PATRIZIA

ANNUAL REPORT 2019

STRONGER

FOR CLIENTS AND SHAREHOLDERS

Key figures

Revenues and earnings

EUR k	2019	2018	Change
Revenues	398,703	350,628	13.7%
Total operating performance	363,611	343,740	5.8%
EBITDA	136,922	120,781	13.4%
EBIT	81,360	78,546	3.6%
EBT	77,411	76,306	1.4%
Operating income[1]	134,523	141,373	−4.8%
Consolidated net profit	56,347	58,116	−3.0%

Structure of assets and capital

EUR k	31.12.2019	31.12.2018	Change
Non-current assets	1,025,724	1,002,262	2.3%
Current assets	961,356	776,184	23.9%
Equity (excl. non-controlling interests)	1,206,391	1,143,106	5.5%
Equity ratio (excl. non-controlling interests)	60.7%	64.3%	−3.6PP
Non-current liabilities	480,677	448,947	7.1%
Current liabilities	269,653	175,711	53.5%
Total assets	1,987,080	1,778,446	11.7%

Share

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	PAT
Issued shares as at 31.12.2019	92,351,476 shares
Oustanding shares as at 31.12.2019 [2]	91,059,631 shares
Dividend per share (proposal for FY 2019)	EUR 0.29
2019 high [3]	EUR 20.48
2019 low [3]	EUR 15.90
Closing price as at 31.12.2019 [3]	EUR 19.86
2019 share price performance [3]	19.3%
Market capitalisation as at 31.12.2019	EUR 1.8bn
2019 average trading volume per day [4]	76,778 shares
Indices	SDAX, MSCI World Small Cap Index and others (CDAX, Classic All Share, DAX International Mid 100, DAXplus FAMILY 30, DAXsector Financial Services, DAXsubsector Real Estate, DIMAX, Prime All Share, S&P Global BMI)

1 Please see page 20 for the definition of operating income
2 Reduced number of shares compared to the issued shares due to share buybacks in 2017
3 Closing price on Xetra-trading
4 All German stock exchanges
PP = percentage points

Contents

Dear Shareholders,
Ladies and Gentlemen,

2019 was another successful financial year for PATRIZIA AG. The Company has become more attractive as a platform for real estate investment for domestic and international clients. Our motto in this annual report reflects this development: “stronger for clients and shareholders”.

PATRIZIA AG further expanded its leading position as a global partner for pan-European real estate investment in 2019 and ranks among the top 10 investment managers for real estate in Europe. Our clients include global institutional investors, such as pension funds, insurance companies and sovereign wealth funds as well as private clients from Germany. They all trust in our 35+ years of experience in the real estate industry and in PATRIZIA’s strong pan-European platform. Our clients invest with us on a long-term basis in order to generate sustainable, stable and growing income from real estate, especially to secure retirement provisions. Clients trust us and are making repeated investments with PATRIZIA. As a result, our real estate assets under management have continued to grow. This strengthens our company in the long term, increases our recurring income and benefits our shareholders.

Financial year 2019

Our business model has gained stronger international focus as a result of the successful integration of the companies acquired in 2017 and 2018. Today we offer our clients a more diverse product range and improved access to the European real estate market.

Overall, we signed real estate transactions with a total volume of almost EUR 9.0bn for our domestic and international clients, an increase of 32.6% over the previous year and a record for PATRIZIA. A large part of the transactions related to investments in the European real estate markets totalling EUR 5.5bn. At the same time, as part of our active portfolio management, we sold properties worth EUR 3.5bn delivering performance for our clients. PATRIZIA AG thus gained further relevance as a transaction partner, while the European transaction volume for real estate overall has shrunk by 2.4% in 2019.

Investors entrusted PATRIZIA with EUR 3.2bn in new equity for investments in the European real estate market in 2019, an increase of 24.6% over the previous year. More than half of the new capital comes from international addresses. In our business with institutional investors, we acquired more than 20 new domestic and international clients, thereby increasing our strong, diversified client base to over 400. Some 73% of the equity capital entrusted to us comes from existing clients who have multiple investments in PATRIZIA’s various fund products. Independent experts again certified the quality of our products. In October 2019, for example, we won the MSCI Award for the second time in a row for our ‘PanEuropean’ fund, which has been in existence for several decades, in the area of balanced fund products. The award recognises the strong positive performance of the fund compared to competitors.

Our business with clients also developed successfully. In addition to new, attractive closed-end fund products for domestic private investors, a fund for (semi-)professional investors was launched for the first time, which can also be subscribed to by investors outside Germany. We expect our client base in this segment to continue to grow and that this will further strengthen our business model.

Management Board f. l. t. r.: Klaus Schmitt (COO), Dr Manuel Käsbauer (CTIO), Karim Bohn (CFO), Wolfgang Egger (CEO), Alexander Betz (CDO), Simon Woolf (CHRO), Anne Kavanagh (CIO)

The successful expansion of our business is reflected in our assets under management. We increased assets under management by 8.4% to EUR 44.5bn in 2019. With this growth we increase the volume of our management fees, which rose by 8.8% to EUR 190.9m. We thus achieved an operating result of EUR 134.5m and exceeded our forecast of EUR 120.0 to 130.0m.

We have a very solid balance sheet and a high degree of financial flexibility, which will provide greater stability and further growth opportunities for PATRIZIA in the future.

We would like our shareholders, to participate in PATRIZIA's success in the financial year 2019. In agreement with the Company's Supervisory Board, we will propose a dividend payment of EUR 0.29 per share to the 2020 Annual General Meeting. This corresponds to a further increase in the distribution of EUR 0.02 per share or 7.4%.

Further milestones 2019

In 2019, we celebrated the 20th anniversary of the PATRIZIA Children Foundation. We are happy and proud that more than 200,000 children in need have already found access to education and medical care through the Foundation in line with our claim of “building communities & sustainable futures”.

As part of the 2019 Annual General Meeting, we changed the name of our company with your majority approval from ‘PATRIZIA Immobilien AG’ to ‘PATRIZIA AG’. In doing so, we considered the successful internationalisation and transformation of our company into the leading global partner for pan-European real estate investment.

In 2019, to strengthen our global business, we acquired an investment manager outside Europe for the first time. Kenzo Capital Corporation is an established Japanese platform with headquarters in Tokyo. This gives our clients the opportunity for the first time to invest directly in the Japanese real estate market through PATRIZIA. In addition, PATRIZIA strengthens its relationships with Japanese investors.

With PATRIZIA, our goal is to be a pioneer for technology and innovations that increasingly develop our business model and the entire real estate investment industry. In 2019, we secured strategic stakes in the emerging technology companies Cognotekt, control.IT and Wiredscore, which have developed innovative and leading technologies in their respective fields. With these innovations we expect to significantly improve our processes and daily work. At the same time, we want to establish standards in the industry, which will reflect in a further improved service for our clients. We continued this course at the beginning of 2020: With our investment, we secured the independence of BrickVest as a global and open industry platform for investments in real assets and have agreed a cooperation with Pi Labs, the leading European PropTech venture capital company.

As of 1 January 2020, the PATRIZIA AG Management Board expanded by adding the three core competencies of digitalisation, technology & innovation and human resources in order to accelerate our strategic development and innovations. The new board members are:

– **Alexander Betz, Chief Digitalisation Officer (CDO):** His responsibilities include the digitalisation of the PATRIZIA value chain and the expansion of the information technology (IT) platform with the goal of further improving operational excellence and service quality for clients.
– **Dr Manuel Käsbauer, Chief Technology & Innovation Officer (CTIO):** His role includes cross-industry trend scouting, identifying new business models and innovative solutions on a global scale, as well as investments in the technology sector to strengthen the product offering for our clients.
– **Simon Woolf, Chief Human Resources Officer (CHRO):** His main focus is on developing further our corporate culture and attracting the best talents to successfully implement our strategy. We regard the preparation of our employees for the digital change in our sector and the use of innovative technologies as essential in order to continue to successfully advise our clients in the future in a constantly changing environment.

Outlook 2020

For the 2020 financial year, we expect an operating income in a range of EUR 120.0 to 140.0bn. In this context, we assume that net sales revenues and co-investment income will again decrease significantly compared to the 2019 financial year. At the same time, further organic growth in fee income is stabilising operating income at a high level overall. This is in line with our strategy of improving the quality of operating income in favour of recurring fee income. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA.

Outlook – Strategy 2023

Urbanisation, demographic development, technology and innovation, regulation and political uncertainty will continue to influence and fundamentally change our industry in the coming years. With our ‘Strategy 2023’, which we presented at the Capital Markets Day in November 2019, we are positioning PATRIZIA for a secure future in the next three to five years. Part of the strategy is to expand our product range for our clients. In addition to expanding our existing product offering, we expect to grow our business in infrastructure and debt financing products. We assume that PATRIZIA will grow organically by an average of 8 to 10% per year over the next few years. Acquisitions could lead to a higher average annual growth rate.

With ‘Strategy 2023’ PATRIZIA will take advantage of the structural growth in investments in real estate and infrastructure. Structural market growth is being driven by pension assets, which are increasing as a result of demographic developments, and by an increased investment allocation to real estate and infrastructure, which is expanding as a result of sustained low interest rates. Furthermore, we expect PATRIZIA to benefit from growing consolidation pressure in the industry, which offers advantages for strong platforms of scale. We therefore see the impending change as an opportunity and believe we are in an excellent position to successfully develop our company and business.

We are particularly encouraged in this by our committed employees who generate added value for PATRIZIA AG and its stakeholders every day through their passion to represent the best interests of our clients and shareholders. We would therefore like to take this opportunity to thank our employees for their successful work and further development of PATRIZIA in 2019.

We would also like to thank you, our shareholders, our clients and business partners for your loyalty and interest in PATRIZIA – we look forward to continuing PATRIZIA’s journey together with you.

Augsburg, 13 March 2020

Your Management Board of PATRIZIA AG

Wolfgang Egger
Chairman of the Management Board, CEO

Alexander Betz
Member of the Management Board, CDO

Karim Bohn
Member of the Management Board, CFO

Dr Manuel Käsbauer
Member of the Management Board, CTIO

Anne Kavanagh
Member of the Management Board, CIO

Klaus Schmitt
Member of the Management Board, COO

Simon Woolf
Member of the Management Board, CHRO

Dear Shareholders,
Ladies and Gentlemen,

In 2019, PATRIZIA AG once again demonstrated the capabilities of its pan-European investment management platform. Considerable inflows of global client funds and a record transaction volume contributed to strong organic growth in assets under management and the corresponding fee income. At the same time, with its existing investment products the Company again achieved an attractive outperformance for national and international clients, thus maintaining the performance fees at a high level. All in all, PATRIZIA thus exceeded its own expectations for the financial year and is excellently positioned to continue actively shaping the industry.

Cooperation between the Management Board and the Supervisory Board

In the 2019 financial year, the Supervisory Board of PATRIZIA 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 Management 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 Management 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 Management Board of PATRIZIA 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 five ordinary meetings and one extraordinary meeting in the year under review. The Supervisory Board met without the attendance of the Management Board where required. Every member of the Supervisory Board attended all the meetings. There was also a regular exchange of information between the Management Board and the Supervisory Board, represented by the Chairman of the Supervisory Board outside of the scheduled meetings. In addition, before the publication of the quarterly figures of the first three quarters there was a conference call with the CFO to discuss the quarterly figures. 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 Management Board. Urgent resolutions were adopted by the Supervisory Board by written procedure where required. As the Supervisory Board of PATRIZIA 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 19 March 2019 included the approval of the annual accounts for the 2018 financial year. In addition to its examination of the annual financial statements for the 2018 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 2018 financial year following its own review. The Supervisory Board concurred with the Management Board's recommendation to pay the shareholders a dividend of EUR 0.27 per share for the 2018 financial year. In addition, in this meeting the agenda for the Annual General Meeting was approved.

In the ordinary meeting on 26 March 2019, Simon Woolf was introduced as the new Head of Human Resources and informed the Supervisory Board on the major projects in the HR division. In addition, there was a report on the implementation of the target structure for the compliance function within the Group and on the status of compliance projects. There were also reports on current topics relating to the operating business. Furthermore, the Management Board reported on the integration of the companies bought in 2017 and 2018 and on the purchase of the Kenzo Corporation. Reports were also given on the improvement of effectiveness and efficiency in terms of strategy and targets, while at the same time maintaining quality.

The Supervisory Board held its third ordinary meeting after the Annual General Meeting on 22 May 2019. Here the Supervisory Board elected its Chairman and its First Deputy and Second Deputy Chairman. In addition to the current situation in the operating areas, as well as reports on the project to harmonise the remuneration system and on the purchase of the Kenzo Corporation, the CFO provided detailed information on his division and individual projects. In addition, the Supervisory Board resolved on determining targets for the share of women in the Management Board and Supervisory Board.

In an extraordinary meeting on 25 June 2019, after intensive discussion the Supervisory Board resolved the new harmonised remuneration system for PATRIZIA employees including the Management Board, which had been drafted in cooperation with Willis Towers Watson. Furthermore, the Management Board reported on the results of the project developments with the remaining company properties (principal investments) and on the internal control system.

Supervisory Board f. l. t. r.: Alfred Hoschek, Dr Theodor Seitz, Uwe H. Reuter

The Supervisory Board met for its fourth ordinary meeting on 30 September 2019, where it heard reports on the operational divisions, as well as on the division and projects of the CEO. There were also reports on the implementation status of the new remuneration system and the cavern funds. The Management Board also presented the Supervisory Board its Strategy 2023 which describes the company strategy for the next three to five years. The Supervisory Board approved Strategy 2023 together with its targets and measures for the business development of the Company.

At the final ordinary meeting of the financial year on 17 December 2019, the Supervisory Board discussed the annual budget for 2020 in detail. In addition, the Management Board reported on the operating business, the implementation of the new remuneration system and the topic of compliance. Furthermore, there were detailed reports from the CIO on the division and its projects.

Further resolutions

In addition to the resolutions adopted during meetings of the Supervisory Board, there were further written resolutions on establishing companies and extending rental agreements, on updating the Articles of Association and rules of procedure for the Supervisory Board and Management Board and on purchasing real estate (portfolios).

The Supervisory Board discussed expanding the Management Board and the candidates and resolved on the appointment of members of the Management Board, on the conclusion and extension of Management Board employment contracts and the reallocation of the divisions within the Management Board.

Corporate Governance

The Management Board and Supervisory Board prepared a Corporate Governance Report that is published in connection with the Corporate Governance Statement on the PATRIZIA website at 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 Management Board and the Supervisory Board in 2018, and the objectives to which the Supervisory Board is committed in terms of its own composition.

On 17 December 2019, the Management Board and Supervisory Board approved the Declaration of Conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). 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. 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 Management Board was again deemed to be extremely good.

Audit of the 2019 single-entity and consolidated financial statements

The annual financial statements of PATRIZIA AG prepared in accordance with the German Commercial Code, the IFRS consolidated financial statements and the combined management report of PATRIZIA AG and the Group for the 2019 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 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 17 March 2020, the Management Board and the responsible auditors discussed the results of the audit and provided additional information. Deloitte also stated that the Management Board had 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 AG, the consolidated financial statements, the combined management report of the Company and the Group for the 2019 financial year and the Management 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 AG for the 2019 financial year have therefore been adopted. The Supervisory Board agrees with the Management Board's proposal for the appropriation of profits for the 2019 financial year and supports the payment of a dividend of EUR 0.29 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 Management Board of PATRIZIA AG on relationships with related parties (dependent company report) for the 2019 financial year was also examined by the external auditor. All the legal and business relationships with related parties described therein are conducted at arm'slength 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,

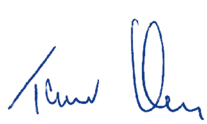
2. the Company's consideration with respect to the legal transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Management 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 Management Board contained therein.

In 2019, PATRIZIA continued to move forwards on its successful growth track. It gained new clients, concluded important transactions and increased market share. Our sincere thanks therefore go to the Management 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, 17 March 2020

For the Supervisory Board of PATRIZIA AG



Dr Theodor Seitz
Chairman

The PATRIZIA share

PATRIZIA's key share data

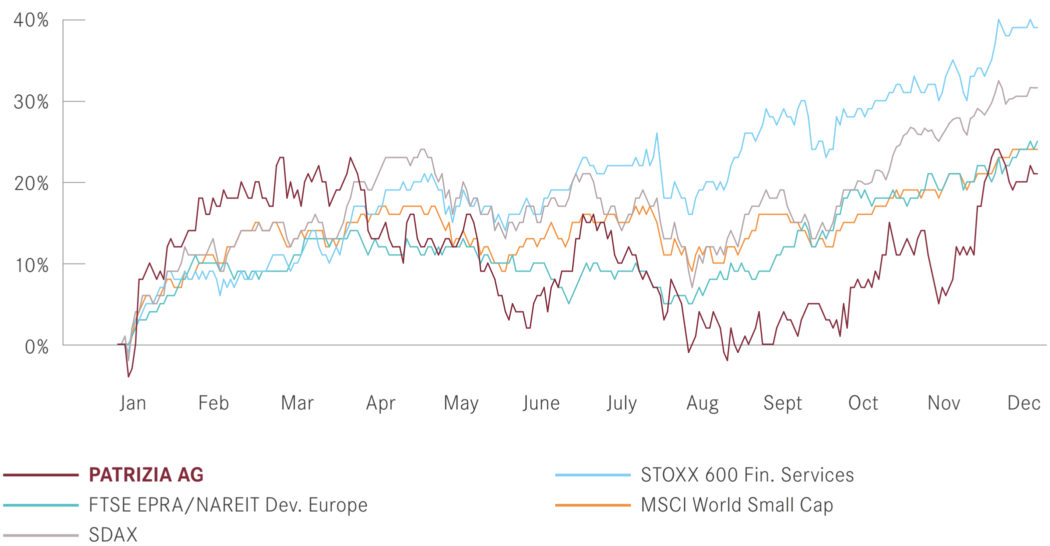
		2019	2018	2017
Share price				
High	EUR	20.48	21.10	20.171[1]
Low	EUR	15.90	14.85	13.341[1]
Closing price	EUR	19.86	16.65	19.341[1]
Share price performance	%	19.3	–13.9	34.71[1]
Market capitalisation as at 31.12.	EUR bn	1.8	1.5	1.8
Average trading volume per day[2]	EUR	1,407,100	2,012,200	3,247,700
Average trading volume per day[2]	Shares	76,778	111,500	188,500
Annual share turnover[3]		0.21	0.31	0.55
Issued shares as at 31.12.	Shares	92,351,476	92,351,476	92,351,476
Outstanding shares as at 31.12.	Shares	91,059,631	91,059,631	89,555,059
Capital increase from Company funds for the issue of bonus shares	EUR, shares	–	–	8,395,589
Earnings per share (IFRS, unadjusted)	EUR	0.58	0.57	0.60
Dividend per share	EUR	0.29	0.27	0.25

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 (2019: 92,351,476 shares; 2018: 92,351,476 shares; 2017: 88,096,177 shares)

After the spectre of recession in 2018, stock markets again posted a positive performance in 2019. The German blue chip index, the DAX, recovered its losses from 2018, closing up 25.5% at 13,249 points, thus near to its all-time high of 13,596 points. For small and mid-caps 2019 was also a good year – with the MDAX and SDAX surging 31.2% and 31.6% respectively. Key factors underpinning the more optimistic situation on the stock exchanges were the persistently low levels of interest and declining political and global economic risks.

At the beginning of the year, the PATRIZIA share suffered from the slow momentum in transaction volume levels in the European real estate market combined with increased regulatory activity on the Berlin residential sector, which resulted in collective punishment of European real estate stocks. As a result in the middle of the year, the share price performance moved into negative territory. With the confirmation of the guidance for 2019 and the publication of our Strategy 2023 for the next 3 to 5 years on our first Capital Markets Day in November 2019 in Frankfurt, there was again a considerable recovery for the PATRIZIA share. As a result the share price increased 19.3% during the year 2019 to EUR 19.86. Market capitalisation amounted to EUR 1.8bn as at 31 December 2019.

Development of PATRIZIA's share price in 2019 compared with various indices



An average of 76,778 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year reduction in volume of 31.1% (2018: 111,500 shares/day) and annual share turnover of 0.21 (2018: 0.31). This development is due in part to a steady increase in the share of new and existing institutional investors with a long-term perspective in PATRIZIA AG over the last few years.

Dividend payment

In 2019, a dividend of EUR 0.27 per share was paid in cash, an increase of 8% on the previous year. The HGB unappropriated profit in the amount of EUR 466.6m was used to pay the dividend, with the remaining amount being carried forward to new account. By resolution of the Annual General Meeting on 22 May 2019, a cash dividend of EUR 24.6m was paid. Based on the share of the IFRS consolidated net profit for 2018 attributable to shareholders of EUR 51.7m, i.e. a pay-out ratio of 48%. The dividend was paid on 27 May 2019.

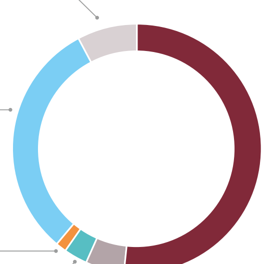
Investor Relations – valuable relationships and active communication

PATRIZIA AG maintains a continuous dialogue with its institutional, (semi-)professional and private share investors and analysts in order to provide proactive, transparent information on its business development and all important events concerning the company. In all, the Management Board and the Investor Relations team presented the company at 41 roadshow days in 31 cities worldwide. In addition, the team participated in a large number of international investor conferences and the DSW and SdK investor forums for private shareholders and family offices in Hamburg, Pfaffenhofen and Stuttgart. Furthermore, in 2019 a Capital Markets Day was held for investors and analysts for the first time.

PATRIZIA AG's shares are regularly covered by nine analysts from national and international banks. At the end of 2019, seven analysts (78%) recommended PATRIZIA's shares as a buy, while two analysts issued a hold recommendation. The analyst target prices as at 31 December 2019 ranged from EUR 17.90 to EUR 25.00, with an average target price of EUR 21.86 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 2020 and the latest analyst opinions on PATRIZIA AG's shares.

PATRIZIA shareholder structure as at 31 December 2019 – 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 2 August 2019
4 Source: PATRIZIA share register
5 Treasury shares

Shareholder structure of the Company

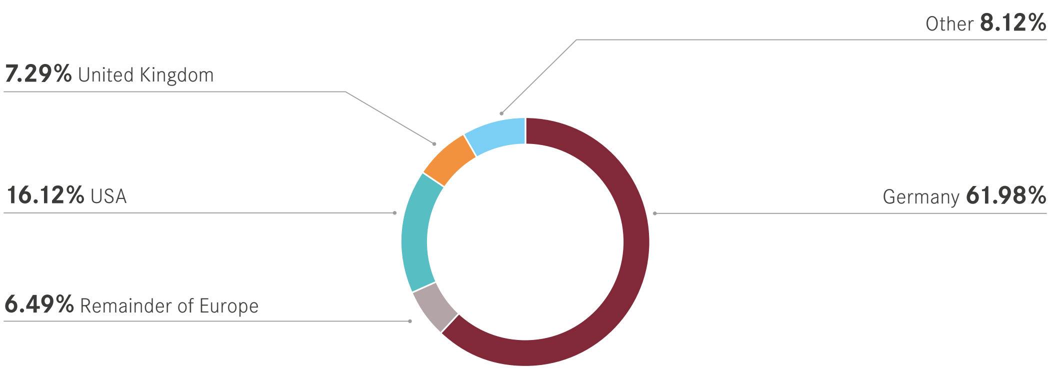
The shareholder structure of PATRIZIA AG changed only slightly in the past financial year. The founder and CEO of the company, Mr Wolfgang Egger, remains its majority shareholder. At the end of 2019, he held 51.81% of the share capital via First Capital Partner GmbH. The second-largest shareholder, Union Investment Privatfonds GmbH, retained its equity interest of 5.02% in 2019. In addition, Allianz Global Investors GmbH increased its equity interest to 3.15% according to the voting rights notification dated 2 August 2019. As at 31 December 2019, the number of treasury shares held by PATRIZIA AG was unchanged at 1.40% of the issued shares. 30.98% of the remaining shares are held by institutional investors, with a further 7.64% held by private shareholders.

In terms of regional distribution, PATRIZIA's shareholders, which number a good 8,500, are spread across 45 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 (61.98%), followed by shareholders in the USA (16.12%) and the United Kingdom (7.29%).

Distribution of a dividend of EUR 0.29 per share for the 2019 financial year

The Management Board and Supervisory Board of PATRIZIA AG are proposing that the HGB unappropriated profit for the 2019 financial year in the amount of EUR 500.8m can be used to pay a dividend of EUR 0.29 per share, with the remaining amount being carried forward to new account. This represented an increase in the dividend per share of 7.4% compared to the previous year. Based on the share of the IFRS consolidated net profit for 2019 attributable to shareholders of EUR 52.9m, this corresponds to a pay-out ratio of 50.7%. PATRIZIA is maintaining its previous dividend policy. This means that the growth rates of management fees and assets under management compared to the previous year will form the basis for the dividend proposal of the Management Board and Supervisory Board of PATRIZIA AG.

PATRIZIA shareholder structure as at 31 December 2019 – by region



Group management report

Group management report

Combined management report of the Company and the Group

The Group management report has been combined with the management report of PATRIZIA 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 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. Differences may occur when using rounded amounts and percentages.

1 Group fundamentals

1.1 Business model

PATRIZIA AG is a global partner for pan-European real estate investments and one of the leading independent real estate investment companies in Europe. As at 31 December 2019 814 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 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 and specifically. 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.

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. These funds are launched without any equity investment on the part of PATRIZIA. PATRIZIA generates stable, recurring income in the form of management 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 particular focus on Europe, 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 committing to the customer and the transaction, PATRIZIA generates fees and additional investment income. This allows PATRIZIA's shareholders to participate indirectly in the performance of an attractive European property portfolio. Co-investments accounted for EUR 6.5bn of PATRIZIA's assets under management as at 31 December 2019. PATRIZIA has invested EUR 0.1bn 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
Dawonia GmbH	Around 28,000 residential properties in southern Germany	4,647.8	5.1%
WohnModul I SICAV-FIS	Residential/commercial real estate and development projects in Europe	975.3	10.1%
TRIUVA/IVG logistics	Portfolio of 13 German and four logistics properties in France and the Netherlands	463.8	2.1%
Alliance	German retail portfolio comprising approx. 60 supermarkets, discount stores ad specialist stores	201.0	5.1%
Seneca	Portfolio comprising around 80 specialist stores and supermarkets	183.5	5.1%
TRIUVA/IVG commercial	Office properties in Germany	/	11.0%
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	2.3	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%
PATRoffice	Portfolio that is being sold with only one remaining office property	/	6.3%

Further details can be found in the capital allocation on page 51.

All in all, **funds under management** accounted for EUR 43.2bn of PATRIZIA's assets under management as at 31 December 2019 (31 December 2018: EUR 39.8bn).

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 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 2019 (31 December 2018: EUR 1.2bn).

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, relate to the company's own property portfolio, which is being downsized in line with the strategy. The company also has small residual holdings of properties for resale. Principal investments amounted to just EUR 23.5m as at 31 December 2019 and related in particular to real estate in Munich and in London, United Kingdom.

Separately from the principal investments, properties are in some individual cases temporarily consolidated at the company as interim financing for closed-end funds or as early-phase investments with the purpose of subsequent contribution to institutional funds.

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 and further improve the company's stability and financial flexibility.

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. As well as broadening its existing product range, PATRIZIA also plans to expand its business with infrastructure and debt finance products as part of its Strategy 2023.

Expansion of the national and international investor base

Relationships with investors have been and continue to be expanded worldwide. Local contacts have been established in Australia, Hong Kong, Japan, South Korea and the USA, and the European support team for institutional investors has been selectively bolstered. 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 2019 financial year, as in the previous year, around 54% of newly raised institutional equity was attributable to international investors, thereby underlining the success of the strategic international expansion.

Pioneer in technology and innovation

PATRIZIA recognized the growing influence of technology and innovation on the investment management and real estate sector at an early stage and pursues the clear strategy of taking on a pioneering role in these areas. As well as incorporating these topics in the staff line-up of the company's Management Board as at 1 January 2020, PATRIZIA has already been investing for several years in innovative technology and data analysis tools, up-and-coming technology companies and industry-wide solutions to offer customers further improvements in service.

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 400 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. As well as attractive new closed-end fund products for national investors, a fund for (semi-)professional investors that can also be subscribed to by investors outside Germany was launched in 2019 for the first time. Overall, investors entrusted PATRIZIA with new equity of EUR 3.2bn in the past financial year. PATRIZIA currently has outstanding equity commitments amounting to around EUR 2.5bn, which as at 31 December 2019 have not yet been invested in real estate or real estate portfolios.

Network established throughout Europe

Based on the long-term, trusting cooperation with its business partners 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 9.0bn for its clients (+32.6% year-on-year), of which EUR 7.6bn (+45.8%) was closed in 2019. Ongoing high performance fees in the 2019 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 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 net reorganisation income or expense. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.

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

03

Further framework parameters	Description
Management fees	PATRIZIA receives recurring 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 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 statements

1.5.1 ESG Strategy

PATRIZIA's mission is to build communities and create sustainable futures by means of responsible real estate investment management. Real estate – residential, commercial or logistics – plays a crucial role in society as it serves basic human needs like housing, workspace, infrastructure for health care and transportation of goods. In all these functions real estate determines the built environment and has a large impact on the natural environment, as much as it impacts the people and communities in the surrounding. The PATRIZIA Environmental, Social and Governance (ESG) Strategy makes sure that such impact is a positive one. Based on this ambition, PATRIZIA seeks to contribute to:

- A viable and resilient ecological system focused on the preservation of natural environment;
- A society in which economic development is not at the expense of vulnerable groups or future generations;
- Good corporate governance and well-functioning markets.

PATRIZIA is committed to a vision of prudent property stewardship with the goal to enhance sustainability of the Group's assets under management. The PATRIZIA ESG Committee has instituted a systematic approach to improve the operating metrics by incorporating ESG elements along the lines of the investment process. This commitment is embodied in the Group's ESG Strategy. While the ESG Strategy and activities are overseen by the ESG Committee PATRIZIA believes that ESG considerations need to be implemented throughout the business functions to ensure responsible decision making and conscientious consideration of environmental and social impact in the best possible alignment with investors' interests. ESG integration in the investment process follows the natural life cycle of investment. PATRIZIA has formulated material ESG aspects to be assessed during acquisition to prepare the management phase. Included are economical, ecological, cultural and social, technical, and functional aspects. The outcomes are reflected in fund level and asset level business plans and hence considered in the financial evaluation of the investment.

Responsibility and monitoring

ESG is a Management Board responsibility, with the ESG Committee being set-up as one of the Group's six Executive Committees, directly reporting to the Management Board and being chaired by PATRIZIA's COO. A dedicated Sustainability Manager coordinates and initiates ESG activities throughout the business functions and a specialised Asset Management ESG Team ensures environmental and social proof procurement for asset management. The ESG Committee members are heading the various core business functions of PATRIZA to allow ESG matters to be communicated from the ESG Committee to the business functions and vice versa.

