Consolidated Financial Statements

Consolidated Financial Statements

Share price development 2015

Consolidated Balance Sheet

AS OF 31 DECEMBER 2015

ASSETS

EUR '000	Notes	31.12.2015	31.12.2014
A. Non-current assets			
Goodwill	4.1.1	610	610
Fund management contracts	4.1.2	37,417	39,407
Software	4.1.3	9,225	10,795
Investment property	4.1.4	20,802	78,507
Equipment	4.1.5	5,015	4,476
Participations in associated companies	4.1.6	88,179	68,497
Participations	4.1.7	81,406	96,555
Loans	4.1.8	5,498	5,281
Long-term tax assets	4.2	78	119
Deferred Taxes	5.2	7,013	0
Total non-current assets		**255,243**	**304,247**
B. Current assets			
Inventories	4.3	1,057,942	198,694
Securities		54	86
Short-term tax assets	4.2	8,280	8,014
Current receivables and other current assets	4.4	131,171	84,774
Bank balances and cash	4.5	179,141	145,361
Total current assets		**1,376,588**	**436,929**
TOTAL ASSETS		**1,631,831**	**741,176**

EQUITY AND LIABILITIES

EUR '000	Notes	31.12.2015	31.12.2014
A. Equity			
Share capital	5.1.1	76,324	69,385
Capital reserve	5.1.2	191,637	198,576
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	18,190	809
Currency translation difference	2.5	-869	1,030
Consolidated unappropriated profit		254,004	139,743
Total equity		**539,791**	**410,048**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	63,253	19,704
Retirement benefit obligations	5.3	687	630
Bonded loan	5.4	32,000	77,000
Non-current liabilities	5.5	9,262	5,544
Total non-current liabilities		**105,202**	**102,878**
CURRENT LIABILITIES			
Short-term bank loans	5.4	821,828	121,950
Bonded loan	5.4	35,000	0
Short-term financial derivatives	5.7	3,677	0
Other provisions	5.6	6,740	2,142
Current liabilities	5.8	95,288	92,506
Tax liabilities	5.9	24,305	11,652
Total current liabilities		**986,838**	**228,250**
TOTAL EQUITY AND LIABILITIES		**1,631,831**	**741,176**

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	Notes	2015	2014
Revenues	6.1	384,858	291,815
Income from the sale of investment property	4.1.4	10,075	17,019
Changes in inventories	6.2	–166,980	–110,509
Other operating income	6.3	16,189	7,143
Income from the deconsolidation of subsidiaries	2.1	5,277	0
Total operating performance		**249,419**	**205,468**
Cost of materials	6.4	–52,438	–54,455
Cost of purchased services	6.5	–14,787	–9,990
Staff costs	6.6	–93,519	–77,239
Results from fair value adjustments to investment property	4.1.4	462	51
Other operating expenses	6.7	–69,973	–50,193
Income from participations	6.9	151,681	39,062
Earnings from companies accounted for using the equity method	4.1.6	4,232	3,182
EBITDA		**175,077**	**55,886**
Amortisation of fund management contracts, software and equipment	6.8	–7,059	–6,940
Earnings before finance income and income taxes (EBIT)		**168,018**	**48,946**
Finance income	6.10	6,666	4,413
Finance cost	6.10	–23,171	–11,912
Gains/losses from currency translation	2.5	–618	551
Earnings before income taxes (EBT)		**150,895**	**41,998**
Income tax	6.11	–16,433	–6,978
Consolidated net profit		**134,462**	**35,020**
Earnings per share (undiluted) in EUR	6.12	1.45	0.46
The consolidated net profit is allocated to:			
Shareholders of the parent company		110,759	35,608
Non-controlling shareholders	5.1.4	23,703	–588
		134,462	**35,020**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	2015	2014
Consolidated net profit	**134,462**	**35,020**
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	–1,899	530
Cash flow hedges		
Amounts recorded during the reporting period	0	0
Reclassification of amounts that were recorded	0	31
Total result for the reporting period	**132,563**	**35,581**
The total result is allocated to:		
Shareholders of the parent company	108,860	36,169
Non-controlling shareholders	23,703	–588
	132,563	**35,581**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	2015	2014
Consolidated net profit	134,462	35,020
Income taxes recognised through profit or loss	16,433	6,978
Financial expenses through profit or loss	23,171	11,912
Financial income through profit or loss	–6,666	–4,413
Financial income from divestments of participations, recognised through profit or loss	–13,504	0
Amortisation of fund management contracts, software and equipment	7,059	6,940
Results from fair value adjustments to investment property	–462	–51
Gain on the disposal of investment properties	–10,075	–17,019
Income from the deconsolidation of subsidiaries	–5,277	0
Other non-cash items	–8,877	–6,226
Changes in inventories, receivables and other assets that are not attributable to investment activities	–372	105,615
Changes in liabilities that are not attributable to financing activities	–26,376	22,525
Interest paid	–13,251	–10,993
Interest received	454	658
Income tax payments	–6,313	–10,926
Cash inflow from operating activities	**90,406**	**140,020**
Capital investments in software and equipment	–4,621	–6,247
Payments received from the disposal of investment property	69,637	171,818
Payments for the development of investment property	–1,395	–3,538
Payments for the acquisition of participations	–211	–16,294
Payments received from the equity reduction of participations	1,459	183
Payments received from the sale of participations	26,427	0
Payments for investments in companies accounted for using the equity method	–15,450	–47,020
Payments received from the repayment of loans to companies in which participating interests are held	0	5,267
Payments for loans to companies in which participating interests are held	0	–4,667
Payments received from the disposal of consolidated companies and other business units	18,708	0
Payments from the partial disposal of shares in a subsidiary that does not result in a loss of control	442	0
Payments for the acquisition of consolidated companies and other business units	–276,206	0
Cash outflow/inflow from investment/divestment activities	**–181,211**	**99,502**
Borrowing of loans	248,909	147,062
Repayment of loans	–103,678	–346,746
Payments to non-controlling shareholders	–21,101	0
Payment for the issue of bonus shares	0	–13
Cash inflow/outflow from financing activities	**124,130**	**–199,697**
Changes in cash	**33,326**	**39,825**
Cash 1 January	145,361	105,536
Effect of changes in exchange rates on cash	454	0
Cash 31 December	179,141	145,361

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

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 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
Balance 31 December 2014	**69,385**	**198,576**	**0**	**505**	**1,030**	**139,743**	**409,239**	**809**	**410,048**
Balance 1 January 2015	**69,385**	**198,576**	**0**	**505**	**1,030**	**139,743**	**409,239**	**809**	**410,048**
Net amount recognised directly in equity, where applicable less income taxes					–1,899		–1,899		–1,899
Issue of bonus shares	6,939	–6,939							
Non-controlling interests arising from the inclusion of new companies								101,631	101,631
Non-controlling interests arising from the sale of shares								441	441
Purchases of shares of non-controlling shareholders						2,956		–85,263	–82,307
Withdrawal of profit shares by non-controlling shareholders								–21,100	–21,100
Disposal of shares of non-controlling shareholders						546		–2,031	–1,485
Net profit for the period						110,759	110,759	23,703	134,462
BALANCE 31 DECEMBER 2015	**76,324**	**191,637**	**0**	**505**	**–869**	**254,004**	**518,099**	**18,190**	**539,791**

Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a stock-listed German 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. Today local management teams in nine countries provide services for a total of 15 countries. PATRIZIA covers the entire value chain of services for the acquisition, management, value creation 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 kinds of real estate. Currently the company manages assets with a value of EUR 16.6 billion mainly as a portfolio manager and co-investor 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 as per 31 December 2015 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 had to be applied for the first time during the current fiscal year:

- 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)

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

- 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, initial application is mandatory for fiscal years commencing on or after 1 January 2015)

The standards/interpretations which were applied 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 16 “Leases” (to be applied for fiscal years commencing on or after 1 January 2019; this standard has not yet been adopted by the EU)
- IAS 7 “Disclosure Initiative” (to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” (to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- IFRS 9 “Financial Instruments” (to be applied for fiscal years commencing on or after 01 January 2018; this standard has 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)
- IFRS 14 “Regulatory Deferral Accounts” (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to this standard have not yet been adopted by the EU)
- IFRS 15 “Revenue from Contracts with Customers” (to be applied for fiscal years commencing on or after 1 January 2018; the amendments to this standard 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)
- 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)
- Amendments to IAS 16 and IAS 41 Bearer Plants (to be applied for fiscal years commencing on or after 1 January 2016)
- 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)
- 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 “Fund Management Contracts”; 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 012-2014 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)

IFRS 14 “Regulatory Deferral Accounts” is not to be applied since the Company is not a first-time adopter of the IFRS.

With regard to first-time application of IFRS 9, IFRS 15 and IFRS 16, it is currently not possible to evaluate the effects because detailed analyses are still being processed. We do not expect the other standards specified above to have any significant 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 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 exert power of disposal over the assets of the associated company,
- its returns are dependent on the performance of the investment and
- it can influence the amount of the returns owing 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, unless stated otherwise. The results of the subsidiaries acquired or sold during the year are recognised in the consolidated income statement and other consolidated net income from the effective date of acquisition or up to the date of the effective sale respectively.

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 Kapitalanlagegesellschaft mbH and PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, all 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). Also, the partnerships 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. Significant influence is assumed if a direct or indirect voting right share of at least 20% is held in 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 an associated company or joint venture are not recorded.

In addition to the parent company, the scope of consolidation comprises 117 subsidiaries. They are included in the consolidated financial statements in line with the rules of consolidation. Also, one participating interest in an 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 exercises 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 by one real estate development company (in the form of a GmbH & Co. KG) and 30% is held by the associated general partner. Significant influence does not apply because provisions in the partnership agreement state that management cannot be exercised, that significant influence cannot be exerted on the management and no entitlement to appoint members of the governing organs exists. The shares in this real estate development company are accounted for at purchase cost.

