

PATRIZIA IMMOBILIEN AG

Interim Report I First Quarter of 2006

First Quarter of 2006 versus First Quarter of 2005

Revenues and earnings (in EUR'000)	31.03.2006	31.03.2005
Revenues	29,861	13,719
Total operating performance	85,895	18,334
EBITDA	7,365	3,109
EBIT	7,231	2,987
Net profit	3,564	1,737

Structure of assets and capital (in EUR'000)	31.03.2006	31.12.2005
Non-current assets	6,997	5,012
Current assets	419,335	222,388
Equity	163,115	42,104
Equity ratio	38.3 %	18.5 %
Total assets	426,332	227,400

Share performance

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
No. of shares in issue at March 31, 2006	47,400,000
Issue date	March 31, 2006
Issue price	EUR 18.50
Opening price on March 31, 2006	EUR 21.50
Closing price on March 31, 2006	EUR 23.00

Letter to the shareholders

Dear Reader,

the first quarter of fiscal year 2006 marked a milestone in the history of PATRIZIA Immobilien AG. On March 31, 2006, our shares were traded on the Frankfurt Stock Exchange for the first time. For the company and its employees, this marked an important step toward further growth.

Let us briefly summarize the events of the three months under review:

After our decision to float the company in order to give a sustainable boost to growth in the PATRIZIA Group, we set about the task of finding suitable advisory banks. Looking back, we would like to express our deep gratitude to our three syndicated banks: Deutsche Bank, JPMorgan and Sal. Oppenheim.

IFRS-compliant consolidated financial statements for fiscal 2005 were prepared and audited in January and February 2006. Also at this time, the offer prospectus was written, while work progressed on a range of legal and commercial issues relating to the forthcoming IPO. March 2006 was essentially the marketing phase, during which the IPO team presented PATRIZIA's business model, the company's history, the management team and the outlook for the Group to an array of investors in Germany, parts of Europe and the USA. The apex of this busy period was, of course, reached when our share traded for the first time on March 31, 2006. The initial price of EUR 21.50 listed for the PATRIZIA share was 16.2 % higher than the offer price of EUR 18.50.

Our sincere thanks go to all the employees, bankers, lawyers and consultants whose tireless commitment has made our IPO a success. We naturally also wish to thank our new shareholders for the trust they have placed in both our business model and in the PATRIZIA management team.

Despite all this intensive preparation for the IPO, operating business continued as usual in the first quarter of 2006. Both of PATRIZIA's segments – Investments and Services – made a successful start to fiscal year 2006.

Consolidated revenues more than doubled to EUR 29.9 million in the first quarter of 2006, a gain of 117.7 % on the same period a year ago. The Investments segment contributed EUR 27.9 million and the Services segment EUR 2.0 million to consolidated revenues.

Earnings too improved further. EBITDA was up from EUR 3.1 million a year ago to EUR 7.4 million in the quarter under review. Net income too rose more than 100 % from EUR 1.7 million a year ago to EUR 3.6 million at March 31, 2006. A detailed account of business development in the first quarter of 2006 is provided in the remaining sections of this interim report.

The Managing Board



Business segments

INVESTMENTS

PATRIZIA's Investments segment comprises three lines – Privatisation of Residential Property, Revitalisation and Project Development – in all of which PATRIZIA operates for its own account. Its activities in these areas focus on buying real estate with upside value potential, taking the action needed to realize this potential, and then reselling the apartments, mostly as single-unit sales.

Significant events in this segment in the first quarter of 2006:

In the first quarter of 2006, 999 apartments were added to the company's real estate portfolio. A further 162 units were signed.

Following a bidding procedure, PATRIZIA won a contract to purchase 909 apartments hitherto owned by MUNICH ERGO Asset Management GmbH (MEAG). Built between 1967 and 1993, these one- to four-room apartments occupy good locations in Hamburg, Lower Saxony, North Rhine-Westphalia and Schleswig-Holstein. Total net floor space is 61,378 m². The overall vacancy rate currently stands at 4.4 % (about 40 of the 909 apartments are to let). Once scheduled renovation has been completed at a cost of EUR 0.5 million, parts of the portfolio can be sold either en bloc or individually unit by unit.

