LEADING IN PAN-EUROPEAN REAL ESTATE

Annual Report 2018

Key Figures

Revenues and Earnings

EUR k	2018	2017	Change
Revenues	350,628	249,574	40.5%
Total operating performance	343,740	227,651	51.0%
EBITDA	120,781	95,788	26.1%
EBIT	78,546	87,107	−9.8%
EBT	76,306	80,128	−4.8%
Operating income [1]	141,373	82,185	72.0%
Consolidated net profit	58,116	58,898	−1.3%
Dividend per share (EUR)	0.27	0.25	8.0%

Structure of Assets and Capital

EUR k	31.12.2018	31.12.2017	Change
Non-current assets	1,002,262	275,900	263.3%
Current assets	776,184	976,494	−20.5%
Equity (excl. non-controlling interests)	1,143,106	754,701	51.5%
Equity ratio (excl. non-controlling interests)	64.3%	60.3%	4.0 PP
Non-current liabilities	448,947	325,671	37.9%
Current liabilities	175,711	170,331	3.2%
Total assets	1,778,446	1,252,394	42.0%

Shares

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	PAT
Issued shares as at 31.12.2018	92,351,476 shares
Outstanding shares as at 31.12.2018 [2]	91,059,631 shares
2018 high [3]	EUR 21.10
2018 low [3]	EUR 14.85
Closing price as at 31.12.2018 [3]	EUR 16.65
Share price performance 2018 [3]	−13.9%
Market capitalisation as at 31.12.2018	EUR 1.5bn
Average trading volume per day 2018 [4]	111,500 shares
Indices	SDAX, MSCI World Small Cap, DIMAX

1 Please see page 22 for the definition of operating income
2 Reduced number of shares compared to the issued shares due to own shares
3 Closing price on Xetra-trading
4 All German stock exchanges

Highlights of the Year

EUR 3bn

Following the acquisition of the landmark Eurotower in Frankfurt/Main, EUR 3bn has meanwhile been invested for Asian investors

11%

The PanEuropean fund has achieved an annual return of 11% over the last three years and received the MSCI Award for its strong performance

EVANA

With its strategic participation in the start-up EVANA, PATRIZIA took a major step forwards in the artificial intelligence sector

Q4/18

>EUR 140m

Following three strong first quarters of 2018, PATRIZIA increased its forecast for operating income 2018 to slightly over EUR 140.0m

4 1

PATRIZIA successfully completed the integration of Rockspring, TRIUVA and Sparinvest – making four companies into ONE PATRIZIA

10

PATRIZIA GrundInvest placed Berlin Landsberger Allee, its 10^{th} fund for private and (semi-)professional investors

Q3/18

Gallileo

On behalf of an institutional client from South Korea, PATRIZIA successfully sold the Gallileo office block, one of the buildings that shapes the Frankfurt skyline

EUR 0.25

For the first time since 2007, PATRIZIA paid a dividend to its shareholders: EUR 0.25 per share, either in cash or in the form of shares

Q2/18

Top 10

With its extensive network, PATRIZIA is now one of the top 10 real estate investment managers in Europe

Rockspring

On 23 March 2018, PATRIZIA successfully completed the acquisition of the London-based real estate investment experts, the consolidation takes place on 30 March 2018

Q1/18

ADDED VALUE

Market Knowledge is a Key Success Factor

Our strong presence in Europe means that we constantly have our finger on the pulse of the real estate markets. With our offices and hubs on four continents, we also know our clients' requirements inside-out. We provide them with a wide range of asset classes and investment products that is unrivalled in Europe.

19

offices in 18 countries

5

client relationship hubs in Asia, North America and Australia

> 35

years of experience

CONTENTS

Dear Shareholders,
Ladies and Gentlemen,

We are delighted to be writing to you following another active and successful financial year for PATRIZIA.

PATRIZIA has continued to expand its position as the global partner for pan-European real estate investment, originating and executing the acquisition of attractive properties and property portfolios across Europe on behalf of our global client base. Our clients – ranging from German private, (semi-)professional and institutional investors to global institutional investors including pension funds, insurance companies and state funds – continue to benefit from the Group's long-standing track record in real estate, our pan-European network and our highly committed and experienced staff.

Our ability to deliver outstanding results for our clients is driven by our client-focused and independent business model, our corporate culture and our belief that "Building Communities & Sustainable Futures" best answers the question of what drives us every day. This has resulted in another year of delivering sustainable, stable and growing cash-flows from long-term investment in real estate.

The successful integration of the businesses we acquired in 2017 and 2018 has substantially strengthened PATRIZIA's business model by growing our geographic reach and origination capabilities, as well as significantly expanding our product offering by both asset class and risk type. As a result, our clients are now benefitting from a platform of real estate sector specialists with scale.

PATRIZIA Multi Managers (formerly: Sparinvest Property Investors) provides our clients with access to international fund of funds investing opportunities in best-in-class real estate structures globally. TRIUVA, which contributed to our results from 1 January 2018 onwards, has increased our local market footprint across Europe and further strengthened our commercial real expertise while opening the door to the infrastructure sector. Rockspring, which contributed to our results from 30 March 2018 onwards, has significantly broadened our access to international clients as well as diversity of product range.

A highlight of 2018 has been the conclusion of a successful integration process with all Group staff operating under one common PATRIZIA brand since September 2018. This has been a significant undertaking when taking into account the individual projects required for consolidating four companies into ONE PATRIZIA, including office moves in more than 25 locations in 11 cities, new departmental set-ups with a new senior leadership team as well as consolidation of four IT systems into one best-in-class IT platform that gives us the opportunity to become the tech leader in our industry.

Most importantly, the integration confirmed that one of our key M&A targets was achieved – that whoever joins the PATRIZIA platform thinks alike when it comes to our culture and the purpose of our daily work – creating long-term value for our clients.

The major milestones we achieved during the 2018 financial year are illustrated on page 1 of this Annual Report and show that in addition to building an even stronger platform, we continued to focus on our clients' needs. This is evidenced by another year of organic growth in assets under management and equity raised for new products of EUR 2.6bn, the majority of which came from repeat clients thus confirming the trust our clients place with PATRIZIA. Putting our clients at the heart of everything we do and focusing on generating long-term performance in real estate investment not only benefited our clients, but also our shareholders in 2018.

With an operating income of EUR 141.4m in 2018 compared to EUR 82.2m in 2017, we improved our key performance indicator by 72.0% year-on-year. We were able to increase our operating income guidance twice during 2018. This was driven by tight cost control and hence better than expected development of operating expenses as well as stronger than expected performance fees, which reflect the outperformance PATRIZIA generated against the market. In November 2018, PATRIZIA's PanEuropean balanced fund was awarded the MSCI award having recorded the highest three-year NAV performance versus its peers.

At the same time, we delivered net organic growth in assets under management by EUR 2.3bn compared to the pro-forma 2017 number, driven by new and attractive property products for our clients, as well as winning existing asset management mandates, a strong sign of our clients' trust. In total, assets under management grew significantly to EUR 41.0bn in the past financial year. We also professionally and successfully completed property transactions throughout Europe with a total value of EUR 5.2bn on behalf of our clients and signed transactions with a volume of EUR 6.8bn. The acquisition of the Eurotower in Frankfurt/Main for one of Taiwan's largest insurance companies is just one example out of the more than around 200 transactions we carried out for our domestic and global clients in 2018. These transactions were across a number of asset classes from residential, office, retail and hotel properties to logistics properties, student accommodation and healthcare properties.

In addition to delivering on these core metrics, we also delivered key operational successes in the 2018 financial year. These include, for example, our business for private and (semi-)professional investors. After starting the business in 2016, ten funds have already been successfully launched for around 5,000 private and (semi-)professional investors in the first three years of operations. In 2018 alone five new funds were launched, and we expect further growth from this business with a new pan-European product due to be launched during 2019.

One of the strategic areas we put an ever increasing focus on during 2018 was how technology impacts our business model and the significant opportunities but also risks that arise thereof for our clients and for our platform. The acquisition of a strategic stake in artificial intelligence business EVANA in October 2018 should be seen as one of many steps we will be taking to digitalise our platform and further enhance the services for our clients. PATRIZIA has set itself a clear target in this respect – we strive to become the technology leader in European real estate investment management and to best guide our clients through the coming changes driven by technology.

Outlook 2019

Despite an increasingly volatile political and economic environment we have entered the 2019 financial year with a spirit of optimism, and again expect to exploit market opportunities for our domestic and international clients in the form of attractive property fund products. We expect to generate operating income in the range of EUR 120.0m to EUR 130.0m in 2019, which, excluding the exceptionally strong performance fees generated in the 2018 financial year, implies solid growth in profitability underpinned by stable and recurring asset management and transaction fees.

Among other things, what sets a successful investment manager apart is years of experience in local markets and asset classes, professional processes and, in particular, attractive products that consistently outperform the market average. This is how an investment management company earns the enduring trust of its investors. All this is made possible by our dedicated employees, who are passionate about creating value for the Group and its stakeholders day in day out, on behalf of our clients and shareholders.

We would therefore like to take this opportunity to thank our employees for PATRIZIA's ongoing success in 2018.

And we thank you, our shareholders, clients and business partners, for your loyalty to and interest in PATRIZIA – we are delighted to continue PATRIZIA's journey with you.

We have already mentioned "Building Communities & Sustainable Futures" at the beginning of this letter and would like to close our review of 2018 and outlook for 2019 with it, because to us this also means giving something back to society. We will celebrate PATRIZIA Children Foundation's 20th anniversary in 2019 and are happy and proud that more than 200,000 children in need have already benefited through access to education and medical support via the Foundation.

We would hence like to take this opportunity to send a special thank you to every client, service provider and shareholder who helped making this happen.

Augsburg, 19 March 2019

The Managing Board of PATRIZIA Immobilien AG

Wolfgang Egger
CEO

Karim Bohn
CFO

Anne Kavanagh
CIO

Klaus Schmitt
COO

Managing Board f. l. t. r.: Klaus Schmitt (COO), Anne Kavanagh (CIO), Wolfgang Egger (CEO), Karim Bohn (CFO)

Dear Shareholders,
Ladies and Gentlemen,

2018 was an extraordinary year for PATRIZIA Immobilien AG. The company successfully implemented the biggest integration process in its history. Furthermore, the team achieved a number of operational successes and thereby significantly outperformed its own expectations. All in all, PATRIZIA ranks among Europe's ten biggest real estate investment managers at the end of the year, and is excellently positioned to continue actively shaping the industry.

Cooperation between the Managing Board and the Supervisory Board

In the 2018 financial year, the Supervisory Board of PATRIZIA Immobilien AG carefully performed all the duties assigned to it by law, by the Articles of Association and by its rules of procedure. We regularly advised the Managing Board in its management of the Company and monitored its activities. We were also involved in all decisions of material importance to the Company at an early stage. The Managing Board complied fully with its reporting obligations in accordance with the law and its rules of procedure and informed us regularly in written and oral reports about all fundamental aspects of the business development of the Company and the Group. We were also informed extensively about the current opportunities and risks of the earnings and liquidity situation. The Managing Board of PATRIZIA Immobilien AG provided a detailed discussion and explanation of the Company's business plan and any deviations between this plan and the actual course of business.

Supervisory Board Meetings

The Supervisory Board held four ordinary meetings and one extraordinary meeting in the year under review. The Supervisory Board met without the attendance of the Managing Board where required. Every member of the Supervisory Board attended all the meetings. There was also a regular exchange of information between the Managing Board and the Supervisory Board, represented by the Chairman of the Supervisory Board outside of the scheduled meetings. Where the Supervisory Board was required to approve individual measures in accordance with the law, the Articles of Association or its rules of procedure, we made our decisions on the basis of comprehensive reports and resolution proposals by the Managing Board. Urgent resolutions were adopted by the Supervisory Board by written procedure where required. As the Supervisory Board of PATRIZIA Immobilien AG comprises three members, it did not form any committees.

Key areas of Advisory and Supervisory Activities

The first ordinary meeting of the Supervisory Board on 13 March 2018 included the approval of the annual accounts for the 2017 financial year. In addition to its examination of the annual financial statements of PATRIZIA Immobilien AG for the 2017 financial year, the consolidated financial statements and the combined management report of the Company and the Group, the Supervisory Board approved the dependent company report prepared by the Company for the 2017 financial year following its own review. The Supervisory Board concurred with the Managing Board's recommendation to pay the shareholders a dividend of EUR 0.25 per share for the 2017 financial year. Shareholders were given the option of receiving the dividend payment in cash or in the form of shares in PATRIZIA Immobilien AG. As at every Supervisory Board meeting, the report from the operational divisions was also a central topic at this meeting. Furthermore, the Managing Board reported on the integration of the acquired companies Sparinvest Property Investors, TRIUVA Kapitalverwaltungsgesellschaft mbH and Rockspring Property Investment Managers LLP, also presenting the intended project plan, objectives, procedure and responsibilities. The planned restructuring of the Group organisation was also presented. Furthermore, there was an explanation and discussion of the current and planned support of the PATRIZIA Children Foundation (formerly: PATRIZIA KinderHaus Stiftung). In conjunction with the implementation of Group-wide compliance standards, the code of values, the compliance manual, a whistleblowing system and compliance training were discussed and further procedure was presented.

At an extraordinary meeting on 25 April 2018, the Managing Board reported on the current status of the integration of the acquired companies and presented the further procedure, the economic targets, the intended measures and the planned communications with employees.

The Supervisory Board held its second ordinary meeting after the Annual General Meeting on 20 June 2018. In addition to the current situation in the operational divisions, there was a report on the integration of the acquired companies. Resolutions were also adopted on the adjustment of the executive organisation chart for the Managing Board and their targets for the 2018 financial year in addition to the amount of donations to the PATRIZIA Children Foundation. Furthermore, the Supervisory Board approved the proposal by the Managing Board to offer up to 1,434,038 treasury shares in PATRIZIA Immobilien AG for subscription by the company's shareholders in exchange for a pro rata dividend (stock dividend). In a subsequent written resolution, the Managing Board and the Supervisory Board then set the subscription price for the stock dividend at EUR 15.84 per share on 6 July 2018. On 17 July 2018, by way of a further written resolution, the Managing Board and the Supervisory Board decided that 93,339 treasury shares in total would be sold to shareholders in the context of the stock dividend.

The Supervisory Board met for its third ordinary meeting on 1 October 2018, where it heard reports on the operational divisions, the current status of the integration and the progress of various compliance activities. Furthermore, the Managing Board and the Supervisory Board agreed on diversity concepts specific to the

Supervisory Board f. l. t. r.: Alfred Hoschek, Dr Theodor Seitz, Uwe H. Reuter executive bodies in accordance with section 289f(2) no. 6 of the Handelsgesetzbuch (HGB – German Commercial Code). In line with the recommendations of the German Corporate Governance Code, the Supervisory Board also resolved specific objectives for the composition of the Supervisory Board and approved a skills profile for the body as a whole. It then coordinated the intensification of a pronounced cost culture by establishing systematic cost management with the Managing Board.

At the final ordinary meeting of the financial year on 19 December 2018, the Supervisory Board examined the annual budget for 2019 in detail and adopted it unanimously. The Managing Board also gave presentations on operating and integration activities, compliance and the Compensation & Benefits project, the aim of which is to develop a new remuneration system for the Group as a whole.

Further Resolutions

In addition to the resolutions adopted during meetings of the Supervisory Board, there were further written resolutions on creating and acquiring companies, on addenda to Managing Board contracts and on issuing a letter of comfort.

Corporate Governance

The Managing Board and Supervisory Board have prepared a corporate governance report that is in connection with the corporate governance statement on the PATRIZIA website at https://www.patrizia.ag/en/shareholders/corporate-governance/our-basic-principles/. This declaration also contains comments on the diversity concepts specific to the executive bodies approved by the Managing Board and the Supervisory Board in 2018, and the objectives to which the Supervisory Board is committed in terms of its own composition.

On 19 December 2018, the Managing Board and Supervisory Board approved the declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). In the opinion of the Supervisory Board, all members of the Supervisory Board are currently independent within the meaning of item 5.4.2 of the German Corporate Governance Code. Barring a few exceptions, the company also complies with the other recommendations and suggestions of the German Corporate Governance Code. The current declaration of conformity and all previous declarations are also permanently available on the PATRIZIA website. My colleagues on the Supervisory Board and I also examined the efficiency of our work and discussed the results. The efficiency of the cooperation between the members of the Supervisory Board and with the Managing Board was again deemed to be extremely good.

Audit of the 2018 Single-Entity and Consolidated Financial Statements

The annual financial statements of PATRIZIA Immobilien AG prepared in accordance with the German Commercial Code, the IFRS consolidated financial statements and the combined management report of PATRIZIA Immobilien AG and the Group for the 2018 financial year were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the books and records and were issued with an unqualified audit opinion in each case. The members of the Supervisory Board of PATRIZIA Immobilien AG received the aforementioned documents and the audit reports by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in good time. At the meeting to approve the annual accounts on 19 March 2019, the Managing Board and the responsible auditors discussed the results of the audit and provided additional information. Deloitte also stated that the Managing Board has established a suitable system for the early identification of risks. The Supervisory Board conducted its own detailed examination of the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management report of the Company and the Group for the 2018 financial year and the Managing Board's proposal for the appropriation of the unappropriated profit and did not raise any objections. We agreed with the audit result of the external auditor. The Supervisory Board approved the single-entity and consolidated financial statements. The annual financial statements of PATRIZIA Immobilien AG for the 2018 financial year have therefore been adopted. The Supervisory Board agrees with the Managing Board's proposal for the appropriation of profits for the 2018 financial year and supports the payment of a dividend of EUR 0.27 per share. The remainder of the unappropriated profit according to HGB will be carried forward to new account.

Audit of the Dependent Company Report

The report by the Managing Board of PATRIZIA Immobilien AG on relationships with related parties (dependent company report) for the 2018 financial year was also examined by the external auditor. All the legal and business relationships with related parties described therein are conducted at arm's-length conditions such as would have been agreed between the PATRIZIA Group and a third party. The auditor issued the dependent report with the following audit opinion:

"Having duly examined and assessed the report, we confirm that

1. the factual statements contained in the report are correct,

2. the Company's consideration with respect to the legal transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Managing Board and examined by the external auditor and the associated audit report were made available to all members of the Supervisory Board in good time. Based on the result of its examination, the Supervisory Board raises no objections to the report and the concluding statement by the Managing Board contained therein.

2018 was another year full of successful milestones for PATRIZIA Immobilien AG. Not least, it succeeded in forming four companies into a single one, which can now face the future stronger and more confidently than ever before. Our sincere thanks therefore go to the Managing Board and all employees for what has been achieved. Your expertise and hard work have made a very crucial contribution to this positive business performance.

Augsburg, 19 March 2019

For the Supervisory Board of PATRIZIA Immobilien AG

Dr Theodor Seitz
Chairman

The PATRIZIA Share

PATRIZIA's Key Share Data

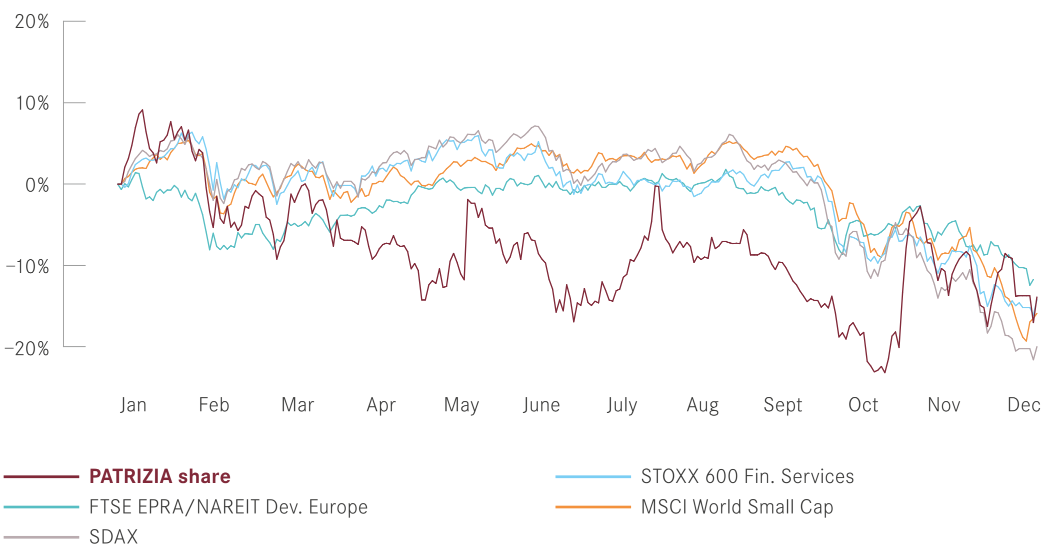
		2018	2017	2016
Share prices				
High	EUR	21.10	20.17[1]	22.31[1]
Low	EUR	14.85	13.34[1]	13.15[1]
Closing price	EUR	16.65	19.34[1]	14.35[1]
Share price performance	%	–13.9	34.7[1]	–35.7[1]
Market capitalisation as at 31.12.	EUR bn	1.5	1.8	1.3
Average trading volume per day[2]	EUR	2,012,200	3,247,700	2,839,600
Average trading volume per day[2]	Number	111,500	188,500	142,500
Annual share turnover[3]		0.31	0.55	0.46
Issued shares as at 31.12.	Number	92,351,476	92,351,476	83,955,887
Outstanding shares as at 31.12.	Number	91,059,631	89,555,059	83,955,887
Capital increase from company funds for the issue of bonus shares	EUR, number	–	8,395,589	7,632,354
Earnings per share (IFRS, unadjusted)	EUR	0.57	0.60	2.57
Dividend per share	EUR	0.27	0.25	0.00[4]

1 Closing price on Xetra-trading adjusted for capital increase from company funds (for the issue of bonus shares)
2 All German stock exchanges
3 Quotient of shares traded/average number of shares outstanding (2018: 92,351,476 shares; 2017: 88,096,177 shares; 2016: 79,284,720 shares)
4 Issue of bonus shares in 10:1 ratio in lieu of dividend payment

The upward trend seen on the stock exchanges in recent years came to a halt in 2018. The leading DAX index closed 2018 at 10,559 points for a loss of 18.3%. Various reasons, including the debate over Brexit in Europe, the trade conflict between the USA and China and the global economic slowdown that emerged in the course of the year, meant the DAX saw its first year of negative performance since 2011. The SDAX small cap index, which includes the shares of PATRIZIA Immobilien AG, also failed to escape this trend and fell by 20.0% to close 2018 at 9,509 points. PATRIZIA Immobilien AG's shares outperformed the DAX and the SDAX by 4.4 and 6.1 percentage points respectively. Despite outstanding operating performance, however, they closed the year down 13.9% in absolute terms at a price of EUR 16.65. Market capitalisation amounted to EUR 1.5bn as at 31 December 2018.

An average of 111,500 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year reduction in volume of 40.8% (2017: 188,500 shares/day) and annual share turnover of 0.31 (2017: 0.55). This development is due in part to existing institutional investors with a long-term perspective having increased their equity interest in PATRIZIA Immobilien AG in the course of 2018.

Development of PATRIZIA's Share Price in 2018 Compared with Various Indices



Dividend Payment

In 2018, a dividend of EUR 0.25 per share was paid in cash or in the form of shares of PATRIZIA Immobilien AG for the 2017 financial year – the first dividend payment since 2007. The HGB unappropriated profit in the amount of EUR 405.3m was used to pay the dividend, with the remaining amount being carried forward to new account. By resolution of the Annual General Meeting on 20 June 2018, a cash dividend of EUR 21,197k was paid and 96,213 treasury shares of PATRIZIA Immobilien AG valued at EUR 1,524k were transferred. Based on the share of the IFRS consolidated net profit for 2017 of EUR 55.0m attributable to shareholders, this corresponded to a pay-out ratio of 42%. The dividend was paid on 20 July 2018.

Investor Relations – Valuable Relationships and Active Communication

PATRIZIA Immobilien AG maintains a continuous dialogue with its institutional, (semi-)professional and private investors and analysts in order to provide proactive, transparent information on its business development and all important events concerning the company. In all, the Managing Board and the Investor Relations team presented the company at 19 roadshow days in 22 cities across 13 countries. The team also participated in 13 international investor conferences as well as the 14th DSW Investor Forum for Private Shareholders in Augsburg.

PATRIZIA Immobilien AG's shares are regularly covered by eight analysts from national and international banks. At the end of 2018, five analysts (63%) recommended PATRIZIA's shares as a buy, while the other three analysts issued a hold recommendation. The analyst target prices as at 31 December 2018 ranged from EUR 16.67 to EUR 25.00, with an average target price of EUR 21.59 per share.

Further information can be found online at www.patrizia.ag/en/shareholders. In addition to financial reports, presentations and announcements, this section of the company's website contains the financial calendar, the roadshows/conferences for 2019 and the latest analyst opinions on PATRIZIA Immobilien AG's shares.

Shareholder Structure of the Company

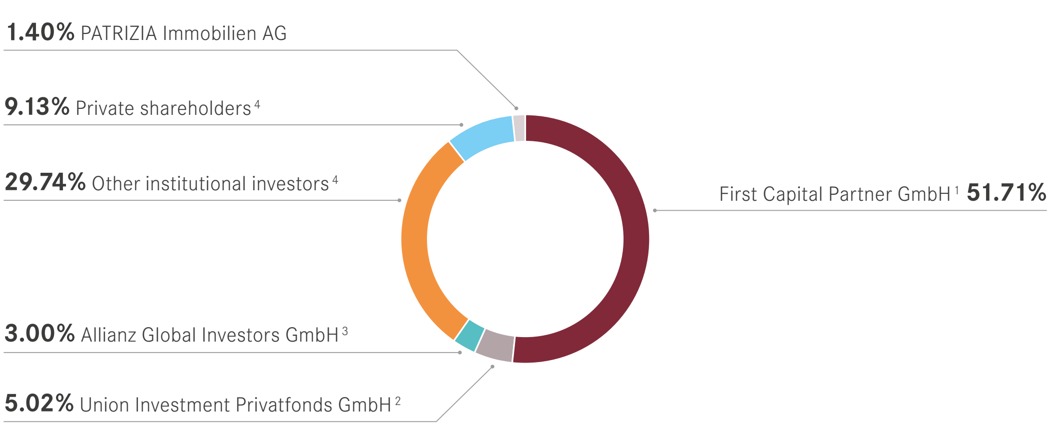
The shareholder structure of PATRIZIA Immobilien AG changed only slightly in the past financial year. The founder and CEO of the company, Mr Wolfgang Egger, remains its majority shareholder. At the end of 2018, he held 51.71% of the share capital via First Capital Partner GmbH. The second-largest shareholder, Union Investment Privatfonds GmbH, increased its equity interest to 5.02% in 2018 according to the voting rights notification dated 31 October 2018. In addition, Allianz Global Investors GmbH increased its equity interest to 3.00% according to the voting rights notification dated 11 October 2018. As at 31 December 2018, the number of treasury shares held by PATRIZIA Immobilien AG corresponded to 1.40% of the issued shares. The reduction in treasury shares compared with the previous year is due to the treasury shares used for the Rockspring acquisition as well as the dividend payment to shareholders. 29.74% of the remaining shares are held by institutional investors, with a further 9.13% held by private shareholders.

In terms of regional distribution, PATRIZIA's shareholders, which number a good 10,000, are spread across 48 countries worldwide. However, the vast majority of the shares in free float (excluding the shares held by First Capital Partner GmbH) are held by German shareholders (57.86%), followed by shareholders in the USA (16.59%) and the United Kingdom (9.05%).

Distribution of a Dividend of EUR 0.27 per Share for the 2018 Financial Year

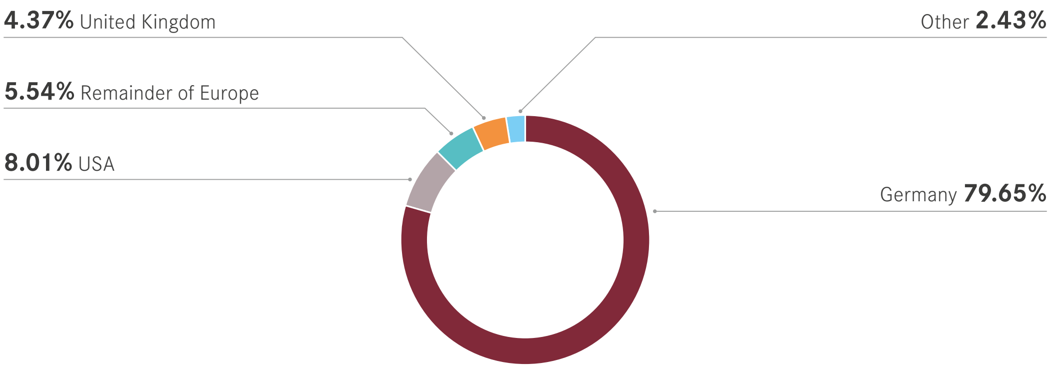
The Managing Board and Supervisory Board of PATRIZIA Immobilien AG are proposing that the HGB unappropriated profit for the 2018 financial year in the amount of EUR 466.6m can be used to pay a dividend of EUR 0.27 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2018 attributable to shareholders of EUR 51.7m, this corresponds to a pay-out ratio of 48%. In the future, the growth rate of management fees and the growth rate of assets under management compared to the previous year will form the basis for the dividend proposal of the Managing Board and Supervisory Board of PATRIZIA Immobilien AG.

PATRIZIA Shareholder Structure as at 31 December 2018 – by Shareholder Group



1 First Capital Partner is attributable to CEO Wolfgang Egger
2 According to the voting rights notification of 31 October 2018
3 According to the voting rights notification of 11 October 2018
4 Source: PATRIZIA share register

PATRIZIA Shareholder Structure as at 31 December 2018 – by Region



Selected Transactions

Investors’ trust in the quality of our work again spurred us to achieve great things in 2018. With ground-breaking transactions, we successfully continued our pan-European growth in the interests of our clients.

EUR 6.8bn

was agreed with investors for acquisitions and disposals in 2018

GERMANY

Gallileo Office Block

ASSET: OFFICE

Year of construction:	Rental area in sqm:
2003	34,000

THE NETHERLANDS

Logistics Centre

ASSET: LOGISTICS & INDUSTRY

EUR m total costs:	Area in sqm:
59.0	70,000

DENMARK

Residential Complex in Valby, Copenhagen

ASSET: RESIDENTIAL

Residential units: **97**

Residential space in sqm: **9,298**

GERMANY

Wildeshausen Care Home

ASSET: HEALTHCARE

Year of construction: **2016**

Beds: **125**

GROUP MANAGEMENT REPORT

Management Report

Combined Management Report of the Company and the Group

The Group management report has been combined with the management report of PATRIZIA Immobilien AG in accordance with section 315 (5) of the German Commercial Code (HGB) in conjunction with section 298 (2) HGB because the situation of PATRIZIA Immobilien AG as the management and financial holding company is strongly linked with the situation of the Group. The combined management report contains all presentations of the net assets, earnings and financial situation of the company and the Group as well as other details that are required according to German commercial law and the supplementary provisions of DRS 20. The currency denomination is EUR.

1 Group Fundamentals

1.1 Business Model

PATRIZIA Immobilien AG is a global partner for pan-European real estate investment and one of the leading independent real estate investment companies in Europe. Around 800 employees (FTE) are on hand for its clients in more than 15 European real estate markets. The company also has client relationship hubs in New York, Hong Kong, Seoul, Melbourne and, since 2019, Tokyo. PATRIZIA provides a wide range of services from asset management, portfolio management and implementation of purchase and sales transactions for almost all real estate sectors to alternative investments and project developments. As a result, client preferences and requirements can be met extensively in a client-specific manner. Clients include institutional, (semi-)professional and private investors, amongst others insurance firms, pension fund institutions, sovereign funds and savings banks from Germany, all over Europe, the US and Asia. PATRIZIA develops bespoke products for its clients in line with their individual return expectations, diversification objectives and risk styles.

PATRIZIA's core business is pan-European real estate investment management for institutional, (semi-)professional and private investors. PATRIZIA generates fee income for the services it performs and investment income from its co-investments and principal investments. Accordingly, the Group's activities can be broken down into the following three categories:

Funds under Management

In its funds under management, PATRIZIA uses its own regulated and unregulated platforms to structure, place and manage fund assets for PATRIZIA clients – institutional, (semi-)professional and private investors. These funds are launched without any equity investment on the part of PATRIZIA. PATRIZIA generates stable, recurring income in the form of administrative fees for property management as well as for acquisition and disposal transactions. PATRIZIA also receives performance fees if defined individual yield targets are exceeded.

PATRIZIA has various regulated investment platforms, including German asset management companies and a regulated platform (AIFM) in each of Luxembourg, France, Denmark and the United Kingdom. The companies make investments in the various real estate sectors with a European focus on behalf of their clients via the funds launched. The funds act as holding agents. The properties held by the funds typically have a planned initial holding period of between five and ten years.

Funds under management also include **co-investments**. PATRIZIA uses co-investments to participate in real estate investments with its own capital alongside that of its investors, particularly in the value-add and opportunistic segments. In addition to representing a commitment to the client and the transaction, this generates fee income and additional investment income for PATRIZIA. This allows PATRIZIA's shareholders to participate indirectly in the performance of an attractive European property portfolio. Co-investments accounted for EUR 6.6bn of PATRIZIA's assets under management as at 31 December 2018. PATRIZIA has invested EUR 0.2bn of its own equity in co-investments, current market values of these co-investments are significantly above the historic investment costs.

PATRIZIA's co-investments are listed in detail below:

01

Name	Description	AUM EUR m	PATRIZIA equity interest
GBW GmbH	30,000 residential properties in southern Germany	4,281.5	5.1%
WohnModul I SICAV-FIS	Residential/commercial real estate and development projects in Europe	1,283.8	10.1%
TRIUVA/IVG Logistik	Portfolio of 13 German and four logistics properties in France and the Netherlands	383.3	2.1%
TRIUVA/IVG Gewerbe	Office properties in Germany	230.0	11.0%
Alliance	German retail portfolio comprising 66 supermarkets, discount stores and specialist stores	194.6	5.1%
Seneca	Portfolio comprising 78 specialist stores and supermarkets	192.4	5.1%
sono west	Development project of OFB Projektentwicklung GmbH for an office building in Frankfurt/Main that is expected to be completed by the end of the first quarter of 2019. The buyer of the development is Generali Real Estate.	48.5	28.3%
PATRoffice	Portfolio that is being sold with only one remaining office property.	2.9	6.3%
Citruz Holdings LP (UK)	Office and light industrial portfolio in the United Kingdom that was successively realised following active management and that now only contains one property.	2.2	10.0%
First Street Development LTD (UK)	Inner-city development site in Manchester originally used for office, retail, hotel and residential purposes that is being realised and sold in multiple phases.	–	10.0%
Harald	Participations in a residential real estate portfolio	–	5.1%

Further details can be found in the capital allocation on page 52.

All in all, **funds under management** accounted for EUR 39.8bn of PATRIZIA's assets under management as at 31 December 2018 (31 December 2017: EUR 20.7bn).

Fund of Funds

As one of the world's leading investment managers for real estate funds of funds in the small and mid-cap segment, PATRIZIA Multi Managers (formerly: Sparinvest Property Investors) is responsible for managing fund of funds products and provides an attractive product addition for PATRIZIA's clients. Operating with a global network of partners, PATRIZIA Multi Managers invests in best-in-class real estate funds in Europe, Asia and the Americas. Assets under management (invested equity) in this fund amounted to EUR 1.2bn as at 31 December 2018 (31 December 2017: EUR 1.1bn).

Principal Investments

PATRIZIA operates as an investment manager for institutional, (semi-)professional and private investors, and therefore endeavours to avoid conflicts of interest with its own investments. Principal investments, i.e. own-account transactions, are generally undertaken either as interim financing for closed-end funds for private and (semi-)professional investors or as early-phase investments with the purpose of subsequent contribution to institutional funds. The company also has small residual holdings of properties for resale. Principal investments amounted to EUR 0.1bn as at 31 December 2018, unchanged from the previous year, and related in particular to real estate in Munich and Manchester, United Kingdom.

Information on the earnings development of the principal investments can be found in the description of the company's results of operations in section 2.3.2.

1.2 Group Strategy

PATRIZIA aims to be a leader in all real estate asset classes for its investors – in Germany and Europe. As an independent real estate company, PATRIZIA operates both for large institutional investors from all over the world and for (semi-)professional and private investors from Germany, providing extensive value added in all real estate segments. PATRIZIA aims to strengthen its position further, steadily increasing its assets under management and recurring income in future years in order to generate a long-term rise in operating income.

Expansion and Extension of the European Platform

In previous years, offices have been opened and teams set up in all relevant European countries in order to establish a local presence for clients. One key element of PATRIZIA's strategy is extending existing country activities and tapping into further markets in Europe. Expansion into new markets and market segments is only carried out either where other companies established on the market can be seamlessly integrated into the PATRIZIA Group or where highly qualified experts with a relevant track record can be recruited. The market is constantly monitored with a view to these kinds of additions.

Expansion of the Product Range

The product line is subject to targeted expansion and now covers nearly all real estate asset classes: from residential, office, retail and logistics properties to hotels and care homes. PATRIZIA's Europe-wide platform provides ideal conditions to offer investments within the legal and regulatory framework preferred by the respective investors according to their local regulations. This expertise and its wide-ranging presence in Europe have helped to establish PATRIZIA among investors as an internationally successful brand.

Expansion of the National and International Investor Base

Relationships with investors have been and continue to be expanded worldwide. Local client advisers have been established in Australia, Hong Kong, South Korea and the USA, and the European client advisory team has been bolstered specifically for the Southern Europe and Nordics regions. From 2019 onwards PATRIZIA will be also represented in Tokyo. The existing national investor base is also being expanded further in Germany. The aim is to build up a long-term, stable client relationship as per that which PATRIZIA already enjoys with its existing, predominantly German investors. There is strong demand among these investors for the range of new products as well as advice on reinvesting sales proceeds from existing investments. In the 2018 financial year, around 54% (2017: 38%) of newly raised equity was attributable to international investors, thereby underlining the success of the strategic international expansion.

1.3 Competitive Strengths

Direct Access to a Broad Investor Base

Direct access to investors is one of PATRIZIA's strengths. It is built on the trust of clients who have maintained and deepened their 35-year-plus business relationship with PATRIZIA, and who include more than 350 institutional investors in Germany and abroad. They invest with PATRIZIA regularly and recurrently, as the company outperforms its benchmarks. In addition, PATRIZIA has been offering closed-end funds for private investors and (semi-)professional investors since 2016. Demand from this new investor group has been above expectations. In this area, ten different funds were launched in the first three years for an investor base that now numbers around 5,000 (semi-)professional and private investors. Overall, investors entrusted PATRIZIA with new equity of EUR 2.6bn in the past financial year. Currently PATRIZIA has outstanding equity commitments amounting to around EUR 1.8bn, which as at 31 December 2018 have not yet been invested in real estate or real estate portfolios.

Network Established throughout Europe

Based on profound trust and a professional, highly scalable platform, PATRIZIA's scope of activity and network covers more than 15 European real estate markets. PATRIZIA is represented in these markets by teams with long-standing and, above all, local expertise. The company's regionally and nationally established network enables it to identify and pursue attractive investment opportunities in nearly all real estate asset classes and risk profiles. As a result, PATRIZIA has direct access to current market developments and tracks virtually all transactions relevant to its investors.

Extensive Real Estate Value Chain Covered

PATRIZIA's investors are offered broad services as well as specialist expertise in the various types of use and risk classes of real estate. Investors receive an "all-round package" that covers all services and the entire value chain of the investment. Of course, individual components can also be selected from this range.

Successful Track Record Attracts Further Transactions

PATRIZIA's successful transactions build its reputation. In the past year alone, it signed purchases and sales with a volume of EUR 6.8bn for its clients, of which EUR 5.2bn was realised in 2018 – including 31% outside Germany. The substantially increased performance fees in the 2018 financial year are testament to the track record of the real estate funds launched for institutional, (semi-)professional and private investors. The long-term value-added within a portfolio is one of the company's core strengths that pays off in the return generated for investors. However, PATRIZIA's clients and business partners also value its professional identification of opportunities in all real estate asset classes throughout Europe and its fast, smooth handling of purchases and sales.

PATRIZIA has the DNA of an Investor

PATRIZIA has the DNA of an investor and also invests in conjunction with its institutional clients. Investing part of its equity has been a key element of PATRIZIA's business model since the company was founded, with its equity being selectively invested in co-investments in partnership with clients. PATRIZIA's long-standing experience and wide-ranging expertise as an investor are sought out and valued by its clients.

Reputation Breeds Trust

Among investors and business partners in Europe, the name PATRIZIA is synonymous with trust-based, reliable partnership and successful transactions. This reputation stems from sustainable, prudent and successful business operations. The brand and the associated trust are essential to attracting new clients and extending existing business relationships. This is why the company places great value on fostering the PATRIZIA brand and earning the trust of investors with every investment.

1.4 Group Management and Performance Indicators

1.4.1 Corporate Management by Segment

At PATRIZIA, corporate management is carried out under the **Management Services** and Investments segments. The Management Services segment largely comprises service fee income from portfolio, asset and fund management. The **Investments** segment primarily contains the return on equity employed. Segment reporting can be found in note 7 of the Notes to the Consolidated Financial Statements.

1.4.2 Corporate Management on the Basis of Financial Performance Indicators

PATRIZIA uses the following financial performance indicators for corporate management:

02

Financial performance indicators	Description
Assets under management (real estate assets)	The Group's growth is assessed on the basis of assets under management.
Operating income	Operating income before taxes is the Group's key performance parameter. It is calculated as EBT in accordance with IFRS adjusted for non-cash effects, e.g. from the measurement of investment property and unrealised exchange rate effects, amortisation of fund management contracts as well as reorganisation expenses. Realised changes in value from the sale of investment property and operating income from participations (IFRS 9) are added to this. Realised exchange rate effects are included.

