



INTERIM REPORT  
Q3|10

Q 3 | 10

## KEY FIGURES

|                              | 3 <sup>rd</sup> quarter 2010 | 3 <sup>rd</sup> quarter 2009 | Nine months 2010         | Nine months 2009         |
|------------------------------|------------------------------|------------------------------|--------------------------|--------------------------|
|                              | 07/01/2010<br>09/30/2010     | 07/01/2009<br>09/30/2009     | 01/01/2010<br>09/30/2010 | 01/01/2009<br>09/30/2009 |
| <b>REVENUES AND EARNINGS</b> | EUR*000                      | EUR*000                      | EUR*000                  | EUR*000                  |
| Revenues                     | 68,143                       | 62,137                       | 221,230                  | 154,675                  |
| Total operating performance  | 45,932                       | 41,833                       | 123,413                  | 112,715                  |
| EBITDA                       | 15,680                       | 17,288                       | 45,377                   | 38,064                   |
| EBIT                         | 15,384                       | 17,086                       | 44,703                   | 37,449                   |
| EBT                          | 6,690                        | 89                           | 1,138                    | -15,455                  |
| EBT (adjusted)*              | 3,122                        | 4,356                        | 8,168                    | -2,848                   |
| Net profit / loss            | 4,640                        | -2,230                       | -1,064                   | -15,991                  |

\* adjusted for profit / loss from interest rate hedges without cash effect

| STRUCTURE OF ASSETS AND CAPITAL | 09/30/2010 | 12/31/2009 |
|---------------------------------|------------|------------|
|                                 | EUR*000    | EUR*000    |
| Non-current assets              | 645,822    | 662,925    |
| Current assets                  | 653,271    | 763,498    |
| Equity                          | 285,330    | 284,824    |
| Equity ratio (in %)             | 22.0 %     | 20.0 %     |
| Non-current liabilities         | 47,000     | 40,322     |
| Current liabilities             | 966,763    | 1,101,277  |
| Total assets                    | 1,299,093  | 1,426,423  |

| SHARE   |                        |
|---|------------------------|
| ISIN  | DE000PAT1AG3           |
| SIN (security Identification Number)            | PAT1AG                 |
| Code  | P1Z                    |
| Share capital as at September 30, 2010          | EUR 52,130,000         |
| No. of shares in issue as at September 30, 2010 | 52,130,000             |
| Third quarter / First nine months 2010 high*    | EUR 3.24 / EUR 3.53    |
| Third quarter / First nine months 2010 low*     | EUR 2.86 / EUR 2.59    |
| Closing price as at December 30, 2009*          | EUR 3.06               |
| Closing price as at September 30, 2010*         | EUR 3.24               |
| Share price performance                         | 5.9 %                  |
| Market capitalization as at September 30, 2010  | EUR 168.9 million      |
| Average trading volume per day**                | 50,834 shares          |
| Indices   | SDAX, EPRA, GEX, DIMAX |

\* Closing price at Frankfurt Stock Exchange Xetra trading

\*\* All German stock exchanges

INVEST.  
OPTIMIZE.  
REALIZE.

## LETTER TO OUR SHAREHOLDERS

Dear ladies and gentlemen,

Dear shareholders and business partners,

As we expected, the third quarter was highly satisfactory. The large number of notarizations in the area of residential property resale in May and June meant it was evident that trading in residential property would enjoy very strong performance in the third quarter. With a total of 245 individual apartments sold, we achieved our highest ever sales figures in a single quarter. We were particularly encouraged by the fact that sales were concentrated on our main location of Munich to a far lesser extent than in the previous quarter. As well as Cologne/Düsseldorf and Hamburg, sales saw strong percentage growth in Regensburg and Hanover in particular. This serves to confirm that residential property resale in sought-after cities is enjoying very high demand.

The transaction market for block sales is continuing its slow but steady recovery: insurance companies, pension funds and pension schemes have returned to the market and see residential property as a stabilizing factor in their portfolios. Nine block sales of between 11 and 274 units have been notarized or recognized to date for a total of 661 units. By the end of the year, we expect to achieve similar sales figures as in fiscal 2008 (722 units).

The fact that the market is seeing movement once again is also clearly underlined by the rapid and extremely successful sale of our "Isartor-Palais" development project in Munich to a pension fund. The purchase price was slightly higher than forecast and serves to illustrate the performance that investors believe can be achieved with properties in the right location.

The third quarter of 2010 also showed that the trend of falling interest rates appears to be turning around. The higher level of interest in the third quarter ensured that our financial result was positively impacted by income from the market valuation of interest rate hedging instruments. As this valuation effect is eliminated in reported operating earnings, our key adjusted pre-tax earnings figure – EBT adjusted – was lower than IFRS pre-tax earnings this quarter, amounting to EUR 3.1 million compared with EUR 6.7 million.

We quantified our forecasts for 2010 as a whole in our report on the first half of the year. We are now aiming to generate operating earnings of EUR 10 million and have already achieved EUR 8.2 million of this after the first nine months. Reiterating this forecast would mean that we expected earnings to decline in the fourth quarter, something that does not reflect our planning: the forecast revenues from notarizations that have already been realized – particularly in the area of project development – will ensure that we end 2010 with higher operating earnings than we expected after the first half of the year.

The last months of the year are expected to see higher expenses for construction and renovation, and our most recent residential property resale figures are unlikely to be repeated in the

fourth quarter. Although the acquisition of residential property remains a focal point of many investment strategies, notarizations returned to a lower level in August and September due to vacations, even if this level was still highly satisfactory.

Due to the contribution from development projects, we are raising our forecast for 2010 as a whole to operating earnings of between EUR 12-13 million.

We are reiterating our other targets: We intend to press ahead with debt reduction, the aim being to scale back our bank loans from EUR 932 million at present to around EUR 870 million with a positive effect on our financing costs. From a current perspective, we should come close to achieving our target equity ratio of at least 25 %, having already strengthened this key indicator to 22 %.

The Managing Board



Wolfgang Egger  
Chairman of the Board



Arwed Fischer  
Member of the Board



Klaus Schmitt  
Member of the Board

## INTERIM MANAGEMENT REPORT (Q3 2010)

### 1. ECONOMIC CONDITIONS ON THE RESIDENTIAL PROPERTY MARKET

In its autumn forecast, the German Federal Government increased its real GDP growth forecast for this year to 3.4 %. The positive economic environment is also being reflected in the German housing markets to an increasing extent. However, construction activity remains at a historically low level, not least thanks to the sustained difficult financing environment for project developers. This is primarily reflected in rising prices and rents, an effect that is being magnified by sustained internal migration into the economically strong urban conurbations.

At more than EUR 12/sqm, the highest average offered rents are currently found in Munich. Berlin, Dusseldorf and Cologne have seen the highest rent increases over the past 12 months, with low double-digit growth in all three cities. As previously, the cheapest residential location among the top markets is Berlin, even though the rental growth over recent quarters has triggered a recovery process.

The interest of institutional investors in German residential property remains high, with the transaction volume in top locations in particular being limited by a lack of a corresponding supply. In some cases, this has resulted in substantial price gains and hence falling yields for properties in a good condition and in good or very good locations in particular. Nevertheless, the transaction volume has increased compared with the previous year and development is likely to remain positive. More and more institutional investors are ultimately expecting to increase their investment in residential property due to the secure rental income and low volatility it offers.

### 2. PATRIZIA ON THE CAPITAL MARKETS

PATRIZIA's shares closed the third quarter of 2010 at EUR 3.24, around 5.9 % higher than at year-end 2009. Compared with the level of EUR 2.95 after the first half of the year, this meant that the share price more than made up for the negative performance recorded up until that date (-3.5 %). Six financial analysts are currently covering PATRIZIA's business development, with another bank set to start coverage. At the date of preparation of this report, three banks rated us as "buy" and three as "neutral/hold". The average target price according to analyst estimates was EUR 3.77. Further information on the shares can be found on page 2 of this interim report and on our website at [www.patrizia.ag/en/investor\\_relations.html](http://www.patrizia.ag/en/investor_relations.html).