PATRIZIA also acquired a 90-unit object in Ahrensburg, in the immediate vicinity of Hamburg. Net floor space in this object totals 5,420 m², which puts the average size of each apartment at around 60 m². Here again, the plan is to increase the value of the object and then resell it.

In Munich, a further object with 10,000 m² of net floor space was officially signed in the first quarter of 2006. This portfolio includes 162 apartments with a very low vacancy rate of 2.5 %. To leverage the object's full upside value potential, PATRIZIA plans to invest around EUR 0.8 million in renovation work. After that, every

apartment in the entire project is to be sold off either to existing tenants, owner-occupiers or investors.

After a project runtime of only 23 months, PATRIZIA Wohnungsprivatisierung successfully completed the sale of its „Viktor-von-Scheffel“ project in Munich. Every single unit in the complex was sold. The portfolio is made up of 45 units with a total sales volume of around EUR 7.1 million. 35 % of the apartments were purchased by existing tenants.

In the first quarter of 2006, the last of 805 apartments in what currently exists as the „Wohnpark Angerlohe“ („Angerlohe Residential Park“) were also signed. The total sales volume stood at around EUR 90.0 million. These apartments were part of a package of company-owned accommodation which PATRIZIA acquired from Mannesmann Demag Krauss-Maffei AG in 2002. After a four-year selling period, existing tenants had purchased 43 % of the units.

Progress was also made in selling off the „Wohnpark am Fasangarten“ („Fasanpark Residential Park“) project in Munich. All in all, 48 units – mostly high-quality penthouse apartments – were sold in just 11 months, netting a total sales volume of around EUR 8.1 million.

SERVICES

PATRIZIA's Services segment delivers a full complement of real estate services to its customers. The portfolio covers everything from advice on real estate transactions, through due diligence tests in relation to purchases, to asset and real estate management and property sales.

In the Asset Management line, one significant event in the quarter under review was the signing of a consulting agreement with iii investments, a real estate fund company belonging to the HVB Group. The agreement covers investment and asset management services for a special-purpose fund. The fund has a target volume of around EUR 800 million. It focuses on residential

properties both in Germany (around 30 % of fund assets) and in selected neighbouring European countries (around 70 % of fund assets). The consulting agreement is not limited to the fund's asset management services, however. PATRIZIA will also be involved in analyzing and purchasing target objects. For each of these services, PATRIZIA will receive separate compensation as a percentage of the net purchase price or of the value of assets in the special-purpose fund.

The Asset Management line also sold a variety of portfolios on behalf of pension funds within the framework of existing contractual agreements. The sale of 575 units with total net floor space of around 30,500 m² realised a total volume of EUR 34.0 million.

The Property Management line once again ramped up its commercial real estate management activities in the

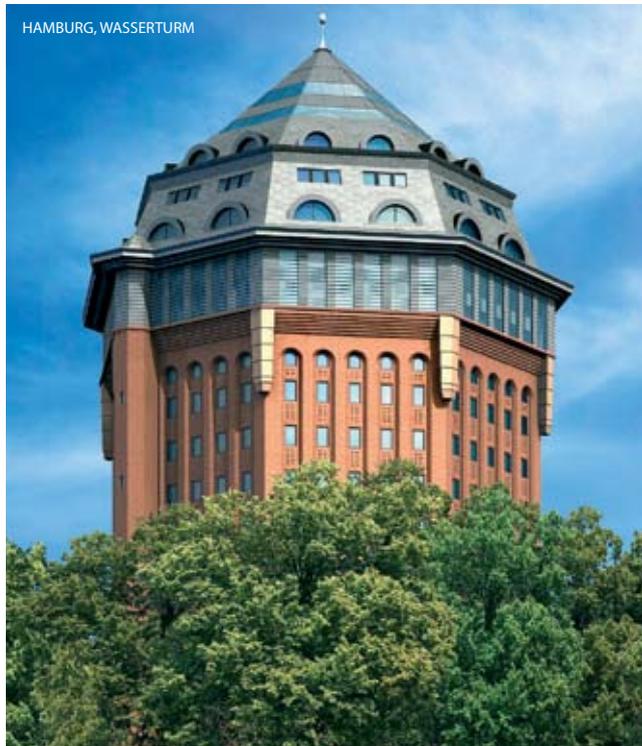
first quarter of 2006. In the context of a bidding procedure, this line won the contract to manage Munich's well-known „Kaufinger Tor“ shopping arcade. At present, the object features 15 specialist retail stores plus various cafés, restaurants, offices and apartments. Total floor space is around 9,600 m².

