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Consolidated Financial Statements

Consolidated Balance Sheet

AS OF 31 DECEMBER 2013

ASSETS			
EUR '000	Notes	31.12.2013	31.12.2012
A. Non-current assets			
Goodwill	4.1.1	610	610
Other intangible assets	4.1.2	41,904	43,259
Software	4.1.3	8,698	7,553
Investment property	4.1.4	229,717	374,104
Equipment	4.1.5	4,765	3,479
Participations in associated companies	4.1.6	18,295	15,810
Participations	4.1.7	80,074	18,407
Loans	4.1.8	5,814	0
Long-term tax assets	4.2	159	201
Total non-current assets		390,036	463,423
B. Current assets			
Inventories	4.3	309,203	345,920
Securities		96	60
Short-term tax assets	4.2	5,582	5,380
Current receivables and other current assets	4.5	82,262	98,635
Bank balances and cash	4.6	105,536	38,135
Total current assets		502,679	488,130
TOTAL ASSETS		892,715	951,553

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EQUITY AND LIABILITIES

EUR '000	Notes	31.12.2013	31.12.2012
A. Equity			
Share capital	5.1.1	63,077	57,343
Capital reserve	5.1.2	204,897	210,644
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	1,398	1,556
Valuation results from cash flow hedges	4.4	-31	-469
Currency translation difference	2.5	500	0
Consolidated annual profit		104,135	66,808
Total equity		374,481	336,387
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	22,933	23,242
Long-term financial derivatives	4.4	0	16,363
Retirement benefit obligations	5.4	534	388
Long-term bank loans	5.2	0	302,004
Non-current liabilities	5.5	80,849	3,417
Total non-current liabilities		104,316	345,414
CURRENT LIABILITIES			
Short-term bank loans	5.2	321,634	219,050
Short-term financial derivatives	4.4	2,819	6,069
Other provisions	5.6	1,719	1,479
Current liabilities	5.7	75,759	28,750
Tax liabilities	5.8	11,987	14,404
Total current liabilities		413,918	269,752
TOTAL EQUITY AND LIABILITIES		892,715	951,553

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

EUR '000	Notes	2013	2012
Revenues	6.1	217,398	229,238
Income from the sale of investment property	4.1.4	19,133	16,916
Changes in inventories	6.2	-36,717	-61,609
Other operating income	6.3	8,064	11,566
Total operating performance		207,878	196,111
Cost of materials	6.4	-58,314	-54,020
Staff costs	6.5	-65,733	-47,561
Results from fair value adjustments to investment property	4.1.4	17	18
Other operating expenses	6.7	-58,992	-45,268
EBITDA		24,856	49,280
Amortisation of intangible assets and depreciation on property, plant and equipment	6.6	-6,107	-4,541
Earnings before finance income and income taxes (EBIT)		18,749	44,739
Income from participations	6.8	32,122	6,557
Earnings from companies accounted for using the equity method	4.1.6	658	455
Finance income	6.9	20,520	11,727
Finance cost	6.9	-32,424	-34,857
Losses from currency translation	2.5/6.9	-26	0
Earnings before income taxes (EBT)		39,599	28,621
Income tax	6.10	-2,431	-3,166
Consolidated annual profit		37,168	25,455
Earnings per share (undiluted) in EUR	6.11	0.59	0.40
The consolidated annual profit for the period is allocated to:			
Shareholders of the parent company		37,327	25,462
Non-controlling shareholders		-159	-7
		37,168	25,455

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Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

EUR '000	2013	2012
Consolidated annual profit	37,168	25,455
Items of other comprehensive income with reclassification to net profit/loss for the period		
Profit/loss from the translation of financial statements of international business units	500	0
Cash flow hedges		
Amounts recorded during the reporting period	0	276
Reclassification of amounts that were recorded	438	586
Total result for the reporting period	38,106	26,317
The total result is allocated to		
Shareholders of the parent company	38,265	26,324
Non-controlling shareholders	-159	-7
	38,106	26,317

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

EUR '000	2013	2012
Consolidated annual profit	37,168	25,455
Income taxes recognised through profit or loss	2,431	3,166
Financing costs recognised through profit or loss	32,424	34,857
Income from financial investments recognised through profit or loss	-1,653	-1,025
Amortisation of intangible assets and depreciation on property, plant and equipment	6,107	4,541
Results from fair value adjustments to investment property	-17	-18
Gain on disposal of investment properties	-19,133	-16,916
Change in deferred taxes	-377	-2,520
Change in retirement benefit obligations	146	17
Non-cash result from the valuation of derivatives	-19,525	-10,316
Changes in inventories, receivables and other assets that are not attributable to investing activities	53,394	23,405
Changes in liabilities that are not attributable to financing activities	124,023	9,391
Interest paid	-30,567	-32,739
Interest received	477	170
Income tax payments	-5,110	-4,613
Cash inflow from operating activities	179,788	32,855
Capital investments in intangible assets and property, plant and equipment	-7,183	-5,563
Cash receipts from disposal of investment property	169,428	178,325
Payments for development or acquisition of investment property	-5,891	-3,174
Payments for the acquisition of shareholdings	-61,676	-15,273
Payment for investments in companies accounted for using the equity method	-1,818	-8,560
Cash outflows for loans to companies in which participations are held	-5,814	0
Cash inflow from investing activities	87,046	145,755
Borrowing of loans	93,314	25,940
Repayment of loans	-292,734	-198,238
Payment for the issuance of bonus shares	-13	-5
Cash outflow from financing activities	-199,433	-172,303
Changes in cash	67,401	6,307
Cash 1 January	38,135	31,828
Cash 31 December	105,536	38,135

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Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

EUR '000	Share capital	Capital reserve	Valuation result from Cash Flow Hedges	Retained earnings (legal reserve)	Currency translation	Consolidated net profit/loss	Thereof attributable to the Shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
Balance									
1 January 2012	52,130	215,862	-1,331	505	0	41,346	308,512	1,563	310,075
Net amount recognised directly in equity, where applicable less income taxes			862				862		862
Expenses for the issuance of shares	5,213	-5,213							
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									
31 December 2012	57,343	210,644	-469	505	0	66,808	334,831	1,556	336,387
Balance									
1 January 2013	57,343	210,644	-469	505	0	66,808	334,831	1,556	336,387
Net amount recognised directly in equity, where applicable less income taxes			438		500		938		938
Expenses for the issuance of bonus shares	5,734	-5,734							
Expense incurred in issuing bonus shares		-13					-13		-13
Non-controlling interests arising from the inclusion of new companies								1	1
Net profit/loss for the period						37,327	37,327	-159	37,168
Full overall result for the fiscal year			438				38,265	-159	38,106
BALANCE									
31 DECEMBER 2013	63,077	204,897	-31	505	500	104,135	373,083	1,398	374,481

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Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation. The company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. PATRIZIA Immobilien AG has been active as an investor and service provider on the real estate market for 30 years, and now in over ten countries. PATRIZIA covers the spectrum of purchasing, management, appreciation and sale of residential and commercial real estate. As a recognised business partner of large institutional investors, the Company operates nationally and internationally, covering the entire value chain relating to all fields of real estate. Currently the Company manages real estate assets with a value of EUR 11.8 billion mainly as a co-investor and portfolio manager for insurance companies, pension fund institutions, sovereign wealth funds and savings banks.

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to 31 December 2013 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 the following standards and interpretations had been published and were to be applied for the first time during the current fiscal year:

- I IFRS 13 – “Fair Value Measurement” (to be applied for fiscal years commencing on or after 1 January 2013)
- I IFRIC 20 – “Stripping Costs in the Production Phase of a Surface Mine” (to be applied for fiscal years commencing on or after 1 January 2013)
- I Annual improvements to the IFRS – 2009-2011 cycle (changes to IAS 12 – “Property, plant and equipment” and IAS 32 – “Financial Instruments: Presentation”; to be applied for fiscal years commencing on or after 1 January 2013)

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

- I Amendment to IAS 1 – “Presentation of Financial Statements” (amendment relating to the presentation of other comprehensive income; to be applied for fiscal years commencing on or after 1 July 2012)
- I Amendment to IAS 19 – “Employee Benefits” (comprehensive revision of the standard; to be applied for fiscal years commencing on or after 1 January 2013)

- | Amendment to IFRS 1 – “First-time application of International Financial Reporting Standards” (amendments relating to government loans; to be applied for fiscal years commencing on or after 1 January 2013)
- | Amendment to IFRS 7 – “Financial Instruments: Disclosures” (inclusion of the requirement to disclose information about rights of offset and related arrangements; to be applied for fiscal years commencing on or after 1 January 2013)

The new standards and interpretations to be applied from the current fiscal year did not have any material impact on the consolidated financial statements.