In addition, the following framework parameters are applied in Group management:

03

Further framework parameters	Description
Management fees	PATRIZIA receives recurrent service fees for managing the real estate assets, usually depending on the volume of assets under management or net asset value of the managed funds.
Transaction fees	PATRIZIA receives a transaction volume-related fee for purchases or sales.
Performance fees	PATRIZIA receives performance fees if defined target returns on individual investments are exceeded.
Transaction volume	The transaction volume is the sum of signed/closed acquisitions and disposals.
Net sales revenues and co-investment income	Return on own capital employed.
Equity raised	For the various investments, equity is raised from institutional, (semi-)professional and private investors worldwide.

The development of these indicators is detailed in section 2.2.

1.4.3 Corporate Management on the Basis of Non-Financial Performance Indicators

For direct corporate management, PATRIZIA does not apply any non-financial performance indicators.

1.5 Non-Financial Statement – PATRIZIA's ESG Strategy (Environmental, Social and Governance – ESG Strategy)

As a global partner for pan-European real estate investment PATRIZIA is aware that real estate is one of the largest contributors to worldwide energy consumption and CO_2 emissions that drive climate change. As a real estate expert PATRIZIA understands its role and responsibility as an investment and asset manager of real estate to create a more sustainable environment by reducing environmental harm and contributing to society in a positive way. With EUR 41.0bn assets under management invested throughout Europe PATRIZIA is committed to acting responsibly and aims to become a driver for change in the industry.

For PATRIZIA Environmental, Social and Governance (ESG) means to remain true to the company's values and the interests of its stakeholders. Healthy societies and the environment are the basis for PATRIZIA's business activities and a core element of its long-term success. To best serve clients and make a positive contribution to the environment and society a sustainability mission and strategy have been formulated to guide the operating business: invest in sustainable futures, building communities and strive for industry benchmark.

"Our ESG Mission Statement: Invest in sustainable futures, building communities and strive for industry benchmark."

Sustainable Futures
Real estate accounts for a large proportion of worldwide greenhouse gas emissions and energy consumption. With EUR 41.0bn assets under management, PATRIZIA can make a major contribution to the creation of a sustainable environment and with this in mind continuously increased efforts and activities in this area. The ESG Strategy focusses on cutting carbon emissions, improving energy and water efficiency of the Groups' assets under management and rethinking waste management.

Building Communities
For PATRIZIA real estate is more than an investment class. Investing in real estate provides the opportunity to create value for society and shape the future of communities as well as to generate sustainable financial income for PATRIZIA's clients and shareholders. The ESG Strategy safeguards the social impact of the business and encourages improving and adapting continuously to community interests.

Industry Benchmark
PATRIZIA strives to be industry benchmark and commits to high standards of governance and risk management towards clients and its various stakeholders. Especially governance is perceived as a window providing insights for clients into PATRIZIA's overall management quality and organisation according to governing documents and how such are translated into day-to-day management, from the Supervisory/Managing Board level to the departmental level.

1.5.1 ESG is a Priority for the Management Team
PATRIZIA's ESG programme is championed at the most senior levels of business and led by the ESG Committee, as one of the six Executive Committees, and chaired by the Group's COO. The ESG Committee steers the company's ESG agenda and supports the Group's ongoing commitment to ESG matters. This includes overseeing PATRIZIA's corporate governance framework and ensuring alignment with highest standards of conduct in the approach towards clients, staff, service providers and those affected by the managed properties. The Group's ESG activities are managed by a dedicated Sustainability Manager.

1.5.2 Transparency as a Guideline
Sharing the sustainability journey and maintaining partnerships with stakeholders – e.g. clients, partners, staff, shareholders and local communities – have proven to be notably promising in achieving the common goal of creating a more planet and people friendly real estate investment management business. PATRIZIA is for example working closely with the local property managers to make the Group's real estate assets more sustainable and operate the portfolio in a responsible manner.

PATRIZIA wants to maintain a transparent dialogue about plans and progress and provide transparent information to its stakeholders. Therefore the Group's ESG reporting, at both corporate and fund level, is in line with industry guidelines where appropriate, such as UN PRI, GRESB and INREV. And PATRIZIA encourages its stakeholders to join – in cooperation, in inspiration and mutual engagement.

1.5.3 Non-Financial Statement

PATRIZIA's ESG Strategy aligns the real estate investment management activities with environmental, social and governance aspects. Corporate Social Responsibility (CSR) guidelines for non-financial reporting require for the following aspects to be included in non-financial statements: 1) environment, 2) employees, 3) social, 4) human rights and 5) corruption and fraud. While all of those are covered in the Group's ESG Strategy and are based on relevant policies and processes, details are provided in the following chapters.

PATRIZIA ESG Strategy and CSR Reporting Guidelines:

ESG at PATRIZIA	CSR Guideline
– Sustainable Futures	– Environment
– Building Communities	– Employees – Social
– Industry Benchmark	– Corruption & Fraud – Human Rights

Environment

PATRIZIA's ESG Strategy is implemented in the core business functions – transaction management, asset and fund management and product development – based on three environmental principles: (1) cause no unnecessary harm to the environment, (2) measure non-financial impact and (3) manage climate change risks and opportunities.

1. Cause no Unnecessary Harm to the Environment

PATRIZIA's guideline is to incorporate environmentally sustainable principles into business plans on property and fund level, wherever feasible and to deliver assets that comply with or even outperform today's building standards for energy efficiency, water efficiency, reduced waste and health and safety. Corporate processes and standards are reviewed and aligned to improve the company's environmental performance.

Case Study: 40,000 t less CO_2 each year

by running a major share of PATRIZIA's real estate portfolio on 100% renewable energy

This is what we said

Sustainable futures: Cause no unnecessary harm to the environment

This is what we did

- In 2018 PATRIZIA has converted the entire real estate portfolio in Germany to renewable energy sources. While the Dutch real estate portfolio runs on green energy since 2015.
- The measure reduces energy costs for tenants by about EUR 1m a year.
- Savings of approx. 40,000 t environmentally harmful CO_2 emissions per year (German portfolio of EUR 14bn AUM and Dutch portfolio of EUR 1.7bn AUM).

Next Steps

We are looking into the opportunity to also convert our remaining European portfolio to renewable energies and create additional savings in CO_2 emissions.

2. Measure Non-Financial Impact

The biggest impact on society and the environment can be made by improving the carbon footprint of the assets managed by PATRIZIA. For this reason and to get better control over the assets, systems and processes to measure the environmental and social impact are continuously improved and PATRIZIA is working closely together with its property managers and tenants to increase data coverage and to develop ESG KPIs to be included into decision making processes.

3. Climate Change Risks and Opportunities

Climate change and its implications are considered to be one of the most relevant topics at PATRIZIA when looking at the resilience of the Group and the asset portfolio it manages. Climate change is considered in risk management and controls as well as the acquisition process in alignment with industry best practices such as the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). Besides the risks also the opportunities of climate change are taken into consideration. PATRIZIA aims to inspire and implement solutions to the environmental crisis in the asset portfolio. Investing in renewable energies is for example a good way to decrease exposure to obsolescent fossil fuels and to add value to clients' investments.

Employees

PATRIZIA's clients benefit from the variety of skills, experience and characters of PATRIZIA's employees. Their qualifications and strengths form the basis for business success. Attracting, retaining and promoting a unique and capable workforce is therefore important to the company's further development.

PATRIZIA endeavours to create an environment in which employees can fulfil their entire potential and in which differences are respected and acknowledged. PATRIZIA helps its employees to perform their tasks as well as possible and is proud of its partnership-based corporate culture. As an employer, PATRIZIA delegates a high degree of decision-making authority and responsibility to its employees. This gives them the scope to evolve and enhance their knowledge, experience and characters. In the process, this fosters their identification with the corporate objectives and their commitment to clients. This is what is meant by the "PATRIZIA spirit". PATRIZIA helps its employees to find the right place in one of its business units and Europe-wide locations. Interesting career and development opportunities for employees create a team that makes PATRIZIA what it is – the global partner for pan-European real estate investments!

Attracting Employees

In order to reinforce PATRIZIA's excellent marketing position and ensure that it is optimally positioned for the future, it is important for it to be an attractive employer that offers interesting and varied challenges for young talents and experienced specialist alike.

To reach the respective target group, PATRIZIA advertises jobs on its own website and in a targeted manner on various job portals. A presence at trade fairs (e.g. EXPO REAL and the IZ Careers Forum), universities (e.g. IREBS) and schools in Augsburg and the surrounding area and the provision of numerous internships, theses and student employee positions are further key elements of employer branding.

In the past financial year, this again resulted in PATRIZIA gaining a number of talented new employees. In the area of training, 21 students and trainees were employed in the following training professions at PATRIZIA as at the end of the year:

- Training as office management assistant (11)
- Training as real estate agent (3)
- Dual study course in business administration – real estate industry (6)
- Dual study course in controlling & accounting (1)

Students and trainees typically move to a new department every three months in order to obtain comprehensive and varied training at PATRIZIA. Among other things, the importance placed on training at PATRIZIA is illustrated by the fact that trainees are regularly deployed in Managing Board divisions. Trainees are provided with extensive support right from the start, including orientation days, supplementary further training and familiarisation with numerous departments, thereby ensuring comprehensive and varied training.

One particularly notable fact is that PATRIZIA only trains people with a view to meeting its own needs. To date, all trainees and students have been employed after the end of their training where this was desired by both parties. This is no longer something that can be taken for granted in many other industries and companies, and it reflects the seriousness with which PATRIZIA seeks to ensure sustainable staff retention.

With its management trainee program, PATRIZIA gives graduates of real estate courses the ideal preparation for their future tasks in the form of an in-depth, comprehensive insight into the company. During the 18-month program, the management trainees pass through three real estate departments and one non-real estate department, always including international experience at one of our European locations. In terms of content, the trainees can expect both strategic and operational tasks in which they already assume responsibility for entire projects.

Further Training

In addition to training, the targeted development of our employees is promoted through:

- Regular feedback and employee meetings
- Target agreements
- Cross-departmental interdisciplinary project work
- Development meetings and internal transfer opportunities

- An attractive internal job market
- Targeted succession planning
- Management programme
- Targeted individual career planning with appropriate training options
- A wide range of in-house training options in the PATRIZIA Academy

The options offered by the PATRIZIA Academy were again expanded in 2018 in order to provide employees with an attractive portfolio and to reflect the growing internationality of PATRIZIA. In 2018, the extensive international training options included classroom-based training as well as flexible online language courses. As a matter of principle, various subject-specific, methodical and soft skills training programmes are available to employees. Individual employees may also obtain external training in the form of seminars and part-time studies.

As 2018 was a year of considerable change due to the integration of the newly acquired companies, with newly composed teams in a pan-European matrix structure, this was accompanied by various measures such as team-building workshops and seminars on topics such as management in times of change and dealing professionally with difficult discussions.

Health & Well-being

In addition to subject-specific, methodical and soft skill training, PATRIZIA places great importance on the health of its employees in an employment world that is changing and becoming digital at an increasingly rapid pace. Accordingly, employees are offered burnout prevention and mindfulness training, "active breaks", yoga and mobile massages.

To improve employees' work-life balance, various forms of part-time work are available at all locations. The part-time rate in Germany is 14%. With the exception of Luxembourg, Belgium and Italy, a lower percentage of employees at the foreign PATRIZIA locations work on a part-time basis.

One PATRIZIA

An open culture of discussion is a priority for PATRIZIA, as is a regular exchange between employees. This is promoted in a highly targeted manner through various events, e.g.:

- Employee orientation day for all new PATRIZIA staff
- "PATRIZIA Knowledge" event series
- Annual Employee Day
- Insights (seeing how other teams work)

As well as fostering team spirit, this creates synergies for PATRIZIA's projects.

Diversity & Inclusion

PATRIZIA's values include innovation and diversity. The international and multicultural company thrives on the combination of different perspectives that contribute to its long-term success. Employees are given equal opportunities regardless of race or ethnic origin, gender, religion or ideology, disability, sexual identity or age. Appointments, promotions and level of remuneration are based solely on employees' qualifications and experience. In addition, on signing their employment contract, all managers and employees are obliged to refrain from discrimination on the above grounds.

The number of employees (FTEs) was 804 at 31 December 2018. Of this figure, 17% are attributable to the former TRIUVA, 12% to the former Rockspring and 1% to the former Sparinvest. There is a balanced age structure: just under 5% of employees are under 25 years old, 26% are aged between 25 and 34, 36% are aged between 35 and 44, 25% are aged between 45 and 54, and a good 7% are aged 55 or above. The diversity of nationalities, cultures and languages is also a major strategic advantage for PATRIZIA. In the reporting year, the workforce had a total of 28 different nationalities.

The share of women in the workforce is 46%. The share of women in the Managing Board is 25%, while a good 17% of the managers in the senior leader team, the level below the Managing Board, are female. Looking at the total number of managers within the company, over 26% are female.

Social

Social and local engagement is of major importance for PATRIZIA. Investing in real estate for PATRIZIA means to invest in a location including its people and communities. To be able to properly consider their needs the company's real estate expertise is built on local teams who manage portfolios around Europe.

1. Building Communities

Investing in real estate also means to invest in a community; PATRIZIA aims to do both in a sustainable manner. PATRIZIA strives to contribute to a built environment that serves as a foundation for neighbourhood growth, which provides central areas for public interactivity and serves certain public needs. Investing in sustainable communities can serve both environmental and social impact. PATRIZIA believes in working together with its stakeholders on sustainability issues to achieve better outcomes. Therefore PATRIZIA engages with business partners, employees and clients to find solutions to decrease the company's environmental footprint and work towards a more sustainable real estate business.

2. Support the PATRIZIA Children Foundation

Part of PATRIZIA's corporate culture is the understanding that giving some of the Group's success back to those who are in need is of utmost importance which led to the foundation of the PATRIZIA Children Foundation 20 years ago. The Group has supported the Foundation through donations and support in projects. These efforts helped the Foundation to ensure that every Euro donated goes directly into building schools, hospitals and child care facilities across the globe. In 2018 the Managing Board decided to step up the Group's social activities – going forward PATRIZIA intends to support non-profit organisations, such as the PATRIZIA Children Foundation, with up to 1% of the Group's operating income. Managers from PATRIZIA serve as board members of the Foundation in a voluntary capacity. In addition it is planned to extend the volunteering programme for PATRIZIA staff to enable the Group's staff to spend 1% of their annual working time on social projects. To date, the PATRIZIA Children Foundation has provided access to education, medical care and shelter for 200,000 children in 10 countries and 16 facilities, while another two are currently in development. In July, former U.S. president Barack Obama inaugurated the world's 16th project of the PATRIZIA Children Foundation as part of a larger training and sports centre for children in Alego, Kenya, close to the shores of the Lake Victoria. More than 1,000 guests, including representatives of the Kenyan government, attended the inauguration. The PATRIZIA institution was built in cooperation with the Sauti Kuu Foundation founded by Barack Obama's sister Auma. The Children House will be a training centre for around 500 children between the ages of 4 to 25 years. The new educational complex for children in Kenya includes sport facilities, gardening areas, computer labs, dormitories and the vocational training centre financed by the PATRIZIA Children Foundation. The new educational complex was developed and is managed by the Sauti Kuu Foundation. Auma Obama explained: "We want to teach young people to use their local resources to help themselves. Giving young people the knowledge and the self-confidence, they need to find their own way: That is the aim of Sauti Kuu."

The following case study introduces another project of the Children Foundation and how PATRIZIA combines it with the Group's real estate activities.

Case Study: Art connects

A project by PATRIZIA ART LAB

This is what we said

Building Communities: Support the PATRIZIA Children Foundation

This is what we did

– PAT ART LAB launched the SCALE in summer 2017 where a variety of the world's best-known graffiti artists painted their works on office and residential buildings promoting art in public space and revitalising real estate.
– Benefitting the good cause. Revenues generated by selling prints of the murals went 100% towards the PATRIZIA Children Foundation to support the development of a school in Harare, Zimbabwe.

Next Steps

The Children Foundation has been working over the year 2018 to launch their new volunteering program for PATRIZIA employees to continuously encourage engagement over the coming years.

Corruption & Fraud

Compliance with anti-bribery and corruption is essential to avoiding penalties and reputational damage as well as to ensuring long-term corporate success and is therefore also hugely relevant to PATRIZIA. PATRIZIA has a Code of Values and a Compliance Manual that contain extensive regulations and standards relating to anti-bribery and corruption. In addition, compliance training sessions that particularly cover these two issues have been held for all employees in Germany and are planned for all other employees in 2019.

Human Rights

PATRIZIA is committed to respecting fundamental human rights as defined by the United Nations Universal Declaration of Human Rights and international standards of labour rights as defined by the International Labour Organisation. As a German business PATRIZIA is also examining the implementation of human rights due diligence at the corporate level in relation to the German federal government's National Action Plan on Human Rights.

1.5.4 Risk Analysis

After publishing the first non-financial statement in the 2017 Annual Report the ESG Strategy and ESG reporting have been further aligned with the requirements of the CSR reporting guidelines over the past year. The CSR guidelines, published by the European commission and translated into practical guidelines by several consultancies, suggest emphasising risk management and include material information on supply chains by analysing risks in a reversal approach; (1) to look into the risks of the five aspects (environment, employees, social, human rights, corruption and fraud) that have an impact on PATRIZIA, and (2) to identify material risks the company's operations might cause on the aspects.

To better implement ESG in the PATRIZIA organisation the ESG Committee (see chapter 1.5.1 ESG is a priority for the management team) has been founded in September 2018. The ESG Committee is responsible to define and steer the Group's ESG Strategy and to ensure ESG risks are implemented in the main business processes. The ESG Committee additionally safeguards that the ESG Strategy and its risks and opportunities are sufficiently communicated amongst PATRIZIA employees. The Group's risk management approach is further explained in chapter 4.1.

04

PATRIZIA ESG risk analysis	Description
Environmental risks	– Taking into account the long-term nature of real estate, climate change risks have to be taken into account, also when they are not always visible yet. Additionally, PATRIZIA is subject to increasing regulation with regards to environmental protection, that for example restrict letting and operating possibilities of real estate, which do not fulfil certain levels of energy efficiency in the near future. Legislative changes are therefore monitored closely and business partners, especially property managers, are engaged to work together with PATRIZIA in complying with increasing requirements. – Physical risks to the company's managed assets resulting from severe weather conditions and events are analysed during the due diligence process at the time of acquisition. Additionally, the risks of possible structural damages are assessed and insured in cooperation with insurance companies and independent organisations. – In reverse, the managed asset portfolio poses a risk to the environment by contributing to global carbon emissions. To minimise such adverse impact the ESG Strategy is constantly reviewed and aligned with energy-saving measures throughout the portfolio. Environmental KPIs are integrated in decision-making and property managers as well as tenants are engaged to increase data coverage of energy, water and waste data. – To control the implementation of the ESG Policy and prevent possible environmental risks the ESG Strategy has been embedded into an Environmental Management System (EMS) in alignment with ISO 14001.
Employee risks	– PATRIZIA's employees, their motivation, knowledge and skills are key to the Group's success. Fluctuation of staff and the inability to recruit suitable staff would expose the company to the risk of losing market expertise and jeopardise its competitive advantage. Risks are mitigated by offering attractive, interesting positions with motivating remuneration schemes, including relevant training opportunities to promote professional and personal development. PATRIZIA continually strives to improve its employer quality and to align with employees' needs. – Due to the nature of PATRIZIA' business there are no material risks imposed on employees with regards to work accidents. Nevertheless, health and well-being topics such as burnout prevention, work-life balance, promoting healthy eating and physical activity are taken very seriously as part of the company's employer responsibility and are covered by the human resource program.
Social risks	– PATRIZIA sees no particular social risks in the performance of its business operations.
Human rights risks	– PATRIZIA sees no particular risk with regards to human rights due to its regional focus.

04

PATRIZIA ESG risk analysis	Description
Risks result-ing from cor-ruption or fraud	– PATRIZIA primarily depends on its employees respecting corporate governance and compliance standards. – If PATRIZIA's policies and protocols are not enforced and employees show unlawful or unethical behaviour this could have an adverse effect on the business and PATRIZIA's reputation. Therefore a strong system is in place to ensure the documentation, enforcement and controls of compliance rules and relevant training is provided to all employees via the PATRIZIA Academy.

Case Study: Responsible Investment Management

to incorporate ESG factors in our investment decisions to generate sustainable, long-term returns

This is what we said

Industry Benchmark: Integrate ESG aspects in our core business processes

This is what we did

We have identified the core business processes to integrate ESG factors and eliminate risks:

- ESG acquisition checklist
- ESG fund review
- ESG strategies on fund and asset level

Next steps

We will review our ESG risk assessment from corporate to fund and asset level and define the materiality of the different risks. We plan to have a deeper look into our supply chain and how we can further mitigate related risks.

1.5.5 Key Performance Indicators

PATRIZIA's ESG Strategy seeks to diminish the real estate portfolio's adverse impact on the environment and social structures. Managing the Group's portfolio in a sustainable manner starts with properly measuring the environmental impact. This allows to assess which strategy works the best for PATRIZIA and to set clear objectives. It is fair to say that asset level data collection is one of the foundation pillars of the ESG Strategy.

The main KPIs are water and electricity consumption, generation of waste and recycling and CO_2 emissions. The latter being a result of the total energy consumption. All of which covering the environmental aspect of ESG. Environmental KPIs are more material for real estate companies than social KPIs due to the fact that real estate is one of the main sources of energy consumption worldwide. PATRIZIA can therefore make a big contribution to environmental protection and a healthy, sustainable planet. The reduction of carbon emission or greenhouse gases (GHG) is becoming more and more the key currency for all business operations. Disclosure of environmental KPIs is also the main point of reference of legislation. This post-Paris Climate Agreement trend will further develop as the scheme of the climate agreement finds its way to new domestic and national laws and restrictions regarding carbon emissions.

The total energy consumption of PATRIZIA's portfolio is divided into three parts:

1. The electricity consumption from shared services in the common areas of real estate,

2. The energy consumption (electricity and heating) in the tenant areas, and

3. The energy consumption in the Group's corporate offices.

As a landlord on behalf of its clients PATRIZIA is solely responsible for the energy consumed from the shared services in the common areas of the real estate and for the energy in the corporate offices. This is also priority for the data collection. The largest share of energy consumption originates from the tenant areas. Engaging tenants to share their energy consumption data is an essential part of PATRIZIA's stakeholder engagement program.

PATRIZIA is working on the integration of environmental KPIs into its systems and processes and engages with its property managers and tenants to increase data coverage. However, data collection will be one of the greatest challenges in the future of the ESG Strategy because the majority of energy consumption is generated and controlled by the tenants. By installing smart meters it is expected to increase data coverage (limited by privacy law), get better insights in the energy efficiency of real estate and realise reductions on carbon emissions.

2 Economic Report

2.1 Economic Environment

The markets in general: The economy of the euro area remained robust in 2018, though the momentum of economic growth slowed year-on-year to 2.0% (previous year: 2.5%). The reasons for this are the trade conflict between the US and China and a slowdown of the global economy, which have also resulted in a loss of confidence on the part of companies and consumers. Unemployment continued its downward trend, which is expected to be the case in the current year as well. Inflation settled at 1.8% in 2018. The same figure is also forecast for 2019.

Real estate markets: The European real estate investment market is still defined by high demand, bolstered by favourable financing conditions and a lack of investment alternatives. Nonetheless, the European real estate transaction volume declined from around EUR 311.3bn in 2017 to around EUR 270.0bn in 2018. At the top locations mainly favoured by investors, the shortage of supply and the rapid price development of many assets have led to yields that are increasingly unappealing to investors. For this reason, investment focus shifted more and more to B and C locations, where a similar situation can now be seen. In light of this, market presence and a deep knowledge of market conditions are becoming ever more crucial for successfully establishing a footing in this market environment and being able to invest profitably.

Source: PATRIZIA, Reuters, RCA

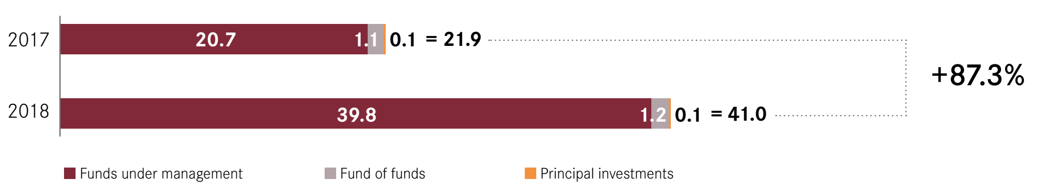
2.2 Business Performance

Development of Financial Performance Indicators

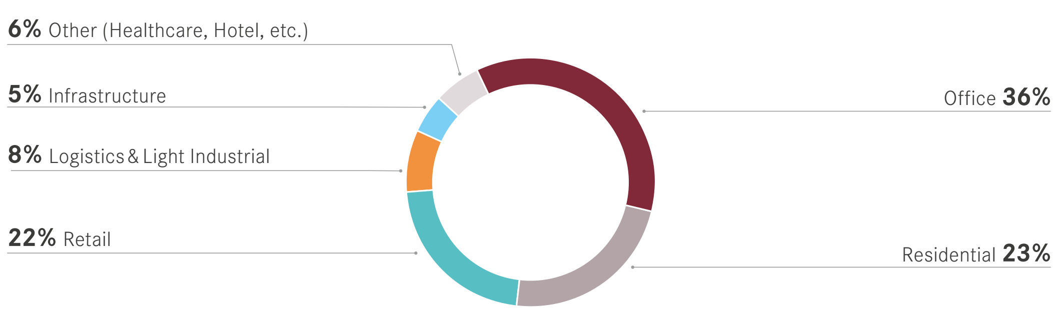
Assets under Management (EUR bn)

PATRIZIA had real estate assets under management of EUR 41.0bn as at 31 December 2018, as against EUR 21.9bn as at the end of the previous year. EUR 26.0bn of this related to Germany and EUR 15.0bn to other countries. In total, assets under management rose by EUR 19.1bn or 87.3% in the reporting period and were positively influenced mainly by the first-time consolidation of TRIUVA (1 January 2018) and Rockspring (31 March 2018) as well as by organic growth. The goal of increasing assets under management to slightly over EUR 40.0bn in 2018 was exceeded accordingly.

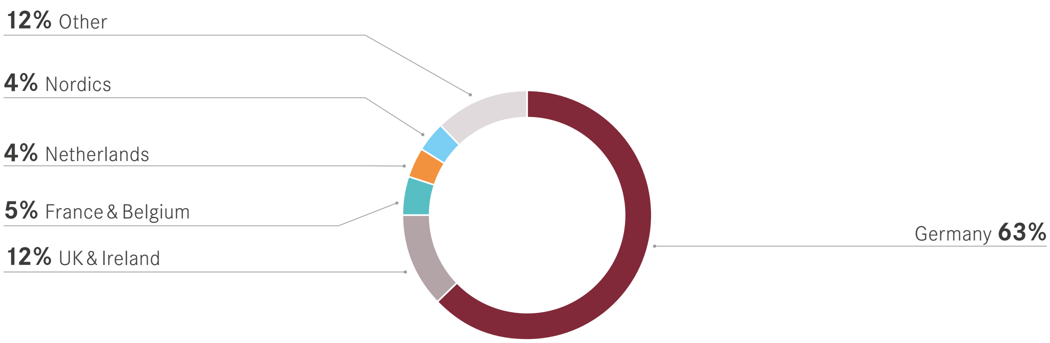
Assets under Management (EUR bn) G01



Assets under Management as at 31 December 2018 – Sectoral Distribution G02

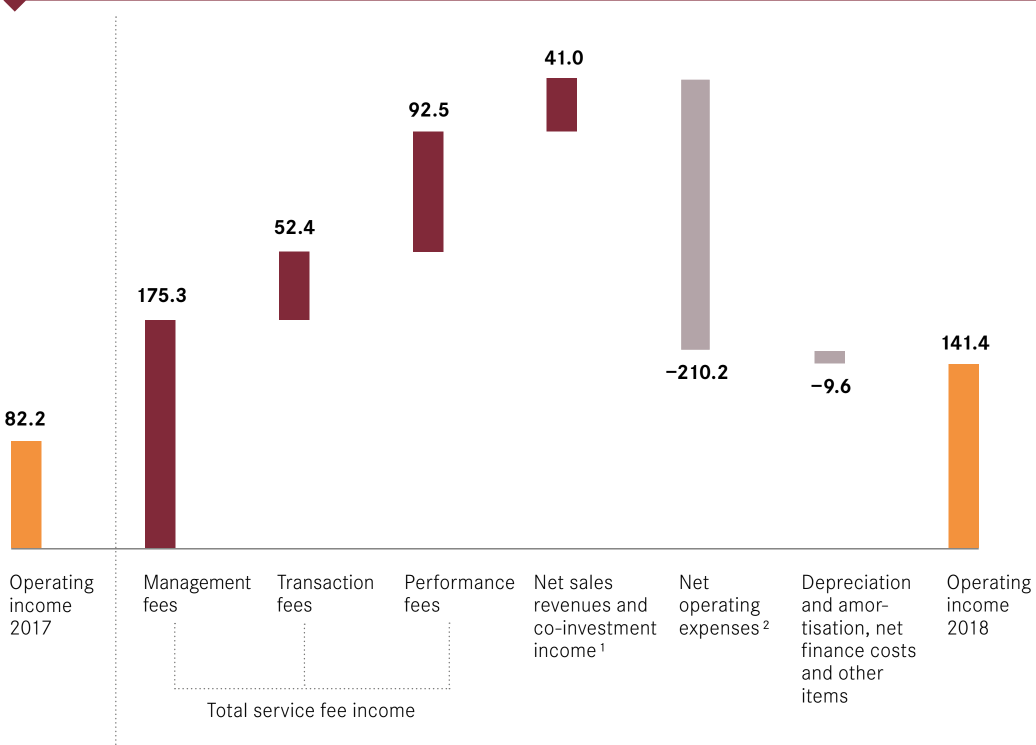


Assets under Management as at 31 December 2018 – Geographical Distribution G03



Operating Income

Operating Income – 2018 Composition (EUR m) G04



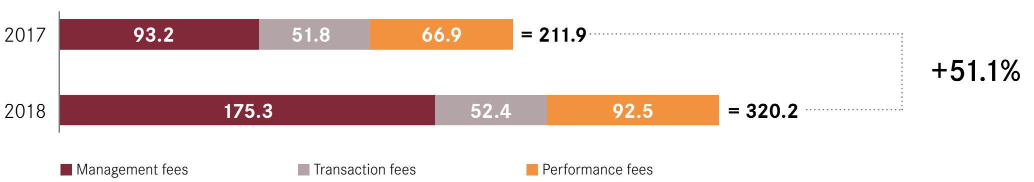
1 Including EUR 8.0m in realised changes in value from the sale of investment property
2 Inter alia netted against other operating income of EUR 20.7m

Operating income is the Group's key management parameter. It represents the total of all of the operating items in the income statement adjusted for extraordinary and non-cash effects. Operating income increased by 72.0% year-on-year to EUR 141.4m in the 2018 financial year (2017: EUR 82.2m).

The forecast for the 2018 financial year, which was raised in November 2018 to slightly over EUR 140.0m, was achieved in the fourth quarter of 2018 thanks to a better than expected performance in revenues. A detailed reconciliation of the individual components of operating income to their respective line items in the consolidated income statement in particular can be found from page 49 onwards in this report.

Development of the parameters supporting the management of the company:

Total Service Fee Income (EUR m) G05



Total fee income increased by 51.1% to EUR 320.2m in 2018 (2017: EUR 211.9m). The individual components of total service fee income are discussed below:

Management Fees
All services performed by PATRIZIA are compensated in the form of fees. Management fees comprise the company's remuneration for real estate services such as asset, fund and portfolio management and are mostly recurring in nature. Management fees of EUR 175.3m were received in 2018 (2017: EUR 93.2m). The strong surge of 88.1% year-on-year essentially relates to additional management fees in line with the increase in assets under management as a result of the first-time consolidation of TRIUVA and Rockspring.

Transaction Fees
PATRIZIA receives transaction fees for the processing of acquisition and disposal transactions. These fees amounted to EUR 52.4m in the past year (2017: EUR 51.8m; +1.2%). Acquisitions accounted for EUR 30.7m of this figure (2017: EUR 31.4m; −2.3%) and disposals for EUR 21.7m (2017: EUR 20.3m; +6.5%).

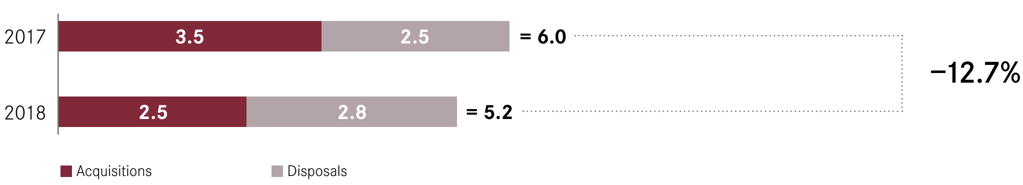
The only moderate increase in transaction fees is due in particular to deviations in the transaction fee structures of the companies acquired. Furthermore, transaction fees are mostly generated as soon as the contract for an asset acquisition or disposal is signed, though selected transactions in the 2018 financial year will not give rise to the corresponding service fee income until the transaction is closed, i.e. in the 2019 financial year.

Performance Fees
PATRIZIA receives performance fees if defined target investment yields are met or exceeded. As a result of the very good performance in the year under review, performance fees rose significantly by 38.2% to EUR 92.5m (2017: EUR 66.9m). In the consolidated income statement, these fees are reported partly as revenues (EUR 76.4m; 2017: EUR 45.4m) and partly as income from participations (EUR 12.4m; 2017: EUR 21.5m). Furthermore, operating income from participations (IFRS 9) of EUR 3.8m is included in performance fees.

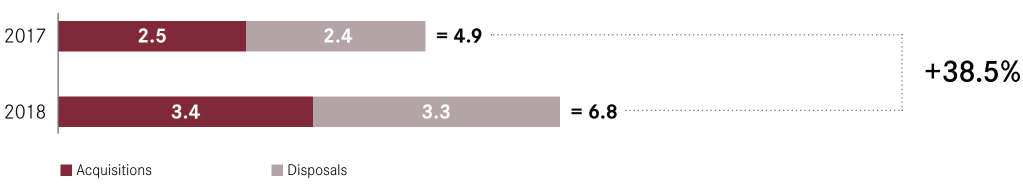
Net Sales Revenues and Co-Investment Income (EUR m) G06

In the 2018 reporting year, PATRIZIA generated net sales revenues and co-investment income of EUR 41.0m after EUR 41.7m in the same period of the previous year. This result is firstly thanks to the successful development of co-investment products, which contributed EUR 18.1m to net income (2017: EUR 31.7m). The disposals of a UK joint venture with Oaktree in the amount of EUR 10.5m made an unusually strong contribution to co-investments in 2017. Secondly, the strategic and profitable reduction of principal investments in the 2018 financial year contributed a further EUR 14.9m to net income (2017: EUR 10.0m). Another EUR 8.0m (2017: EUR 0.0m) arose from realised changes in the value of investment property (page 40).

Transaction Volume on the Basis of Closed Transactions (EUR bn) G07



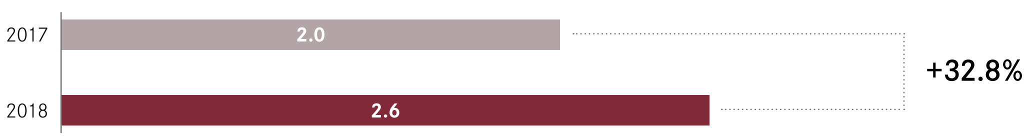
Transaction Volume on the Basis of Signed Transactions (EUR bn) G08



The transaction volume consists of the realised real estate acquisitions and disposals. Acquisitions closed in 2018 amounted to EUR 2.5bn (signed in 2018: EUR 3.4bn; signed in 2017: EUR 2.5bn) while disposals closed amounted to EUR 2.8bn (signed in 2018: EUR 3.3bn; signed in 2017: EUR 2.4bn). In total, the transaction volume decreased by 12.7% year-on-year, in particular on account of the lower number of acquisitions closed. However, the higher share of disposals did not lead to a reduction in assets under management. In particular, the addition of two more major asset management mandates for an existing Asian institutional investor caused assets under management to rise further in line with planning.

However, the transactions signed in the amount of EUR 6.8bn in the 2018 financial year (2017: EUR 4.9bn, +38.5%) confirm PATRIZIA's solid deal-sourcing capabilities, which also benefit its global client base.

Equity Raised (EUR bn) G09



In the period under review, equity of EUR 2.6bn was raised from institutional, private and (semi-)professional investors for various national and international investments on the European real estate market, as against EUR 2.0bn in the previous year (+32.8%).

2.3 Economic Situation

2.3.1 General Statement by the Managing Board

In the 2018 financial year, PATRIZIA again enjoyed considerable success on the European real estate markets. Its financial position and performance remained very positive, thereby providing a strong foundation for the further implementation of its strategic objectives.

Operating income increased by 72.0% year-on-year to EUR 141.4m (2017: EUR 82.2m). Following a successful fourth quarter of 2018, this meant that operating income exceeded the forecast for the year as a whole – which had already recently been revised upward – of slightly over EUR 140.0m. This positive development was primarily attributable to the unexpected increase in performance fees to EUR 92.5m in the 2018 financial year. **Total fee income** amounted to EUR 320.2m, up 51.1% year-on-year from EUR 211.9m. Management fees rose by 88.1% to EUR 175.3m and transaction fees were 1.2% higher year-on-year at EUR 52.4m.

05

EUR k	2018	2017	Change
Management fees	175.3	93.2	88.1%
Transaction fees	52.4	51.8	1.2%
Performance fees	92.5	66.9	38.2%
Total service fee income	**320.2**	**211.9**	**51.1%**

Assets under management were mainly influenced by the first-time consolidation of TRIUVA (1 January 2018) and Rockspring (31 March 2018) as well as by further organic growth. PATRIZIA had real estate assets under management of EUR 41.0bn as at 31 December 2018, as against EUR 21.9bn as at the end of the previous year.

Dividend Payment

In 2018, a dividend of EUR 0.25 per share was paid either in cash or in the form of shares of PATRIZIA Immobilien AG for the 2017 financial year – the first dividend payment since 2007. The HGB unappropriated profit in the amount of EUR 405.3m was used to pay the dividend, with the remaining amount being carried forward to new account. By way of resolution of the Annual General Meeting on 20 June 2018, a cash dividend of EUR 21,197k was paid and 96,213 treasury shares of PATRIZIA Immobilien AG valued at EUR 1,524k were transferred. Based on the share of the IFRS consolidated net profit for 2017 of EUR 55.0m attributable to shareholders, this corresponded to a distribution ratio of 42%. The dividend was paid on 20 July 2018.

Acquisitions

The milestone in 2018 was the successful completion of the integration process for TRIUVA (1 January 2018) and Rockspring (23 March 2018). All employees have been working under the joint PATRIZIA brand since September 2018. These acquisitions were crucial steps on PATRIZIA's path to becoming the leading global partner for pan-European real estate investments. They increase product diversity for our institutional, (semi-) professional and private investors, improve access to the European real estate market through a substantially stronger European platform and increased our assets under management significantly to EUR 41.0bn.

2.3.2 Results of Operations of the Group

PATRIZIA again enjoyed considerable success for its institutional, (semi-)professional and private investors in the 2018 financial year, especially on the European real estate markets. Its financial position and performance was consistently positive, thereby providing a strong foundation for the further implementation of its strategic objectives.

Operating Income

Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for the non-cash effects like the measurement of investment property and unrealised currency and derivative effects, amortisation on fund management contracts and reorganisation expenses. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9) and realised currency effects. PATRIZIA once again increased its operating income significantly in the 2018 financial year. After EUR 82.2m in the previous year, operating income rose by 72.0% to EUR 141.4m in 2018. The table below shows the detailed calculation and development of operating income:

Reconciliation of Operating Income – 12 Months 06

EUR k	2018	2017	Change
EBITDA	**120,781**	**95,788**	**26.1%**
Amortisation of other intangible assets [1] and software, depreciation of property, plant and equipment	–42,235	–8,681	386.5%
EBIT	**78,546**	**87,107**	**–9.8%**
Financial income/expenses	–3,415	–4,232	–19.3%
Result from currency translation	1,175	–2,747	–142.8%
EBT	**76,306**	**80,128**	**–4.8%**
Change in the value of derivatives	22	0	
+ Amortisation of fund management contracts [1]	36,677	4,939	642.6%
– Changes in value of investment property	–3,975	–6,748	–41.1%
Realised changes in value of investment property (net)	8,043	386	1,983.7%
Reorganisation expenses	22,318	2,330	857.9%
Expenses/income from unrealised currency translation	–1,775	1,150	–254.3%
Operating income from participations (IFRS 9)	3,757	0	–
Operating income	**141,373**	**82,185**	**72.0%**

1 In particular fund management contracts transferred as part of the recent acquisitions

The increase in operating income is essentially due to the higher level of service fee income, which has become PATRIZIA's main source of income following the expansion of its investment management business. By contrast, income from the sale of remaining principal investments and the corresponding income are declining steadily in line with strategy.

The following section discusses the individual components of operating income in greater detail in the order in which they are reported in the consolidated income statement.

