PATRIZIA

REAL TRUST – REAL PERFORMANCE

Annual Report 2017

KEY FIGURES

REVENUES AND EARNINGS

EUR k	2017	2016[5]	Change in %
Revenues	**249,574**	325,417	−23.3%
Total operating performance	**227,651**	226,916	0.3%
EBITDA	**95,788**	56,236	70.3%
EBIT	**87,107**	50,102	73.9%
EBT	**80,128**	41,935	91.1%
Operating income[1]	**82,185**	72,219	13.8%
Consolidated net profit	**58,898**	27,743	112.3%

STRUCTURE OF ASSETS AND CAPITAL

EUR k	31.12.2017	31.12.2016	Change in %
Non-current assets	**275,900**	258,813	6.6%
Current assets	**976,494**	734,446	33.0%
Equity (excl. non-controlling shareholders)	**754,701**	749,342	0.7%
Equity ratio (excl. non-controlling shareholders)	**60.3%**	75.4%	−15.2%
Non-current liabilities	**325,671**	47,506	585.5%
Current liabilities	**170,331**	194,720	−12.5%
Total assets	**1,252,394**	993,259	26.1%

SHARES

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Issued shares as at 31.12.2017	92,351,476 shares
Outstanding shares as at 31.12.2017[2]	89,555,059 shares
2017 high[3]	EUR 20.17
2017 low[3]	EUR 13.34
Closing price as at 31.12.2017[3]	EUR 19.34
Share price performance 2017[3]	+35%
Market capitalisation as at 31.12.2017	EUR 1.8bn
Average trading volume per day 2017[4]	about 190,000 shares
Indices	SDAX, DIMAX

1 Please see page 27 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

5 Adjusted, excluding the Harald portfolio

REAL TRUST – REAL PERFORMANCE

for our German and international investors in real estate investments throughout Europe.

“ Our results last year clearly emphasise the strong performance of our pan-European network of experts when it comes to identifying and successfully carrying out attractive real estate investments in all types of use and risk classes for institutional and private investors in the various European markets.

WOLFGANG EGGER, CHIEF EXECUTIVE OFFICER (CEO)

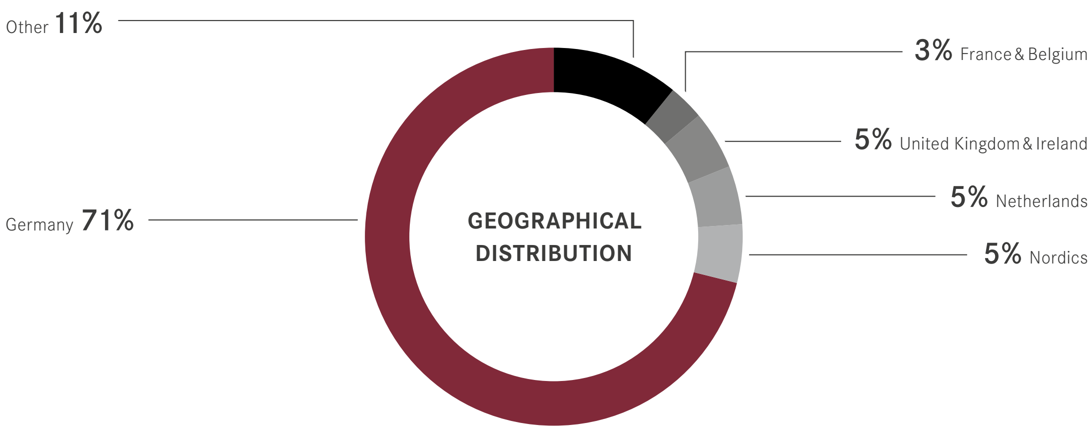
LOCAL INVESTOR SERVICE

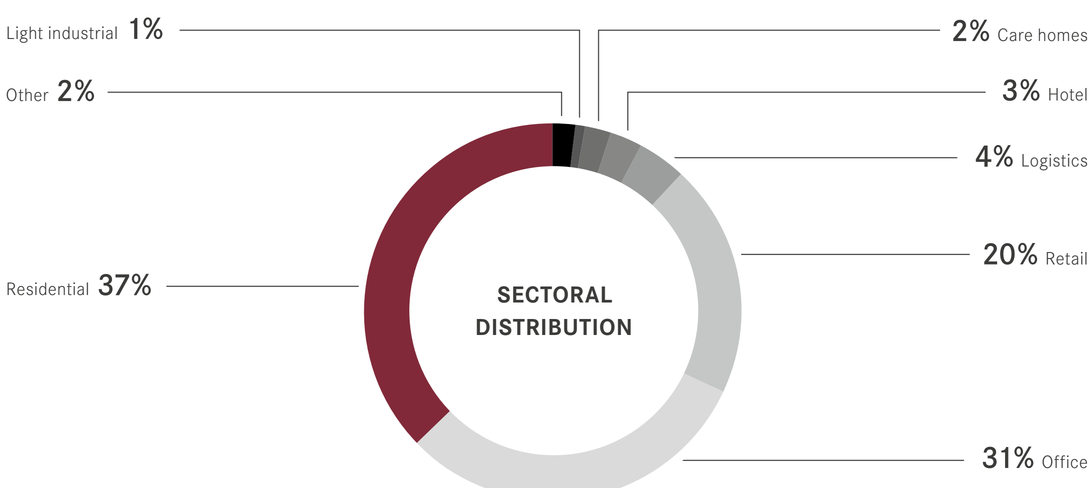
Our investor base is constantly growing in the context of our company's internationalisation and as a result of the expansion of our offering of various types of investments. We work in the DACH region (Germany, Austria and Switzerland) and internationally to allow investors throughout the world to access the European real estate market. Our array of offices worldwide play a key role, as they support and expand our broad, diversified network of investors.

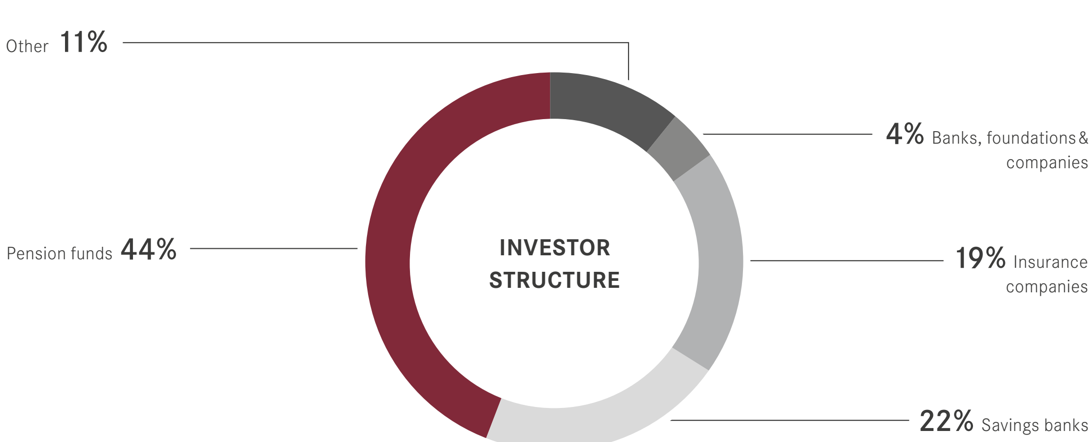
KEY FACTS

- Since 2012, more than **EUR 10bn** of equity have been entrusted to our local teams by investors for **investments** in European real estate.
- In the 2017 financial year, **40%** of the new capital entrusted to us came from international investors - in the financial year 2016 this figure was around **18%**.
- The acquisitions of **Sparinvest**, **TRIUVA** and **Rockspring** will further expand the share of international investors.
- The biggest transaction for an international investor to date was **Commerzbank Tower** in Frankfurt / Main, closed in 2017.

ASSETS UNDER MANAGEMENT (EUR 21.9BN) IN DETAIL







REAL TRUST – REAL PERFORMANCE

Additional information about our acquisitions and strategic direction can be found on page 8.

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PREAMBLE BY THE MANAGING BOARD

Dear shareholders,
Dear ladies and gentlemen,

We are delighted to be looking back at an eventful and successful 2017 financial year at PATRIZIA with you.

In 2017, PATRIZIA's business model – investing in attractive properties and property portfolios in Europe for global institutional and private investors – again proved to be characterised by stability, growth and profitability for our investors, and for PATRIZIA. **With operating income of EUR 82.2m, we improved our adjusted result for the previous year by 14%.** During this time, we organically grew the assets under management entrusted to us by EUR 2.2bn, in particular as a result of new and attractive property products for our investors. We also professionally and successfully carried out property transactions throughout Europe with a total value of EUR 6.0bn for our investors in the past financial year.

DETAILS concerning the financial position can be found here PAGE 42 FF.

Furthermore, with the announcement of three key strategic acquisitions in three European countries, we substantially strengthened PATRIZIA's business model and significantly expanded the product and investment opportunities for our institutional and private investors. These acquisitions are therefore crucial steps on our path to becoming the leading global provider of European real estate assets.

Above all, our investors will be the ones to benefit from the forward-looking strategic acquisitions. The acquisitions expand product diversity for our institutional and private investors, improve access to the European property market through the substantially stronger European platform **and increase our assets under management significantly to a pro forma amount of EUR 38.7bn, an increase of more than double as against the end of 2016.**

ADDITIONAL information on our acquisitions can be found on the page following the preamble PAGE 8

However, we do not see growth as an end in itself. Rather, the value added for our investors – institutional and private investors – is the driving factor in making our business model and the company even more stable and viable moving forward for you as our shareholders and all stakeholders.

The fact that we announced three acquisitions at short intervals was the result of a strategic and long-term process of familiarisation and negotiation, at the end of which it was clear, particularly to the owner-managed target companies, that PATRIZIA – with its strong European locations, long-standing investor confidence and its proven and successful strategy – is the right partner for the future of the respective company, its investors and its employees.

PATRIZIA has already successfully acquired and integrated companies in the past, advancing their product and service ranges. Examples of this include the integration of LB Immo Invest in 2010, then one of the biggest German providers of institutional property funds, and in 2012 the purchase of the Tamar Capital Group, a property and asset manager based in London with properties throughout Europe and employees in London, Dublin, Paris and Berlin.

The acquisition of the three companies now means a substantial improvement in PATRIZIA's market positioning, the further internationalisation of our business and a significant increase in stable and sustainable income from the management of our properties. In summary, this was a crucial step in PATRIZIA's ongoing evolution into the leading global provider of European real estate assets over the next few years.

MANAGING BOARD f.l.t.r.: Klaus Schmitt (COO), Anne Kavanagh (CIO), Wolfgang Egger (CEO), Karim Bohn (CFO)

ALLOW US TO BRIEFLY INTRODUCE YOU TO THE THREE COMPANIES:

PATRIZIA Multi Managers (formerly: Sparinvest Property Investors)

- Takeover announced: 12 October 2017
- Part of PATRIZIA from: 12 October 2017

Since being founded in 2005, Sparinvest Property Investors, based in Copenhagen, Denmark, has become a leading provider of property funds of funds with an investment focus on Europe, Asia and the Americas. It currently manages equity amounting to EUR 1.1bn in four different funds. The acquisition adds fund of funds products to PATRIZIA's range and significantly boosts its market position with Danish investors.

TRIUVA Kapitalverwaltungsgesellschaft mbH

- Takeover announced: 12 November 2017
- Part of PATRIZIA from: 1 January 2018

TRIUVA is one of the leading providers of property investments in Europe, with around 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 9.8bn. The acquisition not only enhances and expands PATRIZIA's European network, but also enables institutional and private investors to invest even more diversely in different countries, types of use and risk classes.

Rockspring Property Investment Managers LLP

- Takeover announced: 19 December 2017
- Part of PATRIZIA from: 31 March 2018 (planned)

The London based investment manager Rockspring now has more than 120 institutional investors in 20 countries. 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 110 employees at seven European locations. Rockspring offers PATRIZIA a complementary investor structure. For instance, 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.

In addition to these acquisitions, we also enjoyed key operational successes in the 2017 financial year. These include, for example, our relatively new business area for mutual funds. After starting the business in 2016, six funds with an investment volume of EUR 400m have already been successfully launched for more than 3,000 private investors in the first two years of operations. At the same time, we are one of the first providers to offer private investors and sales partners new opportunities in the context of digitisation – it has been possible to buy fund units online as well since January 2017.

For our institutional investors, we once again structured attractive products in all property asset classes, carried out successful property acquisitions and generated value added through sales. These transactions extended from residential, office, retail and hotel properties to logistics properties, student accommodation and care facilities. In many of these purchases, our strong pan-European network allowed us to secure attractive terms for our investors in off-market transactions – i.e. buying properties by approaching potential business partners directly, outside of bidding processes.

OUTLOOK 2018

We have entered the 2018 financial year with a spirit of optimism, and again expect to successfully exploit market opportunities for our institutional and private investors in the form of attractive property fund products. **We therefore expect to increase our operating income to between EUR 85m and EUR 100m in 2018, including the earnings contributions from our acquisitions.**

ADDITIONAL information on the outlook can be found in the forecast report

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Among other things, what sets a successful investment manager apart is years of experience in local markets and asset classes, professional processes and, in particular, attractive products that consistently outperform the market average. This is how an investment management company earns the enduring trust of its investors. All this is made possible only thanks to dedicated employees who are passionate about creating value added for the company and its stakeholders every day on behalf of our investors and shareholders.

We would therefore like to take this opportunity to thank our employees for PATRIZIA's ongoing success in 2017, and at the same time we welcome our new colleagues under the PATRIZIA name.

And we thank you, our shareholders and business partners, for your loyalty to and interest in PATRIZIA – we are delighted to be continuing PATRIZIA's journey with you.

Augsburg, 14 March 2018

The Managing Board of PATRIZIA Immobilien AG

WOLFGANG EGGER
CEO

KARIM BOHN
CFO

ANNE KAVANAGH
CIO

KLAUS SCHMITT
COO

UNIQUE INVESTMENT OPPORTUNITIES

As an investor, service provider and partner, we offer our investors attractive investment products for their global investment strategies. Their trust in our service inspires us to keep on enhancing PATRIZIA's positioning as a global provider of real estate investments in Europe.

MORE INFORMATION on this topic can be found in the Group management report.
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We achieved this once again last year: **with the announcement of our acquisition of Rockspring Property Investment Managers LLP (Rockspring), TRIUVA Kapitalverwaltungsgesellschaft mbH (TRIUVA) and the global fund of funds provider Sparinvest Property Investors (SPI)** in the fourth quarter of 2017, PATRIZIA's assets under management more than doubled to EUR 38.7bn.

As a result of these three strategic acquisitions, real estate investors gain access to the stronger and more multifaceted PATRIZIA investment platform, established fund brands and an even wider range of products. For instance, for the first time ever, we now offer funds of funds and the resultant opportunity to invest in markets outside Europe. With these and other products, institutional and private investors can benefit from the growth of particularly promising real estate segments.

Sparinvest

Sparinvest was established in Copenhagen in 2005, and is one of the world's leading and most experienced investment managers for funds of funds in the real estate sector.

OFFICES	1
EMPLOYEES	11
CONTINENTS	3
FUNDS	4
INVESTORS	21
AUM (EUR BN)	1.1

TRIUVA

Frankfurt / Main-based TRIUVA is a renowned provider and manager of structured real estate products for institutional investors. The company's name is synonymous with the values of partnership, innovation and performance.

OFFICES	15
EMPLOYEES	200
COUNTRIES	11
FUNDS	40
INVESTORS	>80
AUM (EUR BN)	9.8[1]

ROCKSPRING

London-based investment manager Rockspring is a true global player. Out of seven international locations, investors around the world are taken care of.

OFFICES	7
EMPLOYEES	110
COUNTRIES	7
FUNDS	12
INVESTORS	>120
AUM (EUR BN)	7.0[1]

1 Pro-forma at the time of announcement of the acquisition

KRANHAUS EINS Cologne Rheinauhafen | Im Zollhafen 18

A WEALTH OF EXPERIENCE, REAL ADDED VALUE

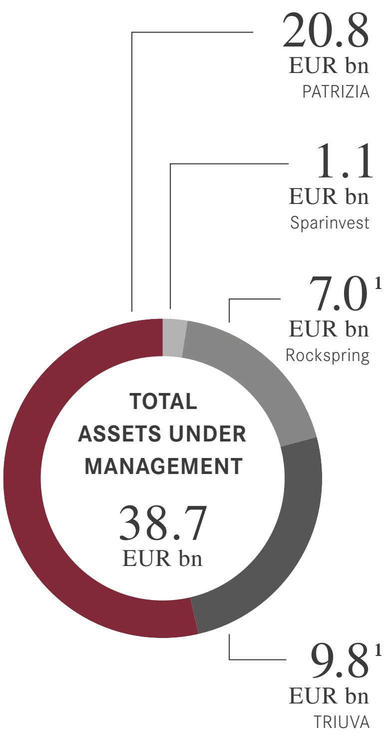
PATRIZIA is an acknowledged expert in European real estate. In the course of our acquisitions in the past year, we gained substantial expertise, boosting our extensive 30-plus years of knowledge even more – achieving further added value for our investors.

With the acquisition of **Rockspring,** we will be opening up new investment prospects throughout Europe for our investors in future, primarily in the office and retail asset classes.

Investors also stand to benefit from the accumulated experience of **TRIUVA**, especially in commercial properties in the office, retail and logistics sectors as well as in the infrastructure field.

PATRIZIA's expertise is particularly boosted by the substantial experience and global positioning of **Sparinvest.** Acquiring this international investment manager for funds of funds in the real estate sector enables us to offer our investors new product lines in this sector and tap into additional markets in the future.

With these three new companies, we have strengthened our expertise in various asset classes and internationalised our business model for the long term.



1 Pro-forma at the time of announcement of the acquisition

GROUND-BREAKING TRANSACTIONS

We provide our investors with attractive products for optimum value creation. That is why we are continuously expanding our range of products in terms of asset classes, risk profiles and markets.

MORE INFORMATION on this project can be found further on in the report.

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For instance, in 2017 we **acquired one of the largest portfolios of recent years in the retail sector with a total of 85 properties.** These are primarily retail centres, supermarkets and discounters that are let to well-known retail brands – and are highly attractive to investors on account of their future value-added potential.

Along with numerous other sought-after office, hotel and logistics portfolios, we have also launched two more closed-end private investor funds. These mark the start of the long-term "Housing Europe" series, respond to the major trend of urbanisation and allow private investors to participate in the dynamic growth of European cities with manageable investment amounts.

BAU KING DIY STORE Wolfsburg | Karl-Ferdinand-Brau-Ring 2

COMMERZBANK TOWER Frankfurt | Neue Mainzer Straße 22–26

PROSPECTS FOR US AND OUR INVESTORS

PATRIZIA – Preferred European investment manager for global investors
- Build-up of PATRIZIA's European market presence through first-class products
- Broadening of the international investor base, particularly towards Scandinavia, North America and Asia along with strengthening of the current investor structure in Germany and Europe

Focus on real estate
- Rounding-off of PATRIZIA's portfolio across the real estate classes as well as tapping into further real estate markets with growth prospects
- Expansion to the property-specific "infrastructure" investment class as well as management of funds of funds

Attractive employer for talents in the European real estate industry
- Creation of international career opportunities at PATRIZIA
- Becoming a more attractive employer throughout Europe

Scaling and technology as a driver of a sustainable financial profile
- Increasing diversification and additional recurring income ensure substantial strengthening of PATRIZIA's business model
- Significant economies of scale through harmonisation and digitisation of processes

ASSET
Office

Award for the property Itämerenkatu 5 in Helsinki.
Sustainable building design is becoming increasingly important to investors. The modern office property in the popular Ruoholahti district acquired by PATRIZIA in 2016 now meets these requirements: it received the “LEED Existing Building” gold certificate for sustainability in design, construction and operation in 2017.

KEY FIGURES

LETTABLE AREA:
8,700 sqm

YEAR OF CONSTRUCTION:
2001

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SUPERVISORY BOARD REPORT

Dear Shareholders,
Ladies and Gentlemen

2017 was an important year for PATRIZIA Immobilien AG. Once again, PATRIZIA generated strong organic growth. The acquisitions also enabled the Company to make significant progress towards its strategic goal of becoming the leading global provider for real estate investments in Europe.

COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

In the 2017 financial year, the Supervisory Board of PATRIZIA Immobilien AG carefully performed all of the tasks assigned to it by law, by the Articles of Association and by its rules of procedure. We regularly advised the Managing Board in its management of the Company and monitored its activities. We were also involved in all decisions of material importance to the Company at an early stage. The Managing Board complied fully with its reporting obligations in accordance with the law and its rules of procedure and informed us regularly in written and oral reports about all fundamental aspects of the business development of the Company and the Group. We were also informed extensively about the current opportunities and risks of the earnings and liquidity situation. The Managing Board of PATRIZIA Immobilien AG provided a detailed discussion and explanation of the Company's business plan and any deviations between this plan and the actual course of business.

SUPERVISORY BOARD MEETINGS

The Supervisory Board held four ordinary meetings and two extraordinary meetings in the year under review. The Supervisory Board met without the attendance of the Managing Board where required. Every member of the Supervisory Board attended all the meetings. There was also a regular exchange of information between the Managing Board and the Supervisory Board, represented by the Chairman of the Supervisory Board outside of the scheduled meetings. Where the Supervisory Board was required to approve individual measures in accordance with the law, the Articles of Association or its rules of procedure, we made our decisions on the basis of comprehensive reports and resolution proposals by the Managing Board. Urgent resolutions were adopted by the Supervisory Board by written circulation where required. As the Supervisory Board of PATRIZIA Immobilien AG comprises three members, it did not form any committees. To enable efficient work and an in-depth exchange of information, the Supervisory Board considers it appropriate to base the size of the Supervisory Board of PATRIZIA Immobilien AG on the statutory minimum number of members.

KEY AREAS OF ADVISORY AND SUPERVISORY ACTIVITIES, CHANGES IN THE COMPOSITION OF THE MANAGING BOARD

The first ordinary meeting of the Supervisory Board on 13 March 2017 included the approval of the annual accounts for the 2016 financial year. In addition to its examination of the annual financial statements of PATRIZIA Immobilien AG for the 2016 financial year, the consolidated financial statements and the combined management report of the Company and the Group, the Supervisory Board approved the dependent company report prepared by the Company for the 2016 financial year following its own review. As at every Supervisory Board meeting, the report from the operational divisions was also a central topic at this meeting. Furthermore, we adopted the allocation of responsibilities for the Managing Board members and their targets for the 2017 financial year and approved the planned external financing in the form of the issue of a bonded loan with a volume of at least EUR 200m in order to increase the Company's financial flexibility.

As part of the Company's international expansion, the Supervisory Board unanimously resolved to expand the Managing Board of PATRIZIA Immobilien AG and to appoint Ms Anne Kavanagh as Chief Investment Officer (CIO) in a resolution passed by written circulation on 15 April 2017. Since April 2017, Ms Kavanagh has been responsible for all the Group's investment and portfolio management activities working from Augsburg and London.

SUPERVISORY BOARD f. l. t. r.: Alfred Hoschek, Dr Theodor Seitz, Uwe H. Reuter

The second ordinary meeting of the Supervisory Board on 9 May 2017 discussed current developments in the operational divisions, potential M&A transactions, and the completion of the Leading [1] project and its economic impact. Resolutions were also passed on the adjustment of the allocation of responsibilities for the Managing Board members and external financing in the form of the issue of a bonded loan with a maximum volume of EUR 300m.

The Supervisory Board held its third ordinary meeting following the Annual General Meeting on 22 June 2017. The Annual General Meeting re-elected Dr Theodor Seitz and Mr Alfred Hoschek as members of the Supervisory Board, and in addition elected Mr Uwe H. Reuter as member of the Supervisory Board. All three members were elected for two years. At the constituent meeting, Dr Theodor Seitz was re-elected as Chairman of the Supervisory Board. In addition to the report from the operational divisions, the Supervisory Board was briefed on the current status of the compliance project, including the implementation of an international compliance policy and a compliance management system.

An extraordinary meeting of the Supervisory Board was held by conference call on 8 August 2017 to discuss the utilisation of the authorisation to acquire treasury shares. At this meeting, the Supervisory Board approved the circulation of a voluntary public share buy-back offer to the shareholders for the acquisition of 2,298,850 treasury shares (target number of shares). Following the expiry of this buy-back offer, the Managing Board, with the approval of the Supervisory Board, resolved the implementation of a share buy-back programme with a volume of up to EUR 15m via the stock exchange on 13 September 2017. The shares acquired may be used for all the purposes approved by the Annual General Meeting on 25 June 2015, and in particular as (partial) consideration for company

1 As part of the Leading project, the strategic decision was taken to outsource our property management activities to an external service provider and to adopt an even more pronounced focus on investment management, which generates the greatest value added for our investors.

mergers or to acquire companies, equity interests in companies or parts of companies. On 25 September 2017, the Managing Board informed the Supervisory Board of the planned acquisition of the global fund of funds provider Sparinvest Property Investors (SPI). Based in Copenhagen, Denmark, SPI is one of the world's leading investment managers for real estate funds of funds in the small and mid-cap segment and has since been renamed PATRIZIA Multi Managers. The transaction was closed on 12 October 2017.

At an extraordinary Supervisory Board meeting on 7 November 2017, the Supervisory Board approved the resolution by the Managing Board on the acquisition of up to 94% of the shares in TRIUVA Kapitalverwaltungsgesellschaft mbH. TRIUVA is one of the leading providers of real estate investments in Europe, with around 40 funds, more than 80 institutional investors and around 200 employees at 15 locations in Europe. At the date on which the acquisition was announced, the Frankfurt-based company managed commercial properties in the office, retail, logistics and infrastructure sectors with total assets of around EUR 9.8bn. The Supervisory Board also approved the acquisition of 100% of the shares in Rockspring Property Investment Managers LLP. Rockspring is a London-based fund management expert with 110 employees at seven locations in Europe. It currently manages real estate assets of around EUR 7.0bn, primarily in the office and retail sectors. The company services more than 120 institutional investors from 20 countries and offers PATRIZIA a complementary investor structure, among other things. With these acquisitions, PATRIZIA is extending its own product range to encompass new markets, asset classes and risk profiles, thereby increasing its real estate assets under management to around EUR 39bn and strengthening its position as one of the leading independent real estate investment managers in Europe.

At the final ordinary meeting of the financial year on 18 December 2017, the Supervisory Board examined the annual budget for 2018 in detail and adopted it unanimously. The Managing Board also discussed the corporate strategy of PATRIZIA Immobilien AG and provided a comprehensive update on the company acquisitions and integration planning for Sparinvest Property Investors and TRIUVA Kapitalverwaltungsgesellschaft mbH. Furthermore, the Managing Board informed the Supervisory Board about the current status of the planned acquisition of Rockspring Property Investment Managers LLP.

FURTHER RESOLUTIONS

Following the Annual General Meeting on 22 June 2017, which approved a 10% increase in the share capital from company funds for the purpose of issuing "bonus shares", the Supervisory Board of PATRIZIA Immobilien AG resolved a corresponding amendment to the wording of Article 4 (1), (2) and (4) of the Articles of Association in accordance with Article 16 of the Articles of Association.

CORPORATE GOVERNANCE

The Managing Board and Supervisory Board prepared a corporate governance report that is published along with the corporate governance statement on the PATRIZIA website at www.patrizia.ag/en/shareholders/corporate-governance/our-basic-principles/. On 18 December 2017, the Managing Board and Supervisory Board adopted the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). The Company complies with the recommendations and suggestions of the German Corporate Governance Code with a small number of exceptions. The current declaration of conformity and all previous declarations are also permanently available on the PATRIZIA website. My colleagues on the Supervisory Board and I also examined the efficiency of our work and discussed the results. The efficiency of the cooperation between the members of the Supervisory Board and with the Managing Board was again deemed to be extremely good.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

There were changes in the composition of the Supervisory Board of PATRIZIA Immobilien AG in the period under review. On 22 June 2017 the Annual General Meeting re-elected Dr Theodor Seitz and Mr Alfred Hoschek as members of the Supervisory Board, and in addition elected Mr Uwe H. Reuter as member of the Supervisory Board. At the subsequent constitutive meeting of the Supervisory Board, the members of the Supervisory Board unanimously elected Dr Theodor Seitz as Chairman of the Supervisory Board. Mr Alfred Hoschek and Mr Uwe H. Reuter were unanimously elected as Deputy Chairmen of the Supervisory Board.

AUDIT OF THE 2017 SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements of PATRIZIA Immobilien AG prepared in accordance with the German Commercial Code (HGB), the IFRS consolidated financial statements and the combined management report of PATRIZIA Immobilien AG and the Group for the 2017 financial year were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the books and records and were issued with an unqualified audit opinion in each case. The members of the Supervisory Board of PATRIZIA Immobilien AG received the aforementioned documents and the audit reports by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft in good time. At the meeting to approve the annual accounts on 13 March 2018, the Managing Board and the responsible auditors discussed the results of the audit and provided additional information. Deloitte & Touche also stated that the Managing Board has established a suitable system for the early identification of risks.

The Supervisory Board conducted its own detailed examination of the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management report of the Company and the Group for the 2017 financial year and the Managing Board's proposal for the appropriation of net retained profits and did not raise any objections. The Supervisory Board has subscribed to the profit appropriation proposal by the Managing Board and supports the payment of a dividend of EUR 0.25 per share in cash or in the form of shares of PATRIZIA Immobilien AG. The remainder of the balance sheet profit according to HGB will be carried forward to new account. We agreed with the audit result of the external auditor. The Supervisory Board approved the single-entity and consolidated financial statements. The annual financial statements of PATRIZIA Immobilien AG for the 2017 financial year have therefore been adopted.

DETAILS
on the consolidated financial statements 2017 can be found here
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AUDIT OF THE DEPENDENT COMPANY REPORT

The report by the Managing Board of PATRIZIA Immobilien AG on relationships with related parties (dependent company report) for the 2017 financial year was also examined by the external auditor. All the legal and business relationships with related parties described therein are conducted at arm's-length conditions such as would have been agreed between the PATRIZIA Group and a third party. The auditor issued the dependent company report with the following audit opinion:

"Having duly examined and assessed the report, we confirm that
1. the factual statements contained in the report are correct,
2. the Company's consideration with respect to the legal transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Managing Board and examined by the external auditor and the associated audit report were made available to all members of the Supervisory Board in good time. Based on the result of its examination, the Supervisory Board raises no objections to the report and the concluding statement by the Managing Board contained therein.

2017 was another year of growth for PATRIZIA Immobilien AG which brought many challenges with it. We would like to express our sincere gratitude to the Managing Board and all the employees whose local real estate expertise helps to ensure our success on the European markets and who work with dedication and loyalty for the future of PATRIZIA Immobilien AG.

Augsburg, 13 March 2018

For the Supervisory Board of PATRIZIA Immobilien AG

DR THEODOR SEITZ
Chairman

THE PATRIZIA SHARE

PATRIZIA'S KEY SHARE DATA

		2017	2016	2015
SHARE PRICE				
High [1]	EUR	**20.17**	22.31	23.11
Low [1]	EUR	**13.34**	13.15	9.38
Closing price as at 31.12.[1]	EUR	**19.34**	14.35	22.31
Share price performance [1]	%	**35**	–36	144
Market capitalisation as at 31.12.	EUR bn	**1.8**	1.3	2.1
Average trading volume per day [2]	EUR	**3,247,700**	2,839,600	2,835,700
Average trading volume per day [2]	Number	**188,500**	142,500	139,900
Annual share turnover [3]		**0.55**	0.46	0.49
Issued shares as at 31.12.	Number	**92,351,476**	83,955,887	76,323,533
Outstanding shares as at 31.12.	Number	**89,555,059**	83,955,887	76,323,533
Capital increase from company funds for the issue of bonus shares	EUR, number	**8,395,589**	7,632,354	6,938,503
Earnings per share (IFRS, unadjusted)	EUR	**0.60**	2.57	1.20
Dividend per share	EUR	**0.25**	0.00 [4]	0.00 [4]

1 Closing price in Xetra trading adjusted for capital increase from company funds (for the issue of bonus shares)

2 All German stock exchanges

3 Quotient of shares traded/average number of shares outstanding (2017: 88,096,177 shares, 2016: 79,284,720 shares, 2015: 71,951,326 shares)

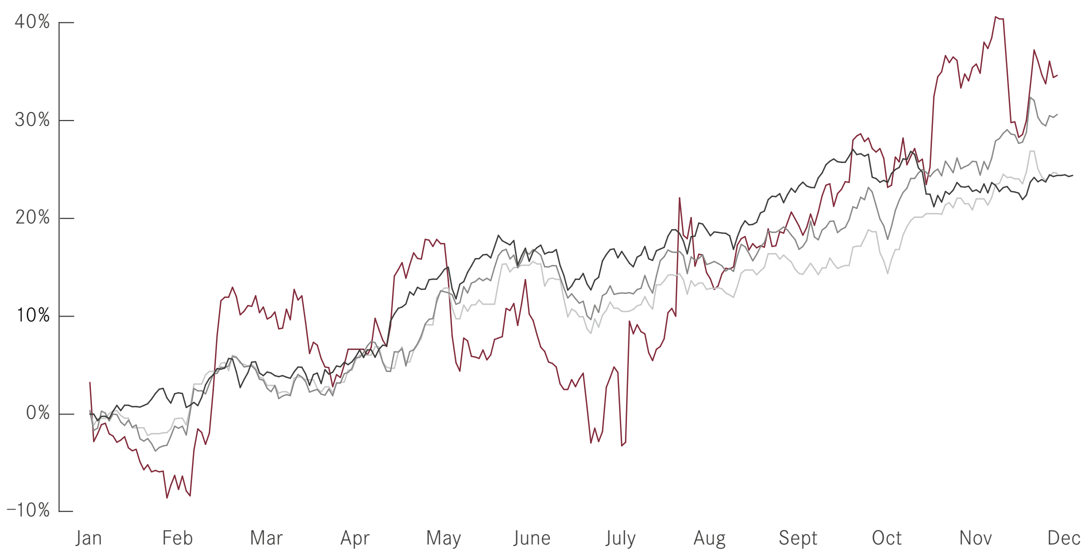
4 Bonus shares issued in 10:1 ratio in lieu of dividend payment

The upward trend seen on the stock exchanges in recent years continued in 2017. The German stock market grew for the sixth year in succession in terms of the leading DAX index. Driven by strong economic development and the prevailing low-interest environment, the DAX started the year at 11,481 points, reaching its high for the year and a new all-time high of 13,526 points in November before closing the year up 13% at 12,918 points. The SDAX small cap index, which includes the shares of PATRIZIA Immobilien AG, climbed by a substantial 25% to 11,887 points.

PATRIZIA Immobilien AG's shares continued their successful performance in 2017. Adjusted for the capital increase from company funds for the issue of bonus shares, the share price increased by 35% over the course of the year. Without this adjustment, the share price rose by 22%. PATRIZIA Immobilien AG's shares started the year with an adjusted price of EUR 14.35 and closed the year at EUR 19.34, corresponding to market capitalisation of around EUR 1.8bn.

An average of 188,500 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year increase in volume of 32% (2016: 142,500 shares/day) and annual share turnover of 0.55 (2016: 0.46). In Deutsche Börse's MDAX index ranking, PATRIZIA was ranked 64th in terms of trading volume and 70th in terms of market capitalisation as at 31 December 2017 (2016: 59th for trading volume, 65th for market capitalisation).

