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Management Report

MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

The Group management report was combined into the management report of PATRIZIA Immobilien AG in accordance with Article 315 (3) of the Handelsgesetzbuch (HGB – German Commercial Code) in conjunction with Article 298 (3) of the HGB because the position of PATRIZIA Immobilien AG as a management and financial holding company is largely shaped by the position of the Group. The combined management report contains all presentations of the net asset, financial and earnings situation of the Company and the Group as well as other details that are required according to German commercial law. All monetary amounts are stated in euros.

1 BUSINESS AND STRATEGY

1.1 COMPANY PROFILE

PATRIZIA manages real estate assets of almost EUR 7 billion and ranks among the top five specialist fund suppliers in Germany

PATRIZIA Immobilien AG has been active as an investor and service provider on the real estate market for almost 30 years and has approximately 590 employees in more than ten countries. From the purchase, management and enhancement of residential and commercial properties through their sale, PATRIZIA covers the entire value chain relating to all fields of real estate. PATRIZIA currently manages real estate assets with a value approaching EUR 7 billion, with around 90% managed on behalf of third parties, mainly as property asset holder for insurance companies, pension fund institutions, savings banks and government funds. The company launches special real estate funds in accordance with investment law via its two asset management companies PATRIZIA Gewerbe-Invest KAG and PATRIZIA WohnInvest KAG and is today one of the leading companies in Germany in this segment.

1.2 STRATEGY AND IMPLEMENTATION

PATRIZIA offers private and institutional investors direct as well as indirect real estate investments in Germany and also in Europe. The fact that almost any form of real estate investment can be realized with us as partner positions us as Germany's leading fully integrated real estate investment company. Over the medium term we aim to achieve the same objective in the rest of Europe, too, and are thus continuing to expand our network in all relevant markets: We now have our own branches in Luxembourg, London, Paris, Copenhagen and Stockholm enabling us to strengthen both investment and asset management and also acquisitions at the local level. Currently, around EUR 1.6 billion of the real estate assets we manage are located in other countries.

First-rate acquisition opportunities are available to PATRIZIA in its capacity as co-investor

PATRIZIA can respond very flexibly to the differing requirements of institutional investors: Firstly via its two asset management companies that specialize in residential and commercial real estate and that act as property asset holders. PATRIZIA itself has not invested any of its own capital in these funds. Secondly, we are increasingly offering participating interests in the form of co-investments, which can cover PATRIZIA's entire spectrum of services. This means that with the equity available to us, we can effect a considerably larger volume of investments than was previously possible with proprietary investments and we participate directly in the associated risks and also the corresponding opportunities. We also offer institutional investors individually optimized investment opportunities through companies based in Luxembourg.

Leading – fully integrated – in all asset classes – in Germany and in Europe. That is our vision

Co-investments are not simply helping us to strengthen fund, asset and property management, but also project development with its focus on new residential constructions as well as residential property resale. Through the acquisition of PATRIZIA GewerbeInvest KAG and Tamar Capital Group Ltd (closing in spring 2013), we have expanded our commercial activities, giving them a long-term international direction. Our aim is to continuously increase assets under management by serving new investment markets in Europe, awakening an interest in

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Germany among new international clients, gaining additional German investors for our products and developing new products and services – both in the residential asset class and also in the area of commercial real estate.

PATRIZIA now has the necessary organizational and staff structure in order to be able to take on the management of at least an additional one billion euros worth of real estate assets each year. We aim to have real estate assets under management of at least EUR 10 billion by the end of 2015. And to provide all essential services as a fully integrated real-estate investment company using our own staff, with the depth of added value being determined individually depending on the markets.

By the end of 2015 we aim to manage real estate assets of at least EUR 10 billion

We aim to have sold all of PATRIZIA's own existing real estate portfolio of around 6,000 residential units within the next three to four years. By concentrating on fund and asset management, we can generate increasingly stable, recurrent income that reduces the impact of fluctuations in demand within property trading on the consolidated result. In addition, the equity available to us via co-investments means we can effect a much larger volume of investments than was previously possible with proprietary investments.

PATRIZIA's own real estate portfolio is to be sold by 2015/2016

1.3 CORPORATE MANAGEMENT

The most important control variable within the Group/at the level of the subsidiaries is operating result before taxes, so-called EBT adjusted. EBT adjusted is calculated from pre-tax earnings according to IFRS adjusted for profit/loss arising from the non-cash market valuation of investment properties, interest rate hedges and amortization of intangible assets. The latter relates to fund management contracts transferred on acquisition of PATRIZIA GewerbeInvest KAG. In addition to further, individually agreed targets, EBT adjusted is also the measure for the performance-related compensation paid to members of the Managing Board and to senior managers. The calculation of operating result is explained under item 5.2.

The operating result is adjusted for all non-cash effects

Further information on page 54 ff.

1.4 ORGANIZATIONAL STRUCTURE

Legal Structure of the Group

PATRIZIA Immobilien AG is the PATRIZIA Group's management and financial holding company and performs central management and service functions. The holding company encompasses ten subsidiaries that are active on the German and European real estate market and that are responsible for the operating business. With few exceptions, they are wholly-owned subsidiaries of PATRIZIA Immobilien AG and have profit transfer agreements with it. The real estate portfolios are managed via real estate companies and round off the Group. A detailed list of shareholdings can be found in the Notes to the Consolidated Financial Statements.

Major Locations

The headquarters of PATRIZIA Immobilien AG are located in Augsburg, where central strategic, management and administrative functions are situated to supervise the Group. The operating companies specializing in residential real estate are also located in Augsburg, while the Commercial segment is supported and managed from Hamburg. PATRIZIA Alternative Investments GmbH conducts its business activities from Frankfurt/Main. Branches in the main locations of our portfolio – Berlin, Cologne, Dresden, Frankfurt/Main, Hamburg, Munich and Stuttgart – provide sales and management services for our own properties as well as for third-party real estate. Our regional orientation ensures that we have direct contact to our customers and local market expertise. Following on from Luxembourg and Stockholm, additional foreign locations were opened in Copenhagen, London and Paris in 2012. These locations are primarily tasked with managing our funds' investments.

Branches throughout Germany and offices in other countries in Europe ensure a regional presence and a pan-European network

Segments/Areas of Business

PATRIZIA reports via three operating segments, which are defined according to the type of use of the real estate in terms of residential and/or commercial. The corresponding financial figures for the Residential, Commercial and Special Real Estate Solutions segments are shown under Segment Reporting (No. 7 of the Notes to the Consolidated Financial Statements).

Further information on page 132 ff.

Residential segment

The *Residential segment* bundles all activities relating to own investments, co-investments and funds in the field of residential real estate. Clients include private and institutional investors that invest directly or indirectly in individual residential units or in real estate portfolios. Own investments only include residential real estate that is held exclusively for resale. Here, the investment horizon is generally short to medium-term, usually two to five years. Within this time frame, PATRIZIA increases the property's profitability and initiates its resale. By contrast, funds designed purely for institutional investors are established for an initial holding period of between seven and ten years and fulfill the role of property asset holder. The co-investments' business model is adapted to the investor's respective requirements and can include, for example, portfolio management and property trading, and also project developments.

Commercial segment

The *Commercial segment* combines the same portfolio of services as the Residential segment, but geared to commercial real estate. Proprietary investments are limited to one commercial property in Cologne, while PATRoffice Real Estate GmbH & Co. KG has been in existence since 2007 as a co-investment with two European pension funds. The main focus of this segment is the 13 special funds of PATRIZIA GewerbeInvest KAG, which are invested in German and European commercial real estate.

The Special Real Estate Solutions segment serves both the residential and commercial real estate sectors

Four subsidiaries that serve both the residential and commercial real estate sectors make up the *Special Real Estate Solutions segment.* They primarily provide services, firstly on an intra-Group basis and secondly for our co-investments and funds, and also for other external third parties. PATRIZIA Projektentwicklung and PATRIZIA Sales are responsible for own investments and increasingly for co-investments, while PATRIZIA Alternative Investments only initiates and manages co-investments. PATRIZIA Immobilienmanagement is increasingly taking on mandates for third parties as well as property management for co-investments.

2 ECONOMIC ENVIRONMENT

2.1 MACROECONOMIC DEVELOPMENT

The ECB's current key interest rate fell into its current historic low of 0.75

Against a backdrop of economic imbalances and tensions on the financial markets within the Eurozone in 2012, the German economy managed to record a positive growth, adjusted for price changes, in gross domestic product of 0.7% over the previous year. This meant Germany's economy was the growth engine within the Eurozone, which registered a slight fall of 0.4% in economic performance. Foreign trade and private consumer spending were the key drivers behind Germany's growth. As in 2011, the German labor market proved very robust and continued its favorable development with a 1% growth in employment.

In July 2012, the European Central Bank (ECB) reduced its key interest rate, which influences the refinancing conditions of the banks, by 25 base points to its current historic low of 0.75%. In taking this step the ECB has endeavored to stabilize the banking industry and investment activity within the Eurozone while also increasing the capital markets' trust in the Eurozone. At the same time, it is in particular using unconventional measures such as the announcement of unlimited bond purchases in an attempt to avert a credit crunch within the Eurozone.

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2.2 PERFORMANCE OF THE GERMAN REAL ESTATE MARKET

The German real estate market remains extremely attractive for investors

Following a long period of decline in construction activity on the German housing market, the figures since 2010 have started to show positive values again. The rise in the number of construction permits and also increasingly in completions have helped accommodate the continuing rising demand for housing. However, the supply situation remains tight in many markets, especially in the economically strong conurbations where the effects of the years of decline in construction activity are still being felt. Helped by the sound development in the overall economy, rents and purchase prices revealed a favorable trend across Germany. Germany's housing market thus proved one of the most robust markets within Europe and further increased its attractiveness for private and institutional investors from Germany and other countries.

The transaction volume for residential real estate portfolios rose for the fourth year in succession

This attractiveness is also reflected in transaction volumes: For the fourth time in succession, the transaction volume of real estate portfolios recorded an increase on the previous year. Transaction business was dominated by four major transactions that accounted for almost 100,000 residential units. A detailed breakdown reveals the sale of 21,000 residential units from the portfolio of Landesbank Baden-Württemberg (LBBW), the assumption of 25,000 residential units of DKB Immobilien AG, the sale of the former BauBeCon portfolio with 23,500 residential units and the assumption of Speymill Deutsche Immobilien Company's "Hawk Portfolio" with 22,000 units. These major transactions clearly demonstrate that transaction business is primarily attributable to institutional/structural factors. These include firstly EU rules (as in the case of LBBW and DKB) and also transactions forced by lending banks (as in the case of BauBeCon and Hawk).

As expected due to the general economic climate, take-up of space on the German office markets was unable to match the previous year's record figure. Nevertheless, the office real estate market was largely able to sustain its positive momentum of the previous year. There was a noticeable fall in vacancy rates and top rents recorded a slight rise or remained consistent in almost all markets. Despite the high employment ratio and the sound economic growth, sales in the retail sector only remained largely consistent with the previous year. As in previous years, the lion's share of demand on the German retail market came from international retailers wishing to locate to good and very good sites. As a result, top rents in the large cities continued to rise, or at least remained stable, in 2012.

The German investment market for commercial real estate also revealed a high level of interest on the part of institutional investors: For the 2012 year as a whole, a sound increase in investment volume led to the best result since the two record years of 2006 and 2007. The final quarter saw a veritable year-end rally with major portfolio transactions such as the purchase of Neues Kranzler Eck in Berlin and of Die Welle in Frankfurt/Main, the sale of a Karstadt portfolio and the sale of commercial real estate of the federally owned TLG Immobilien GmbH. These four transactions alone accounted for more than 10% of the total turnover for the year.

2.3 DEVELOPMENT OF MARKETS ABROAD

Owing to the financial crisis, Europe experienced weak economic development in 2012, which was reflected in rising unemployment figures. This led to among other things less new space becoming available in the office sector compared with the previous year, although vacancies did decrease, as well. Premium rents remained mostly stable. Large transactions were seen in the core segment. On the whole it can be said for most European residential property markets that an increasing number of countries reported lower completion figures and only a few showed significantly positive growth in residential completions. The continuing high level of interest of many institutional investors in residential real estate also led to increased cross-border investment activity over the past twelve months. The focus was on Denmark in particular. Looking back, it is clear that residential real estate generally showed a comparatively attractive performance in a difficult economic environment.

3 KEY EVENTS

JANUARY

PATRIZIA acquires 1,000 units for its WohnModul I
The properties were acquired under two transactions and are located in the borough of Bogenhausen in Munich and in Germering. The investment volume is EUR 140 million.

FEBRUARY

PATRIZIA acquires former glassworks site in Gerresheim, Düsseldorf
The development concept for a new urban quarter includes living space and industrial areas. Large parts of the area are to be unsealed and greened and the Düssel is to be renaturated. The total project volume for re-developing the area that extends to approximately 193,000 sqm is EUR 220 million.

PATRIZIA expands fund business with savings banks
PATRIZIA WohnInvest KAG is launching a special real-estate fund with an investment volume of around EUR 200 million for a South-German savings bank. The fund is PATRIZIA's first to invest in both residential and commercial real estate.

PATRIZIA wins the bidding process for LBBW Immobilien GmbH and its 21,000 residential units
The acquisition of LBBW Immobilien GmbH increases PATRIZIA's assets under management to almost EUR 7 billion. The consortium led by PATRIZIA consists of renowned German and international insurance companies, pension funds and professional pension schemes. PATRIZIA is not only service provider but also co-investor and has contributed EUR 15 million of equity to the consortium. The purchase price amounts to EUR 1.435 billion.

PATRIZIA starts on schedule with shell construction for the "F40" development project
Under its F40 development project, PATRIZIA is constructing 118 rental apartments and condominiums as well as an office building in Frankfurt's coveted Westend district. Construction of the apartments, over half of which are already sold, should be fully completed in 2013.

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APRIL

CA Immo and PATRIZIA agree on joint venture for city quarter development in Munich-Baumkirchen.
CA Immo and PATRIZIA will together develop the residential building plots planned for the quarter and also develop land designated for high-end commercial use. In total, the joint venture, which forms part of Wohn-Modul I, covers more than 18,000 sqm with current planned floor space of around 56,000 sqm for apartments and offices. Including this construction project, PATRIZIA Projektentwicklung is now responsible for a project volume approaching EUR 700 million, mainly as co-investor.

MAY

PATRIZIA opens new office in London
PATRIZIA has been represented in the United Kingdom for quite some time via its fund investments. It is now strengthening its involvement there with the establishment of its own office and is intensifying its internationalization.

PATRIZIA invests further in Denmark
PATRIZIA is continuing to expand its foreign operations: Through its subsidiary PATRIZIA WohnInvest KAG it has acquired a residential facility of over 100 apartments in Copenhagen for around EUR 30 million.

JUNE

PATRIZIA Annual General Meeting agrees to the issue of bonus shares
Instead of a dividend payment, new shares will be issued to shareholders in a ratio of 10:1 under a capital increase from company funds. Overall, an amount of EUR 5.2 million from capital reserves will be used to issue new shares, which carry dividend rights from the beginning of the 2012 fiscal year. Share capital will increase to EUR 57,343,000. The retained cash resources will be available for further co-investments.

JULY

Construction starts on PATRIZIA's residential development project "Wohnen im PROVINOPARK"
Under this construction project, PATRIZIA is developing around 210 condominiums in Augsburg's up-and-coming former textiles quarter, the Textilviertel. The first apartments will be ready for occupation by the middle of 2013 and the project as a whole is expected to be fully completed by the end of 2014. Due to the high demand, the second selling phase will be brought forward to October 2012.

AUGUST

PATRIZIA starts on schedule with construction work for "Belsenpark 1" in Düsseldorf
Over half of the 83 exclusive condominiums in the construction project for Düsseldorf's top district of Oberkassel have already been sold. Construction of the apartments, ranging from 65 to 200 sqm in size, should be fully completed by the middle of 2014. The project volume is approx. EUR 60 million.

SEPTEMBER

PATRIZIA invests over EUR 250 million for its funds
The real estate consists of existing apartments, projects under construction and project development sites. The properties are located in Munich, Frankfurt/Main, Düsseldorf, Regensburg, Hamburg and Berlin.

PATRIZIA establishes subsidiary in Copenhagen

After Stockholm, PATRIZIA Nordics A/S in Copenhagen is the second PATRIZIA location in the Nordic countries, which as well as proving attractive for real estate investments are also proving effective in terms of securing new institutional investors: PATRIZIA has attracted equity there that has already been invested in residential and commercial properties in Germany in the order of some EUR 500 million. The Nordic countries' potential lies in their economic power and their stable legal systems.

PATRIZIA develops former hospital site in Hamburg-Langenhorn

Around 450 apartments are to be developed on the site of almost 110,000 sqm by 2015. As well as converting the listed hospital buildings into modern living space, the planned project development "Unter den Linden – Hamburg" also includes the construction of new apartments. The investment volume is around EUR 125 million.

Award for PATRIZIA Immobilienmanagement

PATRIZIA Immobilienmanagement GmbH took third place in the "Residential" asset class of Property Manager Germany in Bell Management Consulting's Property Management Report 2012. Around 100 asset managers evaluated a data set of some 40 different German property managers.

