PATRIZIA

NEXT NOW

DELIVERING PERFORMANCE

IN REAL ASSETS INVESTMENT MANAGEMENT

ANNUAL REPORT 2021

PATRIZIA Foundation
Building better futures.

Educational opportunities for all children – together for a better future

PATRIZIA Foundation prepares KinderHaus facilities for digital learning

Even the teenagers are helping with the construction of the school.

The second year of the pandemic posed major challenges to the PATRIZIA Foundation's educational mission: schools around the world remained closed, with access to education out of reach for many children. With the "Digital Classroom" project, the Foundation promotes the development of infrastructures for digital learning. Implementation started in 2021 in three pilot countries.

By building schools, the PATRIZIA Foundation supports the United Nations' education goal (SDG4 of the Sustainable Development Goals): ensure inclusive, equitable and quality education and promote lifelong learning opportunities for everybody. For a sustainable impact, when a new project is created, both the Foundation and its partners commit to the operation of each facility for at least 25 years.

Digitech – an opportunity to foster change

The coronavirus crisis has shown that in addition to the creation of educational infrastructure, it needs also offers that re-enable access to education even under difficult circumstances. This is why the PATRIZIA Foundation is promoting the development of digital learning infrastructures and is also developing a special adaptive concept based on the digital classroom. The concept will initially be introduced in three pilot countries (Cameroon, Nepal and Rwanda). The factors that have to be considered include infrastructure, electricity supplies, internet access, energy required for maintenance purposes, computer programs, platforms, and end devices. The project also has a bearing on training in each location on both methods used and teaching skills so that digital learning can be integrated into school lessons. By working with each local partner and adapting methods to the school's individual situation, the new digital solutions should be sustainable in the long term. Together with the local partner and adapted to the respective school situation, sustainable digital solutions are to be implemented in this way.

Cameroon: Ready for digital learning – a special training for teachers

In July 2021, pedagogue Beatrice Rutishauser Ramm travelled to the school in Yaoundé on behalf of the PATRIZIA Foundation to prepare teachers and school management for digital learning. The four-day course was based on a method called Essence of Learning (EoL) and various aspects of blended learning. The participants learned how they can do more to promote self-directed, child-centred learning to allow acquired knowledge to be used in everyday life. "One important conclusion from the training is that more emphasis should be given to self-directed learning, self-correction, individual decision-making and critical cognitive skills, as envisaged in any school concept of qualitative education based on SDG4," explains the PATRIZIA Foundation's education expert.

Beatrice Rutishauser Ramm (left) during textbook analysis with the teachers.

PATRIZIA Foundation
Building better futures.

PATRIZIA School Dhoksan - the Future Classroom is to be built in a Nepalese mountain village.

Nepal: The “Future Classroom“ architecture competition

The digital classroom at the PATRIZIA School Dhoksan in Nepal has kicked off with an architecture competition. All 13 architecture faculties in Nepal participated in the contest, and in total the students submitted 71 creative proposals. When designing their dream classroom, they should pay particular attention to three factors: the future of school education and the learning atmosphere; digital transformation; sustainable and non-hazardous building materials. In October, 39 finalists were presented. The next step will be for the finalists to select one winner from each faculty themselves who will then form a team, which will join forces at design workshops to develop a digital classroom for the school in Dhoksan together.

Rwanda: ICT lab for students at the vocational school

At the PATRIZIA Vocational Training Center Ntarama, funds from the Foundation’s coronavirus relief fund were used to finance a computer lab, which the students have already built themselves. It will be equipped now with 40 laptops, projectors, printers, tables and chairs. In addition, the defective solar system will be repaired to ensure power supply, and students will be given a training opportunity to become solar system technicians so that they can repair and maintain such systems themselves in the future. In the future, both the students and the teachers will benefit from the digital classroom, as they will be able to prepare their lessons with the help of online-based teaching materials and videos.

Students of the PATRIZIA Vocational Training Center Ntarama at the Remote Run for Rwanda.

Volunteering activities by PATRIZIAns

Through the Lakes Challenge, the participants raised more than EUR 100,000 for a school in Uganda.

At the patriziaride, the participants cycled virtually to Nepal.

Jan Kuhn

Christina Lutz

Neerav Nemchand Gala

PATRIZIA employees continued to support the Foundation in 2021 through numerous volunteering activities such as the „Remote Run for Rwanda“ and the „Cycle to Nepal“ challenges (both supporting the digital classroom projects in the respective countries), Excel training supporting the KinderHaus facilities in India, and the Lakes Challenge supporting the PATRIZIA School Buyamba in Uganda.

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

www.patrizia.foundation

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Key figures

Financial performance indicators

	2021	2020	Change
Assets under Management	EUR 48.6bn	EUR 47.0bn	3.5%
Operating income[1]	EUR 118.3m	EUR 116.5m	1.6%
Cost Coverage Ratio (CCR)[2]	120.7%	119.8%	0.9 PP
EBITDA[1]	EUR 128.9m	EUR 115.7m	11.4%
EBITDA margin[2]	35.9%	33.3%	2.6 PP

[1] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Operating income will be replaced by EBITDA. Please see chapter 1.4.2 for the definition of operating income and the derivation of EBITDA.
[2] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Cost Coverage Ratio (CCR) will be replaced by EBITDA margin. Please see chapter 1.4.2 for the definition of Cost Coverage Ratio (CCR) and the derivation of EBITDA margin.
PP = percentage points

Revenues and earnings

EUR k	2021	2020	Change
Revenues	318,163	301,693	5.5%
Total operating performance	339,856	316,275	7.5%
EBITDA	128,922	115,686	11.4%
EBIT	93,311	73,377	27.2%
EBT	87,708	62,046	41.4%
Consolidated net profit	51,808	40,678	27.4%

Structure of assets and capital

EUR k	31.12.2021	31.12.2020	Change
Non-current assets	1,067,145	1,033,018	3.3%
Current assets	994,312	929,065	7.0%
Equity (excl. non-controlling interests)	1,282,809	1,237,240	3.7%
Equity ratio (excl. non-controlling interests)	62.2%	63.1%	-0.8 PP
Net equity ratio	74.6%	76.4%	-1.9 PP
Non-current liabilities	352,477	419,214	-15.9%
Current liabilities	390,477	273,363	42.8%
Total assets	2,061,457	1,962,083	5.1%

PP = percentage points

PATRIZIA share

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	PAT
Issued shares as at 31.12.2021	92,351,476 shares
Outstanding shares as at 31.12.2021[1]	88,620,175 shares
Treasury shares as at 31.12.2021	3,731,301 shares
2021 high[2]	EUR 26.55
2021 low[2]	EUR 19.98
Closing price as at 31.12.2021[2]	EUR 20.50
Share price performance 2021[2]	-21.9%
Market capitalisation as at 31.12.2021	EUR 1.9bn
Average trading volume per day 2021[3]	43,861 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] Reduced number of shares compared to the issued shares due to share buybacks
[2] Closing price on Xetra-trading
[3] All German stock exchanges

Preamble by the Management Board

Dear Shareholders,
Dear Readers,

In challenging and uncertain market environments, the value of strong and reliable partnerships is more relevant than ever for clients, tenants, business partners, and shareholders – it is all about trust. Over the past two years, PATRIZIA successfully managed to balance the interests of clients and tenants and achieved solid incomes and attractive returns on its investments. While navigating through the uncertainties of the pandemic, we are holding our course and continue to make significant progress with our mid-term strategy.

We are laying the foundations today for our clients' success tomorrow. We are focusing on what is coming next to deliver performance: stable, high-quality portfolios will feature smart cities, alternative concepts for living, the next level of sustainability, vibrant communities, innovations to improve people's lives, connectivity, and much more.

NEXT NOW – Delivering performance in real assets investment management

We are expanding our offering in a structural growth market. According to Preqin's "2022 Global Real Estate Report", the global real estate assets under management (AUM) are expected to grow by 41% over the next five years.[1] Infrastructure is expected to grow even faster and overtake real estate as the largest alternative asset class by end of 2026.[2] To reflect the growing investment interest, we are continuously expanding the investment opportunities for our clients.

We also launched new products at the end of the year and in the beginning of 2022. For example, we are enabling our clients to benefit from debt exposure in the real estate market via our "PATRIZIA Global Real Estate Debt" product launched in 2021. Moreover, we launched the "PATRIZIA Sustainable Communities" fund, our first impact investment fund, in February 2022. While both new funds complement our broad product suite with additional asset classes, we also continued to grow our real estate flagship funds. In January 2022, we reached the EUR 1.5bn equity milestone for our "Living Cities" fund that we want to grow to at least EUR 2bn equity in 2022.

We are respected as one of the leading fundraisers and independent real estate investment manager in Europe. With EUR 16.9bn equity raised over the past 10 years, PATRIZIA is the second most successful fundraiser globally for Europe-focused Private Real Estate Funds.[3]

The year 2021 in review – Solid Financial Results

Also in 2021, we were able to build on our strengths. Our diversified client base entrusted us with equity commitments of EUR 2.6bn – a significant increase of 39% compared to the previous year. International investors contributed more than half of the equity commitments. In addition, we grew our global institutional client base, such as pension funds, insurance companies and sovereign wealth funds, by over 50 to more than 500 and strengthened our retail base with now over 6,000 German private and (semi-)professional clients. Reflecting PATRIZIA's strong platform and increased market activities, our volume of signed transactions rose by 24% to EUR 6.8bn and clearly surpassed the moderate transaction levels of 2020.

Even in an ongoing challenging market environment determined by the pandemic, we achieved an operating income of EUR 118.3m that was in the middle of the broader range of EUR 100 to 145m we guided in February 2021. Compared to the FY 2020, operating income improved by 1.6%. We further enhanced our earnings quality by expanding recurring management fees. The service fee income – which combines management, transaction, and performance fees – totalled to EUR 346.2m, an increase of 5.7% to the previous year.

Our client base provides us with a strong basis to further grow our AUM and benefit from the structural growth in real assets investment management as many clients invest in several PATRIZIA funds and focus on long-term investments. More than 75% of our AUM have a maturity of more than 10 years. In 2021, our AUM continued to grow to EUR 48.6bn, up 3.5% compared to 2020.

As our clients are focusing more on value creation in strategic project developments, we have grown our share of project developments. While investments in existing properties are immediately fully accredited to the managed assets, project developments will only be fully accounted for after completion. Therefore, project developments have temporarily led to a deferred growth in our AUM and thus did not contribute directly to our AUM growth in the past year.

[1] Preqin, 2022 Global Real Estate Report, January 2022: https://www.preqin.com/Portals/0/Documents/RE%20Globals%20PR%20FINAL.pdf?ver=2022-01-12-084820-883
[2] Preqin, 2022 Global Infrastructure Report, January 2022: https://www.preqin.com/Portals/0/Documents/INFRA%20Global%20PR%20FINAL.pdf?ver=2022-01-12-084550-803
[3] Preqin Global Real Estate Report 2020

Reflecting our solid business development, we will – in agreement with the Company's Supervisory Board – propose to the 2022 Annual General Meeting to continue our positive dividend history and again increase our dividend payments per share. We will suggest a dividend of EUR 0.32 per share, i.e., an increase of 6.7% or EUR 0.02 per share – the fourth consecutive increase in dividends in a row.

The year 2021 in review – Progress on our strategic journey

In 2021, we were also able to achieve milestones on our strategic journey to become a leading partner for global real assets. We continued this journey with clear strategic priorities to further grow our AUM and recurring fees to achieve stable and growing profits for our shareholders:

- Grow the scope of our product shelf,
- Further internationalise our client base and investments,
- Simplify our business through digitalisation and innovative technologies for excellent services that build a stable basis for future growth, and
- Deepen our value creation across the whole value chain.

Transformational Whitehelm acquisition

The most important milestone of 2021 was our transformational acquisition of the infrastructure investment manager Whitehelm Capital. The infrastructure investment manager with offices in Sydney, Canberra, and London, strengthens our global reach, and perfectly complements our international client base and product offering. Clients will benefit from a much broader and more diversified infrastructure investment offering in a key structural growth market, as global infrastructure investments are growing rapidly and are expected to increase from currently USD 2.8tn to USD 3.8tn per year in 2040.[4]

With the closing of the acquisition on February 1, 2022, we will have grown our AUM to more than EUR 50bn and tripled our infrastructure assets to approximately EUR 5bn. In short, with the integration of Whitehelm Capital we have made major progress in becoming a leading partner for global real assets.

Despite this transformational acquisition, we will still have available liquidity of more than EUR 450m after closing of the transaction, enabling us to continuously assess opportunities for additional acquisitions to further expand our offering in line with our mid-term strategy.

Conversion to international legal form SE and expanded Supervisory Board

In addition, we are further growing our global footprint and internationalisation strategy by moving to a new legal structure that is well recognised internationally. We initiated the conversion of PATRIZIA AG into a European Company, "Societas Europaea" or "SE", and plan to complete this conversion in 2022 with a vote at the next Annual General Meeting. The international legal form will be closer aligned to our growing international profile and business.

We also strengthened our corporate setup with the expanded, more diverse, tech-savvy Supervisory Board that was elected at our last Annual General Meeting in October 2021. With Chairman Uwe H. Reuter, who served in PATRIZIA AG’s Supervisory Board as Deputy Chair since 2017, the new Supervisory Board combines continuity with new impulses for our internationalisation and digital transformation with the new members:

- Axel Hefer, Chief Executive Officer of Trivago N.V.;
- Marie Lalleman, Senior Advisor to CEOs and C-Suite;
- Jonathan Feuer, Private Equity Investor and Non-Executive Chairman of Eigen Technologies;
- Philippe Vimard, Chief Operating Officer and Chief Technology Officer of Doctolib SAS.

Progress in Technology & Innovation and Digitalisation

Our Supervisory Board’s broad experience in different fields of the digital economy will help us with further developing our global ecosystem for innovations and in digitalising our core business processes and services. Over the past years, our Technology & Innovation team has built a global network to partner early on with interesting technology companies and has put together a portfolio of innovative technologies to improve our products, processes, and services.

For example, in 2022 we are rolling-out Smart Building Technologies across our portfolio. Through more energy efficiency, reduced operating costs and better services, these new technologies will ultimately increase the value of the assets we manage and accelerate implementing sustainability measures across our managed assets. After the successful implementation, we will offer the solution also to third parties and thus explore new business fields.

[4] G20 Global Infrastructure Outlook, https://outlook.gihub.org

Also, we build on the experience and network of our Technology & Innovation team to broaden our investment offering. We have launched our Sustainable Future Ventures (SFV) fund – a Venture Capital fund for the built environment with the aim to grow a portfolio of technology companies that have the potential to change the way we finance, build, and use real estate.

In addition, we bundled our administrative services into one organisation that will serve as a one stop shop service platform for all fund, portfolio, asset, and IT services. As a result, we are connecting all services into one digital platform, to enable seamless end-to-end processes and the consistent use of data across the whole real asset value chain. Our new "Fund Services+" organisation went live in October 2021. It will drive the further digitalisation of our services, support our growth ambition and has the potential to generate additional third-party revenues.

Outlook: Mid-term strategy and business development 2022

Despite the Covid-19 related headwinds over the last two years, our strategic route and organic AUM annual growth targets of 8 to 10% on average remain unchanged, with upside potential in case of additional acquisitions. For example, with the integration of Whitehelm we see strong growth potential in our infrastructure segment that we intend to grow from currently about EUR 5bn to EUR 15 to 20bn AUM in the mid-term.

Another growth dimension will be the continued internationalisation of our business. With 26 offices in the world's important financial centres, we will further drive the internationalisation of our client base and investments. We expect to utilise Whitehelm's strong footprint in APAC, our strengthened office in Japan, as well as our presence in Hongkong, Seoul, and Singapore to further grow our AUM and investor base in the region.

We will continue to grow our international flagship funds, including Living Cities, Hanover, TransEuropean, PanEuropean, further expand our product suite and deepen our value chain with innovative technologies and services.

For 2022, we will provide guidance based on our EBITDA (replacing operating income) and EBITDA margin (replacing Cost Coverage Ratio) to simplify our reporting and make our performance easier comparable with our peers. In 2021, we achieved an EBITDA of EUR 128.9m. For 2022, we expect an EBITDA in the range of EUR 120 to EUR 145m and an EBITDA margin of between 35% and 38% based on the assumption that our AUM will grow organically to between EUR 57 – 60bn. By growing our AUM, we will further increase our income from management fees and, thus, continue to improve our earnings quality through recurring fees.

Sustainability – building on our purpose: "Building Communities & Sustainable Futures"

Since its foundation in 1984, PATRIZIA has been driven by a strong purpose: "Building Communities & Sustainable Futures". It guides us in defining our strategic and everyday priorities, strengthens our identity as PATRIZIAns and nurtures a strong corporate culture of collaboration and joined achievements. For us, it is a priority to keep this spirit alive.

In 2021 we defined our path for contributing to sustainable real assets and developed four overarching sustainability goals to live-up to our purpose:

- Become a leading sustainable investor in real assets with a consistent UN PRI five-star rating from 2025 onwards and a majority of our assets certified under our Create Better[5] programme.
- Be an employer of choice in the real asset sector.
- Become a leading global impact investor with a meaningful part of our assets under management in impact investments[6] by 2035.
- Achieve net zero carbon[7] status across our corporate operations and real asset portfolio by 2040 or earlier, with a clear ambition to execute as fast as external and our stakeholder requirements permit.

We strive to embed sustainability in everything we do at PATRIZIA. Therefore, we translate our overarching goals into trajectory paths and pathway goals to ensure that we make continuous progress. For example, our flagship funds fully integrate sustainability into their operations, including transactions, project developments, fund and asset management, as well as fund reporting.

[5] Create Better is an example of PATRIZIA's culture of innovation and was implemented as an internal campaign. In the near future, this will be defined as a certification framework representing best practice approaches in the sector.
[6] As defined in the PATRIZIA Impact Investing policy, which broadly aligns to Article 9 of the EU Sustainable Finance Disclosure Regulation (2088/2019) and equivalents in other jurisdictions.
[7] Includes operational emissions and embodied carbon for new developments and major refurbishments, excluding the 'sunk' embodied carbon of the standing portfolio. Further details of the commitment, including a granular breakdown of the scope of the target, can be found in the PATRIZIA Net Zero Carbon Strategy paper, which will be published during H1 2022.

In addition, we work on continuously improving as an employer of choice for everyone. In 2021, we setup our Equity, Diversity & Inclusion (ED&I) Council sponsored by Alexander Betz, our Chief Digitalisation Officer (CDO), Anne Kavanagh, Chief Investment Officer (CIO), and Simon Woolf, our Chief Human Resources Officer (CHRO). A diverse group of PATRIZIAns engages in the Council and in the work of the related project groups. The Council will advise on all ED&I initiatives across PATRIZIA and provides governance on ED&I priorities, programmes, actions, and metrics. With the help of the Council, we want to review and upgrade people strategies – including recruitment, inclusion and retention, development and trainings, and overall diversity awareness – to ensure equitable, diverse, and inclusive practices.

From PATRIZIA’s early beginning on, we took responsibility for our communities. For more than two decades, we have been supporting the PATRIZIA Foundation that over the years has given about 250,000 children worldwide access to education and thus the chance to live better lives. On top of our ongoing financial commitment to the foundation, several hundred PATRIZIAns and friends of PATRIZIA engaged in the volunteering activities of the foundation to support projects in Rwanda, Uganda, and Nepal. For example, the PATRIZIA Lake District Charity Challenge raised more than EUR 100,000 for the PATRIZIA School Buyamba in Uganda. PATRIZIA shareholders are active supporters of creating a better future for those in need, with up to 1% of annual operating income allocated to social projects, such as the PATRIZIA Foundation.

Our skilled, hard-working and passionate employees were fundamental to achieve the solid financial results and the strong progress we made in our strategic development. Through their expertise, engagement, and relentless efforts they generate added value for PATRIZIA and its stakeholders. Therefore, we would like to thank our employees for their valuable contributions throughout another year of great progress, a growing client base and solid business results! Their achievements and great collaboration motivate us to strive for ambitious goals to further develop PATRIZIA as a leading global real assets investment manager.

We would also like to thank you, our shareholders, our clients and business partners for your trust, loyalty and friendship, even in uncertain times. And we look forward to continuing PATRIZIA's strategic route with you!

Augsburg, 15 March 2022

The PATRIZIA AG Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Thomas Wels
Member of the
Management Board,
Co-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

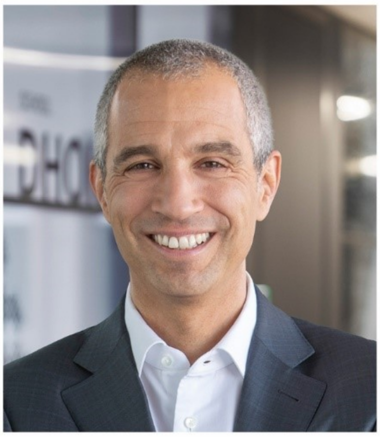
Simon Woolf
Member of the
Management Board,
CHRO

MANAGEMENT BOARD PATRIZIA AG

Wolfgang Egger
CHAIRMAN OF THE MANAGEMENT BOARD, CEO

Thomas Wels
MEMBER OF THE MANAGEMENT BOARD, CO-CEO

Alexander Betz
MEMBER OF THE MANAGEMENT BOARD, CDO



Karim Bohn
MEMBER OF THE MANAGEMENT BOARD, CFO

Manuel Käsbauer
MEMBER OF THE MANAGEMENT BOARD, CTIO

Anne Kavanagh
MEMBER OF THE MANAGEMENT BOARD, CIO

Simon Woolf
MEMBER OF THE MANAGEMENT BOARD, CHRO

Supervisory Board report

Dear Shareholders,
Dear Readers,

Although fiscal year 2021 was once again dominated by the global Covid-19 pandemic, PATRIZIA AG once again realised numerous attractive investment opportunities for its national and international clients. Both the transaction volume and the equity raised increased significantly compared to the previous year. This once again underlines PATRIZIA's strong market position as a leading partner for global real assets.

Composition of the Supervisory Board and Committees

In the period until the entry of the amendment to the Articles of Association resolved at the Annual General Meeting on 14 October 2021 in the commercial register, the Supervisory Board consisted of three members. With the entry of the amendment to the Articles of Association in the commercial register on 3 November 2021, the Supervisory Board was expanded to five members.

Dr Theodor Seitz and Mr Alfred Hoschek retired from the Supervisory Board at the end of the Annual General Meeting on 14 October 2021. The Supervisory Board thanks Dr Seitz and Mr Hoschek for their many years of successful service. The Annual General Meeting elected Mr Axel Hefer and Ms Marie Lalleman as new members with effect from the end of the Annual General Meeting, and Mr Jonathan Feuer and Mr Philippe Vimard as new members with effect from the entry of the amendment to the Articles of Association in the commercial register.

For the period in which the Supervisory Board consisted of only three Supervisory Board members, the Supervisory Board had not formed any committees. An Audit Committee was established from 15 November 2021 and a Nomination and Remuneration Committee from 15 December 2021.

Cooperation between the Management Board and the Supervisory Board

In the fiscal year 2021, the Supervisory Board of PATRIZIA AG diligently performed all the duties assigned to it by law, the Articles of Association and the Rules of Procedure. We regularly advised and monitored the Management Board on its management of the Company. At the same time, we were involved in all key decisions at an early stage. The Management Board regularly informed us in writing and verbally about the fundamental aspects of business development for the company and the Group, fundamental questions of corporate management, the current opportunities and risks of the earnings and liquidity situation as well as the intended business policy. The Management Board of PATRIZIA AG provided detailed explanations and reasons for the corporate planning and deviations in the course of business from the planning.

Meetings of the Supervisory Board

Fourteen Supervisory Board meetings were held in the reporting year. The high number can be explained in particular by strategic M&A activities, the planned conversion of the company into an SE (Societas Europaea) and the reconstitution of the Supervisory Board. In addition, an Audit Committee meeting was held for the first time on 13 December 2021. Due to the Covid-19 pandemic, most of the meetings were held virtually. Where necessary, the Supervisory Board met without the Management Board. There was also a regular exchange between the Management Board and the Supervisory Board, represented by the Chairman of the Supervisory Board, outside of the regular meetings. In addition, a conference call was held with the CFO prior to the publication of the half-year and quarterly figures to discuss the financial results - if these were not discussed in meetings. Where the approval of the Supervisory Board was required by law, the Articles of Association or the Rules of Procedure for individual measures, we made our decisions on the basis of comprehensive reports and resolution proposals from the Management Board. If necessary, urgent resolutions of the Supervisory Board were passed by circulation.

Focal points of advisory and supervisory activities

The subject of the meetings were important fundamental and individual issues, the strategy of the Group as well as the economic situation including the risk situation and risk management.

In a first extraordinary meeting on 2 March 2021, the targets for the variable remuneration of the Management Board for the current financial year were discussed. In another extraordinary meeting on 11 March 2021, the Supervisory Board decided on the budget for the financial year 2021 and a maximum remuneration for the Management Board.

The extraordinary meeting of the Supervisory Board on 16 March 2021 was also the meeting to approve the financial statements for the past financial year 2020, at which the auditors of Deloitte GmbH Wirtschaftsprüfungsgesellschaft also reported on their auditing activities for the financial year 2020. After examining the annual financial statements 2020 and the consolidated financial statements as well as the combined management report on the situation of the Company and the Group, the Supervisory Board adopted the annual financial statements and approved the consolidated financial statements. The Supervisory Board also examined the Company's dependency report for the financial year 2020. The Supervisory Board concurred with the Management Board's recommendation to pay a dividend of EUR 0.30 per share to the shareholders for the financial year 2020.

In the first ordinary meeting on 17 March 2021 the CFO explained the current business development including relevant key figures. In addition, reports were given on the topic of compliance, the CDO's business area and projects, the digitalisation strategy and PATRIZIA's ESG and sustainability strategy. Information was also provided on current topics from the operating business, the effects of the Covid-19 pandemic on the course of business and pending legal disputes. Finally, an adjustment to the business allocation plan for the Management Board, as well as the approval of interim financing for an acquisition project, was resolved.

On 29 March 2021, an extraordinary meeting was held in which the Supervisory Board decided on the targets for the variable remuneration of the Management Board members.

In another extraordinary meeting on 11 May 2021, the CFO explained the business figures for the first quarter of 2021. In addition, the programme proposed by the Management Board to buy back shares in PATRIZIA AG was resolved.

On 23 June 2021, the Supervisory Board met for its second ordinary meeting. Reports were given on the current business figures, the effects of the Covid-19 pandemic on the course of business, current developments in the Technology & Innovation department and the CFO's department, and in particular on risk management, the risk management system and internal auditing. Finally, the Management Board informed the Supervisory Board in detail that a conversion of PATRIZIA AG into a monistic SE was currently being examined. Furthermore, the variable targets for Management Board remuneration for the fiscal year 2021 (both corporate targets and individual targets for the individual Management Board members) and regulations on dealing with conflicts of interest were resolved.

On 30 July 2021, an extraordinary meeting was held in which a basic decision was made on the implementation of the SE conversion. In addition, ongoing projects and planned M&A transactions were discussed and the CFO reported on the expected financial results for the first half of the year 2021.

Further extraordinary meetings were held on 3 and 6 September 2021 to discuss and pass resolutions on the acquisition of the infrastructure investment manager Whitehelm Capital.

On 14 September 2021 the Supervisory Board met for its third ordinary meeting and was informed about the product profitability of the company, in addition to the report from the operational areas and the effects of the Covid-19 pandemic on the course of business. Another topic was the results of a project to optimise internal processes in the area of fund administration, including a benchmark study by McKinsey & Company, Inc. and a process optimisation study conducted by Porsche Consulting GmbH. The results of these studies and the steps to be derived from them for the further strategy were subsequently discussed in detail. In addition, regular information was provided on the topics of compliance, risk management and litigation.

In an extraordinary meeting on 3 December 2021, the newly constituted Supervisory Board was given a comprehensive presentation of all PATRIZIA AG business areas and discussed current topics.

In another extraordinary meeting on 13 December 2021, the CFO reported on the current business figures and the impact of the Covid-19 pandemic on business performance. In addition, rules on the cooperation between the Management Board and the Supervisory Board were discussed and the relevant targets for the Long-Term Incentive Plan of the executives participating in it for the financial year 2021 were decided.

In the last ordinary meeting of the reporting year on 15 December 2021, the Supervisory Board dealt in detail with the annual planning and corporate goals for the financial year 2022. In addition to a strategic update by the Co-CEO, the Supervisory Board was briefed on D&O insurance issues, ongoing litigation and current corporate governance topics. Furthermore, a new edition of the PATRIZIA AG share buy-back programme was discussed in detail and approved by the Supervisory Board.

Individual attendance of meetings by Supervisory Board members in 2021

The respective members of the Supervisory Board in office attended all meetings of the Supervisory Board in the 2021 business year - with the exception of two meetings, at each of which one member was not present. At five meetings of the Supervisory Board in the financial year 2021 the Supervisory Board also met without the Management Board. Details on individual meeting attendance can be found in the following overview:

Individual meeting attendance of Supervisory Board members in 2021

Supervisory Board member	Total meeting attendance	Total meeting attendance in %
Uwe H. Reuter	14/14	100%
Dr Theodor Seitz - (until 14 October 2021)	11/11	100%
Alfred Hoschek - (until 14 October 2021)	10/11	91%
Axel Hefer - (since 14 October 2021)	3/3	100%
Marie Lalleman - (since 14 October 2021)	3/3	100%
Jonathan Feuer - (since 3 November 2021)	3/3	100%
Philippe Vimard - (since 3 November 2021)	2/3	67%

No conflicts of interest were known in the Supervisory Board during the reporting year. The members of the Supervisory Board regularly undertook further training on their own. The Company supported the members of the Supervisory Board in training and further education measures. For this purpose, the Company provided the members of the Supervisory Board with information on current legal requirements relevant to the Supervisory Board. In addition, regular capital markets updates were provided to the Management Board and the Supervisory Board.

Other resolutions

In addition to the resolutions passed during the Supervisory Board meetings, circular resolutions were passed, among others, on the reappointment of Management Board members, on amendments to Management Board employment contracts, on the election of a new Chairman of the Supervisory Board and a Deputy Chairman of the Supervisory Board, as well as on the remuneration system of the Management Board.

Corporate Governance

The Management Board and Supervisory Board published the Corporate Governance Statement on the PATRIZIA website at www.patrizia.ag/en/shareholders/corporate-governance/corporate-governance-statement/ on 15 March 2022. Among other things, this declaration contains information on the working methods of the Management Board and Supervisory Board, the diversity concept, age limits and the targets for the share of women on the Supervisory Board, the Management Board and the first two management levels below the Management Board.

On 15 December 2021, the Supervisory Board adopted the Declaration of Conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with §161 AktG (German Stock Corporation Act; GCGC 2020). The recommendations were complied with during the year, with a few exceptions. With the reorganisation of the Supervisory Board and the formation of the Audit Committee and the Nomination and Remuneration Committee, the final deviations were eliminated in the fourth quarter of 2021, so that PATRIZIA now fully complies with the Code. The current and all previous Declarations of Conformity are also permanently available on the PATRIZIA website.

As an exception, my colleagues on the Supervisory Board and I have decided not to conduct a self-assessment in 2021 due to the expansion of the Supervisory Board and the fact that it is largely made up of new members. In the coming year, however, such an assessment will take place again as usual.

Audit of the 2021 annual and consolidated financial statements

The annual financial statements of PATRIZIA AG prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with IFRS, the combined management report for PATRIZIA AG and the Group for the fiscal year 2021 and the remuneration report were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, including the accounting records, and were each given an unqualified audit opinion. The members of the Supervisory Board of PATRIZIA AG received the aforementioned documents and the audit reports of Deloitte GmbH Wirtschaftsprüfungsgesellschaft in good time. The Management Board and the responsible auditors explained the results of the audit to us at the balance sheet meeting on 11 and 15 March 2022 and provided additional information. Deloitte also determined that the Management Board has established an appropriate early risk detection system. No material weaknesses in the internal control system and the risk management system related to the accounting process were reported. In addition, the Management Board explained the financial statements of PATRIZIA AG and the Group as well as the risk management system at this meeting.

The Supervisory Board and its committees have also examined the annual financial statements of PATRIZIA AG, the consolidated financial statements, the combined management report for the Company and the Group for the fiscal year 2021, the remuneration report and the Management Board's proposal for the appropriation of net retained profits and have raised no objections. We noted the auditor's findings and approved the annual and consolidated financial statements. The annual financial statements of PATRIZIA AG for the fiscal year 2021 are thus adopted. The Supervisory Board concurred with the Management Board's proposal for the appropriation of profits for the fiscal year 2021 and supports the payment of a dividend of EUR 0.32 per share. The remaining amount of the balance sheet profit according to HGB will be carried forward to new account.

The Audit Committee and the Supervisory Board also dealt with the non-financial statement included in chapter 1.5 in the combined management report of the Company and the Group. The Management Board explained the relevant pages in detail at the meetings and answered supplementary questions from the Supervisory Board members. The Supervisory Board had no objections after its examination.

Audit of the dependency report

The report by the Management Board of PATRIZIA AG on relationships with related parties for the fiscal year 2021 was also examined by the auditor. All legal and business relationships with related parties listed therein correspond to standard market conditions as they would have been concluded between the PATRIZIA Group and third parties. There were no transactions with related parties within the meaning of Sections 107 and 111a to 111c AktG (German Stock Corporation Act) which would have required the approval of the Supervisory Board in the fiscal year 2021. The auditor issued the following statement on the dependency report:

"Following our statutory audit and assessment, we confirm that

- the actual information in the report is correct,
- in the legal transactions listed in the report, the company's performance was not unreasonably high."

The dependency report prepared by the Management Board and audited by the auditor as well as the associated audit report were made available to all members of the Supervisory Board in due time. After concluding its examination, the Supervisory Board raises no objections to the report and the final declaration of the Management Board contained therein.

PATRIZIA has managed to continue to grow and generate solid results for its stakeholders in 2021 despite the ongoing economic challenges caused by the Covid-19 pandemic. Our sincere thanks therefore go to the Management Board and all employees for what has been achieved. With your expertise and hard work, you have contributed significantly to this positive business development.

Augsburg, 15 March 2022

For the Supervisory Board of PATRIZIA AG

Uwe H. Reuter
Chairman

Supervisory Board f. l. t. r.: Philippe Vimard, Axel Hefer, Marie Lalleman, Uwe H. Reuter, Jonathan Feuer

The PATRIZIA share

PATRIZIA's key share data

		2021	2020	2019
Share prices				
High	EUR	26.55	26.65	20.48
Low	EUR	19.98	16.60	15.90
Closing price as at 31.12.	EUR	20.50	26.25	19.86
Share price performance	%	-21.90	32.18	19.30
Market capitalisation as of reporting date	EUR bn	1.9	2.4	1.8
Average trading volume per day[1]	EUR	985,950	1,785,860	1,407,100
Average trading volume per day[1]	Shares	43,861	83,192	76,778
Annual share turnover[2]		0.12	0.23	0.21
Issued shares as of reporting date	Shares	92,351,476	92,351,476	92,351,476
Outstanding shares as of reporting date	Shares	88,620,175	89,682,931	91,059,631
Treasury shares as of reporting date	Shares	3,731,301	2,668,545	1,291,845
Earnings per share undiluted (IFRS, unadjusted)	EUR	0.54	0.42	0.58
Earnings per share diluted (IFRS, unadjusted)	EUR	0.54	0.42	0.58
Dividend per share	EUR	0.32	0.30	0.29

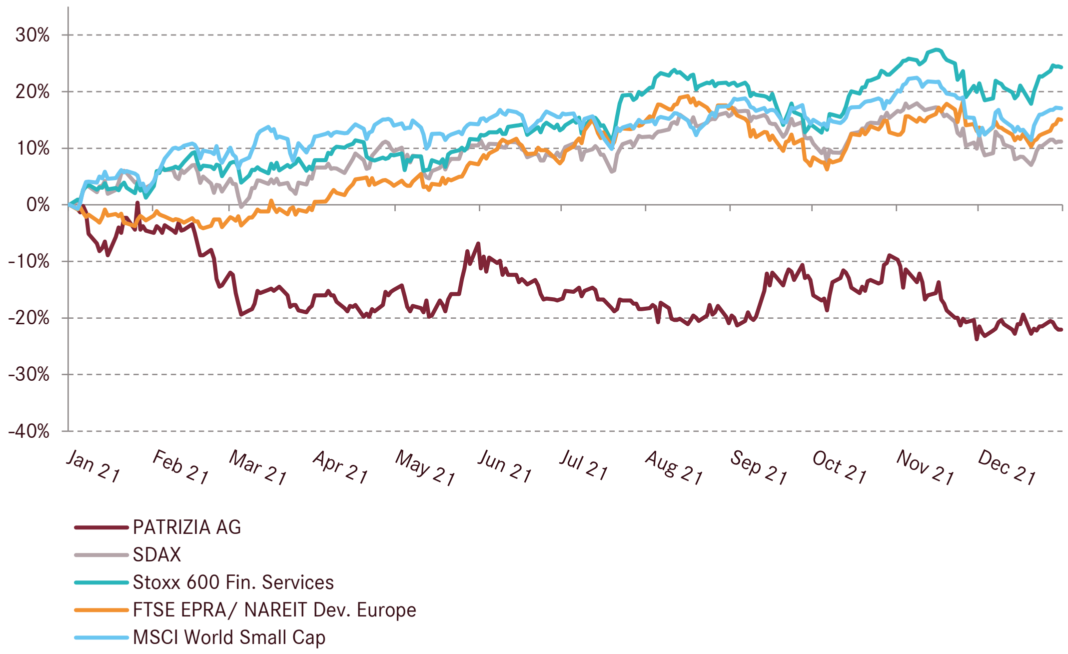
[1] All German stock exchanges

[2] Quotient of shares traded/average number of shares outstanding (2020: 92,351,476 shares; 2019: 92,351,476 shares; 2018: 92,351,476 shares)

At the beginning of 2021, the stock markets continued their recovery from 2020. The DAX was able to reach new highs in the course of 2021. This can be explained by the increasing progress in the fight against the Covid-19 pandemic. In the summer of 2021, the Corona infection figures were on the decline, which led to a normalisation of daily life and a recovery in the economic sectors that were particularly hit hard. The decreasing risks of another hard lockdown led to the return of investors, so that the positive sentiment led to the DAX reaching a record high of 16,251 index points. The DAX index closed the year with a gain of 15.7%. A similar, but somewhat weaker picture was seen among German second-line stocks. The MDAX closed with a plus of 13.5%, while the SDAX ended the year with a gain of 10.5%, partly due to its high share of technology stocks. A high correlation to the positive development on the German stock market was also reflected in PATRIZIA AG's international benchmark indices: the FTSE EPRA/NAREIT Developed Europe Index started the year at 2,161 points and ended it at 2,485 points, corresponding to a price performance of 15.0%. The STOXX 600 Financial Services Price Index started the year at 606 points and ended 2021 at 753 points, representing a price performance of 24.3%.

The PATRIZIA share started 2021 at a price of EUR 26.10. Despite positive business development and a steady economic recovery, the PATRIZIA share price performance was unable to match the performance of the leading German indices. This can be explained by the fact that PATRIZIA's share price performance in 2020 significantly outperformed the DAX, MDAX and SDAX. PATRIZIA AG's business model, described by analysts as resilient and crisis-proof, led to a recovery and reallocation in favour of PATRIZIA AG in 2020 much earlier than for other listed companies. This outperformance in 2020, on the other hand, led to a reallocation to the detriment of the PATRIZIA share in 2021, as equity investors realised profits and reallocated to companies and economic sectors that benefited even more from the recovery after some severe pandemic-related slumps in 2020. Even the temporarily strong share price performance following the announcement of the Whitehelm Capital takeover in September 2021 could not be sustained. As a result, PATRIZIA share ended 2021 with a decline of 21.9% and a price of EUR 20.50. With 92,351,476 shares issued, the market capitalisation at the end of 2021 totalled EUR 1.9 bn.

Development of the PATRIZIA share in comparison with various indices



An average of 43,861 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year reduction in volume of 47.3% (2020: 83,192 shares/day) and annual share turnover of 0.12 (2020: 0.23).

Dividend payment

In 2021, a dividend of EUR 0.30 per share was paid out in cash for the 2020 financial year, which corresponds to an increase of 3.4% over the previous year. The balance sheet profit according to the German Commercial Code (HGB) in the amount of EUR 476.7m was partly used to pay the dividend and the remaining amount was carried forward. By resolution of the Annual General Meeting on 14 October 2021, dividends of EUR 26.7m were paid out in cash. Based on the share of the IFRS consolidated net profit for 2020 attributable to the shareholders in the amount of EUR 37.7m, this corresponded to a payout ratio of 70.8%. The dividend was paid on 19 October 2021.

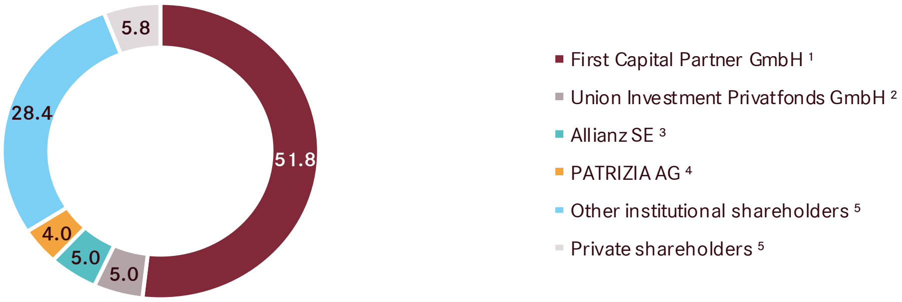
Investor Relations – valuable relationships and active communication

PATRIZIA AG maintains a continuous dialogue with its institutional, (semi-)professional and private investors as well as analysts. In this context, proactive and transparent information is provided on the Company's business development and all important events. Despite travel restrictions during 2021, the Management Board and Investor Relations team presented the company, mainly via video conference in more than 180 meetings with investors from 34 cities worldwide. In addition, the team participated in a large number of international investor conferences and organised one private investor webinar each in cooperation with the Deutsche Schutzvereinigung für Wertpapierbesitz e.V. and the Schutzgemeinschaft der Kapitalanleger e.V..