DEVELOPMENT OF PATRIZIA'S SHARE PRICE IN 2017 COMPARED WITH VARIOUS INDICES



PATRIZIA shares adjusted for bonus shares issue[1]
DIMAX
DAXsubsector Real Estate Performance
SDAX

1 Closing price in Xetra trading adjusted for capital increase from company funds (for the issue of bonus shares)

ISSUE OF BONUS SHARES

On 22 June 2017, the Annual General Meeting of PATRIZIA Immobilien AG approved a capital increase from company funds for the issue of bonus shares in a 10:1 ratio for the sixth year in succession. The amendment to the Articles of Association became effective following its entry in the commercial register of the company on 5 July 2017. The share capital increased by 10% or EUR 8,395,589 and has since amounted to EUR 92,351,476, divided into 92,351,476 no-par value bearer shares. Each shareholder was granted one new share for every ten existing PATRIZIA shares after the close of trading on 20 July 2017. The first day of trading for the new shares was 21 July 2017.

SHARE BUY-BACKS

PATRIZIA Immobilien AG announced a public share buy-back offer on 8 August 2017. The acceptance period ended on 7 September 2017. In the course of the share buy-back offer, the company purchased a total of 2,011,980 treasury shares at a purchase price of EUR 17.40 per share. A final share buy-back program announced on 13 September 2017 with a volume of up to EUR 15.0m concluded on 30 October 2017. A total of 2,860,851 shares were bought back under both programmes. As at 31 December 2017, the company held a total of 2,796,417 treasury shares.

INVESTOR RELATIONS – VALUABLE RELATIONSHIPS AND ACTIVE COMMUNICATION

PATRIZIA Immobilien AG maintains a continuous dialogue with its institutional and private investors and analysts in order to provide proactive, transparent information on its business development and all important events. In all, the Managing Board and the Investor Relations team presented the company at 24 roadshow days in 21 cities across nine countries. The team also participated in nine international investor conferences.

PATRIZIA Immobilien AG's shares are regularly covered by eight analysts from prominent national and international banks. At the end of 2017, six analysts (75%) recommended PATRIZIA's shares as a buy, while the other two analysts issued a hold recommendation. The analyst target prices as at 31 December 2017 ranged from EUR 20.00 to EUR 24.55, with an average target price of EUR 21.74 per share.

Further information can be found online at www.patrizia.ag/en/shareholders. In addition to financial reports, presentations and announcements, this section of the company's website contains the financial calendar and the latest analyst opinions on PATRIZIA Immobilien AG's shares.

SHAREHOLDER STRUCTURE OF THE COMPANY

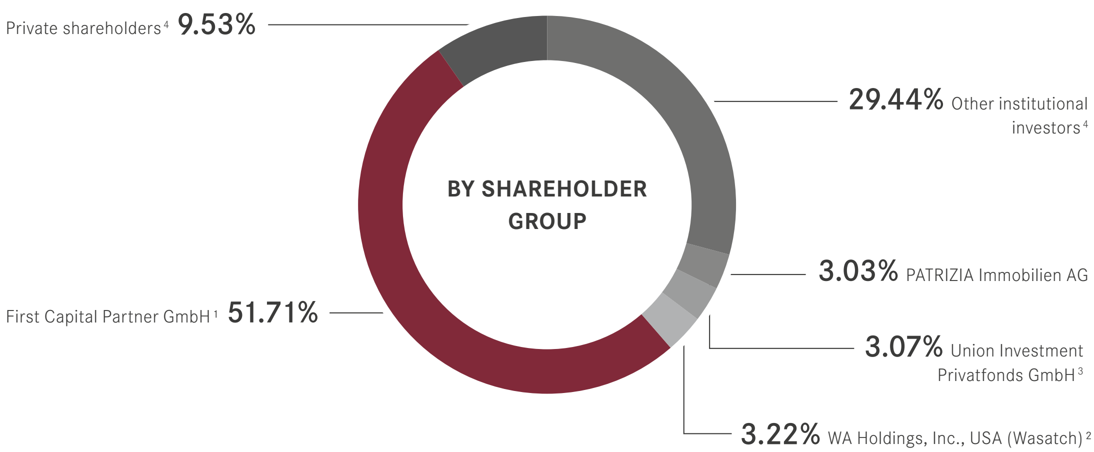
The shareholder structure of PATRIZIA Immobilien AG changed only slightly in the past financial year. The founder and CEO of the company, Mr Wolfgang Egger, remains its majority shareholder. At the end of 2017, he held 51.71% of the share capital via First Capital Partner GmbH. The increase of just under 0.1% compared with the previous year is due to the reversal of a securities lending agreement with a designated sponsor. The second-largest shareholder, the North American investor Wasatch, holds 3.22% of the share capital according to the voting rights notification dated 21 July 2017. Furthermore, Union Investment Privatfonds GmbH has held a share package of 3.07% since May 2013. As noted above, PATRIZIA Immobilien AG held 3.03% of the share capital in the form of treasury shares as at 31 December 2017. 29.44% of the remaining shares are held by institutional investors, with a further 9.53% held by private shareholders.

In terms of regional distribution, PATRIZIA's shareholders, which number a good 10,000, are spread across 51 countries worldwide. However, the vast majority of the shares are held by German shareholders (82.04%), followed by shareholders in the USA (8.78%) and the United Kingdom (4.16%).

DISTRIBUTION OF A DIVIDEND OF EUR 0.25 PER SHARE FOR THE 2017 FINANCIAL YEAR

For the past fiscal year 2017, the Managing Board and Supervisory Board of PATRIZIA Immobilien AG propose to use the balance sheet profit in accordance with HGB of EUR 405.3m to pay out a dividend of EUR 0.25 per share and to carry the remainder forward to new account. Based on the share of the IFRS consolidated net profit for 2017 of EUR 55.0m attributable to shareholders, this corresponds to a pay-out ratio of 42%. Shareholders will be given the option of receiving the dividend payment in cash or in the form of shares in PATRIZIA Immobilien AG.

PATRIZIA SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2017

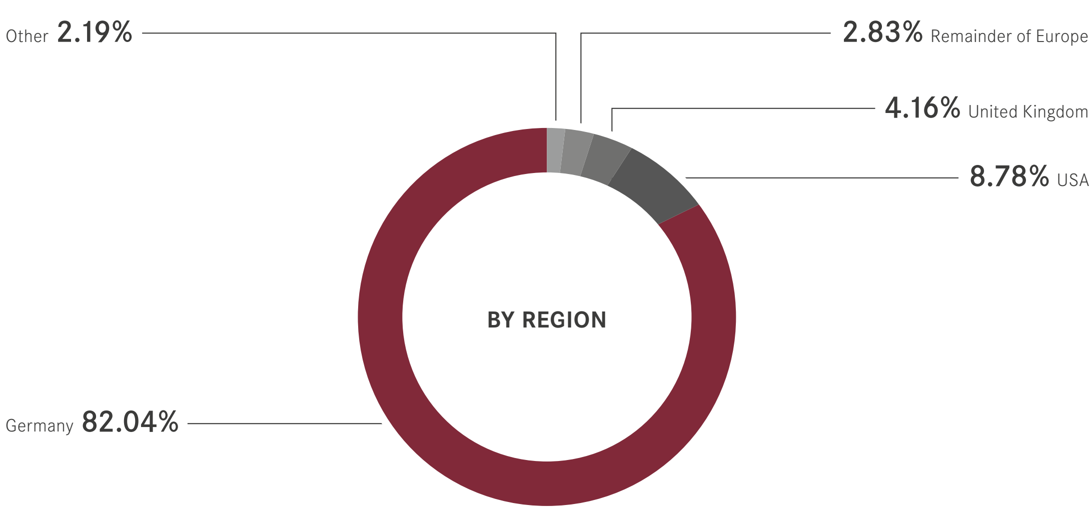


1 First Capital Partner is attributable to CEO Wolfgang Egger

2 According to the voting rights notification of 21 July 2017

3 According to the voting rights notification of 22 May 2013

4 Source: PATRIZIA share register



ASSET

Residential

PATRIZIA acquired this new apartment building project in Copenhagen in 2017.
The apartments are located in the popular Sydhavnen district. With its harbour location and proximity to the city centre, this district has become one of the most desirable residential areas in Copenhagen.

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LETTABLE AREA:
18,660 sqm

START OF CONSTRUCTION:
2017

COMPLETION:
2019

Management Report

Combined Management Report of the Company and the Group

The Group management report has been combined with the management report of PATRIZIA Immobilien AG in accordance with section 315 (3) of the German Commercial Code (HGB) in conjunction with section 298 (2) HGB because the situation of PATRIZIA Immobilien AG as the management and financial holding company is strongly linked with the situation of the Group. The combined management report contains all presentations of the net assets, earnings and financial situation of the company and the Group as well as other details that are required according to German commercial law and the supplementary provisions of DRS 20. The currency denomination is the euro.

1 Group Fundamentals

1.1 Business Model

PATRIZIA Immobilien AG is one of the leading independent real estate investment companies in Europe. Around 650 employees (FTE) are on hand for our investors in more than 15 European real estate markets. In addition, we are represented in New York, Hong Kong and Melbourne. PATRIZIA provides a wide range of services from asset management, portfolio management and implementation of purchase and sales transactions for almost all investment classes to alternative investments and project developments. As a result, investor preferences and requirements can be met extensively in a investor-specific way. Investors include private and institutional investors with a long-term focus such as insurance firms, pension fund institutions, sovereign funds and savings banks from all over Europe and Asia. PATRIZIA develops bespoke products for investors in line with their individual return expectations, diversification objectives and risk styles.

PATRIZIA's business model is to invest in attractive properties and real estate portfolios throughout Europe for institutional and private investors and, in some cases, in conjunction with institutional investors as a co-investor. As a result PATRIZIA generates fee income and investment income in three different categories:

THIRD-PARTY BUSINESS

In the context of third-party business, investment funds are placed and managed for private and institutional investors via the Group's own investment management companies. The funds are structured in such a way that PATRIZIA does not invest any of its capital. PATRIZIA generates stable, recurrent income through fees from investment management in relation to inter alia asset management as well as purchase and sales transactions. If individually defined return targets are exceeded, PATRIZIA also receives a performance-related fee. Third-party business additionally includes mandates in which PATRIZIA offers individual services from its extensive range.

CO-INVESTMENTS

On the basis of co-investments, PATRIZIA also participates in transactions with its investors using its own capital. Along with its commitment to the investor and the transaction, PATRIZIA generates investment income in addition to its income from management fees. This gives shareholders the opportunity to participate in the performance of an attractive real estate portfolio diversified across Europe.

PRINCIPAL INVESTMENTS

PATRIZIA operates as an investment manager for institutional and private investors, and therefore endeavours to avoid conflicts of interest with its own investments. Consequently, principal investments, i.e. own-account transactions, are generally undertaken either as interim financing for public funds or as early-phase investments with the purpose of subsequent contribution to institutional funds. There is also a residual holding of privatisation properties.

As at 31 December 2017, PATRIZIA managed real estate assets of EUR 21.9bn (31 December 2016: EUR 18.6bn). The volume managed solely on behalf of third parties totalled EUR 15.9bn (31 December 2016: EUR 11.6bn); the portfolio of co-investments in which PATRIZIA has an own-capital share of up to 10% fell to EUR 5.9bn as a result of sales (31 December 2016: EUR 6.9bn). Principal investments remained unchanged from the previous year at EUR 0.1bn (31 December 2016: EUR 0.1bn).

1.2 Group Strategy

PATRIZIA aims to be a leader in all real estate asset classes for its investors – in Germany and Europe. As an independent real estate company, PATRIZIA operates both for large institutional investors from all over the world and for German private investors, and provides extensive value added in all real estate segments. PATRIZIA aims to strengthen its position further, to steadily increase the assets under management and recurring income in future years, resulting in a long-term rise in operating income.

EXPANSION AND EXTENSION OF THE EUROPEAN PLATFORM

In previous years, offices have been opened and teams set up in all relevant European countries. One key element of PATRIZIA's strategy is extending existing country activities and tapping into further markets in Europe. Expansion into new markets and market segments is only carried out either where other companies established on the market can be seamlessly integrated into the PATRIZIA Group or where highly qualified experts with a relevant track record can be recruited. The market is constantly monitored with a view to these kinds of additions.

EXPANSION OF THE PRODUCT RANGE

The product line is subject to targeted expansion and now covers nearly all property asset classes: from residential, office, retail and logistics properties to hotels and care homes. PATRIZIA's Europe-wide platform provides ideal conditions to offer investments within the legal and regulatory framework preferred by the respective investors according to their local regulations. This expertise and its wide-ranging presence in Europe have helped to establish PATRIZIA among investors as an internationally successful brand.

EXPANSION OF THE NATIONAL AND INTERNATIONAL INVESTOR BASE

Relationships with investors have been and continue to be expanded worldwide. Local relationship representatives have been established in Australia, Hong Kong and the USA, and the European investor relationship team has been bolstered specifically for the Southern Europe and Scandinavia regions. The existing national investor base is also being expanded further in Germany. The aim is to build up a long-term, stable investor relationship as per that which PATRIZIA already enjoys with its existing, predominantly German investors. There is strong demand among these investors for the range of new products as well as advice on reinvesting sales proceeds from existing investments.

1.3 Competitive Strengths

DIRECT ACCESS TO A BROAD INVESTOR BASE

Direct access to investors is one of PATRIZIA's strengths. It is built on the trust of investors who have maintained and deepened their 30-year-plus business relationship with PATRIZIA, and who include more than 200 institutional investors in Germany and abroad. They invest with PATRIZIA regularly and recurrently, as the company outperforms its benchmarks. In addition, PATRIZIA has been offering public funds for private investors and semi-professional investors since 2016. Demand from this new investor group has been above expectations. Equity of EUR 206.5m was invested in six different funds in this sector in the first two years alone. Overall, investors entrusted PATRIZIA with new equity of EUR 2.0bn in the past financial year.

NETWORK ESTABLISHED THROUGHOUT EUROPE

Based on profound trust and a professional, highly scalable platform, PATRIZIA's scope of activity and network covers more than 15 European markets. PATRIZIA is represented in these markets by accomplished teams with long standing track records. The company's regionally and nationally established network enables it to identify and pursue attractive investment opportunities in nearly all real estate asset classes and risk profiles. As a result, PATRIZIA has direct access to current market developments and tracks virtually all transactions relevant to its investors.

EXTENSIVE REAL ESTATE VALUE CHAIN COVERED

PATRIZIA's investors receive an "all-round package" that includes all services and the entire value chain of the investment. Of course, individual components can also be selected from this range.

SUCCESSFUL TRACK RECORD ATTRACTS FURTHER TRANSACTIONS

PATRIZIA's successful transactions build its reputation. For instance, purchases and sales with a total volume of EUR 6.0bn were carried out last year, including EUR 2.5bn outside Germany. The substantially increased performance-related income in the 2017 financial year is testament to the track record of the real estate funds launched for institutional and private investors. The long-term value-added within a portfolio is one of the company's core strengths that pays off in the return generated for our investors. However, PATRIZIA's investors and business partners also value its prudent identification of opportunities in all real estate asset classes throughout Europe and fast, smooth handling of purchases and sales.

PATRIZIA HAS THE DNA OF AN INVESTOR

PATRIZIA has the DNA of an investor and also invests in conjunction with its institutional investors. Investing part of its equity has been a key element of PATRIZIA's business model since the company was founded, with its equity being invested in co-investments in partnership with investors. Our longstanding experience and wide-ranging expertise as an investor are sought out and valued by our investors.

REPUTATION CREATES TRUST

Among investors and business partners in Europe, the name PATRIZIA is synonymous with trust-based, reliable partnership and successful transactions. This reputation stems from sustainable, prudent and successful business operations. The brand and the associated trust are essential to attracting new investors and extending existing business relationships. That is why we firmly believe in fostering the PATRIZIA brand and earning the trust of investors with every investment.

1.4 Group Management and Performance Indicators

1.4.1 CORPORATE MANAGEMENT BY SEGMENT

At PATRIZIA, corporate management is carried out under the **Management Services** and Investments segments. The Management Services segment largely comprises fee income from portfolio, asset and fund management. The **Investments** segment primarily contains the return on equity employed. Segment reporting can be found in item 7 of the notes to the consolidated financial statements.

1.4.2 CORPORATE MANAGEMENT ON THE BASIS OF FINANCIAL PERFORMANCE INDICATORS

PATRIZIA uses the following financial performance indicators for corporate management:

01

Financial performance indicators	Description
Assets under management (real estate assets)	The Group's growth is assessed on the basis of assets under management.
Operating income	Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS adjusted for non-cash effects from the measurement of investment property and unrealised currency effects, amortisation of fund management agreements as well as reorganisation expenses. It includes changes in the value of investment property realised on disposal and realised currency effects.

In addition, the following framework parameters are applied in Group management:

02

Further framework parameters	Description
Administrative fees	PATRIZIA receives recurrent service fees for managing the real estate assets.
Transaction fees	PATRIZIA receives a transaction volume-related fee for purchases or sales.
Performance-related fees	PATRIZIA receives performance-related remuneration if defined target returns on individual investments are exceeded.
Transaction volume	The transaction volume is the sum of purchases and sales.
Investment Income	Return on own capital employed.
Equity raised	For the various investments, equity is raised from institutional and private investors.

Item 2.2, page 34

The development of these indicators is detailed in item 2.2.

1.4.3 CORPORATE MANAGEMENT ON THE BASIS OF NON-FINANCIAL PERFORMANCE INDICATORS

For direct corporate management, PATRIZIA does not apply any non-financial performance indicators.

1.5 Non-financial Statement

1.5.1 THE PATRIZIA SUSTAINABILITY STRATEGY (ENVIRONMENTAL SOCIAL AND GOVERNANCE – ESG)

PATRIZIA's sustainability strategy is aimed at incorporating social and environmental criteria in the stakeholder dialogue and value creation in order to meet international regulations and be equipped for future challenges in Europe. Our strategy was developed on the basis of international guidelines such as the Global Reporting Initiative (GRI), and the targets of the United Nations Environment Programme (UNEP).

Overview of actions and goals of PATRIZIA's ESG strategy G01

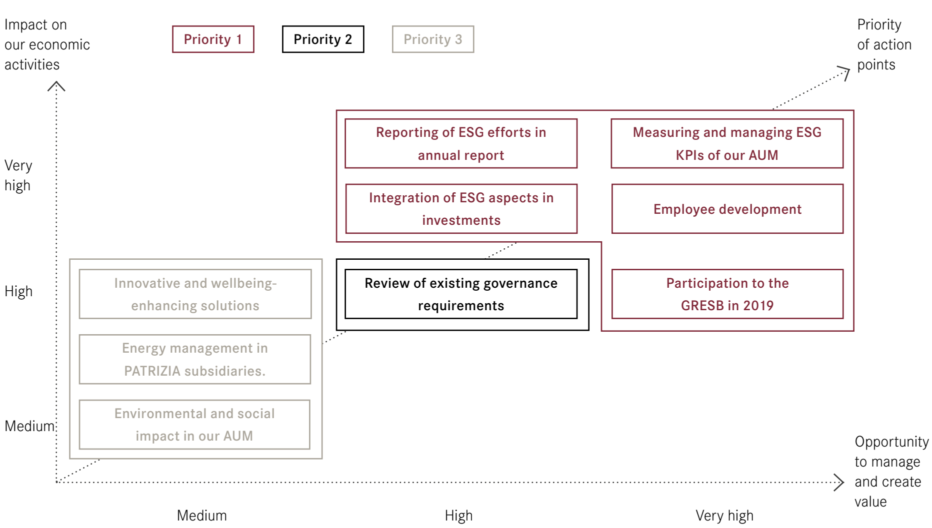
Action points	Description
Energy management in PATRIZIA subsidiaries	Collect and increase energy efficiency in subsidiaries
ESG data structure and gathering of AUMs	Define data scope, collect data on AuM and minimize operative risks
Environmental and social impact in our AUMs	Identify current projects and enhance impact at our AUM
Participation to the GRESB	Participate to GRESB, obtain benchmark and implement recommendations
Policy of employee development	Set boundaries in recruitment, promotion and training of employees
Integration of ESG aspects in investments	Review of operational DD, PM contracting and insurances/legal
Innovative and wellbeing-enhancing solutions	Identification of innovative and wellbeing-enhancing solutions
Review of existing governance requirements	Review of governance requirements including corruption, child labour, etc.
Reporting of ESG efforts in annual report	Report ESG efforts in annual report

How are the action points transferred to the areas of action? G02

Action points	Environmental: Waste pollution	Environmental: Natural resources	Environmental: Energy climate	Social: Health, safety, wellbeing	Social: Employees	Social: Sustainable communities	Governance: Communication leadership	Governance: Shareholder value	Governance: Governance ethics
Energy management in PATRIZIA subsidiaries	×	×	×					×	
ESG data structure and gathering of AUMs	×	×	×	×		×		×	×
Environmental and social impact in our AUMs	×	×	×	×		×	×	×	×
Participation to the GRESB					×		×	×	×
Policy of employee development				×	×	×	×	×	×
Integration of ESG aspects in investments								×	×
Innovative and wellbeing-enhancing solutions			×	×	×	×	×	×	
Review of existing governance requirements					×	×	×	×	×
Reporting of ESG efforts in annual report					×		×	×	×

× = The action has an impact on the marked area of action

PATRIZIA Materiality matrix G03



The ESG strategy is managed by CEO Wolfgang Egger and CIO Anne Kavanagh. In addition, PATRIZIA has an ESG working group that is responsible for dealing with the requirements of internal and external stakeholders, adapting and extending the ESG strategy and identifying relevant interfaces within the PATRIZIA organisational units. A steering committee monitors the results. The working group meets at the end of each quarter and gives the steering committee recommendations for successful implementation of the ESG strategy.

When purchasing properties, PATRIZIA focuses on the risks and opportunities identified by the assessment of sustainability aspects in conjunction with legal, technical and financial due diligence. The sustainability assessment enables the company to identify potential value drivers in asset management and assesses the overall feasibility of investments rather than weighting individual value drivers.

PATRIZIA has developed a sustainability assessment aimed at identifying risks and opportunities in the management of properties. This assessment is based on five aspects with a total of 21 individual criteria:

- Economic aspects
- Environmental aspects
- Cultural and social aspects
- Technical aspects
- Functional aspects

This catalogue is integrated in the due-diligence process when buying properties. The sustainability assessment is based on a simplified version of international guidelines on green-building certificates such as LEED and DGNB, and gives the acquisitions team an initial indication of sustainability performance and the elements to be taken into account when managing real estate assets. It is primarily focused on residential and commercial properties rather than logistics, care homes and hotels.

The acquisition of residential real estate is strictly regulated in Europe. Since around 2009, condominium owners who wish to operate residential buildings have been obliged to show the buyer their energy performance certificate (EPC). EPCs are a key element in assessing a building's energy consumption. Depending on the investment strategy - with regard to buy-to-hold or buy-to-refurbish - PATRIZIA relies on EPCs so that it can assess the property value. In addition, PATRIZIA complies with the building provisions in each country, using specialist local teams and local contractors with knowledge of regional regulations.

1.5.2 EMPLOYEE MATTERS

Our success is founded on the qualifications and strengths of our employees. Our investors benefit from the variety of skills, experience and characters of our employees. We endeavour to create an environment in which everyone can fulfil all their potential and in which differences are acknowledged and respected. We help our employees to perform their tasks as well as possible, and are proud of our partnership-based corporate culture.

As an employer, we delegate a high degree of decision-making authority and responsibility to our employees. Consequently, we give them the scope to evolve and enhance their knowledge, experience and characters. In doing so, we foster their identification with the corporate objectives and their application for our investors. That is what we mean by “the PATRIZIA spirit”. We help them to find the right place in one of our many business units and Europe-wide locations.

To pursue our business strategy and keep on growing, we rely on attracting and retaining the best talents in a competitive employment market. That is why we invest in training.

We train our young talents and offer them the following options:

– Dual training
– Dual-study courses
– International management trainee programme
– Internships, theses and student employee positions

In Germany, the training rate (dual training and dual-study courses) was just under 5% in the year under review. We work closely with universities and schools, regularly attend university careers fairs and network meetings, and offer numerous internships, theses and student employee positions.

We promote targeted development of our employees through:

– Regular feedback and employee meetings
– Target agreements
– Development meetings and internal transfer opportunities
– An attractive internal job market
– A wide range of in-house training options in the PATRIZIA Academy
– Targeted individual career planning with appropriate training options
– Cross-departmental interdisciplinary project work
– Targeted succession planning
– Management programme

To help our employees balance family and work and foster their health, PATRIZIA offers flexible working-hours arrangements (the part-time rate is 30% in Germany for instance), and various location-specific services, such as the following at all German locations:

– Kindergarten allowance
– Child care from pme Familienservice
– Health and fitness options

An open culture of discussion is a priority for us, as is a regular exchange between our employees. We promote this exchange in a highly targeted way through various events such as:

– Employee orientation day for all new PATRIZIA staff
– “PATRIZIA Knowledge”
– Annual Employee Day
– “Insights” (seeing how other teams work)

As well as team spirit, this creates synergies for our projects. PATRIZIA's values also include innovation and diversity. Our international and multicultural company thrives on the combination of different perspectives that ensure our long-term success.

We give our employees equal opportunities regardless of race or ethnic origin, gender, religion or ideology, disability, sexual identity or age. Appointments, promotions and level of remuneration are based solely on employees' qualifications and experience. In addition, on signing their employment contract, all managers and employees are obliged to refrain from discrimination on the above grounds.

The share of women in the workforce is 50%. There is a balanced age structure: just under 17% of employees are under 30 years old, 65% are aged between 30 and 50, and just under 18% are over 50 years of age. The diversity of nationalities, cultures and languages is a major strategic advantage for us. In the reporting year we had a total of 28 different nationalities.

With women accounting for just under 6% of first-tier management posts and just under 27% in the second tier, we are close to the targets we set in 2015.

1.5.3 COMBATING CORRUPTION AND FRAUD

Compliance with anti-bribery and corruption legislation is essential to avoiding penalties and reputational damage as well as to ensuring long-term corporate success, and is therefore also hugely relevant to PATRIZIA. For all companies in Germany, PATRIZIA has introduced a code of values and a compliance manual that contain extensive regulations and standards relating to anti-bribery and corruption. In addition, compliance training sessions that particularly cover these two issues have been held for all employees in Germany.

1.5.4 SOCIAL ISSUES

For PATRIZIA, assuming social responsibility outside of the actual business model is part of being a responsible, sustainably operating company. PATRIZIA KinderHaus-Stiftung builds schools, children's hospitals and orphanages all over the world. PATRIZIA Immobilen AG applies its real estate expertise here in order to give children educational, medical and social aid. Corporate giving covers all the foundation's administrative costs, meaning that all donations go entirely towards project work. PATRIZIA KinderHaus-Stiftung currently helps over 15,000 children a year in ten different countries in its 15 projects. Managers from the company serve as Board members of the foundation in a voluntary capacity. In addition, the full-time foundation team is supported by employees from various departments (e.g. HR, Marketing, IT and Accounts). Meaningful performance indicators cover the social impact (including the number of children reached and the number of projects) as well as the volume of donations.

1.5.5 HUMAN RIGHTS

In terms of respecting human rights, PATRIZIA sees no particular relevance to its business model due to its regional focus. PATRIZIA complies with appropriate safety practises and avoids forced and child labour.

1.5.6 SIGNIFICANT RISKS

Significant risks in not pursuing the PATRIZIA sustainability strategy and not complying with the requirements in the areas of employee matters, combating corruption and fraud, social issues and human rights are:

a. Loss of staff and increased fluctuation
b. Reputation risks
c. Increased competitive pressure and loss of market share
d. Legal risks

For information on further risks, see 4.3.2 Operational risks.

Item 4.3.2, page 69

2 Economic Report

2.1 Economic Environment

The markets in general: The upturn in the European economy that was observed in 2016 continued at the same pace in 2017. This was supported by growth in global trade, which was driven by the developed industrialised nations in particular. Employment in Europe increased once again, accompanied by moderate wage growth. This led to an upturn in private consumption that made a significant contribution to economic expansion in the euro zone. Investment activity was also boosted by the ECB's monetary policy measures. In the euro zone, full-year GDP growth of around 2.2% is forecast for 2017, followed by around 2.1% in 2018. Inflation increased to 1.5% in 2017 and is expected to amount to 1.4% in the current year.

Source: Reuters, EZB

Real estate markets: European real estate continues to be an extremely popular investment choice for institutional and private investors alike. The European real estate transaction volume increased by 13.0% to the previous year, from EUR 238.7bn to EUR 269.8bn. The lack of profitable alternative investments and the favourable financing environment led to a high level of investment activity on the real estate markets that was frequently only curbed by limited product availability. With a shortage of suitable products and a continued downturn in yields in the top locations, investors increasingly focused on secondary locations. Although yield compression can also be observed in these secondary locations, they offer higher yields than their more prestigious counterparts. The European real estate markets are expected to see further yield compression, albeit at a significantly reduced level. This applies to the top locations in particular.

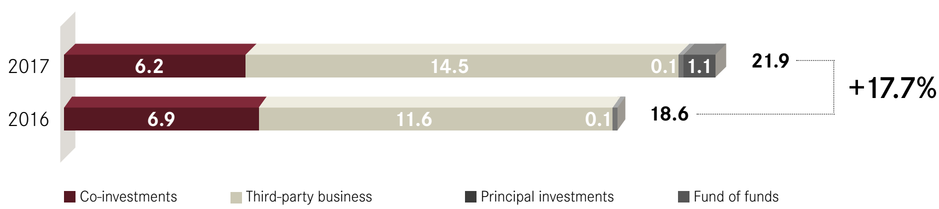
Source: RCA, Reuters, Brokers

2.2 Course of Business

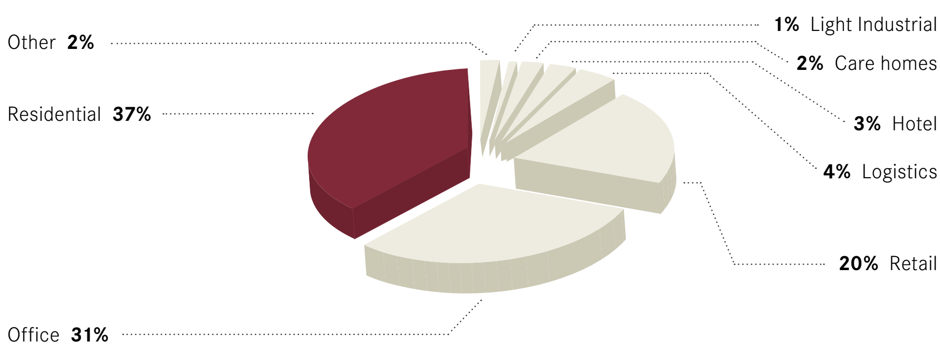
DEVELOPMENT OF FINANCIAL PERFORMANCE INDICATORS

As at 31 December 2017, PATRIZIA had real estate assets under management of EUR 21.9bn compared with EUR 18.6bn at the end of the previous year. EUR 15.5bn of this figure is related to Germany, with assets outside Germany accounting for the remaining EUR 6.4bn. Assets under management increased by a total of EUR 3.3bn or 17.7% in the period under review. Of this figure, EUR 1.1bn was attributable to the acquisition of Sparinvest Property Investors (fund of funds business). This means the target of organic growth of around EUR 2.0bn p.a. was exceeded.

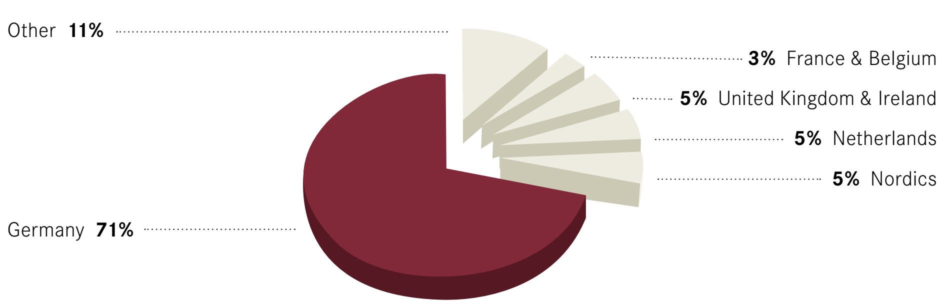
Assets under management (EUR bn) G04



Assets under management as at 31.12.2017 – Sectoral distribution G05



Assets under management as at 31.12.2017 – Geographical distribution G06



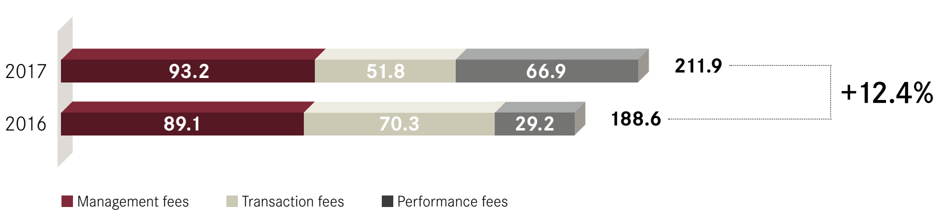
Operating income (EUR m) G07

Operating income increased by 13.8% to EUR 82.2m in the 2017 financial year (2016: EUR 72.2m), thereby significantly exceeding the upwardly revised forecast of just over EUR 75.0m issued in November 2017. The increase was attributable to higher than expected performance-based income from two co-investments. The prior-year amount was adjusted for the earnings contribution from the disposal of the Harald portfolio. The Harald portfolio was acquired by PATRIZIA in May 2015 and resold in early 2016 for a net profit of around EUR 200m.

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

Development of the parameters supporting the management of the company:

Total service fee income (EUR m) G08



Total service fee income increased by 12.4% to EUR 211.9m in the year under review (2016: EUR 188.6m). The individual components of total service fee income are discussed below:

MANAGEMENT FEES

All the services performed by PATRIZIA are compensated in the form of fees. Management fees comprise the company's remuneration for real estate-related services such as asset, fund and portfolio management and are mostly recurring in nature. Management fees of EUR 93.2m were reported in the 2017 financial year (2016: EUR 89.1m; +4.7%). The prior-year figure included EUR 10.5m in property management fees that are no longer recognised following the sale of property management business at the start of 2017. However, the property management fees have already been more than offset by the increase in management fees for the higher volume of real estate assets under management, which rose by around 18.7% as against the previous year on a like-for-like basis.

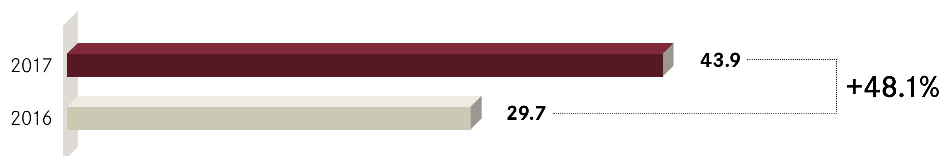
TRANSACTION FEES

PATRIZIA receives a fee for acquisition and disposal transactions in line with market conditions. At EUR 51.8m, transaction fees for the past year were lower than the extremely strong prior-year figure (2016: EUR 70.3m; -26.4%) but in line with the average for the financial years since 2012 (EUR 54.1m). Acquisitions accounted for EUR 31.4m of the transaction fees recorded (2016: EUR 48.1m; –34.7%), with EUR 20.3m attributable to disposals (2016: EUR 22.2m; –8.6%).

PERFORMANCE FEES

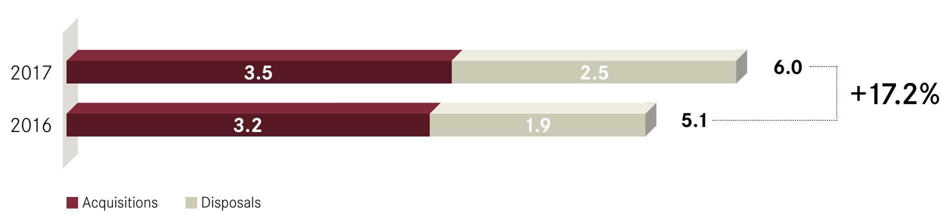
PATRIZIA receives performance-based compensation if defined target investment yields are met or exceeded. In the year under review, performance fees increased significantly by 129.4% to EUR 66.9m (2016: EUR 29.2m).