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

- | IFRS 9 – “Financial Instruments” (to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- | IFRS 10 – “Consolidated Financial Statements” (to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory for fiscal years commencing after 1 January 2014)
- | IFRS 11 – “Joint Arrangements” (to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory for fiscal years commencing after 1 January 2014)
- | IFRS 12 – “Disclosure of Interests in Other Entities” (to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory for fiscal years commencing after 1 January 2014)
- | IFRS 14 – “Regulatory Deferral Accounts” (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to this standard have not yet been adopted by the EU)
- | Annual improvements to the IFRS – 2010–2012 cycle (amendments to IFRS 2 – “Share-based Payment”, IFRS 3 – “Business Combinations”, IFRS 8 – “Operating Segments”, IFRS 13 – “Fair Value Measurement”, IAS 16 – “Property, Plant and Equipment”, IAS 24 – “Related Party Disclosures”, and IAS 38 – “Intangible Assets”; to be applied for fiscal years commencing on or after 1 July 2014; the amendments to these standards have not yet been adopted by the EU)
- | Annual improvements to the IFRS – 2011–2013 cycle (amendments to IFRS 1 – “First-time Application of International Financial Reporting Standards”, IFRS 3 – “Business Combinations”, IFRS 13 – “Fair Value Measurement” and IAS 40 – “Investment Property”; to be applied for fiscal years commencing on or after 1 July 2014; the amendments to these standards have not yet been adopted by the EU)
- | IFRIC 21 – “Levies” (to be applied for fiscal years commencing on or after 1 January 2014; the amendments to this standard have not yet been adopted by the EU)

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 application was not yet compulsory:

- | Amendment to IAS 27 – “Separate Financial Statements” (elimination of the consolidation provisions; to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory for fiscal years commencing after 1 January 2014)
- | Amendment to IAS 28 – “Investments in Associates and Joint Ventures” (inclusion of rules on accounting of joint ventures; to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory only for fiscal years commencing after 1 January 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 applied for fiscal years commencing on or after 1 January 2014)
- | Amendment to IFRS 9 – “Financial Instruments” and IFRS 7 – “Financial Instruments: Disclosures” (amendments to the mandatory effective date and transition disclosures; to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- | Amendment to IFRS 9 – “Financial Instruments”, IFRS 7 – “Financial Instruments: Disclosures” and IAS 39 – “Financial Instruments: Recognition and Measurement” (additions relating to hedge accounting; to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- | Amendment to IAS 39 – “Financial Instruments: Recognition and Measurement” (additions concerning the novation of derivatives and continuation of hedge accounting; to be applied for fiscal years commencing on or after 1 January 2014)
- | Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 11 – “Joint Arrangements” and IFRS 12 – “Disclosure of Interests in Other Entities” (clarifications concerning certain transition provisions on first-time application of IFRS 10, IFRS 11 and IFRS 12; to be applied for fiscal years commencing on or after 1 January 2013; in the EU, first-time application is mandatory for fiscal years commencing after 1 January 2014)
- | Amendments to IFRS 10 – “Consolidated Financial Statements”, IFRS 12 – “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” (introduction of an exemption from the requirement to consolidate subsidiaries for eligible investment entities; to be applied for fiscal years commencing on or after 1 January 2014)
- | Amendment to IAS 36 – “Impairment of assets” (correction concerning certain disclosures resulting from the adoption of IFRS 13; to be applied for fiscal years commencing on or after 1 January 2014)
- | Amendment to IAS 19 – “Employee Benefits” (amendment concerning contributions by employees or third parties in respect of service; to be applied for fiscal years commencing on or after 1 July 2014; this standard has not yet been adopted by the EU)

With regard to first-time application of IFRS 9, it is not currently possible to evaluate the effects because detailed analyses are still underway. We do not expect the other standards specified above to have any material impacts on accounting.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as current if their realisation 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 and PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH, 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 65 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 real estate 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 this real estate 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

Purchase of Tamar Capital Group Ltd. (renamed PATRIZIA UK Ltd.)

As at 22 April 2013, PATRIZIA Immobilien AG purchased 100% of Tamar Capital Group Ltd.'s shares with voting rights.

Tamar Capital Group Ltd. is a London-based real estate investment and asset management company. In addition to its home market, Tamar Capital Group Ltd. is also currently active on the German, French, Scandinavian and Belgian markets and places special emphasis on light industrial, retail and office properties. Tamar European Industrial Fund belongs to the group and is listed on the London Stock Exchange.

In acquiring Tamar Capital Group Ltd., PATRIZIA Immobilien AG is pursuing its strategic goal of expanding its business activities in other European countries and of establishing itself as the leading, fully integrated real estate investment company in Europe. Acquiring Tamar Capital Group Ltd. thus offers PATRIZIA Immobilien AG the opportunity to strengthen its presence in various core European markets, especially in the United Kingdom and France, thereby expanding its service offering, investor commitment and consequently the volume of managed investments in the area of commercial real estate throughout Europe. Moreover, besides the strategic aspects of market positioning, the integration of the Tamar Group into the PATRIZIA group of companies is also expected to create considerable synergy effects in the areas of real estate expertise, knowledge of the European market and service.

Assets acquired and liabilities assumed

At the time of acquisition, the fair values of the identified assets and liabilities of Tamar Capital Group Ltd. were as follows:

EUR '000	Fair value at time of acquisition
Assets	
Licences	121
Client contracts (asset management)	1,105
Receivables in respect of a mezzanine loan	331
Property, plant and equipment	53
Trade receivables	522
Cash and cash equivalents	626
Other assets	524
	3,282
Liabilities	
Trade payables	65
Other liabilities	1,102
Provisions	219
Deferred tax liabilities	368
	1,754
Total of identifiable net assets at fair value	1,528
Difference from the company acquisition	-933
TOTAL COUNTERPERFORMANCE	595

As part of the acquisition of the TAMAR Group, goodwill of TEUR 933 was recognised, which is shown under other operating income. This goodwill results from the difference between the purchase price and the net assets acquired, measured at fair value. The goodwill was attributable to the purchase price paid, which ultimately was the result of the purchase agreement negotiations conducted.

The new fair values to be determined will be determined autonomously pursuant to IFRS 3, i.e. without any links to existing fair values, in accordance with local accounting rules and regulations.

Hidden reserves were identified in a receivable in respect of a mezzanine loan and in the acquired asset management contracts and licenses. No other tangible or intangible assets that should be shown separately in expectation of a future economic benefit were identified.

The fair value and gross amount of trade receivables is TEUR 522. None of the trade receivables were impaired at the time of acquisition and it is expected that it will be possible to collect all the contractual amounts.

The revenues for the Tamar Group amounted to TEUR 3,554 pro-rata for the period from the date of acquisition. The corporate group thus contributed a loss of TEUR 1,400 to the consolidated result.

Assuming an acquisition date of the start of the fiscal year, the Tamar Group generated revenues of TEUR 4,482 and thus a loss of TEUR 1,779.

Counterperformance

The counterperformance (excluding transaction costs) for the assets acquired and liabilities assumed by PATRIZIA Immobilien AG is comprised as follows:

EUR '000	
Cash payment	264
Liability from conditional counterperformance	331
TOTAL COUNTERPERFORMANCE	595

A conditional counterperformance was agreed as part of the purchase agreement with the former owners of Tamar Capital Group Ltd. Under this agreement, PATRIZIA Immobilien AG undertakes to make further payments to the former owners if a company (including its subsidiaries), whose shares that were held by Tamar Capital Group Ltd. are being taken over by PATRIZIA Immobilien AG is wound up or liquidated. The winding up/liquidation is expected approximately 24 months after the date of acquisition. In such case, payments will be made to the former owners in the amount of the pro-rata proceeds from property sales after deduction of liabilities and taxes. At the time of acquisition, the fair value of the conditional counterperformance was estimated at TEUR 331.

The transaction costs of TEUR 326 were posted as an expense and reported under other operating expenses.

Further information on the company acquisition

With the acquisition of Tamar Capital Group Limited, London (renamed PATRIZIA UK Ltd.), the following companies were added to the scope of consolidation of PATRIZIA Immobilien AG:

- I Tamar Capital Partners Limited, Swindon (renamed PATRIZIA Capital Partners Ltd.)
- I Tamar Capital Partners GmbH, Berlin (merged into PATRIZIA Deutschland GmbH)
- I Tamar Capital France Limited, Edinburgh
- I Tamar Capital Partners S.A.S., Paris (renamed PATRIZIA France S.A.S.)
- I Tamar Financial Services Limited, Edinburgh (renamed PATRIZIA Financial Services Ltd.)
- I Tamar Asset Management Limited, Edinburgh (renamed PATRIZIA Asset Management Ltd.)