OCTOBER

PATRIZIA new construction projects in Düsseldorf and Augsburg certified according to the DGNB standard

The projects "Belsenpark 1" and "Wohnen im PROVINOPARK" have been awarded a silver certificate in the "New Residential Buildings" category of the German Sustainable Buildings Council (DGNB). This pre-certification is only given to buildings that have been planned to be particularly sustainable. The criteria that are examined include ecology, economy, socio-cultural, functional and technical quality, and also process and location quality.

PATRIZIA acquires development plot in Obersendling, Munich

The area of approximately 64,000 sqm was formerly used for predominantly commercial purposes and is now to be rededicated to housing use. The investment volume amounts to approximately EUR 290 million. Within just a few months, the development volume of PATRIZIA Projektentwicklung has reached around 100,000 sqm in the Bavarian state capital alone, while its project volume for Germany as a whole is around EUR 1 billion.

NOVEMBER

Further investments in Scandinavia

For the first time ever, commercial properties in Denmark and Norway are being acquired for a fund of PATRIZIA GewerbeInvest. The investment volume amounts to around EUR 60 million. Until now, only PATRIZIA WohnInvest has invested in Danish residential real estate.

DECEMBER

PATRIZIA Immobilien AG acquires the British company Tamar Capital Group Ltd

With its signature of the agreement to acquire the London-based real estate investment and asset management company, PATRIZIA is continuing its path of systematic European expansion. The Tamar Capital Group strengthens PATRIZIA's European presence and will extend access to new asset classes and opportunistic investors. Overall, the company has assets under management amounting to the equivalent of approximately EUR 700 million. The transaction is expected to be completed in the first quarter of 2013.

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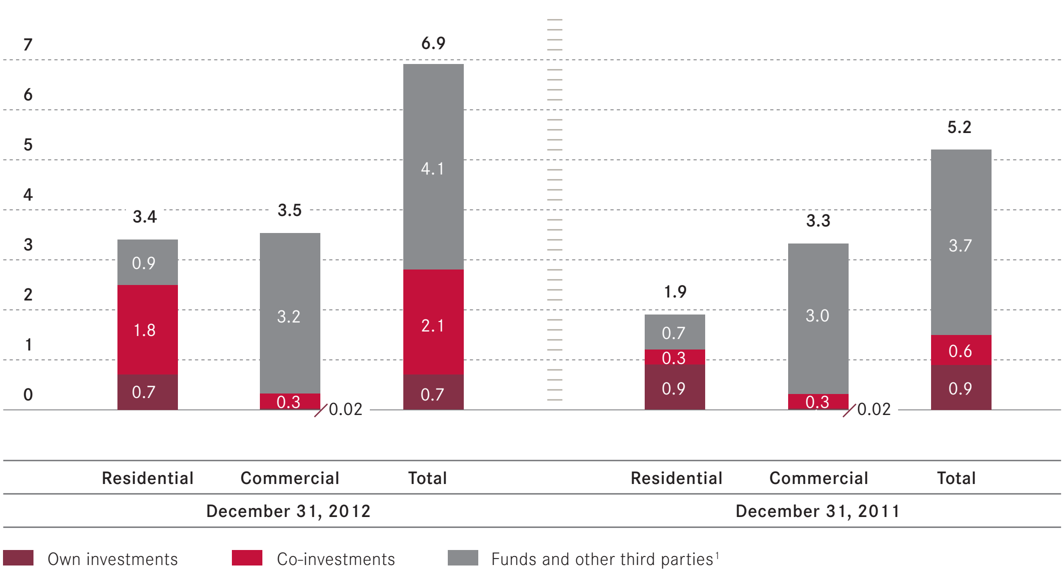
4 BUSINESS DEVELOPMENT

Assets under management grow steadily

At the end of 2012 PATRIZIA was managing real estate assets of approx EUR 7 billion. During the course of the year, assets under management increased by EUR 1.7 billion or 33% (December 31, 2011: EUR 5.2 billion). EUR 1.4 billion alone is attributable to the purchase of Süddeutsche Wohnen GmbH. The two asset management companies invested in residential and commercial real estate with a market value of over EUR 960 million, while real estate and project developments amounting to EUR 173 million were acquired for co-investments. In those cases where economic transfer had not yet taken place, the purchases are not yet reflected in the assets under management. From 2013 on, the acquisition of Tamar Capital Group Ltd will add further commercial real estate totaling EUR 700 million. The majority of assets under management, i.e. 90%, are not attributable to PATRIZIA's own portfolio but are instead managed as a service for external third parties.

ASSETS UNDER MANAGEMENT (IN EURO BILLION)



[1] Since 2013 incl. Tamar Capital Group with assets under management in the amount of EUR 700 million

The policy of structuring based on own investments, co-investments and funds/other services has proven feasible in practice across all segments. Irrespective of whether the underlying real estate is used for residential or commercial purposes, this will allow us to take account of PATRIZIA's level of participation in the financial valuation of investments. The following overview is therefore based on the relevant equity stake and not on individual companies/segments.

Including the sales effected as services, 2,696 units were traded compared with 2,351 units in the previous year; this represents a 14.7% increase

OVERVIEW OF SALES COMPLETED, PRICES ATTAINED AND RENTS IN 2012

	1st quarter	2nd quarter	3rd quarter	4th quarter	2012	2011	Change in %
Own stock[1]	**260**	**168**	**551**	**730**	**1,709**	**1,842**	**–7.2**
Privatized units	228	168	219	309	924	745	24.0
Average sales price	EUR 2,287 per sqm	EUR 2,363 per sqm	EUR 2,466 per sqm	EUR 2,788 per sqm	EUR 2,513 per sqm	EUR 2,360 per sqm	6.5
Block sales	32	0	332	421	785	1,097	–28.4
Average sales price	EUR 1,869 per sqm	–	EUR 1,711 per sqm	EUR 1,616 per sqm	EUR 1,667 per sqm	EUR 1,679 per sqm	–0.7
Average rental income	EUR 7.60 per sqm	EUR 7.58 per sqm	EUR 7.55 per sqm	EUR 7.67 per sqm	EUR 7.60 per sqm	EUR 7.87 per sqm	–3.4
Co-investments[2]	**86**	**67**	**165**	**241**	**559**	**61**	**> 100**
Privatized units[3]	77	67	148	190	482	41	> 100
Block sales	9	0	17	51	77	20	> 100
Services[2]	**51**	**6**	**35**	**336**	**428**	**448**	**–4.5**
Privatized units	4	6	3	7	20	42	–52.4
Block sales	47	0	32	329	408	406	0.5
TOTAL	**397**	**241**	**751**	**1,307**	**2,696**	**2,351**	**14.7**

[1] Transfer of ownership, usage and encumbrances (purchase price payments become due at the time of the commercial changeover and are thus recognized in profit or loss)
[2] Notarial deeds (sales commission becomes payable at the time of the notarial deed and is therefore recognized in profit or loss)
[3] Including new-build sales from project developments (Q1: 33 apartments, Q2: 35 apartments, Q3: 44 apartments, Q4: 28 apartments)

4.1 OWN INVESTMENTS

No new own investments were effected in 2012 because PATRIZIA is increasingly focusing on establishing new co-investments and special real estate funds.

4.1.1 RESIDENTIAL PROPERTY RESALE

72% of all apartments sold individually in the 2012 fiscal year were purchased by private investors

The sale of individual apartments to tenants, owner-occupiers and private investors rose significantly in 2012: The backlog of notarial deeds at the end of 2011 resulted in a strong first quarter of 2012; overall, 924 apartments were sold during the year under review representing a rise of 24.0% (previous year: 745 apartments). With a share of 72%, private investors were again by far the most predominant category of purchasers (previous year: 61%). 17% bought apartments for their own use (previous year: 25%), while a further 11% were purchased by tenants (previous year: 14%). 2012 saw the sale of the last apartments in Friedrichshafen and Regensburg and the resulting closure of these locations.

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In 2012, the regional breakdown for residential property resales from PATRIZIA's own stock was as follows:

RESIDENTIAL PROPERTY RESALE IN 2012

Region/city	Number of privatized units	Share of sales in %	Area sold in sqm	Average size per unit in sqm
Munich	695	75.2	52,367	75
Cologne/Düsseldorf	88	9.5	6,745	77
Berlin	85	9.2	6,226	73
Hamburg	32	3.5	2,379	74
Friedrichshafen	11	1.2	649	59
Hanover	6	0.7	395	66
Frankfurt/Main	5	0.5	410	82
Regensburg	2	0.2	182	91
TOTAL	**924**[1]	**100**	**69,354**	**75**

[1] thereof 437 units accounted for as investment property

4.1.2 BLOCK SALES

In 2012 we were unable to match the previous year's good sales figures for block sales. Although the number of transactions was no fewer, the individual volumes were smaller: Most involved 10 to 60 units per sale, with two larger sales of 150/250 units representing the exception. Overall, 785 apartments were sold in 15 transactions, around 28% fewer than in the previous year when 1,097 units were sold under block sales. The last 65 apartments at the Regensburg site were sold in the fourth quarter of 2012.

In 2012, block sales from PATRIZIA's own stock were effected at the following locations:

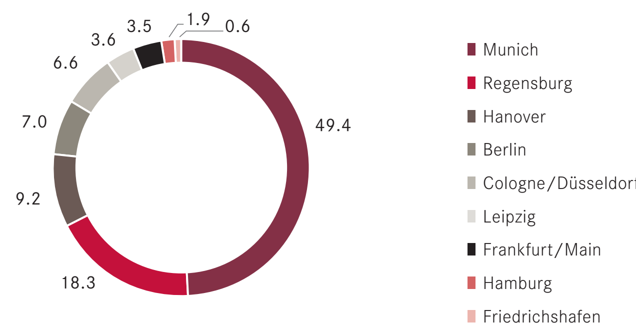
BLOCK SALES IN 2012

Region/city	Number of units sold in blocks	Share of sales in %	Area sold in sqm	Average size per unit in sqm
Regensburg	310	39.5	21,708	70
Hanover	151	19.2	10,832	72
Munich	150	19.1	9,013	60
Leipzig	61	7.8	4,835	79
Frankfurt/Main	55	7.0	3,686	67
Berlin	34	4.3	3,779	111
Cologne/Düsseldorf	24	3.1	1,430	60
TOTAL	**785**[1]	**100**	**55,283**	**70**

[1] thereof 658 units accounted for as investment property

In fiscal year 2012, a total of 1,709 units were placed via residential property resale and block sales (2011: 1,842). This corresponds to 22.6% of our entire real estate portfolio as of January 1, 2012 (2011: 19.8%).

INDIVIDUAL AND BLOCK SALES IN 2012 FROM PATRIZIA'S OWN STOCK, BY REGION[1] IN %



[1] n = 1.709 units. The regional breakdown within the sales channels of residential property resale and block sales can be seen in the above tables.

Taking into account the sales concluded in 2012 and subsequent redensification measures, our portfolio at the year-end comprised 5,982 units with a total area of 425,700 sqm (December 31, 2011: 7,548 units, 539,000 sqm). We anticipate that around 30% of the units will be realized through residential property resale and the remaining 70% through block sales.

75% of PATRIZIA's total of around 6,000 own apartments are located in the top five locations in Germany

THE PATRIZIA PORTFOLIO – BREAKDOWN BY REGION AS OF DECEMBER 31, 2012

Region/city	Number of units				Area in sqm			
	Residential property resale	Asset re-positioning	Total	Share in %	Residential property resale	Asset re-positioning	Total	Share in %
Munich	1,041	289	1,330	22.2	83,026	22,096	105,122	24.7
Cologne/Düsseldorf	510	739	1,249	20.9	43,410	67,978	111,388	26.2
Leipzig	0	942	942	15.7	0	54,453	54,453	12.8
Frankfurt/Main	5	721	726	12.1	303	45,664	45,967	10.8
Hamburg	69	562	631	10.5	5,362	35,661	41,023	9.6
Berlin	101	465	566	9.5	8,015	22,394	30,409	7.1
Hanover	0	386	386	6.5	0	27,047	27,047	6.4
Dresden	0	152	152	2.5	0	10,284	10,284	2.4
TOTAL	1,726	4,256	5,982	100	140,117	285,577	425,694	100

4.1.3 PROJECT DEVELOPMENT

Completion of the 118 rental apartments and condominiums in Frankfurt is on schedule

PATRIZIA Projektentwicklung is concentrating on premium new residential construction
The largest new construction project implemented as a PATRIZIA own investment is located in the Westend district of Frankfurt. Structural work for six exclusive city villas with 54 apartments (marketed under the VERO product name, completion end of 2013) and an apartment block with 64 apartments (marketed under the F40 product name, completion 2014) is on schedule. The German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e. V., DGNB) has awarded both residential new-build projects the pre-certificate in gold (its highest distinction). The F40 apartment block was sold to an institutional investor in February 2012. The transaction will be recorded in profit/loss once the transfer of ownership, usage and encumbrances has been completed.

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In 2012 an area of around 980 sqm that was originally intended for the construction of a new office complex on the same land was sold to a co-investment, affecting profit/loss, with PATRIZIA retaining a 30% share. The co-investor will assume responsibility for the commercial and marketing aspects of the project, while PATRIZIA Projektentwicklung will be responsible for structural engineering. This part of the plot was sold for strategic reasons since PATRIZIA Projektentwicklung is currently focusing on residential construction.

With its Friedrich-Karl-Terrassen project, PATRIZIA is implementing a new-build project in Cologne's Niehl district on a plot that has been owned since 2007; the site is in the direct vicinity of one of our property resale projects. 84 high-class condominiums are being constructed with sizes of between 36 and 135 sqm.

PATRIZIA'S OWN PROJECT DEVELOPMENTS

City, project	Intended sales price	Marketable residential space	Size of site	Planned completion
Frankfurt/Main, Feuerbachstrasse (VERO, F40)	EUR 110.4 million	16,880 sqm	7,110 sqm	Q4 2013/ Q2 2014
Hamburg, IBA Soft House[1]	EUR 2.6 million	660 sqm	800 sqm	Q1 2013
Cologne, Friedrich-Karl-Terrassen[2]	EUR 22.2 million	7,480 sqm	8,720 sqm	Q2 2014
TOTAL	**EUR 135.2 million**	**25,020 sqm**	**16,630 sqm**	–

[1] PATRIZIA contribution to the International Building Exhibition 2013 in Hamburg. For further information on the project, see item 6.1 of this Management Report
[2] Redensification, awarded the DGNB pre-certificate in silver for new housing

4.2 CO-INVESTMENTS

PATRIZIA will primarily undertake future acquisitions in the form of co-investments. There will therefore be no conflict of interests with its own investments, all of which are to be sold.

INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2012

	Number of units			Area in sqm		
	Residential property resale	Asset repositioning/ stock	Total	Residential property resale	Asset repositioning/ stock	Total
Residential segment						
Süddeutsche Wohnen	0	20,522	20,522	0	1,357,972	1,357,972
WohnModul I[1]	1,247[2]	212	1,459	91,097	13,517	104,614
Others	0	679	679	0	30,539	30,539
Commercial segment						
PATRoffice	0	1,493	1,493	0	193,972	193,972
TOTAL	**1,247**	**22,906**	**24,153**	**91,097**	**1,596,000**	**1,687,097**

[1] Excludes project developments; for these, see next table under "WohnModul I"
[2] At the sites in Munich and Germering (1,009), Hamburg (140) and Berlin (98)

4.2.1 SÜDDEUTSCHE WOHNEN GMBH ("SÜDEWO")

In February 2012, an investment consortium led by PATRIZIA Immobilien AG won the bidding process to acquire LBBW Immobilien GmbH and its stock of around 21,000 apartments. Following successful closing of the deal on March 28, 2012, the company was re-named and has since been known as Süddeutsche Wohnen GmbH.

With the acquisition of LBBW Immobilien GmbH, PATRIZIA has succeeded in landing the largest real estate deal in Germany in years

The purchase price was EUR 1.435 billion, with 40% financed through equity. The consortium led by PATRIZIA comprises five German insurance companies, who are responsible for approximately 40% of the equity, two foreign pension funds with a stake of approximately 30%, three German provident pension and retirement funds (approx. 25%), a savings bank from Baden-Württemberg (approx. 3%) and PATRIZIA Immobilien AG itself (2.5% or EUR 15 million). PATRIZIA acts as investment and asset manager.

PATRIZIA received a one-time purchasing fee customary for transactions of this size and complexity. EUR 7.2 million will be generated by asset management each year. Besides returns on its own invested capital, PATRIZIA will receive an additional bonus if specified performance targets are exceeded.

SÜDEWO's residential property assets represent one of the best portfolios in the south of Germany

At the time of its acquisition, SÜDEWO had over 21,000 apartments, with a further 17,200 apartments managed on behalf of their owners. The central business activity consists in long-term and value-enhancing management of the stock property, individual sales and property trading. The positive trend on real estate markets in the south of Germany continued in 2012. Operational implementation of the business plan is on schedule. In addition, all restructuring measures planned for 2012 including the refinancing process were completed on time. As at December 31, 2012, the company employed 302 people, having employed 297 at the time of the takeover (full-time equivalents).

