Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Balance Sheet

AS OF 31 DECEMBER 2014

ASSETS

EUR '000	Notes	31.12.2014	31.12.2013
A. Non-current assets			
Goodwill	4.1.1	610	610
Other intangible assets	4.1.2	39,407	41,904
Software	4.1.3	10,795	8,698
Investment property	4.1.4	78,507	229,717
Equipment	4.1.5	4,476	4,765
Participations in associated companies	4.1.6	68,497	18,295
Participations	4.1.7	96,555	80,074
Loans	4.1.8	5,281	5,814
Long-term tax assets	4.2	119	159
Total non-current assets		**304,247**	**390,036**
B. Current assets			
Inventories	4.3	198,694	309,203
Securities		86	96
Short-term tax assets	4.2	8,014	5,582
Current receivables and other current assets	4.4	84,774	82,262
Bank balances and cash	4.5	145,361	105,536
Total current assets		**436,929**	**502,679**
TOTAL ASSETS		**741,176**	**892,715**

EQUITY AND LIABILITIES

EUR '000	Notes	31.12.2014	31.12.2013
A. Equity			
Share capital	5.1.1	69,385	63,077
Capital reserve	5.1.2	198,576	204,897
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	809	1,398
Valuation results from cash flow hedges		0	–31
Currency translation difference	2.5	1,030	500
Consolidated unappropriated profit		139,743	104,135
Total equity		**410,048**	**374,481**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	19,704	22,933
Retirement benefit obligations	5.4	630	534
Non-current liabilities	5.5	82,544	80,849
Total non-current liabilities		**102,878**	**104,316**
CURRENT LIABILITIES			
Short-term bank loans	5.2	121,950	321,634
Short-term financial derivatives		0	2,819
Other provisions	5.6	2,142	1,719
Current liabilities	5.7	92,506	75,759
Tax liabilities	5.8	11,652	11,987
Total current liabilities		**228,250**	**413,918**
TOTAL EQUITY AND LIABILITIES		**741,176**	**892,715**

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR '000	Notes	2014	2013
Revenues	6.1	291,815	217,398
Income from the sale of investment property	4.1.4	17,019	19,133
Changes in inventories	6.2	–110,509	–36,717
Other operating income	6.3	7,143	8,064
Total operating performance		**205,468**	**207,878**
Cost of materials	6.4	–54,455	–58,314
Cost of purchased services[1]	6.5	–9,990	–14,120
Staff costs	6.6	–77,239	–65,733
Results from fair value adjustments to investment property	4.1.4	51	17
Other operating expenses[1]	6.7	–50,193	–44,872
EBITDA		**13,642**	**24,856**
Amortisation of intangible assets and depreciation on property, plant and equipment	6.8	–6,940	–6,107
Earnings before finance income and income taxes (EBIT)		**6,702**	**18,749**
Income from participations	6.9	39,062	32,122
Earnings from companies accounted for using the equity method	4.1.6	3,182	658
Finance income	6.10	4,413	20,520
Finance cost	6.10	–11,912	–32,424
Gains/losses from currency translation	2.5	551	–26
Earnings before income taxes (EBT)		**41,998**	**39,599**
Income tax	6.11	–6,978	–2,431
Consolidated net profit		**35,020**	**37,168**
Earnings per share (undiluted) in EUR	6.12	0.51	0.54
The consolidated net profit is allocated to:			
Shareholders of the parent company		35,608	37,327
Non-controlling shareholders	5.1.4	–588	–159
		35,020	**37,168**

[1] Cost of purchased services were previously reported unter other operating expenses. Last year's figures have been adjusted accordingly.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR '000	2014	2013
Consolidated net profit	**35,020**	**37,168**
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	530	500
Cash flow hedges		
Amounts recorded during the reporting period	0	0
Reclassification of amounts that were recorded	31	438
Total result for the reporting period	**35,581**	**38,106**
The total result is allocated to:		
Shareholders of the parent company	36,169	38,265
Non-controlling shareholders	–588	–159
	35,581	38,106

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR '000	2014	2013
Consolidated net profit	35,020	37,168
Income taxes recognised through profit or loss	6,978	2,431
Financial expenses through profit or loss	11,912	32,424
Financial income through profit or loss	–4,413	–20,520
Amortisation of intangible assets and depreciation on property, plant and equipment	6,940	6,107
Results from fair value adjustments to investment property	–51	–17
Gain on disposal of investment properties	–17,019	–19,133
Other non-cash items	–6,226	–889
Changes in inventories, receivables and other assets that are not attributable to investing activities	105,615	53,394
Changes in liabilities that are not attributable to financing activities	22,525	124,023
Interest paid	–10,993	–30,567
Interest received	658	477
Income tax payments	–10,926	–5,110
Cash inflow from operating activities	**140,020**	**179,788**
Capital investments in intangible assets and property, plant and equipment	–6,247	–7,183
Cash receipts from disposal of investment property	171,818	169,428
Payments for development or acquisition of investment property	–3,538	–5,891
Payments for the acquisition of shareholdings	–16,294	–61,676
Income from the equity reduction of shareholdings	183	0
Payment for investments in companies accounted for using the equity method	–47,020	–1,818
Cash inflow from the repayment of loans to companies in which participating interests are held	5,267	0
Cash outflows for loans to companies in which participations are held	–4,667	–5,814
Cash inflow from investing activities	**99,502**	**87,046**
Borrowing of loans	147,062	93,314
Repayment of loans	–346,746	–292,734
Payment for the issue of bonus shares	–13	–13
Cash outflow from financing activities	**–199,697**	**–199,433**
Changes in cash	**39,825**	**67,401**
Cash 1 January	105,536	38,135
Cash 31 December	145,361	105,536

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR '000	Share capital	Capital reserve	Valuation result from cash flow hedges	Retained earnings (legal reserve)	Currency translation difference	Consolidated unappropriated profit	Thereof attributable to the shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
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
Issue 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**
Balance 1 January 2014	**63,077**	**204,897**	**–31**	**505**	**500**	**104,135**	**373,083**	**1,398**	**374,481**
Net amount recognised directly in equity, where applicable less income taxes			31		530		561		561
Issue of bonus shares	6,308	–6,308							
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						35,608	35,608	–588	35,020
Full overall result for the fiscal year			31				36,169	–588	35,581
BALANCE 31 DECEMBER 2014	**69,385**	**198,576**	**0**	**505**	**1,030**	**139,743**	**409,239**	**809**	**410,048**

Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

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 more than 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 worth EUR 14.6 billion mainly as a co-investor and portfolio manager for insurance companies, pension fund institutions, government funds and savings banks.

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to 31 December 2014 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:

- IFRS 10 – "Consolidated Financial Statements" (to be applied for fiscal years commencing on or after 1 January 2014)
- IFRS 11 – "Joint Arrangements" (to be applied for fiscal years commencing on or after 1 January 2014)
- IFRS 12 – "Disclosure of Interests in Other Entities" (to be applied for fiscal years commencing on or after 1 January 2014)

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

- 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)
- 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 2014)

- 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 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 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)

The standards/interpretations which were used for the first time from 1 January 2014 did not have any impact on the consolidated financial statements. However, the first-time application of IFRS 12 led to more extensive disclosures in the consolidated financial statements.

