CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS AT DECEMBER 31, 2008

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CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS AS OF DECEMBER 31, 2008

ASSETS

	Notes to consolidated financial statements	31.12.2008	31.12.2007
A. NON-CURRENT ASSETS		EUR'000	EUR'000
Software	4.1	579	196
Investment property	4.1	660,000	711,558
Investment property under construction	4.1	11,162	20,205
Equipment	4.1	2,005	2,087
Investments in joint ventures	4.1	6,033	5,067
Participations	4.1	3,090	2,043
Long-term financial derivatives	4.4	0	8,704
Long-term tax assets	4.2	311	375
Deferred tax assets	5.3	0	0
Total non-current assets		**683,180**	**750,235**
B. CURRENT ASSETS			
Inventories	4.3	717,772	793,395
Short-term financial derivatives	4.4	0	4,546
Short-term tax assets	4.2	6,685	3,144
Current receivables and other current assets	4.5	41,611	37,859
Bank balances and cash	4.6	67,905	54,013
Total current assets		**833,973**	**892,957**
TOTAL ASSETS		**1,517,153**	**1,643,192**

EQUITY AND LIABILITIES

	Notes to consolidated financial statements	31.12.2008	31.12.2007
A. EQUITY		TEUR	TEUR
Share capital	5.1.1	52,130	52,130
Capital reserves	5.1.2	215,862	215,862
Retained earnings			
- legal reserves	5.1.3	505	505
Valuation results from cash flow hedges	4.4	–8,054	2,941
Consolidated net profit		31,029	65,167
Total equity		**291,472**	**336,605**
B. LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	4,769	9,914
Long-term financial derivatives	4.4	24,551	1,142
Retirement benefit obligations	5.4	365	369
Total non-current liabilities		**29,685**	**11,425**
CURRENT LIABILITIES			
Short-term bank loans	5.2	1,161,735	1,261,997
Short-term financial derivatives	4.4	10,238	235
Other provisions	5.5	616	594
Current liabilities	5.6	12,556	32,171
Tax liabilities	5.7	9,847	165
Other current liabilities		1,004	0
Total current liabilities		**1,195,996**	**1,295,162**
TOTAL EQUITY AND LIABILITIES		**1,517,153**	**1,643,192**

CONSOLIDATED PROFIT AND LOSS ACCOUNT IN ACCORDANCE WITH IFRS
for the period from January 1, 2008 to December 31, 2008

	Notes to consolidated financial statements	2008	2007
		EUR'000	EUR'000
1. Revenues	6.1	221,325	193,253
2. Income from the sale of investment property		21,747	0
3. Changes in inventories	6.2	–75,623	666,705
4. Other operating income	6.3	4,109	1,905
5. Total operating performance		**171,558**	**861,863**
6. Cost of materials	6.4	– 66,000	– 778,775
7. Staff costs	6.5	– 22,445	– 19,908
8. Amortization of software and depreciation on equipment	6.6	–846	– 771
9. Results from fair value adjustments to investment property	6.7	0	69,477
10. Other operating expenses	6.8	– 17,199	– 20,543
11. Earnings from companies accounted for using the equity method		– 1,004	– 298
12. Finance income	6.9	29,972	20,371
13. Finance cost	6.9	– 126,444	– 68,246
14. Profit / loss before income taxes		**–32,408**	**63,170**
15. Income tax	6.10	– 1,730	– 15,129
16. Net profit / loss		**–34,138**	**48,041**
17. Profit carried forward		65,167	17,126
18. Allocation to retained earnings			
a) legal reserves		0	0
b) other retained earnings		0	0
19. Consolidated net profit		**31,029**	**65,167**
Earnings per share (undiluted), in EUR	6.11	–0,65	0,92

CONSOLIDATED CASH FLOW STATEMENT
for the period from January 1, 2008 to December 31, 2008

	2008	2007
	EUR'000	EUR'000
Consolidated profit / loss after taxes	–34,138	48,041
Amortization of intangible assets and depreciation on property, plant and equipment	846	771
Results from fair value adjustments to investment property	0	–69,477
Loss from / gain on disposal of investment properties (under construction)	–21,747	0
Loss from / gain on disposal of fixed assets	0	419
Change in deferred taxes	–5,144	11,384
Change in retirement benefit obligations	–4	63
Non-cash item income and expenses that are not attributable to financing activities	29,339	–22,619
Changes in inventories, receivables and other assets that are not attributable to investing activities	68,394	–614,570
Changes in liabilities that are not attributable to financing activities	–59,279	583,385
Cash outflow from operating activities	**–21,733**	**–62,603**
Capital investments in intangible assets and property, plant and equipment	–1,205	–1,845
Cash receipts from disposal of intangible assets and property, plant and equipment	58	81
Cash receipts from disposal of investment property	84,000	0
Payments for development or acquisition of investment property	–1,652	–595,041
Investments	–3,017	–7,407
Cash receipts from disposal of financial assets	0	0
Cash inflow / outflow from investing activities	**78,184**	**–604,212**
Dividend of PATRIZIA Immobilien AG	0	–7,820
Capital increase of PATRIZIA Immobilien AG	0	104,060
Borrowing of loans	1,331	543,243
Repayment of loans	–43,889	0
Other cash inflows or outflows from financing activities	0	–1,866
Cash inflow from financing activities	**–42,558**	**637,617**
Changes in cash	**13,892**	**–29,198**
Cash January 1	54,013	83,211
Cash December 31	67,905	54,013

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS
for the period from January 1, 2008 to December 31, 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 adjust-ments cash flow hedges				–10,995		**–10,995**
Net loss for the period					–34,138	**–34,138**
BALANCE DECEMBER 31, 2008	**52,130**	**215,862**	**505**	**–8,054**	**31,029**	**291,472**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS (REPORTING PERIOD PREVIOUS YEAR)
for the period from January 1, 2007 to December 31, 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 (net receipts)	4,730	97,464				**102,194**
Dividend					– 7,820	**– 7,820**
Results from fair valuation adjust-ments cash flow hedges				2,466		**2,466**
Net income for the period					48,041	**48,041**
BALANCE DECEMBER 31, 2007	**52,130**	**215,862**	**505**	**2,941**	**65,167**	**336,605**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

GENERAL DISCLOSURES

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

1. PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2008 were prepared in line with IFRS and in compliance with the provisions of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code. All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied, i.e. those adopted by the EU in the context of the endorsement process and published in the Official Journal of the EU.

The International Financial Reporting Interpretations Committee (IFRIC) has published two interpretations that are to be adopted in the current fiscal year. These are:

- IFRIC 12 – "Service Concessions Arrangements" (this interpretation has not yet been adopted by the EU)
- IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

Adoption of these interpretations did not affect the consolidated financial statements.

Although the following standards and interpretations had already been published at the time of preparing the consolidated financial statements, their adoption was not compulsory at that time:

- IFRS 8 – "Operating Segments" (to be adopted for fiscal years commencing on or after January 1, 2009)
- IFRIC 13 – "Customer Loyalty Programs" (to be adopted for fiscal years commencing on or after July 1, 2008)
- IFRIC 15 – "Agreements for the Construction of Real Estate" (to be adopted for fiscal years commencing on or after January 1, 2009; this interpretation has not yet been adopted by the EU)
- IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation" (to be adopted for fiscal years commencing on or after October 1, 2008; this interpretation has not yet been adopted by the EU)
- IFRIC 17 – "Distributions of Non-cash Assets to Owners" (to be adopted for fiscal years commencing on or after July 1, 2009; this interpretation has not yet been adopted by the EU)
- IFRIC 18 – "Transfers of Assets from Customers" (to be adopted for fiscal years commencing on or after July 1, 2009; this interpretation has not yet been adopted by the EU)

These standards and interpretations have not been adopted early.

IFRIC 15 standardizes accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e. before construction is complete. Adoption of the interpretation is not expected to have any effect on the consolidated financial statements of PATRIZIA Immobilien AG, neither do we expect IFRS 8 or the other IFRICs to affect the consolidated financial statements.

Although the following amendments to standards had already been published at the time of preparing the consolidated financial statements, their adoption was not compulsory at that time:

- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (amendment relating to determining cost of subsidiaries in separate financial statements of a parent, to be adopted for fiscal years commencing on or after January 1, 2009)

- Amendment to IFRS 2 – "Share-based Payment" (amendment relating to vesting conditions and cancellations, to be adopted for fiscal years commencing on or after January 1, 2009)
- Amendment to IFRS 3 – "Business Combinations" (comprehensive revision relating in particular to application of the acquisition method, to be adopted for fiscal years commencing on or after July 1, 2009; these amendments have not yet been adopted by the EU)
- Amendment to IFRS 7 – "Financial Instruments: Disclosures" (amendment relating to reclassification of certain financial assets, to be adopted for fiscal years commencing on or after November 1, 2008)
- Amendment to IAS 1 – "Presentation of Financial Statements" (comprehensive revision including the requirement to present comprehensive income and amendments relating to disclosures about callable financial instruments and obligations arising on liquidation, to be adopted for fiscal years commencing on or after January 1, 2009)
- Amendment to IAS 23 – "Borrowing Costs" (comprehensive revision removing the option of immediately recognizing borrowing costs as an expense, to be adopted for fiscal years commencing on or after January 1, 2009)
- Amendment to IAS 27 – "Consolidated and Separate Financial Statements" (amendments resulting from the amendments to IFRS 3, to be adopted for fiscal years commencing on or after July 1, 2009; these amendments have not yet been adopted by the EU)
- Amendment to IAS 32 – "Financial Instruments: Specifications and Presentation" (amendments relating to disclosures about callable financial instruments and obligations arising on liquidation, to be adopted for fiscal years commencing on or after January 1, 2009)
- Amendment to IAS 39 – "Financial Instruments: Recognition and Measurement" (amendments relating to the reclassification of certain financial assets, to be adopted for fiscal years commencing on or after November 1, 2008, and amendments relating to risk positions qualifying for hedge accounting, to be adopted for fiscal years commencing on or after January 1, 2009; the latter amendments have not yet been adopted by the EU)
- Amendments arising from the annual improvements to the IFRSs dating from May 2008

Apart from the following exceptions, we do not expect adoption of the amended standards to affect the consolidated financial statements:

Previously under IAS 23 – "Borrowing Costs", in exercising the option granted, borrowing costs were recorded as expenses in the period in which they were incurred. This option will no longer exist in the new version of IAS 23. From the point in time of its adoption, borrowing costs relating to the production of a qualifying asset must be capitalized.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as short-term if their realization or repayment is expected within the normal course of the business cycle of the Group or, in relation to assets, if the latter are held for sale within this period. The nature of expense method was selected for the profit and loss account.

