieved. However, together with the Supervisory Board we have decided to offer our shareholders a share in the profits that will support the development of our company and which at the same time is intended to “compensate” you, our shareholders, for the past few years without a dividend. We will recommend to the Annual General Meeting that, instead of a cash dividend, it agree to a capital increase from retained earnings by issuing so-called bonus shares in a ratio of ten to one, i. e. you would receive one additional PATRIZIA share for every ten PATRIZIA shares you hold. This would require a total of EUR 5.2 million from the capital reserve – currently EUR 216 million – in order to issue 5.2 million new shares, which would carry dividend rights from the beginning of the 2012 fiscal year. This allocation will enable our shareholders to participate in the result of the past fiscal year and at the same time allow them to participate in the further development of PATRIZIA.

WHY HAVE WE TAKEN THIS STEP?

Our objective in issuing bonus shares is to make the PATRIZIA share even more attractive for investors. We currently see extremely promising investment opportunities and would therefore like to strengthen our free cash flow. Instead of a dividend of 8 cents per share – representing a payout of around EUR 4.2 million – we could use the same sum to undertake a further co-investment of around EUR 150 million with correspondingly sustained income over the coming fiscal years. We are convinced that the potential and outlook for PATRIZIA will quickly compensate for the dilution caused and that you will also benefit from the higher liquidity in the share.

WHAT ARE OUR AIMS FOR THE FUTURE?

PATRIZIA is making excellent progress. Looking at the operational business for this year we are pleased to say that the year started off on a very positive note. In addition to the positive decision regarding LBBW, we have launched two new residential funds with a total target volume of EUR 650 million and have solicited additional equity commitments for EUR 150 million for existing commercial funds. We have completed one block sale for EUR 3.0 million and the sales figures for residential property resales will exceed those for the same quarter last year. The cash freed up by the sales will improve our financial structure and increase the scope for new co-investments.

German real estate markets have proved to be extremely robust even in times of crisis. Property – preferably residential property – today plays an increasingly important role for institutional and private investors alike. Purchases and sales will not let up in 2012. These are positive signals that are having a beneficial effect on the current course of business. PATRIZIA is well prepared to take advantage of the benign market environment in order to grow further. The results of the past few years show that we are taking the right course.

We would like to extend our special thanks to PATRIZIA employees in all business units who contribute their creative power for the benefit of PATRIZIA on a daily basis and whose efforts have given PATRIZIA its new stature. We look to the future with great optimism. Together we will work to ensure that PATRIZIA remains a valuable investment for you.

Augsburg, March 27, 2012

The Managing Board

Wolfgang Egger
Chairman of the Board

Arwed Fischer
Member of the Board

Klaus Schmitt
Member of the Board

Report of the Supervisory Board

Dear shareholders,
Dear ladies and gentlemen,

PATRIZIA saw a successful conclusion to the past fiscal year. Following the first half of the year, in which earnings were in line with expectations, a strong final quarter ensured that the forecast consolidated result was achieved.

The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law, the Articles of Association and the bylaws with great care in fiscal year 2011. We regularly advised the Managing Board on corporate management issues and monitored management measures. The Supervisory Board was involved in all major decisions affecting the Company and the Group. The Managing Board fulfilled its reporting duties as prescribed by law and the bylaws in full and provided us with comprehensive information on a regular and prompt basis regarding key aspects of the Company's and Group's business performance. In this process we paid constant attention to the current earnings and liquidity situation and to the opportunities and risks as well as how to manage them. The PATRIZIA Managing Board provided detailed explanations of and justifications for the Company's planning and its realization as well as for deviations from planning prepared earlier.

ORDINARY MEETINGS AND TOPICS OF THE SUPERVISORY BOARD

The Supervisory Board came together in four ordinary meetings during the reporting year. Each member attended every meeting. Regular exchanges between the Supervisory Board and the Managing Board also took place outside of these meetings in personal discussions. We discussed in detail all measures that, according to the law, the Articles of Association or the bylaws of the Managing Board, require the approval of the Supervisory Board in accordance with the reports and resolutions of the Managing Board. When necessary, urgent resolutions of the Supervisory Board were also passed by circulation. Contrary to the recommendations of the German Corporate Governance Code, we refrained from forming committees owing to the number of three Supervisory Board members. We consciously took the decision to base the size of the Supervisory Board of PATRIZIA Immoblien AG on the statutory minimum number of members to enable us to work efficiently and to allow an intensive exchange of ideas.

During the first meeting of the Supervisory Board for the year held on March 21, 2011, we approved the 2010 annual financial statements for PATRIZIA Immobilien AG and the consolidated financial statements for the Group as well as the combined management report for PATRIZIA Immobilien AG and the Group following careful examination. Following a separate examination, the Supervisory Board also approved the dependent company report for the 2010 fiscal year. The resolutions for the agenda of the Annual General Meeting on June 29, 2011, were also approved. Considerable space was devoted to the liquidity plan and upcoming financing, whereby the extension of the loan for around EUR 460 million expiring on March 31, 2011, had already been concluded at that date.