Consolidated Income Statement

Revenues and Earnings 07

EUR k	2018	2017	Change
Revenues	350,628	249,574	40.5%
Total operating performance	343,740	227,651	51.0%
EBITDA	120,781	95,788	26.1%
EBIT	78,546	87,107	–9.8%
EBT	76,306	80,128	–4.8%
Operating income	141,373	82,185	72.0%
Net profit for the period	**58,116**	**58,898**	**–1.3%**

Revenues

PATRIZIA achieved a significant year-on-year increase in consolidated revenues in the 2018 reporting year, from EUR 249.6m to EUR 350.6m (+40.5%). Together with the stronger strategic focus on investment management services and the first-time consolidation of TRIUVA and Rockspring, there was growth in revenues from management services, which account for the majority of revenues. At the same time, rental and incidental rental cost revenues declined in line with our strategy of reducing principal investments.

Revenues – 12 Months 08

EUR k	2018	2017	Change
Revenues from management services	294,565	180,915	62.8%
Proceeds from the sale of principal investments	49,556	56,680	−12.6%
Rental revenues	3,713	7,773	−52.2%
Revenues from ancillary costs	1,232	2,252	−45.3%
Other	1,562	1,954	−20.1%
Revenues	**350,628**	**249,574**	**40.5%**

Revenues from management services increased significantly again in the reporting period. The corresponding revenues rose by 62.8% year-on-year from EUR 180.9m to EUR 294.6m. However, revenues alone have only limited information value; the profit and loss items below revenues must also be taken into account in order to fully assess the Group’s performance.

Taking into account the income from the GBW GmbH co-investment, which is reported in income from participations, **total service fee income** amounted to EUR 320.2m, up 51.1% on the previous year’s figure of EUR 211.9m. Management fees benefited the most from the integration of TRIUVA and Rockspring, rising by 88.1% to EUR 175.3m. At EUR 52.4m, transaction fees were only slightly over the prior-year figure (+1.2%) while performance fees rose significantly to EUR 92.5m (+38.2%).

Reporting income from participations as a separate item results in the following breakdown of total service fee income:

Reconciliation of Total Service Fee Income – 12 Months 09

EUR m	2018	2017	Change
Management fees (excluding income from participations	165.8	83.7	98.1%
Transaction fees	52.4	51.8	1.2%
Performance fees (excluding income from participations, excluding operating income from participations (IFRS 9))	76.4	45.4	68.1%
Revenues from management services	**294.6**	**180.9**	62.8%
Shareholder contribution for management services (in income from participations)	9.5	9.5	0.0%
Performance-related shareholder contribution (in income from participations)	12.4	21.5	–42.5%
Operating income from participations (IFRS 9)	3.8	0.0	–
Total service fee income	**320.2**	**211.9**	**51.1%**

Proceeds from the sale of principal investments declined from EUR 56.7m in the previous year to EUR 49.6m. In particular, high proceeds were generated from the profitable disposal of two undeveloped properties in Manchester (plots 9 and 10 Manchester First Street) and the ongoing privatisation of residual holdings in Germany in 2018. The reduction of principal investments is consistent with the stronger strategic focus on investment management services.

PATRIZIA generated **rental revenues** of EUR 3.7m in the period under review after EUR 7.8m in the 2017 financial year. The year-on-year decrease is due in particular to the strategic reduction in the number of principal investments and the transfer to properties in closed-end funds that were recognised only temporarily and thus only generated rental revenues for PATRIZIA for a limited period.

Revenues from ancillary costs relate to rental ancillary costs and amounted to EUR 1.2m in the period under review (2017: EUR 2.3m).

Other essentially comprises transaction costs that are passed on to the corresponding investment vehicles. This item declined from EUR 2.0m in the previous year to EUR 1.6m in the 2018 financial year.

Total Operating Performance

Total operating performance reflects PATRIZIA's operating performance more comprehensively than revenues. Other relevant parameters, such as changes in inventories – which must be viewed in relation to proceeds from the sale of principal investments, among other things – are taken into account in total operating performance. PATRIZIA's total operating performance grew by 51.0% to EUR 343.7m in 2018 after EUR 227.7m in the previous year.

Reconciliation of Total Operating Performance – 12 Months

10

EUR k	2018	2017	Change
Revenues	350,628	249,574	40.5%
Income from the sale of investment property	828	691	19.8%
Changes in inventories	–28,731	–39,909	–28.0%
Other operating income	20,698	17,294	19.7%
Income from the deconsolidation of subsidiaries	317	1	–
Total operating performance	**343,740**	**227,651**	**51.0%**

Income from the Sale of Investment Property

PATRIZIA generated income of EUR 0.8m from the sale of investment property in the 2018 financial year after EUR 0.7m in the previous year.

Changes in Inventories

Changes in inventories consist of the carrying amount of principal investments sold (–) and the capitalised cost of materials assigned to inventories (+). Changes in inventories of EUR –28.7m were reported in 2018 (2017: EUR –39.9m). The carrying amount of inventories decreased by EUR 31.8m as a result of real estate disposals (2017: EUR 49.3m, –35.4%). Inventories were increased by the capitalisation of EUR 3.1m (2017: EUR 9.4m, –67.0%), primarily relating to construction and maintenance work on principal investments.

Other Operating Income

Other operating income rose to EUR 20.7m (2017: EUR 17.3m) and essentially comprised income from discontinued obligations of EUR 14.5m.

Income from the Deconsolidation of Subsidiaries

This item results primarily from the deconsolidation of property companies that temporarily hold properties intended for placement in a closed-end fund of PATRIZIA GrundInvest KVG for private and (semi-)professional investors in their own statement of financial position.

EBITDA

Reconciliation of Ebitda – 12 Months 11

EUR k	2018	2017	Change
Total operating perfomance	343,740	227,651	51.0%
Cost of materials	–11,699	–17,450	–33.0%
Costs for purchased services	–15,679	–11,450	36.9%
Staff costs	–124,954	–87,071	43.5%
Changes in value of investment property	3,975	6,748	–41.1%
Other operating expenses	–90,742	–82,228	10.4%
Impairment losses for trade receivables and contract assets	–1,059	0	–
Income from participations	28,042	49,315	–43.1%
Earnings from companies accounted for using the equity method	11,852	13,353	–11.2%
Cost from the deconsolidation of subsidiaries	–377	–750	–49.7%
EBITDAR	143,099	**98,118**	45.8%
Reorganisation expenses	–22,318	–2,330	857.9%
EBITDA	**120,781**	**95,788**	**26.1%**

Cost of Materials

The cost of materials includes construction and maintenance work for principal investments that are typically capitalised and must be considered in conjunction with changes in inventories. The cost of materials declined by 33.0% year-on-year from EUR 17.5m to EUR 11.7m.

Cost of Purchased Services

In particular, the cost of purchased services comprises the purchase of fund management services for the white-label funds for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service asset management company. To improve the presentation of performance, from 2018 this item also includes transaction costs which are incurred to generate revenue and passed on. As a result of the increase in real estate assets under management by white-label funds and the reclassification of transaction costs, the cost of purchased services increased by 36.9% year-on-year from EUR 11.5m to EUR 15.7m, with transaction costs accounting for EUR 2.0m.

The expenses attributable to white-label funds rose by 19.8% to EUR 12.2m in the 2018 financial year (2017: EUR 10.2m). This was offset by management income for white-label funds of EUR 15.7m, which was up by 17.6% from EUR 13.4m in the previous year in line with the higher real estate assets under management.

Staff Costs

PATRIZIA employed a total of 804 full-time equivalents as at 31 December 2018. The year-on-year increase from 643 (31 December 2017) is due to the acquisitions of TRIUVA and Rockspring. The larger workforce is reflected in staff costs as follows:

Staff Costs – 12 Months 12

EUR k	2018	2017	Change
Fixed salaries	71,860	47,799	50.3%
Variable salaries	32,861	23,025	42.7%
Social security contributions	14,862	8,974	65.6%
Sales commission	2,124	2,446	−13.2%
Effect of long-term variable remuneration [1]	−628	1,175	−153.4%
Other	3,875	3,652	6.1%
Total	**124,954**	**87,071**	**43.5%**

1 Change in the value of long-term variable remuneration due to changes in the company's share price
For further details, see the remuneration report in section 3.2

In total, staff costs increased by 43.5% to EUR 125.0m in the 2018 financial year (2017: EUR 87.1m). In light of the higher headcount, fixed salaries rose by 50.3% from EUR 47.8m to EUR 71.9m. Variable salaries also increased to EUR 32.9m (2017: EUR 23.0m, +42.7%). As a result of the lower level of sales activity in individual privatisation, sales commission declined from EUR 2.4m to EUR 2.1m. In line with the performance of PATRIZIA Immobilien AG's shares, the measurement of long-term variable remuneration resulted in income of EUR 0.6m in the reporting period after an expense of EUR 1.2m in the 2017 financial year. Other staff costs primarily include benefits in kind. Further details on long-term variable remuneration can be found in the remuneration report in section 3.2

Changes in Value of Investment Property

This item contains the result of the annual revaluation of investment property. Changes in the value of investment property amounted to EUR 4.0m in the 2018 financial year after EUR 6.7m in the previous year. The positive change in market value in the 2018 financial year essentially results from the inclusion of a building right that was notarised in the reporting period.

Other Operating Expenses

Other operating expenses rose by 10.4% to EUR 90.7m in 2018 after EUR 82.2m in the previous year. This item breaks down as follows:

Other Operating Expenses – 12 Months 13

EUR k	**2018**	2017	Change
Tax, legal, other advisory and financial statement fees	19,498	34,314	−43.2%
IT and communication costs and cost of office supplies	12,907	7,965	62.0%
Rent, ancillary costs and cleaning costs	10,856	7,010	54.9%
Other taxes	10,466	494	2,018.6%
Vehicle and travel expenses	6,642	5,209	27.5%
Advertising costs	5,188	5,675	−8.6%
Recruitment and training costs and cost of temporary workers	4,217	2,475	70.4%
Contributions, fees and insurance costs	3,795	2,023	87.6%
Commission and other sales costs	3,133	1,994	57.1%
Costs of management services	847	1,390	−39.1%
Indemnity/reimbursement	0	3,514	−100.0%
Other	13,193	10,165	29.8%
Total	**90,742**	**82,228**	**10.4%**

At EUR 19.5m (2017: EUR 34.3m), “Tax, legal, other advisory and financial statement fees” includes follow-up transaction costs in connection with the TRIUVA and Rockspring business combinations in the amount of EUR 1.9m. At EUR 23.5m, transaction costs were significantly higher in the previous period and mainly comprised costs for uncompleted transactions (2017: EUR 6.8m). There were no comparable costs in 2018.

The increases in most other items are essentially due to the first-time consolidation of TRIUVA and Rockspring. Recruitment and training costs and cost of temporary workers (up 70.4% year-on-year) also include an executive development programme in support of the ongoing integration of PATRIZIA Multi Managers (formerly: Sparinvest Property Investors), TRIUVA and Rockspring.

Other taxes of EUR 10.5m (2017: EUR 0.5m) include one-time subsequent tax prepayments for several previous financial years. The “Other” item rose by 29.8% from EUR 10.2m to EUR 13.2m as a result of higher property tax payments in Luxembourg on account of the number of funds managed in Luxembourg.

Impairment on Trade Receivables and Contract Assets

This item includes impairment on trade receivables and contract assets from contracts with customers of EUR 0.5m (2017: EUR 0.9m) and impairment on other trade receivables and other assets of EUR 0.6m (2017: EUR −1.1m). In total, impairment in accordance with IFRS 9 amounted to EUR 1.1m in the reporting year (2017: EUR −0.2m). These values were included in other operating expenses/income in the previous year.

Income from Participations and Earnings from Companies Accounted for Using the Equity Method

PATRIZIA generated income from participations of EUR 28.0m in 2018 (2017: EUR 49.3m, –43.1%). The decline as against the previous year is mainly due to disposals of the UK co-investments with Oaktree in 2017, which positively influenced the figure for the previous year of EUR 10.5m.

Investment income of EUR 25.1m was received for the GBW GmbH co-investment in 2018 (2017: EUR 30.2m). The investment income from this co-investment, which is lower than in the previous year at first glance, is due in part to the reclassification as a result of the adoption of IFRS 9. Some of the performance-based shareholder remuneration (for example, exit carry brought forward in the event of an exchange of units by investors in the fund) is now reported under operating income as "Operating income from participations (IFRS 9)" in the amount of EUR 3.8m rather than in the income statement.

The Harald (EUR 1.2m; 2017: EUR 0.9m), Aviemore, Plymouth and Winnersh (EUR 1.1m; 2017: EUR 14.5m), Seneca (EUR 0.5m; 2017: EUR 0.5m) co-investments and the TRIUVA co-investments (EUR 0.3m; 2017: EUR 0.0m) also contributed to income from participations.

Earnings from companies accounted for using the equity method, which primarily contain the co-investment WohnModul I SICAV-FIS, generated EUR 11.9m (2017: EUR 13.4m). The figure for the previous year was positively influenced in part by appreciation as a result of the development in equity. Income from participations and earnings from companies accounted for using the equity method represent the investment income from co-investments and, for GBW GmbH, management and performance fees as well.

Income from Participations – 12 Months 14

EUR k	2018	2017	Change
GBW GmbH	25,063	30,171	–16.9%
Harald portfolio	1,153	860	34.1%
Co-investments in the UK (Aviemore, Plymouth and Winnersh)	1,065	14,530	–92.7%
Seneca	500	549	–8.9%
TRIUVA	255	0	–
Closed-end funds business	6	750	–99.2%
PATRIZIA Projekt 150 GmbH	0	2,453	–100.0%
Other	0	2	–100.0%
Income from participations	**28,042**	**49,315**	**–43.1%**
Earnings from companies accounted for using the equity method	**11,852**	**13,353**	**–11.2%**
Total	**39,894**	**62,668**	**–36.3%**

Reorganisation Expenses

Reorganisation expenses amounted to EUR 22.3m in 2018 and include additions to provisions as part of the integration of TRIUVA and Rockspring (2017: EUR 2.3m).

Consolidated Net Profit

PATRIZIA's consolidated net income declined by 1.3% from EUR 58.9m in the 2017 financial year to EUR 58.1m in the 2018 financial year, essentially as a result of higher amortisation on other intangible assets and software and depreciation on property, plant and equipment in addition to one-time reorganisation expenses in connection with the integration of TRIUVA and Rockspring.

Reconciliation of Consolidated Net Profit 15

EUR k	2018	2017	Change
EBITDA	**120,781**	**95,788**	**26.1%**
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	−42,235	−8,681	386.5%
Earnings before interest and taxes (EBIT)	**78,546**	**87,107**	**−9.8%**
Financial income	3,021	914	230.5%
Financial expenses	−6,436	−5,146	25.1%
Result from currency translation	1,175	−2,747	−142.8%
Net finance costs	**−2,240**	**−6,979**	**−67.9%**
Earnings before taxes (EBT)	**76,306**	**80,128**	**−4.8%**
Income taxes	−18,190	−21,230	−14.3%
Consolidated net profit	**58,116**	**58,898**	**−1.3%**

The following section discusses the relevant items of the reconciliation of consolidated net profit.

Amortisation of Other Intangible Assets and Software, Depreciation of Property, Plant and Equipment

Amortisation on other intangible assets and software and depreciation on property, plant and equipment increased to EUR 42.2m (2017: EUR 8.7m, +386,5%) and consists of amortisation on fund management contracts (see note 4.1.2 or 6.11 in the Notes to the Consolidated Financial Statements for further information) and licences of EUR 36.7m (2017: EUR 5.0m) and amortisation on software and depreciation on equipment of EUR 5.6m (2017: EUR 3.7m). The statement of changes in fixed assets is discussed in detail in note 4 of the Notes to the Consolidated Financial Statements.

Net Finance Costs

Financial income rose to EUR 3.0m after EUR 0.9m in the same period of the previous year, and essentially results from the discounting of long-term payment obligations, shareholder loans to co-investments, interest on late purchase price payments and interest refunds from the tax office. Financial income was offset by financial expenses such as interest and interest rate hedging costs of EUR 6.4m (2017: EUR 5.1m, +25.1%), including in particular interest for bonded loans and interest expenses for business taxes.

Result from Currency Translation

The result from currency translation amounted to EUR 1.2m as at 31 December 2018 (2017: EUR −2.7m). It is composed of realised currency effects of EUR −0.6m (2017: EUR −1.6m) and unrealised currency effects of EUR 1.8m (2017: EUR −1.2m).

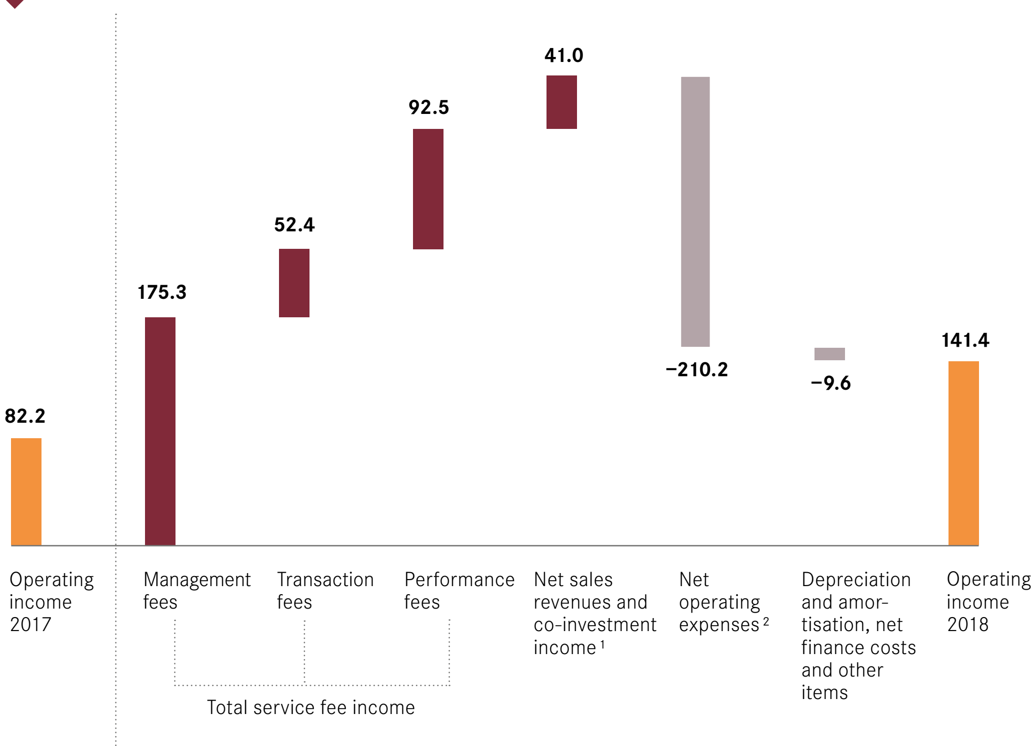
Income Taxes

Tax expenses amounted to EUR 18.2m in the 2018 financial year after EUR 21.2m in the previous year (−14.3%).

Detailed Reconciliation to Operating Income

The following section explains the reconciliation of the individual components of operating income to their respective line items in the consolidated income statement in particular.

Operating Income – 2018 Composition (EUR m) G10



1 Including EUR 8.0m in realised changes in value from the sale of investment property
2 Inter alia netted against other operating income of EUR 20.7m

The **management fees** of EUR 175.3m are predominantly derived from “Revenues from management services”, which includes EUR 165.8m in management fees (excluding income from participations). In addition, there are management services provided as a shareholder contribution for a co-investment in the amount of EUR 9.5m, which is included in “Income from participations” (see page 42).

Transaction fees of EUR 52.4m are also included in “Revenues from management services”, as shown in the overview of service fee income on page 42.

Like management fees, **performance fees** of EUR 92.5m derive partly from “Revenues from management services” and partly from “Income from participations”. The breakdown was as follows in 2018: EUR 76.4m in performance fees (excluding income from participations) and a performance-based shareholder contribution of EUR 12.4m included in “Income from participations”. Operating income from participations (IFRS 9) of EUR 3.8m is also included (see also page 42).

Combined, these three fee streams amount to **total service fee income** of EUR 320.2m.

Net sales revenues and co-investment income of EUR 41.0m consists of the following items: “Proceeds from the sale of principal investments” of EUR 49.6m (page 41) plus “Changes in inventories” of EUR –28.7m (page 78) and “Costs of materials” of EUR –11.7m (page 78); also “Rental revenues” of EUR 3.7m “Revenues from ancillary costs” of EUR 1.2m (page 41), and “Income from the sale of investment property” of EUR 0.8m (page 78). Finally “Realised changes in the value of investment property” (net) of EUR 8.0m were also included in the calculation (page 40) – bringing the total to EUR 22.9m. The net income from co-investments contributes a total of EUR 18.1m and results from “Earnings from companies accounted for using the equity method” of EUR 11.9m (page 78) and the remaining EUR 6.2m of “Income from participations” (page 78).

Net operating expenses of EUR 210.2m include staff costs of EUR 125.0m and the following non-staff operating costs and other income items of EUR 85.2m in total: “Other operating expenses” of EUR 90.7m, “Cost of purchased services” of EUR 15.7m, “Impairment on trade receivables and contract assets” of EUR 1.1m and “Cost from the deconsolidation of subsidiaries” of EUR 0.4m. Offsetting income items consist of “Other operating income” of EUR 20.7m, “Income from the deconsolidation of subsidiaries” of EUR 0.3m (all page 78) and other revenues of EUR 1.6m (page 41).

“Depreciation and amortisation, financial result and other items” of EUR –9.6m consists of the following items: “Amortisation on other intangible assets and software, depreciation on property, plant and equipment” in terms of amortisation on software and depreciation on equipment of EUR –5.6m (page 145), “Financial income” of EUR 3.0m and “Financial expenses” of EUR –6.4m (page 78). The “Result from currency translation” (EUR 1.2m) is adjusted for the expense/income from unrealised currency translation (EUR –1.8m) and thus included in the calculation in the amount of EUR –0.6m. Reorganisation expenses of EUR 22.3m and amortisation on other intangible assets (fund management contracts) of EUR 36.7m are also included in this item, but are neutralised (all page 40).

2.3.3 Financial Position of the PATRIZIA Group

PATRIZIA's Key Asset and Financial Data at a Glance 16

EUR k	31.12.2018	31.12.2017	Change
Total assets	1,778,446	1,252,394	42.0%
Equity (excl. non-controlling interests)	1,143,106	754,701	51.5%
Equity ratio	64.3%	**60.3%**	4.0 PP
Cash and cash equivalents	330,598	382,675	−13.6%
+ Term deposits	208,000	197,000	5.6%
+ Securities	3,000	5,000	−40.0%
− Bank Loans	0	0	–
− Bonded Loans	−300,000	−322,000	−6.8%
= Net cash (+)/net debt (−)	241,598	262,675	−8.0%
Net equity ratio [1]	**77.3%**	**81.1%**	**−3.8 PP**

1 Net equity ratio: Equity (excl. non-controlling interests) divided by total net assets (total assets less liabilities covered by cash in hand)

PP = percentage points

Total Assets

The Group's total assets grew to EUR 1.8bn in the year under review after EUR 1.3bn as at the end of 2017, in particular as a result of the consolidation of TRIUVA and Rockspring.

Equity

As a result of the first-time application of IFRS 9 (fair value approach to equity investments and claims to performance fees), equity was increased by EUR 297.3m on a one-time basis and by EUR 49.5m as a result of subsequent measurement during the 2018 financial year. Treasury shares were transferred as part of the consideration for the Rockspring acquisition, which drove up share capital and capital reserves by EUR 25.7m in total. Furthermore, the dividend payment to shareholders totalling EUR 21.2m and the share of the consolidated net profit attributable to the shareholders of the parent company of EUR 51.7m led to an increase in equity (excluding non-controlling interests) in the reporting period by 51.5% from EUR 0.8bn to EUR 1.1bn. Please see the statement of changes in equity for further information on changes in equity.

Investment Property and Inventories

In line with its strategy, PATRIZIA's real estate assets (principal investments) declined by 31.0% in the year under review, from EUR 115.8m as at 31 December 2017 to EUR 79.8m as at 31 December 2018.

17

EUR k	31.12.2018	31.12.2017	Change
Inventories	71,534	99,791	−28.3%
Investment property	8,308	15,979	−48.0%
Real estate assets	**79,842**	**115,770**	**−31.0%**

EUR 71.5m (2017: EUR 99.8m) of this is attributable to **inventories**. This item contains real estate only temporarily held for sale in the normal course of business or for subsequent contribution to a fund product for private and (semi-)professional investors. A further EUR 8.3m (2017: EUR 16.0m) relates to **investment property** originally purchased to be held to earn rentals in the longer term.

An overview of all PATRIZIA's participations, assets under management and invested capital can be found in the following table.

PATRIZIA's Capital Allocation as at 31 December 2018 18

	Assets under Management in EUR m	Invested capital (fair value) in EUR m	Invested capital (at cost) in EUR m	Participations in %
Third-party business	**34,324.4**			
Co-investments	**6,619.2**	**509.1**	**165.4**	
Residential	**5,565.3**	**481.1**	**144.3**	
GBW GmbH	4,281.5	139.9[1]	52.2	5.1
GBW performance fee claims	–	248.7[1]	0.0	0.1
WohnModul I SICAV-FIS	1,283.8	70.9	70.9	10.1
Harald	–	21.5[1]	21.1	5.1
Other	–	0.1	0.1	0.0
Commercial Germany	**1,051.7**	**26.0**	**19.3**	
Alliance	194.6	5.3[1]	5.4	5.1
Seneca	192.4	5.9[1]	4.9	5.1
PATRoffice	2.9	1.6[1]	1.1	6.3
sono west	48.5	8.8	3.5	28.3
TRIUVA/IVG logistcs	383.3	3.7[1]	3.6	2.1
TRIUVA/IVG commercial	230.0	0.7[1]	0.7	11.0
Commercial international	**2.2**	**2.0**	**1.9**	
Citruz Holdings LP (UK)	2.2	0.6[1]	0.5	10.0
First Street Development LTD (UK)	–	1.4	1.4	10.0
Principal investments	**79.6**	**79.8**		
Other balance sheet items	**–**	347.3[2]		
Tied-up investment capital	**41,023.2**	**936.2**		
Available liquidity	–	506.9		–
Total investment capital	**41,023.2**	**1,443.1**		
of which debt (bonded loans)	–	300.0		–
of which equity PATRIZIA (without minorities)	–	1,143.1		

1 After deduction of deferred taxes from the valuation according to IFRS 9
2 Including goodwill and fund management contracts

Capital Structure

Financial Liabilities

The Group's financial liabilities declined from EUR 322.0m as at 31 December 2017 to EUR 300.0m as at 31 December 2018. The bonded loan of EUR 300.0m raised in 2017 consists of three tranches of five, seven and ten years, and bears interest at both fixed and floating rates averaging 1.50% p.a. This bonded loan is recognised under non-current liabilities. PATRIZIA had no short-term bank loans outstanding as at the end of the year as the current bonded loan of EUR 22.0m was repaid on time and in full on 30 June 2018.

Financial liabilities developed as follows as against the end of 2017:

19

EUR k	31.12.2018	31.12.2017	Change
Non-current bonded loans	300,000	300,000	0.0%
Current bonded loans	0	22,000	−100.0%
Total financial liabilities	**300,000**	**322,000**	**−6.8%**

A detailed maturity profile of the liabilities can be found in note 5.4 of the Notes to the Consolidated Financial Statements.

Liquidity

PATRIZIA has available liquidity of EUR 506.9m as at 31 December 2018 compared to EUR 576.2m at the end of 2017.

20

EUR k	31.12.2018	31.12.2017
Cash and cash equivalents	330,598	382,675
Term deposits	208,000	197,000
Securities	3,000	5,000
Current liquidity	**541,598**	**584,675**
− Regulatory reserve for asset management companies	−26,185	−8,383
− TRIUVA transaction liabilities	−8,466	0
− Liquidity in closed-end funds business property companies	−61	−86
= Available liquidity	**506,886**	**576,206**

Current liquidity amounts to EUR 541.6m in total (2017: EUR 584.7m). However, PATRIZIA cannot freely access this amount. A total of EUR 211.0m is invested in securities and short-term deposits. The acquisition of TRIUVA and Rockspring gave rise to transaction-related liabilities, EUR 8.5m of which were not yet due as at the end of the reporting period. Furthermore, cash and cash equivalents of EUR 26.2m in total must be permanently retained for asset management companies and closed-end funds in order to comply with the relevant regulatory requirements. Accordingly, PATRIZIA has directly available cash funds of EUR 506.9m (previous year: EUR 576.2m).

Consolidated Cash Flow Statement

The cash flow used in **operating activities** amounted to EUR 53.3m in the year under review after a cash inflow of EUR 17.2m in 2017.

The cash outflow/inflow from operating activities (operating cash flow) resulted in some distortion from the regulatory and temporary inclusion of the closed-end investment KGs of PATRIZIA GrundInvest KVG mbH (closed-end funds business). The purchase of properties for subsequent placement as part of the closed-end funds business reduces the operating cash flow as an addition to inventories. From the Group's point of view, these properties are accounted for as inventories, as these recur in the context of the deconsolidation of closed-end investment companies when investors join. The financing of this measure is included in the cash flow from financing activities. When the corresponding companies from the Group are disposed of, the cash flow statement is hardly touched.

Due to the fact that these items are apportioned to the various cash flow positions, these – in total cash-neutral business transactions – result in a burden on the operating cash flow of EUR 70,711k. If the cash outflow from operating activities is adjusted for this effect, this would not have resulted in a cash outflow of EUR 53,347k in the financial year 2018 but would have resulted in a cash inflow of EUR 17,365k.

In addition, it should be noted that at the end of the year the Group recognised a not inconsiderable portion of the fees earned and received in 2018 (mainly from performance fees) within profit or loss. These fees thus had a positive effect on the consolidated net profit in 2018, but will not increase the operating cash flow until 2019 (when paid).

Investing activities resulted in a cash outflow of EUR 0.8m (2017: outflow of EUR 411.9m), essentially as a result of the proceeds from the sale of securities and the reclassification of term deposits with a term of more than three months. This was offset by the remaining payments for TRIUVA and Rockspring.

By contrast, there was a cash inflow from **financing activities** of EUR 2.1m after EUR 337.1m in the previous year. The most important elements of the company's financing activities in 2017 were the cash flows received from the bonded loan and a short-term bank loan for a closed-end fund, as well as the cash outflow as a result of the share buy-backs.

Accordingly, the **change in cash and cash equivalents** amounted to EUR −52.1m (2017: EUR −57.5m), meaning that cash and cash equivalents declined from EUR 382.7m at the end of 2017 to EUR 330.6m as at 31 December 2018.

Abridged Consolidated Statement of Cash Flows 21

EUR k	2018	2017	Change
Cash outflow/inflow from operating activities	−53,347	17,201	−410.1%
Cash outflow from investing/divesting activities	−779	−411,856	−99.8%
Cash inflow from financing activities	2,050	337,111	−99.4%
Change in cash and cash equivalents	−52,077	−57,544	−9.5%
Cash and cash equivalents as at 01.01.	382,675	440,219	−13.1%
Cash and cash equivalents as at 31.12.	330,598	382,675	−13.6%

2.3.4 Notes to the HGB Annual Financial Statements of PATRIZIA Immobilien AG (Holding Company)

The situation at the parent company PATRIZIA Immobilien AG is largely determined by the activities of the Group's operating companies.

As the financial and management holding company for these operating companies, PATRIZIA Immobilien AG generated **revenues** of EUR 20.9m (2017: EUR 16.8m; –24.2%), essentially in the form of management fees charged to the subsidiaries. **Other own work capitalised and other operating income** normalised at EUR 11.3m in 2018 after an unusually high level in the previous year on account of the merger between Harald GmbH and PATRIZIA Immobilien AG (2017: EUR 251.4m).

The **cost of materials** has now reached virtually zero. **Staff costs** increased by 10.6% to EUR 29.1m (2017: EUR 26.3m). This was essentially due to one-time payments in the context of the reorganisation. **Depreciation, amortisation and write-downs and other operating expenses** rose by 35.7% to EUR 50.4m (2017: EUR 37.1m) due to expenses for reorganisation and integration. **Income from participations, financial assets, profit transfers and loss absorption** increased to EUR 126.0m (2017: EUR 96.8m). This increase essentially results from higher income from profit transfers. At EUR –7.4m, **net interest expense** was less negative in 2018 than in the previous year (2017: EUR –11.8m). This was primarily on account of higher interest income from affiliated companies.

This resulted in a HGB **net profit** for the past year of EUR 58.0m (2017: EUR 270.4m) at PATRIZIA Immobilien AG. Together with the profit carried forward of EUR 430.1m and after deducting the difference of EUR 21.5m from the acquisition of treasury shares, this makes up the company's unappropriated profit. This unappropriated profit increased from EUR 405.3m to EUR 466.6m.

PATRIZIA Immobilien AG is expected to enjoy positive development in the 2019 financial year. Further information can be found in the Group forecast (note 5).

Abridged Consolidated Balance Sheet of PATRIZIA Immobilien AG 22

EUR k	31.12.2018	31.12.2017
Fixed assets	688,337	575,916
Current assets	612,722	668,452
Prepaid expenses	1,082	1,162
Total assets	**1,302,141**	**1,245,531**
Equity	741,495	677,599
Provisions	35,415	53,697
Liabilities	525,232	514,235
Total equity and liabilities	**1,302,141**	**1,245,531**

Abridged Income Statement of PATRIZIA Immobilien AG 23

EUR k	2018	2017	Change
Revenues	20,872	16,805	24.2%
Other own work capitalised and other operating income	11,298	251,436	–95.5%
Cost of materials (cost of purchased services)	–10	0	–
Staff costs	–29,131	–26,350	10.6%
Depreciation, amortisation and write-downs and other operating expenses	–50,373	–37,129	35.7%
Income from participations, financial assets, profit transfers and loss absorption	126,023	96,805	30.2%
Net interest expense	–7,438	–11,810	–37.0%
Taxes	–13,212	–19,353	–31.7%
Net profit for the year	**58,028**	**270,405**	**–78.5%**
Profit carried forward	430,108	181,017	137.6%
Purchase of treasury shares	–21,517	–46,091	–53.3%
Unappropriated profit	**466,619**	**405,331**	**15.1%**

3 Other Disclosures

3.1 Acquisition-related Disclosures

All of the arrangements are consistent with the standards for capital market-oriented German companies.

Composition of Share Capital, Share Classes

The company's share capital amounts to EUR 92,351,476.00, divided into 92,351,476 shares. These are no-par value bearer shares; there are no other share classes. The company held 1,291,845 treasury shares as at 31 December 2018.

Restrictions on Voting Rights and the Transfer of Shares

Each share grants the holder one vote. There are no restrictions on the voting rights or the transfer of shares (with the exception of individual shares transferred to third parties by PATRIZIA Immobilien AG in connection with company acquisitions with the condition that they may not be sold within a defined lock-up period). The Managing Board is not aware of any corresponding shareholder agreements. Treasury shares do not entitle the company to voting rights.

Direct or Indirect Interest in the Company's Share Capital of more than Ten Percent

As at 31 December 2018, Wolfgang Egger, CEO of PATRIZIA Immobilien AG, held an interest in the company's share capital totalling 51.71% via First Capital Partner GmbH, in which he directly and indirectly holds a 100% equity interest via WE Vermögensverwaltung GmbH & Co. KG.

Shares with Special Rights Conferring Powers of Control

There are no shares with special rights conferring powers of control.

Controls in Respect of Voting Rights for Shares Held by Employees

There are no controls in respect of voting rights.

Appointment and Dismissal of Members of the Managing Board, Amendments to the Articles of Association

The appointment and dismissal of members of the Managing Board is governed by section 84 of the German Stock Corporation Act (AktG) and supplemented by Article 6 of the Articles of Association of PATRIZIA Immobilien AG. Amendments to the Articles of Association are made in accordance with section 179 et seq. AktG in conjunction with Articles 16 and 21 of the Articles of Association. This makes use of the option granted by law of specifying a different capital majority.

Authorisation of the Managing Board to Issue and Buy Back Shares

By resolution of the Annual General Meeting on 20 June 2018, the Managing Board was authorised to purchase shares of the company amounting to up to 10% of the then existing share capital up to and including 19 June 2023; this corresponds to 9,235,147 shares. The authorisation may be exercised in whole or in part, on one or more occasions and in pursuit of one or more objectives by the company and its Group companies or by third parties acting on behalf of the company and its Group companies. The Managing Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to all of the company's shareholders, by means of a public invitation to sell or through the use of derivatives. The purchased shares may be subsequently used for all legally permissible purposes; in particular, they may be withdrawn, sold in exchange for cash or non-cash contributions or used to meet subscription or conversion rights.

By resolution of the Annual General Meeting on 16 June 2016, the Managing Board of the company was also authorised, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 37,000,000.00 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions on one or more occasions up to and including 15 June 2021 (Authorised Capital 2016/I). The Managing Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases. The full authorisation derives from Article 4 (3) of the Articles of Association.

The Annual General Meeting on 16 June 2016 also authorised the Managing Board, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 1,000,000.00 by issuing new no-par value bearer shares to be granted to employees of PATRIZIA Immobilien AG and its affiliated companies in exchange for cash contributions on one or more occasions up to and including 15 June 2021 (Authorised Capital 2016/II). The full authorisation derives from Article 4 (3a) of the Articles of Association.

Furthermore, the Managing Board is authorised, with the approval of the Supervisory Board, to issue convertible bonds, bonds with warrants, profit participation certificates, participating bonds or combinations of these instruments, dated or undated, of a nominal amount of up to EUR 950,000,000, and to grant the creditors or bearers of bonds conversion or option rights to shares in the company of a pro rata amount of share capital of up to EUR 41,800,000 in accordance with the terms and conditions of the respective convertible bonds, bonds with warrants, profit participation certificates or participating bonds on one or more occasions by 15 June 2021. Details can be found in Article 4 (4) of the Articles of Association.

Significant Agreements by the Company Contingent upon a Change of Control following a Takeover Bid

There are no agreements contingent upon a change of control following a takeover bid.

Compensation Agreements between the Company and Members of the Managing Board or Employees in the Event of a Takeover Bid

There are no compensation agreements with the members of the Managing Board or employees in the event of a takeover bid.

3.2 Remuneration Report

The remuneration report details the principles of the remuneration system for the Managing Board and Supervisory Board of PATRIZIA Immobilien AG and discloses the amount of the payments made to the individual members of the Managing Board and Supervisory Board for the 2018 financial year. The remuneration report takes into account all statutory provisions and complies with the recommendations of the German Corporate Governance Code with the caveat that there is no cap on the amount of the variable remuneration component.

Remuneration of the Managing Board

The remuneration system for the Managing Board was adopted by resolution of the Annual General Meeting on 23 June 2010. The amount and structure of the remuneration paid to the members of the Managing Board is defined and regularly reviewed by the Supervisory Board. The remuneration paid to the members of the Managing Board is based on their area of responsibility, the personal performance of the individual members and the Managing Board as a whole, and the economic and financial position and success of PATRIZIA. The remuneration paid to the members of the Managing Board is appropriate, performance-based and consistent with market conditions. It is composed of performance-related and non-performance-related components with a short-term and long-term incentive effect. There are no change of control clauses.

Non-Performance-Related Remuneration

Non-performance-related remuneration components are the fixed remuneration, which is paid as a monthly salary, pension contributions and benefits in kind and other benefits, which primarily comprise the amounts permitted to be recognized under tax law for insurance premiums and the use of a company car.

Performance-Related Remuneration

As a matter of principle, the performance-related variable remuneration components are calculated on the basis of the qualitative and quantitative targets defined at the start of the financial year. Three categories are defined: company targets, divisional targets and individual targets. The amount of variable remuneration depends on the degree to which the predefined targets are achieved, missed or exceeded.

The primary criterion for the achievement of the company targets is operating income, which is the Group's key management parameter. Every year, a specific quantitative target for the consolidated operating income to be achieved is defined on the basis of company planning. If operating income falls below 67% of the defined target, the members of the Managing Board receive no variable remuneration irrespective of which other targets, i.e. company, divisional or individual targets, are achieved. Further criteria for the achievement of the company targets are the development of PATRIZIA's share price relative to the DIMAX share index over a two-year period and the cost coverage ratio, the target for which is determined on the basis of company planning.

The figure defined for each target corresponds to a target attainment level of 100%. If the actual amount is 120% or more of the defined target, 150% of the variable remuneration is paid out; this also represents the defined cap for the maximum payable variable remuneration. In the event of target attainment of up to 80%, 50% of the variable remuneration is paid out (floor).

Short-Term and Long-Term Variable Remuneration Components

A variable remuneration amount is calculated for each predefined individual target based on the degree of target attainment. The total of all of these amounts is paid out in two components. Two-thirds of the amount is paid out in the next financial year, which is designated as a short-term component. The remaining one-third of the variable remuneration is paid out in the form of performing share units, i.e. not paid out directly. This is designated as a component with long-term incentive effect. Performing share units are virtual shares that entitle the beneficiaries to receive a monetary amount at the end of a defined performance period. Since the start of the 2014 financial year, PATRIZIA has defined this performance period as three years for all Managing Board members. The performing share units do not carry any voting or dividend rights. The variable remuneration component with long-term incentive effect is initially converted into performing share units at the average Xetra trading price for PATRIZIA's shares 30 days before and 30 days after 31 December of the respective financial year. The cash price equivalent of the shares calculated in this manner is paid out at the average Xetra trading price 30 days before and after 31 December of the third year following the respective financial year, i.e. after the end of the holding period. This serves to tie the variable remuneration component with long-term incentive effect to the company's share price performance. No cap has been defined for the fair value on the payment date.