Investment income (EUR m) G09



PATRIZIA generated investment income of EUR 43.9m in the year under review after EUR 29.7m in the previous year. This figure includes principal investments (investments for the company's own account) and co-investments. Income from principal investments includes corresponding net sales as well as rental income included in revenues. Income from co-investments is reported in the result from participations.

Transaction volume (EUR bn) G10



The transaction volume is composed of the real estate acquisitions and disposals realised. Acquisitions of EUR 3.5bn and disposals of EUR 2.5bn were realised in 2017. The total transaction volume increased by 17.2% compared with the previous year..

Equity raised (EUR bn) G11

In the period under review, equity of EUR 2.0bn was raised from institutional investors for various national and international investments, compared with EUR 2.2bn in the previous year (−9.1%)

PATRIZIA'S BUSINESS MODEL

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

2.2.1 THIRD-PARTY BUSINESS

In its third-party business, PATRIZIA uses its own regulated and unregulated platforms to structure, place and manage investment assets for institutional investors and private investors. These funds are launched without any equity investment on the part of PATRIZIA. PATRIZIA generates stable, recurring income in the form of management service fees for property management as well as acquisition and disposal transactions. PATRIZIA also receives a performance-based fee if defined individual yield targets are exceeded. All in all, third-party business accounted for EUR 15.9bn of PATRIZIA's assets under management as at 31 December 2017.

PATRIZIA INVESTMENT MANAGEMENT COMPANIES

The funds act as holding agents. The properties held by the funds have a planned initial holding period of between seven and ten years. Various PATRIZIA operating units act as service providers on behalf of the funds of the three German investment management companies (KVG) and the Luxembourg-based regulated platform (AIFM), thereby generating fee income.

PATRIZIA WohnInvest KVG mbH primarily invests in residential real estate, while **PATRIZIA GewerbeInvest KVG mbH** invests in commercial real estate. Both companies have a European focus and launch special real estate funds for institutional investors.

PATRIZIA GrundInvest KVG mbH bundles the Group's activities in the area of closed-end private investor funds. In its second full financial year after obtaining its licence, it placed four closed-end private investor funds with an equity volume of EUR 131.2m on the market in full. 2017 also saw the launch of two new funds allowing private investors to invest in commercial real estate in Munich and Mainz, as well as real estate acquisitions in the Rhine-Ruhr metropolitan region, Garmisch-Partenkirchen and Dresden with a view to the launch of additional fund products. With these activities, closed-end private investor funds business again made a contribution to PATRIZIA's revenues and earnings and will continue to positively support the Group's development in the future.

PATRIZIA Real Estate Investment Management S.à r.l. (REIM) acts as a European platform for German and international institutional investors.

SINGLE-ASSET MANDATES FOR THIRD PARTIES

PATRIZIA's third-party business also includes single-asset mandates, which accounted for a total volume of around EUR 3.5bn as at 31 December 2017. The increase as against the previous year is attributable to the acquisition of the Commerzbank Tower in Frankfurt / Main, which was signed in 2016 on behalf of a Korean investor but not closed until mid-2017, as well as the fund of funds business of PATRIZIA Multi Managers (formerly Sparinvest Property Investors), which was acquired in October 2017 and included in this item for the first time at the end of the year.

PATRIZIA third-party business as at 31.12.2017 03

EUR m	Assets under management	Equity commit-ments	of which equity already invested	of which outstanding	Number of vehicles
Third-party business	15,925	11,286	9,682	1,604	59

2.2.2 CO-INVESTMENTS

PATRIZIA uses co-investments to participate in real estate investments in the value-add and opportunistic segments with its own capital alongside that of its investors. As well as committing to the investor and the transaction, PATRIZIA generates service fee income in the same way as from its third-party business in addition to investment income. In this way, PATRIZIA's shareholders are given the opportunity to participate indirectly in the value development of an attractive real estate portfolio. Co-investments accounted for EUR 5.9bn of PATRIZIA's assets under management as at 31 December 2017. PATRIZIA has invested EUR 0.2bn of its own equity in co-investments.

PATRIZIA's co-investments are listed below:

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Name	Description	AUM EUR m	PATRIZIA equity interest
GBW GmbH	GBW, formerly the housing company of BayernLB, was acquired in 2013 for a group of German-speaking investors with a long-term focus for a price of EUR 2.4bn. The aim is the long-term, value-adding management of the portfolio, which contains properties located throughout Bavaria. There were no significant changes in this co-investment in the 2017 financial year.	3,958	5.1%
WohnModul I SICAV-FIS	The investments held by this co-investment include residential and commercial properties throughout Europe. The co-investment developed as follows in the 2017 financial year: – **Netherlands:** In the Netherlands, 61 properties were sold from the existing portfolio of 138 properties. – **Munich:** A large-scale development of building land in Sendling was sold. – **Ireland:** A residential building in Dublin containing 62 apartments was sold. – **Düsseldorf:** A large-scale development of building land in Gerresheim was notarised for sale. – **Development projects in Germany:** Two projects in two German cities are currently in different phases of development. – **Denmark:** A residential building in Copenhagen containing 128 apartments and four commercial units was acquired.	1,438	10.1%
Alliance	German retail portfolio comprising 66 supermarkets, discount stores and specialist stores acquired on 29 December 2017.	205	5.1%
Seneca	Portfolio comprising 78 specialist stores and supermarkets.	201	5.1%
PATRoffice Real Estate GmbH & Co. KG	This is an actively managed co-investment together with Dutch and Danish pension funds. The exit phase and the sale of the assets began in 2013. Properties with a value of EUR 157.0m were sold in 2017. The properties not yet sold by the company will be notarised in the near future and the equity returned.	48	6.3%
Co-investments in the United Kingdom	The industrial parks held together with Oaktree Capital Management at key locations, including in the London area, were largely sold in the year under review. The remaining properties of Citruz Holdings LP are also scheduled to be sold in the course of 2018.	11	10.0%
Harald	This involves investments in a real estate portfolio entered into in conjunction with the sale of the Harald portfolio in 2016. The investments are held for at least five years and compensated in the form of a minimum guaranteed dividend.	/	5.1%
sono west	sono west is a development of OFB Projektentwicklung GmbH for an office property in the Westend neighbourhood of Frankfurt / Main. The ground-breaking ceremony took place on 21 July 2017 and the building is expected to be completed by the end of 2018. The buyer is Generali Real Estate.	/	28.3%

2.2.3 PRINCIPAL INVESTMENTS

As an investment manager for institutional investors 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 conducted 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 amounted to EUR 0.1bn as at 31 December 2017.

Principal investments developed as follows in 2017:

MANCHESTER FIRST STREET

In the year under review, PATRIZIA successfully pressed ahead with restaurants and various leisure facilities at this location, which has now been fully let, and continued work on the pre-development phase for a residential plot. PATRIZIA also held two undeveloped plots at the reporting date.

OTHER PRINCIPAL INVESTMENTS

The resale of the principal investments at Sudermannzentrum and Wildrosenweg in Munich continued, while the other holdings in Munich, Cologne and Mannheim were also reduced further.

Extensive pre-development work took place at the development project acquired in the attractive London borough of Barking in May 2016, where the plan is to develop around 200 smaller residential units in a 28-storey building.

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Information on the earnings development of the principal investments can be found in the description of the company's results of operations in section 2.3.2.

2.3 Economic Situation

2.3.1 GENERAL STATEMENT BY THE MANAGING BOARD

In the 2017 financial year, PATRIZIA again enjoyed considerable success on the European real estate markets. The company's net assets, financial position and results of operations continued to develop extremely positively, thereby providing strong foundations for the further implementation of its strategic objectives.

Operating income increased by 13.8% year-on-year to EUR 82.2m (2016: EUR 72.2m). Following a successful fourth quarter, this meant that operating income exceeded the upwardly revised full-year forecast of "slightly above" EUR 75m issued towards the end of the financial year. This positive development was primarily attributable to the unexpectedly pronounced increase in performance fees to EUR 66.9m.

Fee income totalled EUR 211.9m, up 12.4% on the comparable prior-year figure of EUR 188.6m. Management fees increased by 4.7% to EUR 93.2m despite the fact that fees of around EUR 10.5m were no longer recognised in 2017 following the sale of property management business line. Adjusting the prior-year figure for these property management fees, growth amounted to 18.7% on a like-for-like basis. In other words, increased fee income due to the higher volume of assets under management more than offset the fees lost as a result of the sale of property management. At EUR 51.8m, transaction fees were down on the extremely high prior-year level but were in line with the strong average figure recorded in recent years.

05

EUR m	2017	2016	Change
Management fees	**93.2**	89.1	4.7%
Transaction fees	**51.8**	70.3	−26.4%
Performance-based fees	**66.9**	29.2	129.4%
Total fee income	**211.9**	188.6	12.4%

Assets under management also saw stronger than anticipated growth. Organic growth accounted for a year-on-year increase of EUR 2.2bn or 11.8%. Including the fund of funds provider PATRIZIA Multi Managers (formerly Sparinvest Property Investors), real estate assets under management totalled EUR 21.9bn at the end of 2017. Taking into account the acquisitions of TRIUVA and Rockspring Property Investments Managers, assets under management more than doubled compared with the end of 2016 to around EUR 39bn on a pro forma basis.

A **transaction volume** of EUR 6.0bn was generated in the year under review, up 17.2% on the prior-year figure of EUR 5.1bn. The growth in the transaction volume serves as an impressive demonstration of our ability to identify and take advantage of attractive investment opportunities throughout Europe on behalf of our investors around the world. All in all, real estate acquisitions with a volume of EUR 3.5bn were conducted throughout Europe, an increase of 7.2% as against the previous year (2016: EUR 3.2bn). Disposals amounted to EUR 2.5bn, up 34.8% year-on-year (2016: EUR 1.9bn).

ISSUE OF A BONDED LOAN

On 22 May 2017, PATRIZIA issued a bonded loan with a volume of EUR 300.0m. The issue enjoyed an extremely positive response on the market and was several times oversubscribed. The bond is structured in three tranches of five, seven and ten years and has a partially fixed and partially variable interest rate, corresponding to an average interest rate of 1.50% p.a. The additional liquidity generated from the bonded loan will increase the company's financial flexibility for further organic and inorganic growth. The issue volume and the extremely attractive conditions serve to underline PATRIZIA's earnings strength and robust capital structure. The liquidity available for further growth, including the funds generated from the bonded loan, amounted to EUR 576.2m as at 31 December 2017.

ISSUE OF BONUS SHARES

The Annual General Meeting of PATRIZIA Immobilien AG on 22 June 2017 approved the management's proposal to carry forward the unappropriated profit for 2016 to new account in full and resolved a capital increase from company funds in a ratio of 10:1. The amendment to the Articles of Association was entered in the commercial register of the company on 5 July 2017. The new shares were granted to the qualifying shareholders after the close of trading on 20 July 2017. The first day of trading for the new shares was 21 July 2017. Following the issue of the bonus shares, the company's share capital amounted to EUR 92,351,476, of which parts were used as acquisition currency in the fourth quarter of 2017.

SHARE BUY-BACKS

PATRIZIA announced a public share buy-back offer on 8 August 2017. The acceptance period ended on 7 September 2017. In the course of the share buy-back offer, the company purchased a total of 2,011,980 treasury shares at a purchase price of EUR 17.40 per share. A final share buy-back program announced on 13 September 2017 with a volume of up to EUR 15.0m concluded on 30 October 2017. PATRIZIA therefore bought back a total of 2,860,851 of its own shares in the year under review.

ACQUISITIONS

In the fourth quarter of 2017, PATRIZIA substantially strengthened its business model with the announcement of three strategically important acquisitions and significantly expanded the product and investment opportunities available to its institutional and private investors.

1) 12 October 2017: Announcement and closure of the acquisition of Sparinvest Property Investors, a leading provider of fund of funds products domiciled in Copenhagen, Denmark.

2) 12 November 2017: Announcement of the acquisition of TRIUVA, a leading provider of real estate investments in Europe domiciled in Frankfurt / Main. The acquisition was closed on 1 January 2018.

3) 19 December 2017: Announcement of the acquisition of Rockspring, an international investment manager domiciled in London, United Kingdom. The acquisition is scheduled to be closed at the end of March 2018.

Taken together, these acquisitions represent important steps on PATRIZIA's path to becoming the leading global provider of real estate investments in Europe. They serve to expand product diversity for our institutional and private investors, improve access to the European property market through a substantially stronger European platform and increase our assets under management significantly to EUR 38.7bn on a pro forma basis, more than double the amount reported at the end of 2016.

2.3.2 RESULTS OF OPERATIONS OF THE GROUP

To ensure transparency and comparability, PATRIZIA's results of operations are adjusted for the effects of the sale of the Harald portfolio in 2016. While there were no such effects in 2017, the following section presents the prior-year figures in both adjusted and unadjusted form. The discussion of the development of the Group's results of operations refers solely to the adjusted figures.

OPERATING INCOME

Operating income is the Group's key management parameter. It represents the total of all of the operating items in the income statement adjusted for the extraordinary and non-cash effects presented below. In the 2017 financial year, PATRIZIA again succeeded in increasing its operating income significantly. After EUR 72.2m in the previous year, operating income rose by 13.8% to EUR 82.2m in the year under review. The table below shows the detailed reconciliation and development of operating income:

Reconciliation of operating income – 12 months 06

EUR k	2017	2016 adjusted [1]	Change	2017	2016	Change
EBITDA	**95,788**	56,236	70.3%	**95,788**	328,114	−70.8%
Amortisation of other intangible assets [2] and software, depreciation of equipment	**−8,681**	−6,134	41.5%	**−8,681**	−6,134	41.5%
EBIT	**87,107**	50,102	73.9%	**87,107**	321,980	−72.9%
Financial income / expenses	**−4,232**	−2,523	67.7%	**−4,232**	−4,304	−1.7%
Result from currency translation	**−2,747**	−5,644	−51.3%	**−2,747**	−4,029	−31.8%
EBT	**80,128**	41,935	91.1%	**80,128**	313,647	−74.5%
+ Amortisation of other intangible assets [2]	**4,939**	1,968	151.0%	**4,939**	1,968	151.0%
– Changes in value of investment property	**−6,748**	−431	1,465.7%	**−6,748**	−431	1,465.7%
Harald - Transaction-related taxes and minority interests	**0**	0		**0**	−61,482	−100.0%
Realised changes in value of investment property (net)	**386**	1,529	−74.8%	**386**	1,529	−74.8%
Reorganisation expenses	**2,330**	20,406	−88.6%	**2,330**	20,406	−88.6%
Expenses / income from unrealised currency translation	**1,150**	6,812	−83.1%	**1,150**	7,539	−84.7%
Operating income	**82,185**	72,219	13.8%	**82,185**	283,176	−71.0%

1 adjusted = excluding the Harald portfolio

2 In particular fund management agreements transferred as part of the acquisition of PATRIZIA GewerbeInvest KVG mbH

The increase in operating income is primarily due to the higher level of fee income, which has become PATRIZIA's main source of income following the expansion of its investment management business. By contrast, income from the sale of properties held by the company and the corresponding income are declining steadily in line with the strategy adopted.

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

PATRIZIA's earnings figures at a glance 07

EUR k	2017	2016 [1]	Change
Revenues	**249,574**	325,417	–23.3%
Total operating performance	**227,651**	226,916	0.3%
EBITDA	**95,788**	56,236	70.3%
EBIT	**87,107**	50,102	73.9%
EBT	**80,128**	41,935	91.1%
Operating income	**82,185**	72,219	13.8%
Consolidated net profit	**58,898**	27,743	112.3%

1 adjusted = excluding the Harald portfolio

REVENUES

PATRIZIA's revenues declined from EUR 325.4m in the previous year to EUR 249.6m in the year under review. Revenues from management services, which account for the majority of fee income, increased in line with our more pronounced focus on investment management services. At the same time, rental revenues and revenues from ancillary rental costs declined in line with our strategy of reducing our own property holdings.

Revenues – 12 months 08

EUR k	2017	2016 adjusted [1]	Change	2017	2016	Change
Revenues from management services	**180,915**	161,261	12.2%	**180,915**	161,261	12.2%
Proceeds from the sale of principal investments	**56,680**	143,705	–60.6%	**56,680**	629,799	–91.0%
Rental revenues	**7,773**	11,992	–35.2%	**7,773**	18,509	–58.0%
Revenues from ancillary costs	**2,252**	4,171	–46.0%	**2,252**	4,021	–44.0%
Other	**1,954**	4,288	–54.4%	**1,954**	4,289	–54.4%
Consolidated revenues	**249,574**	325,417	–23.3%	**249,574**	817,879	–69.5%

1 adjusted = excluding the Harald portfolio

Revenues from management services increased by a substantial 12.2%, from EUR 161.3m in the previous year to EUR 180.9m in the period under review. However, revenues alone have only limited information value; the profit and loss items below consolidated revenues must also be taken into account in order to fully assess the Group's performance.

Including the income from the co-investment GBW GmbH and the business parks held together with Oaktree, both reported in income from participations, fee income amounted to EUR 211.9m, an increase of 12.4% on the comparable prior-year figure of EUR 188.6m. Management fees increased by 4.7% to EUR 93.2m despite the fact that fees of around EUR 10.5m were no longer recognised in 2017 following the sale of property management. At EUR 51.8m, transaction fees were down on the extremely high prior-year level but were in line with the strong average figure recorded in recent years. Performance fees increased significantly to EUR 66.9m.

Reporting income from participations as a separate item results in the following breakdown of fee income:

Total fee income – 12 months 09

EUR m	2017	2016	Change
Management fees (excluding income from participations)	**83.7**	79.6	5.2%
Transaction fees	**51.8**	70.3	−26.4%
Performance-related fees (excluding income from participations)	**45.4**	11.4	299.7%
Revenues from management services	**180.9**	161.3	12.2%
Income from participations (pro rata)	**31.0**	27.3	13.5%
Total fee income	**211.9**	188.6	12.4%

Proceeds from the sale of principal investments declined from EUR 143.7m in the previous year to EUR 56.7m. In 2017, proceeds were generated from the sale of an office building in Glasgow, United Kingdom, and the ongoing resale of properties from the housing portfolio in Germany in particular. The prior-year figure primarily contained the sale of a principal investment in Manchester, United Kingdom.

PATRIZIA generated **rental revenues** of EUR 7.8m in the period under review compared with EUR 12.0m in the 2016 financial year. The year-on-year decrease is due in particular to the reduction in the number of rental properties held by the company (principal investments) due to disposals, as well as the transfer to mutual funds of properties that were recognised temporarily and hence only generated rental revenues for PATRIZIA on a temporary basis.

Revenues from ancillary costs relate to rental ancillary costs and amounted to EUR 2.3m in the period under review (2016: EUR 4.2m).

Other primarily contains transaction costs oncharged to the respective investment vehicles. This item declined from EUR 4.3m in the previous year to EUR 2.0m in the 2017 financial year.

TOTAL OPERATING PERFORMANCE

Total operating performance reflects PATRIZIA's operating performance more comprehensively than revenues. Relevant parameters, such as changes in inventories – which must be viewed in relation to proceeds from the disposal of principal investments, among other things – are taken into account in total operating performance. PATRIZIA's total operating performance in the year under review was largely unchanged year-on-year at EUR 227.7m (2016: EUR 226.9m).

Reconciliation of total operating performance – 12 months 10

EUR k	2017	2016 adjusted[1]	Change	2017	2016	Change
Revenues	**249,574**	325,417	−23.3%	**249,574**	817,879	−69.5%
Income from the sale of investment property	**691**	1,542	−55.2%	**691**	1,542	−55.2%
Changes in inventories	**−39,909**	−115,133	−65.3%	**−39,909**	−502,018	−92.1%
Other operating income	**17,294**	9,903	74.6%	**17,294**	14,252	21.3%
Income from the deconsolidation of subsidiaries	**1**	5,187	−100.0%	**1**	194,730	−100.0%
Total operating performance	**227,651**	226,916	0.3%	**227,651**	526,385	−56.8%

1 adjusted = excluding the Harald portfolio

INCOME FROM THE SALE OF INVESTMENT PROPERTY

PATRIZIA generated income of EUR 0.7m from the sale of investment property in the 2017 financial year after EUR 1.5m in the previous year. The significant year-on-year decrease of 55.2% was due to the fact that the number of units sold was lower than in the previous year, as the portfolio has now been almost completely sold off.

CHANGES IN INVENTORIES

Changes in inventories of EUR −39.9m were reported in the year under review (2016: EUR −115.1m; −65.3%). The carrying amount of inventories decreased by EUR −49.3m on account of the properties sold (2016: EUR −125.3m; −60.7%). The largest components of this development were the sale of the office building in Glasgow, United Kingdom, and the deconsolidation of properties for the Group's mutual fund business for private investors. The carrying amount of inventories increased due to the capitalisation of expenses in the amount of EUR 9.4m (2016: EUR 10.1m; −7.8%), which primarily related to construction and maintenance measures for the principal investments.

OTHER OPERATING INCOME

Other operating income increased to EUR 17.3m (2016: EUR 9.9m) and mainly comprised expired obligations in the amount of EUR 11.1m.

INCOME FROM THE DECONSOLIDATION OF SUBSIDIARIES

This item is a result of properties temporarily recognised in the balance sheet prior to their contribution to a mutual fund of PATRIZIA GrundInvest KVG.

EBITDA

Reconciliation of EBITDA – 12 months 11

EUR k	2017	2016 adjusted[1]	Change	2017	2016	Change
Total operating performance	**227,651**	226,916	0.3%	**227,651**	526,385	−56.8%
Cost of materials	**−17,450**	−27,708	−37.0%	**−17,450**	−33,712	−48.2%
Cost of purchased services	**−11,450**	−14,832	−22.8%	**−11,450**	−14,832	−22.8%
Staff costs	**−87,071**	−87,292	−0.3%	**−87,071**	−101,313	−14.1%
Changes in value of investment property	**6,748**	431	1,465.7%	**6,748**	431	1,465.7%
Other operating expenses	**−82,228**	−61,191	34.4%	**−82,228**	−68,757	19.6%
Income from participations	**49,315**	32,667	51.0%	**49,315**	32,667	51.0%
Earnings from companies accounted for using the equity method	**13,353**	7,651	74.5%	**13,353**	7,651	74.5%
Expenses of the deconsolidation of subsidiaries	**−750**	0		**−750**	0	
EBITDAR	**98,118**	76,642	28.0%	**98,118**	348,520	−71.8%
Reorganisation expenses	**−2,330**	−20,406	−88.6%	**−2,330**	−20,406	−88.6%
EBITDA	**95,788**	56,236	70.3%	**95,788**	328,114	−70.8%

1 adjusted = excluding the Harald portfolio

COST OF MATERIALS

The cost of materials includes construction and maintenance measures for the company's own portfolio, which are typically capitalised. The cost of materials declined by 37.0% year-on-year to EUR 17.5m (2016: EUR 27.7m) and is composed of the following expense items:

— Renovation and construction costs of EUR 12.7m (2016: EUR 20.6m; −38.3%)
— Ancillary costs of EUR 4.3m (2016: EUR 6.4m; −32.2%)
— Maintenance costs of EUR 0.4m (2016: EUR 0.8m; −42.9%)

COST OF PURCHASED SERVICES

The cost of purchased services primarily includes expenses for the white-label funds of PATRIZIA GewerbeInvest GmbH, for which PATRIZIA performs asset management as a service. The cost of purchased services declined by 22.8% year-on-year to EUR 11.5m (2016: EUR 14.8m). The service fees attributable to white-label funds fell by 13.9% to EUR 13.4m (2016: EUR 15.5m). The corresponding costs amounted to EUR 10.2m (2016: EUR 12.8m; −20.4%).

STAFF COSTS

As at 31 December 2017, PATRIZIA had a total of 643 employees (FTEs). The decrease compared with the previous year (31 December 2016: 794 FTEs) is due to the sale of Property Management. The reduced workforce is reflected in staff costs as follows:

Staff costs – 12 months 12

EUR k	2017	2016 adjusted [1]	Change	2017	2016	Change
Fixed salaries	**47,799**	50,483	–5.3%	**47,799**	50,492	–5.3%
Variable salaries	**23,025**	22,544	2.1%	**23,025**	36,544	–37.0%
Social security contributions	**8,974**	10,607	–15.4%	**8,974**	10,618	–15.5%
Sales commission	**2,446**	4,212	–41.9%	**2,446**	4,212	–41.9%
Effect of long-term variable remuneration [2]	**1,175**	–2,824	–141.6%	**1,175**	–2,824	–141.6%
Other	**3,652**	2,270	60.9%	**3,652**	2,271	60.8%
Total	**87,071**	87,292	–0.3%	**87,071**	101,313	–14.1%

1 adjusted = excluding the Harald portfolio

2 Change in value of long-term variable remuneration due to change in the company's share price. For further details, see the remuneration report in section 3.2.

All in all, staff costs declined by 0.3% to EUR 87.1m in the 2017 financial year (2016: EUR 87.3m). The reduction in the number of employees meant that fixed salaries fell by 5.3%, from EUR 50.5m to EUR 47.8m. Variable salaries increased by 2.1%, from EUR 22.5m to EUR 23.0m, reflecting the company's successful business development in the 2017 financial year. Sales commission declined from EUR 4.2m to EUR 2.4 due to the lower level of resale activity. The company's positive share price performance resulted in expenses for long-term variable remuneration of EUR 1.2m in the period under review following a positive effect of EUR 2.8m in the 2016 financial year. Other staff costs primarily relate to benefits in kind and increased by 60.9% year-on-year, from EUR 2.3m to EUR 3.7m. Further details on long-term variable remuneration can be found in the remuneration report in section 3.2.

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CHANGES IN VALUE OF INVESTMENT PROPERTY

This item contains the result of the annual revaluation of investment property. Changes in the value of investment property amounted to EUR 6.7m in the 2017 financial year after EUR 0.4m in the previous year. The positive change in fair value was due to the inclusion of building rights for the properties held by the company which were notarised during the period under review.

OTHER OPERATING EXPENSES

Other operating expenses increased by 34.4% in 2017, from EUR 61.2m to EUR 82.2m. The composition of other operating expenses is as follows:

Other operating expenses – 12 months 13

EUR k	2017	2016 adjusted [1]	Change	2017	2016	Change
Tax, legal and other advisory and year-end closing costs	**34,314**	14,654	134.2%	**34,314**	14,953	129.5%
IT and communication costs and cost of office supplies	**7,965**	7,425	7.3%	**7,965**	7,425	7.3%
Rent, ancillary costs and cleaning costs	**7,010**	7,003	0.1%	**7,010**	7,288	−3.8%
Advertising costs	**5,675**	4,435	28.0%	**5,675**	4,488	26.4%
Vehicle and travel expenses	**5,209**	5,399	−3.5%	**5,209**	5,399	−3.5%
Recruitment and training costs and cost of temporary workers	**2,475**	2,577	−4.0%	**2,475**	2,577	−4.0%
Contributions, fees and insurance costs	**2,023**	2,347	−13.8%	**2,023**	2,475	−18.3%
Commission and other sales costs	**1,994**	2,583	−22.8%	**1,994**	2,590	−23.0%
Cost of management services	**1,390**	440	215.9%	**1,390**	6,300	−77.9%
Other taxes	**494**	1,218	−59.4%	**494**	1,218	−59.4%
Indemnity / reimbursement	**3,514**	6,568	−46.5%	**3,514**	6,568	−46.5%
Miscellaneous	**10,165**	6,542	55.4%	**10,165**	7,476	36.0%
Total	**82,228**	61,191	34.4%	**82,228**	68,757	19.6%

1 adjusted = excluding the Harald portfolio

Tax, legal and other advisory and year-end closing costs in the amount of EUR 34.3m (2016: EUR 14.7m) contain transaction & advisory costs of EUR 23.5m (2016: EUR 6.0m). This includes costs for company acquisitions in the amount of EUR 12.7m (2016: EUR 0.0m) and costs for transactions initiated but not completed in the amount of EUR 6.8m (2016: EUR 0.0m).

Other notable changes compared with the previous year related to advertising costs for an international marketing campaign, the cost of management services in the form of property management fees, and miscellaneous expenses resulting from aperiodic effects.

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

PATRIZIA generated income from participations of EUR 62.7m in the 2017 financial year, an increase of 55.4% as against the previous year (2016: EUR 40.3m). Proceeds from the disposals of the co-investment PATRIZIA Projekt 150 GmbH (2017: EUR 2.5m) and the British co-investments with Oaktree Capital Management (2017: EUR 10.5m) had a positive impact on income from participations. At EUR 30.2m, the co-investment GBW GmbH generated almost the same level of income as in the previous year (2016: EUR 30.5m). The co-investment WohnModul I, which is accounted for using the equity method, generated earnings of EUR 13.4m in the 2017 financial year, up significantly on the previous year (2016: EUR 7.7m; +74.5%). Earnings from companies accounted for using the equity method result from the appreciation in the value of the WohnModul I co-investment due to the positive development of its equity. The performance-based fee received for the co-investment WohnModul I is reported in revenues. Income from participations and earnings from companies accounted for using the equity method represent the investment income generated from the co-investments in addition to the corresponding fee income.

Income from participations – 12 months 14

EUR k	2017	2016	Change
GBW GmbH	**30,171**	30,520	–1.1%
Co-investments in the UK (Aviemore Topco, Plymouth Sound Holdings LP and Winnersh Holdings LP)	**14,530**	848	1,613.4%
PATRIZIA Projekt 150 GmbH	**2,453**	0	
Mutual fund business	**750**	0	
Harald portfolio	**860**	860	0.0%
SENECA	**549**	434	26.5%
Other	**2**	5	–60.0%
Income from participations	**49,315**	32,667	51.0%
Earnings from companies accounted for using the equity method	**13,353**	7,651	74.5%
Total	**62,668**	40,318	55.4%

REORGANISATION EXPENSES

The reorganisation process in 2016 resulted in the recognition of follow-up costs of EUR 2.3m in the 2017 financial year (2016: EUR 20.4m). This primarily relates to expenses for severance payments, current salary payments during paid leave of absence, non-staff operating expenses and advisory costs.

CONSOLIDATED NET PROFIT

PATRIZIA generated a consolidated net profit of EUR 58.9m in the 2017 financial year, up significantly on the previous year (2016: EUR 27.7m).

Reconciliation of consolidated net profit 15

EUR k	2017	2016 adjusted [1]	Change	2017	2016	Change
EBITDA	**95,788**	56,236	70.3%	**95,788**	328,114	−70.8%
Amortisation of other intangible assets and software, depreciation of equipment	**−8,681**	−6,134	41.5%	**−8,681**	−6,134	41.5%
Earnings before interest and taxes (EBIT)	**87,107**	50,102	73.9%	**87,107**	321,980	−72.9%
Financial income	**914**	2,682	−65.9%	**914**	3,057	−70.1%
Financial expenses	**−5,146**	−5,204	−1.1%	**−5,146**	−7,361	−30.1%
Result from currency translation	**−2,747**	−5,644	−51.3%	**−2,747**	−4,029	−31.8%
Net finance costs	**−6,979**	−8,166	−14.5%	**−6,979**	−8,333	−16.2%
Earnings before taxes (EBT)	**80,128**	41,936	91.1%	**80,128**	313,647	−74.5%
Income taxes	**−21,230**	−14,193	49.6%	**−21,230**	−57,383	−63.0%
Consolidated net profit	**58,898**	27,743	112.3%	**58,898**	256,264	−77.0%

1 adjusted = excluding the Harald portfolio

The following section discusses the relevant items of the reconciliation of consolidated net profit.

AMORTISATION OF OTHER INTANGIBLE ASSETS AND SOFTWARE, DEPRECIATION OF EQUIPMENT

Amortisation of other intangible assets and software and depreciation of equipment increased by 41.5% to EUR 8.7m (2016: EUR 6.1m). The largest components of this item are amortisation of fund management agreements and licences (EUR 5.0m after EUR 2.0m in the previous year; +149.0%) and amortisation of software and depreciation of equipment (EUR 3.7m after EUR 4.1m in the previous year; −10.2%). The statement of changes in fixed assets is discussed in detail in note 4 of the notes to the consolidated financial statements.

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FINANCIAL RESULT

Financial income, which primarily comprises shareholder loans to co-investment companies, declined from EUR 2.7m in the previous year to EUR 0.9m in the year under review. Financial income was offset by financial expenses, such as interest and interest rate hedging costs, in the amount of EUR 5.1m (2016: EUR 5.2m; −1.1%). Further information can be found in note 6.11 of the notes to the consolidated financial statements.

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The result from currency translation amounted to EUR −2.7m as at 31 December 2017 (2016: EUR −5.6m). It is composed of realised currency effects in the amount of EUR −1.6m (2016: EUR −8.9m), unrealised currency effects in the amount of EUR −1.2m (2016: EUR −6.8m) and gains on currency hedging in the amount of EUR 0.00 (2016: EUR +10.1m). The development of the pound sterling had a significant influence on the result from currency translation.

INCOME TAXES

Income tax expense totalled EUR 21.2m in the 2017 financial year after EUR 14.2m in the previous year. The 2016 and 2017 financial years are only comparable to a limited extent on account of the sale of the Harald portfolio and restructuring under company law.

2.3.3 NET ASSETS AND FINANCIAL POSITION OF THE GROUP

PATRIZIA's key asset and financial data at a glance 16

EUR k	31.12.2017	31.12.2016	Change
Total assets	**1,252,394**	993,259	26.1%
Equity (excl. non-controlling shareholders)	**754,701**	749,342	0.7%
Equity ratio	**60.3%**	75.4%	−15.1 PP
+ Bank loans	**0**	53,200	−100.0%
+ Bonded loans	**322,000**	27,000	1,092.6%
− Cash and cash equivalents	**382,675**	440,219	−13.1%
− Term deposits	**197,000**	0	
− Securities	**5,000**	0	
= Net liquidity (−) / net debt (+)	**−262,675**	−360,019	−27.0%
Net equity ratio [1]	**81.1%**	82.1%	−1.0 PP

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

PP = Percentage points

TOTAL ASSETS

The Group's total assets increased from EUR 993.3m in 2016 to EUR 1.3bn in the year under review due to the issue of the bonded loan.

INVESTMENT PROPERTY AND INVENTORIES

In line with its strategy, PATRIZIA's real estate assets declined by 40.7% in the year under review, from EUR 195.2m as at 31 December 2016 to EUR 115.8m as at 31 December 2017.

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EUR k	31.12.2017	31.12.2016	Change
Inventories	**99,791**	182,931	−45.4%
Investment property	**15,979**	12,226	30.7%
Real estate assets	**115,770**	195,157	−40.7%

Of this figure, EUR 99.8m is attributable to **inventories**. This item contains real estate held for sale in the normal course of business or for subsequent contribution to a fund product for private investors. The 45.4% reduction in inventories compared with the previous year is due in particular to the sale of a principal investment in Glasgow, United Kingdom, and the deconsolidation of properties that were only reported temporarily and have since been transferred to mutual funds. A further EUR 16.0m relates to **investment property** originally purchased to be held for the long term and to generate rental income.

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

PATRIZIA's capital allocation as at 31.12.2017 18

EUR m	Assets under management	Invested capital	Participations in %
THIRD-PARTY BUSINESS	15,925.0		
CO-INVESTMENTS	5,861.0	183.7	
Residential	5,396.0	162.2	
GBW GmbH	3,958.0	52.2	5.1
WohnModul I SICAV-FIS	1,438.0	88.7	10.1
Harald	–	21.3	5.1
Other	–	0.1	0.0
Commercial Germany	454.5	20.2	
Alliance	205.0	5.2	5.1
Seneca	201.0	4.9	5.1
PATRoffice	48.0	5.5	6.3
sono west	–	4.6	28.3
Commercial international	11.0	1.4	
Citruz Holdings LP (UK)	11.0	1.4	10.0
Principal investments	116.0	115.8	
Operating companies	–	201.0	
Tied-up investment capital	21,902.6	500.5	
Available liquidity	–	576.2	–
Total investment capital	21,902.6	1,076.7	
of which debt (bonded loans)	–	322.0	–

CAPITAL STRUCTURE

FINANCIAL LIABILITIES

The Group's financial liabilities increased to EUR 322.0m as at 31 December 2017. This was largely due to the issue of the new bonded loan in May 2017. PATRIZIA had no outstanding short-term bank loans at the end of the year (31 December 2016: EUR 53.2m).

