



Q/3

## KEY FIGURES

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
REVENUES AND EARNINGS	EUR'000	EUR'000	EUR'000	EUR'000
Revenues	41,387	66,430	99,796	194,935
Total operating performance	112,392	62,311	762,460	210,916
EBITDA	77,651	17,730	101,183	42,981
EBIT	77,458	17,585	100,567	42,550
Net profit	36,645	9,044	46,466	24,267

	30.09.2007	31.12.2006
STRUCTURE OF ASSETS AND CAPITAL	EUR'000	EUR'000
Non-current assets	749,502	3,541
Current assets	850,755	371,125
Equity	336,516	191,724
Equity ratio (in %)	21.0 %	51.2 %
Total assets	1,600,257	374,666

SHARE	
ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital as at September 30, 2007	52,130,000
No. of shares in issue as at September 30, 2007	52,130,000
Third quarter 2007 high*	13.71 Euro
Third quarter 2007 low*	9.40 Euro
Closing price as at September 28, 2007*	10.74 Euro
Market capitalization as at September 28, 2007	559.9 Mio. Euro
Indices	SDAX, EPRA, GEX, DIMAX

\* Closing price at Frankfurt Stock Exchange Xetra trading

## LETTER TO THE SHAREHOLDERS

Dear Shareholders,  
Ladies and Gentlemen,

The third quarter was a turbulent period for all capital market participants. What started as a crunch on the U.S. mortgage market quickly developed into a crisis that engulfed the global financial and capital markets. Investors and analysts alike have repeatedly asked what effect these developments will have on PATRIZIA's operations. We would like to clearly reiterate our position on this matter: PATRIZIA Immobilien AG is not involved in the crisis on the U.S. real estate market, nor has the crisis had any impact on our business activities. We have continued to acquire real estate portfolios in Germany and have had no difficulties in obtaining financing for these acquisitions.

Developments in the third quarter also demonstrated the fact that the portfolios transferred to our ownership in February and March 2007 were acquired with upside potential. Under the terms of the corresponding syndication, the financing bank required that an assessment of the fair value of a portion of these portfolios be prepared by a neutral, internationally recognized appraiser. This conservative appraisal led to a higher valuation of this sub-portfolio, meaning that we were required to recognize a write-up to fair value in the amount of EUR 66.3 million in accordance with the applicable IFRS accounting principles.

The higher fair value serves to underline the premium standard of the real estate portfolios in our ownership: high-quality properties at attractive locations in Germany with positive future prospects and growing populations, and hence high demand for living space. Rents and purchase prices for residential real estate in these excellent locations have increased over recent weeks and months, allowing us to adjust rents to reflect market rates for the first time. The fair value of our real estate portfolios compared with their acquisition price has also increased as a result.

At the same time, the sale of individual residential units did not commence as early as had been anticipated. Although the number of units sold to tenants, owner-occupiers and private investors was up 32 % on the previous quarter at 123, this figure failed to meet the expectations of the market or our own targets. But what were the reasons for these disappointing sales figures?

There were delays in the private resale process for the approximately 2,000 residential units for which start of sales began in July of this year, meaning that the sale of the majority of the higher-priced units in Munich and Cologne only commenced in September. This situation was caused by delays in the legal

separation of real estate, the late delivery of documents by the previous administration of the seller, and delays resulting from our own growth. Since our IPO on March 31, 2006, our real estate portfolio has increased tenfold and our workforce has grown by more than 35 %. The coordination and integration measures that we have been required to implement as a result of this development have taken longer than we anticipated at the beginning of 2007. Another reason for the delay in the start of sales was undoubtedly the high level of public attention enjoyed by PATRIZIA since acquiring its major portfolios. Prior to the start of the private resale of residential properties in particular, the Company was required to enter into extensive discussions with tenants, associations and interested members of the public in order to create the conditions for the individual sale of the respective units. All of these factors resulted in delays in the start of the marketing of PATRIZIA's residential resale portfolios.

What does this mean for the further development of the resale process? Most of the relevant barriers have now been removed, with our internal integration activities in particular having now been completed. We are maintaining our strategy of focusing on earnings growth rather than revenue growth. The generation of sustainable earnings is a key factor in the sale of our properties. Individual property sales in Cologne and Munich are now underway; however, revenues from these portfolios are not expected to be generated to a significant extent until the 2008 financial year. The private sale of residential real estate in Germany has the potential for success if the corresponding properties are situated at attractive locations and are of a sufficiently high quality. Our portfolios contain precisely this kind of property. Based on this assessment and the value growth of our real estate holdings, we are increasing our forecast net profit for the 2007 financial year from EUR 45 million to EUR 48 million.

In future, we believe that PATRIZIA will remain the specialist for residential real estate in Germany. However, we are also working on the further development of



our Company. In the past, we have focused on residential property resale. At the same time, however, we have other options for the placement of real estate portfolios. The Residential Property Resale business line remains a key sales driver, but we have also identified additional sales opportunities on the market. The cash inflow from the IPO and the capital increase in January 2007 have allowed PATRIZIA to open up a new growth dimension. The Company's improved equity situation means that we are able to further expand our other high-margin business areas. Accordingly, the two additional business lines in our Investment segment – Asset Repositioning and Project Development – and the associated process of portfolio value enhancement have been further expanded, and we will continue to press ahead with this development in future.

