PATRIZIA

IMMOBILIEN AG

Q3

2008

KEY FIGURES

REVENUES AND EARNINGS	3rd quarter 2008 01.07. – 30.09.2008 EUR'000	3rd quarter 2007 01.07. – 30.09.2007 EUR'000	Nine months ended 01.01. – 30.09.2008 EUR'000	Nine months ended 01.01. – 30.09.2007 EUR'000
Revenues	41,410	41,387	139,719	99,796
Total operating performance	53,902	112,392	128,098	762,460
EBITDA	26,556	77,651	51,009	101,183
EBIT	26,416	77,458	50,533	100,567
EBIT (adjusted)	26,416	10,433	56,596	29,865
EBT	–811	53,998	1,849	69,064
EBT (adjusted)	9,229	–6,557	7,168	–9,208
Net profit	–561	36,645	1,279	46,466

STRUCTURE OF ASSETS AND CAPITAL	30.09.2008 EUR'000	31.12.2007 EUR'000
Non-current assets	691,292	750,235
Current assets	868,904	892,957
Equity	337,932	336,605
Equity ratio (in %)	21.7 %	20.5 %
Non-current liabilities	12,027	11,425
Current liabilities	1,210,237	1,295,162
Total assets	1,560,196	1,643,192

SHARE	
ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital as at September 30, 2008	EUR 52,130,000
No. of shares in issue as at September 30, 2008	52,130,000
Third quarter 2008 high*	EUR 2.98
Third quarter 2008 low*	EUR 1.93
Closing price as at September 30, 2008*	EUR 2.14
Market capitalization as at September 30, 2008	EUR 116.6 million
Indices	SDAX, EPRA, GEX, DIMAX

*Closing price at Frankfurt Stock Exchange Xetra trading

Invest.

Optimize.

Realize.

LETTER TO OUR SHAREHOLDERS

Dear Ladies and Gentlemen,
Dear Shareholders and Business partners,

The development of the financial market crisis in Q3 2008 and the fact that it has lasted this long in this form and with these consequences has surprised almost all market participants. Since Lehman Brothers filed for bankruptcy on September 15 of this year, financial markets worldwide have been in complete turmoil. The survival of one of Germany's largest German mortgage lenders was at risk for the first time ever when a rescue package for Hypo Real Estate was announced on September 29, 2008. The DAX lost 9.1 % in Q3 2008, slipping from 6,418 to 5,831 points. The performance of the DAX since September 30, 2008 shows just how dramatic the development of the financial market crisis has been to date. On October 24, 2008, the DAX was at 4,295 points, the lowest quotation since May 2005.

But what exactly do these developments mean for PATRIZIA Immobilien AG's operations and for PATRIZIA's share price? Even PATRIZIA Immobilien AG's share price was unable to escape the general trend on international stock markets. In Q3 2008, PATRIZIA's share price decreased by around 31 %, from EUR 3.11 (on June 30, 2008) to EUR 2.14 (on September 30, 2008). The shares of real estate companies were as strongly hit by the negative performance on the stock markets as financial stocks, since most market participants and investors group them together with shares in financial companies and banks. We believe that PATRIZIA's share price performance in Q3 2008 should be considered completely independently of the Company's operations.

Despite the difficult market environment, PATRIZIA's operations grew in Q3 2008, as projected. We sold 440 apartments to private and institutional investors in the form of individual and block sales. Thereby we were able to generate total operating performance of EUR 53.9 million. Operations saw an EBT (adjusted) for Q3 after eliminating non-cash one-time items in the amount of EUR 9.2 million. In brief: we generated liquid returns of EUR 9.2 million in Q3.

Although we are satisfied with the overall course of Q3, we found that the individual privatization of residential units did not develop to the extent originally planned. The Residential Property Resale line saw tenants, owner-occupiers and private investors still hesitant in their demand for private residential real estate. The willingness of many private interested parties to invest has diminished significantly over the past few weeks as the uncertainty brought about by the financial market crisis and its potential impact on the German economy has continued to grow. As a result of investors taking on a more wait-and-see attitude toward investments, the number of privatized units fell to 83 from July to September 2008.

However, we compensated this trend in individual privatization with the block sales that were successfully carried out in Q3 2008. Overall, 381 residential units were notarized in two block sales. The sales proceeds for both transactions totaled EUR 78.5 million. We have identified an increased demand for high-quality properties at attractive locations in block sales in particular since the beginning of the year. Those who have primarily expressed an interest in acquiring residential real estate in Germany's prime locations are equity-strong investors for whom the value stability of properties and the generation of stable returns are important. However a more wait-and-see attitude toward new investments even set in among these types of investors from mid-September 2008 onwards.

Since earnings in fiscal year 2007 were primarily impacted by non-cash returns from revaluing part of our real estate portfolio, we gradually increased our operating performance over the first three quarters of 2008 and increasingly generated positive liquid returns again from operations. Although EBT in Q1 was still negative at EUR –2.3 million after adjustment for all one-time items not impacting liquidity, we generated slightly positive EBT (adjusted) in Q2 of EUR 0.2 million. Despite the continuing difficult market environment, EBT (adjusted) was already at EUR 9.2 million in Q3. Overall, we were able to generate liquid returns of EUR 7.2 million during the first nine months of the year.

Past experience shows that the fourth quarter in the real estate industry is the strongest quarter of any given year. However in light of the developments in recent weeks and the existing uncertainty on the financial markets, we do not expect transaction business to pick up in Q4 2008. Private investors are uncertain and the possibility that they will continue their wait-and-see attitude toward investments cannot be ruled out. The willingness of institutional investors to buy clearly depends on their personal financial situation.

