



PATRIZIA
IMMOBILIEN AG

Q1

KEY FIGURES

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
REVENUES AND EARNINGS	EUR'000	EUR'000
Revenues	23,460	29,861
Total operating performance	612,589	85,895
EBITDA	10,098	7,365
EBIT	9,889	7,231
Net profit	2,717	3,564

	31.03.2007	31.12.2006
STRUCTURE OF ASSETS AND CAPITAL	EUR'000	EUR'000
Non-current assets	659,367	3,541
Current assets	872,607	371,125
Equity	297,656	191,724
Equity ratio (in %)	19.4 %	51.2 %
Total assets	1,531,974	374,666

SHARE PERFORMANCE	
ISIN	DE000PAT1AG3
SIN (security Identification Number)	PAT1AG
Code	P1Z
Share capital as at March 31, 2007	52,130,000 Euro
No. of shares in issue at March 31, 2007	52,130,000
First quarter 2007 high*	23.35 Euro
First quarter 2007 low*	16.30 Euro
Closing price as at March 30, 2007	16.72 Euro
Market capitalisation as at March 30, 2007	871.6 Mio. Euro
Indices	MDAX, EPRA, GEX, DIMAX

*Closing price at Frankfurt Stock Exchange Xetra trading

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Ladies and Gentlemen,

We would like to use the foreword by the Managing Board to present and comment on a few issues, particularly with regard to our targeted growth, from the viewpoint of the company.

At the time of registration of the MEAG portfolio purchased in November 2006, we disclosed that we will not resell large sections of this portfolio before April 2008. This sub-portfolio covers around 3,500 residential units in the German federal state of Bavaria. Due to the agreed settlement, large portions of the revenues and income will be deferred until fiscal years 2008 and 2009.

Accordingly, we will only begin property resale to tenants, owner-occupiers and private investors for a small portion of this real-estate portfolio in fiscal year 2007. For the bulk of this portfolio, we will not start any resale measures before April 2008. We therefore expect to receive most of the purchase price from these sales from the second half of 2008.

The portfolio of around 2,737 residential and commercial units signed at the beginning of December 2006 and transferred to our ownership in the first quarter of 2007, which we purchased from HDI Gerling Lebensversicherung AG, is not subject to any restrictions. This portfolio was transferred to our ownership in March 2007. Around $\frac{2}{3}$ of this meets our strict criteria for residential property resale. The remaining 900 units will be entered into the holdings of our Asset Repositioning line for implementation of value-enhancing projects and subsequent resale. Preparation for resale began in April 2007. We expect to receive initial purchase price payments from the resale of this portfolio in the second half of 2007.

Due to the property resale delay for parts of the portfolios as well as the late transfer of ownership of the two portfolios in the first quarter of 2007, revenues and income that were planned for fiscal year 2007 will be deferred until fiscal years 2008 and 2009.

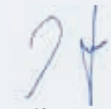
Despite the revenue and income deferrals described above, we also expect sustained growth of the Group for fiscal years 2007 and 2008. Net profit of EUR 45 million is planned for 2007, an increase of 39 % compared with fiscal year 2006. The company expects further growth in net profit of around 44 % to EUR 65 million for the subsequent fiscal year 2008. After publication of our expected consolidated profit for fiscal years 2007 and 2008, our share price fell by up to

26 % within just a few days, as we can only fulfill some of the expectations from the IPO in fiscal year 2008 rather than 2007. Furthermore, we have noticed a general decline in interest in German real-estate shares in recent weeks, which has also negatively impacted on our share price performance.

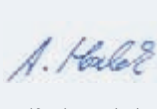
We greatly regret this, but would like to expressly point out that we also expect significant growth of the company in fiscal years 2007 and 2008. Income planned at the time of the IPO cannot be realized to the full planned extent until fiscal year 2008 rather than the current fiscal year. There is no weakening of our operating business.

Much work lies ahead in the forthcoming quarters. We will further expand our operating business in the Investments segment and the Services segment. With the purchased portfolios, we have laid the foundation for further profitable growth of the company, thus putting in place the essential conditions for a sustained increase in enterprise value for our shareholders.