The PATRIZIA share is regularly rated by eight analysts from national and international banks. At the end of 2021, seven analysts or 87.5% recommended PATRIZIA share as a buy, while one analyst issued a "hold" recommendation. Buy recommendations were issued by Baader Helvea, Berenberg, Deutsche Bank, DZ BANK, Kepler Cheuvreux, ODDO BHF and Warburg. Nord LB recommended holding the share. The analysts' price targets ranged from EUR 22.00 (Nord LB) to EUR 35.00 (Deutsche Bank) per share on 31 December 2021 and the average price target was EUR 28.36 per share.

Further information can be found online at www.patrizia.ag/en/shareholders/at-a-glance/. In addition to financial reports, presentations and announcements, this section of the company’s website contains the financial calendar, the roadshows/conferences for 2022 and the latest analyst opinions on PATRIZIA AG’s shares.

PATRIZIA shareholder structure as at 31 December 2021 | by shareholder group | Specification in %



[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 14 December 2020
[4] Source: Treasury shares
[5] PATRIZIA share register

PATRIZIA shareholder structure as at 31 December 2021 | by region | Specification in %

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 2021, 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 2021. Furthermore, Allianz SE continues to hold its share of 4.99% according to the voting rights notification of 14 December 2021. As at 31 December 2021, PATRIZIA AG holds treasury stock of 4.04% of the issued shares following a share buyback programme. The remaining shares are held 28.35% by institutional investors and 5.79% by private shareholders.

Geographically the approximately 8,000 PATRIZIA shareholders are spread around the world. However, by far the most shares are held by German (80.74%), British (5.51%) and American (4.62%) shareholders.

Distribution of a dividend of EUR 0.32 per share for the 2021 financial year

For the fiscal year 2021, the Management Board and Supervisory Board of PATRIZIA AG propose to use the unappropriated surplus in accordance with the German Commercial Code (HGB) of EUR 426.1m to pay a dividend of 0.32 EUR per share and to carry forward the remaining amount to new account. This would correspond to an increase in the dividend per share of 6.7% compared to the previous year. Based on the share of the IFRS consolidated net income for 2021 attributable to the shareholders in the amount of EUR 47.9m, this corresponds to a payout ratio of 61.7%. PATRIZIA is adhering to its current dividend policy. Hence, the year-on-year growth rates in management fees and assets under management form the basis for the dividend proposal by the Management Board and Supervisory Board of PATRIZIA AG.

Management Report

Combined management report of the Company and the Group

The 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. All references with page numbers refer to pages in this annual report.

1 Group Fundamentals

1.1 Business Model

PATRIZIA is a leading partner for global real assets and one of the leading independent real estate investment companies in Europe. As at 31 December 2021, 946 employees (FTE) are on hand for its clients in 24 locations worldwide. PATRIZIA provides a wide range of services, from asset and portfolio management to the execution of acquisitions and disposal transactions for almost all real estate sectors and in future also infrastructure sectors 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 real asset 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 and recurring income in the form of management fees for managing assets and project developments 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 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 7.0bn of PATRIZIA’s assets under management as at 31 December 2021. 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 largest co-investment is Dawonia GmbH with EUR 5.3bn in assets under management.

Further details on co-investments can be found in the capital allocation in chapter 2.3.3.

All in all, **funds under management** accounted for EUR 47.5bn of PATRIZIA’s assets under management as of 31 December 2021 (31 December 2020: EUR 45.9bn).

Fund of funds

PATRIZIA Global Partners A/S is responsible for managing fund of funds products. Operating with a global network of partners, PATRIZIA Global Partners A/S invests in best-in-class real estate funds in Europe, Asia and the Americas. Assets under management (invested equity) in these funds amounted to EUR 1.1bn as at 31 December 2021 (31 December 2020: EUR 1.1bn).

Principal investments

PATRIZIA operates as an investment manager for institutional, (semi-)professional and private investors, and therefore endeavours to avoid conflicts of interest with its own investments. Principal investments, i.e. own-account transactions, 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 EUR 18.1m as at 31 December 2021, compared to EUR 15.9m in the previous year, and related in particular to real estate in Munich and in London, United Kingdom, which are to be sold in the short- to medium-term.

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 funds.

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

1.2 Group strategy

PATRIZIA aims to be a leader in all real asset classes for its investors. As an independent real asset investment manager, PATRIZIA operates for large institutional investors from all over the world and for (semi-)professional and private investors from Germany, providing extensive value added mainly in all real estate segments. This position is to be expanded further. Assets under management and recurring fee income are supposed to rise steadily every year in the future, thereby sustainably increasing profitability and further improving 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 and selected international 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. 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 as well as infrastructure: from residential, office, retail and logistics properties to hotels, care homes and caverns. From 2022, products can also be offered in a wide variety of infrastructure sectors. PATRIZIA's platform, which is well established throughout Europe and is growing globally, provides the pre-requisites 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 should facilitate the establishment of PATRIZIA as an internationally successful brand among investors. In addition to broadening its existing product range, PATRIZIA also plans to expand its business with infrastructure and debt finance products as part of its mid-term strategy. The acquisition of Whitehelm Capital, an Australian infrastructure investment manager in September 2021 (closing 1 February 2022), and the launch of a debt financing product in 2021 are the latest evidence of this strategy.

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 US, 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 a long-term, stable relationship with international clients similarly to the relationship 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 2021, around 52% 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 recognised the growing influence of technology and innovation in 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, 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 38-year-plus business relationship with PATRIZIA, and who include more than 500 institutional investors in Germany and abroad. They invest with PATRIZIA regularly and repeatedly as a result of the good performance delivered by the fund products. In addition, PATRIZIA has been offering closed-end funds for private investors and (semi-)professional investors since 2016. Besides, in 2019 a fund for (semi-)professional investors was launched outside Germany for the first time. Overall, investors entrusted PATRIZIA with new equity of EUR 2.6bn in the past financial year. PATRIZIA currently has outstanding equity commitments amounting to around EUR 4.0bn, which as at 31 December 2021 have not yet been invested in real estate or real estate portfolios.

Globally established network

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 26 locations at the time of publication of this report. 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 infrastructure and real estate asset classes as well as 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 real asset investments. Of course, individual components can also be selected from this range.

Successful track record attracts further transactions

PATRIZIA's successful investments build its reputation. Despite the persistently challenging market environment caused by the Covid-19 pandemic, acquisitions and disposals with a volume of EUR 6.8bn were signed for its clients last year (+24.0% year-on-year), and EUR 5.9bn (-14.8%) were closed in 2021. Ongoing high performance fees in the 2021 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 is one of the company's core strengths that generates attractive returns for its investors. However, PATRIZIA's clients and business partners also value its professional identification of opportunities in all real estate and future infrastructure asset classes as well as its fast, smooth handling of purchases and sales.

PATRIZIA has the DNA of an investor

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

Whitehelm Capital reinforces strengths

With the acquisition of Whitehelm Capital, PATRIZIA will further expand its existing competencies and competitive advantages. In doing so, PATRIZIA will not only gain additional global reach, new clients and new product offerings, but also sustainably strengthen its expertise in the area of infrastructure. Whitehelm Capital's complementary and diversified product range opens up new opportunities to benefit from the long-term growth market of infrastructure and decarbonisation.

1.4 Group management and performance indicators

1.4.1 Corporate management by segment

PATRIZIA's corporate segments are Management Services and Investments. 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 chapter 5 of the notes to the consolidated financial statements.

1.4.2 Corporate and Group management on the basis of financial performance indicators

PATRIZIA used the following financial performance indicators for corporate management in the past fiscal year 2021:

Financial performance indicators	Description
Assets under Management	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 non-cash effects such as valuation effects of investment property and unrealised currency and derivative effects, amortisation on fund management contracts, and net reorganisation income or expense as well as non-capitalisable expenses for investments in the future. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.
Cost Coverage Ratio (CCR)	CCR is a profitability indicator based on market-independent recurring fee income. The recurring fee income (Cost Coverage Income) is calculated from the management fees of a current financial year and 25% of the average transaction fees of the last five financial years (but at least EUR 14.1 million). This fee income is put in relation to the recurring costs (Cost Coverage Expenses), the sum of personnel expenses (without taking into account variable compensation components) and net operating expenses (without taking into account extraordinary expenses e.g. from M&A transactions or expensed investments in the future).

From the 2022 financial year onwards, the financial performance indicators will be partly replaced to allow for better international comparability with other listed companies. Assets under Management remains as a financial performance indicator. Operating income will be replaced by EBITDA, while the Cost Coverage Ratio (CCR) will be replaced by the EBITDA margin as the new financial performance indicator. This report contains a description of the development of the two new performance indicators for the 2021 and 2020 financial years, as well as a guidance for the 2022 financial year.

Investments in the future are project-related (non-capitalisable) one-off expenses in connection with the expansion of digitalisation and the use of new technologies that are intended to further increase and improve operational efficiency. These include, for example, the automation of processes and the implementation of software solutions (as "software as a service") for data processing and data provision.

In addition, the following framework parameters support the management of the Group:

Further framework parameters	Description
Management fees	PATRIZIA receives recurring service fees for managing real 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 capital employed.
Equity raised	For the various investments, equity is raised from institutional, (semi-)professional and private investors worldwide.

Due to the change to new financial performance indicators, EBIT and EBT will also support the management of the Group as additional framework parameters from the beginning of the 2022 financial year.

The development of these indicators is further explained in chapter 2.2.

Within the guidance section of this report, a guidance is given for the financial performance indicators. In addition, a guidance is also given for management fees, transaction fees, performance fees, total service fee income, net sales revenues and co-investment income, net operating expenses as well as for EBIT and EBT.

1.4.3 Corporate management on the basis of non-financial performance indicators

PATRIZIA does not apply any non-financial performance indicators for the steering of the company.

1.5 Non-financial statements

Chapter 1.5 is not checked for content by the auditor in accordance with German legal regulations.

1.5.1 Sustainability Strategy

The real assets sector plays a pivotal role in society. Across residential, commercial, logistics, and infrastructure they serve basic human needs such as housing, workspaces, healthcare, energy, connectivity, and transportation. The impact it has – both on the environment and the people that live within it – cannot be downplayed or ignored. The aim of the Sustainability Strategy is to cement PATRIZIA's commitment to:

- Prudent property stewardship, with the goal of enhancing the sustainability of the assets managed
- A viable and resilient ecological system focused on the preservation of the natural environment
- A society in which economic development is not pursued at the expense of vulnerable groups or future generations
- Good corporate governance with transparent and efficient real assets markets

The real estate sector contributes as much to society's well-being as it does to global energy consumption. According to the UNEP (United Nations Environment Programme) Finance Initiative, the real estate sector is responsible for about 40% of energy consumption and about 30% of greenhouse gas emissions. As a result, acting to create more energy-efficient properties and infrastructure that supports the transition to a low carbon economy can have a significant, positive impact on global warming and climate change. This responsibility falls to every individual, but to real asset investment managers' more than most, and PATRIZIA strives to be part of the positive movement towards a more sustainable world.
Source: https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/cities/sustainable-buildings

What sustainability means to PATRIZIA is exemplified by the following focus areas of the firm's sustainability approach:

- **Energy efficiency**: Monitor Energy Performance Certificates (EPCs) and obtain certifications to future-proof the managed portfolio. PATRIZIA understands its responsibility as real assets investment manager and closely monitors the efficiency of the managed assets. Where possible, ways to reduce the primary energy demand of those assets are defined. Decreasing energy consumption not only saves valuable resources, but also future-proofs the portfolio, and secures sustainable performance returns for the Group's clients – its institutional, (semi-)professional and private investors.
- **Green energy**: Increase renewable energy usage across the portfolio. PATRIZIA's ongoing commitment to switch large parts of the portfolio to green energy is already bearing positive results. Wherever possible, PATRIZIA also aims to generate renewable energy on-site, by investing in solar panels for assets.
- **Carbon management**: On the pathway to a net-zero carbon economy by 2050, as per the Paris Agreement, PATRIZIA has created an initial, estimated firmwide CO_2 footprint and continues to develop and enhance a decarbonisation strategy to reduce the impact on the environment in the long-term, and to prepare for the transition to a low-carbon economy.
- **ESG KPIs**: Align reporting with international standards and improve environmental impact. PATRIZIA regularly reviews and updates internal governance policies to ensure they reflect topical ESG (Environmental, Social and Governance) issues which affect the corporate oversight of the Group's business and funds. As part of this commitment, PATRIZIA is developing ESG KPIs to quantify sustainability performance and align reporting with internationally established industry standards, namely UN PRI (United Nations Principles of Responsible Investment), GRESB (Global Real Estate Sustainability Benchmark) and INREV (European Association for Investors in Non-Listed Real Estate Vehicles). In alignment with the recommendations by TCFD (Task Force on Climate-Related Financial Disclosures), PATRIZIA also considers climate and climate change-related risks in investment decisions.
- **Corporate social responsibility**: Work towards the highest standards of professional and personal development of employees. PATRIZIA commits to fair human resource policies and procedures, and leading labour standards towards health, well-being, and safety policies. The Group aims for a diverse workforce, fair remuneration and hiring and promoting without any discrimination.

PATRIZIA has developed the following four corporate sustainability goals as part of the Group's Sustainability Strategy aligned with the above focus areas:

- Become a leading sustainable investor in real assets with a consistent UN PRI (UN Principles of Responsible Investment) five-star rating from 2025 onward and a majority of our assets certified under our Create Better[1] programme.
- Be an employer of choice in the Real Asset sector.
- Become a leading global impact investor in the real assets sector with a meaningful part of our assets under management in impact investments[2] by 2035.
- Achieve net zero carbon[3] status across our corporate operations and real asset portfolio by 2040 or earlier, with a clear ambition to execute as fast as external and our stakeholder requirements permit.

[1] Create Better is an example of PATRIZIA's culture of innovation and was implemented as an internal campaign. In the near future, this will be defined as a certification framework, representing best practice approaches in the sector.
[2] As defined in the PATRIZIA Impact Investing policy, which broadly aligns to Article 9 of the EU Sustainable Finance Disclosure Regulation (2019/2088) and equivalents in other jurisdictions.
[3] Includes operational emissions and embodied carbon for new developments and major refurbishments, excluding the 'sunk' embodied carbon of the standing portfolio. Further details of the commitment, including a granular breakdown of the scope of the target, can be found in the PATRIZIA Net Zero Carbon Strategy paper which will be published on the Group's website during H1 2022.

The PATRIZIA Sustainability Strategy covers all topics and processes that are allocated to environmental, social and governance (ESG). Sustainability is the Group's chosen name for the strategy while ESG is used to ensure the whole range of related topics (environmental, social and governance) is addressed.

UN Principles of Responsible Investment (UN PRI)

The Group's corporate governance framework is forming the foundation of PATRIZIA's sustainability 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 the 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 Sustainability 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 recognizes, that applying these Principles align clients 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 manager/owner and to incorporate ESG issues into management/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 Sustainability Strategy. In 2020, the most recent reporting cycle, the UN PRI score is A for the modules Strategy and Governance and Indirect Investment Property and B for Direct Investment Property. All scores are in line with the median score.

UN Sustainability Development Goals (SDGs)

PATRIZIA's Sustainability 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 Sustainability Strategy and the Group's understanding of responsible practices. 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.
Source: https://sdgs.un.org/goals

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. 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 sustainability strategies:

- **SDG 11 Sustainable Cities and Communities** reflects the core of real estate investment management. We invest in cities and developments to create inclusive, safe, resilient, and sustainable communities. Since we started developing and managing residential properties when the company was founded, we have focused on healthy communities from the very beginning. When we invest or develop, we aim to fulfil this human need for community and maintain it for the long-term.

- **SDG 7 Affordable and Clean Energy and SDG 13 Climate Action** are fundamental to create sustainable cities and communities. PATRIZIA runs the majority of the managed portfolio[1] on renewable energy to contribute to climate change mitigation and reduce the companies CO_2 footprint in line with the goals of the Paris Agreement.
  [1]Managed portfolio excludes tenant areas where PATRIZIA has only limited or no operational control

- **SDG 3 Good Health and SDG 4 Quality Education** are primary values of corporate social responsibility. PATRIZIA and especially the PATRIZIA Foundation commit to facilitate education and a healthy environment for its employees, the wider real asset industry, and children in need.

- **SDG 5 Gender Equality and SDG 10 Reduced Inequalities** Acting responsibly has always been an important part of how we do business at PATRIZIA. To make a meaningful difference in the communities where we live and work, we have started out on a new journey to advance Equity, Diversity, and Inclusion (ED&I) in our organisation, industry and more widely in society. Diversity and equality are key targets for board and management composition. PATRIZIA actively promotes equality and inclusion initiatives.

Regulatory Development

PATRIZIA prepares for regulatory and market development in alignment with global climate commitments to future-proof the portfolio and ensure compliance and value preservation for investors.

EU Taxonomy

A key objective of the European Commission's action plan on financing sustainable growth is to reorient capital flows towards sustainable investment and ensure market transparency. To achieve this, the Commission called for the creation of an EU Classification system for sustainable activities, i.e., an EU Taxonomy.

In accordance with Article 8 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ('Taxonomy regulation'), PATRIZIA is required to disclose information on how and to what extent its activities are eligible to qualify as environmentally sustainable under Articles 3 and 9 of the same regulation.

Our current understanding of the regulation is that PATRIZIA AG is classified as a non-financial undertaking and is therefore obligated to disclose the proportion of Taxonomy eligible and Taxonomy non-eligible economic activities in its total turnover, capital and operational expenditure ('CapEx' and 'OpEx'). However, PATRIZIA Group's primary business activity of Asset Management is a financial activity, for which a more relevant metric for assessing eligibility is the proportion of assets under management ('AUM').

Our understanding of the intent of the regulation is to increase transparency in the market by helping investors to understand the environmental performance of our underlying activities. Accordingly, we opt to disclose AUM on a voluntary basis, as a more meaningful KPI that better reflects the eligibility of our activities, alongside the obligatory KPIs.

In the context of PATRIZIA's business activities, CapEx, OpEx and turnover are considered to be of lower relevance (*de minimis)* in comparison to AUM. During the course of 2022, a review will be undertaken, based on expected clarifications in the regulatory guidelines, as to whether process change is required to amend PATRIZIA's reporting to refine future disclosures.

The technical screening criteria published in association with the Taxonomy regulation defines the economic activities that are in scope to be eligible as environmentally sustainable, which includes those relating to construction and real estate. PATRIZIA's activities relate primarily to real asset investment and infrastructure management for which no specific criteria are available at this stage.

			KPI		
Economic Activity	% Eligibility	AUM (EUR bn)	CapEx	OpEx	Turnover
Construction and real estate	100	45.7	*de minimis*	*de minimis*	*de minimis*
Other	0	2.9	*de minimis*	*de minimis*	*de minimis*
Overall	94	48.6	*de minimis*	*de minimis*	*de minimis*

We consider that further clarification is required in regulatory guidelines regarding the disclosures of companies with differing legal structures, such as that of PATRIZIA AG, which we will respond to appropriately. Accordingly, PATRIZIA adopts a precautionary approach for this initial Taxonomy statement, seeking to align with the intent of the regulation.

1.5.2 Systematic Integration of Sustainability

Stable, market-leading, and performance-oriented investment vehicles require sustainability to be embedded in the philosophy and process from the start. Sustainable investments mean promoting and safeguarding the environmental, social, and economic interest of stakeholders, including clients, tenants, employees, and the communities in which PATRIZIA operates. That is why the PATRIZIA ESG Committee has instituted a systematic approach ensuring just that. Responsible Investment Guidelines have been formulated and consideration checklists are to be followed throughout the investment process, from acquisition to disposal. PATRIZIA has also developed a fund policy matrix to incorporate ESG requirements within the fund strategy of each fund.

Responsible Investment Guidelines

The PATRIZIA Responsible Investment Guidelines are the foundation for integrating ESG considerations into investment decision-making and real estate operations. They describe the principles and minimum standards for all employees, regarding environmental and social engagement, in each phase of the real asset investment lifecycle, in addition to PATRIZIA's criteria for impact investing. The purpose of these guidelines is to create and protect long-term stakeholder and asset value. For every investment vehicle, dedicated sustainability strategies are defined in alignment with client interests, and relevant targets are set. Progress is disclosed in regular reporting and, if required by clients, fund-level ESG performance is assessed by reporting to the Global Real Estate Sustainability Benchmark (GRESB).

Environmental Management System (EMS)

PATRIZIA has implemented an EMS in line with the international DIN ISO 14001 to ensure the implementation of the Sustainability Strategy. The EMS includes the planning of activities, considerations of ESG and climate-related risks and opportunities, allocation of responsibilities and resources, and the development of practices and processes, on corporate as well as fund level. The EMS organises the approval process between the ESG Committee and internal fund reviews.

ESG Screening and Exclusion

The PATRIZIA ESG Screening and Exclusion policy ensures clients' and shareholders' money is aligned with the Group's broader beliefs to mitigate reputational risk. As a signatory to UN PRI, PATRIZIA respects the UN Global Compact principles on human rights, labour conditions, the environment and anti-corruption. As a result, the Group does not enter into any kind of business relationship or transaction with corporate entities, governments, joint ventures or individuals with clear, direct links to controversial weapons, nor with countries that deem to have serious violations on political stability and peace, human rights and religious freedoms.

Sustainability during Deal-Sourcing and Acquisition

PATRIZIA's goal is to bring together the economic interests of clients with wider environmental and social prosperity. The Group therefore analyses how investments can contribute to the creation of a sustainable future and strong communities, as well as how future trends will impact the real assets sector. All potential acquisitions undergo an ESG assessment to evaluate risks and opportunities, as well as the propensity to deliver the best service to clients and provide tenants with modern and healthy spaces.

PATRIZIA's Investment Committee process now includes a climate risk analysis which is considered for each potential transaction. When considering the ESG credentials of investments, PATRIZIA assesses factors such as:

Environmental	Social	Governance
Biodiversity and habitat	Community and engagement	Anti-bribery and money laundering
Climate change	Health and safety	Cybersecurity
Land contamination	Human rights	Data protection and privacy
Energy consumption	Inclusion and diversity	Legal and regulatory fines
Greenhouse gas emissions	Labour standards and working conditions	ESG clauses in existing leases
Indoor environment	Social enterprise partnering	
Location and connectivity	Stakeholder relations	
Materials	Occupier amenities – showers, changing rooms	
Pollution	Controversial tenants	
Resilience to catastrophe/disaster		
Renewable energy		
Sustainable procurement		
Waste management		
Water consumption		

Active Ownership Approach

The Group's fund and asset management teams work closely together to manage the properties in a sustainable way. PATRIZIA appoints property managers who are responsible for managing the compliance of operational assets, and management teams meet regularly to review the relevant sustainability strategy and process and compliance requirements. Sustainability policies and the targets for their implementation are defined in line with client requirements. Such policies describe the implementation of ESG elements during the operational stages of the asset lifecycle, including individual strategies to enhance environmental performance through asset-specific sustainability capex measures, refurbishment, and development. Strong emphasis is put on stakeholder engagement and investigating new ways to co-operate with tenants to stimulate the adoption of environmentally sound practices and to positively contribute to social aspects and local communities.

PATRIZIA's four step approach to active ownership is described below:

- **Active management**
  PATRIZIA considers environmental performance indicators such as energy, water, waste, and greenhouse gas emissions to improve sustainability performance.

- **Active assessment**
  PATRIZIA regularly evaluates the portfolio to identify sustainability measures and reduce operating expenses to increase efficiency and long-term asset value.

- **Active diligence**
  PATRIZIA integrates environmental indicators into fund strategies to enhance the position of assets in their markets, reduce obsolescence and promote resilience.

- **Active co-operation**
  PATRIZIA considers the benefit of third-party green real estate and health and well-being certifications such as LEED, BREEAM, HQE, WELL and Fitwel.

Real Estate Development

PATRIZIA's impact is highest when committing to sustainability from the ground up. That is why sustainable building practices beyond regulatory requirements and beyond the timeline of the individual business plan are considered. Properties have a lifespan of several hundred years, so sustainability is considered from the very beginning: into real estate development strategies, design, and construction, with a view on lifecycle and operation.

PATRIZIA employs architects and engineering consultants with a proven track record regarding sustainability and integrates ESG requirements in the sourcing and appointing of general contractors in alignment with the PATRIZIA Supplier Code of Conduct reflecting the Group's commitment to protection of the environment, protection of employees and workers, community involvement and compliance and ethics.

1.5.3 Employees

PATRIZIA's clients benefit from the variety of skills, experience, and talents of PATRIZIA's employees. Their qualifications, experience and subject matter expertise 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 at the forefront of the Group's people strategy.

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 inclusive and collaborative 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 careers. 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 – a leading partner for global real assets.

Attracting Employees

To ensure that PATRIZIA is optimally positioned for the future, it is essential that it is an attractive employer that offers interesting and varied challenges for early career talents and experienced specialists and leaders alike.

To reach these target groups, PATRIZIA advertises jobs using different channels - on its own website, in a targeted manner on various job portals and sometimes through specialist agencies. In 2021 PATRIZIA's presence was extended internationally. During the year the team visited trade fairs (e.g. EXPO REAL and the IZ Careers Forum, Real Estate Finance Day), universities (e.g. IREBS, IE University Madrid) and schools in Augsburg and the surrounding area and the provision of numerous internships and student employee positions are further key elements of employer branding.

Horizons: Early Careers Talent Programme

In 2021 we launched Horizons, our two-track early careers talent development programme. Horizons "Step In" focuses on supporting new talent stepping into PATRIZIA and Horizons "Step Up" focuses on developing existing employees stepping their game up. When this diverse and ambitious group of early career professionals comes together, they have the dedicated time and space to learn from each other, grow together and make a positive impact on the industry – making Horizons our most inclusive approach to developing talent.

By nurturing our early career professionals, we are future-proofing our Group's success, the diversity of our employee community and the positive impact we have around the world.

Horizons "Step In" is a two-year programme dedicated to four six-month rotations across the business, offering Analysts a well-rounded view of PATRIZIA before they commit to a particular career path. The Step In Analysts will also participate in a comprehensive learning and development programme that supports their technical and personal growth.

Horizons "Step Up" shows our commitment to developing our existing early careers professionals as we recognise the value and contribution our existing Analyst & Specialist population brings to our organisation. Our most curious, open minded and high performing Analysts with at least one year of service are invited to apply for Horizons: "Step Up". They too have access to a curriculum of learning and development opportunities and mentorship.

Employee Development

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

- Regular feedback and employee development meetings
- Goal setting and quarterly check-in conversations
- Cross-departmental interdisciplinary project work
- An attractive internal job market and transfer opportunities

- Targeted succession planning
- Leadership and Management programme
- Targeted individual career planning with appropriate training options
- A wide range of in-house training options in the PATRIZIA Academy

The options offered by the PATRIZIA Academy were again expanded in 2021 to both increase the breadth of learning opportunities and to support the pandemic with an accelerated move to more mobile learning. As a matter of principle, various subject specific, methodical, and soft skills training programmes are available to employees. Individual employees may also obtain external professional education in the form of seminars and part-time study.

Next to the usual generic curriculum of the PATRIZIA Academy we launched the Accelerator Programme in 2021. The bite-sized workshops are exclusively focused on getting the best out of each other - covering important topics like well-being, building relationships and high performing mobile teams. Through the programme we promoted to all offices ‘New Work’, the programme aims at upskilling all employees in the new ways of working – be it mobile, hybrid or in the office. With this programme further skills were built and the confidence about this enables change and a positive impact. This programme continues to be rolled out in 2022 to all of PATRIZIA.

Additionally, LinkedIn Learning has continued to be a great support in the digital learning world which is accessible to every PATRIZIAn whenever and wherever they like to learn as a flexible on-demand learning solution.

As 2021 continued in the shadow of the Covid-19 pandemic, we offered various measures such as interactive team workshops, personal coaching, and development on topics such as compassionate and inclusive management and dealing professionally with leadership challenges.

Health and Well-Being

PATRIZIA places great importance on the mental, physical, and social health of its employees in an employment world that is rapidly changing. Ordinarily, employees are offered burnout prevention and mindfulness training, “active breaks”, yoga and mobile massages. In 2021 we continued to offer an online version of various health and fitness classes which are accessible for the whole company.

To improve employees’ work-life balance, various forms of part-time work are available at all locations. The overall level of parttime workers is 11.7%. Two of the top-five PATRIZIA countries with most employees have an above average level of part-time workers: Germany with 14.6% and the Netherlands with 16.1%.

PATRIZIA Culture

An open, empowering, and inclusive culture is a priority for PATRIZIA, as is regular reviews and investment that enhance the employee experience. In 2021 PATRIZIA used the greater prevalence of hybrid working to accelerate the transition to new ways of working, with the introduction of more efficient digital systems and equipment for employees, upgrades to certain offices and a toolkit and policy to support mobile working practices.

Further 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 careers 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' mindset, qualifications, and experience. In addition, on signing their employment contract, all managers and employees are obliged to refrain from discrimination on the above grounds. PATRIZIA recognises and accommodates many personal working circumstances and has a comprehensive Family Leave policy that covers maternity, paternity, adoption, shared parental, parental, time off for dependents, flexible working, compassionate, additional paid, jury service and unpaid leave circumstances.

The number of employees (FTEs) was 946 as of 31 December 2021. There is a balanced age structure: just under 5% of employees are under 25 years old, approximately 29% are aged between 25 and 34, 33% are aged between 35 and 44, little over 24% are aged between 45 and 54, and a good 10% 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 35 different nationalities.

The share of women in the workforce is 47%. With effect from 1 July 2019, the Supervisory Board of PATRIZIA AG has set a target of 25% for its own composition, as well as for the composition of the Management Board, in accordance with Article 111 (5) of the German Stock Corporation Act (AktG), to be achieved by 30 June 2024. Currently, the Supervisory Board has one female member and four male members, while the Management Board consists of one female and six males. With effect from 1 July 2019, the Management Board has set a target of 20% for the share of women in the first management level below the Management Board and a target of 30% for the share of women in the second management level below the Management Board in accordance with Article 76 (4) of the German Stock Corporation Act (AktG), to be achieved by 30 June 2024. Currently, the share of women in the first management level is 19% and in the second management level 30%. PATRIZIA has initiatives aimed at supporting a more gender balanced representation and talent pipeline with the introduction of a talent programme.

1.5.4 PATRIZIA Foundation

PATRIZIA's social responsibility is particularly evident in the company's attitude that part of its success must be shared with those who are in desperate need. A proof of impact of this responsibility is the support of the PATRIZIA Foundation (PF) for 21 years now, which provides education, accommodation, and medical care to children in need. By establishing the foundation in 1999, Wolfgang Egger created the basis for realising his desire to give children access to education. Since then, a total of 19 PATRIZIA KinderHaus facilities have been initiated, located in eleven countries on four continents: Germany, Cameroon, India, Kenya, Nepal, Peru, Rwanda, South Africa, Tanzania, Uganda, and Zimbabwe. So far, about 250,000 children and young adults have benefited from the foundation's facilities around the world.
Source: https://www.patrizia.foundation/en/

The global covid-19 pandemic has dramatically exacerbated the educational deficit of many children and young people. Schools were closed for a long time, and some children are still cut off from access to education.

In 2021, the PATRIZIA Foundation has therefore launched a digitalisation initiative to make teaching possible even in times of crisis. But it's not enough to just provide digital infrastructures – students and teachers also need to be shown how to apply digital media and learning methods. The "Ready for the Future" concept has currently been launched as a pilot project in three countries (Cameroon, Nepal, and Rwanda) with the aim to be implemented across all PATRIZIA Foundation KinderHaus facilities in the near future.
Source: https://www.patrizia.foundation/en/ready-for-the-future/

The PATRIZIA Foundation is a legally independent organisation and is supported in its work 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 have the opportunity to dedicate 1% of their working hours to charitable causes. Around two days per person per year can be used to support the foundation's goal of building better futures for children.

1.5.5 Sustainability risk analysis

PATRIZIA commits to promote more informed investment decisions and therefore aims to understand better its exposure to climate-related risks. To inform its stakeholders PATRIZIA aims to align with the framework of the Task Force on climate related Financial Disclosures (TCFD) and the four recommendations for effective climate-related financial disclosures:

- **Governance:** Disclosure of the organisation's governance around climate-related risks and opportunities.
- **Strategy:** Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- **Risk Management:** Disclosure of the processes used by the organisation to identify, assess, and manage climate related risks.
- **Metrics and Targets:** Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

Sustainability is most successful when implemented at both corporate level and investment level. Sustainable investment management requires that ESG responsibilities are integrated across all business functions and are part of the day-to-day operations of the Group. This is why PATRIZIA engages with internal and external specialists with ESG knowledge globally, across the entire scope of operations: fund and asset management, real estate development, transactions and client services.

Sustainability is a Management Board responsibility, with the ESG Committee established as one of the Group's six Executive Committees, directly reporting to the Management Board and being chaired by PATRIZIA's Co-CEO Thomas Wels who holds responsibility for assessing and managing climate-related risks and opportunities. The Head of Strategy and Sustainability reporting to Co-CEO, directs the business strategy and the systematic development and implementation of the PATRIZIA Sustainability Strategy. He also ensures proper coordination of ESG initiatives across the business functions. To ensure strong alignment between sustainability implementation at the strategic Group level and the operational investment level, the ESG Committee includes team leaders from Asset and Fund Management, Real Estate Development, Transactions, Capital Markets, and corporate functions such as Human Resources, Digitalisation, Technology & Innovation and Legal & Compliance. The ESG Committee delegates operative tasks to dedicated ESG working groups made up of relevant teams within the organisation in order to fulfil specific sustainability initiatives.

Risk Strategy

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 Sustainability 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 PATRIZIA has analysed and measured the CO_2 footprint including scope 1, 2 and 3 of its operations in 2021 following identification of reduction potentials.

Source: https://ghgprotocol.org/calculationg-tools-faq, The GHG Protocol further categorizes these direct and indirect emissions into three broad scopes: Scope 1: All direct GHG emissions, Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam, Scope 3: Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

Climate change risks

Considering the long-term nature of real assets investing, climate change risks must be considered, even when they are not yet always visible. 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 investments 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 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 with a first CO_2 footprint analysis including scope 1 and 2 of the Group's operations. Furthermore, PATRIZIA has set carbon emission reduction targets in line with the targets of the Paris Agreement to ensure resilience of its managed portfolio. In 2021 PATRIZIA created a Net Zero Carbon strategy with mid-term targets aligned to the abovementioned longer term sustainability goals for PATRIZIA. Specific carbon reduction pathways for parts of its discretionary investment portfolio including asset specific planning have also continued to be developed in where appropriate in 2021.
- **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 monitors 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 facilities damages and/or 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. Failure to retain or recruit key 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 and related risks
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 Germany headquartered 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 Modern Slavery Statement and is in line with the UN Global Compact Principles.

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 commits to the Modern Slavery Act.

Anti-corruption and -fraud and related risks
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.

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.

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.

ESG Risk Management

The identification and management of climate-related risks are part of the ESG Committee's scope and fall under the responsibilities of the Co-CEO as chair of the ESG committee. The risk assessment is embedded in the organisation's overall risk management processes along the investment chain, starting with screening and exclusion and due diligence, active asset management and appropriate consideration in investment specific business plans.

Metrics and Targets

PATRIZIA has identified climate related and ESG metrics of material impact for its business and the resilience of its investment portfolio in alignment with established industry standards, amongst others TCFD, GRESB, and INREV. The metrics are integrated in asset level reporting and aggregated on portfolio and corporate level. PATRIZIA has set CO_2 reduction targets in line with the targets of the Paris Agreement and sets individual portfolio reduction targets for energy and water consumption and waste generation. In 2021 PATRIZIA has implemented a comprehensive ESG data strategy which encompasses the implementation of ESG Data Management Plans for centralised collation and analysis of relevant ESG data. PATRIZIA measured the Group's CO_2 footprint including scope 1, 2 and 3 and has developed a decarbonisation strategy which includes pathway targets to support the achievement of PATRIZIA's overall goal to achieve a climate neutral status by 2040 as well as decarbonisation measures. Details will be published in the Group's Sustainability report during H1 2022.

2 Economic report

2.1 Economic environment

The markets in general: The beginning of the second Covid-19 pandemic year was also marked by lockdowns, which dampened the economic recovery in Europe, at least in the first quarter of 2021. In 2021, there were again extensive aid packages from governments. With the end of the lockdown measures and a progression of vaccination campaigns, a strong recovery period started in spring 2021, which was mainly driven by rising consumer spending and the service sector. In addition, travel activity returned in summer, which benefited the hotel and tourism industry. The manufacturing industry has faced and continues to face supply (chain) problems triggered by the pandemic, which are slowing down the upswing in this sector. In addition, energy prices rose over the course of the year, which led to a significant price increase and a sharp increase in inflation. Further risks arose from a fourth wave of infections, which has caused the number of infections to explode since autumn 2021, especially in countries where it was not possible to achieve a sufficient vaccination rate. This led to further uncertainty among consumers and is likely to lead to a further decline in consumer spending in the fourth quarter of 2021. Despite all risks and adversities, a significant year-on-year increase in European gross domestic product was observed for the full year 2021. The main driver of this development is private consumption. The ECB continued its course of bond purchases, so that interest rates remained at a low level. For investors searching for an attractive current yield, it once again became clear that fixed-interest investments are a challenging asset class, so that the demand for investments in real assets – such as real estate and infrastructure – continued to rise. In addition, the high level of uncertainty among investors with regard to the effects of the pandemic, which was noticeable in the previous year, has largely disappeared in 2021.
Sources: PATRIZIA, PATRIZIA House View, RCA

Real estate markets: In the course of 2020 and 2021, it became obvious which real estate sectors proved to be resilient, which came out of the crisis well and which continue to struggle with problems. Thus, the division of the market into sectors and subsectors that do not perform well, such as high-street retail or hotel, and good-performing ones such as food retail, multi-family housing or logistics, also continued. Competition for investable assets has increased, so market presence and good knowledge of regional market conditions and intelligent, targeted asset management are crucial for the successful construction and management of portfolios. On the transaction market, this was reflected in a transaction volume of EUR 271bn, an increase of almost 7% in 2021 compared to the previous year's figure. A further increase in the transaction volume is expected for 2022. At the time of publication of this report, it is however not possible to conclusively assess the effects that increased geopolitical risks like the Russian invasion of Ukraine as well as the further development of the Covid-19 pandemic will have on the general economic situation as well as on the markets relevant for PATRIZIA.

The individual real estate sectors and their subsectors develop differently, and, in some areas, emerging sub-sectors are increasingly in the focus of investors, as they offer a premium over the traditional subsectors that compensates for a higher risk. Nevertheless, core investments with stable returns are still in focus of investors. The shift towards sectors with better performance also continued in 2021, accelerating competition for investable assets. In addition, opportunities opened up in some countries due to price corrections and progressive structural adjustments.
Source: PATRIZIA House View, RCA

Structural growth market: According to the industry consensus, the investment management market for real assets will continue to grow in the coming years, irrespective of the short- to medium-term market effects due to uncertainties caused by the Covid-19 pandemic. An aging society leads to further increasing capital inflows into private pension products. 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. While in 2012 EUR 15bn of assets under management were needed to be among the top 10 investment managers for real estate in Europe, by 2020 it has risen to EUR 42bn (+181%).
Sources: INREV Investment Intentions Survey 2022, IPE

Infrastructure markets: 2021 has again highlighted the resilience of the infrastructure sector. The pandemic has cemened high speed broadband as the fourth utility alongside water, gas and electricity networks. However, whilst infrastructure investments with contracted cash flows or returns from predictable regulatory frameworks thrived in 2021, the continuation of the pandemic again challenged infrastructure investments within the transport sector – most notably airports with rolling global lockdowns.

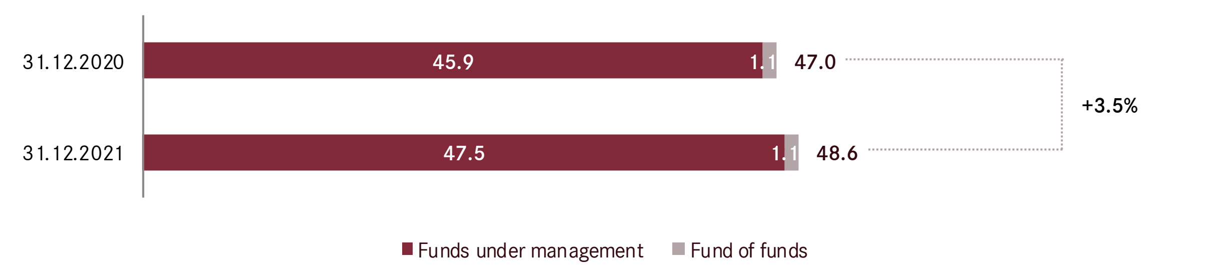
The disruptions in energy and commodity markets in 2021 has led to the emergence of inflation across all economies, most notably the US, setting the scene for a hastened reduction in quantitative easing and earlier than expected interest rate hikes from global central banks. Whilst tightening monetary policy typically cause valuation headwinds for long duration investments such as infrastructure assets, a key attribute of core infrastructure assets is inflation resilience, resulting from pre-negotiated revenue contracts or a regulatory pricing formula with inflation indexation, which have inbuilt step-ups at set periods of time based on prevailing inflation rates. Such investment returns are therefore correlated to inflation, providing a hedge for investors.