Furthermore one company was established by 31 December 2015 but was not included in the scope of consolidation because it had not commenced business operations and was therefore 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

COMPANY ACQUISITIONS

Acquisition of the First Street portfolio ("Manchester principal investment")

PATRIZIA Immobilien AG acquired the First Street site in Manchester, which extends over 80,000 sqm, on 30 June 2015. In addition to four plots of land, the site also includes the recently completed Melia Innside hotel, nine bar and restaurant businesses and the First Street No. 1 office building (17,000 sqm).

The four plots of land, the hotel and the food and restaurant businesses were acquired indirectly by purchasing all of the shares with voting rights in Southside Real Estate Ltd. and Southside Regeneration Ltd., while the office building was acquired directly through First Street PropCo Ltd.

In the present consolidated financial statements, the acquisition of Southside Real Estate Ltd. and Southside Regeneration Ltd. is declared as an acquisition of assets as no business operation within the meaning of a business pursuant to IFRS 3.3 was acquired. Instead, the transaction focused exclusively on the acquisition of the real estate held by the companies. The purchase prices for the companies were allocated to the individual identifiable assets and liabilities at the time of acquisition, based on their fair values.

The Melia Innside hotel was already resold as of the reporting date of 31 December 2015.

Acquisition of Boligutleie Holding III AS and Hyresfastigheter Holding III Gul AB ("Harald principal investment")

1. SUBSIDIARIES ACQUIRED

In May 2015, PATRIZIA Immobilien AG acquired the majority of the shares in Boligutleie Holding III AS (BUH III) as well as the majority of the shares in Hyresfastigheter Holding III Gul AB (HFH III). As a result of acquiring these shares, on the reporting date the company held a majority interest in the Scandinavian fund Hyresbostäder i Sverige III Gul AB (HBS III), which at the time of the acquisition was managing eight real estate portfolios. Additional shares were acquired in BUH III and HFH III in June, July, September and December 2015. The portfolios consist of various structured investment and special purpose vehicles. At the date of acquisition, the overall portfolio acquired included more than 14,000 apartments at attractive locations in Germany and Sweden. Notwithstanding the fact that the transaction was effected as part of a share deal, the acquired assets almost exclusively comprise real estate. Apart from the real estate, the companies do not have any other significant assets. PATRIZIA Immobilien AG entered into a contract with Deutsche Wohnen AG on 27 November 2015, pertaining to selling the German residential portfolio.

Subject to the fulfilment of all sale conditions, selling the portfolio shall be completed partly as asset and partly as share deals with Deutsche Wohnen AG in the first half of 2016. The Swedish portfolio was already sold on in June 2015.

Company	Principal activitiy	Acquisition date	Shares acquired at initial consolidation	Shares acquired as of 31 Dec. 2015
Boligutleie Holding III AS	Feeder company	19 May 2015	75.5%	92.4%
Hyresfastigheter Holding III Gul AB	Feeder company	21 May 2015	59.7%	100.0%

For reasons of simplicity and expedience, initial consolidation was performed as per 31 May 2015. No major transactions took place between the actual dates of acquisition and the date of initial consolidation.

A) ASSETS ACQUIRED AND LIABILITIES ASSUMED

As per 31 May 2015, the fair values of the acquired assets and liabilities recognised at the time of acquisition were as follows:

EUR '000	Fair value at time of acquisition
Assets	
Inventories	888,483
Cash and cash equivalents	74,704
Other assets	4,194
	967,381
Liabilities	
Financial liabilities	536,597
Derivatives	6,917
Deferred tax liabilities	51,839
Current liabilities	25,422
Other current liabilities	3,220
	623,995
Total net assets at fair value	**343,386**
Shares of non-controlling shareholders in the net assets	101,631
Total counterperformance paid	**241,755**

No goodwill is created as a result of the transaction. The purchase price paid reflects the fair value of the assets, taking the liabilities assumed into account.

B) CONSIDERATION TRANSFERRED AND TRANSACTION COSTS

The purchase price paid (excluding transaction costs) consisted exclusively of cash and cash equivalents and amounted to TEUR 241,755.

The transaction costs already incurred totalling TEUR 5,171 were posted as an expense and reported as other operating expenses.

C) NET CASH OUTFLOW AS A RESULT OF THE ACQUISITION

EUR '000	31.05.2015
Purchase price paid	–241,755
Acquired cash and cash equivalents	74,704
Net cash outflow (–)	**–167,051**

D) SHARES OF NON-CONTROLLING SHAREHOLDERS

At the time of the acquisition, the shares of non-controlling shareholders were valued with their share of the fair value of the net assets and were measured at TEUR 101,631. As at 31 December 2015, shares of non-controlling shareholders were totalling TEUR 16,939.

The non-controlling shareholders were allocated a portion of the result amounting to TEUR 2,603 for the reporting period.

E) CHANGES IN THE SHAREHOLDING OF THE ACQUIRED SUBSIDIARIES AS PER 31 DECEMBER 2015

PATRIZIA gradually acquired additional shares in BUH III and HFH III after initial consolidation. A squeeze-out was implemented for the remaining shares in HFH III in the fourth quarter 2015. This was carried out by guaranteeing the advance vesting of title with an equivalent value of TEUR 8,203. The outflow of funds occurred in January 2016. The non-controlling shareholders' shares thus decreased by TEUR 84,692 as per 31 December 2015. Furthermore, hidden reserves of TEUR 2,955 were transferred, which were recognised in consolidated unappropriated profit resulting in neither profit nor loss.

F) EFFECTS OF THE ACQUISITION ON THE CONSOLIDATED RESULT FOR THE PERIOD

Of the profit for the period as per 31 December 2015, an amount of TEUR 14,014 is attributable to the acquired companies. This amount contains a profit on deconsolidation from the sale of the Swedish portfolio of TEUR 5,277 (please refer to "Sale of subsidiaries"). Of the revenues for 2015, an amount of TEUR 46,177 results from the business activities of the acquired companies and primarily relates to rental income.

If the acquisition had taken place as per 1 January 2015, the consolidated revenues of PATRIZIA Immobilien AG as per 31 December 2015 would have been around EUR 420 million and the profit for the period extrapolated to around EUR 158 million.

2. SOLD SUBSIDIARIES

At the end of June 2015, the Group sold its shares in III Gul bostäder i Umea AB which it held via the Hyresbostäder i Sverige III Gul AB fund. In effecting this sale, the Group resold the Swedish residential units it had acquired in May 2015 as part of the purchase of the shares in Boligutleie Holding III AS and Hyresfastigheter Holding III Gul AB (please refer to "Subsidiaries acquired" for more information). Deconsolidation took place as per 30 June 2015. A purchase price of TEUR 20,294 was agreed as consideration for the sold shares.

A) ASSETS AND LIABILITIES SOLD DUE TO THE LOSS OF CONTROL

EUR '000	30.06.2015
Assets	
Inventories	61,204
Cash and cash equivalents	1,585
Other assets	253
	63,042
Liabilities	
Financial liabilities	39,444
Deferred tax liabilities	6,881
Current liabilities	215
	46,540
Net assets sold	**16,502**

B) GAIN FROM THE SALES OF SUBSIDIARIES

EUR '000	30.06.2015
Purchase price	20,294
Net assets relinquished	–16,502
Shares of non-controlling shareholders	1,485
Gain on disposal	**5,277**

The gain on disposal is recognised in the income from deconsolidation of subsidiaries and also includes the referring deferred tax liabilities.

C) NET PAYMENT FROM THE SALE OF SUBSIDIARIES

EUR '000	30.06.2015
Cash and cash equivalents received	20,294
Minus cash and cash equivalents paid out	–1,585
Net cash inflow	**18,709**

The agreed purchase price had been received at the time the report was prepared.

For further information, please refer to section 9.8 of the Notes.

FURTHER NEW COMPANIES FOUNDED

PATRIZIA Immobilien AG acquired Grinan Invest SL, Madrid, on 25 March 2015. The company was renamed as PATRIZIA Activos Inmobiliarios España S.L.U. on 30 March 2015. The company's share capital is EUR 3,006. The object of the company is the provision of property-related services in Spain.

Under a notarial purchase agreement dated 3 June 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, acquired Sudermann S.à r.l., Luxembourg. The company's share capital is EUR 12,500. The object of the company is the operation and sale of real estate held by the company.

On 27 August 2015, PATRIZIA Immobilien AG established PATRIZIA Logistics Management Europe B.V., Amsterdam. The company's share capital is EUR 1. The object of the company is the provision of services relating to logistics real estate in Europe.

PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, part of the scope of consolidation of PATRIZIA Immobilien AG, established four closed investment limited partnerships (Kommanditgesellschaften under German law) in the reporting year.

The purpose of these companies is solely the investment and management of the companies' funds in accordance with a defined investment strategy on collective investment pursuant to Articles 261 to 272 KAGB (Kapitalanlagegesetzbuch – German Investment Code) to the benefit of investors. The investment strategy of the companies is the direct investment in real estate in different locations, which hold long term leased contracts and shall be sold after the expiration of the lease contract.

Pursuant to a notarial deed of incorporation dated 16 October 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Wildrosen S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to acquire real estate and to manage, operate, rent and sell real estate held by the company.

Pursuant to a notarial deed of incorporation dated 30 September 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Dover Street S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to acquire real estate and to manage, operate, rent and sell real estate held by the company.

Pursuant to a notarial deed of incorporation dated 18 December 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Trocoll S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to acquire real estate and to manage, operate, rent and sell real estate held by the company.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognised in the consolidated financial statements due to 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 as 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 consist of 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 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 INTERIM 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 CONVERSION

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 conversion differences are recorded through profit or loss. Non-monetary items are assessed at historical costs in a foreign currency which is converted 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 exchanged 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 exchange 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 a specifc entity, that entity will be assessed more frequently. If the recoverable amount of a cash-generating unit is lower 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 FUND MANAGER CONTRACTS

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

In subsequent periods these fund manager 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 fund manager contracts is based on the expected terms of the contracts (19 to 23 years). Since their course cannot be reliably determined in advance, the linear method was selected.