Dr. Theodor Seitz (Chairman)

The Supervisory Board met for the second time on June 29, 2011, following the Annual General Meeting. All previous members were confirmed in their positions for a further three years by the Annual General Meeting. Dr. Theodor Seitz was once again appointed to the position of Chairman of the Supervisory Board in the constituent meeting.

In the meeting of the Supervisory Board held on September 26, 2011, the Managing Board informed us about various projects of the newly established Alternative Investments division as well as about the general business and liquidity situation. The Supervisory Board dealt in particular with the opportunities and risks of a possible acquisition of LBBW Immobilien GmbH by PATRIZIA together with national and international co-investors. We also discussed the practical implementation and cost situation regarding the IT system change-over introduced on July 1.

In the final meeting of 2011 held on December 12, the Managing Board presented the planning for the coming fiscal year and further strategic development in addition to operational performance. We approved the 2012 budget. We also obtained information about the demand for and interest in the PATRIZIA share on the part of the capital market in the light of weak share performance. During the same meeting, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) which also expressed an opinion on the recommendations of the Code. The recommendations and suggestions of the Code are observed with a few exceptions. The declaration of conformity is published on the PATRIZIA website where it can be viewed at all times. My colleagues on the Supervisory Board and I also examined the efficiency of our Supervisory Board activities and discussed the findings. The efficiency of our collaboration with each other and with the Managing Board was again found to be very good.

FURTHER SUPERVISORY BOARD RESOLUTIONS

The Supervisory Board unanimously agreed to extend the contract with CEO Wolfgang Egger by a further five years until June 30, 2016. This will thus ensure the continuity of the management of the Company. The founder and principal shareholder of PATRIZIA Immobilien AG, Wolfgang Egger, will continue to exercise a decisive influence on the strategic direction of the Company.

EXAMINATION OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2011

The annual financial statements of PATRIZIA Immobilien AG, which are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code), and the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the combined management report for PATRIZIA Immobilien AG and the Group were examined by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping and each issued with an unqualified audit opinion. The documents mentioned as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were made available on time to the members of the Supervisory Board for the accounts meeting on March 27, 2012. The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information. The risk management system of the PATRIZIA Group was also the subject of the audit. The auditors confirmed that no material weaknesses are inherent in the internal control system and risk management system.

The Supervisory Board also thoroughly examined the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management report for the Company and for the Group as well as the proposal on the appropriation of net profit. We concurred with the findings of the examination by the auditors. No objections were raised. The annual financial statements and the consolidated financial statements are thus approved. The Supervisory Board agrees with the proposal on the appropriation of net profit made by the Managing Board to issue bonus shares and the associated capital increase using retained earnings.

EXAMINATION OF THE DEPENDENT COMPANY REPORT

All legal and business relationships with related parties and companies were submitted to the Supervisory Board, which carried out an in-depth review of market conformity on the basis of relevant documents. These contractual relationships with related parties and companies were also checked by the auditors and are in line with current market conditions also applicable to such relationships concluded between the PATRIZIA Group and third parties.

The dependent company report on relationships between PATRIZIA Immobilien AG and affiliated companies prepared by the Managing Board for the fiscal year 2011 was examined by the auditor and given the following opinion:

"Following our mandatory audit and assessment, we hereby confirm that:

1. The information given in the report is correct,
2. With regard to any legal transactions listed in the report, the sum paid by the Company was not unduly high."

The auditors' report on the dependent company report was made available to the members of the Supervisory Board in good time and was discussed with the auditors present at the meeting. In accordance with the concluding findings of its examination, the Supervisory Board raises no objections to the report and the concluding declaration of the Managing Board contained therein.

The Supervisory Board would like to thank the Managing Board, the directors of the operating companies and all employees for the work they have performed on behalf of and the loyalty they have shown to the Company. It is the employees, who with their competence and engagement, play such a key part in advancing PATRIZIA. Their daily commitment not only contributes to the commercial success of PATRIZIA but also ensures the satisfaction of our customers and tenants.

Augsburg, March 27, 2012

For the Supervisory Board

Dr. Theodor Seitz
Chairman

Corporate Governance

For PATRIZIA Immobilien AG, a responsible corporate policy based on sustainable value creation forms the basis of our business dealings and has established itself as the norm in our dealings with one another. PATRIZIA acknowledges the need for management and supervision of the company aiming at long-term commercial success, and this is the benchmark that it wishes to be measured by.

