Consolidated Financial Statements

Consolidated Balance Sheet

AS OF DECEMBER 31, 2012

ASSETS

EUR '000	Notes	12/31/2012	12/31/2011
A. Non-current assets			
Goodwill	4.1	610	610
Other intangible assets	4.1	43,259	45,227
Software	4.1	7,553	5,280
Investment property	4.1	374,104	532,321
Equipment	4.1	3,479	2,762
Investments in joint ventures	4.1	0	18
Participations in associated companies	4.1	15,810	6,809
Participations	4.1	18,407	3,134
Long-term tax assets	4.2	201	846
Total non-current assets		**463,423**	**597,007**
B. Current assets			
Inventories	4.3	345,920	407,529
Securities		60	1,634
Short-term tax assets	4.2	5,380	4,279
Current receivables and other current assets	4.5	98,635	60,007
Bank balances and cash	4.6	38,135	31,828
Total current assets		**488,130**	**505,277**
TOTAL ASSETS		**951,553**	**1,102,284**

EQUITY AND LIABILITIES

EUR '000	Notes	12/31/2012	12/31/2011
A. Equity			
Share capital	5.1.1	57,343	52,130
Capital reserves	5.1.2	210,644	215,862
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	1,556	1,563
Valuation results from cash flow hedges	4.4	–469	–1,331
Consolidated net profit		66,808	41,346
Total equity		**336,387**	**310,075**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	23,242	26,314
Long-term financial derivatives	4.4	16,363	33,470
Retirement benefit obligations	5.4	388	371
Long-term bank loans	5.2	302,004	417,685
Non-current liabilities	9.2	3,417	2,410
Total non-current liabilities		**345,414**	**480,250**
CURRENT LIABILITIES			
Short-term bank loans	5.2	219,050	275,667
Short-term financial derivatives	4.4	6,069	233
Other provisions	5.5	1,479	1,092
Current liabilities	5.6	28,750	22,644
Tax liabilities	5.7	14,404	12,323
Total current liabilities		**269,752**	**311,959**
TOTAL EQUITY AND LIABILITIES		**951,553**	**1,102,284**

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	Notes	2012	2011
Revenues	6.1	229,238	269,007
Income from the sale of investment property	4.1	16,916	6,205
Changes in inventories	6.2	–61,609	–102,910
Other operating income	6.3	11,566	8,225
Total operating performance		**196,111**	**180,527**
Cost of materials	6.4	–54,020	–45,743
Staff costs	6.5	–47,561	–35,672
Results from fair value adjustments to investment property	4.1	18	3
Other operating expenses	6.7	–45,268	–40,990
EBITDA		**49,280**	**58,125**
Amortization of intangible assets and depreciation on property, plant and equipment	6.6	–4,541	–3,494
Earnings before interest and taxes (EBIT)		**44,739**	**54,631**
Income from participations		6,557	0
Earnings from companies accounted for using the equity method	4.1	455	5
Finance income	6.8	11,727	8,988
Finance cost	6.8	–34,857	–43,718
Profit/loss before income taxes (EBT)		**28,621**	**19,906**
Income tax	6.9	–3,166	–6,413
Net profit/loss		**25,455**	**13,493**
Profit carried forward		41,223	27,730
CONSOLIDATED NET PROFIT		**66,678**	**41,223**
Earnings per share (undiluted) in EUR	6.10	0.44	0.24
The net profit/loss for the period is allocated to			
Shareholders of the parent company		25,462	13,571
Non-controlling shareholders		–7	–78
		25,455	**13,493**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	2012	2011
Consolidated net profit	**25,455**	**13,493**
Other result		
Cash flow hedges		
Amounts recorded during the reporting period	276	712
Reclassification of amounts that were recorded	586	329
Total result for the reporting period	**26,317**	**14,534**
The total result is allocated to		
Shareholders of the parent company	26,324	14,612
Non-controlling shareholders	–7	–78
	26,317	**14,534**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR ’000	2012	2011
Consolidated net profit	25,455	13,493
Actual income taxes recognized through profit or loss	3,166	5,814
Financing costs recognized through profit or loss	34,857	43,718
Income from financial investments recognized through profit or loss	–1,025	–2,769
Amortization of intangible assets and depreciation on property, plant and equipment	4,541	3,494
Results from fair value adjustments to investment property	–18	–3
Loss from/gain on disposal of investment properties	–16,916	–6,205
Change in deferred taxes	–2,520	599
Change in retirement benefit obligations	17	3
Ineffectiveness of cash flow hedges	–10,316	–5,137
Changes in inventories, receivables and other assets that are not attributable to investing activities	23,405	31,907
Changes in liabilities that are not attributable to financing activities	9,391	5,597
Interest paid	–32,739	–40,772
Interest received	170	1,925
Income tax payments/refunds	–4,613	–6,945
Cash inflow from operating activities	**32,855**	**44,718**
Capital investments in intangible assets and property, plant and equipment	–5,563	–4,655
Cash receipts from disposal of intangible assets and property, plant and equipment	0	0
Cash receipts from disposal of investment property	178,325	90,068
Payments for development or acquisition of investment property	–3,174	–1,368
Payments for the acquisition of shareholdings	–15,273	0
Payment for investments in companies accounted for using the equity method	–8,560	–6,846
Cash receipts from the disposal of consolidated companies and other business units	0	944
Payments for the acquisition of consolidated companies and other business units	0	–28,644
Cash inflow from investing activities	**145,755**	**49,494**
Borrowing of loans	25,940	37,171
Repayment of loans	–198,238	–170,092
Payment for the issuance of bonus shares	–5	0
Cash outflow from financing activities	**–172,303**	**–132,921**
Changes in cash	**6,307**	**–38,709**
Cash January 1	31,828	70,537
Cash December 31	38,135	31,828

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	Share capital	Capital reserves	Valuation result from Cash Flow Hedges	Retained earnings (legal reserve)	Consolidated net profit /loss	Thereof attributable to the Shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
Balance January 1, 2011	**52,130**	**215,862**	**–2,372**	**505**	**27,775**	**293,900**	**832**	**294,732**
Additional non-controlling shareholders which originated in the course of the PATRIZIA Gewerbe-Invest KAG mbH acquisition							1,889	1,889
Reclassification of guaranteed dividend							–1,080	–1,080
Net amount recognized directly in equity, where applicable less income taxes			1,041			1,041		1,041
Net profit/ loss for the period					**13,571**	**13,571**	**–78**	**13,493**
Full overall result for the fiscal year			**1,041**		**13,571**	**14,612**	**–78**	**14,534**
Balance December 31, 2011	**52,130**	**215,862**	**–1,331**	**505**	**41,346**	**308,512**	**1,563**	**310,075**
Balance January 1, 2012	**52,130**	**215,862**	**–1,331**	**505**	**41,346**	**308,512**	**1,563**	**310,075**
Net amount recognized directly in equity, where applicable less income taxes			862			862		862
Issue of bonus shares	5,213	–5,213						0
Expense incurred in issuing bonus shares		**–5**				–5		**–5**
Net profit/ loss for the period					25,462	25,462	–7	25,455
Full overall result for the fiscal year			862			26,324	–7	26,317
BALANCE DECEMBER 31, 2012	**57,343**	**210,644**	**–469**	**505**	**66,808**	**334,831**	**1,556**	**336,387**

Notes

Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation based in Augsburg; the Company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. The Company operates on the German and European real estate market as an investor and service provider. Together with its subsidiaries, PATRIZIA Immobilien AG is a fully integrated real-estate investment company and specializes in buying high-quality residential and commercial real estate at commercially attractive locations in Germany and in Europe and in optimizing them with the aim of increasing their value and subsequently reselling the real estate. The PATRIZIA Group performs all services along the value-added chain in the real estate sector. The Company also launches special real estate funds in accordance with investment law via its asset management companies PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH and PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH.

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2012 were prepared in line with IFRS and in compliance with the provisions of German commercial law additionally applicable as per Article 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied, i.e. those adopted up to the balance sheet date by the EU in the context of the endorsement process and published in the Official Journal of the EU.

At the time of preparing the consolidated financial statements no new interpretations had been published that were to be adopted for the first time during the current fiscal year.

At the time of preparing the consolidated financial statements, the following standards and interpretations, as amended, were to be used for the first time:

- Amendment to IFRS 1 – “First-time adoption of International Financial Reporting Standards” (amendments relating to fixed transition dates and severe hyperinflation)
- Amendment to IFRS 7 – “Financial Instruments: Disclosures” (amendment to improve disclosures on the transfer of financial assets)
- Amendment to IAS 12 – “Income Taxes” (amendment relating to the recovery of underlying assets)

Although the following standards and interpretations had already been published by the IASB at the time of preparing the consolidated financial statements, their adoption was not yet compulsory:

- IFRS 9 – “Financial Instruments” (to be adopted for fiscal years commencing on or after January 1, 2015; this standard has not yet been adopted by the EU)

- IFRS 10 – "Consolidated Financial Statements" (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- IFRS 11 – "Joint Arrangements" (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- IFRS 12 – "Disclosures of Interests in Other Entities" (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- IFRS 13 – "Fair Value Measurement" (to be adopted for fiscal years commencing on or after January 1, 2013)
- IFRIC 20 – "Stripping Costs in the Production Phase of a Surface Mine" (to be adopted for fiscal years commencing on or after January 1, 2013)

Although the following amendments to standards and interpretations had already been published by the IASB at the time of preparing the consolidated financial statements, their adoption was not yet compulsory:

- Amendment to IAS 1 – "Presentation of Financial Statements" (amendment relating to the presentation of other comprehensive income; to be adopted for fiscal years commencing on or after July 1, 2012)
- Amendment to IAS 19 – "Employee Benefits" (comprehensive revision of the standard; to be adopted for fiscal years commencing on or after January 1, 2013)
- Amendment to IFRS 27 – "Separate Financial Statements" (elimination of the consolidation provisions; to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- Amendment to IFRS 28 – "Investments in Associates and Joint Ventures" (inclusion of rules on accounting of joint ventures; to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- Amendment to IAS 32 – "Financial Instruments: Presentation" (additions on account of application problems relating to the requirements for offsetting financial assets and liabilities; to be adopted for fiscal years commencing on or after January 1, 2014)
- Amendment to IFRS 7 – "Financial Instruments: Disclosures" (inclusion of the requirement to disclose information about rights of offset and related arrangements; to be adopted for fiscal years commencing on or after January 1, 2013)
- Amendment to IFRS 1 – "First-time Adoption of International Financial Reporting Standards" (amendments relating to government loans; to be adopted for fiscal years commencing on or after January 1, 2013; this amendment has not yet been adopted by the EU)
- Annual improvements to the IFRS – 2009-2011 cycle (changes to IAS 12 – "Property, plant and equipment" and IAS 32 – "Financial Instruments: Presentation"; published in May 2012; the amendments to these standards have not yet been adopted by the EU)

We do not expect any significant effects on the consolidated financial statements following the application of the amended standards and interpretations.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as current if their realization or repayment is expected within the normal course of the Group's business cycle or, in relation to assets, if the latter are held for sale within this period. The nature of expense method was selected for the income statement.

The fiscal year corresponds to the calendar year. The consolidated financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

2 SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 SCOPE OF CONSOLIDATION

All of the Company's subsidiaries are included in the consolidated financial statements of PATRIZIA Immobilien AG. The Group includes all companies controlled by PATRIZIA Immobilien AG. Control is deemed to be the ability to determine the business and financial policy of the subsidiary in order to benefit from its commercial activities.

Control is in principle assumed if PATRIZIA Immobilien AG directly or indirectly holds the majority of voting rights in another company.

All the companies included in PATRIZIA Immobilien AG's consolidated financial statements can be found in the list of shareholdings (Appendix to the Notes to the Consolidated Financial Statements). With the exception of PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH, PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH, PATRIZIA Wohnen GmbH and Stella Grundvermögen GmbH, the subsidiaries listed and bound by a profit and loss transfer agreement each make use of the relief provided for in Article 264 (3) of the Handelsgesetzbuch (HGB – German Commercial Code). The partnerships also found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.

