

Europe: We call it home

ANNUAL REPORT 2012



Key Figures

REVENUES AND EARNINGS

EUR '000	2012	2011	Change %
Revenues	229,238	269,007	-14.8
Total operating performance	196,111	180,527	8.6
EBITDA	49,280	58,125	-15.2
EBIT	44,739	54,631	-18.1
EBT	28,621	19,906	43.8
Net profit	25,455	13,493	88.7
EBIT adjusted – previously ¹	46,689	56,596	-17.5
EBT adjusted – previously ^{1,2}	20,324	16,712	21.6
Realized operating EBIT ^{1,3}	70,257	68,638	2.4
Realized operating result ^{1,2,3}	43,892	28,754	52.6

STRUCTURE OF ASSETS AND CAPITAL

EUR '000	12/31/2012	12/31/2011
Non-current assets	463,423	597,007
Current assets	488,130	505,277
Equity	336,387	310,075
Equity ratio (in%)	35.4%	28.1%
Non-current liabilities	345,414	480,250
Current liabilities	269,752	311,959
Total assets	951,553	1,102,284

SHARE

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital as of December 31, 2012	EUR 57,343,000
No. of shares in issue as of December 31, 2012	57,343,000 shares
2012 high ⁴	EUR 6.65
2012 low ⁴	EUR 3.32
Closing price 2012 ⁴	EUR 6.46
Share price performance	88.3%
Market capitalization as of December 31, 2012	EUR 370.4 million
Average trading volume per day ⁵	89,195 shares
Indices	SDAX, EPRA, GEX, DIMAX

¹ Without unrealized changes in the value of investment property and amortization of other intangible assets (fund management contracts)

² In addition adjusted for profit/loss from interest rate hedges without cash effect

³ Including realized changes in the value of investment property

⁴ Closing price in Xetra trading

⁵ All German stock exchanges

With around 600 employees, PATRIZIA Immobilien AG has been active on the real estate market in over ten countries as both an investor and service provider for nearly 30 years. PATRIZIA's range includes the purchase, management, value increase and sale of residential and commercial real estate. As a recognized business partner of large institutional investors, the Company operates in Germany and other countries and covers the entire value chain in the real estate industry. At present, the Company manages real estate assets worth EUR 7 billion, with an equal split between commercial and residential. A good 90% of the total real estate assets are managed on behalf of third parties, primarily as a holder of a real estate portfolio for insurance companies, pension fund institutions, sovereign wealth funds and savings banks.

We are continually moving one step closer to our customers and are present on selected locations – right next to you. PATRIZIA's headquarters is located in Augsburg. PATRIZIA also has branch offices in all major German cities: Berlin, Dresden, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart. Our offices in other European countries are located in Copenhagen, London, Luxembourg, Paris and Stockholm.



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Europe: We call it home

We're on our way to becoming the leading fully integrated real estate investment company in Europe. With our local expertise and solid knowledge of European real estate markets, we've built up an extensive portfolio that covers Belgium, Denmark, Finland, France, the UK, the Netherlands, Sweden, and Hungary.

Around 7 billion euros of the real estate assets we manage are invested in Europe. At our offices in Luxembourg, Stockholm, London, Paris, and Copenhagen, you'll find experts who know their local markets: a key benefit for your continued growth and profitability.

Denmark



[**Design.** Denmark is one of the smallest countries in Europe. But it's a giant when it comes to design. The success story of Danish design began in the 1950s with furniture designers such as Hans Wegner, Børge Mogensen, and Arne Jacobsen. Using stylistic elements that are understated and timeless, they laid the foundation for the global renown of Danish design, which continues on through today. And then there was Verner Panton, the "enfant terrible" of his day. Panton liked to experiment with unusual shapes and bright colours. His cantilever chair is considered a classic to this day.]



[Internationality. Whether in an apartment in Japan or a hotel in South Africa: “The Swan” and “The Egg” by Arne Jacobsen are export superhits. Jacobsen designed both chairs for the SAS Royal Hotel in Copenhagen, the city’s first skyscraper, which he also designed. Unlike his architecture, however, his design projects are almost always based on organic shapes. It must have been his love for nature that inspired him. Jacobsen was a dedicated botanist.]



Denmark

Denmark's population is steadily increasing, which means its need for living space is growing as well. Growth is concentrated around urban centers like Copenhagen, Aarhus, and the Triangle Region¹.



BISPEBJERG



BISPEBJERG

Denmark's economy is stable and prosperous. Its economic center is Copenhagen, the capital, which has been experiencing steady population growth for many years now. Every month, around 1,000 people move to the region, creating tremendous ongoing demand for residential property.



KØBMAGERGADE

¹ The Triangle Region ("Trekantområdet") is located in Southern Jutland. It includes the communities of Billund, Fredericia, Kolding, Middelfart, Vejle, and Vejle. Around 350,000 people live in this region, one of the wealthiest in Denmark.



SØBORG 1



SØBORG 1



SØBORG 1

KØBMAGERGADE: This commercial building in Copenhagen's pedestrian area was built in 1850 and completely refurbished in 2008 and 2009. Its facade and roof were modernized in accordance with the city's urban heritage conservation ordinances. 1,395 sqm of office space and 1,543 sqm of retail space have now been remodelled to the highest standards of quality.

BISPEBJERG: This residential property, completed in October 2009, is located five kilometers from Copenhagen's city center. It comprises 159 residential units with a total space of 14,385 sqm. Its high-quality furnishings include parquet floors, dishwashers and washing machines.



SØBORG 2

SØBORG 1: The Søborg residential complex was finished in 2009. It is a seven-storey building with 103 units and 9,141 sqm living space. Its advantageous location north of the capital makes it attractive for tenants: the complex is nine kilometers from the Copenhagen city center, and has excellent traffic and transport connections. Its spacious apartments with upmarket furnishings are especially suitable for families, one of the primary tenant groups in Søborg.

SØBORG 2: This residential property, built in 2012 in the Copenhagen metropolitan area, consists of 42 units with 4,102 sqm of living space.

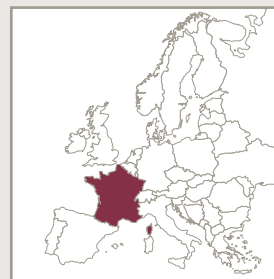
France

[**Paris.** Every year, nearly seven million people visit “La Tour Eiffel”, making it one of the most-visited structures in the world. It is the national symbol of France. Originally constructed as the entrance gate to the World Expo in 1889, it was a tribute to the 100th anniversary of the French Revolution.]



[**Crayon.** The father of the modern pencil is Nicolas-Jacques Conté (1755 – 1805), a French chemist, painter, and inventor. In 1795 he patented a process that allowed the use of impure graphite. Before that, the mineral needed to be imported by ship from Borrowdale in northern England. Conté's process meant that the French could start procuring graphite from France and Germany.]





[Art. The demand for pencils was great, not only in offices and universities. Artists had discovered them as well. And had begun making extensive use of them in classical portraits and the landscape drawings so typical of the Romantic era. Jean-Auguste-Dominique Ingres and Adolph Menzel are two outstanding examples of artists known for their pencil drawings in the 19th century.]

[Lily. In heraldry, the lily is an expression of purity and innocence. The French kings wore the Fleur-de-Lys as a symbol, as did the Fuggers in Augsburg, one of the most influential mercantile patriciates of the early modern period. They first used the lily in 1473, and it is still featured today in the emblem of the county of Augsburg.]

PATRIZIA
WERTE. ENTSCHEIDEN.



Fugger lily

France

France is a key market for office property. The focus is on the Paris metropolitan area. But also Lyon, Nantes, Marseille and Bordeaux are important markets, especially for the light industrial segment.



SAINT-DENIS

The residential property market in France offers interesting prospects as well. The population is forecast to continue growing until at least 2025, even as the average household size decreases steadily, resulting in growing demand. In addition to the Paris metropolitan area, Marseille is especially attractive.



SAINT-DENIS



LYON



SAINT-DENIS



LYON



SAINT-DENIS



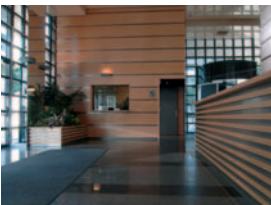
BOULOGNE



BOULOGNE



CHARENTON-LE-PONT



CHARENTON-LE-PONT

BOULOGNE-BILLANCOURT: To the south-west of Paris lies one of the most densely populated communities in the metropolitan region. This six-storey office building was completed in 1992, and completely modernized in 2004/2005. The location has excellent road and public transport connections.