BONDED LOANS

A bonded loan issued in 2013 and maturing on 30 June 2018 had a carrying amount of EUR 22.0m and was classified as a current liability. PATRIZIA also issued a bonded loan with a volume of EUR 300.0m on 22 May 2017. The issue enjoyed an extremely positive response in the market and was several times oversubscribed. The bond is structured in three tranches of five, seven and ten years and has a partially fixed and partially variable interest rate, corresponding to an average interest rate of 1.5% p.a.

Financial liabilities developed as follows compared with the end of 2016:

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EUR k	31.12.2017	31.12.2016	Change
Non-current bonded loans	300,000	22,000	1,263.6%
Current bonded loans	22,000	5,000	340.0%
Short-term bank loans	0	53,200	−100.0%
Total financial liabilities	**322,000**	80,200	301.5%

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A detailed maturity profile of the liabilities can be found in note 5.4 of the notes to the consolidated financial statements.

LIQUIDITY

As at 31 December 2017, PATRIZIA had available liquidity of EUR 576.2m compared with EUR 394.2m at the end of 2016.

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EUR k	31.12.2017	31.12.2016
Cash and cash equivalents	382,675	440,219
Term deposits	197,000	0
Securities	5,000	0
Current liquidity	**584,675**	440,219
− Harald portfolio transaction liabilities	0	−36,021
− Regulatory reserve for asset management companies	−8,383	−6,900
− Liquidity in mutual funds business property companies	−86	−3,026
− Non-controlling interests	0	−84
= Available liquidity	**576,206**	394,188

Current liquidity totalled EUR 584.7m (year-end 2016: EUR 440.2m). However, PATRIZIA does not have direct access to this amount in full. EUR 202.0m is invested in securities and short-term deposits. In addition, cash and cash equivalents totalling EUR 8.4m are required to be held as a permanent reserve for the asset management companies and mutual funds in order to meet the relevant regulatory requirements. Accordingly, PATRIZIA has EUR 576.2m in directly available liquidity.

STATEMENT OF CASH FLOWS

The cash flow from **operating activities** amounted to EUR 17.2m in the year under review after EUR 503.4m in 2016. The high level recorded in the previous year was primarily due to the sale of the Harald portfolio and the No. 1 First Street office building in Manchester, United Kingdom, both of which were principal investments. **Investing activities** resulted in a cash outflow of EUR 411.9m (2016: cash inflow of EUR 268.2m), and included the advance purchase price payment for the acquisition of TRIUVA, the initial consolidation of Sparinvest Property Investors and the medium-term investment of parts of the company's available liquidity. This was offset by a positive cash flow from **financing activities** of EUR 337.1m after almost all financing was repaid in the previous year (2016: cash outflow of EUR 508.2m). The most important elements of the company's financing activities in 2017 were the cash flows received from the bonded loan and a short-term bank loan for a mutual fund, as well as the cash outflow as a result of the share buy-backs. Accordingly, the **change in cash and cash equivalents** amounted to EUR −57.5m (2016: EUR 263.4m), meaning that cash and cash equivalents declined from EUR 440.2m at the end of 2016 to EUR 382.7m as at 31 December 2017.

Abridged consolidated statement of cash flows 21

EUR k	**2017**	2016	Change
Cash flow from operating activities	**17,201**	503,382	
Cash flow from investing / divesting activities	**−411,856**	268,191	
Cash flow from financing activities	**337,111**	−508,185	
Change in cash and cash equivalents	**−57,544**	263,388	
Cash and cash equivalents at 01.01.	**440,219**	179,141	145.7%
Cash and cash equivalents at 31.12.	**382,675**	440,219	15.0%

Consolidated Cash Flow Statement, page 82

2.3.4 NOTES TO THE HGB ANNUAL FINANCIAL STATEMENTS OF PATRIZIA IMMOBILIEN AG (HOLDING COMPANY)

The situation at the parent company PATRIZIA Immobilien AG is largely determined by the activities of the Group's operating companies.

As the financial and management holding company for these operating companies, PATRIZIA Immobilien AG generated **revenues** of EUR 16.8m (2016: EUR 20.3m; −17.2%), largely in the form of management fees oncharged to the subsidiaries. Commission for the services performed by the subsidiaries is also invoiced via the parent company, leading to corresponding administrative expenses.

Staff costs increased by 9.7% to EUR 26.3m (2016: EUR 24.0m). This was primarily due to the positive development of long-term variable remuneration as a result of the increase in the company's share price. The **Cost of materials** has now reached almost zero. **Other operating expenses and depreciation, amortisation and write-downs** declined by 12.1% to EUR 37.1m (2016: EUR 42.2m), largely as a result of realised exchange rate losses due to foreign-currency measurement. **Net interest expense** fell to EUR −11.8m as a result of the merger of Harald GmbH into PATRIZIA Immobilien AG (2016: EUR −15.3m). **Income from participations, financial assets, profit transfers and loss absorption** increased significantly year-on-year to EUR 96.8m (2016: EUR 27.1m). This was mainly due to the distribution and the interim dividend acquired in connection with the co-investment WohnModul I.

This resulted in a **net profit for the year** in accordance with the German Commercial Code (HGB) of EUR 270.4m for PATRIZIA Immobilien AG (2016: net loss of EUR −23.1m). Together with the profit carried forward in the amount of EUR 181.0m and deducting the purchase of treasury shares of EUR 46.1m, this represents the company's unappropriated profit, which increased from EUR 181.0m to EUR 405.3m.

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PATRIZIA Immobilien AG is expected to enjoy positive development in the 2018 financial year. Further information can be found in the Group forecast (note 5).

Abridged statement of financial position of PATRIZIA Immobilien AG 22

EUR k	31.12.2017	31.12.2016
Fixed assets	575,916	518,274
Current assets	668,452	421,186
Prepaid expenses	1,162	345
Total assets	1,245,531	939,805
Equity	677,599	456,055
Provisions	53,697	29,405
Liabilities	514,235	454,346
Total equity and liabilities	1,245,531	939,805

Abridged income statement of PATRIZIA Immobilien AG 23

EUR k	2017	2016	Change
Revenues	**16,805**	20,303	−17.2%
Other own work capitalised and other operating income	**251,436**	14,081	1,685.7%
Cost of materials (cost of purchased services)	**0**	−13	−99.9%
Staff costs	**−26,350**	−24,012	9.7%
Depreciation, amortisation and write-downs and other operating expenses	**−36,197**	−42,224	−14.3%
Income from participations, financial assets, profit transfers and loss absorption	**95,873**	27,066	254.2%
Net interest expense	**−11,810**	−15,285	−22.7%
Taxes	**−19,353**	−2,980	549.5%
Net profit for the year	**270,405**	−23,065	−1,272.4%
Profit carried forward	**181,017**	204,082	−11.3%
Purchase of treasury shares	**−46,091**	–	–
Unappropriated profit	**405,331**	181,017	123.9%

3 Other Disclosures

3.1 Acquisition-related Disclosures

All of the arrangements are consistent with the standards for capital market-oriented German companies.

COMPOSITION OF SHARE CAPITAL, SHARE CLASSES

The Annual General Meeting on 22 June 2017 approved the management's proposal to carry forward the unappropriated profit to new account in full, as well as approving the issue of bonus shares for the 2016 financial year in a ratio of 10:1. Following the entry of the corresponding capital increase in the commercial register on 5 July 2017, the company's share capital has amounted to EUR 92,351,476.00, divided into 92,351,476 shares. These are no-par value bearer shares; there are no other share classes. Owing to treasury shares held at 31 December 2017 the share capital is reduced to EUR 89,555,059.00.

RESTRICTIONS ON VOTING RIGHTS AND THE TRANSFER OF SHARES

Each share grants the holder one vote. There are no restrictions on the voting rights or the transfer of shares. The Managing Board is not aware of any corresponding shareholder agreements.

DIRECT OR INDIRECT INTEREST IN THE COMPANY'S SHARE CAPITAL OF MORE THAN TEN PERCENT

As at 31 December 2017, Wolfgang Egger, CEO of PATRIZIA Immobilien AG, held an interest in the company's share capital totalling 51.71% via First Capital Partner GmbH, in which he directly and indirectly holds a 100% equity interest via WE Vermögensverwaltung GmbH & Co. KG.

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

CONTROLS IN RESPECT OF VOTING RIGHTS FOR SHARES HELD BY EMPLOYEES

There are no controls in respect of voting rights.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGING BOARD, AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Managing Board is governed by section 84 of the German Stock Corporation Act (AktG) and supplemented by Article 6 of the Articles of Association of PATRIZIA Immobilien AG. Amendments to the Articles of Association are made in accordance with section 179 et seq. AktG in conjunction with Articles 16 and 21 of the Articles of Association. This makes use of the option granted by law of specifying a different capital majority.

AUTHORISATION OF THE MANAGING BOARD TO ISSUE AND BUY BACK SHARES

By resolution of the Annual General Meeting on 25 June 2015, the Managing Board was authorised to purchase shares of the company amounting to up to 10% of the then existing share capital up to and including 24 June 2020; this corresponds to 6,938,503 shares. The authorisation may be exercised in whole or in part, on one or more occasions and in pursuit of one or more objectives by the company and its Group companies or by third parties acting on behalf of the company and its Group companies. The Managing Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to the company's shareholders, through the use of derivatives or through an individually negotiated buy-back. The purchased shares may be subsequently used for all legally permissible purposes; in particular, they may be withdrawn, sold in exchange for non-cash contributions, sold to shareholders or used to meet subscription or conversion rights.

Based on this authorisation, PATRIZIA Immobilien AG announced a public share buy-back offer on 8 August 2017. In the course of this offer, which ran until 7 September 2017, the company purchased a total of 2,011,980 treasury shares at a purchase price of EUR 17.40 per share. A final share buy-back program announced on 13 September 2017 with a volume of up to EUR 15.0m concluded on 30 October 2017. PATRIZIA in total bought back a total of 2,860,851 of its own shares in the year under review. This means PATRIZIA is authorised to buy back a maximum of 4,077,652 additional treasury shares as at 31 December 2017.

By resolution of the Annual General Meeting on 16 June 2016, the Managing Board of the company was also authorised, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 37,000,000.00 by issuing new no-par value bearer shares in exchange for cash and / or non-cash contributions on one or more occasions up to and including 15 June 2021 (Authorised Capital 2016/I). With the approval of the Supervisory Board, the Managing Board is authorised to disapply shareholders' statutory subscription rights in certain cases. The full authorisation is set out in Article 4 (3) of the Articles of Association.

The Annual General Meeting on 16 June 2016 also authorised the Managing Board, with the approval of the Supervisory Board, to increase the share capital by a total of up to EUR 1,000,000.00 by issuing new no-par value bearer shares to be granted to employees of PATRIZIA Immobilien AG and its affiliated companies in exchange for cash contributions on one or more occasions up to and including 15 June 2021 (Authorised Capital 2016/II). The full authorisation is set out in Article 4 (3a) of the Articles of Association.

Furthermore, the Managing Board is authorised, with the approval of the Supervisory Board, to issue convertible bonds, bonds with warrants, participation rights and / or participating bonds or combinations of these instruments with a notional amount of up to EUR 950,000,000.00 with a limited or unlimited term on one or more occasions up to and including 15 June 2021 and to grant conversion rights or warrants for shares of the company with a proportionate interest in the share capital of up to EUR 41,800,000.00 to the creditors or bearers of such bonds in accordance with the conditions of the respective convertible bonds, bonds with warrants, participation rights or participating bonds. The details are set out in Article 4 (4) of the Articles of Association.

SIGNIFICANT AGREEMENTS BY THE COMPANY CONTINGENT UPON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

There are no agreements contingent upon a change of control following a takeover bid.

COMPENSATION AGREEMENTS BETWEEN THE COMPANY AND THE MEMBERS OF THE MANAGING BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

There are no compensation agreements with the members of the Managing Board or employees in the event of a takeover bid.

3.2 Remuneration Report

The remuneration report details the principles of the remuneration system for the Managing Board and Supervisory Board of PATRIZIA Immobilien AG and discloses the amount of the payments made to the individual members of the Managing Board and Supervisory Board for the 2017 financial year. The remuneration report takes into account all statutory provisions and complies with the recommendations of the German Corporate Governance Code with the caveat that there is no cap on the amount of the variable remuneration component.

REMUNERATION OF THE MANAGING BOARD

The remuneration system for the Managing Board was adopted by resolution of the Annual General Meeting on 23 June 2010. The amount and structure of the remuneration paid to the members of the Managing Board is defined and regularly reviewed by the Supervisory Board. The remuneration paid to the members of the Managing Board is based on their area of responsibility, the personal performance of the individual members and the Managing Board as a whole, and the economic and financial position and success of PATRIZIA. The remuneration paid to the members of the Managing Board is appropriate, performance-based and consistent with market conditions. It is composed of performance-related and non-performance-related components with a short-term and long-term incentive effect. There are no change of control clauses.

NON-PERFORMANCE-RELATED REMUNERATION

Non-performance-related remuneration components are the fixed remuneration, which is paid as a monthly salary, pension contributions and benefits in kind and other benefits, which primarily comprise the amounts permitted to be recognised under tax law for insurance premiums and the use of a company car.

PERFORMANCE-RELATED REMUNERATION

As a matter of principle, the performance-related variable remuneration components are calculated on the basis of the qualitative and quantitative targets defined at the start of the financial year. Three categories are defined: company targets, divisional targets and individual targets. The amount of variable remuneration depends on the degree to which the predefined targets are achieved, missed or exceeded.

The primary criterion for the achievement of the company targets is operating income, which is the Group's key management parameter. Every year, a specific quantitative target for the consolidated operating income to be achieved is defined on the basis of company planning. If operating income falls below 67% of the defined target, the members of the Managing Board receive no variable remuneration irrespective of which other targets, i.e. company, divisional or individual targets, are achieved. A further criterion for calculating variable remuneration is the development of PATRIZIA's share price relative to the DIMAX share index over a two-year period.

The figure defined for each target corresponds to a target attainment level of 100%. If the actual amount is 120% or more of the defined target, 150% of the variable remuneration is paid out; this also represents the defined cap for the maximum payable variable remuneration. In the event of target attainment of up to 80%, 50% of the variable remuneration is paid out (floor).

SHORT-TERM AND LONG-TERM VARIABLE REMUNERATION COMPONENTS

A variable remuneration amount is calculated for each predefined individual target based on the degree of target attainment. The total of all of these amounts is paid out in two components. Two-thirds of the amount is paid out in the next financial year, which is designated as a short-term component. The remaining one-third of the variable remuneration is paid out in the form of performing share units, i.e. not paid out directly. This is designated as a component with long-term incentive effect. Performing share units are virtual shares that entitle the beneficiaries to receive a monetary amount at the end of a defined performance period. Since the start of the 2014 financial year, PATRIZIA has defined this performance period as three years for all Managing Board members. The performing share units do not carry any voting or dividend rights. The variable remuneration component with long-term incentive effect is initially converted into performing share units at the average Xetra trading price for PATRIZIA's shares 30 days before and 15 days after 31 December of the respective financial year. The cash price equivalent of the shares calculated in this manner is paid out at the average Xetra trading price 30 days before and after 31 December of the third year following the respective financial year, i.e. after the end of the holding period. This serves to tie the variable remuneration component with long-term incentive effect to the company's share price performance. No cap has been defined for the fair value on the payment date.

INDIVIDUAL COMPONENTS AS A PROPORTION OF THE TOTAL REMUNERATION OF THE MANAGING BOARD

Assuming the company, divisional and individual targets for the respective year are met in full (100%), this results in the following approximate remuneration structure for the fair value on the grant date: The non-performance-related remuneration components account for around 41% of the total remuneration paid to Mr Egger and Mr Schmitt. Short-term variable remuneration payable immediately accounts for a further 39%. The long-term remuneration component in the form of performing share units accounts for around 20% of the total remuneration. The ratio for Mr Bohn is 46% / 36% / 18%, while the ratio for Ms Kavanagh is 40% / 40% / 20%.

TOTAL REMUNERATION FOR THE 2017 FINANCIAL YEAR

The remuneration of the members of the Managing Board for the 2017 financial year amounted to EUR 4.5m (2016: EUR 3.7m). Some of this amount was not yet paid out. The figure for 2017 contains 49,061 performing share units granted to the members of the Managing Board whose cash value equivalent will be paid out in the 2021 financial year (52,128 for the 2016 financial year, payment in 2020). The total remuneration paid out for the members of the Managing Board in the year under review was EUR 4.0m (2016: EUR 4.0m).

The overview below corresponds to the model tables recommended in the German Corporate Governance Code, broken down into benefits granted to the members of the Managing Board for the financial year but not yet paid out in full and benefits actually paid out.

The individual members of the Managing Board were granted the following remuneration for the respective financial year:

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Appointed: 21.08.2002 Appointed until: 30.06.2021	Wolfgang Egger, CEO			
Remuneration granted EUR k	2016	**2017**	**2017 (min.)**	**2017 (max.)**
Fixed remuneration	390	**420**	**420**	**420**
Fringe benefits	27 [1]	**17** [1]	**17** [1]	**17** [1]
Total	417	**437**	**437**	**437**
One-year variable remuneration	530 [2]	**560** [3]	**0**	**600** [4]
Multi-year variable remuneration				
Performing share unit tranche 2018–2020		**280** [3]		**300** [4]
Performing share unit tranche 2017–2019	265 [2]			
Total	1,212	**1,277**	**437**	**1,337**
Service cost	12	**12**	**12**	**12**
Total remuneration	1,224	**1,289**	**449**	**1,349**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car.

2 Granted in the 2017 calendar year for 2016 once all of the necessary criteria for determining variable remuneration were known.

3 Corresponds to the liability recognised for monetary target attainment of 140% (exact amount to be determined in the course of settlement).

4 Corresponds to the maximum achievable variable remuneration of 150%.

25

Appointed: 01.11.2015 Appointed until: 31.10.2023	Karim Bohn, CFO			
Remuneration granted EUR k	2016	**2017**	**2017 (min.)**	**2017 (max.)**
Fixed remuneration	360	**360**	**360**	**360**
Fringe benefits	11 [1]	**11** [1]	**11** [1]	**11** [1]
Total	371	**371**	**371**	**371**
One-year variable remuneration	391 [2]	**392** [3]	**0**	**420** [4]
Multi-year variable remuneration				
Performing share unit tranche 2018–2020		**196** [3]		**210** [4]
Performing share unit tranche 2017–2019	195 [2]			
Total	957	**959**	**371**	**1,001**
Service cost	12	**12**	**12**	**12**
Total remuneration	969	**971**	**383**	**1,013**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car.

2 Granted in the 2017 calendar year for 2016 once all of the necessary criteria for determining variable remuneration were known.

3 Corresponds to the liability recognised for monetary target attainment of 140% (exact amount to be determined in the course of settlement).

4 Corresponds to the maximum achievable variable remuneration of 150%.

26

Appointed: 01.01.2006 Appointed until: 31.12.2020	Klaus Schmitt, COO			
Remuneration granted EUR k	2016	2017	2017 (min.)	2017 (max.)
Fixed remuneration	420	420	420	420
Fringe benefits	13 [1]	21 [1]	21 [1]	21 [1]
Total	433	441	441	441
One-year variable remuneration	476 [2]	560 [3]	0	600 [4]
Multi-year variable remuneration				
Performing share unit tranche 2018–2020		280 [3]		300 [4]
Performing share unit tranche 2017–2019	238 [2]			
Total	1,147	1,281	441	1,341
Service cost	24	24	24	24
Total remuneration	1,171	1,305	465	1,365

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car.

2 Granted in the 2017 calendar year for 2016 once all of the necessary criteria for determining variable remuneration were known.

3 Corresponds to the liability recognised for monetary target attainment of 140% (exact amount to be determined in the course of settlement).

4 Corresponds to the maximum achievable variable remuneration of 150%.

27

Appointed: 15.04.2017 Appointed until: 14.04.2020	Anne Kavanagh, CIO			
Remuneration granted EUR k	2016	2017	2017 (min.)	2017 (max.)
Fixed remuneration		281	281	281
Fringe benefits		3 [1]	3 [1]	3 [1]
Total		284	284	284
One-year variable remuneration		420 [3]		450 [4]
Multi-year variable remuneration				
Performing share unit tranche 2018–2020		210 [3]		225 [4]
Performing share unit tranche 2017–2019				
Total		914	284	959
Service cost		32	32	32
Total remuneration		946	316	991

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car.

2 Granted in the 2017 calendar year for 2016 once all of the necessary criteria for determining variable remuneration were known.

3 Corresponds to the liability recognised for monetary target attainment of 140% (exact amount to be determined in the course of settlement).

4 Corresponds to the maximum achievable variable remuneration of 150%.

The individual members of the Managing Board received the following remuneration in the respective financial year:

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Remuneration received EUR k	Wolfgang Egger, CEO Appointed: 21.08.2002 Appointed until: 30.06.2021		Karim Bohn, CFO Appointed: 01.11.2015 Appointed until: 31.10.2023		Klaus Schmitt, COO Appointed: 01.01.2006 Appointed until: 31.12.2020		Anne Kavanagh, CIO Appointed: 15.04.2017 Appointed until: 14.04.2020	
	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**
Fixed remuneration	390	**420**	360	**360**	420	**420**		**281**
Fringe benefits	27 [1]	**17 [1]**	11 [1]	**11 [1]**	13 [1]	**21 [1]**		**3 [1]**
Total	417	**437**	371	**371**	433	**441**		**284**
One-time sign-on bonus								**496 [4]**
One-year variable remuneration	529	**530**	47	**391**	540	**476**		
Multi-year variable remuneration								
Performing share unit tranche 2014–2016						**507 [3]**		
Performing share unit tranche 2013–2015			–	**–**	782 [2]			
Performing share unit tranche 2015–2016			–	**–**	–	**–**		
Performing share unit tranche 2014–2015	863 [2]		–	**–**	–	**–**		
Total	1,809	**967**	418	**762**	1,755	**1,424**		**780**
Service cost	12	**12**	12	**12**	24	**24**		**32**
Total remuneration	1,821	**979**	430	**774**	1,779	**1,448**	0	**812**

1 This item primarily contains non-cash benefits for insurance premiums and the use of a company car.

2 Amount paid out in 2016 following the conversion of the performing share unit tranches 2014–2015 and 2013–2015 at the average share price of EUR 25.393.

3 Amount paid out in 2017 following the conversion of the performing share unit tranche 2014–2016 at the average share price of EUR 15.251.

4 The sign-on bonus was paid out in the form of an advance and is still subject to the fulfilment of a contractual condition.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the members of the Supervisory Board is determined by resolution of the Annual General Meeting and in the Articles of Association. The Supervisory Board receives fixed remuneration in line with market conditions paid in four equal instalments at the end of each quarter. No variable remuneration is paid.

As the Supervisory Board comprises three members, no committees are formed; this means the committee remuneration recommended by the German Corporate Governance Code is not relevant. If a Supervisory Board member is not a member of the Supervisory Board during the entire financial year, the respective fixed remuneration is paid on a pro rata basis. Supervisory Board members are also reimbursed for their expenses and any VAT payable on their remuneration and expenses.

The Supervisory Board was granted the following remuneration in the 2017 financial year:

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	Fixed remuneration	
EUR	**2017**	2016
Dr Theodor Seitz, Chairman	**40,000**	40,000
Alfred Hoschek	**30,000**	30,000
Gerhard Steck (until 22.06.2017)	**15,000**	30,000
Uwe Reuter (from 22.06.2017)	**15,000**	0
Total	**100,000**	100,000

3.3 Corporate Governance Statement – Disclosures in Accordance with Section 289f HGB and Section 315d HGB

On 30 January 2018, the Managing Board of PATRIZIA Immobilien AG issued a corporate governance statement in accordance with section 289f HGB and section 315d HGB and made this statement publicly available on the company's website.

www.patrizia.ag/en/share-holders/corporate-governance/corporate-governance-statement/

3.4 German Corporate Governance Code – Disclosures inAccordance with Article 161 AktG (German Stock Corporation Act)

On 18 December 2017 the managing board and the supervisory board issued a statement of conformity in accordance with article 161 of the German stock corporation act and made this statement publicly available on the company's website.

www.patrizia.ag/en/sharehold-ers/corporate-governance/declarations-of-conformity/

3.5 Transactions with Related Companies and Individuals

The Managing Board presented a dependent company report to the Supervisory Board with the following closing statement: "As the Managing Board of the company, we hereby declare that the company received appropriate compensation for each of the transactions contained in the dependent company report based on the circumstances known to us at the time those transactions were conducted. No measures subject to a reporting obligation were taken during the financial year."

Extensive information on business relationships with related companies and individuals can be found in note 9.3 of the notes to the consolidated financial statements.

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4 Development of Risks and Opportunities

4.1 Risk and Opportunity Management

Group-wide risk management ensures that opportunities and risks are systematically recorded, evaluated, controlled, monitored and communicated, both internally and externally. The aim is to obtain information about actual and potential risks and their financial consequences at an early stage and control them in such a way as to sustainably secure and increase enterprise value. Overall responsibility for risk management lies with the Managing Board of PATRIZIA Immobilien AG. The monitoring and further development of the risk management system is the responsibility of the Risk Management working group, which is composed of employees from the operating units and Controlling.

Opportunity management takes place separately from risk management. The Transactions and Alternative Investments units observe the market in conjunction with the Country Heads in order to identify attractive investment opportunities. The Product Development and Institutional Investors departments develop new products and structures for our investors. Strategic growth opportunities are identified by the PATRIZIA Strategy Committee and systematically pursued. The PATRIZIA asset management companies each have their own risk management system geared towards the special real estate funds they administer and aimed at ensuring compliance with regulatory requirements. The risks and opportunities identified and communicated by PATRIZIA at an early stage – defined as negative / positive deviations from the target values – then go through the downstream management process. This includes the Managing Board's jour fixe and the Cooperation Committee, which comprises all of the Country Heads, Group Heads, Operational Group Heads and the COO / CIO.

The reports by Group Controlling provide a regular and reliable basis of information for controlling opportunities and risks. The value drivers of each area of responsibility are subject to a monthly target / actual analysis in order to allow undesirable developments to be identified at an early stage and countermeasures to be initiated. The opportunities and risks identified are taken into account in the planning and update processes. Risks are evaluated in terms of their probability of occurrence and potential loss amount and compiled at Group level. We use this to derive the necessary actions and limit the impact of the respective risks by implementing operational measures and, where necessary, accounting-related precautions such as the recognition of provisions. The analysis generally covers the period of our company planning; in the case of material strategic risks, however, the analysis extends beyond this period.

The risk management system is reviewed for efficiency and effectiveness in an annual internal risk audit. This audit results in a risk report illustrating all of the risks, operational measures and responsibilities previously examined by the responsible departments. In addition to the Managing Board, the relevant contact persons at the individual functions are informed about the results of the risk inventory. In accordance with section 317 (4) of the German Commercial Code (HGB), the risk early detection system is also examined by the auditor.

4.2 Accounting-related Internal Control and Risk Management System – Disclosures in Accordance with Section 289 (5), Section 315 (2) no. 5 HGB

Accounting and financial reporting risk describes the risk that our annual and interim financial statements could contain inaccurate information. To avoid sources of error, PATRIZIA Immobilien AG has established an internal control system (ICS) for the accounting process that ensures the reliability of financial reporting and the preparation of annual and quarterly financial statements to a sufficient extent. At the same time, the ICS cannot provide absolute certainty. The members of the Managing Board of PATRIZIA Immobilien AG sign the quarterly responsibility statement confirming that accounting standards have been complied with and that the figures give a true and fair view of the company's net assets, financial position and results of operations. The starting point for the ICS is company planning based on the targets prescribed by the Managing Board and expectations of operational business development. This serves to define the budgeted values for the coming financial year and the target values for the subsequent year for each company and each cost centre. Deviations between the target and actual figures are determined and evaluated on a monthly basis. Regular updates are prepared for the current financial year based on the actual values already achieved, the opportunities and risks identified and the outstanding budgeted values.

The ICS encompasses all of the measures and processes for the timely recording of all transactions in the books and records and the financial statements. It investigates changes in legislation and accounting standards and their consequences for the company's accounting and financial statements. The consistent implementation of the principle of dual control ensures compliance with statutory provisions in the accounting-related processes. The basis for the ICS is provided by functional separation and approval rules supported by standardised control and coordination processes. All approvals are documented and archived in the system.

Accounting for all operating companies in Germany is performed centrally at PATRIZIA Immobilien AG. Accounting for the companies outside Germany is generally performed by the respective regional subsidiary. The basis for accounting is provided by uniform Group-wide requirements within a central IT environment largely based on SAP. The data is consolidated in the Group Reporting & Consolidation unit. The employees involved in preparing the financial statements have received corresponding training and the responsibilities and controls within the preparation process are clearly defined.

The effectiveness of our accounting-related ICS is evaluated during the preparation of the financial statements and reviewed by the external auditor as part of its audit activities.

4.3 Significant Opportunity and Risk Categories

4.3.1 MARKET RISKS AND OPPORTUNITIES

Opportunities and risks of macroeconomic development: The European real estate investment market is characterised by a high level of demand that is likely to remain in place due to a lack of alternative investments and favourable financing conditions. This demand is accompanied by a shortage of available investments in top European locations in particular, leading to a greater investment focus on so-called B and C locations. Investments in these locations require a detailed knowledge of the local conditions. Thanks to its presence on the individual European markets and its in-depth knowledge of the regional markets, PATRIZIA Immobilien AG is able to meet this high level of demand with its comprehensive product portfolio, which it optimises through acquisitions, disposals and development projects. As a matter of principle, events such as Brexit or the Catalan independence movement can have a negative impact on economic development and hence adversely effect the real estate markets. However, such events could also boost demand for real estate as a secure asset class. We do not currently see any signs of a slowdown in PATRIZIA Immobilien AG's business development in the medium term. A sharp rise in interest rates on the financial markets and for government bonds is considered to be relatively unlikely in the current year in light of the sustained expansionary nature of the ECB's monetary policy. At the same time, the current yield premium of real estate compared with long-term government bonds could undoubtedly absorb an interest rate rise of around 100 basis points without this leading to pronounced price corrections. In the longer term, a slight rise in interest rates is expected over the coming years depending on how quickly the normalisation of monetary policy takes place; however, a more precise estimate of the effects of this development will only be possible once the ECB's interest rate path becomes evident.

Residential real estate market: The economic recovery in Europe is making itself felt in the economically strong conurbations in particular. These regions saw substantial population growth once again in 2017, thereby generating significant demand for housing. The number of completions has increased slightly in recent years, but not to a sufficient extent to meet the high level of demand. This excess demand resulted in rising rents, while high private and institutional demand for residential real estate led to purchase price growth. In the top locations in particular, there was such a shortage of suitable products that many investors turned to B, C and D locations and invested in niche segments such as micro-apartments and student accommodation. This trend is set to continue in 2018.

Commercial real estate market – office: The positive economic momentum seen in Europe in 2016 continued in the past financial year. This was reflected on the market in the form of high demand for space. With new construction activity relatively muted, the vacancy rate continued to decline. Prime rents increased in most of the European markets, with Paris recording stable development and London seeing a fall in prime rents. The high level of demand for office real estate among institutional investors resulted in an increased transaction volume compared with the previous year and led to further yield compression. With the economic expansion set to continue in the coming year, demand for space is expected to remain high or increase further, with the vacancy rate remaining at a low level. This is likely to be reflected in a further rise in prime rents. As the high level of investor demand for office real estate is unlikely to decline in the coming year, a large transaction volume is again anticipated in 2018 depending on product availability. Prime yields are likely to remain under pressure.

Commercial real estate market – retail: Positive economic development and the resulting increase in employment had a corresponding effect on consumer confidence and private consumption in the course of 2017. Demand for space in top locations remained high, whereas demand for space at shopping centres declined slightly. The same is true for the investment market, where investor demand primarily concentrated on high street properties. The low availability of high street properties meant the investment volume declined slightly in 2017. Although prime rents in the high street segment increased, major retailers in some locations were no longer prepared to accept rent rises and entered into negotiations aimed at securing more flexible rental agreements. The shopping centre segment also saw moderate rental growth. Prime rents declined slightly once again. The retail market will continue to be driven by the high street in future. However, product availability in this segment is extremely limited, thereby naturally restricting the potential transaction volume. Prime yields will remain under pressure.

Competitive situation: There remains a high level of demand for indirect real estate investments. The unit established in 2016 for the initiation and management of closed-end fund products for private investors successfully placed further funds on the market in the year under review, while the fund platforms for institutional investors again attracted billions of euros in new capital. PATRIZIA is also expanding its service range and increasingly acquiring international investors via its established regional subsidiaries in Germany, Scandinavia, the United Kingdom and Ireland, France, Spain, Luxembourg, the Netherlands and the USA. The workforce in the Institutional Investors unit was expanded in order to serve the markets of Asia in particular. A dedicated subsidiary was established in Hong Kong in 2017. Investors place great value in outstanding management quality at competitive prices. PATRIZIA is well positioned in this respect. PATRIZIA also has long-term investment agreements with its investors, most of which are concluded without a fixed term. This allows it to plan its revenue flows accordingly.

4.3.2 OPERATIONAL RISKS

Acquisition and disposal of real estate: The sustained trend of strong demand for real estate continued in 2017. The transaction volume remained at the extremely high level recorded in the previous years. In a consistently relaxed monetary policy environment, international investors are continuing to make substantial investments in the European real estate markets. As a result, it remains extremely challenging for us to acquire suitable properties with risk-adjusted yields for our investors in an extremely competitive market.

Even in this environment, PATRIZIA succeeded in using its experience and its knowledge of the market in order to acquire attractive properties and portfolios for our investors – in some cases by addressing sellers directly in order to circumvent the competition – thereby enabling our investors to generate profits and optimise their portfolios through targeted disposals.

The continuous strategic enhancement of PATRIZIA's European platforms, including through the acquisitions announced in 2017, is giving us broader access to additional attractive investment opportunities. As a result, PATRIZIA is seen as a reliable and professional partner for the rapid, faithful implementation of large-scale individual and portfolio investments in Europe and, increasingly, around the world.

Although it is a seller's market at present, there is a risk that properties, including the company's own holdings, will not be realisable at the intended price.

Employees: The skills and motivation of PATRIZIA's employees are essential factors in the company's success. Our employees help us to gain the confidence of our investors, tenants, financing banks, business partners and shareholders, thereby creating sustainable business relationships. Our aim is to retain qualified employees within the Group for the long term. We use employee development measures, deputisation arrangements and early succession planning to reduce the risk of fluctuation and knowledge drain and fill management positions internally. Being perceived as an attractive employer in a competitive employment market is another important factor in PATRIZIA's continued successful development.

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Further information can be found under Employees in section 1.5.

IT security: Almost all significant business processes within the company are based on IT systems. Every disruption to the operation of the IT systems has consequences for our business activities. Substantial data losses can lead to serious financial losses, as well as adversely affecting the company's public image. To ensure the availability of business applications, almost all systems have been run redundantly in two physically separate data centres since the 2015 financial year. The ERP (enterprise resource planning) systems are also mirrored and run in parallel. These two measures ensure a significant reduction in downtime in the event of an emergency. Further protective measures, such as a NAC (network access control) solution and additional anti-malware mechanisms, serve to reduce the risk of damage from viruses, trojans and malicious software such as ransomware. Data is backed up regularly in order to prevent the technical loss of company data and ensure the reliability of IT operations. A password policy ensures that the passwords used are secure and that they are changed regularly.