We now see ourselves more than “real estate industry”: our focus is on the acquisition of real estate resources and their value enhancement and optimization through the performance of work on the properties themselves and the resale of these optimized assets. The corresponding transaction types – which may take the form of private resale, global sales as part of asset repositioning or another sales strategy – primarily depend on the target return. Our aim is to leverage the opportunities offered by the market and to meet the requirements of our customers and their long-term orientation.

With our many years of experience on the German real estate market, our property expertise and, above all, our current market position, we believe that we are well-equipped for the future.

#### The Management Board

			
Wolfgang Egger	Dr. Georg Erdmann	Alfred Hoschek	Klaus Schmitt
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

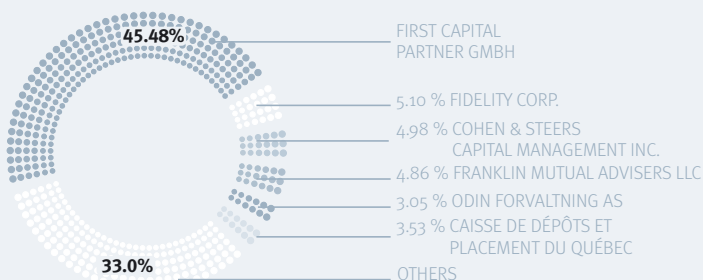


## THE PATRIZIA SHARE

In the third quarter of 2007, PATRIZIA's shares underperformed the market as a whole. On the reporting date September 28, the Company's share price closed at EUR 10.74, down 18.1 % on the start of the quarter.

The reduced market capitalization as a result of the Company's share price development and the significant, high-volume IPOs that have been implemented in the current financial year were two of the reasons for the reclassification of PATRIZIA's shares to the SDAX with effect from September 24, 2007.

### Shareholder structure of PATRIZIA Immobilien AG



As of: October 19, 2007

In the period under review, Caisse de dépôts et placement du Québec, Canada, exceeded the threshold of 3 % of the voting rights and notified the Company that it held 3.36 % of PATRIZIA's shares. By contrast, Cohen & Steers Capital Management Inc., USA, reduced its interest in the voting rights of the Company from 5.10 % to 4.98 %.

## INTERIM MANAGEMENT REPORT

### 1. BUSINESS DEVELOPMENT AND SIGNIFICANT TRANSACTIONS IN THE THIRD QUARTER OF 2007

#### SIGNIFICANT EVENTS IN THE INVESTMENTS SEGMENT

The third quarter of 2007 was impacted to a large extent by the sub-prime loan crisis in the USA and its consequences, among other things. Despite these developments, PATRIZIA was able to acquire additional portfolios at attractive locations in Germany. Financing for these acquisitions was achieved without difficulty from German banks with which PATRIZIA has had a good business relationship for a number of years.

In the third quarter of 2007, PATRIZIA acquired a further 66 residential units in Berlin for private resale. The building in the Charlottenburg-Wilmersdorf district is characterized by an excellent location and a low vacancy rate of just 1.5 %. The purchase price for the properties, which were constructed in 1976 and offer total living space of more than 4,500 m<sup>2</sup>, was EUR 4.5 million. The residential units were notarized in September 2007 and will be transferred to our ownership in the fourth quarter of the current financial year. They will then be broken down into individual residential units and sold privately as of 2008.

In addition, the Company acquired a portfolio of 174 residential units in Munich for the purposes of asset repositioning. The buildings, which date back to the early 1950s and offer total living space of around 9,600 m<sup>2</sup>, are in a good state of construction and maintenance. On account of the growth potential offered by the rental income from these properties, PATRIZIA intends to retain ownership of the leased residential units until the portfolio has been fully optimized, after which it will be sold off. PATRIZIA currently has around 6,000 residential properties in Munich, the most attractive market for residential real estate in Germany.

The Company acquired a total of 240 residential units in the third quarter of 2007. Between January and September, a total of around 11,000 residential units and 500 commercial units were transferred to the Company's ownership. Adjusted for the units sold, the Company's portfolio as of September 30, 2007 consisted of approximately 12,700 residential units and 500 commercial units in attractive locations.





### Overview of PATRIZIA's premium portfolio

Region/City	Number of units	Population growth by 2020	Residential real estate vacancy rate	Expected average rental growth p.a. till 2010	Expected average growth in selling prices p.a. till 2010
Munich	5,699	7.8 %	up to 2.5 %	2.75 %	2.75 %
Cologne/Düsseldorf	1,646	– 1.3 %	up to 2.5 %	2.25 %	2.25 %
Hamburg	1,445	2.8 %	up to 2.5 %	2.25 %	2.25 %
Leipzig	981	1.8 %	4 – 7 %	2.25 %	1.75 %
Frankfurt/Main	960	– 3.0 %	up to 2.5 %	2.25 %	2.00 %
Berlin	911	– 0.5 %	4 – 7 %	2.00 %	2.00 %
Dresden	561	3.1 %	7 – 10 %	2.75 %	2.00 %
Regensburg	475	4.3 %	up to 2.5 %	2.25 %	2.25 %
Hanover	461	– 1.8 %	4 – 7 %	1.75 %	1.75 %
Friedrichshafen	129	0.3 %	up to 2.5 %	2.25 %	2.25 %

Source: PATRIZIA Immobilien AG (Bertelsmann Stiftung, Empirica, Feri)

### Land acquired for Property Development segment

In the third quarter of 2007, PATRIZIA acquired land for the purposes of property development in Frankfurt/Main, Munich, and its home city of Augsburg.