SAINT-DENIS: Saint-Denis is an autonomous community to the north of Paris, a typical suburban and back-office community with excellent connections as well. The Les Borromées II office complex lies at the edge of the city of Paris, within view of the Stade de France, and was completed in 2005.

CHARENTON-LE-PONT: Charenton-le-Pont is a community not far from the 12th arrondissement. This office building, constructed in 1988, consists of two underground floors, two base-level and nine upper floors. Its excellent traffic connections make it an ideal location for back offices.

LYON: Pôle PIXEL is a creative borough at the eastern edge of Lyon. The complex comprises five separate office and service buildings, with a former mill at its heart.



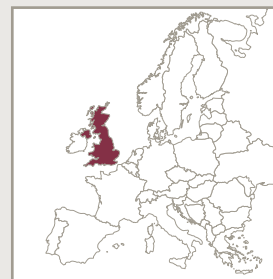
CHARENTON-LE-PONT

UK



[London. When people think of London, they often think of beef-eaters, the Buckingham Palace guards, and the red double-decker buses. They've been part of the cityscape for over 50 years. The prototype was developed in 1959. Some of the original 2,825 buses are still in use, today completely refurbished. Modern hybrid vehicles round off the fleet. Together they form the most important means of transport in the British capital, even more important than the underground.]





6,000,000 passengers use the city buses each workday. The red double-decker buses so typical of London are still in use on many routes. The network is extensive and nearly perfect.



3.2 million people squeeze into the Tube, as the Londoners like to call their underground, every day. It's the oldest underground railway system in the world, and is celebrating its 150th birthday this year.

235,000 cars fill the streets of London. Since the introduction of the London congestion charge, a toll for driving in the city, cars have been losing significance as a means of getting around the city.



5,000 bicycles are available for rent at 315 stations. On a normal workday, they are used around 20,000 times.

86 kilometers is the length of the overground system around the city center. Only one section goes underground – into the Thames Tunnel, the oldest railway tunnel in the world.



300,000 passengers take a taxi ride each day in the city, most of them in one of the famous black cabs (which are sometimes red). Taxi driving is a man's job in London. Very few of the city's cabbies are women.

2,500 people can cross the river between Greenwich Peninsula and the Royal Docks every hour. Shortly before the summer Olympic Games, the "Emirates Air Line" was opened.



6 million passengers, both commuters and tourists, use the ferries on the Thames every year.



Coffee to go or tea to go? That is the question.

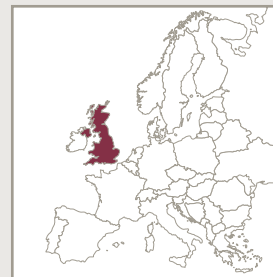


UK



GLASGOW

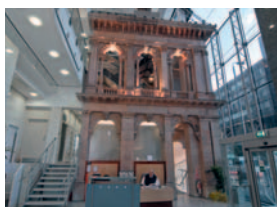
The UK is one of the biggest real estate markets in Europe, and the third largest in the world. It's an exceedingly liquid market with a high percentage of international investors, including those from Germany and the USA.



The British economy is stable. Not only London, but also Birmingham, Glasgow and Manchester achieved job growth in the business and services sectors, and with it stable or rising commercial rents, in 2012. In the residential market, more people are choosing to rent rather than buy.

GLASGOW: With approximately 600,000 residents, Glasgow is the biggest city in Scotland. Once known for heavy industry, Glasgow today has a broad-based economy that includes companies from the services sector as well as from the creative fields and sunrise industries like biotechnology. In the UK, only London has more vibrant economic growth.

“The Eagle Building”, an office building, stands directly in the center of Glasgow, in the heart of its lively Central Business District. It has excellent traffic connections: the M8 motorway, which joins Glasgow with Edinburgh, the capital, is not far away, and the railway station is within walking distance. This 13-storey building offers an attractive environment for modern offices, with around 2 million sqm of office space. Its facades are built of steel and aluminium, with generously sized windows and natural stone ledges. Elements of the historical “Eagle Building” are worked into its impressive three-storey foyer.



Sweden

[Coffee break – Repose]

fika

[**fikapaus.** In nearly every Swedish company, the “fika” is more or less obligatory. It’s a time for colleagues to relax and chat, and to focus on something other than work. In some companies people even take two breaks every day: one mid-morning, and another around 3 o’clock.]

[**kaffe.** There’s no doubt about it: coffee is the national beverage of Sweden. The Swedes drink even more coffee than “world champion” Finland. The average Swede drinks between 1 60 and 1 70 litres of coffee each year, mostly filter coffee. That’s three and a half cups every day.]

[Swedish Kladdkaka cake

Ingredients / Ingredienser

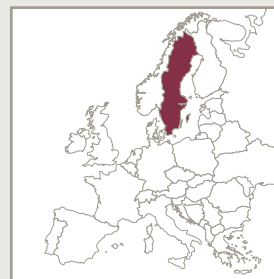
- 240 g sugar / socker
- 2 eggs / ägg
- 120 g flour / mjöl
- 100 g butter / smör
- 4 T cocoa / Msk Kakao
- 1 pack vanilla sugar / vanilj socker

Instructions / tillagning

Grease and flour a cake pan. Preheat the oven to 175 °C. Melt the butter. Beat the sugar and eggs until frothy. Fold in the vanilla sugar and cocoa, then add the flour and mix. Add the melted butter, and stir until smooth. Pour the batter into the pan and bake for 20 minutes at 175 °C.

Enjoy – Smaklig måltid!]





1 + 2 + 3 + 4 + 5 + 6 =

7 ^[seven]
sju

[sju sorters kakor. The custom of offering seven different types of cakes or biscuits at "fika" dates back to the 19th century. Today the Swedes are not so strict about the number anymore, but it's still considered good form to pamper guests with a variety of sweets. Whatever is on offer, you can almost always count on a kanelbullar* - a cinnamon bun.]



Sweden

Sweden is the biggest and most liquid market in the Nordic countries, with tremendous potential in its commercial sector, even beyond Stockholm, Gothenburg, and Malmö. Population growth makes Sweden attractive in the residential sector as well.



DUVHOLMEN



DUVHOLMEN

The Scandinavian business properties market is impressively resilient. Following the most recent economic crisis, the Swedish market recovered astonishingly quickly: rents for office space began rising again in 2010, and for retail space even in 2009.



UPPSALA



KALVSVIK



KALVSVIK



KALVSVIK



VÄSTERÅS



VÄSTERÅS

GREATER STOCKHOLM: Stockholm is the political, economic, and cultural hub of Sweden. The city features sustainable economic and population growth. Since the 1990s, a severe shortage of residential space has led to ongoing high demand and steadily increasing rent prices. The population is expected to grow by over 20 per cent in the coming years.

PATRIZIA has purchased a total of 68 buildings erected in 1967 and 1968 in Haninge-Jordbro, situated 24 kilometers from the center of Stockholm, as well as in Stockholm-Vårberg at the southernmost edge of the city, 17 kilometers from the center. The apartments are excellently appointed and fully meet the expectations of today's tenants. "Kalvsvik 1:6", a residential complex, features a total of 417 units and total rentable space of 39,629 sqm. "Kalvsvik 11:4", another residential complex, includes 424 units and 38,565 sqm rentable space. "Duvholmen 1" offers 177 units and 15,400 sqm rentable space, 10 per cent of it as commercial space.

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Preface and Reports

f. l. t. r.: Arwed Fischer (CFO) | Wolfgang Egger (CEO) | Klaus Schmitt (COO)



*Dear shareholders,
Dear ladies and gentlemen,*

We can look back on an exciting year. A year that saw many events that helped bring PATRIZIA a good deal closer to its aim of becoming Europe's leading real estate investment company. A year that brought enormous growth for the Group and a year that resulted in a lasting positive change in PATRIZIA's reputation and the way the company is perceived.