The Managing Board



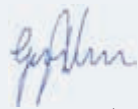
Wolfgang Egger
Chairman of the Board



Alfred Hoschek
Member of the Board



Klaus Schmitt
Member of the Board



Dr. Georg Erdmann
Member of the Board



INTERIM REPORT

1. BUSINESS DEVELOPMENT AND KEY TRANSACTIONS IN THE FIRST QUARTER OF 2007

In the **Investments segment**, the first quarter of 2007 was partly characterized by the acquisition and integration of the portfolios of MEAG MUNICH ERGO Asset Management GmbH and HDI Gerling Lebensversicherung AG registered back in the fourth quarter of 2006. The transfer of both portfolios and the related payment of the purchase prices took place in the first quarter of 2007.

The portfolio purchased in November comprises 6,425 residential units and 380 commercial units with almost 500,000 sqm net living and floor space. Parts of this portfolio (around 3,500 units) are situated in the Bavarian cities of Munich and Regensburg. In accordance to a contract clause these properties are not to be resold in the short term. The remaining sub-portfolios are also situated in very good locations of West German conurbations, and are not affected by this agreement concluded by the contracting partners.

The second portfolio registered in the fourth quarter of 2006 consists of 2,667 residential units and 70 commercial units with 195,000 sqm net living and floor space. The purchased portfolios are situated in Berlin, Hamburg, Cologne and Munich. Around $\frac{2}{3}$ of the residential property in this portfolio is available for residential property resale. After the residential property resale holdings have been transferred, they will be prepared for sale to tenants, owner-occupiers and/or private investors in line with our business model of socially compatible residential property resale. The remaining 900 units have been entered in the holdings of the Asset Repositioning sub-segment. In Asset Repositioning, we aim to achieve a sustained increase in the value of the portfolio in order to sell the real estate to an investor in its entirety after all measures have been implemented.



In the Asset Repositioning line, we have bought an additional 59 residential units with a total surface area of around 5,600 sqm in Munster. Furthermore, 105 residential units in the immediate vicinity of Nuremberg with a total surface area of 6,800 sqm were purchased. Implementation of extensive value-enhancing measures in both Asset Repositioning portfolios will be started in the next few months.

Overall, as at March 31, 2007, our portfolios contained around 11,000 premium-quality residential units situated in very good locations in West German conurbations.

In the **Services segment**, we have added investment management to our range of services. Here, we assist our customers in identifying, assessing and making direct and indirect real-estate investments. PATRIZIA Immobilien Kapitalanlagegesellschaft mbH is a services line in the investment management area. At the end of the first quarter of 2007, we received permission from the German Federal Office for Financial Services Supervision (BaFin) to establish an investment company. PATRIZIA Immobilien Kapitalanlagegesellschaft mbH, in which PATRIZIA Immobilien AG has a 100 % shareholding, will commence operations as early as the second quarter of 2007 with the issue of two open-ended funds for institutional investors. The PATRIZIA German Residential Fund will invest solely in German residential real estate and have a total investment volume of EUR 400 million. A total volume of EUR 400 million is to be invested in European residential real estate for the PATRIZIA European Residential Fund. Additional funds are planned after successful investment.

With our institutional customers' interests in direct and indirect real-estate investments in mind, we have also put in place the structures for institutional investors to develop and implement bespoke investment products.

2. OUR EMPLOYEES

As a result of the purchases of around 10,000 units registered in the fourth quarter of 2006 as well as the associated growth of the Group, the number of PATRIZIA employees within the Group rose from 247 as at December 31, 2006 to a total of 263 full-time employees at the end of the first quarter. For the Real Estate Management and Residential Property Resale lines in particular, new employees were taken on throughout Germany. We recruited two experienced managers for our new subsidiary, PATRIZIA Immobilien Kapitalanlagegesellschaft mbH. Michael Vogt has more than 15 years' experience in issuing and managing open-ended real-estate funds. Dr. Wolfgang Lange was latterly responsible for the areas of real estate and fund management as a director of MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH.