Individual Components as a Proportion of the Total remuneration of the Managing Board

Assuming the company, divisional and individual targets for the respective year are met in full (100%), this results in the following approximate remuneration structure for the fair value on the grant date: The non-performance-related remuneration components account for around 36% of the total remuneration paid to Mr Egger and Mr Schmitt. Short-term variable remuneration payable immediately accounts for a further 43%. The long-term remuneration component in the form of performing share units accounts for around 21% of the total remuneration. The ratio for Mr Bohn is 41%/39%/20%, while the ratio for Ms Kavanagh is 36%/43%/21%.

Total Remuneration for the 2018 Financial Year

The remuneration of the members of the Managing Board for the 2018 financial year amounted to EUR 5.4m (2017: EUR 4.5m). Some of this amount was not yet paid out. The figure for 2018 contains 71,247 performing share units granted to the members of the Managing Board whose cash value equivalent will be paid out in the 2022 financial year (at the publication date of the annual report, provisions were recognised for 49,061 performing share units for the 2017 financial year; based on actual target attainment and the share price performance of PATRIZIA Immobilien AG 30 days before and after 31 December 2017, a total of 47,330 performing share units were allocated to be paid out in 2021). The total remuneration paid out for the members of the Managing Board in the year under review was EUR 4.4m (2017: EUR 4.0m).

The overview below corresponds to the model tables recommended in the German Corporate Governance Code, broken down into benefits granted to the members of the Managing Board for the financial year but not yet paid out in full and benefits actually paid out.

The individual members of the Managing Board were granted the following remuneration for the respective financial year:

Remuneration Granted Wolfgang Egger, CEO
Appointed: 21.08.2002
Appointed until: 30.06.2021

24

EUR k	2017	2018	2018 (min)	2018 (max)
Fixed remuneration	420	420	420	420
Fringe benefits	17[1]	1[1]	1[1]	1[1]
Total	**437**	**421**	**421**	**421**
One-time sign-on bonus				
One-year variable remuneration	546[2]	650[3]	0	750[4]
Performance share units tranche 2019–2021		325[3]	0	375[4]
Performance share units tranche 2018–2020	273[2]			
Total	**1,256**	**1,396**	**421**	**1,546**
Service cost	12	12	12	12
Total remuneration	**1,268**	**1,408**	**433**	**1,558**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2018 calendar year for 2017 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognized for monetary target attainment of 130% (exact amount to be determined in the course of settlement)
4 Corresponds to the maximum achievable variable remuneration of 150%

Remuneration Granted Karim Bohn, CFO
Appointed: 01.11.2015
Appointed until: 31.10.2023

25

EUR k	2017	2018	2018 (min)	2018 (max)
Fixed remuneration	360	420	420	420
Fringe benefits	11[1]	12[1]	12[1]	12[1]
Total	**371**	**432**	**432**	**432**
One-time sign-on bonus				
One-year variable remuneration	382[2]	520[3]	0	600[4]
Performance share units tranche 2019–2021		260[3]	0	300[4]
Performance share units tranche 2018–2020	191[2]			
Total	**944**	**1,212**	**432**	**1,332**
Service cost	12	12	12	12
Total remuneration	**956**	**1,224**	**444**	**1,344**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2018 calendar year for 2017 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognized for monetary target attainment of 130% (exact amount to be determined in the course of settlement)
4 Corresponds to the maximum achievable variable remuneration of 150%

Remuneration Granted Klaus Schmitt, COO

Appointed: 01.01.2006
Appointed until: 31.12.2020

26

EUR k	2017	2018	2018 (min)	2018 (max)
Fixed remuneration	420	420	420	420
Fringe benefits	21[1]	23[1]	23[1]	23[1]
Total	**441**	**443**	**443**	**443**
One-time sign-on bonus				
One-year variable remuneration	546[2]	650[3]	0	750[4]
Performance share units tranche 2019–2021		325[3]	0	375[4]
Performance share units tranche 2018–2020	273[2]			
Total	**1,260**	**1,418**	**443**	**1,568**
Service cost	24	24	24	24
Total remuneration	**1,284**	**1,442**	**467**	**1,592**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2018 calendar year for 2017 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognized for monetary target attainment of 130% (exact amount to be determined in the course of settlement)
4 Corresponds to the maximum achievable variable remuneration of 150%

Remuneration Granted Anne Kavanagh, CIO

Appointed: 15.04.2017
Appointed until: 14.04.2020

27

EUR k	2017	2018	2018 (min)	2018 (max)
Fixed remuneration	281	395	395	395
Fringe benefits	3[1]	6[1]	6[1]	6[1]
Total	**284**	**401**	**401**	**401**
One-time sign-on bonus		496	496	496
One-year variable remuneration	410[2]	612[3]	0	706[4]
Performance share units tranche 2019–2021		306[3]	0	353[4]
Performance share units tranche 2018–2020	205[2]			
Total	**899**	**1,815**	**897**	**1,956**
Service cost	32	43	43	43
Total remuneration	**931**	**1,858**	**940**	**1,999**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2018 calendar year for 2017 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognized for monetary target attainment of 130% (exact amount to be determined in the course of settlement)
4 Corresponds to the maximum achievable variable remuneration of 150%

The individual members of the Managing Board were paid the following remuneration for the respective financial year:

28

	Wolfgang Egger, CEO		Karim Bohn, CFO		Klaus Schmitt, COO		Anne Kavanagh, CIO	
Cash inflow EUR k	2017	2018	2017	2018	2017	2018	2017	2018
Fixed remuneration	420	420	360	420	420	420	281	395
Fringe benefits[1]	17	1	11	12	21	23	3	6
Total	**437**	**421**	**371**	**432**	**441**	**443**	**284**	**401**
One-time sign-on bonus							496	
One-year variable remuneration	530	546	391	382	476	546		410
Multi-year variable remuneration								
Performance share units tranche 2015–2017[2]		415	–	–	–	357		
Performance share units tranche 2014–2016[2]					507			
Total	**967**	**1,382**	**762**	**814**	**1,424**	**1,346**	**780**	**811**
Service cost	12	12	12	12	24	24	32	43
Total remuneration	**979**	**1,394**	**774**	**826**	**1,448**	**1,370**	**812**	**854**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Amount paid out in 2018 following the conversion of the performing share unit tranche 2015–2017 at the average share price of EUR 19.90

Remuneration of the Supervisory Board

The remuneration paid to the members of the Supervisory Board is determined by resolution of the Annual General Meeting and in the Articles of Association. The Supervisory Board receives fixed remuneration in line with market conditions paid in four equal instalments at the end of each quarter. No variable remuneration is paid.

As the Supervisory Board comprises three members, no committees are formed; this means the committee remuneration recommended by the German Corporate Governance Code is not relevant. If a Supervisory Board member is not a member of the Supervisory Board during the entire financial year, the respective fixed remuneration is paid on a pro rata basis. Supervisory Board members are also reimbursed for their expenses and any VAT payable on their remuneration and expenses.

The Supervisory Board was granted the following remuneration in the 2018 financial year:

Fixed Remuneration

29

in EUR	2018	2017
Dr Theodor Seitz, Chairman	40,000	40,000
Alfred Hoschek	30,000	30,000
Gerhard Steck (until 22.06.2017)	0	15,000
Uwe Reuter (from 22.06.2017)	30,000	15,000
Total	**100,000**	**100,000**

3.3 Corporate Governance Statement – Disclosures in Accordance with Section 289f HGB and Section 315d HGB

On 30 January 2019, the Managing Board of PATRIZIA Immobilien AG issued a corporate governance statement in accordance with section 289f HGB and section 315d HGB and made this statement publicly available on the company's website at www.patrizia.ag/en/shareholders/corporate-governance/corporate-governance-statement/.

3.4 German Corporate Governance Code – Disclosures in Accordance with Section 161 AktG (German Stock Corporation Act)

On 19 December 2018, the Managing Board and the Supervisory Board issued the annual statement of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 AktG (German Stock Corporation Code). This declaration was subsequently made permanently available to shareholders on the company's website at www.patrizia.ag/en/shareholders/corporate-governance/declarations-of-conformity/.

3.5 Transactions with Related Companies and Individuals

The Managing Board presented a dependent company report to the Supervisory Board with the following closing statement: "As the Managing Board of the company, we hereby declare that the company received appropriate compensation for each of the transactions contained in the dependent company report based on the circumstances known to us at the time those transactions were conducted. No measures subject to a reporting obligation were taken during the financial year."

Extensive information on business relationships with related companies and individuals can be found in note 9.2 of the Notes to the Consolidated Financial Statements.

4 Development of Risks and Opportunities

4.1 Management of Risks and Opportunities

A Group wide risk management system ensures that opportunities and risks are systematically identified recorded, managed and communicated both internally and externally when deemed relevant.

The aim is to collect relevant information about potential and actual risks and their direct and indirect financial consequences at an early stage and manage them to sustainably secure enterprise value. Overall responsibility for risk management lies with the Managing Board of PATRIZIA Immobilien AG. The monitoring and ongoing development of the risk management system is the responsibility of the Risk Management working group, which is composed of employees from the operating units and Corporate Reporting and Planning (CRP, previously named Controlling).

Opportunity management is handled in parallel to risk management. The aim is also to collect relevant information about opportunities and their potential direct and indirect financial upside at an early stage and pursue and manage them to sustainably secure and increase enterprise value.

The main opportunities for PATRIZIA lie in expanding the current product and client base as well as sourcing M&A opportunities and other alternative investment opportunities. The Product Development and Capital Markets departments develop new products and structures for clients. Strategic growth opportunities are identified by the Executive Committee of PATRIZIA, the Strategic Corporate M&A department and the Managing Board and systematically pursued.

In 2018 following the acquisitions of Sparinvest, TRIUVA and Rockspring, PATRIZIA moved into a new pan-European set-up and operating model with all functions cross border and collaboratively set up. This results in a strengthened local presence. Risk Management in all subsidiaries is part of the pan-European function's responsibility. Hence alignment and central knowledge sharing as well as management of risks is brought together through these functions and discussed in the Risk Management working group.

To strengthen the set-up, a new committee structure has been put in place to keep the information flow about potential risks and future opportunities and ensure alignment. This also ensures that all relevant parties, hereunder the Managing Board is informed and involved. The relevant committees consist of:

- Executive Committee
- Investment Committee
- Product Development & Fundraising Committee
- Fund Review Committee
- Technology & Innovation Committee
- Environmental, Social and Governance (ESG) Committee

AIFM risk management is a separate legislative requirement and handled across all regulated entities to meet the formal expectations and show best practise in AIFM risk management. Environmental, Social and Governance (ESG) issues are a further key element of the overall opportunity and risk management assessment of PATRIZIA and its importance has increased over the last year. For details please refer to chapter 1.5.

CRP reports Group financial data on a monthly basis. The reporting helps to identify potential negative developments at an early stage and to initiate countermeasures. Risks are evaluated in terms of their probability of occurrence and potential loss amount where deemed relevant on a Group level. This is used to determine the necessary actions to manage and if needed limit the impact of the respective risks by implementing operational measures e.g. change in process and, where deemed necessary, accounting related precautions such as the recognition of provisions. The analysis generally follows PATRIZIA's financial year and hence the budget period, however in the case of strategic material risks, the analysis extends beyond this period.

The risk management system is reviewed for efficiency and effectiveness in an annual internal risk audit. This audit results in a risk report illustrating all of the risks, operational measures and responsibilities previously examined by the responsible departments. In addition to the Managing Board, the responsible contact person in the individual functions are informed about the results of the risk assessment. In accordance with section 317 (4) of the German Commercial Code (HGB), the early risk detection system is also examined by the auditor. This risk audit, a review of opportunities as well as a general outlook form the basis for the summary below conducted by the relevant and responsible function as part of the Risk Management working group.

4.2 Accounting-Related Internal Control and Risk Management System – Disclosures in Accordance with Section 289 (4), Section 315 (4) HGB

Accounting and financial reporting risk describes the risk that our annual and quarterly financial statements could contain inaccurate information. To avoid sources of error, PATRIZIA has established an internal control system (ICS) for the accounting process that ensures the reliability of financial reporting and the preparation of annual and quarterly financial statements in line with regulatory and stock market requirements. At the same time, the ICS cannot provide absolute certainty. The members of the Managing Board of PATRIZIA Immobilien AG sign the quarterly responsibility statement confirming that accounting standards have been complied with and that the figures give a true and fair view of the company's net assets, financial position and results of operations. The starting point for the ICS is company planning based on the targets set by the Managing Board and expectations of operational business development. This serves to define the budget for the next financial year across the Group. Deviations between the budgeted and actual figures are reviewed and reported on a monthly basis. Regular updates are prepared for the current financial year based on the actual results achieved, the opportunities and risks identified and the outstanding budgeted values.

The ICS encompasses all measures and processes for timely recording of all business movements and positions in the accounting and the financial statements. It investigates changes in legislation and accounting standards and their consequences for the Group's accounting and financial statements. The consistent implementation of the principle of dual control ensures compliance with statutory provisions in the accounting-related processes. The basis for the ICS is provided by functional separation and approval rules supported by standardised control and coordination processes. All approvals are documented and archived.

Accounting for all operating companies in Germany is performed centrally at PATRIZIA headquarters. Accounting for the operating companies outside Germany is generally performed by the respective regional subsidiary. The basis for accounting is provided by uniform Group wide requirements within a central IT environment largely based on SAP. The data is consolidated in the Group Reporting & Consolidation unit. The employees involved in preparing the financial statements have received corresponding training and the responsibilities and controls within the preparation process are clearly defined.

The effectiveness of our accounting-related ICS is evaluated during the preparation of the financial statements and reviewed by the external auditor as part of its audit activities.

4.3 Significant Opportunity and Risk Categories

4.3.1 Market Risks and -Opportunities in the Economic Environment

Risks and opportunities of general economic development: The European real estate investment market is still defined by high demand, bolstered by favourable financing conditions and a lack of investment alternatives. At the top locations mainly favoured by investors, the shortage of supply and the rapid development in real estate prices have led to yields that are increasingly unappealing to investors. For this reason, investment focus shifted more and more to B and C locations, where a similar situation can now be seen. In light of this, market presence and a deep knowledge of market conditions are becoming ever more crucial for successfully establishing a footing in this market environment and being able to invest profitably. Risks to economic development and the development of the real estate markets still lie in European and geopolitical events, such as Brexit or the success of Eurosceptic movements, such as those in Italy. At the global level, there are risks in the unpredictable and protectionist nature of US trade policy, which could weaken the global economy with corresponding repercussions for the real estate markets. Although the ECB concluded its government bond purchase programme at the end of 2018, the most likely scenario for the current year is a very slow rise in both interest rates and government bond yields. Also, the current yield premium of real estate compared with long-term government bonds could undoubtedly absorb an interest rate rise of around 100 basis points without this leading to pronounced price corrections. It will not be possible to assess the impact of monetary policy normalisation until it becomes clear when and how quickly the ECB raises the key interest rate.

Residential real estate market: Above all, the fundamentally positive development of the European economy benefited economically strong metropolitan areas, which continued to experience population growth and therefore high demand for residential space. Construction activity proved too low overall to satisfy the strong demand. This led to higher rents, though these are increasingly subject to legal restrictions in some countries. The high level of institutional interest in residential real estate led to a severe shortage in product availability coupled with rising purchase prices. Given the shift in investor focus to B and C locations, this is now resulting in yield compression at these locations as well. Nonetheless, institutional investors are continuing to focus on residential real estate on account of the excess demand and an attractive yield premium compared to government bonds.

Commercial real estate market – office: The fact that economic growth in Europe was slightly lower in 2018 than in 2017 did not affect the European office real estate markets. Demand for office space climbed again in 2018. As a result of an only moderate increase in the number of buildings completed, the vacancy rate declined and prime rents rose on most European markets. Institutional investor demand for office real estate remained high in 2018, though transaction volumes were down relatively owing to weak product supply. Yield compression was observed on many markets, albeit to a lesser extent than in the preceding years. This is an indication that the situation could soon bottom out and prime yields could slowly rise again in the medium term. Demand for space will remain high in the coming year. This is likely to lead to a further rise in prime rents. As the high level of investor demand for office real estate is unlikely to decline in the coming year, a large transaction volume is anticipated in 2019 depending on product availability.

Commercial real estate market – retail: The European retail sector is in upheaval. Online retail is growing rapidly and increasingly absorbing private consumer spending. This is above all affecting retail locations outside city centres, where more and more vacancies are being reported, though this trend is also being observed in secondary inner-city locations. Retailers are getting more cautious about rentals and must implement new shop concepts in line with the online trend. They are also mainly looking for retail space in top locations. Institutional investor interest is therefore focused firstly on high-street properties, which have very limited availability, and secondly on retail sectors that are currently less exposed to changes caused by e-commerce, such as food retail. Consequently, the transaction volume declined compared to 2017 in 2018. Prime rents remained flat in many places as major retailers are no longer prepared to accept further rent increases and attempted to negotiate more flexible rental agreements. Prime rents declined slightly once again. The retail market will continue to be driven by the high street in future. However, product availability in this segment is extremely limited, thereby naturally restricting the potential transaction volume.

Commercial real estate market – logistics: The European logistics market was characterised by the fundamentally positive economic performance and high retail sales in 2018, though the European economy proved weaker year-on-year over the course of the year. Demand for space also fell short of the record 2017 year overall, but nevertheless remained at a high level and above the five-year average. New construction activity failed to keep up with demand and was dominated by built-to-suit developments[1]. The main drivers were retail and, to a rapidly growing extent, online retail – which indicates that the logistics market is increasingly becoming a derivative of retail. Rents rose slightly over the course of the year. This development looks set to continue in the next few years. In spite of this, prime rents dropped below 5% for the first time in the third quarter of 2018. Further, less dynamic yield compression is anticipated moving ahead.

4.3.2 Operational Risks

Acquisition and disposal of real estate: The sustained trend of strong demand for real estate continued in 2018. The transaction volume remained at the extremely high level recorded in the previous years. In a consistently relaxed monetary policy environment, international investors are continuing to make substantial investments in the European real estate markets. As a result, it remains extremely challenging for us to acquire suitable properties with risk-adjusted yields for our clients on an extremely competitive market.

Even in this environment, PATRIZIA succeeded in using its experience and its knowledge of the market in order to acquire attractive properties and portfolios for its clients – in some cases by addressing sellers directly in order to circumvent the competition – thereby enabling its clients to generate profits and optimize their portfolios through targeted disposals.

The continuous strategic enhancement of PATRIZIA's European platforms, including through the acquisitions announced at the end of 2017, is giving us broader access to additional attractive investment opportunities. As a result, PATRIZIA is seen as a reliable and professional partner for the rapid, faithful implementation of large-scale individual and portfolio investments not just in Europe, but increasingly worldwide as well.

Although it is a seller's market at present, there is a risk that real estate disposals, including the company's own holdings, will not be possible at the intended price.

Employees: The skills and motivation of PATRIZIA's employees are essential factors in the company's success. They help it to gain the confidence of its clients, tenants, financing banks, business partners and shareholders, thereby creating sustainable business relationships. The company's goal is to retain qualified employees within the Group for the long term. Employee development measures, deputisation arrangements and early succession planning are used to reduce the risk of fluctuation and knowledge drain, and to fill management positions internally. Being perceived as an attractive employer in a competitive employment market is another important factor in PATRIZIA's continued successful development.

Further information can be found in section 1.5.3.

1 Project developments built in close coordination with the future user so that it can optimally perform its business activities in the newly created space

IT security: Almost all significant business processes within the company are based on IT systems. Every disruption to the operation of the IT systems has consequences for our business activities. Substantial data losses can lead to serious financial losses, as well as adversely affecting the company's public image. To ensure the availability of business applications, almost all systems have been run redundantly in two physically separate data centres since the 2015 financial year. The ERP (enterprise resource planning) systems are also mirrored and run in parallel. These two measures ensure a significant reduction in downtime in the event of an emergency. Further protective measures, such as a NAC (network access control) solution and additional anti-malware mechanisms, serve to reduce the risk of damage from viruses, trojans and malicious software such as ransomware. System security precautions are rounded off by regular information activities to raise employee awareness (e.g. of phishing, social engineering or CEO fraud). Data is backed up regularly in order to prevent the technical loss of company data and ensure the reliability of IT operations. A password policy ensures that the passwords used are secure and that they are changed regularly. Another component of the security concept is two-factor authentication for remote dial-in – especially in view of the more widespread mobile use of the infrastructure.

Financing risk: Because of the solid structure of its statement of financial position, external financing is currently of only minor significance to the business model of PATRIZIA as a Group. The remaining real estate held and managed (principal investments) is no longer debt-financed. The risk that PATRIZIA will not be able to raise outside capital for any new principal investments – usually only as interim financing for closed-end funds or as early-stage investments with the intention of subsequent contribution to institutional funds – is currently very low. In May 2017, PATRIZIA raised an unsecured bonded loan with a total volume of EUR 300m via the capital markets. The issue met with strong demand and was several times oversubscribed. Together with the substantial cash funds at its disposal, this means PATRIZIA is able to respond to the capital requirements of new investments at any time. Furthermore, potential principal investments are always financed at property/portfolio level. PATRIZIA Immobilien AG raises debt finance as a service for its funds under management.

Loan conditions: The existing bonded loans contain various covenants, compliance with which is continuously monitored. Some of the loan agreements for property and portfolio financing as part of funds under management contain covenants, compliance with which is also continuously monitored. However, these covenants do not have any direct consequences for PATRIZIA.

Interest rate risks: The bonded loan with a total volume of EUR 300m contains three tranches with a combined volume of EUR 66m with a variable interest rate based on 3-month Euribor and no interest hedging agreement. Interest rate development is continuously monitored. There are no further interest rate risks for PATRIZIA Immobilien AG, as the company no longer has any bank loans and the remaining tranches of the bonded loan of EUR 234m have fixed interest rates.

Liquidity risks: There are no discernible risks of a liquidity bottleneck at present. As at 31 December 2018, PATRIZIA had cash and cash equivalents amounting to EUR 330.6m and short-term deposits amounting to EUR 211.0m for use in covering its operational liquidity requirements and for refinancing. PATRIZIA also anticipates additional cash surpluses from its operating business, which will be used in investment planning with matching maturities. The equity freed up by disposals from the residual principal investments also serves to increase the available liquidity. PATRIZIA uses cash pooling to optimize and control its Group-wide liquidity. Early warning indicators and comprehensive rolling planning are also used as preventive measures and ensure that the company is able to meet unexpected liquidity requirements.

Exchange rate risks: Most of the Group's subsidiaries and property companies are located in the European Monetary Union and hence are not subject to exchange rate risk. One exception is the regional subsidiaries in Denmark, Sweden, Finland, Poland and the United Kingdom, which execute investment management mandates and conduct acquisitions and disposals for the funds and as part of co-investments. PATRIZIA had foreign-currency investments of EUR 216.0m as at the end of the reporting period. Since the investments in these companies are made and shareholder loans are granted in the respective local currency, the subsidiaries and property companies are subject to the risk of exchange rate fluctuations. This position could increase further in future as the Group expands outside the euro zone. The Group's overall currency risk is regularly monitored and assessed in order to identify any need for action early on and to take countermeasures such as currency hedging.

Legal risks: PATRIZIA is represented in various jurisdictions. Individual companies are involved in various court and arbitration proceedings arising from their business operations. In some cases, out-of-court claims are also asserted against them. We monitor our contractual obligations and consult legal experts on contractual matters in order to minimize any legal risks. Provisions have been recognized for potential losses from pending litigation. Serious legal risks that would be critical to the company's future development are not discernible at the current time.

Accounting risks: When applying the accounting methods, discretionary decisions must be taken that can significantly influence the amounts in the financial statements. The consolidation, accounting and valuation methods used on the basis of the judgments made are presented in sections 1 to 3 of the Notes to the Consolidated Financial Statements.

Especially for the measurement of participations held by PATRIZIA, various judgements applied in accordance with IFRS 9 give rise to different fair values that must be recognised in the consolidated financial statements. The measurement of PATRIZIA's participation in the GBW Group (which has operated as DAWONIA since 2019) has been discussed and scrutinised in enforcement proceedings that are currently pending before the German Financial Reporting Enforcement Panel (FREP). These proceedings concern the consolidated financial statements as at 31 December 2016 and specifically the measurement of participations for which there is no quoted price on an active market. The proceedings were referred to the German Federal Financial Supervisory Authority (BaFin) at the end of January 2019. In the context of the initial application of IFRS 9, the existing equity investment of 5.1% and the investment through a carry vehicle were measured at fair value taking into account the additional investment income that can be calculated today as regards the planned recognition of additional investment income from a potential disposal of the participation. This gave rise to a remeasurement effect in equity totalling EUR 291.9m.

The remeasurement was recognised directly in other comprehensive income – taking deferred taxes into account. The German Financial Reporting Enforcement Panel is arguing that the remeasurement effect relating to the carry should not be classified as a gain on the remeasurement of an equity investment in the accounting sense, but rather as performance-based remuneration in accordance with IFRS 15. If the German Financial Reporting Enforcement Panel's opinion prevails, consolidated equity would be reduced by EUR 248.7m (in other comprehensive income) as at 31 December 2018. The additional investment income would then have to be recognised in profit or loss in the year it is actually received. As PATRIZIA still considers the method applied to date to be appropriate and the enforcement proceedings have not yet been concluded, the method previously applied has been retained in the consolidated financial statements as at 31 December 2018.

If the German Financial Reporting Enforcement Panel is successful and the German Federal Financial Supervisory Authority concurs with its opinion, the ongoing enforcement proceedings for the 2016 financial year could give rise to an increase in equity through other comprehensive income of around EUR 75.0m for 2016. However, this effect was already recognised in 2018 on account of the initial application of IFRS 9.

4.3.3 Partner Risks and Opportunities

Funds under management: In conjunction with the fund structures set up by PATRIZIA, there are risks and opportunities from service fee income, which is dependent on the value of the real estate assets under management, acquisitions and disposals and the yield generated on funds. This income can be negatively affected by depreciation and impairment on real estate, loss of rent and a reduced transaction volume. However, PATRIZIA serves a wide range of different funds and has access to a diverse range of suitable properties in Germany and abroad. As the properties included in the funds must be backed with corresponding equity, external financing can be obtained quickly and at favourable conditions. The level of investment activity is not currently expected to decline. The risk of a reduction in the planned distributions to investors is currently considered very low. Moreover, the company anticipates the opportunity to attract further new clients and to expand its fund business thanks to its fund performance and PATRIZIA's reputation. Additional opportunities are presented by the placement of closed-end funds, a business model that went operational at the start of 2016 and has since successfully launched ten real estate funds with properties around Europe.

As a real estate investment manager, PATRIZIA is also responsible for the management and optimization of third-party properties. Inadequate service performance could lead to dissatisfaction among clients or financial claims up to and including the loss of mandates, with corresponding consequences for the Group's results of operations. An extremely low probability of occurrence with minor financial consequences at worst is anticipated for 2019. As described above, there is an opportunity throughout the Group afforded by the favourable market conditions, which have also repeatedly triggered performance fees in recent years. Nevertheless, the PATRIZIA Group's business model is cautiously prepared for a potential slowdown in growth, and therefore the potential occurrence of the negative effects outlined above.

Funds under management | Co-investments: Through co-investments, PATRIZIA holds up to 10% in fund capital in its own right. Attracting clients and procuring the necessary equity with them is not typically a limiting factor. Ensuring the corresponding financing is also not seen as a risk. As discussed under “Acquisition and disposal of real estate”, the main obstacle at present is acquiring suitable real estate that meets the criteria of PATRIZIA and its clients.

Procurement of equity: In light of the high level of investor-side liquidity combined with pressure to invest and the shortage of viable alternatives to real estate investments, PATRIZIA does not anticipate any risk that it will lose business partners/investors or encounter problems in new acquisition. However, it has been observed that the attractiveness of real estate investments means that more and more new competitors are attempting to enter the market. This opinion is based on the current market situation and must be reassessed if market conditions change. The expansion of international fund business means PATRIZIA is increasingly dependent on large, international institutional clients, which could put pressure on the company's margins. However, this is counteracted by the sales strategy. As well as attracting additional international institutional investors in particular, this increasingly involves addressing private investors in Germany with our closed-end funds. Over 350 institutional investors now invest through PATRIZIA – from savings banks, insurance companies and pension funds through to sovereign wealth funds. More than 50% of these clients invest in multiple PATRIZIA products. PATRIZIA has significantly broadened its investor base by acquiring the companies Sparinvest (now PATRIZIA Multi Managers), TRIUVA and Rockspring. The greater diversification allows PATRIZIA to further reduce sales risks and margin pressure. The addition of discretionary funds to the product range also increases sales opportunities and opens up the chance for PATRIZIA to attract new clients.

4.4 Overall Assessment of Opportunities and Risks

Risk Management at PATRIZIA is a process that records risk positions, identifies changes in risk and defines appropriate countermeasures. In 2018, as in previous years, PATRIZIA examined the risk evaluation categories for the potential magnitude of losses where deemed relevant from all known risks. However, most of the potential risks PATRIZIA is facing are neither foreseeable nor something which can be proactively mitigated in advance e.g. changing market environment, political environment etc. It is therefore key to have the Risk Management working group in place to review and manage all operational areas as well as ongoing knowledge sharing across the Group to enable an early awareness of potential risks and initiate relevant counter measures. Taking into account all individual risks and a potential cumulative effect, the overall risk to which PATRIZIA is currently exposed is limited. Based on the information available and the medium-term planning for key investments, there is currently no evidence that crucial risks that could endanger the future development or continued existence of PATRIZIA stand alone and the PATRIZIA Group.

5 Forecast

5.1 Future Economic Conditions

Macroeconomic development: The euro zone economy is expected to remain robust in 2019, although GDP is set to be down slightly year-on-year at 1.9%. Although the ECB concluded its government bond purchase programme at the end of 2018, the most likely scenario for the current year is a very slow rise in both interest rates and government bonds. Inflation is expected to remain unchanged compared with 2018 at around 1.8%. Risks to economic development and the development of the real estate markets still lie in European and geopolitical events such as Brexit. At the global level, risks could arise from the unpredictable and protectionist nature of US trade policy, for example, which could weaken the global economy with repercussions for the real estate markets.

Development on the European real estate market: The European real estate markets are expected to continue to enjoy positive development in 2019. Demand for European real estate investments on the part of institutional investors will remain high, with investors increasingly turning to B and C locations – although the shortage of investment products in this segments is also becoming more and more evident. As such, limited product availability is set to remain one of the biggest challenges in 2019, thereby leading to further, albeit moderate, yield compression.

Source: PATRIZIA, Reuters, PMA

5.2 Expected Development of Results of Operations and Assumptions Concerning Target Attainment in 2019

The Group in general

The company has entered the 2019 financial year in a spirit of optimism and expects to successfully exploit market opportunities for its institutional, (semi-)professional and private investors once again in the form of attractive real estate fund products. On this basis, PATRIZIA is again anticipating strong transaction performance and growth in assets under management, with fee income from investment management continuing to increase and stabilise as a result.

Assets under management are expected to see organic growth of between EUR 3.0bn and EUR 4.0bn in the 2019 financial year. All in all, the company expects its assets under management to increase to EUR 44.0bn to EUR 45.0bn by the end of 2019.

PATRIZIA is forecasting **operating income** of between EUR 120.0m and EUR 130.0m in 2019 after EUR 141.4m in 2018. PATRIZIA expects performance fees to return to a normal level in 2019 after having an unusually pronounced impact on operating income in 2018. Accordingly, the operating income forecast for 2019 implies further year-on-year growth in recurring income, particularly in the form of management and transaction fees.

Summary of the Forecasts 30

EUR bn	Last forecast 2018	**Actual figures 2018**	Forecast 2019
Assets under management (organic growth)	Growth of EUR 2.0–3.0bn	**Growth of EUR 2.3bn**	Growth of EUR 3.0–4.0bn
Operating income	Slightly over EUR 140.0m	**EUR 141.4m**	EUR 120.0–130.0bn

Assumptions Concerning the Operating Income Forecast

Operating income of between EUR 120.0m and EUR 130.0m is expected for 2019. The following section discusses the assumptions and expectations underlying this forecast.

PATRIZIA is anticipating **management fees** for asset and portfolio management services of between EUR 180.0m and EUR 185.5m. The company expects the majority of net growth in assets under management to have a positive impact on management fees only in the second half of 2019 as the respective transactions are closed.

The company expects the transaction market to remain active in 2019 and is forecasting **transaction fees** of between EUR 55.0m and EUR 65.0m based on a signed transaction volume of between EUR 6.0bn and EUR 8.0bn.

Income from **performance fees** is determined by the yields achieved in excess of the agreed target yields. These result from the realisation of value-adding measures in particular. PATRIZIA expects to generate performance fees of between EUR 72.0m and EUR 80.0m in 2019.

Total service fee income is expected to amount to between EUR 307.0m and EUR 330.0m. In addition, **net sales revenues and co-investment income** are expected to amount to around EUR 30.0m.

Operating costs, which primarily comprise staff costs and non-staff operating expenses, are forecast at between EUR 207.0m and EUR 222.0m. This means the ratio of operating costs to average assets under management is expected to improve further compared with 2018 to between 0.48% and 0.53% in 2019.

A more precise forecast will be issued in the course of the year based on the company's operating performance.

5.3 Expected Development of Net Assets and Financial Position

PATRIZIA does not currently anticipate any significant changes in its net assets and financial position in 2019. However, PATRIZIA expects to have substantial cash and cash equivalents that are significantly in excess of the liabilities from the bonded loan once again in 2019.

5.4 Dividend Policy

The Managing Board and Supervisory Board of PATRIZIA Immobilien AG are proposing that the HGB unappropriated profit for the 2018 financial year in the amount of EUR 466.6m can be used to pay a dividend of EUR 0.27 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2018 attributable to shareholders of EUR 51.7m, this corresponds to a pay-out ratio of 48%. In the future, the growth rate of management fees and the growth rate of assets under management compared to the previous year will form the basis for the dividend proposal of the Managing Board and Supervisory Board of PATRIZIA Immobilien AG.

5.5 Management's Overall Assessment of the Outlook for 2019

PATRIZIA Set to Enjoy Further Positive Development in 2019

The results for the 2018 financial year serve to confirm that the acquisition of PATRIZIA Multi Managers, TRIUVA and Rockspring has led to a substantial improvement in PATRIZIA's market positioning, the further internationalisation of its business and a significant increase in stable and sustainable income from real estate management. With the market environment expected to remain positive and in light of the planned organic growth on the back of the significantly strengthened platform, PATRIZIA is anticipating a further increase in recurring income compared with the previous year and operating income of between EUR 120.0m and EUR 130.0m.

The outlook for 2019 and the statements concerning subsequent years take into account all events that could affect PATRIZIA's business development that were known when the consolidated financial statements were prepared.

Augsburg, 19 March 2019
The PATRIZIA Managing Board

Wolfgang Egger	**Karim Bohn**	**Anne Kavanagh**	**Klaus Schmitt**
CEO	CFO	CIO	COO

This report contains certain forward-looking statements that relate in particular to the business development of PATRIZIA, 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 statement or estimate inaccurate, or cause actual results to differ from the results currently expected.

ARTIFICIAL INTELLIGENCE

A Pioneering Participation

We have been a strategic investor in EVANA AG since 2018. The EVANA360 platform holistically covers all processes and documents relating to the property and the company. Self-learning artificial intelligence forms the analytical core of what is currently the most comprehensive product in the real estate industry. Therefore, as well as digitalising its own portfolio, PATRIZIA is laying down an important marker for the technological development of the industry through collaboration and enhancement of the platform.

100M

pages of documents are digitalised each year

EUR 60BN

real estate assets currently under managementut

2015

EVANA AG established as a start-up in Saarbrücken

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Balance Sheet

as at 31 December 2018

Assets

31

EUR k	Note	31.12.2018	31.12.2017
A. Non-current assets			
Goodwill	4.1.1	201,109	7,366
Other intangible assets	4.1.2	166,562	35,224
Software	4.1.3	11,396	11,207
Investment property	4.1.4	8,308	15,979
Equipment	4.1.5	5,890	4,483
Participations in associated companies	4.1.6	76,141	88,905
Participations	4.1.7	499,241	89,114
Non-current borrowings and other loans	4.1.8	27,513	23,291
Deferred tax assets	5.2	6,102	331
Total non-current assets		**1,002,262**	**275,900**
B. Current assets			
Inventories	4.3	71,534	99,791
Securities	4.5	3,011	5,010
Current tax assets	4.2	15,585	9,098
Current receivables and other current assets	4.4	355,456	479,920
Cash and cash equivalents	4.5	330,598	382,675
Total current assets		**776,184**	**976,494**
Total Assets		**1,778,446**	**1,252,394**

Equity and Liabilities

32

EUR k	Note	31.12.2018	31.12.2017
A. Equity			
Share capital	5.1.1	91,060	89,555
Capital reserves	5.1.2	155,222	129,545
Retained earnings			
Legal reserves	5.1.3	505	505
Currency translation difference	2.5	−15,605	−11,586
Revaluation reserve according to IFRS 9		49,503	0
Consolidated unappropriated profit		862,421	546,682
Non-controlling interests	5.1.5	10,682	1,691
Total equity		**1,153,788**	**756,392**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	110,387	15,833
Retirement benefit obligations	5.3	21,724	776
Bonded loans	5.4	300,000	300,000
Non-current liabilities	5.5	16,836	9,062
Total non-current liabilities		**448,947**	**325,671**
CURRENT LIABILITIES			
Bonded loans	5.4	0	22,000
Other provisions	5.6	23,530	16,083
Current liabilities	5.8	99,963	93,123
Tax liabilities	5.9	52,218	39,125
Total current liabilities		**175,711**	**170,331**
Total equity and liabilities		**1,778,446**	**1,252,394**

Consolidated Income Statement

for the Period from 1 January to 31 December 2018

33

EUR k	Note	2018	2017
Revenues	6.1	350,628	249,574
Income from the sale of investment property	4.1.4	828	691
Changes in inventories	6.2	−28,731	−39,909
Other operating income	6.3	20,698	17,294
Income from the deconsolidation of subsidiaries	2.1	317	1
Total operating performance		**343,740**	**227,651**
Cost of materials	6.4	−11,699	−17,450
Cost of purchased services	6.5	−15,679	−11,450
Staff costs	6.6	−124,954	−87,071
Changes in value of investment property	4.1.4	3,975	6,748
Other operating expenses	6.7	−90,742	−82,228
Impairment losses for trade receivables and contract assets	5.7	−1,059	0
Income from participations	6.8	28,042	49,315
Earnings from companies accounted for using the equity method	4.1.6	11,852	13,353
Cost from the deconsolidation of subsidiaries	2.1	−377	−750
EBITDAR		**143,099**	**98,118**
Reorganisation expenses	6.9	−22,318	−2,330
EBITDA		**120,781**	**95,788**
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	6.10	−42,235	−8,681
Earnings before interest and taxes (EBIT)		**78,546**	**87,107**
Financial income	6.11	3,021	914
Financial expenses	6.11	−6,436	−5,146
Result from currency translation	6.11	1,175	−2,747
Earnings before taxes (EBT)		**76,306**	**80,128**
Income taxes	6.12	−18,190	−21,230
Consolidated net profit		**58,116**	**58,898**
Earnings per share (undiluted/diluted) in EUR	6.13	0.57	0.60
Net profit for the period attributable to:			
Shareholders of the parent company		51,660	55,003
Non-controlling interests	5.1.5	6,456	3,895
		58,116	**58,898**

Consolidated Statement of Comprehensive Income

for the Period from 1 January to 31 December 2018

34

EUR k	2018	2017
Consolidated net profit	**58,116**	**58,898**
Items of other comprehensive income with future reclassification to profit/loss		
Profit/loss arising on the translation of the financial statements of foreign operations	−4,019	−783
Items of other comprehensive income without future reclassification to profit/loss		
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	49,503	0
Other comprehensive income	**45,484**	**−783**
Total comprehensive income for the reporting period	**103,600**	**58,115**
Total comprehensive income attributable to:		
Shareholders of the parent company	97,144	54,220
Non-controlling interests	6,456	3,895
	103,600	**58,115**

Consolidated Cash Flow Statement

for the Period from 1 January to 31 December 2018

35

EUR k	2018	2017
Consolidated net profit	58,116	58,898
Income taxes recognised through profit or loss	18,190	21,230
Financial expenses recognised through profit or loss	6,436	5,146
Financial income recognised through profit or loss	−3,021	−914
Income from divestments of participations, recognised through profit or loss	68	−12,801
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	42,235	8,681
Changes in value of investment property	−3,975	−6,748
Income from the sale of investment property	−828	−691
Expenses of the deconsolidation of subsidiaries	377	750
Income from the deconsolidation of subsidiaries	−317	−1
Other non-cash effects	−23,378	−22,564
Changes in inventories, receivables and other assets not attributable to investing activities	−111,450	−76,123
Changes in liabilities not attributable to financing activities	−4,156	61,749
Interest paid	−5,888	−2,680
Interest received	475	375
Income tax payments	−26,231	−17,105
Cash outflow/inflow from operating activities	**−53,347**	**17,201**
Investments in other intangible assets, software and equipment	−4,263	−4,170
Payments received from the disposal of other intangible assets, software and equipment	386	0
Payments received from the sale of investment property	12,588	3,822
Payments for the development of investment property	−56	−147
Payments for the acquisition of securities and short-term investments	−11,000	−238,000
Payments received from the disposal of securities and short-term investments	2,000	36,034
Payments for the acquisition of participations	−2,348	−1,751
Payments received from the equity reduction of participations	4,614	735
Payments received from the disposal of participations	2,733	27,627
Payments for investments in companies accounted for using the equity method	−5,278	−376
Payment received through distributions of companies accounted for using the equity method	9,732	10,740

EUR k	2018	2017
Payments received from the repayment of shares of companies accounted for using the equity method	16,766	0
Payments received from the disposal of companies accounted for using the equity method	3,393	0
Payments received from the repayment of loans to companies in which participating interests are held	0	7,942
Payments for loans to companies	−4,222	−23,741
Payments received from the disposal of consolidated companies and other business units	5,600	14
Payments for the disposal of consolidated companies and other business units	−595	−8,962
Payments for the acquisition of consolidated companies and other business units	−30,828	−221,623
Cash outflow from investing/divesting activities	**−779**	**−411,856**
Borrowing of loans	70,764	404,500
Repayment of loans	−24,827	−13,485
Payments to non-controlling interests	−23,431	−3,895
Payments of dividends to shareholders	−21,197	0
Payments to buy back treasury shares	0	−50,009
Payments received from the disposal of treasury shares	740	0
Cash inflow from financing activities	**2,050**	**337,111**
Change in cash and cash equivalents	**−52,077**	**−57,544**
Cash and cash equivalents as at 01.01.	**382,675**	**440,219**
Cash and cash equivalents as at 31.12.	**330,598**	**382,675**

Consolidated Statement of Changes in Equity

for the Period from 1 January to 31 December 2018

EUR k	Share capital	Capital reserves	Retained earnings (legal reservs)
As at 01.01.2017	**83,956**	**184,005**	**505**
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Issue of bonus shares	8,396	−8,396	0
Non-controlling interests arising from the inclusion of new companies	0	0	0
Share buy-back	−2,861	−47,147	0
Disposal of shares	64	1,083	0
Purchases of shares of non-controlling interests	0	0	0
Payout of proft shares to non-controlling interests	0	0	0
Net profit for the period	0	0	0
As at 31.12.2017	**89,555**	**129,545**	**505**
As at 01.01.2018 before retrospective changes according to IAS 1	**89,555**	**129,545**	**505**
Changes in course of first-time application of IFRS 9 financial instruments	0	0	0
As at 01.01.2018 after retrospective changes according to IAS 1	**89,555**	**129,545**	**505**
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Share buy-back	0	0	0
Disposal of shares	1,408	24,249	0
Expense incurred in issuing bonus shares	0	0	0
Non-controlling interests arising from the inclusion of new companies	0	0	0
Non-controlling interests arising from the sale of shares	0	0	0
Purchases of shares of non-controlling interests	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
Disposal of shares of non-controlling interests	0	0	0
Reclassification of guaranteed dividend	0	0	0
Changes in course of revaluation of IFRS 9 financial instruments	0	0	0
Dividend distribution to shareholders in cash	0	0	0
Dividend distribution to shareholders by issuing treasury shares	96	1,428	0
Net profit for the period	0	0	0
As at 31.12.2018	**91,060**	**155,222**	**505**

36

Currency translation difference	Revaluation reserve according to IFRS 9	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of non-controlling interests	Total
−10,803	**0**	**491,679**	**749,342**	**1,691**	**751,033**
−783	0	0	−783	0	**−783**
0	0	0	0	0	**0**
0	0	0	0	0	**0**
0	0	0	−50,009	0	**−50,009**
0	0	0	1,148	0	**1,148**
0	0	0	0	0	**0**
0	0	0	0	−3,895	**−3,895**
0	0	55,003	55,003	3,895	**58,898**
−11,586	**0**	**546,682**	**754,700**	**1,691**	**756,392**
−11,586	**0**	**546,682**	**754,700**	**1,691**	**756,392**
0	0	297,312	297,312	0	**297,312**
−11,586	**0**	**843,994**	**1,052,012**	**1,691**	**1,053,704**
−4,019	0	0	−4,019	0	**−4,019**
0	0	0	0	0	**0**
0	0	0	25,658	0	**25,658**
0	0	0	0	0	**0**
0	0	0	0	15,437	**15,437**
0	0	0	0	0	**0**
0	0	−10,512	−10,512	−5,600	**−16,112**
0	0	0	0	−2,819	**−2,819**
0	0	0	0	0	**0**
0	0	0	0	−4,500	**−4,500**
0	49,503	0	49,503	17	**49,520**
0	0	−21,197	−21,197	0	**−21,197**
0	0	−1,524	0	0	**0**
0	0	51,660	51,660	6,456	**58,116**
−15,605	**49,503**	**862,421**	**1,143,105**	**10,682**	**1,153,788**


LOCAL AUTHORITIES
BANKS
SOCIETY
EMPLOYEES
USERS
TENANTS
OWNERS
SHAREHOLDERS
ADVISORS
SUPPLIERS
PRESS
PEOPLE
CLIENTS
INST.INVESTORS
RETAIL INVESTORS
WHY
The leaves/flowers „individual Stakeholders" fertilises the soil „DNA"
The branches „Stakeholder Groups" gives life to leaves/ flowers „individual Stakeholders"
The trunk „WHY" ensures the growth of the branches „Stakeholder Groups"
The roots „Corporate Culture" gives life to the trunk the „WHY"
The soil „DNA" – if tight cultivates the roots „Corporate Culture"

THE WHY

Building Communities & Sustainable Futures

At PATRIZIA we believe performance is driven by innovative minds. We aim always to be ahead and to deliver a positive impact. This is the foundation of our operational excellence in which our stakeholders trust. We are determined to be the industry benchmark.