Further new companies founded

PATRIZIA Luxembourg S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, founded PATRIZIA Investment Management COOP S.A., Luxembourg, on 12 March 2013. The company's share capital is EUR 100. The purpose of the company is the purchase and holding of all forms of participations and of all types of certificates, holding these as investments and trading in them in any possible manner.

PATRIZIA Luxembourg S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, founded PATRIZIA Investment Management SCS, Luxembourg, on 12 March 2013. The company's share capital is GBP 639. The purpose of the company is investment in unlisted companies and all types of certificates as well as the management, monitoring and development of such investments with the principal purpose of indirect investment in real estate and its management.

PATRIZIA Immobilien AG founded Pearl AcquiCo Zwei GmbH & Co. KG, Frankfurt on 14 March 2013. The company's fixed capital initially amounted to TEUR 1 and was increased to EUR 1 million on 22 May 2013. The purpose of the company is the founding, purchase of and direct and/or indirect participation in companies whose sole purpose is the construction and management of real estate.

PATRIZIA Immobilien AG founded PATRIZIA Real Estate Investment Management S.à r.l., Luxembourg, on 2 April 2013. The company's share capital is TEUR 125. The purpose of the company is the founding and management of one or more Luxembourg-based specialist investment funds.

PATRIZIA Luxembourg S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, founded SENECA TopCo S.à r.l., Luxembourg, on 10 July 2013. The company's share capital is TEUR 12.5. The purpose of the company is the purchase and holding of shares in one or several real estate companies, the granting of finance to property companies as well as the purchase and development of real estate.

On 17 September 2013, PATRIZIA Immobilien AG established PATRIZIA Ireland Ltd., Dublin. The company's share capital is GBP 8,360. The purpose of the company is the provision of property-related services in Ireland.

PATRIZIA Nordics A/S, part of the scope of consolidation of PATRIZIA Immobilien AG, founded PATRIZIA Fund Management A/S, Copenhagen, on 17 December 2013. The company's share capital is DKK 500,000. The purpose of the company is the initiation, administration and management of vehicles.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognised in the consolidated financial statements using full consolidation. Since 1 January 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 over the net worth and the operating activities of the acquired company is actually transferred to the parent company. The acquisition costs comprise the cash paid for the acquisition. Since 1 January 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 recognised 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 recognised 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 recognised (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 recognised for temporal differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY TRANSLATION

Business transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In the following periods, monetary assets and liabilities are valued on the balance sheet date and the translation differences are recorded through profit or loss. Non-monetary items that were measured in a foreign currency at historical cost are translated using the rate prevailing on the date of the business transaction.

The financial statements of international subsidiaries whose functional currency is not the euro and does not therefore correspond to the Group's presentation currency are translated using the modified reporting date method. Thereafter, assets and liabilities are translated at the respective rate on the reporting date. Income and expenses are translated at the exchange rate prevailing on the date of the transaction. The resulting translation differences are shown separately in equity.

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 recognised at acquisition or production cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortisation and, if applicable, unscheduled amortisation as well as reversals taking into account amortised cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortisation is carried out using the straight-line method. It starts as soon as the asset can be used and ends on expiry of the useful life or on disposal of the asset. The amortisation period is geared towards the expected useful life. Purchased software is amortised 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 GewerbelInvest Kapitalanlagegesellschaft mbH and those acquired as part of the business combination with the company now known as PATRIZIA UK Ltd. 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 amortisation and any cumulative impairments).

The period of amortisation for the management contracts is based on the expected terms of the fund contracts. Since their course cannot be reliably determined, the straight-line method was selected.

3.4 EQUIPMENT

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

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortisation is carried out using the straight-line method. It starts as soon as the asset can be used and ends on expiry of the useful life or on disposal of the asset. The amortisation period is geared towards the expected useful life. Equipment is amortised over three to thirteen years. Minor-value assets are fully depreciated in the year of acquisition.

3.5 IMPAIRMENT OF ASSETS

Where assets are subject to scheduled amortisation and there is an indication of impairment, a review is undertaken to ascertain whether there is a need for unscheduled amortisation. A reversal is applied if the reason for unscheduled amortisation no longer exists. Assets that are not subject to scheduled amortisation 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 realising 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. Measurement is at fair value taking into account the current usage that corresponds to the highest and best usage. Changes in value are recognised through profit or loss.

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.

When determining this fictitious market value, two sub-portfolios within investment property are measured separately from each other.

For individual investment properties, the residential property resale process was launched in previous years and successfully continued and expanded in 2013. The properties that are earmarked for resale are valued internally using detailed project accounting. This valuation includes the key input factors such as comparative values from market transactions relating to the property/in its direct vicinity and assumptions concerning period of utilisation, potential categories of purchasers and planned renovation and modernisation measures that are still to be carried out.

Due to the qualitative nature of this accounting, the overall valuation is to be assigned to Level 3 based on the valuation hierarchy under IFRS 13. The values determined are entry prices within the context of IFRS 13; in this case, therefore, it is not necessary to deduct purchaser transaction costs.

On the closing date, properties with a total area of 49,592 sqm with an average selling price of EUR 2,858 per square metre were earmarked for resale. Any change in this average attainable selling price per square metre results in a corresponding change in the fair value determined using the valuation method (example: if the average attainable selling price per square metre rises by EUR 100, this is reflected in an increase of TEUR 4,959 in the fair value).

The valuation of the investment property that is not earmarked for resale is based on valuations by independent experts who apply international valuation standards (International Valuation Standard, Concepts/Principles No. 9.2.1.3 – Income Capitalisation 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 capitalised 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 modernisation and re-renting. The resulting value is referred to as core value.

The difference between the market rent and the rent received is capitalised during the remaining residual rental term (assumed for residential properties), in this case up to 5 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 17% are assumed, which can have a material impact on the assumed remaining lease term. Key items of payments are maintenance costs averaging EUR 7 to 10 p.a./sqm living space and EUR 15 to 20 p.a. per parking space, management costs of 1.95 to 4.82% of rental income, and the risk of loss of rental income of 2% of rental income. The capitalisation interest rates used amount to between 4.5 and 6.25%.

With the exception of the market rent used in the valuation (level 2 of the valuation hierarchy), the input factors used in the core value and topslice method mainly concern company-specific measurement parameters that are not observable in the market (level 3 of the valuation hierarchy). In accordance with the valuation hierarchy specified in IFRS 13, the fair value measurement of the investment property is thus to be assigned to level 3.

The following table quantifies the sensitivities for the most important input factors affecting the fair value of investment property:

Input factors	Unit	Change	Sensitivity in EUR million
Market rent	in %	+/-5	+7.0/-6.8
Capitalisation interest rate	in %	+/-5 basis points	-5.9/+6.7

All investment property held by the Group is leased. The resultant rental income and the expenses directly associated with it are recognised 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 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 modernisation 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 recognised during this time period. However, inventories are still classed as intended for direct sale even if the sale is not recognised within three years (e.g. due to unforeseeable/unforeseen changes in underlying economic conditions).

Inventories are carried at the lower of acquisition costs/production 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 capitalised 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 modernisation and selling costs incurred.

3.9 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 fulfilment 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 categorised 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 amortised 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 amortised 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 recognised 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 recognised 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 recognised using a value adjustment account. Derecognition of receivables takes place if they are classified as uncollectible.

3.10 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.

3.11 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 recognised at fair value through profit or loss. Following initial recognition, the interest-bearing loans are measured at amortised cost using the effective interest method.

3.12 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 derecognised if the preconditions of IAS 39 are met.

A **financial liability** is derecognised 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 recognised through profit or loss.

3.13 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 recognised 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 recognised 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 recognised asset or with a recognised 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 recognised in the statement of comprehensive income, while the ineffective part is immediately recognised 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 recognised or if an expected sale is executed.

If the scheduled transaction or the fixed obligation is no longer expected, the amounts previously recognised 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 recognised in equity remain as separate items in equity until the scheduled transaction or fixed obligation has occurred.

3.14 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 recognises 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 recognised in the financial result, and was instead recognised in staff costs.

3.15 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.

3.16 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 fulfilment of the contractual agreement is dependent upon the utilisation of a certain asset or certain assets and whether the agreement grants a right to utilisation 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 recognised as expenses correspondent to the rental income over the term of the lease. Contingent rent is recognised 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.

3.17 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 recognised in equity are not recognised in the income statement, but rather in equity.

Tax assets and 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 taxes of the same taxable entity and are levied by the same tax authority.

Deferred taxes

Deferred taxes are recognised 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 recognised for all deductible temporary differences, tax loss carryforwards not yet utilised and tax credits not yet utilised, 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 utilised 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 recognised are reviewed on every balance sheet date and are recognised 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 realised 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 recognised in equity are not recognised in the income statement, but are also recognised 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.

3.18 BORROWING COSTS

Borrowing costs used to produce a qualifying asset are capitalised. 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.