Although the following standards, 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:

- IFRS 9 – "Financial Instruments" (to be applied for fiscal years commencing on or after 1 January 2018; this standard has not yet been adopted by the EU)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)
- Amendments to IFRS 11– Accounting for Acquisitions of Interests in Joint Operations (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)
- IFRS 14 – "Regulatory Deferral Accounts" (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)
- IFRS 15 – "Revenue from Contracts with Customers" (to be applied for fiscal years commencing on or after 1 January 2017; the amendments to these standards have not yet been adopted by the EU)
- Amendments to IAS 1: Disclosure Initiative (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)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)
- Amendments to IAS 16 and IAS 41– Bearer Plants (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)

- 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; in the EU, first-time application is mandatory for fiscal years commencing after 1 February 2015)
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (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; in the EU, first-time application is mandatory for fiscal years commencing on or after 1 February 2015)
- 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; in the EU, first-time application is mandatory for fiscal years commencing on or after 1 January 2015)
- Annual improvements to the IFRS – 2012-2014 cycle (amendments to IFRS 5 – “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 – “Financial Instruments: Disclosures”, IAS 19 – “Employee Benefits”, IAS 34 “Interim Financial Reporting”; to be applied for fiscal years commencing on or after 1 January 2016; 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; different effective date due to EU endorsement. Here: 17 June 2014)

With regard to first-time application of IFRS 9 and IFRS 15, it is not currently possible to evaluate the effects because detailed analyses are still under way. 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. The nature of expense method was selected for the income statement.

The fiscal year corresponds to the calendar year. The consolidated financial statements are 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

The consolidated financial statements contain the financial statements of the parent company and of the companies it controls (its subsidiaries). The Company acquires control if:

- it can exercise power of disposal over the associated company,
- its returns are dependent on the performance of the investment and
- it can influence the level of the returns due to its power of disposal.

The Company re-assesses whether or not it controls an associated company if facts or circumstances indicate that one or more of the three aforementioned criteria relating to control have changed.

A subsidiary is included in the consolidated financial statements from the date on which the Company acquires control over the subsidiary until the date on which the Company's control ends. In this context, the results of subsidiaries which are acquired or sold during the course of a year are recorded in the consolidated income statement and in the other comprehensive income accordingly from the actual date of acquisition and/or until the actual date of sale.

All internal assets, liabilities, equity items, income, expenses and cash flows relating to business transactions between group companies are eliminated in full during the consolidation process.

All 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 Kapitalverwaltungsgesellschaft mbH (formerly PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH) and PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH (formerly 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.

A joint venture is a joint agreement in which the parties which exercise joint control have rights to the net assets of the arrangement. Joint management is the contractually agreed jointly exercised management of an arrangement. This only applies if decisions concerning key activities require the unanimous consent of the parties involved in joint management.

An associated company is a company over which the Group has significant influence. 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.

Shares in associated companies or joint ventures must be included in the consolidated total assets at their acquisition cost using the equity method; these are adjusted for changes in the Group's share in the profit or loss and in the other comprehensive income of the associated company or joint venture after the date of acquisition. Losses of an associated company or joint venture which exceed the Group's share in such associated company or joint venture are not recorded.

In addition to the parent company, the scope of consolidation comprises 70 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. Although PATRIZIA has a significant influence on management, it does not have control because this is held by the majority investor in the SICAV. 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 acquisition cost.

In 2014 there were no major changes in the shareholder structure from the Group's perspective. In addition, five companies had been established by 31 December 2014 but these were not included in the scope of consolidation because they had not commenced business operations and were thus of minor significance for the consolidated financial statements.

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

PATRIZIA Immobilien AG acquired Archa 2 Oy, Helsinki, on 10 January 2014. The company was renamed PATRIZIA Finland Oy with effect from 3 March 2014. The company's share capital is EUR 2,547.06. The object of the company is the provision of property-related services in Finland.

On 28 May 2014, PATRIZIA Immobilien AG established PATRIZIA Institutional Clients & Advisory GmbH, Augsburg. The company's share capital is TEUR 25. The object of the company is the provision of consultancy services and services of all types within the sphere of and in connection with real estate, especially services for institutional clients.

On 2 June 2014, PATRIZIA Immobilien AG established PATRIZIA Netherlands B.V., Amsterdam. The company's share capital is EUR 1. The object of the company is the provision of property-related services in the Netherlands.

PATRIZIA Luxembourg S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, founded PATRIZIA Investment Management HoldCo S.à r.l., Luxembourg, on 4 July 2014. The company's share capital is TEUR 12.5. The object of the company is the granting of finance to real estate companies, the purchase or holding of shares in real estate companies, the purchase of real estate and the operation and sale (including residential property resale) of real estate held by the company.

On 29 September 2014, PATRIZIA Immobilien AG established PATRIZIA GrundInvest GmbH, Augsburg. The outstanding contributions to the company's share capital amount to TEUR 25. A capital increase to EUR 3 million was effected on the basis of a resolution dated 28 October 2014. The object of the company is the management of own assets and acting as controlled company within the framework of a fiscal unity arrangement.

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 acquisition method under IFRS 3. Using the relief options 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). According to the acquisition method, the consideration transferred at the time of a business combination is measured at fair value. This is determined from the aggregate of the fair values of the transferred assets, measured at the time of acquisition, of the liabilities assumed from the previous owners of the acquired company and of the equity instruments issued by the Group in exchange for control of the acquired company. Transaction costs associated with the business combination are recognised in profit or loss when they are incurred.

A subsidiary is included in the consolidated financial statements from the date on which the Company acquires control over the subsidiary until the date on which the Company's control ends.

The acquisition costs comprise the cash paid for the acquisition.

Goodwill is calculated as the amount by which the sum of

- the consideration transferred and
- the amount of all non-controlling interests in the acquired company

exceeds the fair values of the acquired identifiable assets and liabilities assumed on the date of acquisition. If – even after a further assessment – the difference is negative, this is recognised immediately in profit or loss. The profit or loss and every component of other comprehensive income are to be assigned to the shareholders of the parent company and to the non-controlling interests. This applies even if this means that the non-controlling interests have a negative balance.

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 quarterly 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 participation is to be classified as a joint venture or as an associated company. Here, the acquisition costs for the shares acquired are initially 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 or badwill. In subsequent periods, 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 timing 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 resulting translation differences are recorded through profit or loss. Nonmonetary items are measured at historical costs in a foreign currency and 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. According to this method, 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 and – where necessary – less any 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. Here, the recoverable amount is the higher of value in use and fair value less selling costs.

3.2 SOFTWARE

Software is recognised at acquisition or production cost at the date of addition. In subsequent periods, it is measured at acquisition or production cost less any accumulated scheduled depreciation and any accumulated impairment losses.

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 GewerbeInvest Kapitalverwaltungsgesellschaft mbH and those acquired as part of the business combination with the company now known as PATRIZIA UK Ltd. are shown separately and are measured at fair value at the time of their acquisition.

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 (19 to 23 years). Since their course cannot be reliably determined in advance, the straight-line method was selected.

3.4 EQUIPMENT

Equipment is recognised at acquisition or production cost at the date of addition. In subsequent periods, it is measured at acquisition or production cost less any accumulated scheduled depreciation and any accumulated impairment losses.