The annual UN Principles of Responsible Investment Assessment Report (UN PRI) and the Global Real Estate Sustainability Benchmark (GRESB) are used to give direction and monitor overall progress of the PATRIZIA ESG Strategy. In addition, all discretionary funds either have or are in the process of implementing fund-level Environmental Management Systems (EMS) in alignment with the international DIN ISO 14000. Minimum targets have been set on a corporate level which each fund must work towards to when setting their annual targets and objectives. Operating an EMS supports fund and asset managers to proactively manage ESG issues, formally document objectives and monitor progress on a regular basis as well as report back to the ESG and/or Fund Review Committee annually.

1.5.2 ESG Reporting

PATRIZIA's ESG Strategy aligns the real estate investment and 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.

Environmental

PATRIZIA has implemented conscientious, environmentally responsible investment management practices to measure and monitor consumption and emission within its control and seek opportunities to utilise low carbon and renewable energy sources in an effort to reduce the Group's carbon footprint. In addition to its managed real estate portfolio PATRIZIA scrutinises its office operations aiming to improve energy and water efficiency and decrease carbon emissions.

ESG Data

PATRIZIA is striving for greater transparency in assessment of performance across non-financial or ESG metrics and linking it with the financial bottom line. On that account PATRIZIA is continuously improving its system to gather and assess environmental and social performance data and working closely with Management partners and exploring new technology solutions to continuously increase data coverage. A strong data foundation is crucial to define relevant ESG KPIs and implement such into investment practices and provide transparent reporting. The inclusion of ESG KPIs in business plans helps improving the managed real estate portfolio's energy and water efficiency and reduce waste, striving towards a more sustainable environment. PATRIZIA's interpretation of ESG data points is aligned with the GRESB definition, being the major reporting tool for ESG performance of real estate funds. In 2019 the GRESB asset data file has been integrated into PATRIZIA's reporting framework with the roll-out taking place over the year 2020. Additionally, PATRIZIA promotes placement of smart meters in order to facilitate digital data collection and get a better grip on consumption data.

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. Investing in the Group's people and striving to attract, retain and promote a unique and capable workforce is therefore important to the Group's further development.

PATRIZIA's People Deal 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 global 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 investment.

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.

With its management trainee program, PATRIZIA gives graduates of real estate programmes the ideal preparation for their future tasks in the form of an in-depth, comprehensive insight into the Group. 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 PATRIZIA's European locations. In terms of content, the trainees can expect both strategic and operational tasks in which they already assume responsibility for entire projects. 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.

Employee development

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

- Regular feedback and employee development meetings
- Target agreements
- Cross-departmental interdisciplinary project work
- An attractive internal job market and transfer opportunities
- Targeted succession planning
- Management program
- 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 2019 in order to provide employees with an attractive portfolio and to reflect the growing internationality of PATRIZIA. In 2019, 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 2019 continued to be a year of change and integration of the newly acquired companies in 2018, with newly composed teams in a pan-European matrix structure, this was accompanied by various measures such as intact team workshops, personal coaching and development on topics such as progressive management and dealing professionally with leadership challenges.

Health & well-being

PATRIZIA places great importance on the mental and physical 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 overall level of part-time workers is 14.2%. Two of the top-five PATRIZIA countries with most employees have an above average level of part-time workers: Germany with 16.4% and the Netherlands with 14.3%.

PATRIZIA culture

An open culture of discussion is a priority for PATRIZIA, as is a regular exchange between employees that enhances the employee experience. In 2019 employee network groups were established to drive a number of cultural and working related initiatives so employees can bring their whole self to work and feel comfortable:

- Promoting a culture of inclusion & diversity
- Supporting a culture of parents and carers in the workplace
- Providing health and well-being opportunities
- Providing opportunities for networking, education & development

Culture is also promoted in a highly targeted manner through various events, e.g.:

- Employee orientation day for all new PATRIZIA staff
- “PATRIZIA Talks” events (knowledge sharing)
- Annual Employee Day
- Insights (seeing how other teams work)

Diversity and inclusion

PATRIZIA’s values include innovation and diversity. The international and multicultural Group 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 814 as at 31 December 2019. There is a balanced age structure: just under 6% of employees are under 25 years old, approximately 25% are aged between 25 and 34, 37% are aged between 35 and 44, little over 24% are aged between 45 and 54, and a good 8% 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 34 different nationalities.

The share of women in the workforce is 46%. The share of women in the Management Board in 2019 is 25%, while 17% of the managers in the top management team, i.e. the first management level below the Management Board, are female. Looking at the total number of managers within the Group, over 27% are female.

Social

Social responsibility has been a focus of PATRIZIA since the Group’s beginnings. Investing in real estate means investing in communities; PATRIZIA aims to do both in a sustainable manner. The ESG Strategy safeguards the Group’s social impact. Real estate has a great impact on socioeconomic aspects of society. PATRIZIA takes this responsibility very serious and aims to demonstrate social responsibility towards all individuals and communities which are impacted by the Group’s activities. The aspiration is to manage assets in a way to create a built environment which benefits the community and fulfils its needs.

In order to find solutions to create positive social impact PATRIZIA relies on cooperation with its stakeholders and therefore stays in constant dialogue with investors, tenants, service providers and the wider communities to identify common interests.

The Group further encourages engagement with local communities through building and tenant outreach and local cooperation. The importance of ESG matters is communicated to property managers and tenants through green clauses in property management agreements and green leases. PATRIZIA’s presence in all major European countries allows to support and encourage supplier responsibilities and sustainable best practices locally.

PATRIZIA Children Foundation (PCF)

A fundamental part of PATRIZIA's corporate culture is the understanding that some of the Group's success must be shared with those who are in desperate need. This is one of the core beliefs and led to the foundation of the PATRIZIA Children Foundation 20 years ago to provide education, shelter and health care to children in need.

In establishing the foundation, Wolfgang Egger created the basis for realising his desire to give children access to education. The foundation has achieved a great deal since then: So far, around 220,000 children and young adults have benefited from the foundation's facilities around the world. Looking back on this makes the foundation proud and motivates it to implement many more projects. Since it was fist established, the PCF has initiated a total of 20 children's homes, 17 projects have been completed and three are being finalised. There are currently facilities in 11 countries on four continents: Germany, Cameroon, India, Kenya, Nepal, Peru, Rwanda, South Africa, Tanzania, Uganda and Zimbabwe.

The foundation is a legally independent organisation whose work is supported by PATRIZIA: Up to 1% of the Group's operating income is spent on social projects such as the foundation. In addition to financial support, employees of the Group also have the option to dedicate 1% of their work time to charitable causes. Around two days per person per year can be used to support the PCF's goal of creating prospects for more children.

Anti-corruption and -fraud

PATRIZIA is committed to high ethical standards and expects the same from its employees and third-party service providers. Anti-corruption and -fraud laws around the world explicitly require the implementation of policies and procedures designed to ensure compliance with anti-corruption and -fraud requirements. 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 globally for all employees in 2018 and 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 (ILO). As a German business PATRIZIA is also examining its implementation of human rights due diligence at corporate level in relation to the German federal government's National Action Plan on Human Rights. PATRIZIA's commitment to human rights is included in the Group's Compliance Handbook as well as the UK Modern Slavery Statement and is in line with the UN Global Compact Principles.

1.5.3 UN Sustainability development goals (SDGS)

PATRIZIA's ESG Strategy and business activities are aligned with the overall goal of the UN Sustainability Development Goals (SDGs) to create a better future for all. The SDGs are a universal set of goals, targets and indicators for global development that are very important guidelines for the PATRIZIA ESG Strategy and the Group's understanding what responsible practices are. The SDGs serve as a blueprint for positively transforming today's world by ending poverty, safeguarding the planet and ensuring prosperity for all by 2030.[1]

1 UN Sustainable Development Goals, Knowledge Platform: https://sustainabledevelopment.un.org/rio20

PATRIZIA's SDGs approach

Creating investment practices and business plans linked to the goals of the SDGs, of which there are 169 sub-goals, illustrates the breadth of opportunity that investing with impact offers. In an effort to support the goals set out in the SDGs PATRIZIA commits to adopt more sustainable business practices and seeks to innovate to deliver sustainable products and services. While supporting the SDGs in their entirety, PATRIZIA has identified the following SDGs as primarily relevant and closest to the Group's values and will proceed to include these in corporate and fund specific ESG strategies:

- **SDG 11 Sustainable Cities and Communities** reflects the core of real estate investment management.
- **SDG 7 Renewable Energy** and **SDG 13 Climate Action** are fundamental to create sustainable cities and communities.
- **SDG 3 Good Health** and **SDG 4 Quality Education** are primary values of corporate social responsibility.

SDG case studies:
PATRIZIA's ESG activities, derived from the objectives set in its ESG Strategy, support the SDGs and are described in the following examples:

SDG 11 Sustainable Cities and Communities

PATRIZIA invests in cities and developments to create inclusive, safe, resilient and sustainable communities.

Real estate activities | Sustainable communities | PATRIZIA launched its new flagship open-ended core pan-European residential fund Living Cities in November 2019 with EUR 650m seed assets. The fund targets residential investments including co-living, retirement and student housing. One of the two apartment developments in the fund, Green Levels in Munich's West End, enhances accessibility, connectivity and community. Residents can go to work, shop or reach other city parts in a car-free environment and make use of provided E-car and E-cycle charging stations.

Real estate activities | Sustainable developments | In Hamburg's HafenCity PATRIZIA realises new apartments on a floor area of around 27,500 square meters. The design aligns with the Baakenhafen's concept to offer accommodation for families, students, seniors and people in need of care by combining co-working, a restaurant and a piano bar to enliven the public space with a cultural program. The exhibition of the Loki Schmidt Foundation, working on the preservation of rare plants and animals, also finds its home in the house, demonstrating that there is nature in such densely populated areas as Hafencity, which is important to be conserved.

SDG 7 Renewable Energy

PATRIZIA promotes the generation of renewable and clean energy being a major pillar in the transition to a carbon free future and a milestone on the way to mitigate climate change.

Real estate activities | Green energy | Around 70% of PATRIZIA's managed portfolio is running on green energy generating savings of 50.000 tons of CO_2 per year and supporting the market for renewable energy as well as generating considerable cost reductions for tenants.[2]

2 PATRIZIA buys green energy for the general areas and unlet space. The tenants are responsible for purchasing energy for their rental space themselves

Real estate activities | Solar energy | In May 2019 PATRIZIA has acquired the Logchain Portfolio, 131,000 sqm of prime logistics space across three key locations in the Netherlands with the plan to supplement the logistic assets with solar panels to generate clean energy on site and deploy the large roof space.

SDG 13 Climate Action

PATRIZIA recognises its impact on the environment and climate change and commits to integrate climate change measures into policies and processes.

Group | carbon emissions | To kick-off Management PATRIZIA's carbon footprint, the Group has neutralised 145 tons of CO_2 emissions caused by the employees' travels to the annual employee day. PATRIZIA's off-set donation supports two projects to mitigate carbon emissions globally. PATRIZIA will follow-up on the initiative with a broader strategy to measure, reduce and provide more in-depth reporting on carbon emissions. In 2020 PATRIZIA initiates a project to measure the Group's carbon footprint, followed by a reduction strategy and to be expanded to cover the Group's assets under management.

Group | Reduction of plastic use | To reduce its environmental footprint, PATRIZIA wants to diminish plastic bottled water in its offices and replace them with glass bottles or water dispensers. The latter is the preferred option, because drinking tap water, where possible without health concerns, additionally saves the carbon emissions caused by the transport of bottled water.

SDG 3 Good Health

One main pillar of PATRIZIA's ESG Strategy is Health and Well-being. The Group aims to create a healthy work environment and promote the well-being of employees, where possible, to stimulate productivity and promote a sustainable community.

Real estate activities | Healthcare fund | PATRIZIA has launched its third healthcare fund with a focus on senior living and care properties in Germany and other European countries. The PATRIZIA Social Care Fund III has an initial target volume of EUR 300m and a long-term target of EUR 700m. The first acquisitions have already been made: four new, high-quality care homes in Germany. PATRIZIA's healthcare investments create the social infrastructure answering the needs of an aging society and provide an environment for living and care.

Group | Sports | PATRIZIA employees spend a lot of time sitting and working at the computer. To promote good posture and movement PATRIZIA provides workstation checks, modern office equipment and different complimentary sport programmes across offices.

Group | Healthy offices | To understand and manage indoor air quality in PATRIZIA offices two pilot projects in London and Augsburg in 2019 have been initiated to measure and assess air pollution and identify ways to regulate fresh air supply and help to ensure a healthier work environment.

SDG 4 Quality Education

PATRIZIA supports its employees in the maintenance of their employability and promotes their ongoing developments by continuously offering internal and external education for employees of all ages, training for apprentices and trainees and entry-level opportunities for university graduates.

Group | Training and education | 22 dual students and apprentices were employed in the following training professions at PATRIZIA as at the end of the year: Office management assistant (11), real estate agent (4), dual study course in business administration – real estate industry (6), dual study course in accounting and controlling (1). 100% of PATRIZIA employees received compliance training in 2019 to ensure ethical behaviour promoting positive impact and three “PATRIZIA Talks” took place to share knowledge, introduce innovative ideas and first and foremost create inspiration.

Real Estate Activities | Industry engagement | PATRIZIA engages closely with industry organisations and PATRIZIA employees actively participate in numerous committees and expert groups supporting real estate industry organisations and providing training courses for real estate professionals. In February 2019 PATRIZIA has been the main sponsor of the ULI Europe Conference in London and committed to support ULI’s Urban Plan Project in 2019 and for the following years.

1.5.4 UN Principles of responsible investment

The Group’s corporate governance framework is forming the foundation of PATRIZIA’s ESG efforts. Derived from there, PATRIZIA is committed to conducting business in a manner that complies with the law, meets high ethical standards and positively impacts environment and society. PATRIZIA takes its social responsibility very seriously. Transparent actions, but above all moral actions along universally human parameters such as integrity, decency, dignity and respect, form the basis of PATRIZIA’s activities.

The ESG Strategy is based on the UN PRI and in alignment with the UN Global Compact Principles. Being a signatory to UN PRI, PATRIZIA is committed to voluntarily abide by the principles of responsible investment and recognises that applying these Principles align investors with broader objectives of society. Therefore, where consistent with its fiduciary responsibilities, PATRIZIA commits to the following:

- To incorporate ESG issues into investment analysis and decision-making processes;
- To be an active owner and to incorporate ESG issues into ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which PATRIZIA invests;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
- To report on activities and progress towards implementing the Principles.

The annual UN PRI report supports PATRIZIA in assessing the strategic and operational implementation of the ESG strategy. In 2019 the UN PRI score is A for both modules. For the generic strategy and governance module an A is in line with the median score, in the specific module on property investments PATRIZIA has outperformed the median score of B.

1.5.5 ESG Strategy integration

ESG Screening and exclusion

The PATRIZIA ESG Screening and Exclusion policy ensures alignment of the Group’s clients and shareholders money with PATRIZIA’s broader beliefs and mitigates reputational ESG risks as a first step of integrating ESG issues in the investment process. PATRIZIA excludes entering into, or continuing, any kind of business relationship or transactions with corporate entities, governments, joint ventures or individuals with clear, direct links to controversial weapons and restricts business with countries that are deemed to have serious violations on political stability and peace, human rights and religious freedoms.

ESG Integration in investment process

PATRIZIA aims to deliver the best service to its clients, provide tenants with modern and healthy building space while helping to reduce the total carbon footprint of the real estate sector. Potential acquisitions undergo a due diligence process, including the record of ESG information, to identify asset level ESG risks and opportunities prior to acquisition and appropriately address such in investment proposals and business plans. One of the main goals include undertaking investments to improve the energy-efficiency of the assets under management to better fine-tune the associated costs while protecting the environment. PATRIZIA assesses investments for natural hazard risks and governance concerns such as anti-money laundering, requiring background checks on partners to ensure any potential conflicts of interest are identified. Access to public transportation for investments in urban areas is also routinely considered and regular reviews of regulatory compliance is undertaken to ensure properties to comply with local and national laws, including sustainability standards.

Active ownership

PATRIZIA actively manages its properties under consideration of environmental performance indicators such as energy, water, waste and greenhouse gas emissions aiming to improve the ESG results of invested properties for the benefit of investors, tenants and all other stakeholders. Portfolios are regularly evaluated to identify sustainability measures and lower operating expenses, increase efficiency as well as long-term asset value. Relevant environmental indicators are integrated in fund strategies to enhance the position of assets in their markets, reduce obsolescence and promote resiliency. Additionally, the benefit of third-party green building and health and well-being certifications (e.g. LEED, BREEAM, HQE, WELL, Fitwel) is considered.

The Fund and Asset Management teams work closely together and discuss progress in execution of the ESG strategies during regular meetings. In addition, strong emphasis is put on stakeholder engagement and investigating new ways of cooperation with tenants in order to stimulate them in adopting environmentally sound practices and to positively contribute to social aspects and local communities. PATRIZIA appoints property managers who are responsible for Management compliance of operational assets. The annual GRESB results, of the participating funds, are reviewed in quarterly meetings as part of the Environmental Management System (EMS according to ISO14001).

1.5.6 ESG risk analysis

The CSR guidelines, published by the European commission suggest emphasising the following five aspects in the non-financial statements: environment, employees, social, human rights, corruption and fraud. Following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) PATRIZIA additionally assesses the risks and opportunities of climate change.

Environmental risks

PATRIZIA's assets under management pose a physical risk to the environment by contributing to global greenhouse gas 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 ESG data.

To analyse the environmental impact of PATRIZIA offices an energy audit has been conducted in October 2019, revealing potential for optimisation in the German offices.

Climate change risks

Considering the long-term nature of real estate, climate change risks must be taken into account, also when they are not always visible yet. Additionally, PATRIZIA is subject to increasing regulation with regards to environmental protection and climate change mitigation. This transition risk of legislative changes is monitored closely and business partners, especially property managers, are engaged to cooperate in complying with increasing requirements and protect assets against obsolescence due to policy changes. Amongst others, the following transition risks with regards to environmental issues and climate change are monitored:

- Changing market behaviour: PATRIZIA sees the shift of demand towards sustainable and responsible investment opportunities as an opportunity to future-proof its portfolio by demonstrating responsibility towards stakeholders, the environment and communities.
- Mandates on and regulation of existing products and services: PATRIZIA secures that the property portfolio is prepared for, amongst others, required EPC (Energy Performance Certificate) levels.
- Enhanced emissions-reporting obligations: PATRIZIA is taking steps to improve the Group's abilities to report its carbon footprint.

Physical risks to the Group's assets under management resulting from severe weather conditions and events are analysed during the due diligence process at time of acquisition. Additionally, the risks of possible structural damages are assessed and appropriately insured. Potential physical risks monitored include, but are not limited to, the following:

- Higher operating costs: PATRIZIA keeps an eye on the risk of higher operating costs due to higher insurance premiums to cover risk of climate change. However, up to today no increased insurance costs attributable to environmental or climate change risks has been recorded.
- Increased capital costs: Possible higher maintenance and CAPEX costs due to damage to facilities and inadequate technical facilities to be substituted.

Risks related to employees and social 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 Group 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's 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 and promoting a sportive lifestyle are taken very seriously.

Human rights risk

Due to its regional focus PATRIZIA sees no particular risk with regards to human rights. PATRIZIA expects that business partners will respect internationally recognised human rights. These include, for example, strict compliance with the prohibition on forced and child labour, as well as observation of the statutory minimum working age. Additionally, PATRIZIA has enhanced its corporate governance framework with a commitment to the UK Modern Slavery Act.

Risks resulting from corruption and 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.

In particular, PATRIZIA expects that business partners will comply with statutory prohibitions regarding bribery and corruption, as well as competition law. In particular, the Group will in no way tolerate attempts by business partners to inappropriately influence PATRIZIA employees in business dealings through gifts and other benefits. The Group will also not provide any incentives that could give business partners the impression that PATRIZIA staff is receptive to inappropriate gifts or other benefits.

2 Economic report

2.1 Economic environment

The markets in general: As was already becoming apparent at the end of 2018, economic growth in the euro area was lower in 2019 than in the previous year. The reasons for this included the trade conflict between China and the USA and the slowdown of the global economy, which resulted in lower corporate investments. In the current year, growth on a similar scale is anticipated for the euro area. The employment market in the euro area has so far remained unaffected by the weak economy. This development looks set to continue in the current year. In the past year, inflation remained below the ECB's long-term goal, and this can be expected to be the case in the current year too. The continuation of the ECB's loose monetary policy will keep encouraging a low-interest-rate environment that will remain in place for a long time still. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA.

Real estate markets: Low interest rates, favourable financing conditions and a lack of investment alternatives dominated the European real estate investment market in 2019 and will continue to do so in 2020. Strong interest on the part of institutional investors will continue or even increase. Despite this strong interest, the transaction volume remained largely stable year-on-year at EUR 307.7bn (2018: EUR 315.2bn). This also reflects the intense competition on the European real estate investment markets, as the only limiting factor in this context is product availability. This same applies to the anticipated transaction volume this year. The high level of demand for real estate investments led to further price increases and there was yield compression again in 2019. The only exception was the retail sector, where slight yield compression could be observed due to the radical structural changes in many markets. All in all, these market conditions mean that market presence and a deep knowledge of the regional market conditions are becoming increasingly important in order to develop and successfully implement portfolio strategies.

Sources: PATRIZIA, European Commission, RCA

Structural growth market: The real estate investment management market will continue to grow in the coming years. On the one hand, an aging society is leading to further increases in capital inflows for private product providers. In addition, according to many economists, the low interest rate environment will persist for a few more years, which is why institutional investors on the look-out for returns are increasing their allocations to real estate. At the same time, large investors are increasingly looking for investment managers with a wide range of products, which leads to an ongoing consolidation in the global investment management market. Whereas in 2012 only EUR 15bn in assets under management were needed to be among the top ten real estate investment managers in Europe, by 2018 this had risen to EUR 32bn (+113%).
Sources: irei.com, Ifo Institute, German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth

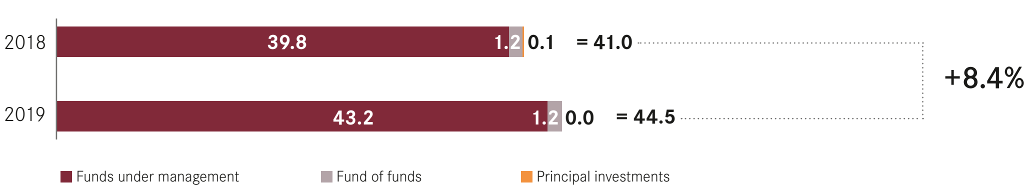
2.2 Business performance

Development of financial performance indicators

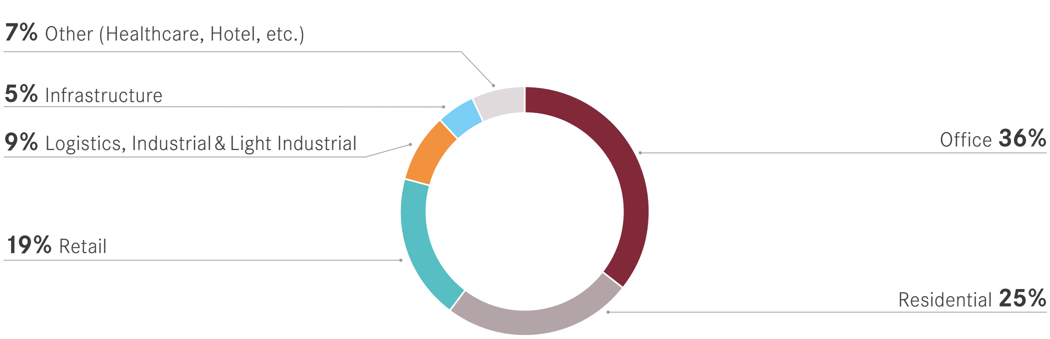
Assets under management

PATRIZIA had real estate assets under management of EUR 44.5bn as at 31 December 2019, as against EUR 41.0bn as at the end of the previous year. EUR 28.2bn of this related to Germany and EUR 16.2bn to other countries. In total, assets under management rose by EUR 3.4bn or 8.4% in the reporting period and were positively influenced mainly by organic growth and measurement effects. The goal of increasing assets under management to between EUR 44.0bn and EUR 45.0bn in 2019 was thus achieved.

Assets under management (EUR bn) G01

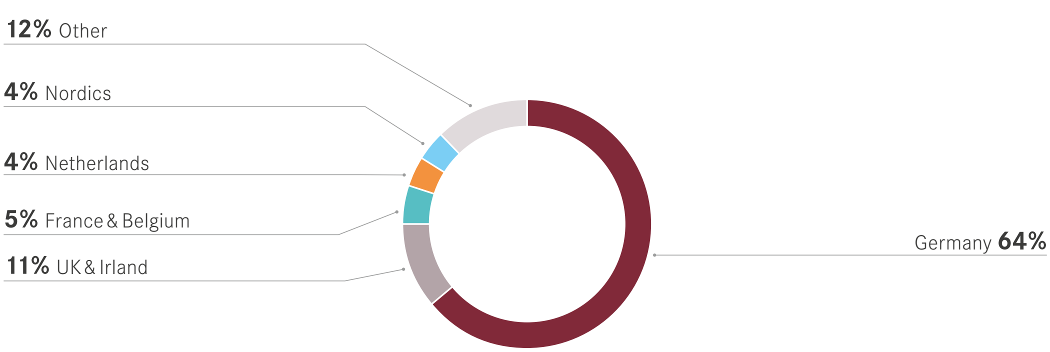


Assets under management as at 31 December 2019 – Sectoral distribution G02



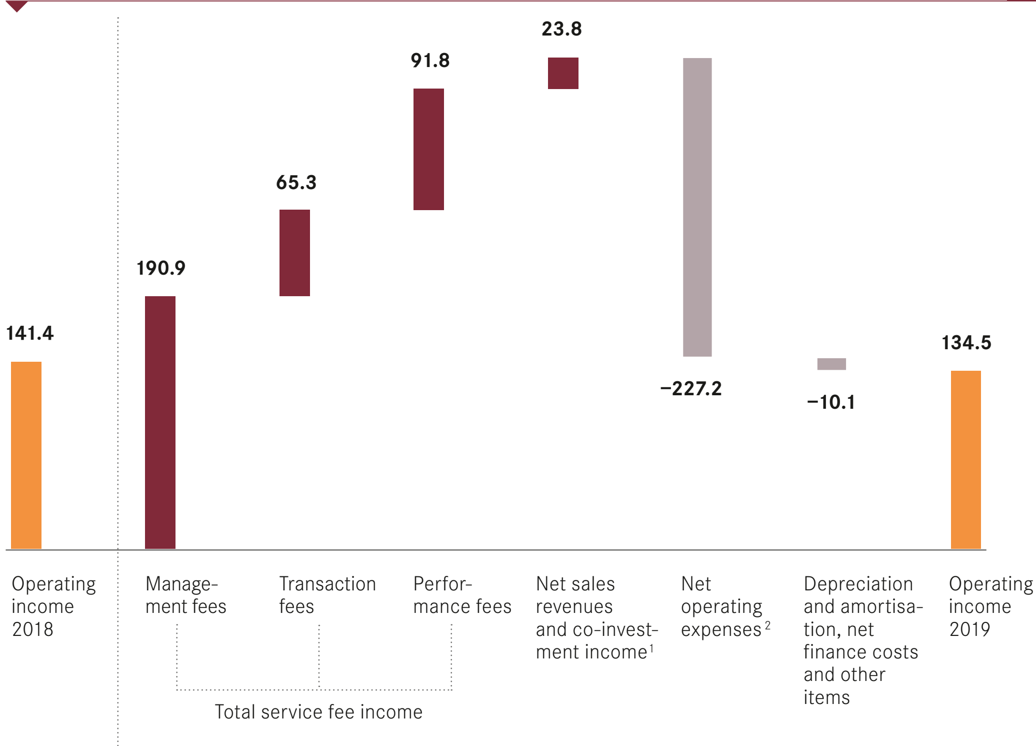
Assets under management as at 31 December 2019 – Geographical distribution

G03



Operating income – 2019 Composition (EUR m)

G04



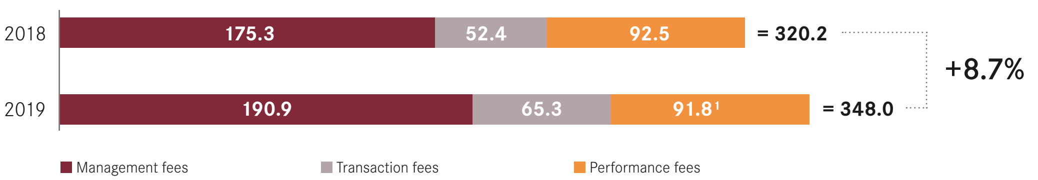
1 Including EUR 4.0m realised changes in value from the sale of investment property as well as EUR 4.9m operating income from participations (IFRS 9)
2 Inter alia netted against other operating income of EUR 14.6m

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. In the 2019 financial year, operating income of EUR 134.5m was generated, thus exceeding the forecast range of EUR 120.0m to EUR 130.0m. The quality of revenues was also significantly increased. Net sales revenues and co-investment income only contributed EUR 13.0m to earnings (2018: EUR 22.9m). Adjusted for this item, operating income rose by 2.5% year-on-year.

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 48 onwards in this report.

Development of the parameters supporting the management of the company:

Total service fee income (EUR m) G05



1 Excluding EUR 9.2m in performance fees from label funds

Total fee income increased by 8.7% to EUR 348.m in 2019 (2018: EUR 320.2m). 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 190.9m were received in 2019 (2018: EUR 175.3m). This increase of 8.8% was primarily due to organic growth in assets under management. Adjusted for non-periodic effects in the amount of EUR 5.4m, the year-on-year increase came to 5.8%.

Transaction fees

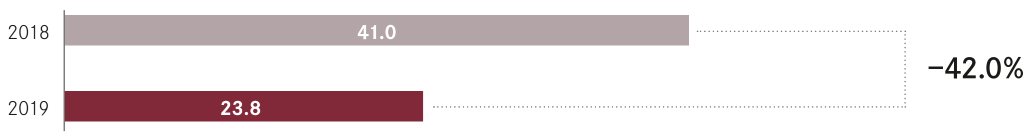
PATRIZIA receives transaction fees for the implementation of acquisition and disposal transactions. These fees amounted to EUR 65.3m in the past year (2018: EUR 52.4m; +24.8%). Acquisitions accounted for EUR 41.4m of this figure (2018: EUR 30.7m; +35.0%) and disposals for EUR 23.9m (2018: EUR 21.7m; +10.3%). In the same period, the transaction volume on the European market as a whole recorded a decline of 2.4% from EUR 315.2bn to EUR 307.7bn. This demonstrates PATRIZIA's strong deal-sourcing capabilities, which benefit its global client base.

Performance fees

PATRIZIA receives performance fees if defined target investment yields are met or exceeded. Due to the sustained positive development of the real estate assets under management by PATRIZIA, performance fees also remained at a high level of EUR 91.8m (excluding EUR 9.2m in performance fees from label funds) and were thus almost stable compared to the previous year (2018: EUR 92.5m). In the consolidated income statement, these fees are reported partly as revenues (EUR 82.8m; 2018: EUR 76.4m) and partly as income from participations (EUR 18.3m; 2018: EUR 12.4m). Revenues for the 2019 financial year include EUR 9.2m in performance fees from label funds, which are adjusted in the calculation of performance fees for the Group, as they are passed on to the label funds via the item cost of purchased services. In the 2018 financial year, operating income from participations of EUR 3.8m was also generated for the Dawonia co-investment. This was attributable to performance fees. No income of this kind was generated in 2019.