4.2.2 WOHNMODUL I

PATRIZIA WohnModul I is our first co-investment in the Residential segment

With PATRIZIA WohnModul I SICAV-FIS we have extended the investment horizon for institutional investors in two ways: Firstly, it enables us to also purchase project developments and asset repositioning properties, while secondly allowing apartments to be sold even during the investment phase, either under a block sale or as an individual sale. Our partner in this co-investment is a renowned German pension fund that has agreed to invest a total of EUR 300 million of its own capital in several tranches. PATRIZIA itself has a stake of around 9% in WohnModul I; this will equate to a total of EUR 30 million. Total investment costs amount to almost EUR 1 billion, thereof approx. 75% for new construction project developments.

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CURRENT STATUS OF THE PROJECT DEVELOPMENTS FOR WOHNMODUL I AS AT DECEMBER 31, 2012

City, project	Intended sales price in EUR million	Marketable residential space in sqm	Property area in sqm	Completion in	PATRIZIA share in %
Augsburg, Provinopark	63	17,200	28,100	Q2 2013 to Q4 2014, 3 CP[1]	13.726
Düsseldorf, Belsenpark	58	11,300	6,800	Q2 2014, 2 CP[1]	13.726
Düsseldorf, Gerresheim	41	– [2]	192,900	Q4 2015	13.726
Munich, Baumkirchen	240	55,600	18,200	Q4 2015	4.545
Munich, Hofmannstrasse	284	73,500	63,500	Q4 2019	9.090
Hamburg, Unter den Linden	125	37,000	106,100	Q2 2015	9.090
TOTAL	**811**	**194,600**	**415,600**	–	–

[1] CP = Construction phases
[2] The first phase involves development of the land; the subsequent construction project is still at the planning stage

PATRIZIA Projektentwicklung's new construction project volume has increased manifold as a result of co-investments

4.2.3 PATROFFICE REAL ESTATE GMBH & CO. KG

PATRoffice Real Estate GmbH & Co. KG is our actively managed co-investment with two pension funds, namely APG from the Netherlands and ATP Real Estate from Denmark. PATRIZIA Immobilien AG owns 6.25% (EUR 3 million) of PATRoffice's equity. The investment volume (which currently stands at EUR 334 million) is constantly decreasing due to sales; for example, real estate with a value of EUR 24 million was sold in 2012.

4.3 FUNDS

The individual PATRIZIA Group companies act as service providers for the asset management companies' special funds, thereby generating fees. Conflicts of interest between the funds are prevented through different purchase criteria for the real estate and through different purchase teams. The funds are established for an initial holding period of between seven and ten years and fulfill the role of property asset holders. Conflicts of interest with co-investments are avoided through different approaches to utilization and different exit strategies for the properties.

4.3.1 PATRIZIA WOHNINVEST KAPITALANLAGEGESELLSCHAFT MBH

PATRIZIA WohnInvest KAG acquires properties totaling more than EUR 290 million

PATRIZIA WohnInvest KAG, established in 2007, invests in residential real estate in Germany and Europe. At the end of 2012 it was managing seven special funds with a target volume of around EUR 2 billion, of which EUR 805 million has already been invested. During the year under review real estate with a volume of EUR 290 million was purchased (notarized), including first properties for the newly created PATRIZIA German Residential Fund II. As a result of targeting the Nordic countries' stable residential real estate markets for Euro City Residential Fund I, our market position enabled us to acquire two new apartment buildings with a total volume of EUR 42 million in Greater Copenhagen. A fund was created for a South-German savings bank and is our first to invest in both residential and commercial real estate.

4.3.2 PATRIZIA GEWERBEINVEST KAPITALANLAGEGESELLSCHAFT MBH

At the end of 2012 the special fund provider managed 13 funds with real estate assets of EUR 3.1 billion. Overall, PATRIZIA GewerbeInvest KAG acquired commercial real estate with a value of EUR 670 million (notarial deeds), for the managed funds including properties in Oslo and Copenhagen. Properties totaling around EUR 100 million were re-sold. Cooperation with the savings banks was intensified. When PATRIZIA GewerbeInvest KAG was purchased, 32 savings banks held investments in the modular funds, but this figure has now increased to 42 over a period of 2 years.

PATRIZIA FUNDS AS AT DECEMBER 31, 2012

in EUR million	Planned target volume	Committed equity	Assets under management[1]	Number of funds
PATRIZIA WohnInvest KAG mbH	**2,034**	**964**	**805[1]**	**7**
Individual funds	2,034	964	805	7
PATRIZIA GewerbeInvest KAG mbH	**5,692**	**2,427**	**3,065**	**13**
Modular funds	3,000	1,029	1,363	7
Individual funds	892	577	413	4
Label funds	1,800	821	1,290	2
TOTAL PATRIZIA	**7,726**	**3,391**	**3,870**	**20**

[1] excludes project developments secured under purchase contracts

4.4 ASSET MANAGEMENT

4.4.1 PURCHASE OF TAMAR CAPITAL GROUP LTD

The signature under the agreement to acquire Tamar Capital Group Ltd ("Tamar") in December 2012 ties in with PATRIZIA's strategy of establishing itself as the leading Europe-wide full-service provider for real estate investments and as a co-investor. Tamar is an owner-managed real estate investment and asset management company headquartered in London and after the closing of the transaction which is expected to occur in the first quarter of 2013 will be fully consolidated as a wholly-owned subsidiary within the PATRIZIA Group. The branches located in various core European markets and their staff comprising a total of 21 employees will be taken over; the company name will be discontinued.

Expanding our services portfolio and our European presence through the acquisition of a British asset management company

When the agreement was signed, Tamar managed real estate assets – including all investments of a fund listed on the London Stock Exchange – amounting to the equivalent of around EUR 700 million. As well as the British market, Tamar is also active on the German, French, Irish, Scandinavian and Belgian markets and focuses exclusively on the commercial real estate segment with a special emphasis on light industrial, retail and office properties. PATRIZIA will in particular strengthen its presence in the United Kingdom and France, where it is already represented by its own offices.

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5 NET ASSET, FINANCIAL AND EARNINGS SITUATION

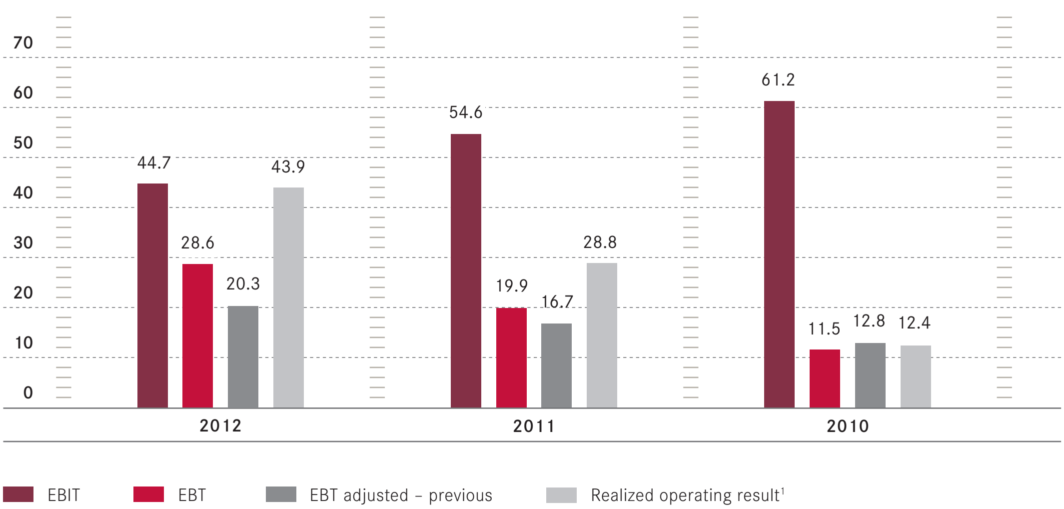
5.1 GENERAL STATEMENT BY THE MANAGING BOARD

The 2012 fiscal year was characterized by expansion. Our assets under management grew by EUR 1.7 billion, not least through the acquisition of LBBW Immobilien GmbH by a consortium led by us. At EUR 43.9 million, the realized operating result increased by more than 50%. Liquidity totaling EUR 38.1 million has placed us in a comfortable position where we can engage in further selected co-investments. As we continued to sell off our real estate portfolio and as a consequence repaid bank loans, total assets decreased in line with expectations. Overall, our net asset, financial and earnings situation continued to enjoy a significantly positive development.

Our net asset, financial and earnings situation continued to enjoy a significantly positive development

5.2 EARNINGS SITUATION OF THE GROUP

DEVELOPMENT OF KEY EARNINGS INDICATORS (IN EUR MILLION)



[1] EBT adjusted including realized changes in the value of investment property

Decreased revenues despite higher sales volumes and growth in fund transactions

Revenue volume continues to lose significance as an indicator of business success

In 2012, consolidated revenues fell by 14.8% to EUR 229.2 million (2011: EUR 269.0 million). This was mainly due to the fact that 64.1% of the units sold came from non-current assets and that the selling prices totaling EUR 178.3 million are in accordance with IFRS not reported in revenues (2011: EUR 90.1 million). Furthermore, the services business, where sales are inherently lower but margins higher, is increasingly determining our commercial success. Revenue volume, therefore, does not allow fiscal years to be compared in a meaningful way.

Inventories thus accounted for only 35.9% of the transaction volume (in terms of units sold). Revenues generated by residential property resales from inventory decreased from EUR 95.9 million to EUR 83.8 million (-12.6%) and revenues from block sales fell from EUR 63.0 million to EUR 22.5 million. The sale of around 23% of our real estate holding (approx. 125,000 sqm) resulted in a significant planned reduction in associated rental income of 22.7% to EUR 42.7 million. The average monthly rent per square meter across the entire portfolio remained stable at EUR 7.67 (December 31, 2011: EUR 7.69 / sqm), although PATRIZIA's housing stock decreasing in the higher-priced Munich region from 29% to 22%. At EUR 30.4 million, revenues from the two asset management companies approximately match those from co-investments. Services now account for 29.4% of consolidated sales after only 13.6% in the previous year.

A breakdown of consolidated sales revenues is shown below:

CONSOLIDATED REVENUES

	2012 EUR '000	Percentage of Group revenues 2012 in %	2011 EUR '000	Change in %
Purchase price revenues from residential property resales	83,772	36.5	95,895	–12.6
Purchase price revenues from asset repositioning[1]	22,462	9.8	63,033	–64.4
Rental revenues	42,744	18.7	55,323	–22.7
Revenues from fund business	30,425	13.3	26,144	16.4
Revenues from co-investments	28,871	12.6	6,689	> 100
Revenues from other services	8,031	3.5	3,796	> 100
Others[2]	12,933	5.6	18,127	–28.7
TOTAL	**229,238**	**100**	**269,007**	**–14.8**

[1] Purchase price receipts from investment property are not included in revenues.
[2] The Others item primarily includes rental ancillary costs.

However, as already indicated, sales revenues have only limited significance for PATRIZIA since the selling prices of properties reported in non-current assets are not reflected in sales revenues. Profits from sales are reported under item "Loss from / gain on the disposal of investment property". In the fiscal year, purchase price receipts of EUR 178.3 million resulted in a profit of EUR 16.9 million after a deduction of a carrying amount of EUR 161.4 million (gross margin: 9.5%). Investment property accounted for positive pro rata value adjustments in 2007 and 2010 through 2012 that were only realized at sale and reported accordingly in the new presentation of the realized operating result and in the consolidated cash flow statement.

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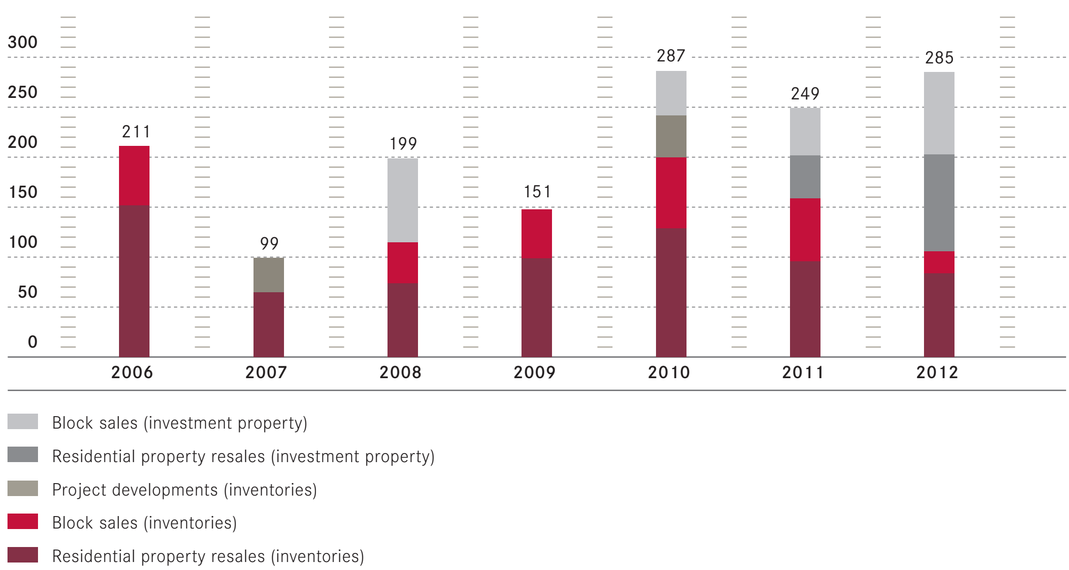
PURCHASE PRICE REVENUES

	2012 EUR ’000	2011 EUR ’000	Change in %
Sales revenues from inventories	**106,234**	**158,928**	**–33.2**
Residential property resales	83,772	95,895	–12.6
Block sales	22,462	63,033	–64.4
Sales revenues from investment property[1]	**178,325**	**90,068**	**98.0**
Residential property resales	96,525	42,913	>100
Block sales	81,800	47,155	73.5
TOTAL	**284,559**	**248,996**	**14.3**

[1] Purchase price receipts from investment property are not included in revenues. Instead, the income statement reports the gross profit.

SALES VOLUMES 2006 – 2012 (IN EUR MILLION)



Changes in inventories in the year under review were EUR -61.6 million, falling significantly as a result of the decrease in sales from inventories (2011: EUR -102.9 million). Purchase price receipts of EUR 106.2 million (2011: EUR 158.9 million) contrast with decreases in the carrying value of EUR –85.2 million (2011: EUR –120.9 million) resulting in a gross margin of 19.8%. Inventories increased as a result of capitalization totaling EUR 23.6 million (2011: EUR 18.0 million). There was no increase to inventory through purchases.

Investments in project developments and in our portfolio

Higher building costs in project development (EUR 17.8 million) were the main cause for the rise in the cost of materials by 18.1% to EUR 54.1 million compared with the previous year (2011: EUR 45.7 million). The costs of renovation were on the same level as the previous year. EUR 15.0 million was invested for renovation and reconstruction activities (2011: EUR 15.1 million), of which EUR 8.4 million (2011: EUR 11.5 million) was capitalized. Renovation expenses for real estate reported under inventories can generally be capitalized on the balance sheet. Total current maintenance costs (which generally cannot be capitalized) were lower as a result of the reduction in the size of the portfolio (2012: EUR 2.8 million; 2011: EUR 3.6 million). Assuming an average portfolio size of 477,700 sqm for 2012, annual costs for renovation and reconstruction amounted to EUR 31.38 / sqm (2011: EUR 23.99 / sqm) and EUR 5.81 / sqm for current maintenance (2011: EUR 5.66 / sqm). Cost of materials also includes operating costs.

Number of staff in the Group climbs by 16%

Average headcount over the year rose from 455 to 529 employees. The newly created posts were reflected in higher staff costs. Staff costs of EUR 47.6 million (+33.3%) also include commission payments to our sales staff due on notarizations. The total provision to cover the variable salary entitlements for the Managing Board and senior management at the effective date was higher than in the previous year – not least owing to the increase in the share price. Please refer to the Compensation Report under item 7.2 of this Management Report and to item 9.4 of the Notes to the Consolidated Financial Statements for more information concerning the compensation of the Managing Board.

Further information on page 69 ff. and page 141

Other operating expenses amounted to EUR 45.3 million. Costs were incurred in particular by increased operating and administrative expenses. These included, for example, higher rental expenses resulting from the growth of the organization with new branch offices and costs for due diligence.

OTHER OPERATING EXPENSES

	2012 EUR '000	2011 EUR '000	Change in %
Operating expenses	9,031	6,536	38.2
Administrative expenses	12,660	10,506	20.5
Selling expenses	17,456	14,926	17.0
Other expenses	6,121	9,022	–32.2
TOTAL	**45,268**	**40,990**	**10.4**

EBIT decreases by 18%

Consolidated earnings before interest and tax in the reporting year fell by 18.1% to EUR 44.7 million (2011: EUR 54.6 million). Increased staff and material costs resulted in subdued earnings growth. EBIT adjusted is determined by adjusting the non-cash effect from amortization on other non-tangible assets such as fund management contracts that were transferred in the course of the acquisition of PATRIZIA GewerbeInvest KAG mbH and which must be amortized over the next 20 years. The annual amortization amount totals approx. EUR 2 million, or EUR 492,000 each quarter. Changes in the value of investment property are not included in EBIT adjusted, either, owing to their non-cash character. Changes in value amounted to EUR 18 thousands in the reporting year. EBIT adjusted decreased from EUR 56.6 million to EUR 46.7 million.