GROWTH THROUGH RESOLUTE IMPLEMENTATION OF OUR STRATEGY

Our biggest transaction of last year undoubtedly marked a major milestone: The awarding of the contract for LBBW Immobilien to a consortium led by us meant we sealed Germany's biggest real estate deal for some years. As well as providing further evidence of our competence as an expert in the field of real estate, we also raised our profile as an investment manager. Within a few months, we succeeded in attracting renowned long-term investors from Germany and other countries in Europe for a joint investment in German residential real estate.

But that's not all: With its two asset management companies, PATRIZIA today ranks among the five largest real estate investment companies in Germany. In 2012 we effected investments with a volume of over EUR 960 million; EUR 390 million of this amount was accounted for by the acquisition of real estate in other countries, including for the first time in Norway. Through its funds, PATRIZIA has so far invested EUR 370 million in the Nordic markets alone and is now the largest non-Scandinavian investor in residential real estate in the Nordic countries. In terms of German investments, cooperation with savings banks played a major role in the growth enjoyed by our fund business.

INCREASING DEMAND FOR INVESTMENTS WITH PATRIZIA

The shift in our investment strategy from proprietary investments to co-investments and services is proving extremely successful. At this point we would again emphasize that our decision to focus on investment management was not the result of adversity due to the crisis on the financial markets or of difficult financing conditions. Anyone who has followed our company in recent years knows that this has been a fixed element of our strategy for some time now. We have already been focusing on developing our service business for a number of years; this has increasingly generated stable, recurrent income and has also helped balance out the volatility within property trading to a certain extent. Service business now accounts for over half of our consolidated result. This shows our commitment is reaping rewards. We aim to increase this share to 80% by 2015.

PROGRESS IN OUR BID TO BECOME A EUROPEAN REAL ESTATE INVESTMENT COMPANY

Our opening out into Europe takes account of the needs of our investors whose interests extend beyond the German residential real estate market to other regions and other classes of real estate. Our international strategy is clearly defined in terms of geography: Our new branches in Copenhagen, London and Paris mean we are now represented in the European markets that are of key relevance for us. We now have our own employees at local level, allowing us to exploit the opportunities available there to optimum effect. This is the only way to ensure proximity to real estate and to the market. In this context, the acquisition of the Tamar Capital Group, a British investment and asset management company, marked a further logical step in our European expansion. Alongside organic growth, acquisitions remain an option. In addition to market experience, we believe it is especially important to cover sectors or investors that haven't yet been served or that are not yet fully served by PATRIZIA.

INCREASING INTEREST IN INVESTING IN PATRIZIA

The capital market is also following our development and is increasingly realizing the attractiveness of an investment. With an 88% increase in value, our share more than regained ground in 2012. The fact that our share price didn't reveal any noticeable dilution following the issue of the bonus shares came as no surprise to us: When the shares were allocated on July 23, the price was EUR 4.82. It regained this level just four trading days later and remained consistently above it from the start of October, before surpassing the 6 euro mark at the end of November.

At the forthcoming Annual General Meeting we will again submit a proposal to you, our shareholders, for the issue of bonus shares in a ratio of 10:1 instead of a cash dividend. At the same time, you can rest assured that for the next two years at least, we will not request any additional capital from our shareholders. This sets us apart from many other listed real estate companies. As well as re-investing profits, a share dividend also offers the advantage that by increasing our share capital we can increase the value of our company more than would be possible through share price performance alone – because we firmly believe that this year, too, PATRIZIA's promising prospects will more than offset any possible diluting effect. Increasing our market capitalization is important to us in that it will help ensure a wider circle of investors can consider our company for an investment. For many Anglo-Saxon investors in particular, we aren't yet big enough for them to consider us in terms of small caps.

WHAT ARE OUR PLANS FOR THE FUTURE?

We aim to reduce our indebtedness to EUR 350 million by the end of the year so that in a second step, we can become almost debt-free by the end of 2015. We will achieve this by selling almost all of our own real estate investments over the next three years and thus also repaying the associated loans. In turn, and again by the end of 2015, we plan to increase our assets under management from their current figure of EUR 7 billion to at least EUR 10 billion.

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As a company, PATRIZIA is enjoying rapid growth – in terms of assets under management, in terms of our European presence and in terms of employees. But our operating result, too, will keep pace with this growth and our investments in terms of organizational structure and personnel will soon pay off. Despite our current return on equity of 13%, we can become even more profitable. Over the medium term, we aim to increase our capital yield to 15%. Since it is possible that we may also decide not to distribute our retained earnings for 2013 in the form of a dividend but to re-invest them instead, our requirements in terms of profit growth will increase still further.

EUR 51 million of our equity is now invested in co-investments. Our co-investments represent the “ideal image” of what today's banks are willing to finance – in terms of both property size and also equity backing. This is particularly true of project developments. Only co-investments have enabled us to increase the volume of new construction projects managed by us in this segment to over one billion euros.

Our successes and our result for 2012 have been achieved thanks to the highly motivated teams within the PATRIZIA Group. As Managing Board, we value this extremely highly and extend our gratitude to all those associated with PATRIZIA for their continuing commitment and excellent cooperation. Our qualified staff provide us with the optimum basis for continuing our growth path.

In terms of the future, PATRIZIA is well placed from a strategic, operational and financial point of view and will remain an attractive investment.

Augsburg, March 11, 2013

The PATRIZIA Managing Board



Wolfgang Egger
Chairman of the Board



Arwed Fischer
Member of the Board



Klaus Schmitt
Member of the Board



Dr. Theodor Seitz (Chairman of the Supervisory Board)

Dear shareholders,
Dear ladies and gentlemen,

PATRIZIA developed significantly over the past fiscal year and once more safely achieved the forecast consolidated operating result.

The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law, the Articles of Association and the bylaws with great care in fiscal year 2012. We regularly advised the Managing Board on corporate management issues and monitored management measures. We were involved in all key decisions. The Managing Board fulfilled its reporting duties as prescribed by law and the bylaws in full and provided us with comprehensive information on a regular basis regarding key aspects of the Company's and Group's business performance. We were provided with equally detailed information about the current earnings and liquidity situation including opportunities and risks and the measures being taken to manage them. The PATRIZIA Managing Board provided detailed explanations of and justifications for the Company's budgeting and its realization as well as for deviations from previously prepared plans and targets.

ORDINARY MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board came together in four ordinary meetings during the reporting year. Each member attended every meeting. Regular exchanges between the Supervisory Board and the Managing Board also took place outside of these meetings in personal discussions. We discussed all measures in detail that, according to the law, the Articles of Association or the bylaws of the Managing Board, require the approval of the Supervisory Board and made our decisions on the basis of the reports and resolutions of the Managing Board. When necessary, urgent resolutions of the Supervisory Board were also passed by circulation. Contrary to the recommendations of the German Corporate Governance Code, we refrained from forming committees owing to the number of three Supervisory Board members. The Supervisory Board considers it expedient to base the size of the Supervisory Board of PATRIZIA Immobilien AG on the statutory minimum number of members in order to enable it to work efficiently and to allow an intensive exchange of ideas.

During the first regular meeting of the Supervisory Board for the year held on March 27, 2012, we approved the 2011 annual financial statements for PATRIZIA Immobilien AG and the consolidated financial statements for the Group as well as the combined management report for the Company and the Group. Following a separate examination, the Supervisory Board also approved the dependent company report for the 2011 fiscal year. In addition to the report from the operational areas, significant attention was devoted to budgeting for the Group including liquidity planning. In this context, we also approved the target agreement with the Managing Board, which represents a significant component of variable compensation. The proposed resolutions for the agenda of the 2012 Annual General Meeting were also approved. A resolution concerning the appropriation of net profits and the capital increase from capital reserves in order to issue bonus shares had already been passed by circulation in the run-up to the meeting.

Before the Annual General Meeting on June 20, 2012 the Supervisory Board also sat without the PATRIZIA Managing Board. The agenda included a review of the bylaws governing the Managing Board in order to cope with the increasing co-investment activities as well as legal and business relationships with related parties.

The meeting of the Supervisory Board held immediately after the Annual General Meeting on June 20, 2012, focused on the development of the operating business. The discussions centered on PATRIZIA Projektentwicklung, which has seen strong growth as a result of the many construction projects of WohnModul I, the current state of implementation of the LBBW transaction (Süddeutsche Wohnen GmbH) and the status of expansion in Europe. The Supervisory Board paid special interest to commitments in the United Kingdom and Scandinavia.

