

REAL **TRUST** – REAL **PERFORMANCE**

H1 2018 | Half-year Financial Report

KEY FIGURES

Revenues and earnings

EUR k	H1 2018	H1 2017	Change
Revenues	160,105	105,903	51.2%
Total operating performance	147,568	110,106	34.0%
EBITDA	69,015	37,012	86.5%
EBIT	64,537	34,243	88.5%
EBT	63,454	31,090	104.1%
Operating income ¹	72,520	35,110	106.6%
Net profit for the period	50,172	24,346	106.1%

Structure of assets and capital

EUR k	30.06.2018	31.12.2017	Change
Non-current assets	973,812	275,900	253.0%
Current assets	824,168	976,494	-15.6%
Equity (excl. non-controlling interests)	1,128,279	754,701	49.5%
Equity ratio (excl. non-controlling interests)	62.8%	60.3%	2.5 PP
Non-current liabilities	426,750	325,671	31.0%
Current liabilities	242,748	170,331	42.5%
Total assets	1,797,980	1,252,394	43.6%

Shares

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	PAT
Issued shares as at 30.06.2018	92,351,476 shares
Outstanding shares as at 30.06.2018 ²	90,917,438 shares
First half 2018 high ³	EUR 21.10
First half 2018 low ³	EUR 16.06
Closing price as at 30.06.2018 ³	EUR 16.51
Share price performance (first half 2018) ³	-14.6%
Market capitalisation as at 30.06.2018	EUR 1.5bn
Average trading volume per day (first half 2018) ⁴	126,000 shares
Indices	SDAX, DIMAX

¹ Please see page 7 for the definition of operating income

² Reduced number of shares compared to the issued shares due to share buybacks in 2017

³ Closing price on Xetra-trading

⁴ All German stock exchanges

PP = Percentage points



CONTENTS

INTERIM GROUP MANAGEMENT REPORT	4
4 Economic Report	
4 Business Performance	
10 Business Model	
12 Economic Situation	
29 Development of Risks and Opportunities	
29 Forecast	
CONSOLIDATED INTERIM FINANCIAL STATEMENTS	32
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS	40
FINANCIAL CALENDAR AND CONTACT DETAILS	71

Interim Group Management Report

as at 30 June 2018 (first half 2018)

1 Economic Report

1.1 Business Performance

The first half of 2018 was again very successful for PATRIZIA Immobilien AG. The first-time consolidation of the TRIUVA (1 January 2018) and Rockspring (31 March 2018) acquisitions, in addition to continued organic growth, allowed the company's key financial performance indicators – assets under management and operating income – to improve significantly year-on-year. Thanks to the growth in assets under management, the largely recurring management fees increased by 80.1% year-on-year. Accordingly, TRIUVA contributed to the figures as at 30 June 2018 for six months and Rockspring for three months.

CHANGE IN EQUITY – IFRS 9

As a result of the first-time application of IFRS 9 in particular (fair value approach to equity investments and claims to performance fees), PATRIZIA Immobilien AG's equity increased by EUR 0.4bn as against 31 December 2017 to EUR 1.1bn as at 30 June 2018.

TREASURY SHARES

The issued capital of the company amounts to EUR 90,917,438 as at the end of the reporting period (31 December 2017: EUR 89,555,059) and is divided into 90,917,438 (31 December 2017: EUR 89,555,059) no-par-value registered shares. The increase in share capital results from the sale of 1,362,379 treasury shares as part of the consideration in connection with the acquisition of Rockspring in the first half of 2018. The number of treasury shares that are still deducted from issued capital therefore declined to 1,434,038 as at 30 June 2018.

DIVIDEND

By a large majority, the company's Annual General Meeting on 20 June 2018 approved the management's proposal to distribute a dividend for the first time since 2007. The dividend of EUR 0.25 per entitled share will be paid out in the third quarter of 2018 either in cash or in the form of shares in PATRIZIA Immobilien AG as a stock dividend.

INCREASE IN EARNINGS GUIDANCE 2018

For the full year 2018, PATRIZIA is still assuming organic growth in net assets under management of between EUR 2.0bn and EUR 3.0bn. Taking into account the TRIUVA and Rockspring acquisitions, the company thus expects its assets under management to increase to just over EUR 40.0bn by the end of 2018.

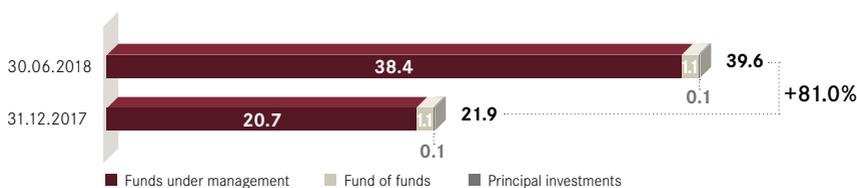
As the cost efficiency measures related to the acquisitions of SPI, TRIUVA and Rockspring took effect faster than anticipated during the first half of 2018, PATRIZIA is raising its earnings guidance for the 2018 financial year. The company expects net operating expenses (operating costs) in a range of EUR 200.0–210.0m compared to the previous range of EUR 210.0–230.0m. The guidance for operating income rises accordingly to EUR 100.0–110.0m compared to the original guidance of EUR 85.0–100.0m.

EXPECTED COST SYNERGIES 2019

Overall, PATRIZIA compared to its original cost guidance for 2018, anticipates annual cost synergies from the integration of SPI, TRIUVA and Rockspring in the region of EUR 22m which, all else being equal, should show full effect from the 2019 business year onwards. To realise the above cost synergies, the company expects restructuring costs in the region of EUR 30m likely to be booked during the second half of 2018 with no effect on operating income.

DEVELOPMENT OF FINANCIAL PERFORMANCE INDICATORS IN THE FIRST SIX MONTHS OF 2018

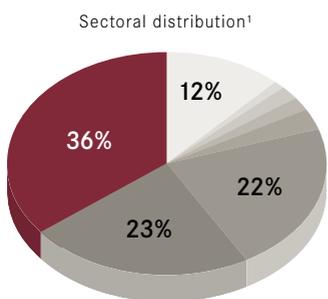
Assets under management (EUR bn)



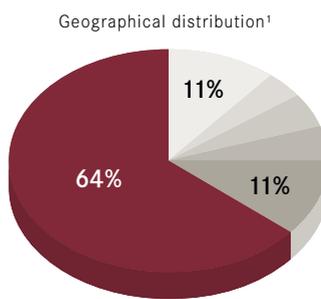
PATRIZIA had property assets under management of EUR 39.6bn as at 30 June 2018, as against EUR 21.9bn at the end of 2017. EUR 25.2bn of this related to Germany and EUR 14.4bn to other countries. In total, assets under management were up by EUR 17.7bn or 81.0% in the reporting period. Much of this increase relates to the first-time consolidation of TRIUVA and Rockspring, which caused property assets under management to rise by EUR 17.2bn in the first quarter of 2018. Assets under management also grew organically in the first half of 2018, even though there were more disposals than acquisitions. In particular, the addition of two other major asset

management mandates for an existing Asian institutional investor led to a further rise in assets under management. For 2018 as a whole, PATRIZIA is still forecasting organic growth in assets under management of between EUR 2.0bn and EUR 3.0bn. Taking into account the companies acquired, assets under management are expected to increase to just over EUR 40.0bn.

Assets under management – distribution as at 30 June 2018 in detail



- 36%** Office
- 23%** Retail
- 22%** Residential
- 3%** Logistics
- 2%** Hotel
- 2%** Care homes
- 1%** Light Industrial
- 12%** Other



- 64%** Germany
- 11%** United Kingdom & Ireland
- 5%** France & Belgium
- 5%** Nordics
- 4%** Netherlands
- 11%** Other

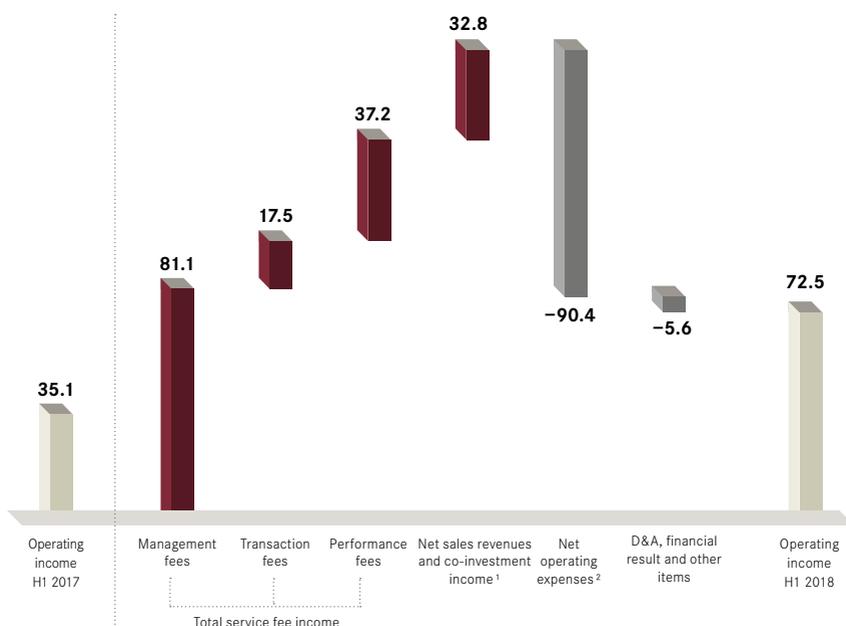
¹ From above counterclockwise

Operating income (EUR m)

Operating income more than doubled by 106.6% to EUR 72.5m in the first half of 2018 (H1 2017: EUR 35.1m). Management and performance fees rose significantly year-on-year, thereby more than compensating for the slight decline in transaction fees. Net income from disposals of principal investments and co-investments also increased sharply as against the first half of 2017, reflecting the strategically intended and profitable reduction of the remaining principal investments and the successful development of co-investment products. Net expense items were up year-on-year as a result of the first-time consolidation of TRIUVA and Rockspring, though they expanded at a slower rate than the corresponding income.

Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for the non-cash effects of the measurement of investment property and unrealised currency effects, amortisation of fund management contracts and reorganisation expenses. It includes changes in the value of investment property realised on disposal and realised currency effects.

Operating income – composition H1 2018 (EUR m)



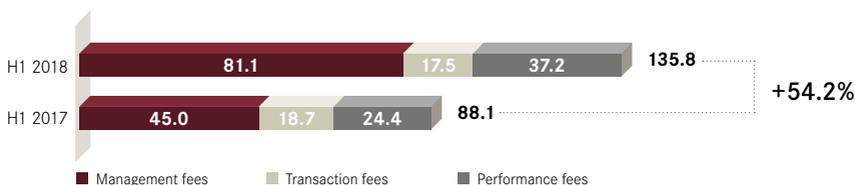
1 Including EUR 7.9m realised changes in value from the sale of investment property

2 Inter alia netted against other operating income of EUR 8.4m

A detailed reconciliation of the individual components of operating income to their respective line items, in particular within the consolidated income statement, can be found on pages 22 and 23 of this report.

Development of the parameters supporting the management of the company:

Total service fee income (EUR m)



Total fee income rocketed by 54.2% to EUR 135.8m in the first six months of 2018 (H1 2017: EUR 88.1m) due to the excellent investment performance and the first-time consolidation of TRIUVA and Rockspring. The individual components of this figure are explained in more detail below:

MANAGEMENT FEES

All services performed by PATRIZIA are compensated in the form of fees. Management fees comprise the company's remuneration for property-related services such as asset, fund and portfolio management and are mostly recurring in nature. Management fees of EUR 81.1m were received in the first half of 2018 (H1 2017: EUR 45.0m). The strong surge of 80.1% compared to the figure for the previous year essentially relates to additional management fees in line with the increase in assets under management as a result of the first-time consolidation of TRIUVA and Rockspring.

TRANSACTION FEES

PATRIZIA receives transaction fees for the processing of acquisition and disposal transactions. These fees amounted to EUR 17.5m in the first half of 2018 (H1 2017: EUR 18.7m; -6.2%). Acquisitions accounted for EUR 8.3m of this figure (H1 2017: EUR 13.4m; -38.0%) and disposals for EUR 9.2m (H1 2017: EUR 5.3m; +74.6%).