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Financial expenses fall by one fifth

In accordance with IFRS, changes in market value arising from interest hedging transactions are recognized in the income statement when the underlying interest rate hedging transactions have a longer term than the loan agreements they are used to hedge or when the hedged volume is larger than the underlying loan. Depending on the level of interest, the valuation is reported as income or expense in the financial result. It has no influence on the liquidity position of PATRIZIA but can on occasions lead to significant fluctuations in the result. Most of these interest hedging transactions, which guarantee us a fixed average interest rate of 4.00% p.a., were concluded at the end of 2006/beginning of 2007 in connection with the financing of major real estate portfolios (investment property); the majority of them will expire by January 31, 2014, or by June 30, 2014, at the latest. Financing costs (interest rate plus margin) in 2012 amounted to 5.29% of the average bank loans over the year (2011: 4.92%). The cash-related financial result (cash-related interest expenses for bank loans plus expenses for interest rate hedging) improved from EUR –39.9 million to –33.4 million (-16.3%).

MARKET VALUATION OF INTEREST RATE HEDGES 2012

	1st quarter EUR '000	2nd quarter EUR '000	3rd quarter EUR '000	4th quarter EUR '000	2012 EUR '000	2011 EUR '000	Change in %
Change in the value of derivatives	735	2,122	2,017	6,154	11,028	5,138	> 100

Investment result influenced by LBBW transaction

PATRIZIA generated income from participations of EUR 6.6 million from its two co-investments SÜDEWO and PATRoffice (2011: EUR 0). The co-investment WohnModul I provided income of EUR 0.5 million. It should be noted here that many new construction projects have been undertaken that are still in the development phase. The results from all participations (EUR 7.0 million) and the improved financial result mean that earnings before tax rose by 43.8%.

Investment results show the success of our co-investments

The pre-tax realized operating result reflects the earning power of PATRIZIA

After deduction of the financial result, earnings before tax (EBT) according to IFRS are EUR 28.6 million, following EUR 19.9 million in the previous year. The reconciliation of EBT in accordance with IFRS to EBT adjusted was previously effected exclusively via an adjustment to non-cash-related components of the results. First, only cash-related financial income and expenses are included in the financial result, i.e. the changes in the market values of interest rate hedges are ignored in the same way as the change in value of the fund shares (applies to 2011 only). Second – as already explained in the context of EBIT adjusted – amortization on fund management contracts and unrealized changes in the value of investment property are eliminated. This process results in EBT adjusted of EUR 20.3 million (2011: EUR 16.7 million).

Beginning with the consolidated financial statements for 2012, we have started to include the fair value – and therefore cash-related – changes in investment property that are realized through sales in EBT adjusted. Explanation:

Approximately half of the real estate portfolios purchased in the first quarter of 2007 was classified as investment property in accordance with IFRS and as such reported at fair value in accordance with external valuation. The revaluations totaling EUR 69.5 million performed in the first and third quarters of 2007 were eliminated from the presentation of EBT adjusted for 2007, which at the time contributed to a negative EBT adjusted value of EUR -12.4 million.

After necessary asset repositioning measures were carried out in the past few years, we have achieved appreciable sales revenues from the investment property, too. Since these sales revenues in 2012 exceed sales from current assets, we feel the time has come to report the fair value changes that now result from this in the pre-tax operating result. This resulted in a considerable jump in profits to EUR 43.9 million for the past fiscal year (comparative value for 2011: EUR 28.8 million). The forecast of a 20% increase that we issued in March 2012 and confirmed in the course of the year related to the previously valid “EBT adjusted”, which we exceeded with a plus of 21.6%. With reference to the new indicator of realized operating result, we actually achieved an increase of 52.6%.

Sevices account for 51% of the realized operating result.

When looking at the sources, 51% of earnings across all segments in 2012 came from services (2011: 34%). Our aim was a share attributable to our service business of around 50%, which we therefore achieved.

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CALCULATION OF THE ADJUSTED FIGURES 2012

	1st quarter EUR '000	2nd quarter EUR '000	3rd quarter EUR '000	4th quarter EUR '000	2012 EUR '000
EBIT	**12,778**	**5,379**	**13,083**	**13,499**	**44,739**
Amortization of intangible assets that resulted from the acquisition of PATRIZIA GewerbeInvest KAG	492	492	492	492	1,968
Unrealized change in the value of investment property	0	0	0	–18	–18
EBIT adjusted[1,3]	**13,270**	**5,871**	**13,575**	**13,973**	**46,689**
Income from participations	0	5,438	0	1,119	6,557
Income from participations valued at equity	0	0	14	441	455
Financial result	–8,431	–6,137	–5,810	–2,752	–23,130
Change in the value of derivatives	–735	–2,122	–2,017	–6,154	–11,028
Release of other result from cash flow hedging	0	0	0	781	781
EBT adjusted – previously[1,2]	**4,104**	**3,050**	**5,762**	**7,408**	**20,324**
Realized change in the value of investment property[3]	3,633	2,733	6,775	10,427	23,568
REALIZED OPERATING RESULT	**7,737**	**5,783**	**12,537**	**17,835**	**43,892**

[1] Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property
[2] Additionally adjusted for non-cash-related results from interest hedging transactions. Changes in the value of fund shares did not occur in 2012
[3] Including realized changes in the value of investment property, this would result in the following values for realized EBIT (in EUR million): Q1: 16.9, Q2: 8.6, Q3: 20.4, Q4: 24.4, 2012: 70.3

The most important control variable within the Group, EBT adjusted, has been extended by the realized change in value of investment property

CALCULATION OF THE ADJUSTED FIGURES 2011

	1st quarter EUR '000	2nd quarter EUR '000	3rd quarter EUR '000	4th quarter EUR '000	2011 EUR '000
EBIT	**11,722**	**10,037**	**14,138**	**18,734**	**54,631**
Amortization of intangible assets that resulted from the acquisition of PATRIZIA GewerbeInvest KAG	492	492	492	492	1,968
Unrealized change in the value of investment property	0	0	0	–3	–3
EBIT adjusted[1,3]	**12,214**	**10,530**	**14,630**	**19,222**	**56,596**
Financial result	428	–11,497	–17,768	–5,888	–34,725
Change in the value of derivatives	–12,052	1,430	7,598	–2,114	–5,138
Change in the value of fund shares	0	0	0	–21	–21
EBT adjusted – previously[1,2]	**590**	**463**	**4,459**	**11,200**	**16,712**
Realized change in the value of investment property[3]	164	429	5,126	6,322	12,042
REALIZED OPERATING RESULT	**754**	**892**	**9,585**	**17,522**	**28,754**

[1] Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property
[2] Additionally adjusted for non-cash-related results from interest hedging transactions and change in the value of fund shares
[3] Including realized changes in the value of investment property, this would result in the following values for realized EBIT (in EUR million): Q1: 12.4, Q2: 11.0, Q3: 19.8, Q4: 25.5, 2011: 68.6

The effects of adapting EBT adjusted to the realized operating result for the past few years are presented in the table below. The outcome is that we have now realized EUR 38.7 million of the EUR 69.8 million revaluation and furthermore expect an additional profit contribution of EUR 31.1 million, which will be largely realized in 2013 and 2014, over the coming years. The changes in value within stocks of investment property held for residential property resale will also be realized in 2015/2016.

Details of the operational realization of fair value changes since the initial revaluation:

	2007	2008	2009	2010	2011	2012	Total
Change in value of investment property	69,477	0	0	325	3	18	69,823
EBT adjusted	**-12,422**	**842**	**2,420**	**12,789**	**16,712**	**20,324**	–
Realized change in value of investment property	0	3,179	304	-353	12,042	23,568	38,740
Realized operating result	**-12,422**	**4,021**	**2,724**	**12,436**	**28,754**	**43,892**	–
Cumulative balance from value changes and operating realization	69,477	66,298	65,994	66,672	54,633	31,083	31,083

In retrospect, the sale of investment property is as follows:

	2007	2008	2009	2010	2011	2012
Sales revenues from investment property	0	84,000	3,050	43,937	90,068	178,325
Earnings from the sale of investment property	0	24,926	674	884	18,247	40,484
Of which result from the reduction in investment property	0	21,747	370	1,237	6,205	16,916
Of which result from the realized change in value of investment property	0	3,179	304	-353	12,042	23,568
Gross margin from the sale of investment property	–	29.7%	22.1%	2.0%	20.3%	22.7%

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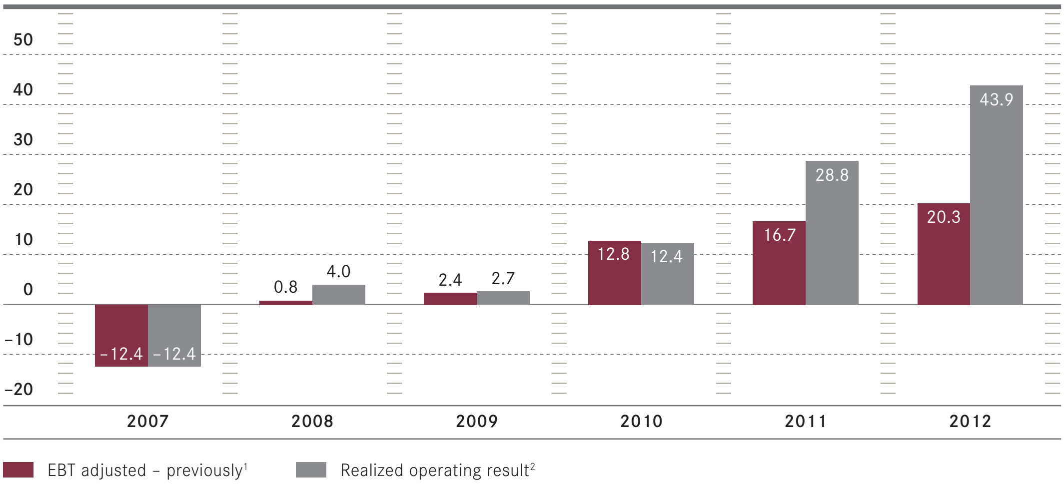
OPERATING RESULT / EBT ADJUSTED ACCORDING TO OLD AND NEW CALCULATIONS BY FISCAL YEAR (IN EUR MILLION)



[1] Without realized change in the value of investment property
[2] Including realized change in the value of investment property

The operating result has increased from year to year

Consolidated annual profit increases significantly

In the past twelve months PATRIZIA achieved a consolidated annual profit in accordance with IFRS of EUR 25.5 million (2011: EUR 13.5 million). Earnings per share rose in 2012 from EUR 0.24 to EUR 0.44.

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED INCOME STATEMENT

	2012 EUR '000	2011 EUR '000	Change in %
Revenues	229,238	269,007	–14.8
Total operating performance	196,111	180,527	8.6
EBITDA	49,280	58,125	–15.2
EBIT	44,739	54,631	–18.1
EBIT adjusted[1]	46,689	56,596	–17.5
EBT	28,621	19,906	43.8
EBT adjusted[1,2]	20,324	16,712	21.6
Realized operating result[1,2,3]	43,892	28,754	52.6
Consolidated annual profit	25,455	13,493	88.7

[1] Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property
[2] Additionally adjusted for non-cash-related results from interest hedging transactions and change in the value of fund shares (latter applies to 2011 only)
[3] Incl. realized change in value of investment property

5.3 NET ASSET AND FINANCIAL SITUATION OF THE GROUP

Real estate sales reduce assets

At December 31, 2012, PATRIZIA reported total consolidated assets of EUR 951.6 million, EUR 150.7 million less than at the end of 2011. Under consolidated assets, the stock of real estate decreased by EUR 219.8 million. Investment property is recognized at fair value through profit or loss in accordance with IAS 40 (EUR 374.1 million). As could be seen, properties sold in the fiscal year 2012 reported under investment property were sold at a profit, thus confirming the value retention of the properties. Real estate intended for sale as part of ordinary business operations is reported in the inventories and measured at amortized cost (EUR 345.9 million). This item also includes our own project developments in Frankfurt, Hamburg and Cologne. They have a carrying value of EUR 72.1 million.

The consolidated balance sheet total will continue to decrease over the coming quarters. The disposal of all real estate will not be completely compensated for by building up non-leveraged participations. The various participations grew by a total of EUR 24.3 million and have more than trebled. The co-investment SÜDEWO had an effect here for the first time.

Equity ratio climbs by 7 percentage points

Under liabilities, equity increased by the retained balance sheet profit from the previous year of EUR 336.4 million. With stable to increasing equity, the equity ratio will continue to climb in coming years from its current level of 35.4% (December 31, 2011: 28.1%).

PATRIZIA's equity is invested as follows:

PATRIZIA'S CONSOLIDATED EQUITY

	PATRIZIA share in investment	
	EUR million	in %
Own investments		
Investment property and inventories[1]	211	100
PATRIZIA GewerbeInvest KAG	36	94.9
Bank balances and cash	38	100
Co-investments		
Residential		
WohnModul I SICAV-FIS	15	9.09
Süddeutsche Wohnen GmbH	15	2.5
Other	18	10 – 30
Commercial		
PATRoffice	3	6.25
TOTAL	**336**	–

[1] Including project developments

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Repayment of bank loans

The sale of real estate is always associated with a reduction in bank liabilities. Loans decreased by EUR 172.3 million, or 24.9%, to EUR 521.1 million. The sharper decrease in long-term loans resulted from the greater sales of investment property financed until June 30, 2014. A detailed schedule of maturities by fiscal year is listed in the Notes to the Consolidated Financial Statements under item 5.2.

Further information on page 122 ff.

PATRIZIA'S CONSOLIDATED NET ASSET AND FINANCIAL KEY FIGURES

	12/31/2012 EUR '000	12/31/2011 EUR '000	Change in %
Total assets	951,553	1,102,284	–13.7
Equity (including non-controlling partners)	336,387	310,075	8.5
Equity ratio	35.4%	28.1%	7.2 points
Bank loans	521,054	693,352	–24.9
Cash and cash equivalents	38,135	31,828	19.8
Net financial debt	482,919	661,524	–27.0
Real estate[1]	720,024	939,850	–23.4
Loan to value[2]	72.4%	73.8%	–1.4 points
Net gearing[3]	144.2%	214.4%	–70.8 points

[1] Real estate assets comprise investment property valued at fair value and real estate held in inventories valued at amortized cost
[2] Proportion of the volume of loans to real estate assets. Only investment property is calculated at fair value. Inventories are stated at amortized cost.
[3] Net gearing is the ratio of net financial debt to equity adjusted for minority interests

Net asset value

Net asset value (NAV) represents the actual value of the real estate less net financial liabilities. For PATRIZIA it should be noted that, first, our properties are partly valued at fair value (concerns investment property) and partly at amortized cost (inventories) and, second, valuation does not include our entire spectrum of services, which accounted for 51% of the operating result in 2012. Real estate with a carrying value of EUR 246.7 million was sold for EUR 284.6 million in the past fiscal year and bank loans amounting to EUR 172.3 million were repaid. However, since NAV is required by many persons in the real estate sector and published by many other – mostly property management – companies, we have adopted this approach, even if it represents only one subarea of PATRIZIA.

CALCULATION OF NAV

	12/31/2008 EUR '000	12/31/2009 EUR '000	12/31/2010 EUR '000	12/31/2011 EUR '000	12/31/2012 EUR '000
Investment property[1]	671,162	657,320	614,945	532,321	374,104
Investments in joint ventures	6,033	13	8	18	0
Participations in associated companies	0	0	0	6,809	15,810
Participations	3,090	3,090	3,090	3,134	18,407
Inventories[2]	717,772	676,008	510,438	407,529	345,920
Current receivables and other current assets[3,4]	41,611	29,428	10,282	48,735	92,013
Bank balances and cash[3]	67,905	56,183	70,537	43,690	50,330
Current liabilities[3,4]	–12,556	–13,116	–17,008	–16,354	–25,876
Less bank loans[3]	–1,161,735	–1,070,207	–841,380	–673,752	–521,054
NAV	**333,282**	**338,719**	**350,912**	**352,130**	**349,654**
No. of shares	52,130,000	52,130,000	52,130,000	52,130,000	57,343,000
NAV/SHARE (EUR)	**6.39**	**6.50**	**6.73**	**6.75**	**6.10**

1 Fair market valuation, 2008 including investment property under construction (EUR 11.2 million)
2 Valuation at amortized cost
3 Figures excluding PATRIZIA GewerbeInvest KAG mbH, purchase loans eliminated (applies to 2011) and cash and cash equivalents increased by outflow of equity (applies to 2011 and 2012)
4 Adjusted for non-property-specific items

Liquidity analysis

Central responsibility for the financing of the PATRIZIA Group is borne by PATRIZIA Immobilien AG. As of December 31, 2012, there were loan agreements with eight different German banks, concluded exclusively in euros. In accordance with the loan agreements and our business model, we reduce loans during the project depending on the status of sales. When selling real estate or individual units, up to approximately 90% of the sales proceeds flow into repayment.

Liquidity management ensures that the PATRIZIA Group is solvent at all times. Most of the individual Group companies are directly linked to and monitored by the automatic cash pooling system of the Group. On a same-day basis, account surpluses are transferred to the parent company and account deficits are offset by it. Payment receipts from operating companies represent the most important source of liquidity within the Group and ensure that financing requirements are met as well as bank loans. A liquidity reserve is maintained in the form of cash to ensure the Group's solvency.