The Supervisory Board met for the third time on September 28, 2012. We again devoted ourselves to strategy in Europe. The plan to strengthen market presence for existing fund clients and support the acquisition of new clients by building up own local staff appears to my colleagues and me to be sound, and we welcome it wholeheartedly. The Supervisory Board also supports the acquisition of experienced asset management companies located in other countries in order to increase presence in Western Europe. In this context we requested information concerning the level of acceptance for PATRIZIA's strategy in the capital market. Finally we were informed about the current status of the planned implementation of the European AIFM (Alternative Investment Fund Manager) Directive in German law and discussed possible consequences for PATRIZIA.

Our attention in the final meeting of 2012 held on December 17 also focused on PATRIZIA's strategic development. Besides explaining the general business and liquidity situation, the Managing Board presented the budget for the coming fiscal year. The Supervisory Board critically questioned the increased staff costs and other operating expenses resulting from the rapid expansion of the organization. Since the investment in expansion is already matched by a corresponding increase in revenues, we approved the 2013 budget in its entirety. While reviewing the status of expansion in Europe, we discussed the possible acquisition of Tamar Capital Group Ltd. A further topic on the agenda was the declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) issued by the Managing Board and by the Supervisory Board which also expresses an opinion on the recommendations of the code. The recommendations and suggestions of the Code are observed with a few exceptions. The declaration of conformity is published on the PATRIZIA website where it can be viewed at all times. My colleagues on the Supervisory Board and I also examined the efficiency of our Supervisory Board activities and discussed the findings. The efficiency of our collaboration with each other and with the Managing Board was again found to be very good.

EXTRAORDINARY MEETINGS OF THE SUPERVISORY BOARD

An extraordinary meeting of the Supervisory Board was called for February 7, 2012, owing to the impending possibility of the acquisition of all the shares in Süddeutsche Wohnen GmbH (formerly: LBBW Immobilien GmbH) by a consortium led by PATRIZIA. We had already passed the resolution concerning the submission of the notarial offer by circulation beforehand. Besides the economic consequences of PATRIZIA's offer being accepted, the Managing Board also presented the intended legal structure of the transaction. We, on our part, critically questioned in particular the financing and the current status of equity capital commitments. In the meeting, the Supervisory Board agreed to the transaction with PATRIZIA participating with EUR 15 million of equity capital.

EXAMINATION OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2012

The annual financial statements of PATRIZIA Immobilien AG, which are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code), and the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the combined management report for PATRIZIA Immobilien AG and the Group were examined by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping, and each issued with an unqualified audit opinion. The documents mentioned as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were made

available on time to the members of the Supervisory Board for the accounts meeting on March 18, 2013. The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information. The risk management system of the PATRIZIA Group was also the subject of the audit. The auditor confirmed that no material weaknesses are inherent in the internal control system and risk management system.

The Supervisory Board also thoroughly examined the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management reports for the Company and for the Group as well as the proposal on the appropriation of net profit. We concurred with the findings of the examination by the auditors. No objections were raised. The annual financial statements and the consolidated financial statements are thus approved. The Supervisory Board agrees with the proposal on the appropriation of net profit made by the Managing Board and supports a renewed capital increase from company funds in order to issue bonus shares instead of paying a dividend.

EXAMINATION OF THE DEPENDENT COMPANY REPORT

All legal and business relationships with related parties and companies were presented to the Supervisory Board, which carried out an in-depth review of market conformity on the basis of relevant documents. These contractual relationships with related parties and companies were also checked by the auditors and are in line with current market conditions also applicable to such relationships concluded between the PATRIZIA Group and third parties.

The dependent company report on relationships between PATRIZIA Immobilien AG and affiliated companies prepared by the Managing Board for the 2012 fiscal year was examined by the auditor and given the following opinion:

“Following our mandatory audit and assessment, we hereby confirm that:

1. The information given in the report is correct.
2. With regard to any legal transactions listed in the report, the sum paid by the Company was not unduly high.”

The auditors' report on the dependent company report was made available to the members of the Supervisory Board in good time and was discussed with the auditors present at the meeting. In accordance with the concluding findings of its examination, the Supervisory Board raises no objections to the report and the concluding declaration of the Managing Board contained therein.

The Supervisory Board would like to thank the Managing Board, the directors of the operating companies and all employees for the high level of their personal involvement. Their expertise and their lasting commitment are material to PATRIZIA's progress.

Augsburg, March 18, 2013

For the Supervisory Board



Dr. Theodor Seitz
Chairman

The PATRIZIA Share

KEY FIGURES FOR THE PATRIZIA SHARE

		2012	2011	2010
Share prices ¹				
High	EUR	6.65	5.90	3.85
Low	EUR	3.32	3.06	2.59
Year-end closing price	EUR	6.46	3.43	3.84
Share price performance	%	88.3	-10.8	25.5
Market capitalization as of December 31 ¹	EUR million	370.4	178.8	200.2
Average trading volume per day ²				
	EUR	440,400	423,800	182,000
	Shares	89,200	91,200	56,000
Trading volume for the year, weighted ²		0.42 ³	0.45	0.27
No. of shares in issue as of December 31	Million shares	57.343	52.130	52.130
Earnings per share (IFRS)				
	EUR	0.44	0.24	0.12
Price-earnings ratio		15	14	32
NAV per share	EUR	6.10	6.75	6.73
Dividend per share	EUR	0.00 ⁵	0.00 ⁴	0.00

¹ Closing price in Xetra trading

² All German stock exchanges

³ Based on the 2012 average number of shares in issue (54,423,150)

⁴ Instead, bonus shares were issued in a ratio of 10:1

⁵ Instead, issue of bonus shares in a ratio of 10:1, subject to approval of the Annual General Meeting on June 12, 2013

During the past fiscal year, the DAX, Germany's leading share index, rose by 29% – its biggest increase in nine years – and closed the year on December 31, 2012 at a record high of 7,612 points. An excellent performance, despite sharp price drops in the middle of the year and further moderate falls at the year-end. Fears about the future of the Euro dominated the stock markets in 2012: In September, Germany's Federal Constitutional Court agreed to the introduction of the ESM stability mechanism, a decision that helped encourage the return of international investors' funds to the European markets.