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 with 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

If there is an indication of an impairment, assets which are subject to scheduled depreciation are reviewed to ascertain if there is a need for unscheduled depreciation. If the reason for the unscheduled depreciation no longer applies, the impairment is reversed. 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. Measurements are carried out in accordance with the provisions of IFRS 13 and define the price which would be received in an orderly business transaction between market participants on the measurement reference date for the sale of an asset or which would be paid for the transfer of a liability. 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.

For individual investment properties, the residential property resale process was launched in previous years and successfully continued in 2014. 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.

One property that remained after the sale of all properties not earmarked for residential resale was measured on the balance sheet date of 31 December 2014 using the income approach. With the exception of the market rent used in the valuation (level 2 of the valuation hierarchy), the input factors used here 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 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 25,020 sqm with an average selling price of EUR 2,548 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 2,388 in the fair value). If, when valuing the remaining property which is not earmarked for resale, the market rent changes by 5%, this results in a change in market value of EUR 1.0 million. A change of 5 basis points in the capitalisation interest rate would result in a change in market value of EUR 0.7 million.

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. Dividends received from an associated company reduce the carrying amount of the shares.

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 PARTICIPATIONS

Participations 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. On each reporting date, the Group ascertains whether there are objective indications that an impairment has taken place.

3.9 INVENTORIES

The “Inventories” item contains real estate that is intended for sale in the context of ordinary activities or that is intended for such sale in the context of the construction or development process; in particular, it includes real estate that has been acquired solely for the purpose of resale in the near future or for development and resale. Development also covers straightforward 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 cost or net sale 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.

3.10 FINANCIAL ASSETS

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

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

Financial assets are stated in the balance sheet if the company is party to a contract for this asset. Customary purchases of financial assets for which there is only a short customary period between entry into, and 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"** (see 3.8). 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. 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 non-collectable.

3.11 CASH AND CASH EQUIVALENTS

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

3.12 FINANCIAL LIABILITIES

Upon initial recognition, **interest-bearing loans** are measured at fair value less the transaction costs directly associated with the borrowing. They are not 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.

3.13 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (or a part of a financial asset or a group of similar financial assets) is 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.

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

The last of the interest hedging derivatives expired on 30 June 2014. As a result of the ECB’s continuing low interest rate policy and PATRIZIA’s own assessments of the overall economic situation in Europe, financing does not currently include any interest rate hedging. Previously, the Group used the derivative financial instruments of interest rate swaps and interest rate collars to protect itself against interest rate risks. These derivative financial instruments were measured at fair value. Derivative financial instruments were recognised as assets if their fair value was positive, and as liabilities if their fair value was negative.

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

The PATRIZIA Group’s hedging instruments were classified as cash flow hedges for accounting purposes, since they involved hedging against the risk of fluctuations in the cash flow, which could 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 were 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 were considered highly effective in terms of compensating for risks resulting from changes to fair value or cash flow. They were continuously assessed as to whether they were actually highly effective during the entire reporting period for which the hedge was defined.

3.15 RETIREMENT BENEFIT OBLIGATIONS

Defined-benefit 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.

3.16 OTHER PROVISIONS

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

3.17 LEASES

The determination of whether an agreement includes a lease is made on the basis of the economic substance of the agreement at the time of the conclusion of the respective agreement. It 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 associated with the ownership are not passed to the lessee to a significant degree by the lessor 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.

3.18 TAXES

Actual taxes

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

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.

3.19 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 real estate projects under development by the Group. All other borrowing costs are recorded as expenses in the period in which they are incurred.

3.20 REVENUE RECOGNITION

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

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

3.21 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

When preparing the consolidated financial statements a certain degree of assumptions must be made and estimates must be used which impact on the amount and reporting of the assets and liabilities, income and expenses as well as contingent receivables and liabilities carried for the reporting period. An estimate is made on the basis of the most recently available reliable information. The assets, liabilities, income, expenses and contingent receivables and liabilities 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:

- Measurement of investment property
- Determining the recoverable amount to assess the necessity and extent of unscheduled amortisation, especially on the real estate posted under the item “Inventories”
- Recognising and measuring provisions
- Valuing receivables subject to risk
- 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

The goodwill with a carrying amount of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft 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 5.65% p.a. (previous year: 7.08% 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: 1% p.a.). PATRIZIA 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

			2014			2013
EUR '000	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	**48,427**	**–6,523**	**41,904**	**47,195**	**–3,936**	**43,259**
Additions	0	–2,511	–2,511	1,232	–2,587	–1,355
Disposals	0	0	0	0	0	0
Exchange rate differences	35	-21	14	0	0	0
Balance as at 31 December	**48,462**	**–9,055**	**39,407**	**48,427**	**–6,523**	**41,904**

The intangible assets include an amount of TEUR 39,323 relating to the hidden reserves, in respect of the fund management contracts, identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH and an amount of TEUR 70 relating to the hidden reserves, in respect of the fund management contracts, identified during the purchase price allocation of PATRIZIA UK Ltd. The hidden reserves are currently subject to scheduled depreciation of TEUR 2,511 p.a.

4.1.3 SOFTWARE

EUR '000	2014 Acquisition costs	2014 Amortisation	2014 Carrying amounts	2013 Acquisition costs	2013 Amortisation	2013 Carrying amounts
Balance as at 1 January	**13,341**	**–4,643**	**8,698**	**10,403**	**–2,850**	**7,553**
Additions	4,906	–2,809	2,097	2,938	–1,793	1,145
Disposals	–982	982	0	0	0	0
Balance as at 31 December	**17,265**	**–6,470**	**10,795**	**13,341**	**–4,643**	**8,698**

4.1.4 INVESTMENT PROPERTY

DEVELOPMENT OF NON-CURRENT ASSETS

EUR '000	2014 Investment Property	2013 Investment Property
Fair Value		
Balance as at 1 January	**229,717**	**374,104**
Additions – assets	3,538	5,891
Disposals – assets	–154,799	–150,295
Positive fair value changes	2,198	16,893
Negative fair value changes	–2,147	–16,876
Balance as at 31 December	**78,507**	**229,717**

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, Offenbach, Munich, Neu-Isenburg, Kaiserslauten, Ratingen, Essen, Krefeld, and Cologne were sold.

Based on the fair value of the overall portfolio as at 31 December 2014, the average value is EUR 2,222 (previous year: EUR 1,768) per square metre and/or a multiplier of 19 (previous year: 15) based on the target rent. The increase in these average values is based on the improved portfolio mix as a result of sales.

The fair value of the pledged investment property is TEUR 78,507 (previous year: TEUR 229,717).

4.1.5 EQUIPMENT

EUR '000	2014 Acquisition costs	2014 Amortisation	2014 Carrying amounts	2013 Acquisition costs	2013 Amortisation	2013 Carrying amounts
Balance as at 1 January	**10,150**	**–5,385**	**4,765**	**7,617**	**–4,138**	**3,479**
Additions	1,341	–1,621	–280	3,134	–1,728	1,406
Disposals	–270	261	–9	–601	481	–120
Balance as at 31 December	**11,221**	**–6,745**	**4,476**	**10,150**	**–5,385**	**4,765**

4.1.6 PARTICIPATIONS IN ASSOCIATED COMPANIES

EUR '000	2014 Acquisition costs	2014 Adjustments at equity	2014 Carrying amounts	2013 Acquisition costs	2013 Adjustments at equity	2013 Carrying amounts
Balance as at 1 January	**17,206**	**1,089**	**18,295**	**15,379**	**431**	**15,810**
Additions	47,020	3,182	50,202	1,827	658	2,485
Disposals	0	0	0	0	0	0
Balance as at 31 December	**64,226**	**4,271**	**68,497**	**17,206**	**1,089**	**18,295**

The item "participations in associated companies" includes the participation in PATRIZIA WohnModul I SICAV-FIS with registered office in Luxembourg. In 2014 PATRIZIA increased its holding by 1.01 percentage points to 10.1% (previous year: 9.09%).