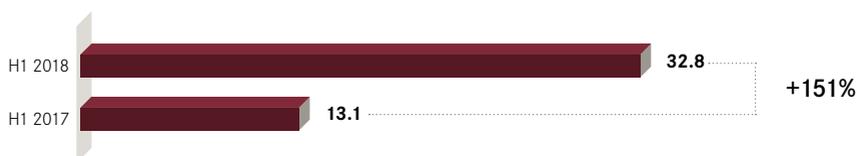
In particular, the combination of declining transaction fees and a sharp rise in transaction volumes (see page 9) in the first six months of 2018 is due to the discrepancies between when the fees are generated and when a transaction is included in the published transaction volume. While transaction fees are mostly generated as soon as the contract for a property acquisition or disposal is

signed (“signing”), the associated transaction volume is not included in the calculation of acquisitions / disposals and assets under management until the transaction is closed (“closing”) and in case of acquisitions management fees are generated. Other differences arise from deviations in the transaction fee structures of the companies acquired.

PERFORMANCE FEES

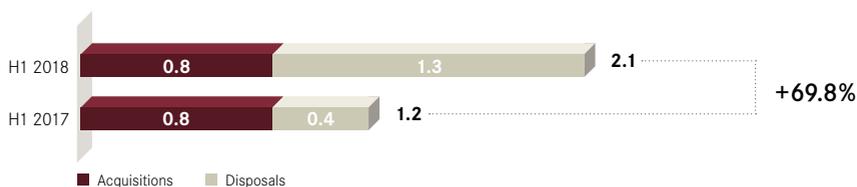
PATRIZIA receives performance-based compensation if defined target investment yields are met or exceeded. As many products performed very well in the first half of 2018, performance fees also increased significantly by 52.6% to EUR 37.2m (H1 2017: EUR 24.4m). In the consolidated income statement, these fees are reported partly as revenues (EUR 24.7m) and partly as income from participations (EUR 12.5m).

Net sales revenues and co-investment income (EUR m)



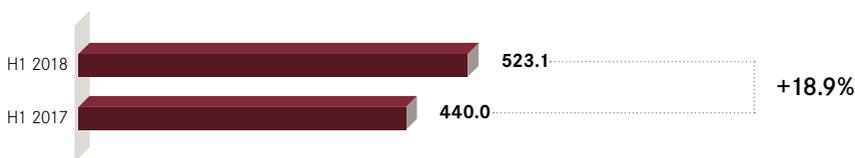
In the first half of 2018, PATRIZIA generated net sales revenues and co-investment income of EUR 32.8m after EUR 13.1m in the same period of the previous year. This solid result is mainly thanks to the successful development of co-investment products, which contributed EUR 12.1m to net income (H1 2017: EUR 5.3m). In addition, the strategic and profitable reduction of principal investments contributed EUR 11.4m to net income. Another EUR 7.9m (net, H1 2017: EUR 0.3m) arose from realised changes in the value of investment property (page 13).

Transaction volume (EUR bn)



The transaction volume consists of the realised property acquisitions and disposals. There were acquisitions of EUR 0.8bn and disposals of EUR 1.3bn in the first half of 2018. In total, the transaction volume increased by 69.8% year-on-year, above all as a result of the strong rise in disposals. However, the higher share of disposals did not automatically lead to a reduction in assets under management. In particular, the addition of two other major asset management mandates for an existing Asian institutional investor caused assets under management to rise in line with planning.

Equity raised (EUR bn)



In the first six months of 2018, equity of EUR 523.1m was raised from institutional and private investors for various national and international investments and invested accordingly, compared with EUR 440.0m in the same period of the previous year. The share of capital provided by private investors was at approximately 10%.

1.2 Business Model

PATRIZIA's core business is real estate investment management throughout Europe for institutional and private customers. PATRIZIA generates service fee income for the services it performs and investment income from its co-investments and principal investments. Accordingly, the company's activities can be broken down into the following three areas:

FUNDS UNDER MANAGEMENT

PATRIZIA generates stable, recurring service fee income for managing these assets as well as for acquisitions and disposals. Investment funds for private and institutional investors are placed and managed by the Group's own asset management platforms. PATRIZIA generates stable, recurring service fee income for managing these assets as well as for acquisitions and disposals. PATRIZIA also receives a performance fee if defined individual yield targets are exceeded.

Furthermore, funds under management business includes mandates in which PATRIZIA offers individual services from its extensive range (**individual mandates**).

Co-investments are also assigned to the funds under management category. Via co-investments, PATRIZIA participates together with institutional investors with own capital in real estate investments in the areas of value-add and opportunistic. In addition to committing to the customer and the transaction, PATRIZIA generates fees and additional investment income. Thus, PATRIZIA's shareholders have the chance to participate indirectly in the performance of an attractive property portfolio. Further details of co-investments and the capital invested can be found under "Capital allocation as at 30 June 2018" on page 26 of this half-year financial report. Please also see the comments from page 38 of the 2017 Annual Report of PATRIZIA Immobilien AG.

As at 30 June 2018, funds under management has property assets of EUR 38.4bn distributed across 126 vehicles. In addition, the investors have currently promised PATRIZIA further equity capital of approximately EUR 2.4bn for investment in the European real estate market.

FUND OF FUNDS

Following the acquisition of the global fund of funds company Sparinvest Property Investors (SPI) at the end of last year, our customers can be offered a new product line and new markets can be cultivated. As one of the world's leading investment manager for property fund of funds in the small and mid-cap segment, SPI is an attractive product addition for PATRIZIA's customers. Via a global network of partners, SPI invests in best-in-class property funds in Europe, Asia and the Americas. SPI currently manages four property fund of funds. The assets under management (invested equity) in these funds amount to EUR 1.1bn as at 30 June 2018.

PRINCIPAL INVESTMENTS

As an investment manager for institutional and private investors, PATRIZIA strives to avoid conflicts of interest with its own investments. Principal investments, i.e. transactions for the company's own account, are therefore only entered into as interim financing for mutual funds or as early-phase investments to be contributed to institutional funds at a later date. The company also has residual holdings of properties for resale. Principal investments amount to EUR 0.1bn as at 30 June 2018.

Further information on principal investments can be found on page 40 of the 2017 Annual Report of PATRIZIA Immobilien AG.

1.3 Economic Situation

FINANCIAL PERFORMANCE OF THE PATRIZIA GROUP

PATRIZIA again enjoyed considerable success for its institutional and private investors in the first half of 2018, especially on the European property markets. Its financial position and performance was consistently positive, thereby providing a strong foundation for the further implementation of its strategic objectives.

OPERATING INCOME

Operating income is the Group's key management parameter. It represents the total of all the operating items in the consolidated income statement, adjusted for the extraordinary or cash and non-cash effects presented below. In the first six months of 2018, PATRIZIA generated extremely strong operating income of EUR 72.5m, an increase of 106.6% compared to the figure for the same period of the previous year of EUR 35.1m. The following table shows the exact calculation and development of operating income:

Reconciliation of operating income – 6 months

EUR k	H1 2018	H1 2017	Change
EBITDA	69,015	37,012	86.5%
Amortisation of other intangible assets ¹ and software, depreciation of property, plant and equipment	-4,478	-2,769	61.7%
EBIT	64,537	34,243	88.5%
Financial income / expenses	-2,345	-1,309	79.1%
Result from currency translation	1,262	-1,844	-168.4%
EBT	63,454	31,090	104.1%
Change in the value of derivatives	-159	0	-
+ Amortisation of fund management contracts ¹	1,800	984	82.9%
Realised changes in value of investment property (net)	7,922	304	2,505.9%
Reorganisation expenses	1,243	915	35.8%
Expenses / income from unrealised currency translation	-1,738	1,817	-195.7%
Operating income	72,522	35,110	106.6%

1 In particular fund management agreements transferred as part of the acquisition of PATRIZIA Gewerbelinvest KVG mbH

The following section discusses the individual components of operating income in greater detail in the order in which they are reported in the consolidated income statement.

CONSOLIDATED INCOME STATEMENT**Revenues**

PATRIZIA achieved a significant year-on-year increase in revenues in the first six months of 2018, from EUR 105.9m to EUR 160.1m. Together with the stronger strategic focus on investment management services and the first-time consolidation of TRIUVA and Rockspring, there was growth in revenues from management services, which account for the majority of fee income. At the same time, rental revenues and revenues from ancillary costs declined in line with our strategy of reducing principal investments.

Revenues – 6 months

EUR k	H1 2018	H1 2017	Change
Revenues from management services	118,631	83,360	42.3%
Proceeds from the sale of principal investments	38,666	15,507	149.3%
Rental revenues	1,770	5,277	-66.5%
Revenues from ancillary costs	379	1,269	-70.1%
Other	659	490	34.5%
Revenues	160,105	105,903	51.2%

Revenues from management services rose again in the reporting period, by 42.3% year-on-year from EUR 83.4m to EUR 118.6m. However, revenues alone have only limited information value; certain profit and loss items below revenues must also be taken into account in order to fully assess the Group's performance.

Taking into account the income from the GBW GmbH co-investment, which is reported in income from participations, **total service fee income** amounted to EUR 135.8m, up 54.2% on the previous year's figure of EUR 88.1m. Management fees benefited the most from the integration of TRIUVA and Rockspring, rising by 80.1% to EUR 81.1m. At EUR 17.5m, transaction fees were slightly lower than in the previous year (-6.2%) while performance fees rose significantly to EUR 37.2m (+52.6%).

Reporting income from participations separately results in the following breakdown of total service fee income:

Reconciliation of total service fee income – 6 months

EUR m	H1 2018	H1 2017	Change
Management fees (excluding income from participations)	76.4	40.4	89.4%
Transaction fees	17.5	18.7	-6.2%
Performance fees (excluding income from participations)	24.7	24.4	1.5%
Revenues from management services	118.6	83.4	42.3%
Shareholder contribution for management services (in income from participations)	4.7	4.7	0.0%
Performance-related shareholder contribution (in income from participations)	12.5	0.0	-
Total service fee income	135.8	88.1	54.2%

Proceeds from the sale of principal investments amounted to EUR 38.7m in the first six months of 2018, a significant increase on the same period of the previous year (H1 2017: EUR 15.5m). These proceeds primarily relate to the profitable disposal of two vacant properties in Manchester (plots 9 and 10 in First Street) and ongoing privatisation activities in Germany. The reduction of principal investments is consistent with the stronger strategic focus on investment management services.

PATRIZIA generated **rental revenues** of EUR 1.8m in the period under review after EUR 5.3m in the first six months of 2017. The year-on-year decrease is mainly due to the strategic reduction of the number of principal investments as well as the transfer of only temporarily recognised real estate assets to closed-end mutual funds. These assets, respectively, only generate rental income for PATRIZIA for a limited period of time.

Revenues from ancillary costs relate to incidental rental costs and amounted to EUR 0.4m in the reporting period (H1 2017: EUR 1.3m).

Other essentially comprises transaction costs that are passed on to the corresponding investment vehicles. This item increased to EUR 0.7m in the first six months of 2018 as against EUR 0.5m in the same period of the previous year.

TOTAL OPERATING PERFORMANCE

Total operating performance reflects PATRIZIA's operating performance more comprehensively than revenues. Other relevant parameters, such as changes in inventories – which must be viewed in relation to sales proceeds from principal investments, among other things – are taken into account in total operating performance. PATRIZIA's total operating performance grew by 34.0% to EUR 147.6m in the first half of 2018 after EUR 110.1m in the same period of the previous year.

Reconciliation of total operating performance – 6 months

EUR k	H1 2018	H1 2017	Change
Revenues	160,105	105,903	51.2%
Income from the sale of investment property	591	227	160.4%
Changes in inventories	-21,703	-7,367	194.6%
Other operating income	8,396	11,343	-26.0%
Income from the deconsolidation of subsidiaries	179	0	-
Total operating performance	147,568	110,106	34.0%

INCOME FROM THE SALE OF INVESTMENT PROPERTY

PATRIZIA generated income of EUR 0.6m from the sale of investment property in the first six months of 2018 after EUR 0.2m in the same period of the previous year.

CHANGES IN INVENTORIES

Changes in inventories consist of the carrying amount of principal investments sold (-) and the capitalised cost of materials assigned to inventories (+). Changes in inventories of EUR -21.7m were reported in the first half of 2018, after EUR -7.4m in the first half of 2017. The significant growth as against the previous year is due to the higher sales volume from principal investments (see also page 15 of this report). The carrying amount of inventories decreased by EUR 23.8m as a result of property sales (H1 2017: EUR 11.7m). Inventories were increased by the capitalisation of EUR 2.1m (H1 2017: EUR 4.3m), primarily relating to construction and maintenance work on principal investments.