Please refer to diagram on p. 30

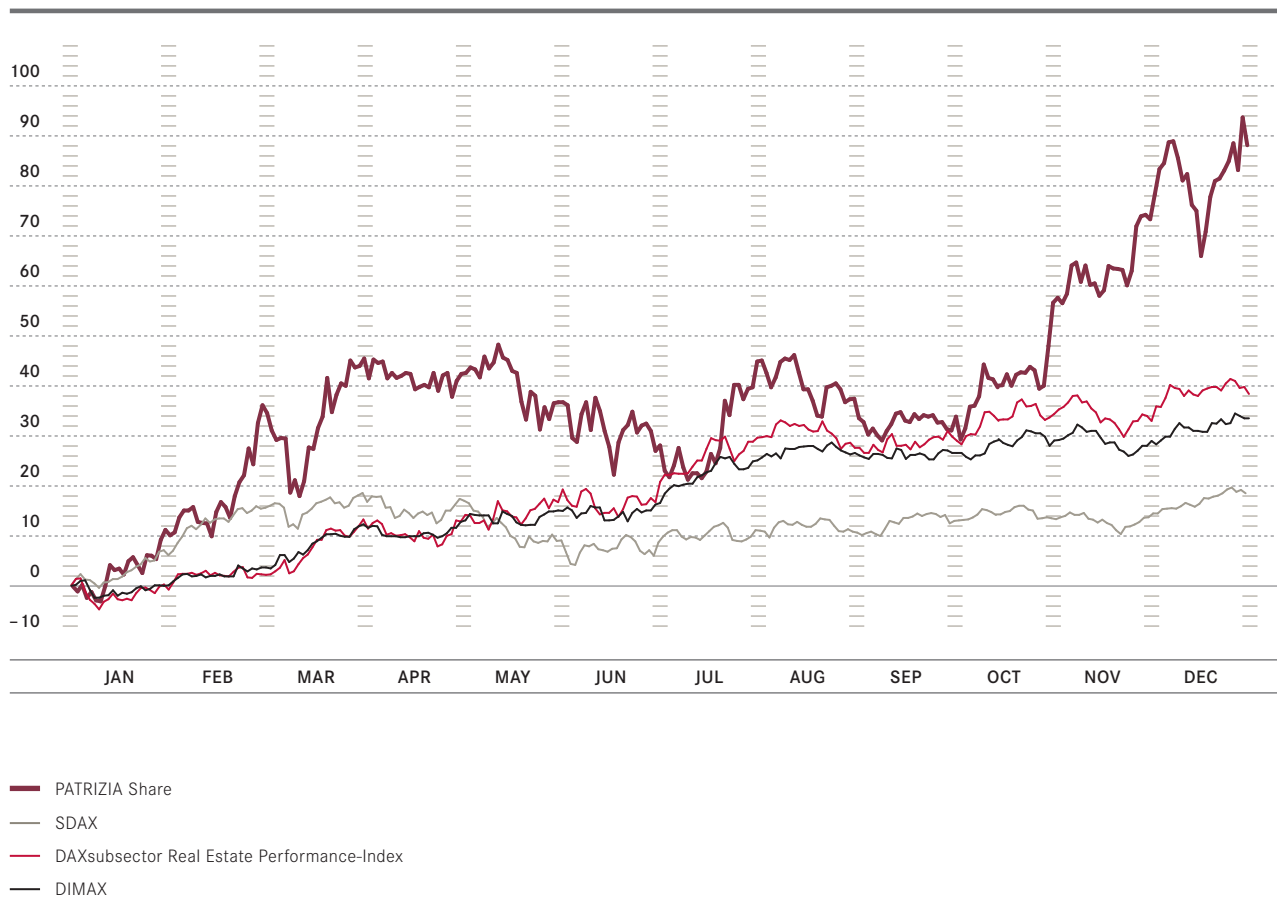
Please refer to diagram on p. 29

Please refer to table on p. 60

With a gain of 18.7%, the performance of the SDAX index showed a marked improvement on the previous year (-14.5%). This reference index, which is of relevance for PATRIZIA, started the year on 4,397 points but reached its highest level for the year of 5,300 points on December 20, 2012. The DAXsubsector Real Estate performance index rose by 37.6%, while the DIMAX real-estate stock index created by the bank Ellwanger & Geiger climbed 33.7%. In this favorable market environment, however, the PATRIZIA share far surpassed the reference indices and recorded a rise of 88.3%: Starting 2012 at EUR 3.43 the share ended the year at EUR 6.46. Despite an increase in the share capital through the issue of bonus shares, no immediate diluting effect was apparent, and PATRIZIA was able to more than double its market capitalization. The growth from EUR 178.8 million at the end of 2011 to EUR 370.4 million as at December 31, 2012 represents a rise of 107.2%.

PATRIZIA: Market capitalization more than doubled in 2012

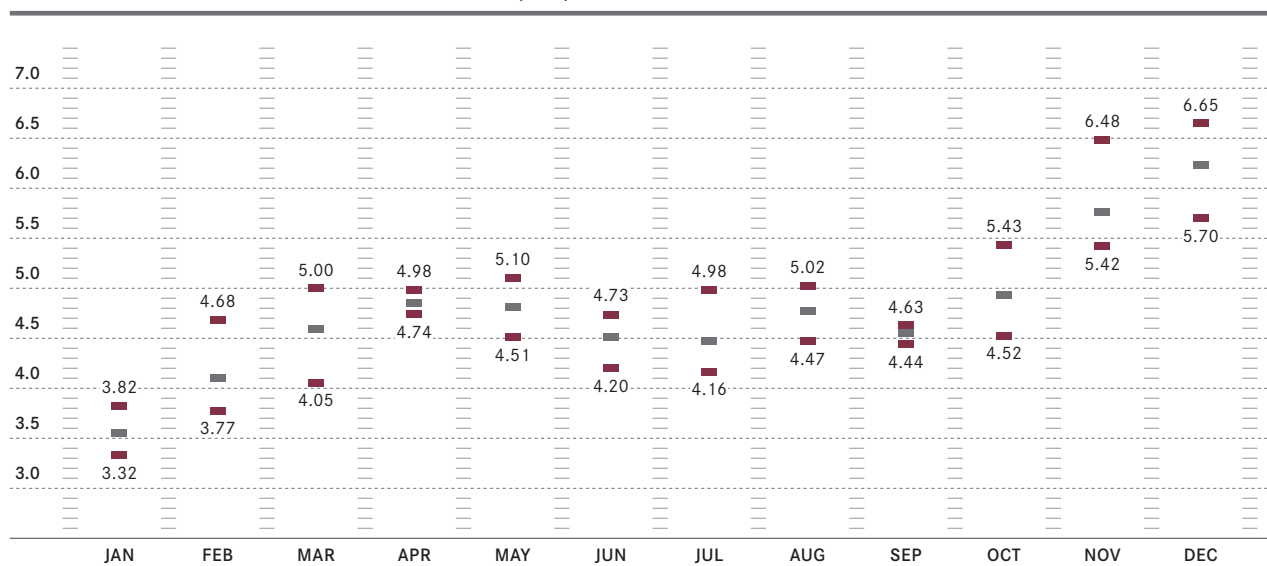
PERFORMANCE OF THE PATRIZIA SHARE COMPARED WITH DIFFERENT INDICES IN 2012 (%)



The trading volume has increased in the fourth quarter

In 2012, the PATRIZIA share moved between a low of EUR 3.32 on January 9 and a high of EUR 6.65 on December 27, 2012. On average, all German stock markets traded 89,200 PATRIZIA stocks per day, compared with 91,200 in the previous year. The trading volume increased over the year and rose from an average of 56,200 shares per day in January to 179,100 shares per day in December. The months of February and March proved lively in terms of trade, as did the whole of the fourth quarter. Based on PATRIZIA Immobilien AG's average total number of shares (54,423,150), the total of 22.7 million PATRIZIA shares traded during the reporting year represents an annual turnover of 0.42 (previous year: 0.45).

HIGHS AND LOWS OF THE PATRIZIA SHARE IN 2012 (EUR)



- Lowest and highest price (Closing price in Xetra trading)
- Month average

Bonus shares — Successful capital increase from company funds

Instead of a dividend payment, the Annual General Meeting of PATRIZIA Immobilien AG held on June 20, 2012 decided to issue bonus shares in a ratio of 10:1. The corresponding change to the Articles of Association was entered in the Company's Commercial Register on July 12, 2012 and thus became effective. Each shareholder then received one additional share for every 10 existing PATRIZIA shares. The new shares carry dividend rights from the beginning of the 2012 fiscal year. As a result of the conversion of capital reserves, the company's share capital increased by EUR 5,312,000 and has since amounted to EUR 57,343,000, divided into 57,343,000 registered no-par value shares.

Investor Relations

During the year under review we intensified our exchange with both institutional and private shareholders and also analysts. The Managing Board and the Investor Relations team held around 30 roadshow days and had a presence at 14 national and international conferences. Key topics of discussion included PATRIZIA's new strategy and the Company's development to becoming an investment manager, not forgetting its current policy of European expansion. The EPRA (European Public Real Estate Association) and the EXPO Real also served as real estate-specific communication platforms.

Detailed information relating to the PATRIZIA share, our events calendar including all conferences and roadshows and also downloads of all presentations are available on our website at: www.patrizia.ag/investor-relations

ANALYSTS' RECOMMENDATIONS FOR THE PATRIZIA SHARE

Bank	Analyst	Date	Rating	Target price
Baader Bank AG	Andre Remke	12/20/2012	Hold	EUR 6.00
Bankhaus Lampe KG	Dr. Georg Kanders	03/14/2013	Hold	EUR 8.00
Berenberg Bank Joh. Berenberg, Gossler & Co.KG	Kai Klose	03/18/2013	Buy	EUR 8.50
Close Brothers Seydler Research AG	Manuel Martin	01/14/2013	Buy	EUR 6.70
DZ Bank AG	Ulrich Geis	12/20/2012	Buy	EUR 6.90
HSBC Trinkaus & Burkhardt AG	Thomas Martin	02/26/2013	Hold	EUR 6.70
J.P. Morgan Cazenove	Harm Meijer	03/06/2013	Hold	EUR 7.50
LFG Kronos Investment Services GmbH	Thomas Aney	12/20/2012	Hold	EUR 6.55
Warburg Research GmbH	Torsten Klingner	03/14/2013	Hold	EUR 6.30