>800
diverse employees

1
common purpose

NOTES

IFRS – Notes to the Consolidated Financial Statements

for the Period from 1 January to 31 December 2018

General Information

PATRIZIA Immobilien AG (hereinafter also referred to as PATRIZIA or the Group) is a listed German stock corporation. The registered office of the company is Fuggerstrasse 26, 86150 Augsburg (Augsburg Local Court, HRB 19478). PATRIZIA is a global partner for pan-European real estate investments and one of the leading independent real estate investment companies in Europe. Around 800 employees (FTE) are on hand for its clients in more than 15 European real estate markets. The company is also represented in New York, Hong Kong, Seoul, Melbourne and, since 2019, Tokyo. PATRIZIA provides a wide range of services from asset management, portfolio management and implementation of purchase and sales transactions for almost all investment classes to alternative investments and project developments. As a result, client preferences and requirements can be met extensively in an client-specific manner. Its clients include institutional and (semi-)professional investors such as insurance firms, pension fund institutions and sovereign funds from Germany, Europe, the US and Asia in addition to private investors. PATRIZIA develops bespoke products for its clients in line with their individual return expectations, diversification objectives and risk styles.

1 Principles Applied in the Preparation of the Consolidated Financial Statements

The consolidated financial statements of PATRIZIA Immobilien AG as at 31 December 2018 have been prepared in accordance with IFRS and in compliance with the provisions of German commercial law in line with section 315e of the Handelsgesetzbuch (HGB – German Commercial Code). All effective 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 by the end of the reporting period.

Reporting in the statement of financial position is based on the maturity of the corresponding assets and liabilities. Assets and liabilities are considered current if they are expected to be realised or repaid within the Group's normal operating cycle. The income statement was prepared in line with the nature of expense method.

The financial year is the calendar year. The consolidated financial statements are prepared in euro. The amounts, including the previous year's figures, are shown in thousands of euro unless stated otherwise. Please note that differences can occur when using rounded amounts and percentages.

1.1 New Financial Reporting Standards Effective in the Financial Year

As at the time of the preparation of the consolidated financial statements, the following new and amended standards and interpretations are effective for the first time in the reporting year:

37

Standard	Title
IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
Amendments IFRS 2	Classifcation and Measurement of Share-based Payment Transactions issued
Amendments IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments IAS 40	Transfers of Investment Property
AIP 2014–2016	IFRS Improvements
IFRIC 22	Foreign Currency Transactions and Advance Consideration

With the exception of IFRS 15 and IFRS 9, the standards and interpretations effective for the first time as at 1 January 2018 had no effect on the consolidated financial statements.

1.2 Changes in Key Accounting Policies in the Financial Year

The Group applied IFRS 15 and IFRS 9 for the first time as at 1 January 2018.

As a result of the transition methods chosen by the Group for the initial application of IFRS 9 and IFRS 15, the comparative information in these financial statements has not been restated in line with the requirements of the new Standards.

The effects of the initial application of these Standards essentially result from:

– the measurement and classification of equity investments classified as available for sale under IAS 39 at fair value through other comprehensive income (FVTOCI)

The impact of the application of the IFRS 9 impairment model on the items of the opening statement of financial position as at 1 January 2018 were assessed as immaterial.

Furthermore, the initial application of IFRS 15 did not result in any material adjustments to the items of the opening statement of financial position as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 creates a comprehensive framework for determining whether, in what amount and when revenue should be recognised. It replaces the existing guidance on the recognition of revenues, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15, revenue is recognised when a customer achieves control of goods or services. Judgement is required in determining the transaction price for variable consideration and whether control is transferred at a point in time or over time.

In transitioning to IFRS 15, PATRIZIA applied the modified retrospective method (with practical expedients), whereby any cumulative adjustments are recognised as at 1 January 2018. The comparative information for 2017 has therefore not been restated, i.e. it was presented as before in accordance with IAS 18, IAS 11 and the corresponding Interpretations. Furthermore, the disclosure requirements of IFRS 15 were generally not applied to comparative information.

An analysis of the Group's contracts with customers did not result in any significant initial application effects, hence the consolidated unappropriated profit was not restated as at 1 January 2018.

The application of IFRS 15 also had no material impact on the relevant items of the consolidated statement of financial position as at 31 December 2018 or the consolidated statement of comprehensive income for the 2018 financial year.

Please see note 6.1 "Revenues" for further information on revenue from contracts with customers.

IFRS 9 Financial Instruments

IFRS 9 governs the requirements for accounting for financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial contracts. It supersedes IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the introduction of IFRS 9, the Group has implemented consequential amendments under IAS 1 Presentation of Financial Statements, which require for impairment losses on financial assets to be reported in a separate item of the statement of comprehensive income. The Group had previously reported impairment losses on trade receivables in other operating expenses. The Group did not reclassify the prior-year amounts. Furthermore, the Group has made consequential amendments under IFRS 7 Financial Instruments: Disclosures in the notes to the financial statements for the 2018 financial year. However, these were generally also not applied to the comparative information.

The following tables show the effects of the transition to IFRS 9 on the opening values of consolidated unappropriated profit and the items of the statement of financial position:

Consolidated Unappropriated Profit/Retained Earnings 38

EUR k	
Adjustment due to FVTOCI-valuation on equity investments	347,666
Tax effect	–50,354
Effect due to first-time application of IFRS 9 on the opening balance sheet values as at 1 January 2018	**297,312**

Assets

39

EUR k	31.12.2017	Change	01.01.2018
A. Non-current assets			
Participations	89,114	347,666	436,780
Total non-current assets	**89,114**	**347,666**	**436,780**
Total Assets	**89,114**	**347,666**	**436,780**

Equity and Liabilities

EUR k	31.12.2017	Change	01.01.2018
A. Equity			
Consolidated unappropriated profit	546,682	297,312	843,994
Total equity	**546,682**	**297,312**	**843,994**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15,833	50,354	66,187
Total non-current liabilities	**15,833**	**50,354**	**66,187**
Total Equity and Liabilities	**562,515**	**347,666**	**910,181**

Accounting Policies in Accordance with IFRS 9

Classification and measurement of financial assets and financial liabilities

IFRS 9 introduces three basic categories for the classification of financial assets:

— amortised cost;
— fair value through other comprehensive income (FVTOCI); and
— fair value through profit or loss (FVTPL).

Under IFRS 9, financial assets are classified on the basis of the entity's business model for managing financial assets and the characteristics of contractual cash flows. IFRS 9 eliminates the previous categories under IAS 39: held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the underlying financial asset falls within the Standard's scope are never accounted for separately. Instead, the hybrid financial instrument as a whole is considered for classification.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

The following table shows the original IAS 39 measurement category and the new IFRS 9 measurement category as at 1 January 2018 for each class of financial assets and financial liabilities formed by the Group.

The effects of the initial application of IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 result exclusively from the fair value measurement of equity investments in other comprehensive income.

Financial Assets 40

EUR k	Initial valuation category according to IAS 39	New valuation category according to IFRS 9	Initial carrying amount according to IAS 39 31.12.2017	Effect of reclassification	Effect of revaluation	**New carrying amount according to IFRS 9 01.01.2018**
Equity investments/participations	Available for sale	FVTOCI	89,114	0	347,666	436,780
Non-current loans	Loans and receivables	Mandatory FVTPL	7,346	0	0	7,346
Other lendings	Loans and receivables	Amortized cost	15,945	0	0	15,945
Trade receivables and other financial assets	Loans and receivables	Amortized cost	479,920	0	0	479,920
Securities	Held to maturity	Amortized cost	5,010	0	0	5,010
Cash and cash equivalents	Loans and receivables	Amortized cost	382,675	0	0	382,675
Total financial Assets			**980,010**	**0**	**347,666**	**1,327,676**

Financial Liabilities 41

EUR k	Initial valuation category according to IAS 39	New valuation category according to IFRS 9	Initial carrying amount according to IAS 39 31.12.2017	Effect of reclassification	Effect of revaluation	New carrying amount according to IFRS 9 01.01.2018
Financial liabilities (bank, mortgage and bonded loans)	Financial liabilities at cost	Other financial liabilities	322,000	0	0	322,000
Trade payables	Financial liabilities at cost	Other financial liabilities	3,421	0	0	3,421
Liabilities from services purchased before the end of the reporting period	Financial liabilities at cost	Other financial liabilities	21,003	0	0	21,003
Contractual liabilities of prepayments from property sales	Financial liabilities at cost	Other financial liabilities	3,213	0	0	3,213
Liabilities from settled performance fees owed attribut-able to future periods	Financial liabilities at cost	Other financial liabilities	17,186	0	0	17,186
Subtotal financial liabilities			**366,823**	**0**	**0**	**366,823**
Other liabilities	Financial liabilities at cost	Other financial liabilities	16,856	0	0	16,856
Total financial liabilities			**383,679**	**0**	**0**	**383,679**

Equity investments are investments that the Group intends to hold for the long term for strategic reasons. In accordance with IFRS 9, the Group has therefore classified these participations as FVTOCI as at the date of initial application. The Group believes that designation as FVTOCI allows more meaningful accounting for its strategic investments in the statement of financial position. Unlike under IAS 39, the cumulative fair value reserve in connection with these investments is never reclassified to the income statement.

Long-term loans ("loans and receivables" under IAS 39) whose cash flows do not consist solely of payments of principal and interest are measured at FVTPL in accordance with IFRS 9. The carrying amount under IAS 39 was the fair value as at the date of initial application.

Other loans, trade receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified as at amortised cost, as are securities that were previously classified as held to maturity.

Impairment of Financial Assets

IFRS 9 replaces the IAS 39 incurred loss model with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at FVTOCI, but not to equity investments held as investment securities. In the Group, the following classes of financial instruments are subject to the IFRS 9 impairment model:

- other loans
- trade receivables and other financial assets
- securities
- cash and cash equivalents

Credit losses are recognised sooner under IFRS 9 than under IAS 39. The Group has determined that the additional impairment losses arising from the application of the impairment provisions of IFRS 9 as at 1 January 2018 are not material. The consolidated unappropriated profit has therefore not been adjusted.

Additional information on the calculation of the Group's impairment losses can be found under note 5.7.

Hedge Accounting

The Group did not use hedging accounting either at the end of the reporting period or at the date of initial application of IFRS 9.

Exercise of Transitional Regulations due to Initial Application of IFRS 9

The changes in accounting policies due to the application of IFRS 9 were applied as described below:

- The Group exercised the exemption allowing it not to restate comparative information for previous periods in respect of changes in classification and measurement (including impairment). Differences between the carrying amounts of financial assets and financial liabilities due to the application of IFRS 9 are therefore recognised in consolidated unappropriated profit as at 1 January 2018. Thus, the information shown for 2017 is not generally in accordance with the requirements of IFRS 9, but rather those of IAS 39.
- The following assessments were made on the basis of the facts and circumstances as at the time of initial application:
  - determination of the business model in which a financial asset is held
  - determination and revocation of prior conditions in relation to certain financial assets and financial liabilities measured at FVTPL
  - determination of certain equity investments held as financial assets not held for trading as FVTOCI

If an investment in a debt instrument (loans and other borrowings) had a low credit risk as at the date of initial application of IFRS 9, the Group has assumed that the credit risk of the asset had not increased significantly since its initial recognition.

1.3 New Financial Reporting Standards Effective in Future Periods

The following standards, amendments to standards and interpretations had already been published by the IASB at the time the consolidated financial statements were prepared, but will only become effective in later reporting periods and will not be applied early by the Group:

42

Standards	Title	Date of adoption [1]	Planned adoption
Endorsed			
IFRS 16	Leases	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	01.01.2019
Amendments IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	01.01.2019
Amendments IFRS 9	Prepayment Features with Negative Comensation	01.01.2019	01.01.2019
Endorsement pending			
AIP 2015–2017	IFRS Improvements	01.01.2019	01.01.2019
Amendments IAS 19	Plan Amendment, Curtment or Settlement	01.01.2019	01.01.2019
Amendments IFRS 3	Definition of a Business	01.01.2020	01.01.2020
Amendments IAS 1/IAS 8	Definition of Material	01.01.2020	01.01.2020
Amendments Framework	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	01.01.2020
IFRS 17	Insurance contracts	01.01.2021	01.01.2021

1 Adjusted by EU endorsement, if applicable

IAS 16 Leases

The International Accounting Standards Board published the final version of IFRS 16 Leases in January 2016.

IFRS 16 sets out principles for the recognition, measurement, reporting and disclosures in the notes for leases, thus ensuring that lessees and lessors provide relevant information on the effects of leases.

The application of IFRS 16 will change the presentation of expenses in connection with these leases in the consolidated income statement. IFRS 16 replaces the previous operating expenses with write-downs for right-of-use (ROU) assets and interest expenses with lease liabilities. In future, assets (from the right of use) and liabilities (from the lease obligation) will be shown in the statement of financial position.

The incremental borrowing rate is based on the interest rate that the company would have to use for borrowing under comparable economic conditions.

IFRS 16 also requires detailed disclosures (including on the presentation format). Among other things, qualitative and quantitative information on leasing activities is required to satisfy disclosure requirements.

The standard is effective for the first time for annual periods beginning on or after 1 January 2019.

The following were identified within the Group as leases relevant under IFRS 16 in which the Group is the lessee:

- rental agreements for business premises
- IT equipment
- car leases

As at 31 December 2018, the Group had payment obligations of EUR 16,140k from the above non-cancellable leases and rental agreements (see note 9.4). A preliminary assessment indicates that the existing obligations from leases and rental agreements of EUR 15,313k constitute leases within the meaning of IFRS 16, and therefore corresponding rights of use and lease liabilities would have to be recognised if IFRS 16 were applied, unless the exceptions for short-term leases or low-value assets apply in individual cases.

For finance leases in which the Group is the lessor, it is assumed that the application of IFRS 16 will not have a material impact on the consolidated financial statements. However, the new Standard provides for new and more comprehensive disclosure requirements.

The framework for implementing the requirements of IFRS 16 in the enterprise resource planning (ERP) software used was established in an internal project and with the support of an external IT service provider in the 2018 financial year.

The Group intends to use the modified retrospective approach in initial application. The effect of the initial application of this standard is recognised in equity as an adjustment to the opening statement of financial position. The Group intends to apply the practical expedient of IFRS 16.C3 for lessees on initial application, whereby an entity does not have to reassess whether or not a contract is a lease as at the date of initial application. In its capacity as lessor, the Group is not required to make adjustments for leases when it transitions to IFRS 16, except possibly in the case of sub-leases; IFRS 16 applies to these leases from the date of initial application.

2 Consolidated Group and Consolidation Methods

2.1 Consolidated Group

The consolidated financial statements of PATRIZIA Immobilien AG include the financial statements of the parent company and the companies it controls (its subsidiaries). The company achieves control when:

- it can exercise control over the investee;
- whose return is dependent on the performance of the equity investment; and
- it can use its control to influence the amount of returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three criteria for control.

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee. The results of subsidiaries acquired or disposed of during the year are recognised in the consolidated income statement and in other comprehensive income from the actual date of acquisition or until the actual date of disposal.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full on consolidation.

All companies included in the consolidated financial statements of PATRIZIA Immobilien AG are listed in the list of shareholdings (annex to the notes). The subsidiaries shown in the list with a profit transfer agreement – except PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH (formerly: PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH), PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH (formerly: PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH) and PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH (formerly: TRIUVA Kapitalverwaltungsgesellschaft mbH) – use the practical expedient of section 264(3) HGB. The partnerships also shown in the list of shareholdings use the practical expedient of section 264b HGB.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control over an economic arrangement. This exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

An associate is an entity over which the investor has significant influence. Significant influence is presumed if a direct or indirect share of the voting rights of at least 20% is held in another company. The presumption of significance is rebuttable if, despite a share of voting rights of 20% or more, the ability to influence operating and financial policies is prevented by contractual regulations and the exercisable rights are merely protective rights.

Under the equity method, investments in associates or joint ventures are included in the consolidated statement of financial position at cost, reflecting changes in the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the acquisition date. Losses of an associate or joint venture that exceed the Group's interest in that associate or joint venture are not recognised.

The basis of consolidation includes 113 (previous year: 99) subsidiaries by way of consolidation in addition to the parent company. There are also three equity investments accounted for using the equity method in the consolidated financial statements. These are a limited liability partnership under UK law, a German stock corporation and a SICAV (investment company with variable capital) under Luxembourg law. While PATRIZIA has significant influence on the management of the SICAV, it does not control it as it is controlled by the majority investor. Furthermore, there are holdings of 28.3% in the limited liability capital of a project development company (legal form: GmbH & Co. KG) and 30% in the associated general partner (GmbH). There is no significant influence over this company as it cannot be managed or significantly influenced on account of company law regulations and there is no right to make appointments to its executive bodies. The shares in this project development company are measured at fair value through other comprehensive income (FVTOCI).

The reporting dates of the subsidiaries included in the consolidated financial statements are the same as that of the parent company. Their financial statements were prepared using uniform accounting policies.

45 companies have not been included in the consolidated group as at the end of the reporting period as they have only minor or no business operations, and are immaterial to the Group and a true and fair view of its financial position and performance.

Business Combinations, Disposals and Intragroup Restructuring

The number of Group companies included in the consolidated financial statements developed as follows in the reporting period:

Group Companies 43

As at 01.01.2018	**99**
Companies acquired	17
New companies founded	11
Mergers	–4
Companies deconsolidated	–10
As at 31.12.2018	**113**

Transactions material to the Group are explained below under business combinations, disposals and intragroup restructuring.

Acquisitions of Subsidiaries

Rockspring

Effective 23 March 2018, PATRIZIA Immobilien AG directly, and indirectly through a subsidiary, acquired 94.9% of shares in PATRIZIA Property Holdings Limited (formerly: Rockspring Property Holdings Limited; hereinafter: Rockspring), London, UK. For reasons of simplicity and expediency, it was included in consolidation for the first time as at 31 March 2018. There were no significant events between the actual acquisition date and the date of initial consolidation.

The London investment manager Rockspring had more than 120 institutional investors in 20 countries as at the acquisition date. As an expert in fund management, the company manages real estate investments amounting to around EUR 7.0bn, predominantly in the office and retail sectors with its approximately 110 employees at seven European locations. Rockspring offers PATRIZIA a complementary investor structure. For instance, 31% of its institutional investors are from the UK, 27% from the Asia-Pacific region, 5% from North America and the remaining 37% from continental Europe not including Germany.

PATRIZIA is also broadening its product range, enabling institutional, (semi-)professional and private investors to invest even more widely in different countries, types of use and risk classes.

The rights and liabilities were transferred on the basis of the provisions of the purchase agreement as at 23 March 2018. PATRIZIA also achieved economic control of Rockspring by expanding and appointing new members to Rockspring's decision-making body as at 23 March 2018.

44

Company	Main activity	Date of acquisition	Acquired shares
PATRIZIA Property Holding Limited	Investment management	23.03.2018	94.9%

a) Assets Acquired and Liabilities Assumed

The calculation and allocation of the consideration transferred to the assets and liabilities of the acquired company was complete as at the time of the publication of PATRIZIA's consolidated financial statements.

The calculated fair values of the assets and liabilities acquired recognised as at the time of acquisition are as follows as at 31 March 2018:

Fair Value 45

EUR k	
Other intangible assets	64,851
Equipment	1,732
Participations	6,624
Total non-current assets	**73,207**
Securities	1
Current tax assets	204
Current receivables and other current assets	19,265
Cash and cash equivalents	15,277
Total current assets	**34,747**
Total assets	**107,954**
Deferred taxes	12,951
Total non-current liabilities	**12,951**
Short-term bank loans	2,827
Current liabilities	19,974
Tax liabilities	1,346
Total current liabilities	**24,147**
Total liabilities	**37,098**
Net assets	**70,856**
Non-controlling interests in the net assets	−3,614
Goodwill	62,372
Total consideration paid	**129,614**

The fair value of the receivables is essentially the gross amount and the recognised amount of the receivables.

The identified goodwill from the acquisition of Rockspring mainly results from the anticipated synergy effects from integrating the company into PATRIZIA.

The goodwill will not be tax deductible in future periods.

b) Consideration Transferred and Transaction Costs

The calculated consideration (not including transaction costs) of EUR 129,614k consists of cash funds of EUR 104,696k and treasury shares of EUR 24,918k. The 1,362,379 treasury shares were measured at their closing price (Xetra) of EUR 18.29 as at the acquisition date.

The transaction costs already incurred of EUR 653k (previous year: EUR 2,952k) were reported as an expense under other operating expenses.

c) Net Outflow of Cash Funds for the Acquisition

46

EUR k	
Consideration paid in the form of cash and treasury shares	129,614
Less cash acquired	–15,277
Net cash outflow	**114,337**

d) Non-Controlling Interests

The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 3,614k.

A profit share of EUR 215k was allocated to non-controlling interests in the reporting period without regard to their proportionate holdings.

e) Effects of the Acquisition on Consolidated Profit

Of the net profit as at 31 December 2018, a net loss of EUR 4,234k (before amortisation on identified intangible assets, a net profit of EUR 6,396k) is attributable to the acquired Rockspring companies. EUR 29,875k of the revenues for the 2018 financial year result from the business activities of the acquired companies and essentially relates to service fee income from fund management contracts.

If the business combination had taken place as at 1 January 2018, as at 31 December 2018 the consolidated revenues of PATRIZIA Immobilien AG would have amounted to EUR 357,916k and its net income to EUR 55,354k or EUR 68,429k before amortisation on identified intangible assets.

This presentation of figures for consolidated revenues and consolidated net profit was prepared exclusively for comparison purposes. They do not provide reliable information on the operating income that would actually have been generated if the acquisition had taken place at the start of the period, or about future results.

f) Transactions Reported Separately

On 23 March 2018, a put option for the shares held by Rockspring's non-controlling interests was contractually agreed between PATRIZIA and the non-controlling interests. The option authorises the non-controlling interests to offer the remaining shares in Rockspring to PATRIZIA after not less than five years and one month. In turn, PATRIZIA has the option to nominate a third party to acquire the shares. The exercise of this option can be postponed by a further period of twelve months under certain conditions. If exercised, the acquiring company would be required to acquire the shares held by Rockspring's non-controlling interests for EUR 6,896k.

TRIUVA

Effective 1 January 2018 (acquisition date), PATRIZIA Projekt 710 GmbH, Augsburg, a wholly owned subsidiary of PATRIZIA Immobilien AG, acquired 88.0% of shares in PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, Frankfurt/Main (TRIUVA).

TRIUVA is one of the leading providers of real estate investments in Europe, with 40 funds, more than 80 institutional investors and approximately 200 employees at 15 locations in Europe. The company, based in Frankfurt/Main, focuses on commercial real estate in the office, retail, logistics and infrastructure sectors. TRIUVA manages real estate assets of around EUR 9.6bn as at the date of initial consolidation.

PATRIZIA is hereby broadening its product range, enabling institutional, (semi-)professional and private investors to invest even more widely in different countries, types of use and risk classes.

The rights and liabilities were transferred on the basis of the provisions of the purchase agreement as at 1 January 2018. PATRIZIA also achieved control of TRIUVA through the reorganisation of the Supervisory Board of PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH as at 1 January 2018.

47

Company	Main activity	Date of acquisition	Acquired shares
PATRIZIA Frankfurt Kapital-verwaltungsgesellschaft mbH	Investment management	01.01.2018	88.0%

a) Assets Acquired and Liabilities Assumed

The calculated fair values of the assets and liabilities acquired recognised as at the time of acquisition are as follows as at 1 January 2018:

Fair value 48

EUR k	
Other intangible assets	104,699
Software	1,071
Equipment	525
Participations	5,269
Deferred taxes	5,718
Total non-current assets	**117,282**
Current tax assets	2,297
Current receivables and other current assets	25,224
Cash and cash equivalents	45,057
Total current assets	**72,578**
Total assets	**189,860**
Deferred taxes	33,097
Retirement benefit obligations	21,832
Non-current liabilities	92
Total non-current liabilities	**55,021**
Other provisions	736
Current liabilities	32,884
Tax liabilities	2,690
Total current liabilities	**36,310**
Total liabilities	**91,331**
Net assets	**98,529**
Non-controlling interests in the net assets	–11,823
Goodwill	132,942
Total consideration paid	**219,648**

The fair value of the receivables is essentially the gross amount and the recognised amount of the receivables.

The identified goodwill from the acquisition of TRIUVA mainly results from the anticipated synergy effects from integrating the company into the PATRIZIA Group.

The goodwill will not be tax deductible in future periods.

b) Consideration Transferred and Transaction Costs

The calculated consideration (not including transaction costs) exclusively consists of cash funds and amounted to EUR 219,648k as at the acquisition date. This consists of a fixed amount of around EUR 217,582k and contingent consideration of around EUR 2,066k.

The contingent component relates to the acquisition of further shares in TRIUVA and is linked to the purchase price of non-controlling interests (see d).

The transaction costs already incurred of EUR 1,228k (previous year: EUR 8,764k) were reported as an expense under other operating expenses.

c) Net Outflow of Cash Funds for the Acquisition

49

EUR k	
Consideration paid in the form of cash	219,648
thereof cash outflow in the financial year 2017	212,733
thereof cash outflow in the second half-year 2018	4,848
thereof to pay in 2019	2,066
Less cash acquired	–45,057
Net cash outflow	**174,591**

d) Non-Controlling Interests

The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 11,823k.

Over the course of the first half of 2018, PATRIZIA acquired a further 6.0% of shares in TRIUVA, bringing its shareholding to 94.0%. The increase, which preserved the majority holding, was treated as an equity transaction and offset against retained earnings.

A profit share of EUR 3,401k was allocated to non-controlling interests in the reporting period.

e) Effects of the Acquisition on Consolidated Profit

EUR 29,939k of the net profit as at 31 December 2018 is attributable to the acquired TRIUVA companies. EUR 79,948k of the revenues for 2018 result from the business activities of the acquired companies and essentially relates to service fee income.

PATRIZIA Projekt Gerresheim GmbH

PATRIZIA Acquisition Holding alpha GmbH acquired all shares in PATRIZIA Projekt Gerresheim GmbH as at 13 August 2018. Until the company was acquired in full on 13 August 2018, the shares already held (around 14.7%) were accounted for using the equity method.

The acquisition of PATRIZIA Projekt Gerresheim GmbH is shown in these consolidated financial statements as a purchase because a “business” as defined by IFRS 3.3 was not acquired. The company no longer had active operations as at the acquisition date, hence the transaction focused exclusively on acquiring the assets and liabilities held by the company. As the purchase price was slightly less than the fair value of the acquired assets and a write-down on the essentially monetary assets acquired is not considered appropriate, the transaction resulted in a difference to be recognised in profit or loss (see note 6.3).

Disposal of Subsidiaries

In 2015, PATRIZIA Immobilien AG expanded its product range to include closed-end funds. These companies are to be temporarily included in consolidation in the PATRIZIA Group in the fund formation phase and during the placement of the respective shares. The companies listed below again left the PATRIZIA consolidated group in 2018 with income from deconsolidation of EUR 234k and an expense on deconsolidation of EUR 376k.

Companies – Result from Deconsolidation 50

EUR k	
PATRIZIA GrundInvest Garmisch-Partenkirchen GmbH & Co. geschlossene Investment-KG	136
PATRIZIA GrundInvest Dresden GmbH & Co. geschlossene Investment-KG	3
PATRIZIA GrundInvest Objekt Dresden GmbH & Co. KG	39
PATRIZIA GrundInvest Frankfurt Smart Living GmbH & Co. geschlossene Investment-KG	1
PATRIZIA GrundInvest Objekt Frankfurt GmbH & Co. KG	18
PATRIZIA GrundInvest Berlin Landsberger Allee GmbH & Co. geschlossene Investment-KG	3
PATRIZIA GrundInvest Objekt Berlin GmbH & Co. KG	2
PATRIZIA GrundInvest Die Stadtmitte Hofheim am Taunus GmbH & Co. geschlossene Investment-KG	32
PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG	–376
Total	**–142**

Furthermore, PATRIZIA CHARLOTTE LIMITED was sold with a gain on deconsolidation of EUR 83k in the reporting period.

Intragroup Restructuring

Various PATRIZIA subsidiaries were merged as intragroup restructuring in the reporting period. Thus, TRIUVA Luxemburg S.à r.l. was merged with PATRIZIA Real Estate Investment Management S.à r.l. as at 31 October 2018.

Various structured entities were also merged as at 17 August 2018.

The above restructuring activities were recognised in other comprehensive income within the consolidated financial statements.

2.2 Acquisition Accounting by Way of Consolidation

All subsidiaries are included in the consolidated financial statements by way of consolidation. Acquired subsidiaries have been accounted for using the acquisition method in accordance with IFRS 3 since 1 January 2002. Acquisitions of interests in companies before this date were effected using the practical expedients of IFRS 1 on the basis of the purchase method of accounting in accordance with the regulations of the German Commercial Code. Under the acquisition method, the consideration transferred in a business combination is measured at fair value. This is calculated as the total of the fair values, as at the acquisition date, of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity instruments issued by the Group in exchange for the control of the acquiree. Transaction costs associated with the business combination are recognised in profit or loss when incurred.

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee. The cost consists of the cash paid for the acquisition. Goodwill is the excess of the sum of the consideration transferred and the amount of all non-controlling interests in the acquiree over the net fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date. Any negative difference – even after reassessment – is recognised in profit and loss. Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. This applies even if this results in the non-controlling interests having a deficit balance.

2.3 Inclusion of Joint Ventures and Associates Using the Equity Method

The equity method is used to present joint ventures and associates in the consolidated financial statements. By contrast to consolidation, the assets, liabilities, expenses and income of the company accounted for using the equity method (pro rata) are not included in the consolidated financial statements when applying the equity method. Instead, the carrying amount of the equity investment is adjusted quarterly in line with the development of the pro rata equity of the investee.

The equity method is applied for the first time when the investee is classified as a joint venture or associate. The cost of the acquired shares is initially compared to the equity attributable to them. Any difference is examined for hidden reserves or hidden liabilities in accordance with consolidation regulations and any remaining difference is accounted for as goodwill or negative goodwill. The carrying amount of the equity investment is adjusted for the pro rata change in equity at the associate in subsequent periods.

2.4 Consolidation of Intragroup Balances, Income and Expenses and Elimination of Intragroup Profits

Intragroup balances and transactions, gains and expenses of the companies included in consolidation are eliminated in full on consolidation. Deferred taxes are recognised for temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

2.5 Currency Translation

Transactions in foreign currencies are translated at the relevant exchange rates as at the transaction date. In subsequent periods, monetary assets and liabilities are measured as at the end of the reporting period and the resulting translation differences are recognised in profit or loss. Non-monetary items are measured in terms of historical cost in a foreign currency and translated using the exchange rate at the date of the transaction.

The annual financial statements of the foreign Group companies with a functional currency other than the euro (Group presentation currency) are translated using the modified closing rate method, whereby assets and liabilities are translated at the respective closing rate. Income and expenses are translated at the exchange rate on the day of the transaction. Exchange differences resulting from this are reported separately in equity.

3 Summary of Key Accounting Policies

The financial statements included in the consolidated financial statements were prepared using uniform accounting policies.

3.1 Goodwill

The goodwill resulting from a business combination is recognised at cost less any impairment and reported separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination.

The cash-generating units to which part of the goodwill has been allocated are tested for impairment annually. If there are indications that a CGU is impaired, it is tested more frequently. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is initially allocated to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell.

3.2 Other Intangible Assets

Other intangible assets essentially include fund management contracts.

Fund management contracts acquired as part of the business combinations with PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Multi Managers (formerly: the fund of funds provider Sparinvest Property Investors (SPI)) and the business combinations with TRIUVA and Rockspring are recognised separately and measured at fair value as at the acquisition date.

In subsequent periods, like individually acquired intangible assets, these fund management contracts are measured at cost less accumulated amortisation and any accumulated impairment.

The amortisation period for the fund management contracts is based on the expected terms of the fund contracts (one to 29 years). The straight-line method was chosen as their development cannot be reliably determined in advance.

3.3 Software

Software is carried at cost at the time of acquisition. In subsequent periods, this is measured at cost less accumulated amortisation and any accumulated impairment.

The cost includes the directly attributable acquisition and provision costs.

Software is amortised using the straight-line method. It begins as soon as the asset can be used and ends on expiry of the useful life or disposal of the asset. The amortisation period is based on the expected useful life. Purchased software is amortised over three to ten years.

3.4 Investment Property

The qualification of investment property as such is based on a corresponding management resolution to use it to generate rental income and to realise its potential for rent increases and the associated appreciation over a longer period of time. The share used by the company does not exceed 10% of the rental area. Unlike real estate reported under inventories, investment property is not intended for sale in the ordinary course of business or in the construction or development process. It is measured at fair value taking into account the current use, which is the highest and best use. Changes in value affect the results of the Group.

The market value is the fair value. Fair value is measured in accordance with IFRS 13 and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition has the same content as the definition of market value in accordance with section 194 of the Baugesetzbuch (BauGB – German Federal Building Code). This estimate specifically excludes price assumptions inflated or deflated by special terms or circumstances.

The residential privatisation process for investment property was initiated in previous years and successfully continued in 2018. The assets are valued internally using a detailed project calculation. The key inputs used in this valuation include comparative values from market transactions within the property or its immediate environment, in addition to assumptions regarding the realisation period, potential types of buyer and intended renovation and modernisation measures yet to be implemented.

Fair value measurement of investment property is therefore allocated to level 3 of the IFRS 13 measurement hierarchy. The values calculated are entry prices as defined by IFRS 13, hence the deduction of buyer-side transaction costs is not required in this case.

As at the end of the reporting period, real estate with a total area of 3,811 m² (including 1,968 m² of approved building rights) with an average selling price of EUR 2,404 per square meter is planned for privatisation. In the event of a change in this average potential selling price per square metre, the fair value calculated would be altered accordingly (example: If the average selling price per square metre increases by EUR 100, this would result in an increase in fair value of EUR 381k).

All investment property held by the Group is let. The resulting rental income and the directly related expenses are recognised in the consolidated income statement.

3.5 Equipment

Equipment is carried at cost at the time of acquisition. In subsequent periods, this is measured at cost less accumulated amortisation and any accumulated impairment.

The cost includes the directly attributable acquisition and provision costs.

Software is amortised using the straight-line method. It begins as soon as the asset can be used and ends on disposal of the asset. The amortisation period is based on the expected useful life. Operating and office equipment is depreciated over three to thirteen years. Low-value assets are written off in full in the year of acquisition.

3.6 Impairment of Assets

If there is an indication of impairment, assets that are subject to amortisation or depreciation are tested for impairment. If the reason for impairment no longer applies, the impairment loss is reversed. Assets that are not subject to amortisation or depreciation are tested for impairment as at the end of each reporting period.

3.7 Participations in Associated Companies

The 10.1% equity investment in PATRIZIA WohnModul I SICAV-FIS, the 50% equity investment in Ask PATRIZIA (GQ) LLP (Gateshead joint venture) through the subsidiary PATRIZIA GQ Limited and the acquisition of a 25.01% equity investment in EVANA AG in the reporting period constitute associated companies for PATRIZIA. Associates are companies in which PATRIZIA has significant influence on the financial and operating policies (usually on account of direct or indirect voting rights of between 20% and 50%). They are accounted for in the consolidated financial statements using the equity method.

PATRIZIA's share of the results of the associate is recognised in the consolidated income statement after acquisition. The cumulative changes after the acquisition date increase or reduce the carrying amount of the associated company. If PATRIZIA's share of the losses of an associate equals or exceeds its interest in the associate, no further shares of losses are recognised. Distributions received from an investee reduce the carrying amount of the investment.

The interest in an associate is the carrying amount of the equity investment together with any long-term interests that, in substance, form part of the owner's net investment in the associate. At the end of each reporting period, PATRIZIA checks for objective evidence of impairment on its investment in the associate. If there is such evidence, PATRIZIA calculates the impairment requirement as the difference between the recoverable amount and the carrying amount of the associated company. Any remaining interests are remeasured at fair value when significant influence is lost. The difference between the carrying amount of the associate and the fair value of the remaining interest, plus any proceeds from the sale, is recognised in profit or loss.

3.8 Participations

Accounting policies applicable until 1 January 2018:

Participations are classified as available-for-sale financial assets. They are measured at cost as, given the absence of an active market, it would only be possible to determine their fair value through actual sales negotiations. There is no intention to sell these instruments at this time. The Group assesses whether there is any objective evidence of impairment as at the end of each reporting period.

Please also see the comments under note 3.20 Accounting assumptions and estimates.

Please see note 1.2 for information on the accounting policies applicable to participations from 1 January 2018 (comments on IFRS 9).

3.9 Inventories

Real estate intended for sale in the ordinary course of business or acquired for development and resale is reported under "Inventories". Development also includes purely modernisation and renovation work. Such properties are assessed and qualified as inventories in the context of the purchase decision, and this is implemented accordingly in financial reporting as at the acquisition date.