The fiscal year corresponds to the calendar year. The consolidated financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

Material differences of the accounting, valuation and consolidation methods compared with the German Commercial Code:

- Investment property valued at fair value;
- Financial derivatives valued at fair value, with valuation changes being treated with an impact on income unless these involve hedges that are directly recognized in equity under a separate item;
- Deferred taxes.

Before the IPO, First Capital Partner GmbH had a stake in PATRIZIA Immobilien AG of 93.21% following first listing of the shares on March 31, 2006 with 50.02%. Following the capital increase carried out in January 2007 and various share purchases during the course of 2007, First Capital Partner GmbH was indirectly and directly a shareholder in PATRIZIA Immobilien AG with 50.16%. As part of existing designated sponsor agreements, First Capital Partner GmbH loaned a total of 100,000 shares to two designated sponsor banks. As at December 31, 2008, First Capital Partner GmbH was thus indirectly and directly a shareholder in PATRIZIA Immobilien AG with 49.97%.

2. SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 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. Control is regarded as the possibility of determining the business and financial policy of the subsidiary in order to benefit from its commercial activities.

Control is assumed if PATRIZIA Immobilien AG directly or indirectly holds the majority of voting rights in another company.

All the companies included in PATRIZIA Immobilien AG's consolidated financial statements can be found in the list of shareholdings at the end of the Notes to the Consolidated Financial Statements. The subsidiaries listed and bound by a profit and loss transfer agreement each make use of the relief provided for in Article 264 (3) of the German Commercial Code. The partnerships also found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.

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.

Associated companies are companies that do not meet the criteria of a subsidiary or joint venture and whose business and financial policy can be significantly influenced by PATRIZIA Immobilien AG. A significant influence is assumed if a direct or indirect voting right share of at least 20% is held in another company. Associated companies are accounted for at equity in the consolidated financial statements.

In addition to the parent company, the scope of consolidation comprises 70 subsidiaries. They are recognized in the consolidated financial statements in line with the rules of full consolidation. There were no longer any associated companies as at the balance sheet date. In addition, one joint venture is accounted for at equity in the consolidated financial statements.

The financial statements of the subsidiaries recognized in the consolidated financial statements are prepared on the balance sheet date of the annual financial statements of PATRIZIA Immobilien AG. The annual financial statements of Wohnungsgesellschaft Olympia mbH, with a balance sheet date of November 30, are converted to the balance sheet date of the consolidated financial statements. The financial statements are prepared in line with uniform accounting and valuation principles.

Company Acquisitions, Sales and Intercompany Restructuring

With effect from January 1, 2008, PATRIZIA Immobilien AG merged PATRIZIA Bautechnik GmbH with PATRIZIA Wohnungspriviatisierung GmbH. The company trades under the name of PATRIZIA Wohnen GmbH.

Also with effect from January 1, 2008, PATRIZIA Advisory & Sales GmbH was merged with PATRIZIA Asset Management GmbH. This company trades under the name of PATRIZIA Investmentmanagement GmbH.

By way of an agreement dated December 18, 2008, PATRIZIA Immobilien AG sold its participation in PATRIZIA Projekt 200 GmbH to Alte Haide Baugesellschaft mbH. PATRIZIA Projekt 200 GmbH was merged with Alte Haide Baugesellschaft mbH with retroactive effect as of May 31, 2008.

The results of the subsidiaries established or sold during the year are recognized in the consolidated profit and loss account on or by the date when the acquisition or sale takes place, according to the effective date of establishment.

2.2 CAPITAL CONSOLIDATION VIA FULL CONSOLIDATION

All subsidiaries are recognized in the consolidated financial statements via full consolidation. Since January 1, 2002, accounting for acquired subsidiaries has been carried out in line with the acquisition method as per IFRS 3. Purchases of shares in companies before this date were still carried out on the basis of the carrying value method, in accordance with the German Commercial Code, whilst using the relief options of IFRS 1.

The date of initial consolidation is the date of acquisition and therefore the date on which control of the net worth and operating activities of the acquired company is actually transferred to the parent company. The acquisition costs consist of the cash used for the acquisition plus the ancillary acquisition costs directly attributable to the acquisition. The calculated acquisition costs are split between the identifiable assets and liabilities of the acquired company. If the acquisition costs exceed the share in the re-valued net worth of the acquired company apportionable to the parent company, goodwill is to be recognized. In the reverse case, negative goodwill is to be recognized as income. The equity share held in the acquired company is the crucial factor in determining the net worth apportionable to the Group. The re-valued net worth must be recognized in full. Shares allocated to minority shareholders are posted separately within the consolidated equity. If the loss of a period apportionable to the minority shareholders exceeds the minority interest to be posted in the consolidated balance sheet, this is offset against the majority share in the consolidated equity.

2.3 CONSOLIDATION OF JOINT VENTURES USING THE EQUITY METHOD

The equity method is applied to the presentation of joint ventures in the consolidated financial statements. In contrast to full consolidation, no assets and liabilities or expenses and income of the company valued at equity (proportionately) are recognized in the consolidated financial statements in the equity method. Instead, the book value of the participation is updated annually according to the development of the proportionate equity of the associated company.

The initial application of the equity method takes place from the time at which the associated company is to be classified as a joint venture. Within the scope of initial consolidation, the acquisition costs for the shares acquired are netted against the equity attributable to them. Any difference is reviewed in accordance with the rules for full consolidation for hidden reserves or charges and any difference is treated as goodwill. Within the scope of subsequent consolidation, the book value of the participation is developed in line with the proportionate changes in equity at associated companies.

2.4 CONSOLIDATION OF LIABILITIES, EXPENSES AND INCOME AND INTRA-GROUP RESULTS

Intercompany balances, transactions, profits and expenditure of the companies recognized in the consolidated financial statements by means of full consolidation are fully eliminated. Deferred taxes are recognized for temporary differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY TRANSLATION

The scope of consolidation is made up only of subsidiaries located in the European Monetary Union. Consequently, there are no financial statements in a foreign a currency that would need to be translated, neither were there assets or liabilities in foreign currencies on the reporting date.

3. SUMMARY OF KEY ACCOUNTING AND VALUATION POLICIES

The financial statements included in the consolidated financial statements are prepared in line with uniform accounting and valuation principles.

3.1 SOFTWARE AND EQUIPMENT

Software and equipment are recognized at cost at the date of addition. Subsequent valuation provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as appreciation taking into account the historical cost principle (valuation at amortized cost).

Acquisition costs cover the directly attributable purchase and commitment costs. Borrowing costs are recorded as expenses in the period in which they were incurred.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with divestiture of the asset. The amortization period is geared towards the expected useful life. Acquired software is amortized over 3 to 5 years. Equipment is amortized over 3 to 14 years.

3.2 IMPAIRMENT OF ASSETS

Assets subject to scheduled depreciation are then checked for an amortization requirement if there is a starting point for impairment. Assets that are not subject to scheduled depreciation are checked on each balance sheet date for a value-adjustment requirement.

3.3 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 market 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.

All investment property held by the Group is let. The resultant rental income and the expenses directly associated with it are recognized in the profit and loss account.

Investment property under construction is posted at cost. If the development is concluded and if the transfer to investment property is successful, the difference between the book value and the fair value is recognized in the results as a change in value in investment property.

3.4 INVESTMENTS IN JOINT VENTURES

The Group has a 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. The Group accounts for its share in the joint venture at equity. The Group includes its share in the joint venture in which the book value of the participation is updated annually according to the development of the proportionate equity of the associated company. The joint venture's financial statements are prepared to the same balance sheet day as are the parent company's financial statements. If necessary, adjustments are made to bring them in line with the accounting policies uniform across the Group.

3.5 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. If the net sale price is lower, this is recognized. Acquisition costs comprise the directly attributable purchase and commitment costs, i.e. especially acquisition costs for real estate as well as ancillary acquisition costs (notary's fees etc.). Manufacturing costs comprise the costs directly attributable to the real estate development process, i.e. especially renovation costs. Borrowing costs are recorded as expenses in the period in which they were incurred. The net sale price corresponds to the sale proceeds likely to be generated in the ordinary course of business less other incurred renovation or modernization and selling costs.