It is difficult to say at present whether and when the block sales already being negotiated will be executed and signed. For this reason, we do not currently expect to meet our set EBT target of EUR 25 million to EUR 30 million. However based on the earnings of the first nine months, we will generate a liquid profit by the end of the fiscal year, despite the difficult market environment. We are not able to say to what extent we will have to adjust our forecast at the present time because of developments in recent weeks. If the general uncertainty among investors diminishes again, we expect the transaction market for small high-quality residential real estate portfolios to recover quickly. We are convinced that the residential real estate investment category is an extremely appealing form of investment, especially in the current financial market environment. Not only does high-quality real estate in attractive locations around large German cities generate stable income from the properties, but it also enjoys high value stability. Residential real estate is thus a sound form of investment with stable income that is protected against inflation. Despite our opinion of the residential real estate investment category, it is difficult to say at present exactly what impact the financial market crisis will have on our operations.

The Management Board

Wolfgang Egger	Arwed Fischer	Alfred Hoschek	Klaus Schmitt
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

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INTERIM MANAGEMENT REPORT

1. BUSINESS DEVELOPMENT AND SIGNIFICANT TRANSACTIONS IN THE THIRD QUARTER OF 2008

KEY EVENTS IN THE INVESTMENTS SEGMENT

PATRIZIA is a transaction-oriented real estate company. Our focus in the Investments segment is on the purchase of real estate, its value enhancement and optimization and the subsequent sale of these properties. Following the extensive acquisitions of previous years, we are well invested and are concentrating on selling off parts of our portfolios in the current fiscal year. There are various sales channels available to us for this purpose. In Residential Property Resale, apartments are sold individually to tenants, owner-occupiers and private investors. An additional sales path in the Asset Repositioning segment is the sale of entire houses or portfolios in the form of block sales. In the third quarter of 2008, 401 residential units and 39 commercial units were sold in individual and block sales, generating sales proceeds of EUR 82.7 million.

RESIDENTIAL PROPERTY RESALE

The Residential Property Resale line saw tenants, owner-occupiers and private investors still hesitant in their demand for private residential real estate. This is primarily due to the current situation on the financial markets and its impact. The general willingness of many private interested parties to invest has diminished significantly over the past few weeks as the uncertainty about the impact of the financial market crisis on the German economy has continued to grow. As a result of investors taking on a more wait-and-see attitude toward investments, the number of privatized units fell to 83 from July to September. This meant that a total of 330 units were privatized over the first three quarters. The


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average price per square meter in individual sales of EUR 2,230 thus remained almost stable compared with the prices per square meter generated in the previous quarter.

ASSET REPOSITIONING

The performance of the Asset Repositioning segment over the past few months has been very encouraging. In contrast to privatization, the demand for high-quality real estate portfolios in attractive locations has clearly risen. It is mainly investors within Germany and abroad with a strong equity base who are highly interested in residential real estate in Germany. Their investment decisions center on the value stability of the real estate and the generation of stable income from the properties.

Following completion of the renovation work in September 2008, the “Dresden Altmarktkarree 1” asset repositioning property with a total of 318 residential units and 39 commercial units were sold for EUR 70.0 million. The successful bidder for the acquisition of the ensemble was PATRoffice GmbH & Co. KG, in which PATRIZIA Immobilien AG holds a minority interest of 6.25 % alongside two European investors. PATRIZIA acquired the large ensemble of around 38,000 sqm in Dresden’s best central location from the city of Dresden at the end of 2005. At the time of the acquisition, the three buildings, dating from the years 1954 to 1963, were in a mediocre state of repair and had significantly high levels of vacancy. To begin with, all unleased apartments and communal areas were thoroughly renovated from April 2006 onward. While this was in progress, the renovated vacant apartments and commercial units with upside rental potential were released. Thanks to this optimization, the portfolio today generates stable cash returns and has potential for further capital growth. PATRIZIA will continue to assume the services – from real estate management through asset management – for the three buildings.

Furthermore, the property located in the center of Munich at Prinzregentenstrasse and comprising 24 units was sold to a Spanish investor. As per contract, ownership of the property will not be transferred to the purchaser until Q4 2008, with the result that the transaction will not be recognized in net profit/loss until Q4 2008.

This means that we succeeded in notarizing four block sales during the first nine months of 2008 with a total of 518 residential and commercial units.

Overview of the PATRIZIA portfolio

Region/city	Number of units (September 30, 2008)	% of the portfolio	Area in sqm (September 30, 2008)	% of the portfolio
Munich	5,460	43.8 %	375,039	43.2 %
Cologne/Düsseldorf	1,578	12.7 %	137,320	15.8 %
Hamburg	1,365	11.0 %	90,781	10.5 %
Leipzig	981	7.9 %	64,391	7.4 %
Frankfurt	947	7.6 %	59,679	6.9 %
Berlin	960	7.7 %	61,901	7.1 %
Regensburg	473	3.8 %	32,387	3.7 %
Hanover	438	3.5 %	30,250	3.5 %
Dresden	152	1.2 %	10,284	1.2 %
Friedrichshafen	98	0.8 %	6,280	0.7 %
Total	**12,452**	**100 %**	**868,311**	**100 %**

Overview of apartment sales in the first three quarters of 2008

	3rd quarter 2008	2nd quarter 2008	1st quarter 2008	Full-year 2007
Privatized units	83	103	144	487
Sales price – Residential Property Resale	EUR 2,230 per sqm	EUR 2,213 per sqm	EUR 2,398 per sqm	EUR 1,990 per sqm
Units in block sales	357*	52	85	0
Sales price – Asset Repositioning	EUR 1,840 per sqm	EUR 2,195 per sqm	EUR 1,901 per sqm	

*Only those properties for which the purchase price payment was recognized in net profit/loss in Q3 2008 have been taken into account. A further 24 units were notarized in Q3 2008 but will not be transferred to the purchaser's ownership until Q4.

KEY EVENTS IN THE SERVICES SEGMENT

Including the purchase of the "Dresden Altmarktkarree 1" ensemble, PATRoffice has already invested EUR 355 million of the EUR 700 million planned for investments in German commercial real estate. This means that the co-investment is well on track, as things currently stand, to have fully invested the sum by the end of 2009.