### 3. OUR EMPLOYEES

The PATRIZIA Group had 375 permanent employees as of September 30, 2010, including 16 trainees. Over the course of the third quarter of 2010, the number of employees increased by 18 (+5.0 %). Since the start of the year, the number of employees has risen by 26 or 7.4 % (December 31, 2009: 349 employees). KAG in particular created new positions after setting

up new funds. At the level of the parent company, for example, the "Institutional Customers" unit was implemented in order to strengthen our sales organization.

### 4. SIGNIFICANT TRANSACTIONS IN THE THIRD QUARTER OF 2010

#### BUSINESS DEVELOPMENT IN THE INVESTMENTS SEGMENT

##### Residential Property Resale

The upturn in Residential Property Resale is continuing apace: with 605 units sold, we have already achieved around 92 % of the sales figures for the previous year as a whole (657 units) and exceeded the comparative prior-year period (first nine months of 2009: 473 units) by 27.9 %. A total of 245 apartments were sold in the third quarter of 2010 alone (+13.4 %, third quarter 2009: 216 units). Tenants accounted for 3.7 % of all buyers and 23.7 % were owner-occupiers, while the majority of properties – 72.6 % – were again purchased by private investors.

The regional breakdown of sales in the third quarter of 2010 was as follows:

| Region / City      | Number of units sold 3 <sup>rd</sup> quarter 2010 | As % of sales | Area sold in sqm | Average size per unit in sqm |
|--------------------|---|---------------|------------------|------------------------------|
| Munich             | 144   | 58.8 %        | 9,432            | 66                           |
| Cologne/Dusseldorf | 38  | 15.5 %        | 2,630            | 69                           |
| Hamburg            | 28  | 11.4 %        | 2,034            | 73                           |
| Berlin             | 11  | 4.5 %         | 832              | 76                           |
| Frankfurt/Main     | 2   | 0.8 %         | 125              | 63                           |
| Hanover            | 5   | 2.0 %         | 332              | 66                           |
| Regensburg         | 14  | 5.7 %         | 1,001            | 72                           |
| Friedrichshafen    | 3   | 1.2 %         | 184              | 61                           |
| <b>TOTAL</b>       | <b>245</b>  | <b>100 %</b>  | <b>16,570</b>    | <b>68</b>                    |

##### Asset Repositioning

As stated in the supplementary report on the first half of 2010, five block sales covering a total of 261 residential and 7 commercial units were notarized in the Asset Repositioning segment, of which 76 residential and 7 commercial units were handed over and recognized in income in the third quarter. Two properties in Berlin with 16 and 21 units and 46 units in Hamburg resulted in purchase price receipts of EUR 13.6 million.

## Overview of block sales:

| Region / City | Number of units sold<br>3 <sup>rd</sup> quarter 2010 | As % of sales | Area sold in sqm | Average size per<br>unit in sqm |
|---------------|--|---------------|------------------|---------------------------------|
| Hamburg       | 46   | 55.4 %        | 3,642            | 79                              |
| Berlin        | 37   | 44.6 %        | 3,889            | 105                             |
| <b>TOTAL</b>  | <b>83</b>  | <b>100 %</b>  | <b>7,531</b>     | <b>91</b>                       |

Taking into account the sales of 328 units concluded in the third quarter of 2010 and subsequent consolidation and combination measures, the overview of our portfolio is as follows:

## PATRIZIA portfolio as at September 30, 2010:

| Region / City      | Number of units                   |                          |               |              | Area in sqm                       |                          |                |              |
|--------------------|-----------------------------------|--------------------------|---------------|--------------|-----------------------------------|--------------------------|----------------|--------------|
|                    | Residential<br>Property<br>Resale | Asset Re-<br>positioning | Total         | Share        | Residential<br>Property<br>Resale | Asset Re-<br>positioning | Total          | Share        |
| Munich             | 1,127                             | 2,676                    | 3,803         | 37.6 %       | 86,025                            | 175,103                  | 261,128        | 37.1 %       |
| Cologne/Dusseldorf | 815                               | 600                      | 1,415         | 14.0 %       | 66,146                            | 58,262                   | 124,408        | 17.7 %       |
| Hamburg            | 237                               | 917                      | 1,154         | 11.4 %       | 17,448                            | 59,058                   | 76,506         | 10.9 %       |
| Leipzig            | 0                                 | 981                      | 981           | 9.7 %        | 0                                 | 64,391                   | 64,391         | 9.1 %        |
| Berlin             | 136                               | 723                      | 859           | 8.5 %        | 8,622                             | 43,605                   | 52,227         | 7.4 %        |
| Frankfurt/Main     | 15                                | 878                      | 893           | 8.8 %        | 1,093                             | 54,673                   | 55,766         | 7.9 %        |
| Hanover            | 37                                | 385                      | 422           | 4.2 %        | 2,174                             | 27,047                   | 29,221         | 4.1 %        |
| Regensburg         | 38                                | 352                      | 390           | 3.9 %        | 2,551                             | 24,367                   | 26,918         | 3.8 %        |
| Dresden            | 0                                 | 152                      | 152           | 1.5 %        | 0                                 | 10,284                   | 10,284         | 1.5 %        |
| Friedrichshafen    | 27                                | 30                       | 57            | 0.6 %        | 1,585                             | 2,171                    | 3,756          | 0.5 %        |
| <b>TOTAL</b>       | <b>2,432</b>                      | <b>7,694</b>             | <b>10,126</b> | <b>100 %</b> | <b>185,644</b>                    | <b>518,961</b>           | <b>704,605</b> | <b>100 %</b> |

## Project Development

In the Project Development segment, the first apartments at the new property Am Schwalbeneck, Augsburg, have been handed over to the new owners. The sale of the rest of the apartments and the Casa Verde (Herthastrasse, Munich) and Isartor-Palais (Zwingerstrasse, Munich) properties will be recognized in income in the fourth quarter.

## BUSINESS DEVELOPMENT IN THE SERVICES SEGMENT

In September 2010, PATRIZIA Immobilien Kapitalanlagegesellschaft mbH (KAG) launched its fifth fund. PATRIZIA Domizil I has a total investment volume of EUR 300 million and was set up for an institution for professional retirement provision. In the third quarter, KAG acquired property totaling EUR 29.7 million for its funds.

## Funds of PATRIZIA Immobilien KAG as of September 30, 2010:

|                                      | Investment volume | Committed equity                      | Total volume invested |
|--------------------------------------|-------------------|---------------------------------------|-----------------------|
| PATRIZIA German Residential Fund I   | EUR 400 million   | EUR 130 million                       | EUR 179 million       |
| PATRIZIA EuroCity Residential Fund I | EUR 400 million   | EUR 200 million<br>(fully subscribed) | EUR 128 million       |
| VPV Immo PATRIZIA I                  | EUR 185 million   | Transfer fund                         | EUR 185 million       |
| PATRIZIA Urbanitas                   | EUR 300 million   | 150 million                           | EUR 121 million       |
| PATRIZIA Domizil I                   | EUR 300 million   | 150 million                           | EUR 0 million         |

## 5. NET ASSET, FINANCIAL AND EARNINGS SITUATION

## EARNINGS SITUATION OF THE PATRIZIA GROUP

The year-on-year revenue growth of 9.7 % in the third quarter of 2010 was attributable to the strong sales figures in the Residential Property Resale segment. The first cash inflows from Project Development served to offset fewer purchase price revenues from Asset Repositioning. At EUR 221.2 million, revenues for the first nine months exceeded the prior-year figure by EUR 66.6 million or 43.0 % (first nine months of 2009: EUR 154.7 million).