OTHER OPERATING INCOME

Other operating income fell to EUR 8.4m in the first six months of 2018 (H1 2017: EUR 11.3m) and essentially comprised income from discontinued obligations of EUR 6.6m.

INCOME FROM THE DECONSOLIDATION OF SUBSIDIARIES

This item results from the deconsolidation of property companies, in which such assets are temporarily held on the balance sheet, that are intended for placement in a mutual fund of PATRIZIA GrundInvest KVG.

EBITDA

Reconciliation of EBITDA – 6 months

EUR k	H1 2018	H1 2017	Change
Total operating performance	147,568	110,106	34.0%
Cost of materials	-6,930	-7,478	-7.3%
Cost of purchased services	-6,952	-6,249	11.2%
Staff costs	-56,921	-39,916	42.6%
Other operating expenses	-35,797	-28,517	25.5%
Income from participations	19,829	9,376	111.5%
Earnings from companies accounted for using the equity method	9,461	670	1,312.1%
Cost from the deconsolidation of subsidiaries	0	-65	-100.0%
EBITDAR	70,258	37,927	85.2%
Reorganisation expenses	-1,243	-915	35.8%
EBITDA	69,015	37,012	86.5%

COST OF MATERIALS

The cost of materials includes construction and maintenance work for principal investments that are typically capitalised and must be considered in conjunction with changes in inventories. The cost of materials declined by 7.3% year-on-year from EUR 7.5m to EUR 6.9m.

COST OF PURCHASED SERVICES

The cost of purchased services essentially comprises the purchase of fund management services for the white-label funds for which PATRIZIA Gewerbelnvest Kapitalverwaltungsgesellschaft mbH is the service asset management company. To improve the presentation of performance, from 2018 this item also includes transaction costs which are incurred to generate revenues and passed on (see also page 56). The cost of purchased services increased by 11.2% from EUR 6.2m in the first six months of 2017 to EUR 7.0m in the same period of 2018. Revenues from management services attributable to white-label funds fell by 8.7% to EUR 6.0m in the first six months of 2018, after EUR 6.6m in the same period of the previous year. Over the same period, the corresponding costs declined by 14.9% to EUR 4.5m (H1 2017: EUR 5.3m).

STAFF COSTS

PATRIZIA employed a total of 893 full-time equivalents as at 30 June 2018. The increase from 694 in the previous year (30 June 2017) is due to the acquisitions of TRIUVA, Rockspring and SPI. The larger workforce is reflected in staff costs as follows:

Staff costs – 6 months

EUR k	H1 2018	H1 2017	Change
Fixed salaries	35,684	23,408	52.4%
Variable salaries	11,839	9,171	29.1%
Social security contributions	7,210	4,550	58.5%
Sales commission	1,675	1,128	48.5%
Effect of long-term variable remuneration ¹	-806	374	-315.5%
Other	1,319	1,285	2.6%
Total	56,921	39,916	42.6%

¹ Change in value of long-term variable remuneration due to change in the company's share price

In total, staff costs increased by 42.6% to EUR 56.9m in the first six months of 2018 (H1 2017: EUR 39.9m). In light of the higher headcount, fixed salaries rose by 52.4% from EUR 23.4m to EUR 35.7m. Variable remuneration also increased to EUR 11.8m (H1 2017: EUR 9.2m, +29.1%). As a result of the higher level of sales activity in individual privatisation, sales commission rose from EUR 1.1m to EUR 1.7m. In line with the performance of PATRIZIA Immobilien AG's shares, the measurement of long-term variable remuneration resulted in income of EUR 0.8m in the reporting period after an expense of EUR 0.4m in the first six months of 2017. Other staff costs primarily include benefits in kind.

OTHER OPERATING EXPENSES

Other operating expenses amounted to EUR 35.8m in the first six months of the year, after EUR 28.5m in the same period of the previous year. This item breaks down as follows:

Other operating expenses – 6 months

EUR k	H1 2018	H1 2017	Change
Tax, legal, consulting and financial statement fees	8,467	10,515	-19.5%
IT costs, communication costs and cost of office supplies	6,134	3,616	69.6%
Rent, incidental and cleaning costs	5,253	3,622	45.0%
Vehicle and travel expenses	2,972	2,396	24.0%
Recruitment costs, training and costs for temporary staff	2,451	987	148.3%
Insurance premiums, fees and contributions	2,362	1,042	126.7%
Advertising costs	2,235	2,485	-10.1%
Commission and other sales costs	1,056	997	5.9%
Other taxes	1,000	499	100.4%
Costs of management services	242	577	-58.1%
Other expenses	3,625	1,782	103.4%
Total	35,797	28,518	25.5%

At EUR 8.5m (H1 2017: EUR 10.5m), the position tax, legal, consulting and financial statement fees includes follow-up transaction costs in connection with the TRIUVA and Rockspring business combinations in the amount of EUR 1.9m. At EUR 6.0m, transaction costs were significantly higher in the prior-year period and mainly comprised costs for uncompleted transactions (H1 2017: EUR 5.1m). There were no comparable costs in the first half of 2018.

The increases in most other items are essentially due to the firsttime consolidation of TRIUVA and Rockspring. Recruitment costs, training and costs for temporary staff (+148.3% year-on-year) also include an executive development program in support of the ongoing integration of SPI, TRIUVA and Rockspring.

INCOME FROM PARTICIPATIONS AND EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

PATRIZIA generated income from participations of EUR 19.8m in the first six months of 2018, an increase of 111.5% as against the prior-year figure of EUR 9.4m. Performance fees of EUR 12.5m were received for the GBW GmbH co-investment in the first six months of 2018. The Harald (EUR 0.7m) and Citruz (EUR 0.3m) co-investments, as well as the TRIUVA co-investments (EUR 0.1m) also contributed to higher income from participations. At EUR 9.5m, the WohnModul I SICAV-FIS co-investment, which is accounted for using the equity method, generated significantly higher income than in the same period of 2017 as a result of its very solid performance (H1 2017: EUR 0.7m). Income from participations and earnings from companies accounted for using the equity method represent the investment income from co-investments and, for GBW GmbH, management and performance fees as well.

Income from participations – 6 months

EUR k	H1 2018	2017	Change
GBW GmbH	18,667	6,317	195.5%
Harald portfolio	723	430	68.1%
Co-investments in the UK (Citruz)	333	174	91.4%
TRIUVA	100	0	-
Mutual fund business	6	0	-
PATRIZIA Projekt 150 GmbH	0	2,453	-100.0%
Other	0	2	-100.0%
Income from participations	19,829	9,376	111.5%
Earnings from companies accounted for using the equity method	9,461	670	1,312.1%
Total	29,290	10,046	191.6%

REORGANISATION EXPENSES

Reorganisation expenses amount to EUR 1.2m after the first six months of 2018 and already include the first additions to provisions as part of the integration of TRIUVA and Rockspring (H1 2017: EUR 0.9m, +35.8%).

NET PROFIT FOR THE PERIOD

In the first half of 2018, PATRIZIA generated a net profit of EUR 50.2m, more than double the amount for the same period of the previous year (H1 2017: EUR 24.3m).

Reconciliation of net profit for the period – 6 months

EUR k	H1 2018	H1 2017	Change
EBITDA	69,015	37,012	86.5%
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	-4,478	-2,769	61.7%
Earnings before interest and taxes (EBIT)	64,537	34,243	88.5%
Financial income	733	531	38.0%
Financial expenses	-3,078	-1,840	67.3%
Result from currency translation	1,262	-1,844	-168.4%
Net finance costs	-1,083	-3,153	-65.7%
Earnings before taxes (EBT)	63,454	31,090	104.1%
Income taxes	-13,282	-6,744	96.9%
Net profit for the period	50,172	24,346	106.1%

AMORTISATION OF OTHER INTANGIBLE ASSETS AND SOFTWARE, DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Amortisation of other intangible assets and software and depreciation of property, plant and equipment increased to EUR 4.5m in the first six months of 2018 (H1 2017: EUR 2.8m, +61.7%), and consists of amortisation of software and depreciation of operating and office equipment of EUR 2.7m (H1 2017: EUR 1.8m) and amortisation of fund management contracts and licenses of EUR 1.8m (H1 2017: EUR 1.0m).

NET FINANCE COSTS

Financial income increased to EUR 0.7m in the first six months of 2018, after EUR 0.5m in the same period of the previous year. Financial income was offset by financial expenses of EUR 3.1m (H1 2017: EUR 1.8m, +67.3%). The result from currency translation was EUR 1.3m (H1 2017: EUR -1.8m).

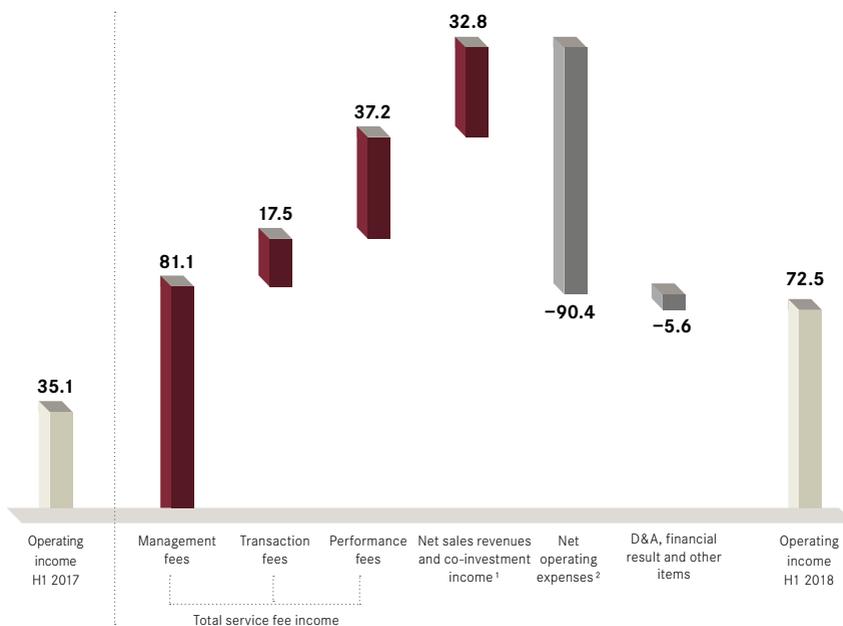
INCOME TAXES

In line with earnings before taxes (EBT), tax expenses increased significantly year-on-year to EUR 13.3m in the first half of 2018 (H1 2017: EUR 6.7m, +96.9%).

DETAILED RECONCILIATION OF KEY PERFORMANCE INDICATORS

The following section explains the reconciliation of the individual components of operating income to their respective line items, in particular within the consolidated income statement.

Operating income – composition H1 2018 (EUR m)



¹ Including EUR 7.9m realised changes in value from the sale of investment property

² Inter alia netted against other operating income of EUR 8.4m

The **management fees** of EUR 81.1m are predominantly derived from “Revenues from management services”, which includes EUR 76.4m in management fees (not including income from participations). In addition, there are management services provided as a shareholder contribution for the GBW portfolio in the amount of EUR 4.7m, which is included in “Income from participations” (see page 15).

Transaction fees of EUR 17.5m are also included in “Revenues from management services”, as shown in the overview of fee income on page 15.

Like management fees, **performance fees** of EUR 37.2m come partly from “Revenues from management services” and partly from “Income from participations”. The breakdown was as follows in the first half of 2018 (see also page 15): EUR 24.7m in performance fees (not including income from participations) and EUR 12.5m in performance-related shareholder contribution for the GBW portfolio, which is included in “Income from participations”.

These three fee streams add up to total service **fee income** of EUR 135.8m.

Net sales revenues and co-investment income of EUR 32.8m consists of the following items: “Sale proceeds from principal investments” of EUR 38.7m (page 14) plus “Changes in inventories” of EUR -21.7m (page 16) and “Costs of materials” of EUR -6.9m (page 17); also “Rental income” of EUR 1.8m and “Revenues from ancillary costs” of EUR 0.4m (page 14) and “Income from the sale of investment property” of EUR 0.6m (page 16). The net income from co-investments contributes a total of EUR 12.1m and results from “Earnings from companies accounted for using the equity method” of EUR 9.5m (page 17) and the remaining EUR 2.7m of “Income from participations” (page 20). Finally, “Realised changes in the value of investment property” (net) of EUR 7.9m were also included in the calculation (page 13).