3.19 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 recognised after performance has been provided and invoicing has taken place.

3.20 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 recognised on the basis of estimates may differ from the amounts to be recognised 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:

- I Measurement of investment property
- I Determining the recoverable amount to assess the necessity and extent of unscheduled amortisation, especially on the real estate posted under the item "Inventories"
- I Recognising and measuring provisions
- I Valuing receivables subject to risk
- I Assessing whether deferred tax assets can be recognised

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 amortisation for the fiscal year and for the previous year are set out below:

4.1.1 GOODWILL

EUR '000	2013			2012		
	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	610	0	610	610	0	610
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Balance as at 31 December	610	0	610	610	0	610

The goodwill with a carrying amount of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA Gewerbelnvest 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 7.08% p.a. (previous year: 10.0% p.a.). For the period after the seventh year, the cash flows were extrapolated using a constant annual growth rate of 1% 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.

4.1.2 OTHER INTANGIBLE ASSETS

EUR '000	2013			2012		
	Acquisition costs	Amortisation ¹	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	47,195	3,936	43,259	47,195	1,968	45,227
Additions	1,232	2,587	0	0	1,968	0
Disposals	0	0	0	0	0	0
Balance as at 31 December	48,427	6,523	41,904	47,195	3,936	43,259

¹ The difference compared with the amortisation posted in the income statement in 2013 results from currency translations

The intangible assets include an amount of TEUR 41,290 relating to the hidden reserves, in respect of the fund management contracts, identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and an amount of TEUR 614 relating to the hidden reserves identified during the purchase price allocation of PATRIZIA UK Ltd. (formerly Tamar Capital Group Ltd.). The hidden reserves are currently subject to scheduled amortisation of TEUR 2,452 per annum. A review of the fair value revealed a further impairment requirement of TEUR 135.

4.1.3 SOFTWARE

EUR '000	2013			2012		
	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	10,403	2,850	7,553	6,706	1,426	5,280
Additions	2,938	1,793	0	4,332	1,455	0
Disposals	0	0	0	-635	-31	0
Balance as at 31 December	13,341	4,643	8,698	10,403	2,850	7,553

4.1.4 INVESTMENT PROPERTY

DEVELOPMENT OF NON-CURRENT ASSETS

EUR '000	2013	2012
	Investment property	Investment property
Fair Value		
Balance as at 1 January	374,104	532,321
Additions – assets	5,891	3,174
Disposal – assets	-150,295	-161,409
Positive fair value changes	16,893	7,385
Negative fair value changes	-16,876	-7,367
Balance as at 31 December	229,717	374,104

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 eleven investment properties in Berlin, Hanover, Dresden, Munich and Potsdam were sold.

In the fiscal year under review, one property in an amount of TEUR 19,282 was transferred from valuation based on the investment method to comparative value measurement because observable input factors can be derived through the available comparative prices from sales of individual units that have already taken place.

Based on the fair value of the overall portfolio, the average value is EUR 1,768 (previous year: EUR 1,857) per square metre and/or a multiplier of 15 (previous year: 17) based on the target rent as at 31 December 2013.

The fair value of the pledged investment property is TEUR 229,717 (previous year: TEUR 374,104).

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4.1.5 EQUIPMENT

EUR '000	2013			2012		
	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	7,617	4,138	3,479	6,728	3,966	2,762
Additions	3,134	1,728	0	2,037	1,118	0
Disposals	-601	-481	0	-1,148	-946	0
Balance as at 31 December	10,150	5,385	4,765	7,617	4,138	3,479

4.1.6 PARTICIPATIONS IN ASSOCIATED COMPANIES

EUR '000	2013			2012		
	Acquisition costs	Adjustments at equity	Carrying amounts	Acquisition costs	Adjustments at equity	Carrying amounts
Balance as at 1 January	15,379	431	15,810	6,818	-9	6,809
Additions	1,827	658	0	8,561	440	0
Disposals	0	0	0	0	0	0
Balance as at 31 December	17,206	1.089	18,295	15,379	431	15,810

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	2013	2012
Total assets	660,779	433,798
Total liabilities	357,301	191,528
Revenues	30,914	22,196
Net profit for the year	9,881	5,616

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 658 (previous year: TEUR 440).

4.1.7 PARTICIPATIONS

EUR '000	2013			2012		
	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	18,407	0	18,407	3,134	0	3,134
Additions	61,676	0	0	15,273	0	0
Disposals	9	0	0	0	0	0
Balance as at 31 December	80,074	0	80,074	18,407	0	18,407

The item "Participations" includes the following main holdings:

- | PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2012: 6.25%)
- | CARL A-Immo GmbH & Co. KG 12.5% (31 December 2012: 12.5%)
- | sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2012: 28.3%)
- | Projekt Feuerbachstraße Verwaltung GmbH 30% (31 December 2012: 30%)
- | PATRIZIA Projekt 150 GmbH 10% (31 December 2012: 10%)
- | Plymouth Sound Holdings LP 10% (31 December 2012: 0%)
- | Winnersh Holdings LP 4.9% (31 December 2012: 0%)
- | Seneca Holdco S.à r.l. 5.1% (31 December 2012: 0%)
- | GBW AG 5.1% (31 December 2012: 0%)

Key additions during the fiscal year were the participation in GBW AG (TEUR 48,978), in Seneca Holdco S.à r.l. (TEUR 5,046), in Plymouth Sound Holdings LP (TEUR 1,412 TEUR) and in Winnersh Holdings LP 4.9% (TEUR 3,536).

4.1.8 LOANS

EUR '000	2013			2012		
	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	0	0	0	0	0	0
Additions	5,814	0	0	0	0	0
Disposals	0	0	0	0	0	0
Balance as at 31 December	5,814	0	5,814	0	0	0

Loans of TEUR 3,069 were granted in connection with the co-investment GBW and loans of TEUR 2,745 were granted in connection with the co-investment Plymouth Sound Holdings LP.

4.2 TAX ASSETS

Corporation tax credits of TEUR 159 (previous year: TEUR 201) 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	31.12.2013	31.12.2012
Real estate intended for sale	216,216	273,791
Real estate in the development phase	92,987	72,129
	309,203	345,920

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

As at 31 December 2013, four properties were in the development phase. In 2013 inventories with a total carrying amount of TEUR 68,844 (previous year: TEUR 85,214) were sold.

During the period under review directly assignable borrowing costs of TEUR 1,235 (previous year: TEUR 695) were capitalised.

The carrying amounts of inventories which are pledged as security totalled TEUR 280,670 (previous year: TEUR 343,444).

Realisation of inventories amounting to TEUR 76,274 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 an effective 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 recognised through profit or loss in the income statement. In the fiscal year, they amounted to TEUR 19,525 (previous year: TEUR 11,028).

As at 31 December 2013, the nominal volume of the derivatives classified as ineffective totalled TEUR 483,930 (previous year: TEUR 511,671); the corresponding market values were TEUR -2,819 (previous year: TEUR -21,929).

The changes to the fair values of the effective hedging derivatives of TEUR -122 (previous year: TEUR -244) were directly recognised in equity, taking deferred taxes of TEUR -19 (previous year: TEUR -39) into account.

During the year under review market value changes of TEUR 0 (previous year: TEUR 1) were taken into account in the income statement as ineffective portions of hedging derivatives.

With all effective hedging derivatives having expired in the 2013 fiscal year, the nominal volume of effective hedging derivatives as at 31 December 2015 amounted to TEUR 0 (previous year: TEUR 15,000); the corresponding market values were also TEUR 0 (previous year: TEUR 503).

In the year under review, value changes in cash flow hedges in the amount of TEUR 433 (previous year: TEUR 781) were released through profit or loss, with derecognition of the corresponding deferred taxes applied (TEUR 68), and transferred into the financial result.

As at 31 December 2013, the total amount of unrecognised 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 -31 (previous year: TEUR -469). It is expected that all of the existing hedging transactions will be ended in accordance with the contracts during the 2014 year. For payment flows recognised 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	31.12.2013	31.12.2012
Trade receivables	18,339	20,449
Other current assets	63,923	78,186
	82,262	98,635

The carrying amount of the receivables and other current assets corresponds to their fair value.

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

RENT RECEIVABLES

EUR '000	2013	2012
Rent receivables	628	616
Of which < 90 days	308	72
Of which > 90 days	320	544

Rent receivables of TEUR 628 (previous year: TEUR 616) are secured through rental deposits.

Trade receivables of TEUR 21,078 (previous year: TEUR 24,187) were decreased by specific value adjustments of TEUR 2,739 (previous year: TEUR 3,738) to a carrying amount of TEUR 18,339 (previous year: TEUR 20,449).

The other current assets were mainly influenced by a reduction of TEUR 15,103 in purchase price receivables and a rise of TEUR 6,279 in receivables from companies in which participations are held.