2. OUR EMPLOYEES

PATRIZIA had 378 permanent employees as of September 30, 2008 – including 19 trainees – and thus around 13.2 % more than at the end of 2007 (December 31, 2007: 334 employees). In Q3 2008, the number of employees increased by ten people.

3. NET ASSET, FINANCIAL AND EARNINGS SITUATION

Earnings Situation of the PATRIZIA Group

Revenues in Q3 2008 totaled EUR 41.4 million. The revenues reflect purchase prices received in exchange for the sale of real estate held in inventories. Disposals of non-current assets (Investment property) are reported under the income from the sale of investment property item. Revenues decreased compared with previous quarters for this reason, despite the block sale of "Dresden Altmartkarree 1". However a look at total operating performance shows that it has increased continuously from quarter to quarter. Total operating performance amounted to EUR 31.6 million in Q1, rising to EUR 42.6 million in Q2 and surging to EUR 53.9 million in Q3 2008. Revenues reached EUR 139.7 million after the first nine months of the current fiscal year (previous year: EUR 99.8 million).

The structure of revenues in the third quarter of 2008 is set out below:

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
Purchase price revenues from residential property resale	12.7	15.8	48.4	37.2
Purchase price revenues from asset repositioning	1.4*	0	25.1	0
Rental revenues	18.5	17.9	56.8	47.0
Revenues from the Services segment	1.5	2.0	4.1	3.9
Other	7.4	5.8	22.4	11.7
Adjustments	0	0	–17.1	0
CONSOLIDATED REVENUES	**41.4**	**41.4**	**139.7**	**99.8**

*The sale of the "Dresden Altmarktkarree 1" asset repositioning project is presented as the difference between the purchase price and the carrying amount of the income from the sale of investment property item.

In pace with the lower resale figures in privatization – 83 units sold in Q3 – revenues from this segment decreased and amounted to EUR 12.7 million. In comparison, the previous quarter saw 103 units sold individually. The average generated purchase price of EUR 2,230 per sqm remained at the high level of the previous quarter. Furthermore we sold a plot of land in Q3 2008 which generated purchase price revenues of EUR 1.4 million.

By contrast, block sales in Asset Repositioning were very pleasing. In Q3 2008, our “Dresden Altmarktkarree 1” asset repositioning property comprising 318 residential units and 39 commercial units was sold for EUR 70.0 million after being held for less than three years. Due to the fact that this project was reported under the investment property item, the purchase price was not posted as revenues but rather as profit from the disposal of assets under the item income from the sale of investment property.

Based on the disposals during the first nine months of 2008, rental revenues in Q3 2008 fell slightly to EUR 18.5 million or 3.4 %. This results in an average gross basic rent (excluding utilities and other service charges) for the leased space of EUR 7.61 per sqm – which was once again a slight quarter-on-quarter increase (Q2 2008: EUR 7.56 per sqm, Q1 2008: EUR 7.40 per sqm).

Other revenues of EUR 7.4 million primarily include rental ancillary costs.

Changes in inventories during the first three quarters of 2008 amounted to EUR –35.0 million. Since no real estate portfolio was acquired in the current fiscal year, inventory reductions prevail. These constitute the decreases in the carrying amounts of real estate sales from inventories during the first three quarters. Additions to inventories were the result of recognizing renovation expenses as well as the sales reversal of 165 residential units carried out in the first quarter.

The cost of materials totaled EUR 17.8 million in Q3 2008, amounting to EUR 47.7 million (previous year: EUR 706.5 million) for all of the first three quarters. The sharp year-on-year decrease is due to no further real estate being acquired in the current fiscal year. Accordingly, the item comprises renovation and maintenance expenses as well as rental ancillary costs.

As a result of the increase in staff numbers of 69 employees, staff costs during the first nine months of 2008 rose from EUR 12.3 million to EUR 16.9 million. The increase in Q3 2008 compared with previous quarters is mainly attributable to the non-recurring variable staff costs accrued in the third quarter.

Despite the higher number of employees, other operating expenses in the first nine months of 2008 only rose slightly by 4.9 % to EUR 12.5 million, up from EUR 11.9 million in the first nine months of the previous year. Looking only at Q3, other operating expenses fell by 14.4 % compared with the previous quarter to EUR 3.5 million.

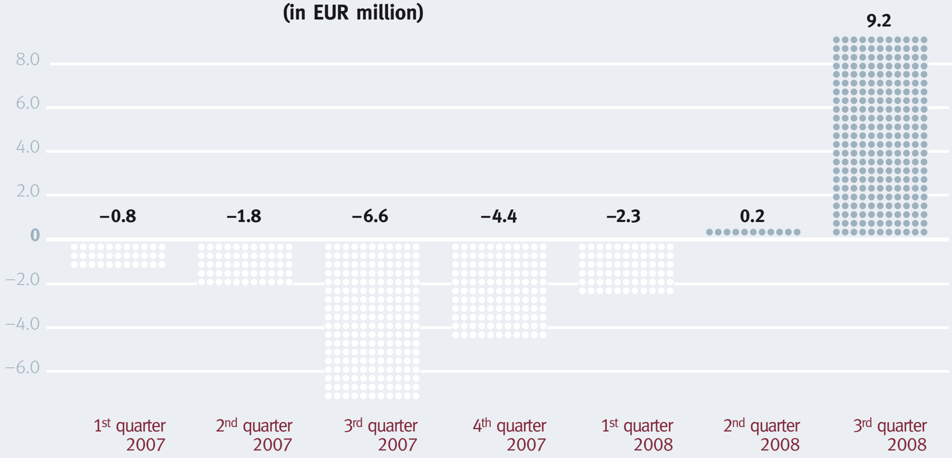
The Group's earnings situation improved substantially over the course of the year: the substantial rise in Q3's total operating performance while the cost structure remained almost stable enabled reported EBITDA to climb from EUR 17.5 million in Q2 2008 to EUR 26.6 million and reported EBIT to rise from EUR 17.3 million to the current figure of EUR 26.4 million. EBIT in accordance with IFRSs for the first nine months of 2008 reached EUR 50.5 million, down from EUR 100.6 million year-on-year. It must be borne in mind that results from fair value adjustments to investment property of EUR 69.5 million had a positive effect on the key earnings figures for the first three quarters of 2007. Eliminating all one-time items not impacting liquidity results in an adjusted EBIT, which simply represents the earnings power of the operating activities, of EUR 56.6 million for the first nine months of 2008 – an increase of 89.5 % compared with the first nine months of the previous year when adjusted EBIT was still at EUR 29.9 million (excluding non-cash items).