PATRIZIA WohnModul I SICAV-FIS firstly enables the purchase of real estate developments and asset repositioning properties, while secondly allowing apartments to be sold even during the investment phase. The exit strategy provides for both block sales and individual sales.

Because of its participation in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to customary risks specific to the real estate sector such as market trends for residential property resales and real estate developments, and also to fluctuations in interest rates.

PATRIZIA WohnModul I is included in the consolidated financial statements of PATRIZIA Immobilien AG based on the equity method. The summarised financial information for the aforementioned associated company is given below.

EUR '000	2014	2013
Current assets	1,247,220	555,449
Non-current assets	13,730	9,676
Current liabilities	74,849	74,595
Non-current liabilities	506,413	289,531
Revenues	77,033	30,914
Net profit/loss for the year	30,560	9,881
Other comprehensive income	–	–
Total comprehensive income	30,560	9,881

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 3,182 (previous year: TEUR 658).

Reconciliation statement showing the relationship between the financial information presented and the carrying amount of the participation interest in PATRIZIA WohnModul I SICAV-FIS:

EUR '000	2014	2013
Net assets of the associated company	679,688	200,999
Group's shareholding	10.1%	9.09%
Goodwill	–	–
Other adjustments	–151	24
Carrying value of the Group's participating interest in PATRIZIA WohnModul I SICAV-FIS	**68,497**	**18,295**

The other adjustments include income from participations in companies which are not assignable to the associated company on account of their economic substance and the interim results which are to be taken into account. Figures for previous years have been adjusted accordingly based on the requirements of IFRS 12.

4.1.7 PARTICIPATIONS

	2014			2013		
EUR '000	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	**80,074**	**0**	**80,074**	**18,407**	**0**	**18,407**
Additions	16,294	0	16,294	61,676	0	61,676
Disposals	–183	0	–183	–9	0	–9
Exchange rate differences	370	0	370	0	0	0
Balance as at 31 December	**96,555**	**0**	**96,555**	**80,074**	**0**	**80,074**

The item “Participations” includes the following main holdings:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2013: 6.25%)
- CARL A-Immo GmbH & Co KG 12.5% (31 December 2013: 12.5%)
- sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2013: 28.3%)
- Projekt Feuerbachstrasse Verwaltung GmbH 30% (31 December 2013: 30%)
- PATRIZIA Projekt 150 GmbH 10% (31 December 2013: 10%)
- Plymouth Sound Holdings LP 10% (31 December 2013: 10%)
- Winnersh Holdings LP 5.0% (31 December 2013: 4.9%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2013: 5.1%)
- GBW GmbH 5.1% (31 December 2013: 5.1%)
- Aviemore Topco 10% (31 December 2013: 0%)
- Citruz Holdings LP 10% (31 December 2013: 0%)

Key additions during the fiscal year include the participation in Aviemore Topco of 10% (TEUR 8,376) and in Citruz Holdings LP of 10% (TEUR 4,304) as well as the increase in the participation in GBW GmbH by incorporating the existing loan into the free capital reserves (TEUR 3,069).

4.1.8 LOANS

			2014			2013
EUR '000	Acquisition costs	Amortisation	Carrying amounts	Acquisition costs	Amortisation	Carrying amounts
Balance as at 1 January	**5,814**	**0**	**5,814**	**0**	**0**	**0**
Additions	4,667	0	4,667	5,814	0	5,814
Disposals	–5,267	0	–5,267	0	0	0
Exchange rate differences	67	0	67	0	0	0
Balance as at 31 December	**5,281**	**0**	**5,281**	**5,814**	**0**	**5,814**

The additions mainly relate to a loan of TEUR 3,798 granted in connection with the co-investment Aviemore Holdings LP. The disposals mainly relate to the aforementioned incorporation of the loan within the context of the co-investment GBW and to the redemption of the loan to the co-investment Plymouth Sound Holdings LP in an amount of TEUR 1,329.

4.2 TAX ASSETS

Corporation tax credits of TEUR 119 (previous year: TEUR 159) with a right to payment that arose after 2008 and that are to be paid by the tax authorities over a period of ten years in equal annual amounts are treated as non-current tax assets. Measurement is at present value.

The current tax assets of TEUR 8,014 (previous year: TEUR 5,582) mainly include receivables from tax overpayments and claims for reimbursement resulting from capital gains tax. Current tax assets rose by TEUR 2,432 compared with the previous year; this was among other things due to advance tax payments being set too high and to withheld capital gains tax.

4.3 INVENTORIES

A breakdown of inventories is shown below:

EUR '000	31.12.2014	31.12.2013
Real estate intended for sale	90,908	216,216
Real estate in the development phase	107,786	92,987
	198,694	**309,203**

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

As at 31 December 2014, two properties were in the development phase. In 2014 inventories with a total carrying amount of TEUR 147,307 (previous year: TEUR 68,844) were sold.

During the period under review directly assignable borrowing costs of TEUR 423 (previous year: TEUR 1,235) were capitalised.

The carrying amounts of inventories which are pledged as security totalled TEUR 98,226 (previous year: TEUR 280,670).

Realisation of inventories amounting to TEUR 59,376 is expected to last longer than twelve months.

4.4 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

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

RECEIVABLES AND OTHER CURRENT ASSETS

EUR '000	31.12.2014	31.12.2013
Trade receivables	28,379	18,339
Other current assets	56,395	63,923
	84,774	**82,262**

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	2014	2013
Rent receivables	**369**	**628**
Of which < 90 days	198	308
Of which > 90 days	171	320

Rent receivables of TEUR 369 (previous year: TEUR 628) are secured through rental deposits.

Trade receivables of TEUR 31,177 (previous year: TEUR 21,078) were decreased by specific value adjustments of TEUR 2,798 (previous year: TEUR 2,739) to a carrying amount of TEUR 28,379 (previous year: TEUR 18,339). These mainly relate to receivables from services (purchase fees, performance fees, management remuneration, leasing commission and asset management fees).

The other current assets were mainly influenced by a reduction of TEUR 25,482 in purchase price receivables and a rise of TEUR 14,163 in receivables from companies in which participations are held.

CHANGES IN THE VALUE ADJUSTMENT ACCOUNT FOR RECEIVABLES

EUR '000	2014	2013
Balance as at 1 January	**2,739**	**3,738**
Additions	497	6
Outflows due to derecognitions	–373	–597
Outflows due to payments received	–65	–408
BALANCE AS AT 31 DECEMBER	**2,798**	**2,739**

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.

4.5 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 is pledged as security (previous year: TEUR 1,400). 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 pledge is security for a payment guarantee that was issued by R+V Versicherung for the general contractor in the “Wasserturm, Sternschanze” project. Because arbitration proceedings are pending with the general contractor, it is not possible to make a definitive assessment regarding the return of the guarantee or thus 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. This guarantee was used towards a guarantee facility for a nominal amount of TEUR 5,000 with Zurich Versicherung, which can also be used for various guarantees by PATRIZIA and for which no cash deposit is required.