Revenues in the third quarter and the first nine months of 2010 broke down as follows:

|  | 3 <sup>rd</sup> quarter 2010<br>07/01/2010 –<br>09/30/2010 | 3 <sup>rd</sup> quarter 2009<br>07/01/2009 –<br>09/30/2009 | 9 months 2010<br>01/01/2010 –<br>09/30/2010 | 9 months 2009<br>01/01/2009 –<br>09/30/2009 |
|--|--|--|---|---|
|  | EUR'000  | EUR'000  | EUR'000                                     | EUR'000                                     |
| Purchase price revenues from Residential Property Resale | 38,314   | 30,249   | 99,078                                      | 69,841                                      |
| Purchase price revenues from Asset Repositioning*        | 0  | 5,759  | 42,100                                      | 5,759                                       |
| Purchase price revenues from Project Development         | 5,727  | 0  | 5,727                                       | 0   |
| Rental revenues  | 15,768   | 17,547   | 48,533                                      | 52,856                                      |
| Revenues from the Services segment                       | 2,611  | 2,840  | 8,167                                       | 7,529                                       |
| Other**  | 5,723  | 5,742  | 17,625                                      | 18,689                                      |
| <b>CONSOLIDATED REVENUES</b>                             | <b>68,143</b>  | <b>62,137</b>  | <b>221,230</b>                              | <b>154,675</b>                              |

\* Purchase price revenues from investment property are not reported under revenues.

\*\* The Other item primarily contains rental ancillary costs.

The majority of the revenues generated in the third quarter (56.2 %) were attributable to the Residential Property Resale segment. The sale of 245 individual units led to purchase price revenues of EUR 38.3 million, up 26.7 % on the third quarter of 2009 (EUR 30.2 million from 216 units sold). In the first nine months, a total of 605 residential and commercial units were sold individually, 27.9 % more than in the same period of the previous year (473 units). The resulting revenues even increased by 41.9 % year-on-year to EUR 99.1 million (first nine months of 2009: EUR 69.8 million). The average sales price of EUR 2,505/sqm recorded in

the second quarter of 2010 was not maintained in the third quarter as the share of high-price apartments in Munich declined. The average selling price per square meter was EUR 2,348 (–6.3 %), which was essentially unchanged as against the previous year (third quarter of 2009: EUR 2,341/sqm).

Purchase price revenues from the three block sales in Hamburg and Berlin totaling EUR 13.6 million are not included in revenues as these properties are reported as non-current assets. Accordingly, the gains on disposal are shown separately in the income statement item “Income from the sale of investment property”. The sales in Berlin depressed the average sales price per square meter to EUR 1,801. This meant that the average price in the third quarter of 2010 was down on the second quarter of 2010 (EUR 1,987/sqm), when the apartments sold were primarily located in Munich, but at the same level as in the previous year (third quarter of 2009: EUR 1,803/sqm).

Project Development accounted for around EUR 5.7 million from the sale of the initial apartments at the new development Am Schwalbeneck, Augsburg.

|  | 3 <sup>rd</sup> quarter 2010<br>07/01/2010 –<br>09/30/2010 | 3 <sup>rd</sup> quarter 2009<br>07/01/2009 –<br>09/30/2009 | 9 months 2010<br>01/01/2010 –<br>09/30/2010 | 9 months 2009<br>01/01/2009 –<br>09/30/2009 |
|--|--|--|---|---|
|  | EUR'000  | EUR'000  | EUR'000                                     | EUR'000                                     |
| Purchase price revenues from residential property resale, asset repositioning and project development reported in revenues | 44,039   | 36,008   | 146,903                                     | 75,600                                      |
| Purchase price revenues from investment property   | 13,567   | 0  | 18,617                                      | 0   |
| <b>TOTAL PURCHASE PRICE REVENUES</b>   | <b>57,606</b>  | <b>36,008</b>  | <b>165,520</b>                              | <b>75,600</b>                               |

Rental revenues declined to EUR 15.8 million as a result of the reduction in the underlying portfolio. Although the portfolio decreased by 3.1 % in the third quarter of 2010, rents only fell by 1.8 %. At September 30, 2010, average rents amounted to EUR 7.86 per square meter, up 1.7 % on June 30, 2010 (EUR 7.73/sqm).

#### Key portfolio figures by quarter:

|   | 1 <sup>st</sup> quarter<br>2010 | 2 <sup>nd</sup> quarter<br>2010 | 3 <sup>rd</sup> quarter<br>2010 | 9 months<br>2010 | 9 months<br>2009 | % change  |
|---|---------------------------------|---------------------------------|---------------------------------|------------------|------------------|-----------|
| Privatized units                                  | 183                             | 177                             | 245                             | 605              | 473              | 27.9 %    |
| Average sales price – Residential Property Resale | EUR 2,492/sqm                   | EUR 2,505/sqm                   | EUR 2,348/sqm                   | EUR 2,438/sqm    | EUR 2,329/sqm    | 4.7 %     |
| Units in block sales                              | 0                               | 297                             | 83                              | 380              | 33               | 1,051.5 % |
| Average sales price – Asset Repositioning         | –                               | EUR 1,987/sqm                   | EUR 1,801/sqm                   | EUR 1,942/sqm    | EUR 1,803/sqm    | 7.7 %     |
| Average monthly rent*                             | EUR 7.72/sqm                    | EUR 7.73/sqm                    | EUR 7.86/sqm                    | EUR 7.86/sqm     | EUR 7.75/sqm     | 1.4 %     |

\* In the existing portfolio at the end of the quarter. The figure for the first nine months of 2010 relates to September 30, while the figure for 2009 relates to December 31

At EUR 8.2 million, revenues in the Services segment were up 8.5 % year-on-year after the first nine months. This development is attributable to the purchase fees recorded in the strong second quarter (first nine months of 2009: EUR 7.5 million). On a quarterly basis, revenues were down on the previous year (third quarter of 2010: EUR 2.6 million; third quarter of 2009: EUR 2.8 million).

Income from the sale of investment property in the amount of just EUR 7 thousand on the back of purchase price revenues of EUR 13.6 million is due to write-ups in accordance with IFRS fair value measurement in fiscal year 2007. On the other hand, this demonstrates that the change in value recognized at that date was still confirmed as correct.

Changes in inventories in the first three quarters in the amount of EUR –100.9 million are composed of the disposals of book values from properties classified as inventories (EUR –120.1 million) and recognitions (EUR 19.2 million). Taking only the third quarter into account, decreases in book values reduced inventories by EUR –34.2 million, while recognitions had an offsetting effect of EUR 11.1 million.

Despite the reduction in rental ancillary costs, the cost of materials declined by only 1.8 % to EUR 45.4 million in the first nine months (first nine months of 2009: EUR 46.3 million). Taking the third quarter of 2010 into account, the cost of materials even increased by 21.8 % or EUR 3.3 million year-on-year (third quarter of 2009: EUR 15.2 million). The reason for the increase during fiscal 2010 is the postponement of construction and renovation measures that were planned for spring into later months. The cost of materials in the first three quarters relates to ongoing maintenance (non-capitalizable) in the amount of EUR 4.0 million and renovation and reconstruction measures in the amount of EUR 20.2 million.

At EUR 7.0 million, staff costs increased by 19.7 % year-on-year (third quarter of 2009: EUR 5.9 million, 352 employees). This is due to the increase in the workforce to 375 employees at the end of the quarter, as well as higher commission due to the rise in disposals in the Residential Property Resale segment, which are paid to sales staff and recognized in income when the respective sales are notarized.

Other operating expenses for the first three quarters of 2010 in the amount of EUR 12.9 million (first nine months of 2009: EUR 10.4 million) include administrative expenses of EUR 6.0 million (first nine months of 2009: EUR 6.6 million), selling expenses of EUR 3.3 million (first nine months of 2009: EUR 2.8 million) and other expenses of EUR 3.5 million (first nine months of 2009: EUR 1.0 million).