3.3 SOFTWARE

Software is recognised at acquisition or production cost on 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 lifetime or on disposal of the asset. The amortisation period is based on the expected lifetime. Purchased software is amortised over three to ten years.

3.4 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 properties are neither intended for sale in the ordinary course of business nor within the framework of the construction or development process. Measurement is at fair value taking the current usage that corresponds to the highest and best usage into account. Changes in value influence Group 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 apartment privatisation process was launched in previous years and successfully continued in 2015. The properties which are earmarked for resale are valued internally using detailed project accounting. This valuation includes key input factors such as comparative values from market transactions relating to the property or in its direct vicinity and assumptions concerning period of utilisation, potential categories of purchasers and planned renovation and modernisation measures which are still to be carried out.

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 10,080 sqm with an average selling price of EUR 2,277 per sqm were earmarked for resale. Any change in this average attainable selling price per sqm results in a corresponding change in the fair value determined using the valuation method (example: if the average attainable selling price per sqm rises by EUR 100, this is reflected in an increase of TEUR 754 in the fair value).

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.

3.5 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 lifetime. Equipment is amortised over three to thirteen years. Minor-value assets are fully depreciated in the year of addition.

3.6 IMPAIRMENT OF ASSETS

If there is an indication of an impairment, assets which are subject to scheduled depreciation are reviewed to ascertain whether there is a need for unscheduled depreciation. If the reason for the unscheduled depreciation no longer applies, the impairment is reversed. Assets which are not subject to scheduled amortisation are checked on each balance sheet date to ascertain whether there is a need for value adjustment.

3.7 PARTICIPATIONS IN ASSOCIATED COMPANIES

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

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 decisive 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 financial assets available for sale. These are valued at acquisition cost since, due to the absence of an active market, a fair value can only be determined based on specific sales 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 business activities or which 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 per the date of addition.

PATRIZIA has defined the operating business cycle as three years, as based on experience the majority of the units to be sold are sold and recognised during this period. However, inventories are still classified as intended for direct sale even if the sale does not take place 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 per 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 which 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 which use parameters for the assessment of assets or liabilities which 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 on 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 loan losses which have not yet occurred), 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 on the balance sheet comprise cash and bank balances with a duration 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 in the fiscal year 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 incorporate any interest rate hedging.

However, interest rate and currency swaps were made as part of the Harald principal investment, which were employed in the acquired companies to hedge against interest rate changes and foreign exchange risk. While the foreign currency swaps expired in the third quarter of 2015, the interest rate swaps mature in March 2016 and July 2018. In addition, foreign currency options were entered into by PATRIZIA Harald GmbH to hedge against currency fluctuations in the purchase price for the Harald investment. These had already expired as per the balance sheet date.

All derivative financial instruments as per the balance sheet date (exclusively interest rate swaps as per 31 December 2015) are measured at fair value. The provisions of IAS 39/IFRS 9 for hedge accounting do not apply. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. Profits or losses from changes in the fair value of the derivative financial instruments are immediately recognised in profit or loss.

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. The concept of a provision essentially requires a current liability based on a past event, that a corresponding outflow of resources is probable and that the amount of this outflow of resources can be reliably estimated. Provisions are measured using the best possible estimate of the extent of the obligation. The provisions are discounted in the event of material interest effects.

3.17 TAXES

Actual profits 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 on 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 carried forward 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 carried forward and tax credits not yet utilised can be used.

The amount of deferred tax assets carried forward 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 relating to items which are directly recognized in equity are not recognized in the income statement, but are also recognized in equity.

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

3.18 BORROWING COSTS

Borrowing costs used to produce a qualifying asset are capitalised. A qualifying asset is an asset that is needed for a significant time period in order to bring it into a 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.

3.19 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 amount carried forward for 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.

3.20 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 of the main opportunities and risks to the purchaser 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 area, 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, assumptions must be made to a certain extent 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 the 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 unexpected problems or unidentified risks relating to real estate portfolios may arise. 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 specific 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. The risk exists 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 of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungs 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 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 two years and a discount rate of 5.91% p.a. (previous year: 5.65% 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 FUND MANAGEMENT CONTRACTS

			2015			2014
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**48,462**	**–9,055**	**39,407**	**48,427**	**–6,523**	**41,904**
Additions	0	–1,996	–1,996	0	–2,511	–2,511
Disposals	0	0	0	0	0	0
Currency change	6	0	6	35	–21	14
Balance as per 31 December	**48,468**	**–11,051**	**37,417**	**48,462**	**–9,055**	**39,407**

Hidden reserves in respect of fund management contracts were identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH and PATRIZIA UK Ltd. These are subject to scheduled depreciation of TEUR 1,996 per annum. The majority at TEUR 37,355 represents the fund management contracts of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH.

4.1.3 SOFTWARE

EUR '000	2015 Purchase costs	2015 Amortisation	2015 Carrying amount	2014 Purchase costs	2014 Amortisation	2014 Carrying amount
Balance as per 1 January	**17,265**	**–6,470**	**10,795**	**13,341**	**–4,643**	**8,698**
Additions	1,971	–3,541	–1,570	4,906	–2,809	2,097
Disposals	0	0	0	–982	982	0
Balance as per 31 December	**19,236**	**–10,011**	**9,225**	**17,265**	**–6,470**	**10,795**

4.1.4 INVESTMENT PROPERTY

DEVELOPMENT OF NON-CURRENT ASSETS

EUR '000	2015 Investment property	2014 Investment property
Balance as per 1 January	**78,507**	**229,717**
Additions – assets[1]	1,395	3,538
Disposal – assets	–59,562	–154,799
Positive fair value changes	1,471	2,198
Negative fair value changes	–1,009	–2,147
Balance as per 31 December	**20,802**	**78,507**

[1] These are exclusively subsequent acquisition costs.

Two investment properties were sold in Hamburg and Munich in the fiscal year.

Based on the fair value of the overall portfolio as per 31 December 2015, the average value is EUR 2,080 (previous year: EUR 2,222) per sqm and/or a multiplier of 21 (previous year: 19) is based on the target rent. The change in average value is due to the continued sell-off of the portfolio.

In accordance with existing loan agreements, investment property totalling TEUR 20,802 (previous year: TEUR 78,507) was pledged as security.

In the reporting year, investment property provided rental revenues of TEUR 3,217 (previous year: TEUR 13,451) and cost of materials of TEUR 3,043 (previous year: TEUR 8,837).

4.1.5 EQUIPMENT

	2015			2014		
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**11,221**	**–6,745**	**4,476**	**10,150**	**–5,385**	**4,765**
Additions	2,649	–1,521	1,128	1,341	–1,621	–280
Disposals	–2,200	1,660	–540	–270	261	–9
Currency change	0	–49	–49	0	0	0
Balance as per 31 December	**11,670**	**–6,655**	**5,015**	**11,221**	**–6,745**	**4,476**

4.1.6 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2015			2014		
EUR '000	Purchase costs	Adjustments at equity	Carrying amount	Purchase costs	Adjustments at equity	Carrying amount
Balance as per 1 January	**64,226**	**4,271**	**68,497**	**17,206**	**1,089**	**18,295**
Additions	15,450	4,232	19,682	47,020	3,182	50,202
Disposals	0	0	0	0	0	0
Balance as per 31 December	**79,676**	**8,503**	**88,179**	**64,226**	**4,271**	**68,497**

The item “Participations in associated companies” includes the participation in PATRIZIA WohnModul I SICAV-FIS with its registered office in Luxembourg.

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 plans both block sales and individual privatisation.

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 interest rate fluctuations.

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 provided below.

EUR '000	2015	2014
Current assets	1,889,881	1,247,220
Non-current assets	9,609	13,730
Current liabilities	117,691	74,849
Non-current liabilities	910,133	506,413
Revenues	145,718	77,033
Net profit for the year	48,438	30,560
Other comprehensive income	25	0
Total comprehensive income	**48,463**	**30,560**

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 4,232 (previous year: TEUR 3,182).

Reconciliation statement for financial information presented relating to the carrying amount of the participation interest in PATRIZIA WohnModul I SICAV-FIS:

EUR '000	2015	2014
Net assets of the associated company	870,847[1]	679,688
Group's shareholding	10.1%	10.1%
Goodwill	0	0
Other adjustments	223	–151
Carrying value of the Group's participating interest in PATRIZIA WohnModul I SICAV-FIS	**88,179**	**68,497**

[1] The net assets of the associated company have been adjusted for minority interests.

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.

There was no dividend payout from WohnModul I SICAV-FIS to PATRIZIA Immobilien AG in the reporting period.

4.1.7 PARTICIPATIONS

	2015			2014		
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**96,555**	**0**	**96,555**	**80,074**	**0**	**80,074**
Additions	210	0	210	16,294	0	16,294
Changes to the scope of consolidation	13	0	13	0	0	0
Disposals	–16,401	0	–16,401	–183	0	–183
Currency change	1,029	0	1,029	370	0	370
Balance as per 31 December	**81,406**	**0**	**81,406**	**96,555**	**0**	**96,555**

The “Participations” item includes the following main holdings:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2014: 6.25%)
- sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2014: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30% (31 December 2014: 30%)
- PATRIZIA Projekt 150 GmbH 10% (31 December 2014: 10%)
- Plymouth Sound Holdings LP 10% (31 December 2014: 10%)
- Winnersh Holdings LP 5.0% (31 December 2014: 5.0%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2014: 5.1%)
- GBW GmbH 5.1% (31 December 2014: 5.1%)
- Aviemore Topco 10% (31 December 2014: 10%)
- Citruz Holdings LP 10% (31 December 2014: 10%)

Key changes resulted from the withdrawal of CARL A-Immo GmbH & Co. KG within the scope of the sale of the Süddeutsche Wohnen Group (SÜDEWO) and the reduction in the participation in CITRUZ Holdings LP.