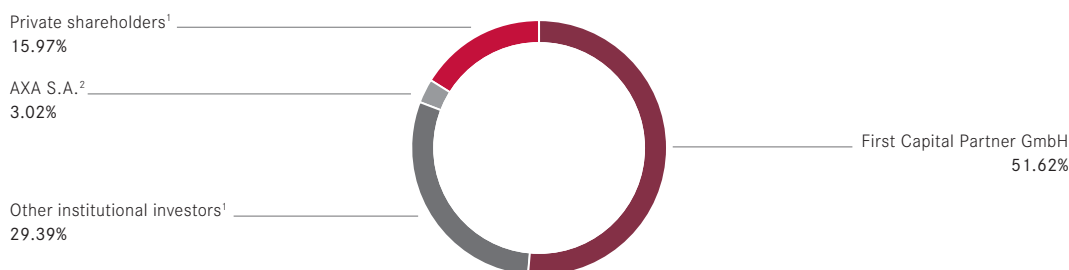
Current opinions can be found on our website: www.patrizia.ag/investor-relations/shares/analysts-recommendations.html



Shareholder structure – further reporting threshold exceeded

There was a slight change in the shareholder structure in the past fiscal year: In November 2012, First Capital Partner GmbH, which is attributable to our CEO, increased its shareholding from 51.55% to 51.62% and thus remains the Company's main shareholder. In a notification of voting rights issued in mid-February 2012, AXA S.A. informed us that it held 3.02% of the Company's shares. Other institutional investors account for a further 29.39% of shares, while 15.97% of shares are in the hands of private shareholders.

PATRIZIA SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2012



¹ Shareholders recorded in the register of names, those not recorded are estimated

² Pursuant to voting rights notification dated February 16, 2012

-
- | Operating result improves from EUR 28.8 million in the previous year to EUR 43.9 million
 - | With cash and cash equivalents of EUR 38.1 million, the PATRIZIA Group has a stable basis
 - | Bank loans reduced by 25% to EUR 521 million
 - | Equity ratio climbs from 28.1% to 35.4%
-

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Management Report

MANAGEMENT REPORT OF THE COMPANY AND THE GROUP

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

1 BUSINESS AND STRATEGY

1.1 COMPANY PROFILE

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

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

1.2 STRATEGY AND IMPLEMENTATION

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

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

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

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

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

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

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

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


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

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

1.3 CORPORATE MANAGEMENT

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

The operating result is adjusted for all non-cash effects

 Further information on page 54 ff.

1.4 ORGANIZATIONAL STRUCTURE

Legal Structure of the Group

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

Major Locations

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

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

Further information
on page 132 ff.

Segments/Areas of Business

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

Residential segment

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

Commercial segment

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

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

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

2 ECONOMIC ENVIRONMENT

2.1 MACROECONOMIC DEVELOPMENT

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

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

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

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2.2 PERFORMANCE OF THE GERMAN REAL ESTATE MARKET

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

The German real estate market remains extremely attractive for investors

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

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

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

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

2.3 DEVELOPMENT OF MARKETS ABROAD

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

3 KEY EVENTS

JANUARY

PATRIZIA acquires 1,000 units for its WohnModul I

The properties were acquired under two transactions and are located in the borough of Bogenhausen in Munich and in Germering. The investment volume is EUR 140 million.

FEBRUARY

PATRIZIA acquires former glassworks site in Gerresheim, Düsseldorf

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

PATRIZIA expands fund business with savings banks

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

PATRIZIA wins the bidding process for LBBW Immobilien GmbH and its 21,000 residential units

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

PATRIZIA starts on schedule with shell construction for the "F40" development project

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

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APRIL

CA Immo and PATRIZIA agree on joint venture for city quarter development in Munich-Baumkirchen.

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

MAY

PATRIZIA opens new office in London

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

PATRIZIA invests further in Denmark

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

JUNE

PATRIZIA Annual General Meeting agrees to the issue of bonus shares

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

JULY

Construction starts on PATRIZIA's residential development project "Wohnen im PROVINOPARK"

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

AUGUST

PATRIZIA starts on schedule with construction work for "Belsenpark 1" in Düsseldorf

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

SEPTEMBER

PATRIZIA invests over EUR 250 million for its funds

The real estate consists of existing apartments, projects under construction and project development sites. The properties are located in Munich, Frankfurt/Main, Düsseldorf, Regensburg, Hamburg and Berlin.

PATRIZIA establishes subsidiary in Copenhagen

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

PATRIZIA develops former hospital site in Hamburg-Langenhorn

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

Award for PATRIZIA Immobilienmanagement

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

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

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

PATRIZIA acquires development plot in Obersendling, Munich

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

NOVEMBER**Further investments in Scandinavia**

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

DECEMBER**PATRIZIA Immobilien AG acquires the British company Tamar Capital Group Ltd**

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

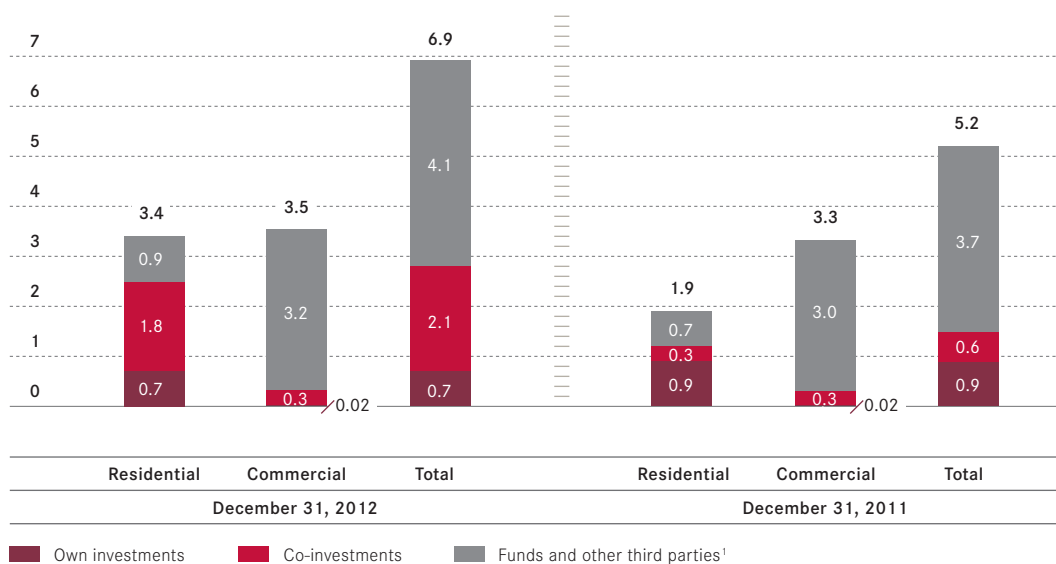
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4 BUSINESS DEVELOPMENT

Assets under management grow steadily

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

ASSETS UNDER MANAGEMENT (IN EURO BILLION)



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

OVERVIEW OF SALES COMPLETED, PRICES ATTAINED AND RENTS IN 2012

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2012	2011	Change in %
Own stock¹	260	168	551	730	1,709	1,842	-7.2
Privatized units	228	168	219	309	924	745	24.0
Average sales price	EUR 2,287 per sqm	EUR 2,363 per sqm	EUR 2,466 per sqm	EUR 2,788 per sqm	EUR 2,513 per sqm	EUR 2,360 per sqm	6.5
Block sales	32	0	332	421	785	1,097	-28.4
Average sales price	EUR 1,869 per sqm	-	EUR 1,711 per sqm	EUR 1,616 per sqm	EUR 1,667 per sqm	EUR 1,679 per sqm	-0.7
Average rental income	EUR 7.60 per sqm	EUR 7.58 per sqm	EUR 7.55 per sqm	EUR 7.67 per sqm	EUR 7.60 per sqm	EUR 7.87 per sqm	-3.4
Co-investments²	86	67	165	241	559	61	> 100
Privatized units ³	77	67	148	190	482	41	> 100
Block sales	9	0	17	51	77	20	> 100
Services²	51	6	35	336	428	448	-4.5
Privatized units	4	6	3	7	20	42	-52.4
Block sales	47	0	32	329	408	406	0.5
TOTAL	397	241	751	1,307	2,696	2,351	14.7

¹ Transfer of ownership, usage and encumbrances (purchase price payments become due at the time of the commercial changeover and are thus recognized in profit or loss)