EBIT for the first nine months of 2010 amounted to EUR 44.7 million (first nine months of 2009: EUR 37.4 million), up EUR 7.3 million or 19.4 % year-on-year.

Under IFRS, changes in fair value from interest rate hedges are reported in the income statement. Depending on the change in the interest rate, their valuation is recognized as income or expense in the financial result and leads to significant fluctuations in earnings; however, this does not effect PATRIZIA's liquidity situation. For the first nine months of 2010, this change in fair value amounted to EUR -7.0 million. Without this valuation effect, the financial result would have improved from EUR -43.6 million to EUR -36.5 million. The third quarter of 2010 saw a contradictory effect for the first time since the fourth quarter of 2009. The fair value of interest rate hedging instruments increased by EUR 3.6 million as of September 30, 2010, leading to a substantial increase in financial income. The financial result in accordance with IFRS of EUR -8.7 million recognized in cash deteriorated to EUR -12.3 million after the deduction of this item.

|  | 1 <sup>st</sup> quarter<br>2010 | 2 <sup>nd</sup> quarter<br>2010 | 3 <sup>rd</sup> quarter<br>2010 | 9 months<br>2010 | 9 months<br>2009 |
|--|---------------------------------|---------------------------------|---------------------------------|------------------|------------------|
|  | EUR'000                         | EUR'000                         | EUR'000                         | EUR'000          | EUR'000          |
| Fair value measurement of interest rate hedges | -7,196                          | -3,402                          | 3,569                           | -7,029           | -12,607          |

Interest expenses for bank loans recognized in cash plus expenses from interest hedges amounted to EUR 12.4 million in the third quarter, down slightly on the previous year (third quarter of 2009: EUR 12.9 million, -3.5%). There was a significant decline of 15.7% over the course of the year to date, with financial expenses recognized in cash amounting to just EUR 37.1 million in the first nine months of 2010 compared with EUR 44.0 million in the same period of the previous year. Average finance costs (interest plus margin) are currently 4.87%.

Our rental income for the period from January to September 2010 (EUR 48.5 million) exceeds our financing result adjusted by effects from interest rate hedges (EUR -36.5 million) by 32.8%. The financial result is explained in further detail in item 10 of the notes to the financial statements.

Earnings before taxes (EBT) amounted to EUR 6.7 million in the period under review (third quarter of 2009: EUR 89 thousand). The reconciliation from EBT in accordance with IFRS to EBT adjusted is performed by eliminating the financial result to only take into account financial income and expenses recognized in cash. Adjusted for the effects of the change in the fair value of hedges (EUR 3.6 million), EBT adjusted amounted to EUR 3.1 million, up significantly on the first two quarters of the current fiscal year (first quarter of 2010: EUR 2.1 million; second quarter of 2010: EUR 2.9 million) but down 28.3% on the previous year (third quarter of 2009: EUR 4.4 million). Taking the first nine months into account, EBT improved from EUR -15.5 million to EUR 1.1 million (+107.4%), while EBT adjusted rose from EUR -2.8 million to EUR 8.2 million (+386.8%).

The consolidated profit after taxes amounted to EUR 4.6 million in the third quarter of 2010, while a consolidated loss of EUR -1.1 million was recorded in the first three quarters (third

quarter of 2009: EUR -2.2 million; first nine months of 2009: EUR -16.0 million). Tax expenses primarily relate to our companies domiciled in Luxembourg, which are affected by interest limitations.

Earnings per share amounted to EUR -0.02 for the first three quarters of 2010 (first nine months of 2009: EUR -0.31) and EUR 0.09 for the third quarter (third quarter of 2009: EUR -0.04).

The following table provides an overview of the key income statement items in accordance with IFRSs:

|                                      | 3 <sup>rd</sup> quarter 2010<br>07/01/2010 –<br>09/30/2010 | 3 <sup>rd</sup> quarter 2009<br>07/01/2009 –<br>09/30/2009 | 9 months 2010<br>01/01/2010 –<br>09/30/2010 | 9 months 2009<br>01/01/2009 –<br>09/30/2009 |
|--------------------------------------|--|--|---|---|
|                                      | EUR'000  | EUR'000  | EUR'000                                     | EUR'000                                     |
| Revenues                             | 68,143   | 62,137   | 221,230                                     | 154,675                                     |
| Total operating performance          | 45,932   | 41,833   | 123,413                                     | 112,715                                     |
| EBITDA                               | 15,680   | 17,288   | 45,377                                      | 38,064                                      |
| EBIT                                 | 15,384   | 17,086   | 44,703                                      | 37,449                                      |
| Earnings before taxes (EBT)          | 6,690  | 89   | 1,138                                       | -15,455                                     |
| EBT adjusted *                       | 3,122  | 4,356  | 8,168                                       | -2,848                                      |
| Consolidated profit/loss after taxes | 4,640  | -2,230   | -1,064                                      | -15,991                                     |

## NET ASSETS AND FINANCIAL SITUATION OF THE PATRIZIA GROUP

Total assets amounted to EUR 1,299 million as of September 30, 2010, down EUR 127.3 million on year-end 2009. Property sales and the corresponding bank loan repayments served to reduce total assets.

The real estate intended for sale as part of ordinary business operations is reported in inventories. Since year-end 2009, inventories have declined by EUR 101.0 million to EUR 575.0 million due to sales. Sales of investment property accounted for a reduction in this item of EUR 18.3 million to EUR 639.0 million. Taken together, the book value of the real estate assets held at the reporting date was EUR 1,214.0 million.

PATRIZIA's financing structure improved compared with year-end 2009, with bank loans declining by 12.9% to EUR 931.9 million, while cash and cash equivalents increased by 14.1% to EUR 64.1 million in the same period. The maturity profile of our loans is presented in section 8 of this interim report. The Group equity ratio improved to 22.0% (December 31, 2009: 20.0%).

## 6. OPPORTUNITY AND RISK REPORT

Within the scope of its business activities, PATRIZIA Immobilien AG is exposed to both opportunities and risks. The necessary measures and processes have been taken and in-

stalled within the Group for detecting risks and negative developments at an early stage and countering them. Since the annual financial statements for 2009, there have been no significant changes in the opportunity and risk profile that give rise to new opportunities or risks for the Group. Similarly, the evaluation of the probability of occurrence and the magnitude of potential risks in the intra-period risk audit has not led to any material changes.

From the current perspective, all risks are limited and do not pose a threat to PATRIZIA's continued existence. The statements of the risk report in the 2009 Annual Report maintain their validity. For a detailed presentation of the opportunities and risks for the Group, see the Risk Report on pages 46 ff. of the 2009 Annual Report of PATRIZIA Immobilien AG. The Management Board of PATRIZIA is not currently aware of any additional risks.

## 7. SUPPLEMENTARY REPORT

After the end of the reporting period, the Isartor-Palais development project (Zwingerstrasse, Munich) was sold to a domestic pension fund. The sale of an office building with three units in Munich and an apartment block with 93 units in Frankfurt were also notarized. The purchase price revenues from these three transactions are expected to be recognized in the fourth quarter of 2010.

## 8. REPORT ON EXPECTED DEVELOPMENTS

As forecast, the third quarter was satisfactory. We also expect the fourth quarter to make a strong contribution to earnings.

Even if demand for residential property resale remains at a high level, the prior-quarter sales figures will not be repeated in the fourth quarter. At present, we expect individual sales to be comparable to the first two quarters, each of which saw sales of around 180 units.

Block sales of 281 residential and commercial units that have already been notarized will be recognized in income in the fourth quarter.

As mentioned in the supplementary report, we also expect to recognize the revenues from the sale of the Isartor-Palais development project (Zwingerstrasse, Munich) in the fourth quarter. The remaining apartments at the Am Schwalbeneck development project in Augsburg and all of the apartments at the Herthastrasse property in Munich will also be handed over to their new owners by the end of the year.