In the previous year, there were also purchase price payment accounts of TEUR 21,704, which were 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 69,385,030 (previous year: EUR 63,077,300) and was divided into 69,385,030 (previous year: 63,077,300) registered no-par value shares.

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). As a result of the 2013 and 2014 capital increases from company funds, the 2012 contingent capital was conditionally increased by law, in accordance with Article 218 sentence 1 AktG, in the same ratio as the share capital to EUR 17,346,257.50 through the issue of 17,346,257.50 new, registered no-par values shares. 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 35,813,177 no-par value shares (previous year: 32,557,435 no-par value shares), which equates to a 51.62% shareholding (previous year: 51.62%).

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the past as part of the Company's capital increase are posted on an unchanged basis in the capital reserves. In connection with the issue of bonus shares in the 2014 fiscal year, the capital reserves fell by TEUR 6,321 (previous year: TEUR 5,747).

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 –12,892, with earnings of TEUR –588 allocated to the non-controlling partner. The other shares of non-controlling partners are classed as insignificant by PATRIZIA.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	31.12.2014	31.12.2013
Up to 1 year	33,699	284,857
More than 1 to 2 years	88,251	36,777
More than 2 to 5 years	0	0
More than 5 years	0	0
TOTAL	121,950	321,634

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

MATURITY

Year	Amount of loans due as at 31.12.2014	
	EUR '000	in %
2015	33,699	27.6
2016	88,251	72.4
TOTAL	121,950	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 this risk, the Group had concluded hedging transactions for the majority of the loans but the term of these hedging transactions was not extended beyond 30 June 2014.

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 twelve months following the reporting date are posted as bank loans with a residual term of up to 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 121,950 (previous year: TEUR 321,634). In addition, financial liabilities are secured by assigning purchasing prices, and others are secured by assigning future rental payments.

5.3 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	31.12.2014 Assets	31.12.2014 Liabilities	31.12.2013 Assets	31.12.2013 Liabilities
Investment property	0	3,239	0	7,276
Inventories	0	1,232	0	1,232
Derivatives	0	0	446	0
Tax loss carryforwards	0	0	0	0
Intangible assets PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH	0	12,691	0	13,326
Securities PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH	0	0	0	0
Consolidation of debts	715	2,153	881	1,477
Other	696	1,800	1,774	2,723
	1,411	**21,115**	**3,101**	**26,034**
Netting	–1,411	–1,411	–3,101	–3,101
	0	**19,704**	**0**	**22,933**

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.

In addition, on the balance sheet date, two companies (previous year: two companies) had corporation tax loss carryforwards of TEUR 20,939 (previous year: TEUR 26,984); 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 41,099 (previous year: TEUR 9,861).

5.4 RETIREMENT BENEFIT OBLIGATIONS

In principle, there are no defined-benefit pension schemes at the Group. This excludes plans which were assumed in the past in connection with acquisitions. As at the balance sheet date, a total of six people had a defined-benefit commitment. Four of these people are retired persons who already receive ongoing pension payments. As at 31 December 2014, actuarial interest rates of 1.78% – 3.7% (previous year: 2.94% – 3.7%) 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 2014, the pension provision was recognised at TEUR 630 (previous year: TEUR 534). Due to the low level of the annual pension payments of TEUR 150 (previous year: TEUR 84) 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 3,138 (previous year: 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 77,000) 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 2014

EUR '000	01.01.2014	Addition	Release	Use	31.12.2014
Other provisions	1,719	2,142	6	1,713	2,142
	1,719				**2,142**

OTHER PROVISIONS 2013

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

The other provisions chiefly consist of provisions for unused holiday entitlements, contributions to employee accident insurance and surcharges for not employing disabled 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	31.12.2014	31.12.2013
Trade payables	4,431	2,237
Advance payments	44,139	37,930
Other liabilities	43,936	35,592
	92,506	**75,759**

The current liabilities have a residual term of less than twelve 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 for sold properties 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 EK 02 portfolios amounting to TEUR 1,687 (previous year: TEUR 2,123), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 6,925 (previous year: TEUR 4,636), corporation tax of TEUR 626 (previous year: TEUR 1,040) 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.

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.

Significant risks for the Group arising from the financial instruments include interest-related cash flow risks and liquidity and credit risks.

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.

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. As a result of the ECB's continuing low interest rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing does not currently include any interest rate hedging.

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 2014 and without taking taxes into account, this would have an effect of TEUR 1,220 (previous year: TEUR 424) on the consolidated profit and TEUR 1,220 (previous year: TEUR 0) on consolidated equity.

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	2014	2013
Interest-bearing loans	121,950	321,634
Trade payables and other liabilities	104,158	87,745
Less cash and short-term deposits	–145,361	–105,536
Net financial liabilities	**80,747**	**303,843**
Equity	410,048	374,481
Cash flow hedges valuation result	0	31
Currency translation difference	–1,030	–500
Total modified equity	**409,018**	**374,012**
Modified equity and net financial liabilities	489,765	677,855
Gearing ratio	16%	45%

5.10 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR '000	31.12.2014	31.12.2013
Loans and receivables	235,736	201,644
Available-for-sale financial assets	96,555	80,083

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

CARRYING AMOUNTS OF THE FINANCIAL LIABILITIES

EUR '000	2014	2013
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	0	2,819
Financial liabilities which are measured at amortised cost	130,211	327,714
Derivative financial instruments which are designated as hedging instruments and are effective as such	0	0

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2014	2013
Loans and receivables	+1,595	+995
Available-for-sale financial assets	+39,062	+32,128
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (interest expenses)	–2,822	–19,771
Financial liabilities which are measured at amortised cost	–4,459	–8,104
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)	+0	+19,525
Derivative financial instruments which are designated as hedging instruments and are effective as such – included in consolidated profit	+0	+0

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 13,451 (previous year: TEUR 23,271).

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 1,763 (previous year: TEUR 1,478), income from payments in kind of TEUR 1,125 (previous year: TEUR 911), income from insurance compensation in an amount of TEUR 1,074 (previous year: TEUR 336), income from liability compensation in the amount of TEUR 548 (previous year: TEUR 20), income from costs charged on of TEUR 490 (previous year: TEUR 243), the settlement of transaction fees in an amount of TEUR 200 (previous year: TEUR 627), income from the reduction in specific value adjustments in the amount of TEUR 136 (previous year: TEUR 1,153) and income from the recognition of differences from company acquisitions in an amount of TEUR 0 (previous year: TEUR 933).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance and comprises real estate development costs of TEUR 29,901 (previous year: TEUR 21,351), renovation costs of TEUR 11,819 (previous year: TEUR 20,218), ancillary costs of TEUR 10,382 (previous year: TEUR 14,457) and maintenance expenses of TEUR 2,353 (previous year: TEUR 2,289).

6.5 COST OF PURCHASED SERVICES

For the period under review we are reporting the item “cost of purchased services” for the first time. These expense items were previously reported under other operating expenses. Reporting these separately shows the extent to which orders of relevance for revenues have been placed with external companies. For PATRIZIA, this concerns in particular the expenses for the label funds of PATRIZIA GewerbeInvest, for which PATRIZIA acts as a service investment management company. The new approach also applies retroactively for previous years’ financial statements, which have been adjusted accordingly.