3.6 FINANCIAL ASSETS

IAS 39 distinguishes between the following four categories of financial assets:

- Held-to-maturity investments
- Loans and receivables
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets

Financial assets are recognized in the balance sheet if the company is party to a contract for this asset. Customary purchases of financial assets for which there is only a short customary period between entry into, and fulfillment of, the obligation are generally accounted for on the trading date. In turn, this also applies to customary sales.

There were no **held-to-maturity investments** as at the balance sheet date.

Derivatives which are not designated as hedging instruments or are not effective as such within the meaning of IAS 39 are classified as **financial assets at fair value through profit or loss**. The fair values of the derivatives are determined by external banks.

Investments which have been entered with the intention to hold are categorized as **available-for-sale financial assets**. These are valued at acquisition cost since a fair value can only be determined on the basis of specific sale negotiations due to the absence of an active market. There are currently no plans to sell these instruments. They are reviewed at every balance sheet date for indications of impairment.

Loans and receivables are non-derivative financial assets with fixed or definable payments which are not listed in an active market. Following initial recognition, the loans and receivables are measured at amortized cost using the effective interest method less any impairment.

If there are any objective indications that **impairment of financial assets which have been accounted for at amortized cost** has taken place, the amount of impairment loss is equivalent to the difference between the book value of the asset and the present value of the expected cash flow (with the exception of expected, though not yet occurred, loan losses), discounted with the original effective interest rate of the financial asset, i.e. at the effective interest rate determined at initial recognition. The book value of the asset is decreased using a value adjustment account. The impairment loss is recognized in income.

If the amount of impairment write-downs decreases in the subsequent reporting periods and if this decrease can be objectively attributable to a circumstance occurring subsequent to impairment loss, the previous impairment loss is reversed. However, the new book value of the asset may not exceed the acquisition costs at the time of the reversal of the impairment. The reversal of the impairment is recognized in income.

If there are objective indications in the case of trade receivables that not all amounts due will be received in accordance with the originally agreed invoice conditions (such as probability of insolvency or significant financial difficulties on the part of the debtor), impairment is recognized using a value adjustment account. Derecognition of receivables take place if they are classified as uncollectible.

3.7 CASH AND CASH EQUIVALENTS

Cash and cash deposits shown in the balance sheet comprise cash, bank balances and cash deposits with an original term of less than three months.

The cash in the consolidated cash flow statement is delimited according to the above definition and also covers the revolving lines of credit utilized.

3.8 FINANCIAL LIABILITIES

Upon initial recognition, **interest-bearing loans** are measured at fair value less the transaction costs directly associated with the borrowing. They are not recognized in income at fair value. Following initial recognition, the interest-bearing loans are measured at amortized cost using the effective interest method.

3.9 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (i.e. a part of a financial asset or a group of similar financial assets) is derecognized if the preconditions of IAS 39 are met.

A **financial liability** is derecognized if the obligation upon which this liability is based is fulfilled, reversed or dissolved.

If an existing financial liability is exchanged for another financial liability of the same lender at substantially different contractual conditions or if the conditions of an existing liability are significantly changed, such an exchange or change is treated as a reversal of the original liability and recognition of a new liability. The difference between the respective book values is recognized in income.

3.10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the derivative financial instruments interest swaps, collars and caps to protect itself against interest risks. These derivative financial instruments are measured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive, and as liabilities if their fair value is negative.

Profit or losses resulting from changes to the fair value of derivative financial instruments which do not meet the criteria for accounting as hedges are recognized in income immediately.

The PATRIZIA Group's hedging instruments are classified as cash flow hedges for accounting purposes, since it involves hedging against the risk of fluctuations in the cash flow, which can be allocated to the risk associated with a recognized asset or with the recognized liability.

At the start of the hedging, both the hedges and the Group's risk management objectives and strategies regarding hedging are formally specified and documented. The documentation contains the determination of the hedging instrument when compensating for risks arising from changes to the fair value or cash flow of the hedged underlying transaction. These types of hedges are considered highly effective in compensating for changes to fair value or cash flow. They are assessed on an ongoing basis as to whether they were actually highly effective during the reporting period for which the hedge was defined.

Cash flow hedges, which meet the strict criteria for accounting of hedges, are accounted for as follows:

The effective part of the profit or loss from a hedging instrument is taken directly to equity, while the ineffective part is immediately recognized in income.

The amounts taken directly to equity are transferred to the profit and loss account during the period in which the hedged transaction influences the result, e.g. if hedged financial income or expenses are recognized or if an expected sale is executed.

If the scheduled transaction or the fixed obligation is no longer expected, the amounts previously recognized in equity are transferred to the profit and loss account. If the hedging instrument expires or is sold, terminated or exercised without substitution by a roll over of the hedging instrument into another hedging instrument, the amounts previously recognized in equity remain as separate items in equity until the scheduled transaction or fixed obligation has occurred.

3.11 RETIREMENT BENEFIT OBLIGATIONS

Performance-related plans are valued using the projected unit credit method on the basis of a pension report. The interest share of pension expenses was not significant enough to be recognized in the financial result, and was instead recognized in staff costs.

3.12 OTHER PROVISIONS

Provisions are liabilities of uncertain timing or amount. Recognition of a provision cumulatively requires a current obligation arising from a past event from which an outflow of resources is likely and the value of which must be able to be measured in a reliable manner. Provisions are measured using the best possible estimate of the extent of the obligation. In the event of material interest effects, the provisions are discounted.

3.13 LEASES

The determination of whether an agreement includes a lease is made on the basis of the economic substance of the agreement at the time of the conclusion of this agreement and requires an estimate as to whether the fulfillment of the contractual agreement is dependent upon the utilization of a certain asset or certain assets and whether the agreement grants a right to the utilization of the asset.

The Group as Lessor

Leases where all opportunities and risks of the Group associated with the ownership are not passed to the lessee to a significant degree are classified as operating leases. Initial direct costs which arise in the negotiations and conclusion of an operating leasing contract are added to the book value of the leasing object and are recognized as expenses corresponding to the rental income over the term of the lease. Contingent rent is recognized as income during the period in which it is generated.

Within the PATRIZIA Group, there are only an insignificant number of leases for which the Group is the lessee. All these are to be classified as operating leases.

3.14 TAXES

Current Taxes

Current tax assets and liabilities for current and previous periods are measured at the amount expected to be paid to or recovered from the tax authorities. The calculation of the amount is based on the tax rate and the tax laws which apply at the balance sheet date.

Actual taxes which refer to items which are directly recognized in equity are not recognized in the profit and loss account, but rather in equity.

Deferred Taxes

The recognition of deferred taxes takes place using the liability method on temporary differences existing on the balance sheet date between the recognition of amounts of an asset or a liability in the balance sheet and the tax base.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards not yet utilized and tax credits not yet utilized in the probable scope that taxable income will be available against which the deductible temporary differences and the tax loss carryforwards and tax credits not yet utilized can be recognized.

The book value of deferred tax assets is reviewed on every balance sheet date and decreased to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly recognized. Deferred tax assets not recognized are reviewed on every balance sheet date and recognized in the amount in which it has become probable that a future taxable result allows realization of the deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rate which will probably become effective in the period in which an asset is realized or a liability is settled. It will be based on the tax rates and laws applicable on the balance sheet date. Future tax rate changes are to be taken into account on the balance sheet date if significant effectiveness preconditions are met within the scope of pending legislation.

Deferred taxes which relate to items which are directly recognized in equity are not recognized in the profit and loss account, but also in equity.

Deferred tax assets and deferred tax liabilities are set off against one another if the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and these refer to income taxes of the same taxable entity and are levied by the same taxation authority.

3.15 BORROWING COSTS

Borrowing costs are recorded as expenses in the period in which they were incurred.

3.16 INCOME REALIZATION

Essential conditions for profit realization in the Investments segment when selling real estate are the likelihood of economic benefits and the reliable quantification of revenues. In addition, there must be a transfer to the purchaser of the opportunities and threats associated with ownership of the assets, relinquishment of the legal or actual control of the assets and a reliable determinability of the expenses relating to the sale that have been or are still to be incurred.

In the Services segment, revenue realization is usually carried out after performance and invoicing.

3.17 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

Due to the uncertainties associated with the operating activities, individual items of the consolidated financial statements cannot be measured with precision, but can only be estimated. An estimate is made on the basis of the most recently available reliable information. The assets, liabilities, income, expenses and contingent receivables and liabilities recognized on the basis of estimates may differ from the amounts to be realized in future. Changes are taken into account with an impact on income on the date when more precise information is obtained. Estimates are largely made for the following:

- Determining the recoverable amount to assess the necessity and extent of unscheduled amortization, especially on the real estate posted under the Inventories item
- Recognizing and measuring provisions
- Valuing receivables subject to risk
- Assessing whether deferred tax assets can be realized

The assumptions made when valuing the real estate portfolios could subsequently prove to be partially or fully incorrect, or there could be unexpected problems or unidentified risks relating to real estate portfolios. Such possible developments, even of a short-term nature, could cause a decline in the earnings situation, a decrease in the value of the purchased assets and reduction in the revenues generated from residential property resale and ongoing rental.

In addition to the factors inherent in each property, the value retention of real estate assets is chiefly determined according to the development of the real estate market as well as the general economic situation. There is the risk that, in the event of a negative development of the real estate market or the general economic situation, the valuation estimates made by the Group may have to be corrected. If unscheduled amortization of the real estate assets of the Group was required, this would negatively impact the net asset, financial and earnings situation of the Group.