Net sales revenues and co-investment income (EUR m)

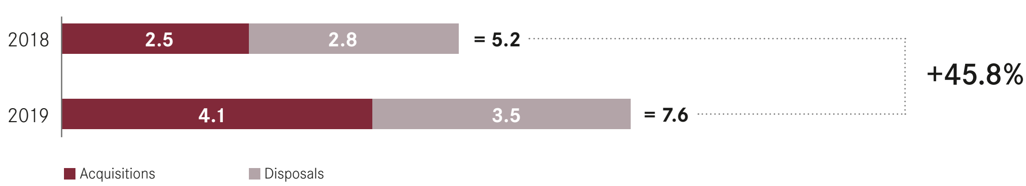
G06



In the 2019 reporting year, PATRIZIA generated net sales revenues and co-investment income of EUR 23.8m after EUR 41.0m in the same period of the previous year. This result reflects the lower revenues from the strategic sale of principal investments, which contributed EUR 13.0m to net income (2018: EUR 22.9m). Co-investments contributed EUR 10.8m (2018: EUR 18.1m).

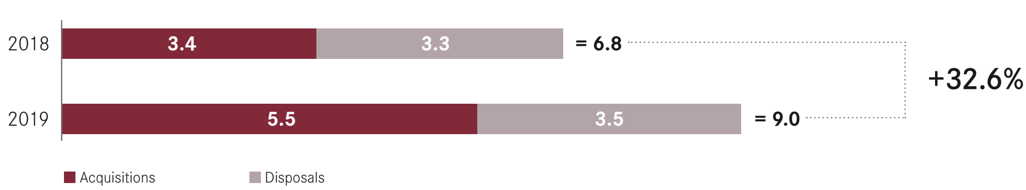
Transaction volume on the basis of closed transactions (EUR bn)

G07



Transaction volume on the basis of signed transactions (EUR bn)

G08



The transaction volume consists of the realised property acquisitions and disposals. Acquisitions closed in 2019 amounted to EUR 4.1bn (signed in 2019: EUR 5.5bn; signed in 2018: EUR 3.4bn) while disposals closed amounted to EUR 3.5bn (signed in 2019: EUR 3.5bn; signed in 2018: EUR 3.3bn). All in all, PATRIZIA closed a record volume of transactions at EUR 7.6bn, corresponding to a year-on-year increase of 45.8%.

The transactions signed in the amount of EUR 9.0bn in the 2019 financial year (2018: EUR 6.8bn, +32.6%) once again confirm PATRIZIA's solid deal-sourcing capabilities, which also benefit its global client base. The difference between signing and closing results from the fact that the transfer of ownership, benefits and obligations does not take place until the purchase price is paid. This payment is initiated as soon as certain predefined conditions have been met after the signing.

Equity raised (EUR bn) G09

In the period under review, equity of EUR 3.2bn was raised from institutional, private and (semi-)professional investors for various national and international investments, as against EUR 2.6bn in the previous year (+24.6%).

2.3 Economic situation

2.3.1 General statement by the Management Board

In the 2019 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 our strategy for the next three to five years – Strategy 2023.

The **operating income** of EUR 134.5m exceeded the forecast for 2019 of between EUR 120.0m and EUR 130.0m. In the 2018 financial year, operating income had amounted to EUR 141.4m, of which EUR 22.9m came from the strategic sale of principal investments. Adjusted for the strategic sale of principal investments, operating income rose by 2.5% year-on-year in 2019. This good result was due to organic growth throughout 2019 with a solid increase in management fees of 8.8% (adjusted for non-periodic effects: 5.8%) as against 2018 to EUR 190.9m and substantial growth in transaction fees of 24.8% to EUR 65.3m. Performance fees remained almost stable (−0.7%) at a high level of EUR 91.8m (excluding EUR 9.2m in performance fees from label funds). While total service fee income rose by 8.7% to EUR 348.0m, net operating expenses increased by only 8.1% to EUR 227.2m. Net operating expenses also included expenses of EUR 7.6m for the development and application of new technologies to equip the PATRIZIA platform for the future. Adjusted for these investments, net operating expenses increased by only 4.5% compared to the previous year.

Service fee income 04

EUR m	2019	2018	Change
Management fees	190.9	175.3	8.8%
Transaction fees	65.3	52.4	24.8%
Performance fees	91.8[1]	92.5	−0.7%
Total service fee income	**348.0**	**320.2**	**8.7%**

1 Excluding EUR 9.2m in performance fees from label funds

Assets under management increased by 8.4% year-on-year to EUR 44.5bn, partly due to acquisitions on the European real estate market for national and international clients and the acquisition of new asset management mandates.

Dividend payment

In 2019, a dividend of EUR 0.27 per share was paid in cash, an increase of 8% on the previous year. The HGB unappropriated profit in the amount of EUR 466.6m 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 22 May 2019, a cash dividend of EUR 24.6m was paid. Based on the share of the IFRS consolidated net profit for 2018 attributable to shareholders of EUR 51.7m, this corresponded to a pay-out ratio of 48%. The dividend was paid on 27 May 2019.

2.3.2 Results of operations of the Group

PATRIZIA AG again enjoyed considerable success for its institutional, (semi-)professional and private investors in the 2019 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 net reorganisation income or expense. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.

In the 2019 financial year, PATRIZIA generated operating income of EUR 134.5m, thus exceeding the forecast for 2019 of between EUR 120.0m and EUR 130.0m. In the 2018 financial year, operating income had amounted to EUR 141.4m, of which EUR 22.9m came from the strategic sale of principal investments. Adjusted for this item, operating income rose by 2.5% year-on-year in 2019. The table below shows the detailed calculation and development of operating income:

Reconciliation of operating income 05

EUR k	2019	2018	Change
EBITDA	**136,922**	**120,781**	**13.4%**
Amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment	–55,562	–42,235	31.6%
EBIT	**81,360**	**78,546**	**3.6%**
Finance income/expenses	–4,015	–3,415	17.6%
Other financial result	300	0	/
Result from currency translation	–234	1,175	–119.9%
EBT	**77,411**	**76,306**	**1.4%**
Changes in value of derivatives	0	22	–100.0%
Amortisation of other intangible assets[1]	40,242	36,677	9.7%
Changes in value of investment property	791	–3,975	–119.9%
Realised changes in value of investment property (net)	3,972	8,043	–50.6%
Reorganisation result	7,961	22,318	–64.3%
Other financial result	–300	0	/
Expenses/income from unrealised currency translation	–459	–1,775	–74.1%
Operating income from participations (IFRS 9)	4,905	3,757	30.6%
Operating income	**134,523**	**141,373**	**–4.8%**

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 06

EUR k	2019	2018	Change
Revenues	398,703	350,628	13.7%
Total operating performance	363,611	343,740	5.8%
EBITDA	136,922	120,781	13.4%
EBIT	81,360	78,546	3.6%
EBT	77,411	76,306	1.4%
Operating income[1]	134,523	141,373	–4.8%
Consolidated net profit	**56,347**	**58,116**	**–3.0%**

1 Please see page 20 for the definition of operating income

Revenues

PATRIZIA achieved another year-on-year increase in consolidated revenues in the 2019 reporting year, from EUR 350.6m to EUR 398.7m (+13.7%). Together with the stronger strategic focus on investment management services, there was growth in revenues from management services, which account for the majority of revenues. At the same time, rental revenues declined in line with the strategic sale of principal investments.

Revenues 07

EUR k	2019	2018	Change
Revenues from management services	329,504	294,565	11.9%
Proceeds from the sale of principal investments	60,828	49,556	22.7%
Rental revenues	2,970	3,713	−20.0%
Revenues from ancillary costs	2,099	1,232	70.3%
Other	3,302	1,562	111.4%
Revenues	**398,703**	**350,628**	**13.7%**

Revenues from management services increased again in the reporting period. The corresponding revenues rose by 11.9% year-on-year from EUR 294.6m to EUR 329.5m. However, revenues alone have only limited information value; certain 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 Dawonia GmbH co-investment, which is reported in income from participations, **total service fee income** amounted to EUR 348.0m, up 8.7% on the previous year's figure of EUR 320.2m. As a result of the organic growth in AUM, management fees increased by 8.8% year-on-year to EUR 190.9m (2018: EUR 175.3m). Transaction fees increased significantly by 24.8% to EUR 65.3m (2018: EUR 52.4m). Performance fees remained almost stable at a high level of EUR 91.8m (excluding EUR 9.2m in performance fees from label funds) (2018: EUR 92.5m; −0.7%).

Reporting income from participations separately results in the following breakdown of total service fee income:

Reconciliation of total service fee income 08

EUR m	2019	2018	Change
Management fees (excluding income from participations)	181.4	165.8	9.4%
Transaction fees	65.3	52.4	24.8%
Performance fees (excluding income from participations, excluding operating income from participations (IFRS 9))	82.8	76.4	8.5%
Revenues from management services	**329.5**	**294.6**	11.9%
Shareholder contribution for management services (in income from participations)	9.5	9.5	0.0%
Performance fees (in income from participations)	18.3	12.4	47.2%
Operating income from participations (IFRS 9)[1]	0.0	3.8	–100.0%
Performance fees label funds	–9.2	0.0	/
Total service fee income	**348.0**	**320.2**	**8.7%**

1 Includes only the portion attributable to service fee income

Proceeds from the sale of principal investments amounted to EUR 60.8m after EUR 49.6m in the previous year and resulted from the strategic sale of principal investments. The reduction of principal investments is consistent with the stronger strategic focus on investment management services.

PATRIZIA generated **rental revenues** of EUR 3.0m in the period under review after EUR 3.7m in the 2018 financial year. The decline in comparison to the previous year mainly resulted from the strategic sale of the Company's own rental properties (principal investments).

Revenues from ancillary costs relate to rental ancillary costs and amounted to EUR 2.1m in the period under review (2018: EUR 1.2m).

Other essentially comprises transaction costs that are charged on to the corresponding investment vehicles. This item increased from EUR 1.6m in the previous year to EUR 3.3m in the 2019 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 5.8% to EUR 363.6m in 2019 after EUR 343.7m in the previous year.

Reconciliation of total operating performance 09

EUR k	2019	2018	Change
Revenues	398,703	350,628	13.7%
Income from the sale of investment property	252	828	–69.6%
Changes in inventories	–50,535	–28,731	75.9%
Other operating income	14,607	20,698	–29.4%
Income from the deconsolidation of subsidiaries	585	317	84.3%
Total operating performance	**363,611**	**343,740**	**5.8%**

Income from the sale of investment property

PATRIZIA generated income of EUR 0.3m from the sale of investment property in the 2019 financial year after EUR 0.8m in the previous year.

Changes in inventories

Changes in inventories consist of the carrying amount of principal investments sold from inventories (–) and the capitalised cost of materials assigned to inventories (+). Changes in inventories of EUR –50.5m were reported in 2019 (2018: EUR –28.7m). The carrying amount of inventories decreased by EUR 52.8m as a result of real estate disposals (2018: EUR 31.8m, +65.9%). Inventories were increased by the capitalisation of EUR 2.3m (2018: EUR 3.1m, –26.8%), primarily relating to construction and maintenance work on principal investments.

Other operating income

Other operating income declined to EUR 14.6m (2018: EUR 20.7m) and essentially comprised income from discontinued obligations of EUR 9.7m.

Income from the deconsolidation of subsidiaries

This item primarily results from the deconsolidation of property companies, in which assets are temporarily held on the balance sheet. These are intended for placement in a closed-end fund of PATRIZIA GrundInvest KVG for private and (semi-)professional investors.

EBITDA

Reconciliation of EBITDA 10

EUR k	2019	2018	Change
Total operating performance	363,611	343,740	5.8%
Cost of materials	–6,601	–11,699	–43.6%
Cost of purchased services	–28,036	–15,679	78.8%
Staff costs	–131,769	–124,954	5.5%
Change in value of investment property	–791	3,975	–119.9%
Other operating expenses	–84,718	–90,742	–6.6%
Impairment losses for trade receivables and contract assets	–429	–1,059	–59.5%
Income from participations	32,891	28,042	17.3%
Earnings from companies accounted for using the equity method	725	11,852	–93.9%
Cost from the deconsolidation of subsidiaries	0	–377	–100.0%
EBITDAR	**144,883**	**143,099**	**1.2%**
Reorganisation result	–7,961	–22,318	–64.3%
EBITDA	**136,922**	**120,781**	**13.4%**

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 43.6% year-on-year from EUR 11.7m to EUR 6.6m.

Costs for purchased services

In particular, the cost of purchased services 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, transaction costs which are incurred to generate revenue and can generally be charged on have also been included in this item since 2018. This and the forwarding of performance fees totalling EUR 9.2m to label funds, combined with the increase in real estate assets under management at label funds, caused the cost of purchased services to rise by 78.8% to EUR 28.0m (2018: EUR 15.7m).

Staff costs

PATRIZIA employed a total of 814 full-time equivalents (FTE) as at 31 December 2019, compared to 804 in the previous year.

Staff costs 11

EUR k	2019	2018	Change
Fixed salaries	70,555	71,860	−1.8%
Variable salaries	37,193	32,861	13.2%
Social security contributions	15,943	14,862	7.3%
Sales commission	1,801	2,124	−15.2%
Effect of long-term variable remuneration [1]	833	−628	−232.8%
Other	5,444	3,875	40.5%
Total	**131,769**	**124,954**	**5.5%**

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

In total, staff costs increased by 5.5% to EUR 131.8m in the 2019 financial year (2018: EUR 125.0m). While fixed salaries were stable year-on-year at EUR 70.6m (2018: EUR 71.9m), variable salaries increased by 13.2% as against the previous year to EUR 37.2m. This increase was attributable to the recognition of one-time retention bonuses of EUR 3.0m and a one-time bonus for the strategic sale of principal investments in the amount of EUR 1.1m. Adjusted for these factors, variable salaries remained stable.

As a result of the lower level of sales activity in individual privatisation, sales commission declined from EUR 2.1m to EUR 1.8m. In line with the performance of PATRIZIA AG's shares, the measurement of long-term variable remuneration resulted in expense of EUR 0.8m in the reporting period after income of EUR 0.6m in the 2018 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 −0.8m (expense) in the 2019 financial year after EUR 4.0m (income) in the previous year.

Other operating expenses

Other operating expenses decreased by 6.6% to EUR 84.7m in 2019 after EUR 90.7m in the previous year. This item breaks down as follows:

Other operating expenses 12

EUR k	2019	2018[1]	Change
Tax, legal, other advisory and financial statement fees	26,146	19,498	34.1%
IT and communication costs and cost of office supplies	15,979	12,946	23.4%
Rent, ancillary costs and cleaning costs	2,707	11,092	–75.6%
Other taxes	6,969	10,466	–33.4%
Vehicle and travel expenses	7,075	6,642	6.5%
Advertising costs	5,890	5,700	3.3%
Recruitment and training costs and cost of temporary workers	4,779	4,217	13.3%
Contributions, fees and insurance costs	3,721	3,789	–1.8%
Commission and other sales costs	1,981	2,622	–24.4%
Costs of management services	513	847	–39.4%
Indemnity/reimbursement	846	1,203	–29.7%
Other	8,110	11,720	–30.8%
Total	**84,718**	**90,742**	**–6.6%**

1 Previous year's figures were restated in line with the new table structure in the year under review

Other operating expenses

Tax, legal, other advisory and financial statement fees in the amount of EUR 26.1m (2018: EUR 19.5m) inter alia include:

- follow-up costs from warranty performance management for former project developments in the amount of EUR 3.2m,
- expenses for the first-time testing, acquisition and application of new technologies in the amount of EUR 2.1m,
- follow-up costs for the purchase of a portfolio and for the acquisition of TRIUVA totalling EUR 0.6m as well as
- transaction costs of EUR 0.5m in connection with the acquisition of KENZO.

In 2018, transaction costs amounted to EUR 1.9m and mainly comprised costs for the acquisitions of TRIUVA and Rockspring.

The decrease in rent, ancillary costs and cleaning costs of 75.6% year-on-year was due to the first-time application of IFRS 16.

Impairment losses for trade receivables and contract assets

This item includes impairment losses for other trade receivables and other assets in the amount of EUR 0.4m (2018: EUR 0.6m). In 2018, impairment losses for trade receivables and contract assets with clients were also incurred in the amount of EUR –0.5m.

Income from participations and earnings from companies accounted for using the equity method

PATRIZIA generated income from participations of EUR 32.9m in 2019 (2018: EUR 28.0m, +17.3%). This increase was mainly due to higher performance fees from the Dawonia co-investment. Investment income totalling EUR 31.0m was received for the Dawonia co-investment (2018: EUR 25.1m).

The co-investments Harald (EUR 0.8m; 2018: EUR 1.2m), Aviemore and Citruz (EUR 0.5m; 2018: EUR 1.1m), Seneca (EUR 0.4m; 2018: EUR 0.5m) and the TRIUVA co-investments (EUR 0.2m; 2018: EUR 0.3m) 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 and the investment in EVANA AG, generated EUR 0.7m (2018: EUR 11.9m). The year-on-year decrease is due to lower income from the Wohnmodul co-investment. Overall, income from participations and earnings from companies accounted for using the equity method represent the investment income from co-investments and, for Dawonia GmbH, management and performance fees as well.

Income from participations 13

EUR k	2019	2018	Change
Dawonia GmbH	30,967	25,063	23.6%
Harald-Portfolio	777	1,153	−32.6%
Co-investments in the UK (Aviemore and Citruz)	516	1,065	−51.6%
Seneca	438	500	−12.4%
TRIUVA	183	255	−28.4%
Closed-end funds business	12	6	90.7%
Income from participations	**32,891**	**28,042**	**17.3%**
Earnings from companies accounted for using the equity method	**725**	**11,852**	**−93.9%**
Total	**33,616**	**39,894**	**−15.7%**

Net reorganisation expenses

Net reorganisation expenses amounted to EUR 8.0m in 2019 and included expenses of EUR 10.3m that mainly consisted of additions to provisions as part of the integration of TRIUVA and Rockspring (2018: EUR 22.3m). Income from reorganisation amounted to EUR 2.3m (2018: EUR 0.0m).

Consolidated net profit

In the 2019 financial year, PATRIZIA's consolidated net profit decreased slightly to EUR 56.3m (2018: EUR 58.1m; −3.0%), primarily due to a negative result from currency translation and higher income taxes.

Reconciliation of consolidated net profit 14

EUR k	2019	2018	Change
EBITDA	**136,922**	**120,781**	**13.4%**
Amortisation of other intangible assets [1], software and rights of use, depreciation of property, plant and equipment	−55,562	−42,235	31.6%
Earnings before interest and taxes (EBIT)	**81,360**	**78,546**	**3.6%**
Finance income	2,096	3,021	−30.6%
Financial expenses	−6,111	−6,436	−5.0%
Other financial result	300	0	/
Result from currency translation	−234	1,175	−119.9%
Net finance costs	**−3,950**	**−2,240**	**76.3%**
Earnings before taxes (EBT)	**77,411**	**76,306**	**1.4%**
Income taxes	−21,064	−18,190	15.8%
Consolidated net profit	**56,347**	**58,116**	**−3.0%**

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

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

Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment

Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment increased to EUR 55.6m (2018: EUR 42.2m; +31.6%) and chiefly consisted of amortisation of 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 40.2m (2018: EUR 36.7m), amortisation of rights of use of EUR 9.9m (2018: EUR 0) arising in connection with the first-time application of IFRS 16, and amortisation of software and depreciation of operating and office equipment of EUR 5.4m (2018: EUR 5.6m). 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 fell to EUR 2.1m after EUR 3.0m in the previous year (−30.6%), and essentially resulted 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 of EUR 6.1m (2018: EUR 6.4m, −5.0%), including in particular interest for bonded loans, interest accrued on retirement benefit obligations, and interest expenses for business taxes. “Other financial result” includes income from the write-up in connection with the remeasurement of financial assets in accordance with IFRS 9.

Result from currency translation

The result from currency translation amounted to EUR −0.2m as at 31 December 2019 (2018: EUR 1.2m). It is composed of realised currency effects of EUR −0.7m (2018: EUR −0.6m) and unrealised currency effects of EUR 0.5m (2018: EUR 1.8m).

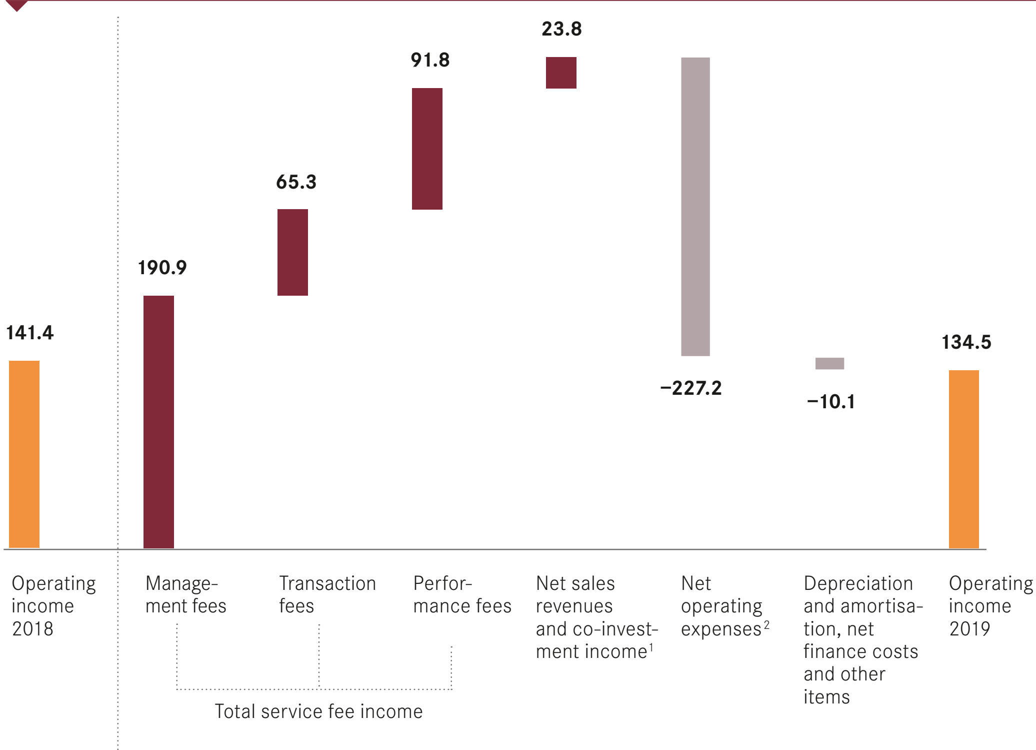
Income taxes

Tax expenses amounted to EUR 21.1m in the 2019 financial year after EUR 18.2m in the previous year (+15.8%).

Detailed reconciliation to operating income

The individual components of operating income and their respective line items, in particular within the consolidated income statement, are explained below.

Operating income – 2019 Composition (EUR m) G10



1 Including EUR 4.0m realised changes in value from the sale of investment property as well as EUR 4.9m operating income from participations (IFRS 9)
2 Inter alia netted against other operating income of EUR 14.6m

The **management fees** of EUR 190.9m are predominantly derived from “Revenues from management services”, which includes EUR 181.4m in management fees (excluding income from participations). In addition, there are management services provided as a shareholder contribution for Dawonia in the amount of EUR 9.5m, which is included in “Income from participations” (see page 41).

Transaction fees of EUR 65.3m are also included in “Revenues from management services”, as shown in the overview of service fee income on page 41.

Like management fees, **performance fees** of EUR 91.8m derive partly from “Revenues from management services” and partly from “Income from participations”. The breakdown was as follows in 2019: EUR 82.8m in performance fees (excluding income from participations) and a performance-based shareholder contribution of EUR 18.3m included in “Income from participations”. Performance fees from label funds in the amount of EUR −9.2m are deducted (see page 41).

These three fee streams add up to **total service fee income** of EUR 348.0m.

Net sales revenues and co-investment income of EUR 23.8m consists of the following items: “Proceeds from the sale of principal investments” of EUR 60.8m (page 39) plus “Changes in inventories” of EUR –50.5m and “Costs of materials” of EUR –6.6m (page 78); also “Rental revenues” of EUR 3.0m “Revenues from ancillary costs” of EUR 2.1m (page 41), and “Income from the sale of investment property” of EUR 0.3m (page 78). Finally “Realised changes in the value of investment property” (net) of EUR 4.0m were also included in the calculation (page 39) – bringing the total to EUR 13.0m. The net income from co-investments contributes a total of EUR 5.8m and results from “Earnings from companies accounted for using the equity method” of EUR 0.7m and the remaining EUR 5.1m of “Income from participations” (page 78). In addition, “Operating income from participations (IFRS 9)” in the amount of EUR 4.9m is taken into account (see also page 39).

Net operating expenses of EUR 227.2m include staff costs of EUR 131.8m (page 78) and the following non-staff operating costs and other income items of EUR 95.4m in total: “Other operating expenses” of EUR 84.7m, “Cost of purchased services” in a net amount of EUR 18.8m (expense according to income statement of EUR 28.0m less EUR 9.2m from charging on performance fees for label funds, which does not affect net operating expenses) and “Impairment on trade receivables and contract assets” of EUR 0.4m. Offsetting income items consist of “Other operating income” of EUR 14.6m, “Income from the deconsolidation of subsidiaries” of EUR 0.6m (all page 78) and other revenues of EUR 3.3m (page 41). An amount of EUR 9.9m from amortisation of rights of use (page 47) from the item “Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment” is also included here as an item that increases expense.

Depreciation and amortisation, financial result and other items of EUR –10.1m includes “Amortisation of software and depreciation of operating and office equipment and other” in the amount of EUR –5.4m (page 143) as well as “Financial income” of EUR 2.1m and “Financial expenses” of EUR –6.1m (page 143). The “Result from currency translation” (EUR –0.2m) is adjusted for the expense/income from unrealised currency translation (EUR –0.5m) and thus included in the calculation in the amount of EUR –0.7m. Reorganisation expenses of EUR 10.3m, income from reorganisation (EUR 2.4m) (both page 78), the positive “Other financial result” (EUR 0.3m) and “Amortisation of fund management contracts and licences” of EUR 40.2m are also included in this item, but are neutralised (page 143).

2.3.3 Financial position of the PATRIZIA Group

PATRIZIA's key asset and financial data at a glance 15

EUR k	31.12.2019	31.12.2018	Change
Total assets	1,987,080	1,778,446	11.7%
Equity (excl. non-controlling interests)	1,206,391	1,143,106	5.5%
Equity ratio	**60.7%**	**64.3%**	**−3.6PP**
Cash and cash equivalents	449,084	330,598	35.8%
+ Term deposits	185,000	208,000	−11.1%
+ Securities	1,000	3,000	−66.4%
- Bank loans	−93,194	0	/
- Bonded loans	−300,000	−300,000	0.0%
= Net cash (+)/net debt (-)	241,891	241,598	0.1%
Net equity ratio [1]	**75.7%**	**77.3%**	**−1.6PP**

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 2.0bn after EUR 1.8bn as at 31 December 2018, particularly due to the significantly positive cash flow of the previous year and the associated increase in cash and cash equivalents, as well as the temporary consolidation of properties for closed-end funds business.

Equity

Equity (excluding non-controlling interests) increased by 5.5% from EUR 1.1bn to EUR 1.2bn as at the end of 2019. This growth was partly due to the remeasurement of participations and performance fee claims in accordance with the accounting standard IFRS 9, which increased equity by EUR 29.2m year-on-year. In addition, the share of the consolidated net profit attributable to the shareholders of the parent company less the dividend payment to the shareholders had a positive impact on equity. Please see the statement of changes in equity for further information on changes in equity. The year-on-year decrease in the equity ratio is due to the temporary consolidation of properties on the company's own balance sheet and to the first-time application of IFRS 16. The former are intended for placement in a closed-end fund of PATRIZIA GrundInvest KVG for private and (semi-) professional investors.

Investment property and inventories

PATRIZIA's property assets grew by 44.1% in the reporting period, from EUR 79.8m as at 31 December 2018 to EUR 115.0m as at 31 December 2019. This increase was entirely attributable to a temporary rise in inventories to EUR 113.2m (31 December 2018: EUR 71.5m). This item contains real estate only temporarily held for subsequent contribution to a fund product for private and (semi-)professional investors (EUR 91.6m). By contrast, investment property declined in line with the strategy from EUR 8.3m as at 31 December 2018 to EUR 1.8m at the end of 2019.

Investment property and inventory 16

EUR k	31.12.2019	31.12.2018	Change
Inventories	113,208	71,534	58.3%
Investment property	1,835	8,308	–77.9%
Real estate assets	**115,043**	**79,842**	**44.1%**

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 2019 17

	Assets under management EUR m	Invested capital (fair value) EUR m	Invested capital (at cost) EUR m	Participations in %
Third-party business	**37,956.8**	**0.0**		
Co-investments	**6,473.7**	**510.4**	**124.9**	
Residential	**5,623.1**	**492.1**	**108.8**	
Dawonia GmbH	4,647.8	152.0[1]	51.7	5.1
Dawonia performance fee claims		283.0[1]	0.0	0.1
WohnModul I SICAV-FIS	975.3	57.0	57.0	10.1
Other		0.1	0.1	0.0
Commercial Germany	**848.3**	**16.9**	**14.3**	
Alliance	201.0	5.6[1]	5.2	5.1
Seneca	183.5	6.0[1]	4.9	5.1
PATRoffice	/	0.5[1]	0.2	6.3
TRIUVA/IVG logistics	463.8	4.0[1]	3.4	2.1
TRIUVA/IVG commercial	/	0.8[1]	0.7	11.0
Commercial international	**2.3**	**1.4**	**1.8**	
Citruz Holdings LP (UK)	2.3	0.0[1]	0.4	10.0
First Street Development LTD (UK)	/	1.4	1.4	10.0
Principal investments	**23.5**	**23.5**		
Other balance sheet items		**365.5[2]**		
Tied-up investment capital	**44,454.0**	**899.4**		
Available liquidity		607.0		
Total investment capital	**44,454.0**	**1,506.4**		
of which debt (bonded loans)		300.0		
of which equity PATRIZIA (excl. non-controlling interests)		1,206.4		

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 increased from EUR 300.0m as at 31 December 2018 to EUR 393.2m as at 31 December 2019. 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 1.5% p.a. This bonded loan is recognised under non-current liabilities. The short-term bank loans of EUR 93.2m relate to temporary interim financing for properties of PATRIZIA GrundInvest KVG (closed-end funds business).

Financial liabilities developed as follows as against the end of 2018:

Financial liabilities 18

EUR k	31.12.2019	31.12.2018	Change
Non-current bonded loans	300,000	300,000	0.0%
Short-term bank loans	93,194	0	/
Total financial liabilities	**393,194**	**300,000**	**31.1%**

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 607.0m as at 31 December 2019 compared to EUR 506.9m at the end of 2018.