PATRIZIA has defined a normal operating cycle as three years, as experience shows that a majority of the units intended for sale are sold in this time. However, it is still intended to sell inventories directly even if they are not sold within three years (e.g. due to unforeseen or foreseen changes in economic conditions).

Inventories are measured at the lower of cost and net realisable value. Cost includes the directly attributable acquisition and provision costs, including in particular the cost of assets in addition to incidental costs of acquisition (notary fees, etc.). Cost also includes the costs directly attributable to the property development process, including renovation costs in particular. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense when incurred. Net realisable value is the estimated selling price in the ordinary course of business less the renovation and modernisation costs and the costs to make the sale.

3.10 Financial Assets

Accounting policies applicable until 1 January 2018:

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

— held-to-maturity financial assets;
— loans and receivables;
— financial assets at fair value through profit or loss;
— available-for-sale financial assets.

Financial assets are reported in the statement of financial position when the company becomes party to an agreement for these assets. Standard market purchases of financial assets, in which only a brief, standard period passes between the obligation being entered into and being fulfilled, are generally recognised as at the trade date. This also applies accordingly to standard disposals.

Participations acquired with the intention of holding them are assigned to the **available-for-sale financial assets** category (see 3.8). For available-for-sale financial assets, the Group assesses as at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A “significant” or “prolonged” decline in the fair value of equity instruments held for sale below their cost constitutes objective evidence of impairment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognised in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

If there is objective evidence for trade receivables that not all amounts due will be received according to the originally agreed invoice terms (such as probability of insolvency or significant financial difficulties on the part of the debtor), an impairment loss is recognised using an allowance account. Receivables are derecognised when they are classified as uncollectible.

Please see note 1.2 for information on the accounting policies applicable from 1 January 2018.

3.11 Cash and Cash Equivalents

The cash and cash equivalents shown in the statement of financial position comprise cash in hand and bank balances with an original term of less than three months.

3.12 Financial Liabilities

Accounting policies applicable until 31 December 2017:

Interest-bearing loans are initially measured at fair value less any transaction costs directly attributable to borrowing. They are not designated as at amortised cost. After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method less impairment.

Please see note 1.2 for information on the accounting policies applicable from 1 January 2018.

3.13 Derecognition of Financial Assets and Financial Liabilities

A **financial asset** (or part of a financial asset or part of a group of financial assets) is derecognised when the requirements of IAS 39 (from 1 January 2018: IFRS 9) are met.

A **financial liability** is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

If a financial liability is exchanged for a different financial liability to the same lender with substantially different terms or if the terms of an existing financial liability are substantially changed, such an exchange or change of terms is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

3.14 Retirement Benefit Obligations

Defined benefit pension plans are measured using the projected unit credit method on the basis of an actuarial pension report. Retirement benefit obligations in the statement of financial position are calculated from the present value of the defined benefit obligation at the end of the reporting period. The Group recognises actuarial gains and losses on defined benefit pension plans in profit or loss in the period in which they occur.

3.15 Other Provisions

Provisions are liabilities of uncertain timing or amount. The recognition of a provision requires a present obligation arising from a past event, that a corresponding outflow of resources is probable and that the amount of this outflow of resources can be reliably estimated. Provisions are measured as the best possible estimate of the amount of the obligation. Provisions are discounted where the effect of the time value of money is material.

3.16 Taxes

Current Income Taxes

Current tax assets and tax liabilities for the current and earlier period are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The calculation of this amount is based on the tax rates and tax laws in effect as at the end of the reporting period.

Tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and taxes levied by the same taxation authority.

Deferred Taxes

Deferred taxes are recognised on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base using the liability method as at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax loss carryforwards and unused tax credits to the extent that it is likely that future taxable income will be generated against which these deductible temporary differences and the unutilised tax loss and interest carryforwards and unused tax credits can be offset.

The carrying amount of deferred tax assets is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilised. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates and tax laws in effect as at the end of the reporting period apply. Future tax rate changes are taken into account at the end of the reporting period if material effectiveness requirements have been met in legislation.

Deferred taxes on items recognised in other comprehensive income are not recognised in the income statement but rather in other comprehensive income as well.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and income taxes levied by the same taxation authority.

3.17 Borrowing Costs

Borrowing costs that relate to the production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This requirement is fulfilled by all project developments carried out by the Group. All other borrowing costs are recognised as an expense when incurred.

3.18 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement as at the time it is entered into. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases where substantially all the risks and rewards incidental to ownership are not transferred from the lessor to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Contingent rents are recognised as income in the period in which they are generated.

3.19 Revenue Recognition

Accounting policies applicable until 31 December 2017:

The basic requirement for the recognition of profits when selling assets is the probability of the inflow of benefits and the reliable quantification of the proceeds. In addition, there must be a transfer of the substantial risks and rewards incidental to ownership of the assets to the purchaser, a surrender of legal or actual control of the goods and it must be possible to measure reliably the costs incurred or to be incurred for the sale.

Revenue from services is usually recognised after service has been rendered and the invoice issued.

Please see note 6.1 for information on the accounting policies under IFRS 15.

3.20 Accounting Assumptions and Estimates

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of assets and liabilities, income and expenses and contingent assets and liabilities in the period under review. Estimation involves judgements based on the latest available, reliable information. The assets, liabilities, income, expenses and contingent assets and liabilities recognised on the basis of estimates can differ from the amounts recognised in future. Changes are taken into account when new information is available. Estimates are essentially made for the following:

- measurement of investment property
- calculation of the recoverable amount to assess the necessity and amount of impairment losses, in particular on real estate reported under "Inventories"
- determination of the transaction price for variable consideration
- recognition and measurement of provisions
- measurement of bad debts
- recoverability of deferred tax assets
- measurement of equity investments
- measurement of goodwill
- measurement of fund management contracts

Assumptions made for the valuation of real estate portfolios could subsequently prove to be partially or wholly inaccurate, or there could be unexpected problems or undetected risks in connection with real estate portfolios. Such developments, which are also possible at short notice, could negatively affect the result of operations, reduce the value of the assets acquired and significantly reduce revenues generated from the privatisation of apartments and current rents. In addition to the specific factors for each property, the recoverability of real estate assets is primarily determined by the development of the property market and the general economic situation. There is the risk that the Group's valuations would have to be corrected in the event of a negative development on the real estate market or in the general economic situation. Please see note 6.1 for information on judgement in determining the transaction price for variable consideration.

Especially for the measurement of participations held by PATRIZIA, various judgements applied in accordance with IFRS 9 give rise to different fair values that must be recognised in the consolidated financial statements. The measurement of PATRIZIA's participation in the GBW Group (which has operated as DAWONIA since 2019) has been discussed and scrutinised in enforcement proceedings that are currently pending before the German

Financial Reporting Enforcement Panel (FREP). These proceedings concern the consolidated financial statements as at 31 December 2016 and specifically the measurement of participations for which there is no quoted price on an active market. The proceedings were referred to the German Federal Financial Supervisory Authority (BaFin) at the end of January 2019. In the context of the initial application of IFRS 9, the existing equity investment of 5.1% and the investment through a carry vehicle were measured at fair value taking into account the additional investment income that can be calculated today as regards the planned recognition of additional investment income from a potential disposal of the participation. This gave rise to a remeasurement effect in equity totalling EUR 291.9m.

The remeasurement was recognised directly in other comprehensive income – taking deferred taxes into account. The German Financial Reporting Enforcement Panel is arguing that the remeasurement effect relating to the carry should not be classified as a gain on the remeasurement of an equity investment in the accounting sense, but rather as performance-based remuneration in accordance with IFRS 15. If the German Financial Reporting Enforcement Panel's opinion prevails, consolidated equity would be reduced by EUR 248.7m (in other comprehensive income) as at 31 December 2018. The additional investment income would then have to be recognised in profit or loss in the year it is actually received. As PATRIZIA still considers the method applied to date to be appropriate and the enforcement proceedings have not yet been concluded, the method previously applied has been retained in the consolidated financial statements as at 31 December 2018.

If the German Financial Reporting Enforcement Panel is successful and the German Federal Financial Supervisory Authority concurs with its opinion, the ongoing enforcement proceedings for the 2016 financial year could give rise to an increase in equity through other comprehensive income of around EUR 75.0m for 2016. However, this effect was already recognised in 2018 on account of the initial application of IFRS 9.

4 Notes to the Consolidated Balance Sheet – Assets

4.1 Non-Current Assets

The breakdown and development in non-current assets, and amortisation and depreciation, in the financial year and the previous year are shown below:

4.1.1 Goodwill

The PATRIZIA Group has recognised goodwill of EUR 201,109k (previous year: EUR 7,366k). The goodwill will not be deductible in future tax periods, and is therefore treated as a permanent difference in the calculation of deferred taxes. The goodwill has been allocated to the following cash-generating units:

- PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH: EUR 610k (previous year: EUR 610k);
- PATRIZIA Multi Managers: EUR 6,756k (previous year: EUR 6,756k);
- TRIUVA: EUR 132,942k (previous year: EUR 0k). The goodwill results from the acquisition of PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH in the 2018 financial year, EUR 128,175k of which was allocated to the TRIUVA CGU and EUR 4,767k of which to the PATRIZIA Real Estate Investment Management S.à r.l. CGU.
- Rockspring: EUR 60,801k (previous year: EUR 0k). The goodwill results from the acquisition of PATRIZIA PROPERTY HOLDINGS LIMITED in the 2018 financial year. The translation of goodwill into the reporting currency in accordance with IAS 21 in conjunction with IFRS 3 results in a change of EUR −1,571k as at 31 December 2018.

The Group tests these figures for impairment once per year in accordance with IAS 36.

The recoverable amount of the cash-generating units was determined by calculating the value in use using measurement methods based on discounted cash flows. These discounted cash flows are based on five-year forecasts derived from financial planning approved by the Managing Board. The cash flow forecasts take into account past experience and are based on management estimates of future developments and external economic data. The cash flows were derived from forecasts of future cash flows from the respective fund management contracts, service fee income from future portfolio changes and realised synergies. To reflect the respective business model in terms of the planned future performance of the respective CGUs, if not already included in the five-year forecasts, cash flows beyond the planning period were reconciled to a sustainable earnings level and extrapolated at a growth rate of 1.0% p.a.

The weighted average cost of capital (WACC) was used to discount the cash flows applying costs of capital before income taxes specific to the CGU. The following cost of capital rates (before taxes) were derived for the respective CGUs:

- PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH: 8.1% (previous year: 9.65%)
- PATRIZIA Multi Managers: 7.2% (previous year: 8.45%)
- TRIUVA: 8.1% (previous year: not relevant)
- PATRIZIA Real Estate Investment Management S.à r.l.: 8.0% (previous year: not relevant)
- Rockspring: 8.2% (previous year: not relevant)

The impairment test performed in 2018 did not give rise to any impairment requirement as the recoverable amount significantly exceeds the carrying amount of the respective cash-generating unit. Cumulative impairment thus amounted to EUR 0k as at the end of the reporting period (start of reporting period: EUR 0k).

These premises and the underlying method can have a significant influence on the respective values and ultimately on the amount of possible goodwill impairment.

Sensitivity analyses were carried out for the key assumptions used in the impairment testing of cash-generating units. These confirm that no impairment is required.

4.1.2 Other Intangible Assets

51

	2018			2017		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**52,499**	**−17,275**	**35,224**	**47,727**	**−12,311**	**35,416**
Additions	0	−36,683	−36,683	0	−4,963	−4,963
Changes in the consolidated group	169,549	0	169,549	4,772	0	4,772
Disposals	0	0	0	0	0	0
Foreign exchange differences	0	−1,528	−1,528	0	−1	−1
As at 31.12.	**222,048**	**−55,486**	**166,562**	**52,499**	**−17,275**	**35,224**

Hidden reserves on other intangible assets were identified in the purchase price allocation for PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Multi Managers, TRIUVA and Rockspring. Amortisation in the amount of EUR 29,853k was recognised on other intangible assets and in the amount of EUR 6k on licenses in the reporting year. Impairment testing of fund management contracts as at 31 December 2018 resulted in impairment losses on four fund management contracts of EUR 6,824k.

Currency translation for Rockspring's fund management contracts as at the end of the reporting period resulted in a negative currency effect of EUR 1,528k.

Significant portions of the other intangible assets reported as at the end of the reporting period relate to the fund management contracts of TRIUVA (EUR 83,116k), Rockspring (EUR 52,691k) and PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH (EUR 26,949k).

Please also see the accounting policies under 3.2. Other intangible assets.

4.1.3 Software

52

	2018			2017		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**26,456**	**−15,249**	**11,207**	**23,833**	**−13,061**	**10,772**
Additions	2,493	−3,327	−834	3,046	−2,666	380
Changes in the consolidated group	1,071	0	1,071	153	−98	55
Disposals	−168	120	−48	−576	576	0
As at 31.12.	**29,852**	**−18,456**	**11,396**	**26,456**	**−15,249**	**11,207**

4.1.4 Investment Property

53

	2018	2017
EUR k	Investment property	Investment property
As at 01.01.	**15,979**	**12,226**
Addition [1]	58	147
Disposal	–11,704	–3,142
Positive changes in market value	3,980	8,205
Negative changes in market value	–5	–1,457
As at 31.12.	**8,308**	**15,979**

1 Relates exclusively to subsequent costs of acquisition

There are still five investment properties in Mannheim and Munich as at the end of the reporting period.

On the basis of the fair value of the portfolio as a whole as at 31 December 2018, the average fair value is EUR 2,304 (previous year: EUR 1,985) per square metre, with a multiplier of 29 (previous year: 19) in relation to the target rent. The change in these average values is due to further sales from the portfolio.

The positive change in market value in the 2018 financial year essentially results from the inclusion of a building right that was notarised in the reporting period and is expected to be sold in the following year.

There were no loan agreements for which investment property was pledged as at 31 December 2018.

Investment property gave rise to rental revenues of EUR 41k (previous year: EUR 558k) and a cost of materials of EUR 1,900k (previous year: EUR 39k) in the reporting period.

4.1.5 Equipment

54

EUR k	2018 Cost	2018 Depreciation	2018 Carrying amounts	2017 Cost	2017 Depreciation	2017 Carrying amounts
As at 01.01.	**11,509**	**–7,026**	**4,483**	**11,727**	**–7,267**	**4,460**
Additions	1,770	–2,226	–456	1,123	–1,052	71
Changes in the consolidated group	4,220	–2,014	2,206	366	–178	188
Disposals	–1,360	1,022	–338	–1,707	1,467	–240
Foreign exchange differences	0	–5	–5	0	4	4
As at 31.12.	**16,139**	**–10,249**	**5,890**	**11,509**	**–7,026**	**4,483**

4.1.6 Participations in Companies Accounted for Using the Equity Method

55

EUR k	2018 Cost	2018 At equity adjustment	2018 Carrying amounts	2017 Cost	2017 At equity adjustment	2017 Carrying amounts
As at 01.01.	**80,455**	**8,450**	**88,905**	**75,131**	**10,792**	**85,923**
Additions	5,278	11,852	17,130	5,331	13,353	18,684
Disposals	–20,159	–9,732	–29,891	0	–15,695	–15,695
Foreign exchange differences	–3	0	–3	–7	0	–7
As at 31.12.	**65,571**	**10,570**	**76,141**	**80,455**	**8,450**	**88,905**

The item “Participations in companies accounted for using the equity method” includes the 10.1% equity investment in PATRIZIA WohnModul I SICAV-FIS, Luxembourg, the 50% equity investment in Ask PATRIZIA (GQ) LLP, Manchester, and the 25.01% equity investment in EVANA AG, Saarbrücken.

PATRIZIA WohnModul I SICAV-FIS, Ask PATRIZIA (GQ) LLP and EVANA AG are included in the consolidated financial statements of PATRIZIA Immobilien AG using the equity method.

Ask PATRIZIA (GQ) LLP is a joint venture for a real estate project development in Newcastle/Gateshead in the north of England.

For reasons of materiality, additional information on this joint venture Ask PATRIZIA (GQ) LLP will be dispensed with below and information will only be provided on the associates PATRIZIA WohnModul I SICAV-FIS and EVANA AG.

The strategy of PATRIZIA WohnModul I SICAV-FIS is primarily the acquisition of project developments and revitalisation properties. Its intended exit strategy is block sales and individual privatisation.

Through its investment in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to the usual risks specific to properties such as market developments in the privatisation of residential properties and project developments in addition to interest rate fluctuations.

A summary of the financial information on PATRIZIA WohnModul I SICAV-FIS is shown below.

56

EUR k	2018	2017
Current assets	1,376,833	1,681,788
Non-current assets	4,578	40,484
Current liabilities	71,772	145,138
Non-current liabilities	606,770	688,633
Revenues	202,344	282,436
Net income/total comprehensive income	**115,334**	**134,477**

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group amounts to EUR 12,054k (previous year: EUR 13,353k) in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in PATRIZIA WohnModul I SICAV-FIS:

57

EUR k	2018	2017
Net assets of the associated company	700,468 [1]	886,126 [1]
Group shareholding	10.1%	10.1%
Other adjustments	150	–848
Carrying amount of the equity investment in PATRIZIA WohnModul I SICAV-FIS	**70,898**	**88,650**

1 The net assets of the associate have been adjusted for non-controlling interests

Other adjustments include income from participations in companies that, based on their substance, are attributable to the associate.

PATRIZIA WohnModul I SICAV-FIS paid total distributions of EUR 26,498k to PATRIZIA Immobilien AG in the reporting period. The distributions were recognised in other comprehensive income against the participation in associated companies. Furthermore, the equity investment in PATRIZIA WohnModul I SICAV-FIS was reduced by EUR 3,393k as a result of the acquisition of PATRIZIA Projekt Gerresheim GmbH.

EVANA AG is a provider of data management services and artificial intelligence in the real estate industry. EVANA AG's strategy is the development of self-learning algorithms for the processing and evaluation of large data volumes.

Through its investment in EVANA AG, PATRIZIA is subject to the risk of delays in the product's market launch.

A summary of the financial information on EVANA AG is shown below.

58

EUR k	2018
Current assets	3,405
Non-current assets	962
Current liabilities	811
Non-current liabilities	0
Revenues	33
Net income/total comprehensive income	**–1,032**

The share in the loss of EVANA AG attributable to the PATRIZIA Group amounts to EUR 202k in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in EVANA AG:

59

EUR k	2018
Net assets of the associated company	8,139
Group shareholding	25.01%
Goodwill	2,964
Other adjustments	–177
Carrying amount of the equity investment in EVANA AG	**4,823**

4.1.7 Participations

60

EUR k	2018 Cost	2018 First-time application IFRS 9	2018 Revaluation IFRS 9	2018 Carrying amounts	2017 Cost	2017 Amortisation	2017 Carrying amounts
As at 01.01.	**89,114**	**0**	**0**	**89,114**	**102,033**	**0**	**102,033**
Additions	355	0	**0**	355	1,056	0	1,056
Changes in the consolidated group	11,284	0	**0**	11,284	0	0	0
Disposals	–2,801	0	0	–2,801	–14,783	0	–14,783
Positive changes in market value	0	347,666	53,516	401,182	0	0	0
Foreign exchange differences	107	0	0	107	808	0	808
As at 31.12.	**98,059**	**347,666**	**53,516**	**499,241**	**89,114**	**0**	**89,114**

The item “Participations” contains the following material shares:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2017: 6.25%)
- Sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2017: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30.0% (31 December 2017: 30.0%)
- Seneca Holdco SCS 5.1% (31 December 2017: 5.1%)
- GBW GmbH 5.1% (31 December 2017: 5.1%)
- OSCAR Lux Carry SCS 0.1%
- Citruz Holdings LP 10.0% (31 December 2017: 10.0%)
- TRIUVA/IVG Logistik 11.0%
- TRIUVA/IVG Gewerbe 2.1%
- Alliance 5.1% (31 December 2017: 5.1%)
- Participations in the Harald portfolio:
  - Deutsche Wohnen Kiel GmbH 5.1% (31 December 2017: 5.1%)
  - Deutsche Wohnen Berlin 5 GmbH 5.1% (31 December 2017: 5.1%)
  - Deutsche Wohnen Berlin 6 GmbH 5.1% (31 December 2017: 5.1%)
  - Deutsche Wohnen Berlin 7 GmbH 5.1% (31 December 2017: 5.1%)

4.1.8 Loans

61

EUR k	2018 Cost	2018 Amortisation	2018 Carrying amounts	2017 Cost	2017 Amortisation	2017 Carrying amounts
As at 01.01.	**23,291**	**0**	**23,291**	**7,015**	**0**	**7,015**
Additions	4,222	0	4,222	23,741	0	23,741
Disposals	0	0	0	–7,943	0	–7,943
Foreign exchange differences	0	0	0	478	0	478
As at 31.12.	**27,513**	**0**	**27,513**	**23,291**	**0**	**23,291**

Loans were repaid and granted as a result of investments in and divestments of non-current investment securities.

Loans classified at amortised cost have interest rates of 3.0% to 5.0% (2017: 3.0% to 5.0%) and a remaining term of 1 to 20 years. Long-term loans at fair value through profit or loss have an agreed interest rate of 1.25% (2017: 1.25%) and a remaining term of up to one year.

4.2 Tax Assets

Current tax assets of EUR 15,585k (previous year: EUR 9,098k) are essentially recognised for receivables due to excess payment of taxes and refunds of capital gains tax in the financial year.

4.3 Inventories

Inventories include assets held for sale in the normal course of business.

Inventories are composed as follows:

62

EUR k	31.12.2018	31.12.2017
Property intended for sale	57,724	86,373
Properties in the development phase	13,810	13,418
Total	**71,534**	**99,791**

The “Properties in the development phase” item includes the Trocoll House property, which was acquired by a subsidiary of PATRIZIA Immobilien AG in Greater London in 2016.

The reduction in inventories of EUR 28,257k results from various disposals from the privatisation portfolio.

4.4 Current Receivables and Other Current Assets

Current receivables and other current assets break down as follows:

63

EUR k	31.12.2018	31.12.2017
Trade receivables	**127,618**	**49,505**
Receivables from services	97,736	45,426
Receivables from property sales	16,690	3,734
Other	13,192	345
Other current assets	**227,838**	**430,415**
Total	**355,456**	**479,920**

The rise in receivables from services essentially results from acquisition and performance fees owed.

Other current assets break down as follows:

64

EUR k	31.12.2018	31.12.2017
Term deposits	208,000	197,000
Receivables from other investees and investors	3,884	6,731
Claims to transfer of title	0	212,697
Payments deposited to notary escrow account	0	5,000
Other	15,954	8,987
As at 31.12.	**227,838**	**430,415**

As term deposits of EUR 208,000k have terms of more than three months, as at the end of the reporting period they were reclassified from cash and cash equivalents to current receivables and other current assets.

The “Other” item essentially comprises deposits, creditors with debit balances, loan receivables and prepaid expenses.

Receivables and other current assets have a remaining term of less than one year. The carrying amount of the receivables and other current assets is their fair value.

4.5 Securities, Cash and Cash Equivalents

“Cash and cash equivalents” comprises cash and short-term bank deposits held by the Group. The carrying amount of these assets is their fair value

Cash funds were invested in short-term, money market securities in the context of active liquidity management. An amount of EUR 3,000k was invested in short-term securities. These are reported separately in the consolidated balance sheet. A further amount of EUR 208,000k was uniformly invested in short-term term deposits with a maturity of more than three months. These term deposits are reported in the consolidated balance sheet under current receivables and other current assets.

65

EUR k	31.12.2018	31.12.2017
Cash and cash equivalents	330,598	382,675
Term deposits	208,000	197,000
Securities	3,000	5,000
Current liquidity	**541,598**	**584,675**
– Regulatory reserve for asset management companies	–26,185	–8,383
– TRIUVA transaction liabilities	–8,466	0
– Liquidity in closed-end funds business property companies	–61	–86
= Available liquidity	**506,886**	**576,206**

5 Notes to the Consolidated Balance Sheet – Equity and Liabilities

5.1 Equity

Please see the statement of changes in equity for information on changes in equity.

5.1.1 Share Capital

The share capital of the company amounts to EUR 91,059,631 as at the end of the reporting period (previous year: EUR 89,555,059) and is divided into 91,059,631 (previous year: EUR 89,555,059) no-par-value registered shares. The increase in share capital results from the disposal of 1,362,379 treasury shares as part of the consideration for the Rockspring acquisition, from dividend distributions to shareholders in return for the issue of 96,213 treasury shares and from further transfers of 45,980 treasury shares in the reporting year. Changes in equity are shown in the statement of changes in equity.

By way of resolution of the Annual General Meeting on 20 June 2018, the Managing Board was authorised to purchase shares of the company amounting to up to 10% of the share capital at the time by 19 June 2023; this corresponds to 9,235,147 shares. The authorisation can be exercised in full or in part, on one or more occasions and in pursuit of one or more objectives by the company and its Group companies or by third parties acting on behalf of the company and its Group companies. The Managing Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to all of the company's shareholders, by means of a public invitation to sell or through the use of derivatives. The purchased shares can subsequently be used for all legally permissible purposes; in particular, they can be withdrawn, sold in exchange for cash or non-cash contributions or used to meet subscription or conversion rights.

By way of resolution of the Annual General Meeting on 16 June 2016, the Managing Board of the company was also authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 37,000,000 in total by issuing new registered shares against cash or non-cash contributions on one or more occasions by 15 June 2021 (Authorised Capital 2016/I). The Managing Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases. The full authorisation derives from Article 4(3) of the Articles of Association.

The Annual General Meeting on 16 June 2016 also authorised the Managing Board, with the approval of the Supervisory Board, to increase the share capital by up to EUR 1,000,000 in total by issuing new registered shares against cash contributions on one or more occasions by 15 June 2021 for the purpose of issuing them to employees of PATRIZIA Immobilien AG and its affiliates (Authorised Capital 2016/II). The full authorisation derives from Article 4(3a) of the Articles of Association.

Furthermore, the Managing Board is authorised, with the approval of the Supervisory Board, to issue convertible bonds, bonds with warrants, profit participation certificates, participating bonds or combinations of these instruments, dated or undated, of a nominal amount of up to EUR 950,000,000 and to grant the creditors or bearers of bonds conversion or option rights to shares in the company of a pro rata amount of share capital of up to EUR 41,800,000 in accordance with the terms and conditions of the respective convertible bonds, bonds with warrants, profit participation certificates or participating bonds on one or more occasions by 15 June 2021. Details can be found in Article 4(4) of the Articles of Association.

First Capital Partner GmbH holds 47,754,948 no-par-value shares in PATRIZIA Immobilien AG (previous year: 47,755,907), corresponding to a shareholding of 51.71% (previous year: 51.71%).

5.1.2 Capital Reserves

The capital reserves of EUR 155,222k as at 31 December 2018 (previous year: EUR 129,545k) rose by EUR 25,677k in the reporting period.

The increase in capital reserves results from the transfer of treasury shares as part of the consideration for the Rockspring acquisition (EUR 23,556k), from dividend distributions to shareholders in return for the issue of treasury shares (EUR 1,428k) and from further transfers of treasury shares (EUR 693k) in the reporting year.

5.1.3 Retained Earnings

The legal reserves of EUR 505k are reported under retained earnings (previous year: EUR 505k).

5.1.4 Treasury Shares

Treasury shares break down as follows:

66

	Number of shares	Price per share in EUR	Total value in EUR
As at 01.01.2018	**2,796,417**		**48,860,567**
Disposal and transfer of shares	–1,408,359	18.22	–25,657,660
Scrip dividend payment	–96,213	15.84	–1,524,014
As at 31.12.2018	**1,291,845**		**21,678,892**

The sale and transfer of 1,408,359 treasury shares was essentially part of the consideration for the acquisition of Rockspring. Furthermore, 96,213 treasury shares were issued to those shareholders who opted for full or partial payment in treasury shares in the context of the dividend distribution resolved by the Managing Board and Supervisory Board for the 2017 financial year.

5.1.5 Non-Controlling Interests

There were non-controlling interests of EUR 10,682k as at 31 December 2018 (31 December 2017: EUR 1,691k).

PATRIZIA Immobilien AG acquired the majority of shares in TRIUVA in January 2018. The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 11,823k.

The acquisition of shares from non-controlling interests in TRIUVA reduced these non-controlling interests by EUR 5,600k in the reporting period. The remaining non-controlling interest in TRIUVA is contractually paid a guaranteed dividend of EUR 950k annually with retroactive effect. The profit and loss transfer agreement between PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH and PATRIZIA Projekt 710 GmbH also gives rise to a liability to pay the non-controlling interest a guaranteed dividend for five years. EUR 4,500k was therefore reclassified to non-current liabilities as at 31 December 2018.

Please also see the comments on “Business combinations, disposals and intragroup restructuring” under 2.1 Consolidated Group.

PATRIZIA Immobilien AG acquired the majority of shares in Rockspring in March 2018. The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 3,614k. Please also see the comments on “Business combinations, disposals and intragroup restructuring” under 2.1 Consolidated Group.

The non-controlling interests of Rockspring are allocated an amount of consolidated net income to be redetermined each year on the basis of their shares.

A profit share of EUR 6,456k was allocated to non-controlling interests in the reporting period.

Profit shares of EUR 2,819k were withdrawn by non-controlling interests as at 31 December 2018. These are payments to non-controlling interests, some of whom are also employed by the company.

5.2 Deferred Tax Liabilities

The material deferred tax assets and liabilities, and changes in them, are shown below:

Deferred Tax Assets/Liabilities 67

EUR k	31.12.2018 Assets	31.12.2018 Liability	31.12.2017 Assets	31.12.2017 Liability
Investment property	**0**	948	0	1,752
Participations	**1,697**	57,800	0	0
Provisions	**4,021**	0	0	0
Fund management contracts due to company acquisitions [1]	**0**	47,876	0	9,889
Other	**202**	2,010	134	2,597
Consolidation	**182**	1,754	197	1,595
Total	**6,102**	**110,387**	**331**	**15,833**

1 Including essentially tax liabilities from fund management contracts of TRIUVA, Rockspring and PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH

Owing to the uncertainty of the dissolution of the tax group, deferred tax assets were not recognised for losses prior to joining the tax group of EUR 50k (previous year: EUR 390k). The losses can be carried forward indefinitely.

In addition, deferred tax assets were not recognised for income tax loss carryforwards of EUR 103,528k (previous year: EUR 80,394k) at 24 companies (previous year: eleven companies) as their eligibility for tax purposes is uncertain. These losses can also be carried forward indefinitely.

The temporary differences from participations in subsidiaries for which no deferred taxes were recognised amount to EUR 132,993k (previous year: EUR 91,966k).

5.3 Employee Benefits

5.3.1 Retirement Benefit Obligations

The Group has no defined benefit plans. There are exceptions to this for plans that were taken on in past financial years in connection with business combinations. Furthermore, defined benefit plans were transferred to the Group in connection with the acquisition of TRIUVA in the financial year. Defined benefit plans can expose the Group to actuarial risks such as longevity risk, interest rate risk and currency risk.

There were defined benefit obligations for 79 persons in total as at the end of the reporting period. 24 of these persons are retired and already receive ongoing pension benefits. The projected unit credit method was used as the calculation method as defined by IAS 19. The calculations are based on the current 2018 G Heubeck mortality tables. The 2005 G mortality tables were used to calculate retirement benefit obligations in the previous year. The change in demographic assumptions did not have any material impact within the Group.

The development of retirement benefit obligations and plan assets for defined benefit plans is as follows:

Defined Benefit Obligation 68

EUR k	2018	2017
As at 01.01.	**22,897**	**693**
Current expenses of employment period	390	19
Remeasurements	–1,016	54
thereof adjustments of financial assumptions	–1,246	57
thereof adjustments of demographical assumptions	110	0
thereof other/experience adjustments	120	–3
Interest expenses	390	9
Pension payments/scheduled payments made	–640	0
As at 31.12.	**22,021**	**776**

Plan Assets at Fair Value 69

EUR k	2018	2017
As at 01.01.	**289**	**0**
Income/expenses from plan assets (without interests)	3	0
Interest income/interest expenses	5	0
Contributions to provision plan/employer contributions	0	0
Pension payments/payments made	0	0
Mergers/business transfer	0	0
As at 31.12.	**297**	**0**

Composition of Net Liability from Defined Benefit Plans 70

EUR k	2018	2017
Defined benefit obligation (DBO)	22,021	776
Plan assets at fair value	297	0
Net debt	**21,724**	**776**

Actuarial Assumptions 71

%	2018	2017
Discounting interest rate	1.75/2.00	1.66/1.47
Salary trend	2.25	2.00
Pension trend	1.65/2.00	2.00

A change in one of the actuarial assumptions, with all other assumptions remaining constant, would alter the defined benefit obligation as follows:

Sensitivity Analyses 72

		31.12.2018		31.12.2017	
EUR k	Sensitivity	Increase	Decrease	Increase	Decrease
Discounting interest rate	+/–0.25%	–886	948	–4	5
Salary trend	+/–0.50%	101	–96	0	0
Pension trend	+/–0.50%	1,042	–956	6	–6

The above analysis was performed based on an actuarial method that shows the impact on the defined benefit obligation as a result of changes in key assumptions.

In the 2019 financial year, the Group anticipates payments due to retirement benefit obligations of EUR 646k (previous year: EUR 18k) and contributions to plan assets of EUR 0k (previous year: EUR 0k).

The average term of retirement benefit obligations is 16.2 years (previous year: 16.9 years).

5.3.2 Other Employee Benefits

The Group makes payments to defined contribution plans for employees. The cost recognised in the financial statements for defined contribution plans (e.g. direct insurance policies, provident funds) amounts to EUR 2,132k for the 2018 financial year (previous year: EUR 1,022k).

In addition, there are pension plans for the Managing Board in the form of a provident fund. The Group pays set contributions to an independent entity (fund) in this context. This pension benefit involves a risk of subsidiary liability for the Group if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The commitment of the provident fund is covered on the basis of life insurance policies. The commitment was granted in 2003. A total of EUR 43.7k (previous year: EUR 43.7k) was paid in contributions to the provident fund for members of the Managing Board in 2018. Furthermore, contributions of EUR 43k (previous year: EUR 32k) were paid to a self-invested personal pension for a member of the Managing Board. Please see the remuneration report in the Group Management Report for further information.

5.4 Financial Liabilities

The maturity profile of financial liabilities is as follows:

31.12.2018 73

in EUR k	2019	2022	2024	2027	2028	Total
Bank loans	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0
Bonded loans	0	91,500	124,000	84,500	0	300,000
Total financial liabilities	**0**	**91,500**	**124,000**	**84,500**	**0**	**300,000**

31.12.2017 74

in EUR k	2018	2022	2024	2026	2027	Total
Bank loans	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0
Bonded loans	22,000	91,500	124,000	0	84,500	322,000
Total financial liabilities	**22,000**	**91,500**	**124,000**	**0**	**84,500**	**322,000**

Financial liabilities amounted to EUR 300,000k in total as at 31 December 2018.

The change in financial liabilities results from the repayment of a bonded loan in the amount of EUR 22,000k.

The bonded loan of EUR 300,000k issued in 2017 is divided into three tranches with terms of five, seven and ten years. This bonded loan is recognised under non-current liabilities.

Bank and mortgage loans received during the reporting period were disposed of again in the context of the deconsolidation of PATRIZIA GrundInvest Die Stadtmitte Hofheim am Taunus GmbH & Co. geschlossene Investment-KG and PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG.

5.5 Non-Current Liabilities

Non-current liabilities of EUR 16,836k (previous year: EUR 9,062k) essentially consist of the long-term component of the management participation model, which is described in more detail under note 9.1, and the TRIUVA guaranteed dividend.

5.6 Other Provisions

Other provisions developed as follows:

Other Provisions 2018 75

EUR k	01.01.2018	Addition	Changes to the scope of consolidation	Unused amounts reversed	Utilisation	Time value of money	Foreign exchange differences	31.12.2018
Litigation risks	4,580	1,317	0	4,243	167	0	0	1,487
Indemnity bonds	3,898	1,333	0	0	0	1,213	0	4,017
Employee benefits	2,270	3,270	254	103	1,924	0	5	3,771
Reorganisation expenses	5,335	17,855	0	242	8,688	5	0	14,255
Total	**16,083**	**23,774**	**254**	**4,588**	**10,779**	**1,218**	**5**	**23,530**

The provisions for employee benefits listed under other provisions relate to holiday not taken, employer's liability insurance contributions and the compensation levy for non-employment of the severely handicapped.

The reorganisation provisions were recognised for the integration of TRIUVA and Rockspring within the reporting period. These are essentially provisions for severance payments, ongoing salaries during time off work, non-staff operating costs and consulting costs in connection with the reorganisation.

5.7 Objectives and Methods of Financial Risk Management

The key risks to the Group arising from financial instruments include cash flow interest rate risk, liquidity, credit and market risks (including exchange rate risks).

Credit Risk

The Group's credit risk primarily results from trade receivables. Corresponding loss allowances have been recognised for these financial assets. For trade receivables, there is collateral for outright sales in the form of a right to reclaim the real estate sold in the event of default by the client. When selling individual apartments, ownership is transferred only after the purchase price has been paid in full, hence there is no risk of default here.

Impairment losses on financial assets are recognised in profit or loss as follows:

76

EUR k	2018	2017
Impairment losses for trade receivables and contract assets with clients	475	930
Impairment losses for other trade receivables and other assets	584	−1,136
Total Impairment losses IFRS 9	**1,059**	**−206**

The development of impairment losses on trade receivables is as follows:

77

EUR k	2018
Value adjustment for sales as at 31.12.2017	1,039
Value adjustment for rent receivables as at 31.12.2017	2,015
As at 01.01.	**3,054**
Changes in the consolidated group	0
Net revaluation of value adjustment	−849
As at 31.12.	**2,205**

The comparative figures for 2017 show the allowance account in accordance with IAS 39.

78

EUR k	2017
As at 01.01.	**2,370**
Changes in the consolidated group	0
Additions	476
Disposals due to write-offs	−395
Disposals due to incoming payments	−436
As at 31.12.	**2,015**

The Group’s credit risk is mainly determined by receivables past due. The nature of the revenue from which the receivables result also plays a role.

The following table provides information on the credit risk and the expected credit losses for receivables from disposals of F40 GmbH and fund management services.

79

EUR k	Loss rate (weighted average) 31.12.2018	Gross carrying amount 31.12.2018	Value adjustment 31.12.2018	Affected credit rating 31.12.2018
Low risk Maturity up to 90 days	0	78,308	0	no
Medium risk Maturity up to 180 days	0	23,007	0	no
Doubtful Maturity over 180 days	0.24	5,551	1,328	yes
Total default risk/credit losses		**106,866**	**1,328**	

The Group uses corresponding provision matrices to measure the expected credit losses on trade receivables from rentals, real estate disposals and other services (not including fund management).

The loss rates are based on past values adjusted for prospective expectations.

The following table provides information on the credit risk and the expected credit losses for receivables from rentals, property sales and other services (not including fund management).

Loss rate (weighted average) 31.12.2018

80

EUR k	not yet due	due up to 30 days	due up to 60 days	due up to 90 days	due up to 120 days	due up to 180 days	due up to 365 days	due since 365 days	
Rent receivables	3%	3%	25%	25%	75%	75%	100%	100%	
Receivables from sales	0%	0%	0%	0%	75%	75%	100%	100%	
Receivables from other services (without fund management)	0%	0%	25%	25%	75%	75%	100%	100%	
Gross carrying amount	**17,699**	**1,761**	**61**	**61**	**55**	**–3**	**54**	**766**	**20,454**
Value adjustment	**0**	**5**	**0**	**6**	**41**	**9**	**58**	**759**	**878**

Impairment is not calculated for cash funds as the reporting entity does not anticipate impairment. Cash funds in foreign currency are measured in accordance with IAS 21. The credit risk on cash funds invested with banks is ruled out by risk diversification (large number of banks) and the selection of banks of good credit standing.

Investigations by the Group found that loss allowances do not have to be recognised for other loans or securities recognised at amortised cost. The risk has not changed since the acquisition date; there are no indications of a deterioration in borrowers' ratings. The risk was assessed as insignificant as at the acquisition date.

There is currently no clustering of risks within the Group thanks to its broad counterparty structure. For all financial assets of the Group, the maximum credit risk in the event of counterparty default is equal to the carrying amount of these instruments.

Exchange Rate Risks

The transactions of the international branches in Denmark, Sweden, Poland and the UK are performed in the respective national currencies, which gives rise to exchange rate risks. Such risks could increase as the Group continues its expansion outside the euro area. The Group's overall currency risk is regularly monitored and assessed in order to identify any need for action early on and to take countermeasures such as currency hedging.

Interest Rate Risk

Interest rate risks are avoided or minimised by agreeing fixed interest rates and by active liquidity management.

Overview of Interest Rate Risk

On the basis of the ECB's ongoing low interest rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently being raised without interest rate hedging instruments. The Group is thus exposed to interest rate risk from financial liabilities.

Liquidity Risk

The Group uses liquidity planning to monitor the risk of a liquidity bottleneck on an ongoing basis. This liquidity planning takes into account the terms of the financial liabilities and expected cash flows from operating activities.

The Group's goal is to ensure the consistent coverage of funding requirements by using overdrafts and loans.

The maturity structure of financial liabilities is shown under note 5.4. Please also see the information in section 4.3.2 of the Group Management Report.