2.2 Business performance | Development of financial performance indicators

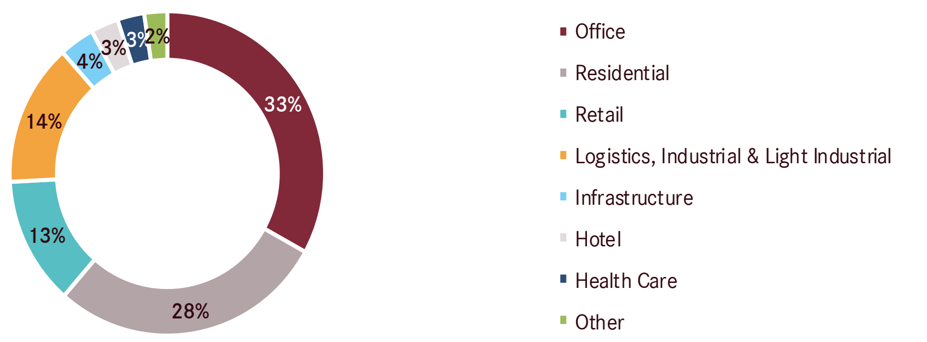
Assets under Management

As at 31 December 2021, PATRIZIA managed **Assets under Management** (AUM) of EUR 48.6bn, pro-forma including the acquisition of Whitehelm Capital (announced in 2021 and closed on 1 February 2022) EUR 52.0bn, compared to EUR 47.0bn as at the previous year's reporting date. Of the EUR 48.6bn in real assets under management, EUR 29.0bn were related to Germany and EUR 19.7bn to other countries. In total, assets under management rose by EUR 1.6bn or 3.5% in the reporting period, pro-forma by EUR 5.0bn or 10.6%, and were positively influenced mainly by organic growth, valuation effects, as well as new mandates. The lower growth in assets under management compared to previous years results, among other things, stems from an increased number of forward deals (e.g. project developments that are handed over turnkey) signed for PATRIZIA's clients in 2021. These will not be closed until the next two years and will not lead to growth in assets under management (AUM) with high-quality real estate portfolios until then. The issued guidance of EUR 50.0bn to EUR 53.0bn is therefore expected to be achieved with a delay.

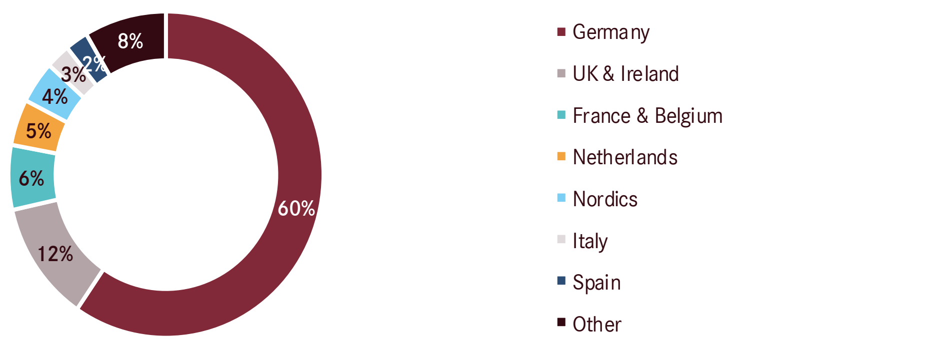
Assets under Management (EUR bn)



Assets under Management as at 31 December 2021 | Sectoral distribution

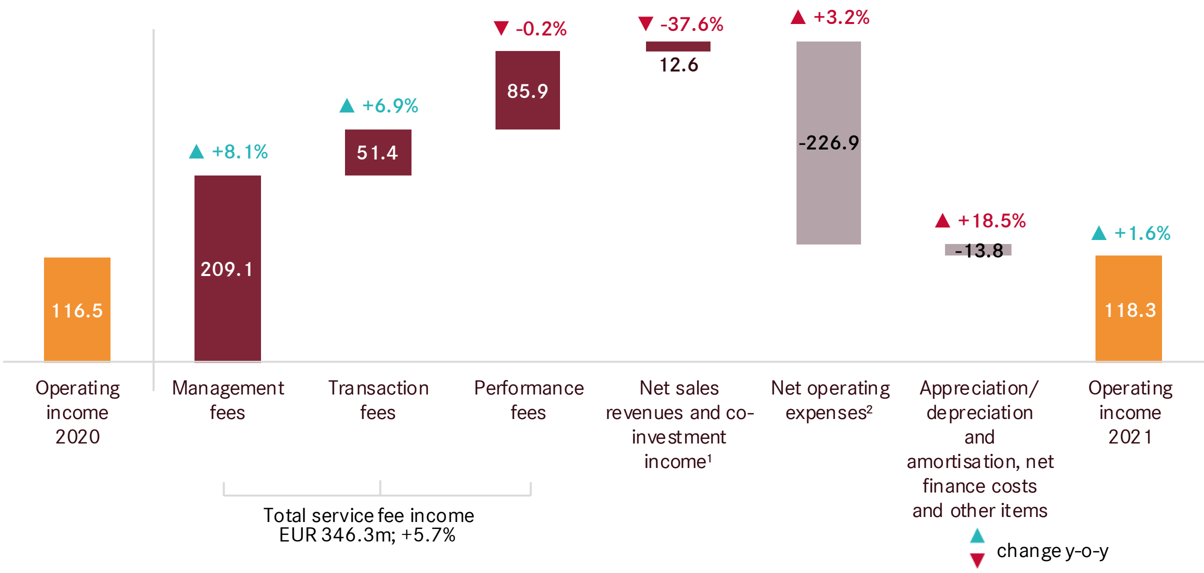


Assets under Management as at 31 December 2021 | Geographical distribution



Operating income

Composition of operating income (EUR m)



[1] Inclusive EUR 1.4m for investments in the future
[2] Among other things, netted with other operating income of EUR 14.8m; excluding EUR 12.9m in non-capitalisable expenses for investments in future technologies.

Composition of the operating income

EUR m	2021	2020	Change
Management fees	209.1	193.4	8.1%
Transaction fees	51.4	48.1	6.9%
Performance fees	85.9	86.1	-0.2%
Total service fee income	**346.3**	**327.6**	**5.7%**
Net sales revenues and co-investment income[1]	12.6	20.2	-37.6%
Net operating expenses[1]	-226.9	-219.7	3.2%
Depreciation and amortisation, net finance costs and other items	-13.8	-11.6	18.5%
Operating income	**118.3**	**116.5**	**1.6%**

[1] 2020 and 2021 excluding non-capitalisable expenses for investments in the future

Operating income was to date the key management parameter of the Group and comprises the total of all of the operating positions in the income statement, adjusted for extraordinary and non-cash effects. From 1 January 2022, it will be replaced by **EBITDA**, which can be derived directly from the IFRS income statement.

In the 2021 financial year, despite partial lockdowns due to the covid-19 pandemic and one-off costs in connection with acquisition activities, an operating income of EUR 118.3m (2020: EUR 116.5m; +1.6%) was achieved. Thus the guidance range of EUR 115.0m to EUR 135.0m (previously EUR 100.0m to EUR 140.0m) specified in 9M 2021 was reached. All comparisons of the guidance range for the 2021 financial year in the remainder of this report therefore refer to the most recently published guidance range.

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 in chapter 2.3.2 of this report.

In the 2021 reporting year, **total service fee income** increased overall by 5.7% to EUR 346.3m (2020: EUR 327.6m) due to the continued growth of recurring management and transaction fees and a stable development of performance fees. The individual components of fee income are explained below:

Management fees: All services provided by PATRIZIA are remunerated in form of fees. Management fees include remuneration for real asset services such as asset, fund and portfolio management and are highly recurring. Management fees of EUR 209.1m were received in the financial year 2021 (2020: EUR 193.4m). The growth of 8.1% is mainly due to higher assets under management (AUM) and an increase in management fees for project development services for the Group's clients.

Transaction fees: PATRIZIA receives transaction fees for the execution of acquisition and disposal transactions. These fees increased to EUR 51.4m in the past year (2020: EUR 48.1m; +6.9%), which is due to a higher level of transactions signed for PATRIZIA's global client base. In this context, acquisitions accounted for EUR 38.6m of this figure (2020: EUR 31.9m; 20.8%) and disposals for EUR 12.8m (2020: EUR 16.2m; -20.5%). Total European market transactions also increased by 20.0% to EUR 340.2bn in 2021 (2020: EUR 283.6bn), however, partly due to large M&A transactions. Total European market activity in 2021 was thus only slightly below the record level of EUR 349.1bn in 2019, confirming the ongoing recovery in the market.

Performance fees: PATRIZIA receives performance fees if defined target investment yields are met or exceeded. Due to the active management of the portfolios managed for our clients, performance fees also remained at a high level of EUR 85.9m in 2021 despite the market environment characterised by the Covid-19 pandemic and thus made a stable contribution to the operating income, similar to the previous year (2020: EUR 86.1m; -0.2%). In the consolidated income statement, these fees are reported partly as revenues (EUR 59.9m; 2020: EUR 60.5m) and partly as income from participations (EUR 22.0m; 2020: EUR 16.6m) and operating income from participations (IFRS 9) of EUR 4.0m (2020: EUR 9.0m).

In the 2021 reporting year, PATRIZIA generated EUR 12.6m in **net sales revenues and co-investment income**, compared to EUR 20.2m in the same period of the previous year. This decrease in net sales revenues and co-investments is entirely in line with PATRIZIA's strategy and was more than offset by an overall increase in fee income.

Net operating expenses increased by 3.2% from EUR 219.7m in the previous year to EUR 226.9m in the reporting year 2021, mainly due to one-off costs related to acquisition activities. In the reporting year 2021, investments in the future amounting to EUR 12.9m (2020: EUR 10.7m) were excluded from net operating expenses. Investments in the future are project-related (non-capitalisable) one-off expenses in connection with the expansion of digitalisation and the use of new technologies that are intended to further increase and improve operational efficiency. These include, for example, the automation of processes and the implementation of software solutions (as "software as a service") for data processing and provision.

From 1 January 2022, PATRIZIA will adjust the financial performance indicators relevant to the Group. EBITDA replaces operating income and EBITDA margin replaces the Cost Coverage Ratio (CCR). The growth in assets under management (AUM) will continue as the third financial performance indicator. The new financial performance indicators align with the completed transformation of PATRIZIA's business model into a fully-fledged real asset investment manager. It serves the simplification of financial reporting, increases transparency and aligns the reporting structure with international market standards.

EBITDA

EBITDA increased by 11.4% year-on-year to EUR 128.9m (2020: EUR 115.7m).

Cost Coverage Ratio

The **Cost Coverage Ratio** was to date another key performance indicator of the company and will be replaced by the EBITDA margin from 1 January 2022. The Cost Coverage Ratio is a profitability indicator based on market-independent recurring fee income. The recurring fee income (Cost Coverage Income) is calculated from the management fees of a current financial year and 25% of the average transaction fees of the last five financial years (but at least EUR 14.1m). This fee income is put in relation to recurring costs (Cost Coverage Expenses), the sum of personnel expenses (without taking into account variable compensation components) and net operating expenses (without taking into account extraordinary expenses, e.g. from M&A transactions or investments in the future that are recognised as expenses).

In FY 2021, the Cost Coverage Ratio improved to 120.7% compared to 119.8% in the previous year.

Cost Coverage Ratio

in %	2021	2020	Change
Cost Coverage Ratio[1]	120.7%	119.8%	0,9 PP

[1] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Cost Coverage Ratio (CCR) will be replaced by EBITDA margin.
PP = percentage points

EBITDA Margin

As at 1 January 2022, the EBITDA margin is one of the Group's key financial performance indicators. The EBITDA margin compares the EBITDA of the financial year with the sum of total service fee income and net sales revenues and co-investment income. The EBITDA margin increased slightly year-on-year to 35.9% (2020: 33.3%).

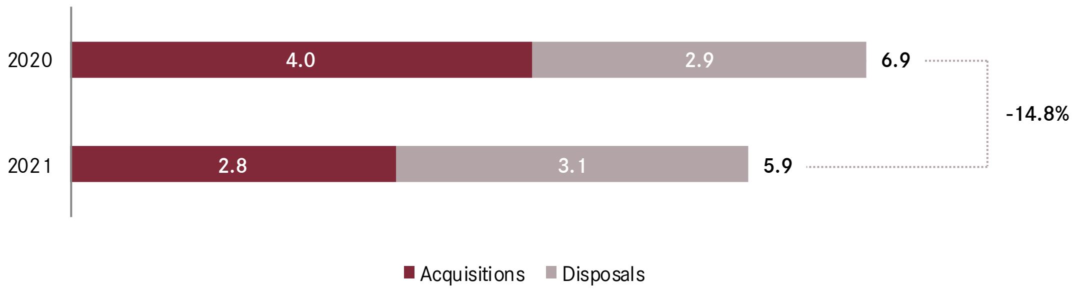
EBITDA margin

in %	2021	2020	Change
EBITDA margin[1]	35.9%	33.3%	2.6 PP

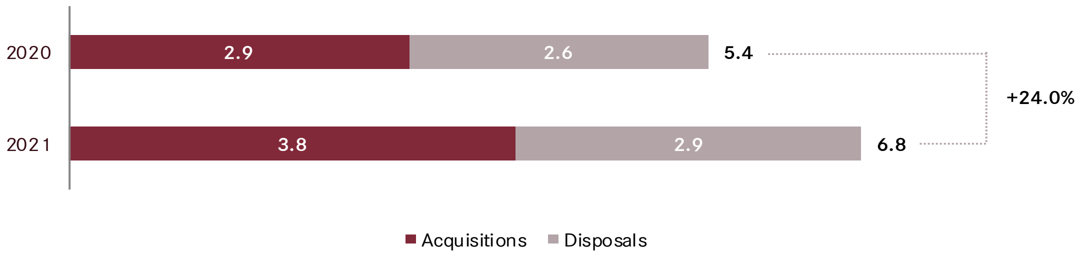
[1] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Cost Coverage Ratio (CCR) will be replaced by EBITDA margin.
PP = percentage points

Further KPIs

Transaction volume based on closed transactions (EUR bn)



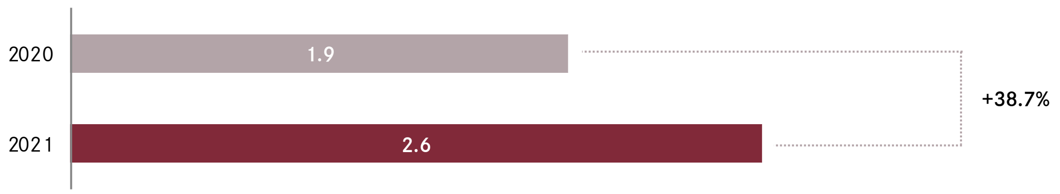
Transaction volume based on signed transactions (EUR bn)



The **transaction volume** is made up of realised real asset acquisitions and disposals. In 2021, **“closed”** acquisitions of EUR 2.8bn (2021 signed: EUR 3.8bn; 2020 signed: EUR 2.9bn) and closed disposals of EUR 3.1bn (2021 signed: EUR 2.9bn; 2020 signed: EUR 2.6bn) took place. In total, PATRIZIA closed a volume of EUR 5.9bn in transactions, which corresponds to a reduction of -14.8% compared to the previous year. The reason for this is a large number of forward deals that were signed but will not be completed until the next two years. Against this background, the transaction volume based on signed transactions is more meaningful.

Based on signed transactions **("signed")**, the **transaction volume** was EUR 6.8bn in the financial year 2021 (2020: EUR 5.4bn; +24.0%). The difference between signing and final closing results from the fact that the transfer of ownership, benefits and burdens only takes place upon payment of the acquisition price. This is triggered as soon as certain predefined conditions have been met after signing.

Equity raised (EUR bn)



In the reporting period 2021, EUR 2.6bn in equity was raised from global institutional, private and (semi-)professional investors for national and international investments in real assets (2020: EUR 1.9bn). A strong increase in **equity raised** of 38.7% compared to the previous year.

2.3 Economic situation

2.3.1 General statement by the Management Board

The ongoing Covid-19 pandemic continued to negatively impact the company's business activities in the 2021 financial year, but to a limited extent. Market participants have now adapted to temporary or regional lockdowns and adjusted their business processes. However, there is still a high level of risk aversion among a large proportion of global clients, which limits the investment focus to only selected asset classes, risk classes and markets. Travel restrictions as well as a more intensive examination of investment proposals lead to longer decision-making processes, especially in global cross-border transactions.

However, the 2021 transaction volume in the European real estate market recovered overall compared to the previous year and is only slightly below the highs of 2019 - also due to larger M&A transactions.

PATRIZIA was also able to offer attractive products in different types of use, risk classes and markets in the past fiscal year due to its international platform and globally diversified clients. This is reflected in an increase in signed transaction volume and further growth in AUM compared to the previous year.

PATRIZIA's strong balance sheet and financial situation continue to provide a good basis for the successful implementation of its mid-term strategy.

The **operating income** of EUR 118.3m is within the most recently published guidance range for the 2021 fiscal year of EUR 115.0m to EUR 135.0m. PATRIZIA's business model proved to be crisis-proof and resilient during the Covid-19 pandemic. Management fees increased by 8.1% to EUR 209.1m. Despite the continued difficult market environment, PATRIZA was able to execute attractive transactions for its global client base. The resulting transaction fees increased by 6.9% to EUR 51.4m. Performance fees made a stable contribution to the operating income at EUR 85.9m (change compared to the previous year: -0.2%). Total service fee income increased by 5.7% to EUR 346.3m.

Total service fee income

EUR m	2021	2020	Change
Management fees	209.1	193.4	8.1%
Performance fees	85.9	86.1	-0.2%
Transaction fees	51.4	48.1	6.9%
Total service fee income	**346.3**	**327.6**	**5.7%**

Net operating expenses increased slightly by 3.2% to EUR 226.9m. Net operating expenses are adjusted for expenses of EUR 12.9m for investments in the future.

Assets under management (AUM) increased by 3.5% year-on-year to EUR 48.6bn, partly due to acquisitions on the European real estate market for national and international clients, positive valuation effects and the acquisition of new asset management mandates.

The lower growth in assets under management compared to previous years results, among other things, stems from an increased number of forward deals (e.g. project developments that are handed over turnkey) signed for PATRIZIA's clients in 2021. These will not be completed until the next two years and will not lead to growth in assets under management with high-quality real estate portfolios until then.

Dividend payment

In 2021, a dividend of EUR 0.30 per share was paid in cash for the 2020 financial year, which represented an increase of 3.4% to the previous year. The unappropriated profit according to the German Commercial Code (HGB) of EUR 476.7m was used to pay the dividend and the remaining amount was carried forward to new account. By way of resolution of the Annual General Meeting on 14 October 2021, a cash dividend of EUR 26.7m in total was paid. Based on the share of the IFRS consolidated net profit for 2020 attributable to shareholders of EUR 37.7m, this corresponded to a pay-out ratio of 70.8%. The dividend was paid on 19 October 2021.

2.3.2 Results of operations of the Group

Operating income

Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for non-cash effects like the valuation of investment property and unrealised currency and derivative effects, amortisation of fund management contracts, and net reorganisation income or expense as well as non-capitalisable investments in the future. 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 2021 financial year, PATRIZIA generated an operating income of EUR 118.3m, thus reaching the most recently published guidance for 2021 of between EUR 115.0m and EUR 135.0m. The guidance range was specified with the report on the first nine months of 2021 from the original EUR 100.0m to EUR 145.0m to the stated range. In line with strategy, the quality of earnings remains on a high level.

Net sales revenues contributed only EUR 2.1m to the result. This includes proceeds from the sale of principal investments (EUR 1.5m), changes in inventory (EUR 0.6m), cost of materials (EUR -3.9m), rental revenues (EUR 3.2m) and revenues from ancillary costs (EUR 0.6m).

A detailed reconciliation of the development of the operating income can be found in the table below.

Reconciliation of operating income

EUR k	2021	2020	Change
EBITDA	**128,922**	**115,686**	**11.4%**
Appreciation/amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-35,611	-42,309	-15.8%
EBIT	**93,311**	**73,377**	**27.2%**
Finance income/expenses	-4,854	-3,735	30.0%
Other financial result	194	0	/
Result from currency translation	-942	-7,595	-87.6%
EBT	**87,708**	**62,046**	**41.4%**
Appreciation/amortisation of fund management contracts and licenses as well as financial investments	17,428	25,848	-32.6%
Changes in value of investment property	0	-4	-100.0%
Reorganisation result	2,833	0	/
Other financial result	39	0	/
Non-cash currency effects	-1,569	5,738	-127.3%
Operating income from participations (IFRS 9)	3,795	12,102	-68.6%
Investments in the future	14,312	10,721	33.5%
Earn-out Kenzo	-6,204	0	/
Operating income	**118,342**	**116,453**	**1.6%**

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

The increase in operating income essentially results from the significant increase in EBT by 41.4% to EUR 87.7m (2020: EUR 62.0m). However, the increase in operating income is lower relative to the increase in EBT due to significantly fewer positive effects from the adjustment of amortisation of fund management contracts and licenses as well as financial investments, non-cash currency effects as well as contributions from the operating income from participations (IFRS 9) in the 2021 financial year. Furthermore, a non-cash one-off effect (earn-out Kenzo) was adjusted, which reduced the operating income 2021 accordingly. Income from the sale of the remaining owned properties (principal investments) is steadily declining in line with the strategy, which increases the quality of the income.

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.

Revenues and earnings

EUR k	2021	2020	Change
Revenues	318,163	301,693	5.5%
Total operating performance	339,856	316,275	7.5%
EBITDA	128,922	115,686	11.4%
EBIT	93,311	73,377	27.2%
EBT	87,708	62,046	41.4%
Consolidated net profit	51,808	40,678	27.4%

Revenues

Revenues increased in the 2021 reporting year from EUR 301.7m to EUR 318.2m (5.5%). The increase is based on higher AUM as well as additional management fees for project development services for the Group's clients. Sale of principle investments also decreased, in line with strategy.

Revenues

EUR k	2021	2020	Change
Revenues from management services	310,919	292,503	6.3%
Proceeds from the sale of principal investments	1,477	3,746	-60.6%
Rental revenues	3,234	3,500	-7.6%
Revenues from ancillary costs	645	955	-32.5%
Other	1,888	989	90.8%
Revenues	**318,163**	**301,693**	**5.5%**

Revenues from management services increased in the reporting period by 6.3% year-on-year from EUR 292.5m to EUR 310.9m. 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 346.3m, which corresponds to an increase of 5.7% on the previous year's figure of EUR 327.6m. As a result of the organic growth in AUM and the acquisition of new mandates, management fees increased by 8.1% year-on-year to EUR 209.1m (2020: EUR 193.4m). Transaction fees increased by 6.9% to EUR 51.4m (2020: EUR 48.1m) despite the Covid-19 related uncertainty. Performance fees of EUR 85.9m remained almost at the previous year´s level (2020: EUR 86.1m; -0.2%) and included, among other things, operating income from participations (IFRS 9) of EUR 4.0m (2020: EUR 9.0m).

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

Reconciliation of total service fee income

EUR k	2021	2020	Change
Management fees (excluding result from participations)	199,561	183,904	8.5%
Performance fees (excluding result from participations, excluding operating income from participations (IFRS 9))	59,932	60,508	-1.0%
Transaction fees	51,427	48,091	6.9%
Revenues from management services	**310,919**	**292,503**	**6.3%**
Performance fees (in result from participations)	21,969	16,571	32.6%
Shareholder contribution for management services (in result from participations)	9,490	9,490	0.0%
Operating income from participations (IFRS 9)[1]	3,967	9,001	-55.9%
Total service fee income	**346,345**	**327,565**	**5.7%**

[1] Includes only the portion attributable to service fee income

Proceeds from the sale of principal investments amounted to EUR 1.5m after EUR 3.7m 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 3.2m in the period under review after EUR 3.5m in the 2020 financial year.

Revenues from ancillary costs relate to rental ancillary costs and amounted to EUR 0.6m in the period under review (2020: EUR 1.0m).

Other essentially comprises transaction costs that are charged on to the corresponding investment vehicles. In the 2021 financial year, this item increased to EUR 1.9m compared to EUR 1.0m in the same period of the previous 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. PATRIZIA's total operating performance increased by 7.5% to EUR 339.9m in 2021 after EUR 316.3m in the previous year.

Reconciliation of total operating performance

EUR k	2021	2020	Change
Revenues	318,163	301,693	5.5%
Changes in inventories	603	-2,242	-126.9%
Other operating income	21,027	16,522	27.3%
Income from the deconsolidation of subsidiaries	63	302	-79.1%
Total operating performance	**339,856**	**316,275**	**7.5%**

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 (+). The accounting effects of the sale as well as the maintenance and construction costs of properties held for sale are recognised in profit or loss under changes in inventories. Changes in inventories of EUR 0.6m were reported in 2021 (2020: EUR -2.2m).

Other operating income

Other operating income increased to EUR 21.0m in the financial year 2021 (2020: EUR 16.5m). The income from discontinued obligations essentially results from the reversal of other tax provisions in the amount of EUR 3.7m (2020: EUR 1.4m), remaining holiday entitlements and settlements of bonuses in the amount of EUR 2.2m (2020: EUR 3.6m) and from the reversal of provisions for outstanding invoices in the amount of EUR 1.7m (2020: EUR 2.7m).

The "Other" item mainly includes cancelled earn-out liabilities in connection with the acquisition of Kenzo in the amount of EUR 6.2m (2020: EUR 0m) and refunds of real estate transfer tax in the amount of EUR 1.7m (2020: EUR 0m). In the previous year, payments from other agency fees of EUR 0.5m and income from other oncharges of EUR 0.5m were also included.

In 2020, the income from bargain purchase results from the acquired subsidiary Silver Swan C 2018 S.à r.l. in the amount of EUR 3.9 million.

Income from the deconsolidation of subsidiaries

Income from the deconsolidation of subsidiaries was EUR 0.1m in the financial year 2021 (2020: EUR 0.3m). 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 closed-end funds for private and (semi-)professional investors.

EBITDA

EBITDA rose by 11.4% to EUR 128.9m (2020: EUR 115.7m). The EBITDA increase was supported by a higher total operating performance, lower staff costs and a higher result from participations. Due to lower depreciation and amortisation compared to the previous year, EBIT also increased significantly by 27.2% to EUR 93.3m (2020: EUR 73.4m).

From the 2022 financial year onwards, the financial performance indicators will be adjusted to allow investors and financial analysts better international comparability with other listed companies. As at 1 January 2022, operating income will be replaced by EBITDA, while the Cost Coverage Ratio (CCR) will be replaced by the EBITDA margin as the new financial performance indicator.

Reconciliation of EBITDA

EUR k	2021	2020	Change
Total operating performance	339,856	316,275	7.5%
Cost of materials	-3,881	-3,568	8.8%
Cost of purchased services	-17,971	-16,066	11.9%
Staff costs	-139,224	-143,759	-3.2%
Change in value of investment property	0	4	-100.0%
Other operating expenses	-87,822	-76,678	14.5%
Impairment result for trade receivables and contract assets	627	418	49.9%
Result from participations	35,638	31,624	12.7%
Earnings from companies accounted for using the equity method	5,138	9,181	-44.0%
Cost from the deconsolidation of subsidiaries	-608	-1,746	-65.2%
EBITDAR	**131,755**	**115,686**	**13.9%**
Reorganisation result	-2,833	0	/
EBITDA	**128,922**	**115,686**	**11.4%**

Cost of materials

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. Cost of materials increased by 8.8% year-on-year from EUR 3.6m to EUR 3.9m.

Cost of purchased services

Cost of purchased services in the amount of EUR 18.0m (2020: EUR 16.1m) essentially comprises the purchase of fund management services for label funds in the amount of EUR 12.5m (2020: EUR 13.8m), for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service capital management company. Due to the increase in AUM managed by the label funds and the significant rise in prices in the service sector, expenses increased by EUR 1.9m compared to the previous year.

Staff costs

PATRIZIA employed a total of 946 full-time equivalents (FTE) as at 31 December 2021, compared to 881 in the previous year.

Staff costs

EUR k	2021	2020	Change
Fixed salaries	84,423	79,686	5.9%
Variable salaries[1]	33,451	37,588	-11.0%
Social security contributions	17,120	18,331	-6.6%
Effect of long-term variable remuneration[2]	-1,221	1,742	-170.1%
Share-based payment	1,393	1,085	28.4%
Other	4,058	5,327	-23.8%
Total	**139,224**	**143,759**	**-3.2%**

[1] The previous year's values were adjusted to the new table structure in the report, the item "Variable salaries" includes sales commissions of EUR 1,100k in the financial year and of EUR 1,020k in in the previous year

[2] Valuation changes of the long-term variable remuneration (phantom shares) due to changes in the share price

Valuation effects in connection with phantom shares had a positive effect on staff costs in the fiscal year due to the fall in PATRIZIA AG's share price. Staff costs decreased accordingly by 3.2% to EUR 139.2m (2020: EUR 143.8m).

Despite the need for additional staff as a result of the Company's further growth, fixed salaries and variable salaries together were kept almost stable compared to the previous year. Considering the economies of scale that can be achieved using new technologies, the product-related and strategically important functional areas have essentially been strengthened to strengthen operational efficiency and further improve service quality.

An expense of EUR 1.4m was recognised for the share-based payment agreement (LTI) for executives introduced in the 2020 financial year. Further information on the determination of the fair value of this remuneration component can be found in chapter 7.1.2 of the notes to the consolidated financial statements.

Other operating expenses

Other operating expenses increased by 14.5% to EUR 87.8m in 2021 after EUR 76.7m in the previous year. This item breaks down as follows:

Other operating expenses

EUR k	2021	2020	Change
Tax, legal, other advisory and financial statement fees	28,110	22,348	25.8%
IT and communication costs and cost of office supplies	19,895	17,956	10.8%
Rent, ancillary costs and cleaning costs	3,490	3,331	4.8%
Other taxes	2,465	1,638	50.5%
Vehicle and travel expenses	3,062	4,599	-33.4%
Advertising costs	4,524	3,915	15.6%
Recruitment and training costs and cost of temporary workers	6,122	7,510	-18.5%
Contributions, fees and insurance costs	4,801	4,450	7.9%
Commission and other sales costs	1,561	729	114.2%
Costs of management services	2,003	186	975.1%
Indemnity/reimbursement	37	572	-93.6%
Donations	1,209	1,493	-19.0%
Other	10,543	7,951	32.6%
Total	**87,822**	**76,678**	**14.5%**

Tax, legal, other advisory and financial statement fees in the amount of EUR 28.1m (2020: EUR 22.3m) inter alia include:

- Project-related consulting services in the context of digitalisation as well as costs of initial testing, acquisition and use of new technologies in the amount of EUR 4,834k (2019: EUR 5,822k).
- Costs for consulting services in connection with the introduction of the new, global concept of mobile working “NEW Work” in the amount of EUR 2,171k (2020: EUR 1,545k)
- Costs related to the management consulting of BrickVest amounting to EUR 1,909k (2019: EUR 1,440k)
- Costs related to the acquisition and integration of companies (in 2021 Whitehelm, in 2020: BrickVest) amounting to EUR 4,041k (2020: EUR 1,752k)
- Project-related consulting services to identify potential efficiency improvements in operating activities and realise them in the future amounting to EUR 1,932k (2020: EUR 0k)

The increase in IT, communication and office supplies costs results from the increased use of technological innovations and the further expansion of the level of digitalisation. This item also includes expenses from cloud computing contracts. In this case, access to user software in a cloud environment is granted by an external service provider for a limited contract term in return for payment ("software rental"). The service model Software as a Service (SaaS) as well as the deployment model Public Cloud are typically agreed as contract conditions. Under these conditions, cloud computing agreements are regularly regarded as service contracts and recognised as current expenses. Related implementation costs are also generally recognised as expenses in the period in which they are incurred.

The increase in the item "Other taxes" is mainly the result of additional VAT payments and wealth tax (Luxembourg) regarding previous years.

The increase in costs of management services in 2021 mainly refers to the purchase of external project management services as part of the RED projects Carossa (EUR 1.9m).

The decrease in vehicle and travel costs is due to the travel and contact restrictions in connection with the Covid19- Pandemic.

Donations include grants to charitable organisations such as the PATRIZIA Foundation. In 2018, the Management Board had decided to support charitable organisations annually with up to 1% of the Company's operating income.

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 0.6m (2020: EUR 0.4m).

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

PATRIZIA generated a result from participations of EUR 35.6m in 2021 (2020: EUR 31.6m, +12.7%). This increase mainly relates to the continued positive development of the Dawonia co-investment. Investment income totalling EUR 34.7m (2020: EUR 29.3m) was received for the Dawonia co-investment).

Earnings from companies accounted for using the equity method, which primarily contains the co-investment WohnModul I SICAV-FIS, generated EUR 5.1m (2020: EUR 9.2m). The reduction compared to the previous year results from the planned lower income from the co-investment WohnModul I SICAV-FIS and the valuation of technology investments.

The result 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.

Result from participations

EUR k	2021	2020	Change
Dawonia GmbH	34,682	29,284	18.4%
Co-investments in the UK (Aviemore and Citruz)	69	0	/
Seneca	153	854	-82.1%
TRIUVA	21	80	-73.3%
Closed-end funds business	168	1,060	-84.2%
Other	545	346	57.5%
Result from participations	**35,638**	**31,624**	**12.7%**
Earnings from companies accounted for using the equity method	**5,138**	**9,181**	**-44.0%**
Total	**40,776**	**40,805**	**-0.1%**

Net reorganisation result

Reorganisation expenses recognised in the current period mainly result from the realignment of the Real Estate Development and Fund Services divisions. These were mainly expenses for severance payments, current salaries during the release phase, material costs and consulting costs in connection with defined reorganisation measures. Provisions from the reorganisation that are no longer required are released to the income statement.

Consolidated net profit

In the 2021 financial year, PATRIZIA's consolidated net profit increased to EUR 51.8m (2020: EUR 40.7m; 27.4%).

Reconciliation of consolidated net profit

EUR k	2021	2020	Change
EBITDA	**128,922**	**115,686**	**11.4%**
Appreciation/amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-35,611	-42,309	-15.8%
Earnings before interest and taxes (EBIT)	**93,311**	**73,377**	**27.2%**
Finance income	1,898	2,971	-36.1%
Financial expenses	-6,753	-6,707	0.7%
Other financial result	194	0	/
Result from currency translation	-942	-7,595	-87.6%
Net finance costs	**-5,603**	**-11,330**	**-50.5%**
Earnings before taxes (EBT)	**87,708**	**62,046**	**41.4%**
Income taxes	-35,900	-21,369	68.0%
Consolidated net profit	**51,808**	**40,678**	**27.4%**

[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[1], 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 as well as financial investments decreased to EUR 35.6m (2020: EUR 42.3m; -15.8%) and mainly consisted of amortisation of fund management contracts (see chapter 4.3 in the notes to the consolidated financial statements for further information) and licences of EUR 15.8m (2020: EUR 24.4m) amortisation of rights of use of EUR 11.5m (2020: EUR 10.4m), and amortisation of software and depreciation of operating and office equipment of EUR 6.5m (2020: EUR 6.0m).

Net finance costs

Financial income decreased to EUR 1.9m after EUR 3.0m in the previous year (-36.1%) and essentially relates to temporary loans granted to investment vehicles, interest on late purchase price payments and interest refunds from the tax office. Financial income was offset by financial expenses of EUR 6.8m (2020: EUR 6.7m, 0.7%), including in particular interest for bonded loans and interest accrued on retirement benefit obligation.

Result from currency translation

The result from currency translation amounted to EUR -0.9m as at 31 December 2021 (2020: EUR -7.6m). It is composed of realised currency effects of EUR -2.5m (2020: EUR -1.9m) and non-cash currency effects of EUR 1.5m (2020: EUR -5.7m).

Income taxes

Tax expenses amounted to EUR 35.9m in the 2021 financial year after EUR 21.4m in the previous year (68.0%). The largest items included are income taxes for the current year (EUR 28.0m), income taxes for the previous year (EUR 4.7m) and deferred taxes (EUR 3.2m).

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. Some of the figures shown in the following table are netted in the other tables in the current report.

Detailed reconciliation to operating income

EUR k	2021	Table in the current report
Management fees (excluding result from participations)	199,561	Reconciliation of total service fee income
Shareholder contribution for management services (in result from participations)	9,490	Reconciliation of total service fee income
Management fees	**209,051**	
Transaction fees	**51,427**	Reconciliation of total service fee income
Performance fees (excluding result from participations, excluding operating income from participations (IFRS 9))	59,932	Reconciliation of total service fee income
Performance fees (in result from participations)	21,969	Reconciliation of total service fee income
Operating income from participations (IFRS 9)	3,967	Reconciliation of total service fee income
Performance fees	**85,868**	
Total service fee income	**346,345**	Reconciliation of total service fee income
Revenues from the sale of principal investments	1,477	Revenues
Changes in inventories	603	Consolidated income statement
Cost of materials	-3,881	Consolidated income statement
Rental Revenues	3,234	Revenues
Revenues from ancillary costs	645	Revenues
Net sales revenues	**2,078**	
Earnings from companies accounted for using the equity method	5,138	Consolidated income statement
Investments in the future	1,401	Reconciliation of operating income
Remaining result from participations	4,007	Consolidated income statement & Reconciliation of total service fee income
Co-investment result	**10,546**	
Net sales revenues and co-investment income	**12,624**	
Personnel expenses	-139,224	Consolidated income statement
Other operating expenses	-87,822	Consolidated income statement
Cost of purchased services	-17,971	Consolidated income statement
Addition of amortisation of rights of use (IFRS 16)[1]	-11,541	
Investments in the future	12,911	Reconciliation of operating income
Other operating income	21,027	Consolidated income statement
Other revenues	1,888	Revenues
Income from the deconsolidation of subsidiaries	63	Consolidated income statement
Cost from the deconsolidation of subsidiaries	-608	Consolidated income statement
Derecognition of earn-out liability Kenzo (in other operating income)	-6,204	Consolidated income statement
Impairment result for trade receivables and contract assets	627	Consolidated income statement
Net operating expenses	**-226,853**	
Appreciation/amortisation of other intangible assets, software and right of use, depreciation of property, plant and equipment	-35,611	Consolidated income statement
Amortisation of fund management contracts	11,340	Reconciliation of operating income
Neutralisation amortisation of rights of use (IFRS 16)[1]	11,541	
Extraordinary value adjustment in associated participations	2,374	Reconciliation of operating income
Finance income	1,898	Consolidated income statement
Finance costs	-6,753	Consolidated income statement
Other financial result	233	Reconciliation of operating income
Currency result	-942	Reconciliation of operating income
Unrealised currency effects	-1,569	Reconciliation of operating income
Extraordinary amortisation of fund management contracts	4,423	Reconciliation of operating income
Extraordinary appreciation in associated participations	-709	Reconciliation of operating income
Appreciation/depreciation and amortisation, net finance costs and other items	**-13,775**	
Operating income	**118,342**	

[1] IFRS 16 reduces other operating expenses in the income statement and burdens depreciation. This effect is neutralised here for the transparent allocation of expenses. The amounts are not directly visible in the income statement.

2.3.3 Financial position of PATRIZIA Group

PATRIZIA's key asset and financial data at a glance

EUR k	31.12.2021	31.12.2020	Change
Total assets	2,061,457	1,962,083	5.1%
Equity (excl. non-controlling interests)	1,282,809	1,237,240	3.7%
Equity Ratio	**62.2%**	**63.1%**	**-0.8 PP**
Cash and cash equivalents	341,260	495,454	-31.1%
+ Term deposits	210,831	180,797	16.6%
- Bank loans	-171,095	-43,200	296.1%
- Bonded loans	-234,000	-300,000	-22.0%
= Net cash (+) / net debt (-)	146,995	333,051	-55.9%
Net Equity Ratio[1]	**74.6%**	**76.4%**	**-1.9 PP**

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

Total assets

The Group's total assets increased to EUR 2.1bn as at 31 December 2021 (31 December 2020: EUR 2.0bn).

Equity

Equity (excluding non-controlling interests) increased moderately to EUR 1.3bn as at the end of 2021 (31 December 2020: EUR 1.2bn). The increase is due to, among other things, the subsequent measurement of participations and entitlements to performance fees in accordance with the IFRS 9 accounting standard, which increased equity by EUR 49.5m compared to the previous year. In addition, the share of the consolidated net profit attributable to the shareholders of the parent company less the dividend payment to shareholders had a positive impact on equity. A share buy-back programme carried out in the 2021 financial year with a volume of EUR 23.5m had a reducing effect. Please see the statement of changes in equity for further information on changes in equity. The equity ratio changed only slightly.

Investment property and inventories

PATRIZIA's real estate assets increased by 941.1% in the reporting period, from EUR 16.5m as at 31 December 2020 to EUR 171.6m as at 31 December 2021. This strong increase is mainly the result of the temporary warehousing of properties for the purpose of placement via public funds in Inventories. In line with the strategy, investment property remained at a very low level of EUR 1.8m at the end of 2021.

Investment property and inventory

EUR k	31.12.2021	31.12.2020	Change
Inventories	169,796	14,647	>1.000,0%
Investment property	1,838	1,838	0.0%
Real estate assets	**171,634**	**16,485**	**941.1%**

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 2021

	Assets under Management EUR m	Invested capital (fair value) EUR m	Invested capital (at cost) EUR m	Participations in %
Third-party business	**41,667.0**	**0.0**		
Co-Investments	**6,952.8**	**551.7**	**85.1**	
Residential	**5,399.0**	**533.0**	**70.1**	
Dawonia GmbH	5,256.1	175.5 [1]	51.7	5.1
Dawonia performance fee claims		339.2 [1]	0.0	0.1
WohnModul I SICAV-FIS	142.9	18.2	18.3	10.1
Other		0.1	0.1	0.0
Balanced Europe	**942.4**	**3.6**	**3.6**	
TransEuropean VII	942.4	3.6	3.6	1.0
Commercial Germany	**611.4**	**11.7**	**8.0**	
Alliance	232.7	5.7	5.0	5.1
Seneca	159.1	4.1	1.7	5.1
PATRoffice		0.3 [1]	0.2	6.3
TRIUVA/IVG logistics	219.6	0.8 [1]	0.7	2.1
TRIUVA/IVG commercial		0.9 [1]	0.5	11.0
Commercial International	**0.0**	**3.4** [1]	**3.4**	
First Street Development LTD (UK)		3.4	3.4	10.0
Principal investments	**18.1**	**18.1**		
Other balance sheet items		**434.3** [2]		
Tied-up investment capital	**48,637.9**	**1,004.1**		
Available liquidity		512.7		
Total investment capital	**48,637.9**	**1,516.8**		
of which debt (bonded loans)		234.0		
of which equity PATRIZIA (without non-controlling interests)		1,282.8		

[1] After deduction of deferred taxes according to IFRS 9
[2] Including goodwill and fund management contracts

Capital structure

Financial liabilities

The Group's financial liabilities increased from EUR 343.2m as at 31 December 2020 to EUR 405.1m as at 31 December 2021. The bonded loan of EUR 300.0m raised in 2017 consisted of tranches of five, seven and ten years. This bonded loan is partly recognised under non-current liabilities (EUR 158.0m) and partly under current liabilities (EUR 76.0m). The short-term bank loans of EUR 171.1m are mainly short-term loans for temporarily held properties that will leave the Group via mutual funds.