As announced in the supplementary of the interim report on the first six months of 2007, PATRIZIA has acquired a development site in Frankfurt/Main with an area of 8,000 m<sup>2</sup>. The decisive factor behind the acquisition from PATRIZIA's point of view was the excellent central location of the site at Feuerbachstrasse 40-46 in the Westend district of the city. The purchase price was EUR 40 million, with further investment of EUR 60-80 million planned for the construction of a mixed-use residential and commercial development with gross floor space of around 25,000 m<sup>2</sup>. Approximately 70 % of the usable space created as part of the project will be used for residential units, with office premises accounting for the remaining 30 %. The rebuilding of the site, which is currently primarily populated with commercial properties dating back to the 1960s, is scheduled to start in early 2008. The planned project development, which is expected to be completed in four to five years, is characterized by its significant value enhancement potential and the anticipated high level of demand among commercial and private users.

In September 2007, PATRIZIA also entered into a strategic cooperation with Landesbank Baden-Württemberg for selected projects in its Project Development business line. Under the terms of this arrangement, PATRIZIA sold a 50 % interest in the aforementioned site to LBBW Immobilien Development Beteiligungen GmbH, a subsidiary of Landesbank Baden-Württemberg. The Company plans to expand this cooperation on a project-specific basis to include other selected locations in future.

PATRIZIA Immobilien AG has acquired a further site for development in close proximity to the historic Viktualienmarkt in Munich. The site, which is around 900 m<sup>2</sup> in size and is currently undeveloped, will be used for the construction of a mixed-use development with gross floor space of roughly 3,700 m<sup>2</sup>. The total investment volume, including the purchase price, is around EUR 21 million. As well as shops and high-quality office space, half of this premium inner-city location will be used for residential units. Construction at the site in Zwingerstraße is scheduled to begin in the third quarter of 2008, meaning that the project should be completed at the earliest by the end of 2009.

In addition, a site with an area of around 2,800 m<sup>2</sup> has been acquired in Augsburg. The planned new construction with gross floor space of 3,300 m<sup>2</sup> will be used exclusively for residential units. The “Am Schwalbeneck” development project has a total investment volume of around EUR 9 million, including the purchase price. Construction is expected to begin in the first quarter of 2008, with the project scheduled for completion at the earliest by the end of 2009.

## SIGNIFICANT EVENTS IN THE SERVICES SEGMENT

### **Acquisitions for Co-investment with Pension Funds**

PATROffice GmbH & Co. KG is the co-investment vehicle jointly formed by PATRIZIA, Stichting Pensionsfonds ABP (Netherlands) and ATP Real Estate (Denmark). Under the terms of this joint venture, PATRIZIA acquires the corresponding real estate – primarily consisting of German commercial properties – and performs asset management for the portfolio. Commercial real estate with a volume of around EUR 57 million was acquired between the formation of the joint venture in the second quarter of the current financial year and the reporting date September 30, 2007. The maximum investment volume is EUR 700 million. The properties acquired are situated in central locations in Munich, Nuremberg, Augsburg, Frankfurt/Main, Saarbrücken, Düsseldorf and Essen.

## **2. OUR EMPLOYEES**

PATRIZIA's workforce increased once again in the third quarter of 2007: at September 30, the Company had a total of 309 employees, representing growth of 25.1 % (or 62 in absolute terms) since December 31, 2006. Of this figure, 29 people were newly employed between July and September of the current financial year. Due to the transfer of ownership of major portfolios, this growth was primarily concentrated on the Real Estate Management business line.

At the start of the new training year, five young people began their apprenticeship with PATRIZIA, meaning that we have now increased the number of trainees at the Company from ten to 15. This qualified promotion of young people represents our contribution to the sustainability of our own workforce requirements, as well as embodying our commitment to a wider sense of corporate responsibility.

### 3. EARNINGS, NET ASSETS AND FINANCIAL SITUATION

#### Earnings Situation of the PATRIZIA Group

In the first nine months of 2007, PATRIZIA generated revenues of EUR 99.8 million, down 48.9 % year-on-year (previous year: EUR 194.9 million). In the third quarter, revenues totaled EUR 41.4 million, down EUR 25.0 million or 37.7 % on the same period of the previous year. The prior-year figures include the sale of around 1,000 residential properties in the Asset Repositioning line, which was recognized in income in the second quarter of 2006. No global sales have been conducted in the current financial year to date. On a quarter-by-quarter basis, revenues increased from EUR 34.9 million in the second quarter of 2007 to EUR 41.4 million in the third quarter. This is primarily attributable to higher purchase price revenues from the individual sale of residential units.

The structure of revenues in the third quarter of 2007 is set out below:

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	Nine month ended 01.01. – 30.09.2007
	IN EUR MILLION	IN EUR MILLION
Purchase price revenues from property resale	15.8	37.2
Purchase price revenues from asset repositioning	0	0
Rental revenues	17.9	47.0
Revenues from the Services segment	2.0	3.9
Other	5.8	11.7
<b>CONSOLIDATED REVENUES</b>	<b>41.4</b>	<b>99.8</b>

In the third quarter of 2007, a total of 123 residential units were sold to tenants, owner-occupiers and private investors. The third quarter saw the start of the private resale of the first property holdings from the MEAG and HDI Gerling portfolio acquisitions. Due to delays in the legal separation of the real estate into

individual residential units and internal coordination and integration activities, the individual resale of the higher-priced apartments in Munich and Cologne only began in September 2007. The relevant internal coordination measures have now been fully implemented, allowing the resale process to be initiated without further delays. Property resale generated purchase price revenues of EUR 15.8 million. This was offset by the corresponding decrease in inventories in the amount of EUR 10.9 million.