The sale of SÜDEWO to Vonovia SE (formerly Deutsche Annington SE) was completed in July 2015.

4.1.8 LOANS

	2015			2014		
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**5,281**	**0**	**5,281**	**5,814**	**0**	**5,814**
Additions	0	0	0	4,667	0	4,667
Disposals	–82	0	–82	–5,267	0	–5,267
Currency change	299	0	299	67	0	67
Balance as per 31 December	**5,498**	**0**	**5,498**	**5,281**	**0**	**5,281**

Loans are related to the investments Winnersh, Plymouth and Aviemore listed under “Participations”.

4.2 TAX ASSETS

Corporate tax credits of TEUR 78 (previous year: TEUR 119) with a right to payment from 2008 over ten years by the tax authorities in equal annual installments are treated as long-term tax assets. Measurement is at present value.

The current tax assets of TEUR 8,280 (previous year: TEUR 8,014) mainly include receivables from tax overpayments and claims for reimbursement from capital gains tax.

4.3 INVENTORIES

A breakdown of inventories is shown below:

INVENTORIES INCL. HARALD PORTFOLIO

EUR '000	31.12.2015	31.12.2014
Real estate held for sale	1,057,942	90,908
Real estate in the development phase	0	107,786
	1,057,942	**198,694**

INVENTORIES EXCL. HARALD PORTFOLIO

EUR '000	31.12.2015	31.12.2014
Real estate held for sale	224,170	90,908
Real estate in the development phase	0	107,786
	224,170	**198,694**

In the previous year the Feuerbachstraße and Friedrich-Karl-Terrassen projects were reported under the “Real estate in the development phase” item. Both properties were largely completed during the reporting period and almost already sold.

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

In addition to the Harald and Manchester portfolios already listed under “Company Acquisitions”, the Sudermann-Allee property in Munich and Linley House in Manchester properties were acquired for a total of TEUR 51,903 in the current reporting period.

Inventories with a total carrying amount of TEUR 182,362 (previous year: TEUR 147,307) were sold in the fiscal year.

During the period under review, directly assignable financing costs of TEUR 175 (previous year: TEUR 423) were capitalised.

In accordance with existing loan agreements, inventories totalling TEUR 994,531 (previous year: TEUR 98,226) were pledged as securities.

Realisation of inventories amounting to TEUR 58,316 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	31.12.2015	31.12.2014
Trade receivables	**60,850**	**38,191**
Receivables from services	27,249	25,370
Receivables from sales of real estate	30,286	9,812
Rent receivables decreased by value adjustments	1,072	415
Others	2,243	2,594
Other current assets	**70,321**	**46,583**
	131,171	**84,774**

Rent receivables as of the balance sheet date are as follows:

EUR '000	31.12.2015	31.12.2014
Nominal receivables for rent and rental ancillary costs	6,088	3,182
Value adjustments	–5,016	–2,767
	1,072	**415**

These rent receivables are matched by rent deposits amounting to TEUR 1,183 (previous year: TEUR 369).

Changes in the value adjustment account for receivables:

EUR '000	31.12.2015	31.12.2014
Balance as per 1 January	**2,798**	**2,739**
Change to the consolidated entities[1]	2,279	0
Additions	1,681	497
Outflows due to derecognitions	–795	–373
Outflows due to payments received	–947	–65
Balance as per 31 December[1]	**5,016**	**2,798**

[1] The Harald portfolio accounts for TEUR 2,081 of the value adjustments as per 31 December 2015.

A breakdown of other current assets is shown below:

EUR '000	31.12.2015	31.12.2014
Amounts owed by entities in which the company has a participating interest	33,601	39,471
Claim to transfer of title	16,665	0
Payments deposited to notary's escrow account	9,659	0
Other	10,396	7,112
Balance as per 31 December	**70,321**	**46,583**

The item "Claim to transfer of title" refers to the Wildrosenweg property in Munich, which was already paid at the balance sheet date whereas the transfer of ownership, benefits and obligations only took place on 1 January 2016. The item "Other" is primarily composed of debit balances, receivables from rental incentives, deferred items and receivables from loans.

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

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.

The item includes a cash amount of TEUR 8,441 (previous year: TEUR 5,307) that must be made held available on a permanent basis by asset management companies owing to regulatory requirements. An additional TEUR 94,985 (previous year: TEUR 34,012) is reserved for loan repayments.

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 76,323,533 (previous year: EUR 69,385,030) and is divided into 76,323,533 (previous year: 69,385,030) 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 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, during the year under review the 2012 contingent capital was 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 value shares with a pro-rata share in the share capital of EUR 1.00. 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 39,394,492 no-par value shares (previous year: 35,813,177 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 2015 fiscal year, the capital reserves fell by TEUR 6,939 (previous year: TEUR 6,321).

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

In May 2015, PATRIZIA Immobilien AG acquired the majority of the shares in Boligutleie Holding III AS and also the majority of the shares in Hyresfastigheter Holding III Gul AB as part of the Harald principal investment. At the time of the acquisition, the shares of non-controlling shareholders were considered with their share of the fair value of the net assets and were measured at TEUR 101,631. Please also refer to the information in the Company Acquisitions section.

As per 31 December 2015 a minority shareholding in Boligutleie Holding III AS of 7.57% (TEUR 16,939) existed.

The other shares of non-controlling partners are classed as insignificant by PATRIZIA.

In the reporting period the non-controlling shareholders were allocated a share in the results of TEUR 23,703 of which TEUR 21,100 had been taken up to the balance sheet date.

These are payments to minority shareholders with whom the Company also has an employment relationship.

5.2 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	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Investment property	0	1,283	0	3,239
Inventories	0	47,242	0	1,232
Derivatives	644	0	0	0
Tax loss carried forward	7,226	0	0	0
Fund management contracts PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH	0	12,056	0	12,691
Other	186	1,309	696	1,800
Consolidation	–1,043	1,363	715	2,153
	7,013	**63,253**	**1,411**	**21,115**
Netting	0	0	–1,411	–1,411
	7,013	**63,253**	**0**	**19,704**

In the course of the Harald transaction, deferred tax assets of TEUR 4,721 and deferred tax liabilities of TEUR 45,988 arose or adopted valuation differences were continued.

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 514 (previous year: TEUR 447). The losses can be carried forward for an indefinite period.

In addition, at the balance sheet date, four companies (previous year: two companies) had corporation tax loss carried forward of TEUR 32,763 (previous year: TEUR 20,939); no deferred tax assets were formed for these due to the lack of predictability concerning their usability for fiscal purposes. These losses can also be carried forward for an indefinite period.

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 48,540 (previous year: TEUR 41,099).

5.3 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 per 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 per 31 December 2015, an actuarial interest rate of 2.42% (previous year: 1.78%) 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 per 31 December 2015, the pension provision was recognised at TEUR 687 (previous year: TEUR 630). Due to the low level of the annual pension payments of TEUR 19 (previous year: TEUR 150) 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 per 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 3,397 (previous year: TEUR 3,138).

5.4 FINANCIAL LIABILITIES

The financial liabilities have the following maturity profile:

EUR '000 as per 31.12.2015	2016	2017	2018	2019	2020	2021	Total
Bank loans	**197,541**	**0**	**0**	**0**	**0**	**0**	**197,541**
of which Harald	197,541	0	0	0	0	0	197,541
Mortgage loans	**202,150**	**0**	**76,400**	**108,341**	**0**	**236,678**	**623,569**
of which Harald	73,000	0	76,400	108,341	0	236,678	494,419
Bonded loans	**35,000**	**0**	**32,000**	**0**	**0**	**0**	**67,000**
Interest accrued and current account	**718**	**0**	**0**	**0**	**0**	**0**	**718**
of which Harald	252	0	0	0	0	0	252
	435,409	**0**	**108,400**	**108,341**	**0**	**236,678**	**888,828**

As per 31 December 2015 financial liabilities totalled TEUR 888.828; excluding Harald, they amounted to TEUR 196,616.

EUR '000 as per 31.12.2014	2015	2016	2017	2018	Total
Bank loans	0	0	0	0	0
Mortgage loans	33,595	88,252	0	0	121,847
Bonded loans	0	40,000	0	37,000	77,000
Interest accrued and current account	103	0	0	0	103
	33,698	128,252	0	37,000	198,950

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. The interest rate hedges adopted with the Harald portfolio counteract this risk. The loans are denominated in EUR and GBP. For bank loans which serve to finance own investments, the financial liabilities are repaid when the real estate is sold. Loans to finance the Harald portfolio will be fully paid back within the scope of the sale.

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 repayments from resales into account.

In the above table, loans with terms ending within the 12 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 – please refer to 1. Principles Applied in Preparing the Consolidated Financial Statements.

The Group's own real estate serves as security for the mortgage loans. The mortgage loans secured by real estate liens amount to TEUR 623,569 (previous year: TEUR 121,847); excluding the loans from the Harald portfolio they total TEUR 129,150. In addition, financial liabilities are secured by assigning purchasing prices and by assigning future rental payments.

At the balance sheet date, promissory note loans with a total amount of TEUR 67,000 are reported in the consolidated financial statements. According to the maturities, TEUR 32,000 (maturing 30 June 2018) is reported as non-current liabilities and TEUR 35,000 (maturing 30 June 2016) as current liabilities.

5.5 NON-CURRENT LIABILITIES

Non-current liabilities totalling TEUR 9,262 (previous year: TEUR 5,544) mainly comprise the long-term components of the management participation model described in more detail under item 9.2.

5.6 OTHER PROVISIONS

The changes in other provisions are shown below:

OTHER PROVISIONS 2015

EUR '000	01.01.2015	Addition	Release	Use	31.12.2015
Other provisions	2,142	6,740	13	2,129	6,740
	2,142				**6,740**

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**

The other provisions chiefly consist of the provision for unused holiday entitlements, contributions to employee accident insurance and surcharges for non-employment of disabled persons as well as risks of litigation and contractual indemnification obligations.