The marketing of the six VERO city villas at PATRIZIA's F40 development project in Feuerbachstrasse, Frankfurt/Main, started in October. The planned villa ensemble has been awarded the DGNB gold certificate. The deconstruction of the existing buildings is also expected to begin this year. Shell construction is scheduled to start in the second quarter of 2011, with completion expected in 2013.

The forecasts of a significant improvement in earnings for 2010 as a whole that were communicated in the 2009 Annual Report were quantified after the end of the first half of the year, when we set a target of EBT adjusted of EUR 10 million. At the end of the third quarter of 2010, we have already achieved operating earnings of EUR 8.2 million and are taking the sustained positive indicators as grounds to increase our operating earnings (EBT adjusted) target for the year as a whole from EUR 12 million to EUR 13 million. In addition to stable income from residential property resale, profitable block sales and completed development projects, we expect to see rising revenues in the Services segment.

We are reiterating our other targets: We intend to reduce bank loans to below EUR 900 million, with a target of around EUR 870 million seeming realistic. The debt reduction should also allow us to achieve the lower limit of our target equity ratio of 25-30 % by the end of the year.

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

## CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS AS OF SEPTEMBER 30, 2010

| ASSETS                                       | 09/30/2010       | 12/31/2009       |
|--|------------------|------------------|
| <b>A. NON-CURRENT ASSETS</b>                 | EUR'000          | EUR'000          |
| Software                                     | 1,751            | 539              |
| Investment property                          | 639,000          | 657,320          |
| Equipment                                    | 1,681            | 1,650            |
| Investments in joint ventures                | 13               | 13               |
| Participations                               | 3,090            | 3,090            |
| Long-term tax assets                         | 287              | 313              |
| <b>Total non-current assets</b>              | <b>645,822</b>   | <b>662,925</b>   |
| <b>B. CURRENT ASSETS</b>                     |                  |                  |
| Inventories                                  | 575,047          | 676,008          |
| Short-term tax assets                        | 1,558            | 1,879            |
| Current receivables and other current assets | 12,542           | 29,428           |
| Bank balances and cash                       | 64,124           | 56,183           |
| <b>Total current assets</b>                  | <b>653,271</b>   | <b>763,498</b>   |
| <b>TOTAL ASSETS</b>                          | <b>1,299,093</b> | <b>1,426,423</b> |

| EQUITY AND LIABILITIES                  | 09/30/2010       | 12/31/2009       |
|---|------------------|------------------|
| <b>A. EQUITY</b>                        | EUR'000          | EUR'000          |
| Share capital                           | 52,130           | 52,130           |
| Capital reserves                        | 215,862          | 215,862          |
| Retained earnings                       |                  |                  |
| – legal reserves                        | 505              | 505              |
| Non-controlling partners                | 852              | 877              |
| Valuation results from cash flow hedges | –4,509           | –6,079           |
| Consolidated net profit                 | 20,490           | 21,529           |
| <b>Total equity</b>                     | <b>285,330</b>   | <b>284,824</b>   |
| <b>B. LIABILITIES</b>                   |                  |                  |
| <b>NON-CURRENT LIABILITIES</b>          |                  |                  |
| Deferred tax liabilities                | 6,482            | 5,516            |
| Long-term financial derivatives         | 39,852           | 34,208           |
| Retirement benefit obligations          | 360              | 339              |
| Non-current liabilities                 | 306              | 259              |
| <b>Total non-current liabilities</b>    | <b>47,000</b>    | <b>40,322</b>    |
| <b>CURRENT LIABILITIES</b>              |                  |                  |
| Short-term bank loans                   | 931,912          | 1,070,207        |
| Short-term financial derivatives        | 8,178            | 8,895            |
| Other provisions                        | 461              | 580              |
| Current liabilities                     | 16,644           | 13,116           |
| Tax liabilities                         | 9,568            | 8,051            |
| Other current liabilities               | 0                | 428              |
| <b>Total current liabilities</b>        | <b>966,763</b>   | <b>1,101,277</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>1,299,093</b> | <b>1,426,423</b> |

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
IN ACCORDANCE WITH IFRS**

|  | 3 <sup>rd</sup> quarter<br>2010 | 3 <sup>rd</sup> quarter<br>2009 | Nine months<br>2010 | Nine months<br>2009 |
|--|---------------------------------|---------------------------------|---------------------|---------------------|
|--|---------------------------------|---------------------------------|---------------------|---------------------|

for the period from January 1, 2010 to September 30, 2010

|  | 07/01/2010–<br>09/30/2010 | 07/01/2009–<br>09/30/2009 | 01/01/2010–<br>09/30/2010 | 01/01/2009–<br>09/30/2009 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|--|---------------------------|---------------------------|---------------------------|---------------------------|

|   | EUR'000       | EUR'000       | EUR'000        | EUR'000        |
|---|---------------|---------------|----------------|----------------|
| 1. Revenues   | 68,143        | 62,137        | 221,230        | 154,675        |
| 2. Income from the sale of investment property            | 7             | 0             | 297            | 0              |
| 3. Changes in inventories                                 | -23,043       | -23,721       | -100,881       | -47,233        |
| 4. Other operating income                                 | 824           | 3,418         | 2,767          | 5,273          |
| <b>5. Total operating performance</b>                     | <b>45,932</b> | <b>41,833</b> | <b>123,413</b> | <b>112,715</b> |
| 6. Cost of materials                                      | -18,557       | -15,233       | -45,429        | -46,263        |
| 7. Staff costs  | -7,018        | -5,862        | -19,716        | -17,970        |
| 8. Amortization of software and depreciation on equipment | -297          | -202          | -674           | -615           |
| 9. Other operating expenses                               | -4,676        | -3,450        | -12,891        | -10,417        |
| 10. Finance income  | 3,730         | 277           | 4,299          | 6,808          |
| 11. Finance cost  | -12,423       | -17,273       | -47,864        | -59,712        |
| <b>12. Profit / loss before income taxes</b>              | <b>6,690</b>  | <b>89</b>     | <b>1,138</b>   | <b>-15,455</b> |
| 13. Income tax  | -2,050        | -2,319        | -2,202         | -536           |
| <b>14. Net profit / loss</b>                              | <b>4,640</b>  | <b>-2,230</b> | <b>-1,064</b>  | <b>-15,991</b> |
| 15. Profit carried forward                                | 15,826        | 17,268        | 21,529         | 31,029         |
| <b>16. Consolidated net profit</b>                        | <b>20,465</b> | <b>15,038</b> | <b>20,465</b>  | <b>15,038</b>  |
| Earnings per share (undiluted), in EUR                    | 0.09          | -0.04         | -0.02          | -0.31          |
| The net profit / loss for the period is allocated to:     |               |               |                |                |
| Shareholders of the parent company                        | 4,647         | -2,230        | -1,039         | -15,991        |
| Non-controlling shareholders                              | -8            | 0             | -25            | 0              |
|   | <b>4,640</b>  | <b>-2,230</b> | <b>-1,064</b>  | <b>-15,991</b> |