Changes in the value adjustment account for receivables:

CHANGES IN THE VALUE ADJUSTMENT ACCOUNT FOR RECEIVABLES

EUR '000	2013	2012
Balance as at 1 January	3,738	4,388
Additions	6	274
Outflows due to derecognitions	-597	-232
Outflows due to payments received	-408	-692
BALANCE AS AT 31 DECEMBER	2,739	3,738

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 1,400 (previous year: TEUR 1,830) is pledged as security. A breakdown is shown below:

An amount of TEUR 1,000 is pledged in favour of R+V Versicherung as collateral for a guarantee credit. This guarantee credit is security for a payment guarantee 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 300 was pledged to Zurich Versicherung as security for a guarantee in a total amount of TEUR 1,514. No cash security is required for the remaining guarantee facility (TEUR 3,559) with Zurich Versicherung, which can also be used by PATRIZIA for various guarantees.

The pledging of a credit balance in favour of Bayerische Landesbank (institution under public law) in an amount of TEUR 100 as collateral for an interest hedge was cancelled.

There were also purchase price payment accounts of TEUR 21,704 (previous year: TEUR 0), which are earmarked pursuant to Article 6 of the Makler- und Bauträgerverordnung (MaBV – Brokers and Building Developers Ordinance).

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 totalled EUR 63,077,300 (previous year: EUR 57,343,000) and is divided into 63,077,300 (previous year: 57,343,000) registered no-par value shares (shares with no nominal value).

The Managing Board was further authorised, by resolution of the Annual General Meeting on 20 June 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 by 19 June 2017 (Authorised Capital 2012).

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 resolution by the General Meeting held on 20 June 2012, until 19 June 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 32,557,435 no-par value shares (previous year: 29,597,668 no-par value shares), which equates to a 51.62% shareholding (previous year: 51.62%).

5.1.2 CAPITAL RESERVE

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 2013 fiscal year, the capital reserve fell by TEUR 5,747 (previous year: 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 -3,119, with earnings of TEUR -159 allocated to the non-controlling shareholder.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	31.12.2013	31.12.2012
Up to 1 year	284,857	52,683
More than 1 to 2 years	36,777	430,281
More than 2 to 5 years	0	38,090
More than 5 years	0	0
TOTAL	321,634	521,054

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

MATURITY

Year	Amount of loans due as at 31.12.2013	
	EUR '000	in %
2014	284,857	88.6
2015	36,777	11.4
TOTAL	321,634	100

Bank loans are measured at amortised 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 321,634 (previous year: TEUR 519,670). 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	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2012 Assets	31.12.2012 Liabilities
Investment property	0	7,276	0	10,585
Inventories	0	1,232	0	1,292
Derivatives	446	0	3,550	0
Tax loss carryforwards	0	0	0	0
Intangible assets				
PATRIZIA GewerbeInvest KAG mbH	0	13,326	0	13,961
Securities				
PATRIZIA GewerbeInvest KAG mbH	0	0	0	0
Consolidation of debts	881	1,477	889	1,470
Other	1,774	2,723	187	560
	3,101	26,034	4,626	27,868
Netting	-3,101	-3,101	-4,626	-4,626
	0	22,933	0	23,242

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognised for losses prior to fiscal unity of TEUR 447 (previous year: TEUR 447). The losses can be carried forward for an indefinite period.

According to IAS 12.24(b), the Group has not recognised 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 recognised for existing loss carryforwards in Alte Haide Baugesellschaft mbH of TEUR 654 (previous year: TEUR 1,481) due to lack of predictability concerning their tax usability.

In addition, on the balance sheet date, two companies (previous year: two companies) had corporation tax loss carryforwards of TEUR 26,984 (previous year: TEUR 31,481); 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 recognised amounted to TEUR 9,861 (previous year: TEUR 11,342).

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 31 December 2013, actuarial interest rates of 2.94% - 3.7% (previous year: 2.78% - 3.0%) 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" (2005 G Reference Tables). As at 31 December 2013, the pension provision was recognised at TEUR 534 (previous year: TEUR 388). Due to the low level of the annual pension payments of TEUR 84 (previous year: TEUR 26) 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 unrecognised actuarial losses and/or unrecognised past service costs. The interest cost is posted under Staff costs.

In the current fiscal year, the employer's contributions to pension insurance amounted to TEUR 2,726.

5.5 NON-CURRENT LIABILITIES

Non-current liabilities mainly comprise liabilities from bonded loans in an amount of TEUR 77,000 (previous year: TEUR 0) and the long-term components of the management participation model that is described in more detail in 9.2.

5.6 OTHER PROVISIONS

The changes in other provisions are shown below:

OTHER PROVISIONS 2013

EUR '000	01.01.2013	Addition	Release	Drawn	31.12.2013
Other provisions	1,479	1,719	186	1,293	1,719
	1,479				1,719

OTHER PROVISIONS 2012

EUR '000	01.01.2012	Addition	Release	Drawn	31.12.2012
Other provisions	1,092	1,479	39	1,053	1,479
	1,092				1,479

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.

5.7 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

CURRENT LIABILITIES		
EUR '000	31.12.2013	31.12.2012
Trade payables	2,237	1,914
Advance payments	37,930	1,591
Other liabilities	35,592	25,245
	75,759	28,750

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.

The advance payments relate to purchase price receipts from current real estate development measures.

Other liabilities mainly include liabilities for acquisition and production costs arising after the balance sheet date, obligations under services purchased before the balance sheet date, interest arising on bonded loans, obligations in connection with variable salary components, performance-related commissions and sales commissions.

5.8 TAX LIABILITIES

The tax liabilities mainly concern subsequent taxation of the former Equity 02 portfolios amounting to TEUR 2,123 (previous year: TEUR 2,463), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 4,636 (previous year: TEUR 4,598), corporation tax of TEUR 1,040 (previous year: TEUR 2,869) on account of subsidiaries in Luxembourg that are subject to limited taxation in Germany, and also other taxes.

5.9 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 of 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 31 December 2013, 100% of the Group's external funds were hedged (previous year: 100%).

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 a cash flow sensitivity analysis with 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 31 December 2013 and without taking taxes into account, this would have an effect of TEUR 424 (previous year: TEUR 1,429) on the consolidated profit and TEUR 0 (previous year: TEUR 151) on consolidated equity. Taking deferred taxes into account, an increase of 100 basis points in the interest rate would have an effect of TEUR 1,223 (previous year: TEUR 1,382) on the consolidated profit and TEUR 0 (previous year: TEUR 127) 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 within the 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.

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 unrecognised profit.

CAPITAL MANAGEMENT

EUR '000	2013	2012
Interest-bearing loans	321,634	521,054
Trade payables and other liabilities	87,745	42,258
Less cash and short-term deposits	-105,536	-38,135
Net financial liabilities	303,843	525,177
Equity	374,481	336,387
Cash flow hedges valuation result	31	469
Currency translation difference	-500	0
Total modified equity	374,012	336,856
Modified equity and net financial liabilities	677,855	862,033
Gearing ratio	45%	61%

5.10 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR '000	31.12.2013	31.12.2012
Loans and receivables	201,644	140,453
Available-for-sale financial assets	80,083	18,407

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

CARRYING AMOUNTS OF THE FINANCIAL LIABILITIES

EUR '000	2013	2012
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	2,819	21,929
Financial liabilities which are measured at amortised cost	327,714	526,911
Derivative financial instruments which are designated as hedging instruments and are effective as such	0	503

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2013	2012
Loans and receivables	+995	+699
Available-for-sale financial assets	+32,128	+6,557
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (interest expenses)	-19,771	-18,798
Financial liabilities which are measured at amortised cost	-8,104	-13,101
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)	+19,525	+11,028
Derivative financial instruments which are designated as hedging instruments and are effective as such - included in consolidated profit	+0	+1

Net profit and loss from financial instruments that are recognised 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 23,271 (previous year: TEUR 31,227).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of property intended for sale is recognised 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 1,478 (previous year: TEUR 4,257), income from the reduction in specific value adjustments in the amount of TEUR 1,153 (previous year: TEUR 791), income from liability compensation in the amount of TEUR 20 (previous year: TEUR 589), income from payments in kind of TEUR 911 (previous year: TEUR 639), income from insurance compensation in an amount of TEUR 336 (previous year: TEUR 171), income from costs charged on of TEUR 243 (previous year: TEUR 1,716), the settlement of transaction fees in an amount of TEUR 627 (previous year: TEUR 2,736) and income from the recognition of differences from company acquisitions in an amount of TEUR 933 (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 2,289 (previous year: TEUR 2,773), real estate development costs of TEUR 21,351 (previous year: TEUR 17,787), renovation costs of TEUR 20,218 (previous year: TEUR 14,988) and ancillary costs of TEUR 14,457 (previous year: TEUR 18,472).