6.6 STAFF COSTS

A breakdown of staff costs is shown below:

STAFF COSTS

EUR ’000	2014	2013
Wages and salaries	69,003	59,119
Social insurance contributions	8,236	6,614
	77,239	**65,733**

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

OTHER OPERATING EXPENSES

EUR ’000	2014	2013
Operating expenses	12,994	11,507
Administrative expenses	16,039	15,558
Selling expenses	8,982	8,324
Other expenses	12,178	9,483
	50,193	**44,872**

6.8 AMORTISATION

Scheduled amortisation of software and equipment amounted to TEUR 4,430 (previous year: TEUR 3,521).

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 GerwerbeInvest Kapitalverwaltungsgesellschaft mbH and the acquisition of PATRIZIA UK Ltd. Scheduled amortisation amounts to TEUR 2,510 per annum (previous year: TEUR 2,452). An annual impairment test resulted in an impairment of TEUR 0 (previous year: TEUR 135).

6.9 INCOME FROM PARTICIPATIONS

The income from participations of TEUR 39,062 (previous year: TEUR 32,122) results from the investments GBW, SÜDEWO and Seneca. Of this, an amount of TEUR 17,073 (previous year: TEUR 13,158) relates to the performance-related allocation of profits. The income from participations was again recognised in the same accounting period for the 2014 fiscal year.

6.10 FINANCIAL RESULT

FINANCIAL RESULT

EUR '000	2014	2013
Interest on bank deposits	459	326
Income from securities	0	0
Changes in the value of derivatives	2,819	19,525
Other interest	1,135	669
Financial income	**4,413**	**20,520**
Interest on revolving lines of credit and bank loans	–4,459	–8,104
Interest-rate hedging expense	–2,822	–19,771
Changes in the value of derivatives	0	0
Release of other result from cash flow hedging	–31	–433
Other finance costs	–4,600	–4,116
Financial expenses	**–11,912**	**–32,424**
Financial result	**–7,499**	**–11,904**

Interest income of TEUR 1,135 (previous year: TEUR 669), 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 4.4.

Currency translation differences of TEUR 551 (previous year: TEUR –26) were recognised through profit or loss in the fiscal year.

6.11 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAX

EUR '000	2014	2013
Actual taxes	–10,218	–3,180
Deferred taxes	3,240	749
	–6,978	**–2,431**

The deferred taxes in the income statement chiefly result from the discontinuation of interest rate hedging instruments, from 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:

RECONCILIATION STATEMENT

EUR '000	2014	2013
IFRS consolidated profit/loss for the period before income tax	41,998	39,599
Income tax expenses expected on the above	–12,946	–12,206
Tax additions and deductions	–2,971	4,322
Differences in tax rates of international companies	642	9
Unrecognised deferred tax assets on losses	–3,974	–961
Use of non-capitalised loss carryforwards	2,987	3,015
Trade tax effects from income subject to limited taxation	2,311	1,447
Effects outside the period	785[1]	2,302
Other	246	–359
EFFECTIVE TAX EXPENSE	**–6,978**	**–2,431**

[1] This includes special effects with the conclusion of the tax audit 2007–2010.

6.12 EARNINGS PER SHARE

EARNINGS PER SHARE

EUR '000	2014	2013
Profit share of Group shareholders	35,608,093	37,326,087
Number of shares issued	69,385,030	63,077,300
Weighted number of shares	69,385,030	69,385,030
EARNINGS PER SHARE (UNDILUTED)	**0.51 EUR**	**0.54 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 (63,077,300) was replaced by the weighted number of shares in 2014 (69,385,030).

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

Segment reporting categorises the business segments 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 are also delimited by geographical criteria. Country assignment is effected according to the location of the real estate asset being managed. International subsidiaries 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) including the management of international subsidiaries is 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 is 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 of the balance sheet date, the segment had a portfolio of around 1,100 (31 December 2013: around 4,100) residential units and two real estate developments that are listed 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 investment management companies. Commission revenues generated by services, both from co-investments and from 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, cost of purchased services, 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 Kapitalverwaltungsgesellschaft mbH and PATRIZIA UK Limited, unrealised changes in the value of investment property 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.

2014 (1 JANUARY – 31 DECEMBER 2014)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
External revenues	**185,270**	**85,673**	**0**	**0**	**270,944**
Revenues from single unit sales[1]	58,941	0			58,941
Revenues from block sales	96,248	0			96,248
Rental revenues	21,185	0			21,185
Revenues from services	0	85,673			85,673
Co-investments		20,834			20,834
Third parties		64,839			64,839
Other	8,896	0			8,896
Intercompany revenues	**339**	**17,945**	**0**	**–12,958**	**5,326**
International[2]					
External revenues	**0**	**20,325**	**0**	**0**	**20,325**
Revenues from services		20,325			20,325
Co-investments		17,560			17,560
Third parties		2,765			2,765
Intercompany revenues	**0**	**10,705**	**0**	**0**	**10,705**
Corporate					
External revenues	**0**	**0**	**547**	**0**	**547**
Intercompany revenues	**0**	**0**	**19,452**	**0**	**19,452**
Consolidation					
External revenues	**0**	**0**	**0**	**0**	**0**
Intercompany revenues	**0**	**–14,536**	**0**	**–20,947**	**–35,483**
Group					
External revenues	**185,270**	**105,998**	**547**	**0**	**291,815**
Revenues from single unit sales[1]	58,941	0	0		58,941
Revenues from block sales	96,248	0	0		96,248
Rental revenues	21,185	0	2		21,187
Revenues from services	0	105,998	287		106,285
Co-investments		38,394	73		38,467
Third parties		67,604	214		67,818
Other	8,896	0	258		9,154
Intercompany revenues	**339**	**14,114**	**19,452**	**–33,905**	**0**
Financial Result	–9,942	–640	3,090	0	–7,492
Financial income					
Germany	5,044	1,247	0	–641	5,650
International[2]	5,333	154	0	0	5,487
Corporate	0	0	8,779	0	8,779
Consolidation	–4,897	–10	0	–10,595	–15,503
Group	**5,480**	**1,391**	**8,779**	**–11,237**	**4,413**
Financial expenses					
Germany	–19,502	–1,882	0	641	–20,743
International[2]	–817	–165	0	0	–982
Corporate	0	0	–5,689	0	–5,689
Consolidation	4,897	10	0	10,595	15,502
Group	**–15,422**	**–2,038**	**–5,689**	**11,236**	**–11,912**

[1] Including new-build sales from real estate developments
[2] France, Great Britain, Luxembourg, Netherlands, Nordics