Consolidated cash flow statement: Cash inflow caused by sales revenues from investment property

In the reporting year, there were cash inflows from current business activities of EUR 32.9 million (2011: EUR 44.7 million). As a result of the extensive sale of investment property, cash inflows from investing activities of EUR 145.8 million were significantly above the level of the previous year (2011: EUR 49.5 million). On the other hand, the volume of transactions caused higher cash outflows from financing activities, since significantly more loans could be repaid than were taken out. The change in cash thus amounted to EUR 6.3 million (2011: EUR –38.7 million) and increased cash and cash equivalents from EUR 31.8 million at the end of 2011 to EUR 38.1 million as of December 31, 2012.

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SUMMARY OF THE 2012 CONSOLIDATED CASH FLOW STATEMENT

	2012 EUR '000	2011 EUR '000	Change in %
Cash inflow from operating activities	32,855	44,718	–26.5
Cash inflow from investment activities	145,755	49,494	> 100
Cash outflow from financing activities	–172,303	–132,921	29.6
Changes in cash	6,307	–38,709	> 100
Cash and cash equivalents Jan. 1	31,828	70,537	–54.9
Cash and cash equivalents Dec. 31	38,135	31,828	19.8

5.4 NOTES ON THE ANNUAL FINANCIAL STATEMENTS PREPARED UNDER HGB FOR PATRIZIA IMMOBILIEN AG (HOLDING)

The position of the parent company PATRIZIA Immobilien AG is essentially determined by the activities of the operating companies of the Group. As a financing and management holding for these companies, PATRIZIA Immobilien AG generated revenues of EUR 12.8 million (2011: EUR 8.0 million), mostly from management cost allocations to the subsidiaries. This allocation was increased in the 2012 fiscal year. Commission income for services rendered on the part of subsidiaries also contributed to increased revenues. Commission income is invoiced through the parent company and results in corresponding administrative expenses. In the 2012 fiscal year, the parent company reported significantly higher purchasing and sales commissions generated in connection with the purchase or establishment of special funds of PATRIZIA asset management companies and co-investments. Staff costs increased by 23.6% to EUR 14.8 million (2011: EUR 11.9 million) since the number of employees rose over the course of the year from 140 to 178, or from 162 to 206 when trainees are included. The cost of materials and other operating expenses increased by 4.8% (EUR 16.6 million). Administrative expenses in 2012 were also still affected by the changeover to the new IT system performed in the previous year and by higher rental expenses for office premises resulting from the growth in staff and the new branch offices as well as costs for due diligence. Net interest income decreased by EUR 1.0 million to EUR 5.9 million. The parent company's profit/loss consists of the operating profit/loss of the Company itself and profits and losses of the subsidiaries with which profit and loss transfer agreements exist. Income from profit and loss transfers was slightly higher than in the previous year and totaled EUR 27.9 million (2011: EUR 27.4 million, +1.8%). In contrast, income from participations improved by 71.9% to EUR 1.1 million. PATRIZIA Immobilien AG's net profit under HGB for the 2012 fiscal year of EUR 13.4 million (2011: EUR 13.7 million) and when combined with the profits carried forward of EUR 51.0 million represents the Company's distributable unappropriated profit. Unappropriated profit amounted to EUR 64.4 million, an increase of 26.3% over the previous year (EUR 51.0 million).

SUMMARY OF THE PATRIZIA IMMOBILIEN AG BALANCE SHEET

	12/31/2012 EUR '000	12/31/2011 EUR '000
Non-current assets	190,652	163,855
Current assets	171,901	185,098
Prepaid expenses	665	554
TOTAL ASSETS	**363,217**	**349,507**
Equity	339,420	326,022
Provisions	9,845	8,677
Liabilities	13,952	14,808
TOTAL EQUITY AND LIABILITIES	**363,217**	**349,507**

SUMMARY OF THE PATRIZIA IMMOBILIEN AG INCOME STATEMENT

	2012 EUR '000	2011 EUR '000	Change in %
Revenues	12,772	8,017	59.3
Other capitalized services and other operating income	2,405	1,351	78.0
Cost of materials	–3,391	–2,148	57.8
Staff costs	–14,760	–11,939	23.6
Depreciation, amortization, write-downs and other operating expenses	–15,631	–15,079	3.7
Profit/loss from participations, profit transfers and loss absorption	29,057	28,022	3.7
Net interest income	5,937	6,939	–14.4
Result from ordinary activities	**16,388**	**15,163**	**8.1**
Taxes	–2,990	–1,507	98.4
Net profit/loss	**13,399**	**13,657**	**–1.9**
Profit carried forward	50,984	37,327	36.6
UNAPPROPRIATED PROFIT	**64,382**	**50,984**	**26.3**

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6 NON-FINANCIAL PERFORMANCE INDICATORS

6.1 MANAGEMENT RESPONSIBILITY

PATRIZIA Immobilien AG supports various organizations in the real estate industry that are committed to sustainability and environmentally conscious actions. PATRIZIA Projektentwicklung GmbH, for example, is a member of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e. V., DGNB) and was involved in the working group “Neubau Wohnen” (New Residential Construction). We participate in various working groups to make a contribution to the subject of sustainability in the real estate sector through our membership in other associations of national and international property companies, for example in defining reporting standards for residential property. As a founding member of the ULI Greenprint Center for Building Performance, PATRIZIA participates in various working groups aimed at establishing international standards for measuring CO_2 for all types of building.

Among other things, PATRIZIA is an active member of DGNB

In October 2012 PATRIZIA organized the all-day workshop entitled “Perspektiven der Nachhaltigkeit” (“Prospects for Sustainability”). In addition to a number of international experts, many employees from a wide variety of specialist departments also accepted the invitation. The workshop examined sustainability from different perspectives and gave rise to a lively discussion about what sustainability means for PATRIZIA. Actual projects illustrated how sustainability is being realized at PATRIZIA and in various Nordic countries.

We rate the environmental expertise of the German construction industry as high on an international scale. The standards applied often go beyond the statutory requirements, e.g. with regard to applicable Energieeinsparverordnungen (EnEV – Energy Saving Regulation). For PATRIZIA, the careful use of resources plays a central role in construction measures, particularly with regard to new project development. The new construction project in Feuerbachstrasse, Frankfurt/Main, involving the building of six VERO town villas and the F40 housing block, has earned the DGNB pre-certificate in gold for housing, the highest distinction awarded by DGNB. The Friedrich-Karl-Terrassen PATRIZIA project in Cologne has been awarded the silver pre-certificate in the category new residential construction. The criteria that are examined for the award of the DGNB seal include ecology, economy, socio-cultural, functional and technical quality, but also process and location quality.

PATRIZIA manages project developments integrated into our co-investment WohnModul I on behalf of third-party clients. The Düsseldorf Belsenpark 1 project has been awarded the silver seal in the category new residential construction by DGNB (pre-certificate) in consideration of the high level of comfort and ecology. The buildings are being constructed to the KFW70 energy efficiency standard in accordance with EnEV 2009. This is where barrier-free condominiums are being built with advanced levels of appointment. The technology used allows various systems within the building such as lighting, roller shutters, alarm system, heating and household appliances, etc. to be controlled, integrated into a computer network and also remotely monitored. We are taking account of the expected increased proliferation of electric cars by installing electrical connections for the 126 parking spaces in the underground car park. Extensive roof greening will further support the sustainability concept. The pre-certificate in silver has also been awarded to the “Wohnen im PROVINOPARK” construction project in Augsburg. It is the environmental and socio-cultural criteria that are especially impressive here. Access to a former canal is being opened up and an extensive park is being created.

All PATRIZIA project developments currently under construction have been awarded a DGNB pre-certificate for residential buildings in gold or silver

The PATRIZIA “Soft House” project is a new development that is being realized as part of the IBA (Internationale Bauausstellung – International Building Exhibition) in Hamburg in 2013. The Soft House will be constructed as a highly energy-efficient and sustainable building. Furthermore, planned as a passive house, a large proportion of energy required in the home will be produced by way of solar panels in the roof membrane. The house will also

The Soft House is an innovative contribution by PATRIZIA to the International Building Exhibition in Hamburg in 2013 use pumps to exploit geo-thermal energy, and the technology installed in the house is ready for use with the forthcoming smart metering of energy consumption. This is intended to help residents analyze their energy consumption on a regular basis and systematically save energy or shift their energy consumption to times when electricity tariffs are more favorable. The house is being built as a solid wood construction, meaning it is based on renewable raw materials that also bind CO_2. With regard to the choice of location, redensification of the Elbe islands represents a valuable contribution to conserving resources since it allows the existing infrastructure to be used.

Sustainability involves the entire life cycle of the property

We optimize the energy standards of our existing real estate by employing modern, efficient technologies and also make a lasting contribution to protecting the environment and climate by extending the life cycle of the buildings. The construction measures undertaken to enhance the value of our buildings include the installation of new windows and heating systems and heat insulation to facades, ceilings and roofs. In addition, our tenants and buyers also benefit from lower ancillary costs. We are conscious of the fact that we have only limited influence on our tenants' energy consumption beyond the design of the structures. Besides the ecological aspects, we also think that the economic efficiency of the measures should not be disregarded. To evaluate which measures are sensible in terms of energy savings, PATRIZIA examines the entire value creation process and life cycle of the property, e.g. the energy consumption tied to construction and the energy requirements for the use of the building are taken into equal consideration. The layout of the housing areas with their green spaces and playgrounds is also a part of the ecological assessment.

The conversion of space is another component of our sustainability strategy. In Leipzig, for example, 3-room residential units were turned into three apartments, each consisting of a bed-sitting room, a kitchenette and its own bathroom. This measure was undertaken because demand for 3-room residential units was very low and at the same time there was a lack of accommodation for students. The conversion was our response to changed requirements. Another project that was also undertaken in Leipzig is the creation of barrier-free apartments suitable for the elderly offering 24-hour access to care services. Besides the apartments, the project also includes a therapeutic bath and a communal recreation room in order to ensure optimum support.

PATRIZIA Immobilienmanagement focuses on green power

PATRIZIA Immobilienmanagement GmbH also conducts surveys among its tenants on a regular basis in order to involve them in the optimization process. The ideas and suggestions that we gain from this process are included in the property management process, contributing to a long-term tenant relationship and low tenant fluctuation rates. The tenant portal on PATRIZIA's website also provides comprehensive services to the tenants directly. Here they can find information, tips and important online services allowing them to send messages from the convenience of their home at any time. This not only saves time for both parties, but costs as well. PATRIZIA Immobilienmanagement is often able to achieve better conditions for its tenants in the regular renegotiation of framework agreements, for example for building insurance, cable TV, metering services or as recently with regard to drinking water analysis. For instance, an invitation to tender for the provision of electricity and natural gas to a large proportion of our managed real estate was sent out to numerous suppliers on the market at the end of 2012, with the first contracts changing right at the beginning of 2013. It was possible to achieve average savings of 10% for natural gas supplies and 7% for shared electricity. Furthermore, we have succeeded in obtaining green electricity on almost the same terms as conventional electricity. In the coming years we intend to further centralize supplies of natural gas and to increase the volume of green power from domestic sources. With this objective we will save tenants and owners costs and at the same time achieve a sustainable effect on the climate.

We do not feel obliged to act in a sustainable manner only towards our tenants and clients. Our head office was extended in 2010 through renting an additional energy-efficient new building. A conservatory in front of the west facade allows soundproofed, naturally conditioned fresh air into the offices when the windows are open. All employees and visitors enjoy barrier-free access to all rented offices within the building. There is also a secure

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place to park bicycles in a central location in the underground car park as motivation for members of staff to cycle to work. The central location also ensures that it can easily be reached by public transport. Parking spaces reserved for women and fitted with an emergency call system are part of the advanced security concept in the underground public car park.

We encounter issues of sustainability not just in the field of real estate but also, for example, in travel management. As a matter of principle, means of transport should be chosen to reach a destination in the most economic manner. In this, preference should be given to public transport.

When purchasing or replacing hardware, we ensure that components are made of recycled material or that they can be completely recycled. Besides ergonomic chairs and desks, reduced energy consumption and lower radiation emissions for technical equipment are additional criteria we take into account when designing the workplace.

Targeted and sustainable on principle – PATRIZIA KinderHaus Foundation aid projects

PATRIZIA also practices sustainability through the PATRIZIA KinderHaus Foundation, established by CEO Wolfgang Egger in 1999 and which involves itself around the world in projects whose principal focus is always on creating appropriate living conditions for children and young people in need by providing new buildings tailored to their exact particular requirements. The aim is always to help these young people to help themselves. The Foundation works exclusively with experienced, recognized partners in the implementation of these children's aid projects. After completion of the new building financed by the Foundation, the partners ensure that the purpose agreed for it for the benefit of the needy children and young people is met over the long term and to a high degree. Since its beginnings, the Foundation has constructed six PATRIZIA KinderHaus buildings in Germany, Africa, and Asia, the latest in the form of a primary school in Kattike in Nepal. Ten houses will have been completed by the end of 2013, as the PATRIZIA KinderHaus Foundation is currently simultaneously engaged in four new projects: Additional PATRIZIA KinderHaus buildings are being constructed at two locations in Augsburg and two in Africa. The German projects involve a children's day-care center in Augsburg's textile quarter and a center for animal-based therapy in Augsburg/Deuringen. In Africa, the Foundation is constructing an orphanage complex in Songea/ Morogoro, Tanzania, and a KinderHaus building near Capetown, South Africa, for Aids orphans and HIV-positive boys and girls. The project partners in Germany are Internationaler Kindergarten e.V. and Der Bunte Kreis. In Tanzania, the Foundation is again working with the Missionsbenediktinerinnen, the same organization that was involved in the construction of the first KinderHaus building in Peramiho in 2000. For the South African project, the KinderHaus Foundation is for the first time working with architecture students at the University of Stuttgart.

PATRIZIA is the main sponsor of the PATRIZIA KinderHaus Foundation.

The PATRIZIA KinderHaus Foundation is supported entirely by the work of volunteers from within and from outside of the company. All administrative costs are covered by PATRIZIA and sponsors so that 100% of all donations received can be passed on to the aid projects direct.

6.2 EMPLOYEES

As of December 31, 2012, the PATRIZIA Group had 586 permanent employees (2011: 498 employees), including 35 trainees and students of Duale Hochschule Stuttgart majoring in real estate in addition to 56 part-time employees. Following the new hires taken on in 2011, the number of employees once more increased in the course of 2012 by 17.7%, or 88 persons. A large proportion of this is due to expansion of the co-investments. A sales team was thus built up in order to sell new residential properties in WohnModul I, the personnel in Project Development was adjusted to match the increased volume of investment. On average during 2012, PATRIZIA employed 529 staff throughout the Group (2011: 455 employees), including 28 trainees and 50 part-time employees. In terms of full-time equivalents, the headcount at the end of the year was 532 active employees.

We are aiming for a training rate of over 7% in the medium term

The average age of PATRIZIA employees, excluding trainees, is 38. Owing to the growth planned over the coming years, we once more increased the number of trainees and students from 24 in 2011 to 35 in the reporting year. Having already reached the forecast training rate of 6%, we are now aiming for a training rate of over 7% in the medium term.

The proportion of male to female full-time employees is 46% to 54% while the proportion of male to female part-time employees is 14% to 86%. With a proportion of 57%, the majority of employees in the PATRIZIA Group are female. Within senior management (Managing Board and first-tier managers), 17% of those employed in the fiscal year were women, while 20% of managers in the Group were female.

In order to reconcile family and working life PATRIZIA has for years provided the opportunity of working from home in addition to the normal workplace. Just under 10% of staff currently take advantage of the possibility of spending part of their working time at home.

Wherever possible and reasonable, we fill management positions from within our own ranks

Despite the significant increase in the number of staff, the average period of employment, excluding trainees, is far in excess of four years. We attach great importance to recruiting new managers from within our own ranks wherever possible. Despite growth in Europe and locations throughout Germany, we filled 12 of the 16 vacant management positions with our own staff in 2012. In addition, 22 internal changes took place in the fiscal year as a result of extensive career development. The PATRIZIA academy was established to provide even more closely targeted training for our employees and to prepare them for future challenges. In addition to the subject of “real-estate expertise” it offers employees company-specific further training in the areas “management competence”, “personal and social skills” and “international skills”. In its first year it reported 500 participants in eleven different seminars. Some of the trainers are PATRIZIA’s own experts.

The staff survey, which has been performed annually since 2010, was conducted twice in the reporting year. With the latest survey performed in November 2012, PATRIZIA for the first time entered the public competition “Deutschlands Beste Arbeitgeber” (“Germany’s Best Employers”) organized by the “Great Place to Work” Institute in Cologne. Participation once more of around 90% of employees underlines the sustained interest and credibility of management in the effectiveness of this instrument. The result increased in the first survey by 11%, while the second survey found that satisfaction and the identification of PATRIZIA employees with their workplace had improved by a further 8.5%.

Whereas previously, for example, a company health management program, a kindergarten allowance, and group accident insurance cover had been introduced, PATRIZIA extended its social benefits package in 2012 to include a shopping card and a staff participation program that will come into effect in 2013. The instrument of an employee survey remains an essential component of PATRIZIA's corporate culture and will also be continued in the coming years in order to further develop the company.