3. NET ASSET, FINANCIAL AND EARNINGS SITUATION

Earnings Situation of the PATRIZIA Group

In the first quarter of 2007, revenues totaled EUR 23.5 million. A breakdown is set out below.

1st quarter 2007
01.01.–
31.03.2007

	IN EUR MILLION
Purchase price revenues from property resale	10.3
Purchase price revenues from asset repositioning	0.0
Rental revenues	12.0
Services segment revenues	0.9
Other	0.3
CONSOLIDATED REVENUES	23.5

85 residential units, i.e. around 7 % of the residential units in the portfolio as at December 31, 2006, were resold in the first quarter of 2007. The resultant purchase price income amounted to EUR 10.3 million, and the corresponding decrease in inventories came to EUR 7.1 million.

Changes in inventories increased year-on-year from EUR 55.7 million to EUR 588.9 million due to the additions of the portfolios registered in the fourth quarter of 2006 and transferred to our ownership in 2007. The same applies to the cost of materials, which rose from EUR 71.4 million to EUR 598.1 million.

Recruitment in all segments of the Group was required as a result of the expansion of our operating activities and the growth of the company. Staff costs therefore increased slightly by 4.5 % to EUR 3.6 million compared with the first quarter of 2006. There was a similar pattern for other operating expenses, which rose from EUR 3.7 million in the first quarter of 2006 to EUR 3.9 million.

As a result of the reclassification of the “Dresden Altmarktkarree” property under ‘investment property’ as well as the rent increases implemented in the last 15 months and the associated higher rental income, the market value of the “Dresden Altmarktkarree” property is currently estimated at around EUR 49.4 million, up around 7 % on the previously reported book value. This result in fair value adjustments of EUR 3.2 million.

Against the background of increased real-estate purchases in 2006 and the associated extension of our financing volume, interest expenses rose from

EUR 1.8 million in the first quarter of 2006 to EUR 8.8 million. The financial result in the first quarter of 2007 therefore came to EUR –5.7 million.

In accordance with the business development and the extension of the financing volume in the first quarter of 2007, earnings before taxes fell to EUR 4.2 million in the first quarter of 2007. After taking into account the average Group tax rate expected for fiscal year 2007, net income for the period after taxes amounted to EUR 2.7 million.

With regard to EBITDA and EBIT, both earnings ratios increased compared with the same reporting period of the previous year. As at March 31, 2007, EBITDA totaled EUR 10.1 million (previous year: EUR 7.4 million), EBIT came to EUR 9.9 million (previous year: EUR 7.2 million).

The table below gives an overview of the key P&L items.

	1 st quarter 2007 01.01.– 31.03.2007	1 st quarter 2006 01.01.– 31.03.2006
	IN EUR MILLION	IN EUR MILLION
Revenues	23.5	29.9
Total operating performance	612.6	85.9
EBITDA	10.1	7.4
EBIT	9.9	7.2
Profit before income taxes	4.2	5.9
Net profit	2.7	3.6

Net Asset and Financial Situation of the PATRIZIA Group

As a result of the transfer of ownership of around 10,000 residential and commercial units as well as the associated purchase price payments and financing, our balance sheet total increased substantially compared with December 31, 2006 from EUR 374.7 million to EUR 1,532 million.

For some of the residential units transferred to our ownership in the first quarter of 2007, we are aiming for continuous receipt of stable rentals. These were therefore newly posted under 'investment property' in accordance with IAS 40.

We purchased "Dresden Altmarktkarree 1" at the Altmarkt (Old Market Square) in Dresden at the end of 2005. This asset repositioning project comprises 318 residential units and 39 commercial units with total net floor space of around

38,000 sqm. At the time of acquisition, all the residential units and some of the commercial units were in the same condition as when they were built. The aim of our purchase was once again to optimize the portfolio in this asset repositioning project. We can already see much more upside value potential for the property than at the outset of the project here. For this reason, we have decided to utilize the rent increase potential of the property ourselves across a longer period of time in order to benefit even more from the profitability and upside value potential of the real estate. Here too, the aim is to generate sustained, stable income for the company. The outcome of this focus is the reclassification of the "Dresden Altmarktkarree 1" property under 'investment property'.