Joint ventures are companies that do not meet the criteria to be classified as subsidiaries since with regard to influencing their business and financial policies, two or more partner companies are bound to common management under a contractual agreement. Joint ventures are accounted for at equity within the Group.

Associated companies are companies that do not meet the criteria of a subsidiary or joint venture and whose business and financial policy can be significantly influenced by PATRIZIA Immobilien AG. A significant influence is assumed if a direct or indirect voting right share of at least 20% is held in another company. The assumption of a significant influence is rebuttable if, despite a voting share of 20% and above, contractual regulations exclude any influence on exercisable business and corporate policy and the exercisable rights consist only of industrial property rights. Associated companies are accounted for at equity within the consolidated financial statements.

In addition to the parent company, the scope of consolidation comprises 58 subsidiaries. They are included in the consolidated financial statements in line with the rules of full consolidation. In addition, one participating interest in a SICAV is accounted for at equity in the consolidated financial statements. The SICAV is a stock corporation with variable equity in accordance with the laws of Luxembourg. In addition, 28.3% of the limited liability capital is held in one project development company (in the form of a GmbH & Co. KG), while 30% is held in the associated general partner. A significant influence does not apply because provisions in the partnership agreement mean that management cannot be exercised, that a significant influence cannot be exerted on the management and that there is no entitlement to appoint members of the governing organs. The shares in the project development company are accounted for at purchase cost.

The reporting dates of the subsidiaries included in the consolidated financial statements correspond to the parent company's reporting date. The financial statements are prepared in line with uniform accounting and valuation principles.

Company Acquisitions, Sales and Intercompany Restructuring

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-541 GmbH, Munich; the company name was changed to Carl Carry GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-543 GmbH, Munich; the company name was changed to Carl A-Immo Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-545 GmbH, Munich; the company name was changed to Carl HR Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-549 GmbH, Munich; the company name was changed to Carl B-Immo Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated April 16, 2012, PATRIZIA Immobilien AG sold 94.9% of PATRIZIA Projekt 220 GmbH, Augsburg, (renamed PATRIZIA Projekt Gerresheim GmbH, Luxembourg, on May 7, 2012) to PATRIZIA Wohnmodul I Zwischenholding S.à r.l., Luxembourg. The company was deconsolidated from the PATRIZIA consolidated financial statements on the same date.

Under a notarial purchase agreement dated April 15, 2012, PATRIZIA Immobilien AG acquired ApS STAKE Nr. 1702, Copenhagen, Denmark; the company name was changed to PATRIZIA Nordics ApS as of April 20, 2012. The company's share capital was initially DKK 80,000. On September 24, 2012 the company name was changed to PATRIZIA Nordics A/S and its share capital was increased to DKK 500,000. The company will provide services in the field of real estate in Denmark.

Under a notarial purchase agreement dated August 31, 2012, PATRIZIA Immobilien AG acquired AM alpha Projekt GmbH, Frankfurt/Main; the company name was changed to PATRIZIA Projekt 700 GmbH, Augsburg, as of August 31, 2012. The company's share capital is EUR 25,000. The company will be held as a shelf company within the Group.

Under a notarial purchase agreement dated July 24, 2012, PATRIZIA Immobilien AG acquired a further 50% in meridomus GmbH, Cologne, and now holds 100%; the company name was changed to PATRIZIA Projekt 710 GmbH, Augsburg, as of September 18, 2012. The company's share capital is EUR 25,000. The company, which serves as a shelf company, is included in the PATRIZIA consolidated financial statements as part of a full consolidation. It is therefore no longer reported under investments in joint ventures.

Under a notarial purchase agreement dated November 13, 2012, PATRIZIA Immobilien AG sold 100% of Carl Immo AcquiCo1 GmbH (formerly Blitz 11-677 GmbH), Munich. The company was deconsolidated from the PATRIZIA consolidated financial statements on the same date.

With effect from December 31, 2012, PATRIZIA Immobilien AG contributed its shares in PATRIZIA Scandinavia AB, Stockholm, Sweden, to PATRIZIA Nordics A/S. In this connection, the equity of PATRIZIA Nordics A/S was increased by DKK 79,420.

Furthermore, under a notarial purchase agreement dated November 28, 2012, PATRIZIA Immobilien AG acquired Blitz 12-572 GmbH & Co KG, Munich; the company's share capital is EUR 500. The company is a limited partnership and will provide management services for a real estate portfolio.

Under a notarial purchase agreement dated November 28, 2012, PATRIZIA Immobilien AG acquired Blitz 12-571 GmbH, Munich; the company's share capital is EUR 25,000. The company is the general partner of Blitz 12-572 GmbH & Co KG.

The scope of IFRS 3 does not apply to the company acquisitions and sales effected during the fiscal year.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognized in the consolidated financial statements using full consolidation. Since January 1, 2002, acquired subsidiaries have been accounted for using the purchase method under IFRS 3. Using the relief option of IFRS 1, purchases of shares in companies before this date were still accounted for on the basis of the carrying amount method in accordance with the Handelsgesetzbuch (HGB – German Commercial Code).

The date of initial consolidation is the date of acquisition and therefore the date on which control of the net worth and operating activities of the acquired company is actually transferred to the parent company. The acquisition costs comprise the cash paid for the acquisition. Since January 1, 2010, ancillary costs that are directly attributable to the acquisition are accounted for immediately through profit or loss. The calculated acquisition costs are allocated among the identifiable assets and liabilities of the acquired company. Goodwill is to be stated if the acquisition costs exceed the share in the re-valued net worth of the acquired company that is applicable to the parent company. In the reverse case, a negative difference is to be recognized through profit or loss. The equity share held in the acquired company is authoritative in determining the net worth applicable to the Group. In principle, the re-valued net worth must be recognized in full. Non-controlling partners' interests are posted separately within consolidated equity. If the loss for a period that is applicable to the non-controlling partners exceeds their interest that is to be posted in the consolidated balance sheet, this is offset against the majority share in the consolidated equity.

2.3 CONSOLIDATION OF JOINT VENTURES AND ASSOCIATED COMPANIES USING THE EQUITY METHOD

The equity method is applied to the presentation of joint ventures and associated companies in the consolidated financial statements. In contrast to full consolidation, no assets and liabilities or expenses and income of the company valued at equity are recognized (proportionately) in the consolidated financial statements when the equity method is applied. Instead, the carrying amount of the participation is updated annually in accordance with the development of the proportionate equity in the associated company.

The initial application of the equity method takes place from the time at which the associated company is to be classified as a joint venture. During initial consolidation, the acquisition costs for the shares acquired are netted against the equity attributable to them. Any difference is examined, in accordance with the rules for full consolidation, for the existence of hidden reserves or charges and any remaining difference is treated as goodwill. During subsequent consolidation, the carrying amount of the participation is updated in line with the proportionate changes in equity at the associated company.

2.4 CONSOLIDATION OF LIABILITIES, EXPENSES AND INCOME AND ELIMINATION OF INTRA-GROUP RESULTS

Intercompany balances, transactions, profits and expenditure of the companies included in the consolidated financial statements by means of full consolidation are eliminated in full. Deferred taxes are recognized for temporal differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY TRANSLATION

The consolidated financial statements were prepared in euro, the Group's functional currency. With the exception of PATRIZIA Property Inc. in Delaware, USA, PATRIZIA Scandinavia AB with headquarters in Stockholm, Sweden, and the subsidiary PATRIZIA Nordics A/S that was acquired in the 2012 fiscal year, the scope of consolidation is made up only of subsidiaries located in the European Monetary Union. The functional currency of these three companies is the respective national currency. Conversion is performed using the modified reporting date rate method. There were no material assets or liabilities, contingent receivables or liabilities in foreign currencies on the reporting date.

3 SUMMARY OF KEY ACCOUNTING AND VALUATION POLICIES

The financial statements included in the consolidated financial statements are prepared in line with uniform accounting and valuation principles.

3.1 GOODWILL

The goodwill that results from a business combination is accounted for at acquisition cost less any required impairments and shown separately in the consolidated balance sheet.

In order to verify possible impairments, the goodwill is allocated to each cash-generating unit of the Group which is expected to derive a benefit from the synergies resulting from the business combination.

The cash-generating units that are allocated a portion of the goodwill are subject to an annual impairment review. If there is evidence of an impairment for an entity, that entity is assessed more frequently. If the recoverable amount of a cash-generating unit is smaller than the unit's carrying amount, the impairment expense is initially assigned to the carrying amount of any goodwill assigned to the unit and then proportionately to the other assets based on the carrying amount of each asset within the unit.

3.2 SOFTWARE

Software is recognized at acquisition or manufacturing cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as reversals taking into account amortized cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Purchased software is amortized over three to ten years.

3.3 MANAGEMENT CONTRACTS

Management contracts acquired as part of the business combination with the company now known as PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH are shown separately from the goodwill; at the time of their acquisition they are measured at fair value.

In subsequent periods these management contracts are measured in exactly the same way as individually acquired intangible assets (i. e. at acquisition cost less scheduled cumulative amortization and any cumulative impairments).

The period of amortization for the management contracts is based on the expected terms of the fund contracts.

3.4 EQUIPMENT

Equipment is recognized at acquisition or manufacturing cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as write-ups, taking into account amortized cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Equipment is amortized over three to thirteen years.

3.5 IMPAIRMENT OF ASSETS

Where assets are subject to scheduled depreciation and there is an indication of impairment, a review is undertaken to ascertain whether there is a need for unscheduled depreciation. Assets that are not subject to scheduled depreciation are checked on each balance sheet date to ascertain if there is a need for value adjustment.

3.6 INVESTMENT PROPERTY

Qualifying real estate as an investment is based on a corresponding management decision to use the real estate in question to generate rental income and thus liquidity, while realizing higher rent potential over a long period and, accordingly, an increase in value. The share of owner-occupier use does not exceed 10% of the rental space. In contrast to the real estate posted under inventories, investment property is not intended for sale in the ordinary course of business or within the framework of the construction or development process. Investment property is measured at fair value, with changes in value recognized through profit or loss.

Investment property is measured at market values. In principle, investment property is measured on the basis of external appraisals carried out by independent experts using current market prices or using customary valuation methods and consideration of the current and long-term rental situation. For individual investment properties, the residential property resale process was launched in previous years and successfully continued and expanded in 2012. Valuation of these properties is based on current comparative values.

The market value is equivalent to the fair value. The valuation method used to determine fair value pursuant to IAS 40.38 et seq. is based on a hypothetical transaction price, the most likely amount at which the asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. In terms of content, this definition also corresponds to the definition of the market value pursuant to Section 194 of the Baugesetzbuch (BauGB – Federal Building Code). In particular, this estimate excludes price assumptions that are increased or reduced by subsidiary agreements or special circumstances. Investment property is reported at this fictitious market value without any deduction of transaction costs.

With the exception of the properties earmarked for resale, the fair values of the investment property as shown in the consolidated financial statements are based on valuations by independent experts who apply international valuation standards (International Valuation Standard, Concepts/Principles No. 9.2.1.3 – Income Capitalization Approach; RICS Valuation Standards PS 3.3 – Market Value) based on discounted future cash flows in accordance with the investment method (core value and topslice) – (IAS 40.46 (c)).

In contrast to the income value method in accordance with the Immobilienwertermittlungsverordnung (ImmoWertV – German Ordinance on the Valuation of Real Estate), the approach used for the investment method does not consider a separate value for the plot.

The market rent is reduced by costs of the lessor that cannot be passed on and is capitalized as perpetual annuity with the interest rate determined for the property in question. For each property, costs that cannot be passed on to the tenant, such as risk of loss of rental income, management, maintenance costs and an appropriation for operating costs that cannot be passed on, were deducted from the gross income of the rental forecast along with estimated costs for modernization and re-renting. The resulting value is referred to as core value.

The difference between the market rent and the rent received is capitalized during the remaining residual rental term (assumed for residential properties), in this case up to five years. Costs borne by the lessee and a deduction for risk are taken into consideration. The resulting value is referred to as topslice.