240 residential units were notarized in the third quarter of 2007. In the first nine months of the year, a total of 2,006 residential and 74 commercial units were notarized. Changes in inventories in the third quarter amounted to around EUR 70.4 million, reflecting the increase in PATRIZIA's real estate holdings. In the first nine months of the year, changes in inventories amounted to EUR 661.6 million; this included the two major portfolio acquisitions effected in 2006, ownership of which was transferred to the Company in the first quarter of 2007. The cost of materials in the first three quarters of 2007 amounted to EUR 706.5 million. This primarily related to the cost of acquiring the properties classified as inventories.

Staff costs for the third quarter of 2007 amounted to around EUR 4.4 million, up just 3.2 % or EUR 0.1 million on the previous quarter. Staff costs for the first nine months of the year totaled EUR 12.3 million, 16.4 % higher than in the corresponding period of the previous year. This is due to the year-on-year growth in the Company's workforce of 24.1 % to 309 employees, compared with 249 as of September 30, 2006.



Changes in the fair value of investment property totaled EUR 66.3 million in the third quarter of 2007. Under the terms of the syndication of real estate finance, the financing bank required that an assessment of the fair value of a portion of the relevant portfolios be prepared by a neutral, internationally recognized appraiser. This conservative appraisal led to a higher valuation of the real estate portfolios, meaning that we were required to recognize a write-up to fair value in the amount of EUR 66.3 million in accordance with the applicable IFRS accounting principles.

The items recognized in other operating expenses totaled EUR 11.9 million in the period under review, up 7.7 % on the first nine months of 2006. This was primarily due to the expansion of our operating activities. Other operating expenses for the third quarter of 2007 amounted to EUR 4.2 million, 2.8 % lower than the figure for the same period of the previous year.

Adjusted for changes in the fair value of investment property, EBITDA for the third quarter amounted to EUR 77.7 million, while EBITDA for the first nine months of 2007 increased by 135.4 % or EUR 58.2 million compared with the previous year. EBIT (earnings before interest and taxes) showed a similar development, rising by EUR 58 million in the first nine months of 2007 to total EUR 100.6 million.



Financial income amounted to around EUR 1.0 million in the third quarter of 2007. The decline as against the previous quarter was primarily due to the marking to market of interest rate derivatives, which resulted in significant income in the second quarter. The financial income recorded by the Company was offset by finance costs in the amount of EUR 24.4 million. This figure includes interest costs for the servicing of bank loans in the amount of EUR 17.7 million and changes due to the marking to market of interest rate hedging instruments in the amount of EUR 6.7 million. The large number of real estate acquisitions conducted during the year to date and the necessary financing meant that total finance costs for the first nine months of 2007, including changes in the fair value of interest rate hedging instruments, increased to around EUR 48.8 million (previous year: EUR 5.2 million). The carrying amount of our real estate holdings increased from approximately EUR 212.6 million at September 30, 2006 to around EUR 1.5 billion as of September 30, 2007.

Earnings before taxes (EBT) increased from EUR 10.9 million in the second quarter of 2007 to EUR 54.0 million in the third quarter. This growth was due to changes in the value of investment property, among other things. Earnings before taxes for the first nine months also increased by 76.4 % compared with the figure of EUR 39.1 million recorded in the previous year. After adjustment for income taxes, the Company's net profit for the third quarter of 2007 totaled EUR 36.6 million, while the net profit for the first nine months amounted to around EUR 46.5 million. Accordingly, earnings per share increased from EUR 0.53 in the first nine months of 2006 to EUR 0.89.

The following table provides an overview of the key income statement items:

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
	EUR'000	EUR'000	EUR'000	EUR'000
Revenues	41,387	66,430	99,796	194,935
Total operating performance	112,392	62,311	762,460	210,916
EBITDA	77,651	17,730	101,183	42,981
EBIT	77,458	17,585	100,567	42,550
Earnings before income taxes	53,998	16,697	69,064	39,141
Net profit for the period	36,645	9,044	46,466	24,267

### Net Assets and Financial Situation of the PATRIZIA Group

Total assets increased as against the previous quarter, totaling EUR 1,600.3 million as of September 30, 2007. This development was due to the expansion of our business activities, which resulted in a higher real estate volume, as well as the fair value measurement of investment property. Total assets also increased significantly compared with the end of the 2006 financial year, rising by EUR 1,225.6 million as a result of the extensive acquisition of around 11,600 units and the corresponding purchase price payments and financing.

PATRIZIA holds some residential properties for a longer period in order to generate continuous revenues in the form of stable rental income. Accordingly, these properties are reported as investment property in accordance with IAS 40. At September 30, 2007, investment property totaled EUR 711.6 million. As mentioned previously, a portion of the Company's property holdings were re-valued on the basis of an expert appraisal. This appraisal determined that the fair value of the investment property was higher than its carrying amount, resulting in an adjustment of EUR 66.3 million in accordance with the provisions of IAS 40.

Property under construction relates to the project development property "Dresden Altmarktkarree 2" and the asset repositioning project "Munich Ludwigsfeld", both of which are carried at amortized cost in accordance with IAS 16. At EUR 20.5 million, the carrying amounts of these properties were up slightly on the prior-period figure of EUR 19.7 million.

The Company's equity interests increased to EUR 4.4 million (June 30, 2007: EUR 0.06 million). This item includes PATRIZIA Immobilien AG's interest in PATROffice GmbH & Co. KG, our joint venture with the pension funds ABP and ATP, as well as our 50 % stake in the project development site "Frankfurt Feuerbachstrasse".