Compared to year-end 2020, financial liabilities developed as follows:

Financial liabilities

EUR k	31.12.2021	31.12.2020	Change
Non-current bonded loans	158,000	234,000	-32.5%
Current bonded loans	76,000	66,000	15.2%
Short-term bank loans	171,095	43,200	296.1%
Total financial liabilities	**405,095**	**343,200**	**18.0%**

A detailed maturity profile of the financial liabilities can be found in chapter 4.1.9 of the notes to the consolidated financial statements.

Liquidity

PATRIZIA has available liquidity of EUR 512.7m as at 31 December 2021 compared to EUR 645.0m at the end of 2020.

Liquidity

EUR k	31.12.2021	31.12.2020
Cash and cash equivalents	341,260	495,454
Term deposits	210,831	180,797
Liquidity	**552,090**	**676,251**
Regulatory reserve for asset management companies	-37,548	-31,229
Liquidity in closed-end funds business property companies	-1,859	-15
Available liquidity	**512,683**	**645,007**

Liquidity amounts to EUR 552.1m in total (31 December 2020: EUR 676.3m). However, PATRIZIA cannot freely access the full amount. Cash and cash equivalents of EUR 37.5m 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 available liquidity of EUR 512.7m (31 December 2020: EUR 645.0m).

Consolidated cash flow statement

Cash flow from operating activities amounted to EUR 29.3m in the reporting year, compared to EUR 82.9m in 2020. The change compared to the previous year mainly results from the "Change in inventories, receivables and other assets not attributable to investing activities". The increase in receivables relates to accrual effects from the invoicing for fees that are only paid in subsequent quarters. Furthermore, other non-cash effects as well as temporary consolidation of properties of the mutual fund business were responsible for the decrease.

Cash flow from investing/disinvesting activities resulted in a cash outflow of EUR -42.5m in the reporting year (2020: outflow of EUR -15.3m) and is mainly due to payments for the acquisition of securities and short-term investments as well as other loans. Compensating items are essentially payments received from the repayment of other loans.

The **cash flow from financing activities** amounts EUR -144.6m, compared to EUR -18.3m in the previous year. The most important components of financing activities in 2021 included loan repayments, including the bonded loan in the amount of EUR 66.0m as well as the dividend distribution of EUR 26.7m to PATRIZIA AG shareholders. In addition, a share buyback programme with a volume of EUR 24.0m was carried out.

The cash-effective change in **cash and cash equivalents** amounted in total to EUR -157.8m (2020: EUR 49.3m) resulting in a decrease of cash and cash equivalents from EUR 495.5m at the end of 2020 to EUR 341.3m as at 31 December 2021.

Abridged consolidated statement of cash flow for the period from 1 January to 31 December 2021

EUR k	2021	2020
Cash flow from operating activities	29,341	82,870
Cash flow from investing/divesting activities	-42,497	-15,312
Cash flow from financing activities	-144,633	-18,296
Change in cash and cash equivalents	-157,789	49,262
Cash and cash equivalents as at 01.01.	**495,454**	**449,084**
Effects of changes in foreign exchange rates on cash and cash equivalents	3,595	-2,892
Cash and cash equivalents as at 31.12.	**341,260**	**495,454**

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

The financial situation of 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 the operating companies, PATRIZIA AG generated **revenues** of EUR 39.1m (2020: EUR 31.9m; 22.6%), which mainly resulted from management fees charged to subsidiaries. The item **other own work capitalised and other operating income** fell slightly to EUR 9.6m in 2021 (2020: EUR 9.8m) and consists primarily of income from the reversal of provisions (EUR 5.5m; 2020: EUR 2.6m), income from realised (EUR 0.5m; 2020: EUR 3.2m) and unrealised exchange rate fluctuations (EUR 2.6m; 2020: EUR 1.9m).

Cost of materials decreased to EUR 0.4m. **Staff costs** increased by 12.7% to EUR 37.5m (2020: EUR 33.3m). This results from adjustments and the increase in the number of employees (annual average: 233 FTEs; 2020: 223 FTEs). **Amortisation of intangible assets and depreciation of property, tangible assets as well as other operating expenses** increased by EUR 19.1m (31.7%) to EUR 79.3m (2020: EUR 60.2m). This increase is mainly due to a one-off effect from the impairment of a receivable from a subsidiary in the amount of EUR 15.3m. The **income from participations, amortisation of financial assets and profit and loss agreements** decreased by EUR -13.4m to EUR 84.4m (2020: EUR 98.2m). This was mainly due to impairment losses on investments in subsidiaries amounting to EUR -42.1m (previous year: EUR -4.6m) partly compensated by a higher balance from profit transfers amounting to EUR 107.1m (previous year: EUR 83.9m). **Net interest expense** improved to EUR -3.1m (2020: EUR -5.0m). This was primarily due to lower interest expenses to affiliated companies. Taxes increased by EUR 2.5m to EUR 14.7m in 2021.

This results in a **net loss** for the reporting year 2021 of EUR -1.5m (2020: net profit EUR 28.5m) at PATRIZIA AG according to HGB. Together with the profit carried forward of EUR 450.0m and the offsetting of the difference between the calculated value and the acquisition costs for the purchase of treasury shares of EUR -22.4m forms the unappropriated profit. **Unappropriated profit** decreased from EUR 476.7m in 2020 to EUR 426.1m in 2021.

PATRIZIA AG is expected to develop positively in the 2022 financial year. For further information, please refer to the Group's guidance report (chapter 5).

Abridged consolidated balance sheet of PATRIZIA AG

EUR k	31.12.2021	31.12.2020
Fixed assets	460,774	502,745
Current assets	702,069	809,064
Prepaid expenses	3,828	4,466
Total assets	**1,166,671**	**1,316,275**
Equity	698,490	750,168
Provisions	32,580	31,584
Liabilities	434,738	534,523
Accrued expenses and deferred income	863	0
Total equity and liabilities	**1,166,671**	**1,316,275**

Abridged income statement of PATRIZIA AG

EUR k	2021	2020	Change
Revenues	39,094	31,881	22.6%
Other own work capitalised and other operating income	9,639	9,842	-2.1%
Cost of materials (cost of purchased services)	-374	-729	-48.7%
Staff costs	-37,485	-33,255	12.7%
Amortisation of intangible assets and depreciation of property, tangible assets as well as other operating expenses	-79,316	-60,224	31.7%
Income from participations, amortisation of financial assets and profit and loss transfer agreements	84,760	98,181	-13.7%
Net interest expense	-3,132	-4,954	-36.8%
Taxes	-14,676	-12,248	19.8%
Net profit/loss for the year	**-1,491**	**28,494**	**-105.2%**
Profit carried forward	449,986	474,746	-5.2%
Purchase of treasury shares	-22,442	-26,571	-15.5%
Unappropriated profit	**426,053**	**476,669**	**-10.6%**

3 Other disclosures

3.1 Acquisition-related disclosures

The aim of all arrangements is to meet 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 3,731,301 treasury shares as at 31 December 2021. The company's share capital shown in the consolidated balance sheet amounts to EUR 88,620,175.00 accordingly. Further details can be found in note 4.10 Equity of the notes to the consolidated financial statements.

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 2021, 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 holding 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 section 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 section 16 of the Articles of Association.

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 14 October 2021, the Management Board of the Company was authorised, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before 13 October 2026 (inclusive) by up to a total of EUR 17,470,295.00 by issuing up to 17,470,295 new no-par value registered shares in return for cash contributions and/or contributions in kind (Authorised Capital 2021/I). The Management Board is authorised, with the consent of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases. The full authorisation derives from section 4 (3) of the Articles of Association.

The Annual General Meeting on 14 October 2021 also authorised the Management Board, with the consent of the Supervisory Board, to increase the Company's share capital by up to a total of EUR 1,000,000.00 by 13 October 2026 (inclusive) by issuing up to 1,000,000 new no-par value registered shares against cash contributions for the purpose of issuing them to employees of PATRIZIA AG and its affiliated companies, excluding the members of the Management Board and Supervisory Board of the Company as well as the Management Board, Supervisory Board and other officers of affiliated companies (employee shares) on one or more occasions (Authorised Capital 2021/II). The full authorisation derives from section 4 (3a) of the Articles of Association.

Furthermore, the Management Board by resolution of the Annual General Meeting on 14 October 2021 was authorised, with the consent of the Supervisory Board, to issue bearer or registered convertible bonds and/or bonds with warrants and/or profit participation rights with conversion or option rights and/or conversion or option obligations and/or participating bonds (or a combination of these instruments) on one or more occasions until 13 October 2026 (inclusive) in a total nominal amount of up to EUR 500,000,000.00 with or without a limited term and to grant or impose upon the creditors of Bonds conversion or option rights and/or conversion or option obligations to subscribe for a total of up to 18,470,295 new registered no-par value shares of the Company with a pro rata amount of the share capital of up to EUR 18,470,295.00 in total in accordance with the respective terms and conditions of the Bonds. Details can be found in section 4 (4) of the Articles of Association.

Significant agreements by the Company contingent upon a change of control following a takeover bid

There are, with the exception of the LTI Plan, 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 Combined Corporate Governance Statement – disclosures in accordance with section 289f HGB and section 315d HGB (German Commercial Code)

On 15 March 2022, the Management Board and the Supervisory Board of PATRIZIA AG issued a Corporate Governance Statement in accordance with section 289f HGB and section 315d HGB (German Commercial Code) and made this statement publicly available on the Company's website at: https://www.patrizia.ag/en/shareholders/corporate-governance/corportate-governance-statement/.

3.3 German Corporate Governance Code – disclosures in accordance with section 161 AktG (German Stock Corporation Act)

On 15 December 2021, the Management Board and the Supervisory Board adopted the Declaration of Conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 AktG (German Stock Corporation Act; GCGC 2020). The recommendations were complied with during the year, with a few exceptions. With the reorganisation of the Supervisory Board and the formation of the Audit Committee and the Nomination and Remuneration Committee, the final deviations were eliminated in the fourth quarter of 2021, so that PATRIZIA now fully complies with the Code. The current and all previous Declarations of Conformity are also permanently available on the PATRIZIA website at: https://www.patrizia.ag/en/shareholders/corporate-governance/declarations-of-conformity/.

3.4 Related party transactions

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, according to the circumstances known to us at the time when the legal transactions listed in the report on relationships with affiliated companies were carried out, the company received appropriate consideration for each legal transaction. There were no measures subject to reporting requirements in the financial year."

Extensive information on related party transactions can be found in chapter 7.2 of the notes to the consolidated financial statements.

4 Development of opportunities and risks

4.1 Management of opportunities and risks

Entrepreneurial decisions are fundamentally based on opportunities and risks. In order to be able to successfully achieve the entrepreneurial goals, opportunities and risks must be constantly reviewed and considered so that risks can be consciously taken on this basis. A Group-wide risk management system ensures that risks are systematically identified, recorded, managed and communicated both internally and externally when deemed necessary. The aim of the risk management system 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 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 function. 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 departments Product Development and Capital Markets (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 Management Board of PATRIZIA, the Strategic Corporate M&A department and the Alternative Investments team. In addition, opportunities are seen in digitalisation, automisation and technology & innovation, which are equally pursued to ensure continued growth and strategic development as well as ongoing operational optimisation.

As part of the corporate governance program, PATRIZIA has established a Group-wide Risk Management function that bundles activities relating to risk management. This assigns responsibility for the further development of suitable risk management processes to a central unit. The processes implemented as part of the risk management system include risk identification mechanisms with the participation of all key business areas, early risk detection and indicator systems, risk-bearing capacity analyses and regular risk reporting to the Management Board and Supervisory Board of PATRIZIA AG. The role concept within PATRIZIA's risk management is designed to ensure best interaction between operational functions and the monitoring functions. PATRIZIA has also set up a committee structure to provide the Management with the best possible support. The consideration of potential risks and future opportunities is of particular relevance. The committee structure ensures that all important parties are informed and involved in due time and thus forms a central element of risk identification and management. The main committees are:

- Investment Committee
- Products & Fundraising Committee
- Capital Allocation Committee
- Fund Review Committee
- Technology & Innovation Committee
- Risk Committee
- Ad-hoc Committee
- Environmental, Social and Governance (ESG) Committee
- Global Projects and Development (GPD) Committee
- Remuneration Committee

The establishment of risk management functions in PATRIZIA's regulated companies (AIFM, MiFID) follows separate legal requirements and supervisory regulation and is carried out by all regulated entities. The Risk Management of PATRIZIA and the regulated entities is in permanent cooperation, among other things through a joint management function. This supports the exchange of knowledge between risk management functions at all levels and ensures the efficient consideration of PATRIZIA's core risks.

The Corporate Financial Planning & Analysis department reports Group financial data on a monthly basis to Senior Management and Risk Management. The reporting helps to identify potential risks at an early stage and to initiate relevant countermeasures.

Within the framework of risk management, the identified risks are considered in a differentiated manner according to possible occurrence scenarios and evaluated at the Group level by estimating the probability of occurrence and the potential loss. 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. process changes and, where deemed necessary, accounting related precautions such as the recognition of provisions, etc. In principle, the risk assessment considers the risk effect over one year and is aligned with PATRIZIA's fiscal year and thus the budget period. The identified and assessed risks are taken into account in a risk-bearing capacity calculation at the Group level. The identified significant risk areas, the results of the risk-bearing capacity calculation as well as the results of the implemented risk indicator system are included in the periodic reporting of the Risk Management function to the Management Board of PATRIZIA.

PATRIZIA's risk management process is designed to identify, record and monitor relevant risk positions and to define and implement suitable control measures. The primary objective is to create comprehensive transparency regarding the current risk situation and thus enable risk-oriented decisions to be made. In order to achieve this, it is crucial that the Risk Management function maintains direct contact with all operational areas and that the operational areas themselves are integrated into the risk management procedures. In this way, a continuous exchange of knowledge takes place within the Group and enables the early identification of potential risks and the initiation of appropriate countermeasures in time.

PATRIZIA's Internal Audit regularly reviews the risk management system for efficiency and effectiveness. In addition to the Risk Management function, all other key PATRIZIA business areas are included in the audit planning in a risk-oriented approach. The Management Board receives an annual report on the results of the internal audit. In accordance with Section 317 (4) of the German Commercial Code (HGB), the risk early warning system in accordance with Section 91 (2) Stock Corporation Act (AktG) is also audited by the auditor of PATRIZIA AG. The alignment of PATRIZIA's risk management organisation with the three lines of defence model forms the basis for stable corporate governance.

4.2 Internal control and risk management system with regard to the accounting process - disclosures in accordance with Sections 289 (4) and 315 (4) HGB

The central risk of accounting and financial reporting is that the annual and quarterly financial statements could contain inaccurate representations. In order to avoid sources of error, PATRIZIA has set up an internal control system (ICS) for the accounting process. It is designed to provide sufficient security for the reliability of financial reporting and the preparation of annual and quarterly financial statements in accordance with regulatory and capital market requirements. Nevertheless, the ICS cannot guarantee absolute security. The members of the Management Board of PATRIZIA AG sign the Responsibility Statement on a quarterly basis. In doing so, they confirm that the accounting standards have been complied with and that the figures represent the actual net assets, financial position and results of operations. The budget is the starting point of the controlling process as a central component of the ICS, which is based on the targets set by the Management Board and the expectations for operational business development. This serves as a guideline for the budget of the entire Group and the upcoming business year. The actual figures and possible deviations from the budget are reviewed, analysed and reported on a monthly basis. For the current business year, regular updates, guidance and projections are prepared based on the actual results achieved compared to the budget and the identified opportunities and risks.

The ICS also comprises measures and processes for the timely recording of all business movements and positions in the accounting and financial statements of the Company and the Group. It examines changes in legislation and accounting standards and their effects on the Group's accounting and financial statements. The consistent implementation of the dual control principle ensures compliance with legal requirements in the accounting-related processes. The basis for the ICS is formed by guidelines on the separation of functions and release regulations, which are supported by standardised control and reconciliation processes. All releases are documented and archived.

Accounting for all operating companies in Germany is organised centrally at PATRIZIA. Accounting for the operating subsidiaries outside Germany is generally carried out by the respective local company under the supervision of the central function. The basis for accounting is formed by uniform Group-wide requirements within a central, largely SAP based IT environment. The data is consolidated in the Group Reporting & Consolidation department. The employees involved in the preparation of the financial statements are trained accordingly and the responsibilities and controls within the preparation process are clearly defined.

The effectiveness of the accounting related ICS is assessed as part of the preparation of the financial statements. Accounting is also included in the audit plan of the internal audit department. The focus on corporate governance contributes overall to the further stabilisation and optimisation of 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: The beginning of the second Covid-19 pandemic year was also marked by lockdowns, which dampened the economic recovery in Europe, at least in the first quarter of 2021. In 2021, there were again extensive aid packages from governments. With the end of the lockdown measures and a progression of vaccination campaigns, a strong recovery period started in spring 2021, which was mainly driven by rising consumer spending and the service sector. In addition, travel activity returned in summer, which benefited the hotel and tourism industry. The manufacturing industry has faced and continues to face supply (chain) problems triggered by the pandemic, which are slowing down the upswing in this sector. In addition, energy prices rose over the course of the year, which led to a significant price increase and a sharp increase in inflation. Further risks arose from a fourth wave of infections, which has caused the number of infections to increase significantly since autumn 2021, especially in countries where it was not possible to achieve a sufficient vaccination rate. This led to further uncertainty among consumers and is likely to lead to a further decline in consumer spending in the fourth quarter of 2021. Despite all risks and adversities, a significant increase in European gross domestic product compared to the previous year is expected for 2021 as a whole. The main driver of this development is private consumption. The ECB continued its course of bond purchases, so that interest rates remained at a low level. For investors searching for an attractive current yield, it once again became clear that fixed-interest investments are a challenging asset class, so that the demand for investments in real assets – such as real estate and infrastructure – continued to rise. In addition, the high level of uncertainty among investors with regard to the effects of the pandemic, which was noticeable in the previous year, has largely disappeared in 2021.
Source: PATRIZIA, PATRIZIA House View, RCA

In the course of 2020 and 2021, it became obvious which real estate sectors proved to be resilient, which came out of the crisis well and which continue to struggle with problems. Thus, the division of the market into sectors and subsectors that do not perform well, such as high-street retail or hotel, and good-performing ones such as food retail, multi-family housing or logistics, also continued. Competition for investable assets has increased, so market presence and good knowledge of regional market conditions and intelligent, targeted asset management are crucial for the successful construction and management of portfolios.
Source: PATRIZIA, PATRIZIA House View, RCA

Residential real estate market: As one of the most resilient sectors, the European residential market continued to be very attractive and popular with investors in 2021. Fundamental factors such as urbanisation and the demand overhang are still relevant and guarantee a stable cash flow. However, the high demand for residential investments caused continued yield compression and market regulation increased in some markets, with the corresponding impact on returns. Alternatives to the traditional rental sector therefore increasingly came into focus for many investors. Student housing showed high occupancy rates in 2021 and enjoyed increased investor demand. In the thriving metropolises, co-living emerged as another option offering stable cash flows and, due to the ageing population in many European countries, senior housing also proved to be a good complement or alternative to the private rental sector. All housing alternatives offer a yield premium over the multi-family sector that compensates for higher operator risks; moreover, these sub-sectors are subject to much lower rent regulation. However, good market penetration and accurate knowledge of regional and local market conditions remain crucial for success in residential investment.

Commercial real estate market - retail: After the end of the lockdowns in spring 2021, mobility among the population also returned in European countries. This had a positive effect on the shopping streets in European cities. Nevertheless, institutional interest in retail properties in the high-street segment remained rather subdued. Overall, however, an adaptation of retailers in the form of new shop concepts can be observed and the structural change is progressing. In some markets, this change is already far advanced, so that the high-street segment is already becoming attractive again for the first investors who are more willing to take risks. Food retailing continued to enjoy high popularity in 2021, and there was also a significant yield compression here. Retail parks with food anchors were also on the shopping list of many institutional investors. Shopping centres, on the other hand, are still in a consolidation phase. Online retailing continues to advance, but the limits to growth are slowly becoming visible. This manifests itself, among other things, in the fact that pure online retailers, such as Zalando or Amazon, are opening physical shops in order to create new points of contact with customers and open up new segments. Online retail will therefore not make the brick-and-mortar shop or the high-street obsolete. However, there will be far-reaching structural changes. In order to be able to assess their effects, it is necessary to have good market knowledge and a profound understanding of the market mechanisms on the ground. On this basis, attractive investments can be made in the retail sector.

Commercial real estate market - office: The European market for office property was robust in 2021. Although the improvement in the pandemic situation in the course of the year led to more employees returning to their offices, investors remained cautious and transaction activity did not reach the level seen before Covid-19. According to surveys, some companies still expect to need less office space in the future. However, the regional differences in Europe are very large. Consequently, the structural changes and polarisation within the European office markets will continue in 2021. Flexible spaces, a high level of technology in the spaces, health and well-being as well as sustainability are increasingly becoming the focus of tenants. Offices are becoming "greener". All of this strengthens the core locations and core sites. Second and third-tier properties, especially those in poor technical condition, will increasingly struggle with vacancies.

Commercial real estate market - logistics: The high resilience of the logistics sector also led to more and more investors seeking to realign their core portfolios in favour of logistics in 2021. The share of logistics properties in the total transaction volume increased significantly and reached a record level. The growing importance of online trade gave the sector a structural tailwind. One focus was on "last mile" logistics, as higher rental growth was observed here. In hub logistics, there was a lot of movement in take-up, but the price environment in this segment has become very competitive, so many investors took profits and sold properties in secondary locations. Urban logistics and alternative types of logistics in particular promise good and sustainable investment opportunities.

Infrastructure markets: 2021 has again highlighted the resilience of the infrastructure sector. The pandemic has cemented high speed broadband as the fourth utility alongside water, gas and electricity networks. However, whilst infrastructure investments with contracted cash flows or returns from predictable regulatory frameworks thrived in 2021, the continuation of the pandemic again challenged infrastructure investments within the transport sector – most notably airports with rolling global lockdowns.

The disruptions in energy and commodity markets in 2021 has led to the emergence of inflation across all economies, most notably the US, setting the scene for a hastened reduction in quantitative easing and earlier than expected interest rate hikes from global central banks. Whilst tightening monetary policy typically cause valuation headwinds for long duration investments such as infrastructure assets, a key attribute of core infrastructure assets is inflation resilience, resulting from pre-negotiated revenue contracts or a regulatory pricing formula with inflation indexation, which have inbuilt step-ups at set periods of time based on prevailing inflation rates. Such assets are therefore correlated to inflation, providing a natural hedge for investors.

4.3.2 Operational risks

Acquisitions and disposals of real estate: The trend of strong demand for real estate has continued in 2021. However, due to the Europe-wide Covid-19 pandemic, investors have strongly differentiated by type of use. The types of use that were significantly more affected by the crisis, due to closures and the associated loss of turnover, such as shopping centres and hotels, have been traded significantly less. The transaction volume remains at a very high level on a ten-year average. In a continuous environment of loose monetary policy, national and international investors continue to invest more in the European real estate markets. This means that it remains challenging for PATRIZIA to acquire suitable properties with risk-adjusted returns for its clients in a very competitive market. However, even in this market environment PATRIZIA has succeeded in using its experience and market knowledge to acquire attractive properties and portfolios for its clients - partly by approaching sellers directly and bypassing competitive situations - and to enable its clients to take profits and optimise their portfolios through targeted sales in this market environment.

The ongoing strategic development of PATRIZIA's European platform is intended to provide additional, broader access to attractive investment opportunities. PATRIZIA should thus be seen not only across Europe, but increasingly also internationally as a reliable and professional partner in the trustworthy and rapid implementation of large individual and portfolio investments. Despite the currently prevailing seller's market, there is a fundamental risk that disposals of real estate may not be realised at the intended price.

For further information, please refer to chapter 1.5.5.

IT security: Almost all essential business processes in the Company rely on IT systems. Any disruption in the operation of IT systems has an impact on business operations. Significant data loss and breaches of data protection requirements could result in serious financial damage, but also have a negative impact on the public's perception of the Company. To ensure the availability of business applications, all systems have been operated redundantly in two physically separate data centers. In addition, the ERP (Enterprise Resource Planning) systems are also operated in parallel and mirrored. Both measures ensure a significant reduction in downtime in the event of an emergency. Other protective measures, such as desktop virtualisation and the operation of a NAC solution (Network Access Control) as well as other supplementary anti-malware mechanisms reduce the risk of damage from viruses, Trojans and ransomware (malware - especially extortion software). Cloud services are also being increasingly used and as required are adequately integrated into the existing security mechanisms. Regular information activities to raise staff awareness (e.g. on topics such as phishing, social engineering or CEO fraud - but also on the requirements of the GDPR) round off the system-based protection and security precautions. A password policy also ensures the use of secure access passwords and their regular change. Another component of the security concept is the two-factor authentication for remote dial-in - especially in view of the intensive mobile use of the infrastructure. To prevent the technical loss of company data and to ensure the reliability of IT operations, data backups are carried out regularly. Annual emergency tests with changing focal points are intended to ensure that in the event of a crisis, organisation and technology mesh and systems and data can be made available again in accordance with the service levels. The measures described have proven, especially in the changed risk situation caused by the Covid-19 pandemic.

Financing risks: Debt financing on Group level is currently of secondary importance for PATRIZIA's business model due to the solid balance sheet structure. The remaining portfolio of managed own real estate (principal investments) is no longer financed with debt capital. The only exception is an asset in Nagoya/Japan, which has local financing. This asset is expected to be sold in Q2 2022. The risk of PATRIZIA not having debt capital available for any new principal investments - generally only as interim financing for public funds or as early-stage investments with the purpose of later contribution to institutional funds - is currently low. In May 2017, PATRIZIA raised an unsecured promissory note loan totalling EUR 300m via the capital market. Due to high demand, the issue was significantly oversubscribed. Together with substantial existing liquid funds, PATRIZIA is in a position to respond to capital requirements of new investments at any time. Potential principal investments are also always financed at property or portfolio level.

As part of the funds under management, PATRIZIA AG takes on the procurement of debt capital as a service. This service is fundamentally exposed to financing risks in the event of a deterioration in market conditions. The current Covid-19 pandemic has put pressure on the financing market, which is mainly reflected in increased liquidity costs, although these are currently stable. However, there are no significant risks associated with this. Nevertheless, a further downturn could have an impact on access to liquidity and thus influence new investment opportunities for PATRIZIA's clients.

As business development in recent years has shown, PATRIZIA was able to achieve its annual and growth targets without having to draw on the entire liquidity buffer built up for inorganic growth. In addition, the cash balance was further expanded due to the positive business development.

Credit terms: An equity covenant has been agreed in the existing promissory note loan, compliance with which is monitored on an ongoing basis. In some cases, key figures have been agreed in the loan agreements for the property and portfolio financing of the funds under management, compliance with which is also monitored on an ongoing basis. However, there are no direct effects on PATRIZIA from these ratios.

Interest rate risks: Interest rate risks are avoided or minimised by agreeing mainly fixed interest rates and by active liquidity management. Due to the ECB's ongoing low interest rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently being taken out without interest rate hedging instruments. The Group is therefore subject to an interest rate risk from financial liabilities. The repayment of the variable tranches of the promissory note loan of EUR 66m eliminated any interest rate risks, as the remaining tranches of EUR 234m have a fixed interest rate.

Liquidity risk: The risk of a liquidity shortage is currently not discernible: As at 31 December 2021, PATRIZIA had bank balances and cash in hand of EUR 341.3m and short-term investments of EUR 210.8m available to cover its operating liquidity requirements and for refinancing. In order to avoid a possible counterparty risk, the investments of liquidity are distributed among 57 financial institutions. The maximum investment volume per bank is EUR 50m. These banks must have at least an S&P rating of BBB+. In addition, PATRIZIA expects further liquidity surpluses from the operating business, which will be used in the investment planning with matching maturities. The equity released through sales of residual holdings of Principal Investments also contributes to the increase in existing liquidity. PATRIZIA optimises and manages Group-wide liquidity as part of a cash pooling process. Early warning indicators and comprehensive rolling planning also serve as a preventative measure 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, so there is no currency risk here. The foreign branches in the USA, Hong Kong, Japan, South Korea, Denmark, Sweden, Poland, Singapore and Great Britain, which carry out investment management mandates as well as acquisitions and disposals for the funds and invest within the scope of co-investments, are an exception. As at 31 December 2011, PATRIZIA had EUR 199.3m in foreign currency on its balance sheet. As the investments in these companies and the granting of shareholder loans are in the respective national currency, the subsidiaries and property companies are subject to the risk of fluctuating exchange rates. With increasing expansion outside the Eurozone, this position could increase further in the future. The Group's overall currency risk is regularly monitored and assessed in order to promptly identify any need for action and to be able to initiate countermeasures such as currency hedging.

Legal risks: PATRIZIA is represented in various legal circles. Individual companies are involved in various court proceedings and arbitration proceedings as a result of their business operations. Sometimes claims are also asserted against them out of court. By monitoring our contractual obligations and involving local legal experts in contractual matters and changes in the law, we aim to minimise any legal risks. Provisions have been made for potential losses from pending proceedings. Serious legal risks that would be material for the future development of the Company are currently not observed.

Accounting risks: In the application of accounting policies, judgements have to be made that can significantly affect the amounts recognised in the financial statements. Major discretionary decisions are presented in chapter 3 of the notes to the consolidated financial statements.

Tax risks: There are specific tax risks for the PATRIZIA Group which are based on uncertainties regarding the tax assessment of certain payment flows from real estate transactions and administrative activities. As a preventive measure, analyses have been obtained from external law firms which confirm the existing tax assessments of the relevant circumstances. The remaining residual risk is assessed as moderate.

Operational risks: The PATRIZIA Group provides a range of different services for their clients. Regulated fund management activities play a significant role in this. The PATRIZIA Fund Management companies regularly act as trustees and manage the invested client funds in their exclusive interest. The framework conditions for these activities are regularly specified in contractual agreements. This gives rise to operational risks, which are expressed in particular in possible claims for compensation by the investment assets managed on a fiduciary basis, e.g. due to management errors. However, other operational risks, such as risks from inadequate organisation or lack of resources, are also latent. PATRIZIA counters operational risks with appropriate organisational structures, procedural instructions and process documentation so that existing risks are effectively contained.

4.3.3 Partner opportunities and risks

Funds under management: In connection with the fund structures set up by PATRIZIA, there are opportunities and risks from fee income, which depends on the value of the real estate assets under management, acquisitions and disposals and the return achieved by the funds. These revenues can be negatively influenced by the reduction in value of real estate, rental defaults as well as a reduced transaction volume. However, PATRIZIA serves a large number of different funds and can access a diverse range of suitable properties in Germany and abroad. As the properties held in the funds must be backed by appropriate equity, debt financing in this constellation must be obtained promptly and in line with market conditions. In principle, a reduction in investment activity is not to be expected at present. The risk of a reduction in planned distributions to investors is currently considered to be very low. Instead, the Company sees the opportunity to acquire further new customers and expand its fund business thanks to the fund's performance and PATRIZIA's reputation. Further opportunities arise from the placement of retail funds, a business model that was established operationally at the beginning of 2016 and has since then successfully launched various real estate funds with properties across Europe. This business is also to be further expanded internationally. The organisational and personnel requirements were created in 2021.

As an investment manager, PATRIZIA is also responsible for managing and optimising its clients' properties. Inadequately performed services could lead to dissatisfaction among clients or financial claims up to and including the loss of mandates and burden the Group's earnings situation. Group-wide, as described above, there is an opportunity due to the favourable market conditions, which have also triggered the repeated generation of performance fees in recent years. Nevertheless, PATRIZIA is taking precautionary measures in its business model to prepare for potentially declining growth and thus for the potential occurrence of the negative influences mentioned above.

Fund under management | Co-investments: Via co-investments, PATRIZIA participates in the fund equity with its own money via co-investments. Acquiring clients and with them the necessary equity capital is not currently a limiting factor. Securing financing is also not considered a risk. The challenge at present is rather, as already described under "Acquisitions and disposals of real estate", the acquisition of suitable real estate that meets PATRIZIA's and the customers' criteria. The further decline in yields for real estate of all types of use can have a limiting effect here.

Equity raising: The liquidity in the market and thus the investment pressure on the investor side remains high. Thus, the risk of a default by business partners/investors or fundamental problems in acquiring new business is low. However, the yield level that has now been reached, the partially well-filled real estate quotas in conjunction with the market entry of further competitors, makes the market environment more challenging. As one of the market leaders with a very broad range of products, PATRIZIA is well positioned here. With the expansion of the international fund business and the offering for private clients, the customer base has broadened further. More than 500 institutional investors now invest through PATRIZIA - from savings banks to insurance companies and pension funds to sovereign wealth funds. More than 50% of the customers are invested in several PATRIZIA products. In recent years, infrastructure in particular has established itself alongside real estate in the area of alternative investments. The expansion of the product range through the acquisition of Whitehelm Capital opens up new opportunities here and has been very well received by investors. However, the continued persistence of the Covid-19 pandemic may still lead to delays in the planned product placements and has an influence on the connection of new investors/investor groups to the Company.

4.4 Overall view of the opportunities and risks

Risk aggregation and risk-bearing capacity: As part of PATRIZIA's risk management process, existing risks are continuously identified, assessed, evaluated and aggregated. The aggregated, assessed risks are included in the Company's risk-bearing capacity analysis, the results of which are subsequently brought to the attention of both the Management Board and the Supervisory Board. The basis for the risk-bearing capacity calculation is the calculation of a theoretical default risk, which is based on the Company's earnings and balance sheet figures. The theoretical default risk is not linearly related to the earnings and balance sheet ratios used. The Company's risk-bearing capacity is defined as the maximum risk potential which, in the Company's opinion, would sustainably impair the Company's refinancing on the capital market if it were to occur and is expressed as the upper limit of the theoretical default risk. It thus defines the limit of risks that can be borne overall and therefore do not yet endanger the Company's existence. PATRIZIA has also defined a risk tolerance limit, which is also expressed as a theoretical default risk and is set below the upper limit of the risk-bearing capacity. Finally, as part of the risk-bearing capacity calculation, the potential effects of existing risks on the theoretical default risk are determined and compared to the risk tolerance and risk-bearing capacity.

At the end of 2021, no significant risk potentials were identified that exceed the risk tolerance and thus also the risk-bearing capacity of the Company. The calculated theoretical probability of default is less than one percent of the defined limit for risk-bearing capacity. The probability of risks endangering the Company's existence is therefore considered to be extremely low. Based on the information available and the medium-term planning for key investments, there is no indication as at 31 December 2021 that the existing risk situation could endanger the future development or continued existence of PATRIZIA alone and the PATRIZIA Group.

5 Guidance

5.1 Future economic conditions

In 2021, there was a significant economic upswing, but growth was repeatedly slowed down by the Covid-19 pandemic. For 2022, we expect that the vaccination rate will continue to increase significantly, and the pandemic effects will weaken. We therefore expect robust growth in gross domestic products in Europe. As the economic recovery progresses, the labour market should also continue its positive development. At the time of publication of this report, it is however not possible to conclusively assess the effects that increased geopolitical risks like the Russian invasion of Ukraine as well as the further development of the Covid-19 pandemic will have on the general economic situation as well as on the markets relevant for PATRIZIA.

Interest rates in the euro area are not expected to rise significantly in 2022, even if the ECB's programme of bond purchases was to expire. Thus, fixed-income investments are expected to remain unattractive for investors searching for stable income, which further increases the demand for real estate from institutional investors.

In the real estate markets, it is becoming clearer which sectors and which sub-sectors offer sustainable investment opportunities with attractive returns. In the office sector, demand is moving towards modern, flexible spaces in top locations. Sub-sectors such as life science (real estate for science and research) will see increasing demand in the coming years.

In the retail sector, inner-city retail in particular has been affected by structural changes and the pandemic, but here too it seems evident that some markets are already offering investment opportunities again due to price corrections and returning investor’s activity. More resistant sub-sectors such as food retail or retail parks with food anchor are expected to continue to be on top of institutional investors' shopping lists despite yield compressions.

The logistics sector will also continue to face high demand. There is a trend towards the sub-sectors of cold storage, self-storage, urban logistics (last mile/last hour) or data centers, all of which are experiencing higher rental growth than the traditional hub logistics sector.

In the living sector, there is a trend towards alternative sub-sectors such as student housing, senior living and co-living, all of which are less subject to regulation. The demand for classic multi-family house investments remains high, but many European markets are increasingly exposed to regulations that limit rental growth. Alternative sectors, on the other hand, offer a return premium and thus compensate for higher (management) risks.

Overall, the European real estate markets are expected to offer numerous investment opportunities across all sectors. However, the regional sub-markets are very diverse. In order to identify where, when, which investment is target-oriented, market presence, profound market knowledge and operational excellence are indispensable for the successful development of portfolios and the implementation of successful investment strategies.
Source: PATRIZIA, PATRIZIA House View

For the infrastructure sector, we expect to see a continuation in energy transition in 2022 as nations look to honor their commitments to reach net zero carbon emissions by 2050. Whilst this transition will include continued investments in traditional renewable infrastructure such as wind and solar generation assets, we expect to see accelerated investment in broader renewable and energy transition assets, such as energy-from-waste, heat networks, distribution, carbon capture and storage, as well as hydrogen.

Furthermore, the persistence of Covid-19 has further cemented the continued need for digital infrastructure, with fast, reliable internet now considered an essential service, and the pandemic accelerating the structural shift towards digitalisation. Alongside expansive global public investment in infrastructure, such as President Biden’s newly signed flagship US$ 1.2 trillion infrastructure bill, we expect to see growing private infrastructure investment opportunities not only in broadband networks but also in data centers and smart city technology to help accommodate the global trend of urbanisation by increasing city efficiencies and sustainability.

5.2 Expected development of results of operations and assumptions concerning target attainment in 2022

PATRIZIA is entering the 2022 fiscal year with optimism and expects to once again successfully exploit market opportunities for its institutional, (semi-)professional and private investors in the form of attractive real estate and infrastructure fund products. On this basis, PATRIZIA expects another strong transaction performance, an increase in assets under management and thus a further increase in fee income from investment management as well as an even higher quality of total service fee income. At the time of publication of this report, it is however not possible to conclusively assess the effects that increased geopolitical risks like the Russian invasion of Ukraine as well as the further development of the Covid-19 pandemic will have on the general economic situation as well as on the markets relevant for PATRIZIA.

From the 2022 fiscal year, the financial performance indicators will be adjusted to allow investors and financial analysts better international comparability with other listed companies. Assets under Management will remain unchanged as a financial performance indicator. As of 1 January 2022, operating income will be replaced by EBITDA in reporting, while the Cost Coverage Ratio (CCR) will be replaced by the EBITDA margin as a new financial performance indicator. In addition, a guidance is also provided for management fees, transaction fees, performance fees, total service fee income, net sales revenues and co-investment income, net operating expenses, EBIT and EBT.

A guidance for operating income, Cost Coverage Ratio (CCR), depreciation and amortisation, net finance costs and other items and transaction volume (signed) is no longer provided as part of the adjustment of the financial performance indicators for the 2022 financial year.

The details of the guidance for the 2022 financial year are shown in the following table.

Guidance overview

		Last guidance 2021		Actual figures 2021	Actual figures 2021 adjusted[1]	Guidance 2022	
		min	max			min	max
Assets under Management	**EUR bn**	**50.0**	**53.0**	**48.6**		**57.0**	**60.0**
Management fees	EUR m	208.0	210.0	209.1	209.1	245.0	260.0
Transaction fees	EUR m	45.0	55.0	51.4	51.4	50.0	55.0
Performance fees	EUR m	80.0	90.0	85.9	81.9	50.0	60.0
Total service fee income	**EUR m**	**333.0**	**355.0**	**346.3**	**342.4**	**345.0**	**375.0**
Net sales revenues and co-investment income	EUR m	7.0	15.0	12.6	11.2	2.0	5.0
Net operating expenses	EUR m	-215.0	-225.0	-226.9	-224.7	-227.0	-235.0
Depreciation and amortisation, net finance costs and other items	EUR m	-10.0	-10.0	-13.8	-41.2	n.a.	n.a.
Operating income[2]	**EUR m**	**115.0**	**135.0**	**118.3**	**n.a.**	**n.a.**	**n.a.**
EBITDA[2]	**EUR m**			**128.9**	**128.9**	**120.0**	**145.0**
Earnings before interest and taxes (EBIT)	EUR m			93.3	93.3	81.5	106.5
Earnings before taxes (EBT)	EUR m			87.7	87.7	78.2	103.2
Cost Coverage Ratio (CCR)[3]	**%**			**120.7%**	**n.a.**	**n.a.**	**n.a.**
EBITDA margin[3]	**%**			**35.9%**	**36.5%**	**34.6%**	**38.2%**

[1] Not as previously adjusted for IFRS 9 and IFRS 16 items, non-capitalisable expenditure on forward investments and amortisation of fund management contracts.
[2] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Operating income will be replaced by EBITDA. Please see chapter 1.4.2 for the definition of operating income and the derivation of the EBITDA.
[3] PATRIZIA introduced new key financial performance indicators for the Group as at 01.01.2022 - Cost Coverage Ratio (CCR) will be replaced by EBITDA margin. Please see chapter 1.4.2 for the definition of Cost Coverage Ratio (CCR) and the derivation of the EBITDA margin.

5.3 Expected development of net assets and financial position

PATRIZIA does not currently expect any significant changes in the Company's and Group's net assets and financial position in 2022. However, PATRIZIA also expects to have substantial cash and cash equivalents in 2022, which will significantly exceed the financial liabilities from the bonded loan.