The property is posted at market value. As a result of the rent increases implemented in the last 15 months and the associated higher rental income, the market value of the real estate is currently estimated at around EUR 49.4 million, up around 7 % on the previously reported book value.

The 'investment property' item amounted to EUR 643.4 million as at March 31, 2007.

In November 2006, we purchased a second part of this Dresden ensemble in the immediate vicinity of our Altmarktkarree property. The purchase price was around EUR 9 million. With a planned investment volume of up to EUR 33.3 million, we will start extensive demolition, renovation and construction work in mid-2007. We will perform extensive project development work on large sections of the three properties, with around $\frac{2}{3}$ of the existing net floor space to be totally restructured. We will also perform extensive structural renovation work for the remaining 5,000 sqm. We do not expect the properties to be finished before 2010.

After all value-enhancing measures have been completed, the properties restructured as residential and commercial space ("Dresden Altmarktkarree 2") will be treated as investment property in conjunction with our "Dresden Altmarktkarree 1". Until then, they will be reported at acquisition cost under 'investment property under construction' in accordance with IAS 16.

Inventories increased from EUR 228.4 million to EUR 749.4 million. This rise is mainly due to the fact that the apartments earmarked for short-term resale from the portfolios registered in the last quarter of 2006 were entered in our inventories in the first quarter of 2007.

The 'bank balances and cash' item was impacted firstly by the outflow of liquidity for due purchase price payments and secondly by the inflow of liquidity from



the cash capital increase on January 12, 2007. As at March 31, 2007 the company's liquidity amounted to EUR 675 million. In addition to bank balances, this figure also includes marketable securities.

On the liabilities side of the balance sheet, equity increased from EUR 191.7 million to EUR 297.6 million. This is chiefly attributable to the inflows from the cash capital increase on January 12, 2007. PATRIZIA Immobilien AG placed a total of 4,730,000 no-par-value bearer shares with institutional investors on January 12, 2007 in the context of a cash capital increase with no subscription right. The gross issue volume was EUR 104 million.

Short-term bank loans increased from EUR 125.5 million to EUR 1,144.0 million. The EUR 1,018.5 million rise is based on bank financing that was taken out to purchase the large-scale portfolios. Long-term loans relate to the bank loans with a residual term of more than one year that were taken out to finance the investment property. To partially hedge the interest rate risk arising from the bank loans, the company has taken out various interest-rate hedging instruments, which are reported at market value.

4. LINKS WITH RELATED PARTIES

At present, the Managing Board of PATRIZIA Immobilien AG is not aware of any dealings, contracts or legal transactions with associated or related persons and/or companies for which the company does not receive customary and appropriate counterperformance. The disclosure on transactions with related companies and individuals in section 9.3 of the notes to the consolidated financial statements in the 2006 annual report remains valid.



5. RISK REPORT

PATRIZIA Immobilien AG has taken necessary measures and installed processes for detecting negative developments at an early stage and countering them. The Managing Board of PATRIZIA Immobilien AG is not currently aware of any risks that jeopardize the continued existence of the company now or in the future. Furthermore, the statements published in the risk report of the 2006 annual report remain valid.

In the context of our operating activities, PATRIZIA may be involved in legal disputes. At present, there are no major legal disputes and/or claims for compensation that jeopardize the existence of the company or have significant negative effects on the earnings situation of PATRIZIA.

6. SUPPLEMENTARY REPORT

After the end of the first quarter of 2007, we announced the conclusion of a co-investment with the two prestigious partners Stichting Pensionsfonds ABP of the Netherlands and ATP Real Estate of Denmark. Both co-investment partners are investors with a long-term orientation. The total investment volume of up to EUR 700 million is to be mainly invested in German commercial real estate in the next 24 months. Consequently, there is no conflict of interest with the original investing activities of PATRIZIA Immobilien AG.