Residential and commercial units held for immediate resale are reported as inventories. In the third quarter of 2007, inventories recorded moderate quarter-on-quarter growth of 3.7 % to EUR 779.3 million. Compared with the previous year, however, inventories increased by 241 %. This is largely attributable to the transfer of ownership of the portfolios that were notarized in the fourth quarter of 2006.

Bank balances and cash in hand fell from EUR 62.9 million to EUR 34.9 million as a result of purchase price payments falling due in the third quarter, among other things.



On the **liability side** of the balance sheet, the net profit for the third quarter meant that equity increased from EUR 301.5 million at June 30, 2007 to EUR 336.5 million at September 30, 2007. Accordingly, the equity ratio increased to 21.0 % as of the end of the third quarter. Liabilities to banks increased slightly as against the previous quarter. At September 30, 2007, long-term bank loans totaled around EUR 32.7 million (June 30, 2007: EUR 30.2 million), while short-term bank loans amounted to EUR 1,188.9 million (June 30, 2007: EUR 1,175.6 million). The significant increase in bank loans compared with December 31, 2006 is attributable to the bank financing that was concluded in connection with the acquisition of major portfolios. To hedge the interest rate risk arising from its bank loans, the Company has concluded various interest rate hedging instruments, all of which are reported at their market value. Interest rate hedges have been concluded for more than 80 % of our short-term bank loans.

#### 4. OPPORTUNITY AND RISK REPORT

The transactions, processes and activities of PATRIZIA are associated with opportunities and risks. In accordance with the German Act on Control and Transparency in Business (KonTraG), a cross-company risk management system at PATRIZIA ensures that risks are identified, assessed and analyzed at an early stage and that appropriate measures are taken to minimize such risks. In order to secure the commercial success of the company in the long term, opportunities are analyzed at the same time in order to identify and leverage the associated potential.

No risks that could jeopardize the continued existence of the company, either now or in the future, are currently identifiable. Changes in PATRIZIA's macro-economic environment in general and the German real estate market in particular may impact the Company's performance. Developments with an adverse effect on available income, such as a reduction in the acquisition rate, could lead to a fall in demand for residential property.

The extensive use of external financing in connection with our real estate acquisitions means that we are exposed to interest rate risk. We have countered this risk by entering into interest rate hedges for over 80 % of our short-term bank loans, more than 90 % of which have a term in excess of five years.

At present, we believe that the opportunities arising from PATRIZIA's business model primarily relate to the continued low level of home ownership in Germany, which trails most of the rest of Europe with an ownership rate of around 43 %. Due to the decline in the number of planning permits issued and the construction of new buildings, there is expected to be a shortage of residential space at selected locations in the medium to long term. According to the German Federal Statistical Office, the number of planning permits issued in the first half of 2007 was down around 38 % on the previous year. Construction costs have also increased. Taken together with a rise in the number of households and growing living space requirements per tenant, this will lead to a shortfall in the amount of available residential space. Based on these factors, the Company believes that its real estate portfolios will enjoy a high level of demand and upside potential.

In our view, rising employment figures in Germany and the strengthening of real estate in the context of private pension provision are also likely to generate additional demand for residential real estate. Furthermore, the extremely high-quality portfolios we have acquired are situated at prime locations in regional conurbations with strong future prospects. This fact, coupled with the strength of the underlying fundamental data such as purchasing power, means that a decline in demand is not expected.

The individual segments are additionally exposed to operational risks relating to competition for qualified employees, protection of the IT system, the financing or credit rating of our business partners and possible legal proceedings, for example. We would like to note that the statements published in the risk report contained in the 2006 Annual Report remain valid. We are not aware of any additional risks at present.

Our 23 years of experience on the German residential real estate are a vital factor in the competition for attractive residential properties. As a "real estate industry", we perform services along the entire value chain, allowing us to leverage and benefit from synergies within our comprehensive range of real estate services.

## 5. SUPPLEMENTARY REPORT

There were no significant transactions or events after the end of the reporting period.

## 6. REPORT ON EXPECTED DEVELOPMENTS

Despite the slowdown in the global economy, publications by various institutes are forecasting stable economic development in Germany, with average growth of 2.6 % for 2007 as a whole and 2.2 % for 2008 (year-on-year change in real GDP). Experts also believe that the employment situation will continue to develop positively. The unemployment figure in September 2007 was 3.5 million, down 16.4 % on the figure of 4.2 million recorded one year earlier. A key factor in the positive economic development in Germany is the increase in available income, which is primarily attributable to wage and salary increases, rising pensions and the growing number of people in work.

The positive development of the macroeconomic data for Germany also provides additional support for PATRIZIA's business model. In times of strong economic prospects, low unemployment and high available income, private consumers are more likely to be inclined to purchase residential properties. Furthermore, residential real estate is becoming an increasingly popular form of investment in the field of private pension provision. Properties in regions with strong economic potential, significant population influx and growing demand for living space will continue to develop positively.

However, the economic environment is not the only reason for our confidence in the future. PATRIZIA has also evolved as a Company: thanks to the funds inflow from the IPO and the capital increase, we are now able to further expand not only our core area of activity – residential property resale – but also other high-yield areas such as asset repositioning and project development. Accordingly, the individual sale of residential units remains an extremely important factor in our operations, but is not our only sales channel. Sales opportunities also present themselves in the form of global sales or other exit

strategies, with the Company's aim being to achieve an optimal balance between risk, capital employed and the timing of the respective income. On this basis, activities in the coming weeks and months will focus not only on the individual sale of residential properties, but also on the disposal of entire residential real estate portfolios.