² Notarial deeds (sales commission becomes payable at the time of the notarial deed and is therefore recognized in profit or loss)

³ Including new-build sales from project developments (Q1: 33 apartments, Q2: 35 apartments, Q3: 44 apartments, Q4: 28 apartments)

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

4.1 OWN INVESTMENTS

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

4.1.1 RESIDENTIAL PROPERTY RESALE

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

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

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

RESIDENTIAL PROPERTY RESALE IN 2012

Region/city	Number of privatized units	Share of sales in %	Area sold in sqm	Average size per unit in sqm
Munich	695	75.2	52,367	75
Cologne/Düsseldorf	88	9.5	6,745	77
Berlin	85	9.2	6,226	73
Hamburg	32	3.5	2,379	74
Friedrichshafen	11	1.2	649	59
Hanover	6	0.7	395	66
Frankfurt/Main	5	0.5	410	82
Regensburg	2	0.2	182	91
TOTAL	924¹	100	69,354	75

¹ thereof 437 units accounted for as investment property

4.1.2 BLOCK SALES

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

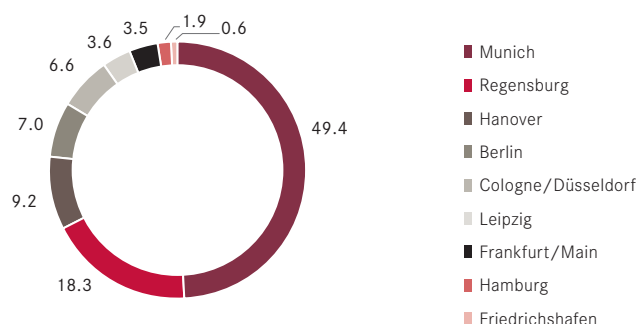
In 2012, block sales from PATRIZIA's own stock were effected at the following locations:

BLOCK SALES IN 2012

Region/city	Number of units sold in blocks	Share of sales in %	Area sold in sqm	Average size per unit in sqm
Regensburg	310	39.5	21,708	70
Hanover	151	19.2	10,832	72
Munich	150	19.1	9,013	60
Leipzig	61	7.8	4,835	79
Frankfurt/Main	55	7.0	3,686	67
Berlin	34	4.3	3,779	111
Cologne/Düsseldorf	24	3.1	1,430	60
TOTAL	785¹	100	55,283	70

¹ thereof 658 units accounted for as investment property

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

INDIVIDUAL AND BLOCK SALES IN 2012 FROM PATRIZIA'S OWN STOCK, BY REGION¹ IN %

¹ n = 1,709 units. The regional breakdown within the sales channels of residential property resale and block sales can be seen in the above tables.

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

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

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

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

4.1.3 PROJECT DEVELOPMENT

PATRIZIA Projektentwicklung is concentrating on premium new residential construction

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

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

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

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

PATRIZIA'S OWN PROJECT DEVELOPMENTS

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

¹ PATRIZIA contribution to the International Building Exhibition 2013 in Hamburg. For further information on the project, see item 6.1 of this Management Report

² Redensification, awarded the DGNB pre-certificate in silver for new housing

4.2 CO-INVESTMENTS

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

INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2012

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

¹ Excludes project developments; for these, see next table under "WohnModul I"

² At the sites in Munich and Germering (1,009), Hamburg (140) and Berlin (98)

4.2.1 SÜDDEUTSCHE WOHNEN GMBH ("SÜDEWO")

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

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

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

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

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

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

4.2.2 WOHNMODUL I

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

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

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

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

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

¹ CP = Construction phases

² The first phase involves development of the land; the subsequent construction project is still at the planning stage

4.2.3 PATROFFICE REAL ESTATE GMBH & CO. KG

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

4.3 FUNDS

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

4.3.1 PATRIZIA WOHNINVEST KAPITALANLAGEGESELLSCHAFT MBH

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

PATRIZIA WohnInvest KAG acquires properties totaling more than EUR 290 million

4.3.2 PATRIZIA GWERBEINVEST KAPITALANLAGEGESELLSCHAFT MBH

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

PATRIZIA FUNDS AS AT DECEMBER 31, 2012

in EUR million	Planned target volume	Committed equity	Assets under management ¹	Number of funds
PATRIZIA WohnInvest KAG mbH	2,034	964	805¹	7
Individual funds	2,034	964	805	7
PATRIZIA GewerbeInvest KAG mbH	5,692	2,427	3,065	13
Modular funds	3,000	1,029	1,363	7
Individual funds	892	577	413	4
Label funds	1,800	821	1,290	2
TOTAL PATRIZIA	7,726	3,391	3,870	20

¹ excludes project developments secured under purchase contracts

4.4 ASSET MANAGEMENT

4.4.1 PURCHASE OF TAMAR CAPITAL GROUP LTD

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

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

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

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5 NET ASSET, FINANCIAL AND EARNINGS SITUATION

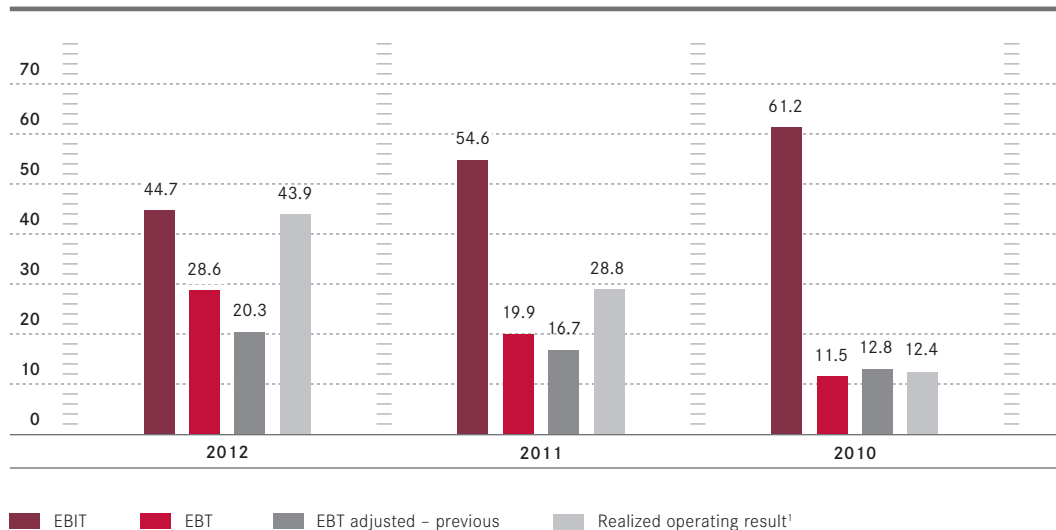
5.1 GENERAL STATEMENT BY THE MANAGING BOARD

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

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

5.2 EARNINGS SITUATION OF THE GROUP

DEVELOPMENT OF KEY EARNINGS INDICATORS (IN EUR MILLION)



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

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

Decreased revenues despite higher sales volumes and growth in fund transactions

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

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

A breakdown of consolidated sales revenues is shown below:

CONSOLIDATED REVENUES

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

¹ Purchase price receipts from investment property are not included in revenues.

² The Others item primarily includes rental ancillary costs.