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

|  | 3 <sup>rd</sup> quarter<br>2010 | 3 <sup>rd</sup> quarter<br>2009 | Nine months<br>2010 | Nine months<br>2009 |
|--|---------------------------------|---------------------------------|---------------------|---------------------|
|--|---------------------------------|---------------------------------|---------------------|---------------------|

for the period from January 1, 2010 to September 30, 2010

|  | 07/01/2010–<br>09/30/2010 | 07/01/2009–<br>09/30/2009 | 01/01/2010–<br>09/30/2010 | 01/01/2009–<br>09/30/2009 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|--|---------------------------|---------------------------|---------------------------|---------------------------|

|  | EUR'000      | EUR'000       | EUR'000       | EUR'000        |
|--|--------------|---------------|---------------|----------------|
| <b>Net profit / loss</b>                       | <b>4,640</b> | <b>-2,230</b> | <b>-1,064</b> | <b>-15,991</b> |
| <b>Other result</b>                            |              |               |               |                |
| Cash flow hedges                               |              |               |               |                |
| Amounts recorded during the reporting period   | 1,313        | -44           | 1,570         | -275           |
| Reclassification of amounts that were recorded | 0            | 0             | 0             | 0              |
| <b>Total result for the reporting period</b>   | <b>5,952</b> | <b>-2,274</b> | <b>506</b>    | <b>-16,266</b> |
| The total result is allocated to:              |              |               |               |                |
| Shareholders of the parent company             | 5,960        | -2,274        | 531           | -16,266        |
| Non-controlling shareholders                   | -8           | 0             | -25           | 0              |
|  | <b>5,952</b> | <b>-2,274</b> | <b>506</b>    | <b>-16,266</b> |

**CONSOLIDATED CASH FLOW STATEMENT**

for the period from January 1, 2010 to September 30, 2010

|  | Nine months 2010<br>07/01/2010 –<br>09/30/2010 | Nine months 2009<br>07/01/2009 –<br>09/30/2009 |
|--|--|--|
|  | EUR'000  | EUR'000  |
| Net loss after taxes   | -1,064   | -15,991  |
| Amortization of intangible assets and depreciation on property, plant and equipment                    | 674  | 615  |
| Loss from / gain on disposal of investment property  | -297   | 0  |
| Loss from / gain on disposal of fixed assets   | 0  | -2   |
| Change in deferred taxes   | 966  | -179   |
| Change in retirement benefit obligations   | 21   | 0  |
| Non-cash item income and expenses that are not attributable to financing activities                    | 6,497  | -12,606  |
| Changes in inventories, receivables and other assets that are not attributable to investing activities | 118,090  | 81,640   |
| Changes in liabilities that are not attributable to financing activities                               | 7,209  | 14,117   |
| <b>Cash inflow from operating activities</b>   | <b>132,096</b>                                 | <b>67,594</b>                                  |
| Capital investments in intangible assets and property, plant and equipment                             | -1,979   | -278   |
| Cash receipts from disposal of intangible assets and property, plant and equipment                     | 62   | 60   |
| Cash receipts from disposal of investment property   | 18,617   | 0  |
| Payments for development or acquisition of investment property   | 0  | -859   |
| Investments  | 0  | -1,055   |
| <b>Cash inflow / outflow from investing activities</b>   | <b>16,700</b>                                  | <b>-2,132</b>                                  |
| Borrowing of loans   | 7,748  | 3,207  |
| Repayment of loans   | -148,603                                       | -76,496  |
| <b>Cash outflow from financing activities</b>  | <b>-140,855</b>                                | <b>-73,289</b>                                 |
| <b>Changes in cash</b>   | <b>7,941</b>                                   | <b>-7,828</b>                                  |
| Cash January 1   | 56,183   | 67,905   |
| Cash September 30  | 64,124   | 60,077   |

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS**

for the period from January 1, 2010 to September 30, 2010

|  | Share capital | Capital reserves | Retained earnings (legal reserve) | Non-controlling shareholders | Valuation results from cash flow hedges | Consolidated net profit | Total          |
|--|---------------|------------------|-----------------------------------|------------------------------|---|-------------------------|----------------|
|  | EUR'000       | EUR'000          | EUR'000                           | EUR'000                      | EUR'000                                 | EUR'000                 | EUR'000        |
| <b>Balance January 1, 2010</b>                           | <b>52,130</b> | <b>215,862</b>   | <b>505</b>                        | <b>877</b>                   | <b>-6,079</b>                           | <b>21,529</b>           | <b>284,824</b> |
| Results from fair valuation adjustments cash flow hedges |               |                  |                                   |                              | 1,570                                   |                         | 1,570          |
| Nine months net loss                                     |               |                  |                                   | -25                          |   | -1,039                  | -1,064         |
| <b>BALANCE SEPTEMBER 30, 2010</b>                        | <b>52,130</b> | <b>215,862</b>   | <b>505</b>                        | <b>852</b>                   | <b>-4,509</b>                           | <b>20,490</b>           | <b>285,330</b> |

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN ACCORDANCE WITH IFRS**

for the period from January 1, 2009 to September 30, 2009

|  | Share capital | Capital reserves | Retained earnings (legal reserve) | Valuation results from cash flow hedges | Consolidated net profit | Total          |
|--|---------------|------------------|-----------------------------------|---|-------------------------|----------------|
|  | EUR'000       | EUR'000          | EUR'000                           | EUR'000                                 | EUR'000                 | EUR'000        |
| <b>Balance January 1, 2009</b>                           | <b>52,130</b> | <b>215,862</b>   | <b>505</b>                        | <b>-8,054</b>                           | <b>31,029</b>           | <b>291,472</b> |
| Results from fair valuation adjustments cash flow hedges |               |                  |                                   | -275                                    |                         | -275           |
| Nine months net loss                                     |               |                  |                                   |   | -15,991                 | -15,991        |
| <b>BALANCE SEPTEMBER 30, 2009</b>                        | <b>52,130</b> | <b>215,862</b>   | <b>505</b>                        | <b>-8,329</b>                           | <b>15,038</b>           | <b>275,206</b> |

## INTERIM FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS TO SEPTEMBER 30, 2010

### 1. 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. PATRIZIA Immobilien AG, along with its subsidiaries, is a real estate agent and investment house. It specializes in buying high-quality residential and commercial real estate at commercially attractive locations in Germany with the aim of increasing their value and subsequent reselling of the real estate. Therefore, the PATRIZIA Group performs all services along the value-added chain in the real estate sector.

### 2. PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

These unaudited consolidated interim financial statements of PATRIZIA Immobilien AG for the first three quarters of 2010 (January 1 through September 30, 2010) were prepared in accordance with Article 37x (3) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with Article 37w (2) WpHG in line with IFRSs 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.

From the perspective of the Company's management, the present unaudited consolidated interim financial statements for the period ended September 30, 2010 contain all of the information necessary to provide a true and fair view of the course of business and the earnings situation in the period under review. Earnings generated in the first nine months of 2010 are not necessarily an indication of future earnings or of the expected total earnings for fiscal year 2010.

When preparing the consolidated financial statements for the interim report in line with IAS 34 Interim Financial Reporting, the management of PATRIZIA Immobilien AG must make assessments and estimates as well as assumptions that affect the application of accounting standards in the Group and the reporting of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates.

These consolidated interim financial statements have been prepared in accordance with the same accounting policies as the last consolidated financial statements for fiscal year 2009. A detailed description of the principles applied in preparing the consolidated financial statements and the accounting methods used can be found in the notes to the IFRS consolidated financial statements for the year ended December 31, 2009, which are contained in the Company's 2009 Annual Report.

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

### 3. SCOPE OF CONSOLIDATION

All of the Company's subsidiaries are consolidated in the consolidated financial statements of PATRIZIA Immobilien AG. The Group includes all companies controlled by PATRIZIA Immobilien AG. In addition to the parent company, the scope of consolidation comprises 51 subsidiaries. They are recognized in the consolidated financial statements in line with the rules of full consolidation. In addition, one joint venture is accounted for at equity in the consolidated financial statements.

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

### 4. INVESTMENT PROPERTY

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

Investment property is measured at fair value on the basis of external appraisals carried out by independent experts using current market prices or customary valuation methods with the aid of the current and long-term rental situation. The fair value is equivalent to the 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 PATRIZIA is let. As of the reporting date of September 30, 2010, the investment property totaled EUR 639.0 million.

### 5. PARTICIPATIONS

PATRIZIA Immobilien AG's interest of 6.25 % in PATRoffice Real Estate GmbH & Co. KG, our co-investment with both pension funds APG and ATP, is also accounted for under this item. Participations amounted unchanged to EUR 3.1 million.