In this line of business, PATRIZIA provides commercial, technical and infrastructure management services, but also offers letting services and handles location marketing.

During the first three months of 2006, PATRIZIA also took over the management of the 154-meter Skyper office and residential tower block in Frankfurt/Main. This 38-storey building has around 40,000 m² of office space, plus 52 high-end apartments totalling around 4,000 m².



COLOGNE, VENLOER STRASSE



HAMBURG, WASSERTURM



DRESDEN, ALTMARKT

FRANKFURT, SKYPER



Notes to the interim report for the first quarter of 2006

ACCOUNTING POLICIES

The interim report for PATRIZIA Immobilien AG and its subsidiaries (collectively referred to as „the PATRIZIA Group“) for the first quarter of fiscal year 2006 (January 1, 2006, through March 31, 2006) was prepared in accordance with the current valid version of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

The accounting and valuation policies used are identical to those used in the consolidated financial statements for the whole of fiscal year 2005.

In fiscal year 2005, the company was not required to prepare interim reports. Therefore, to place the quarterly figures for fiscal year 2006 in a comparable context, quarterly figures for 2005 have been prepared retroactively. The following simplification options have been applied:

Balance sheet

Interest rate swaps are measured at historic rates of interest at their value dates.

The decline in pension provisions has been split equally across all four quarters.

Profit and loss account

Taxes on income for quarterly earnings are calculated at a standard annual tax rate of 17.1 %.

Segment reporting

Quarterly earnings are split (in percentage terms) between the individual segments based on their performance over the year as a whole.

CONSOLIDATED GROUP

All subsidiaries of PATRIZIA Immobilien AG are subsumed under the consolidated Group, which includes all companies controlled by PATRIZIA Immobilien AG.

The consolidated Group consists of 29 subsidiaries, all of which are fully consolidated.

A proportion of the real estate in Munich Schwabing and Munich Allach/Untermenzing held by Alte Haide Baugesellschaft mbH does not satisfy the criteria for a business combination defined in IFRS 3. The corresponding figure is thus recognised in assets as a partial acquisition.

Consolidated balance sheet as at 31 March 2006 in accordance with IFRS

Assets		31.03.2006 EUR'000	31.12.2005 EUR'000
A.	Non-current assets		
	Software	207	234
	Investment property	1,700	1,700
	Equipment	1,239	1,271
	Securities	247	247
	Deferred tax assets	3,603	1,560
	Total non-currents assets	6,997	5,012
B.	Current assets		
	Inventories	246,244	189,516
	Current receivables and other current assets	137,310	16,395
	Bank balances and cash	35,780	16,477
	Total currents assets	419,335	222,388
	Total assets	426,332	227,400
Equity and Liabilities			
A.	Equity		
	Share capital	47,400	5,050
	Capital reserves	118,807	573
	Retained earnings		
	- legal reserves	505	505
	- other retained earnings	-7,454	0
	Result of valuation interest rate swaps	293	0
	Consolidated net profit	3,564	35,976
	Total equity	163,115	42,104
B.	Liabilities		
	Non-current liabilities		
	Long-term bank loans	2,848	2,858
	Interest rate swaps	592	1,541
	Retirement benefit obligations	282	285
	Total non-current liabilities	3,722	4,684
	Current liabilities		
	Short-term bank loans	223,812	149,298
	Other provisions	1,187	521
	Current liabilities	29,128	23,560
	Tax liabilities	4,480	6,295
	Other current liabilities	888	938
	Total current liabilities	259,495	180,612
	Total assets	426,332	227,400

At March 31, 2006, consolidated total assets stood at EUR 426.3 million, a gain of EUR 198.9 million since the balance sheet date at December 31, 2005.