5.7 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 for global sales, security exists in the form of a commercial right of retransfer 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 placed at several different banks in order to diversify risks.

The main liabilities within the Group comprise long-term and short-term bank loans, promissory note bonds 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 fluctuation in interest rates which the Group is exposed to results from financial liabilities with a variable interest rate. This risk is offset to a considerable extent by contrary effects from inter-est rate swaps acquired as part of the Harald transaction.

Interest Rate Risk Overview

As a result of the ECB's continuing low interestrate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently borrowed without interest rate hedging. The Group is therefore subject to an interest rate risk on financial liabilities. The interest rate swaps reported as per the balance sheet date result from the companies acquired as part of the Harald transaction.

The Group measures the interest rate risk using cash flow sensitivity analysis with an assumed parallel shift in the interest curve of 10 basis points. Assuming a rise of 10 basis points in the interest rate, then as per 31 December 2015 and without taking taxes into account, this would have an effect of TEUR 121 (previous year: TEUR 122) on the consolidated profit and TEUR 121 (previous year: TEUR 122) on consolidated equity.

Credit Risk

Due to a broad counterparty structure there is currently 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 by applying liquidity planning. This liquidity planning takes the terms of the financial liabilities and expected cash flows from the operating activities into account.

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

As per 31 December 2015, the nominal volume of interest rate swaps was TEUR 242,000 (previous year: TEUR 0); the corresponding market values were TEUR –3,677 (previous year: TEUR 0).

The table below shows the expected undiscounted net cash inflows/outflows from interest rate swaps.

EUR '000	31.12.2015	31.12.2014
Up to 1 year	2,006	0
More than 1 year to 2 years	0	0
More than 2 years to 5 years	1,504	0
TOTAL	**3,510**	**0**

Further maturities on financial liabilities can be found in item 5.4 of the Notes to the Consolidated Financial Statements.

Capital Management

The Group monitors its capital structure with 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 all obligations except deferred tax liabilities less cash and short-term deposits. Modified equity incorporates the equity attributable to the shareholders of the parent company less unrecognised profit.

CAPITAL MANAGEMENT

EUR '000	2015	2015	2014
	PATRIZIA Group	PATRIZIA excl. Harald transaction	PATRIZIA Group
Interest-bearing loans	821,828	129,616	121,950
Promissory note loans[1]	67,000	67,000	77,000
Trade payables and other liabilities[2]	130,167	93,298	110,332
Less cash and short-term deposits	–179,141	–79,236	145,361
Net financial liabilities	**839,854**	**210,678**	**163,921**
Equity	539,791	507,594	410,048
Cash flow hedges valuation result	0	0	0
Currency translation difference	869	869	–1,030
Total modified equity	**540,660**	**508,463**	**409,018**
Modified equity and net financial liabilities	1,380,514	719,141	572,939
Gearing ratio	61%	29%	29%

[1] Promissory note loans were added to the representations for 2014.
[2] Non-current liabilities were added to the representation for 2014.

5.8 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

EUR '000	31.12.2015	31.12.2014
Trade payables	8,467	4,431
Advance payments	8,853	44,139
Other liabilities	77,968	43,936
	95,288	**92,506**

The current liabilities have a residual term of less than 12 months. Due to the short residual term, there are no major differences between the carrying amount and the fair value of the liabilities.

The advance payments relate to purchase price receipts from sold properties.

A breakdown of other liabilities is shown below:

EUR '000	31.12.2015	31.12.2014
Liabilities relating to variable salary components	23,416	17,294
Liabilities from services purchased before the balance sheet date	11,647	5,616
Interest on promissory note loans	1,737	1,737
Acquisition and production costs for sold properties arising after the balance sheet date	6,439	9,899
Liabilities to non-controlling shareholders	5,303	0
Prepaid expenses	3,971	0
Debtors with credit balances	2,727	2,528
Liability from payments to be made relating to the squeeze-out described under "Company acquisitions"	8,203	0
Accounting and auditing costs	730	414
Liability from emphyteusis payments	3,344	0
Other	10,451	6,448
	77,968	**43,936**

5.9 TAX LIABILITIES

The tax liabilities mainly relate to subsequent taxation of the former EK 02 portfolios amounting to TEUR 1,226 (previous year: TEUR 1,687), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 17,240 (previous year: TEUR 6,925), as well as tax on the profits of foreign subsidiaries totalling TEUR 4,906. Corporation tax on account of subsidiaries in Luxembourg which are subject to limited taxation in Germany amounts to TEUR 933 (previous year: TEUR 626).

5.10 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR '000	31.12.2015	31.12.2014
Loans and receivables	288,785	231,081
Available-for-sale financial assets	81,460	96,641

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

FINANCIAL LIABILITIES

EUR '000	2015	2014
Financial liabilities which are measured at amortised cost	989,203	296,904
Derivative financial instruments which are held for trading purposes	3,677	0

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2015	2014
Loans and receivables	1,213	1,576
Available-for-sale financial assets	151,681	39,675
Financial liabilities which are measured at amortised cost	–17,063	–8,193
Derivative financial instruments which are held for trading purposes	3,151	–34

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 expense method.

6.1 REVENUES

Revenues consist of the following:

EUR '000	2015	2014
Rental revenues[1]	42,761	21,187
Sales	188,979	155,189
Services	134,259	106,285
Other[2]	18,859	9,154
Total revenue	**384,858**	**291,815**

[1] Revenues include rental income from investment property of TEUR 3,217 (previous year: TEUR 13,451).
[2] Other revenues include rental ancillary costs.

The Harald portfolio acquired in the reporting year accounts for TEUR 33,963 of the rental revenues and TEUR 12,214 of the other revenues.

The revenues from services include commission income, income from asset and fund management and trustee fees.

For further information please refer to section 7, Segment Reporting.

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase and renovation of real estate intended for sale can be recognised in terms of net income in the inventory changes.

6.3 OTHER OPERATING INCOME

The other operating income mainly relates to:

EUR '000	2015	2014
Income from cancelled obligations	5,221	1,763
Income from an amicable settlement in emphyteusis disputes in the Harald portfolio	3,476	0
Other operating income in the Harald portfolio	1,704	0
Income from cost recharging and transaction fees	1,677	690
Income from payments in kind	1,333	1,125
Income from the reduction in specific value adjustments	292	136
Income from insurance compensation	97	1,074
Income from liability compensation	90	548
Other	2,299	1,807
	16,189	**7,143**

Income from cancelled obligations chiefly result from improved awareness of post-completion construction costs in residential property resales (TEUR 1,896) and from bonuses (TEUR 988).

Liabilities formed in the previous year for the acquisition of the Manchester portfolio were eliminated in the reporting year as a result of a change in the acquisition strategy (TEUR 1,592).

The Other item mainly includes income from purchaser settlements (TEUR 660) and from the elimination of the payroll tax in Denmark (TEUR 303).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance and is broken down as follows:

EUR '000	2015	2015	2014
	PATRIZIA Group	PATRIZIA of which Harald transaction	PATRIZIA Group
Real estate development costs	15,651	15,651	29,901
Renovation costs	14,236	7,996	11,819
Ancillary costs	18,696	5,357	10,382
Maintenance costs	3,855	743	2,353
	52,438	**29,747**	**54,455**

6.5 COST OF PURCHASED SERVICES

The item cost of purchased services totalling TEUR 14,787 (previous year: TEUR 9,990) mainly comprises the purchase of fund management services. For PATRIZIA, this relates in particular to the expenses for the label funds of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, for which PATRIZIA acts as a servicing capital management company. The cost of purchased services rose in the 2015 fiscal year, primarily as a result of increased acquisition activity in the label funds.

6.6 STAFF COSTS

A breakdown of staff costs is shown below:

EUR '000	2015	2014
Wages and salaries	83,910	69,003
of which valuation of long-term incentives	4,464	2,497
of which sales commission	7,012	6,226
Social insurance contributions	9,609	8,236
	93,519	**77,239**

Following the significant increase in the share price of PATRIZIA Immobilien AG, additional personnel expenses arose due to valuation effects in conjunction with long-term incentives of TEUR 4,464.

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

EUR ’000	2015	2014
Operating expenses	15,959	12,994
Administrative expenses	17,957	16,039
Selling expenses	12,050	8,982
Other expenses	24,007	12,178
	69,973	**50,193**

Other operating expenses include transaction-related services amounting to TEUR 5,003 (previous year: TEUR 2,524).

The Harald portfolio accounted for other operating expenses to the order of TEUR 9,989.

6.8 AMORTISATION

Scheduled amortisation of software and equipment amounted to TEUR 5,063 (previous year: TEUR 4,430).

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 1,996 per annum (previous year: TEUR 2,510).

6.9 INCOME FROM PARTICIPATIONS

Income from participations totalling TEUR 151,681 (previous year: TEUR 39,062) mainly results from the investments GBW and Seneca and the sale of the Süddeutsche Wohnen Group.

PATRIZIA earned performance-related compensation of TEUR 103,466 from the sale of the Süddeutsche Wohnen Group, together with TEUR 13,417 as a return on the equity capital employed of TEUR 15,000. In return, the scheduled preliminary profit distribution for the second half of 2015 of around TEUR 3,600 and the expected performance-based payment did not materialise (2014: TEUR 5,630).

In turn, the income from participations was earned during the same period in the 2015 fiscal year.

As in the previous year, the co-investment GBW generated TEUR 9,490 TEUR as shareholder contribution, TEUR 17,842 as performance-related shareholder compensation and a dividend of TEUR 3,223 on the invested equity.

The Seneca supermarket portfolio contributed a dividend on invested equity of TEUR 510 (previous year: TEUR 358).