For PATRIZIA, responsible and transparent corporate governance is one of the core elements of long-term success. The corporate governance principles of PATRIZIA Immobilien AG are essentially incorporated in the Company's Articles of Association as well as the bylaws of the Managing Board and Supervisory Board. The rules of conduct that apply throughout the Group reflect further aspects of this.

Value-oriented corporate governance is very important for PATRIZIA

In addition to changing legal regulations, we see lasting principles expressing our moral values and placing on us a responsibility for our actions. It is our opinion that the first and foremost duty of the Company and its representatives is to develop and enhance the confidence of shareholders, investors, business partners, customers and our own employees in a sustained and value-based system of corporate governance. We attach great importance to presenting the performance of our business and the associated opportunities and risks in an honest and transparent manner.

IMPLEMENTATION OF THE CODE

There were no changes made to the German Corporate Governance Code in 2011. The version of the Code dated May 26, 2010, published in the electronic Federal Gazette on July 2, 2010, thus continues to be valid. The declaration of conformity pursuant to Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) was issued by the Managing Board and Supervisory Board of PATRIZIA Immobilien AG on December 12, 2011. This and all preceding declarations of conformity are permanently available for access on our website at www.patrizia.ag. The following recommendations of the Code were not complied with in the 2011 fiscal year and will also not be complied with in the future:

- The Company did not send notification of convening the 2011 Annual General Meeting together with the convening documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means for reasons of cost and practicability.
- Contrary to the recommendations of the Code, the professional liability insurance or so-called D&O insurance concluded by the Company for the Supervisory Board does not provide for a deductible. The committee does not believe that a deductible for the Supervisory Board affects the sense of responsibility and loyalty with which the members of the Supervisory Board fulfill the duties and functions assigned to them. A deductible is not planned for the future.

- The Supervisory Board of PATRIZIA Immobilien AG comprises three members. Due to the number of Supervisory Board members, the Company believes that it is neither necessary, nor does it make sense, for the Supervisory Board to form committees. The recommendations relating to forming committees are therefore of no significance to PATRIZIA.
- Contrary to the recommendations of the Code, the compensation model for the Supervisory Board does not distinguish between chairman and deputy chairman of the Supervisory Board. Due to the Supervisory Board having three members, a distinction is only made between chairman and other members. Committee remuneration is irrelevant since no committees have been established.
- The Supervisory Board and the Managing Board expressly welcome all efforts aimed at preventing any sexual or other form of discrimination and promoting diversity. However, when considering applications for positions on the Managing Board and proposals for election to the Supervisory Board, the Supervisory Board attaches sole importance to professional competence and experience. Other factors such as gender or nationality have always been and will continue to be irrelevant for such decisions. Accordingly, the Supervisory Board of PATRIZIA Immobilien AG will not provide any concrete targets for the composition of the Supervisory Board in accordance with Section 5.4.1 Paragraph 2 of the Code nor report on this in the Corporate Governance Report.

Statement on recommendations and suggestions of the Code

In the current declaration of conformity we once again provide a voluntary statement concerning the implementation of recommendations contained in the Code. With the exception of the following recommendations, all recommendations of the version of the Code dated May 26, 2010, were complied with in the 2011 fiscal year or are to be complied with in 2012:

- The 2011 Annual General Meeting was not broadcast on the Internet for cost reasons. There are likewise no plans to broadcast the 2012 Annual General Meeting via the Internet for cost reasons, too.
- The Code recommends gearing the performance-related compensation of the Supervisory Board to the long-term success of the Company. The variable compensation of the Supervisory Board of PATRIZIA depends on the amount of the dividend for the respective fiscal year and therefore contains no components geared towards the long-term performance of the Company.

SHARE DEALINGS OF EXECUTIVE BODY MEMBERS

Executive body members of PATRIZIA Immobilien AG as well as parties related to them are obliged to disclose the acquisition and disposal of equities of PATRIZIA Immobilien AG, so-called directors' dealings. The CEO acquired PATRIZIA shares indirectly in the fiscal year. We published this share transaction, which must be reported pursuant to Article 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), across Europe and provided corresponding information on the PATRIZIA website.

DIRECTORS' DEALINGS 2011

Date	Name	Reason for reporting requirement/ Position	WKN (German stock identification number)	Transaction type (purchase/ sale)	Stock exchange	Price per share	Number
08/24/2011	Wolfgang Egger via First Capital Partner GmbH	Company closely associated with person with executive responsibilities	PAT1AG	Purchase	Over the counter	EUR 3.44	824,381

Shares held directly and indirectly by the Managing Board members of PATRIZIA Immobilien AG exceed 1% of the shares issued so that the total ownership as of December 31, 2011 can be broken down as follows:

SHARES HELD BY THE MANAGING BOARD

	Number of shares	Percentage of share capital
Wolfgang Egger, indirectly and directly via First Capital Partner GmbH	26,871,953	51.55%
Arwed Fischer	0	0.00%
Klaus Schmitt	80,000	0.15%
TOTAL	**26,951,953**	**51.70%**

The members of the Supervisory Board held no shares in the Company as of December 31, 2011.