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	9,958	44,404	0	680	55,042
International[2]	4,142	3,108	0	–2	7,248
Corporate	0	0	–19,878	0	–19,878
Consolidation	0	0	0	–414	–414
Group	**14,100**	**47,512**	**–19,878**	**264**	**41,998**
Adjustments					
Germany	**5,728**	**1,968**	**0**	**0**	**7,696**
Significant non-operating earnings	2,838	–1,968			870
Market valuation income derivatives	2,819	0			2,819
Market valuation expenditures derivatives	–31	0			–31
Changes in the value of investment property	51	0			51
Fund agreement amortisation	0	–1,968			–1,968
Realised fair value	8,566	0			8,566
International[2]	**0**	**517**	**0**	**0**	**517**
Significant non-operating earnings		**–517**			**–517**
Fund agreement amortisation		–517			–517
Group	**5,728**	**2,485**	**0**	**0**	**8,213**
Operating result (adjusted EBT)					
Germany	15,686	46,372	0	680	62,737
International[2]	4,142	3,625	0	–3	7,764
Corporate	0	0	–19,878	0	–19,878
Consolidation	0	0	0	–414	–414
Group	**19,828**	**49,997**	**–19,878**	**263**	**50,210**

[2] France, Great Britain, Luxembourg, Netherlands, Nordics

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**
Revenues from single unit sales	54,763	0			54,763
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		36,379			36,379
Third parties		52,651			52,651
Other	11,571	0			11,571
Intercompany revenues	**197**	**28,938**	**0**	**–29,135**	**0**
International[1]					
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**
Revenues from single unit sales	54,763	0	0		54,763
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		39,164	62		39,226
Third parties		55,605	4		55,609
Other	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

→

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	14,014	43,498	0	735	58,247
International[1]	4,435	2,045	0	0	6,480
Corporate	0	0	–25,128	0	–25,128
Consolidation	0	0	0	0	0
Group	**18,449**	**45,543**	**–25,128**	**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		**–380**			**–380**
Fund agreement amortisation		–380			–380
Group	**–4,047**	**2,566**	**0**	**0**	**–1,481**
Operating result (adjusted EBT)					
Germany	9,968	45,684	0	735	56,388
International[1]	4,435	2,424	0	0	6,859
Corporate	0	0	–25,128	0	–25,128
Consolidation	0	0	0	0	0
Group	**14,403**	**48,109**	**–25,128**	**735**	**38,119**

[1] France, Great Britain, Luxembourg, Nordics

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 1,400) 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 defined-benefit pension schemes at the Group. This excludes plans which were assumed in the past in connection with acquisitions. As at the balance sheet date, a total of six people had a defined-benefit commitment. Four of these people are retired persons who already receive ongoing pension benefits. In addition, there are defined-benefit 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 2014, a total of TEUR 68.4 (previous year: TEUR 55.9) 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 First Line (FL) 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 Kapitalverwaltungsgesellschaft 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 FL 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 FL 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 operating result, the members of the Managing Board and the members of the FL 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.

For 2014, a long-term incentive of TEUR 1,608 (previous year: TEUR 1,481) was taken into account for the first and second management level. This corresponds to the liability posted, based on a target achievement rate of 130% (previous year: 130%). 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 30 days before and after 31 December 2014, the average price is EUR 13.12425. This corresponds to 122,484 shares. In the reporting period expenses of TEUR 4,432 (previous year: TEUR 2,794) arose for share-based compensation.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	Number of performence share units 2014	Fair values 31.12.2014 EUR '000	Number of performance share units 2013	Fair values 31.12.2013 EUR '000	Paid out in EUR '000
Tranche of performance share units in the 2014 fiscal year[1]	122,484	1,608	–	–	–
Tranche of performance share units in the 2013 fiscal year	199,282	2,615	190,258	1,481	0
Tranche of performance share units in the 2012 fiscal year	200,551	2,632	195,347	1,521	0
Tranche of performance share units in the 2011 fiscal year	91,094	1,196	276,279	2,151	1,442
TOTAL	**613,412**	**8,051**	**661,884**	**5,153**	**1,442**

[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 2014 consolidated financial statements have been approved.

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

PERFORMANCE SHARE UNITS

	01.01. – 31.12.2014	01.01. – 31.12.2013
Outstanding at the start of the reporting period	661,884	595,047
Granted in the reporting period	145,805	257,403
Correction on account of specific settlement	–9,092	12,422
Paid out in the reporting period	185,185	202,988
Outstanding at the end of the reporting period	**613,412**	**661,884**

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 First Line

In addition, Messrs Johannes Altmayr, Martin Büber-Monath, Marcus Cieleback, Markus Fischer, Jürgen Kolper, Günter Loder, Andreas Menke and James Muir hold a total of 0.1% in PATRIZIA Immobilien AG as members of the PATRIZIA First Line.

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.

PATRIZIA Immobilien AG provided services via PATRIZIA Deutschland GmbH within the context of management activities. An amount of EUR 936.00 was invoiced for this in 2014. Property management services were also provided in an amount of EUR 1,400.00. 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 117 (previous year: TEUR 110).

Activities of Managing Board members outside PATRIZIA

Chairman of the Managing 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 2014 consultancy costs of TEUR 0.0 (previous year: TEUR 0.5) 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:

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

The following payments were granted to the members of the Managing Board for the respective fiscal year:

Payments granted EUR '000	WOLFGANG EGGER, CEO Joined: 21.08.2002 Appointed until: 30.06.2016				ARWED FISCHER, CFO Joined: 01.03.2008 Appointed until: 29.02.2016				KLAUS SCHMITT, COO Joined: 01.01.2006 Appointed until: 31.12.2015			
	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)
Fixed compensation	360	360	360	360	350	360	360	360	360	360	360	360
Fringe benefits	22[1]	27[1]	27[1]	27[1]	32[1]	33[1]	33[1]	33[1]	12[1]	12[1]	12[1]	12[1]
Total	**382**	**387**	**387**	**387**	**382**	**393**	**393**	**393**	**372**	**372**	**372**	**372**
One-year variable compensation	437[2]	468[3]	0	540[4]	411[2]	416[3]	0	480[4]	389[2]	468[3]	0	540[4]
Multi-year variable compensation												
Performance share units tranche 2015-2017	–	234[3]	–		–	208[3]	–		–	234[3]	–	
Performance share units tranche 2014–2016	–	–	–		206[2]	–	–		194[2]	–	–	
Performance share units tranche 2014-2016	219[2]	–	–		–	–	–		–	–	–	
Total	**1,038**	**1,089**			**999**	**1,017**			**955**	**1,074**		
Pension expenses	12	12	12	12	12	12	12	12	24	24	24	24
Total compensation	**1,050**	**1,101**			**1,011**	**1,029**			**979**	**1,098**		

[1] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[2] Granted in the 2014 calendar year for the fiscal year 2013 once all criteria required for determining the variable compensation were known.
[3] Corresponds to the liability posted for 130% monetary target achievement (the exact amount will be specified during the subsequent settlement process)
[4] Corresponds to the maximum achievable variable compensation of 150%

The following payments were made to the members of the Managing Board in the respective fiscal year:

Amount paid EUR '000	WOLFGANG EGGER, CEO Joined: 21.08.2002 Appointed until: 30.06.2016		ARWED FISCHER, CFO Joined: 01.03.2008 Appointed until: 29.02.2016		KLAUS SCHMITT, COO Joined: 01.01.2006 Appointed until: 31.12.2015	
	2013	2014	2013	2014	2013	2014
Fixed compensation	360	360	350	360	360	360
Fringe benefits	22[1]	27[1]	32[1]	33[1]	12[1]	12[1]
Total	**382**	**387**	**382**	**393**	**372**	**372**
One-year variable compensation	306	437	249	411	290	389
Multi-year variable compensation						
Performance share units tranche 2012-2013	–	277[2]	–	–	–	–
Performance share units tranche 2011-2012	196[3]	–	148[3]	–	154[3]	–
Total	**884**	**1,101**	**779**	**804**	**816**	**761**
Pension expenses	12	12	12	12	24	24
Total compensation	**896**	**1,113**	**791**	**816**	**840**	**785**

[1] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[2] Amount paid out in 2014 after conversion of the performance share units tranche 2012-2013 at the average price of EUR 7.784692.
[3] Amount paid out in 2013 after conversion of the performance share units tranche 2011-2012 at the average price of EUR 6.255211.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

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

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

EUR	Fixed compensation	
	2014	2013
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	
2015	6,228
2016–2019	12,169
2020 and later	1,555
	19,952

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 six years and results in an annual leasing expense of TEUR 1,408. Rental agreements have also been concluded for offices in other locations; they have remaining terms of between three months and nine years. The resulting obligations amount to TEUR 2,632 for 2015, TEUR 2,183 for 2016 and TEUR 1,607 for 2017. The remaining obligations related to lease agreements for office, IT and business equipment and for company cars.