6.10 FINANCIAL RESULT

EUR '000	2015	2014
Interest on bank deposits	175	459
Changes in the value of derivatives	5,410	2,819
Other interest	1,081	1,135
Financial income	**6,666**	**4,413**
Interest on revolving credit facilities and bank loans	–9,488	–4,459
Interest-rate hedging expense	0	–2,822
Currency hedging expense	–1,406	0
Changes in the value of derivatives	–2,260	0
Release of other result from cash flow hedging	0	–31
Other finance costs	–10,017	–4,600
Financial expenses	**–23,171**	**–11,912**
Financial result	**–16,505**	**–7,499**

Interest income of TEUR 1,213 (previous year: TEUR 1,576) taken into account as conformant with the effective interest rate. There were no pure measurement effects for instruments of this category.

Currency conversion differences of TEUR –617 (previous year: TEUR 551) 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	2015	2014
Actual taxes	–22,020	–10,218
Deferred taxes	5,587	3,240
	–16,433	**–6,978**

The deferred taxes in the income statement chiefly result from fund management contracts, investment property and 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 and loss 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:

EUR ’000	2015	2014
IFRS consolidated profit/loss for the period before income tax	**150,894**	**41,998**
Income tax expenses expected on the above	−46,513	−12,946
Taxable profits based on the partial income method	10,090	0
Tax exemption from profit distributions	7,252	0
Tax additions and deductions	11,435	2,971
International subsidiaries with differing tax rates	1,014	642
Non-activation of deferred taxes on losses	−10,765	−3,974
Use of non-capitalised loss carried forward	5,422	2,987
Trade tax effects from income subject to limited taxation	6,350	2,311
Effects outside the period[1]	−365	785
Other	−353	246
EFFECTIVE TAX EXPENSE	**−16,433**	**−6,978**

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

6.12 EARNINGS PER SHARE

in EUR	2015	2014
Profit share of Group shareholders	110,758,410	35,608,093
Number of shares issued	76,323,533	69,385,030
Weighted number of shares	76,323,533	76,323,533
EARNINGS PER SHARE (UNDILUTED)	**1.45 EUR**	**0.47 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 (69,385,030) was replaced by the weighted number of shares in 2015 (76,323,533).

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 an investor or a service provider. In line with the Group's reporting for management purpsoes 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 contribution made by the individual national companies to revenues and results still being low.

In addition, PATRIZIA Immobilien AG (corporate administration) including its international subsidiary management is defined as **Corporate**. Corporate does not constitute an operating segment with an obligation to report but is presented separately due 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 within segments are performed via the **Consolidation** column. The "Corporate" column consolidates all internal services between the Investments and Management Services segments on the one hand and PATRIZIA AG on the other hand within a country; it represents the external service provided by the Group in the region concerned. In contrast, the transnational exchange of services is eliminated in the Consolidation row.

The **Investments segment** primarily bundles principal investments and the company's remaining portfolio. As per the balance sheet date, the segment had a portfolio of 471 (31 December 2014: 1,081) residential units reported as investment property and inventories. Sale will be continued and is scheduled to be largely completed by the end of 2016.

Principal investments are also a part of this segment. Proceeds from sales and ongoing rental income from principal investments are reported here.

Furthermore, the earnings-related bonuses (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 advice 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 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 which are granted as shareholder contribution for the asset management of the two co-investments SÜDEWO and GBW.

With growing assets under management, the range of services provided by the Management Services segment is enjoying increasing demand from third parties.

As a matter of principle, the PATRIZIA Group's internal control and reporting measures are based on the principles of accounting in accordance with 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 income).

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 when determining the operative EBT (operating income). First, these involve non-cash effects such as amortisation and depreciation on fund management contracts, software and property, plant and equipment transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and PATRIZIA UK Limited, unrealised changes in the value of investment property and the results of the market valuation of interest-rate hedging instruments. Second, cash-effective realised changes in the value of investment property are added to this.

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

Due to the capital intensity of the Investments segment, the assets and liabilities in the segment, most of which are allocable to Germany, 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 segment.

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.

2015 (1 JANUARY – 31 DECEMBER 2015)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
Revenues from principal investments	148,320	0	0	0	148,320
Rental revenues	40,756	0	0	–176	40,580
Revenues from management services	0	113,652	0	–4,919	108,733
Other	15,100	4,343	0	–106	19,336
Revenues	**204,175**	**117,994**	**0**	**–5,201**	**316,968**
International[1]					
Revenues from principal investments	40,660	0	0	0	40,660
Rental revenues	2,179	0	0	0	2,179
Revenues from management services	0	51,380	0	–354	51,026
Other	655	226	0	0	880
Revenues	**43,494**	**51,606**	**0**	**–354**	**94,746**
Corporate					
Revenues	**0**	**0**	**24,000**	**0**	**24,000**
Consolidation					
Revenues	**0**	**–24,741**	**0**	**–26,115**	**–50,856**
Group					
Revenues from principal investments	188,979	0	0	0	188,979
Rental revenues	42,935	0	1	–176	42,761
Revenues from management services	0	140,355	22,703	–28,799	134,259
Other	15,754	4,504	1,295	–2,694	18,858
Revenues	**247,669**	**144,859**	**24,000**	**–31,670**	**384,858**
Details					
Total operating performance					
Germany	87,305	120,969	0	–5,201	203,073
International[1]	20,891	55,784	0	–1,306	75,368
Corporate	0	0	25,981	0	25,981
Consolidation	–1,029	–24,766	0	–29,208	–55,003
Group	**107,166**	**151,987**	**25,981**	**–35,716**	**249,419**
Cost of materials and cost of purchased services					
Germany	–52,337	–22,325	0	494	–74,168
International[1]	–593	–20,555	0	0	–21,148
Corporate	0	0	0	0	0
Consolidation	0	24,643	0	3,448	28,091
Group	**–52,930**	**–18,237**	**0**	**3,942**	**–67,225**
Change in value of investment properties					
Germany	462	0	0	0	462
Group	**462**	**0**	**0**	**0**	**462**
Staff costs					
Germany	0	–50,515	0	0	–50,515
International[1]	0	–15,610	0	0	–15,610
Corporate	0	0	–27,797	0	–27,797
Consolidation	0	63	0	340	403
Group	**0**	**–66,062**	**–27,797**	**340**	**–93,519**
Other operating expenses					
Germany	–21,529	–42,139	0	5,418	–58,250
International[1]	–3,368	–7,575	0	1,306	–9,637
Corporate	0	0	–25,379	0	–25,379
Consolidation	980	60	0	22,254	23,294
Group	**–23,917**	**–49,655**	**–25,379**	**28,979**	**–69,973**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics, Spain

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PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Income from participations and earnings from companies accounted for using the equity method					
Germany	18,950	134,403	0	0	153,353
International[1]	2,560	0	0	0	2,560
Corporate	0	0	0	0	0
Consolidation	0	0	0	0	0
Group	**21,510**	**134,403**	**0**	**0**	**155,913**
Amortisation of fund management contracts, software and equipment					
Germany	-3,149	-2,024	0	0	-5,174
International[1]	-50	-120	0	0	-170
Corporate	0	0	-4,895	0	-4,895
Consolidation	50	0	0	3,130	3,180
Group	**-3,149**	**-2,144**	**-4,895**	**3,130**	**-7,059**
Financial Result					
Germany	-16,272	686	0	0	-15,586
International[1]	3	-31	0	0	-28
Corporate	0	0	-891	0	-891
Consolidation	0	0	0	0	0
Group	**-16,269**	**655**	**-891**	**0**	**-16,505**
Gains/losses from currency translation					
Germany	-2,061	97	0	0	-1,964
International[1]	-167	120	0	0	-47
Corporate	0	0	1,393	0	1,393
Consolidation	0	0	0	0	0
Group	**-2,227**	**217**	**1,393**		**-618**
EBT (IFRS)					
Germany	11,368	139,151	0	712	151,230
International[1]	19,277	12,012	0	0	31,288
Corporate	0	0	-31,588	0	-31,588
Consolidation	0	0	0	-36	-36
Group	**30,644**	**151,163**	**-31,588**	**676**	**150,895**
Adjustments					
Germany	**2,408**	**1,968**	**0**	**0**	**4,376**
Significant non-operating earnings	3,350	-1,968	0	0	1,382
Market valuation income derivatives	5,060	0	0	0	5,060
Market valuation expenditures derivatives	-2,171	0	0	0	-2,171
Fund agreement amortisation	0	-1,968	0	0	-1,968
Realised fair value	5,758	0	0	0	5,758
International[1]	**0**	**0**	**0**	**0**	**0**
Significant non-operating earnings	0	0	0	0	0
Fund agreement amortisation	0	0	0	0	0
Group	**2,408**	**1,968**	**0**	**0**	**4,376**
Operating income (adjusted EBT)					
Germany	13,775	141,119	0	712	155,606
International[1]	19,277	12,012	0	0	31,288
Corporate	0	0	-31,588	0	-31,588
Consolidation	0	0	0	-36	-36
Group	**33,052**	**153,131**	**-31,588**	**676**	**155,271**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics, Spain

2014 (1 JANUARY – 31 DECEMBER 2014)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
Revenues from principal investments	155,189	0	0	0	155,189
Rental revenues	21,380	0	0	–194	21,185
Revenues from management services	0	103,184	0	–12,320	90,864
Other	9,041	434	0	–443	9,032
Revenues	**185,610**	**103,618**	**0**	**–12,958**	**276,270**
International[1]					
Revenues from management services	0	31,030	0	0	31,030
Other	0	0	0	0	0
Revenues	**0**	**31,030**	**0**	**0**	**31,030**
Corporate					
Revenues	**0**	**0**	**19,998**	**0**	**19,998**
Consolidation					
Revenues	**0**	**–14,536**	**0**	**–20,947**	**–35,483**
Group					
Revenues from principal investments	155,189	0	0	0	155,189
Rental revenues	21,380	0	2	–194	21,187
Revenues from management services	0	119,691	18,611	–32,017	106,285
Other	9,041	422	1,386	–1,694	9,154
Revenues	**185,610**	**120,113**	**19,998**	**–33,905**	**291,815**
Financial Result					
Financial income					
Germany	5,044	1,247	0	–641	5,650
International[1]	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[1]	–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**
EBT (IFRS)					
Germany	9,958	44,404	0	680	55,042
International[1]	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**

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

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EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Adjustments					
Germany	**5,728**	**1,968**	**0**	**0**	**7,696**
Significant non-operating earnings	2,838	–1,968	0	0	870
Market valuation income derivatives	2,819	0	0	0	2,819
Market valuation expenditures derivatives	–31	0	0	0	–31
Change in value of investment properties	51	0	0	0	51
Fund agreement amortisation	0	–1,968	0	0	–1,968
Realised fair value	8,566	0	0	0	8,566
International[1]	**0**	**517**	**0**	**0**	**517**
Significant non-operating earnings	0	–517	0	0	–517
Fund agreement amortisation	0	–517	0	0	–517
Group	**5,728**	**2,485**	**0**	**0**	**8,213**
Operating income (adjusted EBT)					
Germany	15,686	46,372	0	680	62,737
International[1]	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**

[1] France, Great Britain, Luxembourg, Netherlands, 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 flow from investment activities includes financially effective investments and sales, especially in/of financial investments, property held as an investment and tangible assets.