PATRIZIA is to invest around EUR 8 million in the so-called PATROFFICE GmbH & Co. KG joint investment vehicle. As well as participating in this co-investment with its share in the equity, PATRIZIA Immobilien AG will also take on the purchasing of commercial real estate and asset management for the entire portfolio. This joint co-investment with prestigious international partners enables PATRIZIA to further expand its Asset Management line in the commercial sector.

7. FORECAST REPORT

Since publication of our 2006 annual report on March 21, 2007, there has been no change in the general economic conditions for the PATRIZIA Group. The real-estate market in Germany continues to provide extensive opportunities for the business model of PATRIZIA.

In the Investments segment, we have created a sound basis for the Residential Property Resale and Asset Repositioning lines through the purchase of around 11,000 residential units and 450 commercial units. We also expect continued significant growth in the Services segment after receiving permission from the German Federal Office for Financial Services Supervision (BaFin) to establish PATRIZIA Immobilien Kapitalanlagegesellschaft mbH and as a result of the conclusion of our co-investment with Stichting Pensionsfonds ABP and ATP Real Estate.

Overall, we continue to assume that we can achieve the planned growth targets. We expect net profit of around EUR 45 million for fiscal year 2007.



IFRS – CONSOLIDATED BALANCE SHEET TO MARCH 31, 2007

ASSETS

	31.03.2007	31.12.2006
A. NON-CURRENT ASSETS	EUR'000	EUR'000
Software	258	237
Investment property	643,377	0
Investment property under construction	9,181	0
Equipment	1,986	1,472
Securities	0	0
Long-term derivate interest rate contract	4,563	0
Participations	1	1
Tax assets	0	361
Deferred tax assets	0	1,470
Total non-current assets	659,367	3,541
B. CURRENT ASSETS		
Inventories	749,391	228,403
Current receivables and other current assets	52,980	58,684
Marketable securities	32,113	0
Short-term derivate interest rate contract	2,685	827
Bank balances and cash	35,438	83,211
Total current assets	872,607	371,125
TOTAL ASSETS	1,531,974	374,666

EQUITY AND LIABILITIES

	31.03.2007	31.12.2006
A. EQUITY	EUR'000	EUR'000
Share capital	52,130	47,400
Capital reserves	216,110	118,398
Retained earnings		
- legal reserves	505	505
- other retained earnings		0
Valuation results from cash flow hedges	1,193	475
Valuation results from financial instruments	55	0
Consolidated net profit	27,663	24,946
Total equity	297,656	191,724
B. LIABILITIES		
NON-CURRENT LIABILITIES		
Long-term bank loans	30,315	0
Long-term derivate interest rate contract	1,249	946
Retirement benefit obligations	343	306
Deferred tax liabilities	1,159	0
Total non-current liabilities	33,066	1,252
CURRENT LIABILITIES		
Short-term bank loans	1,144,007	125,494
Short-term derivate interest rate contract	302	0
Other provisions	1,750	535
Current liabilities	47,849	44,489
Tax liabilities	7,136	10,810
Other current liabilities	209	362
Total current liabilities	1,201,252	181,690
TOTAL EQUITY AND LIABILITIES	1,531,974	374,666

IFRS – CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period from January 1, 2007 to March 31, 2007

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
	EUR'000	EUR'000
1. Revenues	23,460	29,861
2. Changes in inventories	588,873	55,703
3. Other operating income	256	331
4. Total operating performance	612,589	85,895
5. Cost of materials	– 598,149	– 71,386
6. Staff costs	– 3,594	– 3,439
7. Amortization of software and depreciation on equipment	– 209	– 133
8. Results from fair value adjustments to investment property	3,179	0
9. Other operating expenses	– 3,926	– 3,705
10. Finance income	3,040	491
11. Finance cost	– 8,766	– 1,819
12. Profit before income taxes	4,163	5,904
13. Income tax	– 1,446	– 2,340
14. Net profit	2,717	3,564
15. Profit carried forward	24,946	0
16. Allocation to retained earnings		
- legal reserves	0	0
17. Consolidated net profit	27,663	3,564