The **net operating expenses** of EUR 90.4m include firstly staff costs of EUR 56.9m (page 17) and the following non-staff operating costs and other income items: “Other operating expenses” of EUR 35.8m and the “Cost of purchased services” of EUR 7.0m (page 17). Offsetting income items consist of “Other operating income” of EUR 8.4m, “Income from the deconsolidation of subsidiaries” of EUR 0.2m (page 16) and other revenues of EUR 0.7m (page 14).

The block “**Depreciation and amortisation, financial result and other items**” of EUR -5.6m consists of the following items: “Amortisation of other intangible assets and software, depreciation of property, plant and equipment” of EUR -2.8m (page 13, not including amortisation of fund management contracts of EUR 1.8m); plus “Financial income” of EUR 0.7m and “Financial expenses” of EUR -3.1m (page 21). The “Result from currency translation” is adjusted for the expense / income from unrealised currency translation (EUR -1.7m, page 13) and thus included in the calculation in the amount of EUR -0.4m (page 21). By contrast, reorganisation expenses of EUR 1.2m are entirely disregarded in this analysis (pages 17 and 20).

FINANCIAL POSITION OF THE PATRIZIA GROUP**PATRIZIA's key asset and financial data at a glance**

EUR k	30.06.2018	31.12.2017	Change
Total assets	1,797,980	1,252,394	43.6%
Equity (excl. non-controlling interests)	1,119,757	754,701	48.4%
Equity ratio	62.3%	60.3%	2.0 PP
+ Bank Loans	51,781	0	-
+ Bonded Loans	300,000	322,000	-6.8%
- Cash and cash equivalents	414,280	382,675	8.3%
- Term deposits	150,150	197,000	-23.8%
- Securities	4,000	5,000	-20.0%
= Net liquidity (-) / net debt (+)	-216,649	-262,675	-17.5%
Net equity ratio ¹	77.4%	81.1%	-3.7 PP

¹ Net equity ratio: Equity (excl. non-controlling interests) divided by total net assets (total assets less liabilities covered by cash in hand)

PP = Percentage points

TOTAL EQUITY AND LIABILITIES

The Group's total assets grew to EUR 1.8bn after EUR 1.3bn as at the end of 2017.

EQUITY

As a result of the first-time application of IFRS 9 (fair value approach to equity investments and claims to performance fees), equity increased by EUR 297.3m. Furthermore, 1,362,379 treasury shares were sold as part of the consideration in connection with the Rockspring acquisition, which drove up issued capital and capital reserves by EUR 25m in total. Overall, equity rose by 48.4% from EUR 0.8bn to EUR 1.1bn in the reporting period.

INVESTMENT PROPERTY AND INVENTORIES

PATRIZIA's property assets grew by 16.2% in the reporting period, from EUR 115.8m as at 31 December 2017 to EUR 134.5m as at 30 June 2018.

EUR k	30.06.2018	31.12.2017	Change
Inventories	128,059	99,791	28.3%
Investment property	6,417	15,979	-59.8%
Real estate assets	134,476	115,770	16.2%

EUR 128.1m of this is attributable to **inventories**. This item contains property only temporarily held for sale in the normal course of business or for subsequent contribution to a fund product for private investors. As at 30 June 2018, the portion of inventories attributable to the private customer business amounted to EUR 50.5m. The growth in inventories of 28.3% as against the end of 2017 is primarily due to the temporary consolidation of property companies, in which such assets are temporarily held on the balance sheet, that are intended for placement in a mutual fund of PATRIZIA GrundInvest KVG. Furthermore, EUR 6.4m relates to **investment property** originally purchased to be held to earn rentals in the longer term.

An overview of all PATRIZIA's participations, assets under management and invested capital can be found in the following table.

PATRIZIA's capital allocation as at 30 June 2018

EUR m	Assets under management	Invested capital (fair value)	Invested capital (at cost)	Participations in%
Third-party business	33,262.0			
Co-investments	6,312.2	478.0	180.5	
Residential	5,354.0	446.6	154.7	
GBW GmbH	4,128.2	127.6 ¹	52.2	5.1
GBW performance fee claims	-	216.5 ¹	-	-
WohnModul I SICAV-FIS	1,225.8	81.3	81.3	10.1
Harald	-	21.1	21.1	5.1
Other	-	0.1	0.1	0.0
Commercial Germany	955.4	29.6	24.0	
Alliance	205.0	5.3	5.3	5.1
Seneca	189.8	5.1 ¹	4.9	5.1
PATROffice	30.6	3.1	3.1	6.3
sono west	36.2	10.6	5.4	28.3
TRIUVA / IVG logistcs	332.8	3.5 ¹	3.4	2.1
TRIUVA / IVG commercial	161.0	2.0 ¹	1.9	11.0
Commercial international	2.8	1.8	1.8	
Citruz Holdings LP (UK)	2.8	0.5	0.5	10.0
First Street Development LTD (UK)	-	1.2	1.2	10.0
Principal investments	71.1	134.5		
Other balance sheet items	-	276.5		
Tied-up investment capital	39,645.3	889.0		
Available liquidity	-	530.8		-
Total investment capital	39,645.3	1,419.8		
of which debt (bonded loans)	-	300.0		-
of which equity PATRIZIA (without minorities)		1,119.8		

¹ After deduction of deferred taxes from the valuation according to IFRS 9

FINANCIAL LIABILITIES

The Group's financial liabilities were up at EUR 351.8m as at 30 June 2018 as compared to 31 December 2017. The bonded loan of EUR 300.0m raised in 2017 consists of three tranches of five, seven and ten years, and bears interest at both fixed and floating rates averaging 1.50% p.a. This bonded loan is recognised under non-current liabilities. The short-term bonded loan of EUR 22.0m was repaid on time and in full on 30 June 2018. A short-term bank loan of EUR 51.8m attributable to the companies of PATRIZIA GrundInvest KVG was raised. This loan is intended for the temporary financing of properties that are to be placed as mutual funds in the next 12 to 18 months.

Financial liabilities developed as follows as against the end of 2017:

EUR k	30.06.2018	31.12.2017	Change
Non-current bonded loans	300,000	300,000	0.0%
Current bonded loans	0	22,000	-100.0%
Short-term bank loans	51,781	0	-
Total financial liabilities	351,781	322,000	9.2%

A detailed maturity profile of the liabilities can be found in note 12 to the interim consolidated financial statements.

LIQUIDITY

PATRIZIA has cash funds available of EUR 530.8m as at 30 June 2018 compared to EUR 576.2m at the end of 2017.

EUR k	30.06.2018	31.12.2017
Cash and cash equivalents	414,280	382,675
Term deposits	150,150	197,000
Securities	4,000	5,000
Current liquidity	568,430	584,675
– TRIUVA and Rockspring transaction liabilities	–25,761	0
– Regulatory reserve for asset management companies	–11,769	–8,383
– Liquidity in mutual funds business property companies	–143	–86
= Available liquidity	530,757	576,206

Current liquidity amounts to EUR 568.4m in total (31 December 2017: EUR 584.7m). However, PATRIZIA cannot access this figure in full as an amount of EUR 154.2m is invested in securities and short-term deposits. The acquisition of TRIUVA and Rockspring gave rise to transaction-related liabilities, EUR 25.8m of which were not yet due as at the end of the reporting period. Furthermore, cash and cash equivalents of EUR 11.9m in total must be permanently retained for asset management companies and mutual funds in order to comply with the relevant regulatory requirements. Accordingly, PATRIZIA has directly available cash funds of EUR 530.8m.

2 Development of Risks and Opportunities

The business activities of PATRIZIA Immobilien AG expose it to both risks and opportunities. The Group has taken the necessary measures and installed processes to detect negative developments and risks in advance, thereby allowing it to take appropriate countermeasures. No new significant risks or opportunities for the Group have been identified since the annual financial statements for the 2017 financial year. The assessment of probabilities of occurrence and loss levels in the interim has also not led to any significant changes in the analysis of risks and opportunities.

The statements made in the risk report in the 2017 Annual Report of PATRIZIA Immobilien AG thus still apply. Therefore, please refer to pages 66 to 72 of the 2017 Annual Report for a detailed description of the Group's risks and opportunities. The Managing Board of PATRIZIA Immobilien AG is not currently aware of any further risks.

3 Forecast

Earnings Forecast Raised for 2018

ASSETS UNDER MANAGEMENT

Assets under management are expected to see organic growth of between EUR 2.0bn and EUR 3.0bn in the 2018 financial year. Taking into account the acquisitions of TRIUVA and Rockspring Property Investment Managers, the company expects its assets under management to increase to just over EUR 40.0bn by the end of 2018.

OPERATING INCOME

Cost efficiency measures related to the acquisitions of SPI, TRIUVA and Rockspring took effect faster than anticipated during the first half of 2018. Therefore net operating expenses (operating costs) of EUR 90.4m in the first half of 2018 came in better than internally expected. PATRIZIA hence adjusts its guidance for net operating expenses for the 2018 business year from a range of EUR 210–230m to a range of EUR 200–210m. The guidance for operating income rises accordingly to EUR 100.0–110.0m compared to the original guidance of EUR 85.0–100.0m.

Compared to its original cost guidance 2018, PATRIZIA expects annual cost synergies from the integration of SPI, TRIUVA and Rockspring in the region of EUR 22m which, all else being equal, should show full effect from the 2019 business year onwards. To realise the above cost synergies, the company expects restructuring costs in the region of EUR 30m likely to be booked during the second half of 2018 with no effect on operating income.

EXPECTED DEVELOPMENT OF RESULTS OF OPERATIONS AND ASSUMPTIONS CONCERNING THE GUIDANCE FOR 2018

	Original guidance 2018	Updated guidance 2018
Assets under management (organic growth)	Growth of EUR 2.0–3.0bn	Unchanged
Assets under management (including acquisitions)	Growth of EUR 18.9–19.9bn	Unchanged
Transaction volume	EUR 4.5–6.5bn	Unchanged
Management fees	EUR 162.5–170.0m	Unchanged
Transaction fees	EUR 55.0–62.5m	Unchanged
Performance fees	EUR 50.0–70.0m	Unchanged
Total service fee income	EUR 267.5–302.5m	Unchanged
Net sales revenues and co-investment income	EUR 39.0m	Unchanged
Net operating expenses	EUR 210.0–230.0m	EUR 200.0–210.0m
Operating income	EUR 85.0–100.0m	EUR 100.0–110.0m

Augsburg, 6 August 2018



WOLFGANG EGGER
CEO



KARIM BOHN
CFO



ANNE KAVANAGH
CIO



KLAUS SCHMITT
COO

This report contains certain forward-looking statements that relate in particular to the business development of PATRIZIA, 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 statement or estimate inaccurate, or cause actual results to differ from the results currently expected. Please note that differences can occur when using rounded amounts and percentages.