Capital Management

The Group monitors its capital structure using its equity and net equity ratios as follows:

81

EUR k	31.12.2018	31.12.2017
Interest-bearing loans	0	0
Bonded loans	300,000	322,000
Less cash and cash equivalents and short-term deposits, not exceeding the total amount of the above debt	−300,000	−322,000
Net financial liabilities	**0**	**0**
Total assets	1,778,446	1,252,394
Net total assets	1,478,446	930,394
Equity (not including non-controlling interests)	1,143,106	754,701
Equity ratio [1]	**64.3%**	**60.3%**
Net equity ratio [2]	**77.3%**	**81.1%**

1 Equity ratio: Equity (not including non-controlling interests) divided by total assets
2 Net equity ratio: Equity (not including non-controlling interests) divided by net total assets (total assets less interest-bearing loans and bonded loans covered by cash and short-term deposits)

5.8 Current Liabilities

Current liabilities break down as follows:

82

EUR k	31.12.2018	31.12.2017
Trade payables	4,161	3,421
Prepayments	2,326	3,213
Other liabilities	93,476	86,489
Total	**99,963**	**93,123**

Current liabilities have a remaining term of less than twelve months. Given their short term, there are no material differences between the carrying amount and fair value of the liabilities.

Prepayments relate to purchase price receipts from notarised property disposals.

Other liabilities break down as follows:

83

EUR k	31.12.2018	31.12.2017
Liabilities in connection with variable salary components	31,624	26,356
Liabilities from services purchased before the end of the reporting period	16,454	21,003
Liabilities from settled performance fees owed attributable to future periods	11,540	17,186
Liabilities from company acquisitions	8,466	0
Liabilities to non-controlling interests	4,580	401
Costs incurred for property disposals after the end of the reporting period	4,007	3,653
Liabilities for reimbursements in connection with the sale of the structure of the Harald portfolio	3,261	10,251
Liabilities from capital contribution	2,606	0
Interest for bonded loans	2,379	2,890
Liabilities from ongoing legal proceedings	1,447	0
Costs of financial statements and audits	1,205	1,004
Liabilities for staff costs	1,146	520
Investors with credit balances	621	280
Deferred income	340	299
Other	3,799	2,646
Total	**93,476**	**86,489**

5.9 Tax Liabilities

Tax liabilities include obligations for income taxes, VAT and other types of taxes.

The income taxes essentially comprise EUR 27,984k (previous year: EUR 20,334k) in corporation and trade tax on the profits of German and non-German subsidiaries. In addition, obligations from VAT, wage taxes and miscellaneous other taxes were recognised in the amount of EUR 24,234k (previous year: EUR 4,513k).

5.10 Financial Assets and Liabilities

The effect of the adoption of IFRS 9 on the consolidated financial statements is explained in note 1.1. Comparative figures have not been restated on account of the transition method chosen.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain information on the fair value for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

31.12.2018 84

	Carrying amounts				Fair value		
EUR k	Mandatory FVTPL	FVTOCI-equity instruments	Financial assets at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets at fair value							
Equity investments/ participations		499,241					
Non-current loans	10,140						
	10,140	**499,241**					
Financial assets not measured at fair value							
Other loans			17,373		–	–	–
Trade receivables and other financial assets			355,456		–	–	–
Securities			3,011		–	–	–
Cash and cash equivalents			330,598		–	–	–
			706,438				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				300,000	–	–	–
Trade payables				4,161	–	–	–
Liabilities from services purchased before the end of the reporting period				16,454	–	–	–
Contractual liabilities of prepayments from property sales				2,326	–	–	–
Liabilities from settled performance fees owed attributable to future periods				11,540	–	–	–
Subtotal financial liabilities				**334,481**			
Other liabilities				38,135	–	–	–
Total financial liabilities				**372,616**			

Assessment of the Fair Value of Financial Assets

The following tables show the valuation techniques used to assess level 3 fair values and the significant unobservable inputs used.

85

Type	Valuation technique	Important non-observable input factors	Context between important non-observable input factors and the valuation at fair value
Equity investments	Valuation model considers individual shares of participations as well as the assessment basis particularly of NAV or – if known - potential sales prices of participations	– Shares of participations (5,0%–30,0%) – important assessment basis: NAV/sales prices of participations (0 EURm–EUR 2.779m)	Estimated fair value would increase (decrease), if: – the assessment basis increase (decrease)
Non-current loans	Valuation model considers net assets at fair value of the borrower	– Net assets (2018: EUR 10m–EUR 12m)	Estimated fair value would increase (decrease), if: – the assessment basis increase (decrease)

Sensitivity Analysis of Level 3 Fair Values

A 10% increase (reduction) in the basis of measurement for equity investments with all other inputs remaining constant would result in an increase (reduction) of EUR 66,307k.

An increase (reduction) of net assets would result in an increase (reduction) of EUR 660k in the fair value of long-term loans.

Reconciliation of Level 3 Fair Values

The following table shows the reconciliation from opening to closing level 3 fair values.

86

EUR k	Equity investments	Convertible loans
As at 1 January 2018	**436,780**	**7,346**
Profit/loss, including in the other comprehensive income (Position – Revaluation reserve according to IFRS 9)		
changes of the fair value	53,516	0
Additions in the financial year	11,746	2,794
Disposals in the financial year	–2,801	0
As at 31 December 2018	**499,241**	**10,140**

Net Gains/Losses by Category 87

EUR k	31.12.2018
Financial assets and liabilities, which are mandatory measured at FVTPL	94
Financial assets, which are measured at amortized cost	749
Financial liabilities, which are measured at amortized cost	−5,191
Equity investments, which are measured at FVTOCI (without recycling)	53,516

Equity investments measured at fair value through other comprehensive income

Dividend income from equity investments measured at fair value through other comprehensive income amounts to EUR 6,203k in the financial year. The dividends received result exclusively from participations still held at the end of the reporting period. The fair value of equity investments disposed of as at the date of disposal is EUR 2,801k. No gain or loss was recognised in the consolidated statement of comprehensive income in connection with the disposal of equity investments.

The following tables show the comparative information for 2017 in accordance with IAS 39.

The carrying amounts of financial assets relate to the individual categories as follows:

Financial Assets 88

EUR k	31.12.2017
Available-for-sale financial assets	94,124
Loans and receivables	497,557
Cash and cash equivalents	382,675

The carrying amounts of financial liabilities relate to the individual categories as follows:

Financial Liabilities 89

EUR k	31.12.2017
Financial liabilities measured at amortised cost	419,335

The net gains (+) and losses (-) of the individual categories are as follows:

Net Gains/Losses by Category 90

EUR k	31.12.2017
Available-for-sale financial assets	49,333
Loans and receivables	913
Financial liabilities measured at amortised cost	−5,072

6 Notes to the Consolidated Income Statement

The consolidated income statement is prepared in accordance with the nature of expense method.

The comparability of the figures of the consolidated income statement for the current year and the previous year are limited on account of the acquisitions of TRIUVA and Rockspring in the reporting year.

6.1 Revenues

Revenues break down as follows:

91

EUR k	2018	2017	Change
Revenues from management services	294,565	180,915	62.8%
Proceeds from the sale of principal investments	49,556	56,680	−12.6%
Revenues from ancillary costs	1,232	2,252	−45.3%
Revenues from customer contracts	**345,353**	**239,847**	**44.0%**
Rental revenues	3,713	7,773	−52.2%
Other	1,562	1,954	−20.1%
Revenues	**350,628**	**249,574**	**40.5%**

In accordance with its business model, revenue from contracts with customers at PATRIZIA results from service fee income (revenues from management services), disposals of principal investments and incidental costs. For all categories of revenue from contracts with customers, the adoption of IFRS 15 does not give rise to any material changes in the timing or amount of revenue recognition compared to the Standards applicable until 1 January 2018.

Please see the segment reporting under note 7 for a further breakdown of revenues.

Revenue from contracts with customers breaks down as follows as regards the timing of revenue recognition:

92

EUR k	2018
Transferred products/services at a period of time	178,271
Transferred products/services over a period of time	167,082
Revenues from customer contracts	**345,353**

Revenue from contracts with customers that relates to transaction fees (for acquisitions and disposals) qualifies as revenue recognised at a point in time. Ongoing management fees are classified as revenue recognised over time.

6.1.1 Performance Obligations and Methods of Revenue Recognition

Revenue is measured on the basis of the consideration agreed in a contract with a customer. The Group recognises revenue when control of a good or service is transferred to a customer.

Revenues from Management Services

Revenues from management services typically break down as follows:

- management fees
- transaction fees (services in connection with the acquisition, construction or disposal of assets or shares in them)
- Performance fees

These performance obligations are distinct as the investor typically receives a distinct benefit from the fulfilment of a performance obligation and the services promised are separable from other services under the same contract.

PATRIZIA typically receives a monthly/quarterly management fee for its (asset) management services and a (e.g. annual) performance fee if a defined investment yield is exceeded. (Asset) management is a service performed over time.

Management fees are typically based on the fund volume as at the end of the month, which fluctuates depending on the market values of the assets regularly determined by external experts. Any uncertainty regarding consideration is typically resolved when the fund volume is determined as at the end of the month.

Among other scenarios, PATRIZIA receives a performance fee if the investment vehicle has outperformed its benchmark or if defined investment yields are exceeded. The performance fee can relate to one or more years and also constitutes consideration subject to uncertainty. Owing to potential clawback agreements, even performance fees already received can still be subject to uncertainty. Clawback obligations are measured based on the most likely future performance of a portfolio, taking consideration already received for past performance into account.

Transaction fees are typically for performance obligations fulfilled at a point in time, namely the acquisition or disposal of assets or portfolios. In some cases, there can also be performance-based consideration depending on a portfolio's performance.

Revenues from management services are invoiced on revenue recognition. Invoices for management fees are typically payable within 14 days, while invoices for transaction fees are typically due within zero to 60 days.

Proceeds from the Sale of Principal Investments

Proceeds from the sale of principal investments are recognised when control of assets has transferred to the clients.

Buyers achieve control of real estate when ownership, rights and liabilities are transferred to them. An enforceable right to payment arises at this time. The amount of revenues is the contractually agreed transaction price. Most of the consideration is due when legal title has transferred. The transaction price therefore does not include a significant financing component.

Revenues from Incidental Costs

Revenues from incidental costs are recognised over the period in which the services are rendered. The tenant typically receives and consumes the benefit at the same time. Revenues are recognised using input-based methods, whereby revenues are recognised based on the costs incurred or resources consumed in proportion to the total inputs expected to be required to fulfil the performance obligation. The agreed consideration is due monthly.

6.1.2 Contract Balances

The following table provides information on receivables, contract assets and contract liabilities from contracts with customers.

93

EUR k	31.12.2018	31.12.2017
Receivables from contracts with clients	345,353	239,847
Contract liabilities	2,326	3,213

There were no contract assets, i.e. services already rendered but not yet invoiced, as at either the start or end of the financial year.

Contract liabilities essentially relate to prepayments received from clients in connection with asset disposals. The amount of EUR 3,213k reported at the start of the period was recognised as revenue in the 2018 financial year. The contract liabilities in place as at the end of the reporting period have an expected remaining term of one year or less.

6.2 Changes in Inventories

The accounting impact of the disposal and renovation and construction costs of property intended for sale are reported in profit or loss under changes in inventories.

6.3 Other Operating Income

Other operating income essentially relates to:

94

EUR k	2018	2017	Change
Income from discontinued obligations	14,501	11,067	31.0%
Income from payments in kind	1,126	1,113	1.2%
Income from reduction of the general valuation allowance	0	1,683	–100.0%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	89	164	–45.7%
Insurance compensation	31	10	210.0%
Other	4,951	3,257	52.0%
Total	**20,698**	**17,294**	**19.7%**

Income from discontinued obligations essentially results from litigation costs/risks no longer applicable following the conclusion of arbitration proceedings (EUR 4,238k), from the reversal of provisions for outstanding invoices (EUR 2,592k), from the final settlement of bonuses (EUR 2,415k), from the reversal of provisions for other taxes (EUR 1,771k), from the adjustment of Harald portfolio transaction liabilities (EUR 1,061k) and from unused reorganisation expenses (EUR 224k).

The "Other" item essentially includes income from the recognition of differences from business combinations (EUR 2,152k), the capitalisation of internally generated software (EUR 615k) and subletting (EUR 468k).

6.4 Cost of Materials

The cost of materials includes the direct costs incurred in connection with the performance of services and breaks down as follows:

95

EUR k	2018	2017	Change
Renovation and construction costs	8,955	12,695	–29.5%
Incidental costs	2,468	4,314	–42.8%
Maintenance costs	276	441	–37.4%
Total	**11,699**	**17,450**	**–33.0%**

6.5 Cost of Purchased Services

The "Cost of purchased services" item totalling EUR 15,679k (previous year: EUR 11,450k) essentially comprises the purchase of fund management services for the label funds for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service asset management company.

To improve the presentation of performance, from 2018 this item also includes transaction costs of EUR 1,961k that are incurred to generate revenue and can be passed on. The corresponding figures for the previous year are shown in "6.7. Other operating expenses".

6.6 Staff Costs

Staff costs break down as follows:

96

EUR k	2018	2017
Wages and salaries	110,093	78,097
of which sales commission	2,124	2,446
of which remeasurement of long-term incentives	–628	1,175
Social security contributions	14,861	8,974
Total	**124,954**	**87,071**

Correlating to the drop in the price of PATRIZIA Immobilien AG shares, lower staff costs of EUR 628k (previous year: EUR 1,175k) arose in connection with the remeasurement of long-term incentives in the reporting period.

6.7 Other Operating Expenses

Other operating expenses break down as follows:

97

EUR k	2018	2017	Change
Tax, legal, other advisory and financial statement fees	19,498	34,314	−43.2%
IT and communication costs and cost of office supplies	12,907	7,965	62.0%
Rent, ancillary costs and cleaning costs	10,856	7,010	54.9%
Other taxes	10,466	494	2,018.6%
Vehicle and travel expenses	6,642	5,209	27.5%
Advertising costs	5,188	5,675	−8.6%
Recruitment and training costs and cost of temporary workers	4,217	2,475	70.4%
Contributions, fees and insurance costs	3,795	2,023	87.6%
Commission and other sales costs	3,133	1,994	57.1%
Costs of management services	847	1,390	−39.1%
Indemnity/reimbursement	0	3,514	−100.0%
Other	13,193	10,165	29.8%
Total	**90,742**	**82,228**	**10.4%**

At EUR 19,498m (31 December 2017: EUR 34,314m), “Tax, legal, other advisory and financial statement fees” includes transaction costs in connection with the TRIUVA and Rockspring business combinations in the amount of EUR 1,881m.

At EUR 23,452k, transaction costs were significantly higher in the previous period and mainly comprised costs for business combinations of EUR 12,692k and uncompleted transactions of EUR 6,755k.

Other taxes essentially comprise property tax payments and VAT arrears for previous years.

The “Other” item mainly comprises provisions for various obligations, donations and costs for work events.

6.8 Income from Participations

Income from participations of EUR 28,042k in the reporting period (previous year: EUR 49,315k) results from the participations in GBW GmbH, Harald-Portfolio, Winnersh Holdings LP, Plymouth Sound Holdings LP, Aviemore Topco, Citruz Holdings LP, Seneca Holdco SCS and TRIUVA (previous year: GBW GmbH, Harald-Portfolio, Winnersh Holdings LP, Plymouth Sound Holdings LP, Aviemore Topco and Seneca Holdco SCS) and from closed-end funds business.

Income from participations breaks down as follows:

98

EUR k	2018	2017	Change
Services provided as shareholder contributions	9,490	9,490	0.0%
Performance-based shareholder remuneration	12,350	21,484	−42.5%
Return on equity employed	6,202	18,341	−66.2%
Total	**28,042**	**49,315**	**−43.1%**

Please refer to 2.3.2 Result of operations of the Group in the management report for a detailed presentation.

6.9 Earnings from Companies Accounted for Using the Equity Method

Earnings from companies accounted for using the equity method of EUR 11,852k (previous year: EUR 13,353k) result from the pro rata earnings of PATRIZIA WohnModul I SICAV-FIS of EUR 12,054k (previous year: EUR 13,353k) and the pro rata loss of EVANA AG of EUR 202k.

6.10 Reorganisation Expenses

Reorganisation expenses arose for the integration of TRIUVA and Rockspring in the reporting period. These are essentially costs for severance payments, ongoing salaries during time off work, non-staff operating costs and consulting costs in connection with the reorganisation.

6.11 Depreciation and Amortisation

Depreciation and amortisation on software and equipment amounts to EUR 5,554k (previous year: EUR 3,718k).

This item also includes amortisation on intangible assets in connection with the acquisition of PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Multi Managers, TRIUVA and Rockspring. Amortisation of EUR 29,853k (previous year: EUR 2,185k) and impairment losses of EUR 6,824k (previous year: EUR 2,778k) were recognised on fund management contracts. Amortisation on licences amounted to EUR 6k (previous year: EUR 23k). Please also see the accounting policies under 3.2. Other intangible assets.

6.12 Net Finance Costs

99

EUR k	2018	2017	Change
Interest on bank deposits	445	162	174.7%
Other interest	2,576	752	242.6%
Financial income	**3,021**	**914**	**230.5%**
Interest on overdraft facilities and loans	−149	−672	−77.8%
Other financial expenses	−6,287	−4,474	40.5%
Financial expenses	**−6,436**	**−5,146**	**25.1%**
Result from currency translation	**1,175**	**−2,747**	**−142.8%**
Net finance costs	**−2,240**	**−6,979**	**−67.9%**

Interest income of EUR 3,021k (previous year: EUR 913k) was recognised on financial assets measured at amortised cost in line with the effective interest method.

Other interest income essentially results from the discounting of long-term payment obligations, shareholder loans to co-investments, interest on late purchase price payments and interest refunds from the tax office.

The other financial expenses include interest for bonded loans and interest expenses for business taxes.

The result from currency translation amounted to EUR 1,175k (previous year: EUR −2,747k) in 2018. This includes realised exchange rate losses of EUR −600k (previous year: EUR −1,597k).

6.13 Income Taxes

Income taxes break down as follows:

100

EUR k	2018	2017	Change
Current income taxes	−27,615	−24,473	12.8%
Deferred taxes	9,425	3,243	190.6%
Total	**−18,190**	**−21,230**	**−14.3%**

The deferred taxes in the income statement essentially resulted from amortisation on other intangible assets.

Tax Reconciliation Statement

The tax reconciliation statement describes the relationship between the actual tax expense and the expected tax expense based on the IFRS consolidated net profit before income taxes by applying the income tax rate of 30.825% (previous year: 30.825%). The income tax rate consists of 15% corporate income tax, a 5.5% solidarity surcharge on this and 15% trade tax:

101

EUR k	2018	2017
IFRS consolidated net proft before income taxes	**76,306**	**80,128**
Income tax expense expected on the above	−23,522	−24,699
Tax exemption of income from participations	8,526	4,543
Tax additions and deductions	−2,920	−6,767
International subsidiaries with differing tax rates	2,279	1,503
Deferred tax assets on losses not capitalised	−7,291	−6,172
Use of loss carryforwards not capitalised	2,112	269
Trade tax effects from income subject to limited taxation	212	745
Prior-period effects	2,940	−495
Other	−526	9,843
Actual tax expense	**−18,190**	**−21,230**
Actual tax expense in percent	**23.8%**	**26.5%**

6.14 Earnings per Share

102

EUR k	2018 Adjusted [1]	2017 Adjusted [1]	2018	2017
Share of earnings attributable to shareholders of the Group	68,658	56,716	51,660	55,003
Number of shares	91,059,631 [2]	89,555,059 [2]	91,059,631 [2]	89,555,059 [2]
Weighted number of shares	90,623,251 [2]	91,473,310 [2]	90,623,251 [2]	91,473,310 [2]
Earnings per share (undiluted/diluted) in EUR	**0.76**	**0.62**	**0.57**	**0.60**

1 Adjusted = not including reorganisation expenses
2 Outstanding after share buybacks

In the reporting period, the weighted number of shares in accordance with IAS 33.19 et seq. decreased by 850,059 as a result of the weighted disposal of shares and dividend distributions to shareholders in return for the issue of treasury shares.

7 Segment Reporting

Segment reporting categorises the segments according to whether PATRIZIA acts as an investor or a service provider. In line with the Group's reporting for management purposes and in accordance with the definition of IFRS 8 "Operating Segments", two segments have been identified based on functional criteria: Investments and Management Services. In addition to functional criteria, the operating segments are also broken down by geographical criteria based on the location of the asset under management. The companies acquired in 2018, TRIUVA and Rockspring, are fully allocated to the Management Services segment. TRIUVA is allocated to Germany and Rockspring to international operations. The individual international subsidiaries are reported collectively as their revenue and earnings contributions per country are still consistently low (less than 10% in each case). Above all, the subsidiaries in Luxembourg and the UK experienced a more significant increase in earnings contributions in 2018. This is essentially due to the companies acquired and the high performance fees.

In addition, PATRIZIA Immobilien AG (Group management) and the management of the international subsidiaries are shown under "Corporate". Corporate is not a reportable operating segment in its own right, but is shown separately on account of its international function as an internal service provider.

The elimination of intragroup revenues, intercompany transactions and intragroup transfers is shown in the "Consolidation" column. All internal services within a country between the Investments and Management Services segments on the one hand and PATRIZIA Immobilien AG on the other are consolidated in the "Group" column. This represents the external service provided by the Group in the region. By contrast, the international exchange of services is eliminated in the "Consolidation" row.

The "Investments" segment bundles principal investments and participations.

The Management Services segment covers a broad range of real estate services such as the acquisition and sale of residential and commercial real estate or portfolios, value-oriented property management (asset management), strategic consulting on investment strategy, portfolio planning and allocation (portfolio management) and the execution of complex, non-standard investments (alternative investments). Special funds are set up and managed through the Group's own asset management companies – also according to individual customer requests. The service fee income generated from both co-investments and third-party business is reported in the Management Services segment. This also includes income from participations that takes the form of services provided as shareholder contributions for the asset management of the co-investment GBW.

The range of services provided by the Management Services segment is increasingly utilised by third parties as assets under management grow.

Internal controlling and reporting in the PATRIZIA Group is based on IFRS principles. The Group measures the success of its segments using segment earnings indicators, which are referred to for the purpose of internal controlling and reporting as EBT and operating EBT.

Segment EBT is the net total of revenues, income from the sale of investment property, changes in inventories, the cost of materials and staff costs, the cost of purchased services, other operating income and expenses, reorganisation expenses, changes in the value of investment property, depreciation and amortisation, net income from participations (including companies accounted for using the equity method), net financial income and the result from currency translation.

Certain adjustments are made to calculate operating EBT, namely for non-cash effects from the valuation of investment property, exchange rate effects, amortisation on other intangible assets and reorganisation expenses. The items added included changes in value on the disposal of investment property, realised currency effects, and operating income from participations (IFRS 9).

Revenue is generated between reportable segments. These intragroup transactions are settled at market prices.

The individual operating segments are set out below. The reporting of amounts in thousands of euro can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures.

2018 (01.01.–31.12.2018) 103

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Germany					
Proceeds from the sale of principal investments	26,998				26,998
Rental revenues	1,624	267		–55	1,836
Revenues from management services		241,271		–2,023	239,248
Revenues from ancillary costs	–143				–143
Other	–2	3,097			3,096
Revenues	**28,477**	**244,635**		**–2,078**	**271,034**
International[1]					
Proceeds from the sale of principal investments	22,558				22,558
Rental revenues	1,877				1,877
Revenues from management services		102,185		–125	102,059
Revenues from ancillary costs	1,376				1,376
Other	41	1,876			1,917
Revenues	**25,852**	**104,061**		**–125**	**129,788**
Corporate					
Revenues			**20,925**		**20,925**
Consolidation					
Revenues		**–47,865**		**–23,253**	**–71,118**
Group					
Proceeds from the sale of principal investments	49,556				49,556
Rental revenues	3,502	267	836	–891	3,713
Revenues from management services		296,319	19,771	–21,525	294,565
Revenues from ancillary costs	1,232				1,232
Other	39	4,245	318	–3,040	1,562
Revenues	**54,329**	**300,831**	**20,925**	**–25,456**	**350,628**
Details					
Total operating performance					
Germany	12,995	253,301		–2,078	264,218
International[1]	19,040	108,047		–125	126,961
Corporate			26,087		26,087
Consolidation		–50,291		–23,235	–73,526
Group	**32,035**	**311,057**	**26,087**	**–25,438**	**343,740**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2018 (01.01.–31.12.2018)

103

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Cost of materials and cost of purchased services					
Germany	−7,327	−23,985			−31,312
International [1]	−4,308	−38,864			−43,173
Corporate					
Consolidation		47,107			47,107
Group	**−11,635**	**−15,743**			**−27,378**
Change in value of investment properties					
Germany	3,975				3,975
Group	**3,975**				**3,975**
Staff costs					
Germany		−59,541			−59,541
International [1]		−40,582			−40,582
Corporate			−24,831		−24,831
Consolidation					
Group		**−100,123**	**−24,831**		**−124,954**
Other operating expenses and impairment losses for trade receivables and contract assets					
Germany	−7,586	−48,509		2,218	−53,877
International [1]	−1,586	−26,399		125	−27,860
Corporate			−46,156		−46,156
Consolidation	6,633	3,185		25,897	35,716
Group	**−2,539**	**−71,723**	**−46,156**	**28,241**	**−92,178**
Income from participations and earnings from companies accounted for using the equity method					
Germany	14,148	22,101			36,249
International [1]	3,645				3,645
Corporate					
Consolidation					
Group	**17,793**	**22,101**			**39,894**
Reorganisation expenses					
Germany		−12,640			−12,640
International [1]		−1,022			−1,022
Corporate			−8,656		−8,656
Consolidation					
Group		**−13,662**	**−8,656**		**−22,318**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2018 (01.01.–31.12.2018)

103

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Amortisation of other intangible assets and software, depreciation of property, plant and equipment					
Germany		–25,525			–25,525
International [1]		–12,299			–12,299
Corporate			–4,411		–4,411
Consolidation					
Group		**–37,824**	**–4,411**		**–42,235**
Net finance costs					
Germany	4,406	765			5,172
International [1]	602	134			736
Corporate			–9,323		–9,323
Consolidation					
Group	**5,008**	**900**	**–9,323**		**–3,415**
Result from currency translation					
Germany		11			11
International [1]	–607	199			–408
Corporate			1,572		1,572
Consolidation					
Group	**–607**	**210**	**1,572**		**1,175**
EBT (IFRS)					
Germany	20,611	105,979		140	126,729
International [1]	16,785	–10,787			5,999
Corporate			–65,718		–65,718
Consolidation	6,633			2,663	9,296
Group	**44,029**	**95,192**	**–65,718**	**2,802**	**76,306**
Adjustments					
Germany	**4,068**	**41,419**	**8,656**		**54,143**
Significant non-operating earnings	3,975	–41,419	–8,656		–46,099
Changes in the value of investment property	3,975				3,975
Amortisation of fund management contracts		–25,047			–25,047
Operating income from participations (IFRS 9)		–3,757			–3,757
Reorganisation expenses		–12,641	–8,656		–21,296
Unrealised currency changes		25			25
Realised fair value	8,043				8,043

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2018 (01.01.–31.12.2018) 103

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
International [1]	**582**	**12,437**			**13,018**
Significant non-operating earnings	−582	−12,437			−13,018
Market valuation income derivatives		−22			−22
Amortisation of fund management contracts		−11,631			−11,631
Reorganisation expenses		−1,022			−1,022
Unrealised currency changes	−582	238			−344
Corporate			**−2,094**		**−2,094**
Significant non-operating earnings			2,094		2,094
Unrealised currency changes			2,094		2,094
Group	**4,649**	**53,856**	**6,562**		**65,067**
Operating income (adjusted EBT)					
Germany	24,678	147,398	8,656	140	180,872
International [1]	17,367	1,650			19,017
Corporate			−67,812		−67,812
Consolidation	6,633			2,663	9,296
Group	**48,679**	**149,048**	**−59,156**	**2,802**	**141,373**

2017 (01.01.–31.12.2017) 104

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Germany					
Proceeds from the sale of principal investments	45,091				45,091
Rental revenues	5,483	103		−55	5,530
Revenues from management services		157,151		−3,482	153,669
Revenues from ancillary costs	509				509
Other	290	1,097		−3	1,384
Revenues	**51,373**	**158,351**		**−3,540**	**206,183**
International [1]					
Proceeds from the sale of principal investments	11,588				11,589
Rental revenues	2,189				2,189
Revenues from management services		95,856		−995	94,861
Revenues from ancillary costs	1,746				1,746
Other	80	591			672
Revenues	**15,603**	**96,448**		**−995**	**111,056**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2017 (01.01.–31.12.2017)

104

EUR k	Investments	Management Services	Corporate	Consolidation	Group
Corporate					
Revenues			**783**		**783**
Consolidation					
Revenues		**−68,042**		**−407**	**−68,449**
Group					
Proceeds from the sale of principal investments	56,680				56,680
Rental revenues	7,671	103	54	−55	7,773
Revenues from management services		184,996	416	−4,497	180,915
Revenues from ancillary costs	2,254		−2		2,252
Other	370	1,658	315	−390	1,953
Revenues	**66,976**	**186,757**	**783**	**−4,942**	**249,574**
Details					
Total operating performance					
Germany	22,311	163,774		−3,541	182,545
International [1]	7,353	99,813		−1,005	106,161
Corporate			7,860		7,860
Consolidation		−68,463		−452	−68,915
Group	**29,664**	**195,124**	**7,860**	**−4,998**	**227,651**
Cost of materials and cost of purchased services					
Germany	−11,802	−20,440			−32,242
International [1]	−5,641	−58,968			−64,609
Corporate					
Consolidation		67,951			67,951
Group	**−17,443**	**−11,457**			**−28,900**
Change in value of investment properties					
Germany	6,748				6,748
Group	**6,748**				**6,748**
Staff costs					
Germany		−40,752			−40,752
International [1]		−20,933			−20,933
Corporate			−25,386		−25,386
Consolidation					
Group		**−61,685**	**−25,386**		**−87,071**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2017 (01.01.–31.12.2017) 104

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Other operating expenses and costs from the deconsolidation of subsidiaries					
Germany	−2,044	−24,715		3,879	−22,879
International [1]	−1,848	−16,224		875	−17,197
Corporate			−43,894		−43,894
Consolidation		511		481	992
Group	**−3,892**	**−40,427**	**−43,894**	**5,235**	**−82,978**
Income from participations and earnings from companies accounted for using the equity method					
Germany	15,379	27,681			43,061
International [1]	19,607				19,607
Corporate					
Consolidation					
Group	**34,986**	**27,681**			**62,667**
Reorganisation expenses					
Germany		−1,023			−1,023
International [1]		−341			−341
Corporate			−966		−966
Consolidation					
Group		**−1,364**	**−966**		**−2,330**
Amortisation of other intangible assets and software, depreciation of property, plant and equipment					
Germany		−4,776			−4,777
International [1]		−489			−489
Corporate			−3,416		−3,416
Consolidation					
Group		**−5,265**	**−3,416**		**−8,681**
Net finance costs					
Germany	1,493	−293			1,201
International [1]	−672	286			−385
Corporate			−5,067		−5,067
Consolidation				20	20
Group	**822**	**−6**	**−5,067**	**20**	**−4,232**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

2017 (01.01.–31.12.2017) 104

EUR k	Invest-ments	Manage-ment Services	Corporate	Consoli-dation	Group
Result from currency translation					
Germany	–229	–8			–238
International [1]	–1,721	–820			–2,541
Corporate			32		32
Consolidation					
Group	**–1,951**	**–828**	**32**		**–2,747**
EBT (IFRS)					
Germany		99,448		339	131,643
International [1]		2,325		–131	19,273
Corporate			–70,837		–70,837
Consolidation				49	49
Group		**101,773**	**–70,837**	**257**	**80,128**
Adjustments					
Germany	**–6,318**	**5,783**	**966**		**431**
Significant non-operating earnings	6,704	–5,783	–966		–45
Changes in the value of investment property	6,748				6,748
Amortisation of fund management contracts		–4,746			–4,746
Reorganisation expenses		–1,023	–966		–1,989
Unrealised currency changes	–44	–14			–58
Realised fair value	386				386
International [1]	**1,296**	**1,237**			**2,533**
Significant non-operating earnings	–1,296	–1,237			–2,533
Amortisation of fund management contracts		–193			–193
Reorganisation expenses		–341			–341
Unrealised currency changes	–1,296	–703			–1,999
Corporate			**–907**		**–907**
Significant non-operating earnings			907		907
Unrealised currency changes			907		907
Group	**–5,023**	**7,020**	**59**		**2,057**
Operating income (adjusted EBT)					
Germany	25,538	105,231	966	339	132,074
International [1]	18,374	3,562		–131	21,805
Corporate			–71,743		–71,743
Consolidation				49	49
Group	**43,912**	**108,793**	**–70,777**	**257**	**82,185**

1 France, United Kingdom, Luxembourg, Netherlands, Nordics, Spain

8 Information on the Consolidated Cash Flow Statement

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

In the consolidated cash flow statement, cash flows are presented according to cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The effects of changes in the consolidated group are eliminated in the respective items. The cash flow from operating activities was calculated using the indirect method.

The cash flow from investing activities contains the effects of investments and disposals, in particular relating to investment securities, investment property and property, plant and equipment.

“Payments for the disposal of consolidated companies and other business units” essentially shows cash outflows due to the deconsolidation of private investor real estate funds (placement of shares).

Payments for acquisitions are also reported under “Payments for the acquisition of consolidated companies and other business units” in addition to intra-year acquisitions of subsidiaries.

The cash flow from financing activities includes loan receipts and repayments for the financing of current and non-current assets.

Financial liabilities developed as follows over 2018:

105

	01.01.2018	Cash	Non-cash			Reclassification	31.12.2018
EUR k			Changes in the consolidated group	Exchange rate effects	Fair value changes		
Long-term borrowings	300,000	0	0	0	0	0	300,000
Short-term borrowings	22,000	48,764	−70,764	0	0	0	0
Total financial liabilities	**322,000**	**48,764**	**−70,764**	**0**	**0**	**0**	**300,000**

A cash dividend of EUR 21,197k was distributed to shareholders in the reporting year.

The following table shows the comparative information for 2017:

106

EUR k	01.01.2017	Cash	Non-cash: Changes in the consolidated group	Non-cash: Exchange rate effects	Non-cash: Fair value changes	Reclassification	31.12.2017
Long-term borrowings	22,000	300,000	0	0	0	–22,000	300,000
Short-term borrowings	58,200	91,015	–149,215	0	0	22,000	22,000
Total financial liabilities	**80,200**	**391,015**	**–149,215**	**0**	**0**	**0**	**322,000**

9 Other Notes

9.1 Management Participation Model

PATRIZIA's management participation model focuses on the aspects of market conformity, performance and sustainability. It was developed in line with the requirements of the German Corporate Governance Code.

The fundamental requirement of PATRIZIA's management participation model is a consistent target system the supports the company's strategy. It is based on a long-term, multi-dimensional and neutral approach. The system assigns quantitative and qualitative targets at company, division and individual levels to members of the Managing Board and members of first line management. The first line consists of senior managing directors and other direct reports to the Managing Board.

The degree to which the quantitative targets are achieved is determined by reference to projected figures in line with company planning. The key targets are operating income (for definition see 1.4.2 Corporate management on the basis of financial performance indicators) and the performance of PATRIZIA Immobilien AG's share price relative to the benchmark index.

At division level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and the interdependencies among process participants. Members of the Managing Board and the first line involved in the provision of services or qualitative projects are set common targets.

At individual level, the quantitative results or qualitative project results for which members of the Managing Board and the first line are individually responsible are taken into account.

The degree to which the individual targets are achieved determines the amount of the variable remuneration component. The amount of the variable remuneration components possible is capped. Members of the Managing Board and the first line lose their entire variable remuneration component if the Group achieves less than two thirds of the planned operating income as defined above.

The variable share of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive is paid out immediately after it has been established that targets have been achieved. The long-term incentive is a salary commitment with a virtual link to PATRIZIA's share price. It is only paid out two or three years after confirmation that targets have been achieved.

A long-term incentive of EUR 2,165k (previous year: EUR 1,971k) was taken into account for the first and second management levels for the 2018 financial year. This corresponds to the liability recognised on the basis of average target achievement of 130% (previous year: 140%). The liability as at 31 December 2018 is converted at the average closing price in Xetra trading for shares of PATRIZIA Immobilien AG for the 30 days prior to and 15 days after 31 December of the financial year in question. The shortened 15-day period is due to PATRIZIA Immobilien AG's closing process. The final calculation can only be made after all data required for the calculation is known, which is only the case after the 2018 consolidated financial statements have been approved. The monetary amount earned is converted into performance share units at the average closing price in Xetra trading for shares of PATRIZIA Immobilien AG for the 30 days prior to and 30 days after 31 December of the financial year in question. The equivalent value of the shares (adjusted for bonus shares) is paid out in cash at the average closing price in Xetra trading 30 days prior to and after 31 December of the second/third year (vesting period).

Based on the 30 days prior to and 15 days after 31 December 2018, the average price of PATRIZIA's shares is EUR 17.06785714, thus amounting to 126,892 shares for 2018. Expenses for share-based payment of EUR 967k (previous year: EUR 2,730k) were incurred in the reporting period. These consist of exchange rate effects of EUR −628k, additions to shared-based payment transactions of EUR 2,166k and corrections due to the final settlement in the reporting period of EUR −571k. In the previous year, the expense of EUR 1,175k resulting from share price development exceeded the addition to shared-based payment transactions of EUR 1,971k and the corrections due to the final settlement in the reporting period of EUR −416k by EUR 2,730k in total.

The fair value is as follows:

Components with Long-Term Incentive Effect 107

	Number of performance shares 2018	Fair Value 31.12.2018 EUR k	Number of performance shares 2017	Fair Value 31.12.2017 EUR k	Paid out EUR k
Tranche of performance share units in the 2018 fiscal year [1]	126,892	2,166	0	0	0
Tranche of performance share units in the 2017 fiscal year [1]	81,906	1,413	100,089	1,971	0
Tranche of performance share units in the 2016 fiscal year [1]	109,395	1,875	120,211	2,367	0
Tranche of performance share units in the 2015 fiscal year [1]	37,764	645	92,485	1,821	1,071
Tranche of performance share units in the 2014 fiscal year [1]	0	0	58,304	1,148	1,160
Total	**355,957**	**6,099**	**371,089**	**7,307**	**2,231**

1 Corresponds to the liability recognised for 130% target achievement. The final calculation of this variable remuneration and the allocation to the individual beneficiaries will be performed after the 2018 consolidated financial statements have been approved

The performance share units outstanding at the end of the reporting period are as follows:

108

	01.01.–31.12.2018	01.01.–31.12.2017
Outstanding at the start of the reporting period	371,089	416,884
Granted in the reporting period	126,892	124,259
Correction due to final settlement in the reporting period	–28,999	–27,265
Paid out in the reporting period	–113,025	–142,749
Outstanding at the end of the reporting period	**355,957**	**371,089**

9.2 Related Party Transactions

The related parties of the company include the members of the Managing Board and the Supervisory Board and the members of executive bodies of subsidiaries, including their close relatives, and companies that the members of the Managing Board and the Supervisory Board, and their close relatives, can significantly influence, or in which they hold a significant share of voting rights. Furthermore, related companies include companies with which the company forms an affiliated group or in which it holds an investment that allows it to significantly influence the business policy of the investee in addition to the main shareholders of the company, including its affiliated companies.

PATRIZIA maintains the following business relationships with related parties:

Shareholdings in PATRIZIA of Members of the Managing Board and Persons Related to Managing Board Members

Wolfgang Egger, CEO, holds a total interest of 51.71% in the company through First Capital Partner GmbH, in which he directly and indirectly holds a 100% interest through WE Vermögensverwaltung GmbH & Co. KG as at the end of the reporting period.

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

Contracts and Business Relationships between Members of the Managing Board directly and PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG occasionally provide or engage services for Mr Wolfgang Egger and for companies controlled directly or indirectly by Wolfgang Egger. PATRIZIA Immobilien AG has provided services through PATRIZIA Deutschland GmbH in the context of management activities. An amount of EUR 22k was invoiced for these services in 2018. No other property management services were provided in 2018. All services provided satisfy customary market standards for comparative arm's length transactions.

Furthermore, in 2018 PATRIZIA Immobilien AG was invoiced EUR 129k for renovation work at the rented property at Fuggerstrasse 24–26, 86150 Augsburg. All services provided satisfy customary market standards for comparative arm's length transactions.

Remuneration to a Former Member of the Managing Board

Mr Arwed Fischer is granted earnings and performance based remuneration that he earned in the context of his employment. Furthermore, Mr Arwed Fischer was provided with a company car until 30 June 2018.

Rental Agreements between Members of the Managing Board and PATRIZIA

Wolfgang Egger (lessor) has concluded a rental agreement with the company (lessee) for the building, including parking spaces, used by the company as its headquarters (Fuggerstrasse 18 to 24 and Fuggerstrasse 26 in Augsburg) for a current rent of EUR 1,609k (previous year: EUR 1,620k). The lease was agreed as at arm's length.

Activities of Managing Board Members in Companies outside PATRIZIA

CEO Wolfgang Egger is the Managing Director of Wolfgang Egger Verwaltungs-GmbH (general partner of Wolfgang Egger GmbH & Co. KG) and the general partner of Friedrich List Vermögensverwaltungs KG.

CFO Karim Bohn is a member of the Supervisory Board of GBW Real Estate GmbH & Co. KG, Grünwald.

Activities of Supervisory Board Members in Companies outside PATRIZIA

The Chairman of the Supervisory Board, Dr Theodor Seitz, is the Chairman of the Supervisory Board of CDH AG, Augsburg.