Liquidity 19

EUR k	31.12.2019	31.12.2018
Cash and cash equivalents	449,084	330,598
Term deposits	185,000	208,000
Securities	1,000	3,000
Liquidity	**635,084**	**541,598**
- Regulatory reserve for asset management companies	−22,266	−26,185
- Transaction related liabilities and blocked cash	−5,469	−8,466
- Liquidity in closed-end funds business property companies	−388	−61
= Available liquidity	**606,961**	**506,886**

Liquidity amounts to EUR 635.1m in total (31 December 2018: EUR 541.6m). However, PATRIZIA cannot freely access this amount. A total of EUR 186.0m is invested in securities and deposits with a withdrawal notice period of more than three months. In addition, the acquisition of a property for closed-end funds business gave rise to transaction-related liabilities, EUR 5.5m of which were not yet due as at the end of the reporting period. Furthermore, cash and cash equivalents of EUR 22.3m 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 607.0m (31 December 2018: EUR 506.9m).

Consolidated cash flow statement

Cash flow from operating activities amounted to EUR 56.6m in the year under review after a cash outflow of EUR 53.3m in 2018.

The cash flow from operating activities (operating cash flow) may reflect certain distortions from year to year due to 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 are added to/removed from the Group, the operating cash flow is not affected.

Due to the fact that these items are apportioned to the various cash flow positions, these – in total cash-neutral business transactions – resulted in a burden on the operating cash flow of EUR 27.5m in 2019 (2018: EUR 70.7m). If the cash flow from operating activities is adjusted for this effect, it would have shown a cash inflow of EUR 84.1m in the 2019 financial year (2018: EUR 17.4m).

In addition, it should be noted that at the end of 2018 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 did not increase the operating cash flow until 2019 (when paid).

Cash flow from investing/divesting activities led to a cash inflow of EUR 42.1m in the year under review (2018: outflow of EUR 0.8m) and was mainly influenced by proceeds from disposals of participations and by the reclassification of term deposits with a term of more than three months. The assets and liabilities for the Living Cities Residential Fund, which still had a significant negative impact on cash flow from investing/divesting activities in the third quarter of 2019, were deconsolidated again as expected in the fourth quarter of 2019.

In addition, there was **cash flow from financing activities** of EUR 17.8m after EUR 2.1m in the previous year. The most important elements of the company's financing activities in 2019 included borrowings and repayments of various loans, including for the above-mentioned transaction for the short-term consolidation of properties for closed-end funds business in the amount of EUR 93.2m and the dividend distribution of EUR 24.6m to the shareholders of PATRIZIA AG. Principal and interest payments relating to lease liabilities (IFRS 16) were also recognised in the cash flow from financing activities for the time in the period under review.

Accordingly, the change in **cash and cash equivalents** amounted to EUR 116.5m (2018: EUR –52.1m), meaning that cash and cash equivalents increased from EUR 330.6m at the end of 2018 to EUR 449.1m as at 31 December 2019.

Abridged consolidated statement of cash flow, for the period from 1 January to 31 December 2019 20

EUR k	2019	2018
Cash flow from operating activities	56,620	–53,347
Cash flow from investing/divesting activities	42,106	–779
Cash flow from financing activities	17,771	2,050
Change in cash and cash equivalents	116,496	–52,077
Cash and cash equivalents as at 01.01.	330,598	382,675
Cash and cash equivalents as at 31.12.	449,084	330,598

2.3.4 Notes to the HGB annual financial statements of PATRIZIA AG (holding company)

The situation at the parent company PATRIZIA 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 AG generated **revenues** of EUR 22.4m (2018: EUR 20.9m; 7.1%), essentially in the form of management fees charged to the subsidiaries. **Other own work capitalised and other operating income** declined to EUR 3.9m in 2019 (2018: EUR 11.3m). In the previous year, higher book profits from disposals of financial assets (EUR 3.0m) and higher income from unrealised price fluctuations (EUR 2.0m) were shown.

The **cost of materials** rose to EUR 0.3m. **Staff costs** increased by 2.8% to EUR 30.0m (2018: EUR 29.1m). This corresponds to the annual wage adjustment. **Depreciation, amortisation and write-downs and other operating expenses** recorded an increase of 14.8% to EUR 57.8m (2018: EUR 50.4m), chiefly due to higher IT and software costs and expenses from unrealised price fluctuations. **Income from participations, financial assets, profit transfers and loss absorption** increased to EUR 148.7m (2018: EUR 126.0m). This increase essentially results from higher income from profit transfers. At EUR 8.0m, **net interest expense** was slightly higher than in the previous year (2018: EUR 7.4m). This was primarily on account of lower interest income from affiliated companies.

This resulted in an HGB **net profit** for the past year of EUR 58.7m (2018: EUR 58.0m) at PATRIZIA AG. Together with the profit carried forward of EUR 442.0m this makes up the company's unappropriated profit. This **unappropriated profit** increased from EUR 466.6m in 2018 to EUR 500.8m in 2019.

PATRIZIA AG is expected to enjoy positive development in the 2020 financial year. Further information can be found in the Group forecast (note 5).

Abridged consolidated balance sheet of PATRIZIA AG 21

EUR k	31.12.2019	31.12.2018
Fixed assets	670,368	688,337
Current assets	710,055	612,722
Prepaid expenses	2,516	1,082
Total assets	**1,382,939**	**1,302,141**
Equity	775,630	741,495
Provisions	29,667	35,415
Liabilities	577,642	525,232
Total equity and liabilities	**1,382,939**	**1,302,141**

Abridged income statement of PATRIZIA AG 22

EUR k	2019	2018	Change
Revenues	22,351	20,872	7.1%
Other own work capitalised and other operating income	3,868	11,298	−65.8%
Cost of materials (cost of purchased services)	−349	−10	3,249.9%
Staff costs	−29,960	−29,131	2.8%
Depreciation, amortisation and write-downs and other operating expenses	−57,804	−50,373	14.8%
Income from participations profit transfers and loss absorption	148,716	126,023	18.0%
Net interest expense	−8,030	−7,438	9.5%
Taxes	−20,081	−13,212	52.0%
Net profit for the year	**58,711**	**58,028**	**1.0%**
Profit carried forward	442,042	430,108	7.8%
Purchase of treasury shares	0	−21,517	0.0%
Unappropriated profit	**500,754**	**466,619**	**7.3%**

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 2019.

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 AG in connection with company acquisitions with the condition that they may not be sold within a defined lock-up period). The Management 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 AG, held an interest in the company's share capital totalling 51.81% 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 Management Board, amendments to the Articles of Association

The appointment and dismissal of members of the Management 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 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 Management Board to issue and buy back shares

By resolution of the Annual General Meeting on 20 June 2018, the Management 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 Management 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 Management 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 Management 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 Management 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 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 Management 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 Management Board or employees in the event of a takeover bid

There are no compensation agreements with the members of the Management 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 Management Board and Supervisory Board of PATRIZIA AG and discloses the amount of the payments made to the individual members of the Management Board and Supervisory Board for the 2019 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 Management Board

The remuneration system for the Management 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 Management Board is defined and regularly reviewed by the Supervisory Board. The remuneration paid to the members of the Management Board is based on their area of responsibility, the personal performance of the individual members and the Management Board as a whole, and the economic and financial position and success of PATRIZIA. The remuneration paid to the members of the Management 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 recognised 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 Management 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 FTSE EPRA Nareit Developed Europe Index (50% weighted) and the STOXX EUROPE 600 FINANCIAL SERVICES INDEX (50% weighted) 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 Management 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 Management 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, Mr Schmitt and Ms Kavanagh. 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%.

Total remuneration for the 2019 financial year

The total remuneration granted to the members of the Management Board for the 2019 financial year amounted to EUR 5.5m (2018: EUR 5.4m[1]). Some of this amount was not yet paid out. The figure for 2019 contains 62,468 performing share units granted to the members of the Management Board whose cash value equivalent will be paid out in the 2023 financia l year (71,247 for the 2018 financial year, payment in 2022). The total remuneration paid out to the members of the Management Board in the year under review amounted to EUR 4.5m (2018: EUR 4.4m).

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 Management Board for the financial year but not yet paid out in full and benefits actually paid out.

1 Excludes the one-time sign-on bonus of EUR 496k received by Anne Kavanagh in 2018

The individual members of the Management 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

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EUR k	2018	2019	2019 (min)	2019 (max)
Fixed remuneration	420	420	420	420
Fringe benefits	1[1]	0	0	0
Total	**421**	**420**	**420**	**420**
One-time sign-on bonus	0	0	0	0
One-year variable remuneration	642[2]	650[3]	0	750[4]
Performing share units tranche 2020–2022	0	325[3]	0	375[4]
Performing share units tranche 2019–2021	321[2]	0	0	0
Total	**1,383**	**1,395**	**420**	**1,545**
Service cost	12	12	12	12
Total remuneration	**1,395**	**1,407**	**432**	**1,557**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2019 calendar year for 2018 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognised 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

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EUR k	2018	2019	2019 (min)	2019 (max)
Fixed remuneration	420	420	420	420
Fringe benefits	12[1]	18[1]	18[1]	18[1]
Total	**432**	**438**	**438**	**438**
One-time sign-on bonus	0	0	0	0
One-year variable remuneration	513[2]	520[3]	0	600[4]
Performing share units tranche 2020–2022	0	260[3]	0	300[4]
Performing share units tranche 2019–2021	257[2]	0	0	0
Total	**1,202**	**1,218**	**438**	**1,338**
Service cost	12	12	12	12
Total remuneration	**1,214**	**1,230**	**450**	**1,350**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2019 calendar year for 2018 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognised 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

25

EUR k	2018	2019	2019 (min)	2019 (max)
Fixed remuneration	420	420	420	420
Fringe benefits	23[1]	22[1]	22[1]	22[1]
Total	**443**	**442**	**442**	**442**
One-time sign-on bonus	0	0	0	0
One-year variable remuneration	642[2]	650[3]	0	750[4]
Performing share units tranche 2020–2022	0	325[3]	0	375[4]
Performing share units tranche 2019–2021	321[2]	0	0	0
Total	**1,405**	**1,417**	**442**	**1,567**
Service cost	24	24	24	24
Total remuneration	**1,429**	**1,441**	**466**	**1,591**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Granted in the 2019 calendar year for 2018 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognised 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: 15.04.2022

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EUR k	2018	2019	2019 (min)	2019 (max)
Fixed remuneration	395	418	418	418
Fringe benefits	6[1]	5[1]	5[1]	5[1]
Total	**401**	**423**	**423**	**423**
One-time sign-on bonus	496	0	0	0
One-year variable remuneration	432[2]	650[3]	0	750[4]
Performing share units tranche 2020–2022	0	325[3]	0	375[4]
Performing share units tranche 2019–2021	216[2]	0	0	0
Total	**1,545**	**1,398**	**423**	**1,548**
Service cost	43	47	47	47
Total remuneration	**1,588**	**1,446**	**471**	**1,596**

1 This item primarily contains non-cash benefits for insurance premiums
2 Granted in the 2019 calendar year for 2018 once all of the necessary criteria for determining variable remuneration were known
3 Corresponds to the liability recognised 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 Management Board were paid the following remuneration for the respective financial year:

Remuneration of the Management Board 27

	Wolfgang Egger, CEO		Karim Bohn, CFO		Klaus Schmitt, COO		Anne Kavanagh, CIO	
Cash inflow EUR k	2018	2019	2018	2019	2018	2019	2018	2019
Fixed remuneration	420	420	420	420	420	420	395	418
Fringe benefits[1]	1	0	12	18	23	22	6	5
Summe	**421**	**420**	**432**	**438**	**443**	**442**	**401**	**423**
One-time sign-on bonus	0	0	0	0	0	0	0	0
One-year variable remuneration	546	642	382	513	546	642	410	432
Performing Share Units Tranche 2016–2018[2]	0	220	0	19	0	225	0	0
Performing Share Units Tranche 2015–2017[3]	415	0	0	0	357	0	0	0
Total	**1,382**	**1,282**	**814**	**971**	**1,346**	**1,309**	**811**	**856**
Service cost	12	12	12	12	24	24	43	47
Total remuneration	**1,394**	**1,294**	**826**	**983**	**1,370**	**1,333**	**854**	**903**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car
2 Amount paid out in 2019 following the conversion of the performing share unit tranche 2016-2018 at the average share price of EUR 17.495
3 Amount paid out in 2018 following the conversion of the performing share unit tranche 2015-2017 at the average share price of EUR 19.900

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 2019 financial year:

Remuneration of the Supervisory Board 28

EUR	2019	2018
Dr Theodor Seitz, Chairman	40,00	40,00
Alfred Hoschek	30,00	30,00
Uwe H. Reuter	30,00	15,00
Total	**100,00**	**100,00**

3.3 Corporate Governance Statement – disclosures in accordance with section 289f HGB and section 315d HGB

On 28 January 2020, the Management Board of PATRIZIA 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 17 December 2019, the Management Board and the Supervisory Board issued a statement of conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act). 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 Management Board presented a dependent company report to the Supervisory Board with the following closing statement: "As the Management Board of the Company, we hereby declare that the Company received adequate 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 opportunities and risks

4.1 Management of opportunities and risks

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

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

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 (Mergers & Acquisitions) and other alternative investment opportunities. The Product Development and Capital Markets departments (responsible for fund raising and client services) develop new products and investment structures for clients. Strategic growth opportunities are identified and systematically pursued by the Operational Board (which has replaced the Executive Committee and consists of the operational core functions) as well as the Management Board of PATRIZIA, the Strategic Corporate M&A department and the Alternative Investments team. In addition, opportunities are seen in digitalisation and technology & innovation which are equally pursued to ensure continued growth and strategic development as well as ongoing operational optimisation.

In 2018 following the acquisitions of Sparinvest, TRIUVA and Rockspring, PATRIZIA moved into a new pan-European operating model with an aligned functional cross border and collaborative set-up. This results in a strengthened local presence. Risk Management in all subsidiaries is part of the pan-European function's responsibility and has been centralised in the Operational Board as forum for ongoing discussion and managing relevant matters at an early stage. This is to ensure timely and proactive identification of opportunities and risks through clearly defined channels. Hence alignment and central knowledge sharing as well as management of risks is brought together through these functions and procedures and shared with the Risk Management working group as part of a continued focus on improved governance structures.

To further strengthen the set-up, a new committee structure is in place to best compliment the Operational and Management Board and to keep the information flow about potential risks and future opportunities. This also ensures that all relevant parties are informed and involved in due time. The relevant committees are:

– 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 share best practises in AIFM risk management. Risk management for all regulated entities is centralised in one function to ensure alignment and efficiency.

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 on all ESG matters.

CRP reports Group financial data on a monthly basis to both the Management and the Operational Board. The reporting helps to identify potential risks at an early stage and to initiate relevant countermeasures. Risks are evaluated in terms of their probability of occurrence and potential loss 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 operational countermeasures e.g. change in process and, where deemed necessary, accounting related precautions such as the recognition of provisions etc. Further, operational risks are discussed in the Operational Board on a bi-weekly basis. General risk assessment follows PATRIZIA's financial year and hence the budget period, however in the case of strategic material risks, the analysis can be extended 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 the risks, operational measures and responsibilities previously examined by the responsible departments. In accordance with section 317 (2) of the German Commercial Code (HGB), the early risk detection system is also examined by the auditor of PATRIZIA AG. 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 and the overall ongoing Risk Management at PATRIZIA in line with good corporate governance.

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 the 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 capital markets law requirements. At the same time, the ICS cannot provide absolute certainty. The members of the Management Board of PATRIZIA 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 budgeting based on the targets set by the Management Board and expectations of operational business development. This serves to define the budget for the next financial year across the Group. Actual figures and potential deviations to said budget are reviewed, reported and analysed on a monthly basis. Regular updates and forecasts are prepared for the current financial year based on the actual results achieved compared to the budget and the opportunities and risks identified.

The ICS encompasses 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 guidelines 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 subsidiaries outside Germany is generally performed by the respective regional subsidiary aligned with and centrally supervised by the Accounting headquarter. 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 department. 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 of PATRIZIA AG as part of the annual audit. Further, attention on general good governance has in recent years increased also at PATRIZIA. This results overall in more and more focus on optimising existing processes including the ICS for accounting.

4.3 Significant opportunity and risk categories

4.3.1 Market opportunities and – risks in the economic environment

Opportunities and risks of overall economic development

A year ago, it was speculated whether the end of the ECB's government bond purchase program would lead to an increase in interest rates and whether this would have a negative effect on the capital flow to the European real estate markets. But the course of 2019 quickly proved this wrong. Political uncertainty as well as the trade war between the US, China and several other countries led to a weakening in the global economy and had a negative impact on the overall sentiment of corporations. As a result, the Fed reduced US interest rates for the first time in many years. Also the ECB announced to support the weakening economies of the European Union with a continued loose monetary policy (quantitative easing). Investors now face the scenario of "lower-for-much-longer". Investments in real estate will continue to be an attractive alternative to equities or bonds in this marked environment and it is likely that more capital and not less will flow into the real estate markets. Consequently, the competition for suitable investment assets increases. The prices should hence continue to increase, and yields continue to decrease. Therefore, good market positioning, profound market insights and targeted investment strategies will be increasingly important and an essential success factor. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA.

Residential real estate market: Urbanisation is the dominant topic when it comes to demand for residential areas in Europe. The prospering urban metropolitan regions are attracting more and more people from domestic and international locations because of the good job opportunities they offer, but also because of their quality of life, cultural diversity and range of leisure activities. Even a weakening economy will not change this. High construction costs and risks from political regulatory activities restrict the development of additional residential areas, and hence only a few submarkets could possibly face the risk of oversupply. Overall, the European residential property markets will continue to be characterised by a surplus in demand, and rents and purchase prices will continue to rise. However, in many cities and regions, prices and above all rents have now reached a level which has led to an increasingly heated public debate on the affordability of residential property. More and more politicians are addressing the issue. In the coming years, focus will be even more on this topic, but residential property will nevertheless continue to be in the focus of national and international investors. This is because it will remain an important diversification factor for portfolios and, against the background of the low interest rate environment, it offers an attractive yield premium over government bonds and an almost secure rental cash flow.

Commercial real estate market – office: Despite the economic downturn in 2019, demand for office space remained high. In general, the effects of periods of economic weakness only become apparent with a certain delay. In 2020, therefore, there is a possibility that demand for office space will decline somewhat, but not to the extent that the economic downturn of recent quarters might suggest. The large cities in particular are proving relatively resistant to such developments due to urbanisation and a high proportion in the service sector. The vacancy rate fell to a record low by the end of 2019. This and the reasonably low level of construction activity should mean that vacancies are not likely to rise promptly in 2020 either. The high demand for office space and declining vacancy rates have resulted in rent increases in recent years. Rents are expected to continue rising in the coming years, albeit at a slower pace. Last year, the investment market was characterised by a high level of competition between investors, a development that will continue in the current year. Accordingly, prime net yields will also continue the general downward trend of recent years, although here too the momentum is likely to slow down in 2020.

Commercial real estate market – retail: On a macroeconomic level, the European retail market remained robust in 2019 with rising retail sales. However, this growth is largely driven by online shopping. The structural change that has been taking place for several years now as a result of the rise of online shopping is hence continuing. Sales margins in the retail stores continue to decline and retailers are still required to invest in new store and distribution concepts in order to create a symbiosis of presence stores and online shopping. However, retail space in prime locations (high street) continues to be in high demand. Outside the high street locations and on their edges, however, demand is declining, and vacancies are rising. The structural change in the retail trade is also reflected in the development of top rents. Many retailers are no longer willing to accept rent increases or are even demanding rent reductions. As a result, prime rents remained stable or declined slightly in most European markets. As a result, institutional interest in retail properties has also continued to fall in 2019. The most important exception to this development is the food retail sector, which is much less affected by online shopping and the resulting structural change. In general, however, it can be assumed that in the coming years until the completion of the structural change a slight increase in prime yields can be expected, even if individual sub-segments such as food retailing are likely to be spared. Transaction volumes will therefore remain limited because institutional investors will only concentrate on selected high street properties and sub-segments of the retail market.

Commercial property market – logistics: Despite weaker economic expectations, the positive development of the logistics markets continued in 2019 and the demand for space remained high. One important driver for the European logistics markets is online shopping and the associated supply chains. Another driver is urbanisation and the concentration of more and more people in the economically successful urban agglomerations. This in turn puts pressure on retailers and logistics companies to adapt and optimise their supply chains. Despite the positive development, prime rents remained stable and only rose slowly in some markets. Interest from institutional investors remains very high because logistics still offers a more attractive yield premium over other types of use, despite the decline in returns in recent years. The transaction volume in 2019 was lower than in previous years due to limited product availability. For the current year, we assume that the European market for logistics properties will continue to develop positively. Yields will continue to fall due to the high level of investor interest, and transaction activity will be very strongly influenced by product availability.

4.3.2 Operational risks

Acquisition and disposition of real estate: The ongoing trend of strong demand for real estate continued in 2019. The transaction volume remained at the extremely high level recorded in the previous years. In a continued easy monetary policy environment, domestic and international investors are still making substantial investments in the European real estate markets. As a result, it remains challenging to acquire suitable properties with risk adjusted yields for PATRIZIA's clients in an extremely competitive market.

However even in this environment, PATRIZIA succeeded in using experience and 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 competitive situations – and in said markets enabling clients to generate profits and optimise their portfolios through targeted disposals.

The continuous strategic enhancement of PATRIZIA's European platforms enables broader access to additional attractive investment opportunities. As a result, PATRIZIA is seen as a reliable and professional partner for the rapid, trustful implementation of large-scale single asset and portfolio investments not just in Europe, but increasingly international as well.

Although it is a seller's market at present, there is a risk that real estate disposals, including PATRIZIA's phase-out own balance sheet investments, will not be possible at the envisaged price.

Employees: The skills and motivation of PATRIZIA's employees are essential factors in the company's success. They help gain the confidence of clients, tenants, financing banks, business partners and shareholders, thereby creating sustainable business relationships. The aim is to retain qualified employees within the Group for the long term. But also to attract new talents and young professionals and give them relevant development opportunities. Employee development measures, deputy 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.

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 business activities. Substantial data losses and violations of the date protection requirements can lead to significant financial losses, as well as adversely affecting the company's public image. To ensure the availability of business applications, all systems have been run redundantly in two physically separate data centres since 2015. 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 protection and security precautions are rounded off by regular information activities to raise employee awareness (e.g. phishing, social engineering or CEO fraud – but also of the GDPR requirements). A password guideline further ensures use of strong and secure passwords as well as regular changes of these. A further part of the security concept is the two-factor-authentication when using remote access – especially in face of the intensive mobile use of the infrastructure. Data is backed up regularly in order to prevent the technical loss of company data and ensure the reliability of IT operations. Annual emergency tests with changing focal points are intended to ensure that, in the event of a crisis, organisation and technology can interlock and systems such as data can be made available again according to the service levels. Annual emergency tests with changing focal points are intended to ensure that, in the event of a crisis, organisation and technology can interlink and systems and data can be made available according to the service levels.

Financing risk: Because of the solid structure of its balance sheet, external financing is currently only of minor significance to the business model of PATRIZIA as a Group. The remaining phase-out 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 issuance met strong demand and was significantly oversubscribed. Together with the substantial cash funds at its disposal, 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 AG raises debt finance as a service for its funds under management. This service is generally affected by financing risks in case market conditions change. And therefore, a downturn could have influence on the availability of liquidity in order to finance new investment opportunities.

Loan conditions: The existing bonded loan contains an equity covenant, which is continuously being monitored. Some of the loan agreements for property and portfolio financing as part of funds under management contain covenants, which are 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 EUR 66m with a variable interest rate based on 3-month Euribor and no interest hedging agreement. Interest rate development is continuously monitored. PATRIZIA AG is not exposed to any further interest rate risks from the bonded loan, as the remaining tranches of the EUR 234m have a fixed interest rate. As of 31 December 2019, EUR 93.2m in loans from PGK units which at the time are consolidated are reported in the balance sheet. As the term of these loans is generally up to a maximum of 2 years and they are also deconsolidated in a timely manner, and since there is currently not expect any significant increase in interest rates, no interest rate risk is seen in this regard.

Liquidity risks: There are no risks of a liquidity shortage at present. As at 31 December 2019, PATRIZIA had cash and cash equivalents amounting to EUR 449.1m and short-term deposits amounting to EUR 186.0m 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 phase-out principal investments also serves to increase the available liquidity. PATRIZIA uses cash pooling to optimise and control its Group wide liquidity. Early warning indicators and comprehensive rolling planning are also used as preventive measures and ensure that unexpected liquidity requirements can be met.

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. Exceptions are the regional subsidiaries in the US, Hong Kong, Japan, South Korea, Denmark, Sweden, 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 213.0m 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. Contractual obligations are monitored, and legal experts consulted where deemed necessary in order to minimise any legal risks. Provisions are recognised 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 based on the discretionary decisions made are presented in sections one through three of the notes to the consolidated financial statements.

Especially for the valuation of PATRIZIA's participations, various discretionary decisions applied in accordance with IFRS 9 give rise to different fair values that must be recognised in the consolidated financial statements. The valuation of PATRIZIA's participation in the Dawonia Group (previously 2019: GBW Group) has been discussed and scrutinised in enforcement proceedings that are currently pending with the German Financial Reporting Enforcement Panel (FREP, German: DPR). These proceedings concern the consolidated financial statements as at 31 December 2016 and specifically the valuation of participations for which there is no quoted price on an active market. The proceedings were referred to the German Federal Financial Supervisory Authority (German: BaFin) as 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 valued 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 revaluation effect in equity totalling EUR 291.9m.

The revaluation, taking deferred taxes into account, was recognised directly in the equity not affecting net income. The German FREP is arguing that the revaluation effect relating to the carry should not be classified as a valuation gain of a participation investment in the accounting sense, but rather as performance-based remuneration in accordance with IFRS 15. If the German FREP's opinion prevails, consolidated group equity would be reduced by EUR 283.0m (without affecting net income) as at 31 December 2019. 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 currently applied to be appropriate and the enforcement proceedings have not yet been concluded, said method has been retained in the consolidated financial statements as at 31 December 2019.

If the German FREP 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 opportunities and risks

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 dividend payments to fund 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 current fund performance and PATRIZIA's reputation. Additional opportunities are presented by the placement of closed-end funds to retail clients, a business model that was introduced at the beginning of 2016 and has since successfully launched ten real estate funds with properties across Europe.

As a real estate investment manager, PATRIZIA is also responsible for the management and optimisation of third-party properties. Inadequate service performance could lead to dissatisfaction among clients or financial claims and the loss of mandates, with corresponding consequences for the Group's results of operations. As described above, there is an opportunity across the Group caused by the favourable market conditions, which have also repeatedly triggered performance fees in recent years. Nevertheless, PATRIZIA'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 on its own balance sheet. Attracting clients and raising the necessary equity is not seen as a limiting factor. Ensuring the corresponding financing is also not considered a risk. As mentioned in the part "Acquisition and disposition of real estate", the main challenge is acquiring suitable real estate that meets the investment criteria of PATRIZIA and its clients.

Equity raising: Due to the high availability of liquidity from investor side, combined with challenge of good investment placement and few profitable alternatives to real estate investments, the risk of an omission by business partners/investors or fundamental issues with new acquisitions are seen as limited. However, it is worth noticing that due to the attractiveness of real estate investments new competitors are increasingly entering the market. This assessment is based on the current market situation and must be reassessed if market conditions change. The expansion of the international fund business increases PATRIZIA's dependence on large international institutional clients. Further the focus of fund raising is addressing additional, particularly international institutional investors but also increasingly addressing private and (semi-)professional investors in Germany and in Europe. More than 400 institutional investors are now investing through PATRIZIA – from savings banks, insurance companies and pension funds to sovereign wealth funds. More than 50% of the customers are invested in several PATRIZIA products. Through the acquisition of PATRIZIA Multi Managers, TRIUVA and Rockspring, PATRIZIA has significantly expanded its investor base. The increased diversification enables PATRIZIA to further reduce distribution risks and potential margin pressure. The expansion of the product range through so-called "discretionary funds" also increases equity raising opportunities and opens up further opportunities for PATRIZIA to acquire 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 2019, as in previous years, PATRIZIA examined the risk evaluation categories for the potential magnitude of losses were deemed relevant from known risks across all operations. 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 timely initiation of relevant countermeasures. Considering 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

In 2020, we expect economic momentum to slow slightly in comparison to 2019. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA. Despite a slight decline in employment momentum, domestic demand in Europe should remain stable and global trade will most likely record a sound development in spite of the trade disputes. However, the economic development will be impacted by geopolitical risks, as in the previous year, and no significant changes in monetary policy are expected either, meaning that the yield on fixed-income investments is likely to remain low.

The relative attractiveness of real estate thus remains high. Despite historic lows, the yield compression for office properties will continued at a slower pace. Rents are also expected to rise further, as demand for space – particularly for new space – remains at a high level in major agglomeration markets. The structural change in retail is continuing, which is why clearly diverging rent and yield trends can be observed here compared to those of other sectors, as all market participants are acting cautiously. Logistics and housing will see continued strong interest from investors again in 2020, although current political activities on the housing markets are causing slight uncertainty among investors with shorter investment horizons.

Sources: PATRIZIA, Refinitiv, PMA

5.2 Expected development of results of operations and assumptions concerning target attainment in 2020

The Group in general

The company has entered the 2020 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 3.5bn and EUR 4.5bn in the 2020 financial year. All in all, the company expects its assets under management to increase to EUR 48.0bn to EUR 49.0bn by the end of 2020.

PATRIZIA is forecasting **operating income** of between EUR 120.0m and EUR 140.0m in 2020 after EUR 134.5m in 2019. Compared to the previous year, PATRIZIA anticipates a significant decline in net sales revenues and co-investment income in line with the strategy. This decline should be more than compensated by continuing organic growth, driven in particular by further growth in recurring management fees.

Abridged income statement of PATRIZIA AG 29

	Last forecast 2019	Actual figures 2019	Forecast 2020
Assets under management (organic growth)	Growth of EUR 3.0–4.0bn	**Growth of EUR 3.4bn**	Growth of EUR 3.5–4.5bn
Operating income	EUR 120.0–130.0m	**EUR 134.5m**	EUR 120.0–140.0m

Assumptions concerning the operating income forecast

Operating income of between EUR 120.0m and EUR 140.0m is expected for 2020. 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 195.0m and EUR 205.0m. 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 2020 as the respective transactions are closed.

The company expects the transaction market to remain active in 2020 and is forecasting **transaction fees** of between EUR 56.0m and EUR 66.0m based on a signed transaction volume of between EUR 7.0bn 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 85.0m and EUR 100.0m in 2020.

Total service fee income is expected to amount to between EUR 336.0m and EUR 371.0m.

In 2020, **net sales revenues and co-investment income** will be considerably lower than in the previous year at EUR 7.0m. This is particularly due to the sale of the remainder of the company's own property portfolio in line with the strategy.

Net operating expenses, which primarily comprise staff costs and non-staff operating expenses, are forecast at between EUR 214.0m and EUR 229.0m. Non-capitalisable expenses for investments in future technologies of approximately EUR 11.6m are not included in this range.

Depreciation and amortisation, financial result and other items of EUR –9.0m are forecast for 2020.

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 2020. 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 2020.