5.4 Dividend policy

The Management Board and Supervisory Board of PATRIZIA AG are proposing that the unappropriated profit in accordance with the German Commercial Code (HGB) for the 2021 financial year in the amount of EUR 426.1m can be used to pay a dividend of EUR 0.32 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2021 attributable to shareholders of EUR 47.9m, this corresponds to a pay-out ratio of 61.7%. The year-on-year growth rate of management fees of 8.1% and the year-on-year growth rate of Assets under Management of 3.5% form the basis for the dividend proposal of the Management Board and Supervisory Board of PATRIZIA AG, which corresponds to a dividend increase of 6.7% compared to the previous year.

5.5 Management's overall assessment of the outlook for 2022

PATRIZIA set to enjoy further positive development in 2022

The results for the 2021 financial year confirmed PATRIZIA's strong market positioning as a partner for global real assets investments. Based on the planned organic and inorganic growth of the international platform, PATRIZIA is anticipating a further increase in recurring income compared to the previous year and an EBITDA of between EUR 120.0m and EUR 145.0m.

The outlook for 2022 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 and the combined management report were prepared.

At the time of publication of this report, it is not possible to conclusively assess the effects that increased geopolitical risks like the Russian invasion of Ukraine as well as the further development of the Covid-19 pandemic will have on the general economic situation as well as on the markets relevant for PATRIZIA.

Augsburg, 15 March 2022

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Thomas Wels
Member of the
Management Board,
Co-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

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 2021

Assets

EUR k	Note	31.12.2021	31.12.2020
A. Non-current assets			
Goodwill	4.2	216,444	212,353
Other intangible assets	4.3	91,742	106,137
Software	4.4	14,204	16,603
Rights of use	4.5	33,770	25,906
Investment property	4.6	1,838	1,838
Equipment	4.7	9,736	7,305
Associated companies accounted using the equity method	4.8	23,747	32,357
Participations	4.1.2	633,976	574,561
Non-current borrowings and other loans	4.1.3	33,914	34,927
Deferred taxes	4.16.4	7,774	21,031
Total non-current assets		**1,067,145**	**1,033,018**
B. Current Assets			
Inventories	4.9	169,796	14,647
Securities	4.1.5	15,752	11
Current tax assets	4.16.1	28,448	26,554
Current receivables and other current assets	4.1.6	439,056	392,399
Cash and cash equivalents	4.1.8	341,260	495,454
Total current assets		**994,312**	**929,065**
Total assets		**2,061,457**	**1,962,083**

Equity and liabilities

EUR k	Note	31.12.2021	31.12.2020
A. Equity			
Share capital	4.10	88,620	89,683
Capital reserves	4.10	89,831	129,751
Retained earnings			
Legal reserves	4.10	505	505
Currency translation difference	2.3	2,317	-7,944
Remeasurements of defined benefit plans according to IAS 19		99	-5,457
Revaluation reserve according to IFRS 9		179,716	130,196
Consolidated unappropriated profit	4.10	921,720	900,507
Non-controlling interests	4.10	35,694	32,265
Total equity		**1,318,503**	**1,269,505**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4.16.4	111,577	115,484
Retirement benefit obligations	4.11.1	25,546	29,579
Bonded loans	4.1.9	158,000	234,000
Long-term accruals	4.12	3,978	0
Non-current liabilities	4.13	28,515	22,340
Leasing liabilities	4.5	24,862	17,811
Total non-current liabilities		**352,477**	**419,214**
CURRENT LIABILITIES			
Short-term bank loans	4.1.9	171,095	43,200
Short-term bonded loans	4.1.9	76,000	66,000
Other provisions	4.14	8,213	9,109
Current liabilities	4.15	97,297	105,858
Short-term leasing liabilities	4.5	9,505	8,387
Tax liabilities	4.16.2	28,367	40,809
Total current liabilities		**390,477**	**273,363**
Total equity and liabilities		**2,061,457**	**1,962,083**

Consolidated income statement

for the period from 1 January to 31 December 2021

EUR k	Note	2021	2020
Revenues	4.17	318,163	301,693
Changes in inventories	4.18	603	-2,242
Other operating income	4.19	21,027	16,522
Income from the deconsolidation of subsidiaries	2.1	63	302
Total operating performance		**339,856**	**316,275**
Cost of materials	4.20	-3,881	-3,568
Cost of purchased services	4.21	-17,971	-16,066
Staff costs	4.22	-139,224	-143,759
Change in value of investment property	4.6	0	4
Other operating expenses	4.23	-87,822	-76,678
Impairment result for trade receivables and contract assets	4.1.7	627	418
Result from participations	4.1.2	35,638	31,624
Earnings from companies accounted for using the equity method	4.8	5,138	9,181
Cost from the deconsolidation of subsidiaries	2.1	-608	-1,746
EBITDAR		**131,755**	**115,686**
Reorganisation income	4.24	96	0
Reorganisation expenses	4.24	-2,929	0
EBITDA		**128,922**	**115,686**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	4.25	-35,611	-42,309
Earnings before interest and taxes (EBIT)		**93,311**	**73,377**
Financial income	4.1.14	1,898	2,971
Financial expenses	4.1.14	-6,753	-6,707
Other financial result	4.1.14	194	0
Result from currency translation	4.1.14	-942	-7,595
Earnings before taxes (EBT)		**87,708**	**62,046**
Income taxes	4.16	-35,900	-21,369
Net profit for the period		**51,808**	**40,678**
Attributable to shareholders of the parent company		47,896	37,703
Attributable to non-controlling interests	4.10	3,912	2,975
Earnings per share (undiluted) in EUR	4.26	0.54	0.42
Earnings per share (diluted) in EUR	4.26	0.54	0.42

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2021

EUR k	2021	2020
Net profit for the period	**51,808**	**40,678**
Items of other comprehensive income with possible future reclassification to net profit for the period		
Profit/loss arising on the translation of the financial statements of foreign operations	10,451	-3,272
Items of other comprehensive income without future reclassification to net profit for the period		
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	49,561	51,685
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	5,874	-2,121
Other comprehensive income	**65,886**	**46,292**
Total comprehensive income for the reporting period	**117,694**	**86,970**
Attributable to shareholders of the parent company	113,233	84,053
Attributable to non-controlling interests	4,461	2,916

Consolidated cash flow statement

for the period from 1 January to 31 December 2021

EUR k	2021	2020[1]
Net profit for the period	51,808	40,678
Income taxes recognised through profit or loss	35,900	21,369
Financial expenses recognised through profit or loss	6,753	6,707
Financial income recognised through profit or loss	-1,898	-2,971
Income from participations through profit or loss	-35,638	-31,624
Earnings from companies accounted for using the equity method	-5,138	-9,181
Income from unrealised currency translation recognised through profit or loss	-1,544	-272
Income from the disposal of other intangible assets, software, rights of use and equipment recognised through profit or loss	221	152
Income from divestments of financial assets recognised through profit or loss	-43	-85
Share-based payment through profit or loss	1,393	1,085
Income from bargain purchase	0	-3,858
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	37,750	42,309
Write-ups longterm assets	-709	0
Results from fair value adjustments to investment property	0	-4
Expenses of the deconsolidation of subsidiaries	608	1,746
Income from the deconsolidation of subsidiaries	-63	-302
Other non cash-items	-26,235	-5,240
Changes in inventories, receivables and other assets that are not attributable to investment activities	-19,354	21,193
Proceeds and payments from the temporarily consolidation of investment properties (Inventories) and related financing (Loans) for items in which the turnover is quick, the amounts are large, and the maturities are short	-9,864	0
Changes in liabilities that are not attributable to financing activities	7,876	14,007
Distributed income from participations	37,018	41,326
Interest paid	-5,698	-5,527
Interest received	1,781	3,075
Income tax payments	-45,582	-51,712
Cash flow from operating activities	**29,341**	**82,870**

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

EUR k	2021	2020[1]
Payments for investments in Goodwill	0	-5,187
Payments for investments in other intangible assets, software and equipment	-7,164	-13,923
Payments received from the disposal of intangible assets and equipment	231	31
Payments for the acquisition of securities and short-term investments	-45,547	0
Payments received from the disposal of securities and short-term investments	-0	5,258
Payments for the acquisition of participations	-8,481	-3,665
Payments received from the equity reduction of participations	0	5,659
Payments received from the disposal of participations	2,610	2,926
Payments for investments in companies accounted for using the equity method	-35	-3,607
Payment received through distributions of companies accounted for using the equity method	9,696	3,109
Payments received from the repayment of shares of companies accounted for using the equity method	2,451	41,511
Payments received from the repayment of loans to companies with participation interest	48	122
Payments for loans to companies with participation interest	-855	-923
Payments received from the repayment of other loans	16,500	13,644
Payments for other loans	-11,457	-61,683
Payments received from the disposal of consolidated companies and other business units	0	4,064
Payments for the disposal of consolidated companies and other business units	-494	-6,426
Payments for the acquisition of consolidated companies and other business units	0	-275
Payments received for the acquisition of consolidated companies and other business units	0	4,052
Cash flow from investing/divesting activities	**-42,497**	**-15,312**
Borrowing of loans	0	60,057
Repayment of loans	-81,750	-12,740
Repayment of leasing liabilities	-11,235	-10,318
Interest paid	-268	-255
Payments of profit shares to non-controlling interests	-698	-1,084
Payments of dividends to shareholders	-26,682	-26,008
Payments for buy-backs of own shares	-24,000	-27,947
Cash flow from financing activities	**-144,633**	**-18,296**
Change in cash and cash equivalents	-157,789	49,262
Cash and cash equivalents as at 01.01.	**495,454**	**449,084**
Effects of changes in foreign exchange rates on cash and cash equivalents	3,595	-2,892
Cash and cash equivalents as at 31.12.	**341,260**	**495,454**

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

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2021

EUR k	Share capital	Capital reserve	Retained earnings (legal reserves)	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
As at 01.01.2020	**91,060**	**155,222**	**505**	**-4,818**	**-3,459**	**78,721**	**889,160**	**1,206,391**	**30,359**	**1,236,750**
Net profit for the period	0	0	0	0	0	0	37,703	37,703	2,975	**40,678**
Other comprehensive income	0	0	0	-3,126	-1,998	51,475	0	46,351	-59	**46,292**
Total comprehensive Income	**0**	**0**	**0**	**-3,126**	**-1,998**	**51,475**	**37,703**	**84,053**	**2,916**	**86,970**
Dividend distribution to shareholders in cash	0	0	0	0	0	0	-26,008	-26,008	0	**-26,008**
Purchases of shares of non-controlling interests	0	0	0	0	0	0	-348	-348	-9	**-357**
Payout of profit shares to non-controlling	0	0	0	0	0	0	0	0	-1,001	**-1,001**
Share-based payment	0	1,100	0	0	0	0	0	1,100	0	**1,100**
Share buy-back	-1,377	-26,571	0	0	0	0	0	-27,947	0	**-27,947**
As at 31.12.2020	**89,683**	**129,751**	**505**	**-7,944**	**-5,457**	**130,196**	**900,507**	**1,237,240**	**32,265**	**1,269,505**
As at 01.01.2021	**89,683**	**129,751**	**505**	**-7,944**	**-5,457**	**130,196**	**900,507**	**1,237,240**	**32,265**	**1,269,505**
Net profit of the period	0	0	0	0	0	0	47,896	47,896	3,912	**51,808**
Other comprehensive income	0	0	0	10,262	5,556	49,520	0	65,338	548	**65,886**
Total comprehensive Income	**0**	**0**	**0**	**10,262**	**5,556**	**49,520**	**47,896**	**113,233**	**4,461**	**117,694**
Dividend distribution to shareholders in cash	0	0	0	0	0	0	-26,682	-26,682	0	**-26,682**
Payout of profit shares to non-controlling interests	0	0	0	0	0	0	0	0	-1,033	**-1,033**
Share-based payment	0	1,402	0	0	0	0	0	1,402	0	**1,402**
Other Changes	0	-18,879	0	0	0	0	0	-18,879	0	**-18,879**
Share buy-back	-1,063	-22,442	0	0	0	0	0	-23,505	0	**-23,505**
As at 31.12.2021	**88,620**	**89,831**	**505**	**2,317**	**99**	**179,716**	**921,720**	**1,282,809**	**35,694**	**1,318,503**

Notes to the consolidated financial statements

for the period from 1 January to 31 December 2021

General information

PATRIZIA AG (hereinafter also referred to as PATRIZIA or the Group) is a listed German stock corporation. The registered office of the company is Fuggerstrasse 26, 86150 Augsburg (Augsburg Local Court, HRB 19478). PATRIZIA is a leading partner for global investments in real assets and one of the leading independent real estate investment companies in Europe. As at 31 December 2021, 946 employees (FTE) are on hand for its in more than 24 locations worldwide. PATRIZIA provides a wide range of services, from asset and portfolio management to the execution of acquisitions and disposal transactions for almost all real estate sectors and in future also infrastructure sectors 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.

The ongoing Covid-19 pandemic continued to negatively impact the company's business activities in the 2021 financial year, but to a limited extent. Market participants have now adapted to temporary or regional lockdowns and adjusted their business processes. However, there is still a high level of risk aversion among a large proportion of global clients, which limits the investment focus to only selected asset classes, risk classes and markets. Travel restrictions as well as a more intensive examination of investment proposals lead to longer decision-making processes, especially in global cross-border transactions.

However, the transaction volume in the European real estate market recovered overall compared to the previous year and is only slightly below the highs of 2019 in 2021 - also due to larger M&A transactions.

PATRIZIA was also able to offer attractive products in different types of use, risk classes and markets in the current fiscal year due to its international platform and globally diversified clients. This is reflected in an increase in signed transaction volume and further growth in Assets under Management (AUM) compared to the previous year.

PATRIZIA's strong balance sheet and financial situation continue to provide a good basis for the successful implementation of its mid-term strategy.

1 Principles applied in the preparation of the consolidated financial statements

The consolidated financial statements of PATRIZIA AG as at 31 December 2021 have been prepared in accordance with IFRS, as applicable in the EU, 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 and revision of the notes of the consolidated financial statements

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:

Standard	Title
Amendments IFRS 16	IFRS 16 Covid -19- Related Rent Concessions beyond 30 June 2021
Amendments IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16	Amendments IFRS9, IAS 39/IFRS 7/IFRS 4/IFRS 16 Interest Rate Benchmark Reform - Phase 2
Amendments IFRS 4	Extension of the temporary Exemption from Applying IFRS 9

Taking into account materiality aspects, PATRIZIA has revised both the structure and the scope of the disclosures in the notes in order to make it easier for users of the financial statements to find relevant information and thus significantly improve the usefulness of the financial information provided for decision-making purposes.

Previously, the disclosures were largely presented in the order of the items presented in the primary financial statements. In the course of the structural revision, related disclosures have now been combined in overarching topic chapters that include detailed explanations of several balance sheet items as well as the relevant income and expense items and other explanations required by IFRS (e.g. financial instruments, leases and taxes). The order of the chapters in the notes is now primarily based on the relevance of the respective topics for the financial statements and only secondarily on the order of the items in the primary components of the financial statements.

The information on the accounting and valuation methods was previously summarised in a separate chapter before the individual detailed notes to the financial statement items. These have been integrated into the detailed notes on the items in the financial statements or into the overarching topic chapters, so that all relevant information is now available in a single place. In the course of this, the information on the accounting and valuation methods was also examined for materiality and limited to the information that is actually material.

The changes made relate exclusively to the structure and scope of the disclosures in the notes and have no effect on the assets, liabilities, income or expense items recognised in the financial statements per se.

The standards and interpretations to be applied for the first time as of 1 January 2021 had no effect on the consolidated financial statements.

1.2 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:

Standard	Title	Date of adoption[1]	Planned adoption
Endorsed			
Amendments IFRS 3	Reference to the Conceptual Framework	01.01.2022	01.01.2022
Amendments IAS 16	Property, Plant & Equipment: Proceeds before Intended Use	01.01.2022	01.01.2022
AIP 2018-2020	Improvements IFRS 1/IFRS 9/IFRS 16 and IAS 41	01.01.2022	01.01.2022
Amendments IAS 37	Onerous Contracts - Costs of Fulfilling a contract	01.01.2022	01.01.2022
Amendments IFRS 17	Amendments to IFRS 17	01.01.2023	01.01.2023
Endorsement pending			
Amendments IAS 1	Classification of Liabilities as Current or Non-current including Deferral of Effective Date	01.01.2023	01.01.2023
Amendments IAS 1	Disclosure of Accounting Policies	01.01.2023	01.01.2023
Amendments IFRS 17	Initial Application of IFRS 17 and IFRS 9 - Comparative Information	01.01.2023	01.01.2023
Amendments IAS 8	Definition of Accounting Estimates	01.01.2023	01.01.2023
Amendments IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01.01.2023	01.01.2023

[1] Adjusted by EU endorsement, if applicable

The amendments to these listed standards are not expected to have a material impact on the consolidated financial statements.

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 119 (31 December 2020: 111) subsidiaries. Subsidiaries are directly or indirectly controlled by the parent company and are included in the consolidated financial statements in accordance with the rules of full consolidation. In addition, 5 (31.12. 2020: 5) investments are accounted for in the consolidated financial statements using the equity method (see Chapter 4.8).

The reporting dates of the subsidiaries included in the consolidated financial statements correspond to the reporting date of the parent company.

As at the balance sheet date, 51 (31 December 2020: 46) companies are not included in the scope of consolidation as they have only minor or no business operations and are of minor importance for the Group and for the presentation of a true and fair view of the results of operations, financial position and net assets.

All companies included in the consolidated financial statements of PATRIZIA AG are listed in the list of shareholdings (appendix to the notes to the consolidated financial statements). With the exception of PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH, PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH and PATRIZIA Institutional Clients & Advisory GmbH, the subsidiaries with profit and loss transfer agreements shown in the list each make use of the simplification rule in section 264 (3) HGB. The commercial partnerships also shown in the list of shareholdings make use of the simplification rule in § 264b HGB.

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.

Subsidiaries

As at 01.01.2021	**111**
Companies acquired	1
Companies founded	11
Mergers	-1
Companies deconsolidated	-3
As at 31.12.2021	**119**

Significant transactions for the Group are explained below. Business combinations are accounted for using the purchase method in accordance with IFRS 3. The consideration transferred, measured at fair value, and the fair value of any previously held equity interest are compared to the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Any excess is recognised as goodwill; any negative difference is recognised immediately in profit or loss as a gain on acquisition at a price below fair value. Non-controlling interests are measured at the proportionate fair value of the acquired net assets (partial goodwill approach). Transaction costs associated with the business combination are recognised in profit or loss as incurred.

Acquisitions of subsidiaries

SKD13 TMK

With effect from 28 April 2021, PATRIZIA AG indirectly acquired 99.9% of the shares in SKD13 Tokutai Mokuteki Kaisha (TMK), Tokyo, via a subsidiary. The acquisition of SKD13 TMK is shown in these consolidated financial statements as an acquisition of assets, as no business operations in the sense of a transaction pursuant to IFRS 3.3 were acquired. The transaction focused exclusively on the acquisition of the property held by the company. The purchase price for the company was allocated to the individually identifiable assets and liabilities at the time of acquisition based on their fair values.

Disposal of subsidiaries

In the 2015 fiscal year, PATRIZIA AG expanded its product range to include retail funds. In the phase of setting up the funds and placing the respective shares, these companies are to be temporarily consolidated in the PATRIZIA Group. The following companies left the PATRIZIA Group in the 2021 fiscal year with income from deconsolidation of EUR 63k (2020: EUR 302k) and expenses from deconsolidation of EUR 608k (2020: EUR 1,746k).

Companies - result from deconsolidation

EUR k	2021
FIRST STREET PROPCO LIMITED	-0
PATRIZIA GrundInvest Augsburg Zehn GmbH & Co. KG	63
PATRIZIA GrundInvest Augsburg Neun GmbH & Co. KG	-608
Total	**-545**

Intragroup restructuring

In the reporting period, two PATRIZIA subsidiaries were merged as part of internal restructuring within the Group. PATRIZIA Acquisition Holding gamma GmbH was merged with PATRIZIA Acquisition Holding delta GmbH on 28 October 2021.

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

2.2 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.

2.3 Currency translation

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

The financial statements of foreign subsidiaries whose functional currency is not Euro and therefore not the Group's presentation currency are translated using the modified closing rate method. Accordingly, assets and liabilities are translated at the respective closing rate. Income and expenses are translated at the average exchange rate for the year. The resulting translation differences are recognised separately in equity.

The functional currency is the currency of the primary economic environment in which a company operates. As a rule, the functional currency is the currency in which the majority of a company's revenues and costs are incurred, even if this is not the respective national currency of the country of domicile in individual cases.

3 Summary of key accounting policies

The preparation of the consolidated financial statements requires management to make certain judgements, assumptions and estimates that affect the reported amounts of assets and liabilities, income and expenses, and contingent assets and liabilities during the reporting period.

3.1 Discretionary decisions

In applying accounting policies, judgements were required in the following areas that could have a significant effect on the consolidated financial statements:

- Assessing whether significant influence exists over participations (see chapter 4.8)
- Determination of the functional currency of subsidiaries (see chapter 2.3)
- Determining the term of leases with renewal and termination options or, in the case of perpetual leases, the Group as lessee (see chapter 4.5)
- Classification of real estate leases - the Group as lessor (see chapter 4.5)

3.2 Estimates and assumptions

Estimates and assumptions are made on the basis of the latest reliable information available. The assets, liabilities, income, expenses and contingent assets and liabilities recognised on the basis of estimates and assumptions may differ from the amounts that will be realised in the future. Changes were recognised in profit or loss when better information becomes available. Estimates were mainly made for the following items:

- Valuation of equity investments (see chapter 4.1.4)
- Impairment of goodwill and intangible assets (see chapter 4.2 f.)
- Business combinations / purchase price allocation fair value determination (see chapter 2.1)
- Determination of transaction price for variable consideration (see chapter 4.17)
- Allowance for doubtful accounts and contract assets (see chapter 4.1.7)
- Realisability of deferred tax assets (see chapter 4.16.4)
- Recognition and measurement of provisions (see chapter 4.14)
- Impairment of properties reported under the item "Inventories" (see chapter 4.9)
- Valuation of investment property (see chapter 4.6)

4 Notes to the consolidated balance sheet and consolidated income statement

4.1 Financial instruments

4.1.1 Classification and measurement of financial assets and liabilities

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities 31.12.2021

	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[1]
Financial assets at fair value							
Participations		633,799					x
Other non-current financial assets	10,440						x
Other Loans	5,414						x
Securities	15,742						x
	31,595	**633,799**					
Financial assets not measured at fair value							
Other loans			18,061				
Trade receivables and other financial assets			434,229				
Cash and Cash Equivalents			341,260				
			793,549				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				405,095			
Trade payables				2,706			
Liabilities from services purchased before the end of the reporting period				29,645			
Contractual liabilities of prepayments from property sales				201			
Liabilities from settled performance fees owed attributable to future periods				588			
Other liabilities				48,744			
				486,978			

1 see chapter 4.1.4 assessment of the fair value

Financial assets and liabilities 31.12.2020[1]

	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		574,467					x
Other non-current financial assets	10,440						x
Other loans	6,644						x
	17,084	**574,467**					
Financial assets not measured at fair value							
Other loans			17,843				
Trade receivables and other financial assets			386,638				
Securities			11				
Cash and Cash Equivalents			495,454				
			899,946				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				343,200			
Trade payables				1,995			
Liabilities from services purchased before the end of the reporting period				31,900			
Contractual liabilities of prepayments from property sales				178			
Liabilities from settled performance fees owed attributable to future periods				4,606			
Other liabilities				38,934			
				420,812			

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

Financial assets

Financial assets are initially recognised at fair value.
For the classification and subsequent measurement of financial assets, IFRS 9 contains three basic categories:

- measured at amortised cost
- measured at fair value with changes in value recognised in other comprehensive income (FVTOCI)
- measured at fair value with changes in fair value recognised in profit or loss (FVTPL).

If the cash flows consist solely of principal and interest payments and these financial assets are held in a business model whose objective is solely to realise contractual cash flows, they are measured at amortised cost. Debt instruments that do not meet these requirements are measured at fair value with changes in value recognised in profit or loss (FVTPL).

Other loans, trade receivables and other receivables are accordingly classified at amortised cost, as are securities previously held to maturity. Long-term loans whose cash flows do not consist solely of principal and interest payments on the principal outstanding are measured at FVTPL in accordance with IFRS 9. Securities held in the short term are also measured at FVTPL.

Equity investments represent 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 investments as FVTOCI at the date of initial application. The Group believes that the designation as FVTOCI provides a more meaningful accounting treatment for its strategic investments. Subsequent changes in the fair value of the investment are recognised in other comprehensive income (OCI). Dividend payments received, on the other hand, are recognised in profit or loss.

Financial liabilities
Financial liabilities are classified and measured at amortised cost unless they are held for trading. If the latter is the case, they are measured at fair value.

Interest-bearing loans are initially recognised at fair value less transaction costs directly associated with the borrowing. After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method (other financial liabilities).

Derecognition of financial assets and financial liabilities
A financial asset is derecognised when the rights to receive payment expire or the financial asset is transferred to a third party.

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire. A significant change in the contractual terms of a financial instrument results in its derecognition and the recognition of a new financial asset or financial liability. Non-significant changes result in an adjustment to the carrying amount through profit or loss without derecognition of the financial instrument.

4.1.2 Participations
The development of the investments in the business year is as follows:

Participations

				2021				2020
	Dawonia	Dawonia Carry	Other participations	Total carrying amount	Dawonia	Dawonia Carry	Other participations	Total carrying amount
As at 01.01.	**165,108**	**379,170**	**30,283**	**574,561**	**153,567**	**347,223**	**24,926**	**525,716**
Additions	0	0	8,180	8,180	0	0	11,503	11,503
Changes in the consolidated group	0	0	0	0	0	0	-200	-200
Disposals	0	-3,967	-2,072	-2,072	0	-9,001	-8,585	-17,586
Positive changes in market value	12,310	41,025	4,403	57,739	11,541	40,947	8,111	60,599
Negative changes in market value	0	0	-4,888	-4,888	0	0	-5,172	-5,172
Foreign exchange differences	0	0	457	457	0	0	-300	-300
As at 31.12.	**177,418**	**416,229**	**40,329**	**633,976**	**165,108**	**379,170**	**30,283**	**574,561**

PATRIZIA holds an interest in a very attractive residential real estate portfolio via Dawonia GmbH (Dawonia – see table above). With around 30,000 flats, Dawonia is one of the largest housing companies in Munich and southern Germany. For 80 years, Dawonia has been planning, developing, building and managing high-quality, affordable appartments which are in high demand, particularly in urban growth regions. The company therefore is very well positioned in this market segment. Around 80 percent of the housing stock is concentrated in the 20 largest locations in southern Germany, i.e. in conurbations such as Munich and the surrounding area, Nuremberg, Erlangen, Regensburg and Würzburg. Dawonia is now also active outside Bavaria, for example in Hessen.

Furthermore, PATRIZIA holds an interest in OSCAR Lux Carry S.C.S (Dawonia Carry – see table above). This company embodies an entitlement under company law to a variable share of PATIRZIA´s profits in connection with the Dawonia investment. Regarding contractual regulations, a repayment of the investment may arise from 2023 onwards.

This item also includes the shareholdings of 28.3% of the limited partner's capital in a project development company (in the form of a GmbH & Co. KG) and of 30.0% and in the associated general partner GmbH, as there is no significant influence due to the provisions of the partnership agreement (see Chapter 4.8).

Furthermore, shares in affiliated companies amounting to EUR 176k are included, which are not consolidated due to their minor importance for the Group. These financial assets are accounted for at amortised cost.

The equity investments represent interests in unlisted companies that the Group intends to hold on a long-term basis for strategic reasons. In accordance with IFRS 9, the Group has therefore classified these investments as at fair value through other comprehensive income (FVTOCI) at the date of initial application. The Group believes that designating these investments as FVTOCI provides a more meaningful accounting treatment for its strategic investments. Subsequent changes in the fair value of the investment are recognised in other comprehensive income (OCI).

Result from investments

The result from investments reported in the income statement is composed as follows:

Result from participations

EUR k	2021	2020	Change
Performance-based shareholder remuneration	21,969	16,571	32.6%
Services provided as shareholder contributions	9,490	9,490	0.0%
Return on equity employed	4,179	5,562	-24.9%
Total	**35,638**	**31,624**	**12.7%**

The result from investments in the reporting period results from the investments Dawonia GmbH, Seneca Holdco SCS, TRIUVA/IVG Logistik, sono west Projektentwicklung GmbH & Co. KG, PATRIZIA CHARLIE BERLIN LP and from the mutual fund business (2020: Dawonia GmbH, Senece Holdco SCS, TRIUVA/IVG Logistik, Camber Creek Fund III LP and from the mutual fund business).

The return on equity employed includes expenses from loss transfers of EUR 0k (2020: EUR 735k). Dividend income from equity investments measured at FVTOCI amounted to EUR 35,638k in the financial year (2020: EUR 31,624k). The dividends received were exclusively from investments that were still held on the reporting date.

The fair value of the disposed equity investments of at the time of disposal amounts to EUR 2,071k (2020: EUR 17,586k). No gains were realised in the statement of comprehensive income in connection with the final disposal of the equity investments.

For further details regarding the results from participations, please refer to the combined management report under Group earnings situation.

4.1.3 Non-Current borrowings and other loans

The development of long-term loans and other borrowings in the business year is as follows:

Non-current borrowings and other loans

	2021			2020		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**34,627**	**300**	**34,927**	**27,977**	**300**	**28,276**
Additions	1,051	-1,431	-379	7,759	0	7,759
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-633	0	-633	-1,109	0	-1,109
Foreign exchange differences	0	0	0	0	0	0
As at 31.12.	**35,045**	**-1,131**	**33,914**	**34,627**	**300**	**34,927**

Due to the investments and disinvestments in long-term financial assets, loans were repaid, but also reissued.

Loans classified at amortised cost have interest rates ranging from 1.7% to 3.5% (2020: 2.5% to 5.0%) and remaining maturities of 1 to 7 years. Long-term loans, measured at FVTPL, carry an agreed interest rate of 1.3% (2020: 1.3%) and a remaining maturity of up to two years.

4.1.4 Determination of fair values of equity investments and long-term loans

The tables below show the valuation techniques used in determining Level 3 fair values and the significant unobservable inputs used.

Valuation technique fair value

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 the individual shares of participations as well as assessment basis in particular the fair value of the net assets (Net asset value). The essential value driver is the respective Fair Value of the contained property assets.	- Shares of participations (0.01% - 34.29%) - important assessment basis: the fair value of the net assets 2021 of the participations (EUR 0m - EUR 3,520m)	Estimated fair value would increase (decrease), if the assessment basis increase (decrease)
Non-current loans	Since these are convertible loans, the valuation model considers the fair value of the net assets of the borrowers.	- The fair value of the net assets 2021: (EUR 4.6m - EUR 12.3m)	Estimated fair value would increase (decrease), if the assessment basis increase (decrease)
Securities	The fair value is determined by taking into account unit price determinations for the fund assets on the reporting date that are carried out by third parties.	- Share Value: (31.12.2021: EUR 101,12 2020: EUR 0); Shares (31.12.2021: 155.672, 2020:. 0)	Estimated fair value would increase (decrease), if the assessment basis increase (decrease)

For equity investments, a 10% increase (decrease) in the respective measurement bases, with the other inputs held constant, would result in an increase (decrease) in fair value of EUR 80,621k (2020: EUR 75,120k).

In the case of long-term loans, a 10% increase (decrease) in net assets would lead to an increase (decrease) in fair value of EUR 2,146k (2020: EUR 2,051k).

For securities, a 10% increase (decrease) in the share value, with other inputs held constant, would result in an increase (decrease) in fair value of EUR 1,574k (2020: EUR 0k).

The table below shows the reconciliation of the opening balance to the closing balance of Level 3 fair values.

Reconciliation of level 3 fair values -2021

EUR k	Equity investments	Convertible loans	Securities
As at 01.01.2021	**574,467**	**17,084**	**0**
Profit/loss, including in the other comprehensive income (IFRS 9)			
changes of the fair value	52,850	0	
Profit/loss, including in the net profit for the period			
changes of the fair value	0	0	153
Interest cover	0	-23	0
Additions in the financial year	8,096	0	20,546
Disposals in the financial year	-2,071	-1,208	-4,957
Foreign exchange differences	457	0	
As at 31.12.2021	**633,799**	**15,853**	**15,742**

Reconciliation of level 3 fair values -2020[1]

EUR k	Equity investments	Convertible loans	Securities
As at 01.01.2020	**525,716**	**11,440**	**0**
Profit/loss, including in the other comprehensive income (IFRS 9)			
changes of the fair value	55,426	0	0
Profit/loss, including in the net profit for the period			
changes of the fair value	0	0	0
Interest cover	0	44	0
Additions in the financial year	11,410	8,600	0
Disposals in the financial year	-17,586	-3,000	0
Foreign exchange differences	-300	0	0
Changes in the consolidated group	-200	0	0
As at 31.12.2020	**574,467**	**17,084**	**0**

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

4.1.5 Securities

Securities of EUR 15,752k (2020: EUR 11k) reported under current assets relates the temporary acquisition of shares in PATRIZIA Gewerbe-Immobilien Deutschland IV fund.

4.1.6 Current receivables and other current assets

Current receivables and other current assets are composed as follows:

Current receivables and other current assets

EUR k	31.12.2021	31.12.2020
Trade receivables	**162,157**	**145,543**
Receivables from services	107,522	97,276
Receivables from property sales	42	10,722
Other	54,593	37,545
Other current assets	**276,900**	**246,856**
Term deposits	210,831	180,797
Receivables from other investees and investors	4,306	4,109
Other	61,763	61,949
As at 31.12.	**439,056**	**392,399**

Other trade receivables essentially include accrued purchase and performance fees that were earned at the end of the year and will become cash in later periods.

Due to the term of the time deposits of EUR 210,831k (31 December 2020: EUR 180,797k) of more than 3 months, these are reported in the balance sheet items current receivables and other current assets instead of in the balance sheet item bank balances and cash in hand.

The item "Other" essentially includes loan receivables, deposits, creditors with debit balances and accruals and deferrals. The increase is mainly due to a short-term loan of EUR 39,059k which is accounted for at amortised cost.

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

4.1.7 Default risk and impairment of financial assets

Default risks exist for all financial assets and are limited to their carrying amount. For equity investments and long-term loans measured at fair value, the default risk is already taken into account in the determination of the fair value. For all financial assets measured at amortised cost, the impairment model "expected credit loss" ("ECL") is applied in accordance with IFRS 9. In the Group, this generally applies to the following financial assets:

- Other loans
- Trade receivables and other financial assets
- Securities
- Cash and bank balances

The Group's default risk results primarily from trade receivables. Appropriate risk provisions have been made for these financial assets. For trade receivables, collateral exists for global sales in the form of an economic right of retransfer of the sold properties in the event of default by the customer. In the case of the sale of individual flats, ownership is not transferred until the purchase price has been received in full, so that there is no default risk.

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

Result impairment on financial assets

EUR k	2021	2020
Impairment result for trade receivables and contract assets	627	418
Total impairment	**627**	**418**

The result from impairment of trade receivables and contract assets includes losses on receivables of EUR -282k in the reporting period (2020: EUR 148k).

The development of the allowance for trade receivables is as follows:

Impairment losses on trade receivables

EUR k	2021	2020
Value adjustment for sales as at 01.01.	363	975
Value adjustment for rent receivables as at 01.01.	535	941
As at 01.01.	**898**	**1,916**
Net revaluation of value adjustment	-340	-1,018
As at 31.12.	**558**	**898**

The Group's default risk is mainly determined by the overdue nature of receivables. Furthermore, the type of sales from which the receivables result is also relevant.

The following table contains information on the default risk and the expected credit losses for receivables from sales of various project developments and services from fund management.

Credit risk and expected credit losses

EUR k	Loss rate (weighted average) 31.12.2021	Gross carrying amount 31.12.2021	Value adjustment 31.12.2021	Affected credit rating 31.12.2021
Low risk - maturity up to 90 days	0.0%	126,132	0	no
Medium risk - maturity up to 180 days	0.0%	14,303	0	no
Doubtful - maturity over 180 days	0.0%	14,373	42	yes
Total default risk/credit losses	**0.0%**	**154,809**	**42**	

The Group uses corresponding allowance matrices to measure the expected credit losses of trade receivables from rentals, property sales and other services (with and without fund management). The loss rates are based on historical values adjusted for prospective expectations.

The following table provides information on the estimated default risk and expected credit losses for receivables from rentals, property sales and other services (excluding fund management).

Loss rate (weighted average) 31.12.2021

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	**6,641**	**596**	**-6**	**2**	**0**	**0**	**27**	**532**	**7,792**
Value adjustment	**0**	**0**	**-2**	**1**	**0**	**0**	**27**	**532**	**558**

A write-off due to default (loss on receivables) is made when there is no reasonable expectation that the contractual cash flows will be realised. This is the case when internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual payments in full before credit protection is taken into account.

No impairment calculation is made for bank balances and time deposits, as no impairment is expected from the perspective of the person preparing the balance sheet. Liquid funds in foreign currency are valued according to IAS 21. The default risk with regard to credit balances from the investment of liquid funds with credit institutions is essentially excluded through risk diversification (large number of credit institutions) and the selection of credit institutions with strong credit ratings.

Investigations by the Group showed that no risk provisioning is required for other loans and for securities, which are accounted for at amortised cost. The risk has not changed since the date of acquisition; there are no indications of a deterioration in the borrower's rating. The risk at the time of acquisition was assessed as immaterial. There is currently no concentration of risks in the Group due to a broad counterparty structure.

4.1.8 Bank balances and cash

PATRIZIA's liquidity in the fiscal year was as follows:

Liquidity

EUR k	31.12.2021	31.12.2020
Cash and cash equivalents	341,260	495,454
Term deposits	210,831	180,797
Liquidity	**552,090**	**676,251**
Regulatory reserve for investment management companies	-37,548	-31,229
Liquidity in closed-end funds business property companies	-1,859	-15
Available liquidity	**512,683**	**645,007**

In the course of active liquidity management, liquid funds were invested in short-term, near-money market financial assets. These are shown separately in the balance sheet. An amount of EUR 210,831k (31 December 2020: EUR 180,797k) was invested in short-term time deposits with a maturity of more than 3 months. These time deposits are reported in the balance sheet under current receivables and other current assets.

The item bank balances and cash in hand includes cash and short-term bank deposits held by the Group with a maturity of less than three months. The carrying amount of these assets corresponds to their fair value.

4.1.9 Financial liabilities

Financial liabilities are composed as follows and have the following maturity profile of undiscounted cash flows:

Maturity of undiscounted financial liabilities including interest payments 31.12.2021

EUR k	Carrying amount	Total amount	2022	2023	2024	2025	2026	2027
Bank loans	171,095	181,081	181,081	0	0	0	0	0
Bonded loans	234,000	248,087	79,778	2,914	91,914	1,490	1,490	70,499
Other financial liabilities	17,711	18,715	0	7,465	0	0	0	11,250
Total financial liablilities undiscounted	**422,806**	**447,882**	**260,859**	**10,379**	**91,914**	**1,490**	**1,490**	**81,749**

Maturity of undiscounted financial liabilities including interest payments 31.12.2020

EUR k	Carrying amount	Total amount	2021	2022	2023	2024	2025	2026	2027
Bank loans	43,200	43,436	43,436	0	0	0	0	0	0
Bonded loans	300,000	318,236	70,150	79,778	2,914	91,914	1,490	1,490	70,499
Total financial liabilities undiscounted	**343,200**	**361,672**	**113,586**	**79,778**	**2,914**	**91,914**	**1,490**	**1,490**	**70,499**

In the 2017 fiscal year, PATRIZIA raised a promissory note loan (bonded loans) for a total of EUR 300,000k. The target volume of originally planned EUR 100,000k was oversubscribed several times. The inflowing financial resources represented an additional liquidity reserve as part of the growth strategy (company acquisition as part of expansion) or to take advantage of strategic co- and principal investment opportunities. This loan had terms of 5, 7 and 10 years and fixed and variable interest rates.

As business development in recent years has shown, PATRIZIA was able to achieve its annual and growth targets without having to draw on its entire liquidity reserves. The Management Board of PATRIZIA AG decided to repay the variable tranches of the promissory note loan in the amount of EUR 66,000k ahead of schedule.

In contrast, new short-term bank loans of EUR 143,645k were taken out in the current financial year. This is related to interim financing for funds managed by PATRIZIA and temporarily held property that is intended for later transfer to fund products.

A loan of EUR 55,900k taken out in 2020 is reported with remaining amount of EUR 27,450 k after a repayment during the fiscal year.

4.1.10 Liquidity risk

The Group continuously monitors the risk of a liquidity shortage by means of liquidity planning. This liquidity planning takes into account the maturities of financial liabilities and expected cash flows from operating activities.

The Group's objective is to ensure continuous coverage of its financial needs through existing liquidity, the use of overdrafts and loans.

The maturities of the financial liabilities can be found in the previous chapter. For further information, please refer to chapter 4.3.2 of the combined management report.

4.1.11 Interest rate risk

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

Due to the ECB's ongoing low interest rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently being taken out without interest rate hedging instruments. The Group is therefore subject to an interest rate risk from financial liabilities.

4.1.12 Capital management

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

Capital management

EUR k	31.12.2021	31.12.2020
Interest-bearing loans	171,095	43,200
Bonded loans	234,000	300,000
Less cash and cash equivalents and short-term deposits, not exceeding the total amount of the above debt	-341,260	-343,200
Net financial liabilities	**63,835**	**0**
Total Assets	2,061,457	1,962,083
Net total assets	1,656,362	1,618,883
Equity (not including non-controlling interests)	1,282,809	1,237,240
Equity ratio	**62.2%**	**63.1%**
Net equity ratio	**74.6%**	**76.4%**

4.1.13 Exchange rate risks

Business transactions of the foreign branches in Denmark, Sweden, Poland, Japan, Hong Kong, South Korea, the USA and the UK are conducted in the respective local currency. Therefore, risks arise from exchange rate fluctuations. With increasing expansion outside the Eurozone, this position could increase further. The Group's overall currency risk is regularly monitored and assessed in order to promptly identify any need for action and to be able to initiate countermeasures such as currency hedging.