When buying real estate or portfolios or for carrying out modernization projects, PATRIZIA is predominantly financed by loans. A significant rise in the current interest rate would significantly increase the financing costs of the Group when refinancing existing liabilities and when financing modernization projects in future, and could thus negatively impact on the earnings situation.

4. NOTES THE CONSOLIDATED BALANCE SHEET – ASSETS

4.1 NON-CURRENT ASSETS

The breakdown and changes of non-current assets as well as the amortization of the fiscal year and previous year are set out below:

DEVELOPMENT OF NON-CURRENT ASSETS

	Software	Equipment	Total
2008	EUR'000	EUR'000	EUR'000
Acquisition costs			
Balance as at January 1, 2008	**304**	**4,026**	**4,330**
Additions	641	564	1,205
Disposals	0	–319	–319
Balance as at December 31, 2008	**945**	**4,271**	**5,216**
Amortization			
Balance as at January 1, 2008	**108**	**1,939**	**2,047**
Additions	258	588	846
Disposals	0	–262	–262
Balance as at December 31, 2008	**366**	**2,265**	**2,631**
BOOK VALUES AS AT JANUARY 1, 2008	**196**	**2,087**	**2,283**
BOOK VALUES AS AT DECEMBER 31, 2008	**579**	**2,005**	**2,584**

	Software	Equipment	Total
2007	EUR'000	EUR'000	EUR'000
Acquisition costs			
Balance as at January 1, 2007	**810**	**3,817**	**4,627**
Additions	284	1,561	1,845
Disposals	–790	–1,352	–2,142
Balance as at December 31, 2007	**304**	**4,026**	**4,330**
Amortization			
Balance as at January 1, 2007	**573**	**2,345**	**2,918**
Additions	126	645	771
Disposals	–591	–1,051	–1,642
Balance as at December 31, 2007	**108**	**1,939**	**2,047**
BOOK VALUES AS AT JANUARY 1, 2007	**237**	**1,472**	**1,709**
BOOK VALUES AS AT DECEMBER 31, 2007	**196**	**2,087**	**2,283**

DEVELOPMENT OF NON-CURRENT ASSETS

2008	Investment Property EUR'000
Fair Value	
Balance as at January 1, 2008	**711,558**
Additions – assets	1,385
Disposal of assets	– 52,943
BALANCE AS AT DECEMBER 31, 2008	**660,000**

2007	Investment Property EUR'000
Fair Value	
Balance as at January 1, 2007	**0**
Reclassification from inventories	57,739
Additions – assets	584,342
Fair value adjustments	69,477
BALANCE AS AT DECEMBER 31, 2007	**711,558**

DEVELOPMENT OF NON-CURRENT ASSETS

2008	Investment Property under construction EUR'000
Acquisition costs	
Balance as at January 1, 2008	**20,205**
Additions – assets	267
Disposal of assets	–9,310
BALANCE AS AT DECEMBER 31, 2008	**11,162**

2007	Investment Property under construction EUR'000
Acquisition costs	
Balance as at January 1, 2007	**0**
Reclassification from inventories	9,182
Additions – assets	11,023
BALANCE AS AT DECEMBER 31, 2007	**20,205**

DEVELOPMENT OF NON-CURRENT ASSETS

2008	Participations in joint ventures EUR'000	Participations EUR'000	Total EUR'000
Acquisition costs			
Balance as at January 1, 2008	**5,365**	**2,043**	**7,408**
Additions	1,970	1,047	3,017
Disposals	0	0	0
Balance December 31, 2008	**7,335**	**3,090**	**10,425**
Adjustment at equity / amortization			
Balance as at January 1, 2008	**–298**	**0**	**–298**
Additions	–1,004	0	–1,004
Disposals	0	0	0
Balance as at December 31, 2008	**–1,302**	**0**	**–1,302**
BOOK VALUES AS AT JANUARY 1, 2008	**5,067**	**2,043**	**7,110**
BOOK VALUES AS AT DECEMBER 31, 2008	**6,033**	**3,090**	**9,123**

2007	Participations in joint ventures EUR'000	Participations EUR'000	Total EUR'000
Acquisition costs			
Balance as at January 1, 2007	**0**	**1**	**1**
Additions	5,365	2,042	7,407
Disposals	0	0	0
Balance as at December 31, 2007	**5,365**	**2,043**	**7,408**
Amortization			
Balance as at January 1, 2007	**0**	**0**	**0**
Additions	298	0	298
Disposals	0	0	0
Balance as at December 31, 2007	**298**	**0**	**298**
BOOK VALUES AS AT JANUARY 1, 2007	**0**	**1**	**1**
BOOK VALUES AS AT DECEMBER 31, 2007	**5,067**	**2,043**	**7,110**

Investment property is property that is held for generating rental income and/or for capital appreciation. The investment property is recognized at fair value in profit or loss in accordance with IAS 40. The investment property in Dresden was sold in the fiscal year.

The fair value was calculated by an independent expert using a discounted cash flow procedure and based on the property rents at that time. The valuation model makes adjustments to market rents taking general legal conditions into account. Cash flow was discounted at an average of 5.7% p.a. over the detailed planning period of 10 years and subsequently at an average of 4.9% p.a.

Investment property under construction involves properties which are being constructed or developed for future investment purposes. Recognition is carried out in line with IAS 16 at amortized cost. The investment property under construction in Dresden was sold in the fiscal year.

The 50% share in F 40 GmbH is accounted for under the Participations in joint ventures item.

The Participations item includes the 5.1% share in Hyrebostädter i Norra Tyskland Verwaltungs GmbH and the 6.25% share in PATRoffice Real Estate GmbH & Co. KG.

The book values of the financial assets fall in the individual categories as follows:

	2008	2007
	EUR'000	EUR'000
Loans and receivables	41,611	41,378
Available-for-sale financial assets	3,090	2,043
Financial assets which are valued at fair value through profit or loss and are held for trading in accordance with IAS 39	0	8,225
Derivative financial instruments which are designated as hedging instruments and are effective as such	0	5,025
Bank balances and cash	67,905	54,013

The book values of the financial liabilities fall in the individual categories as follows:

	2008	2007
	EUR'000	EUR'000
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	24,340	1,142
Financial liabilities which are measured at residual value through profit or loss	1,175,295	1,305,210
Derivative financial instruments which are designated as hedging instruments and are effective as such	10,449	235

Other liabilities are measured entirely at amortized cost.

4.2 TAX ASSETS

Corporation tax credits of 311 TEUR (previous year: 375 TEUR) with a right to payment from 2008 and to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as long-term tax assets. Measurement is at present value.

Allowable credit and tax prepayments reimbursed by the tax authorities are reported as current tax assets. These tax assets have a residual term of less than 1 year.

4.3 INVENTORIES

A breakdown of inventories is shown below:

	2008	2007
	EUR'000	EUR'000
Real estate intended for sale	717,772	793,395
	717,772	**793,395**

Assets held for sale in the ordinary course of business are posted under Inventories.

Inventories to the value of 97,205 TEUR (previous year: 84,572 TEUR) were sold in the fiscal year.

The book value of the inventories which are pledged as security totals 628,121 TEUR (previous year: 680,846 TEUR).

4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps, interest rate collars and interest rate caps for the partial hedging of the interest rate risk from its bank loans. These are cash flow hedges where a hedging relationship to the respective underlying transaction could be demonstrated.

The changes to the fair value of the derivatives not classified as effective are recognized with an impact on income in the profit and loss account. In the fiscal year, they amounted to –31,998 TEUR (previous year: 5,969 TEUR).

As at December 31, 2008, the nominal volume of the derivatives classified as not effective totaled 514,325 TEUR (previous year: 505,779 TEUR); the corresponding fair values were –24,340 TEUR (previous year: 7,083 TEUR).

The changes to the fair values of the hedging derivatives of –15,114 TEUR (previous year: 2,808 TEUR) are directly recognized in equity, taking deferred taxes into account.

No changes in value of cash flow hedges recognized in equity were realized through profit or loss and transferred into the financial result.

Fair value changes of –776 TEUR (previous year: 146 TEUR) were taken into account during the reporting year as ineffective part of hedging derivatives in the profit and loss account.

As at December 31, 2008, the nominal volume of these hedging derivatives totaled 398,650 TEUR (previous year: 530,800 TEUR); the corresponding fair values were –10,449 TEUR (previous year: 4,790 TEUR).

As at December 31, 2008, the entire amount of unrealized loss (previous year: profit) from interest hedging transactions which was transferred to the provisions related to these future transactions for hedging transactions taking into account deferred tax effects was –8,054 TEUR (previous year: 2,941 TEUR). It is expected that the interest rate hedges will be concluded in line with contractual conditions at 3% in 2009, at 13% in 2010, at 1% in 2011 and at 84% in 2012 and 2013. For payment flows recognized in income cf. item 5.2.

4.5 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

A breakdown of receivables and other current assets is shown below:

	2008	2007
	EUR'000	EUR'000
Trade receivables	31,667	27,128
Other current assets	9,944	10,731
	41,611	**37,859**

The book value of the receivables corresponds to their fair value.

As at the balance sheet date, the following receivables were overdue, but not impaired:

	2008	2007
	EUR'000	EUR'000
Rent receivables	**2,980**	**3,399**
Of which ‹ 60 days	1,290	1,578
Of which › 60 days and ‹ 180 days	215	1,821
Of which › 180 days	1,475	0

Of these, rent receivables are secured with rental deposits amounting to 616 TEUR (previous year: 769 TEUR).