CONTENTS

INTERIM GROUP MANAGEMENT REPORT **32**

- 32** Consolidated Balance Sheet
- 34** Consolidated Income Statement
- 35** Consolidated Statement of Comprehensive Income
- 36** Consolidated Cash Flow Statement
- 38** Consolidated Statement of Changes in Equity

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS **40**

- 40** General Information
- 40** Principles Applied in the Preparation of the Interim Consolidated Financial Statements
- 41** Consolidated Group
- 47** Investment Property
- 47** Participations in Associated Companies
- 48** Participations
- 50** Inventories
- 50** Securities, Cash and Cash Equivalents
- 51** Equity
- 52** Treasury Shares
- 52** Non-controlling Interests
- 53** Financial Liabilities
- 54** Non-current Liabilities
- 54** Revenues
- 55** Other Operating Income
- 55** Cost of Materials
- 56** Cost of Purchased Services
- 56** Other Operating Expenses
- 57** Income from Participations
- 57** Net Finance Costs
- 58** Earnings per Share
- 58** Segment Reporting
- 69** Related Party Transactions
- 69** Events after the End of the Reporting Period
- 70** Responsibility Statement

FINANCIAL CALENDAR AND CONTACT DETAILS **71**

Consolidated Balance Sheet

as at 30 June 2018

Assets

EUR k	30.06.2018	31.12.2017
A. NON-CURRENT ASSETS		
Difference amount before purchase price allocation	118,784	0
Goodwill	144,388	7,366
Other intangible assets	131,718	35,224
Software	11,559	11,207
Investment property	6,417	15,979
Equipment	6,329	4,483
Participations in associated companies	81,772	88,905
Participations	442,225	89,114
Non-current borrowings and other loans	24,589	23,291
Non-current tax assets	0	0
Deferred taxes	6,031	331
Total non-current assets	973,812	275,900
B. CURRENT ASSETS		
Inventories	128,059	99,791
Securities	4,010	5,010
Current tax assets	8,638	9,098
Current receivables and other current assets	269,181	479,920
Cash and cash equivalents	414,280	382,675
Total current assets	824,168	976,494
Total assets	1,797,980	1,252,394

Equity and liabilities

EUR k	30.06.2018	31.12.2017
A. EQUITY		
Share capital	90,918	89,555
Capital reserves	153,100	129,545
Retained earnings		
Legal reserves	505	505
Currency translation difference	-11,917	-11,586
Revaluation reserve according to IFRS 9	203	0
Consolidated unappropriated profit	886,948	546,682
Non-controlling interests	8,725	1,691
Total equity	1,128,482	756,392
B. LIABILITIES		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	96,753	15,833
Retirement benefit obligations	22,669	776
Bonded loans	300,000	300,000
Non-current liabilities	7,328	9,062
Total non-current liabilities	426,750	325,671
CURRENT LIABILITIES		
Short-term bank loans	51,781	0
Bonded loans	0	22,000
Other provisions	15,336	16,083
Current liabilities	126,293	93,123
Tax liabilities	49,339	39,125
Total current liabilities	242,748	170,331
Total equity and liabilities	1,797,980	1,252,394

Consolidated Income Statement

for the period from 1 January 2018 to 30 June 2018

EUR k	H1 2018	H1 2017
Revenues	160,105	105,903
Income from the sale of investment property	591	227
Changes in inventories	-21,703	-7,367
Other operating income	8,396	11,343
Income from the deconsolidation of subsidiaries	179	0
Total operating performance	147,568	110,106
Cost of materials	-6,930	-7,478
Cost of purchased services	-6,952	-6,249
Staff costs	-56,921	-39,916
Other operating expenses	-35,797	-28,517
Income from participations	19,829	9,376
Earnings from companies accounted for using the equity method	9,461	670
Cost from the deconsolidation of subsidiaries	0	-65
EBITDAR	70,258	37,927
Reorganisation expenses	-1,243	-915
EBITDA	69,015	37,012
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	-4,478	-2,769
Earnings before interest and taxes (EBIT)	64,537	34,243
Financial income	733	531
Financial expenses	-3,078	-1,840
Result from currency translation	1,262	-1,844
Earnings before taxes (EBT)	63,454	31,090
Income taxes	-13,282	-6,744
Net profit for the period	50,172	24,346
Earnings per share (basic) in EUR	0,53	0,27
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO:		
Shareholders of the parent company	47,772	24,346
Non-controlling interests	2,400	0
	50,172	24,346

Consolidated Statement of Comprehensive Income

for the period from 1 January 2018 to 30 June 2018

EUR k	H1 2018	H1 2017
Net profit for the period	50,172	24,346
Items of other comprehensive income reclassified to profit / loss		
Profit / loss arising on the translation of the financial statements of foreign operations	-331	-438
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	203	0
Total comprehensive income for the reporting period	50,044	23,908
Total comprehensive income attributable to:		
Shareholders of the parent company	47,644	23,908
Non-controlling interests	2,400	0
	50,044	23,908

Consolidated Cash Flow Statement

for the period from 1 January 2018 to 30 June 2018

EUR k	H1 2018	H1 2017
Net profit for the period	50,172	24,346
Income taxes recognised through profit or loss	13,282	6,744
Financial expenses recognised through profit or loss	3,078	1,840
Financial income recognised through profit or loss	-733	-531
Expenses / income from divestments of participations, recognised through profit or loss	68	-2,453
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	4,478	2,769
Changes in value of investment property	0	0
Income from the sale of investment property	-591	-227
Expenses of the deconsolidation of subsidiaries	0	65
Income from the deconsolidation of subsidiaries	-179	0
Other non-cash effects	-11,482	-5,076
Changes in inventories, receivables and other assets not attributable to investing activities	-40,590	-44,573
Changes in liabilities not attributable to financing activities	-26,373	-23,137
Interest paid	-5,291	-1,838
Interest received	603	242
Income tax payments	-3,444	-6,559
Cash outflow from operating activities	-17,003	-48,388
Investments in other intangible assets, software and equipment	-1,541	-2,035
Payments received from the disposal of other intangible assets, software and equipment	0	0
Payments received from the sale of investment property	10,202	2,483
Payments for the development of investment property	-49	-94
Payments for the acquisition of securities and short-term investments	1,000	-95,966
Payments received from the disposal of securities and short-term investments	37,500	0
Payments for the acquisition of participations	-2,032	-270

EUR k	H1 2018	H1 2017
Payments received from the equity reduction of participations	1,256	735
Payments received from the disposal of participations	984	2,455
Payments for investments in companies accounted for using the equity method	-171	-5,163
Payment received through distributions of companies accounted for using the equity method	0	0
Payments received from the repayment of shares of companies accounted for using the equity method	16,766	4,955
Payments received from the repayment of loans to companies in which participating interests are held	0	0
Payments for loans to companies	-1,298	-201
Payments received from the disposal of consolidated companies and other business units	0	0
Payments from the partial disposal of shares in a subsidiary that does not result in a loss of control	0	0
Payments for the disposal of consolidated companies and other business units	-480	-2,684
Payments for the acquisition of consolidated companies and other business units	-50,673	0
Cash inflow / outflow from investing / divesting activities	11,464	-95,785
Borrowing of loans	71,491	404,500
Repayment of loans	-22,000	-10,985
Payments to non-controlling interests	-12,348	0
Payment for the issue of bonus shares	0	0
Payments to buy back treasury shares	0	0
Cash inflow from financing activities	37,143	393,515
Change in cash and cash equivalents	31,605	249,342
Cash and cash equivalents as at 01.01.	382,675	440,219
Effects of changes in foreign exchange rates on cash and cash equivalents	0	-7
Cash and cash equivalents as at 30.06.	414,280	689,554

Consolidated Statement of Changes in Equity

for the period from 1 January 2018 to 30 June 2018

EUR k	Share capital	Capital reserve	Retained earnings (legal reserves)	Currency translation difference
As at 01.01.2017	83,956	184,005	505	-10,803
Net amount recognised directly in equity, where applicable less income taxes	0	0	0	-438
Net profit for the period	0	0	0	0
As at 30.06.2017	83,956	184,005	505	-11,241
As at 01.01.2018 before retrospective changes according to IAS 1	89,555	129,545	505	-11,586
Changes in course of first-time application of IFRS 9 financial instruments	0	0	0	0
As at 01.01.2018 after retrospective changes according to IAS 1	89,555	129,545	505	-11,586
Net amount recognised directly in equity, where applicable less income taxes	0	0	0	-331
Disposal of shares	1,363	23,555	0	0
Non-controlling interests arising from the inclusion of new companies	0	0	0	0
Non-controlling interests arising from the sale of shares	0	0	0	0
Purchases of shares of non-controlling interests	0	0	0	0
Payout of profit shares to non-controlling interests	0	0	0	0
Disposal of shares of non-controlling interests	0	0	0	0
Changes in course of revaluation of IFRS 9 financial instruments	0	0	0	0
Net profit for the period	0	0	0	0
As at 30.06.2018	90,918	153,100	505	-11,917

Revaluation reserve according to IFRS 9	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of noncontrolling interests	Total
0	491,679	749,342	1,691	751,033
0	0	-438	0	-438
0	24,346	24,346	0	24,346
0	516,025	773,250	1,691	774,941
0	546,682	754,700	1,691	756,392
0	297,312	297,312	0	297,312
0	843,994	1,052,012	1,691	1,053,704
0	0	-331	0	-331
0	0	24,918	0	24,918
0	0	0	12,163	12,163
0	0	0	0	0
0	-4,818	-4,818	-5,881	-10,699
0	0	0	-1,649	-1,649
0	0	0	0	0
203	0	203	0	203
0	47,772	47,772	2,400	50,172
203	886,948	1,119,756	8,725	1,128,482

Notes to the Consolidated Interim Financial Statements

as at 30 June 2018 (first half 2018)

1 General Information

PATRIZIA Immobilien AG (hereinafter also referred to as PATRIZIA or the Group) is a listed German stock corporation. The registered office of the company is Fuggerstrasse 26, 86150 Augsburg. PATRIZIA Immobilien AG has been operating on the property market as an investment manager in more than 15 European countries for over 30 years. PATRIZIA's range comprises the acquisition, management, appreciation and sale of residential and commercial properties and property-related infrastructure facilities via its own regulated investment platforms and non-regulated investment structures. As a global provider of property investments in Europe, the company operates throughout Europe for large institutional investors and private investors alike. As at the end of the reporting period, the company manages property assets of EUR 39.6bn, mostly for insurance companies, pension funds, sovereign funds, savings banks and cooperative banks.

2 Principles Applied in the Preparation of the Interim Consolidated Financial Statements

The interim consolidated financial statements of PATRIZIA Immobilien AG for the first half of 2018 (1 January 2018 to 30 June 2018) were prepared in line with section 37(3) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with section 37w(2) WpHG in accordance with IFRS and in compliance with the provisions of German commercial law in line with section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). All effective official announcements of the International Accounting Standards Board (IASB) have been applied, i.e. those adopted by the EU in the context of the endorsement process and published in the Official Journal of the EU.

In the opinion of the company's management, these unaudited interim consolidated financial statements as at 30 June 2018 contain all the necessary information to ensure a true and fair view of the company's business performance and financial position in the reporting period. The results in the first six months of 2018 are not necessarily an indicator of future results or expected results for the 2018 financial year as a whole.

When preparing interim consolidated financial statements for an interim report in accordance with IAS 34 “Interim Financial Reporting”, the Managing Board of PATRIZIA Immobilien AG must make judgements, estimates and assumptions regarding the application of accounting policies in the Group and the reporting of assets, liabilities, income and expenses. The actual amounts can differ from these estimates.

These interim consolidated financial statements were prepared using the same accounting policies as for the consolidated financial statements for the 2017 financial year. A detailed description of the principles applied in preparing the consolidated financial statements and the accounting policies can be found in the notes to the IFRS consolidated financial statements as at 31 December 2017 in PATRIZIA’s 2017 Annual Report. In addition, the standards effective for the first time from 2018, IFRS 9 and IFRS 15, have also been explained in the 2017 Annual Report.

These interim financial statements have been prepared in euro. The amounts, including the previous year’s figures, are stated in thousands of euro (EUR k). Please note that differences can occur when using rounded amounts and percentages.

3 Consolidated Group

The consolidated interim financial statements of PATRIZIA Immobilien AG include all subsidiaries, which are all companies controlled by PATRIZIA Immobilien AG. The basis of consolidation comprises 130 subsidiaries in addition to the parent company. They are included in the interim consolidated financial statements in line with the rules of full consolidation.

There are also two equity investments accounted for using the equity method in the consolidated financial statements. These are a limited liability partnership under UK law and a SICAV (investment company with variable capital) under Luxembourg law. While PATRIZIA has significant influence on the management of the SICAV, it does not control it as it is controlled by the majority investor.

Furthermore, there are holdings of 28.3% in the limited liability capital of a project development company (legal form: GmbH & Co. KG) and 30% in the associated general partner (GmbH). There is no significant influence over this company as it cannot be managed or significantly influenced on account of company law regulations and there is no right to make appointments to its executive bodies.

29 companies have not been included in the consolidated group as at the end of the reporting period as they have only minor or no business operations, and are immaterial to the Group and a true and fair view of its financial position and performance.

Business Combinations and Disposals

The number of Group companies included in the consolidated financial statements developed as follows in the reporting period:

Group companies	
As at 01.01.2018	99
Companies acquired	28
New companies founded	6
Companies deconsolidated	-3
As at 30.06.2018	130

Transactions material to the Group are explained below under business combinations and disposals.