The market value is derived by adding the core value and the topslice, which is negative if the market rent is higher than the rent received. The costs of rental, maintenance and renovation are also deducted. The total gives the market value of the property.

Property-specific vacancy rates between 0% and 19% are assumed, which can have a material impact on the assumed remaining lease term. Key items of payments are maintenance costs averaging EUR 6 to 10 p.a./sqm living space and EUR 15 to 25 p.a. per parking space, management costs of 0.75 to 5.38% of rental income, and the risk of loss of rental income of 2% of rental income. The capitalization interest rates used amount to between 4.5 and 5.75%.

The properties that are earmarked for resale are not valued by independent experts but are instead valued by PATRIZIA using detailed project accounting. This project accounting is based on comparative values ascertained in the direct surroundings of the properties. Both offer prices and also selling prices were used for this, but only of comparable properties.

All investment property held by the Group is leased. The resultant rental income and the expenses directly associated with it are recognized in the consolidated income statement.

3.7 PARTICIPATIONS IN ASSOCIATED COMPANIES

PATRIZIA WohnModul I SICAV-FIS represents an associated company for PATRIZIA. Associated companies are companies in which PATRIZIA is able to assert a material influence on the company's business and financial policy (generally through a direct or indirect share of voting rights of 20-50%). In the consolidated financial statements these are accounted for using the equity method.

PATRIZIA's share in the associated company's result following the acquisition is shown in the consolidated income statement. The cumulative changes after the date of acquisition increase or reduce the associated company's investment carrying amount. If the losses of an associated company that are attributable to PATRIZIA equal or exceed the value of the share in this company, no further shares in losses are recorded unless PATRIZIA has entered into obligations or has effected payments for the associated company.

The share in an associated company is the carrying amount of the participating interest, plus all non-current shares which, according to the business purpose, are attributable to the owner's net investment in the associated company. On every balance-sheet reporting date, PATRIZIA checks whether there is objective evidence for an impairment of the share in the associated company. If such evidence exists, PATRIZIA determines the impairment requirement as the difference between the recoverable amount and the carrying amount of the associated company. At the time when a material influence on an associated company is lost, any remaining shares are revalued at fair value. The difference between the carrying amount of the associated company and the fair value of the remaining share plus any sales proceeds is recorded through profit or loss.

3.8 INVESTMENTS IN JOINT VENTURES

The Group held a stake in a joint venture, meridomus GmbH Forderungsmanagement und Servicegesellschaft für den Vermieter, in the form of a jointly managed company. As part of the acquisition of a further 50% of the shares, the company was fully consolidated and included in the PATRIZIA consolidated financial statements, so that it is no longer reported under investments in joint ventures. Up to this date, the Group accounted for its share in the joint venture at equity (IAS 31.38).

3.9 INVENTORIES

The "Inventories" item contains real estate that is intended for sale in the context of ordinary activities or that is intended for such sale in the context of the construction or development process; in particular, it includes real estate that has been acquired solely for the purpose of resale in the near future or for development and resale. Development also covers straightforward modernization and renovation activities. Assessment and qualification as an inventory is undertaken within the context of the purchasing decision and implemented in the balance sheet as at the date of addition.

PATRIZIA has defined the operating business cycle as three years, because based on experience the majority of the units to be sold are sold and recognized during this time period. However, inventories are still classed as intended for direct sale even if the sale is not recognized within three years (e.g. due to unforeseeable/unforeseen changes in economic conditions).

Inventories are carried at the lower of acquisition costs/manufacturing costs and net sales price. Acquisition costs comprise the directly attributable purchase and commitment costs, i. e. especially acquisition costs for real estate as well as ancillary acquisition costs (notary's fees etc.). Manufacturing costs comprise the costs directly attributable to the real estate development process, i. e. especially renovation costs. Borrowing costs that are directly related to the acquisition, construction or production of a qualifying asset are capitalized as part of the purchase or production costs for the respective asset. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recorded as an expense in the time period in which they arise. The net sale price corresponds to the sale proceeds likely to be generated in the ordinary course of business less any renovation or modernization and selling costs incurred.

3.10 FINANCIAL ASSETS

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

- Held-to-maturity investments
- Loans and receivables
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets

Financial assets are stated in the balance sheet if the company is party to a contract for this asset. Customary purchases of financial assets for which there is only a short customary period between entry into, and fulfillment of, the obligation are generally accounted for on the trading date. This also applies analogously to customary sales.

There were no *held-to-maturity investments* as at the balance sheet date.

Derivatives which are not designated as hedging instruments or are not effective as such within the meaning of IAS 39 are classified as *financial assets at fair value through profit or loss.*

These financial instruments must be allocated to one of three levels, depending on the extent to which the fair value can be assessed.

- Level-1 valuations at fair value are those which are based on quoted prices (unadjusted) on active markets for identical financial assets or liabilities.
- Level-2 valuations at fair value are those based on parameters that do not correspond to quoted prices for assets and liabilities as in level 1 (data), but are either derived directly (i. e. as prices) or indirectly (i. e. derived from prices).
- Level-3 valuations at fair value are those derived from models that use parameters for the assessment of assets or liabilities that are not based on observable market data (non-observable parameters, assumptions).

The fair value of derivatives is determined by external banks. The valuation can be assigned to level 2.

Investments which have been entered into with the intention of holding them are categorized as *available-for-sale financial assets.* These are valued at acquisition cost since, due to the absence of an active market, a fair value can only be determined on the basis of specific sale negotiations. There are currently no plans to sell these instruments. For available-for-sale financial assets, the Group ascertains, on each reporting date, whether there are objective indications that impairment of an asset or of a group of assets has taken place. In the case of available-for-sale equity instruments, a “significant” or “continuing” fall in the fair value of the instrument below its acquisition cost would represent an objective indication.

Loans and receivables are non-derivative financial assets with fixed or definable payments which are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairments.

If there are any objective indications that *impairment of financial assets which have been accounted for at amortized cost* has taken place, the amount of the impairment loss is equivalent to the difference between the carrying amount of the asset and the present value of the expected future cash flow (with the exception of expected future, though not yet occurred, loan losses), discounted with the original effective interest rate of the financial asset, i. e. at the effective interest rate determined at initial recognition. The carrying amount of the asset is decreased using a value adjustment account. The impairment loss is recognized through profit or loss.

If the amount of the impairment decreases in the subsequent reporting periods and if this decrease can be objectively attributed to a circumstance occurring subsequent to impairment, the previous impairment is reversed. However, the new carrying amount of the asset may not exceed the acquisition costs at the time of the reversal of the impairment. The reversal of the impairment is recognized through profit or loss.

If, in the case of trade receivables, there are objective indications that not all amounts due will be received in accordance with the originally agreed invoice conditions (such as probability of insolvency or significant financial difficulties on the part of the debtor), impairment is recognized using a value adjustment account. Derecognition of receivables takes place if they are classified as uncollectible.

3.11 CASH AND CASH EQUIVALENTS

Cash and cash deposits shown in the balance sheet comprise cash and bank balances with an original term of less than three months.

3.12 FINANCIAL LIABILITIES

Upon initial recognition, interest-bearing loans are measured at fair value less the transaction costs directly associated with the borrowing. They are not recognized at fair value through profit or loss. Following initial recognition, the interest-bearing loans are measured at amortized cost using the effective interest method.

3.13 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (or a part of a financial asset or a group of similar financial assets) is derecognized if the preconditions of IAS 39 are met.

A financial liability is derecognized if the obligation upon which this liability is based is fulfilled, cancelled or has expired.

If an existing financial liability is exchanged for another financial liability of the same lender at substantially different contractual conditions or if the conditions of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized through profit or loss.

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the derivative financial instruments of interest rate swaps and interest rate collars to protect itself against interest rate risks. These derivative financial instruments are measured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive, and as liabilities if their fair value is negative.

Profits or losses resulting from changes to the fair value of derivative financial instruments which do not meet the criteria for accounting as hedges are recognized immediately through profit or loss.

The PATRIZIA Group's hedging instruments are classified as cash flow hedges for accounting purposes, since they involve hedging against the risk of fluctuations in the cash flow, which can be allocated to the risk associated with a recognized asset or with a recognized liability.

At the start of the hedging, both the hedges and the Group's risk management objectives and strategies regarding hedging are formally specified and documented. The documentation contains the determination of the hedging instrument when compensating for risks arising from changes to the fair value or cash flow of the hedged underlying transaction. These types of hedges are considered highly effective in terms of compensating for risks resulting from changes to fair value or cash flow. They are continuously assessed as to whether they were actually highly effective during the entire reporting period for which the hedge was defined.

Cash flow hedges that meet the strict criteria for accounting of hedges are accounted for as follows:

The effective part of the profit or loss from a hedging instrument is taken directly to equity, while the ineffective part is immediately recognized through profit or loss.

The amounts taken directly to equity are transferred to the consolidated income statement during the period in which the hedged transaction influences the result, e.g. if hedged financial income or expenses are recognized or if an expected sale is executed.

If the scheduled transaction or the fixed obligation is no longer expected, the amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without substitution or a rollover of the hedging instrument into another hedging instrument, the amounts previously recognized in equity remain as separate items in equity until the scheduled transaction or fixed obligation has occurred.

3.15 RETIREMENT BENEFIT OBLIGATIONS

Performance-related pension plans are valued using the projected unit credit method on the basis of a pension report. The retirement benefit obligations in the balance sheet are calculated based on the present value of the defined benefit obligation on the balance sheet date. The Group recognizes actuarial gains and losses for defined benefit pension plans through profit or loss in the reporting period in which they arise. The interest share of pension expenses was not significant enough to be recognized in the financial result, and was instead recognized in staff costs.

3.16 OTHER PROVISIONS

Provisions are liabilities of uncertain timing or amount. In principle, recognition of a provision cumulatively requires a current obligation arising from a past event from which an outflow of resources is likely and the value of which it must be possible to measure in a reliable manner. Provisions are measured using the best possible estimate of the extent of the obligation. The provisions are discounted in the event of material interest effects.

3.17 LEASES

The determination of whether an agreement includes a lease is made on the basis of the economic substance of the agreement at the time of the conclusion of the respective agreement and requires an estimate as to whether the fulfillment of the contractual agreement is dependent upon the utilization of a certain asset or certain assets and whether the agreement grants a right to utilization of the asset.

Leases where all opportunities and risks of the Group associated with the ownership are not passed to the lessee to a significant degree are classified as operating leases. Initial direct costs which arise during the negotiations and the conclusion of an operating leasing contract are added to the carrying amount of the leased object and are recognized as expenses correspondent to the rental income over the term of the lease. Contingent rent is recognized as income during the period in which it is generated.

Within the PATRIZIA Group, there are only an insignificant number of leases for which the Group is the lessee. All these are classified as operating leases.

3.18 TAXES

Actual Taxes

Actual tax refund claims and liabilities for current and previous periods are measured at the amount expected to be recovered from or paid to the tax authorities. Calculation of the amount is based on the tax rates and tax laws which apply at the balance sheet date.

Actual taxes which refer to items that are directly recognized in equity are not recognized in the income statement, but rather in equity.

Deferred Taxes

Deferred taxes are recognized using the liability method, for temporary differences existing on the balance sheet date between the amount stated in the balance sheet for an asset or a liability and the fiscal amount.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards not yet utilized and tax credits not yet utilized, in the probable extent to which taxable income will be available against which the deductible temporary differences and the tax loss carryforwards and tax credits not yet utilized can be used.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and decreased by the extent to which it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly used. Deferred tax assets not recognized are reviewed on every balance sheet date and are recognized in the amount in which it has become probable that a future taxable result allows recognition of the deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rates which will probably become effective in the period in which an asset is realized or a liability is settled. The tax rates and laws applicable on the balance sheet date are used as a basis. Future tax rate changes are to be taken into account on the balance sheet date if significant effectiveness requirements are met within the scope of pending legislation.

Deferred taxes which relate to items that are directly recognized in equity are not recognized in the income statement, but are also recognized in equity.

Deferred tax assets and deferred tax liabilities are offset against one another if the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and if these relate to income taxes of the same taxable entity and are levied by the same tax authority.