PATRIZIA is one of the top 15 employers in real estate

The attractiveness of the Company as an employer is also noticeable on the job market. In 2011 PATRIZIA was voted one of the top 15 employers in real estate by Immobilien Zeitung magazine for the first time and is thus the only company in residential real estate represented in the rankings. PATRIZIA was able to advance a further three places in the reporting year.

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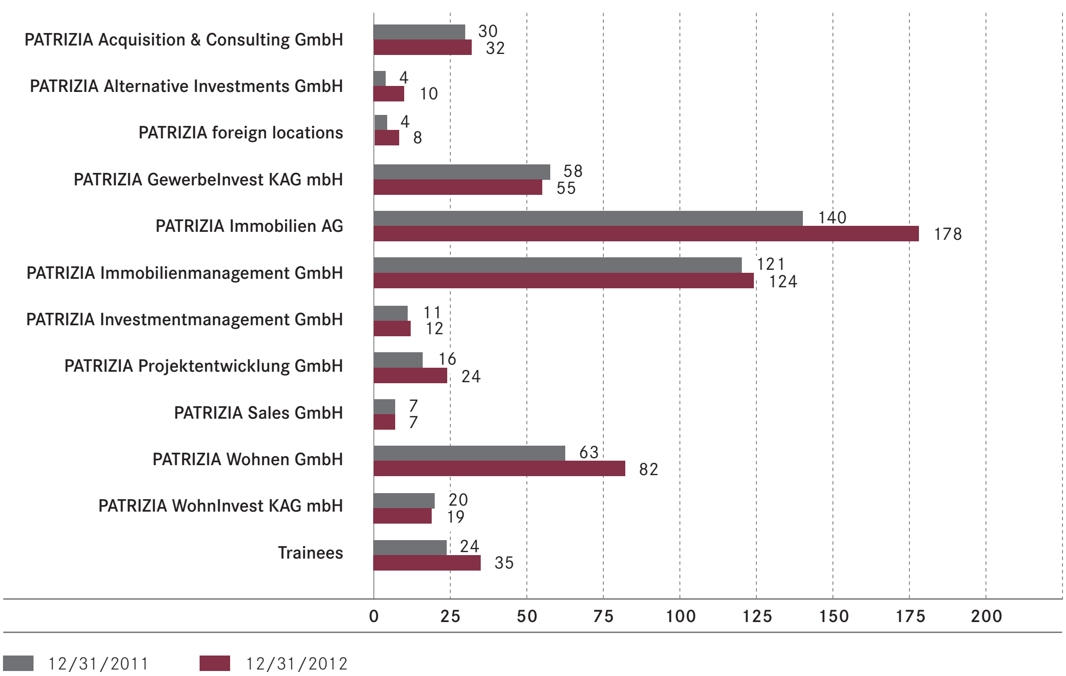
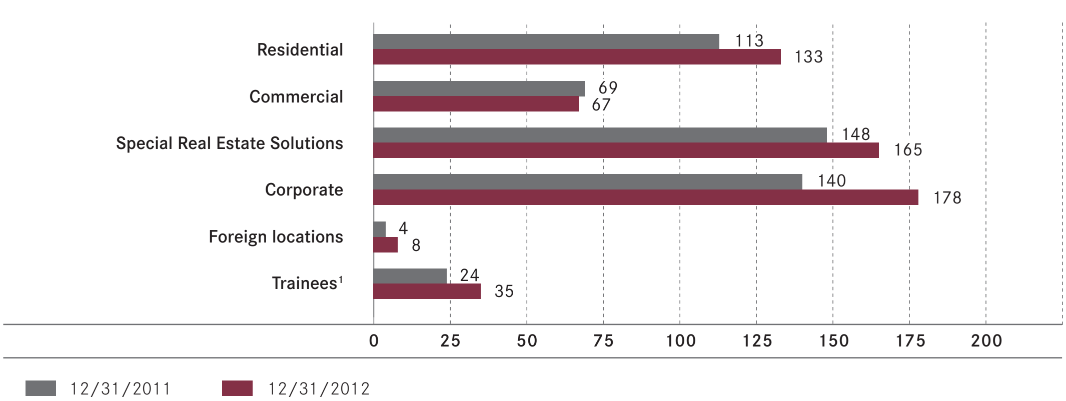
CHANGES IN STAFF NUMBERS BY OPERATING COMPANY



CHANGES IN STAFF NUMBERS BY BUSINESS LINE/SEGMENT



[1] Trainees are primarily assigned to the Corporate segment.

7 FURTHER DISCLOSURES

7.1 MERGER-RELATED DISCLOSURES

The following statement is a disclosure of information in accordance with Article 289 (4) and Article 315 (4) of the Handelsgesetzbuch (HGB – German Commercial Code) which can play a role in the acquisition of control over a company. All arrangements comply with the standards of German companies oriented towards the capital market.

Composition of subscribed capital

Since the capital increase from company funds was entered into the Commercial Register on July 12, 2012, the Company's subscribed capital (share capital) has totaled EUR 57,343,000 Euro and is divided into 57,343,000 no-par value registered shares each representing a notional portion of the share capital of EUR 1.00 each. All shares are of the same class. The same rights and obligations are associated with all shares. Each share confers the right to one vote. All shares are admitted for trading on the official market of the Prime Standard of the Frankfurt Stock Exchange.

Restrictions relating to voting rights and transfer of shares

The shareholders in the Company are not restricted with regard to the acquisition or disposal of shares by legislation or by the Company's Articles of Association. The Managing Board is unaware of any contractual restrictions relating to voting rights or to the transfer of shares.

Direct or indirect share of voting rights of more than 10%

As of December 31, 2012, Wolfgang Egger, CEO of PATRIZIA Immobilien AG, held 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.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

System of control of voting rights when employees have a stake in the capital and do not exercise their rights of control directly

Employees who have a stake in the capital of PATRIZIA Immobilien AG exercise control rights like any other shareholder in accordance with legal provisions and the Articles of Association.

Appointment and dismissal of members of the Managing Board, changes to the Articles of Association

The provisions governing the appointment and dismissal of members of the Managing Board are contained in Article 84 f. of the Aktiengesetz (AktG – German Stock Corporation Act) and in Article 6 of the Company's Articles of Association. Changes to the Articles of Association take place in accordance with Article 179 ff. of the AktG in combination with Articles 16 and 21 of the Articles of Association of PATRIZIA Immobilien AG. The latest Articles of Association are available at www.patrizia.ag/en/investor-relations/corporate-governance/articles-of-association.html.

Powers of the Managing Board to issue and buy back shares

By resolution of the Annual General Meeting of June 23, 2010, the Managing Board is entitled to acquire shares in the Company with a volume of up to 10% of the share capital until June 23, 2015. The entitlement may be

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exercised by the Company in full or for partial amounts, on one or more occasions and in pursuit of one or more purposes, but also by its subsidiaries or for its own account or for the account of the latter by third parties. Acquisition can be effected at the discretion of the Managing Board via the stock exchange, by means of a public bid made to the shareholders, through the use of derivative instruments or through an individually negotiated repurchase. The acquired shares may subsequently be used for all legally permissible purposes; in particular they may be canceled, sold in exchange for a contribution in kind or to shareholders or used to meet subscription or conversion rights.

Furthermore, the Managing Board was authorized by resolution of the Annual General Meeting on June 20, 2012 to increase the share capital on one or more occasions with the consent of the Supervisory Board by up to a total of EUR 14,335,750 in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (authorized capital 2012) by June 19, 2017. In certain cases, the Managing Board is authorized, with the approval of the Supervisory Board, to exclude the legal subscription rights of the shareholders. The complete authorization results from Article 4 (3) of the Articles of Association. In addition, the Managing Board is authorized on one or more occasions, with the approval of the Supervisory Board to grant until June 19, 2017, in accordance with strict conditions of the bonds, convertible bonds, and/or bonds with warrant, made out to the bearer or registered and/or participatory rights with or without conversion privileges or option right or conversion obligation (referred to together in the following as the “bonds”) in the aggregate principal amount of up to EUR 375,000,000 with a term of up to 20 years and to grant the bearer or the creditor of bonds, conversion privileges or option rights to new, registered no-par value registered shares of the Company with a pro rata amount of the share capital of up to EUR 14,335,750. At the same time, the Company's share capital was contingently increased by resolution of the Annual General Meeting by up to EUR 14,335,750 by the issue of 14,335,750 new registered no-par value shares with a pro rata amount of the share capital of EUR 1.00 (contingent capital 2012). The details relating to the contingent capital increase result from Article 4 (4) of the Articles of Association.

Significant agreements by the Company contingent upon a change in control subsequent to a takeover bid
No agreements contingent upon a change in control subsequent to a takeover bid exist.

Compensation agreements by the Company with the members of the Managing Board or employees for the event of a takeover bid
No compensation agreements with the members of the Managing Board or employees for the event of a takeover bid exist.

7.2 COMPENSATION REPORT

The following section provides information on the principles of the compensation system and on the structure and amount of the payments made by PATRIZIA Immobilien AG to the Managing Board and to the Supervisory Board. PATRIZIA follows the recommendations of the German Corporate Governance Code in its entirety for the compensation of the Managing Board and Supervisory Board.

Compensation of the Managing Board
The system of management compensation was approved by the Annual General Meeting on June 23, 2010. The amount and structure of the compensation paid to the Managing Board members are determined and regularly reviewed by the Supervisory Board. The compensation paid to Managing Board members is based on their respective remit, the personal performance of the individual Managing Board member and of the Managing Board as a whole as well as the economic and financial situation and performance of PATRIZIA. The compensation paid

to Managing Board members is customary for the sector, appropriate and performance-related. It is made up of non-performance-related and performance-related components as well as components with short- and long-term incentive effects. The non-performance-related components comprise fixed basic compensation, which is paid as a monthly salary, pension contributions as well as non-cash and other benefits which primarily consist of values to be applied in accordance with tax guidelines for the use of a company car and insurance premiums. There are no agreements in place in the case of a change of control.

The performance-related, variable compensation components are calculated on the basis of targets set at the start of the fiscal year, which are divided into three categories: Company targets, business line targets and individual targets. The targets are further subdivided into quantitative and qualitative targets. The amount of variable compensation paid out accordingly depends on the degree to which the predetermined targets are achieved, missed or exceeded.

The primary criterion for the achievement of company targets is consolidated profit before tax for the reporting period, as calculated in accordance with IFRS and without taking into account changes in the fair value of the investment property and interest rate hedges and without taking into account depreciation on intangible assets (fund management contracts that came about in the course of the acquisition of PATRIZIA GewerbeInvest KAG). This adjusted pre-tax profit is published in PATRIZIA's financial reports as so-called EBT adjusted. EBT adjusted acts as an important control variable for the Group. Every year, depending on the Company's planning, a target figure that exactly specifies the amount of consolidated profit to be achieved is defined. If EBT adjusted is less than the hurdle of 67% of the defined target figure, the variable compensation of the Managing Board is omitted completely, irrespective of which other targets – company, business line or individual targets – were achieved.

A further company target is based on the return on equity in the period under review and the two previous fiscal years. Target figures are also defined in this context. An additional criterion for calculating variable compensation is the performance of PATRIZIA's shares over two years in relation to the DIMAX real-estate reference index and the Deutsche Börse index applicable at the end of the year, in this case the SDAX.

The target figures defined for each target correspond to a degree of achievement of 100%. If the actual value determined corresponds to more than 120% of the defined target value, 150% of the variable compensation is paid. This is also the upper limit that has been defined for the maximum amount of variable compensation that can be achieved. If 80% of the target is achieved, 50% of the variable compensation is granted.

For each predefined target, a variable compensation amount is calculated depending on the degree to which the target has been achieved. The total of all the amounts is paid out in two components. Two-thirds of the amount is paid out in the form of a cash payment, which is designated as a short-term component. The remaining third of the variable compensation is granted in the form of performance share units, i.e. it is not paid out directly in cash. This third is intended as a component with a long-term incentive effect. Performance share units are virtual shares which grant the legitimate beneficiary the right to receive a monetary amount after a fixed performance period has passed. For PATRIZIA, this performance period is three years for all Managing Board contracts renewed since the 2011 fiscal year. A performance period of two years was valid prior to the conclusion of the new contracts. The performance share units do not carry any voting or dividend rights. The variable compensation component with a long-term incentive effect is initially converted into performance share units at the average Xetra rate of the PATRIZIA share 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the second or third year following the fiscal year in question, i.e. after the end of the vesting period. The variable compensation components with a long-term incentive effect are thus dependent on the Company's share price performance.

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The total remuneration paid out for the Managing Board in the 2012 fiscal year amounted to EUR 1.8 million (previous year: EUR 1.7 million). Furthermore, the Managing Board acquired 107,594 performance share units (previous year: 79,689), the cash value equivalent of which will be paid out in the 2013 and 2014 fiscal years. The amount of variable compensation due to be paid out for the past 2012 fiscal year and due for payment in 2013 has not yet been determined since not all components required to achieve the targets are known.

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

2012	Short-term compensation[1]				
in EUR	Fixed compen-sation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation	Total
Wolfgang Egger, Chairman	360,000	75,562	12,000	202,674	650,236
Arwed Fischer	300,000	37,498	12,000	219,111	568,609
Klaus Schmitt	300,000	33,399	24,000	248,125	605,524
TOTAL	960,000	146,459	48,000	669,910	1,824,369

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

2011	Short-term compensation[1]				
in EUR	Fixed compen-sation (fixed salary)	Non-cash and other benefits[2]	Contribution to retirement pension	Short-term variable compensation	Total
Wolfgang Egger, Chairman	310,000	24,407	12,000	229,484	575,891
Arwed Fischer	290,000	37,814	12,000	215,000	554,814
Klaus Schmitt	300,000	47,100	24,000	179,857	550,957
TOTAL	900,000	109,321	48,000	624,341	1,681,662

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

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

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

Compensation of the Supervisory Board

The compensation of the Supervisory Board is determined by resolution of the Annual General Meeting and in the Articles of Association. Up until the end of 2011 the compensation of the Supervisory Board was made up of a fixed and a variable component, with the variable component based on the dividend that was distributed to the shareholders for the previous fiscal year The Annual General Meeting held on June 20, 2012, decided on a new arrangement for the compensation of the Supervisory Board to the effect that in future only fixed compensation will be paid in line with the level customary in the market. The change applies for the first time for the 2012 fiscal year. The fixed compensation is paid to the Supervisory Board members in four identical installments, in each case at the end of a quarter. This approach also complies with the 2012 version of the German Corporate Governance Code.

In view of the size of the Supervisory Board with just three members no committees were formed so that the committee remuneration recommended by the German Corporate Governance Code is irrelevant. If a Supervisory Board member was not a member for the entire fiscal year, he/she only receives the fixed compensation pro rata temporis. The members of the Supervisory Board also receive reimbursement for all expenses as well as reimbursement for any value-added tax payable on their compensation and expenses. The compensation of the Supervisory Board for the 2012 fiscal year totaled EUR 100,000 plus reimbursement for expenses and is reported in other operating expenses.

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

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

[1] Since the beginning of the 2012 fiscal year the Supervisory Board has only received fixed compensation.
[2] Up to the end of 2011 the Supervisory Board was granted variable compensation based on the amount of dividend paid out for the previous fiscal year. Since it was decided not to pay a dividend for the 2011 fiscal year, there was no basis for performance-related compensation.

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7.3 DECLARATION ON CORPORATE GOVERNANCE – DISCLOSURES IN ACCORDANCE WITH ARTICLE 289A OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

The Managing Board of PATRIZIA Immobilien AG issued a declaration on January 22, 2013, concerning corporate governance in accordance with Article 289a of the Handelsgesetzbuch (HGB – German Commercial Code) and has made this available to the public on the Company's website at www.patrizia.ag/en/investor-relations/corporate-governance/declaration-on-corporate-management.html.

7.4 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The Managing Board submitted a dependent company report to the Supervisory Board, to which it adds the following final statement:

“As the Managing Board of the Company, we hereby declare that to the best of our knowledge at the time when the legal transactions listed in the report on relationships with affiliated companies were carried out, the Company received appropriate consideration and was not disadvantaged as a result of any action taken. There were no measures taken during the fiscal year that require reporting.”

Detailed information on business relationships with related companies and persons can be found in the Notes to the Consolidated Financial Statements under item 9.3.

Further information on page 139 f.

8 OPPORTUNITY AND RISK REPORT

8.1 OPPORTUNITY AND RISK MANAGEMENT

Risk Policy Principles

The aim of our risk management system is to obtain information about risks and their financial consequences as early as possible in order to adopt suitable measures to counteract them

The PATRIZIA Group is exposed to a large number of changes and uncertainties which give rise to opportunities and risks for our business dealings. Without the willingness to take risks, we would pass up potential opportunities as well. Our aim is to identify and so manage risks and opportunities at an early stage and thereby to ensure that PATRIZIA's survival is not endangered and to secure and increase the long-term value of the company. PATRIZIA's business model and strategy coupled with the Group's business and social objectives determine how opportunities and risks encountered are met. A standard corporate risk management system ensures that opportunities and risks are systematically captured, assessed, controlled, monitored and communicated. As a matter of principle, transactions of a speculative nature are prohibited. If risks are unavoidable, we hedge them via appropriate countermeasures.