COMPENSATION REPORT

The following section provides information on the principles of the compensation system and on the structure and amount of the payments made by PATRIZIA Immobilien AG to the Managing Board and to the Supervisory Board. The 2011 compensation report follows the recommendations of the German Corporate Governance Code for the Managing Board in its entirety and for the Supervisory Board with a few exceptions.

COMPENSATION OF THE MANAGING BOARD

The system of management compensation was approved by the Annual General Meeting on June 23, 2010, and has not been changed since.

The amount and structure of the compensation paid to the Managing Board members are determined and regularly reviewed by the Supervisory Board. The compensation paid to Managing Board members is based on their respective remit, the personal performance of the individual Managing Board member and of the Managing Board as a whole as well as the economic and financial situation and performance of PATRIZIA. The compensation paid to Managing Board members is customary for the sector, appropriate and performance-related. It is made up of non-performance-related and performance-related components as well as components with short- and long-term incentive effects. The non-performance-related components comprise fixed basic compensation, which is paid as a monthly salary, pension contributions as well as non-cash and other benefits which primarily consist of values to be applied in accordance with tax guidelines for the use of a company car and insurance premiums. There are no agreements in place in the case of a change of control.

Targets form the basis for assessing the variable compensation for the Managing Board

The performance-related, variable compensation components are calculated on the basis of targets set at the start of the fiscal year, which are divided into three categories: company targets, business line targets and individual targets. The targets are further subdivided into quantitative and qualitative targets. The amount of variable compensation paid out accordingly depends on the degree to which the predetermined targets are achieved, missed or exceeded.

The primary criterion for the achievement of company targets is consolidated profit before tax for the reporting period, as calculated in accordance with IFRS and without taking into account changes in the fair value of the investment property and interest rate hedges and without taking into account depreciation on intangible assets (fund management contracts that came about in the course of the acquisition of PATRIZIA GewerbeInvest KAG). This adjusted pre-tax profit is published in PATRIZIA's quarterly and annual reports as so-called EBT adjusted and reflects its operating earnings power. EBT adjusted acts as an important control variable for the Group. Every year, depending on the Company's planning, a target figure that exactly specifies the amount of consolidated profit to be achieved is defined. If EBT adjusted is less than the hurdle of 67% of the defined target figure, the variable compensation of the Managing Board is omitted completely, irrespective of which other targets – company, business line or individual targets – were achieved.

A further company target is based on the return on equity in the period under review and the two previous fiscal years. Target figures are also defined in this context. An additional criterion for calculating variable compensation is the performance of PATRIZIA's shares over two years in relation to the DIMAX real-estate reference index and the Deutsche Börse index applicable at the end of the year, in this case the SDAX.

The target figures defined for each target correspond to a degree of achievement of 100%. If the actual value determined corresponds to more than 120% of the defined target value, 150% of the variable compensation is paid. This is also the upper limit that has been defined for the maximum amount of variable compensation that can be achieved. If 80% of the target is achieved, 50% of the variable compensation is granted.

Long-term variable compensation is paid to the Managing Board in the form of performance share units

For each predefined target, a variable compensation amount is calculated depending on the degree to which the target has been achieved. The total of all the amounts is paid out in two components. Two-thirds of the amount is paid out in the form of a cash payment, which is designated as a short-term component. The remaining third of the variable compensation is granted in the form of performance share units, i. e. it is not paid out directly in cash. This third is intended as a component with a long-term incentive effect. Performance share units are virtual shares which grant the legitimate beneficiary the right to receive a monetary amount after a fixed performance period has passed. For PATRIZIA, this performance period is three years for all Managing Board contracts valid since the 2011 fiscal year. A performance period of two years was valid prior to the conclusion of the new contracts. The performance share units do not carry any voting or dividend rights. The variable compensation component with a long-term incentive effect is initially converted into performance share units at the average Xetra rate of the PATRIZIA share 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the second year following the fiscal year in question, i. e. after the end of the vesting period. The variable compensation components with a long-term incentive effect are thus dependent on the Company's share price performance.

The total remuneration paid out for the Managing Board in the 2011 fiscal year amounted to EUR 1.7 million (previous year: EUR 1.1 million). Furthermore, the Managing Board acquired 72,445 performance share units (previous year: 0), the cash value equivalent of which will be paid out in the 2013 fiscal year. The amount of variable compensation granted for the past 2011 fiscal year and which will be paid out in 2012 has not yet been determined since not all components required to achieve the targets are known.