5.4 Dividend policy

The Management Board and Supervisory Board of PATRIZIA AG are proposing that the HGB unappropriated profit for the 2019 financial year in the amount of EUR 500.8m can be used to pay a dividend of EUR 0.29 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2019 attributable to shareholders of EUR 52.9m, this corresponds to a pay-out ratio of 50.7%. The year-on-year growth rate of management fees (2019: 5.8% adjusted for non-periodic effects) and the year-on-year growth rate of assets under management (2019: around 8%) form the basis for the dividend proposal of the Management Board and Supervisory Board of PATRIZIA AG, which corresponds to an increase in the dividend of around 7% as against the previous year.

5.5 Management's overall assessment of the outlook for 2020

PATRIZIA set to enjoy further positive development in 2020

The results for the 2019 financial year confirmed PATRIZIA's strong market positioning as a leading global partner for pan-European real estate investments. With the market environment expected to remain positive and in light of the planned organic growth of the international 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 140.0m.

The outlook for 2020 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. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA.

Augsburg, 13 March 2020

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Alexander Betz
Member of the
Management Board,
CDO

Karim Bohn
Member of the
Management Board,
CFO

Dr Manuel Käsbauer
Member of the
Management Board,
CTIO

Anne Kavanagh
Member of the
Management Board,
CIO

Klaus Schmitt
Member of the
Management Board,
COO

Simon Woolf
Member of the
Management Board,
CHRO

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.

Consolidated financial statements

Consolidated balance sheet

as at 31 December 2019

Assets

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EUR k	Note	31.12.2019	31.12.2018
A. Non-current assets			
Goodwill	4.1.1	210,292	201,109
Other intangible assets	4.1.2	131,895	166,562
Software	4.1.3	10,326	11,396
Rights of use	4.1.4	24,988	0
Investment property	4.1.5	1,835	8,308
Equipment	4.1.6	6,056	5,890
Associated companies accounted for using the equity method	4.1.7	69,035	76,141
Participations	4.1.8	525,716	499,241
Non-current borrowings and other loans	4.1.9	28,276	27,513
Deferred taxes	5.2	17,305	6,102
Total non-current assets		**1,025,724**	**1,002,262**
B. Current assets			
Inventories	4.3	113,208	71,534
Securities	4.5	1,011	3,011
Current tax assets	4.2	17,318	15,585
Current receivables and other current assets	4.4	380,735	355,456
Cash and cash equivalents	4.5	449,084	330,598
Total current assets		**961,356**	**776,184**
Total assets		**1,987,080**	**1,778,446**

Equity and liabilities

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EUR k	Note	31.12.2019	31.12.2018
A. Equity			
Share capital	5.1.1	91,060	91,060
Capital reserves	5.1.2	155,222	155,222
Retained earnings			
Legal reserves	5.1.3	505	505
Currency translation difference	2.5	–4,818	–15,605
Remeasurements of defined benefit plans according to IAS 19		–3,459	0
Revaluation reserve according to IFRS 9		78,721	49,503
Consolidated unappropriated profit	5.1.5	889,160	862,421
Non-controlling interests	5.1.6	30,359	10,682
Total equity		**1,236,750**	**1,153,788**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	112,178	110,387
Retirement benefit obligations	5.3.1	27,564	21,724
Bonded loans	5.4	300,000	300,000
Non-current liabilities	5.5	25,094	16,836
Leasing liabilities	5.6	15,841	0
Total non-current liabilities		**480,677**	**448,947**
CURRENT LIABILITIES			
Short-term bank loans	5.4	93,194	0
Other provisions	5.7	9,254	23,530
Current liabilities	5.9	101,186	99,963
Short-term leasing liabilities	5.6	9,328	0
Tax liabilities	5.10	56,692	52,218
Total current liabilites		**269,653**	**175,711**
Total equity and liabilities		**1,987,080**	**1,778,446**

Consolidated income statement

for the period from 1 January to 31 December 2019

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EUR k	Note	31.12.2019	31.12.2018
Revenues	6.1	398,703	350,628
Income from the sale of investment property	4.1.5	252	828
Changes in inventories	6.2	–50,535	–28,731
Other operating income	6.3	14,607	20,698
Income from the deconsolidation of subsidiaries	2.1	585	317
Total operating performance		**363,611**	**343,740**
Cost of materials	6.4	–6,601	–11,699
Cost of purchased services	6.5	–28,036	–15,679
Staff costs	6.6	–131,769	–124,954
Change in value of investment property	4.1.5	–791	3,975
Other operating expenses	6.7	–84,718	–90,742
Impairment losses for trade receivables and contract assets	5.8	–429	–1,059
Income from participations	6.8	32,891	28,042
Earnings from companies accounted for using the equity method	6.9	725	11,852
Cost from the deconsolidation of subsidiaries	2.1	0	–377
EBITDAR		**144,883**	**143,099**
Reorganisation Income	6.10	2,377	0
Reorganisation expenses	6.10	–10,339	–22,318
EBITDA		**136,922**	**120,781**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment	6.11	–55,562	–42,235
Earnings before interest and taxes (EBIT)		**81,360**	**78,546**
Financial income	6.12	2,096	3,021
Financial expenses	6.12	–6,111	–6,436
Other financial result	6.12	300	0
Result from currency translation	6.12	–234	1,175
Earnings before taxes (EBT)		**77,411**	**76,306**
Income taxes	6.13	–21,064	–18,190
Consolidated net profit		**56,347**	**58,116**
Earnings per share (undiluted/diluted) in EUR	6.14	0.58	0.57
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO:			
Shareholders of the parent company		52,869	51,660
Non-controlling interests	5.1.6	3,478	6,456
		56,347	**58,116**

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2019

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EUR k	31.12.2019	31.12.2018
Consolidated net profit	**56,347**	**58,116**
Items of other comprehensive income reclassified to net profit for the period		
Profit/loss arising on the translation of the financial statements of foreign operations	10,101	−4,019
Items of other comprehensive income without reclassification to net profit for the period		
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	45,471	49,503
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	−3,639	0
Other comprehensive income	**51,933**	**45,484**
Total comprehensive income for the reporting period	**108,280**	**103,600**
Total comprehensive invome attributable to:		
Shareholders of the parent company	88,681	97,144
Non-controlling interests	19,599	6,456
	108,280	**103,600**

Consolidated cash flow statement

for the period from 1 January to 31 December 2019

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EUR k	2019	2018
Consolidated net profit	56,347	58,116
Income taxes recognised through profit or loss	21,064	18,190
Financial expenses recognised through profit or loss	6,111	6,436
Financial income recognised through profit or loss	–2,096	–3,021
Income from unrealised currency translation recognised through profit or loss	–459	0
Income from the disposal of other intangible assets, software, rights of use and equipment recognised through profit or loss	256	0
Income from divestments of financial assets recognised through profit or loss	0	68
Amortisation of other intangible assets and software, rights of use, depreciation of property, plant and equipment	55,562	42,235
Results from fair value adjustments to investment property	791	–3,975
Income from the sale of investment property	–252	–828
Results from fair value adjustments to securities	–300	0
Expenses of the deconsolidation of subsidiaries	0	377
Income from the deconsolidation of subsidiaries	–585	–317
Other non cash-items	–17,654	–23,378
Changes in inventories, receivables and other assets that are not attributable to investment activities	–15,979	–111,450
Changes in liabilities that are not attributable to financing activities	–16,385	–4,156
Interest paid	–5,355	–5,888
Interest received	900	475
Income tax payments	–25,346	–26,231
Cash flow from operating activities	**56,620**	**–53,347**
Investments in Goodwill	–1,491	0
Investments in other intangible assets, software and equipment	–8,262	–4,263
Payments received from the disposal of intangible assets and equipment	32	386
Payments received from the sale of investment property	6,533	12,588
Payments for the development of investment property	–600	–56
Payments for the acquisition of securities and short-term investments	0	–11,000
Payments received from the disposal of securities and short-term investments	25,000	2,000
Payments for the acquisition of participations	–3,957	–2,348
Payments received from the equity reduction of participations	8,446	4,614
Payments received from the disposal of participations	23,382	2,733
Payments for investments in companies accounted for using the equity method	–4,386	–5,278

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EUR k	2019	2018
Payment received through distributions of companies accounted for using the equity method	9,090	9,732
Payments received from the repayment of shares of companies accounted for using the equity method	6,565	16,766
Payments received from the disposal of companies accounted for using the equity method	0	3,393
Payments received from the repayment of loans to companies	221	0
Payments for loans to companies	−1,685	−4,222
Payments received from the disposal of consolidated companies and other business units	278,077	5,600
Payments for the disposal of consolidated companies and other business units	0	−595
Payments for the acquisition of consolidated companies and other business units	−294,861	−30,828
Cash flow from investing/divesting activities	**42,106**	**−779**
Borrowing of loans	173,194	70,764
Repayment of loans	−120,916	−24,827
Repayment of leasing liabilities	−9,747	0
Interest paid	−225	0
Payments for purchase of shares of non-controlling interests	0	−23,431
Payments of profit shares to non-controlling interests	−213	0
Payments of dividends to shareholders	−24,576	−21,197
Payments received from the disposal of treasury shares	0	740
Payments received from increase of capital stock	255	0
Cash flow from financing activities	**17,771**	**2,050**
Change in cash and cash equivalents	116,496	−52,077
Cash and cash equivalents as at 01.01.	**330,598**	**382,675**
Effects of changes in foreign exchange rates on cash and cash equivalents	1,989	0
Cash and cash equivalents as at 31.12.	**449,084**	**330,598**

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2019

EUR k	Share capital	Capital reserve	Retained earnings (legal reserves)
As at 01.01.2018	**89,555**	**129,545**	**505**
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Disposal and transfer of shares	1,408	24,249	0
Non-controlling interests arising from the inclusion of new companies	0	0	0
Purchases of shares of non-controlling interests	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
Reclassification of guaranteed dividend			
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**
As at 01.01.2019	**91,060**	**155,222**	**505**
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Non-controlling interests arising from the inclusion of new companies	0	0	0
Disposal of shares of non-controlling shareholders arising from sale	0	0	0
Capital increase, outside contribution	0	0	0
Changes in course of revaluation of IFRS 9 Financial Instruments	0	0	0
Changes in course of revaluation of IAS 19 Employee Benefits	0	0	0
Dividend distribution to shareholders in cash	0	0	0
Purchases of shares of non-controlling interests	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
Net profit of the period	0	0	0
As at 31.12.2019	**91,060**	**155,222**	**505**

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Currency translation difference	Remeasurements of defined benefit plans according to IAS 19	Revaluation reserve according to IFRS 9	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of non-controlling interests	Total
−11,586	**0**	**0**	**843,994**	**1,052,012**	**1,691**	**1,053,704**
−4,019	0	0	0	−4,019	0	**−4,019**
0	0	0	0	25,658	0	**25,658**
0	0	0	0	0	15,437	**15,437**
0	0	0	−10,512	−10,512	−5,600	**−16,112**
0	0	0	0	0	−2,819	**−2,819**
			0		−4,500	**−4,500**
0	0	49,503	0	49,503	17	**49,520**
0	0	0	−21,197	−21,197	0	**−21,197**
0	0	0	−1,524	0	0	**0**
0	0	0	51,660	51,660	6,456	**58,116**
−15,605	**0**	**49,503**	**862,421**	**1,143,106**	**10,682**	**1,153,788**
−15,605	**0**	**49,503**	**862,421**	**1,143,106**	**10,682**	**1,153,788**
10,787	0	0	−734	10,053	47	**10,101**
0	0	0	0	0	4,378	**4,378**
0	0	0	0	0	−4,378	**−4,378**
0	0	0	0	0	255	**255**
0	0	29,217	0	29,217	16,254	**45,471**
0	−3,459	0	0	−3,459	−180	**−3,639**
0	0	0	−24,576	−24,576	0	**−24,576**
0	0	0	−820	−820	371	**−448**
0	0	0	0	0	−548	**−548**
0	0	0	52,869	52,869	3,478	**56,347**
−4,818	**−3,459**	**78,721**	**889,160**	**1,206,391**	**30,359**	**1,236,750**

Notes to the consolidated financial statements

IFRS – Notes to the consolidated financial statements

for the period from 1 January to 31 December 2019

General information

PATRIZIA AG (formerly PATRIZIA Immobilien AG and 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. As at 31 December 2019, around 814 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 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 asset classes to alternative investments and project developments. As a result, client preferences and requirements can be met extensively in a 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 AG as at 31 December 2019 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 (EUR k) 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:

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Standard	Title
IFRS 16	Leases
Amendments IFRS 9	Amendments IFRS 9 Prepayment Features with Negative Comensation
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments IAS 28	Amendments IAS 28 Long-term Interests in Associates and Joint Ventures
Amendments IAS 19	Amendments IAS 19 Plan Amendment, Curtment or Settlement
AIP 2015–2017	Improvements IFRS 3, IFRS 11, IAS 12 und IAS 23

With the exception of IFRS 16, the standards and interpretations effective for the first time as at 1 January 2019 had no effect on the consolidated financial statements.

1.2 Changes in key accounting policies in the financial year

The Group applied IFRS 16 for the first time as at 1 January 2019.

IAS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

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

Assets (from the right of use) and liabilities (from the lease obligation) are now shown in the statement of financial position of the **lessee** for all leases identified in accordance with IFRS 16.

The right of use is measured at cost. At the acquisition date, this comprises the amount from the initial measurement of the lease liability plus any initial direct costs of the lessee.

The lease liability is measured as the present value of the lease payments to be made over the term of the lease. In the PATRIZIA Group, the payments are discounted at the incremental borrowing rate. The incremental borrowing rate is based on the interest rate that the company would have to use for borrowing under comparable economic conditions.

In subsequent measurement, the right of use is written down over the term of the lease. The lease liability is amortised using the effective interest method, taking account of the lease payments made.

The PATRIZIA Group utilises the exemptions under IFRS 16 for short-term leases (with a remaining term of 12 months or less) and low-value leases (with an underlying asset of low value). Neither the lease liability nor the right of use is recognised for these leases. Instead, the lease instalments are expensed on a straight-line basis over the lease term.

Extension and termination options are taken into account if they are sufficiently likely to be exercised, particularly due to economic incentives. Assessing whether an extension or termination option is sufficiently likely to be exercised regularly requires significant judgements.

The rights of use are presented separately in the consolidated statement of financial position under non-current assets. The lease liabilities are also shown separately in the statement of financial position under current and non-current liabilities.

For **lessors,** IFRS 16 does not result in any significant accounting changes as compared to IAS 17. They will continue to classify leases as operating or finance leases and apply similar principles to those in IAS 17. IFRS 16 therefore has no effects on leases in which the Group acts as the lessor.

For the **first-time application** of IFRS 16 as at 1 January 2019 (date of first-time application), the Group chose the modified retrospective approach. As a result of the transition method chosen, the comparative information in these financial statements has not been restated in line with the requirements of the new Standard.

The Group also chose to apply the practical expedient of IFRS 16.C3 for lessees, whereby an entity does not have to reassess whether or not a contract is a lease as at the date of initial application. For these leases, IFRS 16 is applicable from the date of first-time application.

For leases whose remaining term ended within 12 months of the date of first-time application, the application simplification for short-term leases was applied, i.e. the lease instalments were recognised as expenses.

The term of leases with an extension or termination option was determined retroactively based on the known development.

As at the date of first-time application, 1 January 2019, rights of use and liabilities were recognised for leases previously classified as operating leases.

Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first-time application of 0.99%. For portfolios of similar leases (e.g. similar assets, similar remaining terms, similar economic environment), uniform discounting rates were applied.

As at the transition date on 1 January 2019, the rights of use were measured on a simplified basis at the amount of the respective lease liability, adjusted for prepaid or deferred lease payments. The rights of use were not tested for impairment as at the date of first-time application, as there were no indications of impairment as at 31 December 2018. Initial direct costs are not taken into account when measuring the right of use at the date of first-time application.

There were thus no effects on equity from the first-time application of IFRS 16.

The application of IFRS 16 changes the presentation of expenses in connection with these leases in the consolidated income statement. IFRS 16 replaces the previous non-staff operating expenses under other operating expenses with amortisation expenses for rights of use and interest expenses for lease liabilities.

The effects of the first-time application of IFRS 16 in the 2019 financial year were as follows:

– In the opening statement of financial position as at 1 January 2019, rights of use of EUR 29,978k were capitalised for the first time and current and non-current liabilities were recognised in the same amount.
– As at 1 January 2019, the change in deferred tax assets/liabilities as a result of IFRS 16 amounted to EUR 8,993k.
– Amortisation expenses from the rights of use capitalised for the first time in the 2019 financial year amounted to EUR 9,927k.
– The repayment portion of EUR 9,747k and the interest paid from the lease liabilities in the amount of EUR 225k are shown under financing activities in the cash flow statement in the 2019 financial year.

The reconciliation of the obligations from operating leases reported as at 31 December 2018 with the figure for lease liabilities in the opening statement of financial position as at 1 January 2019 is as follows:

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EUR k	01.01.2019
Obligations from operating leases as at 31 December 2018	16,140
Less short-term leases and leases of low-value assets recognised as an expense on a straight-line basis	–1,040
Discounting using the incremental borrowing rate at the date of first-time application of IFRS 16	728
Adjustments due to extension and termination options and changes in contract conditions	13,537
Currency translation difference	613
As at 1 January 2019 leasing liabilities	**29,978**
thereof: Short-term leasing liabilities	5,106
Non-current leasing liabilities	24,872
	29,978

The effects of the first-time application of IFRS 16 on the consolidated statement of financial position as at 1 January 2019 were as follows:

38

EUR k	01.01.2019
Additions in rights of use	29,978
Additions in deferred tax assets	8,993
Additions total assets	**38,971**
Changes of equity	0
Disposals in trade liabilities and other current- and non-current liabilities	0
Additions in deferred tax liabilities	8,993
Additions in short-term- and non-current leasing liabilities	29,978
Additions total equity and liabilities	**38,971**

The effects of the first-time application of IFRS 16 on the consolidated income statement for the 2019 financial year were as follows:

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EUR k	01.01.–31.12.2019
Disposals in other operating expenses (leasing expenses from previously operating leases)	10,098
Additions in amortisation and depreciation (amortisation of rights of use)	–9,927
Earnings before interest and taxes (EBIT)	**171**
Additions in financial expenses (interest expenses in leasing liabilities)	–225
Earnings before taxes (EBT)	**–54**
Income taxes (deferred taxes IFRS 16)	–884
Consolidated net profit	**–938**

The effects of the first-time application of IFRS 16 on the consolidated cash flow statement for the 2019 financial year were as follows:

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EUR k	01.01.–31.12.2019
Disposals in lease payments for previous operating leases[1]	9,972
Cash flow from operating activities	**9,972**
Additions in repayments of leasing liabilities	−9,747
Additions interest paid (interest expenses of leasing liabilities)	−225
Cash flow from financing activities	**−9,972**

1 Includes various items of the indirect reconciliation of cash flow from operating activities

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:

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Standard	Title	Date of adoption[1]	Planned adoption
Endorsed			
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
Amendments IFRS 9/IAS 39 and IFRS 7	Amendments IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform	01.01.2020	01.01.2020
Endorsement pending			
Amendments IFRS 3	Definition of a Business	01.01.2020	01.01.2020
IFRS 17	Insurance contracts	01.01.2021	01.01.2021
IAS 1	Classification of Liabilities as current or non-current	01.01.2022	01.01.2022

1 Adjusted by EU endorsement, if applicable

2 Consolidated group and consolidation methods

2.1 Consolidated group

The consolidated financial statements of PATRIZIA 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 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, PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH and PATRIZIA Frankfurt 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 comprises 119 subsidiaries (31 December 2018: 113) in addition to the parent company. They are included in the consolidated financial statements in line with the rules of full consolidation. There are also six (31 December 2018: three) equity investments, listed below, that are accounted for using the equity method in the consolidated financial statements.

Associated entities 42

Participations in entities accounted for using the equity method	Head office
PATRIZIA WohnModul I SICAV-FIS	Luxemburg
Evana AG	Saarbrücken
Cognotekt GmbH	Köln
control.IT Unternehmensberatung GmbH	Bremen
TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY	Helsinki
ASK PATRIZIA (GQ) LLP	Manchester

Furthermore, there are holdings of 28.3% in the limited liability capital of a project development company (legal form: GmbH & Co. KG) and 30.0% 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.

43 companies (31 December 2018: 45) 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

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

Group companies 43

As at 01.01.2019	**113**
Companies acquired	11
Companies founded	9
Mergers	–4
Companies deconsolidated	–10
As at 31.12.2019	**119**

Acquisitions of subsidiaries

PATRIZIA Living Cities Residential Fund

Effective 30 September 2019, PATRIZIA AG acquired 100.0% in PATRIZIA Living Cities Residential Fund SICAV SIF SCS (PATRIZIA Living Cities Residential Fund), Luxembourg, Luxembourg, indirectly through a subsidiary.

In preparing the quarterly statement as at 30 September 2019, the acquisition of PATRIZIA Living Cities Residential Fund was shown as an acquisition of assets, as a "business" as defined by IFRS 3.3 was not acquired in this case. Instead, the transaction focused exclusively on the acquisition of real estate assets held by the companies. The purchase prices for the companies were allocated to the individually identifiable assets and liabilities at the acquisition date on the basis of their fair values.

They were deconsolidated in connection with the successful placement of units in PATRIZIA Living Cities Residential Fund (see also "Company disposals").

Dixin Toimistot KY

As at 31 October 2019, an office property with an adjacent car park in Helsinki was acquired indirectly via a subsidiary of PATRIZIA AG that has acquired 100.0% of the shares in Dixin Toimistot KY, Helsinki, Finland.

The acquisition of Dixin Toimistot KY is shown in these consolidated financial statements as a purchase, since a "business" as defined by IFRS 3.3 was not acquired in this case. Instead, the transaction focused exclusively on the acquisition of real estate assets held by the companies. The purchase prices for the companies were allocated to the individually identifiable assets and liabilities at the acquisition date on the basis of their fair values.

The acquisition was made in order to expand the range of closed-end fund products. 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.

KENZO

By way of a purchase agreement dated 23 December 2018, PATRIZIA AG and its subsidiary PATRIZIA Institutional Clients & Advisory GmbH acquired contractual relationships of KENZO Capital Corporation and KENZO Japan Real Estate GmbH with effect from 1 November 2019.

KENZO is a Japanese investment manager based in Tokyo and managed by a German CEO. The company 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 had nine team members as at the acquisition date and specialises in consulting and other services in support of real estate investments.

It was included in consolidation for the first time as at 1 November 2019.

a) Acquired assets

The following assets were acquired in the asset deal (including deferred taxes):

Fair value 44

EUR k	2019
Goodwill	6,062
Other intangible assets	3,506
Deferred taxes	2,040
Total non-current assets	**11,608**

This results in goodwill of EUR 6,062k. The main reasons for both the acquisition itself and the recognition of goodwill were the opportunity to enter a new and unfamiliar market environment, the acquisition of corresponding staff expertise and the establishment of sustainable business on this market.

b) Consideration transferred and transaction costs

The purchase price as at the acquisition date consisted of a fixed purchase price of EUR 5,000k, which was paid in equal parts by each of the acquiring companies, and a variable purchase price component (earn-out) of EUR 6,608k.

Ancillary acquisition costs of approximately EUR 502k were incurred in connection with the asset deal. These are reported under other operating expenses in the income statement.

c) Variable purchase price component

The variable purchase price component mainly depends on the contractually agreed EBIT of PATRIZIA Japan KK. The earn-out has a contractual minimum term of four years, which can also be extended. The amount is contractually fixed at a maximum of EUR 10,000k.

e) Effects of the acquisition on consolidated profit

The acquisition of KENZO in the form of an asset deal as at 1 November 2019 does not have any material effects on the consolidated profit for 2019.

Disposal of subsidiaries

In the 2015 financial year, PATRIZIA 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 with income from deconsolidation of EUR 585k (2018: EUR 234k) and an expense on deconsolidation of EUR 0k (2018: EUR 376k) in the 2019 financial year.

Companies – result from deconsolidation 45

EUR k	2019
PATRIZIA GrundInvest Augsburg eins GmbH & Co. KG	516
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	68
Total	**585**

Intragroup restructuring

Various PATRIZIA subsidiaries were merged as intragroup restructuring in the reporting period. TRIUVA France was merged with PATRIZIA France S.A.S as at 31 May 2019, PATRIZIA IBERIA PROPERTY INVESTMENT MANAGEMENT SL with PATRIZIA ACTIVOS IMMOBILIARIOS ESPANA S.L.U. as at 31 July 2019, and SPF IV Management Partners ApS with PATRIZIA Multi Managers A/S as at 30 November 2019.

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 total 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 annual average exchange rate. 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, PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, PATRIZIA PROPERTY INVESTMENT MANAGERS LLP and as part of the acquisition of KENZO 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 27 years). The straight-line method was chosen as their development cannot be reliably determined in advance.

3.3 Software

a) Acquired software

Purchased software, i.e. the granting of an exclusive and generally indefinite right of use for a software licence, 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.

b) Cloud computing
Cloud computing contracts grant access to user software in a cloud environment provided by a supplier for a limited contractual term in exchange for a fee ("software rent"). The software as a service (SaaS) service model or the public cloud delivery model are usually agreed as the contract conditions. In these circumstances, cloud computing agreements are regularly viewed as service contracts and recognised as ongoing expenses. Associated implementation costs are generally recognised as an expense in the period in which they are incurred.

3.4 Leases

The PATRIZIA Group has primarily concluded leases for

— business and office premises
— motor vehicles
— IT equipment
— operating and office equipment

Before the first-time application of IFRS 16, the leases were classified as either operating or finance leases as at the date when they were concluded. With the transition to the new leasing standard IFRS 16 as at 1 January 2019, the Group recognised and measured all leases using a uniform model – with the exception of short-term leases and low-value leases. IFRS 16 contains specific transitional provisions and practical expedients that have been utilised by PATRIZIA. For further information on the new accounting provisions applied since 1 January 2019 in relation to leases, please refer to note 1.2 Changes in Key Accounting Policies in the Financial Year (information on IFRS 16).

3.5 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 2019. 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 590 square metres an average selling price of EUR 3,373 per square metre 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 55k).

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.

3.6 Operating and office 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.

3.7 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.

3.8 Participations in associated companies

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 (see note 4.1.7).

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 associate. 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 associate. Any remaining interests are remeasured at fair value when significant influence over the associate 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.

3.9 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. 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.

Financial assets are not reclassified after initial recognition unless the Group changes its business model for the management of financial assets. In this case, all financial assets concerned are reclassified on the first day of the reporting period following the change in the business model.

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

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. Subsequent changes in the fair value of the investment are recognised in other comprehensive income.

Long-term loans whose cash flows do not consist solely of payments of principal and interest are measured at FVTPL in accordance with IFRS 9.

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

Impairment of financial assets
In accordance with IFRS 9, the expected credit losses (ECL) method is used. 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.

Hedge accounting
The Group did not use hedging accounting as at the end of the reporting period.

Financial liabilities
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.

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 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.

3.10 Inventories

Real estate assets 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 real estate asset 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.

3.11 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 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.

3.13 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.

3.14 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.

3.15 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.

3.16 Performance obligations and methods of revenue recognition

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

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 buyer.

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 services 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.

3.17 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 real estate asset 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 3.16 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 Dawonia 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) in January 2019 and were not yet concluded at the time this report was prepared. Details regarding the impact on the financial statements can be found in the notes to the 2018 consolidated financial statements of PATRIZIA AG (formerly PATRIZIA Immobilien AG).

4 Notes 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 210,292k (31 December 2018: EUR 201,109k). The goodwill will not be deductible in future tax periods, and is therefore treated as a permanent difference in the calculation of deferred taxes.

In the 2019 financial year, there was organisational restructuring at PATRIZA involving a change in corporate management and monitoring. On this basis, the segment structure was redefined and new cash-generating units were identified accordingly.

As at 31 December 2018, goodwill was allocated to the following cash-generating units as follows:

– PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH: EUR 610k
– PATRIZIA Multi Managers: EUR 6,756k
– TRIUVA: EUR 132,942k
– Rockspring: EUR 60,801k

Reorganisations and changes in corporate management and monitoring constitute an indication of impairment and require an impairment test before the reallocation of goodwill.

Goodwill is to be tested for impairment on the basis of the previous cash-generating units. This was done as at 31 August 2019 and did not give rise to any impairment requirement.

Following the implemented reorganisation, corporate management and monitoring take place on the basis of functions. This functional management is carried out in the “Management Services” and “Investments” segments. Within the segments, the cash-generating units are defined as follows:

“Management Services” segment:

– Core business
– Multi Managers
– Retail business
– Alternative investments
– KENZO Japan

“Investments” segment:

– Co-investments
– Principal investments
– Retail business assets (warehousing)

As at 31 December 2019, goodwill was allocated to the cash-generating units as follows:

– Core business: EUR 198,582k
– Multi Managers: EUR 6,752k
– KENZO Japan: EUR 4,958k

The previous year's separate cash-generating and goodwill-bearing units PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, TRIUVA and Rockspring have been merged in the newly defined Core Business cash-generating unit.

The goodwill from the acquisition of KENZO is divided between the Core Business segment with EUR 1,104k and the KENZO Japan segment with EUR 4,958k.

The Group tests these figures for impairment at least 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 Management 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 and realised synergies. Cash flows beyond the planning period are 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 cash-generating units.

In 2018, the following cost of capital rates (before taxes) were derived for the respective cash-generating units:

– PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH: 8.1%
– PATRIZIA Multi Managers: 7.2%
– TRIUVA: 8.1%
– PATRIZIA Real Estate Investment Management S.à r.l.: 8.0%
– Rockspring: 8.2%

The following cost of capital rates (before taxes) were derived for the new goodwill-bearing cash-generating units:

– Core business: 7.0%
– Multi Managers: 6.0%
– KENZO Japan: 7.0%

As in the previous year, the impairment test performed in 2019 did not give rise to any impairment requirement as the recoverable amount exceeds the carrying amount of the respective cash-generating unit.

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

Other intangible assets 46

EUR k	2019 Cost	2019 Amortisation	2019 Carrying amounts	2018 Cost	2018 Amortisation	2018 Carrying amounts
As at 01.01.	**222,048**	**–55,486**	**166,562**	**52,499**	**–17,275**	**35,224**
Additions	3,561	–40,250	–36,689	0	–36,683	–36,683
Changes in the consolidated group	0	0	0	169,549	0	169,549
Disposals	–2,809	2,802	–7	0	0	0
Foreign exchange differences	3,272	–1,244	2,028	0	–1,528	–1,528
As at 31.12.	**226,072**	**–94,178**	**131,895**	**222,048**	**–55,486**	**166,562**

In the purchase price allocation for PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Multi Managers, TRIUVA and Rockspring from the previous year and for KENZO from the current year, hidden reserves on other intangible assets were identified. Amortisation in the amount of EUR 40,242k (2018: EUR 29,853k) was recognised on other intangible assets and in the amount of EUR 8k (2018: EUR 6k) on licenses in the reporting year. Impairment testing of fund management contracts as at 31 December 2019 resulted in impairment losses on seven fund management contracts of EUR 9,285k (2018: 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 2,028k (2018: EUR 1,528k).