3.19 BORROWING COSTS

Borrowing costs used to produce a qualifying asset are capitalized. A qualifying asset is an asset that is needed for a significant time period in order to bring it into condition for its intended use or sale. This requirement is met by all projects under development by the Group. All other borrowing costs are recorded as expenses in the period in which they are incurred.

3.20 REVENUE RECOGNITION

The basic prerequisite for recognition of profit when selling real estate is the likelihood of economic benefits and reliable quantification of revenues. In addition, there must be a transfer to the purchaser of the main opportunities and risks associated with ownership of the assets, relinquishment of the legal or actual power of disposal over the assets and the ability to reliably determine the expenses relating to the sale that have been or are still to be incurred.

In the services business, revenue is usually recognized after performance has been provided and invoicing has taken place.

3.21 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

When preparing the consolidated financial statements a certain degree of assumptions must be made and estimates must be used which impact on the amount and reporting of the assets and liabilities, income and expenses as well as contingent receivables and liabilities carried for the reporting period. An estimate is made on the basis of the most recently available reliable information. The assets, liabilities, income, expenses and contingent receivables and liabilities recognized on the basis of estimates may differ from the amounts to be recognized in future. Changes are taken into account through profit or loss on the date when more precise information is obtained. Estimates are largely made for the following:

- Determining the recoverable amount to assess the necessity and extent of unscheduled amortization, especially on the real estate posted under the item "Inventories"
- Recognizing and measuring provisions
- Valuing receivables subject to risk
- Assessing whether deferred tax assets can be recognized

The assumptions made when valuing the real estate portfolios could subsequently prove to be partially or fully incorrect, or there could be unexpected problems or unidentified risks relating to real estate portfolios. Such possible developments, even of a short-term nature, could cause a deterioration in the earnings situation, a decrease in the value of the purchased assets and a considerable reduction in the revenues generated from residential property resale and ongoing rental.

In addition to the factors inherent in each property, the recoverability of real estate assets is chiefly determined according to the development of the real estate market as well as the general economic situation. There is a risk that, in the event of a negative development of the real estate market or of the general economic situation, the valuation estimates made by the Group may have to be corrected.

4 NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

4.1 NON-CURRENT ASSETS

The breakdown of and changes in non-current assets as well as amortization for the fiscal year and for the previous year are set out below:

DEVELOPMENT OF NON-CURRENT ASSETS - 2012

EUR '000	Goodwill	Other intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2012	**610**	**53,901**	**6,728**	**61,239**
Additions	0	4,332	2,037	6,370
Disposals	0	–635	–1,148	–1,783
Balance 12/31/2012	**610**	**57,598**	**7,617**	**65,825**
Amortization				
Balance 01/01/2012	**0**	**3,394**	**3,966**	**7,360**
Additions	0	3,423	1,118	4,541
Disposals	0	–31	–946	–977
Balance 12/31/2012	**0**	**6,786**	**4,138**	**10,924**
CARRYING AMOUNTS AS AT 01/01/2012	610	50,507	2,762	53,879
CARRYING AMOUNTS AS AT 12/31/2012	610	50,812	3,479	54,901

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Goodwill	Other intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2011	**0**	**3,641**	**4,929**	**8,570**
Additions	610	50,260	1,799	52,669
Disposals	0	0	0	0
Balance 12/31/2011	**610**	**53,901**	**6,728**	**61,239**
Amortization				
Balance 01/01/2011	**0**	**830**	**3,036**	**3,866**
Additions	0	2,564	930	3,494
Disposals	0	0	0	0
Balance 12/31/2011	**0**	**3,394**	**3,966**	**7,360**
CARRYING AMOUNTS AS AT 01/01/2011	0	2,811	1,893	4,704
CARRYING AMOUNTS AS AT 12/31/2011	610	50,507	2,762	53,879

DEVELOPMENT OF NON-CURRENT ASSETS – 2012

EUR '000	Investment Property
Fair Value	
Balance 01/01/2012	**532,321**
Additions – assets	3,174
Disposal – assets	-161,409
Positive fair value changes	7,385
Negative fair value changes	-7,367
BALANCE 12/31/2012	**374,104**

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Investment property
Fair Value	
Balance 01/01/2011	**614,945**
Additions – assets	1,368
Disposal – assets	–83,995
Positive fair value changes	4,770
Negative fair value changes	–4,767
BALANCE 12/31/2011	**532,321**

DEVELOPMENT OF NON-CURRENT ASSETS – 2012

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2012	**6,818**	**13**	**3,134**	**9,965**
Additions	8,561	0	15,273	23,834
Disposals	0	–13	0	–13
Balance 12/31/2012	**15,379**	**0**	**18,407**	**33,786**
Adjustments at equity/ amortization				
Balance 01/01/2012	**-9**	**5**	**0**	**-4**
Additions	440	15	0	455
Disposals	0	–20	0	–20
Balance 12/31/2012	**431**	**0**	**0**	**431**
CARRYING AMOUNTS AS AT 01/01/2012	6,809	18	3,134	9,961
CARRYING AMOUNTS AS AT 12/31/2012	15,810	0	18,407	34,217

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2011	**0**	**8**	**3,090**	**3,098**
Additions	6,818	5	44	6,867
Disposals	0	0	0	0
Balance 12/31/2011	**6,818**	**13**	**3,134**	**9,965**
Adjustments at equity/ amortization				
Balance 01/01/2011	**0**	**–5**	**0**	**–5**
Additions	0	10	0	10
Disposals	–9	0	0	–9
Balance 12/31/2011	**–9**	**5**	**0**	**–4**
CARRYING AMOUNTS AS AT 01/01/2011	0	3	3,090	3,098
CARRYING AMOUNTS AS AT 12/31/2011	6,809	18	3,134	9,961

The goodwill with a carrying amount of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH. The company was identified as a cash-generating unit. The goodwill will not be deductible in future fiscal periods and is therefore treated as a permanent difference when determining deferred taxes.

The recoverable amount of the cash-generating unit was determined by means of a calculation of the value in use based on cash-flow projections from the financial budget approved by the Managing Board for a period of seven years and a discount rate of 10.0% p.a. (previous year: 10.6% p.a.). For the period after the seventh year, the cash flows were extrapolated using a constant annual growth rate of 2% p.a. (previous year: 2% p.a.). The Managing Board is of the opinion that no reasonably foreseeable change in the underlying assumptions on which the determination of the recoverable amount is based would cause the cumulative carrying amount of the cash-generating unit to exceed its cumulative recoverable amount.

The intangible assets include an amount of TEUR 43,259 relating to the hidden reserves identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH to the fund management contracts. The hidden reserves are currently subject to scheduled depreciation of TEUR 1,968 p.a. A review of the fair value did not reveal any additional impairment requirement.

Investment property is property that is held for generating rental income and/or for capital appreciation; in accordance with IAS 40, it is valued at market values through profit or loss. In the year under review a total of nine investment properties in Berlin, Frankfurt, Hanover, Cologne/Dusseldorf, Munich and Regensburg were sold. In addition, four properties in Berlin and Munich were privatized during the fiscal year.

The fair value of the pledged investment properties is TEUR 374,104 (previous year: TEUR 532,321).

The item "Participations in associated companies" mainly includes the 9.09% (previous year: 9.09%) share in PATRIZIA WohnModul I SICAV-FIS. The following table shows the key data for the associated companies accounted for at equity. The figures do not relate to the shares attributable to the PATRIZIA Group, but instead refer to the company as a whole.

EUR '000	2012	2011
Total assets	433,798	246,204
Total liabilities	191,528	59,255
Revenues	22,196	2,985
Consolidated net profit	5,616	–110

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 440 (previous year: TEUR -10).

The item "Participations" includes the 6.25% (previous year: 6.25%) share in PATRoffice Real Estate GmbH & Co. KG, the 12.5% (previous year: 0%) share in CARL A-Immo GmbH & Co KG (formerly Blitz 12-544 GmbH & Co. KG), the 7.5% (previous year: 0%) share in CARL HR GmbH & Co KG (formerly Blitz 12-546 GmbH & Co. KG), the 28.3% (previous year: 28.3%) participation in Projekt Feuerbachstraße GmbH & Co. KG, the 10% (previous year: 10%) share in PATRIZIA Projekt 150 GmbH, and the 30% (previous year: 0%) participation in Projekt Feuerbachstraße Verwaltung GmbH.

4.2 TAX ASSETS

Corporation tax credits of TEUR 201 (previous year: TEUR 237) with a right to payment that arose after 2008 and that are to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as non-current tax assets. Measurement is at present value.

Allowable taxes and tax prepayments reimbursed by the tax authorities are reported as current tax assets. These tax assets have a residual term of less than one year.

4.3 INVENTORIES

A breakdown of inventories is shown below:

INVENTORIES

EUR '000	12/31/2012	12/31/2011
Real estate intended for sale	273,791	346,443
Real estate in the development phase	72,129	61,086
	345,920	**407,529**

Assets held for sale in the ordinary course of business are posted under Inventories.

As at December 31, 2012, two properties were in the development phase. In 2012 inventories with a total carrying amount of TEUR 85,214 (previous year: TEUR 120,928) were sold. In the year under review no adjustments were made to inventories (previous year: TEUR 0).

During the period under review directly assignable borrowing costs of TEUR 695 (previous year: TEUR 940) were capitalized.

The carrying amounts of inventories which are pledged as security totaled TEUR 343,444 (previous year: TEUR 339,497).

Realization of inventories amounting to TEUR 231,138 is expected to last longer than twelve months.

4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps and interest rate collars for partial hedging of the interest rate risk from its bank loans. These are cash flow hedges where a hedging relationship to the respective underlying transaction could be demonstrated in some cases.

The changes to the fair values of the derivatives classed as ineffective are recognized through profit or loss in the income statement. In the fiscal year, they amounted to TEUR 11,028 (previous year: TEUR 4,947).

As at December 31, 2012, the nominal volume of the derivatives classified as ineffective totaled TEUR 511,671 (previous year: TEUR 524,485); the corresponding market values were TEUR -21,929 (previous year: TEUR -31,454).

The changes to the fair values of the effective hedging derivatives of TEUR -244 (previous year: TEUR -1,235) were directly recognized in equity, taking deferred taxes of TEUR -39 (previous year: TEUR -195) into account.

During the year under review market value changes of TEUR 1 (previous year: TEUR 190) were taken into account in the income statement as ineffective portions of hedging derivatives.

As at December 31, 2012, the nominal volume of these hedging derivatives totaled TEUR 15,000 (previous year: TEUR 60,000); the corresponding market values were TEUR 503 (previous year: TEUR -2,249).

In the year under review, value changes in cash flow hedges in the amount of TEUR 781 (previous year: TEUR 0) were released through profit or loss, with derecognition of the corresponding deferred taxes applied (TEUR 124), and transferred into the financial result.

As at December 31, 2012, the total amount of unrecognized losses from interest hedging transactions that was transferred to the provisions for hedging transactions related to these future transactions, taking into account deferred tax effects, was TEUR -469 (previous year: TEUR -1,331). It is expected that 66.0% of the interest hedging transactions will end in accordance with the contracts in 2013, and 34.0% in 2014. For payment flows recognized through profit or loss cf. item 5.2.

4.5 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

A breakdown of receivables and other current assets is shown below:

RECEIVABLES AND OTHER CURRENT ASSETS

EUR '000	12/31/2012	12/31/2011
Trade receivables	20,449	9,893
Other current assets	78,186	50,114
	98,635	**60,007**

The carrying amount of the receivables corresponds to their fair value.

As at the balance sheet date, the following receivables were overdue, but not impaired:

RENT RECEIVABLES

EUR '000	2012	2011
Rent receivables	**616**	**225**
Of which < 90 days	72	225
Of which > 90 days	544	0

Rent receivables of TEUR 616 (previous year: TEUR 225) are secured through rental deposits.

Trade receivables and other current assets are decreased by specific value adjustments of TEUR 3,738 (previous year: TEUR 4,388).

The other current assets were mainly influenced by purchase price receivables (TEUR +34,545), receivables in connection with the Feuerbachstrasse project (TEUR +9,460), receivables from companies in which participations are held (TEUR -19,508) and the billing of asset, sales and project management fees (TEUR +9,944).