Acquisitions of Subsidiaries

ROCKSPRING PROPERTY HOLDINGS LIMITED

Effective 23 March 2018, PATRIZIA Immobilien AG directly, and indirectly through a subsidiary, acquired 94.9% of shares in Rockspring Property Holdings Limited (hereinafter: Rockspring), London, UK. For reasons of simplicity and expediency, it was included in consolidation for the first time as at 31 March 2018. There were no significant events between the actual acquisition date and the date of first-time consolidation.

The London investment manager Rockspring has more than 120 institutional investors in 20 countries as at the acquisition date. As an expert in fund management, the company manages property investments amounting to EUR 7.0bn, predominantly in the office and retail sectors with its approximately 110 employees at seven European locations. Rockspring offers PATRIZIA a complementary investor structure. Thus 31% of its institutional investors are from the UK, 27% from the Asia-Pacific region, 5% from North America and the remaining 37% from continental Europe not including Germany.

The fair value of the total consideration transferred as at the acquisition date cannot be conclusively determined at this time. In accordance with the purchase agreement, the final purchase price will only be calculated after Rockspring Property Holdings Limited's annual financial statements as at 31 March 2018 have been prepared and audited. In the context of the acquisition, advances totalling EUR 122,570k were paid in the form of cash funds and the transfer of treasury shares in the current financial year. Please also see the comments on business combinations and disposals under "10. Treasury shares".

TRIUVA KAPITALVERWALTUNGSGESELLSCHAFT MBH

Effective 1 January 2018 (acquisition date), PATRIZIA Projekt 710 GmbH, Augsburg, a wholly owned subsidiary of PATRIZIA Immobilien AG, acquired 88% of shares in TRIUVA Kapitalverwaltungsgesellschaft mbH, Frankfurt / Main (TRIUVA).

TRIUVA is one of the leading providers of property investments in Europe, with 40 funds, more than 80 institutional investors and approximately 200 employees at 15 locations in Europe. The company, based in Frankfurt, focuses on commercial properties in the office, retail, logistics and infrastructure sectors. TRIUVA manages property assets of currently around EUR 9.6bn.

PATRIZIA is hereby broadening its product range, enabling institutional and private investors to invest even more widely in different countries, types of use and risk classes.

The rights and liabilities were transferred on the basis of the provisions of the purchase agreement as at 1 January 2018. PATRIZIA also obtained control of TRIUVA Kapitalverwaltungsgesellschaft mbH through the reorganisation of the Supervisory Board of TRIUVA as at 1 January 2018.

Company	Main activity	Date of acquisition	Acquired shares
TRIUVA Kapitalverwaltungsgesellschaft mbH	Fund management	01.01.2018	88%

A) ASSETS ACQUIRED AND LIABILITIES ASSUMED

As at the time of the publication of the half-year financial statements of PATRIZIA Immobilien AG, the calculation and allocation of the consideration transferred to the assets and liabilities of the acquired company had not yet been completed, as not all the information on assets and liabilities was available.

The provisionally calculated fair values of the assets and liabilities acquired recognised as at the time of acquisition are as follows as at 1 January 2018:

Fair Value in EUR k	
Other intangible assets	98,304
Software	1,071
Equipment	525
Participations	5,269
Deferred taxes	5,718
Total non-current assets	110,887
Current tax assets	2,297
Current receivables and other current assets	25,224
Cash and cash equivalents	45,057
Total current assets	72,578
Total assets	183,465
Deferred taxes	31,384
Retirement benefit obligations	21,832
Non-current liabilities	92
Total non-current liabilities	53,308
Other provisions	736
Current liabilities	32,883
Tax liabilities	2,690
Total current liabilities	36,309
Total liabilities	89,617
Net assets	93,848
Non-controlling interests in the net assets	-11,262
Goodwill	137,022
Total consideration paid	219,608

The fair value of the receivables is essentially the gross amount and the recognised amount of the receivables.

The provisionally identified goodwill from the acquisition of TRIUVA mainly results from the anticipated synergy effects from integrating the company into the PATRIZIA Group.

The goodwill will not be tax deductible in future periods.

B) CONSIDERATION TRANSFERRED AND TRANSACTION COSTS

The provisionally calculated consideration (not including transaction costs) consists exclusively of cash funds and amounted to EUR 219,608k as at the acquisition date. This consists of a fixed amount of around EUR 217,542k and contingent consideration of around EUR 2,066k.

The contingent component relates to the acquisition of further shares in TRIUVA and is linked to the purchase price of non-controlling interests (see d).

The transaction costs already incurred of EUR 1,923k (previous year: EUR 8,592k) were reported as an expense under other operating expenses.

C) NET OUTFLOW OF CASH FUNDS FOR THE ACQUISITION

EUR k	
Consideration paid in the form of cash	219,608
of cash outflow in the financial year 2017	212,733
of cash is to be paid in the second half-year 2018	6,875
Less cash acquired	-45,057
Net cash outflow	174,551

D) NON-CONTROLLING INTERESTS

The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 11,262k.

Over the course of the first half of 2018, PATRIZIA acquired a further 6% of shares in TRIUVA, bringing its shareholding to 94%. The increase, which preserved the majority holding, was treated as an equity transaction and offset against retained earnings.

A profit share of EUR 1,518k was allocated to non-controlling interests in the reporting period.

E) EFFECTS OF THE ACQUISITION ON CONSOLIDATED PROFIT

EUR 7,678k of the net profit as at 30 June 2018 is attributable to the acquired TRIUVA companies. EUR 23,864k of the revenues for the first half of 2018 result from the business activities of the acquired companies and essentially relate to fees.

DISPOSAL OF SUBSIDIARIES

In 2015, PATRIZIA Immobilien AG expanded its product range to include mutual funds. These companies are to be temporarily included in consolidation in the PATRIZIA Group in the fund formation phase and during the placement of the respective shares. The companies listed below again left the PATRIZIA consolidated group in the first six months of 2018 with a gain on deconsolidation of EUR 179k.

Companies – income on deconsolidation

EUR k	
PATRIZIA GrundInvest Garmisch-Partenkirchen GmbH & Co. geschlossene Investment-KG	136
PATRIZIA GrundInvest Dresden GmbH & Co, geschlossene Investment-KG i. V. m. PATRIZIA GrundInvest Objekt Dresden GmbH & Co, KG	43
Total	179

4 Investment Property

Investment property is held to earn rentals or for capital appreciation. Investment property is initially measured at cost. After initial recognition, investment property is measured at fair value. Changes are recognised in the consolidated income statement.

A detailed description of the accounting policies can be found in the notes to the IFRS consolidated financial statements as at 31 December 2017 in PATRIZIA's 2017 Annual Report.

5 Participations in Associated Companies

The item "Participations in associated companies" includes the 10.1% equity investment in PATRIZIA WohnModul I SICAV-FIS, Luxembourg, and the 50% equity investment in Ask PATRIZIA (GQ) LLP, Manchester.

PATRIZIA WohnModul I SICAV-FIS and Ask PATRIZIA (GQ) LLP are included in the consolidated financial statements of PATRIZIA Immobilien AG using the equity method.

For reasons of materiality, additional information on this joint venture will be dispensed with below and information will only be provided on the associate PATRIZIA WohnModul I SICAV-FIS.

The strategy of PATRIZIA WohnModul I SICAV-FIS is the acquisition of project developments and revitalization properties. Its intended exit strategy is block sales and individual privatisation.

Through its investment in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to the usual risks specific to properties such as market developments in the privatisation of residential properties and project developments in addition to interest rate fluctuations.

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group amounts to EUR 9,461k (H1 2017: EUR 670k) in the reporting period. This gain on remeasurement essentially results from the disposal of the project developments in the 2017 financial year, with rights and liabilities transferring in 2018.

PATRIZIA WohnModul I SICAV-FIS paid a total distribution of EUR 16,766k to PATRIZIA Immobilien AG in the reporting period. This distribution was recognised in other comprehensive income against the investment in associated companies.

6 Participations

The item “Participations” contains the following material shares:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2017: 6.25%)
- Sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2017: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30% (31 December 2017: 30%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2017: 5.1%)
- GBW GmbH 5.1% (31 December 2017: 5.1%)
- OSCAR Lux Carry SCS 0.1%
- Citruz Holdings LP 10% (31 December 2017: 10%)
- TRIUVA / IVG Logistik 11.0%
- TRIUVA / IVG Gewerbe 2.1%
- Participations in the Harald portfolio:
 - Deutsche Wohnen Kiel GmbH (formerly: Scan Deutsche Real Estate Holding GmbH) 5.1% (31 December 2017: 5.1%)
 - Deutsche Wohnen Berlin 5 GmbH (formerly: Draaipunt Holding B.V.) 5.1% (31 December 2017: 5.1%)
 - Deutsche Wohnen Berlin 6 GmbH (formerly: Promontoria Holding V B.V.) 5.1% (31 December 2017: 5.1%)
 - Deutsche Wohnen Berlin 7 GmbH (formerly: Promontoria Holding X B.V.) 5.1% (31 December 2017: 5.1%)

APPLICATION OF IFRS 9

In adopting IFRS 9 for the first time as at 1 January 2018, PATRIZIA has applied the fair value through other comprehensive income (FVtOCI) option to its existing participations.

The following table provides an overview of the effects of the change in financial instruments as a result of the transition from IAS 39 as at 31 December 2017 to IFRS 9 as at 1 January 2018:

Assets

EUR k	31.12.2017	Change	01.01.2018
NON-CURRENT ASSETS			
Participations	89,114	347,666	436,780
Total non-current assets	89,114	347,666	436,780
Total assets	89,114	347,666	436,780

Equity and liabilities

EUR k	31.12.2017	Change	01.01.2018
A. EQUITY			
Consolidated unappropriated profit	546,682	297,312	843,994
Total equity	546,682	297,312	843,994
B. LIABILITIES			
non-current liabilities			
Deferred tax liabilities	15,833	50,354	66,187
Total non-current liabilities	15,833	50,354	66,187
Total equity and liabilities	562,515	347,666	66,187

The differences between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 were recognised in equity under consolidated unappropriated profit. The introduction of IFRS 9 increased the carrying amount of participations by EUR 347,666k and equity by EUR 297,312k. The resulting deferred tax effect amounts to EUR 50,354k and was also recognised in equity in deferred tax liabilities.

The main input factor in the valuation of investments in real estate companies of real estate service providers in accordance with IFRS 9 is the rent of the properties and the discount rate used. These are included in the determination of the NAV of the real estate or the company. A change in the NAV of the investments by +/-10% results in a change in the valuation of approximately +/- EUR 60.5m. In that regard, there is a considerable variance of the valuation results with a slight change in the valuation assumptions.

7 Inventories

Property intended for sale in the ordinary course of business or acquired for development and resale is reported under “Inventories”. Development also includes purely modernisation and renovation work. Such properties are assessed and qualified as inventories in the context of the purchase decision, and this is implemented accordingly in financial reporting as at the acquisition date.

PATRIZIA has defined a normal operating cycle as three years, as experience shows that a majority of the units intended for sale are sold in this time. However, it is still intended to sell inventories directly even if they are not sold within three years.

Inventories are measured at cost. The cost includes the directly attributable acquisition and provision costs. Cost also includes the costs directly attributable to the property development process.

The change in inventories of EUR 28,268k essentially relates to property additions following the first-time consolidation of PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG.

8 Securities, Cash and Cash Equivalents

“Cash and cash equivalents” comprises cash and short-term bank deposits held by the Group. The carrying amount of these assets is their fair value.

Cash funds were invested in short-term, money market securities in the context of active liquidity management. An amount of EUR 4,000k was invested in short-term securities. These are reported separately in the statement of financial position. A further amount of EUR 150,150k was invested in short-term term deposits with a maturity of more than 90 days. These term deposits are reported in the statement of financial position under current receivables and other current assets.

EUR k	30.06.2018	31.12.2017
Cash and cash equivalents	414,280	382,675
Term deposits	150,150	197,000
Securities	4,000	5,000
Current liquidity	568,430	584,675
- TRIUVA and Rockspring transaction liabilities	-25,761	0
- Regulatory reserve for asset management companies	-11,769	-8,383
- Liquidity in mutual funds business property companies	-143	-86
= Available liquidity	530,757	576,206

9 Equity

The issued capital of the company amounts to EUR 90,917,438 as at the end of the reporting period (31 December 2017: EUR 89,555,059) and is divided into 90,917,438 (31 December 2017: 89,555,059) no-par-value registered shares. The increase in share capital results from the sale of 1,362,379 treasury shares as part of the consideration in connection with the acquisition of Rockspring. Changes in equity are shown in the statement of changes in equity.