4.1.14 Financial result

Financial result

EUR k	2021	2020	Change
Interest on bank deposits and loans	1,170	1,652	-29.2%
Interest from participations	338	291	16.2%
Interest from taxes	117	331	-64.8%
Other interest	273	697	-60.8%
Financial income	**1,898**	**2,971**	**-36.1%**
Interest on overdraft facilities and loans	-4,764	-5,417	-12.1%
Interest expenses from taxes	-468	-186	151.7%
Interest expenses from participations	-396	-379	4.6%
Interest expenses - Leasing IFRS 16	-268	-255	4.8%
Other financial expenses	-857	-470	82.5%
Financial expenses	**-6,753**	**-6,707**	**0.7%**
Other financial result	**194**	**0**	**0.0%**
Result from currency translation	**-942**	**-7,595**	**-87.6%**
Financial result	**-5,603**	**-11,330**	**-50.5%**

Financial income of EUR 1,898k (2020: EUR 2,971k) is attributable to financial assets measured at amortised cost and according to FVTPL and recognised. The other financial income mainly results from delayed purchase price receipts.

Financial expenses of EUR 6,753k (2020: EUR 6,707k) are attributable to financial liabilities measured at amortised cost and recognised at effective interest.

Interest on overdrafts and loans mainly includes interest on promissory note loans (bonded loans) of EUR 4,068k (2020: EUR 4,463k).

The other financial expenses essentially relate to interest from the compounding of pension obligations.

The other financial result from 2021 includes income from the valuation of liabilities regarding put-options and expenses regarding the revaluation of financial assets.

In the 2021 financial year, the currency result amounted to EUR -942k (2020: EUR -7,595k). This includes realised, non-cash exchange rate losses of EUR 1,092k (2020: EUR 7,857k). These mainly result from the discontinuation of operating business activities. Related foreign currency losses of EUR 1,092k were realised by reclassifying them from other comprehensive income (OCI) to the income statement.

Net gains/losses by category

EUR k	31.12.2021	31.12.2020
Financial assets and liabilities, which are mandatory measured at FVTPL	-143	281
Financial assets, which are measured at amortized cost	662	2,950
Financial liabilities, which are measured at amortized cost	-5,676	-6,034
Equity investments, which are measured at FVTOCI (without recycling)[1]	49,561	51,685

[1] Amount after tax

4.2 Goodwill

The PATRIZIA Group has recognised goodwill of EUR 216,444k (31 December 2020: EUR 212,353k). Goodwill of EUR 10,928k (31 December 2020: EUR 11,071k) is deductible in future tax periods.

Goodwill

			2021			2020
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**212,353**	**0**	**212,353**	**210,292**	**0**	**210,292**
Additions	0	0	0	5,187	0	5,187
Changes in the consolidated group	0	0	0	454	0	454
Disposals	0	0	0	0	0	0
Foreign exchange differences	4,091	0	4,091	-3,580	0	-3,580
As at 31.12.	**216,444**	**0**	**216,444**	**212,353**	**0**	**212,353**

The goodwill resulting from a business combination is recognized 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 (CGU´s) that are expected to benefit from the synergies of the combination.

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
- PATRIZIA Global Partners (formerly PATRIZIA Multi Managers)
- Retail business
- Alternative investments
- PATRIZIA Japan KK (formerly KENZO Japan)
- BrickVest

“Investments” segment:

- Co-investments
- Principal investments
- Assets related to fund business

As at 31 December 2021, goodwill was allocated to the cash-generating units as follows:

- Core business: EUR 199,383k (31 December 2020:EUR 195,153k)
- PATRIZIA Global Partners: EUR 6,783k (31 December 2020:EUR 6,779k)
- PATRIZIA Japan KK: EUR 4,637k (31 December 2020:EUR 4,780k)
- BrickVest: EUR 5,641k (31 December 2020:EUR 5,641k)

The change in total goodwill compared to 31 December 2020 is due to exchange rate changes of EUR 4,091k (31 December 2020: EUR -3,580k). These are mainly due to the exchange rate development of the British pound.

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 the 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. (2020 1.0%).

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 2021, the following cost of capital rates (before taxes) were derived for the cash-generating units:

- Core Business: 7.6% (2020: 7.0%)
- PATRIZIA Global Partners: 6.6% (2020: 6.3%)
- PATRIZIA Japan KK: 7.6% (2020: 7.9%)
- BrickVest: 7.6% (2020: 7.0%)

As in the previous year, the impairment test performed in 2021 did not give rise to any impairment requirement as the recoverable amount exceeds the carrying amount of the respective cash-generating unit.

These assumptions 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 key assumptions (WACC, cash flows) used in the impairment testing of cash-generating units.

Based on these analyses and taking into account the change in key assumptions on which the impairment tests are based, there is no scenario considered possible that would lead to a need for impairment. In this respect, the sensitivity analyses confirm that no impairment is required.

4.3 Other intangible assets

Other intangible assets

			2021			2020
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**222,898**	**-116,761**	**106,137**	**226,072**	**-94,178**	**131,895**
Additions	208	-15,882	-15,674	200	-24,491	-24,290
Changes in the consolidated group	0	0	0	276	0	276
Disposals	0	0	0	0	0	0
Foreign exchange differences	4,386	-3,107	1,279	-3,650	1,907	-1,743
As at 31.12.	**227,492**	**-135,750**	**91,742**	**222,898**	**-116,761**	**106,137**

The item "other intangible assets" is composed as follows:

Other intangible assets

EUR k	31.12.2021	31.12.2020
Fund agreement	91,168	105,663
PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH	51,691	56,894
PATRIZIA PROPERTY INVESTMENT MANAGERS LLP	15,760	20,944
PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH	19,504	20,971
Other	4,212	6,854
Other intangible assets	**575**	**475**
Total	**91,742**	**106,137**

In the reporting year, write-downs were made on fund management contracts totaling EUR 15,763k (2020: EUR 24,442k) and on licences totaling EUR 119k (2020: EUR 49k). In the course of impairment tests of fund management contracts as at 31 December 2021, impairment losses of EUR 4,423k (2020: EUR 5,002k) were recognised on three (2020: three) fund management contracts due to disposals and termination of funds. The positive currency effects of EUR 1,279k (2020: EUR -1,743k) mainly result from the currency translation of the fund management contracts of PATRIZIA PROPERTY INVESTMENT MANAGERS LLP as at the reporting date.

The fund management contracts were recognised as part of past acquisitions. In the course of the purchase price allocations, they were recognised separately and measured at fair value at the time of acquisition.

In subsequent periods, these fund management contracts are measured at cost less accumulated amortisation and any accumulated impairment losses, in line with the individually acquired intangible assets. The amortisation period for the fund management contracts is based on the expected remaining terms (1 to 25 years) of the fund contracts. Since their development cannot be determined with certainty in advance, the straight-line depreciation method was chosen. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period.

At least once a year, it is examined whether there is an indication of impairment. If there is an indication of impairment, an impairment test is performed. This review is usually performed at the individual fund level. The recoverable amount is determined. If the recoverable amount is lower than the carrying amount, the difference is recognised as an impairment loss in the result for the period. If the reason for the impairment no longer exists, the impairment is reversed through profit or loss.

4.4 Software

Software

	2021			2020		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**43,347**	**-26,744**	**16,603**	**32,860**	**-22,534**	**10,326**
Additions	2,030	-4,286	-2,257	10,455	-4,230	6,225
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-1,370	1,221	-149	-20	20	0
Foreign exchange differences	6	-0	6	52	-1	51
As at 31.12.	**44,013**	**-29,809**	**14,204**	**43,347**	**-26,744**	**16,603**

Software acquired for consideration is measured at amortised cost. The acquisition costs include the directly attributable acquisition and provision costs.

Scheduled amortisation is carried out according to the straight-line method. The depreciation period is based on the expected useful life. Acquired software is depreciated over three to ten years. If there are indications, an impairment test is also carried out - as for other intangible assets (see chapter above).

4.5 Rights of use

At the inception of the contract, the Group assesses whether the contract creates or contains a lease. This is the case if the contract entitles the lessee to control the use of an identified asset for a certain period of time in return for payment of a fee.

4.5.1 Lessee

The classes of assets underlying leases relate to:

- Business and office premises,
- motor vehicles,
- IT equipment and

The Group measures all leases using a uniform model - with the exception of short-term leases and leases of low value. The lessee's balance sheet shows assets (from the right of use) and liabilities (from the lease obligation) for all identified leases.

4.5.2 Rights of use

The rights of use are as follows:

Rights of use

			2021			2020
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**44,750**	**-18,844**	**25,906**	**34,935**	**-9,946**	**24,988**
Additions	19,386	-11,541	7,845	11,565	-10,428	1,137
Disposals	-676	525	-151	-1,452	1,450	-1
Foreign exchange differences	326	-157	169	-298	81	-218
As at 31.12.	**63,786**	**-30,017**	**33,770**	**44,750**	**-18,844**	**25,906**

Rights of use by class

EUR k	2021	2020	Change
Rental contracts for business and office premises	31,876	23,576	35.2%
Motor vehicles	1,480	1,421	4.2%
IT	414	909	-54.5%
Total	**33,770**	**25,906**	**30.4%**

Rights of use mainly increased due to the extension of rental agreements as well as newly concluded rental agreements.

The right of use is measured at cost. At the time of acquisition (date of provision), this includes the amount from the initial valuation of the leasing liability plus any initial direct costs of the lessee. In the case of leasing contracts for business and office premises as well as vehicle leasing contracts, leasing and non-leasing components are separated. Non-lease components are expensed immediately.

In subsequent measurement, the right of use is amortised over the term of the contract. In addition, the right-of-use asset is adjusted on an ongoing basis for certain revaluations of the lease liability and reduced for impairment losses, if any. Impairment arises for example, if leased assets that cannot be terminated in the short term are no longer used in the future.

4.5.3 Leasing liabilities

The following table shows the remaining terms of the undiscounted lease liabilities including interest payments after the balance sheet date:

Maturity of undiscounted Lease liabilities including interest payments 31.12.2021

EUR k	Carrying amount	Total amount	2022	2023 - 2026	2027+
Lease liabilities	**34,367**	**35,273**	**9,778**	**17,570**	**7,925**

Maturity of undiscounted Lease liabilities including interest payments 31.12.2020

EUR k	Carrying amount	Total amount	2021	2022 - 2025	2026+
Lease liabilities	**26,197**	**26,763**	**8,590**	**15,161**	**3,013**

The lease liability is measured as the present value of lease payments made during the lease term. Renewal options and perpetual leases that require an estimate of the lease term exist primarily for office leases. This assessment is made at the inception of the lease and is evaluated and adjusted, if appropriate, on an ongoing basis or whenever there is a change in the relevant factors for determining whether an option to renew or terminate is exercised with reasonable certainty. Lease payments in the PATRIZIA Group are discounted using the incremental borrowing rate. The incremental borrowing rate is based on the interest rate that the Company would have to apply under comparable economic conditions to borrow funds for the purpose of acquiring an asset of similar value. A uniform discount rate is applied to portfolios of similarly structured leases (e.g. similar assets, similar remaining terms, similar economic environment).

Lease payments included in the measurement of the lease liability comprise:
- fixed payments, including de facto fixed payments,
- variable lease payments linked to an index or (interest) rate, initially measured using the index or (interest) rate in effect at the commitment date,
- amounts expected to be payable under a residual value guarantee; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise it, lease payments for a renewal option if the Group is reasonably certain to exercise it, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

In subsequent measurement, the lease liability is carried forward using the effective interest method and taking into account the lease payments made.

Lease liabilities are remeasured if there is a change in the future lease payments due to a change in an index or (interest) rate, if the Group adjusts its estimate of the expected payments under a residual value guarantee, if the Group changes its estimate of the exercise of a purchase, renewal or termination option or if there is a change in a de facto fixed lease payment. Upon such reassessment of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For short-term (term 12 months) and low-value leases (underlying individual asset with a new value of less than EUR 5k), neither a lease liability nor a right of use is recognised. Instead, the lease payments are recognised as an expense on a straight-line basis over the lease term.

4.5.4 Effects on the Earnings and Financial Position

In the financial year, the following amounts were recognised in profit or loss from leases:

Leasing relationships

EUR k	2021	2020	Change
Depreciation rights of use	-11,541	-10,428	10.7%
Interest expenses Leasing liabilities	-268	-255	4.8%
Expenses for short-term leases and leases of a low-value asset	-2,285	-489	367.5%
Income from subleases	223	56	299.1%
Total	**-13,870**	**-11,117**	**24.8%**

The depreciation of the rights of use is divided as follows:

Amortisation of rights of use

EUR k	2021	2020	Change
Rental contracts for business and office premises	8,452	8,618	-1.9%
Motor vehicle contracts	1,085	1,070	1.4%
IT contracts	550	740	-25.7%
Extraordinary amortisation of rental contracts for business and office premise	1,454	0	/
Total	**11,541**	**10,428**	**10.7%**

Total cash outflows for leases amounted to EUR 13,520k in the reporting period (2020: EUR 10,807k).

4.5.5 Lessor

In classifying the lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards relating to the ownership of the underlying asset. If so, the lease is classified as a finance lease, otherwise it is classified as an operating lease. As part of this assessment, the Group considers certain indicators, such as whether the lease covers the major part of the economic life of the asset. As a rule, the PATRIZIA Group has operating leases. These generally result from real estate held as financial investments or in inventories.

If an agreement contains leasing and non-leasing components, the Group applies IFRS 15 to allocate the contractually agreed consideration. Lease payments from operating leases are recognised by the Group as income on a straight-line basis over the term of the lease and reported separately under revenue (see Chapter 4.16).

4.6 Investment property

The investment properties are as follows as at the balance sheet date:

Investment property

EUR k	2021	2020
As of 01.01.	**1,838**	**1,835**
Positive changes in market value	0	4
As at 31.12.	**1,838**	**1,838**

As of the balance sheet date, two properties with a total area of 590m² are earmarked for privatisation. In the event of a change in the underlying average achievable sales price per m², the fair value determined as part of the valuation process changes accordingly (example: if the average achievable sales price per m² increases by EUR 100, this is reflected in an increase in the fair value by EUR 55k).

On the basis of the fair value of the portfolio as a whole as at 31 December 2021, the average fair value is EUR 3,116k (31 December 2020: EUR 3,115k) per square meter, with a multiplier of 21 (2020: 21) in relation to the target rent.

All investment property held by the Group is leased (see chapter 4.5 Leases). Including non-periodic effects, investment property gave rise to rental revenues of EUR 116k (2020: EUR 157k) and a cost of materials of EUR 1,734k (2020: EUR 1,084k) in the reporting period.

The qualification of real estate as a financial investment is based on a corresponding management decision to use this real estate itself to generate rental income and to realise its potential for rent increases over a longer period of time as well as the associated increases in value. The valuation is made at fair value; changes in value affect the Group's result for the period. The properties are valued internally by means of a detailed project calculation. The main input factors for this valuation are comparative values from market transactions in the property or the immediate vicinity as well as assumptions regarding the realisation period, potential buyer types and intended renovation and modernisation measures still to be carried out. The fair value measurement of investment property is therefore to be assigned to Level 3 overall in accordance with the measurement hierarchy of IFRS 13. The assumptions made in the valuation of the properties could subsequently prove to be partially or fully incorrect. The fair value of real estate is determined not only by the specific factors existing in each property, but also by the development of the real estate market and the general economic situation. Developments that are also possible in the short term could reduce the value of the property assets and worsen the earnings situation.

4.7 Operating and office equipment

Equipment

EUR k	2021 Cost	2021 Amortisation	2021 Carrying amounts	2020 Cost	2020 Amortisation	2020 Carrying amounts
As at 01.01.	**17,710**	**-10,405**	**7,305**	**17,261**	**-11,206**	**6,056**
Additions	4,926	-2,237	2,689	3,268	-1,753	1,515
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-1,513	1,210	-304	-2,649	2,466	-183
Foreign exchange differences	129	-82	46	-170	87	-83
As at 31.12.	**21,251**	**-11,515**	**9,736**	**17,710**	**-10,405**	**7,305**

Office furniture and equipment is valued at amortised acquisition or production cost. The acquisition costs include the directly attributable acquisition and provision costs.

Scheduled depreciation is carried out using the straight-line method. The depreciation period is based on the expected useful life. Office furniture and equipment is depreciated over three to 13 years. Low-value assets are fully depreciated in the year of acquisition.

If there are indications, an additional impairment test is carried out. The recoverable amount is determined as the higher of the value in use and the fair value less costs to sell. If the recoverable amount is lower than the carrying amount, the difference is recognised as an impairment loss in the result for the period. If the reason for the impairment no longer exists, the impairment loss is reversed through profit or loss.

4.8 Participations in companies accounted for using the equity method

Participations in companies accounted for using the equity method

	2021			2020		
EUR k	Cost	At equity adjustment	Carrying amounts	Cost	At equity adjustment	Carrying amounts
As at 01.01.	**25,486**	**6,871**	**32,357**	**66,830**	**2,205**	**69,035**
Additions	35	3,473	3,509	3,607	7,774	11,381
Changes in the consolidated group	0	0	0	-3,416	0	-3,416
Disposals	-2,451	-9,696	-12,147	-41,511	-3,109	-44,620
Foreign exchange differences	29	0	29	-24	0	-24
As at 31.12.	**23,100**	**647**	**23,747**	**25,486**	**6,871**	**32,357**

The result from investments accounted for using the equity method is made up as follows:

Earnings from companies accounted for using the equity method

EUR k	2021	2020	Change
PATRIZIA WohnModul I SICAV-FIS	6,549	11,396	-42.5%
Evana AG	-1,204	-1,247	3.5%
Cognotekt GmbH	-175	-858	79.6%
control.IT Unternehmensberatung GmbH	-32	-110	71.3%
Total	**5,138**	**9,181**	**-44.0%**

The decline in earnings from the equity investment in "PATRIZIA Wohnmodul I SICAV-FIS" investment is attributable to the ongoing strategic reduction of the underlying portfolio, which mostly took place in 2020 and made a positive contribution to earnings.

The equity method is used for the consolidated balance sheet presentation of joint ventures and associated companies. The carrying amount of the investment is adjusted quarterly in accordance with the development of the proportionate equity of the participation. The investment in an entity accounted for using the equity method is the carrying amount of the investment plus any long-term participation that, in substance, represents the owner's net investment in the entity. Initial recognition is at cost. The acquisition costs for the acquired shares are compared with the revalued equity capital attributable to them. Any positive difference is treated as goodwill, negative difference is treated as a gain on acquisition at a price below market value. In subsequent periods, the carrying amount of the investment is adjusted for the proportionate change in equity of the associated company. PATRIZIA's share in the result of the company accounted for using the equity method after acquisition is recognised in the consolidated income statement. The cumulative changes after the acquisition date increase or decrease the carrying amount of the investment. If the losses of an at-equity accounted company attributable to PATRIZIA correspond to or exceed the value of the share in this company, no further share of losses is recognised. Distributions received from the participation reduce the carrying amount of the shares.

PATRIZIA also checks on each balance sheet date whether there are objective indications of an impairment of the share in the company accounted for using the equity method. If such indications exist, PATRIZIA determines the impairment requirement as the difference between the recoverable amount and the carrying amount of the company accounted for using the equity method. Impairments are recognised in profit or loss in the item "Amortisation of other intangible assets, software, rights of use, property, plant and equipment and financial investments". Impairment losses recognised relate to the carrying amount of the investment in the company accounted for using the equity method as a whole and are not allocated to individual assets or any goodwill contained therein, so that in subsequent periods a reversal of impairment losses can be recognised in profit or loss up to a maximum of the total original carrying amount of the investment before impairment.

At the date of loss of significant influence over the associate, any remaining investment is remeasured to fair value. The difference between the carrying amount of the associate and the fair value of the remaining interest, plus any proceeds on disposal, is recognised in profit or loss under depreciation and amortisation (see Chapter 4.24).

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

Participations in entities accounted for using the equity

Entity	Head office	Equity Investment	2021 Carrying amounts EUR k	2020 Carrying amounts EUR k
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	10.10%	18,203	23,871
Evana AG	Saarbrücken	20.46%	3,116	3,596
Cognotekt GmbH	Köln	35.67%	455	2,914
control.IT Unternehmensberatung GmbH	Bremen	10.00%	1,526	1,557
ASK PATRIZIA (GQ) LLP	Manchester	50.00%	447	418

An associate is an entity over which PATRIZIA has the ability to exercise significant influence over operating and financial policies. Significant influence is presumed if a direct or indirect voting interest of at least 20% is held in another company. Although PATRIZA only holds 10.10% in PATRIZIA WohnModul I SICAV-FIS and 10.00% in control.IT Unternehmensberatung GmbH, significant influence exists. The share capital of WohnModul I SICAV-FIS is divided into two share classes A and B. PATRIZIA AG is entitled to shares in share class B only. It holds a total of 51% of the voting rights. In contrast, the shareholder of share class A is entitled to the right to appoint a governing body. PATRIZIA therefore does not exercise a controlling influence, but it does have a significant influence. In the case of Control IT, there are numerous special provisions in the articles of association for which, in an overall assessment of the individual factors, it can be assumed that a significant influence exists. On the other hand, the presumption of materiality can be rebutted if, despite a share of voting rights of 20% or more, contractual provisions exclude any influence on the exercisable business and company policy and the exercisable rights merely represent protective rights. PATRIZIA holds 28.3% of the limited liability capital of a project development company (in the form of a GmbH & Co. KG) and 30.0% of the shares in the associated general partner GmbH. Significant influence does not exist, as management can neither be exercised nor significantly influenced due to provisions in the partnership agreement, and there is no right to appoint members of governing bodies. The shares in this project development company are reported under the item "Participations" and measured at fair value with changes in value recognised in other comprehensive income (see Chapter 4.1.2).

Ask PATRIZIA (GQ) LLP is a joint venture for a property development in Newcastle/Gateshead in the north of United Kingdom. A joint venture is an arrangement whereby the parties have joint control and joint rights over the net assets. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

For reasons of materiality, additional disclosures for the Ask PATRIZIA (GQ) LLP joint venture are omitted in the further course and only the information on the associated companies PATRIZIA WohnModul I SICAV-FIS, Evana AG, control.IT Unternehmensberatung GmbH and Cognotekt GmbH is listed.

PATRIZIA WohnModul I SICAV-FIS

The strategy of PATRIZIA WohnModul I SICAV-FIS is primarily the acquisition of project developments and revitalisation portfolios. Both block sales and individual privatisation are envisaged as exit strategies. As part of its investment in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to the usual real estate-specific risks such as market developments in residential property resales and project developments, as well as fluctuations in interest rates.

The summarised financial information on PATRIZIA WohnModul I SICAV-FIS is given below.

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

EUR k	2021	2020
Current assets	262,573	445,708
Non-current assets	1,195	3,820
Current liabilities	82,597	61,993
Non-current liabilities	0	146,593
Revenues	16,950	27,966
Net income	64,164	117,244
Other comprehensive income	0	0
Total comprehensive income	64,164	117,244

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to PATRIZIA Group amounts to EUR 6,481k (2020: EUR 11,842k) 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

EUR k	2021	2020
Net assets of associated company[1]	184,087	239,142
Group shareholding	10.10%	10.10%
Other adjustments	-390	-282
Carrying amount of the equity investment	**18,203**	**23,871**

[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.

In the reporting period, repayments of shares in the amount of EUR 2,451k (2020:EUR 41,590k) were made from PATRIZIA WohnModul I SICAV-FIS to PATRIZIA AG. In addition, PATRIZIA WohnModul I SICAV-FIS paid total distributions of EUR 9,786k (2020: EUR 3,030k) to PATRIZIA AG in the reporting period. The repayment of shares and the paid distributions were recognised against the participation in associated companies without affecting the income statement.

Evana AG

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 on Evana AG

EUR k	2021	2020
Current assets	1,940	2,051
Non-current assets	67	383
Current liabilities	996	630
Non-current liabilities	0	0
Revenues	3,020	1,733
Net income	-5,259	-4,478
Other comprehensive income	0	0
Total comprehensive income	-5,259	-4,478

The share of the loss of Evana AG attributable to PATRIZIA Group amounts to EUR -1,076k (2020: EUR -1,119k) in the reporting period.

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

EUR k	2021	2020
Net assets of associated company	2,036	3,465
Group shareholding	20.46%	25.01%
Goodwill	2,964	2,964
Other adjustments	-265	-235
Carrying amount of the equity investment	**3,116**	**3,596**

In the reporting period, a resolution was passed to increase the share capital of Evana AG. As a result of the dilution, the shares in the investment changed to 20.46% (2020: 25.01%).

In the financial year, a reversal of the impairment losses in the amount of EUR 709k was recognized in addition to the ongoing at-equity valuation. The reversal of impairment losses is limited to the impairment loss in 2020 of EUR 709k.

Cognotekt GmbH

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 on Cognotekt GmbH

EUR k	2021	2020
Current assets	748	1,175
Non-current assets	1,024	1,024
Current liabilities	355	498
Non-current liabilities	1,250	1,250
Revenues	190	757
Net income	-4,571	-4,081
Other comprehensive income	0	0
Total comprehensive income	-4,571	-4,081

The share in the loss of Cognotekt GmbH attributable to PATRIZIA Group amounts to EUR -1,631k (2020 EUR -824k) in the reporting period.

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

EUR k	2021	2020
Net assets of associated company	167	451
Group shareholding	35.67%	35.67%
Goodwill	3,549	3,549
Other adjustments	-3,153	-796
Carrying amount of the equity investment	**455**	**2,914**

In the financial year, the at-equity investment was written down to the lower fair value by EUR 2,284k EUR (2020: 698k).

control.it Unternehmensberatung GmbH

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 on control.IT Unternehmensberatung GmbH

EUR k	2021	2020
Current assets	8,051	7,597
Non-current assets	899	584
Current liabilities	845	614
Non-current liabilities	568	457
Revenues	7,321	6,305
Net income	-5	-639
Other comprehensive income	0	0
Total comprehensive income	-5	-639

The share in the profits of control.IT Unternehmensberatung GmbH attributable to PATRIZIA Group amounts to EUR -1k (2020: EUR -64k) in the reporting period.

In the reporting period control.IT Unternehmensberatung GmbH paid distributions in the amount of EUR 79k (2020: EUR 79k). The paid distributions were recognised against the participation in associated companies without affecting the income statement.

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

EUR k	2021	2020
Net assets of associated company	11,426	11,426
Group shareholding	10.00%	10.00%
Goodwill	391	391
Other adjustments	-8	24
Carrying amount of the equity investment	**1,526**	**1,557**

4.9 Inventories

Inventories are composed as follows:

Inventories

EUR k	2021	2020
Properties intended for sale	154,000	1,683
Properties in the development phase	15,795	12,964
Total	**169,796**	**14,647**

"Properties in the development phase" includes the Trocoll House property, which was acquired by a subsidiary of PATRIZIA AG in Greater London.

The change in inventories of EUR 155,149k results primarily from the addition of real estate assets newly acquired and held temporarily for the purposes of placement via closed-end funds in the amount of EUR 126,796k as well as from the acquisition of the real estate asset of EUR 27,014k as part of the acquisition of SKD13 TMK.

The item inventories include properties acquired for the purpose of sale in the ordinary course of business or for development and resale. Development also includes modernisation and renovation activities. The assessment and qualification as inventory were already made within the framework of the purchase decision and implemented accordingly in the balance sheet at the time of acquisition.

Inventories are valued at acquisition or production cost. If the expected net realisable value is lower, this is recognised. The acquisition costs include the directly attributable acquisition and provision costs, i.e. in particular acquisition costs for real estate as well as ancillary acquisition costs (notary fees, etc.). Production costs comprise the costs directly attributable to the real estate development process, i.e. in particular renovation costs. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the acquisition or production cost of that asset. The net realisable value is the estimated selling price in the ordinary course of business, less any costs of renovation, refurbishment and disposal. For general estimation uncertainties in connection with the valuation of real estate, please refer to Chapter 4.6.

4.10 Equity

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

Share capital

The share capital of the company amounts, after offsetting treasury shares in the amount of EUR 3,731,301 (31 December 2020: EUR 2,668,545), to EUR 88,620k (31 December 2020: EUR 89,683k as at the end of the reporting period and was divided into 88,620,175 no-par-value registered shares.

As part of the share buyback programme from 12 May to 23 December 20201, PATRIZIA AG bought back a total of 1,062,756 shares at an average price of EUR 22.09 per share (incl. transaction costs) in a total volume of EUR 23,476k. For information on the authorisation of the Management Board to issue and buy back shares, see the combined management report chapter 3.1.

The direct parent company of PATRIZIA AG is First Capital Partner GmbH. The parent company of First Capital Partner GmbH and thus the ultimate parent company of PATRIZIA AG is we holding GmbH & Co. KG (formerly: WE Vermögensverwaltung GmbH & Co. KG). Compared to 31 December 2020 First Capital Partner GmbH continues to hold a stake of 47,844,484 no-par-value shares in PATRIZIA AG which corresponds to a share of 51.81%.

Capital reserves

Capital reserves changed from EUR 129,751k to EUR 89,831k as at 31 December 2021 due to the share buyback programme of EUR -22,442k, the recognition of share-based payment (IFRS 2) of EUR 1,402k and other changes of EUR -18,879k (see details in chapter 4.1.9).

Retained earnings

Legal reserves reported under retained earnings in the amount of EUR 505k as at 31 December 2021 were unchanged as compared to the prior period.

Treasury shares

In the reporting period, the number of treasury shares increased by 1,062,756 to 3,731,301 and their total value by EUR 23,476,280 to EUR 73,102,645 after the share buyback programme ended on 23 December 2021.

Treasury shares

	Number of shares	Price per share in EUR[1]	Total Value in EUR
As at 01.01.2021	**2,668,545**		**49,626,365**
Share buyback programme	1,062,756	22.09	23,476,280
As at 31.12.2021	**3,731,301**		**73,102,645**

[1] Incl. transaction costs

Consolidated unappropriated profit

The consolidated unappropriated profit increased from EUR 900,507k to EUR 921,720k as at 31 December 2021.

A cash dividend of EUR 26,682k (2020: EUR 26,008k) was distributed to the company's shareholders in the reporting year. The dividend per share amount to EUR 0.30 in 2020 (2019: EUR 0.29).

Non-controlling interests

There were non-controlling interests of EUR 35,694k as at 31 December 2021 (31 December 2020: EUR 32,265k).

A profit share of EUR 3,912k (31 December 2020: EUR 2,975k) was allocated to non-controlling interests in the reporting period.

As at 31 December 2021, profit shares of EUR 1,033k (31 December 2020: EUR 1,001k) had been withdrawn by non-controlling interests. These are payments to non-controlling interests, some of whom are also employed by the company.

4.11 Employee benefits

4.11.1 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 79 persons (31 December 2020: 79) in total as at the end of the reporting period. 31 of these persons (31 December 2020: 40) 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

EUR k	2021	2020
As at 01.01.	**29,892**	**27,869**
Current expenses of employment period	305	272
Remeasurements	-3,668	2,304
thereof adjustments of financial assumptions	-3,576	2,166
thereof adjustments of demographical assumptions	0	0
thereof other/experience adjustments	-92	137
Interest expenses	86	190
Pension payments/scheduled payments made	-747	-742
As at 31.12.	**25,868**	**29,892**

Plan assets at fair value

EUR k	2021	2020
As at 01.01.	**313**	**305**
Income/expenses from plan assets (without interests)	8	6
Interest income/interest expenses	1	2
Contributions to provision plan/employer contributions	0	0
Pension payments/payments made	0	0
Mergers/business transfer	0	0
As at 31.12.	**322**	**313**

Composition of net liability from defined benefit plans

EUR k	2021	2020
Defined benefit obligation	25,868	29,893
Plan assets at fair value	322	313
Net debt	**25,546**	**29,579**

Actuarial assumptions

%	2021	2020
Discounting interest rate	1.03	0.29
Salary trend	2.25	2.25
Pension trend	1.00/1.65	1.00/1.65

The calculations are based on the current biometric mortality and disability tables according to Prof. Dr Klaus Heubeck (Richttafeln 2018 G).

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

Sensitivity analyses

		31.12.2021		31.12.2020	
EUR k	Sensitivitiy	Increase	Decrease	Increase	Decrease
Discounting interest rate	+/- 0.50%	-2,111	2,417	-2,677	3,094
Salary trend	+/- 0.50%	49	-46	72	-68
Pension trend	+/- 0.50%	1,723	-1,571	2,128	-1,932
Life expectancy	+/- 1 Year	1,446	-1,422	1,797	-1,753

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 2022 financial year, the Group anticipates payments due to retirement benefit obligations of EUR 791k (2021: EUR 734k) and contributions to plan assets of EUR 0k (2021: EUR 0k).

The average term of retirement benefit obligations is 17.2 years (2020: 18.9 years).

The defined benefit pension plans are valued according to the projected unit credit method on the basis of a pension appraisal by a qualified actuary. The pension obligations in the balance sheet are determined from the present value of the defined benefit obligation at the balance sheet date. The Group recognises actuarial gains and losses for defined benefit pension plans in other comprehensive income in the reporting period in which they occur.

4.11.2 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, pension funds) amounts to EUR 2,856k for the 2021 financial year (2020: EUR 2,781k).

In addition, there are pension plans for the Management Board in the form of a pension 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 pension fund is covered on the basis of life insurance policies. The commitment was granted in 2003. A total of EUR 123k (2020: EUR 120k) was paid in contributions to the pension fund for members of the Management Board in 2021. Furthermore, contributions in total of EUR 83k (2020: EUR 81k) were paid to a self-invested personal pension for three members of the Management Board.

4.12 Long-term accruals

Long-term accruals of EUR 3,978k (31 December 2020: EUR 0k) relate to litigation risks. Based on an opening balance of EUR 0k and additions of EUR 3,978k, the closing balance is EUR 3,978k.

4.13 Non-current liabilities

Non-current liabilities of EUR 28,515k (31 December 2020: EUR 22,340k) essentially consist of the long-term component of the management participation model, which is described in more detail in chapter 8.1, the TRIUVA guaranteed dividend to non-controlling interests and other non-current financial liabilities (see details in chapter 4.1.9).

The changes in 2021 mainly results from the addition of other non-current financial liabilities of EUR 17,711k as well as the derecognition of the liability from the acquisition of KENZO (PATRIZIA Japan KK) of EUR 6,204k through profit and loss.

4.14 Other provisions

Other provisions developed as follows:

Other provisions 2021

EUR k	01.01.2021	Addition	Unused amounts reversed	Utilisation	Time value of money	Foreign exchange differences	31.12.2021
Litigation risks	3,920	2,925	-2,775	-1,368	-17	0	2,685
Indemnification obligation	135	75	0	-72	0	0	138
Employee benefits	4,476	2,991	0	-2,972	0	40	4,534
Reorganisation costs	578	1,238	-96	-863	-0	-0	856
Total	**9,109**	**7,229**	**-2,871**	**-5,275**	**-17**	**39**	**8,213**

The provisions for employee benefits listed under other provisions are for unused annual leave, contributions to the employers' liability insurance association and the severely disabled levy.

The additions in reorganisation provisions mainly result from the realignment of the Real Estate Development and Fund Service units.

Provisions are liabilities of uncertain amount or due date. The recognition of a provision generally requires a present obligation as a result of 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 using the best estimate of the extent of the obligation. In the case of significant interest effects, the provisions are discounted.

4.15 Current liabilities

Current liabilities break down as follows:

Current liabilities

EUR k	31.12.2021	31.12.2020
Trade payables	2,706	1,995
Contract liabilities	788	4,783
Other liabilities	93,803	99,080
Total	**97,297**	**105,858**

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

Other liabilities break down as follows:

Other liabilities

EUR k	31.12.2021	31.12.2020
Liabilities from outstanding invoices	29,645	23,814
Liabilities from variable salary components and other personnel costs	36,725	38,782
Liabilities to companies with a participating interest	12,015	11,316
Liabilities from subsequent costs for sold	1,953	3,768
Liabilities for reimbursements in connection with the sale of the structure of the Harald portfolio	0	2,349
Liabilities from ongoing legal proceedings	0	5,337
Interest on loans	2,490	2,441
Debtors with credit balances	1,220	2,446
Accounting and auditing costs	699	1,147
Deferred revenue liabilities	45	22
Other	9,011	7,658
Total	**93,803**	**99,080**

4.16 Tax liabilities

4.16.1 Current tax assets

Current tax assets amounting to EUR 28,448k (31 December 2020: EUR 26,554k) mainly include receivables from tax overpayments and refund claims from capital gains tax.

4.16.2 Tax liabilities

Tax liabilities include obligations from income taxes, turnover taxes and other types of taxes.

Income taxes essentially comprise EUR 15,484k (31 December 2020: EUR 27,339k) 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 12,884k (31 December 2020: EUR 13,470k).

4.16.3 Actual income taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The calculation of the amount is based on the tax rates and tax laws applicable on the balance sheet date. Tax assets and tax liabilities are offset against each other if the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and these relate to taxes of the same taxable entity and are levied by the same tax authority.

4.16.4 Deferred taxes

The main deferred taxes and tax liabilities and their development are presented below:

Deferred tax assets/liabilities

EUR k	31.12.2021 Assets	31.12.2021 Liability	31.12.2020 Assets	31.12.2020 Liability
Investment property	0	335	0	151
Participations	1,738	80,841	1,776	73,545
Liabilities / Provisions	4,396	905	7,916	86
Fund management contracts due to company acquisitions	0	26,992	0	30,411
Leasing	0	204	7,678	7,636
Other/ Consolidation	1,640	2,300	3,661	3,655
Total	**7,774**	**111,577**	**21,031**	**115,484**

No deferred tax assets were recognised on pre-tax losses of EUR 2,527k (31.12.2020: EUR 50k) due to the lack of predictability of the dissolution of the tax group. The losses can be carried forward indefinitely.

In addition, as at the balance sheet date, 37 companies (31 December 2020: 39 companies) had income tax loss carryforwards of EUR 119,703k (31 December 2020: EUR 120,427k), for which no deferred tax assets were recognised due to the unforeseeable usability for tax purposes. These losses can also be carried forward indefinitely.

Temporary differences from investments in subsidiaries for which no deferred taxes were recognised amount to EUR 149,593k (31.12. 2020: EUR 203,600k).

Deferred taxes are recognised using the liability method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base as at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses carried forward and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax losses carried forward and tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 reviewed at each balance sheet date 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 using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The tax rates and tax laws used are those that are enacted or substantively enacted by the balance sheet date. Future changes in tax rates must be taken into account on the balance sheet date if material effectiveness requirements are met within the framework of a legislative procedure.

Deferred taxes relating to items recognised directly in equity are not recognised in the income statement, but also in equity.

Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, the deferred taxes relate to income taxes related to the same taxable entity and the same taxation authority.

4.16.5 Income taxes in the income statement

The income tax item in the income statement of the consolidated financial statements is composed as follows:

Income taxes

EUR k	2021	2020	Change
Current income taxes	-32,678	-28,433	14.9%
Deferred taxes	-3,221	7,064	-145.6%
Income tax	**-35,900**	**-21,369**	**68.0%**

The deferred taxes in the income statement mainly result from temporary differences, which are largely triggered by the amortisation of fund management contracts.

4.16.6 Deferred tax effects in connection with components of other comprehensive income

The deferred tax effects from the statement of comprehensive income are presented below:

Deferred income tax relating to components of other comprehensive income

	2021			2020		
EUR k	Before tax	Tax	Net	Before tax	Tax	Net
Profit/loss arising on the translation of the financial statements of foreign operations	10,456	0	10,456	-3,272	0	-3,272
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	57,075	-7,515	49,561	58,528	-6,843	51,685
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	3,676	2,198	5,874	-2,121	0	-2,121
Total	**71,208**	**-5,317**	**65,891**	**53,135**	**-6,843**	**46,292**

4.16.7 Tax reconciliation statement

The tax reconciliation explains the relationship between the effective tax expense and the expected tax expense resulting from the IFRS consolidated net income before income taxes by applying the income tax rate of 30.825% (2020: 30.825%). The income tax rate consists of 15% corporate income tax, 5.5% solidarity surcharge and 15% trade tax:

Tax reconciliation statement

EUR k	2021	2020
IFRS consolidated net profit before income taxes	**87,708**	**62,047**
Income tax expense expected on the above	-27,036	-19,126
Tax exemption of income from participations	232	5,055
Tax additions and deductions	-299	-3,635
International subsidiaries with differing tax rates	499	1,236
Deferred tax assets on losses not capitalised	-3,124	-3,380
Use of loss carryforwards not capitalised	629	1,643
Trade tax effects from income subject to limited taxation	46	40
Prior-period effects	-7,743	-3,970
Other tax effects	895	768
Income tax	**-35,900**	**-21,369**
Actual tax expenses in percent	**40.9%**	**34.4%**

4.17 Revenues

Revenues break down as follows:

Revenues by Country[1]

EUR k	Germany	Luxembourg	United Kingdom	Rest of world	Total
2021					
Revenues from management services	211,683	40,203	44,344	14,690	310,919
Management fees	128,459	20,087	40,625	10,389	199,561
Performance fees	47,923	12,671	-662	0	59,932
Transaction fees	35,301	7,444	4,381	4,301	51,427
Proceeds from the sale of principal investments	-32	1,509	0	0	1,477
Rental revenues	1,417	873	5	939	3,234
Revenues from ancillary costs	160	-293	774	3	645
Other	900	165	671	151	1,888
Revenues	**214,129**	**42,457**	**45,794**	**15,783**	**318,163**
2020					
Revenues from management services	161,965	72,918	43,950	13,671	292,503
Management fees	111,880	23,166	38,836	10,021	183,904
Performance fees	26,839	33,591	0	78	60,508
Transaction fees	23,246	16,160	5,113	3,572	48,091
Proceeds from the sale of principal investments	-139	3,885	0	0	3,746
Rental revenues	532	355	0	2,613	3,500
Revenues from ancillary costs	32	240	683	0	955
Other	60	151	690	88	989
Revenues	**162,451**	**77,548**	**45,323**	**16,372**	**301,693**

[1] The revenues from management services were additionally subdivided. The previous year was also adjusted for reasons of comparability

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

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

4.17.1 Revenues from Management Services

Revenues from management services are regularly broken down as follows:

Management fees (excluding result from participations)

Management fees include the remuneration for property-related services such as asset, fund and portfolio management as well as services in managing project developments on behalf of clients. These are usually charged monthly/quarterly and are highly recurring. Management fees are generally based on the fund volume at the end of the month, which fluctuates depending on the market values of the assets (mainly real estate) as regularly determined by external appraisers. Any uncertainties with regard to the consideration are generally resolved with the determination of the fund volume at the end of the month. The service is provided on a time-period basis. Management fees of EUR 199,561k were collected in the 2021 financial year (2020: EUR 183,904k). The growth of 8.5% is mainly due to organic growth in assets under management and the acquisition of new mandates.