IFRS – CONSOLIDATED CASH FLOW STATEMENT for the period from January 1, 2007 to March 31, 2007

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
	EUR'000	EUR'000
Consolidated profit after taxes	2,717	3,564
Amortization of intangible assets and depreciation on property, plant and equipment	209	133
Write-down of securities	0	0
Results from fair value adjustments to investment property	- 3,179	0
Loss from/gain on disposal of fixed assets	0	0
Change in deferred taxes	2,629	0
Non-cash item income and expenses that are not attributable to financing activities	- 5,042	144
Change in retirement benefit obligations	37	- 3
Changes in inventories, receivables and other assets that are not attributable to investing activities	- 570,221	- 55,144
Changes in liabilities that are not attributable to financing activities	533,972	72,372
Cash outflow / inflow from operating activities	- 38,877	21,066
Capital investments in intangible assets and property, plant and equipment	- 745	- 75
Cash receipts from disposal of investment property	0	0
Cash receipts from disposal of intangible assets and property, plant and equipment	0	0
Payments for development or acquisition of investment property	- 594,081	0
Investments	0	0
Cash receipts from disposal of financial assets	0	0
Cash outflow / inflow from investing activities	- 594,826	- 75
Dividend of PATRIZIA Immobilien AG	0	- 8,080
Capital increase of PATRIZIA Immobilien AG	104,060	7,000
Borrowing of long-term loans	515,603	0
Repayment of long-term loans	0	- 10
Other cash inflows or outflows from financing activities	- 1,619	- 598
Cash outflow / inflow from financing activities	618,044	- 1,688
Change in operating activities of a cash nature	- 15,660	19,303
Cash January 1	83,211	16,477
Cash March 31	67,551	35,780

IFRS – STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

for the period from January 1, 2007 to March 31, 2007

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Valuation results from financial instruments	Consoli- dated net profit	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2007	47,400	118,398	505	0	475	0	24,946	191,724
Capital increase	4,730	97,711						102,441
Results from fair valuation adjustments cash flow hedges					718			718
Results from fair valuation adjustments financial instruments						55		55
Net profit of 1 st quarter 2007							2,717	2,717
BALANCE MARCH 31, 2007	52,130	216,110	505	0	1,193	55	27,663	297,656

IFRS – STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(REPORTING PERIOD PREVIOUS YEAR)

for the period from January 1, 2006 to March 31, 2006

	Share capital	Capital reserves	Retained earnings (legal reserve)	Retained earnings (other)	Valuation results from cash flow hedges	Consoli- dated net profit	Minority Interest	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance January 1, 2006	5,050	573	505	0	0	35,976	0	42,104
Capital increase out of retained earnings	35,350					– 35,350		0
Rebooking				– 7,454		7,454		0
Dividend						– 8,080		– 8,080
Capital increase (net receipts from IPO)	7,000							7,000
Results from fair valuation adjustments cash flow hedges					293			293
Net income for the period						3,564		3,564
Reclassification of minority interests								0
BALANCE MARCH 31, 2006	47,400	573	505	– 7,454	293	3,564	0	44,881

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2007

1. GENERAL INFORMATION

PATRIZIA Immobilien AG is a listed German joint stock corporation based in Augsburg. The business premises of the company are located at Fuggerstraße 26, 86150 Augsburg. The company operates on the German real-estate market and performs all services in the value-added chain in the real-estate sector.

2. REPORTING PRINCIPLES

These unaudited interim financial statements of PATRIZIA Immobilien AG for the first quarter of 2007 (January 1, 2007 to March 31, 2007) were prepared in line with the latest version of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

From the viewpoint of the company's management, these unaudited interim financial statements to March 31, 2007 contain all the necessary information for providing an accurate reflection of the business development and the earnings situation in the reporting period. The results generated in the first quarter of 2007 are not necessarily an indication of future results.