CHANGES IN THE VALUE ADJUSTMENT ACCOUNT FOR RECEIVABLES

EUR '000	2012	2011
Balance as at January 1	**4,388**	**3,160**
Additions	**274**	**1,617**
Outflows due to derecognitions	–232	–46
Outflows due to payments received	–692	–343
BALANCE AS AT DECEMBER 31	**3,738**	**4,388**

Trade receivables are in principle impaired via a value adjustment account.

Receivables and other current assets have a residual term of less than one year.

4.6 BANK BALANCES AND CASH

The item "Bank balances and cash" comprises cash and short-term cash deposits held by the Group. The carrying amount of these assets corresponds to their fair value.

Of the bank balances, an amount of TEUR 1,830 (previous year: TEUR 1,831) is pledged as security. A breakdown is shown below:

An amount of TEUR 1,000 is pledged in favor of R+V Versicherung as collateral for a guaranty credit. This guaranty credit is security for a payment guaranty that was issued by the bank for the general contractor in the "Wasserturm, Sternschanze" project. Because arbitration proceedings are pending with the general contractor, it is not possible to judge how much longer the assets will be pledged as security.

A total of TEUR 730 was pledged to Zurich Versicherung as security for a guaranty in a total amount of TEUR 5,000. This can be used for various guaranties by PATRIZIA; cash collateral is 15%.

A further amount of TEUR 100 is pledged in favor of Bayerische Landesbank (institution under public law) as collateral for an interest hedge.

5 NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

For the development of equity, please see the statement of changes in equity.

5.1.1 SHARE CAPITAL

Following the issue of bonus shares, the company's share capital at the reporting date totaled TEUR 57,343 (previous year: TEUR 52,130) and is divided into 57,343,000 (previous year: 52,130,000) registered no-par value shares (shares with no nominal value).

The Managing Board was authorized, by resolution of the Annual General Meeting on June 20, 2012, to increase the share capital on one or more occasions with the consent of the Supervisory Board by up to a total of EUR 14,335,750 in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (Authorized Capital 2012) by June 19, 2017.

At the same time the Company's share capital was conditionally increased, through a resolution of the Annual General Meeting, by up to EUR 14,335,750.00 through the issue of 14,335,750 new, registered no-par value shares with a pro-rata share in the share capital of EUR 1.00 (Contingent Capital 2012). The conditional capital increase shall be used to grant rights to the holders or creditors of convertible bonds and bonds with warrants and/or profit participation rights with conversion or option rights and/or a conversion obligation that are issued, on the basis of the authorization pursuant to the resolution by the General Meeting held on June 20, 2012, until June 19, 2017 by the Company or by companies in which the Company holds a direct or indirect majority interest.

First Capital Partner GmbH is a shareholder of PATRIZIA Immobilien AG with 29,597,668 no-par value shares (previous year: 26,871,953 no-par value shares), which equates to a 51.62% shareholding (previous year: 51.55%).

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the past as part of the Company's capital increase are posted on an unchanged basis in the Capital reserve. In connection with the issue of bonus shares in the 2012 fiscal year, the capital reserves fell by TEUR 5,218.

5.1.3 RETAINED EARNINGS

The legal reserve of TEUR 505 (previous year: TEUR 505) is posted under Retained earnings.

5.1.4 NON-CONTROLLING PARTNERS

As part of the initial consolidation of F 40 GmbH, PATRIZIA KinderHaus Foundation was allocated an amount of TEUR 878 corresponding to its share as a non-controlling partner. This amount is 5.1% of the market value of F 40 GmbH at the time of acquisition. In the year under review the company generated a result of TEUR -131, with the result that earnings of TEUR –7 were allocated to the non-controlling shareholder.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	12/31/2012	12/31/2011
Less than 1 year	52,683	90,044
1 to 2 years	430,281	81,095
More than 2 to 5 years	38,090	522,213
More than 5 years	0	0
TOTAL	521,054	693,352

Maturity by fiscal year (January 1 to December 31):

MATURITY

Year	Amount of loans due as at 12/31/2012	
	EUR '000	%
2013	52,683	10.1
2014	430,281	82.6
2015	38,090	7.3
2016	0	0.0
TOTAL	521,054	100

Bank loans are measured at amortized cost. They have variable interest rates. In this respect, the Group is exposed to an interest rate risk in terms of the cash flows. To limit the risk, the Group has concluded interest hedging transactions for the majority of the loans.

All loans are in euro. Where real estate is sold, financial liabilities are in principle redeemed through repayment of a specific share of the sale proceeds.

Accordingly, in the above table, the loan maturity dates existing on the balance sheet date are allocated in accordance with the contractually agreed terms of the loan agreements, without taking into account repayments from resales.

In the above table, loans whose terms end within the 12 months following the reporting date are posted as bank loans with a residual term of less than one year.

Regardless of the terms shown above, loans which serve to finance inventories are in principle reported in the balance sheet as short-term bank loans (cf. 1. Principles Applied in Preparing the Consolidated Financial Statements).

The Group's own real estate serves as security for the bank loans. The bank loans secured by real estate liens amount to TEUR 519,670 (previous year: TEUR 691,553). In addition, financial liabilities are secured by assigning purchasing prices, and others are secured by assigning future rental payments.

5.3 DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

The main deferred tax assets and deferred tax liabilities and their development are set out below:

DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

EUR '000	12/31/2012 Assets	12/31/2012 Liabilities	12/31/2011 Assets	12/31/2011 Liabilities
Investment Property	0	10,585	0	14,694
Inventories	0	1,292	0	771
Derivatives	3,550	0	5,333	0
Tax loss carryforwards	0	0	609	0
Intangible assets PATRIZIA GewerbeInvest KAG mbH	0	13,961	0	14,597
Securities PATRIZIA GewerbeInvest KAG mbH	0	0	0	219
Consolidation of debts	889	1,470	0	1,269
Other	187	560	5	102
	4,626	**27,868**	**5,947**	**31,652**
Netting	–4,626	–4,626	–5,338	–5,338
	0	**23,242**	**609**	**26,314**

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognized for losses prior to fiscal unity of TEUR 447 (previous year: TEUR 447). The loss carryforwards for which deferred tax assets have been capitalized will be used in line with expectations within the planning period (maximum two years). The losses can be carried forward for an indefinite period.

According to IAS 12.24(b), the Group has not recognized any deferred tax assets for the temporary differences arising from the real estate of Alte Haide Baugesellschaft mbH.

In the same way, no deferred tax assets have been recognized for existing loss carryforwards in Alte Haide Baugesellschaft mbH of TEUR 1,481 (previous year: TEUR 1,629) due to lack of predictability of their tax usability.

In addition, on the balance sheet date, two companies (previous year: one company) had corporation tax loss carryforwards of TEUR 31,481 (previous year: TEUR 41,909); no deferred tax assets were formed for these due to the lack of predictability concerning their usability for fiscal purposes.

Where possible, deferred tax assets and deferred tax liabilities are in principle offset against one another, as the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income tax that is levied by the same tax authority.

The temporary differences relating to participating interests in subsidiaries for which no deferred taxes were recognized amounted to TEUR 11,342 (previous year: TEUR 9,411).

5.4 RETIREMENT BENEFIT OBLIGATIONS

In principle, there are no performance-related pension schemes at the Group. Exceptions to this are a scheme that was transferred in 2002 in conjunction with an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of six people had a performance-related commitment. Four of these people are retired persons who already receive ongoing pension payments. As at December 31, 2012, actuarial interest rates of 2.78% – 3.0% (previous year: 4.6%) and a projected pension increase of 2.0% (previous year: 2.0%) were used for the reference reports prepared in accordance with IAS 19. The projected unit credit method was used as the calculation method. The calculations were based on Prof. Klaus Heubeck's biometric reference tables (probabilities of death and invalidity) (2005G Reference Tables). As at December 31, 2012, the pension provision recognized was TEUR 388 (previous year: TEUR 371). Due to the low level of the annual pension payments of TEUR 26 (previous year: TEUR 38) and therefore also the low value of the pension provision, the pension provision in the consolidated financial statements was not regarded as material. For this reason, there is no breakdown of the change to the pension provision. As at the balance sheet date, there were neither plan assets nor unrecognized actuarial losses and/or unrecognized past service costs. The interest cost is posted under Staff costs.

5.5 OTHER PROVISIONS

The changes in other provisions are shown below:

OTHER PROVISIONS 2012

EUR '000	01/01/2012	Addition	Release	Drawn	12/31/2012
Other provisions	1,092	1,479	39	1,053	1,479
	1,092				**1,479**

OTHER PROVISIONS 2011

EUR '000	01/01/2011	Addition	Release	Drawn	12/31/2011
Other provisions	666	1,092	160	506	1,092
	666				**1,092**

The other provisions chiefly consist of provisions for unused holiday entitlements, contributions to employee accident insurance and surcharges for not employing handicapped persons.

With regard to other provisions, it is to be assumed that the outflow of funds will occur in the subsequent year.

5.6 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

CURRENT LIABILITIES

EUR '000	12/31/2012	12/31/2011
Trade payables	1,914	1,606
Advance payments	1,591	309
Other liabilities	25,245	20,729
	28,750	**22,644**

The current liabilities have a residual term of less than 12 months. Due to the short residual term, there are no major differences between the carrying amount and the fair value of the liabilities. Other liabilities chiefly include liabilities for acquisition and manufacturing costs arising after the balance sheet date in an amount of TEUR 11,716 (previous year: TEUR 9,062).

5.7 TAX LIABILITIES

The tax liabilities mainly concern subsequent taxation of the former Equity 02 portfolios amounting to TEUR 2,463 (previous year: TEUR 2,847), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 4,598 (previous year: TEUR 2,750), corporation tax of TEUR 2,869 (previous year: TEUR 4,579) on account of subsidiaries in Luxembourg that are subject to limited taxation in Germany, and also other taxes.

5.8 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The Group's financial assets chiefly comprise trade receivables, other assets and bank balances. The Group is exposed to a credit risk in these categories. The Group's credit risk primarily results from trade receivables. Insofar as they are identifiable, these are decreased by specific value adjustments. For the trade receivables, where property is sold as a single asset, security exists in the form of a commercial right of retransfer for the sold real estate in the event of default by the customer. When individual apartments are sold, ownership is not transferred until the purchase price is received in full. Consequently, there is no credit risk here.

The bank balances are held at banks with strong credit ratings and are held with several different banks in order to diversify risks.

Apart from derivative instruments, the main financial liabilities used by the Group comprise long-term and short-term bank loans and trade payables. The main objective of these financial liabilities is to finance the Group's business activities.

The Group also has derivative financial instruments. These comprise interest rate swaps and interest rate collars. The aim of these derivative financial instruments is to hedge against interest risks which result from the Group's business activities and from its financing sources.

Significant risks for the Group arising from the financial instruments include interest-related cash flow risks and liquidity and credit risks. The Management decides on strategies and procedures to manage individual risk types; these are outlined below.

Interest Rate Risk
The risk from fluctuations in the market interest rates to which the Group is exposed results primarily from financial liabilities with a variable interest rate.

To manage and smooth the Group's interest expense, the Group concludes interest hedging transactions. At specified intervals the Group exchanges with the contractual partner the difference between fixed-interest and variable-interest amounts for a previously agreed nominal amount or sets a maximum rate. The underlying obligation is hedged with these interest hedging transactions. As at December 31, 2012, the Group's external funds were secured to the full extent (previous year: 84%).

Overview of the Interest Rate Risk
In principle, the PATRIZIA Group concludes only variable interest rate loans. The Group is therefore subject to an interest rate risk on financial liabilities. This risk is reduced by using derivative financial instruments whereby variable interest rates are exchanged for fixed interest rates (swap) or a fixed upper ceiling is agreed for variable interest (collar or cap).