The financial result of EUR –27.2 million was also influenced substantially in Q3 by the market valuation of interest rate hedges. Financial expenses of EUR –29.1 million in Q3 2008 were impacted by EUR –10.0 million due to the market valuation of interest rate hedges. An additional EUR –17.7 million was attributable to interest expenses for bank loans. A look at the market valuation of interest rate hedges since the beginning of the year not only shows the impact that this has had on PATRIZIA's financial result, but also shows the large fluctuation range of this impact: the revised market valuation of interest rate hedges still led to an expense of EUR –10.3 million in Q1 and to finance income in Q2 of EUR 21.1 million but to an expense of EUR –10.0 million again in Q3. A look at the financial result of the first three quarters in 2008 overall shows that the effects of the market valuation of interest rate hedges were almost eliminated. Accordingly, the financial expenses in the first nine months of 2008 of EUR –75.7 million primarily comprised EUR –20.3 million attributable to the market valuation of interest rate hedges and EUR –52.1 million to interest expenses for bank loans.

The posted earnings before taxes (EBT) in accordance with IFRSs for Q3 2008 in the amount of EUR –0.8 million were below the previous year's figure of EUR 54.0 million. After nine months, the pre-tax profit shrunk from EUR 69.1 million to EUR 1.8 million as a result of the fair value adjustments to investment property already mentioned in the amount of EUR 69.5 million, EUR 3.2 million of which was attributable to Q1 2007 and EUR 66.3 million to Q3 2007.

Eliminating all one-time items and calculating purely operating EBT (adjusted) shows a positive development over the course of the first nine months of 2008. Although EBT (adjusted) in Q1 2008 was still negative at EUR –2.3 million and slightly positive in Q2 at EUR 0.2 million, we generated positive liquid earnings of EUR 9.2 million in Q3. Operating EBT (adjusted) in the first nine months amounted to EUR 7.2 million, showing that PATRIZIA was able to generate a considerable amount of liquidity.

Overview of EBT (adjusted) by quarter (in EUR million)



Calculation of EBT (adjusted) following elimination of all one-time effects

	1st quarter 2008 01.01. – 31.03.2008	2nd quarter 2008 01.04. – 30.06.2008	3rd quarter 2008 01.07. – 30.09.2008	Nine months ended 01.01. – 30.09.2008
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
EBT posted in accordance with IFRSs	–18.6	21.3	–0.8	1.8
Elimination of one-time item from reversal of 165 residential units	6.1	0	0	6.1
Elimination of one-time item from market valuation of interest rate hedges	10.3	–21.1	10.0	–0.8
Adjusted EBT (excluding one-time items)	**–2.3**	**0.2**	**9.2**	**7.2**

	1st quarter 2007 01.01. – 31.03.2007	2nd quarter 2007 01.04. – 30.06.2007	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2007
	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
EBT posted in accordance with IFRSs	4.2	10.9	54.0	69.1
Elimination of the one-time item from fair value adjustments to investment property	–3.2	0.0	–66.3	–69.5
Elimination of one-time item from market valuation of interest rate hedges	–1.5	–12.5	6.5	–7.6
Elimination of one-time item from not accounted proportional annual bonuses	–0.3	–0.2	–0.7	–1.2
Adjusted EBT (excluding one-time effects)	**–0.8**	**–1.8**	**–6.6**	**–9.2**

Deducting income taxes results in a reported loss for the period after taxes of EUR –0.6 million for Q3 2008, which was highly influenced by the revaluation of hedges in the amount of EUR –10.0 million. A look at the first nine months of 2008 shows that net profit after taxes totaled EUR 1.3 million.

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

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
	EUR'000	EUR'000	EUR'000	EUR'000
Revenues	41,410	41,387	139,719	99,796
Total operating performance	53,902	112,392	128,098	762,460
EBITDA	26,556	77,651	51,009	101,183
EBIT	26,416	77,458	50,533	100,567
Earnings before income taxes (EBT)	–811	53,998	1,849	69,064
Net profit for the period	–561	36,645	1,279	46,466

Taking all extraordinary one-time items into account, i.e. after deducting the reversal transaction involving the 165 apartments in Q1 2008, income from interest rate hedges in the first three quarters of 2007 and 2008 not impacting liquidity as well as fair value adjustments to investment property in Q1 and Q3 2007, produces the following overview of adjusted income statement items:

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
	EUR'000	EUR'000	EUR'000	EUR'000
Revenues (adjusted)	41,410	41,387	156,802	99,796
Total operating performance (adjusted)	53,902	112,392	133,685	762,461
EBITDA (adjusted)	26,556	10,626	57,072	30,481
EBIT (adjusted)	26,416	10,433	56,596	29,865
Earnings before income taxes (adjusted)	9,229	–6,557	7,168	–9,208

Net Assets and Financial Situation of the PATRIZIA Group

Due to the sales total assets of EUR 1,613.3 million carried out in the first six months of the year, fell to EUR 1,560.2 million as of September 30, 2008.