Financing risk: Because of the solid structure of its statement of financial position, external financing is currently of only minor significance to the business model of PATRIZIA Immobilien AG and the Group. However, it plays a more important role at the level of the fund vehicles. The properties held and managed (principal investments) are no longer debt-financed. The risk that PATRIZIA Immobilien AG will be unable to obtain external financing for any new principal investments is currently extremely low. In May 2017, PATRIZIA Immobilien AG raised an unsecured bonded loan with a total volume of EUR 300m via the capital markets. The issue met with strong demand and was several times oversubscribed. Following the regular repayment in 2017, the two bonded loans raised in 2013 had a remaining amount outstanding of just EUR 22m. Following an additional unscheduled repayment of EUR 5m on 3 January 2018, this loan will be repaid in full in June 2018 as scheduled. Together with its substantial cash and cash equivalents, this means PATRIZIA is able to respond to the capital requirements of new investments at any time. Furthermore, potential principal investments are always financed at property / portfolio level. As part of its co-investments and third-party business, PATRIZIA Immobilien AG also raises debt finance as a service.

Loan conditions: The existing bonded loans contain various covenants, compliance with which is continuously monitored. Some of the loan agreements for property / portfolio financing as part of co-investments and third-party business contain covenants, compliance with which is also continuously monitored. However, these covenants do not have any direct consequences for PATRIZIA Immobilien AG.

Interest rate risks: The bonded loan with a total volume of EUR 300m contains three tranches with a combined volume of EUR 66m with a variable interest rate based on 3-month Euribor. Interest rate development is continuously monitored. There are no further interest rate risks for PATRIZIA Immobilien AG, as the company no longer has any bank loans and the remaining bonded loans have fixed interest rates.

Liquidity risks: There are no discernible risks of a liquidity bottleneck at present. As at 31 December 2017, PATRIZIA had bank balances and cash in hand amounting to EUR 382.7m and short-term deposits amounting to EUR 202.2m for use in covering its operational liquidity requirements and for refinancing. We also anticipate additional cash surpluses from our operating business, which will be used in investment planning with matching maturities. The equity freed up by disposals also serves to increase the available liquidity. PATRIZIA uses cash pooling to optimise and control its liquidity.

Early warning indicators and comprehensive rolling planning are also used as preventive measures and ensure that the company is able to meet unexpected liquidity requirements.

Exchange rate risks: Most of the Group's subsidiaries and property companies are located in the European Monetary Union and hence are not subject to exchange rate risk. One exception is the regional subsidiaries in Denmark, Sweden and the United Kingdom, which execute asset management mandates and conduct acquisitions and disposals for the funds and as part of co-investments. PATRIZIA had foreign-currency investments of around EUR 67.0m at the reporting date. Since the investments in these companies are made and shareholder loans are granted in the respective local currency, the subsidiaries and property companies are subject to the risk of exchange rate fluctuations. This position could increase further in future as the Group expands outside the euro zone. The Group's overall exchange rate risk is regularly monitored and evaluated in order to immediately identify any need for action and to allow countermeasures such as exchange rate hedging to be initiated.

Legal risks: PATRIZIA is represented in various jurisdictions. Individual companies are involved in various court and arbitration proceedings arising from their business operations. In some cases, out-of-court claims are also asserted against them. We monitor our contractual obligations and consult legal experts on contractual matters in order to minimise any legal risks. Provisions have been recognised for potential losses from pending litigation. The claims asserted exceed the amounts recognised as provisions, in some cases significantly. Following a comprehensive legal appraisal, we consider these claims to be unjustified. With regard to co-investments, there are no contractual risks due to social clauses, for example, as these relate solely to the unconsolidated subsidiaries. Furthermore, no material contractual risks from the investment agreements are discernible.

4.3.3 PARTNER RISKS AND OPPORTUNITIES

Third-party business: Opportunities and risks in connection with special real estate funds depend on fee income, the real estate assets under management, acquisitions and disposals, and the yield generated. This income can be negatively affected by property depreciation and impairment, loss of rent and a reduced transaction volume. However, PATRIZIA serves a wide range of different funds and has access to a diverse range of suitable properties in Germany and abroad. As the properties included in the special funds must be backed with corresponding capital, external financing can be obtained quickly and at favourable conditions in this constellation. The level of investment activity is not currently expected to decline. We consider the risk of a reduction in the planned distributions to investors to be extremely low. Moreover, we see the opportunity to attract new investors and expand our fund business thanks to our fund performance and PATRIZIA's reputation. Additional opportunities are presented by the placement of closed-end private investor funds, a business model that went operational at the start of 2016 and has since successfully launched six real estate funds with properties around Europe. As an asset manager, PATRIZIA is also responsible for the management and optimisation of third-party properties. Inadequate service performance could lead to dissatisfaction among investors or financial claims up to and including the loss of orders, with corresponding consequences for the Group's results of operations. For 2018, we are anticipating an extremely low probability of occurrence with minor financial consequences at worst.

Co-investments: PATRIZIA participates in co-investments with its own capital share of up to 10%. Investors and procuring the necessary equity with institutional investors is considered to represent a negligible limiting factor at most, while ensuring the corresponding financing is not seen as a risk.

As discussed under “Acquisition and disposal of real estate”, the main obstacle at present is acquiring suitable properties that meet the criteria of PATRIZIA and the investors.

Procurement of equity: In light of the high level of investor-side liquidity combined with pressure to invest and the shortage of viable alternatives to real estate investments, we do not believe there is any risk that we will lose business partners / investors or encounter problems in new acquisition. The expansion of our international fund business means PATRIZIA is increasingly dependent on institutional investors, which could put pressure on our margins. However, this is counteracted by our sales strategy. As well as attracting additional institutional investors outside Germany in particular, this increasingly involves addressing private investors in Germany with our closed-end private investors funds. More than 200 institutional investors are now invested via PATRIZIA – from savings banks, insurance companies and pension funds through to sovereign wealth funds. Over 60% of these investors are invested in multiple PATRIZIA products.

4.4 Overall Assessment of Opportunities and Risks

Risk management at PATRIZIA is a process that records risk positions, identifies changes in risk and defines appropriate countermeasures. In 2017, as in previous years, PATRIZIA examined the risk evaluation categories for the potential magnitude of losses from all known risks and increased or reduced them as necessary. The risk management system presented above allows PATRIZIA to counter risks at an early stage and take advantage of the opportunities that arise. Taking into account all individual risks and a potential cumulative effect, the overall risk to which PATRIZIA is currently exposed is limited. Based on the information currently available and our medium-term planning for key investments, there are no serious risks that could endanger the future development or continued existence of the company and the Group.

5 Forecast

5.1 Future Economic Conditions

Source: PATRIZIA Research

Macroeconomic development: The economic upturn is expected to continue in 2018, with euro zone GDP set to increase by 2.1%. The ECB’s announcement that its bond purchase programme will continue, albeit scaled back, is likely to mean that interest rates in Europe remain low. At around 1.4%, inflation is expected to remain largely unchanged compared with 2017. Events such as BREXIT or the Catalan independence movement and the unpredictable consequences of the Trump presidency entail certain risks and could lead to turbulence on the financial markets and adversely affect demand for real estate investments among institutional and private investors.

Development on the European real estate market: The positive development on the European real estate market as a whole is expected to continue in 2018. Investors could intensify their focus on B and C locations, leading to limited product availability in some cases due to rising demand. Development or real estate values is also expected to continue its upward trend in 2018. Limited product availability will remain one of the biggest challenges and will result in further yield compression in absolute terms.

5.2 Expected Development of Results of Operations and Assumptions Concerning Target Attainment in 2018

THE GROUP IN GENERAL

The company has entered the 2018 financial year in a spirit of optimism and expects to successfully exploit market opportunities for its institutional and private investors once again in the form of attractive property fund products. On this basis, PATRIZIA is again anticipating strong transaction performance and growth in assets under management, with fee income from investment management continuing to increase and stabilise as a result.

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.

Including the earnings contributions from the acquired companies, PATRIZIA is forecasting an increase in **operating income** from EUR 82.2m in 2017 to between EUR 85.0m and EUR 100.0m in 2018.

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	Last forecast 2017	**Actual figures 2017**	**Forecast 2018**
Assets under management (organic growth)	Growth of EUR 2.0bn	**Growth of EUR 2.2bn**	**Growth of EUR 2.0–3.0bn**
Assets under management (including acquisitions)	–	**Growth of EUR 3.3bn [1]**	**Growth of EUR 18.9–19.9bn [2]**
Operating income	Slightly over EUR 75.0m	**EUR 82.2m**	**EUR 85.0–100.0m**

1 including acquisition of Sparinvest Property Investors

2 including acquisition of TRIUVA and Rockspring Property Investment Managers on the basis of pro forma assets under management

ASSUMPTIONS CONCERNING THE OPERATING INCOME FORECAST

Operating income of between EUR 85.0m and EUR 100.0m is expected for 2018. The following section discusses the assumptions and expectations underlying this forecast.

PATRIZIA is anticipating **management fees** for asset and portfolio management services of between EUR 162.5m and EUR 170.0m. The expected organic growth and the initial consolidation of the acquisitions TRIUVA and Rockspring Property Investment Managers are expected to result in a significant increase of 74–82% compared with 2017.

The company expects the transaction market to remain active in 2018 and is forecasting **transaction fees** of EUR 55.0–62.5m based on a transaction volume of EUR 4.5–6.5bn.

Income from **performance fees** is determined by the yields achieved in excess of the agreed target yields. These result from the realisation of value-adding measures in particular. PATRIZIA expects to generate performance fees of between EUR 50.0m and EUR 70.0m in 2018.

Fees from service business are expected to total between EUR 267.5m and EUR 302.5m. In addition, disposals of properties held by the company and co-investments are expected to generate around EUR 39.0m.

Operating costs, which primarily comprise staff costs and non-staff operating expenses, are forecast at between EUR 210.0m and EUR 230.0m. This means the ratio of operating costs to average assets under management is expected to improve from 0.80% in 2017 to between 0.53% and 0.57% in 2018 also as a result of the acquisitions made.

A more precise forecast will be issued in the course of the year based on the company's operating performance.

5.3 Expected Development of Net Assets and Financial Position

The consolidation of the acquisitions TRIUVA and Rockspring Property Investment Managers in the course of the financial year will result in changes in the company's net assets and financial position that cannot be described conclusively at present. Even after the consolidation of these two companies, however, PATRIZIA expects to have substantial cash and cash equivalents that are significantly in excess of the liabilities from the bonded loan.

5.4 Dividend Policy

The Managing Board and Supervisory Board of PATRIZIA Immobilien AG are proposing that the HGB unappropriated profit for the 2017 financial year in the amount of EUR 405.3m be used to pay a dividend of EUR 0.25 per share, with the remaining amount being carried forward to new account. Shareholders will be given the option of receiving the dividend payment in cash or in the form of shares in PATRIZIA Immobilien AG.

Based on the proportion of IFRS consolidated net profit attributable to the shareholders, which amounts to EUR 55.0m for 2017 and shares outstanding as per 31 December 2017 entitled to receive dividends, this corresponds to a distribution of EUR 22.4m, a distribution ratio of 40.7% and profit carried forward of EUR 382.9m.

Based on the assumption that existing treasury shares are owned by third parties at the time of distribution this corresponds to a distribution of EUR 23.1m, a distribution ratio of 42.0% and profit carried forward of EUR 382.2m.

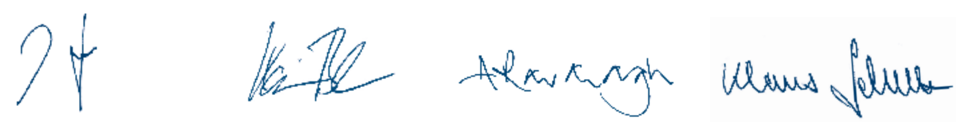
5.5 Management's Overall Assessment of the Outlook for 2018

PATRIZIA SET TO ENJOY FURTHER POSITIVE DEVELOPMENT IN 2018

The acquisition of Sparinvest Property Investors, TRIUVA and Rockspring Property Investment Managers will lead to a substantial improvement in PATRIZIA's market positioning, the further internationalisation of its business and a significant increase in stable and sustainable income from property management. With the market environment expected to remain positive, PATRIZIA expects its planned organic growth and the positive influence of the companies acquired to allow it to significantly expand its real estate assets under management and achieve a further increase in operating income.

The outlook for 2018 and the statements concerning subsequent years take into account all events that could affect PATRIZIA's business development that were known when the consolidated financial statements were prepared.

Augsburg, 12 March 2018
The PATRIZIA Managing Board



WOLFGANG EGGER	KARIM BOHN	ANNE KAVANAGH	KLAUS SCHMITT
CEO	CFO	CIO	COO

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

ASSET

Retail

In 2017, PATRIZIA purchased a portfolio with 85 retail properties.
With a purchase price of around EUR 400m, this was one of the biggest transactions of recent years in the retail sector. Renowned German retail tenants feature prominently in the portfolio, which is chiefly located in southern and western Germany.

KEY FIGURES

LETTABLE AREA:
236,000 sqm

PURCHASE PRICE:
EUR 400 m

NUMBER OF PROPERTIES:
85

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Consolidated Balance Sheet
as at 31 December 2017

Assets 31

EUR k	Note	31.12.2017	31.12.2016
A. NON-CURRENT ASSETS			
Goodwill	4.1.1	7,366	610
Other intangible assets	4.1.2	35,224	35,416
Software	4.1.3	11,207	10,772
Investment property	4.1.4	15,979	12,226
Equipment	4.1.5	4,483	4,460
Participations in associated companies	4.1.6	88,905	85,923
Participations	4.1.7	89,114	102,033
Non-current borrowings and other loans	4.1.8	23,291	7,015
Non-current tax assets	4.2	0	35
Deferred taxes	5.2	331	323
Total non-current assets		275,900	258,813
B. CURRENT ASSETS			
Inventories	4.3	99,791	182,931
Securities	4.5	5,010	44
Current tax assets	4.2	9,098	11,941
Current receivables and other current assets	4.4	479,920	99,311
Cash and cash equivalents	4.5	382,675	440,219
Total current assets		976,494	734,446
Total assets		1,252,394	993,259

Equity and liabilities

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EUR k	Note	31.12.2017	31.12.2016
A. EQUITY			
Share capital	5.1.1	**89,555**	83,956
Capital reserves	5.1.2	**129,545**	184,005
Retained earnings			
Legal reserves	5.1.3	**505**	505
Non-controlling interests	5.1.5	**1,691**	1,691
Currency translation difference	2.5	**–11,586**	–10,803
Consolidated unappropriated profit		**546,682**	491,679
Total equity		**756,392**	751,033
B. LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	**15,833**	17,992
Retirement benefit obligations	5.3	**776**	648
Bonded loans	5.4	**300,000**	22,000
Non-current liabilities	5.5	**9,062**	6,866
Total non-current liabilities		**325,671**	47,506
CURRENT LIABILITIES			
Short-term bank loans	5.4	**0**	53,200
Bonded loans	5.4	**22,000**	5,000
Other provisions	5.6	**16,083**	27,627
Current liabilities	5.8	**93,123**	75,343
Tax liabilities	5.9	**39,125**	33,550
Total current liabilities		**170,331**	194,720
Total equity and liabilities		**1,252,394**	993,259

Consolidated Income Statement

for the Period from 1 January 2017 to 31 December 2017

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EUR k	Note	2017	2016
Revenues	6.1	**249,574**	817,879
Income from the sale of investment property	4.1.4	**691**	1,542
Changes in inventories	6.2	**−39,909**	−502,018
Other operating income	6.3	**17,294**	14,252
Income from the deconsolidation of subsidiaries	2.1	**1**	194,730
Total operating performance		**227,651**	526,385
Cost of materials	6.4	**−17,450**	−33,712
Cost of purchased services	6.5	**−11,450**	−14,832
Staff costs	6.6	**−87,071**	−101,313
Changes in value of investment property	4.1.4	**6,748**	431
Other operating expenses	6.7	**−82,228**	−68,757
Income from participations	6.8	**49,315**	32,667
Earnings from companies accounted for using the equity method	4.1.6	**13,353**	7,651
Cost from the deconsolidation of subsidiaries	2.1	**−750**	0
EBITDAR		**98,118**	348,520
Reorganisation expenses	6.9	**−2,330**	−20,406
EBITDA		**95,788**	328,114
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	6.10	**−8,681**	−6,134
Earnings before interest and taxes (EBIT)		**87,107**	321,980
Financial income	6.11	**914**	3,057
Financial expenses	6.11	**−5,146**	−7,361
Result from currency translation	6.11	**−2,747**	−4,029
Earnings before taxes (EBT)		**80,128**	313,647
Income taxes	6.12	**−21,230**	−57,383
Consolidated net profit		**58,898**	256,264
Earnings per share (basic) in EUR	6.13	**0.60**	2.57
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO:			
Shareholders of the parent company		**55,003**	237,675
Non-controlling interests	5.1.5	**3,895**	18,589
		58,898	256,264

Consolidated Statement of Comprehensive Income
for the Period from 1 January 2017 to 31 December 2017

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EUR k	2017	2016
Consolidated net profit	**58,898**	256.264
Items of other comprehensive income reclassified to profit / loss		
Profit / loss arising on the translation of the financial statements of foreign operations	**–783**	–9,934
Total comprehensive income for the reporting period	**58.115**	246,330
Total comprehensive income attributable to:		
Shareholders of the parent company	**54,220**	227,741
Non-controlling interests	**3,895**	18,589
	58,115	246,330

Consolidated Cash Flow Statement

for the Period from 1 January 2017 to 31 December 2017

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EUR k	2017	2016
Consolidated net profit	**58,898**	256,264
Income taxes recognised through profit or loss	**21,230**	57,383
Financial expenses recognised through profit or loss	**5,146**	7,361
Financial income recognised through profit or loss	**–914**	–3,057
Income from divestments of participations, recognised through profit or loss	**–12,801**	0
Amortisation of other intangible assets and software, depreciation of equipment	**8,681**	6,134
Changes in value of investment property	**–6,748**	–431
Income from the sale of investment property	**–691**	–1,542
Expenses of the deconsolidation of subsidiaries	**750**	0
Income from the deconsolidation of subsidiaries	**–1**	–194,730
Other non-cash effects	**–22,564**	–7,497
Changes in inventories, receivables and other assets not attributable to investing activities	**–76,123**	438,070
Changes in liabilities not attributable to financing activities	**61,749**	–5,379
Interest paid	**–2,680**	–6,980
Interest received	**375**	1,710
Income tax payments	**–17,105**	–43,924
Cash flow from operating activities	**17,201**	503,382
Investments in other intangible assets, software and equipment	**–4,170**	–5,600
Payments received from the disposal of other intangible assets, software and equipment	**0**	467
Payments received from the sale of investment property	**3,822**	10,868
Payments for the development of investment property	**–147**	–360
Payments for the acquisition of securities and short-term investments	**–238,000**	0
Payments received from the disposal of securities and short-term investments	**36,034**	0
Payments for the acquisition of participations	**–1,751**	–1,982
Payments received from the equity reduction of participations	**735**	145
Payments received from the disposal of participations	**27,627**	0
Payments for investments in companies accounted for using the equity method	**–376**	–2,020
Payments received through distributions of companies accounted for using the equity method	**10,740**	5,362
Payments received from the repayment of shares of companies accounted for using the equity method	**0**	6,565

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EUR k	2017	2016
Payments received from the repayment of loans to companies in which participating interests are held	7,942	380
Payments for loans to companies	−23,741	−2,741
Payments received from the disposal of consolidated companies and other business units	14	330,102
Payments for the disposal of consolidated companies and other business units	−8,962	0
Payments for the acquisition of consolidated companies and other business units	−221,623	−72,995
Cash flow from investing / divesting activities	−411,856	268,191
Borrowing of loans	404,500	141,425
Repayment of loans	−13,485	−649,311
Payments to non-controlling interests	−3,895	−299
Payments to buy back treasury shares	−50,009	0
Cash flow from financing activities	337,111	−508,185
Change in cash and cash equivalents	−57,544	263,388
Cash and cash equivalents at 01.01.	440,219	179,141
Effects of changes in foreign exchange rates on cash and cash equivalents	0	−2,310
Cash and cash equivalents at 31.12.	382,675	440,219

Consolidated Statement of Changes in Equity

for the Period from 1 January 2017 to 31 December 2017

EUR k	Share capital	Capital reserve	Retained earnings (legal reservs)
As at 01.01.2016	76,324	191,637	505
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Issue of bonus shares	7,632	–7,632	0
Purchases of shares of non-controlling interests	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
Disposal of shares of non-controlling interests	0	0	0
Net profit / loss for the period	0	0	0
As at 31.12.2016	83,956	184,005	505
As at 01.01.2017	83,956	184,005	505
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Issue of bonus shares	8,396	–8,396	0
Share buy-back	–2,861	–47,148	0
Disposal of shares	64	1,083	0
Payout of profit shares to non-controlling interests	0	0	0
Net profit / loss for the period	0	0	0
As at 31.12.2017	89,555	129,545	505

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Currency translation difference	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of non-controlling interests	Total
−869	254,004	521,601	18,190	539,791
−9,934	0	−9,934	0	−9,934
0	0	0	0	0
0	0	0	−30,105	−30,105
0	0	0	−299	−299
0	0	0	−4,684	−4,684
0	237,675	237,675	18,589	256,264
−10,803	491,679	749,342	1,691	751,033
−10,803	491,679	749,342	1,691	751,033
−783	0	−783	0	−783
0	0	0	0	0
0	0	−50,009	0	−50,009
0	0	1,148	0	1,148
0	0	0	−3,895	−3,895
0	55,003	55,003	3,895	58,898
−11,586	546,682	754,700	1,691	756,392

ASSET

Hotel

PATRIZIA purchased six newly built hotels

All properties are located in central locations of large cities, mostly in proximity of central locations, metro stations, characterised by high frequency. The properties are well connected to local public transportation and offer a supply of rooms that is suitable to local market demand: from 100 rooms in Krefeld to 163 rooms in Berlin. PATRIZIA presently manages real estate assets worth approximately EUR 600m in the hotel segment.

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KEY FIGURES

LETTABLE AREA:
18,000 sqm

ROOMS:
600

LEASE TERM:
20 years

IFRS – Notes to the Consolidated Financial Statements

as at 31 December 2017

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 located at 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 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 21.9bn, mostly for insurance companies, pension funds, sovereign funds, savings banks and cooperative banks.

1 Principles Applied in the Preparation of the Consolidated Financial Statements

The consolidated financial statements of PATRIZIA Immobilien AG as at 31 December 2017 have been prepared 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 by the end of the reporting period.

Reporting in the statement of financial position is based on the maturity of the corresponding assets and liabilities. Assets and liabilities are considered current if they are expected to be realised or repaid within the Group's normal operating cycle. The income statement was prepared in line with the nature of expense method.

The financial year is the calendar year. The consolidated financial statements are prepared in euro. The amounts, including the previous year's figures, are stated in thousands of euro (TEUR) unless stated otherwise. Please note that differences can occur when using rounded amounts and percentages.

As at the time of the preparation of the consolidated financial statements, the following new and amended standards and interpretations are effective for the first time in the reporting year:

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Standard	Title
Amendment to IAS 7	Recognition of deferred tax assets for unrealised losses
Amendment IAS 7	Statement of cash flows disclosure initiative

The standards and interpretations effective for the first time as at 1 January 2017 had no effect on the consolidated financial statements.

The following standards, amendments to standards and interpretations had already been published by the IASB at the time the consolidated financial statements were prepared, but will only become effective in later reporting periods and will not be adopted early by the Group:

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Standard	Title	Effective date [1]	Intended initial application
ENDORSED			
Amendment to IFRS 4	Amendments to IFRS 4 Insurance Contracts in relation to IFRS 9 Financial Instruments	01.01.2018	01.01.2018
IFRS 9	Financial Instruments	01.01.2018	01.01.2018
IFRS 15	Revenue from Contracts with Customers	01.01.2018	01.01.2018
IFRS 16	Leases	01.01.2019	01.01.2019
ENDORSEMENT PENDING			
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	01.01.2018
IAS 40	Transfers of Investment Property	01.01.2018	01.01.2018
AIP 2014 to 2016	Improvements to IFRSs	01.01.2018	01.01.2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	01.01.2018
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	01.01.2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	01.01.2019
AIP 2015 to 2017	Improvements to IFRSs	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	01.01.2019
IFRS 17	Insurance Contracts	01.01.2021	01.01.2021

1 possibly affected by EU endorsement

IFRS 9 FINANCIAL INSTRUMENTS

The International Accounting Standards Board published the final version of IFRS 9 Financial Instruments in July 2014.

IFRS 9 introduces a uniform approach to the classification and measurement of financial assets and financial liabilities. The standard takes cash flow characteristics and the business model by which they are managed as its basis. It also provides for a new impairment model based on the expected loss. IFRS 9 also contains new regulations on the application of hedge accounting to better present the risk management activities of a company, in particular with regard to the management of non-financial risks. However, IFRS 9 does not currently replace the regulations for a portfolio fair value hedge against interest rate risks. The part of the IFRS 9 project that originally dealt with this area is still on the IASB agenda as a separate project named “Macro hedges”, as this entails greater time requirements and is not currently expected to be concluded in the near future. The new IFRS 9 is effective for financial years beginning on or after 1 January 2018. Early adoption was possible. The Group examined the effects that first-time adoption of IFRS 9 will have on the consolidated financial statements of the company in an implementation project in the 2017 financial year. The following IFRS 9 areas were classified as relevant to the company:

- Classification and measurement in accordance with IFRS 9
- Impairment model in accordance with IFRS 9

PATRIZIA is currently conducting its final assessment of the impact of transition to IFRS 9. It is currently examining whether future fluctuations in value from equity instruments not held for trading are recognised in profit or loss or in other comprehensive income.

Taking into account its financial assets and liabilities as at 31 December 2017, the Group found that the classification and measurement requirements of IFRS 9 for financial assets and liabilities, in particular in relation to the equity investments held, will lead to a positive effect from the first-time adoption of the new standard. The effect on equity amounts to EUR 293.3m and results from the first-time measurement of these equity investments at fair value. In particular, measurement effects will affect potential performance-based profit distribution claims in future. Including as at 31 December 2017, they were measured at cost in accordance with IAS 39.

The first-time adoption of IFRS 9 has no other material effect on other financial assets and liabilities relevant to measurement.

The new expected loss impairment model of IFRS 9 means that impairment losses are recognised earlier and could become more volatile compared to the incurred loss model in accordance with IAS 39. At PATRIZIA Immobilien AG, financial assets measured at amortised cost and financial assets measured in other comprehensive income are subject to the expected loss model of IFRS 9. For lease receivables and trade receivables with financing elements, the Group uses the optional allocation of the financial instruments to level 2 of the impairment model on recognition, and thus the option of exclusively recognising the lifetime expected credit loss.

The analysis found that the adoption of the IFRS 9 impairment model for financial assets as at the time of first-time adoption of IFRS 9 will not result in any significant adjustments compared to the previous impairment model.

As the Group does use hedge accounting as at the end of the reporting period, the IFRS 9 hedge accounting regulations have no effect on the Group.

The Group applies IFRS 9 retrospectively (IAS 8), taking the special transitional provisions of IFRS 9 into account. Accordingly, the previous year's figures are not restated, and instead the effects described are included in retained earnings as at 1 January 2018.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The International Accounting Standards Board published the final version of IFRS 15 Revenue from Contracts with Customers in April 2016.

IFRS 15 creates a comprehensive framework for determining whether, in what way, what amount and when revenue should be recognised. It replaces existing guidance on revenue recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate and IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 is effective for the first time for reporting periods beginning on or after 1 January 2018; earlier adoption is permitted.

PATRIZIA carried out a detailed analysis of all relevant contractual relationships with customers as part of a launch project in 2017. The analysis focused on revenue from fees (income from management services, purchase and sales commission and performance fees). Furthermore, rental and leasing revenue and revenue from properties sales were analysed to ensure that the relevant customer contracts are fully covered. Overall, no significant transition effects were identified from the implementation of the requirements of IFRS 15.

On the basis of the above, there is no adjustment to retained earnings in the first comparative period shown (1 January 2017) as at the date of initial adoption 1 January 2018.

IAS 16 LEASES

The International Accounting Standards Board published the final version of IFRS 16 Leases in January 2016.

IFRS 16 sets out principles for the recognition, measurement, reporting and disclosures in the notes for leases, thus ensuring that lessees and lessors provide relevant information on the effects of leases.

The adoption of IFRS 16 will change the presentation of expenses in connection with these leases in the consolidated income statement. IFRS 16 replaces the previous operating expenses with write-downs for right-of-use assets and interest expenses with lease liabilities. In future, assets (from the right of use) and liabilities (from the lease obligation) will be shown in the statement of financial position.

The incremental borrowing rate is based on the interest rate that the company would have to use for borrowing under comparable economic conditions.

IFRS 16 also requires detailed disclosures (including on the presentation format). Among other things, qualitative and quantitative information on leasing activities is required to satisfy disclosure requirements.

The standard is effective for the first time for annual periods beginning on or after 1 January 2019. Early adoption of IFRS 16 is permitted for companies that apply IFRS 15 (Revenue from Contracts with Customers) as at the time of first-time adoption of IFRS 16.

The Group intends to apply IFRS 16 for the first time as at 1 January 2019.

The following were identified within the Group as relevant leases:

- rental agreements for business premises
- IT equipment
- car leases

The framework for implementing the requirements of IFRS 16 in SAP is currently being established in an internal project and with the support of an external IT service provider.

The Group intends to use the modified retrospective approach in first-time adoption. The effect of the first-time adoption of this standard will then be recognised in equity as an adjustment to the opening statement of financial position in 2019.

IAS 7 AND IAS 12

As part of the disclosure initiative, the IASB published amendments to **IAS 7 Consolidated Statement of Cash Flows** in January 2016. The amendments demand additional disclosures in the notes on financial liabilities from financing activities with the aim of improving the information on the change in the company's debt. Please refer to section 8 Information on the consolidated statement of cash flows. As the new regulations are to be applied prospectively, no comparative information is required in the year of first adoption.

Also in January 2016, the IASB published amendments to **IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses.** The amendments entail the following clarifications:

- If fixed-interest securities are carried at a fair value less than the tax base due to a higher market interest rate, this results in a deductible temporary difference.
- When estimating future taxable income, the sale of assets at higher than their IFRS carrying amount can be considered if this is probable.
- When assessing the recoverability of deferred tax assets, taxable income prior to reversing any deductible temporary differences should be used. In addition, only such taxable income against which expenses / losses from the reversal of deductible temporary differences can be offset is relevant.

The clarifications do not result in any significant changes in the recognition of deferred tax assets in the Group.

2 Consolidated Group and Consolidation Methods

2.1 Consolidated Group

The consolidated financial statements of PATRIZIA Immobilien AG include the financial statements of the parent company and the companies it controls (its subsidiaries). The company achieves control when:

– it can exercise power over the investee
– whose return is dependent on the performance of the equity investment; and
– it can use its control to influence the amount of returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three criteria for control.

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee. The results of subsidiaries acquired or disposed of during the year are recognised in the consolidated income statement and in other comprehensive income from the actual date of acquisition or until the actual date of disposal.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full in consolidation.

All companies included in the consolidated financial statements of PATRIZIA Immobilien AG are listed in the list of shareholdings (annex to the notes). The subsidiaries shown in the list with a profit transfer agreement – except PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH and PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH – use the practical expedient of section 264 (3) HGB. The partnerships also shown in the list of shareholdings use the practical expedient of section 264b HGB.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control over an economic arrangement. This exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

An associate is an entity over which the investor has significant influence. Significant influence is presumed if a direct or indirect share of the voting rights of at least 20% is held in another company. The presumption of significance is rebuttable if, despite a share of voting rights of 20% or more, the ability to influence operating and financial policies is prevented by contractual regulations and the exercisable rights are merely protective rights.

Under the equity method, investments in associates or joint ventures are included in the consolidated statement of financial position at cost, reflecting changes in the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the acquisition date. Losses of an associate or joint venture that exceed the Group's interest in that associate or joint venture are not recognised.

The basis of consolidation includes 99 subsidiaries by way of consolidation in addition to the parent company. 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. The shares in this project development company are recognised at cost.

The reporting dates of the subsidiaries included in the consolidated financial statements are the same as that of the parent company. Their financial statements were prepared using uniform accounting policies.

BUSINESS COMBINATIONS, DISPOSALS AND INTRAGROUP RESTRUCTURING

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

39

Group companies	
As at 01.01.2017	**93**
Companies acquired	13
New companies founded	7
Mergers	–10
Companies deconsolidated	–4
As at 31.12.2017	**99**

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

ACQUISITIONS OF SUBSIDIARIES

PATRIZIA Immobilien AG acquired the global fund of funds provider Sparinvest Property Investors (SPI) as part of an M&A transaction by way of purchase agreement notarised on 22 September 2017. The transaction was carried out through the direct subsidiary PATRIZIA Multi Managers Holding A/S by way of acquisition of all shares in the following companies:

Company 40

	Main activity	Acquisition date	Shares acquired
PATRIZIA Multi Managers I A/S (formerly SPARINVEST PROPERTY INVESTORS A/S)	Investment company	12.10.2017	100%
PATRIZIA Multi Managers A/S (formerly SPARINVEST PROPERTY INVESTORS II A/S)	Investment company	12.10.2017	100%
SPF IV Management Partner ApS	Investment company	12.10.2017	100%
BMK 1 ApS	Structured entity	12.10.2017	100%
BMK 2 ApS	Structured entity	12.10.2017	100%
BMK 3 ApS	Structured entity	12.10.2017	100%
BMK 4 ApS	Structured entity	12.10.2017	100%
SPF III GP ApS	Structured entity	12.10.2017	100%
SPF III US HUH GP ApS	Structured entity	12.10.2017	100%
SPF III MPC I GP ApS	Structured entity	12.10.2017	100%

The legal and economic transfer of shares occurred after full payment of the purchase price on 12 October 2017.

For reasons of simplification, 1 October 2017 was taken as the date of first-time consolidation.

Based in Copenhagen, the Group is one of the world's leading investment managers for property funds of funds in the small and mid-cap segment. As at 31 December 2017, SPI manages equity amounting to EUR 1.1bn in four different real estate funds of funds with total equity commitments of EUR 1.5bn.

The acquisition has further expanded PATRIZIA's product range for institutional investors.

A) ASSETS ACQUIRED AND LIABILITIES ASSUMED

The Group received the following assets and liabilities:

41

Fair Value in EUR k	
Intangible assets	4,827
Property, plant and equipment	188
Total non-current assets	**5,015**
Trade receivables	106
Other assets	81
Cash and cash equivalents	1,798
Prepaid expenses	67
Total current assets	**2,052**
Total assets	**7,067**
Deferred taxes	1,075
Total non-current liabilities	**1,075**
Current liabilities	415
Short-term provisions	456
Total current liabilities	**871**
Total equity and liabilities	**1,946**
Net assets	**5,121**
Goodwill	6,755
Fair value of consideration transferred as at the acquisition date	**11,876**

The goodwill will not be tax deductible in future periods.

Except for the fair value adjustments from the realisation of hidden reserves for fund management contracts and the associated adjustment of deferred taxes, the carrying amounts were taken over unchanged. The gross amounts of receivables were equal to the amounts reported; uncollectible amounts were not assumed. There were no other intangible assets that could be recognised in anticipation of future economic benefits.

The fund management contracts assigned to the intangible assets are subject to amortisation over the expected remaining term of the agreements. Amortisation of EUR 193k was recognised in the reporting period.

B) CONSIDERATION TRANSFERRED AND TRANSACTION COSTS

The fair value of the consideration transferred for the assets and liabilities acquired was EUR 11,876k as at the acquisition date. EUR 1,148k of this was settled by transferring 64,434 shares in PATRIZIA Immobilien AG; the remainder was settled in cash.