Cash flow from financing activities includes payments in connection with the issuance 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 performance-related benefit pension schemes in the Group. This excludes plans which were assumed in the past in connection with acquisitions. As per the balance sheet date, a total of six people were entitled to 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 57.9 (previous year: TEUR 68.4) 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 provides the consideration 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 the requirements of the German Corporate Governance Code into account.

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 assigns quantitative and qualitative company, business line and individual goals to members of the Managing Board and members of the First Line (FL). The First Line comprises the employees who report directly to Managing Board and the Managing Directors in Germany.

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 consideration 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, but taking realised increases in fair value into account. 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 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 consolidated profit, the members of the Managing Board and the members of the First Line 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 confirmed 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 member of FL should they leave the Group.

For the 2015 fiscal year, a long-term incentive of TEUR 2,280 was included for the first and second management levels (previous year: TEUR 1,608). This corresponds to the liability posted, based on a target achievement rate of 140% (previous year: 130%). The final calculation cannot be made until all data required for the calculation is known 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 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 PATRIZIA shares 30 days before and after 31 December 2015, the average price is EUR 25.393. Therefore 88,277 shares are counted for 2015. In the reporting period, expenses of TEUR 6,975 (previous year: TEUR 4,432) were incurred for share-based compensation. These comprised price effects to the order of TEUR 4,464, allocation to share-based compensation totalling TEUR 2,678 and corrections due to the final settlement in the reporting period of TEUR –167.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	Number of performance shares 2015	Fair values 31.12.2015 EUR '000	Number of performance shares 2014	Fair values 31.12.2014 EUR '000	Paid out in EUR '000
Tranche of performance share units in the 2015 fiscal year[1]	88,277	2,242	0	0	0
Tranche of performance share units in the 2014 fiscal year	120,711	3,065	122,485	1,608	0
Tranche of performance share units in the 2013 fiscal year	205,500	5,218	199,282	2,615	0
Tranche of performance share units in the 2012 fiscal year	57,248	1,454	200,551	2,632	1,881
Tranche of performance share units in the 2011 fiscal year	0	0	91,094	1,196	1,196
Total	**471,736**	**11,979**	**613,412**	**8,051**	**3,077**

[1] Corresponds to the liability posted for 140% target achievement. The final calculation of this variable compensation and the allocation to the individual beneficiaries will be effected on approval of the consolidated financial statements for 2015.

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

PERFORMANCE SHARE UNITS

	01.01. – 31.12.2015	01.01. – 31.12.2014
Outstanding at the start of the reporting period	613,412	661,884
Granted in the reporting period	105,467	145,805
Correction due to final settlement in the reporting period	–12,746	–9,092
Paid out in the reporting period	–234,397	–185,185
Outstanding at the end of the reporting period	**471,736**	**613,412**

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 per 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, employee participation

Members of the First Line hold a total of 0.04% in PATRIZIA Immobilien AG.

Non-controlling shareholders to whom payments were made in the reporting year also have an employment contract with PATRIZIA.

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

PATRIZIA Immobilien AG and subsidiaries of PATRIZIA Immobilien AG occasionally provide 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 and project management. For suchlike, an amount of TEUR 283 was invoiced in 2015. No other services were provided for property management in fiscal year 2015. All services provided satisfy customary market standards for comparative arms-length transactions.

Mr Arwed Fischer acts as consultant to the Managing Board of PATRIZIA under an employment relationship. His work includes all the tasks that are related to the position and function of a member of the Managing Board. He also agrees to fulfil such duties arising within the PATRIZIA Group of companies. He receives a monthly fee amounting to TEUR 32.5 for the entirety of his activities. In addition, results- and performance related payments are made together with an allowance for pension provision and a company car is also provided.

Rental agreements between Managing Board members and PATRIZIA
Wolfgang Egger – as a 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 127 (previous year: TEUR 117).

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

Asset management agreement with PATRIZIA Projekt 150 GmbH
PATRIZIA Immobilien AG has provided asset management services via PATRIZIA Deutschland GmbH for PATRIZIA Projekt 150 GmbH, in which AHO Beteiligungs GmbH holds a stake. Alfred Hoschek is a shareholder of AHO Beteiligungs GmbH and at the same time a member of the Supervisory Board of PATRIZIA Immobilien AG. A total amount of TEUR 288 (previous year: TEUR 342) was invoiced for these services in the reporting year. All services provided satisfy customary market standards for comparative arms-length transactions.

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
- Karim Bohn, business studies graduate, Chief Financial Officer since 13.11.2015
- Klaus Schmitt, Ass. Jur., Chief Operating Officer
- Arwed Fischer, business studies graduate, resigned on 13.11.2015

In 2015 the members of the Managing Board were granted total remuneration of TEUR 3,528 (previous year: TEUR 2,925) and were paid total remuneration of TEUR 3,996 (previous year: TEUR 2,714). This comprised TEUR 1,263 of regular salary and fringe benefits as well as TEUR 1,150 of short-term incentives and TEUR 1,583 of long-term incentives as components of the management participation model.

Please refer to the Compensation Report in the Management Report for more detailed information under section 3.2.

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
- Alfred Hoschek, Managing Director of AHO Verwaltung GmbH, Augsburg (since 4 June 2015)
- Gerhard Steck, Member of the Board of VPV i. R., Weissach im Tal (since 1 July 2015)
- Harald Boberg, (until 25 June 2015) representative of Bankhaus Lampe KG, (Düsseldorf), Hamburg
- Manfred J. Gottschaller, (until 4 June 2015) Member of the Board on behalf of Bayerische Handelsbank AG, Munich

In the 2015 fiscal year, the Supervisory Board received fixed compensation of TEUR 102 (previous year: TEUR 100).

Further information on Supervisory Board compensation can be found in the Compensation Report in the Management Report under section 3.2.

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

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

EUR '000	
2016	6,942
2017–2020	13,061
2021 and later	346
	20,349

PATRIZIA has rented office space. This reduces capital commitment and leaves the investment risk with the lessor. The rental agreement for the office building in Augsburg still has a residual term of six years, annual leasing expenses are TEUR 1,524 plus ancillary costs. Rental agreements have also been concluded for offices at other locations; they have remaining terms of between three months and nine years. The resulting obligations amount to TEUR 2,890 for 2016, TEUR 2,282 for 2017 and TEUR 1,378 for 2018. The remaining obligations relate to lease agreements for office, IT and business equipment and for company cars.

9.6 EMPLOYEES

The average headcount at the Group in 2015 (excluding members of the Managing Board and trainees) was 731 (previous year: 677). Furthermore, the Group employed an additional 40 (previous year: 40).

9.7 AUDITOR'S FEES

The auditor's expenses calculated for 2015 amounted to TEUR 455 (previous year: TEUR 313 TEUR) for auditing the financial statements, TEUR 38 (previous year: TEUR 2) for other audit services and TEUR 22 (previous year: TEUR 0) for tax advisory services.

9.8 EVENTS AFTER THE BALANCE SHEET DATE

Sale of the Harald portfolio

The sale of the Harald portfolio to Deutsche Wohnen AG was notarised in November 2015 at a price of EUR 1.1 billion and is expected to be concluded in the first half of 2016. The transaction was structured partly as an asset deal and partly as a share deal due to the complex legal corporate structure of the portfolio.

The sale is associated with a significant reduction in the net debt of PATRIZIA. At the same time, all derivative financial instruments related to this portfolio will be handed over.

Sale of Manchester Plot 5

Via its British subsidiary PATRIZIA UK Ltd. and in conjunction with one of the largest British pension funds, PATRIZIA has agreed the construction of an office building in Manchester. Within the scope of this project, the first stage is the sale of a vacant development plot (Plot 5) from Southside Regeneration Ltd. to the real estate development fund GMPVF for a purchase price of GBP 8.5 million. GMPVF invests in the development of the north-western region of England and is part of the Greater Manchester Pension Fund, the largest municipal pension fund in England. PATRIZIA holds a minority interest of 0.05% in this development project.

9.9. GERMAN CORPORATE GOVERNANCE CODE

In December 2015 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 summarised Management Report for the Company and the Group.

The Managing Board released these financial statements for forwarding to the Supervisory Board on 7 March 2016. The Supervisory Board is tasked with auditing the consolidated financial statements and announcing its approval of the consolidated financial statements.

The consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRS).

The summarised 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 comments as required by Article 315 of the Handelsgesetzbuch (HGB – German Commercial Code).