### 6. 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. The assessment and qualification as inventory is completed in the context of the purchasing decision and integrated into the balance sheet as at the date of addition.

PATRIZIA has defined the operating business cycle as three years, because based on experience, the majority of the units to be sold are sold during this time period. However, inventories are still intended for direct sale even if it is not realized in three years.

Inventories are carried at cost. In comparison to December 31, 2009, inventories decreased from EUR 676.0 million to EUR 575.0 million due to sales by the end of the reporting period.

## 7. EQUITY

As at the reporting date, the share capital of PATRIZIA Immobilien AG remained at EUR 52.13 million was divided into 52,130,000 no-par value shares. For the development of equity, please see the statement of changes in equity. Equity increased and amounted to EUR 285.3 million as of June 30, 2010 (December 31, 2009: EUR 284.8 million, June 30, 2010: EUR 279.4 million).

## 8. BANK LOANS

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.

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

The residual terms of the bank loans are as follows:

| Residual term          | Bank loans as of |                |                  |                  |
|------------------------|------------------|----------------|------------------|------------------|
|                        | 09/30/2010       | 06/30/2010     | 03/31/2010       | 12/31/2009       |
|                        | EUR'000          | EUR'000        | EUR'000          | EUR'000          |
| Less than 1 year       | 631,325          | 680,553        | 683,919          | 171,727          |
| 1 to 2 years           | 56,244           | 29,966         | 33,371           | 551,307          |
| More than 2 to 5 years | 244,343          | 262,311        | 312,659          | 347,173          |
| More than 5 years      | 0                | 0              | 0                | 0                |
| <b>TOTAL</b>           | <b>931,912</b>   | <b>972,830</b> | <b>1,029,949</b> | <b>1,070,207</b> |

Maturity of loans by fiscal year (January 1 to December 31):

| Year of maturity | Amount of loans due at |              |                |              |                  |              |                  |              |
|------------------|------------------------|--------------|----------------|--------------|------------------|--------------|------------------|--------------|
|                  | 09/30/2010             |              | 06/30/2010     |              | 03/31/2010       |              | 12/31/2009       |              |
|                  | EUR'000                | %            | EUR'000        | %            | EUR'000          | %            | EUR'000          | %            |
| 2010             | 109,404                | 11.7 %       | 160,364        | 16.5 %       | 166,504          | 16.2 %       | 171,727          | 16.1 %       |
| 2011             | 531,297                | 57.0 %       | 550,154        | 56.6 %       | 550,786          | 53.5 %       | 551,307          | 51.5 %       |
| 2012             | 46,868                 | 5.0 %        | 0              | 0 %          | 0                | 0 %          | 0                | 0 %          |
| 2013             | 92,807                 | 10.0 %       | 104,499        | 10.7 %       | 152,399          | 14.8 %       | 182,472          | 17.0 %       |
| 2014             | 151,536                | 16.3 %       | 157,812        | 16.2 %       | 160,260          | 15.6 %       | 164,701          | 15.4 %       |
| <b>TOTAL</b>     | <b>931,912</b>         | <b>100 %</b> | <b>972,830</b> | <b>100 %</b> | <b>1,029,949</b> | <b>100 %</b> | <b>1,070,207</b> | <b>100 %</b> |

Maturity of loans by quarter:

| Maturity     | Amount of loans due at 09/30/2010 |         |                |              |
|--------------|-----------------------------------|---------|----------------|--------------|
|              | YEAR                              | QUARTER | EUR'000        | %            |
| 2010         |                                   | Q4      | 109,404        | 11.7 %       |
| 2011         |                                   | Q1      | 496,188        | 53.2 %       |
|              |                                   | Q2      | 5,463          | 0.6 %        |
|              |                                   | Q3      | 20,270         | 2.2 %        |
|              |                                   | Q4      | 9,376          | 1.0 %        |
| 2012         |                                   | Q3      | 46,868         | 5.0 %        |
| 2013         |                                   | Q4      | 92,807         | 10.0 %       |
| 2014         |                                   | Q2      | 142,196        | 15.3 %       |
|              |                                   | Q4      | 9,340          | 1.0 %        |
| <b>TOTAL</b> |                                   |         | <b>931,912</b> | <b>100 %</b> |

## 9. REVENUES

Revenues comprise purchase price receipts from the sale of real estate held in inventories, ongoing rental revenues and other revenues. Additional revenues are attributable to invoices issued by the Services segment.

## 10. FINANCIAL RESULT

|   | 3 <sup>rd</sup> quarter<br>2010<br>07/01/2010 –<br>09/30/2010 | 3 <sup>rd</sup> quarter<br>2009<br>07/01/2009 –<br>09/30/2009 | Nine months<br>2010<br>01/01/2010 –<br>09/30/2010 | Nine months<br>2009<br>01/01/2009 –<br>09/30/2009 | 2009<br>01/01/2009 –<br>12/31/2009 |
|---|---|---|---|---|------------------------------------|
|   | EUR'000   | EUR'000   | EUR'000   | EUR'000   | EUR'000                            |
| Interest on bank deposits   | 83  | 116   | 299   | 517   | 690                                |
| Income from interest hedges   | 0   | 0   | 0   | 3,007   | 5,477                              |
| Changes in value of the derivatives   | 3,569   | 137   | 3,751   | 3,139   | 5,832                              |
| Other interests   | 78  | 24  | 249   | 144   | 272                                |
| <b>Finance income</b>   | <b>3,730</b>  | <b>277</b>  | <b>4,299</b>                                      | <b>6,808</b>                                      | <b>12,271</b>                      |
| Interest on revolving lines of credit and bank loans  | -5,541  | -6,241  | -16,028   | -21,731   | -31,385                            |
| Expenses from interest hedges   | -5,876  | -5,668  | -18,020   | -19,460   | -28,285                            |
| Changes in value of the derivatives   | 0   | -4,403  | -10,781   | -15,746   | -16,213                            |
| Other finance cost  | -1,007  | -960  | -3,035  | -2,775  | -459                               |
| <b>Finance cost</b>   | <b>-12,423</b>  | <b>-17,273</b>  | <b>-47,864</b>                                    | <b>-59,712</b>                                    | <b>-76,342</b>                     |
| <b>FINANCIAL RESULT (IFRS)</b>  | <b>-8,693</b>   | <b>-16,997</b>  | <b>-43,565</b>                                    | <b>-52,904</b>                                    | <b>-64,071</b>                     |
| Financial result impacting liquidity (adjusted for changes in the value of the derivatives) | -12,262   | -13,007   | -36,536   | -40,297   | -53,690                            |

## 11. SEGMENT REPORTING

PATRIZIA's segments that must be reported include Investments and Services. The Group's other activities are posted in the Corporate column. The segments are distinguished according to the type of products and services offered alongside the sales channels and client profiles.

The Investments segment holds a real estate portfolio for residential property resale, asset repositioning and project development. Clients include private and institutional investors that invest either in individual residential units or real estate portfolios. As of the balance sheet date, the segment had a portfolio of 10,126 (December 31, 2009: 11,120) residential and commercial units that are listed as real estate investments and inventories.

The Services segment covers a wide range of real estate services, in particular the incorporation, supervision and administration of special funds, including on individual client request, via the company's asset management company (Kapitalanlagegesellschaft), the analysis and advice when purchasing individual residential and commercial properties or portfolios (investment management), value-oriented management of real estate portfolios (asset management) as well as the management of real estate (property management). A significant portion of the Services segment is also used by in-house entities.

The PATRIZIA Group's internal control and reporting measures are primarily based on the principles of accounting under IFRS. The Group measures the success of its segments using segment earnings, which are listed in the internal control and reporting as EBIT, EBT and EBT adjusted.