The transaction costs amounted to EUR 566k. This expense was recognised in the current financial year and reported in the income statement under other expenses.

C) NET OUTFLOW OF CASH AND CASH EQUIVALENTS AND EQUITY SHARES OF THE ACQUIRER FROM THE ACQUISITION

42

EUR k	
Consideration paid in the form of cash and treasury shares	11.876
Less cash acquired	–1.798
Total	**10.078**

The resulting goodwill amounts to EUR 6,755k and is based on the expected new business of the acquired entity.

D)EFFECTS OF THE ACQUISITION ON CONSOLIDATED PROFIT

EUR 41k of the net profit as at 31 December 2017 is attributable to the acquired companies. EUR 962k of the revenues for 2017 result from the business activities of the acquired companies and essentially relates to service revenue.

If the business combination had taken place as at 1 January 2017, the consolidated revenues of PATRIZIA Immobilien AG as at 31 December 2017 would have amounted to EUR 252,374k and its consolidated net profit to EUR 59,051k.

DISPOSAL OF SUBSIDIARIES

In 2015, PATRIZIA Immobilien AG expanded its range of products 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 2017 with an expense on deconsolidation of EUR 750k.

Companies – expense on deconsolidation 43

EUR k	
PATRIZIA GrundInvest München Leopoldstraße GmbH & Co. geschlossene Investment-KG	66
PATRIZIA GrundInvest Mainz Rheinufer GmbH & Co. geschlossene Investment-KG in conjunction with PATRIZIA GrundInvest Objekt Mainz Rheinufer GmbH & Co. KG	684
Total	**750**

Furthermore, Deutsche Wohnungsprivatisierungsgesellschaft mbH left the consolidated group in the reporting period. This resulted in income from deconsolidation of EUR 1k.

INTRAGROUP RESTRUCTURING

Various PATRIZIA subsidiaries were merged as intragroup restructuring in the reporting period. The eight companies listed below were merged into Wohnungsgesellschaft Olympia mbH with retrospective effect as at 1 January 2017.

Company 44

	Date of merger
PATRIZIA Projekt 100 GmbH	17.08.2017
PATRIZIA Projekt 110 GmbH	17.08.2017
PATRIZIA Projekt 120 GmbH	17.08.2017
PATRIZIA Projekt 160 GmbH	17.08.2017
PATRIZIA Projekt 240 GmbH	17.08.2017
PATRIZIA Projekt 250 GmbH	17.08.2017
PATRIZIA Projekt 420 GmbH	17.08.2017
PATRIZIA Projekt 450 GmbH	17.08.2017

Furthermore, the merger of PATRIZIA Harald GmbH with PATRIZIA Immobilien AG with retroactive effect as at 1 May 2017 preceded the merger of SCAN Deutsche Real Estate Holding GmbH with PATRIZIA Harald GmbH with retroactive effect as at 1 February 2017.

The above restructuring activities were recognised in other comprehensive income within the consolidated financial statements.

2.2 Acquisition accounting by way of consolidation

All subsidiaries are included in the consolidated financial statements by way of consolidation. Acquired subsidiaries have been accounted for using the acquisition method in accordance with IFRS 3 since 1 January 2002. Acquisitions of interests in companies before this date were effected using the practical expedients of IFRS 1 on the basis of the purchase method of accounting in accordance with the regulations of the German Commercial Code. Under the acquisition method, the consideration transferred in a business combination is measured at fair value. This is calculated as the total of the fair values, as at the acquisition date, of the assets transferred, the liabilities assumed from the former owners of the acquiree and the equity instruments issued by the Group in exchange for the control of the acquiree. Transaction costs associated with the business combination are recognised in profit or loss when incurred.

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee. The cost consists of the cash paid for the acquisition. Goodwill is the excess of the sum of the consideration transferred and the amount of all non-controlling interests in the acquiree over the net fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date. Any negative difference – even after reassessment – is recognised in profit and loss. Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. This applies even if this results in the non-controlling interests having a deficit balance.

2.3 Inclusion of joint ventures and associates using the equity method

The equity method is used to present joint ventures and associates in the consolidated financial statements. By contrast to consolidation, the assets, liabilities, expenses and income of the company accounted for using the equity method (pro rata) are not included in the consolidated financial statements when applying the equity method. Instead, the carrying amount of the equity investment is adjusted quarterly in line with the development of the pro rata equity of the investee.

The equity method is applied for the first time when the investee is classified as a joint venture or associate. The cost of the acquired shares is initially compared to the equity attributable to them. Any difference is examined for hidden reserves or hidden liabilities in accordance with consolidation regulations and any remaining difference is accounted for as goodwill or negative goodwill. The carrying amount of the equity investment is adjusted for the pro rata change in equity at the associate in subsequent periods.

2.4 Consolidation of intragroup balances, income and expenses and elimination of intragroup profits

Intragroup balances and transactions, gains and expenses of the companies included in consolidation are eliminated in full on consolidation. Deferred taxes are recognised for temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

2.5 Currency translation

Transactions in foreign currencies are translated at the relevant exchange rates as at the transaction date. In subsequent periods, monetary assets and liabilities are measured as at the end of the reporting period and the resulting translation differences are recognised in profit or loss. Non-monetary items are measured in terms of historical cost in a foreign currency and translated using the exchange rate at the date of the transaction.

The annual financial statements of the foreign Group companies with a functional currency other than the euro (Group presentation currency) are translated using the modified closing rate method, whereby assets and liabilities are translated at the respective closing rate. Income and expenses are translated at the exchange rate on the day of the transaction. Exchange differences resulting from this are reported separately in equity.

3 Summary of Key Accounting Policies

The financial statements included in the consolidated financial statements were prepared using uniform accounting policies.

3.1 Goodwill

The goodwill resulting from a business combination is recognised at cost less any impairment and reported separately in the consolidated statement of financial position.

For purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination.

The cash-generating units to which part of the goodwill has been allocated are tested for impairment annually. If there are indications that a CGU is impaired, it is tested more frequently. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is initially allocated to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the value in use and the fair value less costs to sell.

3.2 Other intangible assets

Other intangible assets essentially include fund management contracts.

Fund management contracts acquired as part of the business combinations with PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd. and the business combination with the fund of funds provider Sparinvest Property Investors (SPI) are recognised separately and measured at fair value as at the acquisition date.

In subsequent periods, like individually acquired intangible assets, these fund management contracts are measured at cost less accumulated amortisation and any accumulated impairment.

The amortisation period for the fund management contracts is based on the expected terms of the fund contracts (one to 24 years). The straight-line method was chosen as their development cannot be reliably determined in advance.

3.3 Software

Software is carried at cost at the time of acquisition. In subsequent periods, this is measured at cost less accumulated amortisation and any accumulated impairment.

The cost includes the directly attributable acquisition and provision costs.

Software is amortised using the straight-line method. It begins as soon as the asset can be used and ends on expiry of the useful life or disposal of the asset. The amortisation period is based on the expected useful life. Purchased software is amortised over three to ten years.

3.4 Investment property

The qualification of investment property as such is based on a corresponding management resolution to use it to generate rental income and to realise its potential for rent increases and the associated appreciation over a longer period of time. The share used by the company does not exceed 10% of the rental area. Unlike properties reported under inventories, investment property is not intended for sale in the ordinary course of business or in the construction or development process. It is measured at fair value taking into account the current use, which is the highest and best use. Changes in value affect the results of the Group.

The market value is the fair value. Fair value is measured in accordance with IFRS 13 and is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition has the same content as the definition of market value in accordance with section 194 of the Baugesetzbuch (BauGB – German Federal Building Code). This estimate specifically excludes price assumptions inflated or deflated by special terms or circumstances.

The residential privatisation process for investment property was initiated in previous years and successfully continued in 2017. The properties are valued internally using a detailed project calculation. The key inputs used in this valuation include comparative values from market transactions within the property or its immediate environment, in addition to assumptions regarding the realisation period, potential types of buyer and intended renovation and modernisation measures yet to be implemented.

Fair value measurement of investment property is therefore allocated to level 3 of the IFRS 13 measurement hierarchy. The values calculated are entry prices as defined by IFRS 13, hence the deduction of buyer-side transaction costs is not required in this case.

As at the end of the reporting period, properties with a total area of 8,438 m² (including 4,469 m² of approved building rights) with an average selling price of EUR 2,121 per square metre are planned for privatisation. In the event of a change in this average potential selling price per square metre, the fair value calculated would be altered accordingly (example: If the average selling price per square metre increases by EUR 100, this would result in an increase in fair value of EUR 807k).

All investment property held by the Group is let. The resulting rental income and the directly related expenses are recognised in the consolidated income statement.

3.5 Equipment

Equipment is carried at cost at the time of acquisition. In subsequent periods, this is measured at cost less accumulated depreciation and any accumulated impairment.

The cost includes the directly attributable acquisition and provision costs.

Equipment is depreciated using the straight-line method. It begins as soon as the asset can be used and ends on disposal of the asset. The depreciation period is based on the expected useful life. Operating and office equipment is depreciated over three to thirteen years. Low-value assets are written off in full in the year of acquisition.

3.6 Impairment of assets

If there is an indication of impairment, assets that are subject to amortisation or depreciation are tested for impairment. If the reason for impairment no longer applies, the impairment loss is reversed. Assets that are not subject to amortisation or depreciation are tested for impairment as at the end of each reporting period.

3.7 Participations in associated companies

PATRIZIA WohnModul I SICAV-FIS, and the acquisition of a 50% participation in Ask PATRIZIA (GQ) LLP (Gateshead joint venture) by the subsidiary PATRIZIA GQ Limited, constitute associated companies for PATRIZIA. Associates are companies in which PATRIZIA has significant influence on the financial and operating policies (usually on account of direct or indirect voting rights of between 20% and 50%). They are accounted for in the consolidated financial statements using the equity method.

PATRIZIA's share of the results of the associate is recognised in the consolidated income statement after acquisition. The cumulative changes after the acquisition date increase or reduce the carrying amount of the associated company. If PATRIZIA's share of the losses of an associate equals or exceeds its interest in the associate, no further shares of losses are recognised. Distributions received from an investee reduce the carrying amount of the investment.

The interest in an associate is the carrying amount of the equity investment together with any long-term interests that, in substance, form part of the owner's net investment in the associate. At the end of each reporting period, PATRIZIA checks for objective evidence of impairment on its investment in the associate. If there is such evidence, PATRIZIA calculates the impairment requirement as the difference between the recoverable amount and the carrying amount of the associated company. Any remaining interests are remeasured at fair value when significant influence is lost. The difference between the carrying amount of the associate and the fair value of the remaining interest, plus any proceeds from the sale, is recognised in profit or loss.

3.8 Participations

Participations are classified as available-for-sale financial assets. They are measured at cost as, given the absence of an active market, it would only be possible to determine their fair value through actual sales negotiations. There is no intention to sell these instruments at this time. The Group assesses whether there is any objective evidence of impairment as at the end of each reporting period.

3.9 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 (e.g. due to unforeseen or foreseen changes in economic conditions).

Inventories are measured at the lower of cost and net realisable value. Cost includes the directly attributable acquisition and provision costs, including in particular the cost of properties in addition to incidental costs of acquisition (notary fees, etc.). Cost also includes the costs directly attributable to the property development process, including renovation costs in particular. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense when incurred. Net realisable value is the estimated selling price in the ordinary course of business less the renovation and modernisation costs and the costs to make the sale.

3.10 Financial assets

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

– held-to-maturity assets
– loans and receivables
– financial assets at fair value through profit or loss
– available-for-sale financial assets

Financial assets are reported in the statement of financial position when the company becomes party to an agreement for these assets. Standard market purchases of financial assets, in which only a brief, standard period passes between the obligation being entered into and being fulfilled, are generally recognised as at the trade date. This also applies accordingly to standard sales.

There were no held-to-maturity financial assets or financial assets at fair value through profit or loss as at the end of the reporting period.

Equity investments acquired with the intention of holding them are assigned to the **available-for-sale financial assets** category (see 3.8). For available-for-sale financial assets, the Group assesses as at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A “significant” or “prolonged” decline in the fair value of equity instruments held for sale below their cost constitutes objective evidence of impairment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognised in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

If there is objective evidence for trade receivables that not all amounts due will be received according to the originally agreed invoice terms (such as probability of insolvency or significant financial difficulties on the part of the debtor), an impairment loss is recognised using an allowance account. Receivables are derecognised when they are classified as uncollectible.

3.11 Cash and cash equivalents

The cash and cash equivalents shown in the statement of financial position comprise cash in hand and bank balances with an original term of less than three months.

3.12 Financial liabilities

Interest-bearing loans are initially measured at fair value less any transaction costs directly attributable to borrowing. They are not designated as at amortised cost. After first-time recognition, interest-bearing loans are measured at amortised cost using the effective interest method less impairment.

3.13 Derecognition of financial assets and financial liabilities

A **financial asset** (or part of a financial asset or part of a group of financial assets) is derecognised when the requirements of IAS 39 are met.

A **financial liability** is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

If a financial liability is exchanged for a different financial liability to the same lender with substantially different terms or if the terms of an existing financial liability are substantially changed, such an exchange or change of terms is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

3.14 Retirement benefit obligations

Defined benefit pension plans are measured using the projected unit credit method on the basis of an actuarial pension report. Retirement benefit obligations in the statement of financial position are calculated from the present value of the defined benefit obligation at the end of the reporting period. The Group recognises actuarial gains and losses on defined benefit pension plans in profit or loss in the period in which they occur. As it is immaterial, the interest component of the pension expense is shown under staff costs and not in net finance costs.

3.15 Other provisions

Provisions are liabilities of uncertain timing or amount. The recognition of a provision requires a present obligation arising from a past event, that a corresponding outflow of resources is probable and that the amount of this outflow of resources can be reliably estimated. Provisions are measured as the best possible estimate of the amount of the obligation. Provisions are discounted where the effect of the time value of money is material.

3.16 Taxes

CURRENT INCOME TAXES

Current tax assets and tax liabilities for the current and earlier period are measured at the amount expected to be refunded by the tax authority / paid to the tax authority. The calculation of this amount is based on the tax rates and tax laws in effect as at the end of the reporting period.

Tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and taxes levied by the same taxation authority.

DEFERRED TAXES

Deferred taxes are recognised on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base using the liability method as at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax loss carryforwards and unused tax credits to the extent that it is likely that future taxable income will be generated against which these deductible temporary differences and the unutilised tax loss and interest carryforwards and unused tax credits can be offset.

The carrying amount of deferred tax assets is assessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilised. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates and tax laws in effect as at the end of the reporting period apply. Future tax rate changes are taken into account at the end of the reporting period if material effectiveness requirements have been met in legislation.

Deferred taxes on items recognised in other comprehensive income are not recognised in the income statement but rather in other comprehensive income as well.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and income taxes levied by the same taxation authority.

3.17 Borrowing costs

Borrowing costs that relate to the production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This requirement is fulfilled by all project developments carried out by the Group. All other borrowing costs are recognised as an expense when incurred.

3.18 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement as at the time it is entered into. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases where substantially all the risks and rewards incidental to ownership are not transferred from the lessor to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Contingent rents are recognised as income in the period in which they are generated.

3.19 Revenue recognition

The basic requirement for the recognition of profits when selling properties is the probability of the inflow of benefits and the reliable quantification of the proceeds. In addition, there must be a transfer of the substantial risks and rewards incidental to ownership of the assets to the purchaser, a surrender of legal or actual control of the goods and it must be possible to measure reliably the costs incurred or to be incurred for the sale.

Revenue from services is usually recognised after service has been rendered and the invoice issued.

3.20 Accounting assumptions and estimates

When preparing consolidated financial statements, to a certain extent assumptions and estimates are made that affect the amount and reporting of assets and liabilities, income and expenses and contingent assets and liabilities in the period under review. Estimation involves judgements based on the latest available, reliable information. The assets, liabilities, income, expenses and contingent assets and liabilities recognised on the basis of estimates can differ from the amounts recognised in future. Changes are taken into account when new information is available. Estimates are essentially made for the following:

– measurement of investment property
– calculation of the recoverable amount to assess the necessity and amount of impairment losses, in particular on properties reported under “Inventories”
– recognition and measurement of provisions
– measurement of bad debts
– recoverability of deferred tax assets

Assumptions made for the valuation of property portfolios could subsequently prove to be partially or wholly inaccurate, or there could be unexpected problems or undetected risks in connection with property portfolios. Such developments, which are also possible at short notice, could negatively affect the result of operations, reduce the value of the assets acquired and significantly reduce revenues generated from the privatisation of apartments and current rents. In addition to the specific factors for each property, the recoverability of property assets is primarily determined by the development of the property market and the general economic situation. There is the risk that the Group’s valuations would have to be corrected in the event of a negative development on the property market or in the general economic situation.

4 Notes to the Consolidated Statement of Financial Position – Assets

4.1 Non-current assets

The breakdown and development in non-current assets, and amortisation and depreciation, in the financial year and the previous year are shown below:

4.1.1 GOODWILL

The PATRIZIA Group has recognised goodwill of EUR 7,366k (previous year: EUR 610k). The goodwill will not be deductible in future tax periods, and is therefore treated as a permanent difference in the calculation of deferred taxes. The goodwill has been allocated to the following cash-generating units:

- PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH: EUR 610k (previous year: EUR 610k)
- PATRIZIA Multi Managers Holding A/S: EUR 6,756k (previous year: EUR 0k). The goodwill results from the acquisition of the fund of funds provider Sparinvest Property Investors (SPI) in the 2017 financial year.

The Group tests these figures for impairment once per year in accordance with IAS 36.

PATRIZIA GEWERBEINVEST KAPITALVERWALTUNGSGESELLSCHAFT MBH

The recoverable amount of the cash-generating unit was determined by calculating the value in use on the basis of cash flow forecasts from the financial budget approved by the Managing Board for a period of two years and using costs of capital before income taxes specific to the CGU for PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH of 9.65% (previous year: 6.60%). The weighted average cost of capital (WACC) was used to discount the cash flows. The cash flow forecasts take into account past experience and are based on management estimates of future developments and external economic data.

The cash flows of the fund management contracts of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH are calculated on the basis of approved ongoing corporate planning. The planning horizon is two years. An annual earnings growth rate of 1.0% is assumed for the years thereafter.

The impairment test did not give rise to any impairment requirement as the recoverable amount significantly exceeds the carrying amount of the cash-generating unit. These premises and the underlying method can have a significant influence on the respective values and ultimately on the amount of possible goodwill impairment.

PATRIZIA MULTI MANAGERS HOLDING A/S

The recoverable amount of the cash-generating unit was determined by calculating the value in use on the basis of transaction planning for a period of four years and using costs of capital before income taxes specific to the CGU for PATRIZIA Multi Managers Holding A/S of 8.45%.

The cash flow series for PATRIZIA Multi Managers Holding A/S are calculated on the basis of the current transaction planning for four years. An annual growth rate of 1.0% is assumed for the financial years thereafter.

The weighted average cost of capital (WACC) was used to discount the cash flows. The impairment test did not give rise to any impairment requirement as the recoverable amount significantly exceeds the carrying amount of the cash-generating unit. These premises and the underlying method can have a significant influence on the respective values and ultimately on the amount of possible goodwill impairment.

4.1.2 OTHER INTANGIBLE ASSETS

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	2017			2016		
EUR k	**Cost**	**Amortisation**	**Carrying amounts**	Cost	Amortisation	Carrying amounts
As at 01.01.	**47,727**	**−12,311**	**35,416**	48,468	−11,051	37,417
Additions	**0**	**−4,963**	**−4,963**	0	−1,993	−1,993
Changes in the consolidated group	**4,772**	**0**	**4,772**			
Disposals	**0**	**0**	**0**	−733	733	0
Foreign exchange differences	**0**	**−1**	**−1**	−8	0	−8
As at 31.12.	**52,499**	**−17,275**	**35,224**	47,727	−12,311	35,416

Hidden reserves on other intangible assets were identified in the purchase price allocation for PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd. and the fund of funds provider Sparinvest Property Investors (SPI). In addition to amortisation of EUR 2,185k, an impairment loss of EUR 2,778k was recognised as part of the annual impairment test.

At EUR 30,640k, a significant portion of the other intangible assets reported as at the end of the reporting period relate to the fund management contracts of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH.

4.1.3 SOFTWARE

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	2017			2016		
EUR k	**Cost**	**Amortisation**	**Carrying amounts**	Cost	Amortisation	Carrying amounts
As at 01.01.	**23,833**	**–13,061**	**10,772**	19,236	–10,011	9,225
Additions	**3,046**	**–2,666**	**380**	4,597	–3,050	1,547
Changes in the consolidated group	**153**	**–98**	**55**	0	0	0
Disposals	**–576**	**576**	**0**	0	0	0
As at 31.12.	**26,456**	**–15,249**	**11,207**	23,833	–13,061	10,772

4.1.4 INVESTMENT PROPERTY

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	2017	2016
EUR k	**Investment property**	Investment property
As at 01.01.	**12,226**	20,802
Addition [1]	**147**	319
Disposal	**–3,142**	–9,326
Positive changes in market value	**8,205**	1,171
Negative changes in market value	**–1,457**	–740
As at 31.12.	**15,979**	12,226

1 Relates exclusively to subsequent costs of acquisition.

There are still seven investment properties in Mannheim and Munich as at the end of the reporting period.

On the basis of the fair value of the portfolio as a whole as at 31 December 2017, the average fair value is EUR 1,985 (previous year: EUR 2,177) per square metre, with a multiplier of 19 (previous year: 25) in relation to the target rent. The change in these average values is due to further sales from the portfolio.

The positive change in market value in the 2017 financial year results from the inclusion of building rights that were notarised in the course of the reporting period.

As at 31 December 2017, there were no longer any loan agreements for which investment property was pledged.

Investment property gave rise to rental revenues of EUR 558k (previous year: EUR 806k) and a cost of materials of EUR 39k (previous year: EUR 1,139k) in the reporting period.

4.1.5 EQUIPMENT

48

	2017			2016		
EUR k	**Cost**	**Depreciation**	**Carrying amounts**	Cost	Depreciation	Carrying amounts
As at 01.01.	**11,727**	**–7,267**	**4,460**	11,670	–6,655	5,015
Additions	**1,123**	**–1,052**	**71**	1,003	–1,090	–87
Changes in the consolidated group	**366**	**–178**	**188**	0	0	0
Disposals	**–1,707**	**1,467**	**–240**	–946	478	–468
Foreign exchange differences	**0**	**4**	**4**	0	0	0
As at 31.12.	**11,509**	**–7,026**	**4,483**	11,727	–7,267	4,460

4.1.6 PARTICIPATIONS IN ASSOCIATED COMPANIES

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	2017			2016		
EUR k	**Cost**	**At equity adjustment**	**Carrying amounts**	Cost	At equity adjustment	Carrying amounts
As at 01.01.	**75,131**	**10,792**	**85,923**	79,676	8,503	88,179
Additions	**5,331**	**13,353**	**18,684**	2,020	7,651	9,671
Disposals	**0**	**–15,695**	**–15,695**	–6,565	–5,362	–11,927
Foreign exchange differences	**–7**	**0**	**–7**			
As at 31.12.	**80,455**	**8,450**	**88,905**	75,131	10,792	85,923

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.

Ask PATRIZIA (GQ) LLP is a joint venture for a property project development in Newcastle / Gateshead in the north of England. The joint venture was acquired in the second quarter of 2017 and, except for the first capital call for start-up costs, is not yet operational.

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 revitalisation 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.

A summary of the financial information on the significant associates is shown below.

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EUR k	2017	2016
Current assets	1,681,788	1,878,446
Non-current assets	40,484	7,352
Current liabilities	145,138	137,123
Non-current liabilities	688,633	893,630
Revenues	282,436	167,872
Net income / total comprehensive income	134,477	76,455

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group amounts to EUR 13,353k (previous year: EUR 7,651k) in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in PATRIZIA WohnModul I SICAV-FIS:

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EUR k	2017	2016
Net assets of the associated company	886,126 [1]	852,386 [1]
Group shareholding	10.1%	10.1%
Goodwill	0	0
Other adjustments	−848	−168
Carrying amount of the equity investment in PATRIZIA WohnModul I SICAV-FIS	88,650	85,923

1 The net assets of the associate have been adjusted for non-controlling interests.

Other adjustments include income from equity investments in companies that, based on their substance, are attributable to the associate, and the intercompany profits to be included.

In the reporting period, PATRIZIA WohnModul I SICAV-FIS paid distributions to PATRIZIA Immobilien AG of EUR 15,695k in total, whereby the first distribution of EUR 4,955k was reinvested in full against the issue of new shares. The distributions were recognised in other comprehensive income against the investment in associated companies.

4.1.7 PARTICIPATIONS

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	2017			2016		
EUR k	**Cost**	**Amortisation**	**Carrying amounts**	Cost	Amortisation	Carrying amounts
As at 01.01.	**102,033**	**0**	**102,033**	81,406	0	81,406
Additions	**1,056**	**0**	**1,056**	23,325	0	23,325
Changes in the consolidated group	**0**	**0**	**0**	0	0	0
Disposals	**−14,783**	**0**	**−14,783**	−145	0	−145
Foreign exchange differences	**808**	**0**	**808**	−2,553	0	−2,553
As at 31.12.	**89,114**	**0**	**89,114**	102,033	0	102,033

The item “Participations” contains the following material shares:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2016: 6.25%)
- Sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2016: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30.0% (31 December 2016: 30.0%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2016: 5.1%)
- GBW GmbH 5.1% (31 December 2016: 5.1%)
- Citruz Holdings LP 10.0% (31 December 2016: 10.0%)
- Participations in the Harald portfolio:
  - Deutsche Wohnen Kiel GmbH (formerly: Scan Deutsche Real Estate Holding GmbH) 5.1% (31 December 2016: 6.0%)
  - Deutsche Wohnen Berlin 5 GmbH (formerly: Draaipunt Holding B.V.) 5.1% (31 December 2016: 5.1%)
  - Deutsche Wohnen Berlin 6 GmbH (formerly: Promontoria Holding V B.V.) 5.1% (31 December 2016: 5.1%)
  - Deutsche Wohnen Berlin 7 GmbH (formerly: Promontoria Holding X B.V.) 5.1% (31 December 2016: 5.1%)

PATRIZIA sold its equity investments in PATRIZIA Projekt 150 GmbH (10.0%), Plymouth Sound Holdings LP (10.0%), Aviemore Topco (10.0%) and Winnersh Holdings LP (5.0%) in the reporting period. Please see note 6.8 Income from participations.

4.1.8 LOANS

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	2017			2016		
EUR k	**Cost**	**Amortisation**	**Carrying amounts**	Cost	Amortisation	Carrying amounts
As at 01.01.	**7,015**	**0**	**7,015**	5,498	0	5,498
Additions	**23,741**	**0**	**23,741**	2,741	0	2,741
Disposals	**−7,943**	**0**	**−7,943**	−380	0	−380
Foreign exchange differences	**478**	**0**	**478**	−844	0	−844
As at 31.12.	**23,291**	**0**	**23,291**	7,015	0	7,015

Loans were repaid as well as granted as a result of investments in and divestments of non-current investment securities.

4.2 Tax assets

The non-current tax assets of EUR 35k from the previous year were repaid in full in the reporting period.

Current tax assets of EUR 9,098k (previous year: EUR 11,941k) are essentially recognised for receivables due to excess payment of taxes and refunds of capital gains tax in the financial year.

4.3 Inventories

Inventories include assets held for sale in the normal course of business.

Inventories are composed as follows:

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EUR k	**31.12.2017**	31.12.2016
Property intended for sale	**86,373**	169,538
Properties in the development phase	**13,418**	13,393
Total	**99,791**	182,931

The “Properties in the development phase” item includes the Trocoll House property, which was acquired by a subsidiary of PATRIZIA Immobilien AG in Greater London in the previous year.

There are no pledges as no mortgage loans had been taken out as at the end of the reporting period (previous year: EUR 41,760k).

The decline in inventories of EUR 83,140k results from the disposal of properties following the deconsolidation of PATRIZIA GrundInvest München Leopoldstraße GmbH & Co. geschlossene Investment-KG and from sales from the privatisation portfolio.

4.4 Current receivables and other current assets

Current receivables and other current assets break down as follows:

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EUR k	**31.12.2017**	31.12.2016
Trade receivables	**49,505**	57,006
Receivables from services	**45,426**	40,162
Receivables from property sales	**3,734**	13,460
Rent receivables less impairment losses	**0**	405
Other	**345**	2,979
Other current assets	**430,415**	42,305
Total	**479,920**	99,311

The rise in receivables from services essentially results from acquisition and performance-based fees.

Rent receivables break down as follows as at the end of the reporting period:

56

EUR k	**31.12.2017**	31.12.2016
Nominal rent and incidental rental cost receivables	**2,015**	2,775
Impairment losses	**−2,015**	−2,370
Rent receivables less impairment losses	**0**	405

These rent receivables are offset by rent deposits of EUR 122k (previous year: EUR 313k). Liabilities due to overcharged incidental costs were recognised under other liabilities.

Development of the allowance account for receivables:

57

EUR k	31.12.2017	31.12.2016
As at 01.01.	**2,370**	5,016
Changes in the consolidated group	**0**	–1,356
Additions	**476**	526
Disposals due to derecognition	**–395**	–1,260
Disposals due to incoming payments	**–436**	–556
As at 31.12.	**2,015**	2,370

Other current assets break down as follows:

58

EUR k	31.12.2017	31.12.2016
Claims to transfer of title	**212,697**	0
Term deposits	**197,000**	0
Receivables from other investees and investors	**6,731**	36,203
Payments deposited in notary escrow account	**5,000**	0
Other	**8,987**	6,102
As at 31.12.	**430,415**	42,305

The item “Claims to transfer of title” contains payments for acquisitions.

As term deposits of EUR 197,000k have terms of more than three months, at the end of the reporting period, they were reclassified from bank balances and cash in hand to current receivables and other current assets.

The “Other” item essentially comprises deposits, creditors with debit balances, loan receivables, rent incentive receivables and prepaid expenses.

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

4.5 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.

Since issuing a bonded loan of EUR 300,000k on 22 May 2017, PATRIZIA now has further liquidity available for the international expansion and ongoing development of the company.

Cash funds were invested in short-term, money market securities in the context of active liquidity management. An amount of EUR 5,000k was invested in short-term securities. These are reported separately in the statement of financial position. A further amount of EUR 197,000k 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.

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EUR k	**31.12.2017**	31.12.2016
Cash and cash equivalents	**382,675**	440,219
Term deposits	**197,000**	0
Securities	**5,000**	0
Current liquidity	**584,675**	440,219
Harald portfolio transaction liabilities	**0**	−36,021
Regulatory reserve for asset management companies	**−8,383**	−6,900
Liquidity in mutual funds business property companies	**−86**	−3,026
Non-controlling interests	**0**	−84
= Available liquidity	**576,206**	394,188

5 Notes to the Consolidated Statement of Financial Position – Equity and Liabilities

5.1 Equity

Please see the statement of changes in equity for information on changes in equity.

5.1.1 SHARE CAPITAL

Following the issue of bonus shares, share buybacks and the sale of shares, the share capital of the company amounts to EUR 89,555,059 (previous year: EUR 83,955,887) as at the end of the reporting period and is divided into 89,555,059 (previous year: 83,955,887) no-par-value registered shares.

By way of resolution of the Annual General Meeting on 16 June 2016, the Managing Board of the company was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 37,000,000 in total by issuing new registered shares against cash or non-cash contributions on one or more occasions by 15 June 2021 (Authorised Capital 2016/I). The Managing Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory pre-emption rights in certain cases. The full authorisation derives from Article 4(3) of the Articles of Association.

Moreover, the Managing Board of the company was authorised, with the approval of the Supervisory Board, to increase the share capital by up to EUR 1,000,000 in total by issuing new registered shares against cash contributions on one or more occasions by 15 June 2021 for the purpose of issuing them to employees of PATRIZIA Immobilien AG and its affiliates (Authorised Capital 2016/II). The full authorisation derives from Article 4(3a) of the Articles of Association.

Furthermore, the Managing Board is authorised, with the approval of the Supervisory Board, to issue convertible bonds, bonds with warrants, profit participation certificates, participating bonds or combinations of these instruments, dated or undated, of a nominal amount of up to EUR 950,000,000, and to grant the creditors or bearers of bonds conversion or option rights to shares in the company of a pro rata amount of share capital of up to EUR 41,800,000 in accordance with the terms and conditions of the respective convertible bonds, bonds with warrants, profit participation certificates or participating bonds on one or more occasions by 15 June 2021. Details can be found in Article 4(4) of the Articles of Association.

First Capital Partner GmbH holds 47,755,907 no-par-value shares in PATRIZIA Immobilien AG (previous year: 43,333,938), corresponding to a shareholding of 51.71% (previous year: 51.62%). The increase results from the issue of bonus shares in the 2017 financial year and the reversal of a securities lending agreement in connection with the designated sponsoring of the shares of PATRIZIA Immobilien AG.

5.1.2 CAPITAL RESERVES

The capital reserves of EUR 129,545k as at 31 December 2017 (previous year: EUR 184,005k) declined by EUR 54,460k in the reporting period.

This decrease is attributable to the following causes:
The capital reserves were reduced by EUR 8,396k (previous year: EUR 7,632k) in connection with the issue of bonus shares in the 2017 financial year. The capital reserves were also reduced by EUR 47,148k by the two share buybacks in 2017. Offsetting this, the disposal of treasury shares for the acquisition of the fund of funds provider Sparinvest Property Investors (SPI) increased this item by EUR 1,083k.

5.1.3 RETAINED EARNINGS

The legal reserves of EUR 505k are reported under retained earnings (previous year: EUR 505k).

5.1.4 TREASURY SHARES

The Managing Board of PATRIZIA Immobilien AG resolved to acquire treasury shares in the reporting period. PATRIZIA therefore launched a public share buyback offer with an acceptance period that ended on 7 September 2017. A subsequent share buyback programme was completed on 30 October 2017. PATRIZIA sold treasury shares in the course of the acquisition of the fund of funds provider Sparinvest Property Investors (SPI).

Treasury shares break down as follows:

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	Number of shares	Price per share in EUR	Total value in EUR
As at 01.01.2017	**0**		**0**
Share purchase: Public share buyback offer 2017	**2,011,980**	17.40	**35,008,452**
Share purchase: Share buyback programme 2017	**848,871**	17.67[1]	**15,000,006**
Disposal of shares	**−64,434**	17.82	**−1,147,892**
As at 31.12.2017	**2,796,417**		**48,860,567**

1 Average price per share in EUR from several share purchases

5.1.5 NON-CONTROLLING INTERESTS

There were non-controlling interests of EUR 1,691k as at 31 December 2017 (31 December 2016: EUR 1,691k).

Non-controlling interests were allocated a profit share of EUR 3,895k in the reporting period, which was withdrawn in full as at the end of the reporting period.

These are payments to non-controlling interests, some of whom are also employed by the company.

Other non-controlling interests are classified as immaterial by PATRIZIA.

5.2 Deferred tax liabilities

The material deferred tax assets and liabilities, and changes in them, are shown below:

Deferred tax assets/liabilities 61

EUR k	31.12.2017 Asset	31.12.2017 Liability	31.12.2016 Asset	31.12.2016 Liability
Investment property	0	1,752	0	828
PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH fund management contracts	0	9,889	0	11,421
Other	134	2,597	404	1,415
Consolidation	197	1,595	–81	4,328
Total	331	15,833	323	17,992

Owing to the uncertainty of the dissolution of the tax group, deferred tax assets were not recognised for losses prior to joining the tax group of EUR 390k (previous year: EUR 514k). The losses can be carried forward indefinitely.