The Group measures the interest rate risk with the help of the cash flow sensitivity in the case of an assumed parallel shift in the interest curve of 100 basis points. Assuming a rise of 100 basis points in the interest rate, then as at December 31, 2012 and without taking taxes into account, this would have an effect of TEUR 1,429 (previous year: TEUR 9,372) on the consolidated profit and TEUR 151 (previous year: TEUR 846) on consolidated equity. Taking deferred taxes into account, an increase of 100 basis points in the interest rate would have an effect of TEUR 1,382 (previous year: TEUR 7,251) on the consolidated profit and TEUR 127 (previous year: TEUR 712) on consolidated equity. When determining the effects, existing accounting hedges were included with their characteristics as they appeared on the balance sheet date.

Credit Risk
In principle, due to a wide and uncorrelated counterparty structure there is no concentration of risks in our group of companies.

With regard to the Group's other financial assets such as cash and cash equivalents, and financial investments available for sale, the maximum credit risk in the event of default by the counterparty corresponds to the carrying amount of these instruments.

Liquidity Risk

The Group continually monitors the risk of a liquidity bottleneck using liquidity planning. This liquidity planning takes into account the terms of the financial liabilities and also expected cash flows from the operating activities.

The Group's objective is to ensure cash requirements are met on an ongoing basis by using overdrafts and loans.

The maturities of financial liabilities can be found in item 5.2 of the Notes to the Consolidated Financial Statements.

Further information on page 122

Capital Management

The Group monitors its capital with the help of a gearing ratio which corresponds to the ratio of net financial liabilities to the sum of modified equity and net financial liabilities. Net financial liabilities comprise interest-bearing loans, trade payables and other liabilities less cash and short-term deposits. Modified equity comprises the equity attributable to the shareholders of the parent company less unrecognized profit.

CAPITAL MANAGEMENT

EUR '000	2012	2011
Interest-bearing loans	521,054	693,352
Trade payables and other liabilities	42,258	34,209
Less cash and short-term deposits	–38,135	–31,828
Net financial liabilities	**525,177**	**695,733**
Equity	336,387	310,075
Unrecognized losses	469	1,331
Total modified equity	**336,856**	**311,406**
Modified equity and net financial liabilities	862,033	1,007,139
Gearing ratio	61%	69%

5.9 FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets fall in the individual categories as follows:

FINANCIAL ASSETS

EUR '000	12/31/2012	12/31/2011
Loans and receivables	140,453	97,063
Available-for-sale financial assets	18,407	3,134

The carrying amounts of the financial liabilities fall in the individual categories as follows:

CARRYING AMOUNTS OF FINANCIAL LIABILITIES

EUR '000	2012	2011
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	21,929	31,454
Financial liabilities which are measured at amortized cost	526,911	698,897
Derivative financial instruments which are designated as hedging instruments and are effective as such	503	2,249

The following net profit (+) or loss (-) was attributed to each category:

NET PROFIT/LOSS BY CATEGORY

EUR '000	2012	2011
Loans and receivables	+699	+2,864
Available-for-sale financial assets	+6,557	+96
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (interest expenses)	–18,798	–16,851
Financial liabilities which are measured at amortized cost	–13,101	–23,564
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (change in value)	+11,028	+4,947
Derivative financial instruments which are designated as hedging instruments and are effective as such – included in consolidated profit	+1	+190

Net profit and loss from financial instruments that are recognized at fair value through profit or loss include interest income/expense.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

6.1 REVENUES

Please refer to the statements on segment reporting.

Revenues include rental income from investment property of TEUR 31,227 (previous year: TEUR 38,864).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of property intended for sale is recognized through profit or loss under Changes in inventories and is corrected accordingly in Cost of materials. Consequently, the acquisition of property intended for sale leads to an increase in inventories and the sale of the corresponding property leads to a reduction in inventories.

6.3 OTHER OPERATING INCOME

Other operating income primarily includes income from cancelled obligations in the amount of TEUR 4,257 (previous year: TEUR 5,053); income from liability compensation in the amount of TEUR 589 (previous year: TEUR 588); income from payments in kind of TEUR 639 (previous year: TEUR 553); income from insurance compensation in the amount of TEUR 171 (previous year: TEUR 367); income from the reduction in specific value adjustments in the amount of TEUR 791 (previous year: TEUR 3); income from costs charged on of TEUR 1,716 (previous year: TEUR 350) and the settlement of transaction fees in an amount of TEUR 2,736 (previous year: TEUR 0).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance and comprises maintenance expenses of TEUR 2,773 (previous year: TEUR 3,579), project development costs of TEUR 17,787 (previous year: TEUR 5,639), renovation costs of TEUR 14,988 (previous year: TEUR 15,064) and ancillary costs of TEUR 18,472 (previous year: TEUR 21,220).

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

STAFF COSTS

EUR '000	2012	2011
Wages and salaries	42,389	31,573
Social insurance contributions	5,172	4,099
	47,561	**35,672**

6.6 AMORTIZATION

Scheduled amortization of software and equipment amounted to TEUR 2,573 (previous year: TEUR 1,526). This item also shows amortization of the hidden reserves allocated to the fund management contracts when PATRIZIA GerwerbeInvest Kapitalanlagegesellschaft mbH was acquired. Subject to an annual impairment test, the annual amortization amount is TEUR 1,968 (previous year: TEUR 1,968).

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

OTHER OPERATING EXPENSES

EUR '000	2012	2011
Operating expenses	9,031	6,536
Administrative expenses	12,660	10,506
Selling expenses	17,456	14,926
Other expenses	6,121	9,022
	45,268	**40,990**

6.8 FINANCIAL RESULT

FINANCIAL RESULT

EUR '000	2012	2011
Interest on bank deposits	168	1,722
Income from securities	0	96
Changes in the value of derivatives	11,028	6,028
Other interest	531	1,142
Finance income	**11,727**	**8,988**
Interest on revolving lines of credit and bank loans	–13,101	–23,564
Interest rate hedging expense	–18,798	–16,851
Changes in the value of derivatives	0	–889
Release of other result from cash flow hedging	–781	0
Other finance costs	–2,177	–2,414
Financial expenses	**–34,857**	**–43,718**
Financial result	**–23,130**	**–34,730**

Interest income of TEUR 531 (previous year: TEUR 1,142), which was recognized at the effective interest rate, is attributable to loans and receivables. There were no pure measurement effects for instruments of this category. The amount of the impairment on receivables can be seen under section 4.5.

6.9 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAX

EUR '000	2012	2011
Actual taxes	–5,761	–5,814
Deferred taxes	2,595	–599
	–3,166	**–6,413**

The deferred taxes in the income statement chiefly result from loss carryforwards, the fair value measurement of interest rate hedging instruments and the investment property and also from the elimination of intra-Group results.

Reconciliation Statement

The tax reconciliation statement describes the relationship between effective tax expenses and expected tax expenses based on the IFRS consolidated net profit/loss for the year before income taxes by applying the income tax rate of 30.825% (previous year 30.825%). The income tax rate consists of 15% corporation tax, and on this a 5.5% solidarity surcharge, as well as 15% trade tax:

EFFECTIVE TAX EXPENSE

EUR '000	2012	2011
IFRS consolidated profit/loss for the period before income tax	28,621	19,906
Expected actual income tax expenses	–8,822	–6,137
Tax additions and deductions	1,518	–1,326
Use of non-capitalized loss carryforwards	2,974	1,360
Non-recognition of loss carryforwards	0	–713
Trade tax effects from income subject to limited taxation	823	240
Effects outside the period	808	561
Other	–467	–398
EFFECTIVE TAX EXPENSE	**–3,166**	**–6,413**

6.10 EARNINGS PER SHARE

EARNINGS PER SHARE

	2012	2011
Profit share of Group shareholders	25,461,247	13,571,454
Number of shares issued	57,343,000	52,130,000
Weighted number of shares	57,343,000	57,343,000
EARNINGS PER SHARE (UNDILUTED)	**EUR 0.44**	**EUR 0.24**

There were no diluted earnings per share in the reporting year or in the previous year. In application of IAS 33.64, the weighted number of shares for the previous year (52,130,000) was adjusted. In doing so, it was assumed that the weighted number of shares for 2011 corresponds to that for 2012.

The Managing Board was authorized, by resolution of the Annual General Meeting on June 20, 2012, to increase the share capital on one or more occasions with the consent of the Supervisory Board by up to a total of EUR 14,335,750 in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (Authorized Capital 2012) by June 19, 2017.

7 SEGMENT REPORTING

In the PATRIZIA Group, the use of real estate as residential or commercial property determines and segments the associated activities. In line with the Group's reporting for management purposes and in accordance with the definition contained in IFRS 8 "Operating segments", three segments are identified based on functional criteria: Residential, Commercial and Special Real Estate Solutions.

The Residential segment bundles all activities relating to own investments, co-investments, funds and other services in the field of residential real estate. It comprises PATRIZIA Acquisition & Consulting GmbH, PATRIZIA Wohnen GmbH and PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH. The real estate portfolio for residential property resale and asset repositioning is held as own investments. Clients include private and institutional investors that invest either in individual residential units or in real estate portfolios. As of the balance sheet date, the segment had a portfolio of around 6,000 residential units (December 31, 2011: around 7,500) that are listed as investment property and inventories. The commission revenues from the co-investment WohnModul I (for example for residential property resale or for the purchase of residential real estate) are included in the portfolio management service revenues.

The Commercial segment combines the same portfolio of services for commercial real estate. This also covers the special fund provider for real estate PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and the co-investment PATRoffice Real Estate GmbH & Co. KG. The only proprietary investment of PATRIZIA is currently a commercial property in Cologne with 25 units or 12,200 sqm.

The subsidiaries that serve both the residential and commercial sectors make up the Special Real Estate Solutions segment. These include PATRIZIA Alternative Investments GmbH, PATRIZIA Immobilienmanagement GmbH, PATRIZIA Projektentwicklung GmbH and PATRIZIA Sales GmbH. In particular, this segment bundles services for group companies, for the co-investments WohnModul I and Süddeutsche Wohnen GmbH (formerly LBBW Immobilien GmbH) and also for third parties. The commission revenues from the co-investments (e.g. for property management, for block sales or the management of new construction projects) are included in the portfolio management service revenues. PATRIZIA's own project developments are also shown under this segment.

The internal corporate, cross-company services provided by the holding company and all consolidating entries are shown in the segment Corporate/Consolidation, as are the activities of corporate divisions that are not shown separately. These mainly include PATRIZIA's foreign companies. Thus, all internal output is consolidated in the column "Group", which represents the external output of the Group.

The PATRIZIA Group's internal control and reporting measures are primarily based on the principles of accounting under IFRS. The Group measures the success of its segments using segment earnings, which are listed in the internal control and reporting as EBIT, operating EBIT, EBT and operating EBT.

The segment earnings parameter EBIT comprises a total of revenues, income from the sale of investment property, changes in inventories, cost of materials and staff costs, other operating income and expenses, changes in the value of investment property and also amortization and depreciation. To determine operating EBIT, allowances are made for non-liquidity-related effects. This firstly involves amortization of other intangible assets (fund management contracts) transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and secondly unrealized changes in the value of investment property. Realized changes in the value of investment property are added.

EBT comprises EBIT plus earnings from investments (including investments valued at equity) and the financial result. Operating EBT includes further adjustments to account for the results of the market valuation of the interest-rate hedging instruments.

Revenues arise between reportable segments. These intercompany services are invoiced at market prices.

Although PATRIZIA has now extended its operating activities to selected European regions, the majority of revenues are still generated within Germany. For this reason, PATRIZIA still refrains from applying geographical segmentation.

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. The calculation of individual financial figures is carried out on the basis of non-rounded figures.