The following payments were granted to the members of the Managing Board in 2011:

SHORT-TERM COMPENSATION[1]

2011 in EUR	Fixed compensation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation[3]	Total
Wolfgang Egger, Chairman	310,000	24,407	12,000	229,484	575,891
Arwed Fischer	290,000	37,814	12,000	215,000	554,814
Klaus Schmitt	300,000	47,100	24,000	179,857	550,957
TOTAL	900,000	109,321	48,000	624,341	1,681,662

[1] Paid out in the 2011 fiscal year
[2] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[3] Cash components of variable compensation for the 2010 fiscal year paid out in the 2011 fiscal year after all data for their determination were known. One criterion for the individual targets for the members of the Managing Board was the outcome of the staff survey carried out in February 2011, meaning that the final calculation and payment of the variable compensation was not possible before the editorial deadline for the 2010 annual report.

SHORT-TERM COMPENSATION[1]

2010 in EUR	Fixed compensation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation[3]	Total
Wolfgang Egger, Chairman	260,000	22,704	12,000	0	294,704
Arwed Fischer	240,000	40,048	12,000	240,000	532,048
Klaus Schmitt	240,000	31,225	12,000	0	283,225
TOTAL	740,000	93,977	36,000	240,000	1,109,977

[1] Paid out in the 2010 fiscal year
[2] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[3] Up until 2010 Mr. Fischer was granted a minimum compensation of EUR 240,000 per year. Under the terms of the contract extension, a cash bonus was agreed with him replacing the previous minimum variable compensation and this is linked to individual targets.

VARIABLE COMPENSATION WITH A LONG-TERM INCENTIVE EFFECT

	Fiscal Year 2010[1]		Fiscal Year 2009[2]	
	Fair value when granted in EUR ’000	Number of performance share units	Fair value when granted in EUR ’000	Number of performance share units
Wolfgang Egger, Chairman	114,742	28,543	0	0
Arwed Fischer	86,560	21,532	0	0
Klaus Schmitt	89,929	22,370	0	0
TOTAL	291,231	72,445	0	0

[1] Conversion into performance share units with two-year vesting period at an average price of EUR 4.02. Paid out in 2013 at the average Xetra price 30 days prior to and after December 31, 2012.
[2] No performance share units were granted for the 2009 fiscal year since the specified target hurdle was not reached and no long-term variable compensation was paid at all.

COMPENSATION OF THE SUPERVISORY BOARD

In line with the recommendations of the German Corporate Governance Code, the compensation of the Supervisory Board is made up of a fixed and a variable component. The fixed compensation is paid to the Supervisory Board members in four identical installments, in each case at the end of a quarter. In view of the size of the Supervisory Board with just three members no committees were formed so that the recommended committee remuneration is therefore irrelevant.

The variable components are based on the dividend that is distributed to shareholders for the previous fiscal year. Each Supervisory Board member receives EUR 675 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.05 per share but does not exceed a dividend amount of EUR 0.50 per share. Each Supervisory Board member receives an additional EUR 375 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.50 per share but does not exceed a dividend amount of EUR 0.75 per share. Each Supervisory Board member receives an additional EUR 225 for each dividend of EUR 0.01 per share that exceeds a dividend of EUR 0.75 per share but does not exceed a dividend amount of EUR 1 per share. The variable compensation is payable upon the close of the Annual General Meeting, which decides on the appropriation of profit for the previous fiscal year in each case.

Variable compensation for the Supervisory Board is based on the dividend for the previous fiscal year

The Chairman of the Supervisory Board receives 1.33 times the fixed and variable compensation respectively. If a Supervisory Board member was not a member for the entire fiscal year, he/she only receives the fixed and variable compensation pro rata temporis. The members of the Supervisory Board also receive reimbursement for all expenses as well as reimbursement for any value-added tax payable on their compensation and expenses.

The fixed components of the Supervisory Board compensation for the 2011 fiscal year amounted to EUR 62,500, plus reimbursement for expenses. The variable compensation cannot be calculated and paid out until the Annual General Meeting for the 2011 fiscal year has approved the proposal on the appropriation of net profit. The Managing Board and the Supervisory Board propose that bonus shares be issued to shareholders at a ratio of 10:1 via a capital increase from retained earnings in lieu of a dividend for the past 2011 fiscal year. This would mean that – as in the period 2007-2010 – the Supervisory Board would not receive any variable compensation.

The following payments were granted to the Supervisory Board in 2011:

	Fixed compensation		Variable compensation	
in EUR	2011	2010	2011[1]	2010
Dr. Theodor Seitz, Chairman	25,000	25,000	0	0
Harald Boberg	18,750	18,750	0	0
Manfred J. Gottschaller	18,750	18,750	0	0
TOTAL	**62,500**	**62,500**	**0**	**0**

[1] Subject to the 2012 Annual General Meeting agreeing the appropriation of net profit

TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The members of the Managing Board and Supervisory Board or related parties also effected transactions with PATRIZIA Immobilien AG and its subsidiaries in 2011. A list of transactions complying with standards customary in the sector can be found in the Notes under item 9.3. No members of the Managing Board, Supervisory Board or Company were involved in any conflict of interest.