The addition in the financial year includes fund management contracts of EUR 3,505k in connection with the KENZO asset deal.

Significant portions of the other intangible assets reported as at the end of the reporting period relate to the fund management contracts of TRIUVA at EUR 65,260k (31 December 2018: EUR 83,116k), Rockspring at EUR 33,448k (31 December 2018: EUR 52,691k) and PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH at EUR 23,960k (31 December 2018: EUR 26,949k).

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

4.1.3 Software

Software 47

EUR k	2019 Cost	2019 Amortisation	2019 Carrying amounts	2018 Cost	2018 Amortisation	2018 Carrying amounts
As at 01.01.	**29,852**	**−18,456**	**11,396**	**26,456**	**−15,249**	**11,207**
Additions	2,531	−3,601	−1,070	2,493	−3,327	−834
Changes in the consolidated group	0	0	0	1,071	0	1,071
Disposals	0	0	0	−168	120	−48
Foreign exchange differences	477	−477	0	0	0	0
As at 31.12.	**32,860**	**−22,534**	**10,326**	**29,852**	**−18,456**	**11,396**

4.1.4 Rights of use

The Group applied IFRS 16 for the first time as at 1 January 2019.

For the first-time application of IFRS 16 as at 1 January 2019 (date of first-time application), the Group chose the modified retrospective approach. As a result of the transition method chosen, the comparative information in these financial statements has not been restated in line with the requirements of the new Standard. See note 1.2 for further details.

Rights of use 48

EUR k	2019 Cost	2019 Amortisation	2019 Carrying amounts
As at 01.01.	**0**	**0**	**0**
Additions	34,807	−9,927	24,879
Disposals	−25	10	−14
Foreign exchange differences	153	−30	123
As at 31.12.	**34,935**	**−9,946**	**24,988**

The rights of use broke down as follows

Rights of use 49

EUR k	2019
Rental contracts for business and office premises	21,656
Motor vehicles	1,705
Information Technology (IT)	1,627
Total	**24,988**

4.1.5 Investment property

Investment property 50

	2019	2018
EUR k	Investment property	Investment property
As of 01.01.	**8,308**	**15,979**
Foreign exchange differences	0	0
Addition	599	58
Disposal	–2,310	–11,704
Disposal Depreciation	–3,972	0
Positive changes in market value	0	3,980
Negative changes in market value	–791	–5
As at 31.12.	**1,835**	**8,308**

There are still two investment properties in 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 2019, the average fair value is EUR 3,110 (31 December 2018: EUR 2,304) per square metre, with a multiplier of 14 (2018: 29) in relation to the target rent. The change in these average values is due to further sales from the portfolio.

There were no loan agreements for which investment property was pledged as at 31 December 2019.

Including non-periodic effects, investment property gave rise to rental revenues of EUR 114k (2018: EUR 41k) and a cost of materials of EUR 1,227k (2018: EUR 1,900k) in the reporting period.

4.1.6 Operating and office equipment

Equipment 51

	2019			2018		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**16,139**	**–10,249**	**5,890**	**11,509**	**–7,026**	**4,483**
Additions	2,170	–1,784	386	1,770	–2,226	–456
Changes in the consolidated group	0	0	0	4,220	–2,014	2,206
Disposals	–1,198	910	–287	–1,360	1,022	–338
Foreign exchange differences	150	–83	67	0	–5	–5
As at 31.12.	**17,261**	**–11,206**	**6,056**	**16,139**	**–10,249**	**5,890**

4.1.7 Participations in companies accounted for using the equity method

Participations in companies accounted for using the equity method 52

EUR k	2019 Cost	2019 At equity adjustment	2019 Carrying amounts	2018 Cost	2018 At equity adjustment	2018 Carrying amounts
As at 01.01.	**65,571**	**10,570**	**76,141**	**80,455**	**8,450**	**88,905**
Additions	4,386	725	5,111	5,278	11,852	17,130
Changes in the consolidated group	3,416	0	3,416	0	0	0
Disposals	–6,565	–9,090	–15,655	–20,159	–9,732	–29,891
Foreign exchange differences	22	0	22	–3	0	–3
As at 31.12.	**66,830**	**2,205**	**69,035**	**65,571**	**10,570**	**76,141**

The item “Participations in companies accounted for using the equity method” breaks down as follows:

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Participations in companies accounted for using the equity method	Head office	Equity investment
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	10.10%
EVANA AG	Saarbrücken	25.01%
Cognotekt GmbH	Köln	13.07%
control.IT Unternehmensberatung GmbH	Bremen	10.00%
TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY	Helsinki	45.00%
ASK PATRIZIA (GQ) LLP	Manchester	50.00%

The companies listed above are included in the consolidated financial statements of PATRIZIA AG in accordance with the equity method.

The investments in the companies Cognotekt GmbH, control.IT Unternehmensberatung GmbH and TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY were acquired in the 2019 financial year.

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, EVANA AG, control.IT Unternehmensberatung GmbH, Cognotekt GmbH and TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY.

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.

Summary of the financial information of the PATRIZIA WohnModul I SICAV-FIS 54

EUR k	2019	2018
Current assets	1,072,365	1,376,833
Non-current assets	2,320	4,578
Current liabilities	91,623	71,772
Non-current liabilities	417,236	606,770
Revenues	57,748	202,344
Net income/Total comprehensive income	**22,292**	**115,334**

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group amounts to EUR 2,251k (2018: EUR 12,054k) 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:

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EUR k	2019	2018
Net assets of associated company[1]	562,671	700,468
Group shareholding	10.10%	10.10%
Other adjustments	165	150
Carrying amount of the equity investment	**56,995**	**70,898**

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 15,655k (2018: EUR 26,498k) to PATRIZIA AG in the reporting period. The distributions were recognised in other comprehensive income against the participation in associated companies.

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 and sales success.

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

Summary of the financial information of the EVANA AG 56

EUR k	2019	2018
Current assets	825	3,405
Non-current assets	694	962
Current liabilities	2,247	811
Non-current liabilities	0	0
Revenues	1,172	33
Net income/Total comprehensive income	**–4,284**	**–1,032**

The share of the loss of EVANA AG attributable to the PATRIZIA Group amounts to EUR 1,071k (2018: 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:

57

EUR k	2019	2018
Net assets of associated company	3,855	8,139
Group shareholding	25.01%	25.01%
Goodwill	2,964	2,964
Other adjustments	40	–177
Carrying amount of the equity investment	**3,968**	**4,823**

Cognotekt GmbH is a provider of data management services in connection with artificial intelligence.

Through its investment in Cognotekt GmbH, PATRIZIA is subject to the risk of delays in the product’s market launch and sales success.

A summary of the financial information on Cognotekt GmbH is shown below.

Summary of the financial information of the Cognotekt GmbH 58

EUR k	2019
Current assets	1,812
Non-current assets	1,233
Current liabilities	1,864
Non-current liabilities	386
Revenues	2,330
Net income/Total comprehensive income	**–2,138**

The share in the loss of Cognotekt GmbH attributable to the PATRIZIA Group amounts to EUR 140k in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in Cognotekt GmbH:

59

EUR k	2019
Net assets of associated company	5,153
Group shareholding	13.07%
Goodwill	1,675
Other adjustments	120
Carrying amount of the equity investment	**2,468**

control.it Unternehmensberatung GmbH is a provider of asset and portfolio management systems with comprehensive digitalisation strategies. Through its investment in control.IT Unternehmensberatung GmbH, PATRIZIA is subject to the risk of general competition and demand for IT projects in the context of digitalisation in the real estate industry.

A summary of the financial information on control.IT Unternehmensberatung GmbH is shown below.

Summary of the financial information of the control.IT Unternehmensberatung GmbH 60

EUR k	2019
Current assets	5,734
Non-current assets	358
Current liabilities	329
Non-current liabilities	147
Revenues	6,765
Net income/Total comprehensive income	**1,262**

The share in the profits of control.IT Unternehmensberatung GmbH attributable to the PATRIZIA Group amounts to EUR 43k in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in control.IT Unternehmensberatung GmbH:

61

EUR k	2019
Net assets of associated company	11,316
Group shareholding	10.00%
Goodwill	391
Other adjustments	223
Carrying amount of the equity investment	**1,746**

TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY is a car park operator company that operates the car park for the entire Dixi building complex comprising a shopping centre and an office building near Helsinki with a total of 500 parking spaces.

This participation results from the addition of an office property through the acquisition of Dixin Toimistot KY, Helsinki, Finland (see note 2.1) for the purposes of contribution to a closed-end fund and subsequent placement of the respective units in the following year.

Through its investment in TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY, PATRIZIA is subject to the usual risks specific to real estate assets such as market developments.

A summary of the financial information on TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY is shown below.

Summary of the financial information of the TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY 62

EUR k	2019[1]
Current assets	109
Non-current assets	14,390
Current liabilities	106
Non-current liabilities	0
Revenues	292
Net income/Total comprehensive income	**0**

1 The financial information of the associated company is based on values at the time of acquisition

The share in the net income of TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY attributable to the PATRIZIA Group amounts to EUR 0k in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY:

63

EUR k	2019
Net assets of associated company	7,591[1]
Group shareholding	45.00%
Other adjustments	0
Carrying amount of the equity investment	**3,416**

1 The net assets of the associated company are based on values at the time of acquisition

4.1.8 Participations

Participations

64

	2019				2018			
EUR k	Cost	First-time application IFRS 9	Revaluation IFRS 9	Carrying amounts	Cost	First-time application IFRS 9	Revaluation IFRS 9	Carrying amounts
As at 01.01.	**98,059**	**347,666**	**53,516**	**499,241**	**89,114**	**0**	**0**	**89,114**
Additions	3,982	0	**0**	3,982	355	0	0	355
Changes in the consolidated group	0	0	**0**	0	11,284	0	0	11,284
Disposals	−26,656	0	−267	−26,924	−2,801	0	0	−2,801
Positive changes in market value	0	0	58,471	58,471	0	347,666	53,516	401,182
Negative changes in market value	0	0	−9,388	−9,388	0	0	0	0
Foreign exchange differences	−2	0	337	335	107	0	0	107
As at 31.12.	**75,383**	**347,666**	**102,668**	**525,716**	**98,059**	**347,666**	**53,516**	**499,241**

The item “Participations” contains the following material shares:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2018: 6.25%)
- Sono west Projektentwicklung GmbH & Co. KG 30.0% (31 December 2018: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30.0% (31 December 2018: 30.0%)
- Seneca Holdco SCS 5.1% (31 December 2018: 5.1%)
- Dawonia GmbH 5.1% (31 December 2018: 5.1%)
- OSCAR Lux Carry SCS 0.1% (31 December 2018: 0.1%)
- TRIUVA/IVG logistics 11.0% (31 December 2018: 11.0%)
- TRIUVA/IVG commercial 2.1% (31 December 2018: 2.1%)
- Alliance 5.1% (31 December 2018: 5.1%)

4.1.9 Loans

Loans 65

	2019			2018		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**27,513**	**0**	**27,513**	**23,291**	**0**	**23,291**
Additions	685	300	985	4,222	0	4,222
Changes in the consolidated group	0	0	0	0	0	0
Disposals	–221	0	–221	0	0	0
Foreign exchange differences	0	0	0	0	0	0
As at 31.12.	**27,977**	**300**	**28,276**	**27,513**	**0**	**27,513**

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 2.5% to 5.0% (2018: 3.0% to 5.0%) and a remaining term of 1 to 19 years. Long-term loans at fair value through profit or loss have an agreed interest rate of 1.25% (2018: 1.25%) and a remaining term of up to one year.

4.2 Tax assets

Current tax assets of EUR 17,318k (31 December 2018: EUR 15,585k) 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:

Inventories 66

EUR k	2019	2018
Property intended for sale	100,170	57,724
Properties in the development phase	13,038	13,810
Total	**113,208**	**71,534**

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

The change in inventories of EUR 41,674k chiefly results from the addition from the acquisition of Dixin Toimistot KY, Finland, in the amount of EUR 64,090k and other real estate assets newly acquired and held temporarily for the purposes of placement via closed-end funds in the amount of EUR 27,465k, as well as from the disposal of various real estate asset units in the privatisation portfolio.

4.4 Current receivables and other current assets

Current receivables and other current assets break down as follows:

Current receivables and other current assets 67

EUR k	31.12.2019	31.12.2018
Trade receivables	**168,773**	**127,618**
Receivables from services	92,862	97,736
Receivables from property sales	19,072	16,690
Other	56,838	13,192
Other current assets	**211,963**	**227,838**
Total	**380,735**	**355,456**

The increase in other trade receivables is chiefly due to deferred acquisition and performance fees that were generated on the basis of a high transaction volume as at the end of the year and will affect cash flow in subsequent periods.

Other current assets break down as follows:

Other current assets 68

EUR k	31.12.2019	31.12.2018
Term deposits	185,000	208,000
Receivables from other investees and investors	5,354	3,884
Other	21,608	15,954
As at 31.12.	**211,963**	**227,838**

As term deposits of EUR 185,000k (31 December 2018: 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. The increase mainly results from the acquisition of Dixin Toimistot KY, Helsinki, Finland.

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 1,000k (31 December 2018: EUR 3,000k) was invested in short-term securities. These are reported separately in the statement of financial position. A further amount of EUR 185,000k (31 December 2018: EUR 208,000k) was 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.

Available liquidity 69

EUR k	31.12.2019	31.12.2018
Cash and cash equivalents	449,084	330,598
Term deposits	185,000	208,000
Securities	1,000	3,000
Liquidity	**635,084**	**541,598**
- Regulatory reserve for asset management companies	–22,266	–26,185
- Transaction related liabilities and blocked cash	–5,469	–8,466
- Liquidity in closed-end funds business property companies	–388	–61
= Available liquidity	**606,961**	**506,886**

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

As in the previous year, the share capital of the company amounted to EUR 91,059,631 as at the end of the reporting period and was divided into 91,059,631 no-par-value registered shares. Changes in equity are shown in the statement of changes in equity.

First Capital Partner GmbH holds 47,844,484 no-par-value shares in PATRIZIA AG (31 December 2018: 47,755,907), corresponding to a shareholding of 51.81% (31 December 2018: 51.71%).

For information on the authorisation of the Management Board to issue and buy back shares, see section 3.1 of the Group management report.

5.1.2 Capital reserves

The capital reserves of EUR 155,222k as at 31 December 2019 were unchanged as compared to the prior period.

5.1.3 Retained earnings

The legal reserves reported under retained earnings in the amount of EUR 505k as at 31 December 2019 were unchanged as compared to the prior period.

5.1.4 Treasury shares

As at 31 December 2019, the number of treasury shares and their total value were unchanged year-on-year at 1,291,845 and EUR 21,678,892.

5.1.5 Consolidated unappropriated profit

The consolidated unappropriated profit increased from EUR 862,421k to EUR 889,160k as at 31 December 2019.

A cash dividend of EUR 24,576k (2018: EUR 21,197k) was distributed to the company's shareholders in the reporting year.

5.1.6 Non-controlling interests

There were non-controlling interests of EUR 30,359k as at 31 December 2019 (31 December 2018: EUR 10,682k).

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

A profit share of EUR 3,478k (31 December 2018: EUR 6,456k) was allocated to non-controlling interests in the reporting period.

As at 31 December 2019, profit shares of EUR 548k (31 December 2018: EUR 2,819k) had been withdrawn by non-controlling interests. These are payments to non-controlling interests, some of whom are also employed by the company.

As part of the internal restructuring of the Group, PATRIZIA acquired non-controlling interests of EUR 364k.

Subsequent purchase price costs of EUR 456k were incurred for non-controlling interests in PATRIZIA Investment Management S.C.S that were already acquired in the 2018 financial year.

During the year under review, a capital increase was implemented at PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, in which non-controlling interests participated in the amount of EUR 255k.

A total of EUR 16,254k (31 December 2018: EUR 17k) in connection with the remeasurement of financial instruments pursuant to IFRS 9 and a total of EUR −180k (31 December 2018: EUR 0k) for the measurement of the defined benefit obligation (DBO) pursuant to IAS 19 are reported in the 2019 financial year.

The addition and disposal of non-controlling interests in the amount of EUR 4,378k results from the indirect acquisition of PATRIZIA Living Cities Residential Fund SICAV SIF SCS (PATRIZIA Living Cities Residential Fund), Luxembourg, and the successful placement of units in the PATRIZIA Living Cities Residential Fund (see note 2.1 Acquisitions of Subsidiaries).

5.2 Deferred tax liabilities

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

Deferred tax assets/liabilities 70

EUR k	31.12.2019 Assets	31.12.2019 Liability	31.12.2018 Assets	31.12.2018 Liability
Investment property	0	144	0	948
Participations	1,714	66,400	1,697	57,800
Liabilities/Provisions	6,905	262	4,021	0
Fund management contracts due to company acquisitions[1]	0	36,439	0	47,876
Leasing	6,948	7,839	0	0
Other	629	990	202	2,010
Consolidation	1,108	104	182	1,754
Total	**17,304**	**112,178**	**6,102**	**110,387**

1 Primarily consisting of deferred taxes 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 (31 December 2018: EUR 50k). The losses can be carried forward indefinitely.

In addition, deferred tax assets were not recognised for income tax loss carryforwards of EUR 149,795k (31 December 2018: EUR 103,528k) at 46 companies (31 December 2018: 24 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 195,185k (31 December 2018: EUR 132,993k).

5.2.1 Deferred income tax relating to components of other comprehensive income

Deferred income tax relating to components of other comprehensive income are shown below:

Deferred income tax relating to components of other comprehensive income 71

	2019			2018		
EUR k	before Tax	Tax	Net	before Tax	Tax	Net
Profit/loss arising on the translation of the financial statements of foreign operations	10,101	0	10,101	−4,019	0	−4,019
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	53,682	−8,211	45,471	57,329	−7,825	49,503
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	−4,855	1,216	−3,639	0	0	0
Total	**58,928**	**−6,995**	**51,933**	**53,310**	**−7,825**	**45,484**

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 2018 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 81 persons in total as at the end of the reporting period. 28 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 development of retirement benefit obligations and plan assets for defined benefit plans is as follows:

Defined benefit obligation (DBO) 72

EUR k	2019	2018
As at 01.01.	**22,021**	**22,897**
Current expenses of employment period	639	390
Remeasurements	5,473	–1,016
thereof adjustments of financial assumptions	5,669	–1,246
thereof adjustments of demographical assumptions	0	110
thereof other/experience adjustments	–196	120
Interest expenses	432	390
Pension payments/scheduled payments made	–696	–640
As at 31.12.	**27,869**	**22,021**

Plan assets at fair value 73

EUR k	2019	2018
As at 01.01.	**297**	**289**
Income/expenses from plan assets (without interests)	2	3
Interest income/interest expenses	6	5
As at 31.12.	**305**	**297**

Composition of net liability from defined benefit plans 74

EUR k	2019	2018
Defined benefit obligation (DBO)	27,869	22,021
Plan assets at fair value	305	297
Net debt	**27,564**	**21,724**

Actuarial assumptions 75

%	2019	2018
Discounting interest rate	0.69	1.75/2.00
Salary trend	2.25	2.25
Pension trend	1.00/1.65	1.65/2.00

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

Sensitivity analyses 76

		31.12.2019		31.12.2018	
EUR k	Sensitivity	Increase	Decrease	Increase	Decrease
Discounting interest rate	+/−0.50%	−2,457	2,835	−886	948
Salary trend	+/−0.50%	67	−63	101	−96
Pension trend	+/−0.50%	1,948	−1,510	1,042	−956
Life expectancy	+/−1 Jahr	1,586	−1,539	/	/

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 695k (2018: EUR 646k) and contributions to plan assets of EUR 0k (2018: EUR 0k).

The average term of retirement benefit obligations is 18.6 years (2018: 16.2 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 3,649k for the 2019 financial year (2018: EUR 2,132k).

In addition, there are pension plans for the Management 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 (2018: EUR 43.7k) was paid in contributions to the provident fund for members of the Management Board in 2019. Furthermore, contributions of EUR 47k (2018: EUR 43k) were paid to a self-invested personal pension for a member of the Management 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:

Financial liabilities 31.12.2019 77

EUR k	2020	2022	2024	2027	Total
Bank loans	93,194	0	0	0	93,194
Bonded loans	0	91,500	124,000	84,500	300,000
Total financial liabilities	**93,194**	**91,500**	**124,000**	**84,500**	**393,194**

Financial liabilities 31.12.2018 78

EUR k	2022	2024	2027	Total
Bonded loans	91,500	124,000	84,500	300,000
Total financial liabilities	**91,500**	**124,000**	**84,500**	**300,000**

Financial liabilities amounted to EUR 393,194k in total as at 31 December 2019.

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.

As part of the first-time consolidation of Dixin Toimistot KY, Helsinki, Finland, bank and mortgage loans of EUR 40,916k were temporarily added in the reporting period. The reported bank and mortgage loans relate to the temporarily held real estate assets that will leave the company as part of the planned placement of units in the investment funds of several Group companies via closed-end funds.

5.5 Non-current liabilities

Non-current liabilities of EUR 25,094k (31 December 2018: EUR 16,836k) essentially consist of the long-term component of the management participation model, which is described in more detail under note 9.1, liabilities from the acquisition of KENZO (see note 2.1 Acquisitions) and the TRIUVA guaranteed dividend to non-controlling interests.

5.6 Lease liabilities

Lease liabilities mainly comprise leases for

- business and office premises
- motor vehicles
- IT equipment
- operating and office equipment

and have the following maturity profile:

Maturity of leasing liabilities 31.12.2019 79

EUR k	2022	2021–2024	2025+	Total
Leasing liabilities	**9,328**	**14,297**	**1,544**	**25,169**

The remaining terms of the undiscounted lease liabilities including interest payments after the end of the reporting period are shown below:

Maturity of undiscounted leasing liabilities including interest payments 31.12.2019 80

EUR k	Carrying amount	Total amount	2020	2021–2024	2025+
Leasing liabilities	**25,169**	**25,641**	**9,573**	**14,513**	**1,555**

5.7 Other provisions

Other provisions developed as follows:

Other provisions 2019 81

EUR k	01.01.2019	Addition	Changes to the scope of consolidation	Unused amounts reversed	Utilisation	Time value of money	Foreign exchange differences	31.12.2019
Litigation risks	1,487	1,672	0	−5	−169	0	0	2,985
Indemnification obligation	4,017	0	0	−270	−3,747	0	0	0
Employee benefits	3,771	4,219	0	−357	−3,760	0	17	3,905
Reorganisation costs	14,255	2,470	0	−2,431	−11,918	2	0	2,364
Total	**23,530**	**8,361**	**0**	**−3,063**	**−19,594**	**2**	**17**	**9,254**

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.

5.8 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:

Impairment losses on financial assets 82

EUR k	2019	2018
Impairment losses for trade receivables and contract assets with clients	0	475
Impairment losses for other trade receivables and other assets	429	584
Total impairment losses IFRS 9	**429**	**1,059**

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

Impairment losses on trade receivables 83

EUR k	2019	2018
Value adjustment for sales as at 01.01.	1,244	1,039
Value adjustment for rent receivables as at 01.01.	961	2,015
As at 01.01.	**2,205**	**3,054**
Changes in the consolidated group	0	0
Net revaluation of value adjustment	−289	−849
As at 31.12.	**1,916**	**2,205**

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 various project developments and fund management services.

Credit risk and expected credit losses 84

EUR k	Loss rate (weighted average) 31.12.2019	Gross carrying amount 31.12.2019	Value adjustment 31.12.2019	Affected credit rating 31.12.2019
Low risk Maturity up to 90 days	0%	133,000	0	no
Medium risk Maturity up to 180 days	0%	6,304	0	no
Doubtful Maturity over 180 days	3%	25,699	892	yes
Total Default Risk/Credit Losses		**165,003**	**892**	

The Group uses corresponding provision matrices to measure the expected credit losses on trade receivables from rentals, real estate disposals and other services (with and without 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, real estate disposals and other services (not including fund management).

Loss rate (weighted average) 31.12.2019 85

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	**19,672**	**1,211**	**22**	**15**	**23**	**0**	**136**	**1,763**	**22,842**
Value adjustment	**3**	**0**	**4**	**0**	**9**	**0**	**136**	**1,763**	**1,916**

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, Japan, Hong Kong, South Korea, the US 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 predominantly 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 with existing liquidity and 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 management report.

Capital management

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

Capital management 86

EUR k	31.12.2019	31.12.2018
Interest-bearing loans	93,194	0
Bonded loans	300,000	300,000
Less cash and cash equivalents and short-term deposits, not exceeding the total amount of the above debt	−393,194	−300,000
Net financial liabilities	**0**	**0**
Total Assets	1,987,080	1,778,446
Net total assets	1,593,887	1,478,446
Equity (excl. non-controlling interests)	1,206,391	1,143,106
Equity ratio[1]	**60.7%**	**64.3%**
Net equity ratio[2]	**75.7%**	**77.3%**

1 Equity ratio: Equity (excl. non-controlling interests) divided by total assets
2 Net equity ratio: Equity (excl. non-controlling interests) divided by net total assets (Total assets less interest-bearing loans and bonded loans covered by cash and short-term deposits)

5.9 Current liabilities

Current liabilities break down as follows:

Current liabilities 87

EUR k	31.12.2019	31.12.2018[1]
Trade payables	3,575	4,161
Contract liabilities	12,943	13,866
Other liabilities	84,669	81,936
Total	**101,186**	**99,963**

1 The previous year's figures were restated in line with the new table structure in the year under review

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.

Other liabilities break down as follows:

Other liabilities 88

EUR k	31.12.2019	31.12.2018[1]
Liabilities from outstanding invoices	24,419	16,454
Liabilities from variable salary components and other personnel costs	31,531	32,770
Liabilities to companies with a participating interest	2,869	199
Acquisition and production costs for sold properties arising after the balance sheet date	4,985	4,007
Liabilities from company acquisitions	5,290	8,466
Liabilities to non-controlling interests	0	4,580
Liabilities for reimbursements in connection with the sale of the structure of the Harald portfolio	2,349	3,261
Liabilities from capital contribution	0	2,606
Liabilities from ongoing legal proceedings	1,411	1,447
Interest on loans	2,379	2,379
Deferred revenue liabilities	29	340
Debtors with credit balances	264	621
Accounting and auditing costs	1,297	1,205
Other	7,844	3,601
Total	**84,669**	**81,936**

1 The previous year's figures were restated in line with the new table structure in the year under review

5.10 Tax liabilities

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

The income taxes essentially comprise EUR 41,117k (31 December 2018: EUR 27,984k) 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 15,575k (31 December 2018: EUR 24,234k).

5.11 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.

Financial assets and liabilities – 31.12.2019

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	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							
Participations		525,716					X
Other non-current financial assets	10,440						X
Current loans	1,000						X
	11,440	**525,716**					
Financial assets not measured at fair value							
Other loans			17,837				
Trade receivables and other financial assets			379,735				
Securities			1,011				
Cash and Cash Equivalents			449,084				
			847,667				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				393,194			
Trade payables				3,575			
Liabilities from services purchased before the end of the reporting period				33,469			
Contractual liabilities of prepayments from property sales				130			
Liabilities from settled performance fees owed attributable to future periods				0			
Leasing liabilities IFRS 16				25,169			
Subtotal financial liabilities				**455,536**			
Other liabilities				39,472			
Total financial liabilities				**495,008**			

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.

Valuation technique fair value 90

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 NAVs or – if known – potential sales prices of participations	– Shares of participations (5.0%–30.0%) – important assessment basis: NAV/sales prices of participations (EUR 0m–EUR 3.021m)	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 (2019: 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 44,995k (2018: EUR 66,307k).

An increase (reduction) of net assets would result in an increase (reduction) of EUR 30k (2018: 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.

Reconciliation of level 3 fair values 2019

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EUR k	Equity investments	Convertible loans
As at 1 January	**499,241**	**10,140**
Profit/loss, including in the other comprehensive income (Position - Revaluation reserve according to IFRS 9)		
changes of the fair value	49,082	300
Additions in the financial year	3,982	0
Disposals in the financial year	–26,924	0
Foreign exchange differences	335	0
As at 31 December	**525,716**	**10,440**

Net gains/losses by category

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EUR k	31.12.2019	31.12.2018
Financial assets and liabilities, which are mandatory measured at FVTPL	300	94
Financial assets, which are measured at amortized cost	156	749
Financial liabilities, which are measured at amortized cost	–5,224	–5,191
Equity investments, which are measured at FVTOCI (without recycling)	48,773	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 amounted to EUR 32,891k in the financial year (2018: EUR 6,203k). 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 26,656k (2018: EUR 2,801k). Gains of EUR 268k (2018: EUR 0k) were recognised in the consolidated statement of comprehensive income in connection with the disposal of equity investments.

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 acquisition of Rockspring during the previous year.

6.1 Revenues

Revenues break down as follows

Revenues 93

EUR k	2019	2018[1]	Change
Germany			
Proceeds from the sale of principal investments	209,275	207,764	0.7%
Rental revenues	14,501	26,998	–46.3%
Revenues from management services	578	1,836	–68.5%
Revenues from ancillary costs	445	–143	–410.2%
Other	1,132	942	20.2%
Revenues	**225,931**	**237,396**	**–4.8%**
International[2]			
Proceeds from the sale of principal investments	120,229	86,801	38.5%
Rental revenues	46,327	22,558	105.4%
Revenues from management services	2,392	1,877	27.4%
Revenues from ancillary costs	1,654	1,376	20.2%
Other	2,170	620	250.0%
Revenues	**172,772**	**113,233**	**52.6%**
Group			
Revenues	**398,703**	**350,628**	**13.7%**

1 To ensure comparability with the current reporting year, the previous year's figures have been adjusted as part of the new segment reporting
2 The international revenues in the amount of EUR 172,772k were largely generated in Western Europe, in particular in Luxembourg and the United Kingdom

Geographical allocation is based on the registered office of the unit performing the services.

In accordance with its business model, revenue from contracts with clients at PATRIZIA results from service fee income (revenues from management services), disposals of principal investments, rental revenues and incidental costs.

In 2019, performance-based remuneration of EUR 9,231k (2018: EUR 0k) was generated from white-label funds and recognised under revenues from management services. Almost 100% of this performance-based remuneration was passed on to investors on the basis of the contractual framework. The amounts passed on are recognised in the "Cost of purchased goods" item.

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

Revenues from contracts with customers 94

EUR k	2019	2018
Transferred products/services at a period of time	208,971	178,271
Transferred products/services over a period of time	189,732	172,357
Revenues from customer contracts	**398,703**	**350,628**

Revenue from contracts with clients 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.

Due to structural adjustments to the disclosures on the distribution of revenue from contracts with clients, the amounts for 2018 have been adjusted accordingly.

6.1.1 Contract balances

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

Contract balances 95

EUR k	31.12.2019	31.12.2018[1]
Receivables from contracts with clients	168,773	127,618
Contract liabilities	12,943	13,866

1 Previous year's figures were adjusted to the new table structure in the reporting year

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 13,866k reported at the start of the period was recognised as revenue in the 2019 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.

Due to structural adjustments to the disclosures on contract balances, the amounts for 2018 have been restated accordingly.