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

STAFF COSTS

EUR '000	2013	2012
Wages and salaries	59,119	42,389
Social insurance contributions	6,614	5,172
	65,733	47,561

6.6 AMORTISATION

Scheduled amortisation of software and equipment amounted to TEUR 3,521 (previous year: TEUR 2,573). This item also shows amortisation of the hidden reserves allocated to the fund management contracts and licences within the context of the acquisition of PATRIZIA GerwerbInvest Kapitalanlagegesellschaft mbH and the acquisition of PATRIZIA UK Ltd. Scheduled amortisation amounts to TEUR 2,452 per annum (previous year: TEUR 1,968). An annual impairment test resulted in impairment of TEUR 135 (previous year: TEUR 0).

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

OTHER OPERATING EXPENSES

EUR '000	2013	2012
Operating expenses	11,507	9,031
Administrative expenses	15,558	12,660
Selling expenses	22,444	17,456
Other expenses	9,483	6,121
	58,992	45,268

6.8 INCOME FROM PARTICIPATIONS

The income from participations of TEUR 32,122 originates from the GBW and Südewo investments. Of this, an amount of TEUR 13,158 is attributable to performance-dependent allocation of profits. The income from participations was recognised in the same reporting period.

6.9 FINANCIAL RESULT

FINANCIAL RESULT

EUR '000	2013	2012
Interest on bank deposits	326	168
Income from securities	0	0
Changes in the value of derivatives	19,525	11,028
Other interest	669	531
Financial income	20,520	11,727
Interest on revolving lines of credit and bank loans	-8,104	-13,101
Interest-rate hedging expense	-19,771	-18,798
Changes in the value of derivatives	0	0
Release of other result from cash flow hedging	-433	-781
Other finance costs	-4,116	-2,177
Financial expenses	-32,424	-34,857
Financial result	-11,904	-23,130

Interest income of TEUR 669 (previous year: TEUR 531), which was recognised 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.

Currency translation differences of TEUR 26 (previous year: TEUR 0) were recognised through profit or loss in the fiscal year.

6.10 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAXES

EUR '000	2013	2012
Actual taxes	-3,180	-5,761
Deferred taxes	749	2,595
	-2,431	-3,166

The deferred taxes in the income statement chiefly result from 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 EXPENSES

EUR '000	2013	2012
IFRS consolidated profit/loss for the period before income tax	39,599	28,621
Income tax expenses expected on the above	-12,206	-8,822
Tax additions and deductions	3,370	1,518
Use of non-capitalised loss carryforwards	3,015	2,974
Trade tax effects from income subject to limited taxation	1,447	823
Effects outside the period	2,302	808
Other	-359	-467
EFFECTIVE TAX EXPENSE	-2,431	-3,166

6.11 EARNINGS PER SHARE

EARNINGS PER SHARE

in EUR	2013	2012
Profit share of Group shareholders	37,326,087	25,461,247
Number of shares issued	63,077,300	57,343,000
Weighted number of shares	63,077,300	63,077,300
EARNINGS PER SHARE (UNDILUTED)	0.59 EUR	0.40 EUR

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 (57,343,000) was replaced by the weighted number of shares in 2013 (63,077,300).

The Managing Board was authorised, by resolution of the Annual General Meeting on 20 June 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 by 19 June 2017 (Authorised Capital 2012).

7 SEGMENT REPORTING

With the exception of the two asset management companies and PATRIZIA Alternative Investment GmbH, the operating subsidiaries headquartered in Germany were merged into PATRIZIA Deutschland GmbH as of 1 July 2013. International subsidiaries will continue to be run as independent entities. Functions within the new organisational structure will be bundled at national level and managed transnationally. The realignment ensures that PATRIZIA is prepared for further international growth.

From now on the business segments will no longer be categorised according to type of use into residential and commercial but according to whether PATRIZIA acts as investor or service provider. In line with the Group's reporting for management purposes and in accordance with the definition contained in IFRS 8 "Operating segments", two segments have been identified based on functional criteria: **Investments** and **Management Services**. Besides functional criteria, the operating segments will also be delimited by geographical criteria. Country assignment will be effected according to the location of the real estate asset being managed. International subsidiaries will continue to be reported as a total for the time being owing to the still low contribution made by the individual national companies to revenues and results.

In addition, PATRIZIA Immobilien AG (corporate administration) together with the management of international subsidiaries will be reported under Corporate. Corporate does not constitute an operating segment with an obligation to report but is presented separately owing to its activity as an internal service provider and its transnational function.

The elimination of intracompany revenues, interim results and the reversal of intracompany interest charges will be performed via the Consolidation column. The "Corporate" column thus consolidates all internal services between the Investments and Management Services segments and the Group within a country; it represents the external service provided by the Group in the region concerned. Transnational consolidation is performed in the Consolidation row.

The **Investments segment** primarily bundles portfolio management and the sale of own investments. As at the balance sheet date, the segment had a portfolio of around 4,100 residential units (31 December 2012: around 6,000) as well as three real estate developments that are reported as investment property and inventories. Clients include private and institutional investors that invest either in individual residential units or in real estate portfolios. It is planned to sell off the entire stock of own property as far as possible by the end of 2015.

The results of all participating interests (excluding interim profits) from co-investments are also reported in this segment.

The **Management Services segment** covers a broad spectrum of real estate services, in particular analysis and consultancy during the purchase and sale of individual residential and commercial properties or portfolios (Acquisition and Sales), the management of real estate (Property Management), value-oriented management of real estate portfolios (Asset Management) as well as strategic consulting with regard to investment strategy, portfolio planning and allocation (Portfolio Management) and the execution of complex, non-standard investments (Alternative Investments). Special funds are also established and managed – including at a client's individual request – via the Group's two own asset management companies. Commission revenues generated by services, both from co-investments and from business with third parties, are reported in the Management Services segment. These also include income from participating interests that are granted as interim profits for asset management of the two co-investments Südewo and GBW.

The range of services provided by the Management Services segment is being increasingly used by third parties as assets under management grow and PATRIZIA sells off more and more of its own portfolio.

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 parameters, which for the purposes of internal control and reporting are referred to as EBT and operating EBT (operating result).

EBT, the measure of segment earnings, comprises the 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, amortisation, as well as earnings from investments (including investments valued at equity) and the financial result and gains/losses from currency translation.

Certain adjustments are made in the course of determining operating EBT (operating result). First, these involve non-cash effects such as amortisation on other intangible assets (fund management contracts) transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and Tamar Capital Group Ltd., unrealised changes in the value of investment property, losses from currency translation and the results of the market valuation of the interest-rate hedging instruments. Second, income-related realised changes in the value of investment property are then added to this.

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

Due to the capital intensity of the segment, the assets and liabilities in the Investments segment account for well over 90% of the Group's total assets and liabilities. For this reason, there is no breakdown of assets and liabilities by individual segments.

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures. Figures from the previous year have been adapted to the new structure.

2013 (1 JANUARY – 31 DECEMBER 2013)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
External revenues	122,496	89,057	0	0	211,553
Purchase price revenues from single unit sales	54,763	0			54,763
Purchase price revenues from block sales	25,491	0			25,491
Rental revenues	30,671	27			30,698
Revenues from services	0	89,030			89,030
Co-investments	0	36,379			36,379
Third parties	0	52,651			52,651
Other revenues	11,571	0			11,571
Intercompany revenues	197	28,938	0	-29,135	0
International¹					
External revenues	0	5,739	0	0	5,739
Revenues from services		5,739			5,739
Co-investments		2,785			2,785
Third parties		2,954			2,954
Intercompany revenues	0	2,988	0	-1,072	1,917
Corporate					
External revenues	0	0	106	0	106
Intercompany revenues	0	0	13,316	0	13,316
Consolidation					
External revenues	0	0	0	0	0
Intercompany revenues	0	-2,988	0	-12,245	-15,233
Group					
External revenues	122,496	94,796	106	0	217,398
Purchase price revenues from single unit sales	54,763	0	0		54,763
Purchase price revenues from block sales	25,491	0	0		25,491
Rental revenues	30,671	27	2		30,699
Revenues from services	0	94,769	66		94,835
Co-investments	0	39,164	62		39,226
Third parties	0	55,605	4		55,609
Other revenues	11,571	0	39		11,609
Intercompany revenues	197	28,938	13,316	-42,451	0
Financial Result	-14,888	-567	3,544	6	-11,904
Financial income					
Germany	24,842	1,377	0	0	26,219
International ¹	11,956	121	0	0	12,077
Corporate	0	0	7,730	0	7,730
Consolidation	0	0	0	-25,506	-25,506
Group	36,798	1,498	7,730	-25,506	20,520
Financial expenses					
Germany	-44,286	-1,978	0	0	-46,265
International ¹	-7,400	-86	0	0	-7,486
Corporate	0	0	-4,186	0	-4,186
Consolidation	0	0	0	25,512	25,512
Group	-51,686	-2,065	-4,186	25,512	-32,424