The PATRIZIA Share

KEY FIGURES FOR THE PATRIZIA SHARE

		2011	2010	2009
Share prices[1]				
High	EUR	5.90	3.85	4.02
Low	EUR	3.06	2.59	1.29
Year-end closing price	EUR	3.43	3.84	3.06
Share price performance	%	–10.8	25.5	87.7
Market capitalization as of December 31[1]	EUR million	178.8	200.2	159.5
Average trading volume per day[2]	EUR	423,800	182,000	189,900
Average trading volume per day[2]	shares	91,200	56,000	75,400
Trading volume for the year[2]		0.45	0.27	0.37
No. of shares in issue as of December 31	million shares	52.13	52.13	52.13
Earnings per share (IFRS)	EUR	0.26	0.12	–0.18
Price-earnings ratio		13	32	–17
NAV per share	EUR	7.07	6.86	6.18
Dividend per share	EUR	0.00[3]	0.00	0.00

Please refer to diagram on p. 38

Please refer to diagram on p. 37

Please refer to table on p. 61

[1] Closing price in Xetra trading
[2] All German stock exchanges
[3] Instead, issue of bonus shares in a ratio of 10:1, subject to approval of the 2012 Annual General Meeting.

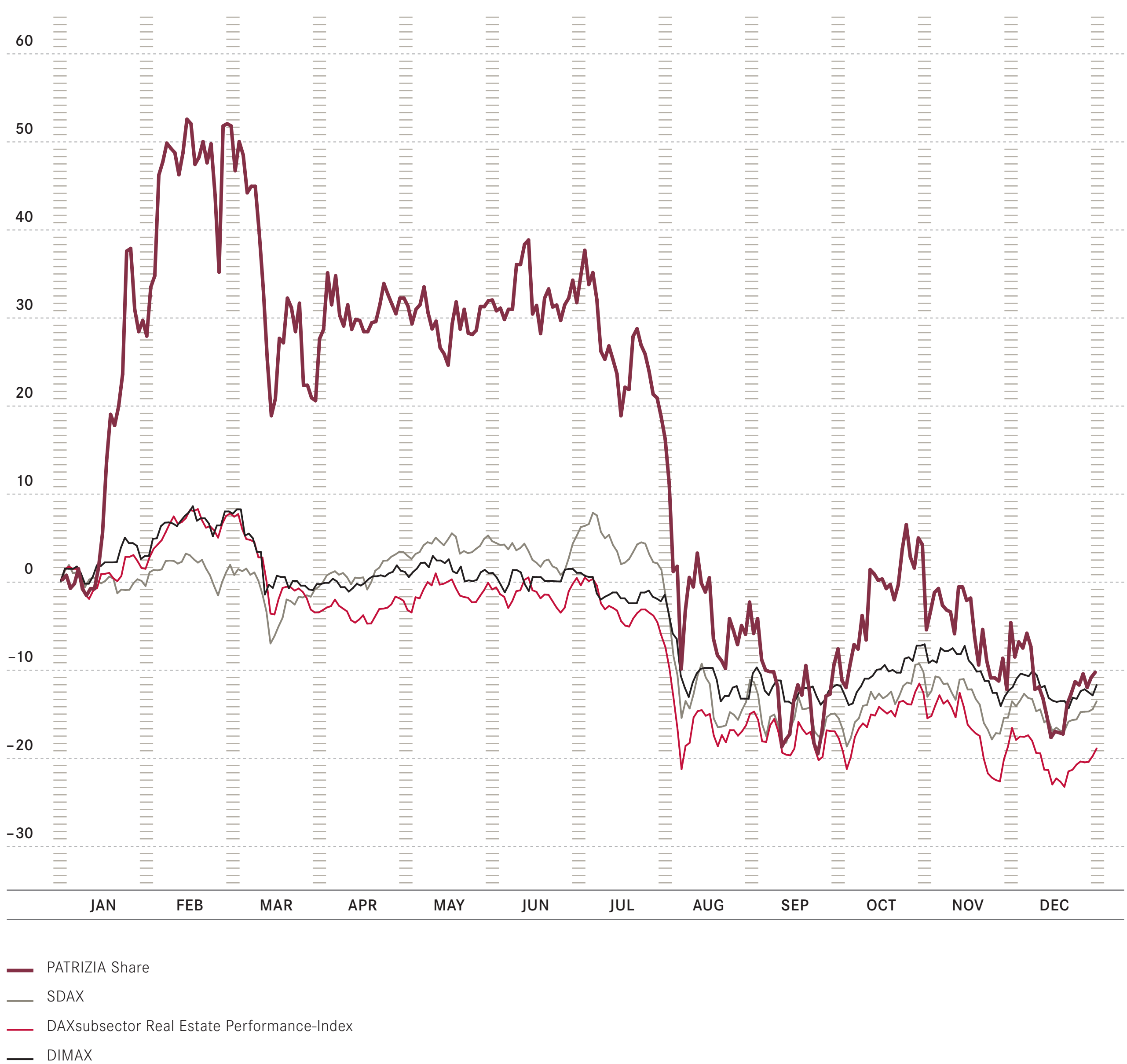
During the past year the continuing eurozone debt crisis triggered new concerns about the stability of international financial systems and clearly took its toll on the stock markets. Investors were particularly unsettled by Greece's dramatic budget situation. The rating agencies' decision to downgrade the credit rating of countries such as Spain, Portugal, Ireland and Italy compounded the strains on securities trading. Banks that had invested in government bonds of the affected countries were increasingly sucked into the undertow of the sovereign debt crisis. Against this backdrop, the economic outlook also became bleaker. All this was reflected in sharp price falls on the stock market. Even the DAX 30 index was not immune from the crisis. After reaching a high for the year in May, the index fell and closed 2011 on 5,898 points – a drop of 14.7% on the end of 2010. German small caps also proved disappointing for investors, with the SDAX performing poorly and posting a loss of 14.5%.