Trade receivables and other current assets are decreased by specific value adjustments of 342 TEUR (previous year: 488 TEUR).

Changes in the value adjustment account for receivables:

	2008	2007
	EUR'000	EUR'000
Balance as at January 1	488	175
Additions	67	341
Outflows due to derecognitions	–19	–19
Outflows due to payments received	–194	–9
BALANCE AS AT DECEMBER 31	**342**	**488**

Trade receivables are impaired via a value adjustment account.

Receivables and other current assets have a residual term of less than one year.

4.6 BANK BALANCES AND CASH

The Bank balances and cash item comprises cash and cash deposits held by the Group. The book value of these assets corresponds to their fair value.

5. NOTES THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

For the development of equity, please see the statement of changes in equity.

5.1.1 SHARE CAPITAL

As at the balance sheet date, the share capital of the Company totaled 52,130 TEUR (previous year: 52,130 TEUR) and was divided into 52,130,000 no-par value shares.

With the consent of the Supervisory Board, the Managing Board was authorized by the Annual General Meeting on June 13, 2007 to increase the share capital on one or more occasions by up to a total of 26,065 TEUR in exchange for cash contributions and/or contributions in kind by issuing new no-par value bearer shares (authorized capital) by June 12, 2012.

Furthermore, the share capital was contingently increased (contingent capital) by resolution of the Annual General Meeting of June 13, 2007 by up to 26,065 TEUR by issuing up to 26,065,000 new, registered no-par value shares.

First Capital Partner GmbH is indirectly and directly shareholder of PATRIZIA Immobilien AG with 26,047,572 no-par value shares, which equates to a 49.97% shareholding (previous year: 50.16%).

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the past as part of the company's capital increase are posted unchanged in the capital reserve.

5.1.3 RETAINED EARNINGS

The legal reserve of 505 TEUR is again posted under Retained earnings.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

	Total floating-rate financial liabilities 2008	Total floating-rate financial liabilities 2007
	EUR'000	EUR'000
‹ 1 year	597,884	655,593
1 – 2 years	117,673	13,347
2 – 5 years	269,753	121,484
› 5 years	176,425	471,573
	1,161,735	**1,261,997**

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

Accordingly, the loan proceeds in the above table existing on the balance sheet date are allocated without taking into account repayments from resales in accordance with the contractually agreed terms of the loan agreements.

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 above, loans which serve to finance inventories are reported as short-term bank loans in the balance sheet (cf. 1 Principles Applied in Preparing the Consolidated Financial Statements).

The bank loans are based on variable interest rates and are measured at amortized cost. In this respect, the Group is exposed to an interest rate risk in terms of the cash flows. To limit the risk, the Group has concluded interest hedging transactions for the majority of the loans.

The Group's own real estate serves as security for the bank loans. The bank loans secured by real estate liens amount to 1,161,161 TEUR (previous year: 1,260,635 TEUR). In addition, financial liabilities are secured by assigning purchasing prices, and others are secured by assigning future rental payments.

5.3 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

The key deferred tax assets and deferred tax liabilities and their development are set out below:

	Dec. 31, 2008 Assets side	Dec. 31, 2008 Liabilities side	Dec. 31, 2007 Assets side	Dec. 31, 2007 Liabilities side
	EUR'000	EUR'000	EUR'000	EUR'000
Investment property	0	13,358	0	12,912
Inventories	1,160	0	1,459	0
Derivatives	5,884	0	332	1,675
Tax loss carryforwards	1,764	0	2,860	0
Various	22	241	22	0
	8,830	**13,599**	**4,673**	**14,587**
Netting	–8,830	–8,830	–4,673	–4,673
	0	**4,769**	**0**	**9,914**

As at the balance sheet date, there were corporation tax loss carryforwards of 11,131 TEUR (previous year: 7,158 TEUR) and trade tax loss carryforwards of 0 TEUR (previous year: 6,835 TEUR), for which deferred tax assets of 1,764 TEUR (previous year: 2,860 TEUR) were recognized.

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognized for pre-consolidation losses of 447 TEUR (previous year: 447 TEUR). The loss carryforwards for which deferred tax assets have been capitalized will be used in line with expectations within the planning period (maximum 2 years). The losses can be carried forward for an indefinite period.

According to IAS 12.24(b), the Group has not recognized any deferred tax assets for the temporary differences arising from the real estate of Alte Haide Baugesellschaft mbH.

In the same way, no deferred tax assets have been recognized for existing loss carryforwards in this company of 5,978 TEUR (previous year: 18,214 TEUR) due to lack of predictability of their tax benefit. In the reporting year, loss carryforwards of 12,236 TEUR were used as part of the PATRIZIA Projekt 200 GmbH merger (cf. 2.1 Scope of Consolidation).

Deferred tax assets and deferred tax liabilities are set off against one another, as the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income tax that is levied by the same tax authority.

5.4 RETIREMENT BENEFIT OBLIGATIONS

There are no performance-related pension schemes at the Group. One exception to this is a scheme that was transferred in 2002 in conjunction with an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of 7 people therefore had a performance-related commitment. 5 of these people are retired persons who already receive ongoing pension payments. Taking this fact into account, the provisions calculated according to the German Commercial Code were increased by approximately 25% on the basis of an actuarial report prepared in accordance with IAS 19. On December 31, 2008, an actuarial interest rate of 5.5% and a projected pension increase of 1.9% were applied to the reference report. The projected unit credit method was used as the calculation method. The calculations were based on Prof. Klaus Heubeck's biometric guidelines (probabilities of death and invalidity) (guideline RT 2005G). As at December 31, 2008, the pension provision was recognized at 365 TEUR (previous year 369 TEUR). Due to the low level of the annual pension payments of 32 TEUR and therefore also the low value of the pension provision, the pension provision in the Consolidated Financial Statements was not regarded as material. For this reason, there is no breakdown of the change to the pension provision. As at the balance sheet date, there were neither plan assets nor non-recognized actuarial losses and/or past service costs. The interest cost is also posted under Staff costs.

5.5 OTHER PROVISIONS

A breakdown of other provisions is shown below:

	Jan. 1, 2008	Allocation	Reversal	Utilization	Dec. 31, 2008
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Other provisions	594	616	18	576	616
	594	**616**	**18**	**576**	**616**

The other provisions chiefly consist of provisions for unused holiday entitlements, contributions to employee accident insurance and surcharges for not employing handicapped persons.

With regard to other provisions, it is to be assumed that the outflow of funds will occur in the subsequent year.

5.6 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

	2008	2007
	EUR'000	EUR'000
Trade payables	1,608	16,681
Advance payments	507	837
Other liabilities	10,441	14,653
CURRENT LIABILITIES	**12,556**	**32,171**

The current liabilities have a residual term of less than 12 months. The fair value of the liabilities therefore corresponds to the book value. Other liabilities chiefly include liabilities for acquisition and manufacturing costs arising after the balance sheet date of 7,665 TEUR (previous year: 10,665 TEUR).

5.7 TAX LIABILITIES

The tax liabilities concern subsequent taxation of the former Equity 02 portfolios amounting to 3,760 TEUR, corporation tax and trade tax on profits of domestic subsidiaries amounting to 5,290 TEUR and taxes in Luxembourg of 370 TEUR (previous year: 165 TEUR).

5.8 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The financial assets of the Group chiefly consist of the trade receivables, other assets and bank balances. In these categories, the Group is exposed to credit risk. The Group's credit risk primarily results from trade receivables. Insofar as they are identifiable, these are decreased by specific value adjustments. For the trade receivables, in the event of sales as single assets, security exists in the form of a commercial retransfer right of the sold real estate in case of default by the customer. When selling individual apartments, ownership is not transferred until the purchase price is received in full. Consequently, there is no credit risk here.

The bank balances are held at banks with strong credit ratings.

The financial liabilities essentially used by the Group – with the exception of derivative financial instruments – comprise bank loans and revolving lines of credit, trade payables and secured loans. The main objective of these financial liabilities is financing the business activities of the Group.

Furthermore, the Group has other derivative financial instruments. These comprise interest rate swaps, interest rate collars and interest rate caps. The aim of these derivative financial instruments is hedging against interest risks which result from the business activities of the Group and its financing sources.

Significant risks for the Group arising from the financial instruments comprise interest-related cash flow risks and liquidity and credit risks. The Management has agreed upon strategies and procedures for the control of individual risk types, which are presented in the following.

Interest Rate Risk

The risk from fluctuations in the market interest rate to which the Group is exposed results primarily from those financial liabilities with a variable interest rate.

For managing and smoothing the Group's interest expense, the Group has concluded interest hedging transactions. At specified intervals the Group exchanges with the contractual partner the difference between fixed-interest and variable-interest amounts for a previously agreed nominal amount or set a maximum rate. The underlying obligation is hedged with these interest hedging transactions. As at December 31, 2008, approximately 79% (2007: 82%) of the Group's external funds was fixed interest bearing taking into account existing financial derivatives.

Overview of the interest rate risk

The PATRIZIA Group concludes only variable interest rate loans. The Group is therefore subject to an interest rate risk on financial liabilities. This risk is reduced by using derivative financial instruments whereby variable interest rates are exchanged for fixed interest rates (swap) or a fixed upper ceiling is agreed for variable interest (collar or cap).