On the assets side of the balance sheet, overall real estate assets decreased quarter-on-quarter from EUR 1,486.3 million to EUR 1,428.5 million due to the disposals of properties.

Investment property slipped from EUR 712.0 million as of June 30, 2008 to EUR 660.0 million at the end of Q3 2008. This was also due to the resale of portfolios without new portfolios being acquired to replace them. The execution of value enhancing measures had the opposite effect.

Our investment in a joint venture – the Frankfurt Feuerbachstrasse development project – increased slightly from EUR 5.3 million as of June 30, 2008 to EUR 6.1 million.

As of the reporting date, the participations of the Company, which mainly cover the 6.25 % equity interest in the PATRoffice co-investment, amounted to EUR 3.1 million and thus rose year-on-year. The value of our interest rose as a result of the acquisitions made by PATRoffice.

The real estate intended for resale in the short term is recorded under inventories. Inventories decreased on the basis of the sell-offs effected over the course of the year to EUR 757.5 million (EUR 762.8 million as at June 30, 2008 and EUR 779.3 million as at September 30, 2007).

On the liabilities side of the balance sheet, PATRIZIA's equity fell from EUR 343.3 million in the first six months of 2008 to EUR 337.9 million at the end of Q3. This is primarily due to the valuation results from cash flow hedges which declined from EUR 7.8 million to EUR 3.0 million. The equity ratio improved as at September 30, 2008 to 21.7 %. In the medium term, we are striving towards an equity ratio of at least 25 % to 30 % at Group level. This was also helped by the repayment of loans which was further driven by the cash inflows from real estate sales. In the event of real estate sales, financial liabilities are redeemed through repayment of a specific share of the sale proceeds. All of the bank loans dipped slightly by 5.8 % (EUR 72.9 million) to EUR 1,189.1 million (December 31, 2007: EUR 1,262.0 million). Regardless of the actual terms, loans which serve to finance the inventories are reported as short-term bank loans in the balance sheet in accordance with IFRSs.

Bank loans due in less than 12 months amounted to EUR 598.3 million as of the reporting date of September 30, 2008. These were extended by around EUR 530 million to March 31, 2009. A second tranche was then extended by around EUR 50 million to June 30, 2009. The terms of our bank loans were then structured as follows as of September 30, 2008:

	Total bank loans as of September 30, 2008	Total bank loans as of December 31, 2007
	EUR'000	EUR'000
Less than 1 year	598,310	655,593
1 to 2 years	79,608	13,347
2 to 5 years	70,271	121,484
More than 5 years	440,954	471,573
TOTAL	**1,189,143**	**1,261,997**

4. OPPORTUNITY AND RISK REPORT

Within the scope of its business activities, PATRIZIA Immobilien AG is exposed to both opportunities and risks. As part of our risk management system, the necessary measures have been taken and processes implemented within the Group in order to recognize negative developments and risks at an early stage. Several exogenous factors have changed since the annual financial statements for the 2007 fiscal year and the interim financial statements for H1 2008 which could impact PATRIZIA's opportunities and risks.

The financial and capital market environment in particular has seen developments that could influence PATRIZIA's financing situation: the extensive use of external financing in connection with our real estate acquisitions means that we are exposed to interest rate risks. As a consequence, interest rate hedges were concluded to safeguard against the rising interest rates for 82 % of our short-term bank loans. Over 90 % of these interest rate hedges have a term of more than five years. The reviewed market valuation of interest rate hedges as of the reporting date can exert a considerable influence on the Company's net profit in accordance with IFRSs due to the underlying financing volume with greater interest rate fluctuations – even if these effects do not constitute income or expenses that impact liquidity.

The current liquidity squeeze experienced by some banks could result in further financial risks for the Group. With regard to its financing from short-term loans, PATRIZIA will need to extend or refinance these loans. This could adversely affect PATRIZIA's competitiveness as well as its earnings, financial, liquidity and net assets position. However we would like to take this opportunity to expressly emphasize that current liabilities as of December 31, 2007 in the amount of EUR 655.6 million which are due in less than one year at the year end were repaid on a regular basis and extended in financial year 2008. Loans of EUR 530 million which were due in less than 12 months were extended until March 31, 2009 and a second portion in the amount of EUR 50 million was extended until June 30, 2009. The terms were extended in consideration of our business model and the underlying business plan.

Furthermore, a falling share price could constitute a risk for PATRIZIA's operations in the long term if this were linked with a risk that our customers and business partners could lose confidence in the performance of the Company and its subsidiaries.

In addition, the statements of the risk report in the 2007 Annual Report continue to apply. For a detailed presentation of the opportunities and risks for the Group, see the Risk Report in the 2007 Annual Report of PATRIZIA Immobilien AG. The Management Board of PATRIZIA Immobilien AG is not currently aware of any additional risks.

5. SUPPLEMENTARY REPORT

No transactions or events occurred after the end of the reporting period with significant consequences for the course of business.

6. REPORT ON EXPECTED DEVELOPMENTS

The leading economic research institutes are retaining their forecast growth rate of 1.8 % for the current year. However, experts have said in their fall reports that they expect maximum economic growth for the coming year of only 0.2 %. In spring they had still expected GDP to rise 1.4 %. These poorer prospects are due to the situation on the financial markets since the extent and consequences of the financial crisis cannot yet be seen on the goods and services industry.

A look at the German real estate market as a whole reveals that the volume of large transactions fell and the market is not currently expected to pick up quickly. The financial market environment has again deteriorated dramatically since mid-September, with the result that investors – even equity-strong investors – have adopted a wait-and-see attitude at present towards any type of investment. We believe developments on the financial markets and their effects on the goods and services industry will ultimately determine just how long this attitude towards investments will last. For this reason, we are not currently in a position say how transactions in negotiations will develop further. This will also depend on our purchasers' individual investment situation. However, the current sentiment on the market will not cause us to deviate from our aspired returns because we remain convinced of our portfolio's quality. There is no risk of our real estate portfolio devaluing.