We have also further expanded our Services segment, and intend to concentrate in particular on the investment and asset management business lines in future. In the area of investment management, we have already concluded the first acquisitions for PATRIZIA German Residential Fund I with an investment volume of around EUR 30 million, as well as acquiring commercial property in the amount of EUR 57 million for our joint venture with the pension funds ABP and ATP. Additional acquisitions have been made for the portfolios of long-term investors. In future, we intend to further expand our acquisition activities, both for our own fund operated by PATRIZIA Immobilien Kapitalanlagegesellschaft mbH and for third parties. As we now also perform asset management for these funds, this business line is expected to enjoy further growth. The expansion of the Services segment will provide the Company with additional stable income on a regular basis.

All in all, we believe that we are well prepared for the future. We are raising our forecast net profit for 2007 as a whole from EUR 45 million to EUR 48 million.

This report contains specific forward-looking statements that relate in particular to the business development of PATRIZIA and the general economic and regulatory environment and other factors to which PATRIZIA is exposed. These forward-looking statements are based on current estimates and assumptions by the Company made in good faith, and are subject to various risks and uncertainties that could render a forward-looking estimate or statement inaccurate or cause actual results to differ from the results currently expected.

#### Pictures

Front page 1,2 Berlin, Helmstedterstrasse | 3,13 Berlin, Hektorstrasse  
4 Berlin, Bismarckstrasse | 5–8 Dresden, Kötzschenbroder Strasse  
9,10 Markkleeberg, Hauptstrasse | 11,12 Leipzig, Hinrichsenstrasse



## CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS for the period from January 1, 2007 to September 30, 2007

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
	EUR'000	EUR'000	EUR'000	EUR'000
1. Revenues	41,387	66,430	99,796	194,935
2. Changes in inventories	70,400	– 4,318	661,553	15,161
3. Other operating income	605	198	1,111	820
<b>4. Total operating performance</b>	<b>112,392</b>	<b>62,311</b>	<b>762,460</b>	<b>210,916</b>
5. Cost of materials	– 92,377	– 36,025	– 706,493	– 146,265
6. Staff costs	– 4,438	– 4,212	– 12,335	– 10,600
7. Amortization of software and depreciation on equipment	– 193	– 145	– 616	– 431
8. Results from fair value adjustments to investment property	66,298	0	69,477	150
9. Other operating expenses	– 4,224	– 4,345	– 11,927	– 11,071
10. Finance income	961	455	17,295	1,609
11. Finance cost	– 24,421	– 1,342	– 48,797	– 5,167
<b>12. Profit before income taxes</b>	<b>53,998</b>	<b>16,697</b>	<b>69,064</b>	<b>39,141</b>
13. Income tax	– 17,352	– 7,653	– 22,598	– 14,874
<b>14. Net profit</b>	<b>36,645</b>	<b>9,044</b>	<b>46,466</b>	<b>24,267</b>
15. Profit carried forward	26,947	0	17,126	0
<b>16. Consolidated net profit</b>	<b>63,593</b>	<b>9,044</b>	<b>63,593</b>	<b>24,267</b>

## CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS TO SEPTEMBER 30, 2007

### ASSETS

	30.09.2007	31.12.2006
A. NON-CURRENT ASSETS	EUR'000	EUR'000
Software	284	237
Investment property	711,558	0
Investment property under construction	20,486	0
Equipment	2,087	1,472
Securities	0	0
Long-term derivate interest rate contract	10,675	0
Participations	4,412	1
Tax assets	0	361
Deferred tax assets	0	1,470
<b>Total non-current assets</b>	<b>749,502</b>	<b>3,541</b>
B. CURRENT ASSETS		
Inventories	779,325	228,403
Current receivables and other current assets	30,863	58,684
Marketable securities	0	0
Short-term derivate interest rate contract	5,638	827
Bank balances and cash	34,928	83,211
<b>Total current assets</b>	<b>850,755</b>	<b>371,125</b>
<b>TOTAL ASSETS</b>	<b>1,600,257</b>	<b>374,666</b>



## EQUITY AND LIABILITIES

	30.09.2007	31.12.2006
A. EQUITY	EUR'000	EUR'000
Share capital	52,130	47,400
Capital reserves	216,110	118,398
Retained earnings		
- legal reserves	505	505
- other retained earnings	0	0
Valuation results from cash flow hedges	4,178	475
Valuation results from financial instruments	0	0
Consolidated net profit	63,593	24,946
<b>Total equity</b>	<b>336,516</b>	<b>191,724</b>
B. LIABILITIES		
<b>NON-CURRENT LIABILITIES</b>		
Long-term bank loans	32,676	0
Long-term derivate interest rate contract	1,403	946
Retirement benefit obligations	391	306
Deferred tax liabilities	20,300	0
<b>Total non-current liabilities</b>	<b>54,770</b>	<b>1,252</b>
<b>CURRENT LIABILITIES</b>		
Short-term bank loans	1,188,886	125,494
Short-term derivate interest rate contract	0	0
Other provisions	398	535
Current liabilities	17,016	44,489
Tax liabilities	2,545	10,810
Other current liabilities	126	362
<b>Total current liabilities</b>	<b>1,208,972</b>	<b>181,690</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,600,257</b>	<b>374,666</b>

## CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1, 2007 to September 30, 2007

	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
	EUR'000	EUR'000
Consolidated profit after taxes	46,466	24,267
Amortization of intangible assets and depreciation on property, plant and equipment	616	431
Write-down of securities	0	0
Results from fair value adjustments to investment property	– 69,477	– 150
Loss from/gain on disposal of fixed assets	0	0
Change in deferred taxes	21,770	0
Non-cash item income and expenses that are not attributable to financing activities	– 11,325	– 69
Change in retirement benefit obligations	85	– 4
Changes in inventories, receivables and other assets that are not attributable to investing activities	– 578,038	– 20,892
Changes in liabilities that are not attributable to financing activities	529,054	– 50,870
<b>Cash outflow/inflow from operating activities</b>	<b>– 60,849</b>	<b>– 47,287</b>
Capital investments in intangible assets and property, plant and equipment	– 1,278	– 399
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of intangible assets and property, plant and equipment	0	1,850
Payments for development or acquisition of investment property	– 607,269	0
Investments	– 4,411	– 1
Cash receipts from disposal of financial assets	0	247
<b>Cash outflow/inflow from investing activities</b>	<b>– 612,958</b>	<b>1,697</b>
Dividend of PATRIZIA Immobilien AG	– 7,820	– 8,080
Capital increase of PATRIZIA Immobilien AG	104,060	129,500
Borrowing of long-term loans	530,903	0
Repayment of long-term loans	0	– 2,858
Other cash inflows or outflows from financing activities	– 1,619	– 4,266
<b>Cash outflow/inflow from financing activities</b>	<b>625,524</b>	<b>114,296</b>
<b>Change in operating activities of a cash nature</b>	<b>– 48,283</b>	<b>68,706</b>
Cash January 1	83,211	16,477
Cash September 30	34,928	85,183

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS for the period from January 1, 2007 to September 30, 2007

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Valuation results from financial instruments	Consoli- dated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Balance January 1, 2007</b>	<b>47,400</b>	<b>118,398</b>	<b>505</b>	<b>0</b>	<b>475</b>	<b>0</b>	<b>24,946</b>	<b>191,724</b>
Capital increase	4,730	97,711						<b>102,441</b>
Dividend							-7,820	<b>-7,820</b>
Results from fair valuation adjustments cash flow hedges					3,703			<b>3,703</b>
Results from fair valuation adjustments financial instruments						0		<b>0</b>
Nine months net profit							46,466	<b>46,466</b>
<b>BALANCE SEPTEMBER 30, 2007</b>	<b>52,130</b>	<b>216,110</b>	<b>505</b>	<b>0</b>	<b>4,178</b>	<b>0</b>	<b>63,593</b>	<b>336,516</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS for the period from January 1, 2006 to September 30, 2006

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Valuation results from financial instruments	Consoli- dated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>Balance January 1, 2006</b>	<b>5,050</b>	<b>573</b>	<b>505</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,976</b>	<b>42,104</b>
Capital increase out of retained earnings	35,350						-35,350	<b>0</b>
Reposting				-7,454			7,454	<b>0</b>
Dividend							-8,080	<b>-8,080</b>
Capital increase (net receipts from IPO)	7,000	118,234						<b>125,234</b>
Valuation results from financial instruments						310		<b>310</b>
Nine months net profit							24,267	<b>24,267</b>
<b>BALANCE SEPTEMBER 30, 2006</b>	<b>47,400</b>	<b>118,807</b>	<b>505</b>	<b>-7,454</b>	<b>0</b>	<b>310</b>	<b>24,267</b>	<b>183,835</b>

## INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2007

### 1. GENERAL INFORMATION

PATRIZIA Immobilien AG is a listed German stock corporation based in Augsburg. The Company's business premises are located at Fuggerstrasse 26, 86150 Augsburg, Germany. The Company operates on the German real estate market and performs services along the entire real estate value chain.

### 2. REPORTING PRINCIPLES

The present unaudited interim financial statements of PATRIZIA Immobilien AG for the first nine months of 2007 (January 1 to September 30, 2007) have been prepared in accordance with the most recent version of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

From the perspective of the Company's management, the present unaudited interim financial statements for the period ended September 30, 2007 contain all of the information necessary to provide a true and fair view of the course of business and the earnings situation in the period under review. The results generated in the first nine months of 2007 are not necessarily an indication of future results.

In preparing the interim consolidated financial statements, the Company's management is required to make evaluations, estimates and assumptions that affect the application of accounting standards within the Group and the carrying amounts of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates.

The interim financial statements were prepared in accordance with the same accounting principles as the consolidated financial statements for the 2006 financial year as a whole. A detailed description of the principles applied in preparing the consolidated financial statements and the accounting methods used can be found in the notes to the IFRS consolidated financial statements for the year ended December 31, 2006, which are contained in the Company's 2006 Annual Report.

### 3. SCOPE OF CONSOLIDATION

The consolidated financial statements of PATRIZIA Immobilien AG contain all of the Company's subsidiaries. This includes all companies controlled by PATRIZIA Immobilien AG. As well as the parent company, the consolidated group is composed of 66 subsidiaries, all of which are fully consolidated.

The proportionate real estate holdings of Alte Haide Baugesellschaft mbH in Munich do not satisfy the criteria for classification as a business combination within the meaning of IFRS 3, and hence are recognized in the consolidated financial statements as a proportionate acquisition of the corresponding assets.

### 4. INVESTMENT PROPERTY

Investment property is property that is held to earn rentals or for capital appreciation or both. The proportion of owner-occupier use does not exceed 10 % of the corresponding rental space. Investment property is carried at fair value, with changes in value recognized in income.