In addition, deferred tax assets were not recognised for corporation tax loss carryforwards of EUR 80,394k (previous year: EUR 67,617k) at eleven companies (previous year: ten companies) as their eligibility for tax purposes is uncertain. These losses can be carried forward indefinitely.

The temporary differences from equity investments in subsidiaries for which no deferred taxes were recognised amount to EUR 91,966k (previous year: EUR 66,689k).

5.3 Retirement benefit obligations

The Group has no defined benefit plans. There are exceptions to this for plans that were taken on in the past in connection with acquisitions. There were defined benefit obligations for seven persons in total as at the end of the reporting period. Four of these persons are retired and already receive ongoing pension benefits. A discount rate of 1.47% (previous year: 1.50% to 1.66%) and a pension trend of 2.0% (previous year: 2.0%) were used for the reference opinions prepared in accordance with IAS 19 as at 31 December 2017. The projected unit credit method was used as the calculation method. The calculations were based on the 2005 G Heubeck mortality tables. Pension provisions were recognised in the amount of EUR 776k as at 31 December 2017 (previous year: EUR 648k). Given the low amount of annual pension payments (EUR 26 thousand; previous year: EUR 16k) and thus the low value of pension provisions, pension provisions are considered immaterial in the consolidated financial statements. A breakdown of the changes in pension provisions has therefore been dispensed with. As at the end of the reporting period, there were no plan assets, no unrecognised actuarial losses and no unrecognised past service cost. The interest expense is reported under staff costs.

The employer's contribution to pension insurance (German subsidiaries) amounts to EUR 2,848k in the current financial year (previous year: EUR 3,575k).

5.4 Financial liabilities

The maturity profile of financial liabilities is as follows:

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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**

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EUR k 31.12.2016	2017	2018	2019–2025	2026	Total
Bank loans	0	32,450	0	0	**32,450**
Mortgage loans	0	0	0	20,750	**20,750**
Bonded loans	5,000	22,000	0	0	**27,000**
Total financial Liabilities	5,000	54,450	0	20,750	**80,200**

Financial liabilities amounted to EUR 322,000k in total as at 31 December 2017.

The change in financial liabilities as against the previous year is essentially due to the bonded loan of EUR 300,000k issued in the second quarter of 2017 and the deconsolidation of the companies PATRIZIA GrundInvest Mainz Rheinufer GmbH & Co. geschlossene Investment-KG and PATRIZIA GrundInvest Objekt Mainz Rheinufer GmbH & Co. KG. Furthermore, the equity bridge loan granted by PATRIZIA Immobilien AG to PATRIZIA GrundInvest Den Haag Wohnen GmbH & Co. geschlossene Investment-KG, which was sold in 2016, was repaid in full.

Two bonded loans were reported as at the end of the reporting period. The bonded loan of EUR 22,000k (maturing 30 June 2018) is reported under current liabilities.

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

5.5 Non-current liabilities

Non-current liabilities of EUR 9,062k (previous year: EUR 6,866k) essentially consist of the long-term component of the management participation model, which is described in more detail under note 9.2.

5.6 Other provisions

Other provisions developed as follows:

Other provisions 2017 64

EUR k	01.01.2017	Addition	Unused amounts reversed	Utilisation	Time value of money	Foreign exchange differences	31.12.2017
Litigation risks	8,416	90	3,100	826	0	0	**4,580**
Indemnity bonds	5,111	0	1,213	0	0	0	**3,898**
Employee benefits	2,018	1,946	171	1,519	0	−4	**2,270**
Reorganisation expenses	12,082	1,380	538	7,666	77	0	**5,335**
Total	27,627	3,416	5,022	10,011	77	−4	**16,083**

The provisions for employee benefits listed under other provisions relate to holiday not taken, employer's liability insurance contributions and the compensation levy for non-employment of the severely handicapped.

The reorganisation provisions were recognised for the implementation of a reorganisation project within the reporting period. These are essentially staff provisions for time off work and severance pay.

5.7 Objectives and methods of financial risk management

The financial assets of the Group essentially comprise trade receivables, other assets and bank balances. The Group is exposed to risk of default in these classes. The Group's risk of default predominantly results from trade receivables. Receivables have been written down where such risks are discernible. For trade receivables, there is collateral for outright sales in the form of a right to reclaim the properties sold in the event of default by the investor. When selling individual apartments, ownership is transferred only after the purchase price has been paid in full, hence there is no risk of default here.

Bank balances are kept at multiple banks of good credit standing for the purposes of risk diversification.

The Group's material liabilities comprise bonded loans, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's business activities.

The key risks to the Group arising from financial instruments include cash flow interest rate risk, liquidity, credit and market risks (including exchange rate risks).

EXCHANGE RATE RISKS

The transactions of the international branches in Denmark, Sweden and the UK are performed in the respective national currencies, which gives rise to exchange rate risks. Such risks could increase as the Group continues its expansion outside the euro area. The Group's overall currency risk is regularly monitored and assessed in order to identify any need for action early on and to take countermeasures such as currency hedging.

INTEREST RATE RISK

Interest rate risks are avoided or minimised by agreeing fixed interest rates and by active liquidity management.

OVERVIEW OF INTEREST RATE RISK

On the basis of the ECB's ongoing low interest rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently being raised without interest rate hedging instruments. The Group is thus exposed to interest rate risk from financial liabilities.

CREDIT RISK

There is currently no clustering of risks within the Group thanks to its broad counterparty structure.

For other financial assets of the Group, such as cash and cash equivalents and available-for-sale financial investments, the maximum credit risk in the event of counterparty default is equal to the carrying amount of these instruments.

LIQUIDITY RISK

The Group uses liquidity planning to monitor the risk of a liquidity bottleneck on an ongoing basis. This liquidity planning takes into account the terms of the financial liabilities and expected cash flows from operating activities.

The Group's goal is to ensure the consistent coverage of funding requirements by using overdrafts and loans.

The maturity structure of financial liabilities is shown under note 5.4.

CAPITAL MANAGEMENT

The Group monitors its capital structure using its equity and net equity ratios. The equity ratio is the ratio of equity (not including non-controlling interests) and total assets. The net equity ratio is calculated by dividing equity (not including non-controlling interests) by net total assets (total assets less interest-bearing loans and bonded loans covered by cash in hand). Net financial liabilities comprise all liabilities, except deferred tax liabilities, less cash and cash equivalents and short-term deposits.

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EUR k	2017	2016
Interest-bearing loans	0	53,200
Bonded loans	322,000	27,000
Trade payables and other liabilities	148,331	136,520
Less cash and cash equivalents and short-term deposits, not exceeding the total amount of the above debt	–470,331	–216,720
Net financial liabilities	0	0
Total assets	1,252,394	993,259
Net total assets	930,394	913,059
Equity (not including non-controlling interests)	754,701	749,342
Equity ratio[1]	60.3%	75.4%
Net equity ratio[2]	81.1%	82.1%

1 Equity ratio: Equity (not including non-controlling interests) divided by total assets

2 Net equity ratio: Equity (not including non-controlling interests) divided by net total assets (total assets less interest-bearing loans and bonded loans covered by cash and short-term deposits)

pp = percentage points

5.8 Current liabilities

Current liabilities break down as follows:

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EUR k	31.12.2017	31.12.2016
Trade payables	3,421	4,601
Prepayments	3,213	3,423
Other liabilities	86,489	67,319
Total	93,123	75,343

Current liabilities have a remaining term of less than twelve months. Given their short term, there are no material differences between the carrying amount and fair value of the liabilities.

Prepayments relate to purchase price receipts from notarised property sales.

Other liabilities break down as follows:

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EUR k	31.12.2017	31.12.2016
Liabilities in connection with variable salary components	**26,356**	30,487
Liabilities from services purchased before the end of the reporting period	**21,003**	6,933
Liabilities from settled performance fees owed attributable to future periods	**17,186**	2,245
Liabilities for reimbursements in connection with the sale of the structure of the Harald portfolio	**10,251**	15,020
Costs incurred for property disposals after the end of the reporting period	**3,653**	4,501
Interest for bonded loans	**2,890**	628
Costs of financial statements and audits	**1,004**	824
Liabilities for staff costs	**520**	971
Liabilities to non-controlling interests	**401**	1,456
Deferred income	**299**	326
Investors with credit balances	**280**	1,103
Other	**2,646**	2,825
Total	**86,489**	67,319

5.9 Tax liabilities

The subsequent taxation of the former “EK 02” basket was completed in the financial year (previous year: EUR 739k).

The tax liabilities essentially comprise EUR 20,334k (previous year: EUR 19,739k) in corporation and trade tax on the profits of German subsidiaries and EUR 4,979k (previous year: EUR 8,090k) in taxes on the profits of foreign subsidiaries. Corporation tax for the Luxembourg subsidiaries with limited domestic tax liability amounts to EUR 9,299k (previous year: EUR 1,332k).

5.10 Financial assets and liabilities

The carrying amounts of financial assets relate to the individual categories as follows:

Financial Assets 68

EUR k	31.12.2017	31.12.2016
Loans and receivables	497,557	103,251
Cash and cash equivalents	382,675	440,219
Available-for-sale financial assets	94,124	102,077

The carrying amounts of financial liabilities relate to the individual categories as follows:

Financial Liabilities 69

EUR k	31.12.2017	31.12.2016
Financial liabilities measured at amortised cost	419,335	157,508

The net gains (+) and losses (–) of the individual categories are as follows:

Net Gains / Losses By Category 70

EUR k	31.12.2017	31.12.2016
Loans and receivables	913	3,044
Available-for-sale financial assets	49,333	33,771
Financial liabilities measured at amortised cost	–5,072	–6,176

6 Notes to the Consolidated Income Statement

The consolidated income statement is prepared in accordance with the nature of expense method.

For the purpose of transparency concerning the sustainable business development of the company, prior-year figures adjusted for significant one-time effects have also been reported in addition to the figures for the previous year in the income statement. These adjustments include the effects of the sale of the Harald portfolio in 2016.

6.1 Revenues

Revenues break down as follows:

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EUR k	**2017**	2016 Adjusted[1]	Change	**2017**	2016	Change
Revenues from management services	**180,915**	161,261	12.2%	**180,915**	161,261	12.2%
Sale proceeds from principal investments	**56,680**	143,705	−60.6%	**56,680**	629,799	−91.0%
Rental revenues	**7,773**	11,992	−35.2%	**7,773**	18,509	−58.0%
Revenues from incidental costs	**2,252**	4,171	−46.0%	**2,252**	4,021	−44.0%
Other	**1,954**	4,288	−54.4%	**1,954**	4,289	−54.4%
Consolidated revenues	**249,574**	325,417	−23.3%	**249,574**	817,879	−69.5%

1 Adjusted = not including Harald portfolio

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

Please also refer to note 7, Segment reporting.

6.2 Changes in inventories

The consequences of the sale and renovation and construction costs of property held for sale are reported in profit or loss under changes in inventories.

6.3 Other operating income

Other operating income essentially relates to:

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EUR k	2017	2016 Adjusted[1]	Change	2017	2016	Change
Income from discontinued obligations	**11,067**	4,671	136.9%	**11,067**	4,671	136.9%
Income from reduction of the general valuation allowance	**1,683**	510	230.0%	**1,683**	510	230.0%
Income from payments in kind	**1,113**	976	14.0%	**1,113**	976	14.0%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	**164**	1,277	–87.2%	**164**	1,277	–87.2%
Insurance compensation	**10**	68	–85.3%	**10**	68	–85.3%
Other	**3,257**	2,401	35.7%	**3,257**	6,750	–51.7%
Total	**17,294**	9,903	74.6%	**17,294**	14,252	21.3%

1 Adjusted = not including Harald portfolio

Income from discontinued obligations essentially results from the final settlement of bonuses (EUR 3,518k), from litigation costs / risks following the conclusion of arbitration proceedings (EUR 3,100k), from an indemnity bond after the sale of shares in PATRIZIA Projekt 150 GmbH (EUR 1,213k), from expired claims for damages (EUR 794k), from unutilised reorganisations expenses (EUR 538k) and from other employee benefits (EUR 171k).

The "Other" item essentially includes income from receivables written off in previous years (EUR 902k), the capitalisation of internally generated software (EUR 706k) and subletting (EUR 434k).

6.4 Cost of materials

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

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EUR k	2017	2016 Adjusted [1]	Change	2017	2016	Change
Renovation and construction costs	**12,695**	20,575	−38.3%	**12,695**	21,069	−39.7%
Incidental costs	**4,314**	6,361	−32.2%	**4,314**	11,041	−60.9%
Maintenance costs	**441**	772	−42.9%	**441**	1,602	−72.5%
Total	**17,450**	27,708	−37.0%	**17,450**	33,712	−48.2%

1 Adjusted = not including Harald portfolio

6.5 Cost of purchased services

The “Cost of purchased services” item totalling EUR 11,450k (previous year: EUR 14,832k) essentially comprises the purchase of fund management services for the label funds for which PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH is the service asset management company.

6.6 Staff costs

Staff costs break down as follows:

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EUR k	2017	2016
Wages and salaries	**78,097**	90,694
of which remeasurement of long-term incentives	**1,175**	−2,824
of which sales commission	**2,446**	4,212
Social security contributions	**8,974**	10,619
Total	**87,071**	101,313

Correlating to the rise in the price of PATRIZIA Immobilien AG shares, staff costs of EUR 1,175k arose in connection with the remeasurement of long-term incentives in the reporting period.

6.7 Other operating expenses

Other operating expenses break down as follows:

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EUR k	2017	2016 Adjusted[1]	Change	2017	2016	Change
Tax, legal, consulting and financial statement fees	**34,314**	14,654	134.2%	**34,314**	14,953	129.5%
IT costs, communication costs and cost of office supplies	**7,965**	7,425	7.3%	**7,965**	7,425	7.3%
Rent, incidental and cleaning costs	**7,010**	7,003	0.1%	**7,010**	7,288	−3.8%
Advertising costs	**5,675**	4,435	28.0%	**5,675**	4,488	26.4%
Vehicle and travel expenses	**5,209**	5,399	−3.5%	**5,209**	5,399	−3.5%
Recruitment costs, training and costs for temporary staff	**2,475**	2,577	−4.0%	**2,475**	2,577	−4.0%
Insurance premiums, fees and contributions	**2,023**	2,347	−13.8%	**2,023**	2,475	−18.3%
Commission and other sales costs	**1,994**	2,583	−22.8%	**1,994**	2,590	−23.0%
Costs of management services	**1,390**	440	215.9%	**1,390**	6,300	−77.9%
Other taxes	**494**	1,218	−59.4%	**494**	1,218	−59.4%
Indemnity / reimbursement	**3,514**	6,568	−46.5%	**3,514**	6,568	−46.5%
Other expenses	**10,165**	6,542	55.4%	**10,165**	7,476	36.0%
Total	**82,228**	61,191	34.4%	**82,228**	68,757	19.6%

1 Adjusted = not including Harald portfolio

Tax, legal, consulting and financial statement fees of EUR 34,314k (31 December 2016: EUR 14,654k) include transaction costs of EUR 23,452k (31 December 2016: EUR 6,004k). This includes costs for business combinations of EUR 12,692k (31 December 2016: EUR 0k) and for uncompleted transactions of EUR 6,755k (31 December 2016: EUR 0k).

6.8 Income from participations

Income from participations of EUR 49,315k in the reporting period (previous year: EUR 32,667k) results from the participations in GBW GmbH, Harald-Portfolio, Winnersh Holdings LP, Plymouth Sound Holdings LP, Aviemore Topco and Seneca Holdco S.à r.l. (previous year: GBW GmbH, Seneca Holdco S.à r.l., Harald-Portfolio, Plymouth Sound Holdings LP, Winnersh Holdings LP und Citruz Holdings LP), from the sale of participations in PATRIZIA Projekt 150 GmbH, Winnersh Holdings LP, Plymouth Sound Holdings LP and Aviemore Topco at EUR 12,783k in total and from mutual fund business.

Income from participations breaks down as follows:

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EUR k	2017	2016	Change
Services provided as shareholder contributions	**9,490**	9,490	0.0%
Performance-based shareholder remuneration	**21,484**	17,807	20.6%
Return on equity employed	**18,341**	5,370	241.5%
Total	**49,315**	32,667	51.0%

Please refer to 2.3.2 Result of operations of the Group in the management report for a detailed presentation.

6.9 Reorganisation expenses

Reorganisation expenses arose for the implementation of a reorganisation project in the reporting period. These are essentially costs for severance payments, ongoing salaries during time off work, non-staff operating costs and consulting costs.

6.10 Depreciation and amortisation

Depreciation and amortisation on software and equipment amounts to EUR 3,718k (previous year: EUR 4,140k).

This item also includes amortisation of intangible assets in connection with the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd. and the fund of funds provider Sparinvest Property Investors (SPI). In addition to annual depreciation and amortisation of EUR 2,185k (previous year: EUR 1,993k), there were also impairment losses of EUR 2,778k (previous year: EUR 0k).

6.11 Net finance costs

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EUR k	2017	2016 Adjusted [1]	Change	2017	2016	Change
Interest on bank deposits	**162**	171	−5.3%	**162**	214	−24.3%
Other interest	**752**	2,511	−70.1%	**752**	2,843	−73.5%
Financial income	**914**	2,682	−65.9%	**914**	3,057	−70.1%
Interest on overdraft facilities and loans	**−672**	−1,998	−66.4%	**−672**	−2,950	−77.2%
Other financial expenses	**−4,474**	−3,206	39.6%	**−4,474**	−4,411	1.4%
Financial expenses	**−5,146**	−5,204	−1.1%	**−5,146**	−7,361	−30.1%
Result from currency translation	**−2,747**	−5,644	−51.3%	**−2,747**	−4,029	−31.8%
Net finance costs	**−6,979**	−8,166	−14.5%	**−6,979**	−8,333	−16.2%

1 Adjusted = not including Harald portfolio

Interest income of EUR 913k (previous year: EUR 2,670k) was recognised on loans and receivables in line with the effective interest method.

Other interest income essentially results from shareholder loans to companies in the context of co-investments, interest on late purchase price payments and interest refunds from the tax office.

The other financial expenses include interest for bonded loans and external loans.

The result from currency translation amounted to EUR −2,747k (previous year: EUR −5,644k) in 2017. This includes realised exchange rate losses of EUR −1,597k (previous year: EUR −8,875k).

6.12 Income taxes

Income taxes break down as follows:

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EUR k	2017	2016
Current income taxes	**−24,473**	−60,066
Deferred taxes	**3,243**	2,683
Total	**−21,230**	−57,383

The deferred taxes in the income statement essentially resulted from fund management contracts and the elimination of intragroup profits.

TAX RECONCILIATION STATEMENT

The tax reconciliation statement describes the relationship between the actual tax expense and the expected tax expense based on the IFRS consolidated net profit for the year before income taxes by applying the income tax rate of 30.825% (previous year 30.825%). The income tax rate consists of 15% corporate income tax, a 5.5% solidarity surcharge on this, and 15% trade tax:

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EUR k	2017	2016
IFRS consolidated net profit before income taxes	**80,128**	313,647
Income tax expense expected on the above	**−24,699**	−96,682
Tax exemption of profit distributions	**4,543**	55,527
Tax additions and deductions	**−6,767**	3,694
International subsidiaries with differing tax rates	**1,503**	1,815
Deferred tax assets on losses not capitalised	**−6,172**	−22,679
Use of loss carryforwards not capitalised	**269**	589
Minimum taxation in Sweden, Norway of individual Harald companies	**0**	−13,929
Trade tax effects from income subject to limited taxation	**745**	14,820
Prior-period effects	**−495**	−1,768
Other	**9,843**	1,230
Actual tax expense	**−21,230**	−57,383
Actual tax expense in percent	**26.5%**	18.3%

6.13 Earnings per share

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EUR k	2017 Adjusted [1]	2016 Adjusted [2]	2017	2016
Share of earnings attributable to shareholders of the Group	**56,716**	44,117	**55,003**	237,675
Number of shares (outstanding after share buyback)	**89,555,059**	83,955,887	**89,555,059**	83,955,887
Weighted number of shares (outstanding after share buyback)	**91,473,310**	92,351,476	**91,473,310**	92,351,476
Earnings per share (Basic, in EUR)	**0.62**	0.48	**0.60**	2.57

1 Adjusted = not including reorganisation expenses after taxes

2 Adjusted = not including Harald portfolio or reorganisation expenses after taxes

In accordance with IAS 33.64, the weighted number of shares was adjusted from 83,955,887 to 89,555,059 for the same period of the previous year. It was assumed that the intra-year weighted number of shares for 2016 is the same as 2017.

In the reporting period, the weighted number of shares increased by 8,395,589 due to the issue of bonus shares and decreased by 2,796,417 as a result of the share buyback / sale described in 5.1.4 Treasury shares.

7 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.

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, property management, 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 investor 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 can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures.

01.01.–31.12.2017

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
GERMANY					
Revenues from principal investments	45,091				**45,091**
Rental revenues	5,483	103		–55	**5,530**
Revenues from management services		157,151		–3,482	**153,669**
Other	799	1,097		–3	**1,893**
Revenues	51,373	158,351		–3,540	**206,183**
INTERNATIONAL [1]					
Revenues from principal investments	11,588				**11,589**
Rental revenues	2,189				**2,189**
Revenues from management services		95,856		–995	**94,861**
Other	1,826	591			**2,418**
Revenues	15,603	96,448		–995	**111,056**
CORPORATE					
Revenues			783		**783**
CONSOLIDATION					
Revenues		–68,042		–407	**–68,449**
GROUP					
Revenues from principal investments	56,680				**56,680**
Rental revenues	7,671	103	54	–55	**7,773**
Revenues from management services		184,996	416	–4,497	**180,915**
Other	2,625	1,658	313	–390	**4,205**
Revenues	66,976	186,757	783	–4,942	**249,574**
DETAILS					
TOTAL OPERATING PERFORMANCE					
Germany	22,311	163,774		–3,541	**182,545**
International [1]	7,353	99,813		–1,005	**106,161**
Corporate			7,860		**7,860**
Consolidation		–68,463		–452	**–68,915**
Group	29,664	195,124	7,860	–4,998	**227,651**
COST OF MATERIALS AND COST OF PURCHASED SERVICES					
Germany	–11,802	–20,440			**–32,242**
International [1]	–5,641	–58,968			**–64,609**
Corporate					
Consolidation		67,951			**67,951**
Group	–17,443	–11,457			**–28,900**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

01.01.–31.12.2017

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
CHANGE IN VALUE OF INVESTMENT PROPERTIES					
Germany	6,748				**6,748**
Group	6,748				**6,748**
STAFF COSTS					
Germany		−40,752			**−40,752**
International [1]		−20,933			**−20,933**
Corporate			−25,386		**−25,386**
Consolidation					
Group		−61,685	−25,386		**−87,071**
OTHER OPERATING EXPENSES AND EXPENSES OF THE DECONSOLIDATION OF SUBSIDIARIES					
Germany	−2,044	−24,715		3,879	**−22,879**
International [1]	−1,848	−16,224		875	**−17,197**
Corporate			−43,894		**−43,894**
Consolidation		511		481	**992**
Group	−3,892	−40,427	−43,894	5,235	**−82,978**
INCOME FROM PARTICIPATIONS AND EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
Germany	15,379	27,681			**43,061**
International [1]	19,607				**19,607**
Corporate					
Consolidation					
Group	34,986	27,681			**62,667**
REORGANISATION EXPENSES					
Germany		−1,023			**−1,023**
International [1]		−341			**−341**
Corporate			−966		**−966**
Consolidation					
Group		−1,364	−966		**−2,330**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

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EUR k	Investments	Management Services	Corporate	Consolidation	**Group**
AMORTISATION OF OTHER INTANGIBLE ASSETS, SOFTWARE AND EQUIPMENT					
Germany		−4,776			**−4,777**
International [1]		−489			**−489**
Corporate			−3,416		**−3,416**
Consolidation					
Group		−5,265	−3,416		**−8,681**
FINANCIAL RESULT					
Germany	1,493	−293			**1,201**
International [1]	−672	286			**−385**
Corporate			−5,067		**−5,067**
Consolidation				20	**20**
Konzern	822	−6	−5,067	20	**−4,232**
GAINS / LOSSES FROM CURRENCY TRANSLATION					
Germany	−229	−8			**−238**
International [1]	−1,721	−820			**−2,541**
Corporate			32		**32**
Consolidation					
Group	−1,951	−828	32		**−2,747**
EBT (IFRS)					
Germany	31,857	99,448		339	**131,643**
International [1]	17,078	2,325		−131	**19,273**
Corporate			−70,837		**−70,837**
Consolidation				49	**49**
Group	48,935	101,773	−70,837	257	**80,128**
ADJUSTMENTS					
Germany	−6,318	5,783	966		**431**
Significant non-operating earnings	6,704	−5,783	−966		**−45**
Changes in the value of investment property	6,748				**6,748**
Fund agreement amortisation		−4,746			**−4,746**
Reorganisation expenses		−1,023	−966		**−1,989**
Unrealised currency changes	−44	−14			**−58**
Realised fair value	386				**386**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
International[1]	1,296	1,237			**2,533**
Significant non-operating earnings	–1,296	–1,237			**–2,533**
Fund agreement amortisation		–193			**–193**
Reorganisation expenses		–341			**–341**
Unrealised currency changes	–1,296	–703			**–1,999**
Corporate			–907		**–907**
Significant non-operating earnings			907		**907**
Unrealised currency changes			907		**907**
Group	–5,023	7,020	59		**2,057**
OPERATING RESULT (ADJUSTED EBT)					
Germany	25,538	105,231	966	339	**132,074**
International[1]	18,374	3,562		–131	**21,805**
Corporate			–71,743		**–71,743**
Consolidation				49	**49**
Group	43,912	108,793	–70,777	257	**82,185**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
GERMANY					
Revenues from principal investments	543,286				**543,286**
Rental revenues	13,310	8		–82	**13,236**
Revenues from management services		161,237		–22,416	**138,821**
Other	1,540	1,511		–114	**2,936**
Revenues	558,136	162,756		–22,612	**698,280**
INTERNATIONAL [1]					
Revenues from principal investments	86,513				**86,513**
Rental revenues	5,272				**5,272**
Revenues from management services		53,062		–1,754	**51,308**
Other	4,830	496		–28	**5,298**
Revenues	96,615	53,558		–1,782	**148,391**
CORPORATE					
Revenues			4,570		**4,570**
CONSOLIDATION					
Revenues		–29,138		–4,224	**–33,362**
GROUP					
Revenues from principal investments	629,799				**629,799**
Rental revenues	18,582	8	1	–82	**18,509**
Revenues from management services		185,204	4,001	–27,945	**161,261**
Other	6,370	1,963	567	–590	**8,309**
Revenues	654,751	187,175	4,570	–28,617	**817,879**
DETAILS					
TOTAL OPERATING PERFORMANCE					
Germany	324,714	169,974		–22,613	**472,076**
International [1]	26,853	55,748		–1,782	**80,819**
Corporate			7,412		**7,412**
Consolidation		–29,562		–4,359	**–33,921**
Group	351,567	196,159	7,412	–28,753	**526,385**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
COST OF MATERIALS AND COST OF PURCHASED SERVICES					
Germany	–25,440	–25,682		345	**–50,776**
International[1]	–8,622	–21,821		29	**–30,414**
Corporate					
Consolidation		29,095		3,551	**32,646**
Group	–34,062	–18,407		3,925	**–48,544**
CHANGE IN VALUE OF INVESTMENT PROPERTIES					
Deutschland	431				**431**
Konzern	431				**431**
STAFF COSTS					
Germany		–57,912			**–57,912**
International[1]		–20,365			**–20,365**
Corporate			–23,035		**–23,035**
Consolidation					
Group		–78,277	–23,035		**–101,313**
OTHER OPERATING EXPENSES					
Germany	–36,533	–19,798		23,093	**–33,238**
International[1]	–3,478	–9,880		1,752	**–11,606**
Corporate			–25,104		**–25,104**
Consolidation		467		725	**1,191**
Group	–40,012	–29,212	–25,104	25,570	**–68,757**
INCOME FROM PARTICIPATIONS AND EARNINGS FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD					
Germany	7,008	27,302			**34,310**
International[1]	6,008				**6,008**
Corporate					
Consolidation					
Group	13,015	27,302			**40,318**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
REORGANISATION EXPENSES					
Germany		−14,628			**−14,628**
International [1]		−1,624			**−1,624**
Corporate			−4,155		**−4,155**
Consolidation					
Group		−16,251	−4,155		**−20,406**
AMORTISATION OF OTHER INTANGIBLE ASSETS, SOFTWARE AND EQUIPMENT					
Germany	−6	−2,001			**−2,008**
International [1]		−169			**−169**
Corporate			−3,957		**−3,957**
Consolidation					
Group	−6	−2,170	−3,957		**−6,134**
FINANCIAL RESULT					
Germany	6,899	−677			**6,222**
International [1]	3,047	332			**3,378**
Corporate			−13,988		**−13,988**
Consolidation				84	**84**
Group	9,945	−345	−13,988	84	**−4,304**
GAINS / LOSSES FROM CURRENCY TRANSLATION					
Germany	1,615	−83			**1,532**
International [1]	−3,908	−34			**−3,941**
Corporate			−1,620		**−1,620**
Consolidation					
Group	−2,293	−117	−1,620		**−4,029**
EBT (IFRS)					
Germany	278,687	76,495		826	**356,008**
International [1]	19,899	2,187			**22,086**
Corporate			−64,447		**−64,447**
Consolidation					
Group	298,586	78,682	−64,447	826	**313,647**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

01.01.–31.12.2016

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EUR k	Investments	Management Services	Corporate	Consolidation	Group
ADJUSTMENTS					
Germany	1,826	18,365	4,155		**24,345**
Significant non-operating earnings	–297	–18,365	–4,155		**–22,816**
Changes in the value of investment property	431				**431**
Fund agreement amortisation		–1,968			**–1,968**
Reorganisation expenses		–16,251	–4,155		**–20,406**
Non-realised currency changes	–728	–145			**–873**
Realised fair value	1,529				**1,529**
International [1]	1,681	–23			**1,658**
Significant non-operating earnings	–1,681	23			**–1,658**
Fund agreement amortisation					
Reorganisation expenses					
Unrealised currency changes	–1,681	23			**–1,658**
Corporate			5,008		**5,008**
Significant non-operating earnings			–5,008		**–5,008**
Unrealised currency changes			–5,008		**–5,008**
Group	3,506	18,342	9,163		**31,011**
OPERATING RESULT (ADJUSTED EBT) [2]					
Germany [2]	280,512	94,860	4,155	826	**380,353**
International [1]	21,580	2,164			**23,744**
Corporate			–59,439		**–59,439**
Consolidation					
Group	302,092	97,024	–55,284	826	**344,658**

1 France, United Kingdom, Luxembourg, Netherlands, Scandinavia, Spain

2 EUR 283.2m without taxes and non-controlling interests concerning the Harald portfolio

3 EUR 219.0m without taxes (EUR 43.2m) and non-controlling interests (EUR 18.3m) concerning the Harald portfolio

8 Information on the Consolidated Statement of Cash Flows

The statement of cash flows was prepared in accordance with the provisions of IAS 7.

In the statement of cash flows, cash flows are presented according to cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The effects of changes in the consolidated group are eliminated in the respective items. The cash flow from operating activities was calculated using the indirect method.

The cash flow from investing activities contains the effects of investments and disposals, in particular relating to investment securities, investment property and property, plant and equipment.

“Payments for the disposal of consolidated companies and other business units” essentially shows cash outflows due to the deconsolidation of closed-end private investor funds (placement of shares).

Payments for acquisitions are also reported under “Payments for the acquisition of consolidated companies and other business units” in addition to intra-year acquisitions of subsidiaries.

The cash flow from financing activities includes loan receipts and repayments for the financing of current and non-current assets.

Financial liabilities developed as follows over the year:

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	01.01.2017	Cash	Non-cash			Reclassification	**31.12.2017**
EUR k			Changes in the consolidated group	Exchange rate effects	Fair value changes		
Long-term borrowings	22,000	300,000	0	0	0	−22,000	**300,000**
Short-term borrowings	58,200	91,015	−149,215	0	0	22,000	**22,000**
Total financial liabilities	80,200	391,015	−149,215	0	0	0	**322,000**

As in the previous year, no cash dividend was distributed in the reporting year.

9 Other Notes

9.1 Post-employment benefits

The Group has no defined benefit plans. There are exceptions to this for plans that were taken on in the past in connection with acquisitions. There were defined benefit obligations for seven persons in total as at the end of the reporting period. Four of these persons are retired and already receive ongoing pension benefits. In addition, there are defined benefit pension plans for the Managing Board in the form of a provident fund. The Group pays set contributions to an independent entity (fund) in this context. This pension benefit involves a risk of subsidiary liability for the Group if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The commitment of the provident fund is reinsured. The commitment was granted in 2003. A total of EUR 56.5k (previous year: EUR 70.9k) was paid in contributions to the provident fund in 2017.

The employees of the Group essentially have mandatory statutory pension insurance and are therefore covered by a state defined contribution scheme. Under this pension scheme, the Group has neither a legal nor constructive obligation to pay further contributions. Contributions as part of defined contribution pension systems are paid in the year in which the employee has rendered service in exchange for those contributions.

Since 1 January 2002, employees have had the statutory right to deferred compensation of up to 4% per year of the contribution limit for statutory pension insurance. The Group has concluded a collective framework agreement with an external pension fund for this purpose.

9.2 Management participation model

PATRIZIA Immobilien AG’s management participation model focuses on the aspects of market conformity, performance and sustainability. It was developed in line with the requirements of the German Corporate Governance Code.

The fundamental requirement of PATRIZIA’s management participation model is a consistent target system the supports the company’s strategy. It is based on a long-term, multi-dimensional and neutral approach. The system assigns quantitative and qualitative targets at company, division and individual levels to members of the Managing Board and members of first line management. The first line consists of direct reports to the Managing Board and managing directors in Germany.

The degree to which the quantitative targets are achieved is determined by reference to projected figures in line with company planning. In particular, key targets are consolidated net income before taxes for the past financial year, not including changes in the market value of investment property, interest rate hedging instruments, unrealised currency gains and losses and reorganisation expenses, also not taking into account amortisation on fund management contracts that were transferred as part of the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd. and the fund of funds provider Sparinvest Property Investors (SPI), and including realised fair value increases. This adjusted EBT is disclosed in PATRIZIA’s financial reports as operating EBT. Another target criterion is the development of the share of PATRIZIA Immobilien AG in relation to the benchmark index.

At division level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and the interdependencies among process participants. Members of the Managing Board and the first line involved in the provision of services or qualitative projects are set common targets.

At individual level, the quantitative results or qualitative project results for which members of the Managing Board and the first line are individually responsible are taken into account.

The degree to which the individual targets are achieved determines the amount of the variable remuneration component. The amount of the variable remuneration components possible is capped. Members of the Managing Board and the first line lose their entire variable remuneration component if the Group achieves less than two thirds of the planned operating income as defined above.

The variable share of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive is paid out immediately after it has been established that targets have been achieved. The long-term incentive is a salary commitment with a virtual link to the share price of PATRIZIA Immobilien AG. It is only paid out two or three years after confirmation that targets have been achieved.

A long-term incentive of EUR 1,971k (previous year: EUR 2,184k) was taken into account for the first and second management levels for the 2017 financial year. This corresponds to the liability recognised on the basis of target achievement of 140% and 150% in individual cases (previous year: 150%). The final calculation can only be made after all data required for the calculation is known, which is only the case after the consolidated financial statements have been approved. The monetary amount earned is converted into performance share units at the average Xetra price for shares of PATRIZIA Immobilien AG for the 30 days prior to and 15 days after 31 December of the financial year in question. The equivalent value of the shares (adjusted for bonus shares) is paid out in cash at the average Xetra price 30 days prior to and after 31 December of the second / third year (vesting period).