6.2 Changes in inventories

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

6.3 Other operating income

Other operating income essentially relates to:

Other operating income 96

EUR k	2019	2018[1]	Change
Income from discontinued obligations	9,712	14,480	−32.9%
Income from payments in kind	1,245	1,126	10.6%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	59	31	90.4%
Insurance compensation	71	89	−20.2%
Own work capitalized self-created intangible assets	0	615	−100.0%
Realisation of badwill IFRS 3	0	2,152	−100.0%
Other	3,519	2,204	59.7%
Total	**14,607**	**20,698**	**−29.4%**

1 Previous year's figures were adjusted to the new table structure in the reporting year

Income from discontinued obligations essentially results from the final settlement of bonuses, variable salaries from 2018 and remaining holiday entitlements in the amount of EUR 4,031k (2018: EUR 2,415k), from the reversal of provisions for outstanding invoices in the amount of EUR 3,708k (2018: EUR 2,592k) and from litigation costs/risks no longer applicable following the conclusion of arbitration proceedings in the amount of EUR 640k (2018: EUR 4,238k). In 2018, it also included income from unused reorganisation expenses (EUR 224k), which is now reported separately in the income statement under net reorganisation expenses (see note 6.10).

The "Other" item mainly includes income from the subsequent billing of liability remuneration from the years 2014 to 2019 (EUR 1,242k) and from other costs passed on in the amount of EUR 521k (2018: EUR 468k).

In 2018, it also included income from the recognition of differences from business combinations (EUR 2,152k) and income from the capitalisation of internally generated software (EUR 615k).

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:

Cost of materials 97

EUR k	2019	2018	Change
Renovation and construction costs	3,860	8,955	−56.9%
Incidental costs	2,664	2,468	7.9%
Maintenance costs	77	276	−72.1%
Total	**6,601**	**11,699**	**−43.6%**

6.5 Costs for purchased services

The “Cost of purchased services” item totalling EUR 28,036k (2018: EUR 15,679k) essentially comprises the purchase of fund management services for label funds in the amount of EUR 22,334k (2018: EUR 12,224k) for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service asset management company.

To improve the presentation of performance, transaction costs which are incurred to generate revenue and are generally charged on have also been included in this item since 2018. These costs amounted to EUR 3,090k in 2019 (2018: EUR 1,961k).

6.6 Staff costs

Staff costs break down as follows:

Staff costs 98

EUR k	2019	2018
Wages and salaries	115,826	110,093
of which valuation of long-term incentives	833	−628
of which sales commission	1,801	2,124
Social security contributions	15,943	14,861
Total	**131,769**	**124,954**

Correlating to the rise in the price of PATRIZIA AG shares, staff costs of EUR 833k (2018: reduction of EUR 628k) 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:

Other operating expenses 99

EUR k	2019	2018[1]	Change
Tax, legal, other advisory and financial statement fees	26,146	19,498	34.1%
IT and communication costs and cost of office supplies	15,979	12,946	23.4%
Vehicle and travel expenses	7,075	6,642	6.5%
Other taxes	6,969	10,466	−33.4%
Advertising costs	5,890	5,700	3.3%
Recruitment and training costs and cost of temporary workers	4,779	4,217	13.3%
Contributions, fees and insurance costs	3,721	3,789	−1.8%
Rent, ancillary costs and cleaning costs	2,707	11,092	−75.6%
Commission and other sales costs	1,981	2,622	−24.4%
Indemnity/reimbursement	846	1,203	−29.7%
Costs of management services	513	847	−39.4%
Other	8,110	11,720	−30.8%
Total	**84,718**	**90,742**	**−6.6%**

1 The previous year's figures were restated in line with the new table structure in the year under review

Tax, legal, other advisory and financial statement fees in the amount of EUR 26,146k (2018: EUR 19.498k) inter alia include:

- follow-up costs from warranty performance management for former project developments in the amount of EUR 3,239k,
- expenses for the first-time testing, acquisition and application of new technologies in the amount of EUR 2,124k,
- follow-up costs for the purchase of a portfolio and for the acquisition of TRIUVA totalling EUR 608k as well as
- transaction costs of EUR 502k in connection with the acquisition of KENZO.

In 2018, transaction costs amounted to EUR 1,881k and mainly comprised costs for the acquisitions of TRIUVA and Rockspring.

The increase in the "IT and communication costs and cost of office supplies" item is primarily due to the strategic focus on digitalisation and the increased application of technological innovations.

The decrease in rent, ancillary costs and cleaning costs was due to the first-time application of IFRS 16.

The "Other taxes" item mainly comprises VAT arrears from previous years, property tax payments and real estate transfer tax payments.

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 32,891k in the reporting period (2018: EUR 28,042k) results from the participations in Dawonia GmbH (formerly: GBW GmbH), the Harald portfolio, Aviemore Bidco 1 Sàrl, Seneca Holdco SCS and TRIUVA/IVG Logistik (2018: Dawonia GmbH, the Harald portfolio, Winnersh Holdings LP, Plymouth Sound Holdings LP, Aviemore Topco, Citruz Holdings LP, Seneca Holdco SCS and TRIUVA) and from closed-end funds business.

Income from participations breaks down as follows:

Income from participations 100

EUR k	2019	2018	Change
Performance-based shareholder remuneration	9,490	9,490	0.0%
Services provided as shareholder contributions	18,254	12,350	47.8%
Return on equity employed	5,148	6,203	–17.0%
Total	**32,891**	**28,042**	**17.3%**

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 break down as follows:

Earnings from companies accounted for using the equity method 101

EUR k	2019	2018	Change
PATRIZIA WohnModul I SICAV-FIS	1,723	12,054	–85.7%
EVANA AG	–855	–202	323.3%
Cognotekt GmbH	–131	0	/
control.IT Unternehmensberatung GmbH	–12	0	/
TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY	0	0	/
Total	**725**	**11,852**	**–93.9%**

The decline in earnings from the equity investment in “PATRIZIA Wohnmodul I SICAV-FIS” is attributable to the strategic ongoing reduction of the underlying portfolio, which mostly took place in 2018 and made a positive contribution to earnings.

6.10 Reorganisation income/expenses

Reorganisation income/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. In the 2019 financial year, provisions from the reorganisation that were no longer required were reversed through profit or loss in the amount of EUR 2,377k.

6.11 Depreciation and amortisation

Depreciation and amortisation break down as follows:

Amortisation and depreciation 102

EUR k	2019	2018	Change
Amortisation of fund management contracts and licenses	40,242	36,683	9.7%
Amortisation of rights of use	9,927	0	/
Depreciation of software and fixed assets	5,385	5,552	−3.0%
Amortisation of other rights and assets	8	0	/
Total	**55,562**	**42,235**	**31.6%**

Amortisation of fund management contracts includes impairment losses of EUR 9,285k (2018: EUR 6,824k). Please also see the accounting policies under 3.2 Other intangible assets.

Amortisation of rights of use in accordance with IFRS 16 breaks down by asset class as follows:

Amortisation of rights of use 103

EUR k	2019
Rental contracts for business and office premises	7,896
Motor Vehicle contracts	1,180
IT contracts	851
Total	**9,927**

6.12 Net finance costs

Net finance costs 104

EUR k	2019	2018	Change
Interest on bank deposits	474	445	6.5%
Other interest	1,622	2,576	−37.0%
Financial income	**2,096**	**3,021**	**−30.6%**
Interest on overdraft facilities and loans	−479	−149	221.0%
Interest expenses – Leasing IFRS 16	−225	0	/
Other financial expenses	−5,407	−6,287	−14.0%
Financial expenses	**−6,111**	**−6,436**	**−5.0%**
Other financial result	**300**	**0**	**/**
Result from currency translation	**−234**	**1,175**	**−119.9%**
Net finance costs	**−3,950**	**−2,240**	**76.3%**

Financial income of EUR 2,096k (2018: EUR 3,021k) was recognised on financial assets measured at amortised cost in line with the effective interest method. This essentially results from discounting 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 particularly include interest for bonded loans, interest accrued on retirement benefit obligations, and interest expenses for business taxes.

“Other financial result” includes income from the write-up in connection with the remeasurement of financial assets in accordance with IFRS 9.

In 2019, the result from currency translation amounted to EUR −234k (2018: EUR 1,175k). This includes realised exchange rate losses of EUR −693k (previous year: EUR −600k).

6.13 Income taxes

Income taxes break down as follows:

Income taxes 105

EUR k	2019	2018	Change
Current income taxes	−35,835	−27,615	29.8%
Deferred taxes	14,771	9,425	56.7%
Income tax	**−21,064**	**−18,190**	**15.8%**

The deferred taxes in the income statement essentially resulted from temporary differences, most of which were caused by amortisation of fund management contracts.

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% (2018: 30.825%). The income tax rate consists of 15% corporate income tax, a 5.5% solidarity surcharge on this and 15% trade tax:

Tax reconciliation statement 106

EUR k	2019	2018
IFRS consolidated net profit before income taxes	**77,411**	**76,306**
Income tax expense expected on the above	−23,862	−23,522
Tax exemption of income from participations	7,878	8,526
Tax additions and deductions	149	−2,920
International subsidiaries with differing tax rates	4,839	2,279
Deferred tax assets on losses not capitalised	−8,918	−7,291
Use of loss carryforwards not capitalised	2,199	2,112
Trade tax effects from income subject to limited taxation	249	212
Prior-period effects	−3,620	2,940
Other tax effects	22	−526
Income tax	**−21,064**	**−18,190**
Actual tax expenses in percent	**27.2%**	**23.8%**

6.14 Earnings per share

Earnings per share 107

EUR k	2019 adjusted[1]	2018 adjusted[1]	2019	2018
Share of earnings attributable to shareholders of the Group	58,664	68,658	52,869	51,660
Number of shares[2]	91,059,631	91,059,631	91,059,631	91,059,631
Weighted number of shares[2]	91,059,631	90,736,783	91,059,631	90,736,783
Earnings per share (undiluted/diluted) in EUR	**0.64**	**0.76**	**0.58**	**0.57**

1 Adjusted – not including reorganisation expenses
2 Outstanding after share buybacks

In the reporting period, the weighted number of shares increased by 322,848 in accordance with IAS 33.19 et seq. as a result of the time-weighted sale 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 a service provider or an investor. 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.

Compared to the previous year, three aspects of segment reporting were changed.

The Corporate operating segment with the reported PATRIZIA AG (Group management) including the management of the international subsidiaries, which was not reportable in the previous year, has been allocated to the Management Services segment since the 2019 financial year, as it also contributes to generating management service income.

In addition, the introduction of new consolidation software in 2019 means that all relevant consolidation items to be eliminated, such as intragroup revenues, intercompany transactions and intragroup transfers, can be shown within the segments, allowing the "Consolidation" column required in the previous year to be omitted. This results in a more appropriate presentation of the respective segments' performance.

Finally, the operating units are no longer managed on the basis of geographical criteria as in the previous year.

The Investments segment bundles principal investments and participations.

The Management Services segment covers a broad range of property services such as the acquisition and sale of residential and commercial properties 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 through the Group's own asset management companies are also set up and managed according to individual client 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 rendered as a shareholder contribution for the asset management of the co-investment Dawonia GmbH (formerly: GBW GmbH).

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 result from the deconsolidation of subsidiaries, the cost of materials and staff costs, the cost of purchased services, other operating income and expenses, changes in the value of investment property, reorganisation income and expenses, 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, impairment losses on fund management contracts, reorganisation income and expenses, and other financial result. 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.

Segment information is calculated in line with the accounting policies applied when preparing the consolidated financial statements.

To ensure comparability with the current reporting year, the segment reporting for 2018 has been retroactively adjusted in line with the new structure.

The individual operating segments are set out below. The reporting of amounts in thousands of euro (EUR k) may result in rounding differences based on the unrounded figures.

Segment reporting – 2019 (01.01.–31.12.2019)

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EUR k	Investments	Management Services	Group
Revenues	65,851	332,852	398,703
Total operating performance	**17,402**	**346,209**	**363,611**
Cost of materials and cost of purchased services	–6,465	–28,171	–34,637
Results from fair value adjustments to investment property	–791	0	–791
Other operating expenses	–4,688	–80,030	–84,718
Impairment losses for trade receivables and contract assets	258	–688	–429
Staff costs	0	–131,769	–131,769
Income from participations and earnings from companies accounted for using the equity method	5,231	28,385	33,616
Reorganisation Income	0	2,377	2,377
Reorganisation expenses	0	–10,339	–10,339
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment	0	–55,562	–55,562
Other financial result	0	300	300
Financial income/expenses	256	–4,272	–4,015
Result from currency translation	11	–245	–234
Earnings before taxes (EBT)	**11,213**	**66,197**	**77,411**
+ Amortisation of other intangible assets[1]	0	40,242	40,242
- Changes in value of investment property	791	0	791
Realised changes in value of investment property (net)	3,972	0	3,972
Reorganisation Income	0	–2,377	–2,377
Reorganisation expenses	0	10,339	10,339
Other financial result	0	–300	–300
Expenses/income from unrealised currency translation	–11	–449	–459
Operating income from participations (IFRS 9)	4,600	305	4,905
Operating income	**20,565**	**113,957**	**134,523**

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

Segment reporting – 2018 (01.01.–31.12.2018)

109

EUR k	Investments	Management Services	Group
Revenues	54,323	296,359	350,682
Total operating performance	**28,644**	**315,096**	**343,740**
Cost of materials and cost of purchased services	−11,607	−15,771	−27,378
Results from fair value adjustments to investment property	3,975	0	3,975
Other operating expenses	−6,209	−84,533	−90,742
Impairment losses for trade receivables and contract assets	−732	−327	−1,059
Staff costs	−7	−124,947	−124,954
Income from participations and earnings from companies accounted for using the equity method	12,340	27,554	39,894
Cost from the deconsolidation of subsidiaries	−377	0	−377
Reorganisation Income	0	0	0
Reorganisation expenses	0	−22,318	−22,318
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment	0	−42,235	−42,235
Other financial result	0	0	0
Financial income/expenses	445	−3,860	−3,415
Result from currency translation	−15	1,190	1,175
Earnings before taxes (EBT)	**26,457**	**49,849**	**76,306**
Changes in value of derivatives	0	22	22
+ Amortisation of other intangible assets[1]	0	36,677	36,677
- Changes in value of investment property	−3,975	0	−3,975
Realised changes in value of investment property (net)	8,043	0	8,043
Reorganisation Income	0	0	0
Reorganisation expenses	0	22,318	22,318
Other financial result	0	0	0
Expenses/income from unrealised currency translation	13	−1,788	−1,775
Operating income from participations (IFRS 9)	0	3,757	3,757
Operating income	**30,538**	**110,835**	**141,373**

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

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.

Other non-cash effects mainly result from deferred taxes, income from participations, at-equity adjustment, currency effects, changes in provisions and fair value changes in accordance with IFRS 9 and IAS 19.

When deriving the operating cash flow from corrections to net profit, only changes that were recognised in the income statement are taken into account.

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 closed-end 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 and payments of principal and interest on lease liabilities.

Interest paid in the area of finance consists entirely of interest for lease liabilities.

The amounts shown in the consolidated cash flow statement correspond only partially to the changes in the statement of financial position observable from one reporting period to the next, as they do not include non-cash factors such as changes in foreign exchange rates or changes in the consolidated group.

Financial liabilities developed as follows over 2019:

Financial liabilities 2019 110

	01.01.2019	Cash	Non-cash			Reclassi-fication	31.12.2019
EUR k			Changes in the con-solidated group	Exchange rate effects	Fair value changes		
Long-term borrowings	300,000	0	0	0	0	0	300,000
Short-term borrowings	0	52,277	40,916	0	0	0	93,194
Total financial liabilities	**300,000**	**52,277**	**40,916**	**0**	**0**	**0**	**393,194**

The following table shows the comparative information for 2018:

Financial liabilities 2018 111

	01.01.2018	Cash	Non-cash			Reclassi-fication	31.12.2018
EUR k			Changes in the con-solidated 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**

9 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. The system assigns quantitative and qualitative targets at company, division and individual levels to members of the Management Board and members of first line management. The first line consists of senior managing directors and other direct reports to the Management 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 Group management report, section 1.4.2 Corporate management on the basis of financial performance indicators), the performance of PATRIZIA’s share price relative to benchmark indices, and other relevant performance indicators for the respective financial year. 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

Management 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 Management 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 Management 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 short-term and a long-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 2,527k (31 December 2018: EUR 2,166k) was taken into account for the first and second management levels for the 2019 financial year. This corresponds to the liability recognised on the basis of average target achievement of 130% (2018: 130%). The liability as at 31 December 2019 is converted at the average closing price in Xetra trading for PATRIZIA shares 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'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 2019 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 PATRIZIA shares 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 in the past) 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 2019, the average price of PATRIZIA's shares is EUR 19.77 (2018: EUR 17.07), thus amounting to 127,796 shares for 2019 (2018: 126,892 shares). Expenses for share-based payment of EUR 3,491k (2018: EUR 967k) were incurred in the reporting period. These consist of exchange rate effects of EUR 833k, additions to shared-based payment transactions of EUR 2,527k and corrections due to the final settlement in the reporting period of EUR 131k. In the previous year, the income from share price development of EUR −628k, the addition to shared-based payment transactions of EUR 2,166k and the corrections due to the final settlement in the reporting period of EUR −571k came to a total of EUR 967k.

The fair value is as follows:

Components with long-term incentive effect 112

	Number of performance shares 2019	Fair Value 31.12.2019 EUR k	Number of performance shares 2018	Fair Value 31.12.2018 EUR k	Paid out EUR k
Tranche of the performance share units in the 2019 fiscal year[1]	127,796	2,527	0	0	0
Tranche of the performance share units in the 2018 fiscal year[1]	134,581	2,661	126,892	2,166	0
Tranche of the performance share units in the 2017 fiscal year[1]	81,906	1,619	81,906	1,413	0
Tranche of the performance share units in the 2016 fiscal year[1]	60,790	1,202	109,395	1,875	850
Tranche of the performance share units in the 2015 fiscal year[1]	0	0	37,764	645	661
Total	**405,073**	**8,008**	**355,957**	**6,099**	**1,511**

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 2019 consolidated financial statements have been approved

The performance share units outstanding at the end of the reporting period are as follows::

Performance share units 113

	01.01.-31.12.2019	01.01.-31.12.2018
Outstanding at the start of the reporting period	355,957	371,089
Granted in the reporting period	127,796	126,892
Correction due to final settlement in the reporting period	7,689	−28,999
Paid out in the reporting period	−86,369	−113,025
Outstanding at the end of the reporting period	**405,073**	**355,957**

9.2 Related party transactions

The related parties of the company include the members of the Management Board and the Supervisory Board and the members of executive bodies of subsidiaries, including their close relatives, and companies that the members of the Management 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 Management Board and persons related to Management Board members

Wolfgang Egger, CEO, holds a total interest of 51.81% (31 December 2018: 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, while the remaining 49% is held by Mr Ernest-Joachim Storr. There were no changes here in comparison to the previous year.

Remuneration to a former member of the Management Board

Mr Arwed Fischer is granted earnings and performance based remuneration that he earned in the context of his employment.

Rental agreements between members of the Management 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 1,660k (2018: EUR 1,609k). The lease was agreed as at arm's length.

Activities of Management 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 Dawonia Real Estate GmbH & Co. KG (formerly: GBW Real Estate GmbH & Co. KG), Grünwald, and Managing Director of Blitz 13-309 GmbH, Augsburg.

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, Uwe H. Reuter holds the following mandates:

Intra-Group mandates within VHV Holding AG (Chairman of the Supervisory Board):

– VHV Allgemeine Versicherung AG, Hanover
– Hannoversche Lebensversicherung AG
– VHV solutions GmbH
– VHV Vermögensanlage AG
– VAV Versicherungs-AG, Vienna/Austria

Non-Group mandates (Member of the Supervisory Board):

– E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover
– Hannover Impuls GmbH (Business Development Agency of City of Hanover)

Asset management agreement with Wohnungsgesellschaft Ludwigsfeld GmbH

By way of a cancellation agreement dated 14 December 2018, the asset management service agreement between PATRIZIA Deutschland and Wohnungsgesellschaft Ludwigsfeld GmbH, in which AHO Beteiligungs-GmbH holds an interest, was terminated. Alfred Hoschek is the Managing Director of AHO Beteiligungs-GmbH and also a member of the Supervisory Board of PATRIZIA AG. Subsequent invoices for the previous year in a total net amount of EUR 27k (2018: EUR 22k) were issued for these services in the year under review. All services provided satisfy customary market standards for comparative arm's length transactions.

Payment to AHO Beteiligungs-GmbH to settle a tax exemption claim

In accordance with the agreement dated October 10, 2019 between PATRIZIA and AHO Beteiligungs-GmbH, a payment of EUR 3,747k was made by PATRIZIA to AHO Beteiligungs-GmbH to settle a tax exemption claim.

9.3 Supervisory Board and Management Board

Members of the Management Board of the parent company

The following are members of the Management Board:

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

- Alexander Betz, CDO (since 1 January 2020)
- Dr Manuel Käsbauer, CTIO (since 1 January 2020)
- Simon Woolf, CHRO (since 1 January 2020)

The members of the Management Board were granted total remuneration of EUR 5,523k (2018: EUR 5,932k) and were paid total remuneration of EUR 4,512k (2018: EUR 4,444k) in the 2019 financial year. This comprised EUR 1,818k (2018: EUR 1,788k) in current salary payments and fringe benefits, EUR 2,229k (2018: EUR 1,884k) in short-term incentives and EUR 465k (2018: EUR 772k) in long-term incentives under the management participation model.

The former member of the Management Board Arwed Fischer was granted total remuneration of EUR 6k (2018: EUR 6k) and was paid total remuneration of EUR 202k (2018: EUR 387k) in the 2019 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, lawyer and tax consultant, Augsburg
- Uwe H. Reuter, First Deputy Chairman, Chairman of the Management Board of VHV Holding AG, Hanover
- Alfred Hoschek, Second Deputy Chairman, Managing Director of AHO Verwaltungs GmbH, Gräfelfing

The Supervisory Board received fixed remuneration of EUR 100k (2018: EUR 100k) in the 2019 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:

Obligations from existing rental and leasing agreements 2019 114

Years	EUR k
2020	1,040
2021–2024	0
2025 and later	0
Total	**1,040**

Obligations from existing rental and leasing agreements 2018 115

Years	EUR k
2019	9,018
2020–2023	6,744
2024 and later	378
Total	**16,140**

Obligations from leases and rental agreements in 2019 do not include any leases or subleases as defined in IFRS 16 Leases. This first-time application of the standard as at 1 January 2019 is also the reason for the decrease as compared to the previous year (see also note 1.2).

9.5 Employees

The average headcount of full-time employees at the Group in 2019 (not including the Management Board or trainees) was 803 (2018: 856). The Group also had 19 trainees (2018: 21).

9.6 Auditor's fees

The auditor's expenses calculated for the 2019 financial year amount to EUR 453K (2018: EUR 561k) for audits of financial statements and EUR 36k for other assurance services for an audit in accordance with the German Securities Trading Act (WpHG) (2018: EUR 30k for an audit in accordance with WpHG).

9.7 Events after the end of the reporting period

Acquisition of BrickVest

By way of the purchase agreement signed on 3 February 2020, PATRIZIA acquired the digital platform for investments in real assets of BrickVest Ltd. (BrickVest), London, and the shares in BrickVest IM Ltd. and BrickVest Reim Europe SAS in a combined share and asset deal. The individual companies and the acquired assets will be consolidated when the rights and liabilities of the acquired assets and company shares are transferred in 2020. As at the current time when these financial statements were prepared, closing has taken place only for the acquired assets of BrickVest.

Founded in 2014, BrickVest is a global online platform for real estate investment opportunities from various investment companies for institutional, (semi-)professional and private investors. As well as digital access to a wide range of real asset investments, the platform also offers debt and equity solutions for real assets and the financial services sector.

PATRIZIA will promote the further development of BrickVest as an open, independent industry platform that brings together various different investor groups with deal sponsors and product providers. With this investment, PATRIZIA is continuing its strategic technology and innovation investments with the aim of advancing the transformation of the sector.

The fair value of the total consideration transferred as at the acquisition date cannot be conclusively determined at this time. In accordance with the purchase agreement, the final purchase price will be calculated only after all transactions have been closed. No advance payments were made in connection with the acquisition in the past financial year.

Because the acquisition took place close to the reporting date and accounting for the business combination has not yet been completed at present, further details cannot be provided and a purchase price allocation has not yet been carried out.

9.8 German corporate governance code

In December 2019, the Management Board and the Supervisory Board of PATRIZIA AG 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 Management Board of PATRIZIA 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 Management Board approved the financial statements for submission to the Supervisory Board on 13 March 2020.

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 Standards (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, 13 March 2020

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Alexander Betz
Member of the
Management Board,
CDO

Karim Bohn
Member of the
Management Board,
CFO

Dr Manuel Käsbauer
Member of the
Management Board,
CTIO

Anne Kavanagh
Member of the
Management Board,
CIO

Klaus Schmitt
Member of the
Management Board,
COO

Simon Woolf
Member of the
Management Board,
CHRO

Annex to the notes to the consolidated financial statements

List of shareholdings

PATRIZIA holds **direct** interests in the following companies:

List of shareholdings – direct 116

Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH[1]	Augsburg	EUR	100.00	2,964	0
PATRIZIA Institutional Clients & Advisory GmbH[1]	Augsburg	EUR	100.00	50	0
PATRIZIA Hong Kong Limited	Hong Kong	HKD	100.00	8,024[4]	589[4]
PATRIZIA Japan KK	Tokio	JPY	100.00	277,876[5]	–38,637[5]
PATRIZIA Property Inc.	Wilmington	USD	100.00	937[6]	594[6]
PATRIZIA Sweden AB	Stockholm	SEK	100.00	4,662[7]	246[7]
PATRIZIA DENMARK A/S	Kopenhagen	DKK	100.00	52,506[8]	28,252[8]
PATRIZIA Finland Oy	Helsinki	EUR	100.00	368	183
PATRIZIA UK LIMITED	Swindon	GBP	100.00	–7,815[9]	–2,944[9]
PATRIZIA France	Paris	EUR	100.00	1,400	–505
PATRIZIA IRELAND LIMITED	Dublin	EUR	100.00	32	19
PATRIZIA Netherlands B.V.	Amsterdam	EUR	100.00	9,076	607
PATRIZIA Logistics Management Europe B.V.	Amsterdam	EUR	100.00	1,866	3,138
PATRIZIA ACTIVOS INMOBILIARIOS ESPAÑA S.L.U.	Madrid	EUR	100.00	674	268
PATRIZIA Multi Managers Holding A/S	Kopenhagen	DKK	100.00	21,777[8]	48[8]
PATRIZIA Deutschland GmbH[1]	Augsburg	EUR	100.00	2,058	0
PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH[1]	Augsburg	EUR	100.00	3,000	0
Mondstein 402. GmbH	München	EUR	100.00	7,269	151
PATRIZIA Real Estate Investment Management S.à r.l.	Luxemburg	EUR	100.00	18,542	11,879
PATRIZIA Innovation Management S.à r.l.	Luxemburg	EUR	100.00	10	–2
PATRIZIA Acquisition Holding alpha GmbH	Augsburg	EUR	100.00	1,484	2,676
PATRIZIA Acquisition Holding gamma GmbH	Augsburg	EUR	100.00	7,515	–7
PATRIZIA Acquisition Holding delta GmbH	Augsburg	EUR	100.00	1,624	–1
PATRIZIA Acquisition Holding epsilon GmbH	München	EUR	100.00	25	0

List of shareholdings – direct

116

Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
PATRIZIA Acquisition Holding beta GmbH[1]	Augsburg	EUR	100.00	25	0
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	EUR	100.00	14	–1
PATRIZIA Investment Management Coop S.A.	Luxemburg	EUR	100.00	9	3
PATRIZIA Harald Fund Investment S.C.S. in Liquidation	Luxemburg	EUR	100.00	31	–29
PATRIZIA Projekt 170 GmbH[1]	Augsburg	EUR	100.00	201,804	0
PATRIZIA Projekt 180 GmbH[1]	Augsburg	EUR	100.00	10,072	0
PATRIZIA Projekt 230 GmbH[1]	Augsburg	EUR	100.00	19	0
PATRIZIA Projekt 260 GmbH[1]	Augsburg	EUR	100.00	24	0
PATRIZIA Alternative Investments GmbH[1]	Augsburg	EUR	100.00	25	0
Stella Grundvermögen GmbH[1]	Augsburg	EUR	100.00	7,538	0
Wohnungsgesellschaft Olympia mbH	Augsburg	EUR	100.00	257	18
PATRIZIA Acquisition GmbH	Augsburg	EUR	100.00	10	–5
PATRIZIA Projekt 710 GmbH	Augsburg	EUR	100.00	187,301	15,751
SCAN Deutsche Beteiligungsmanagement GmbH	Berlin	EUR	100.00	2	–9
SCAN Deutsche Beteiligungsverwaltungs GmbH & Co. KG	Berlin	EUR	100.00	8,929	2,398
Carl Carry Verwaltungs GmbH	Frankfurt am Main	EUR	100.00	40	2
PATRIZIA Carry GmbH & Co. KG	Augsburg	EUR	73.53	–627	–3,413
Carl A-Immo Verwaltungs GmbH	Augsburg	EUR	100.00	156	11
Carl Offshore Limited[3]	St Peter Port	GBP	100.00	–10[9]	–10[9]
Carl Two Offshore Limited[3]	St Peter Port	GBP	100.00	–9[9]	–10[9]
Pearl AcquiCo Zwei GmbH & Co. KG	Augsburg	EUR	100.00	56,934	3,217
Carl HR GmbH & Co. KG	München	EUR	3.61	–8	–9
PATRIZIA WohnModul I SICAV-FIS[2]	Luxemburg	EUR	10.10	662,921	10,060
PATRIZIA Projekt 430 GmbH	Augsburg	EUR	14.68	2,312	–349
PATRIZIA Projekt 440 GmbH	Augsburg	EUR	14.68	–3,420	–3,686
Carl A-Immo GmbH & Co. KG	München	EUR	12.50	–5	0

1 As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA
2 Provisional financial statements
3 Not included in the scope of consolidation as of the balance sheet date (see Note 2.1)
4 Currency translation into EUR: Equity as at 31.12.2019: HKD 8.75/Net result at the average rate for 2019: HKD 8.77
5 Currency translation into EUR: Equity as at 31.12.2019: 121.94 JPY/Net result at the average rate for 2019: 122.00 JPY
6 Currency translation into EUR: Equity as at 31.12.2019: 1.12 USD/Net result at the average rate for 2019: 1.12 USD
7 Currency translation into EUR: Equity as at 31.12.2019: 10.45 SEK/Net result at the average rate for 2019: 10.59 SEK
8 Currency translation into EUR: Equity as at 31.12.2019: 7.47 DKK/Net result at the average rate for 2019: 7.47 DKK
9 Currency translation into EUR: Equity as at 31.12.2019: 0.85 GBP/Net result at the average rate for 2019: 0.88 GBP

PATRIZIA holds **indirect** interests in the following companies:

List of shareholdings – indirect 117

Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
LB Invest GmbH	Hamburg	EUR	94.90	30	–3
PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH[3]	Hamburg	EUR	94.90	10,000	0
PATRIZIA FINANCIAL SERVICES LIMITED	Edinburgh	GBP	100.00	548[10]	58[10]
PATRIZIA EUROPE LIMITED	London	GBP	94.90	–610[10]	51[10]
PATRIZIA PROPERTY ASSET MANAGEMENT	London	GBP	94.90	6,306[10]	–562[10]
PATRIZIA PIM LIMITED	London	GBP	94.90	3,977[10]	738[10]
PATRIZIA PROPERTY INVESTMENT MANAGERS LLP	London	GBP	94.90	10,344[10]	842[10]
PATRIZIA P.I.M. (REGULATED) LIMITED	London	GBP	94.90	12,354[10]	3,715[10]
PATRIZIA GRB (GENERAL PARTNER) LIMITED[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA PROPERTY INVESTMENT MANAGERS FRANCE SAS	Paris	EUR	94.90	639	–32
ROCKSPRING POLAND SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Warschau	PLN	94.90	19[11]	2[11]
Patrizia Multi Managers I A/S under frivillig likvidation	Hellerup	DKK	100.00	1,136[12]	–6[12]
PATRIZIA Multi Managers A/S	Hellerup	DKK	100.00	13,637[12]	6,499[12]
BMK 1 ApS	Hellerup	DKK	100.00	404[12]	108[12]
BMK 2 ApS under frivillig likvidation	Hellerup	DKK	100.00	156[12]	–6[12]
BMK 3 ApS	Hellerup	DKK	100.00	496[12]	146[12]
BMK 4 ApS under frivillig likvidation	Hellerup	DKK	100.00	62[12]	–20[12]
SPF III GP ApS	Hellerup	DKK	100.00	58[12]	–9[12]
SPF III US HUH GP ApS	Hellerup	DKK	100.00	15[12]	–10[12]
SPF III MPC I GP ApS	Hellerup	DKK	100.00	21[12]	–9[12]
PMM V GP ApS	Kopenhagen	DKK	100.00	132[12]	65[12]
PMM Global V Feeder GP ApS	Hellerup	DKK	100.00	37[12]	–13[12]
PATRIZIA GrundInvest Fonds-Treuhand GmbH[8]	Augsburg	EUR	100.00	22	–3
PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH[5]	Frankfurt am Main	EUR	94.00	21,549	0
PMG – Property Management Gesellschaft mit beschränkter Haftung	Frankfurt am Main	EUR	94.00	224	3
Angerhof Verwaltungs- und Beteiligungs GmbH in Liquidation[8]	Frankfurt am Main	EUR	94.00	16	1
TRIUVA Angerhof und Zeil 94 Verwaltungs GmbH[8]	Frankfurt am Main	EUR	94.00	49	–4
PATRIZIA HANOVER REAL ESTATE INVESTMENT MANAGEMENT LIMITED[8]	St Helier	GBP	94.90	25[10]	0[10]

List of shareholdings – indirect

Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER SCOTLAND) LIMITED[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER) LIMITED[8]	London	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTIES (SLP) IV LIMITED[8]	Edinburgh	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) IV LIMITED[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA UK VALUE SLP (SCOTLAND) LIMITED[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) V LIMITED[8]	London	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTIES (SLP) V LIMITED[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA SINGLE EUROPE (GENERAL PARTNER) LIMITED[8]	London	GBP	94.90	0[10]	0[10]
ROCKSPRING SINGLE CLIENT FUND (GENERAL PARTNER) LIMITED[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA SINGLE CLIENT II (GENERAL PARTNER) LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA SINGLE CLIENT II SLP (GENERAL PARTNER) LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTIES (SLP) VI LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) VI LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA PANEUROPEAN GP LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA PERIPHERAL EUROPE SLP (GENERAL PARTNER) LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA PERIPHERAL EUROPE GP LLP[8]	London	GBP	94.90	–17[10]	–11[10]
PATRIZIA UK VALUE 2 SLP (GENERAL PARTNER) LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA UK VALUE 2 (GENERAL PARTNER) LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA GRB (GP2) LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA SPITFIRE CARRY LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA SINGLE EUROPE (GP2) LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA TRANSEUROPEAN PROPERTIES (GP2) V LLP[8]	London	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTIES (GP2) IV LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA SINGLE CLIENT (GP2) LLP[8]	London	GBP	94.90	0[10]	0[10]
PATRIZIA RIMBAUD SLP (GP) LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA SPREE (GP) LIMITED[8]	London	GBP	94.90	0[10]	0[10]
ROCKSPRING EUROPEAN PROPERTY II (SCOTS) LP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTY (SCOTS) VI LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]

List of shareholdings – indirect

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Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
ROCKSPRING PERIPHERAL EUROPE (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
ROCKSPRING UK VALUE 2 (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
ROCKSPRING RIMBAUD (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
ROCKSPRING UK VALUE SLP (SCOTLAND), L.P.[8]	Edinburgh	GBP	94.90	0[10]	0[10]
TRANSEUROPEAN PROPERTY (SCOTS) V LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
Rockspring Transeuropean Properties (General Partner) VII S.à r.l.[8]	Luxemburg	EUR	94.90	12	0
PATRIZIA MONTCLAIR SLP (GP) LLP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA MONTCLAIR (SCOTLAND) LIMITED PARTNERSHIP[8]	Edinburgh	GBP	94.90	0[10]	0[10]
PATRIZIA Luxembourg S.à r.l.	Luxemburg	EUR	100.00	158,432	15,588
PATRIZIA Investment Management HoldCo S.à r.l.	Luxemburg	EUR	100.00	99,215	18,951
Alliance Real Estate HoldCo S.à r.l.	Luxemburg	EUR	100.00	1,146	–122
PATRIZIA Ivanhoe 10 S.à r.l.	Luxemburg	EUR	100.00	12,373	159
PATRIZIA REAL ESTATE 10 S.à r.l.	Luxemburg	EUR	100.00	171	–533
PATRIZIA Lux 10 S.à r.l.	Luxemburg	EUR	100.00	1,263	976
PATRIZIA REAL ESTATE 20 S.à r.l.	Luxemburg	EUR	100.00	11,153	7,964
PATRIZIA Lux 20 S.à r.l.	Luxemburg	EUR	100.00	1,995	15,310
PATRIZIA Lux 30 N S.à r.l.	Luxemburg	EUR	100.00	655	–91
PATRIZIA Real Estate 50 S.à r.l.	Luxemburg	EUR	100.00	6,204	2,411
PATRIZIA Lux 50 S.à r.l.	Luxemburg	EUR	100.00	18,014	1,630
PATRIZIA Real Estate 60 S.à r.l.	Luxemburg	EUR	100.00	–612	24
PATRIZIA Lux 60 S.à r.l.	Luxemburg	EUR	100.00	4,947	102
PATRIZIA Investment Management S.C.S.	Luxemburg	GBP	100.00	18,841[10]	1,659[10]
Seneca Topco S.à r.l.	Luxemburg	EUR	100.00	5,595	355
First Street Topco 1 S.à r.l.	Luxemburg	GBP	100.00	–18,681[10]	–17,914[10]
PATRIZIA FIRST STREET LP	London	GBP	100.00	44,017[10]	3,391[10]
PATRIZIA FIRST STREET GP LIMITED	Swindon	GBP	100.00	5[10]	2[10]
FIRST STREET PROPCO LIMITED	Swindon	GBP	100.00	12,803[10]	698[10]
SOUTHSIDE REAL ESTATE LIMITED	Swindon	GBP	100.00	7[10]	16,211[10]
SOUTHSIDE REGENERATION LIMITED	Swindon	GBP	100.00	24,384[10]	3,120[10]
FIRST STREET MANAGEMENT COMPANY LIMITED	Swindon	GBP	17.36	9[10]	0[10]
PATRIZIA Facility Management GmbH[4]	Augsburg	EUR	100.00	25	0
PATRIZIA Projekt 380 GmbH	Augsburg	EUR	100.00	–30	–4
Alte Haide Baugesellschaft mit beschränkter Haftung München[1]	Augsburg	EUR	100.00	9,288	0
F 40 GmbH	Augsburg	EUR	100.00	–31,652	3,059

List of shareholdings – indirect

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Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	EUR	45.90	–779	–15
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	EUR	51.00	–2,293	–91
Projekt Wasserturm Verwaltungs GmbH	Augsburg	EUR	51.00	63	–2
PATRIZIA European Real Estate Management GmbH	Gräfelfing	EUR	100.00	373	1,038
PATRIZIA Projekt 600 GmbH [2]	Augsburg	EUR	100.00	16,666	0
Sudermann S.à r.l.	Luxemburg	EUR	100.00	13,541	597
Dover Street S.à r.l.	Luxemburg	GBP	100.00	–2,793 [10]	718 [10]
Wildrosen S.à r.l.	Luxemburg	EUR	100.00	3,645	159
Trocoll House No. 1 S.à r.l.	Luxemburg	GBP	99.90	12,415 [10]	–139 [10]
PATRIZIA TROCOLL HOUSE GP LIMITED	Swindon	GBP	100.00	3 [10]	1 [10]
PATRIZIA TROCOLL HOUSE LP	London	GBP	99.90	–81 [10]	–11 [10]
Edgbaston S.à r.l.	Luxemburg	GBP	100.00	3,412 [10]	–48 [10]
PATRIZIA GQ LIMITED	Swindon	GBP	100.00	384 [10]	–7 [10]
PATRIZIA GrundInvest Beteiligungs GmbH & Co. KG	Augsburg	EUR	100.00	–138	–87
PATRIZIA GrundInvest Europa Wohnen Plus GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	100.00	183	–17
PATRIZIA Grundinvest Augsburg Fünf GmbH & Co. KG	Augsburg	EUR	100.00	–18	–38
PATRIZIA GrundInvest Augsburg Sechs GmbH & Co. KG	Augsburg	EUR	100.00	–58	–59
PATRIZIA GrundInvest Helsinki GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	100.00	–18	–48
PATRIZIA GrundInvest Objekt Helsinki GmbH	Augsburg	EUR	100.00	17	–8
Dixin Toimistot KY	Helsinki	EUR	100.00	34,850	426
KOY Tikkurilan Toimistokiinteistö 1 [9]	Helsinki	EUR	100.00	0	0
KOY Tikkurilan Toimistokiinteisto 2A [9]	Helsinki	EUR	100.00	0	0
PGK KOY Tikkurilan 2B [9]	Helsinki	EUR	100.00	0	0
PATRIZIA Lux TopCo S.à r.l. en liquidation volontaire	Luxemburg	EUR	10.00	88	–4
Carl Lux SCS	Luxemburg	EUR	10.22	–540	0
PATRoffice Real Estate GmbH & Co. KG	Gräfelfing	EUR	6.25	17,598	30,661
sono west Projektentwicklung GmbH & Co. KG [6]	Frankfurt am Main	EUR	30.00	772	18,852
LB Immo PIB GmbH	Hamburg	EUR	4.93	286	–19
Opportunitäten Europa 1 S.à.r.l.	Luxemburg	EUR	5.10	1,614	–34
Opportunitäten Europa 2 S.à.r.l.	Luxemburg	EUR	5.10	–1,997	75
Opportunitäten Europa 3 S.à.r.l.	Luxemburg	EUR	5.10	–2,150	12
Opportunitäten Europa 4 S.à.r.l.	Luxemburg	EUR	5.10	–1,672	57
Opportunitäten Europa 5 S.à.r.l.	Luxemburg	EUR	5.10	–718	165
Opportunitäten Europa 6 S.à.r.l.	Luxemburg	EUR	5.10	–1,538	295

List of shareholdings – indirect

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Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
Opportunitäten Europa 7 S.à.r.l.	Luxemburg	EUR	5.10	–1,931	200
Opportunitäten Europa 8 S.à.r.l.	Luxemburg	EUR	5.10	–1,490	114
Opportunitäten Europa 9 S.à.r.l.	Luxemburg	EUR	5.10	–3,928	–80
Opportunitäten Europa 10 S.à.r.l.	Luxemburg	EUR	5.10	–3,167	22
Opportunitäten Europa 11 S.à.r.l.	Luxemburg	EUR	5.10	–2,415	53
Seneca Holdco SCS	Luxemburg	EUR	5.10	104,543	7,438
Projekt Feuerbachstraße Verwaltung GmbH[6]	Frankfurt am Main	EUR	30.00	31	1
Dawonia GmbH (formerly: GBW GmbH)[7]	Grünwald	EUR	5.10	441,077	0
PATRIZIA Real Estate 30 S.à r.l.	Luxemburg	EUR	14.68	298	301
ASK PATRIZIA (GQ) LLP	Manchester	GBP	50.00	–6[10]	–1[10]
Evana AG[6]	Saarbrücken	EUR	25.01	–728	–4,284
Cognotekt GmbH[6]	Köln	EUR	13.07	795	–2,138
control.IT Unternehmensberatung GmbH[6]	Bremen	EUR	10.00	5,616	1,262
PATRIZIA GrundInvest Die Stadtmitte Mülheim GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	0.07	–496	–516
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	Augsburg	EUR	25.15	–1,417	–1,437
TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY[6]	Helsinki	EUR	45.00	14,393	0

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 Dawonia Real Estate GmbH & Co.KG (formerly: GBW Real Estate GmbH & Co.KG). The specified values are previous year values
8 Not included in the scope of consolidation as at the balance sheet date (comments on 2.1)
9 Values of equity and net profit for the last financial year are included in the subgroup Dixin Toimistot KY
10 Currency translation into EUR: Equity as at 31.12.2019: 0.85 GBP/Net result at the average rate for 2019: 0.88 GBP
11 Currency translation into EUR: Equity as at 31.12.2019: 4.26 PLN/Net result at the average rate for 2019: 4.30 PLN
12 Currency translation into EUR: Equity as at 31.12.2019: 7.47 DKK/Net result at the average rate for 2019: 7.47 DKK

PATRIZIA holds **direct** and **indirect** interests in the following companies:

List of shareholdings – direct and indirect

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Name of the company	Domicile	Entity currency	Shares in %	Equity in entity currency as at 31.12.2019 (in k)	Net result 2019 in entity currency (in k)
PATRIZIA PROPERTY HOLDINGS LIMITED	London	GBP	94.90	5,181 [2]	–1,970 [2]
PATRIZIA Innovation Fund I SCSp	Luxemburg	EUR	100.00	1,803	–11
PATRIZIA Vermögensverwaltungs GmbH [1]	Augsburg	EUR	100.00	688	0

1 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH
2 Currency translation into EUR: Equity as at 31.12.2019: 0.85 GBP/Net result at the average rate for 2019: 0.88 GBP

Responsibility statement

by the legal representatives of PATRIZIA AG (Group)

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, 13 March 2020

The Management Board

Wolfgang Egger
Chairman of the Management Board, CEO

Alexander Betz
Member of the Management Board, CDO

Karim Bohn
Member of the Management Board, CFO

Dr Manuel Käsbauer
Member of the Management Board, CTIO

Anne Kavanagh
Member of the Management Board, CIO

Klaus Schmitt
Member of the Management Board, COO

Simon Woolf
Member of the Management Board, CHRO

Auditor’s opinion

To PATRIZIA 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 PATRIZIA 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 2019 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 AG for the financial year from 1 January to 31 December 2019. 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 2019, and its financial performance for the financial year from 1 January to 31 December 2019, 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 2019. 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. Recoverability of goodwill
3. 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 AG, shares in companies totalling EUR 525.7, corresponding to 26.5% of the consolidated balance sheet total or 42.5% 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 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 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 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 5.11 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 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 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 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. Recoverability of goodwill

a) Goodwill of EUR 210.3m was reported in the consolidated financial statements of PATRIZIA AG, accounting for 10.6% of total consolidated assets and 17.0% 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 five-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 five-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.

3. Recoverability of fund management contracts

a) Under "Other intangible assets", fund management contracts are reported in the amount of EUR 131.9m in the consolidated financial statements of PATRIZIA AG, accounting for 6.4% of total consolidated assets and 10.7% 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 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.

Auditors 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 22 May 2019. We were engaged by the Supervisory Board on 15 October 2019. We have been the group auditor of PATRIZIA 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, 13 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Franz Klinger	**Stephan Mühlbauer**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Further information

Consolidated balance sheet

Five-year overview in accordance with IFRS

Assets

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EUR k	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
A. Non-current assets					
Goodwill	210,292	201,109	7,366	610	610
Other intangible assets	131,895	166,562	35,224	35,416	37,417
Software	10,326	11,396	11,207	10,772	9,225
Rights of use	24,988	0	0	0	0
Investment property	1,835	8,308	15,979	12,226	20,802
Equipment	6,056	5,890	4,483	4,460	5,015
Associated companies accounted for using the equity method	69,035	76,141	88,905	85,923	88,179
Participations	525,716	499,241	89,114	102,033	81,406
Non-current borrowings and other loans	28,276	27,513	23,291	7,015	5,498
Non-current tax assets	0	0	0	35	78
Deferred taxes	17,305	6,102	331	323	7,013
Total non-current assets	**1,025,274**	**1,002,262**	**275,900**	**258,813**	**255,243**
B. Current assets					
Inventories	113,208	71,534	99,791	182,931	1,057,942
Securities	1,011	3,011	5,010	44	54
Current tax assets	17,318	15,585	9,098	11,941	8,280
Current receivables and other current assets	380,735	355,456	479,920	99,311	131,171
Cash and cash equivalents	449,084	330,598	382,675	440,219	179,141
Total current assets	**961,356**	**776,184**	**976,494**	**734,446**	**1,376,588**
Total assets	**1,987,080**	**1,778,446**	**1,252,394**	**993,259**	**1,631,831**

Equity and liabilities

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EUR k	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
A. Equity					
Share capital	91,060	91,060	89,555	83,956	76,324
Capital reserves	155,222	155,222	129,545	184,005	191,637
Retained earnings					
Legal reserves	505	505	505	505	505
Currency translation difference	−4,818	−15,605	−11,586	−10,803	−869
Remeasurements of defined benefit plans according to IAS 19	−3,459	0	0	0	0
Revaluation reserve according to IFRS 9	78,721	49,503	0	0	0
Consolidated unappropriated profit	889,160	862,421	546,682	491,679	254,004
Non-controlling interests	30,359	10,682	1,691	1,691	18,190
Total equity	**1,236,750**	**1,153,788**	**756,392**	**751,033**	**539,791**
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	112,178	110,387	15,833	17,992	63,253
Retirement benefit obligations	27,564	21,724	776	648	687
Bonded loans	300,000	300,000	300,000	22,000	32,000
Non-current liabilities	25,094	16,836	9,062	6,866	9,262
Leasing liabilities	15,841	0	0	0	0
Total non-current liabilities	**480,677**	**448,947**	**325,671**	**47,506**	**105,202**
CURRENT LIABILITIES					
Short-term bank loans	93,194	0	0	53,200	821,828
Short-term financial derivatives	0	0	0	0	3,677
Bonded Loans	0	0	22,000	5,000	35,000
Other provisions	9,254	23,530	16,083	27,627	2,144
Current liabilities	101,186	99,963	93,123	75,343	99,884
Short-term leasing liabilities	9,328	0	0	0	0
Tax liabilities	56,692	52,218	39,125	33,550	24,305
Total current liabilites	**269,653**	**175,711**	**170,331**	**194,720**	**986,838**
Total equity and liabilities	**1,987,080**	**1,778,446**	**1,252,394**	**993,259**	**1,631,831**

Consolidated income statement

Five-year overview in accordance with IFRS

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EUR k	2019	2018	2017	2016	2015
Revenues	398,703	350,628	249,574	817,879	384,858
Income from the sale of investment property	252	828	691	1,542	10,075
Changes in inventories	−50,535	−28,731	−39,909	−502,018	−166,980
Other operating income	14,607	20,698	17,294	14,252	16,189
Income from the deconsolidation of subsidiaries	585	317	1	194,730	5,277
Total operating performance	**363,611**	**343,740**	**227,651**	**526,385**	**249,419**
Cost of materials	−6,601	−11,699	−17,450	−33,712	−52,438
Cost of purchased services	−28,036	−15,679	−11,450	−14,832	−14,787
Staff costs	−131,769	−124,954	−87,071	−101,313	−93,519
Changes in value of investment property	−791	3,975	6,748	431	462
Other operating expenses	−84,718	−90,742	−82,228	−68,757	−69,973
Impairment losses for trade receivables and contract assets	−429	−1,059	0	0	0
Income from participations	32,891	28,042	49,315	32,667	151,681
Earnings from companies accounted for using the equity method	725	11,852	13,353	7,651	4,232
Cost from the deconsolidation of subsidiaries	0	−377	−750	0	0
EBITDAR	**144,883**	**143,099**	**98,118**	**348,520**	**175,077**
Reorganisation Income	2,377	0	0	0	0
Reorganisation expenses	−10,339	−22,318	−2,330	−20,406	0
EBITDA	**136,922**	**120,781**	**95,788**	**328,114**	**175,077**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment	−55,562	−42,235	−8,681	−6,134	−7,059
Earnings before interest and taxes (EBIT)	**81,360**	**78,546**	**87,107**	**321,980**	**168,018**
Financial income	2,096	3,021	914	3,057	6,666
Financial expenses	−6,111	−6,436	−5,146	−7,361	−23,171
Other financial result	300	0	0	0	0
Result from currency translation	−234	1,175	−2,747	−4,029	−618
Earnings before taxes (EBT)	**77,411**	**76,306**	**80,128**	**313,647**	**150,895**
Income taxes	−21,064	−18,190	−21,230	−57,383	−16,433
Consolidated net profit	**56,347**	**58,116**	**58,898**	**256,264**	**134,462**
Earnings per share (Basic, in EUR)	0.58	0.57	0.60	2.57	1.45

Supervisory Board

As at 31 December 2019

Dr Theodor Seitz

Chairman

Member of the Supervisory Board and Chairman since 2002

Tax consultant and lawyer, partner of the law firm Seitz Weckbach Fackler & Partner, Augsburg

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code

– Chairman of the Supervisory Board of CDH AG, Augsburg

Uwe H. Reuter

First 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

Intra-Group mandates within VHV Holding AG (Chairman of the Supervisory Board):

– VHV Allgemeine Versicherung AG
– Hannoversche Lebensversicherung AG
– VHV solutions GmbH
– VHV Vermögensanlage AG
– VAV Versicherungs-AG, Vienna/Austria

Non-Group mandates (Member of the Supervisory Board):

– E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover
– Hannover Impuls GmbH (Business Development Agency of the city and region of Hanover)

Alfred Hoschek

Second 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

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.

Management Board

As at 31 December 2019

Wolfgang Egger
Chairman of the Management Board, CEO
First appointed on: 21 August 2002
Appointed until: 30 June 2021
Responsibilities on the Management Board
Human Resources, Institutional Clients, Marketing & Communications, Productivity & Performance Platform, Strategic Corporate M&A, Strategy, Technology & Innovation
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Karim Bohn
Member of the Management Board, CFO
First appointed on: 1 November 2015
Appointed until: 31 October 2023
Responsibilities on the Management Board
Accounting, Corporate Finance, Corporate Reporting & Planning, Fund Services, Insurance, Investor Relations, IT & Digitalisation, Procurement & Services, Tax
Disclosures pursuant to article 285 no. 10 of the German Commercial Code
– Member of the Supervisory Board of Dawonia Real Estate GmbH & Co. KG

Anne Kavanagh
Member of the Management Board, CIO
First appointed on: 15 April 2017
Appointed until: 15 April 2022
Responsibilities on the Management Board
Alternative Investments, Fund Management, Logistics, Multi Managers, Product Development & Client Services, Real Estate Development, Region UK & Ireland, Research, Transactions
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Klaus Schmitt
Member of the Management Board, COO
First appointed on: 1 June 2006
Appointed until: 31 December 2020
Responsibilities on the Management Board
Asset Management, Compliance, ESG, Governance, Japan, Legal, Regions, Retail Clients, Risk Management
Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Financial calendar and contact details

Financial calendar 2020

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Date	
19 March 2020	Annual Report 2019 with investor and analyst conference call
14 May 2020	Quarterly Statement for the first quarter of 2020 with investor and analyst conference call
1 July 2020	Annual General Meeting, Augsburg
6 August 2020	Interim Report for the first half of 2020 with investor and analyst conference call
12 November 2020	terly Statement for the first nine months of 2020 with investor and analyst conference call

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This annual report was published on 19 March 2020. 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/

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www.ir-one.de

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PATRIZIA Children Foundation

Our mission is for all children in the world to enjoy equal opportunity.

Access to education is the key to a life of self-determination. And the cornerstones of successful learning are a safe roof over your head, access to healthcare, a school and a place to learn a profession.

Project: PATRIZIA School Buyamba, Uganda

The PATRIZIA Children Foundation has been working in Uganda since 2009. We want children in Uganda, one of the poorest countries in the world, to have access to a decent education. The foundation made it possible to carry out important renovations at PATRIZIA School Buyamba in 2009, 2010 and 2014.

In 2019, foundation members visited the primary school in the south of Uganda to meet staff and schoolchildren and exchange views with them.

A close friendship developed with Vincent.

TALE OF **HAPPINESS**

Vincent's most inspiring role model is his sister, who is 19 and studies medicine. Like her, he'd like to be a doctor one day and make sick people healthy again – or at least ensure that fewer people become unnecessarily affected by disease in his country. As the 13-year-old explains, when one of your parents is severely unwell or even dies, it can sometimes drive the whole family into ruin. He knows what he's talking about. He lost both of his parents when he was very young. "So later, when I'm a doctor and I help someone, I might be saving a whole family."

"Without the PATRIZIA Children Foundation I would never be able to study. I'm really happy to have this chance!"

There was a quantum of luck in Vincent's misfortune. His grandparents took him in. Now he's able to go back to St. Francis primary school in Buyamba. His grandparents live too far away from the PATRIZIA School, however, so Vincent lives at the boarding school. Next year he'll have completed his primary education and he'll advance to the senior school. Then he'll go on to study. "I'll know I'll do it. I'm also doing it for my parents. I sometimes imagine how proud they would be of me, and thinking about that makes me happy."

"MY BIGGEST DREAM IS TO BE A DOCTOR AND MAKE LOTS OF PEOPLE HEALTHY."

Vincent, 13, Uganda

The PATRIZIA School in Buyamba: a school bringing more hope to Uganda

St. Francis is a primary school for children aged between five and fourteen. Buyamba is a community around 200 kilometres north of the capital, Kampala. Were it not for the boarding school next door, many children would not attend school because it would be too far to travel.

Uganda is one of the poorest countries in the world. The first thing the PATRIZIA Children Foundation did in Buyamba was renovate the old classrooms. It also built accommodation for the teachers, added sanitary facilities and built a school canteen with kitchens. That was over a decade ago. Many things have changed since then, but the education standards at the school are among the highest in this extremely poor region. Many former pupils have successfully set up their own businesses and escaped the vicious circle of poverty and no education. For most, it's not money that motivates them, but doing something for their country – just like Vincent.

Medical standards in Uganda

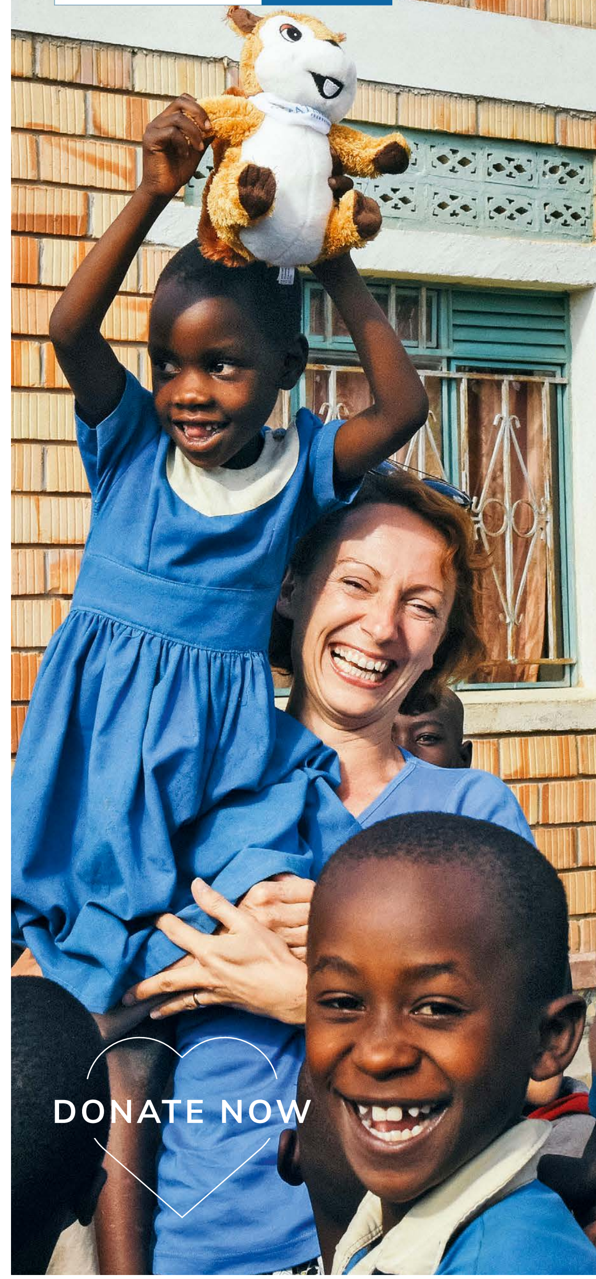
If you're a doctor in Uganda, you're unlikely to face the same challenges as you would in Europe. Many people still die as a result of diseases considered avoidable in Europe, like the measles and cholera. There are also a number of infectious diseases transmitted by mosquitoes and ticks, which can quickly evolve into epidemics. When adults die, a whole host of problems follow. Children become orphaned and are unable to go to school because they have to work to feed their brothers and sisters.

Medical treatment – something we also consider indispensable in Uganda

More and more people travel these days and as they move around the world, they bring disease with them. An increasing number of tourists now travel to the national parks and world heritage sites in Uganda; businesspeople come to the country to trade in coffee, tea and cotton, and as result – there are now lots of infectious diseases in the country. For a country like Uganda, being in a position to care for its own medical needs is also in our interests. Uganda has achieved a great deal in this area in recent years. In 2018, it succeeded in containing the Ebola virus along the border to Kenya by conducting strict screening at airports and border crossings. Having enough doctors and nurses is a basic prerequisite for a functioning health system. Young people like Vincent will keep Uganda independent and play their part in providing a happier future for this country.

The current Corona pandemic highlights how important it is to bolster local and regional infrastructure. It is a matter of concern to us to foster a sustainable community and enable children like Vincent to write their own tales of happiness. To achieve this, we work directly with our local partner organisations in each country. This is only possible thanks to the financial support of our sponsors. Our goal is to help as many children as we can in all areas of the world. You can also support one of our projects – in Buyamba for example.
https://www.patrizia.foundation/en/become-a-sponsor/

PATRIZIA CHILDREN FOUNDATION SINCE 1999



PATRIZIA CHILDREN FOUNDATION

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PatriziaChildrenFoundation
#patriziachildrenfoundation

Donation Account

PATRIZIA Children Foundation:
IBAN DE59 7208 0001 0160 0333 00
BIC DRESDEFF720

STRONG...

... PAN-EUROPEAN PLATFORM
... PRODUCT OFFERING
... TRACK RECORD
... GROWTH PROFILE

PATRIZIA