The sale of apartments to private individuals is still slow, although rising inflation rates and falling interest rates are increasingly supporting real estate investments. We believe that private investors are becoming increasingly uncertain and reluctant to spend, even here. Unlike institutional investors, private individuals can still obtain real estate financing in the current market environment. We believe that this means the reasons for lower demand are more related to their personal expectations of how the economy will perform.

In the first three quarters of 2008, it became very clear from PATRIZIA's business model that block sales are increasingly establishing themselves as a highly profitable sales channel alongside Residential Property Resale. We believe that the financing structure of the real estate companies will remain a crucial topic even after the end of the year. PATRIZIA Immobilien AG has extended all of its short-term loans due in less than one year as of December 31, 2007 until either March 31 or June 30, 2009. A detailed account of the remaining terms can be found under note 9 of the notes to the financial statements.

Our forecast for full year 2008 has projected EBT (adjusted) of EUR 25 million to EUR 30 million. Our projected EBT (adjusted) is based exclusively on income from the sale of real estate impacting liquidity, rental income as well as income from the service business. Income/expenses from the market valuation of interest rate hedges as well as possible changes in the fair value of investment property have not been included. Our EBT, pre-tax profit for the first nine months of 2008 adjusted for all items not impacting liquidity, amounted to EUR 7.2 million.

Past experience shows that the fourth quarter in the real estate industry is the strongest quarter of any given year. In the past, the Residential Property Resale line in particular has recorded higher sales. However, because of the financial market crisis and the related uncertainty, we are not likely to see an increase in sales activities. Private apartment purchasers are uncertain and set to continue their wait-and-see attitude toward new investments. The willingness of institutional investors to buy will clearly depend on their personal investment decisions. However in light of the developments in recent weeks and the existing uncertainty on the financial markets, we do not expect transaction business to pick up in Q4 2008. It is difficult to say at present whether and when the block sales already being negotiated will be executed and signed. For this reason, we do not currently expect to meet our set EBT target of EUR 25 million to EUR 30 million. However based on the earnings of the first nine months, we will generate a liquid profit by the end of the fiscal year, despite the difficult market environment. We are not able to say to what extent we will have to adjust our forecast at the present time because of developments in recent weeks. If the general uncertainty among investors diminishes again, we expect the transaction market for small high-quality residential real estate portfolios to recover quickly.

This report contains specific forward-looking statements that relate in particular to the business performance 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
1,2 Halle, Dorotheenstrasse | 3,4 Berlin, Bayrischer Platz

CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS AS OF SEPTEMBER 30, 2008

ASSETS

	30.09.2008	31.12.2007
A. NON-CURRENT ASSETS	EUR'000	EUR'000
Software	515	196
Investment property	660,000	711,558
Investment property under construction	10,968	20,205
Equipment	1,961	2,087
Investments in joint ventures	6,118	5,067
Participations	3,090	2,043
Long-term financial derivatives	8,278	8,704
Long-term tax assets	362	375
Deferred tax assets	0	0
Total non-current assets	**691,292**	**750,235**
B. CURRENT ASSETS		
Inventories	757,538	793,395
Short-term financial derivatives	4,835	4,546
Short-term tax assets	6,565	3,144
Current receivables and other current assets	48,704	37,859
Bank balances and cash	51,262	54,013
Total current assets	**868,904**	**892,957**
TOTAL ASSETS	**1,560,196**	**1,643,192**

EQUITY AND LIABILITIES

	30.09.2008	31.12.2007
A. EQUITY	EUR'000	EUR'000
Share capital	52,130	52,130
Capital reserves	215,862	215,862
Retained earnings		
- legal reserves	505	505
Valuation results from cash flow hedges	2,989	2,941
Consolidated net profit	66,446	65,167
Total equity	**337,932**	**336,605**
B. LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term tax liabilities	10,901	9,914
Long-term financial derivatives	757	1,142
Retirement benefit obligations	369	369
Total non-current liabilities	**12,027**	**11,425**
CURRENT LIABILITIES		
Short-term bank loans	1,189,143	1,261,997
Short-term financial derivatives	0	235
Other provisions	497	594
Current liabilities	19,695	32,171
Tax liabilities	902	165
Other current liabilities	0	0
Total current liabilities	**1,210,237**	**1,295,162**
TOTAL EQUITY AND LIABILITIES	**1,560,196**	**1,643,192**

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS

for the period from January 1, 2008 to September 30, 2008

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
	EUR'000	EUR'000	EUR'000	EUR'000
1. Revenues	41,410	41,387	139,719	99,796
2. Income from the sale of investment property	17,664	0	21,747	0
3. Changes in inventories	–5,227	70,400	–34,971	661,553
4. Other operating income	55	605	1,603	1,111
5. Total operating performance	**53,902**	**112,392**	**128,098**	**762,460**
6. Cost of materials	–17,755	–92,377	–47,725	–706,493
7. Staff costs	–6,103	–4,438	–16,850	–12,335
8. Amortization of software and depreciation on equipment	–140	–193	–476	–616
9. Results from fair value adjustments to investment property	0	66,298	0	69,477
10. Other operating expenses	–3,488	–4,224	–12,514	–11,927
11. Finance income	1,865	961	26,969	17,295
12. Finance cost	–29,092	–24,421	–75,653	–48,797
13. Profit before income taxes	**–811**	**53,998**	**1,849**	**69,064**
14. Income tax	250	–17,352	–570	–22,598
15. Net profit	**–561**	**36,645**	**1,279**	**46,466**
16. Profit carried forward	67,007	26,947	65,167	17,126
17. Consolidated net profit	**66,446**	**63,593**	**66,446**	**63,593**