Risk Management Organization

The Managing Board of PATRIZIA Immobilien AG bears overall responsibility for the group-wide risk management system. The responsibility for monitoring and developing the risk management system lies with the risk management working group, which is made up of employees drawn from the Controlling and Legal departments and which falls within the remit of the Chief Financial Officer. The direct responsibility for early detection of risks and for reporting these is assigned to the operating supervisors and managing directors of the relevant companies.

In addition, both asset management companies of PATRIZIA maintain their own separate risk management system which focuses on the risks of managed special real estate funds and which ensures compliance with legal supervisory requirements.

Risk Management Process

Risk reporting has been integrated into the planning and controlling process

We continuously monitor the German and European real estate markets, the general economic environment and our own internal processes. An extensive information network guarantees that risks are identified and communicated and that they pass through the further management process. This is supported by the regular weekly meetings of the Managing Board, the monthly coordination meeting between COO and managing directors and between managing directors and Controlling and the quarterly meetings of senior management. The Group Controlling reports provide a regular information base for managing opportunities and risks. Value drivers are defined for each area of responsibility that are subjected to a target-actual analysis in order to identify undesirable developments at an early stage so that measures can be taken. Identified opportunities and risks are integrated into the planning and forecasting processes. We quantify risks according to their probability of occurrence and the magnitude of potential damage. When necessary, we allow for risks by including precautions in the balance sheet such as provisions.

Both the efficiency and effectiveness of the risk management system are assessed once a year by means of an internal risk audit. The results appear in a risk report which presents all risks, operational measures and responsibilities. At the same time, the comprehensive documentation of this report ensures an orderly assessment which can be conducted both externally by the auditor and internally by the responsible departments as well as by the Supervisory Board. In addition to the Managing Board, the managing directors of the operating companies are also informed of the risk inventory's results.

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8.2 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE REPORTING PROCESS – DISCLOSURES IN ACCORDANCE WITH ARTICLE 289 (5) AND ARTICLE 315 (2) NO. 5 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

The risks relating to accounting and financial reporting are that our annual financial statements and quarterly reports could contain misrepresentations or that customers for whom we perform accounting work could report misrepresentations in their financial statements. In order to identify sources of error and to limit risks that might result from them, PATRIZIA Immobilien AG has established appropriate internal control systems (ICS) for the process of its accounting to provide sufficient security for the reliability of its financial reporting and creation of the published annual financial statements and quarterly reports throughout the year. However, the ICS cannot provide absolute certainty with regard to avoiding errors or misstatements in reporting and auditing.

The starting point for the ICS is the planning drawn up once each year based on the targets set by the Managing Board and the expectations with regard to the development of the operating business. Planning supplies budgetary values for the coming fiscal year and target figures for the following fiscal year for each company and each cost center. Differences between the actual and target figures are determined and analyzed on a monthly basis. A revised forecast is made for the current year which ties actual values already achieved with open budget values. The Managing Board of PATRIZIA Immobilien AG and all managing directors of the operating companies meet once each quarter to evaluate the quarterly financial reports and the annual financial statements.

The ICS includes all measures and processes to ensure that all transactions are entered uniformly, correctly and quickly into the bookkeeping and financial statements. It examines the effect of amendments to laws and standards and other notices on accounting and the preparation of financial statements. The intention is to guarantee compliance with legal regulations and standards by means of the systematic implementation of the principle of dual control in accounting-related processes. Separate functions and authorization regulations, which are reinforced by ongoing, standardized and automated control and coordination systems, are a significant part of our ICS.

Accounts payable accounting is located centrally within in PATRIZIA Immobilien AG while accounts receivable accounting is centrally organized and currently processed at three locations. The basis is provided by group-wide standards within a central IT environment largely based on SAP for which there are defined access rights. With the exception of subsidiaries located abroad (Denmark and Sweden), current financial accounting and the preparation of the annual financial statements are performed exclusively at the head office of PATRIZIA Immobilien AG. The employees involved in the annual financial statements are properly trained, and responsibilities and controls are clearly defined for these statements.

The effectiveness of our accounting-related ICS is evaluated as part of the final reporting procedures and also examined by our auditor as part of its auditing remit.

8.3 IMPORTANT CATEGORIES OF OPPORTUNITY AND RISK

Individually, or in conjunction with other situations, occurrence of the individual risks described below can impair the operating activities of PATRIZIA and negatively impact the net asset, financial and earnings situation of the Company and the Group. The risks listed may not be the only risks to which PATRIZIA is exposed. Other risks that are not currently known or risks that we regard as immaterial at present could also impair our business activities.

Market and Industry

The continuing expansive monetary policy, low long-term mortgage rates and emerging inflationary tendencies are fueling demand for assets with stable value such as real estate

Opportunities and Risks Arising from Macroeconomic Developments: Where its own investments and co-investments are concerned, PATRIZIA only acts on the German real estate market so far. Special asset funds also invest in selected European countries. Economic developments in Germany and Europe could have an effect on PATRIZIA's commercial success. The continuing expansive monetary policy, low long-term mortgage rates and emerging inflationary tendencies are fueling demand for real estate. In particular, the interest of private investors in residential real estate is likely to remain at the current high level. This presents PATRIZIA with an opportunity to increase the sale of residential units to tenants, owner-occupiers and private investors. Positive effects could also be expected for global sales and project developments if the banks were to increase their lending. We do not see the risk of a slowdown in PATRIZIA's business performance in the medium term.

The Residential Real Estate Market in Germany: Following a rather subdued supply situation at the beginning of 2012, the number of offers for properties received increased once more, while the supply of high-quality property assets at good locations remains very low. More and more, investors are focusing on secondary locations (B locations) such as Hanover, Bremen and university towns in general. There is now increased demand for good to very good micro locations there, too, and the competitive situation is increasing. Owing to a lack of investment alternatives, many real estate owners are showing a reluctance to sell despite the currently high level of prices. Prices are not likely to decline in the coming months, either. Last year we acquired residential properties totaling around EUR 410 million throughout Germany for our funds and co-investments.

PATRIZIA is benefiting from price increases in its sales activities but in our purchasing activities we face the risk of finding fewer suitable properties based on the aspect of investment returns or not being able to invest investor equity in due time. We constantly analyze price levels and integrate these into our planning.

The number of households and the demand for residential space will grow despite a declining population

Demographic developments point to a declining population and could result in a risk of higher levels of vacancy and a lower demand for residential real estate in the long term. The growing trend towards single-person households and the steady rise in per capita living space contradict this assumption. The low level of construction activity is further intensifying the demand for residential space and means that regional bottlenecks with increasing rents and prices can be expected. We regard the trends described as an opportunity to achieve higher revenues for us and our customers The low home ownership rate in Germany in relation to the number of households continues to provide great potential for the residential property resales we offer, both from our own stock as well as a service on behalf of third parties.

The Residential Real Estate Market in Europe: The European residential property market is currently cultivated for investments by the Euro City Residential Fund I (ECRF I). The focus is on Scandinavia, with investments so far having been made in Denmark, Sweden and Finland.

Finland

In Finland the continuing high demand for owner-occupied apartments coupled with favorable financing conditions for private individuals is maintaining purchase prices at a high level. The continuing high demand from institutional investors in the residential sector is also ensuring stable prices. The supply of property assets is very restricted owing to constant increases in rent. Project developments are sold either on the owner-occupied residential property market or to local institutional investors, who acquire the assets at a significantly lower rental yield compared with the German market. No noticeable increase in the supply is currently anticipated.

Norway

In Norway the demand for residential space is currently resulting in individual instances of revived new construction activity, primarily in the owner-occupied apartment market. Prices are stable at a high level and with a low rental yield. The supply of recently built properties is tight owing to the lack of sufficient construction activity in the past. High increases in rent over the last three years mean that hardly any property assets are being offered.

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Denmark

In Denmark the last few months saw increased demand from Danish and foreign institutional investors for high-quality residential real estate, especially in Copenhagen and Aarhus. At the same time stabilization in prices could be observed, in particular for new construction projects in good locations. The supply of residential real estate in good condition and excellent locations is low due to the cautious construction activity of recent years. An increasing shortage of supply must therefore be expected as a result of increasing demand, especially from Sweden. For this reason investors are increasingly turning their attention back to project developments.

Sweden

Apart from a few portfolio transactions, Sweden experienced a very low level of transaction activities on the residential real estate market in recent months. This was due among other things to a significant restriction on lending by financial institutions. Price growth was accordingly very subdued and in a number of less attractive locations prices even declined. There continues to be a very low supply of high-quality new construction projects as these properties are sold mainly to purchasers of owner-occupied accommodation. Older property assets are frequently offered in a portfolio. These are above all properties in secondary and middle-market locations.

Nordics: High demand meets moderate supply

In conclusion, it can be said that the Nordic markets feature a moderate supply and at the same time high demand with stable to rising prices which could impact the acquisition of real estate – also with regard to exchange rate risk and yield expectations. This applies above all to large-volume transactions. Nevertheless, PATRIZIA's market position, especially as a result of the establishment of PATRIZIA Nordics, provides opportunities not only to invest subscribed fund capital within a short period but also to gain further local mandates for asset management.

The Commercial Real Estate Market in Germany and Europe: The transaction market for commercial real estate intensified over the course of the year and in total equaled the level of 2011. Besides Germany, investor demand in western and northern Europe was concentrated in France, the United Kingdom, Norway and Sweden, with substantial revenue growth being achieved in Germany and Norway, in particular. This reflects the position of the majority of investors, who prefer economically safe regions. Prices came under pressure once more as a result of the high demand. Net rental yields for core properties in top locations are now significantly below 5% (for retailing and office properties). The excess demand in top locations is shifting increasingly to prospering B cities, where prices are also increasing. In the second half of the year, less risk-averse investors returned to opportunity markets. Initial net yields for very good properties and locations in these markets are likely to have reached their highest level and are still 150 to 300 basis points above those of the core markets.

PATRIZIA GewerbeInvest KAG operates in the European commercial real estate market. It benefits from the fact that it handles diversified modular funds and various individual funds and is able to access a varied supply of suitable properties. Completely different purchasing profiles make up for possible bottlenecks in individual classes of property. We assume that we will be able to invest investor equity within the specified period and that we will not have to lower our sights with regard to properties or prices. Here we benefit from the fact that properties held in special funds have to be backed by at least 50% equity and that borrowing in this constellation can be obtained easily and on favorable terms. In general, a lower level of investment activity should not be assumed for 2013. We currently estimate the risk of having to reduce planned dividends to investors as very low. In fact, we see an opportunity to gain new customers as a result of the funds' performance and the reputation of PATRIZIA GewerbeInvest KAG as a serious partner and to realize the planned establishment of new funds and the expansion of existing fund products within a short period.

Competitive Situation: In view of the anticipated high demand for indirect investments, we consider it very probable that further new special real estate funds will be launched in the near future. This could make it more difficult to make purchases for our own fund products and also to win new investors. Existing structures and processes enable PATRIZIA to leverage effects of scale when establishing new funds. Growing volumes of assets under management will increase recurrent income from management fees and contribute to stabilizing operating results.

We expect increased competition in the service sector relating to real estate for asset and property management services. The emergence of new providers could lower the prices for such services, or existing customers could be lost to competitors. We do not consider it probable that foreign service providers will expand into the German market in the current market climate. To strengthen its own competitive position, PATRIZIA Immobilienmanagement GmbH obtained certification according to ISO 9001:2000 in 2007. We do not expect any new competitors in the area of residential property resale. We regard the complexity and regulations that must be observed in residential property resale as a barrier to entry into the market.

Business and Operating Activities

Project-specific Risks: We consider it improbable that the market attractiveness of our properties could decline. We invest in maintenance and modernization on an ongoing basis to enhance rentability and salability. The optimization measures we carry out while holding the real estate increase its attractiveness and consequently also sales prices. As an asset and property manager, we are also responsible for managing and optimizing external properties for third parties. Inadequate maintenance and renovations, delays in construction, failure to meet deadlines or cost overruns – especially with new construction project developments – could lead to customer dissatisfaction or even a loss of orders and burden the Group’s earnings position. We assume a low probability of occurrence with negligible financial consequences for 2013.

Purchases and Sales of Real Estate: Successful purchases very much depend on the supply situation. Opportunities for PATRIZIA are presented in particular by larger properties where there is a demand for a speedy purchase and good market knowledge. In sales we benefit from the high quality and good locations of our properties. For further information, please refer to the presentation of the individual real estate markets under item 8.3, Market and Industry.

Further information on page 76 ff.

Customers and Business Partners: Partner risks are those arising from business relationships with customers and suppliers. Non-adherence to deadlines and/or inadequate quality of services pose risks that could make it more difficult, for example, to rent or sell property. A delay in construction would result in cost and sales risks, in particular for project development. Loss of rent and subsequent bad-debt losses could negatively impact PATRIZIA’s revenues and earnings as well. We limit defaults on payments by means of active receivables management. Impairments that exceed the ordinary extent are thus unlikely, particularly as the receivables are generally hedged to the customary extent by deposit payments. The risk of bad-debt losses is very low in real estate sales, as ownership only passes to the purchaser upon receipt of the purchase price. However, withdrawal from a purchase agreement would mean that the planned income could only be realized at a later time and that negative budget variances could arise in the short term.

Dissatisfaction on the part of the customer with the property-related services we provide could lead to a loss of customer trust, financial demands and even to the loss of the contract. As regards service contracts and co-investments, there is the risk that partner companies withdraw from the market or delay making investments in the volumes originally intended. The loss of business partners/investors or problems with acquiring new business could jeopardize income from fees and the financing and implementation of the respective joint projects.

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Extending co-investment and fund business activity increases PATRIZIA's dependence on institutional clients such as insurance companies and pension funds. This could put pressure on our margins. In order to reduce this risk we have adopted a broad-based sales strategy that also includes addressing foreign investors.

Employees: The skills and motivation of our employees are decisive factors in PATRIZIA's success as our business activities are increasingly becoming a so-called "people business". We count on employees who gain the trust of investors, tenants, business partners and shareholders as a result of their expertise and who establish long-term business relationships for the benefit of PATRIZIA. A risk of knowledge loss exists from staff fluctuations as well as from not recruiting sufficiently qualified specialists to fill vacancies in good time. In both cases, we would thus sacrifice competitive advantage on the market. We minimize the fluctuation risk by means of the qualified promotion of junior staff and implement focused employee-retention measures, primarily with respect to key positions. Our aim is to fill management positions wherever possible internally with our own staff.

IT Security: Almost all our essential business processes are based on IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions to operating activities and thus to unscheduled costs. A substantial loss of data could lead to considerable financial losses and also adversely affect tenants' and business partners' perception of the Company. Regular data backups are made in order to guarantee the reliability of IT operations. Furthermore, permanent monitoring and continuous optimization are undertaken to prevent outages. The technologies deployed are constantly enhanced. In order to limit risks we invest considerable amounts in hardware and software. These and other preventive measures are intended to ensure that the probability of system failure occurring is extremely low. However, the potential magnitude of damage would be considerable. In order to ensure data security, restricted access rights are defined for each individual user, and this is coupled with a cyclical password change. Regular emergency exercises, also extending to our outsourcing partners, are designed to ensure that processes run as smoothly as possible in the event of disaster recovery. We have also put a mirrored ERP (enterprise resource planning) system into operation. In combination with virtualized storage and server systems, this will ensure a significant reduction in downtime for central business processes.

Financial Risks

We currently see no risks from external borrowing

Financing Risks: We consider the risk that external capital may not be available to PATRIZIA at all times to the necessary extent or only at financially unattractive conditions to be extremely low. On the one hand, because we will only undertake direct real estate investments on our own in exceptional cases and on the other hand, because the current level of interest remains at an historic low level. However, PATRIZIA performs external capital procurement for co-investments and funds as a service. The equity required for new financing for individual properties is currently around 30% for our co-investments, and funds must by law finance 50% of their special funds from their own equity capital. The volume that is ideally provided by a bank for new financing is between EUR 15 million and EUR 30 million. There are no major loans that need to be extended in 2013. The loans expiring in 2014 will be repaid to maturity largely through sales. Extensions of financing are not critical for us, we actually benefit from lower interest rates for unsecured loans. By concluding co-investments rather than entering into 100% own investments financing becomes less important for our own book.

At present, a credit check in the sense of a rating by an external rating agency does not exist with regard to PATRIZIA on account of the associated costs. The banks that provide us with finance all prepare internal credit rating reports.

Interest rate hedges expire in January and June 2014.

Interest Risks: We have entered into interest rate hedges for our bank liabilities, most of which expire as of January 31, 2014, and by the latest as of June 30, 2014. Most of our interest hedge agreements were concluded at the end of 2006/beginning of 2007 in parallel to our conclusion of larger financing volumes. The acquisition interest rate hedged averaged 4.00% p. a. at the end of 2012. The revised market valuation of interest rate hedges as of the reporting date can have a considerable influence on net profit in accordance with IFRS in the event of major interest rate fluctuations, even if these effects do not constitute income or expenses that impact liquidity. Increasing interest rates would have a positive effect on earnings owing to the valuation of the derivative instruments, and on the balance sheet the result of valuation from cash flow hedges would have a positive effect on equity. Derivative financial instruments are not used for the purpose of trading or speculation.

Our continuous planning takes account of all changes in financing costs. Based on the current volume of non-capped rate loans amounting to EUR 81 million (16% of all bank liabilities), we continue to assess the potential extent of financial loss as minor. Furthermore, liabilities to banks will be largely redeemed by 2015/2016 as a result of selling our entire real estate portfolio.