9.6 EMPLOYEES

The average headcount at the Group in 2014 (excluding members of the Managing Board and trainees) was 702 (previous year 608). In addition, the Group employed 40 trainees (previous year: 39).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded for the 2014 fiscal year amounted to TEUR 313 (previous year: TEUR 402) for the auditing of the financial statements, to TEUR 2 (previous year: TEUR 32) for other audit services and to TEUR 0 (previous year: TEUR 180) for tax consultancy services.

9.8 GERMAN CORPORATE GOVERNANCE CODE

In December 2014 the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and published it on the Company's website (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 combined Management Report for the Company and the Group.

The Managing Board released these financial statements for forwarding to the Supervisory Board on 12 March 2015. 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 combined Management Report for 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, 12 March 2015

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	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Deutschland GmbH[1]	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 Kapitalverwaltungsgesellschaft mbH formerly 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	Augsburg	100	100,599.39	–13,498.33
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Augsburg	100	6,709.49	–994.87
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	–14,379.15[2]	–10,300.77[2]
PATRIZIA Nordics A/S	Copenhagen	100	2,429,875.02	1,809,432.68
PATRIZIA Projekt 700 GmbH	Augsburg	100	25,100.90	–16,907.10
PATRIZIA Projekt 710 GmbH	Augsburg	100	22,774.49	–12,823.33
Carl HR Verwaltungs GmbH	Augsburg	100	29,910.43	2,136.17
Carl B-Immo Verwaltungs GmbH	Augsburg	100	29,686.26	2,104.03
Carl A-Immo Verwaltungs GmbH	Augsburg	100	29,910.43	2,104.67
Carl Carry Verwaltungs GmbH	Frankfurt	100	29,908.42	2,104.36
Carl C-Immo Verwaltungs GmbH	Augsburg	100	28,803.44	1,699.07
Carl HR AcquiCo GmbH	Stuttgart	100	39,099.93	6,174.44
PATRIZIA Sweden AB	Stockholm	100	333,499.37	119,597.94
Pearl AcquiCo Zwei GmbH und Co. KG	Munich	100[3]	56,932,818.93	3,218,576.37
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	1,842,648.26	1,232,800.00
PATRIZIA Ireland Ltd.	Dublin	100	9,937.00	–63.00
PATRIZIA UK Ltd.	Swindon	100	–2,074,701.93	2,004,640.02
PATRIZIA Institutional Clients & Advisory GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Finland OY	Helsinki	100	–56,962.67	–59,509.73
PATRIZIA Netherlands B.V.	Amsterdam	100	2,369,088.17	2,369,087.17
PATRIZIA GrundInvest GmbH	Augsburg	100	2,925,874.21	–74,125.79
PATRIZIA France S.A.S.	Paris	100	–1,256,850.39	–1,568,143.33
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	10.1[4]	710,123,208.47[5]	8,465,968.50[5]

[1] As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG
[2] Amounts from 2013
[3] The holding changed by 0.1% compared with the previous year
[4] The holding changed by 1.01% compared with the previous year
[5] Provisional financial statements

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

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA European Real Estate Management GmbH	Gräfelfing	100	–618,999.12	–643,999.12
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	50,591.43	–909.31
Alte Haide Baugesellschaft mbH	Augsburg	100	8,922,295.13	296,251.36
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	151,091,794.28	9,035,412.89
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,123,868.59	–13,529.06
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	86,266,410.50	–8,979.45
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	76,338.98	–9,466.66
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	30,283,559.18	–23,225.53
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	5,525,207.77	–15,864.51
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	16,493,192.04	2,043,062.31
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	10,854,755.77	31,421,756.08
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	–1,387,141.09	4,356,106.02
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	608,360.51	–130,353.28
F40 GmbH	Augsburg	94.9	–5,536,795.91	–12,892,188.98
PATRIZIA Projekt 380 GmbH	Augsburg	100	–13,129.18	–18,929.51
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–726,781.87	–10,170.70
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–2,582,556.37	–1,968,336.55
PATRIZIA Projekt 600 GmbH	Augsburg	100	10,061,721.05	4,991,661.46
PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH formerly PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH[1]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	42,778.60	–1,153.18
PATRIZIA Facility Management GmbH[2]	Augsburg	100	25,000.00	0.00
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt	30	28,115.88	458.14
sono west Projektentwicklung GmbH & Co. KG	Frankfurt	28.3	9,706,300.45	–545,753.90
PATRIZIA Fund Management A/S	Copenhagen	100	224,242.17	114,017.44
PATRIZIA Investment Management S.C.S.	Luxembourg	78.26	552,705.05	950,424.06
PATRIZIA Carry GmbH & Co. KG	Munich	75	–29,199.64	–15,729.74
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	–19,621.06	–11,824.64
SENECA TopCo S.à r.l.	Luxembourg	100	5,334,447.79	272,388.48
PATRIZIA Capital Partners Ltd.	Swindon	100	–1,823,553.92	–1,097,169.52
PATRIZIA Asset Management Ltd.	Edinburgh	100	5,359.44	–11,985.80
PATRIZIA Financial Services Ltd.	Edinburgh	100	353,154.29	135,330.20
PATRIZIA Investment Management HoldCo S.à r.l.	Luxembourg	100	7,949.75	–4,550.25
First Street TopCo 1 S.à r.l.	Luxembourg	97.83	11,345.12	–1,154.90
First Street TopCo 2 S.à r.l.	Luxembourg	97.83	11,345.12	–1,154.90
First Street A S.à r.l.	Luxembourg	97.83	11,370.11	–1,129.91
First Street B S.à r.l.	Luxembourg	97.83	11,370.11	–1,129.91
First Street C S.à r.l.	Luxembourg	97.83	11,370.11	–1,129.91

[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.

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

PATRIZIA Vermögensverwaltungs GmbH[1]	Augsburg	100	687,583.35	0.00

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

Responsibility Statement by the Legal Representatives of PATRIZIA Immobilien AG

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report for the Company and the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

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

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 cash flow statement, consolidated statement of changes in equity, and consolidated notes – as well as the consolidated management report which is combined with the management report for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the consolidated management report 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 consolidated management report 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 consolidated management report 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 consolidated management report 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 consolidated management report. 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 consolidated management report 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, 12 March 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

Stadter
German Public Auditor