European sovereign debt crisis caused volatility in the markets

Speculation about measures to save the countries in the euro area that were facing insolvency and fears that global economic growth could experience a further downturn prompted frenzied volatility on the markets. With no solution to the sovereign debt crisis on the horizon, the VDAX volatility indicator recorded its highest level for two years at the start of October 2011, reflecting the growing uncertainty among market participants.

The PATRIZIA share closed 2011 down 10.8%. The peer group of listed housing portfolio companies fared very differently in 2011: Only one issuer recorded a positive trend of 4.2% for its shares, while the others recorded price falls of between 2.2 and 46.2%. The reference indices also posted heavier declines than PATRIZIA: The SDAX lost 14.5%, the DAXsubsector Real Estate Performance-Index fell by 18.8% and the DIMAX real estate stock index created by the bank Ellwanger & Geiger fell by 11.9%. From this, it can be seen that despite its fall in price, the PATRIZIA share asserted itself comparatively well in a difficult market and still reveals an upward trend when viewed over two and three years.

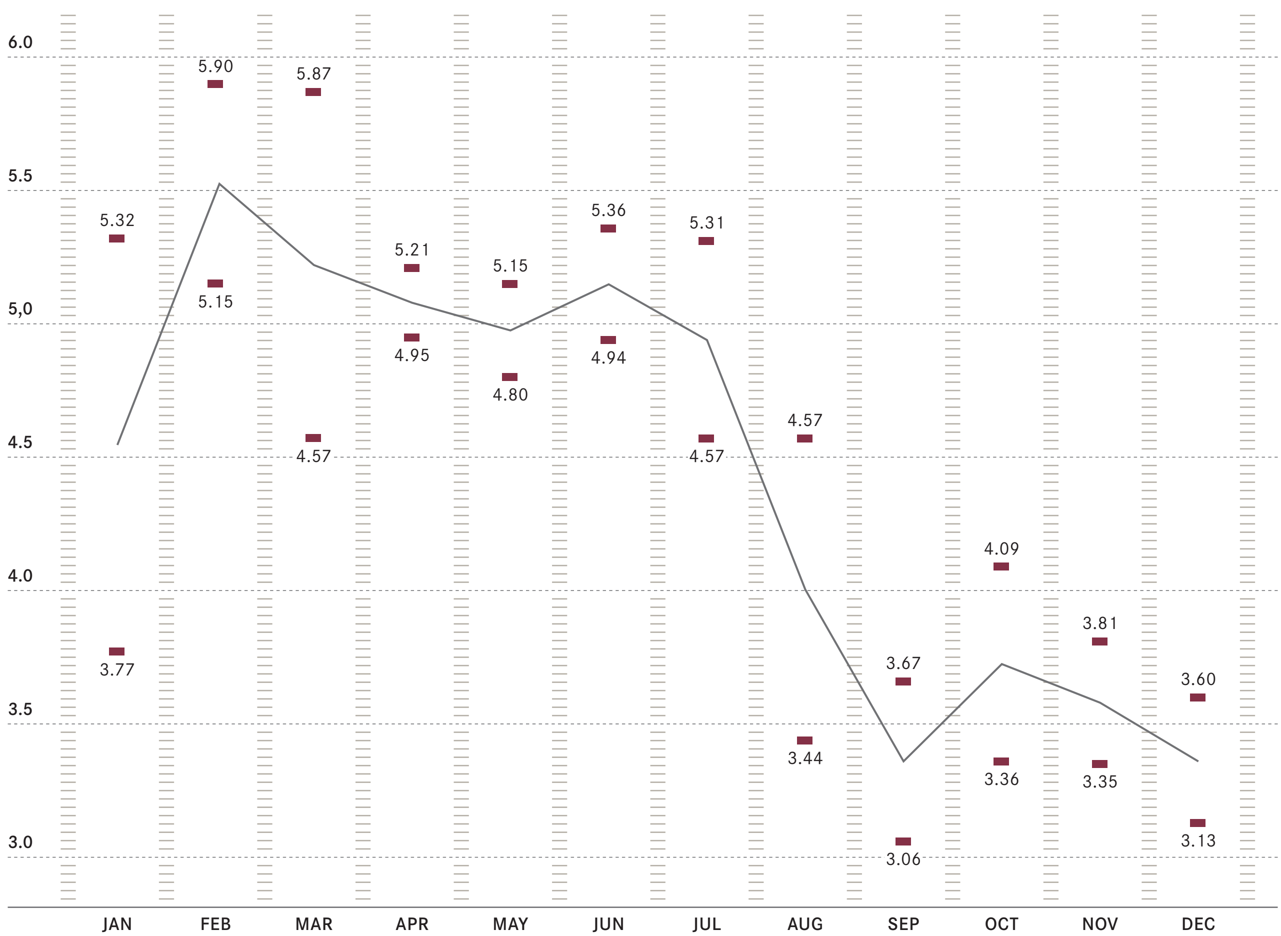
PERFORMANCE OF THE PATRIZIA SHARE COMPARED WITH DIFFERENT INDICES IN 2011 (%)