In addition to being a member of the Supervisory Board at PATRIZIA Immobilien AG, Uwe H. Reuter holds the following mandates:

- VHV Holding AG, Hanover, Chairman of the Managing Board
- VHV Allgemeine Versicherungs AG, Hanover, Chairman of the Supervisory Board
- Hannoversche Lebenversicherung, Chairman of the Supervisory Board
- VHV solutions GmbH, Chairman of the Supervisory Board
- VHV Vermögensanlage AG, Chairman of the Supervisory Board
- VAV Versicherungs AG, Vienna, Austria, Chairman of the Supervisory Board
- E+S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover, member of the Supervisory Board
- NORD/LB, Hanover, member of the Advisory Board
- Arbeitgeberverband Dt. Versicherungswirtschaft, Managing Board (Deputy Chairman)
- Honorary Consul of the Republic of Austria in Hanover for the German state of Lower Saxony
- Hannover Impuls GmbH (Business Development Agency of the City/Region of Hanover), supervisory board member

Asset Management Agreement with Wohnungsgesellschaft Ludwigsfeld GmbH

Through PATRIZIA Deutschland GmbH, PATRIZIA Immobilien AG has provided asset management services for Wohnungsgesellschaft Ludwigsfeld GmbH, in which AHO Beteiligungs-GmbH holds an interest. Alfred Hoschek is the Managing Director of AHO Beteiligungs-GmbH and also a member of the Supervisory Board of PATRIZIA Immobilien AG. An amount of EUR 22k (previous year: EUR 97k) was invoiced for these services in the reporting year. Furthermore, credit notes of EUR 30k and subsequent invoices for EUR 21k were issued for 2017. All services provided satisfy customary market standards for comparative arm's length transactions.

9.3 Supervisory Board and Managing Board

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

- Wolfgang Egger, businessman, Chief Executive Officer
- Karim Bohn, business studies graduate, Chief Financial Officer
- Klaus Schmitt, law graduate, Chief Operating Officer
- Anne Kavanagh, Chief Investment Officer

The members of the Managing Board were granted total remuneration of EUR 5,932k (previous year: EUR 4,511k) and were paid total remuneration of EUR 4,444k (previous year: EUR 4,013k) in the 2018 financial year. This comprised EUR 1,788k (previous year: EUR 1,613k) in current salary payments and fringe benefits and EUR 1,884k (previous year: EUR 1,397k) in short-term incentives and EUR 772k (previous year: EUR 507k) in long-term incentives under the management participation model and a sign-on bonus of EUR 0k (previous year: EUR 496k).

The former member of the Managing Board Arwed Fischer was granted total remuneration of EUR 6k (previous year: EUR 10k) and was paid total remuneration of EUR 387k (previous year: EUR 725k) in the 2018 financial year.

Please refer to the remuneration report in the management report (3.2) for detailed information on the remuneration of the Group Management Report.

Members of the Supervisory Board of the Parent Company

The following are members of the Supervisory Board:

- Dr Theodor Seitz, Chairman, tax consultant and lawyer, Augsburg
- Alfred Hoschek, Managing Director of AHO Verwaltung GmbH, Augsburg
- Uwe H. Reuter, Chairman of the Managing Board of VHV Holding AG, Hanover

The Supervisory Board received fixed remuneration of EUR 100k (previous year: EUR 100k) in the 2018 financial year.

Further information on the remuneration of the Supervisory Board can be found in the remuneration report in the Group Management Report under 3.2.

9.4 Other Financial Obligations and Contingent Liabilities

The obligations from existing rental and leasing agreements amount to:

2018 109

Years	EUR k
2019	9,018
2020–2023	6,744
2024 and later	378
Total	**16,140**

2017 110

Years	EUR k
2018	5,926
2019–2022	7,917
2023 and later	530
Total	**14,373**

PATRIZIA has rented used office space. This also contributes to reducing capital commitment and leaves the investment risk with the lessor. The rental agreement for the company's headquarters in Augsburg results in annual rental expenses of EUR 1,609k. Rental agreements have also been concluded for offices at other locations with remaining terms of between three months and seven years. The resulting obligations amount to EUR 5,721k for 2019, EUR 3,121k for 2020 and EUR 837k for 2021. The remaining obligations relate to leases for office, IT and business equipment and for company cars.

9.5 Employees

The average headcount of full-time employees at the Group in 2018 (not including the Managing Board or trainees) was 856 (previous year: 608). The Group also had 21 trainees (previous year: 27).

9.6 Auditor's Fees

The auditor's expenses calculated for the 2018 financial year amount to EUR 561k (previous year: EUR 357k) for audits of financial statements, EUR 30k (previous year: EUR 3k) for other assurance services and EUR 0k (previous year: EUR 30k) for tax advisory services.

9.7 Events after the End of the Reporting Period

Acquisition of KENZO Capital Corporation and Kenzo Japan Real Estate GmbH

PATRIZIA Immobilien AG, KENZO Capital Corporation and Kenzo Japan Real Estate GmbH signed a purchase agreement on 23 December 2018. PATRIZIA Immobilien AG will acquire several assets via a newly founded subsidiary in Japan and transfer further assets to subsidiaries. The deal will be closed during 2019 as soon as all the conditions have been satisfied, at which time the purchase price will also become due. KENZO is a Japanese investment manager with a German CEO and manages European capital through an existing PATRIZIA asset management company structure. The company mainly invests in Japanese residential real estate in prime cities of Japan (core/core plus). KENZO currently has nine team members and specialises in consulting and other services in support of property investments.

9.8 German Corporate Governance Codex

The Managing Board and the Supervisory Board of PATRIZIA Immobilien AG in December 2018 approved the declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Corporation Act) and made it permanently available on the Group's website.

10 Responsibility Statement

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the combined management report of the company and the Group.

The Managing Board approved the financial statements for submission to the Supervisory Board on 19 March 2019. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

The consolidated financial statements were prepared in accordance with International Financial Reporting Stan dards (IFRS).

The combined management report of the company and the Group contains analyses of the financial position and financial performance of the Group and other disclosures required under section 315 HGB.

Augsburg, 19 March 2019

Wolfgang Egger	**Karim Bohn**	**Anne Kavanagh**	**Klaus Schmitt**
CEO	CFO	CIO	COO

Annex to the Notes of the Consolidated Financial Statements

List of Shareholdings

PATRIZIA Immobilien AG holds **direct** interests in the following companies:

111

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Deutschland GmbH[1]	Augsburg	100	2,057,974.00	0.00
PATRIZIA Projekt 170 GmbH[1]	Augsburg	100	208,303,976.97	0.00
PATRIZIA Projekt 180 GmbH[1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH[1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 230 GmbH[1]	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 260 GmbH[1]	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Augsburg	100	−110,926.45	−359,419.87
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	100	15,221.37	5,042.59
PATRIZIA Alternative Investments GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Property Inc.	Delaware, USA Wilmington	100	299,677.71	35,124.37
PATRIZIA Denmark A/S	Copenhagen	100	5,932,882.67	2,803,742.97
PATRIZIA Acquisition GmbH	Augsburg	100	15,127.82	−4,176.66
PATRIZIA Projekt 710 GmbH	Augsburg	100	173,350,272.20	33,130,066.17
Carl A-Immo Verwaltungs GmbH	Augsburg	100	145,663.09	2,104.37
Carl Carry Verwaltungs GmbH	Frankfurt am Main	100	38,325.90	2,104.37
PATRIZIA Sweden AB	Stockholm	100	472,166.34	71,767.82
Pearl AcquiCo Zwei GmbH & Co. KG	Augsburg	100	60,128,832.74	3,211,198.15
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	6,662,726.10	−10,535,420.46
PATRIZIA Ireland Ltd.	Dublin	100	13,844.06	3,938.56
PATRIZIA UK Ltd.	Swindon	100	−5,402,398.18	−3,910,160.25

111

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Institutional Clients & Advisory GmbH[1]	Augsburg	100	50,000.00	0.00
PATRIZIA Finland OY	Helsinki	100	185,110.64	–586,349.98
PATRIZIA Netherlands B.V.	Amsterdam	100	8,468,556.53	912,250.36
PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH[1]	Augsburg	100	3,000,000.00	0.00
PATRIZIA France S.A.S.	Paris	100	1,905,354.29	879,010.27
PATRIZIA WohnModul I SICAV-FIS[2]	Luxembourg	10.1	807,861,422.88	14,569,974.464
PATRIZIA ACTIVOS INMOBILIARIOS ESPAÑA SL	Madrid	100	405,405.15	–961,265.58
PATRIZIA Logistics Management Europe B.V.	Amsterdam	100	–1,271,445.29	11,295.63
PATRIZIA Multi Managers Holding A/S	Copenhagen	100	2,920,029.87	–401,582.51
PATRIZIA Hong Kong Limited	Hong Kong	100	876,499.48	231,999.23
Mondstein 402, GmbH	Munich	100	7,118,416.54	29,411.19
PATRIZIA Acquisition Holding alpha GmbH	Augsburg	100	–1,192,240.01	–1,217,240.01
PATRIZIA Acquisition Holding gamma GmbH	Augsburg	100	22,026.10	–2,973.90
PATRIZIA Acquisition Holding beta GmbH[1]	Augsburg	100	25,000.00	0.00
SCAN Deutsche Beteiligungsmanagement GmbH	Berlin	100	10,830.94	–6,856.25
EVANA AG	Saarbrücken	25.01	3,555,841.00	–2,320,824.11
Carl Offshore Limited[3]	St Peter Port	100	–1,413.08	–48.16
Carl Two Offshore Limited[3]	St Peter Port	100	–1,059.66	–255.42

1 As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien
2 Provisional financial statements
3 Not included in the scope of consolidation as of the balance sheet date (see Note 2.1)

PATRIZIA Immobilien AG holds **indirect** interests in the following companies:

112

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA European Real Estate Management GmbH	Gräfelfing	100	–664,352.55	–53,403.79
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	60,833.61	8,231.71
Alte Haide Baugesellschaft mbH[1]	Augsburg	100	9,287,982.89	0.00
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	149,344,833.39	–3,108,454.68
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	3,287,309.14	3,205,872.95
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	87,048,000.14	802,320.17
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	745,710.74	101,250.81
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	16,384,049.33	1,271,374.14
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	4,844,758.34	560,915.13

112

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	1,703,534.56	31,984.56
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	94,198,664.60	10,190,678.04
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	−8,615,263.12	−1,388,770.89
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	−636,589.72	−60,368.93
F40 GmbH	Augsburg	100	−34,710,733.99	−1,316,761.77
PATRIZIA Projekt 380 GmbH	Augsburg	100	−26,103.64	−4,703.98
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	−764,548.13	−7,178.33
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	−2,202,400.92	−1,418,617.02
PATRIZIA Projekt 600 GmbH[2]	Augsburg	100	16,665,602.61	0.00
PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH[3]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	94.9	33,579.16	−3,379.51
PATRIZIA Facility Management GmbH4	Augsburg	100	25,000.00	0.00
Projekt Feuerbachstraße Verwaltung GmbH6	Frankfurt	30	29,845.25	84.21
sono west Projektentwicklung GmbH & Co. KG[6]	Frankfurt	30	9,724,865.75	−126,188.32
PATRIZIA Fund Management A/S under frivilling likvidation	Copenhagen	100	359,792.74	−7,430.51
PATRIZIA Investment Management S.C.S.	Luxembourg	100	19,808,016.56	2,753,047.15
PATRIZIA Carry GmbH & Co. KG	Augsburg	73.53	2,785,515.28	3,731,269.13
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	6,357.39	51,364.76
SENECA TopCo S.à r.l.	Luxembourg	100	5,862,217.42	373,262.45
PATRIZIA Financial Services Ltd.	Edinburgh	100	591,422.76	109,540.99
PATRIZIA Investment Management HoldCo S.à r.l.	Luxembourg	100	86,764,088.62	−11,942,145.98
First Street TopCo 1 S.à r.l.	Luxembourg	100	−1,920,408.20	−75,717.01
PATRIZIA Harald Fund Investment S.C.S.	Luxembourg	100	20,289.88	−22,346.71
Scan Deutsche Beteiligungsverwaltung GmbH & Co. KG	Berlin	100	6,530,852.78	272,875.94
Sudermann S.à r.l.	Luxembourg	100	12,943,939.32	1,185,382.63
Wildrosen S.à r.l.	Luxembourg	100	3,486,462.72	360,716.26
Dover Street S.à r.l.	Luxembourg	100	−1,479,930.69	1,703,285.04
Trocoll House No, 1 S.à r.l.	Luxembourg	100	15,506,208.28	−27,647.60
PATRIZIA First Street L.P.	London	100	53,325,846.61	3,486,125.40
PATRIZIA First Street GP Ltd.	Swindon	100	3,878.85	1,362.89
First Street PropCo. Ltd.	Swindon	100	12,615,790.28	583,674.18
Southside Real Estate Ltd.	Swindon	100	−21,628,497.79	−1,640,763.84
Southside Regeneration Ltd.	Swindon	100	25,858,824.81	17,681,721.82
First Street Management Comp. Ltd.	Swindon	17.36	6,886.85	−3,791.64
PATRIZIA Trocoll House GP Ltd.	Swindon	100	2,491.10	902.86
PATRIZIA Trocoll House L.P.	Swindon	100	−77,824.64	−33,579.16
Edgbaston S.à r.l.	Luxembourg	100	3,034,796.04	−34,192.93

112

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA GQ Limited	Swindon	100	460,098.37	–10,533.16
Patrizia Multi Managers I A/S	Hellerup	100	354,960.92	1,786.10
PATRIZIA Multi Managers A/S	Hellerup	100	1,112,736.32	37,749.52
SPF IV Management Partner ApS	Hellerup	100	316,099.45	264,095.98
BMK 1 ApS	Hellerup	100	39,698.37	12,605.39
BMK 2 ApS	Hellerup	100	21,728.43	2,154.89
BMK 3 ApS	Hellerup	100	47,075.06	17,708.22
BMK 4 ApS	Hellerup	100	11,053.21	231.99
SPF III GP ApS	Hellerup	100	9,072.96	–1,229.12
SPF III US HUH GP ApS	Hellerup	100	3,351.76	–2,084.45
SPF III MPC I GP ApS	Hellerup	100	4,135.88	–2,074.35
Alliance Real Estate HoldCo S.à r.l.	Luxembourg	100	1,267,865.01	–146,697.34
PATRIZIA Ivanhoe 10 S.à r.l.	Luxembourg	100	12,213,716.46	202,088.68
PATRIZIA GrundInvest Die Stadtmitte Mülheim GmbH & Co. geschlossene Investment-KG	Augsburg	100	–346,392.24	–20,299.93
PATRIZIA GrundInvest Beteiligungs GmbH & Co. KG	Augsburg	100	–50,762.56	–98,968.25
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	Augsburg	100	–34,149.05	–35,986.22
GBW GmbH7	Munich	5.1	441,076,518.68	0.00
Ask PATRIZIA (GQ) LLP	Manchester	50	206.226.00	203,972.00
TRIUVA UK LIMITED	London	94	1,729,358.12	133,065.72
TRIUVA France	Paris	94	1,183,128.17	–1,222,610.46
PATRIZIA EUROPE LIMITED[6]	London	94.9	–759,216.05	45,615.58
PATRIZIA PROPERTY ASSET MANAGEMENT[6]	London	94.9	7,882,184.00	–410,730.87
PATRIZIA PIM LIMITED[6]	London	94.9	4,578,827.30	668,850.03
PATRIZIA PROPERTY INVESTMENT MANAGERS LLP[6]	London	94.9	5,771,705.25	0.00
PATRIZIA P.I.M. (REGULATED) LIMITED[6]	London	94.9	14,089,779.40	3,158,198.86
PATRIZIA PROPERTY INVESTMENT MANAGERS FRANCE SAS[6]	Paris	94.9	641,251.47	1,031.60
ROCKSPRING POLAND SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ[6]	Warschau	94.9	4,192.68	1,064.08
ROCKSPRING IBERIA SL[6]	Madrid	94.9	375,895.83	84,480.57
PATRIZIA PERIPHERAL EUROPE GP LLP[6]	London	94.9	–6,749.70	–6,496.46
PMM V GP ApS	Kopenhagen	100	9,041.85	2,331.07
PMM Global V Feeder GP ApS	Hellerup	100	6,695.86	0.00
PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH[5]	Frankfurt	94	21,493,613.72	–54,899.82
PMG – Property Management Gesellschaft mit beschränkter Haftung	Frankfurt	94	221,262.11	10,860.09
PATRIZIA Projekt Gerresheim GmbH	Augsburg	100	63,931,839.77	72,297,868.53

112

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
TRIUVA Angerhof und Zeil 94 Verwaltungs GmbH[8]	Fankfurt am Main	94	37,707.49	13,038.02
IVG Zeil 94 Verwaltungs GmbH in Liquidation[8]	Fankfurt am Main	94	13,425.38	−4,447.42
Angerhof Verwaltungs- und Beteiligungs GmbH in Liquidation[8]	Fankfurt am Main	94	14,855.74	−4,063.37
German Opportunities I Verwaltungs- und Beteiligungs GmbH[8]	Fankfurt am Main	94	26,680.90	−1,209.59
Carl Guernsey LP Inc.[8]	St Peter Port	100	263.61	0.00
Carl Two Guernsey LP Inc.[8]	St Peter Port	100	−9,863.48	−12,464.17
Carl Lux COOP SA[8]	Luxembourg	100	9,753.00	−4,815.00
Carl Lux SCS[8]	Luxembourg	99.7	539,535.12	0.00
PATRIZIA Lux TopCo S.à r.l. en liquidation volontaire[8]	Luxembourg	100	91,820.30	62,289.50
PATRIZIA HANOVER REAL ESTATE INVESTMENT MANAGEMENT LIMITED[8]	St Helier	94.9	28,669.72	0.00
Rockspring Transeuropean Properties (General Partner) VII S.à r.l.[8]	Luxembourg	94.9	12,000.00	0.00
PATRIZIA GRB (GENERAL PARTNER) LIMITED[8]	London	94.9	114.68	0.00
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER SCOTLAND) LIMITED[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER) LIMITED[8]	London	94.9	114.68	0.00
TRANSEUROPEAN PROPERTIES (SLP) IV LIMITED[8]	Edinburgh	94.9	114.68	0.00
TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) IV LIMITED[8]	London	94.9	114.68	0.00
PATRIZIA UK VALUE SLP (SCOTLAND) LIMITED[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) V LIMITED[8]	London	94.9	114.68	0.00
TRANSEUROPEAN PROPERTIES (SLP) V LIMITED[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA SINGLE EUROPE (GENERAL PARTNER) LIMITED[8]	London	94.9	114.68	0.00
ROCKSPRING SINGLE CLIENT FUND (GENERAL PARTNER) LIMITED[8]	London	94.9	114.68	0.00
PATRIZIA SINGLE CLIENT II (GENERAL PARTNER) LLP[8]	London	94.9	114.68	0.00
PATRIZIA SINGLE CLIENT II SLP (GENERAL PARTNER) LLP[8]	Edinburgh	94.9	114.68	0.00
TRANSEUROPEAN PROPERTIES (SLP) VI LLP[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) VI LLP[8]	London	94.9	114.68	0.00
PATRIZIA PANEUROPEAN GP LLP[8]	London	94.9	114.68	0.00
PATRIZIA PERIPHERAL EUROPE SLP (GENERAL PARTNER) LLP[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA UK VALUE 2 SLP (GENERAL PARTNER) LLP[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA UK VALUE 2 (GENERAL PARTNER) LLP[8]	London	94.9	114.68	0.00

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA GRB (GP2) LLP[8]	London	94.9	114.68	0.00
PATRIZIA SPITFIRE CARRY LLP[8]	London	94.9	114.68	0.00
PATRIZIA SINGLE EUROPE (GP2) LLP[8]	London	94.9	114.68	0.00
PATRIZIA TRANSEUROPEAN PROPERTIES (GP2) V LLP[8]	London	94.9	114.68	0.00
TRANSEUROPEAN PROPERTIES (GP2) IV LLP[8]	London	94.9	114.68	0.00
PATRIZIA SINGLE CLIENT (GP2) LLP[8]	London	94.9	114.68	0.00
PATRIZIA RIMBAUD SLP (GP) LLP[8]	Edinburgh	94.9	114.68	0.00
PATRIZIA SPREE (GP) LIMITED[8]	London	94.9	1.00	0.00
ROCKSPRING EUROPEAN PROPERTY II (SCOTS) LP[8]	Edinburgh	94.9	1.15	0.00
TRANSEUROPEAN PROPERTY (SCOTS) VI LIMITED PARTNERSHIP[8]	Edinburgh	94.9	1.15	0.00
ROCKSPRING PERIPHERAL EUROPE (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	94.9	1.15	0.00
ROCKSPRING UK VALUE 2 (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	94.9	1.15	0.00
ROCKSPRING RIMBAUD (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	94.9	1.15	0.00
ROCKSPRING UK VALUE SLP (SCOTLAND). L.P.[8]	Edinburgh	94.9	1.15	0.00
TRANSEUROPEAN PROPERTY (SCOTS) V LIMITED PARTNERSHIP[8]	Edinburgh	94.9	1.15	0.00

1 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder Stella Grundvermögen GmbH
2 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder Alte Haide Baugesellschaft mbH München
3 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 600 GmbH
4 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH
5 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 710 GmbH
6 Provisional financial statements
7 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder GBW Real Estate GmbH & Co. KG
The specified values are previous year values
8 Not include in the scope of consolidation as at the balance sheet date (comments on 2.1)

PATRIZIA Immobilien AG holds **direct** and **indirect** interests in the following companies:

113

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Vermögensverwaltungs GmbH[1]	Augsburg	100	687,583.35	0.00
PATRIZIA PROPERTY HOLDINGS LIMITED[2]	London	94.9	8,637,396.63	88,996.16

1 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH
2 Provisional financial statements

Responsibility Statement

by the Legal Representatives of PATRIZIA Immobilien AG

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

Augsburg, 19 March 2019




Wolfgang Egger	**Karim Bohn**	**Anne Kavanagh**	**Klaus Schmitt**
CEO	CFO	CIO	COO

Independent Auditor's Report

To PATRIZIA Immobilien AG, Augsburg
Report on the audit of the Consolidated Financial Statements and the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of To PATRIZIA Immobilien AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018 in addition to the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of PATRIZIA Immobilien AG for the financial year from 1 January to 31 December 2018. In accordance with German statutory provisions, we did not audit the content of the combined non-financial statement in accordance with sections 289b to 289e of the Handelsgesetzbuch (HGB – German Commercial Code) and sections 315b to 315e HGB, which can be found in the "Non-financial statement" section of the combined management report, or the corporate governance declaration in accordance with section 289f and section 315d HGB or the corporate governance report in accordance with item 3.10 of the German Corporate Governance Code, which is referred to in the combined management report.

In our opinion based on the findings of our audit

– the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law in accordance with section 315e(1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018, and its financial performance for the financial year from 1 January to 31 December 2018, and

– the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the risks and opportunities of future development. Our opinion on the combined management report does not extend to the content of the combined non-financial statement in accordance with sections 289b to 289e HGB and sections 315b to 315e HGB, which can be found in the "Non-financial statement" section of the combined management report, or the corporate governance declaration in accordance with section 289f and section 315d HGB or the corporate governance report in accordance with item 3.10 of the German Corporate Governance Code, which is referred to in the combined management report.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10(2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Valuation of participations
2. Accounting for the acquisitions of TRIUVA Kapitalverwaltungsgesellschaft mbH and Rockspring Property Holdings Limited
3. Recoverability of goodwill
4. Recoverability of fund management contracts

Our presentation of these key audit matters is structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response

1. Valuation of Participations

a) In the consolidated financial statements of PATRIZIA Immobilien AG, shares in companies totalling EUR 499.2, corresponding to 28.1% of the consolidated balance sheet total or 43.3% of consolidated equity. Since 1 January 2018, investments have been measured at fair value in accordance with IFRS 9, whereby changes in value are recognised in other comprehensive income (FVTOCI). PATRIZIA Immobilien AG uses a valuation model for the valuation of these investments which is essentially based on the net asset values (NAV) or – if known – expected selling prices of the investment companies and which takes into account the relevant share of PATRIZIA Immobilien AG in its investment. The NAV of the associated companies is largely determined by the market values of the properties held by them, for which external appraisals are generally available.

The assessment of the legal representatives with regard to the measurement of the reported participations is subject to uncertainties and incorrect valuations would have a material impact on other comprehensive income and thus on the overall result for the respective reporting period and the equity ratio. In light of this fact, we have classified the valuation of participations as a key audit matter for our audit of the financial statements.

The information provided by the legal representatives on the valuation of investments is contained in notes 1.1, 4.1.7 and 5.10 of the notes to the consolidated financial statements.

b) As part of our audit of participations, we have first of all reperformed the valuation model and the methodological approach used by PATRIZIA Immobilien AG to value the equity investments. On this basis, we examined the net assets, financial position and results of operations of selected significant investments in the respective companies in more detail and, in particular, assessed the annual audit reports, valuation reports and other documents and information on these companies. With regard to the NAV, we first examined whether these were determined methodically appropriate and on the basis of suitable data. By questioning the legal representatives or third parties nominated by them, we satisfied ourselves of the appropriateness of the material underlying assumptions. In addition, we conducted reconciliations with general and industry-specific market expectations. With regard to the share of the NAV of the associated companies allocated to PATRIZIA Immobilien AG within the framework of the valuation model, we verified on the basis of the contractual documents that this allocation corresponds to the contractual regulations on the distribution of earnings and assets for the respective associated companies.

Due to the possible material impact mentioned above and due to the fact that the valuation of the investments also depends on general conditions and external effects that are beyond the control of PATRIZIA Immobilien AG, we have also critically assessed the sensitivity analyses carried out by the legal representatives in order to be able to assess possible risks of changes in value in the event of a change in key input factors.

2. Accounting for the acquisitions of TRIUVA Kapitalverwaltungsgesellschaft mbH and Rockspring Property Holdings Limited

a) The acquisitions of 88.0% of shares in PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, Frankfurt/Main, and 94.9% of shares in Rockspring Property Holdings Limited, London, UK, were completed in the 2018 financial year. The agreed purchase prices were EUR 220m for TRIUVA, divided into a fixed component of EUR 218m and contingent consideration of EUR 2m, and EUR 130m for the acquisition of Rockspring, divided into cash of EUR 105m and treasury shares of EUR 25m. The key value driver for the purchase prices were the underlying fund management contracts of the two companies. In performing purchase price allocation, an expert opinion was commissioned to determine the fair values of the fund management contracts. In addition, calculations were performed by the legal representatives on the basis of the budget planning of the legal representatives of the acquired companies. The accounting for the business combinations required legal representatives to make discretionary assumptions and estimates subject to uncertainty on the determination of the consideration transferred and on the recognition and measurement of the assets acquired and liabilities assumed from contracts in purchase price allocation. Therefore, and given the complexity of the transactions and the associated significant risk of material misstatements, this is a key audit matter.

The disclosures by the legal representatives of the parent company on the measurement of real estate assets are contained in notes 2.1, 3.2 and 4.1.1 of the notes to the consolidated financial statements.

b) We first examined and assessed the purchase agreements underlying the share purchases in respect of the audit matter. In the context of our audit, we also addressed the underlying purchase price allocation processes and controls in addition to performing assertion-based audit procedures. Regarding the appropriateness of the measurement of the assets and liabilities, we re-performed and assessed the methods used in calculating the fair values. We checked the arithmetic accuracy. In particular, we examined the calculation of the forecast values for future cash flows using the budget planning for the acquired companies. In measuring (intangible) assets in purchase price allocation – in particular that of the fund management contracts – we re-performed the calculation of the present value of the future cash flows and the underlying measurement models in terms of both the methods and the figures used. We examined whether the budget planning for the acquired companies is consistent with general market expectations and those specific to the industry, and we assessed the measurement parameters used in estimating the fair values. We inspected and assessed the expert opinion commissioned by the officers. We satisfied ourselves as to the competence, ability and objectivity of the external expert. Moreover, we re-performed the calculation of goodwill in the context of the business combinations in accordance with IFRS 3. We also assessed the completeness and accuracy of the disclosures in connection with these acquisitions in the notes to the consolidated financial statements.

3. Recoverability of goodwill

a) Goodwill of EUR 201.1m was reported in the consolidated financial statements of PATRIZIA Immobilien AG, accounting for 11.3% of total consolidated assets and 17.4% of total consolidated equity and liabilities. Goodwill is tested for impairment by PATRIZIA during the financial year or on an ad hoc basis as necessary. Impairment testing is performed using company valuations in accordance with the discounted cash flow method. The valuations are based on the present values of future cash flows taken from the three-year plan (detailed planning period) valid when the impairment tests are performed. Thereafter, this detailed planning period is extrapolated on the assumption of long-term growth rates. Cash flows are discounted using the weighted average cost of capital. The recoverable amount is calculated on the basis of the value in use, which is compared to the carrying amount to determine whether impairment is required. The result of this valuation is highly dependent on the officers' assessment of the future cash flows, long-term growth rates and the WACC rates used for discounting, and therefore subject to uncertainty and discretion. In light of this, we classified the recoverability of goodwill as a key audit matter for our audit.

The disclosures by the officers of the parent company on goodwill can be found in note 4.1.1 of the notes to the consolidated financial statements.

b) As part of our audit, in particular we re-performed the methods used in impairment testing. We looked at whether the measurement model used fairly reflects the design requirements of the relevant standards, whether the necessary inputs were fairly and fully determined and applied, and whether the calculations in the model were correct. In particular, we examined whether the future cash flows used in the calculations form a fair basis by comparing them to the current three-year planning and by questioning the officers on the material assumptions and premises of this planning. We also scrutinised the planning in terms of general market expectations and those specific to the industry. As a significant portion of the value in use results from forecast cash inflows after the detailed planning period (terminal value phase), in particular we scrutinised the long-term growth rate used for the terminal value phase using general market expectations and those specific to the industry. As even relatively small changes in the discounting rate used can have a material impact on the recoverable amount, we also validated the parameters used to determine the WACC rate used for discounting and re-performed the calculation scheme. Given the potential material significance and the fact that the measurement of goodwill is also dependent on economic circumstances beyond the Group's control, we also examined the sensitivity analyses performed by PATRIZIA for the cash-generating units with little overlap so as to assess the possibility of an impairment risk in the event of a change in key measurement parameters.

4. Recoverability of fund management contracts

a) Under "Other intangible assets", fund management contracts are reported in the amount of EUR 166.6m in the consolidated financial statements of PATRIZIA Immobilien AG, accounting for 9.4% of total consolidated assets and 14.4% of total consolidated equity and liabilities. The analysis and assessment of whether there is evidence for impairment on the fund management contracts acquired and those already in place require extensive assumptions and estimates of the future net cash flows from the contracts and the discounting rate used. Incorrect analyses and assessments due to the size of the accounting item can have a significant impact on the consolidated financial statements. For these reasons, we see the recoverability of the fund management contracts as a key audit matter.

The disclosures by the legal representatives of the parent company on fund management contracts can be found in note 4.1.2 of the notes to the consolidated financial statements.

b) In order to assess the appropriateness of the legal representatives' analysis of whether there is evidence of impairment on the fund management contracts acquired, (triggering event analysis), we addressed the underlying processes and controls in addition to performing assertion-based audit procedures. In particular, we re-performed the calculation of the present value of the future cash flows and the underlying measurement models in terms of both the methods and the figures used. We examined whether the budget planning is consistent with general market expectations and those specific to the industry, and we assessed and validated the measurement parameters used in estimating the fair values.

Other Information

The legal representatives are responsible for the other information. The other information comprises:

- the combined non-financial statement in accordance with sections 289b to 289e HGB and sections 315b and 315c HGB contained in the “Non-financial statement” section of the combined management report;
- the corporate governance declaration in accordance with section 289f and section 315d HGB, which is referred to in the combined management report;
- the corporate governance report in accordance with item 3.10 of the German Corporate Governance Code, which is referred to in the combined management report;
- the legal representatives’ confirmation relating to the consolidated financial statements and to the combined management report in accordance with section 297(2) sentence 4 and section 315(1) sentence 5 HGB; and
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of audit conclusion on it.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information:

- is materially inconsistent with the consolidated financial statements, the combined management report or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides a suitable view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the risks and opportunities of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement in the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law in accordance with section 315e(1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information or the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further information in accordance with Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 20 June 2018. We were engaged by the Supervisory Board on 17 December 2018. We have been the group auditor of PATRIZIA Immobilien AG, Augsburg, without interruption since the 2005 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Stephan Mühlbauer.

Munich, 19 March 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Christof Stadter
Wirtschaftsprüfer
[German Public Auditor]

Stephan Mühlbauer
Wirtschaftsprüfer
[German Public Auditor]

PATRIZIA
CHILDREN FOUNDATION

FOR A GOOD CAUSE

Children Foundation

Our charitable foundation has been committed to giving children all over the world access to education – and therefore opportunities for a better future – since 1999. We run schools, hospitals and children's homes in conjunction with partners who help us on the ground.

> 200,000

children and young people have received access to education in the past 20 years

16

children's homes had been built as at the end of 2018

100%

of donations are invested directly in the projects

FURTHER INFORMATION

Consolidated Balance Sheet

Five-year overview in accordance with IFRS

Assets

114

EUR k	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
A. Non-current assets					
Goodwill	201,109	7,366	610	610	610
Other intangible assets	166,562	35,224	35,416	37,417	39,407
Software	11,396	11,207	10,772	9,225	10,795
Investment property	8,308	15,979	12,226	20,802	78,507
Equipment	5,890	4,483	4,460	5,015	4,476
Participations in associated companies	76,141	88,905	85,923	88,179	68,497
Participations	499,241	89,114	102,033	81,406	96,555
Non-current borrowings and other loans	27,513	23,291	7,015	5,498	5,281
Non-current tax assets	0	0	35	78	119
Deferred taxes	6,102	331	323	7,013	0
Total non-current assets	**1,002,262**	**275,900**	**258,813**	**255,243**	**304,247**
B. Current assets					
Inventories	71,534	99,791	182,931	1,057,942	198,694
Securities	3,011	5,010	44	54	86
Current tax assets	15,585	9,098	11,941	8,280	8,014
Current receivables and other current assets	355,456	479,920	99,311	131,171	84,774
Cash and cash equivalents	330,598	382,675	440,219	179,141	145,361
Total current assets	**776,184**	**976,494**	**734,446**	**1,376,588**	**436,929**
Total assets	**1,778,446**	**1,252,394**	**993,259**	**1,631,831**	**741,176**

Equity and Liabilities

115

EUR k	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
A. Equity					
Share capital	91,060	89,555	83,956	76,324	69,385
Capital reserves	155,222	129,545	184,005	191,637	198,576
Retained earnings					
Legal reserves	505	505	505	505	505
Currency translation difference	−15,605	−11,586	−10,803	−869	1,030
Revaluation reserve according to IFRS 9	49,503	0	0	0	0
Consolidated unappropriated profit	862,421	546,682	491,679	254,004	139,743
Non-controlling interests	10,682	1,691	1,691	18,190	809
Total equity	**1,153,788**	**756,392**	**751,033**	**539,791**	**410,048**
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	110,387	15,833	17,992	63,253	19,704
Retirement benefit obligations	21,724	776	648	687	630
Bonded loans	300,000	300,000	22,000	32,000	77,000
Non-current liabilities	16,836	9,062	6,866	9,262	5,544
Total non-current liabilities	**448,947**	**325,671**	**47,506**	**105,202**	**102,878**
CURRENT LIABILITIES					
Short-term bank loans	0	0	53,200	821,828	121,950
Bonded loans	0	22,000	5,000	35,000	0
Short-term financial derivatives	0	0	0	3,677	0
Other provisions	23,530	16,083	27,627	2,144	2,142
Current liabilities	99,963	93,123	75,343	99,884	92,506
Tax liabilities	52,218	39,125	33,550	24,305	11,652
Total current liabilities	**175,711**	**170,331**	**194,720**	**986,838**	**228,250**
Total equity and liabilities	**1,778,446**	**1,252,394**	**993,259**	**1,631,831**	**741,176**

Consolidated Income Statement

Five-year overview in accordance with IFRS

116

EUR k	2018	2017	2016	2015	2014
Revenues	350,628	249,574	817,879	384,858	291,815
Income from the sale of investment property	828	691	1,542	10,075	17,019
Changes in inventories	−28,731	−39,909	−502,018	−166,980	−110,509
Other operating income	20,698	17,294	14,252	16,189	7,143
Income from the deconsolidation of subsidiaries	317	1	194,730	5,277	0
Total operating performance	**343,740**	**227,651**	**526,385**	**249,419**	**205,468**
Cost of materials	−11,699	−17,450	−33,712	−52,438	−54,455
Cost of purchased services	−15,679	−11,450	−14,832	−14,787	−9,990
Staff costs	−124,954	−87,071	−101,313	−93,519	−77,239
Changes in value of investment property	3,975	6,748	431	462	51
Other operating expenses	−90,742	−82,228	−68,757	−69,973	−50,193
Impairment losses for trade receivables and contract assets	−1,059	0	0	0	0
Income from participations	28,042	49,315	32,667	151,681	39,062
Earnings from companies accounted for using the equity method	11,852	13,353	7,651	4,232	3,182
Cost from the deconsolidation of subsidiaries	−377	−750	0	0	0
EBITDAR	**143,099**	**98,118**	**348,520**	**175,077**	**55,886**
Reorganisation expenses	−22,318	−2,330	−20,406	0	0
EBITDA	**120,781**	**95,788**	**328,114**	**175,077**	**55,886**
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	−42,235	−8,681	−6,134	−7,059	−6,940
Earnings before interest and taxes (EBIT)	**78,546**	**87,107**	**321,980**	**168,018**	**48,946**
Financial income	3,021	914	3,057	6,666	4,413
Financial costs	−6,436	−5,146	−7,361	−23,171	−11,912
Result from currency translation	1,175	−2,747	−4,029	−618	551
Earnings before taxes (EBT)	**76,306**	**80,128**	**313,647**	**150,895**	**41,998**
Income taxes	−18,190	−21,230	−57,383	−16,433	−6,978
Consolidated net profit	**58,116**	**58,898**	**256,264**	**134,462**	**35,020**
Earnings per share (undiluted/diluted) in EUR	0.57	0.60	2.57	1.45	0.47

Supervisory Board

As at 31 December 2018

Dr Theodor Seitz

Chairman
Member of the Supervisory Board and Chairman since 2002
Tax consultant and lawyer, Augsburg
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– Chairman of the Supervisory Board of CDH AG, Augsburg

Alfred Hoschek

Deputy Chairman
Member of the Supervisory Board since 2015
Managing Director of AHO Verwaltungs GmbH, and other project companies, Gräfelfing
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Uwe H. Reuter

Deputy Chairman
Member of the Supervisory Board since 2017
CEO of VHV Holding AG, Hanover
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code

Group mandates (Supervisory Board Chairman):
– VHV Allgemeine Versicherung AG
– Hannoversche Lebensversicherung AG
– VHV solutions GmbH
– VHV Vermögensanlage AG
– VAV Versicherungs-AG, Vienna/Austria

Non-Group mandates:
– E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hannover, supervisory board member
– NORD/LB, Hannover, advisory council member
– Employers’ Association of German Insurance Industry – Deputy CEO
– Honorary Consul of the Republic of Austria in Lower Saxony/Germany
– Hannover Impuls GmbH (Business Development Agency of City of Hanover), supervisory board member

The Supervisory Board believes that at present all members of the Supervisory Board are independent as defined by section 5.4.2 of the German Corporate Governance Code.

Managing Board

As at 31 December 2018

Wolfgang Egger

Chief Executive Officer
First appointed on: 21 August 2002
Appointed until: 30 June 2021

Responsibilities on the Managing Board
Capital Markets, Corporate Communications, Marketing, Strategic Corporate M&A, Technology & Innovation, Transformation

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Karim Bohn

Chief Financial Officer
First appointed on: 1 November 2015
Appointed until: 31 October 2023

Responsibilities on the Managing Board
Accounting, Corporate Finance, Corporate Reporting & Planning, Fund Services, Investor Relations, IT & Digitalisation, Procurement & Services

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– Member of the Supervisory Board of GBW Real Estate GmbH & Co. KG

Klaus Schmitt

Chief Operating Officer
First appointed on: 1 June 2006
Appointed until: 31 December 2020

Responsibilities on the Managing Board
Human Resources, Integration, Legal, DACH, North West Europe, South West Europe

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Anne Kavanagh

Chief Investment Officer
First appointed on: 15 April 2017
Appointed until: 14 April 2020

Responsibilities on the Managing Board
Alternative Investments, Development Management, Fund Management, Multi Managers, Product Development & Client Services, Transactions, Research

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– Director of the British Property Federation
– Trustee of the Urban Land Institute

Financial Calendar and Contact Details

Financial Calendar 2019

Date	
21 March 2019	Annual Report 2018 with press conference and investor and analyst conference call
16 May 2019	Quarterly Statement for the first quarter of 2019 with investor and analyst conference call
22 May 2019	Annual General Meeting, Augsburg
7 August 2019	Interim Report for the first half of 2019 with investor and analyst conference call
14 November 2019	Quarterly Statement for the first nine months of 2019 with investor and analyst conference call

Investor Relations
Martin Praum
P +49 821 50910-402
F +49 821 50910-399
investor.relations@patrizia.ag

Press
Andreas Menke
P +49 821 50910-655
F +49 821 50910-695
presse@patrizia.ag

This Annual Report was published on 21 March 2019. This is a translation of the German Annual Report. In case of doubt, the German version shall apply. Both versions are available on our website:

www.patrizia.ag/de/aktionaere/finanzberichte/geschaeftsberichte/
www.patrizia.ag/en/shareholders/financial-reports/annual-reports/

Concept, Design, Editing and Text
IR-ONE, Hamburg
www.ir-one.de

Printing
Druckerei Joh. Walch GmbH & Co. KG, Augsburg
www.walchdruck.de

BUILDING
COMMUNITIES
AND
SUSTAINABLE
FUTURES

PATRIZIA