¹ France, Great Britain, Luxembourg, Nordics

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PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	11,541	43,498	0	735	55,774
International ¹	4,435	2,045	0	0	6.480
Corporate	0	0	-22,655	0	-22,655
Consolidation	0	0	0	0	0
Group	15,976	45,543	-22,655	735	39,599
Adjustments					
Germany	-4,047	2,186	0	0	-1,860
Significant non-operating earnings	19,110	-2,186			16,923
Market valuation income derivatives	19,525	0			19,525
Market valuation expenditures derivatives	-433	0			-433
Changes in the value of investment property	17	0			17
Fund agreement amortisation	0	-2,186			-2,186
Realised fair value	15,063	0			15,063
International ¹	0	380	0	0	380
Significant non-operating earnings	0	-380			-380
Valuation of fund shares	0	-380			-380
Group	-4,047	2,566	0	0	-1,481
Operating result (adjusted EBT)					
Germany	7,495	45,684	0	735	53,914
International ¹	4,435	2,424	0	0	6.859
Corporate	0	0	-22,655	0	-22,655
Consolidation	0	0	0	0	0
Group	11,930	48,109	-22,655	735	38,119

¹ France, Great Britain, Luxembourg, Nordics

2012 (1 JANUARY – 31 DECEMBER 2012)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
External revenues	161,910	66,851	0	0	228,761
Purchase price revenues from single unit sales	83,772	0			83,772
Purchase price revenues from block sales	22,462	0			22,462
Rental revenues	42,742	0			42,742
Revenues from services	4	66,851			66,855
Co-investments	0	28,578			28,578
Third parties	4	38,273			38,277
Other revenues	12,929	0			12,929
Intercompany revenues	226	26,422	0	-26,649	0
International¹					
External revenues	0	179	0	0	179
Revenues from services		179			179
Third parties		179			179
Intercompany revenues	0	859	0	0	859
Corporate					
External revenues	0	0	298	0	298
Intercompany revenues	0	0	8,011	0	8,011
Consolidation					
External revenues	0	0	0	0	0
Intercompany revenues	0	-859	0	-8,011	-8.869
Group					
External revenues	161,910	67,030	298	0	229,238
Purchase price revenues from single unit sales	83,772	0	0		83,772
Purchase price revenues from block sales	22,462	0	0		22,462
Rental revenues	42,742	0	2		42,744
Revenues from services	4	67,030	293		67,327
Co-investments	0	28,578	293		28,871
Third parties	4	38,452	0		38,456
Other revenues	12,929	0	3		12,933
Intercompany revenues	226	26,422	8,011	-34.659	0
Financial Result	-27,559	-1,463	5,892	0	-23,130
Financial income					
Germany	17,495	2,811	0	0	20,306
International ¹	14,902	0	0	0	14,902
Corporate	0	0	9,334	0	9,334
Consolidation	0	0	0	-32,814	-32,814
Group	32,397	2,811	9,334	-32,814	11,727
Financial expenses					
Germany	-50,420	-4,273	0	0	-54,693
International ¹	-9,536	0	0	0	-9,536
Corporate	0	0	-3,442	0	-3,442
Consolidation	0	0	0	32,814	32,814
Group	-59,956	-4,273	-3,442	32,814	-34,857

¹ France, Great Britain, Luxembourg, Nordics

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PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	10,403	29,356	0	582	40,340
International ¹	5,366	48	0	0	5,413
Corporate	0	0	-17,132	0	-17,132
Consolidation	0	0	0	0	0
Group	15,768	29,403	-17,132	582	28,621
Adjustments					
Germany	13,303	1,968	0	0	15,271
Significant non-operating earnings	10,265	-1,968			8,297
Market valuation income derivatives	11,028	0			11,028
Market valuation expenditures derivatives	-781	0			-781
Changes in the value of investment property	18	0			18
Fund agreement amortisation	0	-1,968			-1,968
Realised fair value	23,568	0			23,568
International ¹	0	0	0	0	0
Group	13,303	1,968	0	0	15,271
Operating result (adjusted EBT)					
Germany	23,706	31,324	0	582	55,612
International ¹	5,366	48	0	0	5,413
Corporate	0	0	-17,132	0	-17,132
Consolidation	0	0	0	0	0
Group	29,071	31,372	-17,132	582	43,892

¹ France, Great Britain, Luxembourg, Nordics

As a supplement to the above segment reporting, the following section details determination and calculation of EBITDA (as reported) and EBITDA (including income from participations) broken down according to “directly attributable real estate activities” and “third party and special real estate solutions” in accordance with the EPRA¹ Ground Rules is provided below. The following overview increases the transparency of the PATRIZIA Group’s allocation of earnings in light of the further expansion in our co-investments.

The column “Directly attributable real estate activities” summarises the commitments defined as “relevant real estate activities”. The column “Third-party and special real estate business” summarises the following activities:

- I Service results for third parties
- I Service results for co-investments, where these concern the equity share of third parties
- I Complete results of our asset management companies
- I Complete results of the Property Management business function
- I Complete results of the Real Estate Development business function
- I Results of the structural/investment companies (e.g. holding company)

¹ European Public Real Estate Association

EUR '000	Total	of which real estate activities directly attributable to PATRIZIA ¹	of which third party and special real estate solutions ²
Revenues	217,398	138,702	78,695
Rental revenues and revenues from billing of incidental expenses	41,443	41,752	-309
Sales revenues	80,254	80,054	200
Other revenues	95,700	16,896	78,804
Income from the sale of investment property	19,133	19,133	0
Changes in inventories	-36,717	-58,092	21,375
Other operating income	8,064	3,132	4,932
Total operating performance	207,878	102,876	105,002
Cost of materials	-58,314	-39,338	-18,976
Results from fair value adjustments to investment property	17	17	0
Staff costs	-65,733	-8,326	-57,408
Other operating expenses	-58,992	-29,635	-29,357
EBITDA I (as reported)	24,856	25,594	-739
Income from participations	32,780	21,012	11,768
Pro-rata result from real estate investments	20,479	21,012	-534
Other income from participations	12,302	0	12,302
EBITDA II – incl. Income from participations	57,636	46,607	11,029
EBITDA-percentage	100.0%	80.9%	19.1%
Amortisation	-6,107		
Financial result	-11,904		
Losses from currency translation	-26		
EBT (as reported)	39,599		

¹ Corresponds to the EPRA definition for relevant real estate activities

² Corresponds to the EPRA definition for activities that are not relevant real estate activities

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 1,400 (previous year: TEUR 1,830) 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 in connection with the payment of bonus shares 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. Four 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 2013, a total of TEUR 55.9 (previous year: TEUR 66.9) 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 1 January 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, performance 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 members of the Managing Board and members of the Executive Committee (ExCo) quantitative and qualitative company, business line and individual 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 amortisation of intangible assets (fund management contracts arising on the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and of PATRIZIA UK Ltd.) into account and taking into account realised increases in fair value. This adjusted pre-tax result is reported in PATRIZIA's financial reports as operating result. Other target criteria 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. Members of the Managing Board and members of the Executive Committee 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 members of the Managing Board and members of the Executive Committee 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 members of the Managing Board and the managers 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 to 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 member or manager of a Group company 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 entitlements.

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For 2013, a long-term incentive of TEUR 1,481 was established for the first and second management level. This equates to the liability posted of 130% of the maximum long-term variable compensation that can be achieved. The final calculation cannot be made until all data required for the calculation is known; this 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 31 December of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra price 30 days prior to and after 31 December of the second/third year (vesting period).

Based on the average share price of the PATRIZIA share price 30 days before and after 31 December 2013, the average price is EUR 7.78. This corresponds to 190,258 shares. In the reporting period expenses of TEUR 2,794 (previous year: TEUR 2,135) arose for share-based compensation.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	Number of performance shares 2013	Fair values 31.12.2013 EUR '000	Number of performance shares 2012	Fair values 31.12.2012 EUR '000	Paid out in EUR '000
Tranche of performance share units in the 2013 fiscal year ¹	190,258	1,481	0	0	0
Tranche of performance share units in the 2012 fiscal year	195,347	1,521	148,990	932	0
Tranche of performance share units in the 2011 fiscal year	276,279	2,151	249,618	1,563	19
Tranche of performance share units in the 2010 fiscal year	0	0	196,439	1,229	1,229
Total	661,884	5,153	595,047	3,724	1,248

¹ Corresponds to the liability posted for 130% target achievement. Final calculation of this variable compensation and payment to the individual beneficiaries becomes possible when all data required to determine it is known. This will not be until after the 2013 consolidated financial statements have been approved.