Inventories rose 29.9 % from EUR 189.5 million to EUR 246.2 million at March 31, 2006, as more real estate was purchased than sold in the period under review.

Other current assets totalled EUR 137.3 million, the main item being net proceeds of around EUR 122.5 million from PATRIZIA's IPO that were still outstanding at March 31, 2006. This receivable was settled on April 4, 2006, and is therefore reported in the IFRS financial statements in the interests of transparency.

For the quarter as a whole, current assets increased from EUR 222.4 million to EUR 419.3 million.

On the liabilities side, equity increased to EUR 163.1 million. Details of changes in the composition of shareholders' equity are provided under „Changes in shareholders' equity“ in this interim report (see below).

Due to the purchases referred to above, most of which were financed by borrowings, current bank loans climbed from EUR 149.3 million to EUR 223.8 million.

In total, current liabilities were up from EUR 180.6 million to EUR 259.5 million.

Consolidated Income Statement in accordance with IFRS

for the period from 01 January 2006 through 31 March 2006

	31.03.2006 EUR'000	31.03.2005 EUR'000
1. Revenues	29,861	13,719
2. Changes in inventories	55,703	4,395
3. Other operating income	331	220
4. Total operating performance	85,895	18,334
5. Cost of materials	-71,386	-10,149
6. Staff costs	-3,439	-2,357
7. Amortisation of software and depreciation on equipment	-133	-122
8. Net losses from fair value adjustment to investment property	0	0
9. Other operating expenses	-3,705	-2,719
10. Income/loss from associated companies	0	0
11. Finance income	491	157
12. Finance cost	-1,819	-1,048
13. Profit before income taxes	5,904	2,096
14. Income tax	-2,340	-359
15. Quarterly net profit	3,564	1,737

In 2006, first-quarter revenues of EUR 29.9 million were more than double the EUR 13.7 million figure stated in the same period a year ago. Higher revenues from the sale of real estate were the primary reason for this sharp rise – a reflection of PATRIZIA's success in placing apartments in recent months.

Portfolio acquisitions in the past few months – in particular the purchase of 999 apartments formerly owned by MUNICH ERGO Asset Management GmbH (MEAG) – nevertheless led to a substantial increase in inventory levels in the first quarter of 2006. Reported inventories thus rose by EUR 4.4 million to EUR 55.7 million in the period under review.

The doubling of sales and the gain in inventory levels raised total operating performance from EUR 18.3 million to EUR 85.9 million.

The cost of materials too surged from EUR 10.1 million to EUR 71.4 million, largely owing to the acquisition of new real estate portfolios.

Compared to revenue growth, personnel expenses increased at a below-average rate, rising from EUR 2.4 million a year ago to EUR 3.4 million at March 31, 2006.

Changes in shareholders' equity

On February 23, 2006, the Annual General Meeting of PATRIZIA Immobilien AG resolved to pay a dividend of EUR 8.1 million for fiscal 2005. This dividend was paid out on March 9, 2006.

On February 23, 2006, the Annual General Meeting of PATRIZIA Immobilien AG further resolved to increase the capital stock from EUR 5,050,000 to EUR 40,400,000 by appropriating EUR 35,350,000 out of retained earnings.

Furthermore, an Extraordinary General Meeting on March 27, 2006, resolved a further capital increase in return for a cash contribution of EUR 7,000,000, bringing the capital stock to EUR 47,400,000 at the present time.

Similarly, other operating expenses grew at a far lower proportional rate than revenues, climbing from EUR 2.7 million to EUR 3.7 in the period under review.

In the first three months of fiscal year 2006, the Group's financial result decreased by EUR 0.4 million to EUR -1.3 million. The higher volume of bank loans taken out to finance the purchase of real estate is the reason for this change.

In light of the developments described above, earnings before tax rose from EUR 2.1 million a year ago to EUR 5.9 million in the period under review, a gain of 181.7 %.

Taxes on income are calculated at a corporate income tax rate of 40 % in accordance with the taxable earnings reported by the individual Group companies. Taxable earnings reported by PATRIZIA Immobilien AG, the company that controls the Group, were negative on account of expenses relating to the IPO. Accordingly tax items accrued only to individual Group subsidiaries.