CONSOLIDATED CASH FLOW STATEMENT

for the period from January 1, 2008 to September 30, 2008

	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
	EUR'000	EUR'000
Consolidated profit after taxes	1,279	46,466
Amortization of intangible assets and depreciation on property, plant and equipment	476	616
Results from fair value adjustments to investment property	0	–69,477
Loss from/gain on disposal of fixed assets	0	0
Change in deferred taxes	987	21,770
Change in retirement benefit obligations	0	85
Non-cash item income and expenses that are not attributable to financing activities	–435	–11,325
Changes in inventories, receivables and other assets that are not attributable to investing activities	36,631	–578,038
Changes in liabilities that are not attributable to financing activities	–99,716	529,054
Cash outflow from operating activities	**–60,778**	**–60,849**
Capital investments in intangible assets and property, plant and equipment	–669	–1,278
Cash receipts from disposal of intangible assets and property, plant and equipment	0	0
Cash receipts from disposal of investment property	60,795	0
Payments for development or acquisition of investment property	0	–607,269
Investments	–2,098	–4,411
Cash receipts from disposal of financial assets	0	0
Cash outflow/inflow from investing activities	**58,028**	**–612,958**
Dividend of PATRIZIA Immobilien AG	0	–7,820
Capital increase of PATRIZIA Immobilien AG	0	104,060
Borrowing of loans	0	530,903
Repayment of loans	0	0
Other cash inflows or outflows from financing activities	0	–1,619
Cash inflow from financing activities	**0**	**625,524**
Change in operating activities of a cash nature	**–2,751**	**–48,283**
Cash January 1	54,013	83,211
Cash September 30	51,262	34,928

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS

for the period from January 1, 2008 to September 30, 2008

	Share capital	Capital reserves	Retained earnings (legal reserve)	Valuation results from cash flow hedges	Consoli-dated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2008	**52,130**	**215,862**	**505**	**2,941**	**65,167**	**336,605**
Results from fair valuation adjustments cash flow hedges				48		**48**
Nine months net profit					1,279	**1,279**
BALANCE SEPTEMBER 30, 2008	**52,130**	**215,862**	**505**	**2,989**	**66,446**	**337,932**

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)	Valuation results from cash flow hedges	Consoli-dated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2007	**47,400**	**118,398**	**505**	**475**	**24,946**	**191,724**
Capital increase	4,730	97,711				**102,441**
Dividend					–7,820	**–7,820**
Results from fair valuation adjustments cash flow hedges				3,703		**3,703**
Nine months net profit					46,466	**46,466**
BALANCE SEPTEMBER 30, 2007	**52,130**	**216,110**	**505**	**4,178**	**63,593**	**336,516**

INTERIM FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2008

1. GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation based in Augsburg, Germany. The Company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. The Company operates on the German real estate market. Its business activities include the purchase, value optimization and placement of residential and commercial real estate. Therefore, the PATRIZIA Group performs all services along the value chain in the real estate sector.

2. REPORTING PRINCIPLES

These unaudited consolidated interim financial statements of PATRIZIA Immobilien AG for the first three quarters of 2008 (January 1 through September 30, 2008) were prepared in line with the latest versions of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the European Union. In this respect, the accounting standards applied are those adopted by the EU in the context of the endorsement process, i.e. those published in the Official Journal of the EU.

From the perspective of the Company's management, the present unaudited consolidated interim financial statements for the period ended September 30, 2008 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. Earnings generated in the first three quarters of 2008 are not necessarily an indication of future earnings or of the expected total earnings for fiscal year 2008.

When preparing the consolidated financial statements for the interim report on the first three quarters of 2008, the Management Board of PATRIZIA Immobilien AG must make assessments and estimates as well as assumptions that affect the application of accounting standards in the Group and the reporting of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates.

These consolidated interim financial statements have been prepared in accordance with the same accounting policies as the last consolidated financial statements for fiscal year 2007. A detailed description of the principles applied in preparing the consolidated financial statements and the accounting policies used can be found in the notes to the IFRS consolidated financial statements for the year ended December 31, 2007, which are contained in the Company's 2007 Annual Report.

The unaudited interim financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

3. SCOPE OF CONSOLIDATION

All of the Company's subsidiaries are consolidated in the consolidated financial statements of PATRIZIA Immobilien AG. The group includes all companies controlled by PATRIZIA Immobilien AG. In addition to the parent company, the scope of consolidation comprises 73 subsidiaries. They are recognized in the consolidated financial statements in line with the rules of full consolidation. In addition, one joint venture is accounted for at equity in the consolidated financial statements.

Joint ventures are companies that do not meet the criteria to be classified as subsidiaries since with regard to their business and financial policies two or more partner companies are bound to common management via contractual agreement. Joint ventures are accounted for at equity within the Group.

4. INVESTMENT PROPERTY

Investment property is property that is held for generating rental income and/or for capital appreciation. The share of owner-occupier use does not exceed 10 % of the rental space. Investment property is carried at fair value, with changes in value recognized in income.

Investment property is measured at fair value on the basis of external appraisals carried out by independent experts using current market prices or customary valuation methods with the aid of the current and long-term rental situation. The fair value is equivalent to the fair value. According to IAS 40, this is defined as the value which can be reasonably generated subject to a hypothetical buyer-purchaser situation. It is reported at this fictitious market value without deduction of transaction costs. As of the reporting date of September 30, 2008, the investment property totaled EUR 660.0 million.

5. INVESTMENT PROPERTY UNDER CONSTRUCTION

Real estate that is being built or developed for future investment use is reported under Investment property under construction. This item contains the Munich-Ludwigsfeld asset repositioning project.

6. INVESTMENTS IN JOINT VENTURES

The Group has a 50 % stake in a joint venture, F 40 GmbH, in the form of a jointly managed company. Accordingly, there is a contractual agreement between the partner companies on the joint control over the economic activities of the entity. Our share of the Frankfurt Feuerbachstrasse project development is reported under this item. The Group accounts for its share in the joint venture at equity. Our book value of the investment amounted to EUR 6.1 million as of September 30, 2008.