EBT comprises a total of revenues, income from the sale of investment property, changes in inventories, cost of materials and staff costs, amortization and depreciation, other operating income and expenses as well as the financial result. EBIT denotes EBT minus the financial result. To determine EBT adjusted, the adjustments are made at purely valuation-related, non-cash effects; for details see the remarks in the Management Report.

The PATRIZIA Group's intercompany sales indicate the amount of revenues among the segments. Intercompany services are invoiced at market rate.

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

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. The calculation of the single financial figures is carried out on basis of non-rounded figures.

| 3 <sup>rd</sup> quarter 2010 (07/01/2010 – 09/30/2010) | Investments | Services | Corporate | TOTAL          |
|--|-------------|----------|-----------|----------------|
|  | EUR'000     | EUR'000  | EUR'000   | EUR'000        |
| Third-party revenues                                   | 65,530      | 2,611    | 1         | <b>68,143</b>  |
| Intercompany revenues                                  | 6,269       | 963      | 1,133     | <b>8,366</b>   |
| Finance income   | 3,658       | 9        | 63        | <b>3,730</b>   |
| Finance cost   | -12,305     | -84      | -34       | <b>-12,423</b> |
| <b>Significant non-cash earnings</b>                   |             |          |           |                |
| – Market valuation income derivatives                  | 3,569       | 0        | 0         | <b>3,569</b>   |
| – Market valuation expenditures derivatives            | 0           | 0        | 0         | <b>0</b>       |
| Segment result EBIT                                    | 18,411      | 675      | -3,702    | <b>15,384</b>  |
| Segment result EBT                                     | 9,764       | 600      | -3,674    | <b>6,690</b>   |
| Segment result EBT adjusted                            | 6,196       | 600      | -3,674    | <b>3,122</b>   |

| Previous year's quarter<br>3 <sup>rd</sup> quarter 2009 (07/01/2009–09/30/2009) | Investments | Services | Corporate | TOTAL          |
|---|-------------|----------|-----------|----------------|
|   | EUR'000     | EUR'000  | EUR'000   | EUR'000        |
| Third-party revenues  | 59,296      | 2,840    | 1         | <b>62,137</b>  |
| Intercompany revenues   | 5,187       | 639      | 2,088     | <b>7,914</b>   |
| Finance income  | 225         | 4        | 48        | <b>277</b>     |
| Finance cost  | -17,214     | -59      | 0         | <b>-17,273</b> |
| <b>Significant non-cash earnings</b>  |             |          |           |                |
| – Market valuation income derivatives   | 137         | 0        | 0         | <b>137</b>     |
| – Market valuation expenditures derivatives                                     | -4,403      | 0        | 0         | <b>-4,403</b>  |
| Segment result EBIT   | 18,884      | 1,118    | -2,916    | <b>17,086</b>  |
| Segment result EBT  | 1,895       | 1,063    | -2,868    | <b>89</b>      |
| Segment result EBT adjusted   | 6,161       | 1,063    | -2,868    | <b>4,356</b>   |

| Nine months 2010 (01/01/2010–09/30/2010)    | Investments | Services | Corporate | TOTAL          |
|---|-------------|----------|-----------|----------------|
|   | EUR'000     | EUR'000  | EUR'000   | EUR'000        |
| Third-party revenues                        | 213,061     | 8,167    | 2         | <b>221,230</b> |
| Intercompany revenues                       | 15,580      | 2,475    | 4,628     | <b>22,683</b>  |
| Finance income                              | 4,047       | 27       | 225       | <b>4,299</b>   |
| Finance cost                                | -47,581     | -208     | -74       | <b>-47,864</b> |
| <b>Significant non-cash earnings</b>        |             |          |           |                |
| – Market valuation income derivatives       | 3,751       | 0        | 0         | <b>3,751</b>   |
| – Market valuation expenditures derivatives | -10,781     | 0        | 0         | <b>-10,781</b> |
| Segment result EBIT                         | 52,278      | 2,561    | -10,135   | <b>44,703</b>  |
| Segment result EBT                          | 8,744       | 2,380    | -9,985    | <b>1,138</b>   |
| Segment result EBT adjusted                 | 15,773      | 2,380    | -9,985    | <b>8,168</b>   |

| Previous year's period<br>Nine months 2009 (01/01/2009–09/30/2009) | Investments | Services | Corporate | TOTAL          |
|--|-------------|----------|-----------|----------------|
|  | EUR'000     | EUR'000  | EUR'000   | EUR'000        |
| Third-party revenues   | 147,141     | 7,529    | 5         | <b>154,675</b> |
| Intercompany revenues  | 14,538      | 1,884    | 5,384     | <b>21,806</b>  |
| Finance income   | 6,500       | 23       | 286       | <b>6,808</b>   |
| Finance cost   | -59,516     | -203     | 7         | <b>-59,712</b> |
| <b>Significant non-cash earnings</b>                               |             |          |           |                |
| – Market valuation income derivatives                              | 3,139       | 0        | 0         | <b>3,139</b>   |
| – Market valuation expenditures derivatives                        | -15,746     | 0        | 0         | <b>-15,746</b> |
| Segment result EBIT  | 43,305      | 2,497    | -8,353    | <b>37,449</b>  |
| Segment result EBT   | -9,712      | 2,317    | -8,060    | <b>-15,455</b> |
| Segment result EBT adjusted  | 2,895       | 2,317    | -8,060    | <b>-2,848</b>  |

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.

## 12. EARNINGS PER SHARE

|  | 3 <sup>rd</sup> quarter<br>2010<br>07/01/2010 –<br>09/30/2010 | 3 <sup>rd</sup> quarter<br>2009<br>07/01/2009 –<br>09/30/2009 | Nine months<br>2010<br>01/01/2010 –<br>09/30/2010 | Nine months<br>2009<br>01/01/2009 –<br>09/30/2009 | 2009<br>01/01/2009 –<br>12/31/2009 |
|--|---|---|---|---|------------------------------------|
| Earnings per share                                   |   |   |   |   |                                    |
| Net profit/loss for the period<br>(in EUR thousands) | 4,640   | -2,230  | -1,064  | -15,991   | -9,500                             |
| Number of shares issued                              | 52,130,000  | 52,130,000  | 52,130,000  | 52,130,000  | 52,130,000                         |
| Weighted number of shares                            | 52,130,000  | 52,130,000  | 52,130,000  | 52,130,000  | 52,130,000                         |
| <b>EARNINGS PER SHARE (IN EURO)</b>                  | <b>0.09</b>   | <b>-0.04</b>  | <b>-0.02</b>                                      | <b>-0.31</b>                                      | <b>-0.18</b>                       |

Earnings per share are calculated by dividing the net profit or loss for the period by the weighted average number of shares. In the third quarter of 2010, earnings per share were EUR 0.09 (third quarter of 2009: EUR -0.04).

## 13. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

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

The disclosures on related party transactions contained in section 9.3 of the notes to the consolidated financial statements in the 2009 Annual Report remain valid.

**14. DECLARATION OF THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG  
IN LINE WITH ARTICLE 37y OF THE WERTPAPIERHANDELSGESETZ (WpHG –  
GERMAN SECURITIES ACT) IN CONJUNCTION WITH ARTICLE 37w (2) NO. 3  
OF THE WpHG**

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



Wolfgang Egger  
Chairman of the Board



Arwed Fischer  
Member of the Board



Klaus Schmitt  
Member of the Board

This interim report was published on November 10, 2010 and is available in German and English. In the event of doubt, the German version applies.

**FINANCIAL CALENDAR 2010 / 2011**

November 10, 2010 ..... Interim report for the first three quarters of 2010

March 23, 2011 ..... Annual report for fiscal 2010,  
Press conference on financial statements 2010

May 11, 2011..... Interim report for the first quarter of 2011

June 29, 2011 ..... Annual General Meeting, Augsburg

August 10, 2011 ..... Interim report for the first half of 2011

November 9, 2011 ..... Interim report for the first three quarters of 2011

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