The Group measures the interest rate risk with the help of the cash flow sensitivity in the case of an assumed parallel shift in the interest curve of 100 basis points. If a rise in the interest rates of 100 basis points is assumed, as at December 31, 2008 this would have an effect without tax regards of +23,657 TEUR on the consolidated profit (previous year: +21,024 TEUR) and +9,322 TEUR on consolidated equity (previous year: +12,245 TEUR). Taking deferred taxes into account, an increase of 100 basis points would have an effect of +17,556 TEUR on the consolidated profit and +7,655 TEUR on consolidated equity. In determining the effect, existing accounting hedges were included with their characteristics as they appeared on the balance sheet date.

Credit Risk

Due to a wide and uncorrelated counterparty structure there is no concentration of risks in our group of companies. A receivable against a land purchaser of 22,500 TEUR is an exception. However, this has been secured since in the case of default the land will be reconveyed. As a result, no significant risk arises for the Group.

In the case of other financial assets of the Group, such as cash and cash equivalents, and financial investments available for sale the maximum credit risk corresponds to the book value of these instruments in the case of default on the part of the counterparty.

Liquidity Risk

The Group continually monitors the risk of a liquidity bottleneck using liquidity planning. This liquidity planning takes into account the durations of the financial liabilities and expected cash flows from the operating activities.

The Group's objective is to ensure cash requirements are met on an ongoing basis by using overdrafts and loans.

The maturity of financial liabilities can be found in item 5.2 of the Notes to the Consolidated Financial Statements.

Capital Management

The Group monitors its capital with the help of a gearing ratio which corresponds to the ratio of net financial liabilities to the sum of modified equity and net financial liabilities. Net financial liabilities comprise interest bearing loans, trade payables and other liabilities less cash and short-term deposits. Modified equity comprises the equity attributable to the shareholders of the parent company less the unrealized profit.

	2008 EUR'000	2007 EUR'000
Interest-bearing loans	1,161,735	1,261,997
Trade payables and other liabilities	24,023	32,930
Less cash and short-term deposits	– 67,905	– 54,013
Net financial liabilities	**1,117,853**	**1,240,914**
Equity	291,472	336,605
Unrealized losses (previous year: profits)	8,054	– 2,941
Total modified equity	**299,526**	**333,664**
Modified equity and net financial liabilities	1,417,379	1,574,578
Gearing ratio	79 %	79 %

6. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

The profit and loss account is prepared in line with the nature of total expense method.

6.1 REVENUES

Please refer to the statements on segment reporting.

Revenues include rental income from investment property of 43,447 TEUR (previous year: 36,948 TEUR).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of the property intended for sale are posted in income under Changes in inventories and are corrected accordingly in Cost of materials. Consequently, the acquisition of property intended for sale leads to an inventory increase and the sale of the corresponding property leads to an inventory reduction.

6.3 OTHER OPERATING INCOME

Other operating income chiefly relates to income from discontinued obligations (1,147 TEUR), received discounts of 382 TEUR (previous year: 425 TEUR), and income from payments in kind of 477 TEUR (previous year: 402 TEUR).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance. This chiefly involves the expenses from the purchase of properties, renovation and project planning costs, additional property expenses and lease expenses. This includes 8,579 TEUR (previous year: 2,901 TEUR) expenses for maintenance of investment property.

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

	2008	2007
	EUR'000	EUR'000
Wages and salaries	19,245	17,193
Social insurance contributions	3,200	2,715
	22,445	**19,908**

6.6 AMORTIZATION

Scheduled amortization amounts to 846 TEUR (previous year: 771 TEUR). It relates to software and equipment.

6.7 RESULTS FROM FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTY

Results from fair value adjustments to investment property amount to 0 TEUR (previous year: 69,477 TEUR).

6.8 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

	2008	2007
	EUR'000	EUR'000
Administrative expenses	10,538	11,748
Selling expenses	5,454	5,397
Other expenses	1,207	3,398
	17,199	**20,543**

6.9 FINANCIAL RESULT

	2008	2007
	EUR'000	EUR'000
Interest on bank deposits	1,366	2,589
Income from interest hedges	6,703	1,901
Changes in value of the derivatives	21,097	14,825
Income from securities	0	364
Other interests	806	692
	29,972	**20,371**
Interest on revolving lines of credit and bank loans	– 71,515	– 57,910
Expenses from interest hedges	– 823	– 1,372
Changes in value of the derivatives	– 53,871	– 8,711
Other finance cost	– 235	– 253
	– 126,444	**– 68,246**
	–96,472	**–47,875**

Interest income of 0 TEUR (previous year: 635 TEUR), which was recognized at the effective interest rate, is attributable to credit and receivables. Pure measurement effects did not occur for instruments of this category. The amount of the impairment on receivables can be seen under text number 4.5.

NOTES

6.10 INCOME TAX

A breakdown of income taxes is shown below:

	2008	2007
	EUR'000	EUR'000
Current taxes	– 4,516	– 3,634
Deferred taxes	2,786	– 11,495
	– 1,730	**– 15,129**

The deferred taxes in the profit and loss account chiefly result from loss carryforwards, the fair value measurement of interest rate hedging instruments and the investment property and the elimination of intra-Group results.

Tax Reconciliation Statement

The tax reconciliation statement describes the ratio between effective tax expenses and expected tax expenses based on the IFRS consolidated net profit for the year (before income taxes) by applying the income tax rate of 30.825% (previous year 40%). The income tax rate consists of 15% corporation tax, and on this a 5.5% solidarity surcharge and 15% trade tax:

	2008	2007
	EUR'000	EUR'000
IFRS consolidated profit/loss for the period before income tax	–32,408	63,170
Expected actual income tax expenses	9,990	–25,268
Non-deductible operating expenditure	–568	–572
Tax-free income	0	944
Utilization of non-capitalized loss carryforwards	3,957	0
Non recognition of loss carryforwards	–6,827	–3,253
Trade tax effects from limited taxable income	–7,308	8,787
Special effect of the Equity 02 taxation	–118	–3,954
Effect of tax rate changes	0	6,222
Effects outside the period	–1,219	1,305
Other	363	660
EFFECTIVE TAX EXPENSE	**–1,730**	**–15,129**

6.11 EARNINGS PER SHARE

	2008	2007
Profit share of Group shareholders	EUR –34,137,630	EUR 48,040,655
Number of shares issued	52,130,000	52,130,000
Weighted number of shares	52,130,000	51,987,452
Earnings per share (undiluted)	EUR –0.65	EUR 0.92

There were no diluted earnings per share in the reporting year or in the previous year. As at December 31, 2008 there was authorized capital of 26,065 TEUR.

7. SEGMENT REPORTING

The Group is divided into two segments, that of Investments and that of Services. The Investments segment consists of the Residential Property Resale, Asset Repositioning and Project Development lines. The Services segment covers a wide range of real estate services, in particular analysis and advice when purchasing individual residential and commercial properties or portfolios (investment management), value-oriented management of real estate portfolios (asset management) and the management of real estate (property management). In addition, the Group carries out residential property resale and sales of properties as single assets on behalf of customers (sales management).

The Group's activities extend across Germany. For this reason, no geographical segment is set out.

The individual segment figures are set out below:

	Investments	Services	Corporate	Total
2008	EUR'000	EUR'000	EUR'000	EUR'000
External revenues	215,071	6,249	5	**221,325**
EBITDA [1]	73,284	–592	– 7,782	**64,910**
EBIT [1]	73,025	–621	– 8,340	**64,064**

2007	EUR'000	EUR'000	EUR'000	EUR'000
External revenues	184,225	8,998	30	**193,253**
EBITDA [1]	117,476	1,234	– 6,893	**111,817**
EBIT [1]	117,215	1,138	– 7,308	**111,045**

1) EBIT and EBITDA are not fixed parameters defined by IFRS.

The assets and liabilities in the Investments segment account for well over 90% of the total assets and liabilities of the Group due to the capital intensity of this segment. For this reason, there is no breakdown of assets and liabilities by individual segment.

8. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement was prepared in line with the provisions of IAS 7.

In the cash flow statement, the payment flows are subdivided into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Effects of changes to the scope of consolidation are eliminated in the respective items. The cash flow from current operating activities was calculated using the indirect method.

Cash and cash equivalents contain the bank balances and cash posted in the balance sheet as well as short-term deposits and revolving lines of credit.

In the cash flow from current operating activities, the non-cash item operating expenditure and income as well as the income from disposals of intangible assets, property, plant and equipment and participations are eliminated. Interest income of 8,875 TEUR (previous year 5,182 TEUR), interest expenses of 79,905 TEUR (previous year: 45,821 TEUR) and reimbursed income taxes of 2,269 TEUR (previous year: 14,097 TEUR) as well as borrowing and repayment of bank loans to finance current assets are assigned to current operating activities due to the special nature of the real-estate sector.

Cash flow from investing activities contains the financial investments, particularly investment property, and investments in and sales of property, plant and equipment.

Cash flow from financing activities includes cash outflows for dividends and cash inflows from capital increases of PATRIZIA Immobilien AG as part of the capital increase as well as payments and redemptions of loans.

No dividend was distributed during the reporting year.

9. OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

There are no performance-related pension schemes at the Group. An exception to this is a scheme that was transferred in 2002 within the scope of an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of 7 people therefore had a performance-related commitment. 5 of these people are retired persons who already receive ongoing pension commitments. In addition, there are performance-related pension schemes for the Managing Board in the context of a company provident fund. In this respect, the Group makes set contributions to an independent entity (fund). This pension commitment gives rise to the risk of subsidiary liability for the Group if the fund does not have sufficient assets to pay all benefits relating to work performed by the employees in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2008, a total of 56 TEUR (previous year: 56 TEUR) was paid in contributions to the provident fund.