Performance fees
(excluding result from participations, excluding operating income from participations (IFRS 9))

PATRIZIA receives performance fees if, among other things, the investment vehicle has outperformed its benchmark or if defined target returns are exceeded. The performance fee is recorded on a point in time basis, can cover one year or several years and represents a variable consideration, the measurement of which can be subject to uncertainty. Until the uncertainty disappears (usually until the excess return over the benchmark or the defined target return is finally determined), PATRIZIA only recognises as revenue that part of the variable consideration for which it is highly probable and no significant reversal can be expected. This would be the case at the end of the year at the latest for an annual performance period, and correspondingly later for multi-year observation periods. Due to possible reimbursement agreements (so-called "clawback"), even a performance fee already received may still be subject to uncertainty. This is the case if PATRIZIA has to refund all or part of the performance fee paid in the event of future underperformance. For this reason, a contractual liability is set up in the amount corresponding to the expected reimbursement amount (reimbursement obligation). This is measured according to the expected likely performance of a portfolio in the future, taking into account the consideration already received for past performance.

Due to the consistently good performance of the real estate assets managed by PATRIZIA, performance fees also remained at a high level of EUR 59,932k in 2021 despite the difficult market environment and thus made a stable contribution to the operating income (2020: EUR 60,508k), similar to the previous year (-1.0%).

Transaction fees

Transaction fees are received for services rendered in connection with the purchase or sale of assets or shares in such assets. In the case of transaction fees, there are usually performance obligations that are fulfilled at a specific point in time (point in time-related), namely with the purchase or sale of the assets or portfolios. In some cases, performance-based considerations are due if the sales proceeds exceed a certain benchmark. Since this is usually already determined when the transaction is carried out, there are no significant uncertainties associated with these variable considerations.

These fees amounted to EUR 51,427k in the 2021 financials (2020: EUR 48,091k; 6.9%). EUR 38,580k (2020: EUR 31,932k; 20.8%) are attributable to purchases and EUR 12,846k (2020: EUR 16,160k; -20.5%) to sales.

Further explanations

Fees from management services are performance obligations which are separately identifiable, since the investor usually derives an independent benefit from the fulfilment of a performance obligation and the promised services are separable from the other services of the same contract. Revenue from management services is recognised when the service is provided. Invoices for management fees are generally payable within 14 days and invoices for transaction fees are generally payable within 0-60 days. Sales revenues from principal investments is recognised when control of the property is transferred to the buyer.

Buyers obtain control of real estate when possession, benefits and burdens are transferred. At this point, an enforceable claim to payment arises. The sales proceeds correspond to the contractually agreed transaction price. In most cases, the consideration is due when the legal title is transferred. Therefore, no significant financing component is included in the transaction price.

4.17.2 Revenues from ancillary costs

Revenues from ancillary costs are recognised over the period in which the services are provided. The tenant regularly receives and consumes the services at the same time. Revenue is recognised using input-based methods, whereby revenue is recognised based on the costs incurred or resources consumed in relation to the total inputs expected to satisfy that service obligation. The agreed consideration is payable monthly.

4.17.3 Rental revenues

The Group generated leasing income (rental revenues) in accordance with IFRS 16 of EUR 3,234k in the 2021 financial year (2020: EUR 3,500k).

4.17.4 Revenues from contracts with customers

The distribution of revenue from contracts with customers with regard to the timing of revenue recognition is as follows:

Revenues from contracts with clients

EUR k	2021	2020
Transferred products/services at a period of time	112,836	112,346
Transferred products/services over a period of time	202,093	185,848
Revenues from client contracts	**314,929**	**298,194**

4.17.5 Contract balances

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

Contract balances

EUR k	31.12.2021	31.12.2020
Trade receivables	162,157	145,543
Contract liabilities	788	4,783

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 mainly relate to advance payments received from customers in connection with performance fees. The amount of EUR 4,783k recognised at the end of the previous period was mainly recognised as revenue in the 2021 financial year. The contract liabilities existing at the balance sheet date have an expected term of one year or less.

4.18 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.

4.19 Other operating income

Other operating income essentially relates to:

Other operating income

EUR k	2021	2020	Change
Income from discontinued obligations	9,960	8,074	23.4%
Income from payments in kind	918	1,047	-12.3%
Insurance compensation	4	10	-54.7%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	205	932	-78.0%
Income from sales of financial assets	43	95	-54.6%
Income from bargain purchase	0	3,858	-100.0%
Other	9,897	2,506	294.9%
Total	**21,027**	**16,522**	**27.3%**

Income from discontinued obligations essentially results from the reversal of other tax provisions in the amount of EUR 3,736k (2020: EUR 1,377k), remaining holiday entitlements and settlement of bonuses in the amount of EUR 2.170k (2020: 3.638k) and from the reversal of provisions for outstanding invoices in the amount of EUR 1.689k (2020: EUR 2.683k).

Other mainly includes cancelled earn-out liabilities in connection with the acquisition of Kenzo in the amount of EUR 6,204k (2020: EUR 0k) and refunds of real estate transfer tax in the amount of EUR 1,768k (2020: EUR 0k). In the previous year, payments from other agency fees of EUR 531k and income from other on charges of EUR 462k were also included.

In 2020, the income from bargain purchase results from the acquired subsidiary Silver Swan C 2018 S.à r.l. in the amount of EUR 3,858k.

4.20 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

EUR k	2021	2020	Change
Renovation and construction costs	2,400	1,411	70.0%
Incidental costs	1,480	2,151	-31.2%
Maintenance costs	1	5	-77.6%
Total	**3,881**	**3,568**	**8.8%**

4.21 Costs for purchased services

Cost of purchased services totalling EUR 17,971k (2020: EUR 16,066k) essentially comprises the purchase of fund management services for label funds in the amount of EUR 12,458k (2020: EUR 13,826k) for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service investment management company. Due to the increase in property assets under management in the label funds and the significant rise in prices in the service sector, expenses increased by EUR 1,905k compared to the previous year.

4.22 Staff costs

Staff costs break down as follows:

Staff costs

EUR k	2021	2020	Change
Wages and salaries	122,104	125,427	-2.6%
of which valuation of phantom shares	-1,221	1,742	-170.1%
of which sales commission	1,100	1,020	7.9%
of which share-based payment	1,393	1,085	28.4%
Social security contributions	17,120	18,331	-6.6%
Total	**139,224**	**143,759**	**-3.2%**

In line with the decrease in the price of PATRIZIA AG shares, income of EUR -1,221k (2020: EUR 1,742k) arose in connection with the remeasurement of the value of phantom shares in the reporting period.

Despite additional personnel related to the growth in assets under management, personnel expenses decreased, mainly as a result of lower variable compensation. Considering the economies of scale that can be achieved using new technologies, the product-related and strategically important functional areas have essentially been strengthened to faster operational efficiency and further improve service quality.

An expense of EUR 1,393k was recognized for the share-based payment agreement for executives introduced in the 2021 financial year. Further information on the determination of the fair value of this remuneration component can be found in chapter 7.1.2 of the notes to the consolidated financial statements.

4.23 Other operating expenses

Other operating expenses break down as follows:

Other operating expenses

EUR k	2021	2020	Change
Tax, legal, other advisory and financial statement fees	28,110	22,348	25.8%
IT and communication costs and cost of office supplies	19,895	17,956	10.8%
Rent, ancillary costs and cleaning costs	3,490	3,331	4.8%
Other taxes	2,465	1,638	50.5%
Vehicle and travel expenses	3,062	4,599	-33.4%
Advertising costs	4,524	3,915	15.6%
Recruitment and training costs and cost of temporary workers	6,122	7,510	-18.5%
Contributions, fees and insurance costs	4,801	4,450	7.9%
Commission and other sales costs	1,561	729	114.2%
Costs of management services	2,003	186	975.1%
Indemnity/reimbursement	37	572	-93.6%
Donations	1,209	1,493	-19.0%
Other	10,543	7,951	32.6%
Total	**87,822**	**76,678**	**14.5%**

Tax, legal, other advisory and financial statement fees in the amount of EUR 28,110k (2020: EUR 22,348k) inter alia include:

- Project-related consulting services in the context of digitalisation as well as costs of initial testing, acquisition and use of new technologies in the amount of EUR 4,834k (2019: EUR 5,822k).
- Costs for consulting services in connection with the introduction of a new, global concept of a modern working environment “NEW Work” in the amount of EUR 2,171k (2020: EUR 1,545k)
- Costs related to the management consulting of BrickVest amounting to EUR 1,909k (2019: EUR 1,440k)
- Costs related to the acquisition and integration of companies (in 2021 Whitehelm, in 2020: BrickVest) amounting to EUR 4,041k (2020: EUR 1,752k)
- Project-related consulting services to identify potential efficiency improvements in operating activities and to be realized in the future amounting to EUR 1,932k (2020: EUR 0k)

The increase in costs for IT, communication and office supplies results from the increased use of technological innovations and the further expansion of the level of digitalisation. This item also includes expenses from cloud computing contracts. In this case, access to user software in a cloud environment provided by a provider is granted for a limited contract term in return for payment ("software rental"). As a rule, the service model Software as a Service (SaaS) and the provision model Public Cloud are agreed as contract conditions. Under these conditions, cloud computing agreements are regularly regarded as service contracts and recognised as current expenses. Related implementation costs are also generally recognised as expenses in the period in which they are incurred.

The increase in the item "Other taxes" is mainly the result of additional VAT payments and wealth tax (Luxembourg) regarding previous years.

The increase in costs of management services in 2021 mainly refers to the purchase of external project management services as part of the RED projects Carossa (EUR 1,867k).

The decrease in vehicle and travel costs is due to the travel and contact restrictions in connection with the Covid19- Pandemic.

Donations include grants to charitable organisations such as the PATRIZIA Foundation. In 2018, the Management Board had decided to support charitable organisations annually with up to 1% of the Company's operating income.

4.24 Reorganisation income/expenses

Reorganisation expenses recognised in the current period mainly result from the realignment of the Real Estate Development and Fund Services divisions. These were mainly expenses for severance payments, current salaries during the release phase, material costs and consulting costs in connection with the reorganisation. Provisions from the reorganisation that are no longer required are released to the income statement.

4.25 Appreciation, amortisation and depreciation

Appreciation, amortisation and depreciation of the item "amortisation of other intangible assets, software and right of use, depreciation of property, plant and equipment as well as financial investments" breaks down as follows:

Appreciation, amortisation and depreciation

EUR k	2021	2020	Change
Amortisation of fund management contracts and licences	15,763	24,442	-35.5%
Amortisation of rights of use	11,541	10,428	10.7%
Depreciation of software and fixed assets	6,523	5,983	9.0%
Amortisation of other rights and assets	119	49	144.6%
Value adjustment in associated participations	2,374	1,407	68.8%
Appreciation in associated participations	-709	0	/
Total	**35,611**	**42,309**	**-15.8%**

The amortisation of fund management contracts in the segment management service includes non-scheduled write-downs of EUR 4,423k (2020: EUR 5,002k) due to the sale and termination of funds. In addition, reference is made to the accounting and valuation methods in chapter 4.3 Other intangible assets.

For detailed information on the amortisation of the rights of use, please refer to chapter 4.5 Leases.

The depreciation of investments in associates includes the impairment of the equity-accounted company Cognotek GmbH in the amount of EUR 2.284k (2020: EUR 698k). The appreciation of investments at associates includes the appreciation of the at-equity accounted company Evana AG in the amount of EUR 709k (see also chapter 4.8).

4.26 Earnings per share

Earnings per share

EUR k	2021 adjusted[1]	2020 adjusted[1]	2021	2020
Share of earnings attributable to shareholders of the Group	50,729	37,703	47,896	37,703
Number of shares[2]	88,620,175	89,682,931	88,620,175	89,682,931
Weighted number of shares undiluted[2]	89,316,078	90,113,827	89,316,078	90,113,827
Earnings per share (undiluted) in EUR	**0.57**	**0.42**	**0.54**	**0.42**
Weighted number of shares diluted[3]	89,411,218	90,368,023	89,411,218	90,368,023
Earnings per share (diluted) in EUR[3]	**0.57**	**0.42**	**0.54**	**0.42**

[1] Adjusted (in 2021 without reorganisation expenses; no reorganisation expenses in 2020)
[2] Outstanding, after share buyback
[3] Share-based payment, if served by new shares

The average market value of the shares for the calculation of the dilutive effect of share options is based on the quoted market prices for the period in which the options were outstanding.

As a result of the time-weighted share repurchases during the reporting period, the weighted number of shares (basic) decreased by 797,749 and the weighted number of shares (diluted) decreased by 956,805 in accordance with IAS 33.19 et seq.

5 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.

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 (Acquisition und Disposals), 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 investment 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.

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 income.

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 income, namely for 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 as well as non-capitalisable investments in the future. It includes changes in value on the disposal of investment property, Operating income from participations (IFRS 9), other financial result and realised currency effects.

Revenue is generated between reportable segments. These intragroup transactions are settled at market prices.

All relevant consolidation matters to be eliminated, such as intercompany sales, intercompany results and the reversal of intercompany eliminations, take place within the segments.

As in the previous year, non-current assets are mainly held in Germany.

Non-current assets do not include financial investments (with the exception of financial assets accounted for using the equity method), deferred tax assets and employee benefit assets.

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

The individual operating segments are set out below. The reporting of amounts in thousands of Euro (EUR k) can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures.

Segment Reporting - 2021 (01.01.-31.12.2021)

EUR k	Investments	Management Services	Group
Revenues	4,419	313,744	318,163
Changes in inventories	603	0	603
Other operating income	1,236	19,792	21,027
Income from the deconsolidation of subsidiaries	-0	63	63
Total operating performance	**6,257**	**333,599**	**339,856**
Cost of materials	-3,879	-2	-3,881
Cost of purchased services	0	-17,971	-17,971
Staff costs	-10	-139,214	-139,224
Other operating expenses	-2,016	-85,807	-87,822
Impairment result for trade receivables and contract assets	324	303	627
Result from participations	3,732	31,906	35,638
Earnings from companies accounted for using the equity method	5,138	0	5,138
Cost from the deconsolidation of subsidiaries	-608	0	-608
Reorganisation income	0	96	96
Reorganisation expenses	0	-2,929	-2,929
Appreciation/amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-1,665	-33,946	-35,611
Finance income	131	1,767	1,898
Finance costs	-1,047	-5,706	-6,753
Other financial result	-1,208	1,401	194
Result from currency translation	-168	-774	-942
Earnings before taxes (EBT)	**4,983**	**82,724**	**87,708**
Appreciation/amortisation of fund management contracts and licenses as well as financial investments	1,665	15,763	17,428
Reorganisation income	0	-96	-96
Reorganisation expenses	0	2,929	2,929
Other financial result	1,208	-1,168	39
Non-cash currency effects	169	-1,738	-1,569
Operating income from participations (IFRS 9)	0	3,795	3,795
Investments in the future	0	14,312	14,312
Earn-out Kenzo	0	-6,204	-6,204
Operating income	**8,025**	**110,317**	**118,342**

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

Segment Reporting - 2020 (01.01.-31.12.2020)

EUR k	Investments	Management Services	Group
Revenues	8,333	293,361	301,693
Changes in inventories	-2,242	0	-2,242
Other operating income	4,516	12,006	16,522
Income from the deconsolidation of subsidiaries	302	0	302
Total operating performance	**10,908**	**305,367**	**316,275**
Cost of materials	-3,565	-3	-3,568
Cost of purchased services	0	-16,066	-16,066
Staff costs	-0	-143,758	-143,759
Results from fair value adjustments to investment property	4	0	4
Other operating expenses	-2,107	-74,570	-76,678
Impairment result for trade receivables and contract assets	409	9	418
Result from participations	187	31,437	31,624
Earnings from companies accounted for using the equity method	9,181	0	9,181
Cost from the deconsolidation of subsidiaries	-1,746	0	-1,746
Appreciation/amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-1,407	-40,902	-42,309
Finance income	527	2,444	2,971
Finance costs	-891	-5,815	-6,707
Result from currency translation	158	-7,753	-7,595
Earnings before taxes (EBT)	**11,658**	**50,389**	**62,046**
Appreciation/amortisation of fund management contracts and licenses as well as financial investments	1,407	24,442	25,848
Changes in value of investment property	-4	0	-4
Non-cash currency effects	-155	5,893	5,738
Operating income from participations (IFRS 9)	3,102	9,001	12,102
Investments in the future	0	10,721	10,721
Operating income	**16,008**	**100,445**	**116,453**

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

6 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, not yet paid liabilities for the acquisition of participations, currency effects, changes in provisions, fair value changes in accordance with IFRS 9 and IAS 19 and other valuation effects.

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

Exercising the option in IAS 7, the cash flow from operating activities reports cash flows on a net basis regarding cash receipts and payments from temporarily held investments properties (inventories) from mutual fund business and their financing (loans) for items in which the turnover rate is high, the amounts are large, and the maturities are short.

The cash flow from investing/divesting activities contains the effects of investments and disposals, in particular in or of financial assets, investment property, intangible assets and property, plant and equipment.

The item “Payments received from the disposal of consolidated companies and other business units” shows the additions of cash and cash equivalents from the sale of subsidiaries.

The item “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).

Cash outflows for acquisitions of subsidiaries are reported under the item “Payments for the acquisition of consolidated companies and other business units”.

„Payments received for the acquisition of consolidated companies and other business units“ include cash inflows from the acquisition of subsidiaries.

The cash flow from financing activities includes loan borrowings and repayments for the financing of current and non-current assets, dividend payments to shareholders, buy back of own shares and payments for the redemption of 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 take into account non-cash items such as changes in exchange rates or changes in the scope of consolidation.

Defined cash and cash equivalents correspond to the item in the balance sheet cash and cash equivalents.

Financial liabilities developed as follows over 2021:

Financial liabilities 2021

		Cash	Non-cash			Reclassification	
EUR k	01.01.2021		Changes in the consolidated group	Exchange rate effects	Fair value changes		31.12.2021
Long-term borrowings	234,000	0	0	0	0	-76,000	158,000
Short-term borrowings	109,200	147,310	-85,353	-62	0	76,000	247,095
Total financial liabilities	**343,200**	**147,310**	**-85,353**	**-62**	**0**	**0**	**405,095**

The following table shows the comparative information for 2020:

Financial liabilities 2020

		Cash	Non-cash			Reclassification	
EUR k	01.01.2020		Changes in the consolidated group	Exchange rate effects	Fair value changes		31.12.2020
Long-term borrowings	300,000	0	0	0	0	-66,000	234,000
Short-term borrowings	93,194	47,317	-97,311	0	0	66,000	109,200
Total financial liabilities	**393,194**	**47,317**	**-97,311**	**0**	**0**	**0**	**343,200**

7 Notes

7.1 Share price based remuneration components

As at 31 December 2021, the following share-price based remuneration components exist in the Group:

7.1.1 Phantom Shares participation model

PATRIZIA's phantom shares 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 phantom shares participation model is a consistent target system that 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 within the German regulated entities.

The degree to which the quantitative targets are achieved is determined by reference to budgeted figures in line with company planning. The key targets are Operating income (for definition see section 5 Segment Reporting) CCR, AUM as well as other relevant performance indicators for the respective financial year. At division level, the performance contribution is recognised in the form of value contributions to processes and the aforementioned corporate performance indicators. Members of the Management Board and the first line involved in the provision of services or qualitative projects receive 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 senior management cohort lose their entire variable remuneration component if the Group achieves less than two thirds of the planned operating income as defined above.

The variable remuneration is divided into a short-term and a deferred incentive component. The short-term component is paid out immediately after it has been established that targets have been achieved. The deferred incentive is a salary commitment with a virtual link to PATRIZIA's share price. It is only paid out up to four years after confirmation that targets have been achieved.

Phantom Shares of EUR 1,625k (31 December 2020: EUR 2,168k) were considered for the first and second management levels for the 2021 financial year. This corresponds to the liability recognised on the basis of average target achievement of 100% (2020: 115%). The liability as at 31 December 2021 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 2021 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 up to four years (vesting period). Depending on the group of people, phantom shares are paid out either in instalments over 3 years or after a vesting period of two to four years.

Based on the 30 days prior to and 15 days after 31 December 2021, the average price of PATRIZIA's shares is EUR 20.68 (2020: EUR 25.53), thus amounting to 78,584 shares for 2021 (2020: 84,917 shares). In the reporting period, there was an income from the calculation of the share-based payment of EUR -51k. This comprises the fair value as at 31 December 2021 of EUR 1,625k, the exchange rate effects of EUR -1,221k and the withdrawals from the share-based payments of EUR -455k

In the prior year period, expenses for share-based payment of EUR 3,718k include income of exchange rate effects of EUR 1,742k, the addition to shared-based payment transactions of EUR 2,168k and the corrections due to the final settlement in the reporting period 2020 of EUR -192k.

The fair value is as follows:

Components with long-term incentive effect

	Number of phantom shares 2021	Fair Value 31.12.2021 EUR k	Number of phantom shares 2020	Fair Value 31.12.2020 EUR k	Paid out EUR k
Phantom shares tranche 2021[1]	78,584	1,625	0	0	0
Phantom shares tranche 2020	66,163	1,368	84,917	2,168	0
Phantom shares tranche 2019	116,963	2,419	122,384	3,124	138
Phantom shares tranche 2018	68,802	1,423	127,012	3,243	1,505
Phantom shares tranche 2017	0	0	47,330	1,208	1,205
Total	**330,512**	**6,835**	**381,643**	**9,743**	**2,848**

[1] Corresponds to the liability recognised for 100% target achievement. The final calculation of this variable remuneration and the allocation to the individual beneficiaries will be performed after the 2021 consolidated financial statements have been approved

Phantom Shares units outstanding at the end of the reporting period are as follows:

Phantom shares

	01.01.-31.12.2021	01.01.-31.12.2020
Outstanding at the start of the reporting period	381,643	405,073
Granted in the reporting period	78,584	84,917
Correction due to final settlement in the reporting period	-17,818	-9,170
Paid out in the reporting period	-111,897	-99,177
Outstanding at the end of the reporting period	**330,512**	**381,643**

7.1.2 Share price based remuneration agreement

In January 2020, the Group introduced a share-based long-term incentive program (LTI) for executives. This grants beneficiary employees an entitlement to PATRIZIA shares without them having to make any payment in return. The share-based commitments can be fulfilled by newly issued PATRIZIA shares, by treasury shares or by cash settlement. The Group currently assumes that all options will be settled by physical delivery of shares. If the beneficiary's employment ends before the end of the vesting period, the commitments may lapse.

The program has a three-year vesting period. The number of shares awarded at the end of the vesting period depends on the Group meeting certain performance criteria. The performance indicators consist of a market-independent internal profitability indicator (80%) and a market-dependent component (20%) which considers the Group's total shareholder return in relation to the STOXX 600 Financial Services Index and the FTSE EPRA/NAREIT Developed Europe Index.

The shares awarded at the end of the vesting period are subsequently subject to a holding period of two years.

The share awards developed as follows:

Development of share awards

Number of options per year	Outstanding as at 1 January	Granted during the year	Forfeited during the year	Performance adjustments	Outstanding as at 31 December	Weighted average contractual life (years)
2020[1]	0	204,848	0	36,914	241,762	3.00
2021	241,762	95,140	-32,428	-67,660	236,814	2.32

[1] The previous year 2020 was adjusted to the corrected statement.

The fair value of the share-based payment arrangement was determined using the Monte Carlo simulation.

The following parameters were used in determining the fair value at the grant date of the equity-settled share-based payment arrangement:

Share-based payment arrangement

	2021	2020
Fair value at grant date (in EUR)	36.75	26.81
Share price at grant date (weighted-average, in EUR)	22.03	20.63
Exercise price (in EUR)	0.00	0.00
Expected volatility (weighted-average, in %)	32.46%	27.78%
Expected life (weighted-average, in years)	2.32	3.00
Expected dividends (in EUR)	0.33	0.31
Risk-free interest rate (based on government bonds, in %)	-0.73%	-0.58%

The expected volatility is based on the assessment of the indices as the historical volatility of the daily logarithmic stock price returns in EUR, for the same period corresponding to the simulation period. Daily closing prices were used for the volatility calculation.

Expenses recognised in profit and loss

Further information on employee benefit expenses can be found in the Notes under Note 4.22 personnel expenses.

7.2 Related party transactions

All consolidated companies as well as associated companies and joint ventures of PATRIZIA are considered related parties. These companies are also presented in the consolidated financial statements via the list of shareholdings. In addition, related parties include the members of the Management Board and Supervisory Board, including their close family members, as well as those companies over which Management Board or Supervisory Board members of the Company or their close family members can exercise a significant influence or in which they hold a significant share of the voting rights.

The direct parent company of PATRIZIA AG is First Capital Partner GmbH, Gräfelfing. The parent company of First Capital Partner GmbH and thus the ultimate parent company of PATRIZIA AG is we holding GmbH & Co. KG, Gräfelfing. If members of the management in key positions of First Capital Partner GmbH and we holding GmbH & Co. KG control other companies outside the PATRIZIA Group, these companies are also considered related parties to PATRIZIA.

Related party transactions

Shareholdings in PATRIZIA by members of management in key positions and their related parties

Wolfgang Egger, CEO, holds a total interest of 51.81% (31 December 2020: 51.81%) in the company through First Capital Partner GmbH, in which he directly and indirectly holds a 100% interest through we holding 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 49.0% is held by Mr Ernest-Joachim Storr. There were no changes here in comparison to the previous year.

Remuneration of key management personnel[1]:

Total remuneration

EUR k	2021 granted	2021 paid out	2020 granted	2020 paid out
Remuneration and fringe benefits	3,377	3,377	3,421	3,421
Short-Term-Incentives	3,857	3,360	3,693	3,268
Benefits after termination of the employment relationship	6	889	806	216
Benefits on the occasion of the termination of the employment relationship	0	0	0	0
Share-based payment	1,107	0	1,093	0
Remuneration Supervisory Board[2]	256	256	150	150
Total remuneration	**8,603**	**7,882**	**9,164**	**7,055**

[1] Key management personnel: Management Board members, Supervisory Board members of the AG and Management Board members of the parent companies
[2] Remuneration Supervisory Board Net without VAT. In addition, travel and incidental expenses are reimbursed.

Remuneration to former members of the Management Board

In addition, Mr Arwed Fischer received pension payments in the current financial year. Variable remuneration was paid to Mr Klaus Schmitt.

Other related party transactions:

Other related party transactions

EUR k	Transaction values 2021	Transaction values 2020	Balance outstanding as at 31 December 2021	Balance outstanding as at 31 December 2020
From services and other exchange of services (incl. rents paid and received, purchase and sale of assets)				
Service provider				
Parent company	-9	-11	1	0
Members of the management in key positions [1]	0	0	0	0
Companies accounted for using the equity method	-15,071	-40,157	1,968	1,001
Other related parties [2]	-768	-2	926	0
Beneficiary				
Parent company	71	92	0	0
Members of the management in key positions [1]	2,052	1,761	138	37
Companies accounted for using the equity method	2,225	2,145	0	-56
Other related parties [2]	0	2	2	2
Transfer within the framework of financing agreements (incl. loans, cash, securities and distributions)				
Parent company	0	0	0	0
Members of the management in key positions [1]	0	0	0	0
Companies accounted for using the equity method	-9,696	-3,109	0	0
Other related parties [2]	0	0	0	0
Total	**-21,196**	**-39,278**	**3,034**	**983**

[1] Key management personnel: Management Board members, Supervisory Board members of the AG and Management Board members of the parent companies
[2] Other related parties: family members and the companies of the members of the Management Board, Supervisory Board of the AG and Management Board members of the parent companies

7.3 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 (Chairman of the Management Board)
- Thomas Wels, Co-CEO
- Alexander Betz, CDO
- Karim Bohn, CFO
- Dr Manuel Käsbauer, CTIO
- Anne Kavanagh, CIO
- Simon Woolf, CHRO

Total remuneration of the Management Board

The total remuneration of the Management Board is as follows:

Remuneration granted Management Board as a whole

EUR k	2020	2021	2021	2021
	Actual	Actual	Min	Max
Fixed remuneration	2,696	3,067	3,067	3,067
Fringe benefits[1]	104	105	106	106
Sub-total	**2,800**	**3,172**	**3,173**	**3,173**
One-time-sign-on-bonus	0	0	0	0
Short-term variable remuneration (STI)	3,693	3,857	375	7,339
STI in cash	2,496	2,565	250	4,880
STI Deferral (in phantom shares)[2]	1,198	1,292	125	2,459
Long-term variable remuneration (LTI)[2]	1,093	1,107	0	2,214
Total	**7,587**	**8,136**	**3,548**	**12,726**
Service cost[3]	177	205	205	205
Total remuneration	**7,764**	**8,341**	**3,753**	**12,932**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] LTI maximum amount based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration paid out Management Board as a whole

EUR k	2020	2021
Fixed remuneration	2,696	3,067
Fringe benefits[1]	104	105
Sub-total	**2,800**	**3,172**
One-time sign-on bonus	0	0
STI in cash	1,675	2,496
STI Deferral (in phantom shares)		
Tranche 2017-2019	670	0
Tranche 2018-2020	0	865
Long-term variable remuneration (LTI)	0	0
Total	**5,146**	**6,532**
Service cost[2]	177	205
Total remuneration	**5,323**	**6,737**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

In addition, the former Executive Board member Arwed Fischer received a pension payment of EUR 6k in the 2021 financial year (2020: payment of variable remuneration of EUR 210k, plus a pension payment of EUR 6k). The former Management Board member Klaus Schmitt received variable remuneration of EUR 883k in 2021 (2020: total remuneration of EUR 1,042k).

In the reporting year, share-based remuneration was granted to the Management Board as follows:

Share-based payments

	Quantity 2021	Fair Value 2021 (EUR k)	Quantity 2020	Fair Value 2020 (EUR k)
Tranche 2020	58,697	2,157	58,697	1,574
Tranche 2021	43,366	1,594	0	0
Total	**102,063**	**3,751**	**58,697**	**1,574**

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 holds the following mandates:

- Member of the Supervisory Board of Dawonia Real Estate GmbH & Co. KG (formerly: GBW Real Estate GmbH & Co. KG), Grünwald
- Chairman of the Supervisory Board, PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH, Augsburg (intra-group)
- Chairman of the Supervisory Board, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, Hamburg (intra-group)
- Chairman of the Supervisory Board, PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, Frankfurt am Main (intra-group)

CDO Alexander Betz is the Chairman of the Supervisory Board, eFonds AG, Munich

Co-CEO Thomas Wels is the Chairman of the Supervisory Board, PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, Augsburg (intra-group)

CIO Anne Kavanagh holds the following mandates:

- Member of the Supervisory Board, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, Hamburg (intra-group)
- Member of the Global Board of Directors, Urban Land Institute

Members of the Supervisory Board of the parent company

The members of the Supervisory Board are:

- Uwe H. Reuter, Chairman, Chairman of the Management Board of VHV Holding AG, Hanover
- Jonathan Feuer, Deputy Chairman, Private Equity Investor and Non-Executive Chairman of Eigen Technologies (as of 3 November 2021)
- Axel Hefer, Chief Executive Officer of Trivago N.V. (as of 14 October 2021)
- Marie Lalleman, Senior Advisor to CEOs and C-Suite (as of 14 October 2021)
- Philippe Vimard, Chief Operating Officer and Chief Technology Officer of Doctolib (as of 3 November 2021)
- Dr Theodor Seitz, Chairman, Lawyer and Tax Consultant, Augsburg (until 14 October 2021)
- Alfred Hoschek, Second Deputy Chairman, Managing Director of AHO Verwaltungs GmbH, Gräfelfing (until 14 October 2021)

Total Remuneration of the Supervisory Board

The Supervisory Board received total remuneration of EUR 256k in the financial year (2020: EUR 150k). In addition, value added tax, travel and incidental expenses are reimbursed.

Activities of Supervisory Board Members in companies outside PATRIZIA

In addition to being the chairman of the Supervisory Board at PATRIZIA AG, Uwe H. Reuter holds the following mandates:

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

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

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

- E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover

Deputy Chairman of the Supervisory Board Jonathan Feuer holds the following mandates, in addition to being a member of the Supervisory Board at PATRIZIA AG:

- Co-founder and Non-Executive Chairman, Eigen Technologies

Member of the Supervisory Board Axel Hefer holds the following mandates, in addition to being a member of the Supervisory Board at PATRIZIA AG:

- Non-Executive Board Member, Member of the Audit Committee, Spark Networks SE (stock exchange listed company), Germany
- Chairman of the Supervisory Board, FC Gelsenkirchen-Schalke 04 e. V., Germany

Member of the Supervisory Board Marie Lalleman holds the following mandates, in addition to being a member of the Supervisory Board at PATRIZIA AG:

- Non-Executive Director, Board of Directors, Chairwomen of the Nomination & Corporate Governance Committee CRITEO (stock exchange listed company), France/USA

Member of the Supervisory Board Philippe Vimard holds the following mandates, in addition to being a member of the Supervisory Board at PATRIZIA AG:

- Non-Executive Director, Chairman of compensation committee, Schibsted (stock exchange listed company), Norway
- Non-Executive Director, Indy, France

The former Member of the Supervisory Board Dr Theodor Seitz is the Chairman of the Supervisory Board of CDH AG, Augsburg.

7.4 Contingent liabilities

As at the balance sheet date, PATRIZIA has contingent liabilities from obligations to make additional financial contributions to participations amounting to EUR 7,040k (2020: EUR 0k) in relation to participations and participations in companies accounted for using the equity method. These are capital calls that the management of the respective companies can make as needed without further consent.

7.5 Employees

The average headcount of employees at the Group in 2021 (not including the Management Board or trainees) was 901 (2020: 853). The Group also had 21 trainees (2020: 21).

7.6 Auditor's fees and other disclosures

The expenses for the auditor are composed as follows:

Auditor's fees

EUR k	2021	2020
Auditor fee	524	488
Other advisory services (WpHG audit)	0	20
Tax consulting services	6	15
Other services (in connection with DPR procedures)	0	3
Total	**530**	**526**

The following auditors of Deloitte GmbH Wirtschaftsprüfungsgesellschaft were active in the past financial years:

2006 – 2009	Löffler / Stadter
2010 – 2011	Klinger / Becker
2012 – 2015	Löffler / Stadter
2016 – 2018	Stadter / Mühlbauer
2019	Klinger / Mühlbauer
2020	Klinger / Lepple

7.7 Events after the end of the reporting period

Acquisition of Whitehelm

In September 2021 PATRIZIA AG has entered into a share purchase agreement ("SPA") to acquire the entire issued share capital of Whitehelm Capital ("Whitehelm"), one of the world's most experienced infrastructure investment managers and strategy advisers. The closing of the transaction took place on 01 February 2022.

With offices in London, Sydney and Canberra, Whitehelm manages infrastructure AUM of EUR 3.2bn with EUR 1.6bn of additional commitments. Whitehelm has a proven track record in diversified infrastructure equity and credit investment management having made over 100 investments over the last 23 years.

The transaction fully complements and enhances PATRIZIA's existing product shelf and significantly enhances its footprint in the Asia Pacific region. On closing of the acquisition, PATRIZIA's infrastructure AUM will triple to approx. EUR 5.0bn with a midterm growth ambition of between EUR 15.0bn and EUR 20.0bn. PATRIZIA's total AUM will increase to over EUR 50.0bn on closing of the transaction.

The initial purchase price payment for the fully complementary acquisition is EUR 67.0m payable in cash and PATRIZIA treasury shares. The total purchase price is based on an earn-out structure and the earn-out can reach an amount up to EUR 120.0m (bandwidth EUR 0m – EUR 120.0m) if ambitious midterm revenue growth targets are met. The earn-out will also be paid in a combination of cash and PATRIZIA shares.

First recognition of the share deal is on 01 February 2022, at the closing date of the transaction.

100% of the shares of Whitehelm were acquired. The following assets and liabilities have been identified based on the preliminary Purchase Price Agreement ("PPA").

Fair value based on 30 June 2021

EUR k	
Fund management contracts	47,000
Deferred tax liabilities	14,100
Net assets	7,946
Goodwill	139,390
Total consideration paid	**180,236**

Further detailed information and the final valuation regarding the PPA can not be provided at the time of publication. The finalisation of the purchase price allocation will take part in the measurement period under IFRS 3.

The resulting preliminary goodwill from the acquisition amounts to EUR 139,390k. The acquisition rationale include potentials arising from the expansion of business areas & products, the presence in geographical markets, future earnings prospects as well as synergy potentials.

The goodwill will not be deductible for tax purposes in future periods.

The business combination has no impact on the Group's net income for 2021. In 2021 the transaction costs for this share deal amount to EUR 3,649k.

Ukraine – Russia conflict

At the time of publication of this report, it is not possible to conclusively assess the effects that increased geopolitical risks such as the Russian invasion of Ukraine will have on the general economic situation as well as on the markets relevant for PATRIZIA.

Other

There were no other events after the balance sheet date with an impact on the asset, financial and earnings situation.

7.8 German corporate governance code

In December 2021, 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.

8 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 15 March 2022.

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).