In the first quarter of 2006, the Group generated net profit of EUR 3.6 million, an increase of around 105.2 % on the figure of EUR 1.7 million posted in the same period a year ago.

Net proceeds from the IPO increased the Group's capital reserve from EUR 0.6 million at December 31, 2005, to EUR 118.8 million at March 31, 2006. Please note: This contribution to the capital reserve was paid in when the IPO was settled on April 4, 2006.

In accordance with IAS 32.37, the capital reserve includes all costs incurred in relation to the initial public offering, where tax effects are treated separately in accordance to IFRS. At March 31, 2006, shareholders' equity stood at EUR 163.1 million. The equity ratio thus increased from 18.5 to 38.3 %.

Statement of changes consolidated equity in accordance with IFRS for the period from 1 January 2006 through 31 March 2006

	Share Capital EUR'000	Capital reserves EUR'000	Retained earnings (legal reserve) EUR'000	Retained earnings (other retained earnings) EUR'000	Result of va- luation interest rate swaps EUR'000	Consolidated net profit EUR'000	Total EUR'000
Balance 01 Dec. 2006	5,050	573	505	0	0	35,976	42,104
Annual general meeting of Feb. 23, 2006							
Capital increase out of retained earnings	35,350					-35,350	0
Dividend						-8,080	-8,080
Reposting				-7,454		7,454	0
Capital increase IPO	7,000						7,000
Change in value interest rate swaps					293		293
Quaterly net profit						3,564	3,564
Balance 31 March 2006	47,400	573	505	-7,454	293	3,565	44,881

for information only as at 4 April 2006

Capital increase IPO		118,234					118,234
Balance 04 April 2006	47,400	118,807	505	-7,454	293	3,565	163,115

Statement of changes consolidated equity in accordance with IFRS (reporting period previous year) for the period from 1 January 2005 through 31 March 2005

	Share Capital EUR'000	Capital reserves EUR'000	Retained earnings (legal reserve) EUR'000	Retained earnings (other retained earnings) EUR'000	Result of va- luation interest rate swaps EUR'000	Consolidated net profit EUR'000	Total EUR'000
Balance 01 Jan. 2005	5,000	0	500	0	0	19,904	25,404
Capital increase							
Dividend							
Quaterly net profit						1,737	1,737
Reclassification of minority interest							
Balance 31 March 2005	5,000	0	500	0	0	21,641	27,141

Consolidated Cash Flow Statement

for the period from 1 January 2006 through 31 March 2006

	31.03.2006 EUR'000	31.03.2005 EUR'000
Quaterly net profit	3,564	1,737
Amortisation of intangible assets and depreciation on property, plant and equipment	133	151
Write down of securities	0	0
Net losses from fair value adjustments to investment property	0	0
Loss from / gain on disposal of fixed assets	0	-16
Non-cash item income and expenses that are not attributable to financing activities	144	0
Change in retirement benefit obligation	-3	-12
Non-distributed income from associates	0	0
Changes in inventories, receivables and other assets that are not attributable to investing activities	-55,144	-5,819
Changes in liabilities that are not attributable to financing activities	72,372	20,009
Cash inflow from operating activities	21,066	16,050
Capital investments in intangible assets and property, plant and equipment	-75	0
Cash receipts from disposal of intangible assets and property, plant and equipment	0	16
Investments	0	0
Cash receipts from disposal of financial assets	0	0
Cash outflow/inflow from investing activities	-75	16
Dividend of PATRIZIA Immobilien AG	-8,080	0
Capital increase of PATRIZIA Immobilien AG	7,000	0
Borrowing of long-term loans	0	0
Repayment of long-term loans	-10	-13
Other cash inflows or outflows from financing activities	-598	0
Cash inflow from financing activities	-1,688	-13
Change in operating activities of a cash nature	19,303	16,053
Cash 01 January	16,477	10,002
Cash 31 March	35,780	26,055