The employees in the Group are largely compulsorily insured with the state pension insurance and are thus covered by a state defined contribution scheme. As a result of this pension commitment, the Group is neither legally nor constructively obliged to pay contributions above and beyond this. Contributions in the context of contribution-oriented pension systems are paid in the year in which the employee performed the counterperformance for these contributions.

Since January 1, 2002, employees have had a statutory right to deferred compensation of up to 4% of the contributions ceiling per year in the state pension insurance. For this purpose, the Group has concluded a collective framework agreement with an external pension fund.

9.2 MANAGEMENT PARTICIPATION MODEL

In 2005, PATRIZIA Immobilien AG introduced a management participation model aimed at giving the directors and managers of Group companies the opportunity of participation in PATRIZIA Immobilien AG.

In the run-up to the IPO, the decision was made not to implement the third stage of the stock option model. With a resolution of the Annual General Meeting on February 23, 2006 the authority for the Managing Board to grant stock options and for the contingent capital established to this effect was reversed.

In the consolidated annual financial statements for fiscal year 2006 PATRIZIA announced that, in future, a new management participation model was to be launched which meets the requirements of the capital market.

The new management participation model focuses on the aspects market conformity, performance and sustainability. The model was developed taking into account the requirements of the German Corporate Governance Code.

The fundamental requirement of the PATRIZIA management participation model is a consistent target system that supports the corporate strategy. It is developed for the long-term to be multidimensional and neutral. The system sets directors and managers of Group companies quantitative and qualitative Company, business line and individual goals. The amount to which quantitative goals can be achieved is based on projected figures according to the Company's planning. Key objectives here are above all consolidated profit before taxes and Group return on equity as well as absolute share price performance and performance in relation to reference indices.

On a business line level, the basic structure of the PATRIZIA provision of services is mapped in the form of value contributions to processes and the performance relationships interdependence among those involved in the process. The directors and managers of Group companies involved in the provision of services or in qualitative projects will be bound to common goals.

On an individual basis, the quantitative results or qualitative project results for which the directors and managers of Group companies are responsible will be taken into account.

The level at which the individual goals are achieved determines the amount of the variable share of remuneration. There is a cap to the variable compensation component. If less than two thirds of the forecast consolidated profit is not reached, directors and managers of Group companies lose the entire variable share of remuneration.

The variable share of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive will be paid directly after it has been established that the goals have been achieved. The long-term incentive is a salary commitment with a virtual link to the PATRIZIA share price. It is paid two years following confirmation that the targets have been achieved.

Within this vesting period, the cash commitment is tied to allocation conditions. These regulate the consequences regarding allocation of the long-term incentive to the individual director or manager of a Group company should they leave the Group. Upon leaving the Group, a member may receive complete, part or none of the committed and as yet undistributed claims, depending on the reason for leaving.

The management participation model became effective for Managing Board members on January 1, 2008.

PATRIZIA extended the new management participation model to the second management level in 2008.

9.3 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The individuals and companies related to the company include the members of the Managing Board and Supervisory Board as well as the directors of subsidiaries, in each case including their close relatives, as well as companies on which the Managing Board or Supervisory Board members or their close relatives can exert a significant influence or in which they hold a significant share of the voting rights. In addition, related individuals include companies with which the company forms an affiliated group or in which it holds a participating interest that enables it to exert significant influence on the business policy of the associated company, as well as the main shareholders of the company including its affiliated companies.

The related companies of the Group are listed individually below:

- WE Verwaltungs GmbH, Augsburg
- WE Vermögensverwaltung GmbH & Co. KG, Augsburg
- First Capital Partner GmbH, Gräfelfing
- FCP Service GmbH, Gräfelfing
- FCP Anlage AG, Gräfelfing
- Wohnungsportfolio WPO Berlin GmbH, Berlin
- Wohnungsportfolio WPO Immobilienservice GmbH, Berlin
- Immobilienportfolio IPO Berlin GmbH, Berlin
- AHO Verwaltung GmbH, Augsburg
- Eurobilia AG, Gräfelfing
- Hansa-Langenhorn-Immobilien GmbH, Hamburg
- Verwaltung EHG Erste Hanseatische Grundvermögen GmbH, Hamburg
- E.H.G. Erste Hanseatische Grundvermögen GmbH & Co. KG, Hamburg
- Wolfgang Egger Verwaltungs-GmbH, Gräfelfing
- Wolfgang Egger GmbH & Co. KG, Gräfelfing
- Objektgesellschaft An der Alster 47 GmbH & Co. KG, Augsburg
- Stadtresidenz Friedrich-List Vermögensverwaltungs KG, Augsburg

The company maintains the following business relationships with related individuals.

Ownership of PATRIZIA Shares by Members of the Managing Board and Persons Related to Managing Board Members

As at the balance sheet date, Wolfgang Egger, Chairman of the Managing Board, holds a total stake of 49.97% indirectly and directly in the Company via First Capital Partner GmbH, in which he indirectly holds a 99.99% stake via WE Vermögensverwaltung GmbH & Co. KG.

Wolfgang Egger also has a 5.1% stake in Projekt Wasserturm Grundstücks GmbH & Co. KG. A further 45.9% is indirectly held by PATRIZIA Immobilien AG, and the remaining 49% is held by Ernest-Joachim Storr.

Alfred Hoschek, a member of the Managing Board of the Company until November 30, 2008, holds a total stake of 1.48% in the Company. Via AHO Verwaltung GmbH, in which he owns a 100% stake, he also holds 5.1% of the shares in Alte Haide Baugesellschaft mbH. The remaining 94.9% of the shares are indirectly held by PATRIZIA Immobilien AG via Stella Grundvermögen GmbH.

Klaus Schmitt, a member of the Managing Board of the Company, holds a total stake of 0.15% in PATRIZIA Immobilien AG.

Ownership of Shares by Other Members of the Management in Key Positions

Johannes Altmayr, Eckhard Bolte, Dr. Bernhard Engelbrecht, Gerhard Faltermeier, Werner Gorny, Jürgen Kolper, Klaus Kümmerle, Dr. Wolfgang Lange, Martin Lemke and Markus Scherl also hold a total of 1.28% as members of the additional management levels of PATRIZIA.

Direct Contracts and Business Relationships between the Managing Board Members and PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG perform various services for Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In particular, these services relate to management of real-estate portfolios and construction projects. The scope of services to be performed by PATRIZIA Immobilien AG and/or its subsidiaries is precisely defined in the framework agreement of February 12, 2008. The remuneration for services performed agreed in the contract is in line with current market conditions. In the 2008 fiscal year, PATRIZIA performed services to the value of 569 TEUR.

Rental Agreements between Managing Board Members and PATRIZIA

Wolfgang Egger – as lessor – has concluded a rental agreement with the Company – as tenant – relating to the building used by the Company as its head office (Fuggerstrasse 26 in Augsburg) at a current monthly rent of 20 TEUR.

Rental Agreements between Individuals Related to Managing Board Members and PATRIZIA

Furthermore, Objektgesellschaft An der Alster 47 GmbH & Co. KG – as lessor – (Wolfgang Egger and Alfred Hoschek have indirect stakes of 95% and 5% respectively in this company) has concluded a rental agreement with the Company for a floor of a building in Hamburg with monthly rent of 6 TEUR plus statutory VAT.

On March 1, 2007, Friedrich-List Vermögensverwaltungs KG concluded a rental agreement for office space at Bavariaring 6, Munich, Germany with PATRIZIA Wohnungsprivatisierung GmbH. The monthly rental interest amounts to 2 TEUR.

Activities of Managing Board Members outside PATRIZIA

Chairman of the Board Wolfgang Egger is a director of Wolfgang Egger Verwaltungs GmbH (general partner of Wolfgang Egger Vermögensverwaltung GmbH & Co. KG), as well as general partner of Friedrich-List Vermögensverwaltungs KG.

The Managing Board member Alfred Hoschek (who left the Company on November 30, 2008) is a director and sole shareholder of AHO Verwaltung GmbH.

Consultancy Agreement with the Law Firm Seitz, Weckbach, Fackler

There is a consultancy relationship with the law firm Seitz, Weckbach, Fackler of Augsburg, under which the company is advised on competition and employment law. A partner in this law firm, Dr. Theodor Seitz, is also Chairman of the Supervisory Board of the Company. The consultancy agreement was approved by means of a Supervisory Board resolution dated November 29, 2007. In 2008, consultancy costs of 9 TEUR were incurred at the law firm Seitz, Weckbach, Fackler.

9.4 SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

Wolfgang Egger, businessman, Chief Executive Officer
Arwed Fischer, business studies graduate (univ.), Chief Financial Officer (since March 1, 2008)
Alfred Hoschek, graduate engineer, Chief Investment Officer and Chief Financial Officer from January 1, 2008 through February 29, 2008 (until November 30, 2008)
Klaus Schmitt, law graduate, Chief Operating Officer

In the fiscal year, the payments made to the Managing Board totaled 1,137 TEUR (previous year: 1,911 TEUR); details are included in the following table:

Compensation of the Managing Board in 2008 (EUR)	Annual income			Long-term variable compensation**	Contribution to retirement pension
	Fixed compensation	Short-term variable compensation	Payments in kind and other payments*		
	EUR	EUR	EUR	EUR	EUR
Wolfgang Egger	260,000	0	21,963	0	12,000
Arwed Fischer (since March 1, 2008)	200,000	200,000	26,160	0	10,000
Alfred Hoschek (until November 30, 2008)	165,000	0	9,471	0	11,000
Klaus Schmitt	180,000	0	29,389	0	12,000
TOTAL	**805,000**	**200,000**	**86,983**	**0**	**45,000**

* The item primarily includes non-cash benefits from the provision of company cars and insurance premiums.
** Conversion into performing share units with a two-year waiting period; to be paid out at the Xetra closing price on the last trading day of 2010. No performing share units were granted for the 2008 fiscal year, as the defined target hurdles were not achieved.