When preparing the consolidated financial statements for the interim report, the management 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. The actual amounts may differ from these estimates.

The same accounting and valuation methods used in the last consolidated financial statements for the whole of 2006 continue to apply. A detailed description of the preparation of the consolidated financial statements as well as the accounting and valuation methods can be found in the IFRS notes to the consolidated financial statements to December 31, 2006 in our 2006 annual report.

3. SCOPE OF CONSOLIDATION

All subsidiaries of PATRIZIA Immobilien AG are subsumed under the consolidated Group, which includes all companies controlled by PATRIZIA Immobilien AG. In addition to the parent company, the scope of consolidation comprises 57 subsidiaries. They are included in the consolidated financial statements in line with the rules of full consolidation.

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 recognized in assets as a partial acquisition in the consolidated financial statements.

4. INVESTMENT PROPERTY

Investment property is held in order to generate rental income and/or for the purpose of value enhancement. The proportion of owner-occupier use does not exceed 10 % of the rental space. Valuation is carried out at fair value. Fair value adjustments impact on Group earnings.

Investment property is valued at market value on the basis of in-house calculations as well as expert reports with reference to current rents or using customary valuation methods with reference to the current and long-term rental situation.

For some of the residential units transferred to our ownership in the first quarter of 2007, we are aiming for continuous receipt of stable rentals. For this reason, in line with the provisions of IAS 40, part of the newly purchased real-estate portfolios is posted under 'investment property'. Furthermore, we have reclassified our Asset Repositioning portfolio "Dresden Altmarktkarree 1" under 'investment property'. We can already see much more upside value potential for the property than at the outset of the project. For this reason, we have decided to utilize the rent increase potential of the property ourselves across a longer period of time in order to benefit even more from the profitability and upside value potential of the real estate.

5. INVESTMENT PROPERTY UNDER CONSTRUCTION

Real estate that is being built or developed for future investment use is posted as 'investment property under construction'. Inclusion is carried out in line with IAS 16 at the depreciated acquisition and manufacturing cost.

In November 2006, we purchased a second portfolio in the immediate vicinity of our "Dresden Altmarktkarree" property. We will perform extensive project development work on large sections of the three properties, with around $\frac{2}{3}$ of the existing net floor space to be totally restructured. We will also perform extensive structural renovation work for the remaining 5,000 sqm. After completion, we plan to treat the property as a single entity together with the existing property "Dresden Altmarktkarree 1". Reporting is therefore carried out at depreciated acquisition cost in line with IAS 16 under 'investment property under construction'.

6. EQUITY

The equity of EUR 191.7 million increased to EUR 297.6 million in the first quarter of 2007. This is chiefly attributable to the inflows from the cash capital increase of January 12, 2007, which totaled around EUR 104 million.

7. SEGMENT REPORTING

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
REVENUES	EUR'000	EUR'000
Investments	22,593	27,855
Services	860	2,002
Corporate	7	4
TOTAL	23,460	29,861

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
EBITDA	EUR'000	EUR'000
Investments	11,747	8,189
Services	– 682	57
Corporate	– 967	– 881
TOTAL	10,098	7,365

	1 st quarter 2007 01.01. – 31.03.2007	1 st quarter 2006 01.01. – 31.03.2006
EBIT	EUR'000	EUR'000
Investments	11,673	8,188
Services	– 689	51
Corporate	– 1,095	– 1,008
TOTAL	9,889	7,231

Revenues and earnings ratios of the Services segment fell compared with the same period of the previous year. This is chiefly due to the establishment and start-up costs of PATRIZIA Immobilien Kapitalanlagegesellschaft mbH incurred in the first quarter of 2007. In contrast, the EBIT margin in the Investments segment increased to 51.7 %.

FINANCIAL CALENDAR

Date	Events
May 09, 2007	Interim Report › First Quarter 2007
June 13, 2007	Annual General Meeting
August 09, 2007	Interim Report › Second Quarter 2007
October 25/26, 2007	Real Estate Share Initiative
November 07, 2007	Interim Report › Third Quarter 2007

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