Credit Terms: Some of PATRIZIA's bank loans contain loan clauses. We currently do not see any risk of PATRIZIA breaching the underlying covenants. Loans are always concluded at the level of the special purpose property company. The covenants generally relate to the rental basis, whereby interest expenses for each property are being covered by rental income.

Internal financing power and debt retirement capability are ensured

Liquidity Situation: We regard the likelihood and effect of the risk of a liquidity bottleneck as very low. As of December 31, 2012, bank balances and cash posted amounting to EUR 38.1 million were available to PATRIZIA in order to cover its refinancing and operating liquidity requirements. PATRIZIA optimizes and manages liquidity by means of cash pooling. Early-warning indicators and comprehensive continuous planning also serve to prevent risks and to ensure that an unexpected liquidity requirement can be serviced.

Currency risks can only occur with increasing expansion outside of the eurozone

Fluctuations in Foreign Exchange Rates: All major subsidiaries and property development companies are located within the European Monetary Union so that no foreign-exchange risks exist in this regard. Exceptions are our two foreign locations in Sweden and Denmark, which manage Scandinavian investments in our funds and generate asset management fees. Both our asset management companies maintain properties outside of the eurozone, but these are components of the special funds.

Legal and Political Risks

Legal Risks: At present, there are no major legal disputes and/or claims for compensation.

In future the European investment industry will be more closely regulated as a result of the EU-wide AIFM Directive

Changes to Legislation and Regulatory Requirements: At EU level, the European Parliament has passed the Alternative Investment Fund Manager Directive (AIFMD) affecting managers of alternative investment funds. The directive must be translated into national legislation by July 22, 2013, but no final details of the national decision are available yet. It is conceivable that regulations will be more extensive in Germany as well. The intention is to replace the currently applicable Investmentgesetz (Investment Law – InvG) with a Kapitalanlagegesetzbuch (Capital Investment Code – KAGB). The aim of the AIFMD is to subject the managers of alternative investment funds to regulatory requirements that were previously not regulated at EU level. Asset management companies will also have to meet requirements that go beyond those arising from the InvG. In preparation of the law implementing the AIFMD taking effect, PATRIZIA has formed a project team and is seeking advice from an auditing company which will provide support for the entire duration of the project. We are aiming to achieve full and timely compliance with the AIFMD for the PATRIZIA Group taking into account our European growth strategy since all companies and units that launch, manage or sell fund-based products must meet the new legal requirements. Affected companies within the PATRIZIA Group, besides the two asset management companies, include PATRIZIA

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Alternative Investments, PATRIZIA Investmentmanagement and PATRIZIA subsidiaries abroad. The higher regulatory and administrative requirements will be associated with higher costs for PATRIZIA that will have a one-off as well as a repeat effect on our earnings and financial situation and can impact the margins we achieved in the past. We do not see any risk of PATRIZIA being refused an AIFM license.

8.4 OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

Risk management at PATRIZIA is a continuous process which identifies changes in risk and defines appropriate countermeasures. In 2012, as in previous years, PATRIZIA examined the evaluation categories for the potential magnitude of damage of all known risks and, where necessary, increased or reduced them. The risk management system illustrated here enables PATRIZIA to counteract the specified risks and to exploit the opportunities that present themselves. Considering all relevant individual risks and a possible cumulative effect, PATRIZIA's overall risk is limited at present. No significant risks to the future development and continued existence of the Company and the Group have been identified based on our current knowledge and medium-term planning. On the whole, imponderable factors have decreased in our line of business.

The operating result once more improved in 2012. More than half of income now comes from the transparently calculable service business. Further repayments on loans were made and the equity ratio, at 35.4%, has reached a comfortable size that will continue to increase over the coming years. Since our changed business model has taken shape in reality, we are convinced that our risk profile compared with the previous year has once more shrunk considerably and will continue to do so in the next few years.

9 SUPPLEMENTARY REPORT

Own Investments
At the end of 2012 and the start of 2013 notarial deeds were signed for a total of 134 block-sale units in Munich. The selling price of EUR 35.9 million is expected to be recognized in profit/loss in the first quarter of 2013. For the second quarter of 2013 we are expecting sales revenues of EUR 2.4 million from the sale of a residential building with 10 units, also in Munich. At the end of the year we anticipate the transfer of ownership, usage and encumbrances for a further block sale in Munich totaling EUR 2.6 million.

Funds
For the first time, PATRIZIA GewerbeInvest KAG succeeded in attracting investors for a value-add mandate in which it is responsible for selecting the real estate and for asset and fund management. The first properties will be purchased in 2013.

Asset Management
PATRIZIA Nordics has been awarded an asset management contract totaling EUR 175 million with effect from January 1, 2013. The contract covers ten commercial properties in Sweden, Finland and Denmark. The client is the commercial property fund “Ei Invest European Retail”, which is listed on the Copenhagen stock exchange. The fund was launched by the Ei Group, which acts as the majority shareholder of Danish pension and life insurance funds.

10 REPORT ON EXPECTED DEVELOPMENTS

10.1 FUTURE ECONOMIC FRAMEWORK

Macroeconomic Development: The announcement by the ECB that it would where necessary purchase unlimited government bonds of the peripheral countries helped lessen the financial markets’ fears over the sovereign debt crisis because it considerably reduced the risk of a break-up of the currency union. However, the sovereign debt crisis is not yet over and the resulting uncertainty continues to burden the economic outlook. At present, growth of around 0.5% can be expected for Germany in the current year, underscoring its role as Europe’s growth driver since economic performance in the Eurozone as a whole is expected to largely stagnate. As a result, the German job market and domestic consumption are likely to retain their positive momentum in 2013, albeit in weakened form.

In the summer of last year, the persisting liquidity problems within the banking system and the continuing sovereign debt crisis within the Eurozone prompted the ECB to cut interest rates by a further 25 base points. Although a further cut in interest rates during the year would currently appear unlikely, growing uncertainty on the capital markets would not rule out the ECB reducing the refinancing rate still further. In particular, this would be likely to further favor private property financing in Germany.

General Business Development: In future, the European investment industry will be more strictly regulated by the EU-wide AIFM Directive. Its transposition into German law with the entry into force of the Kapitalanlagegesetzbuch (Capital Investment Code) expected on July 2013 will also have implications for PATRIZIA, including with regard to its organizational structure. The required adjustments to the Group’s structure will be given broad consideration in the new segmentation structure for 2013. The new, more exacting requirements also concern processes such as reporting, risk management and sales. PATRIZIA’s business model is not affected by the AIFM

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Directive. For further information, please refer to item 8.3 of the Opportunity and Risk Report (here: legal and political risks).

Further information on page 81

Future Situation in the German Real Estate Market: The residential property market shows highly divergent developments as a result of Germany's federal structure and the continuing internal migration to economically strong conurbations: There is an increasing lack of residential property in the economically strong conurbations due to the level of building activity still lagging behind demand, while it can be said that the more rural regions suffer from an over-supply. Continuing rent and price increases can therefore be expected in these urban areas in 2013 and subsequent years. This effect is aggravated by a requirement for new high-quality buildings resulting from the no longer up-to-date housing stock in many towns and cities. Overall, it can be expected that these regions will from time to time experience significant rent and price increases – both for new housing construction and also for existing properties. Such increases may be in line with or above the expected inflation rate of around 2%.

Continuing rent and price increases can be expected in the economically strong conurbations in 2013 and subsequent years

With the economy achieving only low levels of growth, German commercial real estate markets are also expected to lose momentum in 2013. If anything, top rents are expected to show only a small increase and any such increase is currently expected to be less than the rate of inflation in most cases. On the other hand, largely sound fundamental data mean that a fall in top rents is currently unlikely.

Loss of momentum on German commercial real estate markets

Future Situation in the European Real Estate Market: We have outlined the situation concerning offers and prices in the European real estate markets of relevance for PATRIZIA in the Opportunity and Risk Report under item 8.3. We anticipate that the statements made there for 2013 remain valid and that the market will not alter greatly.

Further information on page 76 f.

10.2 STRATEGIC DIRECTION

Leading – fully integrated – in all real-estate asset classes – in Germany and in Europe. That is our vision. We have been focusing on expanding fund and asset management for some years already and are increasingly reaping the rewards of previous investments. We are now increasingly generating calculable income on an annually recurring basis. We are becoming less dependent on fluctuations in demand within property trading, whether throughout the year or on a cyclical basis. The equity available to us via co-investments allows us to effect a much larger volume of investments than was previously possible with own investments. We aim to have sold all of PATRIZIA's remaining own real estate portfolio of around 6,000 apartments within three to five years, allowing us to then operate as an investment manager and co-investor. Own investments will remain an option in exceptional cases.

Our aim for the coming years remains growing our assets under management to at least EUR 10 billion by 2015. For 2013 and subsequent years we anticipate an increase of at least EUR 1 billion per year. This does not include the transaction of the Tamar Capital Group with assets under management of EUR 700 million.

By the end of 2015 we aim to be the leading fully integrated real estate investment company in Europe, managing real estate assets of at least EUR 10 billion

The redefined business model has been positively received by most market participants. We are now only occasionally perceived solely as a supplier of residential real estate and services. The commercial real estate sector has proven itself as a second main pillar and is solidly anchored at PATRIZIA. As well as covering different sectors, we have also diversified in geographic terms. With its existing international platforms, the Tamar Capital Group will enable rapid implementation of our European strategy.

Institutional investors appreciate services covering all aspects of real estate business from a single source

Institutional investors appreciate PATRIZIA's portfolio of services: Purchasing and selling, property, fund and asset management from a single source and also a clear commitment as a co-investor are all arguments in favor of choosing PATRIZIA as an investment platform. Our broad portfolio of different investment products meets almost all requirements and offers tailor-made solutions.

Financial Reporting in 2013

PATRIZIA's European expansion combined with the expected requirements associated with the transposition of the AIFM Directive into German law has prompted the Managing Board of PATRIZIA Immobilien AG to review the current Group structure. In its capacity as investor or co-investor, PATRIZIA firstly has capital of its own invested in real estate. Secondly, we provide all services relating to real estate and cover the entire value creation chain – for both residential and also commercial real estate, in Germany and in Europe. From now on, the reporting units will primarily be based on whether PATRIZIA acts as investor or as service provider. Consequently, the two new segments will be referred to as "Investments" and "Services". In a second step, the segments will be broken down according to PATRIZIA's stake – in other words based on the proportion, from 0 to 100%, of PATRIZIA's own capital invested. Own investments will be differentiated from co-investments and business with external third parties. For each of these business areas, a differentiation can also be made at country level and also based on the asset classes of residential and commercial. The segment known as Corporate/Consolidation will remain, and will include consolidation effects and PATRIZIA Immobilien AG.

New segment reporting from the second quarter of 2013: In future, the Group will be classified according to the functional segments Investments and Services

With the exception of the asset management companies[1], the operating subsidiaries that are headquartered in Germany will be merged into PATRIZIA Deutschland GmbH. Alongside this, PATRIZIA's foreign companies will remain independent entities. The segmentation of the corporate divisions will be based on the changed internal reporting lines. This means that financial reporting must also reflect the changes. Following conversion to the new Group structure, which should be completed by the middle of 2013, we will change our financial reporting in line with the new segments accordingly; this is expected to occur in the second quarter.

[1] In German, the term Kapitalanlagegesellschaften is currently used to refer to asset management companies. However, following implementation of the AIFM Directive in Germany, such companies will in future be known under the legal form of Kapitalverwaltungsgesellschaften.

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10.3 EXPECTED DEVELOPMENT OF THE EARNINGS SITUATION AND ASSUMPTIONS CONCERNING ACHIEVEMENT OF TARGETS IN 2013

The starting point and thus minimum level for realized operating result for 2013 is provided by the past fiscal year's result operating of EUR 43.9 million. It is likely that the degree to which we are able to exceed this figure will be determined in spring 2013. We will therefore specify a quantitative forecast with our reporting for the first quarter of 2013. Notwithstanding the actual figure decided upon, at least two-thirds of the result should come from services.

In the medium term, we aim to increase our current return on equity (based on realized operating result) of currently 13% to 15%.

The Group in General

- Staff costs within the Group will rise in 2013 since employees that we recruited in the course of last year will affect the entire year for the first time. For the current fiscal year we expect an increase in staff numbers due to the increase in assets under management: As we establish new funds and co-investments and/or expand existing business, we will create new jobs in the service segment. Overall we anticipate staff costs of EUR 58 million for 2013.
- The cost of materials will primarily include new construction costs for PATRIZIA's own project developments in Frankfurt, Cologne and Hamburg and also expenses for renovating and maintaining own stock. We expect expenses to amount to over EUR 75 million, most of which can be capitalized.
- Other operating expenses for 2013 are expected to be roughly on a par with the previous year. PATRIZIA GewerbeInvest KAG's continuous remuneration for the label funds will represent a major item. For the first time, the higher expenses associated with the organization's expansion will be reflected in the result for the whole year; the costs of integrating the Tamar Capital Group will have an additional negative impact on the result.

Co-investments

- The income from asset management of the SÜDEWO portfolio amounts to EUR 7.2 million per year. For 2013 we are expecting a first performance-linked bonus in addition to the payout on the invested capital.
- We are still looking for privatization properties and property assets for our co-investment WohnModul I. With regard to project development, we are now only considering acquisition opportunities.

Funds

- Institutional investors continue to show high levels of interest in special real-estate funds and this is expected to increase in future. For example, PATRIZIA GewerbeInvest KAG has increased its customer base by 30% since being taken over in 2011. One in every ten German savings banks now holds investments with it. According to our planning, we will this year invest almost EUR 1 billion for our investors via our funds. We are optimistic that we will attract fresh capital in addition to the current existing equity commitments of EUR 1 billion. In addition to the purchasing fee and the customary fund management fee, the asset management companies are now also generating sales fees through first portfolio streamlining measures.

10.4 EXPECTED DEVELOPMENT OF THE FINANCIAL SITUATION

Several loans totaling EUR 53 million are due for extension in 2013; these will be secured without any difficulties within the normal course of business. A large part of the proceeds from disposals are used for repayment, with the result that our current bank liabilities of EUR 521 million will be reduced to EUR 350 million by the end of 2013. We should be almost debt-free by the end of 2015 when PATRIZIA's portfolio has been almost entirely sold. Consequently, the new target corridor for our equity ratio is 80% or more by the end of 2015. As at December 31, 2012 it was 35.4%, which was higher than the previous target of 30%.

10.5 DIVIDEND POLICY

"Bonus shares" in a ratio of 10:1 in lieu of a cash dividend for fiscal year 2012

The Managing Board and the Supervisory Board of PATRIZIA Immobilien AG propose that the unappropriated profit for the past 2012 fiscal year amounting to EUR 64.4 million should be fully carried forward to the new account and that again new shares should be issued to shareholders in a ratio of 10:1 in lieu of a cash dividend. The shareholders are once again not required to make any contribution. In the previous year PATRIZIA received major support for its issue of bonus shares: Any possible diluting effect was more than offset by the favorable share price performance. For 2013 we also expect that the resulting diluting effect will be only brief due to PATRIZIA's anticipated favorable economic performance. The liquidity of the share has improved since October 2012 with considerably increased trading volumes. We again plan to use the retained liquid assets for investing in co-investments, thus accelerating sustainable growth for PATRIZIA. A share dividend is also conceivable for the current year. At the same time we are categorically ruling out any cash capital increase to finance new investments for the next two years.

If the Annual General Meeting of PATRIZIA Immobilien AG to be held on June 12, 2013, agrees to the measure, the capital increase will be carried out by issuing 5,734,300 new registered no-par value shares. This measure will not affect the amount of equity since it simply involves a transfer from capital reserves to subscribed capital. The share capital will increase from a current total of EUR 57,343,000 to EUR 63,077,300, divided into 63,077,300 registered no-par value shares. The new shares carry dividend rights from the beginning of the 2013 fiscal year.

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10.6 GENERAL STATEMENT BY THE COMPANY'S MANAGEMENT ON PROSPECTS FOR 2013 AND 2014

Growth remains at the very top of our agenda. Our growth strategy centers on expansion of our European business and on establishing PATRIZIA as an investment platform, and also on improving operational processes and increasing the organization's efficiency; this should be reflected in an increased return on equity. In particular, we expect positive effects from additional co-investments, some of which will be large in volume. In 2013 we will build on the previous year's pleasing result of EUR 43.9 million and substantiate the target figure when we publish our consolidated financial statements for the first quarter of 2013 on May 7. By then, decisions should have been taken on several projects that are currently underway, allowing us definitively to assess their impact on the operating result. We also anticipate continued stable earnings growth for 2014.

The forecast for 2013 will be specified with the consolidated financial statements for the first quarter of 2013

The outlook for 2013 and subsequent years includes all the events that were known at the time the consolidated financial statements were prepared and that could influence the business performance of PATRIZIA.

Augsburg, March 11, 2013

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

This report contains specific forward-looking statements that relate in particular to the business development of PATRIZIA and the general economic and regulatory environment and other factors to which PATRIZIA is exposed. These forward-looking statements are based on current estimates and assumptions by the Company made in good faith, and are subject to various risks and uncertainties that could render a forward-looking estimate or statement inaccurate or cause actual results to differ from the results currently expected.