NOTES

Members of the Supervisory Board of the Parent Company

The following are members of the Supervisory Board:

Dr. Theodor Seitz, Chairman, tax consultant, lawyer, Augsburg
Harald Boberg, representative of Bankhaus Lampe KG, (Bielefeld), Hamburg
Manfred J. Gottschaller, director of Bayerische Handelsbank AG i. R., Munich

The Supervisory Board received remuneration of 62 TEUR (previous year: 62 TEUR); details can be found in the following table:

	Fixed compensation	Variable compensation
	EUR	EUR
Dr. Theodor Seitz, Chairman	24,937.50	0
Harald Boberg	18,750.00	0
Manfred J. Gottschaller	18,750.00	0
TOTAL	**62,437.50**	**0**

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The obligations arising from existing rental and leasing agreements amount to:

	EUR'000
2009	711
2010 – 2013	676
2014 and later	0
	1,387

Subsidiaries of PATRIZIA Immobilien AG have issued rental guarantees totaling 546 TEUR as part of real estate sales. These guarantees are only called on in the event that an agreed minimum amount of rent is not reached.

9.6 EMPLOYEES

The average headcount at the Group in 2008 (excluding directors) was 374 (previous year 287).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded in fiscal year 2008 for auditing the financial statements amounted to 379 TEUR (previous year: 410 TEUR) and 0 TEUR (previous year: 191 TEUR) for other consultancy services.

9.8 GERMAN CORPORATE GOVERNANCE CODE

On December 10, 2008, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the German Stock Corporation Act and published it on the Company's homepage (www.patrizia.ag).

10. DECLARATION BY THE MANAGING BOARD

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and the report on the position of the Company and the Group.

The Consolidated Financial Statements were prepared in line with the International Financial Reporting Standards (IFRSs).

The report on the position of the Company and the Group contains analyses relating to the net asset, financial and earnings situation of the Group as well as other explanations as required by Article 315 of the German Commercial Code.

Augsburg, February 16, 2009

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

LIST OF SHAREHOLDINGS

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
2008		%	EUR	EUR
PATRIZIA Acquisition & Consulting GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Investmentmanagement GmbH[1]	Augsburg	100	164,912.54	0.00
PATRIZIA Immobilienmanagement GmbH[1]	Augsburg	100	16,881.05	0.00
PATRIZIA Projektentwicklung GmbH[1]	Augsburg	100	250,000.00	0.00
PATRIZIA Wohnen GmbH[1]	Augsburg	100	618,682.33	0.00
Deutsche Wohnungsprivatisierungs GmbH[1]	Augsburg	100	13,145.51	0.00
PATRIZIA Projekt 100 GmbH[1]	Augsburg	100	23,004.93	0.00
PATRIZIA Projekt 110 GmbH[1]	Augsburg	100	24,216.35	0.00
PATRIZIA Projekt 120 GmbH[1]	Augsburg	100	22,280.88	0.00
PATRIZIA Projekt 140 GmbH[1]	Augsburg	100	34,592.95	0.00
PATRIZIA Projekt 150 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 160 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH[1]	Augsburg	100	135,245,000.00	0.00
PATRIZIA Projekt 180 GmbH	Augsburg	100	10,072,450.00	0.00
PATRIZIA Immobilien Kapitalanlagegesellschaft mbH[1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 260 GmbH[1]	Augsburg	100	24,040.80	0.00
PATRIZIA Projekt 270 Verwaltungs GmbH	Augsburg	100	24,866.57	1,356.59
PATRIZIA Projekt 280 Verwaltungs GmbH	Augsburg	100	22,374.46	–1,132.85
PATRIZIA Projekt 290 Verwaltungs GmbH	Augsburg	100	22,637.52	–872.62
PATRIZIA Projekt 300 Verwaltungs GmbH	Augsburg	100	22,552.02	–958.47
PATRIZIA Projekt 310 Verwaltungs GmbH	Augsburg	100	22,582.97	–936.47
Wohnungsgesellschaft Olympia mbH	Hamburg	100	530,151.77	–336,601.74
Stella Grundvermögen GmbH[1]	Munich	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Munich	100	19,148.65	–1,348.41
PATRIZIA Projekt 420 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 430 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 440 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 460 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 470 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 480 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 490 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 500 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 510 GmbH[1]	Augsburg	100	25,000.00	0.00

1) As a result of the existing control and profit transfer agreements, the results were adopted by the reporting company.

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
2008		%	EUR	EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	303,368.41	272,858.58
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	27.26	−1,110.94
Alte Haide Baugesellschaft mbH	Munich	94.9	2,496,722.36	353,493.10
PATRIZIA Luxembourg S.à.r.l.	Luxembourg	100	136,801,405.64	865,684.99
PATRIZIA Lux 10 S.à.r.l.	Luxembourg	100	12,063,643.75	49,077.64
PATRIZIA Lux 20 S.à.r.l.	Luxembourg	100	30,038,770.62	124,576.77
PATRIZIA Lux 30 N S.à.r.l.	Luxembourg	100	14,377.88	– 3,711.20
PATRIZIA Lux 50 S.à.r.l.	Luxembourg	100	9,077,954.06	61,579.21
PATRIZIA Lux 60 S.à.r.l.	Luxembourg	100	3,038,351.73	34,036.78
PATRIZIA Real Estate 10 S.à.r.l.	Luxembourg	100	7,395,534.80	– 1,826,321.28
PATRIZIA Real Estate 20 S.à.r.l.	Luxembourg	100	−31,561,410.92	−44,618,314.59
PATRIZIA Real Estate 30 S.à.r.l.	Luxembourg	100	17,395.67	−612.58
PATRIZIA Real Estate 50 S.à.r.l.	Luxembourg	100	3,634,782.86	– 2,953,542.38
PATRIZIA Real Estate 60 S.à.r.l.	Luxembourg	100	−3,666,563.88	– 6,307,459.84
PATRIZIA Projekt 220 GmbH	Augsburg	100	23,592.74	– 2,354.74
PATRIZIA Projekt 230 GmbH	Augsburg	100	27,285.79	– 1,795.63
PATRIZIA Projekt 240 GmbH	Augsburg	100	23,809.08	– 1,574.96
PATRIZIA Projekt 250 GmbH	Augsburg	100	22,812.90	– 1,477.63
PATRIZIA Projekt 320 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 330 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 340 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 350 GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 360 GmbH [1]	Augsburg	100	25,000.00	0.00
F 40 GmbH	Stuttgart	50	11,575,156.28	– 2,903,735.93
PATRIZIA Projekt 380 GmbH	Augsburg	100	23,148.28	– 1,000.04
PATRIZIA Projekt 390 GmbH	Augsburg	100	23,959.10	– 189.22
PATRIZIA Projekt 400 GmbH	Augsburg	100	24,065.89	– 90.41
PATRIZIA Projekt 410 GmbH	Augsburg	100	23,800.61	– 347.71
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	– 201,907.97	160,402.31
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	– 252,816.22	278,395.64

1) As a result of the existing control and profit transfer agreements, the results were adopted by the stockholder PATRIZIA Projekt 180 GmbH.

PATRIZIA Immobilien AG participates indirectly and directly in the following companies:

Name	Head office	Share holding	Equity	Net profit/net loss for the last fiscal year
2008		%	EUR	EUR
PATRIZIA Projekt A 270 GmbH & Co. KG	Augsburg	100	600.19	– 1,607.00
PATRIZIA Projekt B 280 GmbH & Co. KG	Augsburg	100	647.85	– 1,559.34
PATRIZIA Projekt C 290 GmbH & Co. KG	Augsburg	100	863.51	– 1,348.92
PATRIZIA Projekt D 300 GmbH & Co. KG	Augsburg	100	887.73	– 1,319.07
PATRIZIA Projekt E 310 GmbH & Co. KG	Augsburg	100	804.21	–1,402.59
Objekt Dresden Altmarkt SARI GmbH & Co. KG	Augsburg	100	– 3,747.96	– 2,146.16
PATRIZIA Vermögensverwaltungs GmbH[1)]	Augsburg	100	687,583.35	0.00

1) As a result of the existing control and profit transfer agreement, the results were adopted by the stockholder PATRIZIA Projekt 180 GmbH.

AUDITOR'S CERTIFICATE

We have audited the consolidated financial statements prepared by PATRIZIA Immobilien AG, Augsburg – comprising the balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes – as well as the report on the position of the company and the Group (combined management report) for the fiscal year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and combined management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code is the responsibility of the company's Managing Board. Our responsibility is to express an opinion on these consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net asset, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and the significant estimates made by the Managing Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PATRIZIA Immobilien AG, Augsburg, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law as per Article 315a (1) of the German Commercial Code and give a true and fair view of the net asset, financial and earnings situation of the Group in accordance with these requirements. The report on the position of the company and the Group (combined management report) is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 26, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Löffler)	(Stadter)
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

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