Segment reporting

	Revenues		EBITDA		EBIT	
	31.03.2006 EUR'000	31.03.2005 EUR'000	31.03.2006 EUR'000	31.03.2005 EUR'000	31.03.2006 EUR'000	31.03.2005 EUR'000
Investments	27,855	11,987	8,189	3,045	8,188	2,993
Services	2,002	1,722	57	224	51	220
Corporate	4	10	-881	-159	-1,008	-226
Total	29,861	13,719	7,365	3,109	7,231	2,987

The Investments segment contributed EUR 27.9 million to total consolidated revenues. The Services segment contributed EUR 2.0 million. The split in earnings between the two segments paints a similar picture. Investments generated EUR 8.2 million of Group EBITDA and EUR 8.2 million of the EBIT result, while Services generated EUR 0.05 million and EUR 0.05 million respectively.

EMPLOYEES

At March 31, 2006, the PATRIZIA Group as a whole had a total of 234 people (including board members) on its payroll, of whom 206 are permanent employees. The number of employees thus rose by 6 against December 31, 2005. At the end of the quarter under review, the companies in the PATRIZIA Group made 13 apprenticeships available.

Share Performance and Outlook

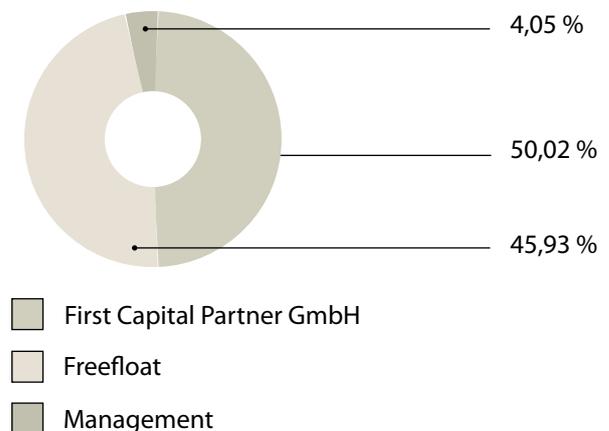
THE PATRIZIA SHARE

PATRIZIA Immobilien AG floated its shares successfully on March 31, 2006. An offer price of EUR 18.50 was set for the heavily oversubscribed share, whose initial listing was at EUR 21.50. The PATRIZIA share closed its first day of trading at EUR 23.00, a mark-up of 24.3 % on the offer price.

At March 31, 2006, PATRIZIA Immobilien AG's subscribed capital consisted of 47,400,000 no-par-value ordinary bearer shares (individual share certificates), of which 21,770,000 were issued in the Prime Standard segment of the German Stock Exchange. All shares bear a full dividend entitlement with effect from January 1, 2006.

The shareholder structure following this initial public offering (IPO) is illustrated in the chart (to the right):

Shareholder structure:



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OUTLOOK

In the wake of the IPO and the changes it has brought to the equity structure at PATRIZIA Immobilien AG, the company will focus strongly on expansion in the quarters ahead. PATRIZIA's coherent, integrated business model, its years of expertise and experience in the real estate market and the generally healthy situation of the residential property market in Germany create ideal conditions for sustained company growth.

We believe that the second-quarter cash injection received pursuant to our flotation will likewise fuel dynamic business development in the coming quarters. The proceeds of the IPO will be used to acquire suitable real estate portfolios. We will focus very strongly on our core business: the purchase and resale of residential property.

Every year, PATRIZIA is offered the chance to buy a large number of residential units. From this oversupply, our experts pick out those units that are best suited to our model – what we call the socially equitable privatisation and sale of residential property. Accordingly, further real estate will

be purchased for revitalisation and subsequent resale in the weeks and months ahead.

To sustain our targeted growth pattern, additional portfolios with a total of 236 residential units in Hamburg and Munich were signed after the end of the first quarter. Details of these purchases will be presented in our next interim report.

PATRIZIA's Services segment has already become an established partner to the national and international real estate industry. Ongoing growth is the plan for this segment too. Its regular, stable and long-term sources of revenue will contribute to PATRIZIA's successful business development.

In April 2006, the Asset Management line – part of the Services segment – signed another consulting agreement governing investment and management services for a special-purpose real estate fund. A volume of EUR 180 million is to be invested in this fund by the end of 2007. Again, more details will be published in our report on the second quarter of 2006.