7. PARTICIPATIONS

PATRIZIA Immobilien AG's interest in PATRoffice Real Estate GmbH & Co. KG of 6.25 %, our co-investment with both pension funds ABP and ATP, is also accounted for under this item. The participations rose by EUR 1.0 million quarter-on-quarter to EUR 3.1 million which is due to the acquisitions made by PATRoffice.

8. INVENTORIES

The Inventories item contains real estate that is intended for sale in the context of ordinary activities or is intended for such sale in the context of the construction or development process, especially real estate that has been solely acquired for the purpose of resale in the near future or for development and resale. Development also covers modernization and renovation activities. Inventories are carried at cost. As in the 2007 financial year, no value adjustments were to be carried out on inventories in the reporting period. In comparison to December 31, 2007, inventories decreased from EUR 793.4 million to EUR 757.5 million due to sales by the end of the reporting period.

9. BANK LOANS

All loans are in euros. In the event of real estate sales, financial liabilities are redeemed through repayment of a specific share of the sale proceeds.

Such loans are posted as bank loans due in less than one year, whose term ends within the 12 months following the reporting date as well as revolving lines of credit taken out. Regardless of the terms presented in the table below, loans which serve to finance inventories are reported as current bank loans in the balance sheet in accordance with IFRSs.

The residual terms of the bank loans are as follows:

	Total bank loans as of September 30, 2008	Total bank loans as of December 31, 2007
	EUR'000	EUR'000
Less than 1 year	598,310	655,593
1 to 2 years	79,608	13,347
2 to 5 years	70,271	121,484
More than 5 years	440,954	471,573
TOTAL	**1,189,143**	**1,261,997**

10. INCOME FROM THE SALE OF INVESTMENT PROPERTY

Gains on the sale of investment property are determined as the difference between the net sales proceeds and the carrying amount of the asset and are to be reported as income from the sale of investment property during the period of the disposal. In Q3 2008, this only applied to the sale of the "Dresden Altmarktkarree 1" asset repositioning property which was reported under non-current assets in the balance sheet under the Investment property item.

11. SEGMENT REPORTING

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
REVENUES	EUR'000	EUR'000	EUR'000	EUR'000
Investments	39,866	39,347	135,578	95,805
Services	1,544	2,039	4,138	3,960
Corporate	0	0	3	31
TOTAL	**41,410**	**41,387**	**139,719**	**99,796**

	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
EBITDA	EUR'000	EUR'000	EUR'000	EUR'000
Investments	28,446	78,811	56,672	106,074
Services	290	651	514	54
Corporate	–2,181	–1,812	–6,177	–4,945
TOTAL	**26,556**	**77,651**	**51,009**	**101,183**

EBIT	3rd quarter 2008 01.07. – 30.09.2008 EUR'000	3rd quarter 2007 01.07. – 30.09.2007 EUR'000	Nine months ended 01.01. – 30.09.2008 EUR'000	Nine months ended 01.01. – 30.09.2007 EUR'000
Investments	28,397	78,748	56,514	105,862
Services	286	645	498	34
Corporate	–2,268	–1,934	–6,479	–5,328
TOTAL	**26,416**	**77,458**	**50,533**	**100,567**

Revenues from the Investments segment climbed 41.5 % in the first three quarters of 2008 to EUR 135.6 million (previous year: EUR 95.8 million). This increase can primarily be accounted for by the block sales made from inventories along with the higher resales in individual privatization. As mentioned, sales from the Investment property non-current assets are not reported as revenues but as income from the sale of investment property (see note 10 of the Notes to the Financial Statements). In contrast, the segment saw its earnings figures fall. This is due to the fair value adjustments to investment property made in 2007 of EUR 3.2 million compared with Q1 2007 and EUR 66.3 million in Q3 2007. The earnings power of the operating activities enjoyed by the segment improved after adjustment for these items not impacting liquidity. EBIT (adjusted), which was not adjusted to include all one-time items not impacting liquidity, amounted to EUR 56.2 million in the first nine months of 2008 (previous year: EUR 35.2 million). The segment's operating profit is reported as EBT (adjusted), which amounted to EUR 7.6 million.

Revenues in the Services segment remained almost stable in Q3 2008 with the result that revenues of EUR 4.1 million were generated in the first nine months of 2008 (previous year: EUR 4.0 million). Revenues in our Services business thus remained below our own expectations. This segment was also unable to escape the impact of the financial market crisis and the more wait-and-see attitude adopted by investors toward new investments. EBIT thus remained at a low level of EUR 0.5 million.

12. EARNINGS PER SHARE

EARNINGS PER SHARE	3rd quarter 2008 01.07. – 30.09.2008	3rd quarter 2007 01.07. – 30.09.2007	Nine months ended 01.01. – 30.09.2008	Nine months ended 01.01. – 30.09.2007
Net profit for the period (in EUR thousand)	–561	36,645	1,279	46,466
Number of shares issued	52,130,000	52,130,000	52,130,000	52,130,000
Weighted number of shares	52,130,000	51,987,452	52,130,000	51,987,452
EARNINGS PER SHARE (EUR)	**–0.01**	**0.70**	**0.02**	**0.89**

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares. Earnings per share for Q3 2008 amounted to EUR –0.01. Hence earnings per share for the first nine months of 2008 amounted to EUR 0.02 (previous year: EUR 0.89). As mentioned before the results of the previous year were impacted by fair value adjustments to investment property made in 2007 of EUR 69.5 million.

13. 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 2007 Annual Report remain valid.

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

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we declare that 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	Arwed Fischer	Alfred Hoschek	Klaus Schmitt
Chairman of the Board	Member of the Board	Member of the Board	Member of the Board

FINANCIAL CALENDER

Date	Events
November 11, 2008	Quarterly Report › 3rd Quarter 2008

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