Augsburg, 15 March 2022

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the Management Board, CEO

Thomas Wels
Member of the Management Board, Co-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

Simon Woolf
Member of the Management Board, CHRO

Annex to the notes to the consolidated financial statements

List of shareholdings of PATRIZIA AG as at 31 December 2021 pursuant to § 313 (2) HGB

Fully consolidated subsidaries

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Germany					
PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH	Augsburg	EUR	direct	100.0	1, 2
PATRIZIA Institutional Clients & Advisory GmbH	Augsburg	EUR	direct	100.0	1, 2
LB Invest GmbH	Hamburg	EUR	indirect	100.0	2
PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH	Hamburg	EUR	indirect	94.9	1, 2
PATRIZIA Deutschland GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Smart Buildings GmbH	Augsburg	EUR	indirect	100.0	7
PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH	Augsburg	EUR	direct	100.0	1, 2
Mondstein 402. GmbH	München	EUR	direct	100.0	2
PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH	Frankfurt am Main	EUR	indirect	94.0	1, 2
PMG - Property Management Gesellschaft mit beschränkter Haftung	Frankfurt am Main	EUR	indirect	100.0	2
PATRIZIA Acquisition Holding alpha GmbH	Augsburg	EUR	direct	100.0	2
PATRIZIA Acquisition Holding delta GmbH	Augsburg	EUR	direct	100.0	1, 2
PATRIZIA Acquisition Holding epsilon GmbH	München	EUR	direct	100.0	1, 2
PATRIZIA Acquisition Holding beta GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	EUR	direct	100.0	2
PATRIZIA Projekt 170 GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Projekt 180 GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Projekt 230 GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Projekt 260 GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
PATRIZIA Facility Management GmbH	Augsburg	EUR	indirect	100.0	1, 2, 4
PATRIZIA Projekt 380 GmbH	Augsburg	EUR	indirect	100.0	2
PATRIZIA Alternative Investments GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
Stella Grundvermögen GmbH	Augsburg	EUR	direct	100.0	1, 2, 4
Alte Haide Baugesellschaft mit beschränkter Haftung München	Augsburg	EUR	indirect	100.0	1, 2, 4
Wohnungsgesellschaft Olympia mbH	Augsburg	EUR	direct	100.0	1, 2
PATRIZIA Vermögensverwaltungs GmbH	Augsburg	EUR	direct & indirect	100.0	1, 2, 4
F 40 GmbH	Augsburg	EUR	indirect	100.0	2
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	EUR	indirect	45.9	2
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	EUR	indirect	51.0	2
Projekt Wasserturm Verwaltungs GmbH	Augsburg	EUR	indirect	51.0	2
PATRIZIA European Real Estate Management GmbH	Gräfelfing	EUR	indirect	100.0	2
PATRIZIA Projekt 600 GmbH	Augsburg	EUR	indirect	100.0	1, 2
PATRIZIA Acquisition GmbH	Augsburg	EUR	direct	100.0	1
PATRIZIA Projekt 710 GmbH	Augsburg	EUR	direct	100.0	2
Carl Carry Verwaltungs GmbH	Gräfelfing	EUR	direct	100.0	2
PATRIZIA Carry GmbH & Co. KG	Gräfelfing	EUR	indirect	73.5	2
Carl A-Immo Verwaltungs GmbH	Augsburg	EUR	direct	100.0	2
Pearl AcquiCo Zwei GmbH & Co. KG	Augsburg	EUR	direct	100.0	2
PATRIZIA GrundInvest Erfurt Stadtmitte GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Objekt Erfurt GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Beteiligungs GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Beteiligungs 2 GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Augsburg Sieben GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Augsburg Acht GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Heidelberg Bahnstadt GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Objekt Heidelberg GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
United Kingdom					
PATRIZIA UK LIMITED	London	GBP	direct	100.0	2
PATRIZIA FINANCIAL SERVICES LIMITED	Edinburgh	GBP	indirect	100.0	2
PATRIZIA PROPERTY HOLDINGS LIMITED	London	GBP	direct & indirect	94.9	2
PATRIZIA EUROPE LIMITED	London	GBP	indirect	100.0	2
PATRIZIA PROPERTY ASSET MANAGEMENT	London	GBP	indirect	100.0	2
PATRIZIA PIM LIMITED	London	GBP	indirect	100.0	2
PATRIZIA PROPERTY INVESTMENT MANAGERS LLP	London	GBP	indirect	100.0	2
PATRIZIA P.I.M. (REGULATED) LIMITED	London	GBP	indirect	100.0	2
BRICKVEST MARKETS LTD	London	GBP	indirect	100.0	2
BRICKVEST IM LTD.	London	GBP	indirect	100.0	2
SUSTAINABLE FUTURE VENTURES LIMITED	London	GBP	indirect	100.0	2
PATRIZIA PERIPHERAL EUROPE GP LLP	London	GBP	indirect	100.0	2
PROJECT URBAN (SCOTS) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	100.0	2
PROJECT URBAN (SLP) LLP	Edinburgh	GBP	indirect	100.0	2
PATRIZIA FIRST STREET LP	London	GBP	indirect	100.0	2
PATRIZIA FIRST STREET GP LIMITED	Swindon	GBP	indirect	100.0	2
SOUTHSIDE REAL ESTATE LIMITED	Swindon	GBP	indirect	100.0	2
SOUTHSIDE REGENERATION LIMITED	Swindon	GBP	indirect	100.0	2
FIRST STREET MANAGEMENT COMPANY LIMITED	Swindon	GBP	indirect	7.7	2
PATRIZIA TROCOLL HOUSE GP LIMITED	Swindon	GBP	indirect	100.0	2
PATRIZIA TROCOLL HOUSE LP	London	GBP	indirect	100.0	2
PATRIZIA GQ LIMITED	Swindon	GBP	indirect	100.0	2
Luxembourg					
PATRIZIA Investment Management S.à r.l.	Luxemburg	EUR	direct	100.0	2
PATRIZIA Innovation Management S.à r.l.	Luxemburg	EUR	direct	100.0	2
PATRIZIA Innovation Fund I SCSp	Luxemburg	EUR	direct & indirect	100.0	2
PATRIZIA Luxembourg S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA RE Management HoldCo S.à r.l.	Luxemburg	EUR	indirect	100.0	2
Alliance Real Estate HoldCo S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Ivanhoe 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA REAL ESTATE 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA REAL ESTATE 20 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 20 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 30 N S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Real Estate 50 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 50 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Real Estate 60 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 60 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA RE Management Coop S.A.	Luxemburg	EUR	direct	100.0	2
PATRIZIA RE Management S.C.S.	Luxemburg	GBP	indirect	100.0	2
Seneca Topco S.à r.l.	Luxemburg	EUR	indirect	100.0	2
First Street Topco 1 S.à r.l.	Luxemburg	GBP	indirect	100.0	2
PATRIZIA Harald Fund Investment S.C.S. in Liquidation	Luxemburg	EUR	direct	100.0	2
Sudermann S.à r.l.	Luxemburg	EUR	indirect	100.0	2
Dover Street S.à r.l.	Luxemburg	GBP	indirect	100.0	2
Wildrosen S.à r.l.	Luxemburg	EUR	indirect	100.0	2
Trocoll House No. 1 S.à r.l.	Luxemburg	GBP	indirect	100.0	2
Silver Swan C 2018 S.à r.l.	Luxemburg	EUR	indirect	100.0	2

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Denmark					
PATRIZIA DENMARK A/S	Kopenhagen	DKK	direct	100.0	2
PATRIZIA Multi Managers Holding A/S	Kopenhagen	DKK	direct	100.0	2
PATRIZIA Global Partners A/S	Kopenhagen	DKK	indirect	100.0	2
BMK 3 ApS	Kopenhagen	DKK	indirect	100.0	2
SPF III GP ApS	Kopenhagen	DKK	indirect	100.0	2
SPF III US HUH GP ApS	Kopenhagen	DKK	indirect	100.0	2
SPF III MPC I GP ApS	Kopenhagen	DKK	indirect	100.0	2
PMM V GP ApS	Kopenhagen	DKK	indirect	100.0	2
PMM Global V Feeder GP ApS	Kopenhagen	DKK	indirect	100.0	2
Other countries					
PATRIZIA Hong Kong Limited	Hong Kong	HKD	direct	100.0	2
PATRIZIA Japan KK	Tokyo	JPY	direct	100.0	2, 6
PATRIZIA CANADA INSTITUTIONAL CLIENTS & ADVISORY INC.	Toronto	CAD	direct	100.0	2
PATRIZIA Singapore Pte. Ltd.	Singapur	SGD	direct	100.0	2
PATRIZIA Property Inc.	Wilmington	USD	direct	100.0	2
PATRIZIA Sweden AB	Stockholm	SEK	direct	100.0	2
PATRIZIA Finland Oy	Helsinki	EUR	direct	100.0	2
PATRIZIA France SAS	Paris	EUR	direct	100.0	2
PATRIZIA IRELAND LIMITED	Dublin	EUR	direct	100.0	2
PATRIZIA PROPERTY INVESTMENT MANAGERS FRANCE SAS	Paris	EUR	direct	100.0	2
PATRIZIA Netherlands B.V.	Amsterdam	EUR	direct	100.0	2
PATRIZIA Logistics Management Europe B.V.	Amsterdam	EUR	direct	100.0	2
ROCKSPRING POLAND SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Warschau	PLN	indirect	100.0	2
BRICKVEST REIM EUROPE SAS	Nizza	EUR	indirect	100.0	2
PATRIZIA ACTIVOS INMOBILIARIOS ESPAÑA S.L.	Madrid	EUR	direct	100.0	2
SKD13 Tokutai Mokuteki Kaisha	Tokyo	JPY	indirect	100.0	2

Non-consolidated subsidaries of minor importance

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Germany					
PATRIZIA GrundInvest Fonds-Treuhand GmbH	Augsburg	EUR	indirect	100.00	3
TRIUVA Angerhof und Zeil 94 Verwaltungs GmbH	Frankfurt am Main	EUR	indirect	100.00	6
STORAG Etzel Komplementär GmbH	Frankfurt am Main	EUR	indirect	100.00	3
PATRIZIA GrundInvest Augsburg Elf GmbH & Co. KG	Augsburg	EUR	indirect	100.00	7
PATRIZIA GrundInvest Augsburg Zwölf GmbH & Co. KG	Augsburg	EUR	indirect	100.00	7
United Kingdom					
PATRIZIA GRB (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	3
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER SCOTLAND) LIMITED	Edinburgh	GBP	indirect	100.00	3
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (SLP) IV LIMITED	Edinburgh	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) IV LIMITED	London	GBP	indirect	100.00	3
PATRIZIA UK VALUE SLP (SCOTLAND) LIMITED	Edinburgh	GBP	indirect	100.00	3
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) V LIMITED	London	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (SLP) V LIMITED	Edinburgh	GBP	indirect	100.00	3
PATRIZIA SINGLE EUROPE (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	3
ROCKSPRING SINGLE CLIENT FUND (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	3
PATRIZIA UK VALUE SLP (SCOTLAND) L.P.	Edinburgh	GBP	indirect	100.00	3
PATRIZIA TRANSEUROPEAN PROPERTY VII (SCOTS) COINVEST LLP	Edinburgh	GBP	indirect	100.00	7
PATRIZIA TRANSEUROPEAN PROPERTY VII (SCOTS) COINVEST LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	69.41	7
BRICKVEST NOMINEES LTD	London	GBP	indirect	100.00	3
PATRIZIA MONTCLAIR SLP (GP) LLP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA MONTCLAIR (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA SINGLE CLIENT II (GENERAL PARTNER) LLP	London	GBP	indirect	100.00	3
PATRIZIA SINGLE CLIENT II SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (SLP) VI LLP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) VI LLP	London	GBP	indirect	100.00	3
PATRIZIA PANEUROPEAN GP LLP	London	GBP	indirect	100.00	3
PATRIZIA PERIPHERAL EUROPE SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA UK VALUE 2 SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA UK VALUE 2 (GENERAL PARTNER) LLP	London	GBP	indirect	100.00	3
PATRIZIA GRB (GP2) LLP	London	GBP	indirect	100.00	3
PATRIZIA SINGLE EUROPE (GP2) LLP	London	GBP	indirect	100.00	3
PATRIZIA TRANSEUROPEAN PROPERTIES (GP2) V LLP	London	GBP	indirect	100.00	3
PATRIZIA SINGLE CLIENT (GP2) LLP	London	GBP	indirect	100.00	3
PATRIZIA RIMBAUD SLP (GP) LLP	Edinburgh	GBP	indirect	100.00	3
PATRIZIA SPREE (GP) LIMITED	London	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (GP2) IV LLP	London	GBP	indirect	100.00	3
PATRIZIA SINGLE CLIENT III SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTIES (SLP) VII LLP	Edinburgh	GBP	indirect	100.00	3
TRANSEUROPEAN PROPERTY (SCOTS) VII LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	75.61	3
PATRIZIA EUROPEAN PROPERTY III (SCOTS) LP	Edinburgh	GBP	indirect	100.00	3

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Other countries					
PATRIZIA HANOVER REAL ESTATE INVESTMENT MANAGEMENT LIMITED	St Helier	GBP	indirect	100.00	2
Sustainable Future Ventures Founder I SCSp	Luxemburg	EUR	indirect	100.00	7
Sustainable Future Ventures Fund I SCSp	Luxemburg	EUR	indirect	100.00	7
Patrizia Single Client III (General Partner) S.à r.l.	Luxemburg	EUR	indirect	100.00	3
Project Urban Feeder GP S.à r.l.	Luxemburg	GBP	indirect	100.00	2
Carl Offshore Limited	St Peter Port	GBP	direct	100.00	2
Carl Two Offshore Limited	St Peter Port	GBP	direct	100.00	2
PATRIZIA Transeuropean Properties (General Partner) VII S.à r.l.	Luxemburg	EUR	indirect	100.00	3
PO-SH Europe Residential Investment GP S.à r.l.	Luxemburg	EUR	indirect	100.00	2
PAT PIM 1 IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	EUR	indirect	100.00	7
PAT PIM 2 IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	EUR	indirect	100.00	7

Associated companies accounted for using the equity method

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	EUR	direct	10.1	3
ASK PATRIZIA (GQ) LLP	Manchester	GBP	indirect	50.0	3
Evana AG	Saarbrücken	EUR	indirect	20.5	3
Cognotekt GmbH	Köln	EUR	indirect	35.7	3
control.IT Unternehmensberatung GmbH	Bremen	EUR	indirect	10.0	3

Other investments

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Equity in currency (in k)	Net result in currency (in k)	Footnote
Germany							
Carl HR GmbH & Co. KG	München	EUR	direct	3.61	1	0	2
Berliner Volksbank eG	Berlin	EUR	direct	0.00	1,145,712	16,463	3
PATRIZIA Projekt 430 GmbH	Augsburg	EUR	direct	5.10	-3,267	-467	2
PATRIZIA Projekt 440 GmbH	Augsburg	EUR	direct	5.10	-2,414	864	2
PATRoffice Real Estate GmbH & Co. KG in Liquidation	Gräfelfing	EUR	indirect	6.25	12,386	-84	2
sono west Projektentwicklung GmbH & Co. KG	Frankfurt am Main	EUR	indirect	30.00	1,126	354	3
PATRIZIA GrundInvest Campus Aachen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.08	26,829	3,548	3
PATRIZIA GrundInvest Stuttgart Südtor GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.04	73,507	-769	3
PATRIZIA GrundInvest Kopenhagen Südhafen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.10	39,692	1,462	3
PATRIZIA GrundInvest München Leopoldstraße GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.29	44,516	3,120	3
PATRIZIA GrundInvest Mainz Rheinufer GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.03	89,791	3,237	3
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt am Main	EUR	indirect	30.00	31	0	3
Dawonia Real Estate GmbH & Co. KG	Grünwald	EUR	indirect	0.10	1,287,999	140,670	3
Dawonia GmbH	Grünwald	EUR	indirect	5.10	441,077	28,705	3
PATRIZIA GrundInvest Garmisch-Partenkirchen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.29	17,678	-147	3
PATRIZIA GrundInvest Dresden GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.07	28,818	2,459	3
PATRIZIA GrundInvest Die Stadtmitte Hofheim am Taunus GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.07	24,227	-1,773	3
PATRIZIA GrundInvest Frankfurt Smart Living GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.09	20,772	1,346	3
PATRIZIA GrundInvest Objekt Mainz Rheinufer GmbH & Co. KG	Augsburg	EUR	indirect	5.10	46,249	1,168	3
PATRIZIA GrundInvest Objekt Dresden GmbH & Co. KG	Augsburg	EUR	indirect	5.10	25,123	-1,027	3
PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG	Augsburg	EUR	indirect	5.10	22,814	-82	3
PATRIZIA GrundInvest Objekt Berlin GmbH & Co. KG	Augsburg	EUR	indirect	5.10	47,368	582	3
PATRIZIA GrundInvest Berlin Landsberger Allee GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.03	68,772	237	3
PATRIZIA GrundInvest Die Stadtmitte Mülheim GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.05	43,025	-287	3
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	Augsburg	EUR	indirect	5.10	30,446	328	3
PATRIZIA GrundInvest Europa Wohnen Plus GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	2.92	214	-106	3
PATRIZIA GrundInvest Hamburg Schloßstraße GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.14	14,076	30	3
Carl A-Immo GmbH & Co. KG	München	EUR	direct	12.50	0	0	3
PATRIZIA GrundInvest Objekt Hamburg Schloßstraße GmbH & Co. KG	Augsburg	EUR	indirect	5.10	11,710	-669	3
PATRIZIA GrundInvest Objekte Augsburg Nürnberg GmbH & Co. KG	Augsburg	EUR	indirect	10.10	-756	1,747	2
PATRIZIA GrundInvest Helsinki GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	0.32	11,028	-2,375	3
STORAG Etzel GmbH & Co. geschl. InvKG	Frankfurt am Main	EUR	indirect	3.23	20,826	17,825	3, 6
PATRIZIA GrundInvest Augsburg Nürnberg GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	8.90	40,194	-2,191	2

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Equity in currency (in k)	Net result in currency (in k)	Footnote
United Kingdom							
PATRIZIA EUROPEAN PROPERTY II (SCOTS) LP	Edinburgh	GBP	indirect	7.70	0	0	
TRANSEUROPEAN PROPERTY (SCOTS) VI LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	5.61	0	0	
PATRIZIA PERIPHERAL EUROPE (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	14.00	0	0	
PATRIZIA UK VALUE 2 (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	32.20	0	0	
PATRIZIA RIMBAUD (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	18.80	0	0	
TRANSEUROPEAN PROPERTY (SCOTS) V LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	3.45	0	0	
FIRST STREET DEVELOPMENT LIMITED	Manchester	GBP	indirect	10.00	25	6	3
PATRIZIA PANEUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	0.06	536,830	-5,701	3
THE ROCKSPRING GERMAN RETAIL BOX FUND L.P.	London	EUR	indirect	0.24	330,387	-29,660	3
TRANSEUROPEAN PROPERTY LIMITED PARTNERSHIP IV	London	EUR	indirect	0.36	25,282	7,392	3
NPS EUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	0.33	2,232	-872	3
PATRIZIA TRANSEUROPEAN PROPERTY V LIMITED PARTNERSHIP	London	EUR	indirect	0.64	47,454	-5,230	3
PATRIZIA UK VALUE 2 LIMITED PARTNERSHIP	London	GBP	indirect	0.45	163,170	-35,141	3, 6
NPS EUROPEAN PROPERTY II LP	London	EUR	indirect	0.73	110,257	24,134	3
PATRIZIA TRANSEUROPEAN PROPERTY VI LIMITED PARTNERSHIP	London	EUR	indirect	0.99	443,216	-37,033	3
CHARLIE BERLIN LP	London	EUR	indirect	0.99	1,582	463	3
ROCKSPRING PERIPHERAL EUROPE LIMITED PARTNERSHIP	London	EUR	indirect	0.01	792	-5,394	3
WINNERSH GP LTD	Swindon	GBP	indirect	5.00	0	0	3
CITRUZ GENERAL PARTNER LIMITED	Swindon	GBP	indirect	10.00	0	0	3
AVIEMORE GP LTD	Swindon	GBP	indirect	10.00	0	0	3
HBOS FSPS EUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	0.00	412,794	40,432	3
NPS REAL ESTATE PROJECTS LIMITED PARTNERSHIP	London	GBP	indirect	0.00	211,603	-41,590	3
PI LABS III LP	London	GBP	indirect	10.00	5,273	126	3
PATRIZIA SPITFIRE CARRY LLP	London	GBP	indirect	8.70	0	0	3
Luxembourg							
PATRIZIA Lux TopCo S.à r.l. en liquidation volontaire	Luxemburg	EUR	indirect	10.00	-522	-1	2
Carl Lux SCS	Luxemburg	EUR	direct	0.01	0	-534	2
Opportunitäten Europa 1 S.à r.l.	Luxemburg	EUR	indirect	5.10	2,627	1,012	3
Opportunitäten Europa 2 S.à r.l.	Luxemburg	EUR	indirect	5.10	-1,832	167	3
Opportunitäten Europa 3 S.à r.l.	Luxemburg	EUR	indirect	5.10	264	2,402	3
Opportunitäten Europa 4 S.à r.l.	Luxemburg	EUR	indirect	5.10	-750	911	3
Opportunitäten Europa 5 S.à r.l.	Luxemburg	EUR	indirect	5.10	-664	53	3
Opportunitäten Europa 6 S.à r.l.	Luxemburg	EUR	indirect	5.10	-1,113	425	3
Opportunitäten Europa 7 S.à r.l.	Luxemburg	EUR	indirect	5.10	-1,598	324	3
Opportunitäten Europa 8 S.à r.l.	Luxemburg	EUR	indirect	5.10	-1,479	11	3
Opportunitäten Europa 9 S.à r.l.	Luxemburg	EUR	indirect	5.10	-2,932	997	3
Opportunitäten Europa 10 S.à r.l.	Luxemburg	EUR	indirect	5.10	-3,159	8	3
Opportunitäten Europa 11 S.à r.l.	Luxemburg	EUR	indirect	5.10	-977	1,438	3
Seneca Holdco SCS	Luxemburg	EUR	indirect	5.10	59,104	5,474	2
OSCAR Lux Carry SCS	Luxemburg	EUR	indirect	0.10	3,747	3,253	3
PATRIZIA Real Estate 30 S.à r.l.	Luxemburg	EUR	indirect	5.10	-34	81	2
PATRIZIA TransEuropean Property VII SCSp-RAIF	Luxemburg	EUR	indirect	1.00	284,673	-14,205	3
Augusta Wohnen S.à r.l.	Luxemburg	EUR	indirect	2.00	8,671	-100	3, 6
PATRIZIA Europe Residential Plus S.A. SICAV-RAIF	Luxemburg	EUR	indirect	0.06	65,991	1,146	3
PATRIZIA EuroLog Fund SCSp	Luxemburg	EUR	indirect	0.00	666,698	5,285	3
PATRIZIA PanEuropean Property SCS	Luxemburg	EUR	indirect	0.12	151,200	1,117	3
NPS European Property III SCSp	Luxemburg	EUR	indirect	18.32	-2,259	-2,265	3
Project Urban Feeder SCSp	Luxemburg	EUR	indirect	4.77	0	0	7
Project Urban SCSp	Luxemburg	EUR	indirect	0.00	0	0	7

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Equity in currency (in k)	Net result in currency (in k)	Footnote
Other countries							
MERRION S.A.	Brüssel	EUR	indirect	0.00	2,752	-240	3
Opportunitaeten Europa 12 Limited	Dublin	EUR	indirect	5.10	-5,876	-315	3, 6
SPITFIRE (JCO) LIMITED	St Helier	EUR	indirect	1.33	33,797	-752	3
WS HOLDCO, PBC	Wilmington	USD	indirect	2.63	10,173	204	3
Real Tech Ventures I ILP	Sydney	AUD	indirect	24.80	15,647	153	6
Camber Creek Fund III, LP	Wilmington	USD	indirect	2.11	42,093	10,004	3

[1] As a result of the existing control and profit transfer agreements. The results are adopted by PATRIZIA
[2] Provisional financial statements
[3] Previous financial statements figures
[4] Use of Section § 264 Abs. 3 HGB resp. § 264b HGB
[5] General Partner as per § 285 Nr.11a HGB
[6] Deviating financial year
[7] Opening balance sheet figures
[8] Annual accounts 2019

Currency translation into EUR

Currency	Closing rate 31.12.2021	Average exchange rate 2021
AUD	1.56	1.57
CAD	1.43	1.48
CHF	1.03	1.08
DKK	7.43	7.43
GBP	0.84	0.85
HKD	8.83	9.19
HUF	369.19	358.51
JPY	130.38	129.88
KRW	134638.00	135406.00
PLN	459.00	456.00
SEK	1025.00	1014.00
SGD	152.00	154.00
USD	113.00	118.00

Responsibility statement by the legal representatives

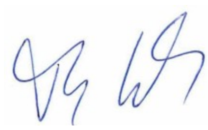
of PATRIZIA AG (Group)

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, 15 March 2022

The Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO



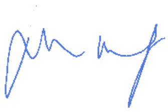
Thomas Wels
Member of the
Management Board,
Co-CEO

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



Simon Woolf
Member of the
Management Board,
CHRO

Independent Auditor´s Report

To Patrizia AG, Augsburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of PATRIZIA AG, Augsburg/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of PATRIZIA AG, Augsburg/Germany, which was combined with the management report of the parent company ("combined management report"), for the financial year from 1 January to 31 December 2021. Pursuant to German legal requirements, we have not audited the content of the combined non-financial statement pursuant to Sections 289b to 289e and/or Sections 315b and 315c German Commercial Code (HGB) included in the section "Non-financial statement" of the combined management report, nor the content of the combined corporate governance statement pursuant to Section 289f and 315d HGB, respectively, as well as the Declaration on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (AktG) referenced in the combined management report.

In our opinion, on the basis of the knowledge obtained in the 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 pursuant to 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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying combined management report, as a whole, provides an appropriate 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 appropriately presents the opportunities and risks of future development. Our audit opinion of the combined management report does not include an opinion on the content of the combined non-financial statement pursuant to Sections 289b to 289e and/or Sections 315b and 315c HGB included in the chapter "Non-financial statement" of the combined management report, nor on the combined corporate governance statement pursuant to Section 289f and 315d HGB, respectively, as well as the Declaration on the German Corporate Governance Code pursuant to Section 161 AktG referenced in the combined management report.

Pursuant to 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 of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the Regulation (EU) No. 537/2014 (referred to subsequently as “EU Audit Regulation”) 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 of 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) point (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 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 2021. 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:

– Measurement of equity interests
– Recoverability of goodwill
– Recoverability of fund management contracts

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor’s response

Measurement of Equity Interests

a) The consolidated financial statements of PATRIZIA AG state equity interests of mEUR 634.0 overall. This amount corresponds to 30.8% of the consolidated balance sheet total or 48.1% of the Group’s equity. According to IFRS 9, equity interests are measured at fair value, with value changes recognised through other comprehensive income (FVTOCI). For measuring these equity interests, PATRIZIA AG uses a measurement model which is essentially based on the net asset values (NAV) or expected selling prices of the investment companies, if known, and which takes the relevant share of PATRIZIA AG in its investment into account. The NAV of the investment companies is largely determined by the market values of the properties held by them. Usually, external valuation reports on the properties are at hand.

   The executive directors’ estimation regarding the measurement of equity interests is prone to uncertainty and an incorrect measurement would significantly affect the other comprehensive income and hence the equity ratio in the corresponding reporting period. In this light, we have deemed the measurement of equity interests to be a key audit matter.

   The executive directors’ disclosures regarding the measurement of equity interests are included in section 4.1.2 of the notes to the consolidated financial statements.

b) In auditing the equity interests, we first of all reconstructed the measurement model and the methodic approach used by PATRIZIA AG to measure the equity interest. On this basis, we inspected the assets, liabilities, financial position and financial performance of the respective investment company for selected significant equity interests in more detail. For this purpose, we particularly assessed the annual audit reports, measurement reports and other documents and information regarding this investment company. In relation to the NAV, we initially examined whether the NAV had been determined methodically correct and whether they had been derived from suitable data. By means of questioning the executive directors or third parties nominated by them, we satisfied ourselves of the appropriateness of the material underlying assumptions. Furthermore, we compared the assumptions 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 measurement model, we verified that this allocation corresponds to the contractual regulations on the distribution of earnings and assets for the respective associated companies on the basis of contractual documents.

   Due to the potential significance mentioned above and the fact that the measurement of equity interest also depends on overall conditions and external effects which are beyond PATRIZIA AG’s ability to influence, we also critically reviewed the sensitivity analyses carried out by the executive directors in order to be able to estimate potential risks of value changes in case key input factors change.

Recoverability of Goodwill

a) The consolidated financial statements of PATRIZIA AG state goodwill of mEUR 216.4 overall. This amount corresponds to 10.5% of the consolidated balance sheet total or 16.4% of the Group's equity. Goodwill is regularly tested for impairment or if there is any indication that it may be impaired by PATRIZIA AG. Impairment tests are carried out by means of company measurements according to the discounted cash flow method. The present values of the future cash flows valid for the accepted five-year planning (detailed planning period) at the point in time of the impairment test constitute the basis of the valuation. This detailed planning period is then adjusted assuming long-term growth rates. Goodwill is discounted by means of the weighted average cost of capital (WACC). The recoverable amount is determined based on the value in use and then compared to the carrying amount in order to establish whether there is any need for impairment. The result of this measurement is largely dependent on the executive directors' estimation of the future cash inflows, the long-term growth rates as well as the WACC rates used for discounting and hence prone to uncertainty and the executive directors' scope of discretion. In this light, we have deemed the recoverability of goodwill to be a key audit matter within the scope of our audit.

   Please see section 4.2 of the notes to the consolidated financial statements for the disclosures regarding goodwill provided by the parent company's executive directors.

b) Within the scope of our audit, we have especially concentrated on assessing the methodic approach of carrying out the impairment tests. We evaluated whether the valuation model used properly represents the conceptional requirements of the relevant IFRS standards and whether the required input data was determined and adopted properly and completely as well as whether the calculations in the model were carried out correctly. In order to establish whether the future cash inflows used in the calculation constitute a proper basis for the calculations, we particularly compared them with the five-year planning as well as questioned the executive directors on their essential assumptions and presumptions on this planning. Furthermore, we critically assessed the planning keeping general and industry-specific market expectations in mind. As a significant portion of the value in use has been determined based on projected cash flows for the period following the detailed planning period (period of perpetuity), we also examined the sustained growth rate applied for the period of perpetuity based on general and industry-specific market expectations in particular. As even relatively small changes of the discount rate used can cause substantial effects on the recoverable amount, we have validated the parameters used for the determination of the WACC rate for discounting and assessed the calculation scheme. Due to the potential significance mentioned above and the fact that the measurement of goodwill also depends on general conditions and external effects which are beyond PATRIZIA AG's ability to influence, we additionally critically assessed the sensitivity analyses carried out by the executive directors in order to be able to estimate potential risks of value changes in case key measurement parameters change.

Recoverability of Fund Management Contracts

a) In the consolidated financial statements, PATRIZIA AG states fund management contracts amounting to mEUR 91.2 under "other intangible assets", corresponding to 4.4% of the consolidated balance sheet total or 6.9% of the Group's equity. The analysis and measurement of indications for write-downs of the fund management contracts largely require assumptions and estimations on the future net cash inflows from the contracts as well as the discount rate used. Incorrect analyses and measurements can have a significant impact on the consolidated financial statements due to the size of the item of the statement of financial position. Due to the reasons mentioned, we deem the recoverability of the fund management contracts to be a key audit matter.

   Please see section 4.3 of the notes to the consolidated financial statements for the disclosures regarding the fund management contracts provided by the parent company's executive directors.

b) In order to assess the appropriateness of the analysis carried out by the executive directors of whether there was an indication for an impairment of the acquired fund management contracts ("triggering event" analysis), we considered the underlying processes and carried out substantive audit procedures. We have particularly substantiated the determination of the present value of the future cash flows and obtained an understanding of the underlying measurement models in terms of the methods and figures used. In doing so, we examined and evaluated whether the budget planning mirrored general and industry-specific market expectations. We also assessed and validated the measurement parameters used for the estimation of the fair values.

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board,
- the non-financial statement pursuant to Sections 289b to 289e HGB and/or Sections 315b to 315c HGB, respectively, included in the “Non-financial statement” section of the combined management report,
- the combined corporate governance statement pursuant to Section 289f and Section 315d HGB, respectively, and the Declaration on the German Corporate Governance Code pursuant to Section 161 AktG referenced in the combined management report,
- the executive directors’ confirmations pursuant to Section 297 (2) sentence 4 and/or Section 315 (1) sentence 5 HGB regarding the consolidated financial statements and the combined management report, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor’s report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the executive board as well are responsible for the declaration pursuant to Section 161 AktG, which is part of the corporate governance statement, which is referenced in the combined management report. Apart from that the executive directors are responsible for the other information.

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 assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to 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 executive directors 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 executive directors 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 executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate 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 opportunities and risks of future development. In addition, the executive directors 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 of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of 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 an appropriate 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 HGB 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 of the consolidated financial statements and of 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 controls.
- 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 executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' 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 a material uncertainty exists, 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 IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to 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 and on the assumptions used as a basis. 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

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3a) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value 6d13c79afafa2190eec9e05070f034ee31f63a0d69905a8db024e7b5e101fa4b, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report provided in the accompanying file stated above in accordance with Section 317 (3a) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the section "Group Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the parent are responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

– identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
– obtain an understanding of internal control relevant to the audit of the ESEF files 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 controls.
– evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
– evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
– evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the Annual General Meeting on 14 October 2021. We were engaged by the supervisory board on 12 November 2021. We have been the group auditor of PATRIZIA AG, Augsburg/Germany, without interruption since the financial year 2005.

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).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Franz Klinger.

Munich, 15 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Franz Klinger) Wirtschaftsprüfer [German Public Auditor]	(Andreas Lepple) Wirtschaftsprüfer [German Public Auditor]

Further information

1 Five-year consolidated balance sheet

Five-year overview in accordance with IFRS

Assets

EUR k	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
A. Non-current assets					
Goodwill	216,444	212,353	210,292	201,109	7,366
Other intangible assets	91,742	106,137	131,895	166,562	35,224
Software	14,204	16,603	10,326	11,396	11,207
Rights of use	33,770	25,906	24,988	0	0
Investment property	1,838	1,838	1,835	8,308	15,979
Equipment	9,736	7,305	6,056	5,890	4,483
Associated companies accounted using the equity method	23,747	32,357	69,035	76,141	88,905
Participations	633,976	574,561	525,716	499,241	89,114
Non-current borrowings and other loans	33,914	34,927	28,276	27,513	23,291
Deferred taxes	7,774	21,031	17,305	6,102	331
Total non-current assets	**1,067,145**	**1,033,018**	**1,025,724**	**1,002,262**	**275,900**
B. Current Assets					
Inventories	169,796	14,647	113,208	71,534	99,791
Securities	15,752	11	1,011	3,011	5,010
Current tax assets	28,448	26,554	17,318	15,585	9,098
Current receivables and other current assets	439,056	392,399	380,735	355,456	479,920
Cash and cash equivalents	341,260	495,454	449,084	330,598	382,675
Total current assets	**994,312**	**929,065**	**961,356**	**776,184**	**976,494**
Total assets	**2,061,457**	**1,962,083**	**1,987,080**	**1,778,446**	**1,252,394**

Equity and Liabilities

EUR k	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
A. Equity					
Share capital	88,620	89,683	91,060	91,060	89,555
Capital reserves	89,831	129,751	155,222	155,222	129,545
Retained earnings					
Legal reserves	505	505	505	505	505
Currency translation difference	2,317	-7,944	-4,818	-15,606	-11,586
Remeasurements of defined benefit plans according to IAS 19	99	-5,457	-3,459	0	0
Revaluation reserve according to IFRS 9	179,716	130,196	78,721	49,503	0
Consolidated unappropriated profit	921,720	900,507	889,160	862,421	546,682
Non-controlling interests	35,694	32,265	30,359	10,682	1,691
Total equity	**1,318,503**	**1,269,505**	**1,236,750**	**1,153,788**	**756,392**
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	111,577	115,484	112,178	110,387	15,833
Retirement benefit obligations	25,546	29,579	27,564	21,724	776
Bonded loans	158,000	234,000	300,000	300,000	300,000
Long-term accruals	3,978	0	0	0	0
Non-current liabilities	28,515	22,340	25,094	16,836	9,062
Leasing liabilities	24,862	17,811	15,841	0	0
Total non-current liabilities	**352,477**	**419,214**	**480,677**	**448,947**	**325,671**
CURRENT LIABILITIES					
Short-term bank loans	171,095	43,200	93,194	0	0
Short-term bonded loans	76,000	66,000	0	0	22,000
Other provisions	8,213	9,109	9,254	23,530	16,083
Current liabilities	97,297	105,858	101,186	99,963	93,123
Short-term leasing liabilities	9,505	8,387	9,328	0	0
Tax liabilities	28,367	40,809	56,692	52,218	39,125
Total current liabilities	**390,477**	**273,363**	**269,653**	**175,711**	**170,331**
TOTAL EQUITY AND LIABILITIES	**2,061,457**	**1,962,083**	**1,987,080**	**1,778,446**	**1,252,394**

2 Five-year consolidated income statement

Five-year overview in accordance with IFRS

Consolidated income statement

EUR k	2021	2020	2019	2018	2017
Revenues	318,163	301,693	398,703	350,628	249,574
Income from the sale of investment property	0	0	252	828	691
Changes in inventories	603	-2,242	-50,535	-28,731	-39,909
Other operating income	21,027	16,522	14,607	20,698	17,294
Income from the deconsolidation of subsidiaries	63	302	585	317	1
Total operating performance	**339,856**	**316,275**	**363,611**	**343,740**	**227,651**
Cost of materials	-3,881	-3,568	-6,601	-11,699	-17,450
Cost of purchased services	-17,971	-16,066	-28,036	-15,679	-11,450
Staff costs	-139,224	-143,759	-131,769	-124,954	-87,071
Changes in value of investment property	0	4	-791	3,975	6,748
Other operating expenses	-87,822	-76,678	-84,718	-90,742	-82,228
Impairment result for trade receivables and contract assets	627	418	-429	-1,059	0
Result from participations	35,638	31,624	32,891	28,042	49,315
Earnings from companies accounted for using the equity method	5,138	9,181	725	11,852	13,353
Cost from the deconsolidation of subsidiaries	-608	-1,746	0	-377	-750
EBITDAR	**131,755**	**115,686**	**144,883**	**143,099**	**98,118**
Reorganisation income	96	0	2,377	0	0
Reorganisation expenses	-2,929	0	-10,339	-22,318	-2,330
EBITDA	**128,922**	**115,686**	**136,922**	**120,781**	**95,788**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	-35,611	-42,309	-55,562	-42,235	-8,681
Earnings before interest and taxes (EBIT)	**93,311**	**73,377**	**81,360**	**78,546**	**87,107**
Financial income	1,898	2,971	2,096	3,021	914
Financial expenses	-6,753	-6,707	-6,111	-6,436	-5,146
Other financial result	194	0	300	0	0
Result from currency translation	-942	-7,595	-234	1,175	-2,747
Earnings before taxes (EBT)	**87,708**	**62,046**	**77,411**	**76,306**	**80,128**
Income taxes	-35,900	-21,369	-21,064	-18,190	-21,230
Consolidated net profit	**51,808**	**40,678**	**56,347**	**58,116**	**58,898**
Earnings per share (undiluted) in EUR	0.54	0.42	0.58	0.57	0.60
Earnings per share (diluted) in EUR	0.54	0.42	0.58	0.57	0.60

3 Supervisory Board

As at 31 December 2021

Uwe H. Reuter

Chairman, independent Member of the Supervisory Board
Member of the Audit Committee
Member of the Nomination and Remuneration Committee
First appointed on: 22 June 2017
Appointed until: 20 June 2024

CEO of VHV a.G. / VHV Holding AG

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

<u>Mandates within VHV Group:</u>
Will change from CEO of the Management Board to the Supervisory Board of the Group parent companies (from 07.2022):

- VHV a.G. – Deputy Chairman of the Supervisory Board
- VHV Holding AG – Deputy Chairman of the Supervisory Board

Supervisory Boards of the daughter companies:

- VHV Allgemeine Versicherung AG – Member of the Supervisory Board
- Hannoversche Lebensversicherung AG – Member of the Supervisory Board (until 07.2022)
- VHV solutions GmbH – Member of the Supervisory Board
- VAV Versicherungs-AG, Vienna/Austria – Member of the Supervisory Board

<u>Non-Group mandate, Member of the Supervisory Board (until 05.2022):</u>

- E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover

Jonathan Feuer

Deputy Chairman, independent Member of the Supervisory Board
Chairman of the Audit Committee (expert in the field of audit)
First appointed on: 14 October 2021
Appointed until: 25 May 2023

Private Equity Investor

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

- Co-founder and Non-Executive Chairman, Eigen Technologies

Axel Hefer

Independent Member of the Supervisory Board
Member of the Audit Committee (expert in the field of accounting)
First appointed on: 14 October 2021
Appointed until: 20 June 2024

CEO of Trivago N.V.

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

- Non-Executive Board Member, Member of the Audit Committee, Sparks Networks SE (stock exchange listed company), Germany
- Chairman of the Supervisory Board, FC Gelsenkirchen-Schalke 04 e.V., Germany

Marie Lalleman

Independent Member of the Supervisory Board
Chairwoman of the Nomination and Remuneration Committee
First appointed on: 14 October 2021
Appointed until: 20 June 2024

Independent Board Member, Senior Advisor to CEOs & C-Suite

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

- Non-Executive Director, Board of Directors, Chairwoman of the Nomination & Corporate Governance Committee, CRITEO (stock exchange listed company), France/USA

Philippe Vimard

Independent Member of the Supervisory Board
Member of the Nomination and Remuneration Committee
First appointed on: 14 October 2021
Appointed until: 25 May 2023

COO and CTO of Doctolib

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

- Non-Executive Director, Chairman of compensation committee, Schibsted (stock exchange listed company), Norway
- Non-Executive Director, Indy, France

Retired members during the financial year 2021

Dr Theodor Seitz

Chairman, Member of the Supervisory Board
First appointed on: 21 August 2002
Retired as of: 14 October 2021

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

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

- Chairman of the Supervisory Board, CDH AG, Augsburg

Alfred Hoschek

Second Deputy Chairman, Member of the Supervisory Board
First appointed on: 25 June 2015
Retired as of: 14 October 2021

Managing Director of AHO Verwaltungs GmbH and other project companies, Gräfelfing

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

- None

4 Management Board

As at 31 December 2021

Wolfgang Egger

Chairman of the Management Board, CEO
First appointed on: 21 August 2002
Appointed until: 30 June 2024

Responsibilities on the Management Board
Capital Allocation & Investments, Capital Markets & Fundraising, Corporate M&A, HR Culture, Institutional Clients, Marketing & Communications, Renumeration topics, Tech Strategy & Tech M&A

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- None

Thomas Wels

Member of the Management Board, Co-CEO
First appointed on: 1 May 2020
Appointed until: 30 April 2023

Responsibilities on the Management Board
Capital Allocation & Investments, Corporate M&A, Internal Audit, Productivity & Performance, Regions (APAC), Remuneration topics, Strategy & ESG, Collaboration with Supervisory Board

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- Chairman of the Supervisory Board, PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, Augsburg (intra-group)

Alexander Betz

Member of the Management Board, CDO
First appointed on: 1 January 2020
Appointed until: 31 December 2024

Responsibilities on the Management Board
Digitalisation & IT Strategy, Fund Services, Global Projects & Development, IT Operations & Business Applications, Processes & Organisation

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- Chairman of the Supervisory Board, eFonds AG, Munich

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, Capital Allocation & Investments, Corporate Finance, Corporate Reporting & Planning, Insurance,
Investor Relations, Legal & Compliance, Procurement & Services, Remuneration topics, Risk Management, Tax

Disclosures pursuant to article 285 no. 10 of the German Commercial Code
- Chairman of the Supervisory Board, PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH, Augsburg (intra-group)
- Chairman of the Supervisory Board, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, Hamburg (intra-group)
- Chairman of the Supervisory Board, PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, Frankfurt am Main (intra-group)
- Member of the Supervisory Board, Dawonia Real Estate GmbH & Co. KG, Grünwald

Dr Manuel Käsbauer

Member of the Management Board, CTIO
First appointed on: 1 January 2020
Appointed until: 31 December 2024

Responsibilities on the Management Board
Tech & Innovation Strategy, Technology & Innovation, Tech M&A, Tech Investments

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- None

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, Asset Management, Fund Management, Global Partners, Infrastructure, Investment Strategy & Research, Logistics, Product Development & Client Services, Real Estate Development, Renumeration topics, Transactions, Regions (Europe)

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- Member of the Supervisory Board, PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, Hamburg (intra-group)
- Member of the Global Board of Directors, Urban Land Institute

Simon Woolf

Member of the Management Board, CHRO
First appointed on: 1 January 2020
Appointed until: 31 May 2024

Responsibilities on the Management Board
HR Operations, HR Strategy, Remuneration topics, Reward, Talent Acquisition, Talent & Organisational Development

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- None

5 Financial calendar and contact details

Financial calendar 2022

Date	
24 February 2022	2021 Preliminary results with investors and analyst conference call
17 March 2022	2021 Annual Report
12 May 2022	3M 2022 Interim Statement with investor and analyst conference call
1 June 2022	2022 Annual General Meeting, Augsburg
4 August 2022	H1 2022 Financial Report with investor and analyst conference call
10 November 2022	9M 2022 Interim Statement with investor and analyst conference call

Investor Relations & Group Reporting
Martin Praum
T +49 69 643505-1114
investor.relations@patrizia.ag

Corporate Communications
Christoph Liedtke
T +49 821 50910-636
communications@patrizia.ag

This Annual Report was published on 17 March 2022. This is a translation of the German Annual Report. In case of doubt, the German version shall apply. Both versions are available on the PATRIZIA website:

https://www.patrizia.ag/de/aktionaere/news-publikationen/geschaeftsberichte/
https://www.patrizia.ag/en/shareholders/news-publications/annual-reports/