Based on the 30 days prior to and 15 days after 31 December 2017, the average price of PATRIZIA's shares is EUR 19.68983, thus amounting to 100,089 shares for 2017. Expenses for share-based payment of EUR 2,730k (previous year: EUR –735k) were incurred in the reporting period. These consist of exchange rate effects of EUR 1,175 thousand, additions to shared-based payment transactions of EUR 1,971k and corrections due to the final settlement in the reporting period of EUR –416 thousand. In the previous year, the income of EUR 2,824k resulting from share price development exceeded the addition to shared-based payment transactions of EUR 2,184k and the corrections due to the final settlement in the reporting period of EUR –95k by EUR 735k in total.

The fair value is as follows:

Components with long-term incentive effect 84

EUR k	Number of performance share units 2017	Fair value 31.12.2017	Number of performance share units 2016	Fair value 31.12.2016	Paid out
Tranche of performance share units 2017 financial year [1]	**100,089**	**1,971**	0	0	0
Tranche of performance share units 2016 financial year [1]	**120,211**	**2,367**	143,212	2,184	102
Tranche of performance share units 2015 financial year [1]	**92,485**	**1,821**	84,543	1,289	0
Tranche of performance share units 2014 financial year [1]	**58,304**	**1,148**	120,711	1,841	1,033
Tranche of performance share units 2013 financial year [1]	**0**	**0**	68,378	1,043	1,043
Total	**371,089**	**7,307**	416,844	6,357	2,177

1 Corresponds to the liability recognised for 140% target achievement, 150% in individual cases. The final calculation of this variable remuneration and the allocation to the individual beneficiaries will be performed after the 2017 consolidated financial statements have been approved.

The performance share units outstanding at the end of the reporting period are as follows:

Performance share units 85

EUR k	2017	2016
Outstanding at the start of the reporting period	**416,844**	471,736
Granted in the reporting period	**124,259**	143,212
Correction due to final settlement in the reporting period	**−27,265**	−3,734
Paid out in the reporting period	**−142,749**	−194,370
Outstanding at the end of the reporting period	**371,089**	416,844

9.3 Related party transactions

The related parties of the company include the members of the Managing Board and the Supervisory Board and the members of executive bodies of subsidiaries, including their close relatives, and companies that the members of the Managing Board and the Supervisory Board, and their close relatives, can significantly influence, or in which they hold a significant share of voting rights. Furthermore, related companies include companies with which the company forms an affiliated group or in which it holds an investment that allows it to significantly influence the business policy of the investee in addition to the main shareholders of the company, including its affiliated companies.

PATRIZIA maintains the following business relationships with related parties:

SHAREHOLDINGS IN PATRIZIA OF MEMBERS OF THE MANAGING BOARD AND PERSONS RELATED TO MANAGING BOARD MEMBERS

Wolfgang Egger, CEO, holds a total interest of 51.71% in the company through First Capital Partner GmbH, in which the directly and indirectly holds a 100% interest through WE Vermögensverwaltung GmbH & Co. KG as at the end of the reporting period.

Wolfgang Egger also holds 5.1% in Projekt Wasserturm Grundstücks GmbH & Co. KG. A further 45.9% is held indirectly by PATRIZIA Immobilien AG, while the remaining 49% is held by Ernest-Joachim Storr.

CONTRACTS AND BUSINESS RELATIONSHIPS BETWEEN MEMBERS OF THE MANAGING BOARD DIRECTLY AND PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG occasionally provide services for Mr Wolfgang Egger and for companies controlled directly or indirectly by Wolfgang Egger.

PATRIZIA Immobilien AG has provided services through PATRIZIA Deutschland GmbH in the context of management activities. An amount of EUR 24k was invoiced for these services in 2017. No other property management services were provided in 2017. In addition, subsequent purchase price adjustments were passed on in the reporting period. An amount of EUR 500k was invoiced for this. Credit notes amounting to EUR 84k were issued for services from previous periods. All services provided satisfy customary market standards for comparative arm's length transactions.

PATRIZIA Immobilien AG sold its shares in Deutsche Wohnungsprivatisierungsgesellschaft mbH to First Capital Partner GmbH for a purchase price of EUR 14k in the 2017 financial year. The purchase agreement to this effect was concluded as at arm's length.

RELATIONSHIP BETWEEN PATRIZIA IMMOBILIEN AG AND E.H.G. ERSTE HANSEATISCHE GRUNDVERMÖGEN GMBH & CO. KG

PATRIZIA Immobilien AG has provided project management services through PATRIZIA Deutschland GmbH. An amount of EUR 138k was invoiced for these services in 2017.

REMUNERATION TO A FORMER MEMBER OF THE MANAGING BOARD

Mr Arwed Fischer is granted earnings- and performance-based remuneration beyond the end of his employment, which he earned as part of his employment relationship. Furthermore, Mr Arwed Fischer will be provided with a company car until 30 June 2018.

RENTAL AGREEMENTS BETWEEN MEMBERS OF THE MANAGING BOARD AND PATRIZIA

Wolfgang Egger (lessor) has concluded a rental agreement with the company (lessee) for the building, including parking spaces, used by the company as its headquarters (Fuggerstrasse 18 to 24 and Fuggerstrasse 26 in Augsburg) for a current monthly rent, including incidental rental costs, of EUR 135k (previous year: EUR 145k). The monthly rental expense was reduced as a result of an adjustment of the advance payment of service charges in the reporting period.

ACTIVITIES OF MANAGING BOARD MEMBERS IN COMPANIES OUTSIDE PATRIZIA

CEO Wolfgang Egger is the Managing Director of Wolfgang Egger Verwaltungs-GmbH (general partner of Wolfgang Egger GmbH & Co. KG) and the general partner of Friedrich List Vermögensverwaltungs KG.

CFO Karim Bohn is a member of the Supervisory Board of GBW Real Estate GmbH & Co. KG, Grünwald.

ACTIVITIES OF SUPERVISORY BOARD MEMBERS IN COMPANIES OUTSIDE PATRIZIA

The Chairman of the Supervisory Board, Dr Theodor Seitz, is the Chairman of the Supervisory Board of CDH AG, Augsburg.

In addition to being a member of the Supervisory Board at PATRIZIA Immobilien AG, Uwe H. Reuter holds the following mandates:

- HV Allgemeine Versicherungs AG, Hanover, Chairman of the Supervisory Board
- VHV Hannoversche Leben, Chairman of the Supervisory Board
- Hannoversche Direktversicherung AG, Chairman of the Supervisory Board
- VHV solutions GmbH, Chairman of the Supervisory Board
- VHV Vermögensanlage AG, Chairman of the Supervisory Board
- VAV Versicherungs AG, Vienna, Austria, Chairman of the Supervisory Board
- E+S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover, member of the Supervisory Board
- Gruppo ITAS Assicurazioni, Trento, Italy, member of the Supervisory Board
- NORD / LB, Hanover, member of the Advisory Board
- Arbeitgeberverband Dt. Versicherungswirtschaft, Managing Board (Deputy Chairman)
- Honorary Consul of the Republic of Austria in Hanover for Lower Saxony
- hannoverimpuls GmbH (business development agency of city and region of Hanover), member of the Supervisory Board

ASSET MANAGEMENT AGREEMENT WITH PATRIZIA PROJEKT 150 GMBH

Through PATRIZIA Deutschland GmbH, PATRIZIA Immobilien AG has provided asset management services for PATRIZIA Projekt 150 GmbH, in which AHO Beteiligungs-GmbH holds an interest. Alfred Hoschek is the Managing Director of AHO Beteiligungs-GmbH and also a member of the Supervisory Board of PATRIZIA Immobilien AG. An amount of EUR 97k (previous year: EUR 311k) was invoiced for these services in the reporting year. All services provided satisfy customary market standards for comparative arm’s length transactions.

9.4 Supervisory Board and Managing Board

MEMBERS OF THE MANAGING BOARD OF THE PARENT COMPANY

The following are members of the Managing Board:

- Wolfgang Egger, businessman, Chief Executive Officer
- Karim Bohn, business studies graduate, Chief Financial Officer
- Klaus Schmitt, law graduate, Chief Operating Officer
- Anne Kavanagh, Chief Investment Officer

The members of the Managing Board were granted total remuneration of EUR 4,511k (previous year: EUR 3,654k) and were paid total remuneration of EUR 4,013k (previous year: EUR 4,030k) in the 2017 financial year. This comprised EUR 1,613k (previous year: EUR 1,269k) in current salary payments and additional benefits and EUR 1,397k (previous year: EUR 1,116k) in short-term incentives, with EUR 507k (previous year: EUR 1,645k) related to long-term incentives under the management participation model and with EUR 496k related to a sign-on bonus.

A former member of the Managing Board was granted total remuneration of EUR 10k (previous year: EUR 810k) and was paid total remuneration of EUR 725k (previous year: EUR 1,431k) in the 2017 financial year.

Please refer to the remuneration report in the management report (3.2) for detailed information on the remuneration of the Managing Board.

MEMBERS OF THE SUPERVISORY BOARD OF THE PARENT COMPANY

The following are members of the Supervisory Board:

- Dr Theodor Seitz, Chairman, tax consultant and lawyer, Augsburg
- Alfred Hoschek, Managing Director of AHO Verwaltung GmbH, Augsburg
- Gerhard Steck, (until 22 June 2017) member of the Managing Board of VPV i.R., Weissach im Tal
- Uwe H. Reuter, Chairman of the Managing Board of VHV Holding AG, Hanover (since 22 June 2017)

The Supervisory Board received fixed remuneration of EUR 100k (previous year: EUR 100k) in the 2017 financial year.

Further information on the remuneration of the Supervisory Board can be found in the remuneration report in the management report under 3.2.

9.5 Other financial obligations and contingent liabilities

The obligations from existing rental and leasing agreements amount to:

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2017	EUR k
YEARS	
2018	5,926
2019–2022	7,917
2023 and later	530
Total	14,373

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2016	EUR k
YEARS	
2017	7,191
2018–2021	10,492
2022 and later	688
Total	18,371

PATRIZIA has rented used office space. This also contributes to reducing capital commitment and leaves the investment risk with the lessor. The rental agreement for the company's headquarters in Augsburg results in annual rental expenses of EUR 1,620k including incidental costs. Rental agreements have also been concluded for offices at other locations with remaining terms of between three months and seven years. The resulting obligations amount to EUR 3,196k for 2018, EUR 1,585k for 2019 and EUR 1,112k for 2020. The remaining obligations relate to leases for office, IT and business equipment and for company cars.

9.6 Employees

The average headcount of full-time employees at the Group in 2017 (not including the Managing Board or trainees) was 608 (previous year: 748). The Group also had 27 trainees (previous year: 39).

9.7 Auditor's fees

The auditor's expenses calculated for the 2017 financial year amount to EUR 357k (previous year: EUR 389k) for audits of financial statements, EUR 3k (previous year: EUR 10k) for other assurance services and EUR 30k (previous year: EUR 0k) for tax advisory services.

9.8 Events after the end of the reporting period

ACQUISITION OF TRIUVA KAPITALVERWALTUNGSGESELLSCHAFT MBH

PATRIZIA Immobilien AG acquired 88% of shares in TRIUVA Kapitalverwaltungsgesellschaft mbH, Frankfurt / Main, on 1 January 2018. TRIUVA Kapitalverwaltungsgesellschaft mbH has been included in consolidation since this date.

TRIUVA is one of the leading providers of property investments in Europe, with around 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 9.8bn.

The acquisition has increased PATRIZIA's property assets under management by around 50% to more than EUR 30bn. This puts the company among the top ten European property investment managers. PATRIZIA is also 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 economic control of TRIUVA Kapitalverwaltungsgesellschaft mbH through the reorganisation of the Supervisory Board of TRIUVA as at 1 January 2018.

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 TRIUVA Kapitalverwaltungsgesellschaft mbH's annual financial statements have been prepared and audited. Advances were paid in the past financial year as part of the acquisition.

10 Declaration by the Managing Board

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the combined management report of the company and the Group.

The Managing Board approved the financial statements for submission to the Supervisory Board on 12 March 2018. It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

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

The combined management report of the company and the Group contains analyses of the financial position and financial performance of the Group and other disclosures required under section 315 HGB.

Augsburg, 12 March 2018

WOLFGANG EGGER CEO	KARIM BOHN CFO	ANNE KAVANAGH COO	KLAUS SCHMITT COO

Annex to the Notes of the Consolidated Financial Statements

11 List of Shareholdings

PATRIZIA Immobilien AG holds **direct interests** in the following companies:

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
PATRIZIA Deutschland GmbH [1]	Augsburg	100	2,057,974.00	0.00
PATRIZIA Projekt 170 GmbH [1]	Augsburg	100	216,303,976.97	0.00
PATRIZIA Projekt 180 GmbH [1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH [1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 230 GmbH [1]	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 260 GmbH [1]	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Augsburg	100	248,493.42	6,161.21
Stella Grundvermögen GmbH [1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance and Service GmbH	Augsburg	100	10,178.78	−14,757.24
PATRIZIA Alternative Investments GmbH [1]	Augsburg	100	25,000.00	0.00
PATRIZIA Property Inc.	Wilmington, Delaware, USA	100	74,183.82	−710,736.48
PATRIZIA Denmark A/S	Copenhagen	100	13,205,857.11	3,849,971.46
PATRIZIA Acquisition GmbH	Augsburg	100	19,304.48	−3,087.25
PATRIZIA Projekt 710 GmbH	Augsburg	100	140,220,206.03	−200,616.93
Carl HR Verwaltungs GmbH	Augsburg	100	36,223.54	2,104.37
Carl B-Immo Verwaltungs GmbH	Augsburg	100	35,999.37	2,104.37
Carl A-Immo Verwaltungs GmbH	Augsburg	100	36,223.55	2,104.37
Carl Carry Verwaltungs GmbH	Frankfurt / Main	100	36,221.53	2,104.37
Carl C-Immo Verwaltungs GmbH	Augsburg	100	35,112.26	2,100.08
PATRIZIA Sweden AB	Stockholm	100	400,398.52	28,414.63
Pearl AcquiCo Zwei GmbH und Co. KG	Augsburg	100	56,917,634.59	3,203,392.03
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	12,611,792.86	6,184,474.60
PATRIZIA Ireland Ltd.	Dublin	100	9,905.50	0.00

1 Results have been transferred to PATRIZIA Immobilien AG on the basis of profit transfer agreements in place.

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
PATRIZIA UK Ltd.	Swindon	100	–1,492,237.93	–649,523.67
PATRIZIA Institutional Clients & Advisory GmbH [1]	Augsburg	100	50,000.00	0.00
PATRIZIA Finland OY	Helsinki	100	271,460.62	–407,196.43
PATRIZIA Netherlands B.V.	Amsterdam	100	7,556,306.17	2,268,908.31
PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH [1]	Augsburg	100	3,000,000.00	0.00
PATRIZIA France S.A.S.	Paris	100	1,027,807.76	–724,367.37
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	10.1	818,841,841.34	18,949,613.08
PATRIZIA ACTIVOS INMOBILIARIOS ESPAÑA SL	Madrid	100	358,008.03	–1,009,318.56
PATRIZIA Logistics Management Europe B.V.	Amsterdam	100	–1,282,740.92	–1,112,876.86
PATRIZIA Multi Managers Holding A/S	Copenhagen	100	3,321,612.38	–104,452.68
PATRIZIA CHARLOTTE LIMITED	St Helier, Jersey	100	5,568,008.44	–31,991.56
PATRIZIA Hong Kong Limited	Hong Kong	100	–143,903.35	–143,903.46
Mondstein 402. GmbH	Munich	100	25,000.00	0.00

1 Results have been transferred to PATRIZIA Immobilien AG on the basis of profit transfer agreements in place.

PATRIZIA Immobilien AG holds **indirect** interests in the following companies:

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
PATRIZIA European Real Estate Management GmbH	Gräfelfing	100	−610,948.76	−62,406.79
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	52,601.90	−3,777.82
Alte Haide Baugesellschaft mbH [1]	Augsburg	100	9,287,982.89	0.00
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	160,453,288.07	−10,669,722.74
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,081,436.19	−11,557.85
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	86,245,679.97	−11,744.03
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	644,459.93	−64,044.47
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	15,112,675.19	−5,261,537.20
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	4,283,843.21	−396,141.99
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	16,882,836.85	1,043,287.94
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	84,007,986.54	4,192,400.98
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	−7,226,492.23	−2,441,788.76
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	−576,220.79	−237,852.51
F40 GmbH	Augsburg	94.9	−33,393,972.22	−3,875,335.06
PATRIZIA Projekt 380 GmbH	Augsburg	100	−21,399.66	−2,776.31
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	−757,369.80	−15,782.16
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	−1,483,783.90	−64,803.07
PATRIZIA Projekt 600 GmbH [2]	Augsburg	100	16,665,602.61	0.00
PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH [3]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	94.9	36,958.67	−2,224.24
PATRIZIA Facility Management GmbH [4]	Augsburg	100	25,000.00	0.00
Projekt Feuerbachstraße Verwaltung GmbH [5]	Frankfurt	30	29,761.04	853.47
sono west Projektentwicklung GmbH & Co. KG [5]	Frankfurt	28.3	13,378,590.45	−97,845.22
PATRIZIA Fund Management A/S	Copenhagen	100	368,491.18	2,997.23
PATRIZIA Investment Management S.C.S.	Luxembourg	78.26	17,054,969.41	11,685,138.71
PATRIZIA Carry GmbH & Co. KG	Augsburg	73	13,573,853.20	17,468,133.86

1 Results have been transferred to the shareholder Stella Grundvermögen GmbH on the basis of profit transfer agreement in place.

2 Results have been transferred to the shareholder Alte Haide Baugesellschaft mbH, Munich, on the basis of profit transfer agreement in place.

3 Results have been transferred to the shareholder PATRIZIA Projekt 600 GmbH on the basis of profit transfer agreement in place.

4 Results have been transferred to the shareholder PATRIZIA Projekt 180 GmbH on the basis of profit transfer agreement in place.

5 Provisional financial statements.

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	−45,007.37	−42,114.35
SENECA TopCo S.à r.l.	Luxembourg	100	5,868,954.97	363,131.86
PATRIZIA Financial Services Ltd.	Edinburgh	100	481,881.77	41,203.34
PATRIZIA Investment Management HoldCo S.à r.l.	Luxembourg	100	106,706,234.60	−244,434.54
First Street TopCo 1 S.à r.l.	Luxembourg	92.54	−1,844,691.19	26,932.85
PATRIZIA Harald Fund Investment S.C.S. (formerly: First Street TopCo 2 S.à r.l.)	Luxembourg	99	−21,288.86	−28,334.88
Scan Deutsche Beteiligungs-verwaltung GmbH & Co. KG	Berlin	100	6,257,976.84	536,843.55
Sudermann S.à r.l.	Luxembourg	100	11,758,556.69	1,337,958.43
Wildrosen S.à r.l.	Luxembourg	100	3,125,746.46	21,869.29
Dover Street S.à r.l.	Luxembourg	100	−3,183,215.73	−1,057,148.26
Trocoll House No. 1 S.à r.l.	Luxembourg	92.54	15,533,855.88	−784,967.41
PATRIZIA First Street L.P.	London	92.54	49,839,721.21	2,884,260.58
PATRIZIA First Street GP Ltd.	Swindon	97.83	2,515.96	10,852.33
First Street PropCo. Ltd.	Swindon	92.54	12,032,116.10	548,497.79
Southside Real Estate Ltd.	Swindon	92.54	−19,987,733.95	−2,039,977.37
Southside Regeneration Ltd.	Swindon	92.54	8,177,102.99	−1,105,843.16
First Street Management Comp. Ltd.	Swindon	92.54	10,671.81	1,088.05
PATRIZIA Trocoll House GP Ltd.	Swindon	97.83	1,588.24	912.70
PATRIZIA Trocoll House L.P.	Swindon	92.54	−44,245.48	−30,839.51
Edgbaston S.à r.l.	Luxembourg	100	1,708,028.13	16,856.67
PATRIZIA GQ Limited	Swindon	100	301,331.30	−84,465.22
Patrizia Multi Managers I A/S	Hellerup	100	353,404.72	259,388.45
PATRIZIA Multi Managers A/S	Hellerup	100	1,075,422.04	403,401.88
SPF IV Management Partner ApS	Hellerup	100	52,168.21	229,224.82
BMK 1 ApS	Hellerup	100	27,105.89	13,000.18
BMK 2 ApS	Hellerup	100	19,578.26	2,651.46
BMK 3 ApS	Hellerup	100	29,383.57	18,099.05
BMK 4 ApS	Hellerup	100	10,823.33	747.79

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
SPF III GP ApS	Hellerup	100	10,303.23	–544.97
SPF III US HUH GP ApS	Hellerup	100	5,436.11	–1,318.98
SPF III MPC I GP ApS	Hellerup	100	6,210.54	–874.30
Alliance Real Estate HoldCo S.à r.l.	Luxembourg	100	1,414,562.35	–22,437.65
PATRIZIA Ivanhoe 10 S.à r.l.	Luxembourg	100	12,011,627.78	–372.22
PATRIZIA GrundInvest Augsburg eins GmbH & Co. KG	Augsburg	100	–336,092.31	–335,694.96
PATRIZIA GrundInvest Beteiligungs GmbH & Co. KG	Augsburg	100	48,205.69	–1,469.99
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	Augsburg	100	1,837.17	–18,162.83
PATRIZIA GrundInvest Garmisch-Partenkirchen GmbH & Co. geschlossene Investment-KG	Augsburg	100	–69,164.21	–89,164.21
PATRIZIA GrundInvest Dresden GmbH & Co. geschlossene Investment-KG	Augsburg	100	18,480.33	–1,519.67
PATRIZIA GrundInvest Objekt Dresden GmbH & Co. KG	Augsburg	100	–254.04	–1,254.04
GBW GmbH [6]	Munich	5.1	441,076,518.68	0.00
Ask PATRIZIA (GQ) LLP	Manchester	50	206,226.00	203,972.00

6 Based on the existing profit and loss transfer agreement, the result is taken over by the shareholder GBW Real Estate GmbH & Co.KG. The specified values are prior-year values.

PATRIZIA Immobilien AG holds **direct** and **indirect** interests in the following companies:

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Name	Registered office	Shareholding in %	Equity in EUR	Net profit / loss for the last financial year in EUR
PATRIZIA Vermögensverwaltungs GmbH [1]	Augsburg	100	687,583.35	0.00

1 Results have been transferred to the shareholder PATRIZIA Projekt 180 GmbH on the basis of profit transfer agreement in place.

Responsibility Statement
by the Legal Representatives of PATRIZIA Immobilien AG

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

WOLFGANG EGGER	KARIM BOHN	ANNE KAVANAGH	KLAUS SCHMITT
CEO	CFO	CIO	COO

Independent Auditor's Report

To PATRIZIA Immobilien AG, Augsburg
Report on the audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of To PATRIZIA Immobilien AG, Augsburg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2017 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of PATRIZIA Immobilien AG for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report as specified in the Chapter "Other information" of our independent auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit

– the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

– the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of those parts of the combined management report as specified in the Chapter "Other information" of our independent auditor's report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537 / 2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10(2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report..

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of participations, including participations in associated companies
2. Recoverability of properties held as current assets

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor’s response

1. RECOVERABILITY OF PARTICIPATIONS, INCLUDING PARTICIPATIONS IN ASSOCIATED COMPANIES

a) In the consolidated financial statements of PATRIZIA Immobilien AG, shares in companies totalling EUR 178,019k are reported in the statement of financial position items “Participations” and “Participations in associated companies”; this corresponds to around 14% of total assets. They are carried at the lower of cost or fair value in the case of permanent impairment. PATRIZIA Immobilien AG reviewed the recoverability of these participations at the reporting date on the basis of various indicators as well as an analysis of the net assets, financial position and results of operations of the respective participations, taking current business planning into account.

   The assessment of the legal representatives with regard to the recoverability of the reported participations is subject to uncertainty and any depreciations would have a significant impact on net profit and the equity ratio. In light of this fact, the recoverability of participations, including participations in associated companies, was classified as a key audit matter for our audit of the financial statements.

   The disclosures on the measurement of participations, including participations in associated companies, are contained in sections 3.7, 3.8., 4.1.6 and 4.1.7 of the notes to the consolidated financial statements.

b) As part of our audit of participations, including participations in associated companies, we audited the procedure for reviewing the recoverability of participations by PATRIZIA Immobilien AG for significant participations. In cases where indicators of impairment were identified in particular, we examined the net assets, financial position and results of operations of the respective participations in detail, taking into account the findings obtained in our audit of the annual financial statements of these companies. We also conducted a critical review of the current business planning of these companies. Based on the company valuations presented to us, we firstly assessed whether the fair values were calculated properly and in accordance with the relevant valuation standards. Amongst others, we satisfied ourselves as to the appropriateness of the future cash flows applied in the calculation by comparing them with current Group planning and asking the legal representatives about the significant assumptions underlying this planning. We also performed a comparison with general and industry-specific market expectations.

2. RECOVERABILITY OF PROPERTIES HELD AS CURRENT ASSETS

a) In the consolidated financial statements of PATRIZIA Immobilien AG, properties held for resale in the normal course of business are reported in the statement of financial position item “Inventories” in the amount of EUR 99,791k; this corresponds to around 8% of total assets. This is a quantitatively important item, and the valuation of properties held as inventories is based in part on estimates and assumptions by the legal representatives that are subject to uncertainty, and any write-downs would have a significant impact on net profit and the equity ratio. As such, we classified this as a key audit matter for our audit of the financial statements.

   The disclosures by the legal representatives of the parent company on the valuation of real estate assets are contained in sections 3.9 and 4.3 of the notes to the consolidated financial statements.

b) Within our examination of the appropriateness of the valuation technique applied in each case, we examined the appropriateness of the corresponding organisational and operational structure and the effectiveness of the audit-related controls established. This relates in particular to the process of real estate valuation and the corresponding controls. With regard to valuation, our examination concentrated in particular on the appropriateness of the estimates of future and expected market prices on the real estate market by reference to comparable transactions, market surveys or existing business plans.

Other Information

The legal representatives are responsible for the other information. The other information comprises:

– the combined non-financial statement in accordance with sections 289b to 289e German Commercial Code (HGB) and sections 315b to 315e German Commercial Code (HGB) contained in the “Non-financial statement” section of the combined management report,
– the corporate governance statement in accordance with section 289f and section 315d German Commercial Code (HGB), which is referred to in the combined management report,
– the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code,
– the legal representatives’ confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively, and
– the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and combined management report and our auditor’s report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
– Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
– Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code HGB).
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
– Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
– Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 22 June 2017. We were engaged by the supervisory board on 19 September 2017. We have been the group auditor of PATRIZIA Immobilien AG, Augsburg, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Stephan Mühlbauer.

Munich, 12 March 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

STADTER	MÜHLBAUER
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Consolidated Income Statement

Five-year overview in accordance with IFRS

91

EUR k	2017	2016	2015	2014	2013
Revenues	**249,574**	817,879	384,858	291,815	217,398
Income from the sale of investment property	**691**	1,542	10,075	17,019	19,133
Changes in inventories	**−39,909**	−502,018	−166,980	−110,509	−36,717
Other operating income	**17,294**	14,252	16,189	7,143	8,064
Income from the deconsolidation of subsidiaries	**1**	194,730	5,277	0	0
Total operating performance	**227,651**	526,385	249,419	205,468	207,878
Cost of materials	**−17,450**	−33,712	−52,438	−54,455	−58,314
Cost of purchased services	**−11,450**	−14,832	−14,787	−9,990	−14,120
Staff costs	**−87,071**	−101,313	−93,519	−77,239	−65,733
Changes in value of investment property	**6,748**	431	462	51	17
Other operating expenses	**−82,228**	−68,757	−69,973	−50,193	−44,872
Income from participations	**49,315**	32,667	151,681	39,062	32,122
Earnings from companies accounted for using the equity method	**13,353**	7,651	4,232	3,182	658
Cost from the deconsolidation of subsidiaries	**−750**	0	0	0	0
EBITDAR	**98,118**	348,520	175,077	55,886	57,636
Reorganisation expenses	**−2,330**	−20,406	0	0	0
EBITDA	**95,788**	328,114	175,077	55,886	57,636
Amortisation of other intangible assets and software, depreciation of property, plant and equipment	**−8,681**	−6,134	−7,059	−6,940	−6,107
Earnings before interest and taxes (EBIT)	**87,107**	321,980	168,018	48,946	51,529
Financial income	**914**	3,057	6,666	4,413	20,520
Financial expenses	**−5,146**	−7,361	−23,171	−11,912	−32,424
Result from currency translation	**−2,747**	−4,029	−618	551	−26
Earnings before taxes (EBT)	**80,128**	313,647	150,895	41,998	39,599
Income taxes	**−21,230**	−57,383	−16,433	−6,978	−2,431
Consolidated net profit	**58,898**	256,264	134,462	35,020	37,168
Earnings per share (basic) in EUR	**0.60**	2.57	1.45	0.47	0.54

Consolidated Balance Sheet

Five-year overview in accordance with IFRS

Assets 92

EUR k	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
A. NON-CURRENT ASSETS					
Goodwill	**7,366**	610	610	610	610
Other intangible assets	**35,224**	35,416	37,417	39,407	41,904
Software	**11,207**	10,772	9,225	10,795	8,698
Investment property	**15,979**	12,226	20,802	78,507	229,717
Equipment	**4,483**	4,460	5,015	4,476	4,765
Participations in associated companies	**88,905**	85,923	88,179	68,497	18,295
Participations	**89,114**	102,033	81,406	96,555	80,074
Non-current borrowings and other loans	**23,291**	7,015	5,498	5,281	5,814
Non-current tax assets	**0**	35	78	119	159
Deferred taxes	**331**	323	7,013	0	0
Total non-current assets	**275,900**	258,813	255,243	304,247	390,036
B. CURRENT ASSETS					
Inventories	**99,791**	182,931	1,057,942	198,694	309,203
Securities	**5,010**	44	54	86	96
Current tax assets	**9,098**	11,941	8,280	8,014	5,582
Current receivables and other current assets	**479,920**	99,311	131,171	84,774	82,262
Cash and cash equivalents	**382,675**	440,219	179,141	145,361	105,536
Total current assets	**976,494**	734,446	1,376,588	436,929	502,679
Total assets	**1,252,394**	993,259	1,631,831	741,176	892,715

Equity and Liabilities

93

EUR k	31.12.2017	31.12.2016	31,12,2015	31,12,2014	31,12,2013
A. EQUITY					
Share capital	**89,555**	83,956	76,324	69,385	63,077
Capital reserves	**129,545**	184,005	191,637	198,576	204,897
Retained earnings					
Legal reserves	**505**	505	505	505	505
Non-controlling interests	**1,691**	1,691	18,190	809	1,398
Valuation results from cash flow hedges	**0**	0	0	0	–31
Currency translation difference	**–11,586**	–10,803	–869	1,030	500
Consolidated unappropriated profit	**546,682**	491,679	254,004	139,743	104,135
Total equity	**756,392**	751,033	539,791	410,048	374,481
B. LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	**15,833**	17,992	63,253	19,704	22,933
Retirement benefit obligations	**776**	648	687	630	534
Bonded loans	**300,000**	22,000	32,000	77,000	77,000
Non-current liabilities	**9,062**	6,866	9,262	5,544	3,849
Total non-current liabilities	**325,671**	47,506	105,202	102,878	104,316
CURRENT LIABILITIES					
Short-term bank loans	**0**	53,200	821,828	121,950	321,634
Bonded loans	**22,000**	5,000	35,000	0	0
Short-term financial derivatives	**0**	0	3,677	0	2,819
Other provisions	**16,083**	27,627	2,144	2,142	1,719
Current liabilities	**93,123**	75,343	99,884	92,506	75,759
Tax liabilities	**39,125**	33,550	24,305	11,652	11,987
Total current liabilities	**170,331**	194,720	986,838	228,250	413,918
Total equity and liabilities	**1,252,394**	993,259	1,631,831	741,176	892,715

Supervisory Board
as at 31 December 2017

DR THEODOR SEITZ
CHAIRMAN
Member of the Supervisory Board since 2002 and Chairman since 2003
Tax consultant and lawyer, Augsburg

- Chairman of the Supervisory Board of CDH AG. Augsburg [1]

ALFRED HOSCHEK
DEPUTY CHAIRMAN
Member of the Supervisory Board since 2015
Managing Director of AHO Verwaltung GmbH, and other project companies, Augsburg

- None [1]

UWE H. REUTER (SINCE 22 JUNE 2017)
DEPUTY CHAIRMAN
Member of the Supervisory Board since 2017 CEO of VHV Group, Hanover

Group mandates (Supervisory Board Chairman): [1]
- VHV Allgemeine Versicherungs AG
- VHV Hannoversche Leben
- Hannoversche Direktversicherung AG (until 10 October 2017)
- VHV solutions GmbH
- VHV Vermögensanlage AG
- VAV Versicherungs AG, Vienna / Austria

Non-Group mandates: [1]
- E+S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover, supervisory board member
- Gruppo ITAS Assicurazioni, Trento / Italy, supervisory board member
- NORD / LB. Hanover. advisory council member
- Arbeitgeberverband Dt. Versicherungswirtschaft, Managing Board, Deputy Chairman
- Honorary Consul of the Republic of Austria in Hanover for the German state of Lower Saxony
- Hannover Impuls GmbH (Business Development Agency of the City / Region of Hanover), supervisory board member

GERHARD STECK (UNTIL 22 JUNE 2017)
Member of the Supervisory Board from 2015–2017
Retired from the Management Board of VPV, Weissach im Tal

- None [1]

1 Disclosures pursuant to Article 285 No, 10 of the German Commercial Code

Managing Board

as at 31 December 2017

WOLFGANG EGGER
CHIEF EXECUTIVE OFFICER
First appointed on: 21 August 2002
Appointed until: 30 June 2021

Responsibilities on the Managing Board of PATRIZIA
Corporate Communications, Strategy & Corporate Development, Corporate Social Responsibility, Institutional Clients, Marketing, Innovation & Digitalisation

- None [1]

KARIM BOHN
CHIEF FINANCIAL OFFICER
First appointed on: 1 November 2015
Appointed until: 31 October 2023

Responsibilities on the Managing Board of PATRIZIA
Board and Committees, Controlling & Accounting, Corporate Finance, Investor Relations, IT, Procurement & Services

- Member of the Supervisory Board of GBW Real Estate GmbH & Co, KG [1]

KLAUS SCHMITT
CHIEF OPERATING OFFICER
First appointed on: 1 January 2006
Appointed until: 31 December 2020

Responsibilities on the Managing Board of PATRIZIA
Countries, Asset Management, Human Resources, Legal, Platform Administration, Execution Strategy & M&A

- None [1]

ANNE KAVANAGH
CHIEF INVESTMENT OFFICER
First appointed on: 15 April 2017
Appointed until: 14 April 2020

Responsibilities on the Managing Board of PATRIZIA
Investment Strategy & Performance, Logistics, Alternative Investments, Portfolio Management, Research, Product Development, Transactions, Principal Investments, Co-Investments

- Director of the British Property Federation [1]
- Trustee of the Urban Land Institute [1]

1 Disclosures pursuant to Article 285 No, 10 of the German Commercial Code

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Financial Calendar and Contact Details

Financial Calendar 2018

DATE	
15 March 2018	Financial statements 2017 with investor and analyst conference call
9 May 2018	Quarterly statement for the first quarter of 2018 with investor and analyst conference call
20 June 2018	Annual General Meeting. Augsburg
7 August 2018	Interim report for the first half of 2018 with investor and analyst conference call
14 November 2018	Quarterly statement for the first nine months of 2017 with investor and analyst conference call

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This annual report was published on 15 March 2018. This is a translation of the German annual report. In case of doubt, the German version shall apply. Both versions are available on our website:

www.patrizia.ag/de/aktionaere/finanzberichte/geschaeftsberichte
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