Augsburg, 07 March 2016

Wolfgang Egger	**Karim Bohn**	**Klaus Schmitt**
CEO	CFO	COO

Appendix to the Notes to the Consolidated Financial Statements

LIST OF SHAREHOLDINGS

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

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Deutschland GmbH[1]	Augsburg	100	2,057,974.00	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	170,895,000.00	0.00
PATRIZIA Projekt 180 GmbH[1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalverwaltungs-gesellschaft 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	83,410.91	–17,188.48
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	100	4,260.72	–2,448.77
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	–22,134.66[2]	–3,944.15[2]
PATRIZIA Denmark A/S	Copenhagen	100	5,996,317.45	3,566,442.43
PATRIZIA Acquisition GmbH	Augsburg	100	21,867.96	–3,232.94
PATRIZIA Projekt 710 GmbH	Augsburg	100	24,064.18	1,289.69
Carl HR Verwaltungs GmbH	Augsburg	100	32,014.80	2,104.37
Carl B-Immo Verwaltungs GmbH	Augsburg	100	31,790.63	2,104.37
Carl A-Immo Verwaltungs GmbH	Augsburg	100	32,014.81	2,104.38
Carl Carry Verwaltungs GmbH	Augsburg	100	32,012.79	2,104.37
Carl C-Immo Verwaltungs GmbH	Augsburg	100	30,907.81	2,104.37
PATRIZIA Sweden AB	Stockholm	100	351,036.83	17,537.46
Pearl AcquiCo Zwei GmbH und Co. KG	Munich	100	56,925,461.79	3,211,219.23
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	4,719,918.25	1,177,269.99
PATRIZIA Ireland Ltd.	Dublin	100	9,905.50	–31.50
PATRIZIA UK Ltd.	Swindon	100	832,967.17	2,910,521.21
PATRIZIA Institutional Clients & Advisory GmbH[1]	Augsburg	100	50,000.00	0.00
PATRIZIA Finland OY	Helsinki	100	65,181.62	–377,855.71
PATRIZIA Netherlands B.V.	Amsterdam	100	4,616,688.36	2,247,600.19
PATRIZIA GrundInvest Kapitalverwaltungs-gesellschaft mbH[1]	Augsburg	100	4,425,874.21	0.00
PATRIZIA France S.A.S.	Paris	100	–865,491.19	391,358.60
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	10.1	877,389,807.06[3]	18,539,724.34[3]
PATRIZIA Harald GmbH	Augsburg	100	127,641,968.33	–6,004,891.35
PATRIZIA Activos Inmobiliarios España S.L.U.	Madrid	100	–482,146.51	–485,152.51
PATRIZIA Logistics Management Europe B.V.	Amsterdam	100	–455,830.88	–455,831.88

[1] As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.
[2] Amounts from 2014.
[3] 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	–594,898.17	24,100.95
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	49,370.22	–1,221.21
Alte Haide Baugesellschaft mbH	Augsburg	100	9,287,982.89	365,687.76
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	178,249,205.50	–2,542,588.78
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,119,255.41	1,695,386.82
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	86,262,281.41	–4,129.09
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	75,940.31	–398.67
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	30,285,983.62	2,424.44
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	5,529,329.58	4,121.81
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	15,611,013.80	775,825.78
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	28,948,821.51	18,094,065.74
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	–1,333,221.37	53,919.72
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	481,031.88	–127,328.63
F40 GmbH	Augsburg	94.9	–19,980,997.43	–14,444,201.52
PATRIZIA Projekt 380 GmbH	Augsburg	100	–16,183.19	–3,054.01
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–730,117.91	–3,336.04
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–2,845,177.30	–262,620.93
PATRIZIA Projekt 600 GmbH	Augsburg	100	16,665,602.61	6,603,881.56
PATRIZIA GewerbeInvest Kapitalverwaltungs-gesellschaft mbH[1]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	40,680.64	–2,097.96
PATRIZIA Facility Management GmbH[2]	Augsburg	100	25,000.000	0.00
Projekt Feuerbachstraße Verwaltung GmbH[3]	Frankfurt	30	29,267.90	1,152.02
sono west Projektentwicklung GmbH & Co. KG[3]	Frankfurt	28.3	9,786,645.30	–199,655.15
PATRIZIA Fund Management A/S	Copenhagen	100	357,739.74	133,497.57
PATRIZIA Investment Management S.C.S.	Luxembourg	78.26	5,944,914.78	1,092,209.73
PATRIZIA Carry GmbH & Co. KG	Augsburg	75	493,597.22	103,454,726.00
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	–1,480.04	18,141.02
SENECA TopCo S.à r.l.	Luxembourg	100	5,722,189.08	387,741.29
PATRIZIA Capital Partners Ltd.	Swindon	100	–1,359,926.06	367,856.89
PATRIZIA Asset Management Ltd.	Edinburgh	100	–33,561.89	–35,793.49
PATRIZIA Financial Services Ltd.	Edinburgh	100	428,931.62	84,366.64
PATRIZIA Investment Management HoldCo S.à r.l.	Luxembourg	100	118,425,168.32	–228,352.01
First Street TopCo 1 S.à r.l.	Luxembourg	97.83	16,723.42	–66,891.65
PATRIZIA Harald Fund Investment S.C.S. (vormals: First Street TopCo 2 S.à r.l.)	Luxembourg	97.83	315,929,050.66	–7,726.96
PATRIZIA Harald Verwaltungs S.à r.l. (vormals: First Street A S.à r.l.)	Luxembourg	97.83	3,978.03	–7,392.06
PATRIZIA Harald Fund Investment 1 S.à r.l. (vormals: First Street B S.à r.l.)	Luxembourg	97.83	314,404,242.79	–1,507,559.82
Boligutleie Holding III AS	Oslo	92.43	106,318,082.89	–6,697,109.34
Hyresfastigheter Holding III Gul AB	Stockholm	100.00	60,569,642.11	–1,831,418.02
Hyresbostäder i Sverige III Gul AB	Stockholm	94.93	273,540,668.56	92,983,938.11
Scan Deutsche Real Estate Holding GmbH	Berlin	94.90	45,112,285.28	9,266.44
Scan Deutsche Beteiligungsverwaltung GmbH & Co. KG	Berlin	94.90	3,107,604.62	–27,055.60

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

➔

PROSECUTION

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
Scan Deutsche Real Estate Kiel GmbH	Berlin	94.93	30,325,978.02	4,584,242.33
Hyresbostäder i Bayern Gul AB	Stockholm	94.93	19,431,857.49	376,318.40
Hyresbostäder i West Deutschland AB	Stockholm	94.93	20,063,119.39	295,582.98
Hyresbostäder i Rheinmain Gul AB	Stockholm	94.93	22,257,486.17	617,996.48
Hyresbostäder i Zeven Gul AB	Stockholm	94.93	872,148.05	–340,799.86
Draaipunt Holding B.V.	Baarn	94.68	8,028,048.32	1,700,083.98
Promontoria Holding V B.V.	Baarn	94.68	8,881,985.00	2,203,734.26
Promontoria Holding X B.V.	Baarn	94.68	7,281,758.78	1,271,244.47
Hyresbostäder i Södra Tyskland i Gul AB	Stockholm	80.69	13,280,606.23	–436,033.22
Hyresbostäder i Köln Senior Residential AB	Stockholm	80.69	96,449.95	2,406.97
Hyresbostäder i Södra Tyskland Celle & Bielefeld Verwaltung GmbH	Köln	76.49	–23,980.62	–1,866.37
Hyresbostäder i Södra Tyskland Verwaltungs GmbH	Köln	76.49	–700,351.60	–13,427.00
Hyresbostäder i Södra Tyskland Celle und Bielefeld GmbH & Co. KG	Berlin	80.48	5,561,962.76	510,096.66
Hyresbostäder i Södra Tyskland GmbH & Co. KG	Berlin	80.48	–13,037,859.33	1,716,214.79
Hyresbostäder i Puchheim Gul AB	Stockholm	94.93	9,465,988.79	630,557.41
Hyresbostäder i Norra Tyskland i Gul AB	Stockholm	94.93	11,368,567.54	–243,717.42
Hyresbostäder Norra Tyskland Verwaltung GmbH	Augsburg	94.93	–295,748.31	–23,726.53
Hyresbostäder Norra Tyskland GmbH & Co. KG	Augsburg	94.93	13,984,940.15	1,257,525.48
Hyresbostäder i Tyskland i Gul AB	Stockholm	94.93	27,662,309.01	2,277,986.78
Markarydsbostäder Syd AB	Stockholm	90.09	93,407.14	–65,751.91
Alpina Grundbesitz GmbH Puchheim 1	Berlin	94.66	3,432,063.32	474,427.81
Hyresbostäder i Bad Kissingen Gul AB (dormand)	Stockholm	94.93	10,427.14	–53.01
Sudermann S.à r.l.	Luxembourg	100	7,903,755.73	–108,744.27
Wildrosen S.à r.l.	Luxembourg	100	3,518,928.33	–21,071.67
Dover Street S.à r.l.	Luxembourg	100	–38,688.45	–51,188.45
Trocoll House 1 S.à r.l.	Luxembourg	100	2,001,829.26	49.65
PATRIZIA First Street LP	Swindon	97.83	44,870,940.61	1,997,872.01
PATRIZIA First Street GP Ltd.	Swindon	97.83	140.57	0.00
First Street PropCo. Ltd.	Swindon	97.83	5,305,526.18	–233,294.46
Southside Real Estate Ltd.	Swindon	97.83	–16,216,646.06	17,569,716.81
Southside Regeneration Ltd.	Swindon	97.83	5,836,818.30	10,345,924.28
First Street Management Comp. Ltd.	Swindon	97.83	1.36	0.00

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

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
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	**Karim Bohn**	**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 management report and consolidated management report for the fiscal year from 1 January to 31 December 2015. 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, 7 March 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

Stadter
German Public Auditor