2012 (JANUARY 1 – DECEMBER 31, 2012)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	9,506	1,542	25,496	361	36,904
Rental revenues	0	0	0	2	2
Revenues from services	9,506	1,542	25,496	359	36,902
Intercompany revenues	19,657	630	5,000	–25,287	0
Own Investments					
Residential Property Resale					
Third-party revenues	96,745	–	9,865	–	106,610
Rental revenues	8,831	–	0	–	8,831
Purchase price revenues from single unit sales	83,772	–	0	–	83,772
Purchase price revenues from bloc sales	2,300	–	9,460	–	11,760
Other revenues	1,842	–	405	–	2,247
Intercompany revenues	116	–	6	–123	0
Asset Repositioning					
Third-party revenues	53,345	1,954	–	–	55,299
Rental revenues	32,540	1,371	–	–	33,911
Purchase price revenues from bloc sales	10,702	0	–	–	10,702
Other revenues	10,103	583	–	–	10,686
Intercompany revenues	145	94	–	–239	0
Funds					
Third-party revenues	8,388	22,037	–	–	30,425
Revenues from services	8,388	22,037	–	–	30,425
Intercompany revenues	1,025	148	–	–1,173	0
Total Group Revenues					
Third-party revenues	167,983	25,532	35,361	361	229,238
Rental revenues	41,370	1,371	1	2	42,744
Revenues from services	17,893	23,579	25,496	359	67,327
Purchase price revenues from single unit sales	83,772	0	0	0	83,772
Purchase price revenues from bloc sales	13,002	0	9,460	0	22,462
Other revenues	11,945	583	405	0	12,933
Intercompany revenues	20,943	873	5,007	–26,823	0
Finance income	14,360	787	2,632	–6,051	11,727
Finance cost	–43,128	–3,665	–4,757	16,693	–34,857
Significant non-cash earnings					
Market valuation income derivatives	11,028	0	0	0	11,028
Market valuation expenditures derivatives	–781	0	0	0	–781
Results from fair value adjustments to investment property	18	0	0	0	18
Amortization of other intangible assets	0	–1,968	0	0	–1,968
Valuation of fund shares	0	0	0	0	0
Segment result EBIT	53,494	6,715	3,403	–18,873	44,739
Segment result EBT	25,180	3,837	7,834	–8,230	28,621
Segment result realized operating EBIT	77,044	8,683	3,403	–18,873	70,257
Segment result realized operating EBT	38,483	5,805	7,834	–8,230	43,892
Thereof result from participating interests[1]	455	0	6,557	0	7.012
Segment assets	734,301	106,752	55,893	54,607	951,553
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	15,810	15,810
Additions to non-current assets	3,174	4,632	200	25,372	33,378
Segment liabilities	–687,667	–64,623	–33,844	170,968	–615,166

[1] Including investments valued at equity

2011 (JANUARY 1 – DECEMBER 31, 2011)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli-dation	Total
Portfolio-Management					
Third-party revenues	3,879	2,266	4,583	–185	10,544
Rental revenues	0	0	1	2	3
Revenues from services	3,879	2,266	4,582	–242	10,485
Intercompany revenues	14,233	2,286	6,148	–22,985	–318
Own Investments					
Residential Property Resale					
Third-party revenues	138,692	–	404	–	139,096
Rental revenues	20,810	–	310	–	21,120
Purchase price revenues from single unit sales	95,895	–	0	–	95,895
Purchase price revenues from bloc sales	15,833	–	0	–	15,833
Other revenues	6,154	–	94	–	6,248
Intercompany revenues	165	–	31	–	196
Asset Repositioning					
Third-party revenues	91,119	2,104	–	–	93,223
Rental revenues	32,820	1,380	–	–	34,200
Purchase price revenues from bloc sales	47,200	0	–	–	47,200
Other revenues	11,099	724	–	–	11,823
Intercompany revenues	54	68	–	–	122
Funds					
Third-party revenues	7,763	18,381	–	–	26,144
Revenues from services	7,763	18,381	–	–	26,144
Intercompany revenues	0	0	–	–	0
Total Group Revenues					
Third-party revenues	241,453	22,752	4,987	–185	269,007
Rental revenues	53,630	1,380	311	2	55,323
Revenues from services	11,642	20,648	4,582	–242	36,629
Purchase price revenues from single unit sales	95,895	0	0	0	95,895
Purchase price revenues from bloc sales	63,033	0	0	0	63,033
Other revenues	17,254	724	94	55	18,127
Intercompany revenues	14,452	2,354	6,179	–22,985	0
Finance income	8,932	1,117	1,056	–2,116	8,988
Finance cost	–51,150	–3,431	–3,087	13,949	–43,718
Significant non-cash earnings					
Market valuation income derivatives	5,696	332	0	0	6,028
Market valuation expenditures derivatives	-889	0	0	0	–889
Results from fair value adjustments to investment property	3	0	0	0	3
Amortization of other intangible assets	0	–1,968	0	0	–1,968
Valuation of fund shares	0	21	0	0	21
Segment result EBIT	73,299	3,770	–2,873	–19,565	54,631
Segment result EBT	31,081	1,456	–4,903	–7,727	19,906
Segment result realized operating EBIT	85,339	5,738	–2,873	–19,565	68,638
Segment result realized operating EBT	38,314	3,071	–4,903	–7,727	28,754
Thereof result from participating interests[1]	–	–	–	5	5
Segment assets	899,297	115,059	94,013	–6,085	1,102,284
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	6,838	6,838
Additions to non-current assets	1,368	47,195	0	0	48,563
Segment liabilities	–861,906	–77,892	–71,781	219,370	–792,209

[1] Including investments valued at equity

8 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement was prepared in line with the provisions of IAS 7.

In the cash flow statement, the payment flows are subdivided into cash flow from current operating activities, cash flow from investing activities and cash flow from financing activities. Effects of changes to the scope of consolidation are eliminated in the respective items. The cash flow from current operating activities was calculated using the indirect method.

Cash and cash equivalents contain the short-term bank balances and cash posted in the balance sheet. Of the cash and cash equivalents, an amount of TEUR 1,830 (previous year: TEUR 1,831) is restricted in terms of availability.

Cash flow from investing activities contains financial investments and sales, especially in/of investment property, and also property, plant and equipment and investments in financial assets.

Cash flow from financing activities includes cash outflows for dividends of PATRIZIA Immobilien AG as well as loan receipts and redemptions to finance current and non-current assets.

As in the previous year, no cash dividend was distributed during the reporting year.

9 OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

In principle, there are no performance-related pension schemes at the Group. Exceptions to this are a scheme that was transferred in 2002 as part of an acquisition process and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of six people had a performance-related commitment. Two of these people are retired persons who already receive ongoing pension benefits. In addition, there are performance-related pension schemes for the Managing Board in the context of a company provident fund. In this respect, the Group makes set contributions to an independent entity (fund). This pension commitment involves a risk of subsidiary liability for the Group if the fund does not have sufficient assets to pay all benefits relating to work performed by the employees in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2012, a total of TEUR 66.9 (previous year: TEUR 72) was paid in contributions to the provident fund.

Most employees in the Group have compulsory state pension insurance and are thus covered by a state defined contribution scheme. Under this pension commitment, the Group is neither legally nor factually obliged to pay contributions over and above this. Contributions under defined contribution pension systems are paid in the year in which the employee provided the counterperformance for these contributions.

Since January 1, 2002, employees have had a statutory right to deferred compensation of up to 4% per annum of the contributions ceiling for state pension insurance. For this purpose, the Group has concluded a collective framework agreement with an external pension fund.

9.2 MANAGEMENT PARTICIPATION MODEL

PATRIZIA Immobilien AG's management participation model focuses on the aspects of market conformity, per-formance and sustainability. The model was developed taking into account the requirements of the German Corporate Governance Code.

The fundamental requirement of PATRIZIA's management participation model is a consistent target system that supports the corporate strategy. It is based on a long-term, multidimensional and neutral approach. The system sets Managing Board members and managing directors of Group companies quantitative and qualitative Company, business line and indi-vidual goals. In principle, the degree to which quantitative goals are achieved is based on projected figures derived from the Company's planning. Key objectives include in particular consolidated profit before taxes of the past fiscal year without taking changes in the market value of investment property and of interest hedging instruments into account and without taking amortization of intangible assets (fund management contracts arising on the acquisition of PATRIZIA GewerbeInvest Kapital-anlagegesellschaft mbH) into account. This adjusted pre-tax profit is published in PATRIZIA's financial reports as so-called EBT adjusted. Other objectives include the Group return on equity and also share price performance in relation to reference indices.

At business line level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and of performance interdependencies among the parties involved in processes. Managing Board members and managing directors of Group companies involved in the provision of services or in qualitative projects are set common targets.

At individual level, the quantitative results or qualitative project results for which the Managing Board members and managing directors of Group companies hold individual responsibility are taken into account.

The degree to which the individual goals are achieved determines the amount of the variable portion of remuneration. A cap is placed on achievable variable compensation components. If the Group achieves less than two-thirds of the aforementioned forecast consolidated profit, the Managing Board members and managing directors of Group companies lose the entire variable portion of remuneration.

The variable portion of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive is paid directly after it has been established that the targets have been achieved. The long-term incentive is a salary commitment with a virtual link to the PATRIZIA share price. It is not paid until two or three years after confirmation that the targets have been achieved.

Within this vesting period, the cash commitment is tied to allocation conditions. These regulate the consequences regarding allocation of the long-term incentive to the respective individual Managing Board members and managing directors of a Group com-pany should they leave the Group. Depending on the reason for leaving, an individual may receive all, part or none of the promised but as yet undistributed claims.

In 2012, a long-term incentive of TEUR 932 was established for the first and second management level. This corresponds to the provision formed for the maximum achievable long-term variable compensation. The final calculation cannot be made until all data required for the calculation are known; these data will not be known until after the consolidated financial statements have been approved. This monetary amount is converted into performance share units at the average Xetra price 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the second or third year (vesting period).

Managers who leave the Company during the vesting period generally lose their claims to payment, unless they retire or die. Individual agreements may be concluded on a case-by-case basis.

Based on the average share price of the PATRIZIA share 30 days before and after December 31, 2012, the average rate is EUR 6.26. This corresponds to 148,990 shares. In the reporting period expenses of TEUR 2,135 (previous year: TEUR 772) arose for share-based compensation.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	No. of performance share units	Fair values 12/31/2012 EUR '000	Fair values 12/31/2011 EUR '000	Paid out EUR '000
Tranche performance share units fiscal year 2012[1]	148,990	932	0	0
Tranche performance share units fiscal year 2011	249,618	1,563	976	0
Tranche performance share units fiscal year 2010	196,439	1,229	613	0
Tranche performance share units fiscal year 2009	97,725	0	335	335

[1] Corresponds to the provision posted for 120% target achievement. Final calculation of this variable becomes possible when all data required to determine it are known. This will not be until after the 2012 Consolidated Financial Statements have been approved.

The performance share units as of the balance sheet date are as follows (number):

PERFORMANCE SHARE UNITS

units	12/31/2012	12/31/2011
Outstanding at the start of the reporting period	561,123	276,306
Granted for the reporting period	189,567	284,817
Forfeited in the reporting period	57,917	0
Paid out in the reporting period	97,725	0
Outstanding at the end of the reporting period	**595,047**	**561,123**

9.3 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The individuals and companies related to the company include the members of the Managing Board and Supervisory Board as well as the directors of subsidiaries, in each case including their close relatives, as well as companies on which the Managing Board or Supervisory Board members or their close relatives can exert a significant influence or in which they hold a significant share of the voting rights. In addition, related companies include companies with which the company forms an affiliated group or in which it holds a participating interest that enables it to exert significant influence on the business policy of the associated company, as well as the main shareholders of the company including its affiliated companies.

PATRIZIA maintains the following business relationships with related parties:

Ownership of PATRIZIA shares by members of the Managing Board and persons related to Managing Board members

As at the balance sheet date, Wolfgang Egger, CEO, holds a total stake of 51.62% in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100% stake via WE Vermögensverwaltung GmbH & Co. KG.

Wolfgang Egger also has a 5.1% stake in Projekt Wasserturm Grundstücks GmbH & Co. KG. A further 45.9% is indirectly held by PATRIZIA Immobilien AG, and the remaining 49% is held by Ernest-Joachim Storr.

Klaus Schmitt, a member of the Company's Managing Board, holds a total stake of 0.15% in PATRIZIA Immobilien AG.

Ownership of shares by other members of the management in key positions
In addition, Johannes Altmayr, Markus Fischer, Jürgen Kolper and Martin Lemke hold a total of 0.2% as members of PATRIZIA's additional management level.