The fair value of investment property is calculated on the basis of in-house calculations and expert opinions with reference to current rents or external appraisals using standard valuation methods with reference to the current and long-term rental situation.

Under the terms of the syndication of real estate finance, the financing bank required that an assessment of the fair value of a portion of the relevant portfolios be prepared by a neutral, internationally recognized appraiser. This conservative appraisal led to a higher valuation of the real estate portfolios, meaning that we were required to recognize a write-up to fair value in the amount of EUR 66.3 million in accordance with the applicable IFRS accounting principles. At September 30, 2007, the Company recognized investment property with a total carrying amount of EUR 711.6 million.

### 5. INVESTMENT PROPERTY UNDER CONSTRUCTION

Properties that are being built or developed for future investment purposes are classified as property under construction and carried at amortized cost in accordance with IAS 16.

## 6. EQUITY INTERESTS

This item includes PATRIZIA Immobilien AG's equity interest of 6.25 % in PATRoffice GmbH & Co. KG, our joint venture with the pension funds ABP and ATP, as well as our 50 % stake in the project development site "Frankfurt Feuerbachstrasse".

## 7. EQUITY

The Company's equity increased from EUR 191.7 million as of December 31, 2006 to EUR 336.5 million at the end of the first nine months of 2007. This is primarily attributable to the effects of the cash capital increase on January 12, 2007, which amounted to around EUR 104 million, as well as the net profit for the first three quarters of 2007. The dividend of EUR 0.15 per share that was resolved by the Annual General Meeting on June 13, 2007 reduced the Company's equity by EUR 7.8 million.

## 8. CHANGES IN TAX LEGISLATION

Due to the 2008 reform of German corporate taxation and the resulting reduction in corporate income tax, the corporate income tax rate for deferred taxes expected to be realized from the 2008 assessment period onwards has been reduced from 25 % to 15 %.

## 9. SEGMENT REPORT

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
REVENUES	EUR'000	EUR'000	EUR'000	EUR'000
Investments	39,347	64,298	95,805	188,246
Services	2,039	2,122	3,960	6,635
Corporate	0	10	31	54
<b>TOTAL</b>	<b>41,387</b>	<b>66,430</b>	<b>99,796</b>	<b>194,935</b>

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
EBITDA	EUR'000	EUR'000	EUR'000	EUR'000
Investments	78,811	19,297	106,074	44,949
Services	651	285	54	979
Corporate	–1,812	–1,852	–4,945	–2,947
<b>TOTAL</b>	<b>77,651</b>	<b>17,730</b>	<b>101,183</b>	<b>42,981</b>

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
EBIT	EUR'000	EUR'000	EUR'000	EUR'000
Investments	78,748	19,272	105,862	44,872
Services	645	269	34	933
Corporate	–1,934	–1,956	–5,328	–3,255
<b>TOTAL</b>	<b>77,458</b>	<b>17,585</b>	<b>100,567</b>	<b>42,550</b>

The Investments and Services segments recorded revenue growth as against the second quarter of 2007. Revenues in the Investments segment increased by 16.2 % to EUR 39.4 million as a result of higher purchase price revenues. The expansion of the Services segment had a positive impact on revenues, which almost doubled from EUR 1.1 million in the second quarter of 2007 to EUR 2.0 million in the third quarter. The Services segment also recorded positive EBIT. In the Investments segment, too, EBIT increased significantly compared with the previous segment. This was primarily due to the necessary revaluation of a portion of our real estate portfolio.

## 10. EARNINGS PER SHARE

	3 <sup>rd</sup> quarter 2007 01.07. – 30.09.2007	3 <sup>rd</sup> quarter 2006 01.07. – 30.09.2006	Nine month ended 01.01. – 30.09.2007	Nine month ended 01.01. – 30.09.2006
EARNINGS PER SHARE				
Net profit for the period (in EUR'000)	36,645	9,044	46,466	24,267
Numer of shares issued	52,130,000	47,400,000	52,130,000	47,400,000
Weighted average number of shares	51,987,452	45,673,973*	51,987,452	45,673,973*
<b>EARNINGS PER SHARE (IN EURO)</b>	<b>0.70</b>	<b>0.20</b>	<b>0.89</b>	<b>0.53</b>

\* To improve comparability with the 2006 consolidated financial statements, we have applied the weighted average number of shares for the whole of 2006.

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares. Earnings per share for the first nine months of 2007 amounted to EUR 0.89.



## 11. RELATED PARTY DISCLOSURES

At the reporting date, the Management Board of PATRIZIA Immobilien AG was not aware of any dealings, contracts or legal transactions with associated or related parties for which the Company does not receive appropriate consideration at arm's length conditions. All such transactions are conducted at arm's length, and hence do not differ substantially from transactions with other parties for the provision of goods and services.

The disclosures on related party transactions contained in section 9.3 of the notes to the consolidated financial statements in the 2006 Annual Report remain valid.

## 12. RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG IN ACCORDANCE WITH SECTION 37y IN CONJUNCTION WITH SECTION 37w (2) NO. 3 OF THE GERMAN SECURITIES TRADING ACT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.



Wolfgang Egger  
Chairman of the Board



Dr. Georg Erdmann  
Member of the Board



Alfred Hoschek  
Member of the Board



Klaus Schmitt  
Member of the Board

FINANCIAL CALENDAR

Date	Events
November 7, 2007	Interim Report – Third Quarter 2007
June 3, 2008	Annual General Meeting

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