Positive development of PATRIZIA's share price until the beginning of August

Having opened 2011 at a price of EUR 3.84, the PATRIZIA share posted a considerable increase in value during the first few months – rising to EUR 5.90 (+53.6%) in the middle of February, which also marked its high for the year. Other stocks had already started to experience a similar recovery at the end of 2010. A reverse trend took hold in March and the share lost many of its gains before trading sideways until July, when the next price drop set in. Viewed over the year as a whole, however, the share price showed an upward trend until the start of August when a serious stock market crisis sent prices tumbling across the globe. A recovery in October provided a brief respite in the negative trend in the PATRIZIA share price. Alongside macro-economic factors, market participants' dwindling confidence about our ability to achieve our forecast for the year arguably had a detrimental impact on our share price. After nine months, and even though we were performing to plan, we had achieved an operating result of only EUR 5.5 million compared with our target of EUR 16 to 17 million. The PATRIZIA share closed 2011 at EUR 3.43, losing EUR 0.41 or 10.8% over the year. It was able to make up ground at the start of 2012.

HIGHS AND LOWS OF THE PATRIZIA SHARE IN 2011 (EUR)



Lowest and highest price (Closing price in Xetra trading)

Month average

The positive start to the year contributed to a further increase in trading volume in 2011: On average, all German stock markets traded 91,200 stocks per day, compared with 56,000 in the previous year. Based on PATRIZIA Immobilien AG's total number of shares (52.13 million), the total of 23.4 million PATRIZIA shares traded during the reporting year represents an annual turnover of 0.45 (previous year: 0.27). The share's liquidity thus showed a marked improvement.

Trading volume increased significantly in the 2011 fiscal year

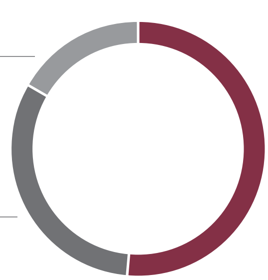
RESEARCH RELATING TO PATRIZIA

Bank	Analyst
Baader Bank AG	Andre Remke
Bankhaus Lampe KG	Frank Neumann
Berenberg Bank Joh. Berenberg, Gossler & Co.KG	Kai Klose
Close Brothers Seydler Research AG	Manuel Martin
DZ Bank AG	Ulrich Geis
HSBC Trinkaus & Burkhardt AG	Thomas Martin
J.P. Morgan Cazenove	Harm Meijer
Warburg Research GmbH	Torsten Klingner

We publish the current consensus overview on our website: www.patrizia.ag/en/investor-relations/shares/analysts-recommendations.html

PATRIZIA's shareholder structure remained largely stable in 2011. First Capital Partner GmbH, which is attributable to our CEO Wolfgang Egger, increased its shareholding from 49.97% to 51.55% and remains the company's main shareholder. Alfred Hoschek's shareholding fell below the reporting threshold of 3%; in August we were notified that his holding amounted to 2.16%. The share of institutional investors rose from 24.8% to 32.06% during the reporting year. The share held by private shareholders fell accordingly, from 25.3% to 16.39%.

PATRIZIA SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2011



[1] Private shareholders recorded in the register of names, those not recorded are estimated