10 Treasury Shares

The number of treasury shares developed as follows in the reporting period:

	Number of shares	Price per share in EUR	Total value in EUR
As at 01.01.2018	2,796,417		48,860,567
Disposal of shares	-1,362,379	18.29	-24,917,912
As at 30.06.2018	1,434,038		23,942,655

The sale of 1,362,379 treasury shares was part of the consideration in connection with the acquisition of Rockspring.

11 Non-controlling Interests

There were non-controlling interests of EUR 8,725k as at 30 June 2018 (31 December 2017: EUR 1,691k).

PATRIZIA Immobilien AG acquired the majority of shares in TRIUVA Kapitalverwaltungsgesellschaft mbH in January 2018. The non-controlling interests were recognised at their share of the fair value of the net assets as at the acquisition date and measured at EUR 11,262k. Please also see the comments on business combinations and disposals under “3. Consolidated group”.

PATRIZIA Immobilien AG acquired the majority of shares in Rockspring in March 2018. The non-controlling interests were recognised at their provisional share of the net assets as at the acquisition date and measured at EUR 901k. Please also see the comments on business combinations and disposals under “3. Consolidated group”.

A profit share of EUR 2,400k was allocated to non-controlling interests in the reporting period.

Profit shares of EUR 1,649k were withdrawn by non-controlling interests as at 30 June 2018. These are payments to non-controlling interests, some of whom are also employed by the company.

12 Financial Liabilities

The maturity profile of financial liabilities is as follows:

EUR k 30.06.2018	2018	2019–2021	2022–2024	2025–2027	2028	Total
Bank loans	2,384	22,896	0	0	0	25,281
Mortgage loans	0	0	0	0	26,500	26,500
Bonded loans	0	0	215,500	84,500	0	300,000
Total financial liabilities	2,384	22,896	215,500	84,500	26,500	351,781

EUR k 31.12.2017	2018	2022	2024	2026	2027	Total
Bank loans	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0
Bonded loans	22,000	91,500	124,000	0	84,500	322,000
Total financial liabilities	22,000	91,500	124,000	0	84,500	322,000

The change in financial liabilities is essentially due to the repayment of a bonded loan in the amount of EUR 22,000k and the addition of bank and mortgage loans in connection with the first-time consolidation of two companies of PATRIZIA GrundInvest: Stadtmitte Hofheim am Taunus GmbH & Co. geschlossene Investment-KG and PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG. These two companies have only temporarily been included in consolidation.

The bonded loan of EUR 300,000k issued in 2017 is divided into three tranches with terms of five, seven and ten years. This bonded loan is recognised under non-current liabilities.

13 Non-current Liabilities

Non-current liabilities of EUR 7,328k (31 December 2017: EUR 9,062k) essentially consist of the long-term component of the management participation model, which is described in more detail under note 9.2 in PATRIZIA's 2017 Annual Report.

14 Revenues

Revenues break down as follows:

EUR k	H1 2018	H1 2017	Change
Revenues from management services	118,631	83,360	42.3%
Proceeds from the sale of principal investments	38,666	15,507	149.3%
Rental revenues	1,770	5,277	-66.5%
Revenues from ancillary costs	379	1,269	-70.1%
Other	659	490	34.5%
Consolidated revenues	160,105	105,903	51.2%

Revenues from management services include revenues from asset and fund management, commission revenues from transactions and performance-based fees and management fees.

15 Other Operating Income

Other operating income essentially relates to:

EUR k	H1 2018	H1 2017	Change
Income from discontinued obligations	6,586	8,934	-26.3%
Income from payments in kind	399	399	0.0%
Income from reduction of the general valuation allowance	199	0	-
Insurance compensation	12	3	300.0%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	6	60	-90.0%
Other	1,194	1,947	-38.7%
Total	8,396	11,343	-26.0%

Income from discontinued obligations essentially results from the final settlement of bonuses and the reversal of provisions for outstanding invoices and other tax provisions (real estate transfer tax).

16 Cost of Materials

The cost of materials includes the direct costs incurred in connection with the performance of services and breaks down as follows:

EUR k	H1 2018	H1 2017	Change
Renovation and construction costs	5,586	4,932	13.3%
Incidental costs	1,170	2,311	-49.4%
Maintenance costs	174	235	-26.0%
Total	6,930	7,478	-7.3%

17 Cost of Purchased Services

The “Cost of purchased services” item totalling EUR 6,952k (H1 2017: EUR 6,249k) essentially comprises the purchase of fund management services for the label funds for which PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH is the service asset management company. To improve the presentation of performance, from 2018 this item also includes transaction costs (H1 2018: EUR 604k) which are incurred to generate revenue and passed on. The corresponding figures for the previous year are shown in “18. Other operating expenses”.

18 Other Operating Expenses

Other operating expenses break down as follows:

EUR k	H1 2018	H1 2017	Change
Tax, legal, consulting and financial statement fees	8,467	10,515	-19.5%
IT costs, communication costs and cost of office supplies	6,134	3,616	69.6%
Rent, incidental and cleaning costs	5,253	3,622	45.0%
Vehicle and travel expenses	2,972	2,396	24.0%
Recruitment costs, training and costs for temporary staff	2,451	987	148.3%
Insurance premiums, fees and contributions	2,362	1,042	126.7%
Advertising costs	2,235	2,485	-10.1%
Commission and other sales costs	1,056	997	5.9%
Other taxes	1,000	499	100.4%
Costs of management services	242	577	-58.1%
Other expenses	3,625	1,782	103.4%
Total	35,797	28,518	25.5%

At EUR 8,467k (H1 2017: EUR 10,515k), “Tax, legal, consulting and financial statement fees” includes follow-up transaction costs in connection with the TRIUVA and Rockspring business combinations in the amount of EUR 1,923k. In the previous-year period transaction costs were considerably higher at EUR 6,032k, relating primarily to costs for transactions which did not materialise (H1 2017: EUR 5,134k). There were no comparable costs in the first half of 2018.

19 Income from Participations

Income from participations of EUR 19,829k in the reporting period (H1 2017: EUR 9,376k) results from the participations GBW GmbH, Harald Portfolio, Citruz Holdings LP and TRIUVA (H1 2017: GBW GmbH, Harald Portfolio and Winnersh Holdings LP plus the disposal of PATRIZIA Projekt 150 GmbH) and from mutual fund business.

Income from participations breaks down as follows:

EUR k	H1 2018	H1 2017	Change
Services provided as shareholder contributions	4,706	4,706	0.0%
Performance-based shareholder remuneration	12,350	0	-
Return on equity employed	2,773	4,670	-40.6%
Total	19,829	9,376	111.5%

20 Net Finance Costs

EUR k	H1 2018	H1 2017	Change
Interest on bank deposits	176	110	60.0%
Other interest	557	421	32.3%
Financial income	733	531	38.0%
Interest on overdraft facilities and loans	-44	-582	-92.4%
Other financial expenses	-3,034	-1,258	141.2%
Financial expenses	-3,078	-1,840	67.3%
Result from currency translation	1,262	-1,844	-168.4%
Net finance costs	-1,083	-3,153	-65.7%

The result from currency translation in the consolidated income statement amounted to EUR 1,262k in the first six months of 2018 (H1 2017: EUR –1,844k). This includes realised exchange rate losses of EUR –475k (H1 2017: EUR –28k).

21 Earnings per Share

EUR k	H1 2018 Adjusted ¹	H1 2017 Adjusted ¹	H1 2018	H1 2017
Share of earnings attributable to shareholders of the Group	48,755	25,063	47,772	24,346
Number of shares (outstanding after share buyback)	90,917,438 ²	83,955,887	90,917,438 ²	83,955,887
Weighted number of shares (outstanding after share buyback)	90,236,249 ²	92,351,476	90,236,249 ²	92,351,476
Earnings per share (Basic, in EUR)	0.54	0.27	0.53	0.26

¹ Adjusted = not including reorganisation expenses after taxes

² Outstanding after share buybacks

In accordance with IAS 33.28 and IAS 33.64, the weighted number of shares for the same period of the previous year was adjusted from 83,955,887 to 92,351,476 as a result of the issue of bonus shares in 2017.

In the reporting period, the weighted number of shares increased by 681,190 as a result of the weighted sale of shares in accordance with IAS 33.19.

22 Segment Reporting

Segment reporting categorises the segments according to whether PATRIZIA acts as an investor or a service provider. In line with the Group's reporting for management purposes and in accordance with the definition of IFRS 8 "Operating Segments", two segments have been identified based on functional criteria: Investments and Management Services. In addition to functional criteria, the operating segments are also broken down by geographical criteria based on the

location of the property asset under management. The individual international subsidiaries are reported collectively as their revenue and earnings contributions are still low. The companies acquired in 2018, TRIUVA and Rockspring, are fully allocated to the Management Services segment; where TRIUVA is shown in the line Germany and Rockspring in the line International.

In addition, PATRIZIA Immobilien AG (Group management) and the management of the international subsidiaries are shown under Corporate. Corporate is not a reportable operating segment in its own right, but is shown separately on account of its international function as an internal service provider.

The elimination of intragroup revenues, intercompany transactions and intragroup transfers is shown in the "Consolidation" column. All internal services within a country between the Investments and Management Services segments on the one hand and PATRIZIA Immobilien AG on the other are consolidated in the "Group" column. This represents the external service provided by the Group in the region. By contrast, the international exchange of services is eliminated in the "Consolidation" row.

The Investments segment bundles principal investments and participations.

The Management Services segment covers a broad range of property services such as the acquisition and sale of residential and commercial properties or portfolios, value-oriented property management (asset management), strategic consulting on investment strategy, portfolio planning and allocation (portfolio management) and the execution of complex, non-standard investments (alternative investments). Special funds are set up and managed through the Group's own asset management companies – also according to individual customer requests. The commission generated from services, from both co-investments and third-party business, is reported in the Management Services segment. This also includes income from participations that takes the form of services rendered as a shareholder contribution for the asset management of the co-investment GBW.

The range of services provided by the Management Services segment is increasingly utilised by third parties as assets under management grow.

Internal controlling and reporting in the PATRIZIA Group is based on IFRS principles. The Group measures the success of its segments using segment earnings indicators, which are referred to for the purpose of internal controlling and reporting as EBT and operating EBT.

Segment EBT is the net total of revenues, income from the sale of investment property, changes in inventories, the cost of materials and staff costs, the cost of purchased services, other operating income and expenses, reorganisation expenses, changes in the value of investment property, depreciation and amortisation, net income from participations (including companies accounted for using the equity method), net financial income and the result from currency translation.

Certain adjustments are made to calculate operating EBT, namely for non-cash effects from the valuation of investment property, exchange rate effects, write-downs on fund management contracts and reorganisation expenses. Realised changes in value from the sale of investment property and realised exchange rate effects are added to this.

Revenue is generated between reportable segments. These intragroup transactions are settled at market prices.

Owing to its capital intensity, the assets and liabilities of the Investments segment account for most of the Group's total assets and liabilities. A breakdown of assets and liabilities by individual segments has therefore been dispensed with.

The individual operating segments are set out below. The reporting of amounts in thousands of euro (EUR k) can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures.