Contracts and business relationships between the Managing Board members and PATRIZIA
PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG provide various services for Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In particular, these services relate to management of real estate portfolios and construction projects. The scope of services to be provided by PATRIZIA Immobilien AG and/or its subsidiaries is precisely defined in the framework agreement of March 25, 2010. The remuneration for services provided as agreed in the contract is in line with current market conditions. In the 2012 fiscal year, PATRIZIA provided services to the value of TEUR 14 (previous year: TEUR 532).

Rental agreements between Managing Board members and PATRIZIA
Wolfgang Egger – as lessor – has concluded a rental agreement with the Company – as tenant – relating to the building, including parking spaces, used by the Company as its head office (Fuggerstrasse 18-24 and also Fuggerstrasse 26 in Augsburg) at a current monthly rent of TEUR 103 (previous year: TEUR 103).

Activities of Managing Board members outside PATRIZIA
Chairman of the Board Wolfgang Egger is a director of Wolfgang Egger Verwaltungs GmbH (general partner of Wolfgang Egger GmbH & Co. KG), as well as general partner of Friedrich-List Vermögensverwaltungs KG.

Consultancy agreement with the law firm Seitz, Weckbach, Fackler
There is a consultancy relationship with the law firm Seitz, Weckbach, Fackler of Augsburg, under which the company is advised on competition and employment law. A partner in this law firm, Dr. Theodor Seitz, is also Chairman of the Company's Supervisory Board. In 2012 no consultancy costs were incurred with the law firm Seitz, Weckbach, Fackler (previous year: TEUR 1).

9.4. SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company
The following are members of the Managing Board:

- Wolfgang Egger, businessman, Chief Executive Officer
- Arwed Fischer, business studies graduate (univ.), Chief Financial Officer
- Klaus Schmitt, law graduate, Chief Operating Officer

The following payments were granted to the members of the Managing Board in 2012:

SHORT-TERM COMPENSATION 2012[1]

in EUR	Fixed compensation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation	Total
Wolfgang Egger, Chairman	360,000	75,562	12,000	202,674	650,236
Arwed Fischer	300,000	37,498	12,000	219,111	568,609
Klaus Schmitt	300,000	33,399	24,000	248,125	605,524
TOTAL	**960,000**	**146,459**	**48,000**	**669,910**	**1,824,369**

[1] Payment in the 2012 fiscal year
[2] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

SHORT-TERM COMPENSATION 2011[1]

in EUR	Fixed compensation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation	Total
Wolfgang Egger, Chairman	310,000	24,407	12,000	229,484	575,891
Arwed Fischer	290,000	37,814	12,000	215,000	554,814
Klaus Schmitt	300,000	47,100	24,000	179,857	550,957
TOTAL	**900,000**	**109,321**	**48,000**	**624,341**	**1,681,662**

[1] Payment in the 2011 fiscal year
[2] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

VARIABLE COMPENSATION WITH A LONG-TERM INCENTIVE EFFECT

	2012[1]		2011[2]	
	Fair value when granted in EUR[3]	Number of performance share units[4]	Fair value when granted in EUR[5]	Number of performance share units[4]
Wolfgang Egger, Chairman	101,337	32,310	114,742	31,397
Arwed Fischer	112,056	35,728	86,560	23,685
Klaus Schmitt	124,063	39,556	89,929	24,607
TOTAL	**337,456**	**107,594**	**291,231**	**79,689**

[1] Granted in the 2012 calendar year for the 2011 fiscal year once all criteria required for determining the variable compensation were known.
[2] Granted in the 2011 calendar year for the 2010 fiscal year once all criteria required for determining the variable compensation were known.
[3] Conversion to performance share units with two-year/three-year vesting period at an average price of EUR 3.45. To be paid out in 2014/2015 at the average Xetra price 30 days before and after December 31, 2013/2014.
[4] Due to the bonus shares issued in a ratio of 10:1 in 2012, the performance share units issued were adjusted in the same ratio in order to offset any potential dilution effect.
[5] Conversion to performance share units with two-year vesting period at an average price of EUR 4.02. To be paid out in 2013 at the average Xetra price 30 days before and after December 31, 2012.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

- Dr. Theodor Seitz, Chairman, tax consultant and lawyer, Augsburg
- Harald Boberg, representative of Bankhaus Lampe KG, (Düsseldorf), Hamburg
- Manfred J. Gottschaller, director of Bayerische Handelsbank AG, Munich, retired

In the fiscal year, the Supervisory Board received remuneration of TEUR 100 (previous year: TEUR 63); details can be found in the following table:

The following payments were granted to the Supervisory Board in the 2012 fiscal year:

in EUR	Fixed compensation		Variable compensation	
	2012	2011	2012[1]	2011[2]
Dr. Theodor Seitz, Chairman	40,000	25,000	0	0
Harald Boberg	30,000	18,750	0	0
Manfred J. Gottschaller	30,000	18,750	0	0
TOTAL	**100,000**	**62,500**	**0**	**0**

1 From the start of the 2012 fiscal year the Supervisory Board now receives only fixed compensation.
2 Up to the end of 2011 the Supervisory Board was paid variable compensation based on the amount of dividends paid out for the last fiscal year. Since no dividend was paid for the 2011 fiscal year, the basis for performance-related compensation did not apply.

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The obligations arising from existing maintenance and leasing agreements amount to:

OBLIGATIONS ARISING FROM EXISTING MAINTENANCE AND LEASING AGREEMENTS

EUR '000	
2013	2,985
2014 – 2017	8,976
2018 and later	2,891
	14,852

Use of part of our office buildings is based on operating lease agreements. This also reduces capital tie-up and leaves the investment risk with the lessor. The leasing agreement for the office building in Augsburg still has a residual term of just under ten years and results in an annual leasing expense of TEUR 1,228. Rental agreements have also been concluded for subsidiaries' offices in other locations; they have remaining terms of between three months and three years. The obligations amount to TEUR 1,405 for 2013, TEUR 1,157 for 2014 and TEUR 1,098 for 2015.

9.6 EMPLOYEES

The average headcount at the Group in 2012 (excluding members of the Managing Board) was 529 (previous year: 455).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded for the 2012 fiscal year amounted to TEUR 407 (previous year: TEUR 343) for auditing the financial statements and TEUR 4 (previous year: TEUR 15) for tax advisory services.

9.8 GERMAN CORPORATE GOVERNANCE CODE

On December 17, 2012, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and published it on the Company's homepage (www.patrizia.ag).

10 STATEMENT OF THE MANAGING BOARD

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and of the Management Report of the Company and the Group.

The Managing Board released these financial statements for presentation to the Supervisory Board on March 11, 2013. It is the duty of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them.

The Consolidated Financial Statements were prepared in line with the International Financial Reporting Standards (IFRS).

The Management Report of the Company and the Group contains analyses relating to the net asset, financial and earnings situation of the Group as well as other explanations as required by Article 315 of the Handelsgesetzbuch (HGB – German Commercial Code).

Augsburg, March 11, 2013

Wolfgang Egger	**Arwed Fischer**	**Klaus Schmitt**
CEO	CFO	COO

Appendix to the Notes to the Consolidated Financial Statements

LIST OF SHAREHOLDINGS

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA Acquisition & Consulting GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Investmentmanagement GmbH[1]	Augsburg	100	164,912.54	0.00
PATRIZIA Immobilienmanagement GmbH[1]	Augsburg	100	16,881.05	0.00
PATRIZIA Projektentwicklung GmbH[1]	Augsburg	100	250,000.00	0.00
PATRIZIA Wohnen GmbH[1]	Augsburg	100	618,682.33	0.00
Deutsche Wohnungsprivatisierungs GmbH[1]	Augsburg	100	13,145.51	0.00
PATRIZIA Projekt 100 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 110 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 120 GmbH[1]	Augsburg	100	22,280.88	0.00
PATRIZIA Sales GmbH[1] (formerly: PATRIZIA Projekt 140 GmbH)	Augsburg	100	34,592.95	0.00
PATRIZIA Projekt 160 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH[1]	Augsburg	100	135,245,000.00	0.00
PATRIZIA Projekt 180 GmbH[1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH[1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 230 GmbH	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 240 GmbH	Augsburg	100	15,582.49	0.00
PATRIZIA Projekt 250 GmbH	Augsburg	100	14,837.33	0.00
PATRIZIA Projekt 260 GmbH[1]	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Hamburg	100	125,545.79	12,852.46
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Augsburg	100	10,841.41	–619.90
PATRIZIA Projekt 420 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Alternative Investments GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Property Inc.	Wilmington, Delaware/USA	100	–9,623.16[2]	–7,950.57[2]
PATRIZIA Nordics A/S	Copenhagen	100	–66,130.58[3]	–143,796.04[3]
PATRIZIA Projekt 700 GmbH	Augsburg	100	42,300.00	-200.00
PATRIZIA Projekt 710 GmbH	Augsburg	100	40,549.09	12,550.00
Carl HR Verwaltungs GmbH	Munich	100	25,669.89	669.89
Carl B-Immo Verwaltungs GmbH	Munich	100	25,477.86	477.86
Carl A-Immo Verwaltungs GmbH	Munich	100	25,701.39	701.39
Carl Carry Verwaltungs GmbH	Munich	100	25,699.69	699.69
Blitz 12-571 GmbH	Munich	100	25,000.00	0.00
Carl HR AcquiCo GmbH	Munich	100	25,161.15	1,038.63

[1] As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.
[2] Amounts from 2011
[3] Provisional financial statements

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	499,238.48	474,238.48
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	49,351.90	1,918.01
Alte Haide Baugesellschaft mbH	Augsburg	100	8,283,535.07	4,535.47
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	140,807,598.71	1,271,461.49
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,152,699.83	101,654.57
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	30,340,561.50	281,872.33
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	86,720.59	354.52
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	9,144,034.37	61,463.62
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	710,218.63	10,244.16
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	18,668,613.97	1,211,702.95
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	–48,174,044.57	29,810,838.94
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	–4,686,361.93	–1,610,842.47
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	–358,291.06	467,295.24
F40 GmbH	Augsburg	94.9	10,474,320.23	252,491.26
PATRIZIA Projekt 380 GmbH	Augsburg	100	10,175.33	–2,276.99
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–701,301.14	–12,904.15
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–1,169,999.22	–159,364.64
PATRIZIA Projekt 600 GmbH	Augsburg	100	6,011,071.41	5,273,358.32
PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH[1]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	44,532.52	886.76
PATRIZIA Facility Management GmbH[2]	Augsburg	100	25,000.00	0.00
PATRIZIA Scandinavia AB	Stockholm	100	12,012.55[3]	4,969.53[3]
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt	30	27,452.13	2,502.13
Projekt Feuerbachstraße GmbH & Co. KG	Frankfurt	28.3	575,595.62	–115,254.38

1 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 600 GmbH.
2 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH.
3 Provisional financial statements

PATRIZIA Immobilien AG participates indirectly and directly in the following companies:

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA Vermögensverwaltungs GmbH[1]	Augsburg	100	687,583.35	0.00
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	9.09	183,338,585.37	5,544,389.01

1 As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH.

Auditor’s Certificate

We have audited the consolidated financial statements prepared by PATRIZIA Immobilien AG, Augsburg – comprising the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated notes – as well as the report on the position of the company and the Group for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the report on the position of the company and the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code is the responsibility of the company›s Managing Board. Our responsibility is to express an opinion on these consolidated financial statements and the report on the position of the company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net asset, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and the significant estimates made by the Managing Board, as well as evaluating the overall presentation of the consolidated financial statements and the report on the position of the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PATRIZIA Immobilien AG, Augsburg, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law as per Article 315a (1) of the German Commercial Code and give a true and fair view of the net asset, financial and earnings situation of the Group in accordance with these requirements. The report on the position of the company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group›s position and suitably presents the opportunities and risks of future development.

Munich, March 11, 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

Stadter
German Public Auditor

Responsibility Statement by the Legal Representatives of PATRIZIA Immobilien AG

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of 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.

Wolfgang Egger
CEO

Arwed Fischer
CFO

Klaus Schmitt
COO