Financial calendar

Date	Event
May 15, 2006	Interim report – first quarter of 2006
August 15, 2006	Interim report – second quarter of 2006
November 15, 2006	Interim report – third quarter of 2006
November 15, 2006	Analysts' conference

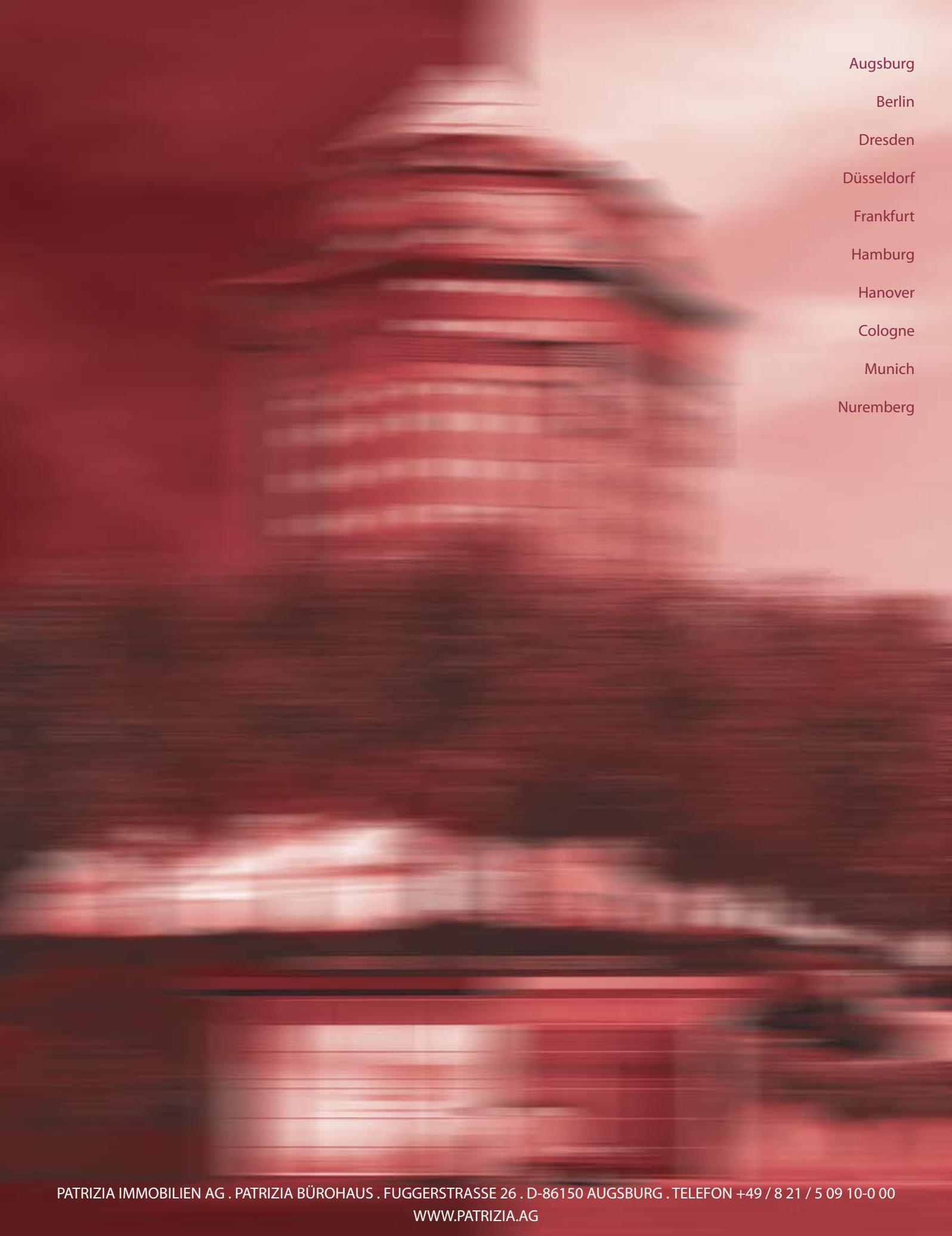
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