Segments H1 2018 (01.01.–30.06.2018)

EUR k	Investments	Management Services	Corporate	Consolidation	Group
GERMANY					
Revenues from principal investments	16,113				16,113
Rental revenues	707	167		-32	841
Revenues from management services		93,749		-1,081	92,668
Other	-256	1,016			760
Revenues	16,563	94,932		-1,113	110,382
INTERNATIONAL ¹					
Revenues from principal investments	22,558				22,558
Rental revenues	929				929
Revenues from management services		48,737		-66	48,671
Other	648	293			941
Revenues	24,135	49,030		-66	73,099
CORPORATE					
Revenues			842		842
CONSOLIDATION					
Revenues		-22,930		-1,287	-24,217
GROUP					
Revenues from principal investments	38,671				38,671
Rental revenues	1,636	167	413	-450	1,765
Revenues from management services		119,576	202	-1,147	118,631
Other	391	1,289	228	-869	1,039
Revenues	40,698	121,032	842	-2,467	160,105
DETAILS					
TOTAL OPERATING PERFORMANCE					
Germany	4,825	99,494		-1,113	103,206
International ¹	15,340	50,537		-66	65,810
Corporate			2,790		2,790
Consolidation		-22,931		-1,307	-24,238
Group	20,165	127,100	2,790	-2,486	147,568

¹ France & Belgium, United Kingdom & Ireland, Italy, Luxembourg, Netherlands, Nordics, Poland, Spain, Austria

Segments H1 2018 (01.01.–30.06.2018)

EUR k	Invest- ments	Management Services	Corporate	Consoli- dation	Group
COST OF MATERIALS AND COST OF PUR CHASED SERVICES					
Germany	-4,291	-8,745			-13,036
International ¹	-2,598	-21,159			-23,757
Corporate					
Consolidation		22,910			22,910
Group	-6,889	-6,993			-13,882
CHANGE IN VALUE OF INVESTMENT PROPERTIES					
Germany					
Group					
STAFF COSTS					
Germany		-30,810			-30,810
International ¹		-15,313			-15,313
Corporate			-10,798		-10,798
Consolidation					
Group		-46,123	-10,798		-56,921
OTHER OPERATING EXPENSES AND COSTS FROM THE DECONSOLIDATION OF SUBSIDIARIES					
Germany	-4,212	-12,657		1,210	-15,658
International ¹	-979	-5,328		66	-6,241
Corporate			-15,222		-15,222
Consolidation		21		1,302	1,324
Group	-5,190	-17,964	-15,222	2,579	-35,797

¹ France & Belgium, United Kingdom & Ireland, Italy, Luxembourg, Netherlands, Nordics, Poland, Spain, Austria

Segments H1 2018 (01.01.–30.06.2018)

EUR k	Investments	Management Services	Corporate	Consolidation	Group
INCOME FROM PARTICIPATIONS AND EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
Germany	11,688	17,161			28,849
International ¹	440				440
Corporate					
Consolidation					
Group	12,128	17,161			29,290
REORGANISATION EXPENSES					
Germany		-1,136			-1,136
International ¹					
Corporate			-107		-107
Consolidation					
Group		-1,136	-107		-1,243
AMORTISATION OF FUND MANAGEMENT CONTRACTS, SOFTWARE AND EQUIPMENT					
Germany		-1,663			-1,663
International ¹		-672			-672
Corporate			-2,143		-2,143
Consolidation					
Group		-2,335	-2,143		-4,478
FINANCIAL RESULT					
Germany	812	-411			401
International ¹	1,284	42			1,326
Corporate			-4,072		-4,072
Consolidation					
Group	2,096	-369	-4,072		-2,345
GAINS / LOSSES FROM CURRENCY TRANSLATION					
Germany	12	-10			2
International ¹	54	212			266
Corporate			995		995
Consolidation					
Group	66	202	995		1,262

¹ France & Belgium, United Kingdom & Ireland, Italy, Luxembourg, Netherlands, Nordics, Poland, Spain, Austria

Segments H1 2018 (01.01.–30.06.2018)

EUR k	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	8,834	61,224		97	70,156
International ¹	13,541	8,319			21,860
Corporate			-28,558		-28,558
Consolidation				-4	-4
Group	22,376	69,543	-28,558	93	63,454
ADJUSTMENTS					
GERMANY					
	7,905	2,555	-51		10,409
Significant non-operating earnings	17	-2,555	51		-2,487
Market valuation expenditures derivatives			158		158
Changes in the value of investment property					
Fund agreement amortisation		-1,414			-1,414
Reorganisation expenses		-1,136	-107		-1,243
Unrealised currency changes	17	-5			12
Realised fair value	7,922				7,922
INTERNATIONAL ¹					
	-95	273			177
Significant non-operating earnings	95	-273			-177
Fund agreement amortisation		-386			-386
Reorganisation expenses					
Unrealised currency changes	95	114			209
CORPORATE					
			-1,518		-1,518
Significant non-operating earnings			1,518		1,518
Unrealised currency changes			1,518		1,518
Group	7,810	2,827	-1,569		9,068
OPERATING RESULT (ADJUSTED EBT)					
Germany	16,739	63,779	-51	97	80,564
International ¹	13,446	8,591			22,037
Corporate			-30,075		-30,075
Consolidation				-4	-4
Group	30,185	72,370	-30,127	93	72,522

¹ France & Belgium, United Kingdom & Ireland, Italy, Luxembourg, Netherlands, Nordics, Poland, Spain, Austria

Segments H1 2017 (01.01.–30.06.2017)

EUR k	Investments	Management Services	Corporate	Consolidation	Group
GERMANY					
Revenues from principal investments	15,507				15,507
Rental revenues	4,019	65		-28	4,056
Revenues from management services		73,149		-2,061	71,087
Other	558	151		-2	707
Revenues	20,084	73,365		-2,091	91,358
INTERNATIONAL ¹					
Revenues from principal investments					
Rental revenues	1,167				1,167
Revenues from management services		43,090		-605	42,485
Other	931	98			1,029
Revenues	2,098	43,189		-605	44,682
CORPORATE					
Revenues			330		330
CONSOLIDATION					
Revenues			-30,431	-35	-30,467
GROUP					
Revenues from principal investments	15,507				15,507
Rental revenues	5,186	65	54	-28	5,277
Revenues from management services		85,820	211	-2,671	83,360
Other	1,489	236	66	-32	1,759
Revenues	22,182	86,122	330	-2,731	105,903
DETAILS					
TOTAL OPERATING PERFORMANCE					
Germany	12,294	75,931		-2,091	86,134
International ¹	4,154	45,258		-605	48,807
Corporate			6,069		6,069
Consolidation			-30,855	-48	-30,903
Group	16,447	90,333	6,069	-2,744	110,106

¹ France & Belgium, United Kingdom & Ireland, Luxembourg, Netherlands, Nordics, Spain

Segments H1 2017 (01.01.–30.06.2017)

EUR k	Invest- ments	Management Services	Corporate	Consoli- dation	Group
COST OF MATERIALS AND COST OF PURCHASED SERVICES					
Germany	-4,185	-9,478			-13,663
International ¹	-3,292	-27,161			-30,452
Corporate					
Consolidation		30,389			30,389
Group	-7,477	-6,249			-13,727
CHANGE IN VALUE OF INVESTMENT PROPERTIES					
Germany					
Group					
STAFF COSTS					
Germany		-18,688			-18,688
International ¹		-9,633			-9,633
Corporate			-11,595		-11,595
Consolidation					
Group		-28,322	-11,595		-39,916
OTHER OPERATING EXPENSES					
Germany	-4,319	-12,219		2,287	-14,251
International ¹	-852	-4,921		605	-5,169
Corporate			-9,726		-9,726
Consolidation		466		98	564
Group	-5,171	-16,674	-9,726	2,989	-28,582

¹ France & Belgium, United Kingdom & Ireland, Luxembourg, Netherlands, Nordics, Spain

Segments H1 2017 (01.01.–30.06.2017)

EUR k	Investments	Management Services	Corporate	Consolidation	Group
INCOME FROM PARTICIPATIONS AND EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
Germany	4,407	4,708			9,115
International ¹	931				931
Corporate					
Consolidation					
Group	5,338	4,708			10,046
REORGANISATION EXPENSES					
Germany		-639			-639
International ¹		-57			-57
Corporate			-220		-220
Consolidation					
Group		-695	-220		-915
AMORTISATION OF FUND MANAGEMENT CONTRACTS, SOFTWARE AND EQUIPMENT					
Germany		-999			-1,000
International ¹		-118			-118
Corporate			-1,652		-1,652
Consolidation					
Group		-1,117	-1,652		-2,769
FINANCIAL RESULT					
Germany	-238	-599			-837
International ¹	209	64			273
Corporate			-744		-744
Consolidation					
Group	-29	-535	-744		-1,309
GAINS / LOSSES FROM CURRENCY TRANSLATION					
Germany	-141	-5			-146
International ¹	-1,885	121			-1,764
Corporate			67		67
Consolidation					
Group	-2,026	116	67		-1,844

¹ France & Belgium, United Kingdom & Ireland, Luxembourg, Netherlands, Nordics, Spain

Segments H1 2017 (01.01.–30.06.2017)

EUR k	Invest- ments	Management Services	Corporate	Consoli- dation	Group
EBT (IFRS)					
Germany	7,817	38,011		196	46,025
International ¹	-735	3,553			2,818
Corporate			-17,802		-17,802
Consolidation				49	49
Group	7,082	41,565	-17,802	245	31,090
ADJUSTMENTS					
GERMANY					
Significant non-operating earnings	-141	-1,680	-220		-2,041
Fund agreement amortisation		-984			-984
Reorganisation expenses		-695	-220		-915
Unrealised currency changes	-141				-141
Realised fair value	304				304
INTERNATIONAL ¹					
Significant non-operating earnings	-1,876	142			-1,733
Fund agreement amortisation					
Unrealised currency changes	-1,876	142			-1,733
CORPORATE					
Significant non-operating earnings				59	59
Unrealised currency changes				59	59
Group	2,321	1,537	162		4,020
OPERATING RESULT (ADJUSTED EBT) ²					
Germany ³	8,262	39,691	220	196	48,369
International ¹	1,140	3,411			4,551
Corporate			-17,860		-17,860
Consolidation				49	49
Group	9,402	43,102	-17,640	245	35,110

¹ France & Belgium, United Kingdom & Ireland, Luxembourg, Netherlands, Nordics, Spain

² 231.8 Mio, EUR ohne auf Harald entfallene Steuern und Minderheitsanteile

³ 208.0 Mio, EUR ohne auf Harald entfallene Steuern von 44.7 Mio, Euro und Minderheitsanteile von 19.3 Mio, EUR

23 Related Party Transactions

As at the present time, the Managing Board of PATRIZIA Immobilien AG is not aware of any circumstances, agreements or legal transactions with affiliated or related parties for which the company will not receive fair and appropriate consideration. All transactions are concluded at standard market terms and do not differ from trade relationships with other companies.

The presentation of related party transactions in note 9.3 to the consolidated financial statements in PATRIZIA's 2017 Annual Report is still valid.

24 Events after the End of the Reporting Period

In accordance with IAS 10, the following may be considered events after the end of the reporting period:

Dividend payment

The Annual General Meeting on 20 June 2018 resolved a dividend distribution of EUR 22,729k, corresponding to a dividend of EUR 0.25 per entitled share.

The shareholders were given the option of receiving the dividend in cash or in the form of shares in PATRIZIA Immobilien AG. In this context, a cash dividend of EUR 21,251k was paid and 93,339 treasury shares of PATRIZIA Immobilien AG valued at EUR 1,478k were transferred. The dividend was paid on 20 July 2018.

Integration

In integrating TRIUVA and Rockspring, a new organisational model was developed in the first half of 2018, and the extent to which economies of scale and synergies can be leveraged was intensively examined. Among other things, this resulted in the potential for downsizing. Having reached an agreement with the TRIUVA Works Council, significant measures were initiated in July 2018. Among other things, approximately 5% of all staff were offered the option of termination of employment. Furthermore, additional economies of scale and efficiency potential from the standardisation of systems, merger of sites and other measures will be examined. From the third quarter of 2018, the costs arising from the integration will be shown in the consolidated income statement under "Reorganisation expense".

25 Responsibility Statement by the Officers of PATRIZIA Immobilien AG in Accordance with Section 37y WpHG in Conjunction with Section 37w(2) no. 3 WpHG

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

Augsburg, 6 July 2018



WOLFGANG EGGER
CEO



KARIM BOHN
CFO



ANNE KAVANAGH
CIO



KLAUS SCHMITT
COO

Financial Calendar and Contact Details

Financial Calendar

2018

7 August 2018 Interim report for the first half of 2018
with investor and analyst conference call

14 November 2018 Interim report for the first nine months of 2018
with investor and analyst conference call

2019

21 März 2019 Financial statements 2018 with press conference and
investor and analyst conference call

16 Mai 2019 Interim report for the first quarter of 2019
with investor and analyst conference call

22 Mai 2019 Annual General Meeting, Augsburg

7 August 2019 Interim report for the first half of 2019
with investor and analyst conference call

14 November 2019 Interim report for the first nine months of 2019
with investor and analyst conference call

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This half-year financial report was published on 7 August 2018. Both versions are available on our website:



www.patrizia.ag/de/aktionaere/finanzberichte/quarterly-reports/
www.patrizia.ag/en/shareholders/financial-reports/quarterly-reports/

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