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

PERFORMING SHARE UNITS

	01.01. – 31.12.2013	01.01. – 31.12.2012
Outstanding at the start of the reporting period	595,047	561,123
Granted in the reporting period	257,403	189,567
Correction on account of specific settlement in the reporting period	12,422	-57,917
Paid out in the reporting period	202,988	97,725
Outstanding at the end of the reporting period	661,884	595,047

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.

Share ownership by members of the PATRIZIA Executive Committee

In addition, Johannes Altmayr, Martin Büber-Monath, Dr. Marcus Cieleback, Markus Fischer, Jürgen Kolper, Günter Loder, Andreas Menke and James Muir hold a total of 0.1% as members of the PATRIZIA Executive Committee.

Contracts and business relationships between the Managing Board members directly and PATRIZIA

PATRIZIA Immobilien AG and subsidiaries of PATRIZIA Immobilien AG provide various services for Mr Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In 2013, these specifically concerned real estate development services and the organisation of an architect workshop by PATRIZIA Deutschland GmbH. An amount of TEUR 49 was invoiced in this connection. All services provided satisfy customary market standards for comparative arms-length transactions.

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, which is used by the company as its head office (Fuggerstrasse 18-24 and also Fuggerstrasse 26 in Augsburg) at a current monthly rent of TEUR 110 (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 2013 consultancy costs of TEUR 0.5 (previous year: TEUR 0) were incurred at the law firm Seitz, Weckbach, Fackler.

9.4 SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

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

The following payments were granted to the members of the Managing Board in 2013:

SHORT-TERM COMPENSATION 2013¹

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	21,676	12,000	306,000	699,676
Arwed Fischer	350,000	31,671	12,000	223,500	617,171
Klaus Schmitt	360,000	11,851	24,000	289,600	685,451
TOTAL	1,070,000	65,198	48,000	819,100	2,002,298

¹ Payment in the 2013 fiscal year

² The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

SHORT-TERM COMPENSATION 2012¹

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.

VARIABLE COMPENSATION WITH A LONG-TERM INCENTIVE EFFECT

	2013 ¹		2012 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	153,000	26,906	101,337	35,541
Arwed Fischer	124,250	21,849	112,056	39,301
Klaus Schmitt	144,800	25,464	124,063	43,512
TOTAL	422,050	74,219	337,456	118,354

¹ Granted in the 2013 calendar year for the 2012 fiscal year once all criteria required for determining the variable compensation were known.

² Granted in the 2012 calendar year for the 2011 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 6.255211. To be paid out in 2015/2016 at the average Xetra price 30 days before and after 31 December 2014/2015.

⁴ Due to the bonus shares issued in a ratio of 10:1 in 2012 and 2013, 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/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 31 December 2013/2014.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

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

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

The following payments were granted to the Supervisory Board in the 2013 fiscal year:

in EUR	Fixed compensation	
	2013	2012
Dr. Theodor Seitz, Chairman	40,000	40,000
Harald Boberg	30,000	30,000
Manfred J. Gottschaller	30,000	30,000
TOTAL	100,000	100,000

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	
2014	5,599
2015-2018	13,325
2019 and later	2,549
	21,473

Use 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 seven years and results in an annual leasing expense of TEUR 1,322. Rental agreements have also been concluded for offices in other locations; they have remaining terms of between three months and ten years. The resulting obligations amount to TEUR 3,155 for 2014, TEUR 2,617 for 2015 and TEUR 2,413 for 2016.

9.6 EMPLOYEES

The average headcount at the Group in 2013 (excluding members of the Managing Board, including trainees) was 647 (previous year 529).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded for the 2013 fiscal year amounted to TEUR 402 (previous year: TEUR 407) for auditing the financial statements, TEUR 32 for other auditing services (previous year: TEUR 0) and TEUR 180 (previous year: TEUR 4) for tax advisory services.

9.8 GERMAN CORPORATE GOVERNANCE CODE

On 16 December 2013, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the 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 forwarding to the Supervisory Board on 14 March 2014. The Supervisory Board is tasked with auditing the consolidated financial statements and announcing if it approves the consolidated financial statements.

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, 14 March 2014



Wolfgang Egger
CEO



Arwed Fischer
CFO



Klaus Schmitt
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	Shareholding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA Deutschland GmbH	Augsburg	100	2,058,192.85	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 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 ¹	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 240 GmbH ¹	Augsburg	100	15,582.49	0.00
PATRIZIA Projekt 250 GmbH ¹	Augsburg	100	14,837.33	0.00
PATRIZIA Projekt 260 GmbH ¹	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Hamburg	100	114,097.72	-11,448.07
Stella Grundvermögen GmbH ¹	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Augsburg	100	7,704.36	-3,137.05
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	-13,404.38 ²	-3,976.37 ²
PATRIZIA Nordics A/S	Copenhagen	100	862,311.33 ³	905,463.08 ³
PATRIZIA Projekt 700 GmbH	Augsburg	100	42,008.00	-292.00
PATRIZIA Projekt 710 GmbH	Augsburg	100	35,597.82	-4,951.27
Carl HR Verwaltungs GmbH	Munich	100	27,774.26	2,104.37
Carl B-Immo Verwaltungs GmbH	Munich	100	27,582.23	2,104.37
Carl A-Immo Verwaltungs GmbH	Munich	100	27,805.76	2,104.37
Carl Carry Verwaltungs GmbH	Munich	100	27,804.06	2,104.37
Carl C-Immo Verwaltungs GmbH	Munich	100	27,104.37	2,104.37
Carl HR AcquiCo GmbH	Munich	100	32,925.49	7,764.34
PATRIZIA Sweden AB	Stockholm	100	213,953.13 ³	6,685.50 ³
Pearl AcquiCo Zwei GmbH und Co. KG	Frankfurt	99.9	57,831,747.27	4,117,504.71
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	459,848.26	334,848.26
PATRIZIA Ireland Ltd.	Dublin	100	-10,028.17	0.00
PATRIZIA UK Limited	Swindon	100	-65,456.66 ³	1,027.98 ³

¹ As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.

² Amounts from 2012

³ Provisional financial statements

PATRIZIA Immobilien AG participates **indirectly** in the following companies:

Name	Head office	Shareholding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	491,157.29	466,157.29
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	51,500.74	2,148.84
Alte Haide Baugesellschaft mbH	Augsburg	100	8,626,043.77	342,508.70
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	142,056,381.39	1,248,782.68
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,137,397.65	-15,302.18
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	30,299,613.38	-40,948.12
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	85,805.64	-914.95
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	9,121,836.28	-22,198.09
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	693,786.60	-16,432.03
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	20,450,129.73	1,715,391.38
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	-20,567,000.28	27,607,044.29
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	-5,743,247.11	-1,056,885.18
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	738,713.79	1,097,004.85
F40 GmbH	Augsburg	94.9	7,355,393.07	-3,118,927.16
PATRIZIA Projekt 380 GmbH	Augsburg	100	5,800.33	-4,375
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	-716,611.17	-15,310.03
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	-614,219.82	555,779.40
PATRIZIA Projekt 600 GmbH	Augsburg	100	5,070,059.59	499,245.96
PATRIZIA Gewerbeinvest Kapitalanlagegesellschaft mbH ¹	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	43,931.78	-600.74
PATRIZIA Facility Management GmbH ²	Augsburg	100	25,000.00	0.00
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt	30	27,734.05	281.92
sono west Projektentwicklung GmbH & Co. KG	Frankfurt	28.3	9,422,060.93 ³	-124,619.84 ³
PATRIZIA Fund Management A/S	Copenhagen	100	-90,947.44	-157,965.28
PATRIZIA Investment Management SCS	Luxembourg	78.26	-444,724.82	-436,936.56
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	-7,796.42	-7,896.42
SENECA TopCo S.à r.l.	Luxembourg	100	5,062,059.31	-4,050.52
PATRIZIA Capital Partners Limited	Swindon	100	-678,638.37 ³	-1,137,398.38 ³
Tamar Capital France Limited	Edinburgh	100	1.20 ³	0.00 ³
PATRIZIA Asset Management Limited	Edinburgh	100	16,205.12 ³	-16,069.98 ³
PATRIZIA Financial Services Limited	Edinburgh	100	203,506.29 ³	-137,035.54 ³
PATRIZIA France S.A.S.	Paris	100	309,829.20	190,207.76 ³

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:

PATRIZIA Vermögensverwaltungs GmbH ¹	Augsburg	100	687,583.35	0.00
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	9.09	240,023,477.23 ²	-1,050,393.20 ²

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

² Provisional financial statements

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 1 January to 31 December 2013. 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, 14 March 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

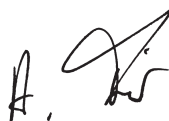
Stadter
German Public Auditor

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