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

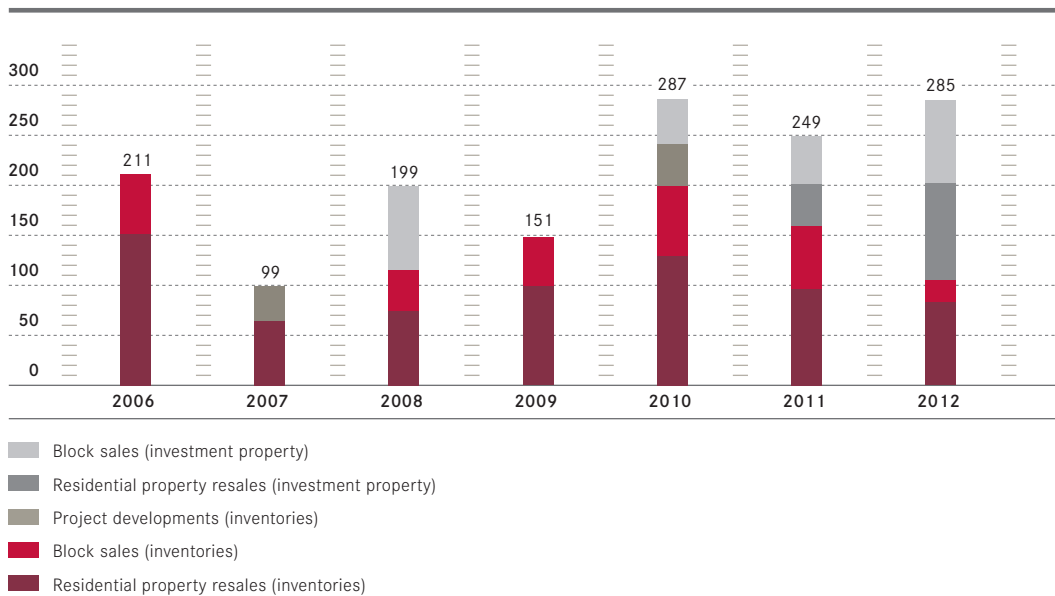
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PURCHASE PRICE REVENUES

	2012 EUR '000	2011 EUR '000	Change in %
Sales revenues from inventories	106,234	158,928	-33.2
Residential property resales	83,772	95,895	-12.6
Block sales	22,462	63,033	-64.4
Sales revenues from investment property¹	178,325	90,068	98.0
Residential property resales	96,525	42,913	>100
Block sales	81,800	47,155	73.5
TOTAL	284,559	248,996	14.3

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

SALES VOLUMES 2006 – 2012 (IN EUR MILLION)



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

Investments in project developments and in our portfolio

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

Number of staff in the Group climbs by 16%

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


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

OTHER OPERATING EXPENSES

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

EBIT decreases by 18%

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

 Further information
on page 69 ff.
and page 141

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Financial expenses fall by one fifth

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

MARKET VALUATION OF INTEREST RATE HEDGES 2012

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

Investment result influenced by LBBW transaction

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

Investment results show the success of our co-investments

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

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

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

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

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

Services account for 51% of the realized operating result.

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

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CALCULATION OF THE ADJUSTED FIGURES 2012

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

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

¹ Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property

² Additionally adjusted for non-cash-related results from interest hedging transactions. Changes in the value of fund shares did not occur in 2012

³ Including realized changes in the value of investment property, this would result in the following values for realized EBIT (in EUR million): Q1: 16.9, Q2: 8.6, Q3: 20.4, Q4: 24.4, 2012: 70.3

CALCULATION OF THE ADJUSTED FIGURES 2011

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

¹ Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property

² Additionally adjusted for non-cash-related results from interest hedging transactions and change in the value of fund shares

³ Including realized changes in the value of investment property, this would result in the following values for realized EBIT (in EUR million): Q1: 12.4, Q2: 11.0, Q3: 19.8, Q4: 25.5, 2011: 68.6

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

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

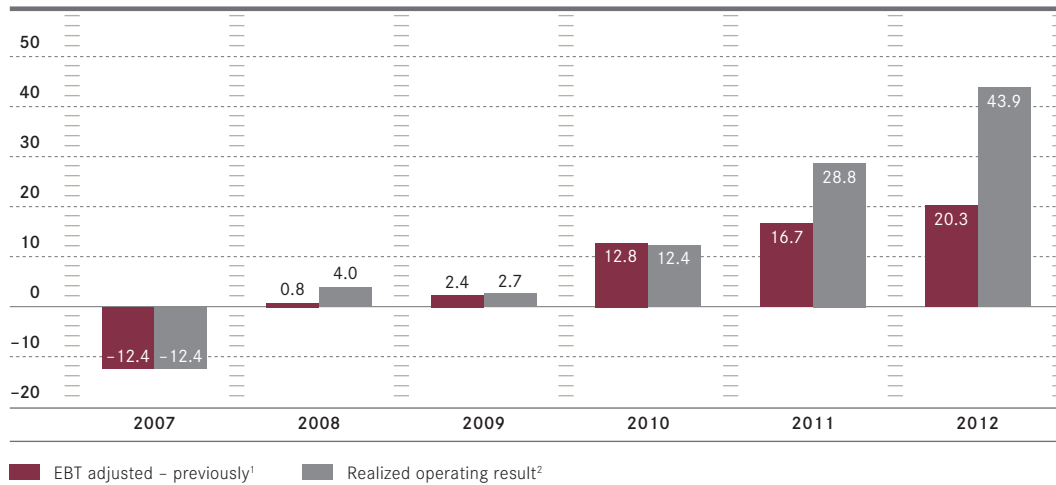
	2007	2008	2009	2010	2011	2012	Total
Change in value of investment property	69,477	0	0	325	3	18	69,823
EBT adjusted	-12,422	842	2,420	12,789	16,712	20,324	-
Realized change in value of investment property	0	3,179	304	-353	12,042	23,568	38,740
Realized operating result	-12,422	4,021	2,724	12,436	28,754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

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

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

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



The operating result has increased from year to year

¹ Without realized change in the value of investment property

² Including realized change in the value of investment property

Consolidated annual profit increases significantly

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

OVERVIEW OF KEY ITEMS IN THE CONSOLIDATED INCOME STATEMENT

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

¹ Adjusted for amortization on other intangible assets (fund management contracts) and unrealized change in the value of investment property

² Additionally adjusted for non-cash-related results from interest hedging transactions and change in the value of fund shares (latter applies to 2011 only)

³ Incl. realized change in value of investment property

5.3 NET ASSET AND FINANCIAL SITUATION OF THE GROUP

Real estate sales reduce assets

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

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

Equity ratio climbs by 7 percentage points

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

PATRIZIA's equity is invested as follows:

PATRIZIA'S CONSOLIDATED EQUITY

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

¹ Including project developments

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Repayment of bank loans

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

 Further information on page 122 ff.

PATRIZIA'S CONSOLIDATED NET ASSET AND FINANCIAL KEY FIGURES

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

¹ Real estate assets comprise investment property valued at fair value and real estate held in inventories valued at amortized cost

² Proportion of the volume of loans to real estate assets. Only investment property is calculated at fair value. Inventories are stated at amortized cost.

³ Net gearing is the ratio of net financial debt to equity adjusted for minority interests

Net asset value

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

CALCULATION OF NAV

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

¹ Fair market valuation, 2008 including investment property under construction (EUR 11.2 million)

² Valuation at amortized cost

³ Figures excluding PATRIZIA GewerbeInvest KAG mbH, purchase loans eliminated (applies to 2011) and cash and cash equivalents increased by outflow of equity (applies to 2011 and 2012)

⁴ Adjusted for non-property-specific items

Liquidity analysis

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

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

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

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

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SUMMARY OF THE 2012 CONSOLIDATED CASH FLOW STATEMENT

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

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

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

SUMMARY OF THE PATRIZIA IMMOBILIEN AG BALANCE SHEET

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

SUMMARY OF THE PATRIZIA IMMOBILIEN AG INCOME STATEMENT

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

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6 NON-FINANCIAL PERFORMANCE INDICATORS

6.1 MANAGEMENT RESPONSIBILITY

PATRIZIA Immobilien AG supports various organizations in the real estate industry that are committed to sustainability and environmentally conscious actions. PATRIZIA Projektentwicklung GmbH, for example, is a member of the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen e. V., DGNB) and was involved in the working group “Neubau Wohnen” (New Residential Construction). We participate in various working groups to make a contribution to the subject of sustainability in the real estate sector through our membership in other associations of national and international property companies, for example in defining reporting standards for residential property. As a founding member of the ULI Greenprint Center for Building Performance, PATRIZIA participates in various working groups aimed at establishing international standards for measuring CO₂ for all types of building.

Among other things, PATRIZIA is an active member of DGNB

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

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

PATRIZIA manages project developments integrated into our co-investment WohnModul I on behalf of third-party clients. The Düsseldorf Belsenpark 1 project has been awarded the silver seal in the category new residential construction by DGNB (pre-certificate) in consideration of the high level of comfort and ecology. The buildings are being constructed to the KfW70 energy efficiency standard in accordance with EnEV 2009. This is where barrier-free condominiums are being built with advanced levels of appointment. The technology used allows various systems within the building such as lighting, roller shutters, alarm system, heating and household appliances, etc. to be controlled, integrated into a computer network and also remotely monitored. We are taking account of the expected increased proliferation of electric cars by installing electrical connections for the 126 parking spaces in the underground car park. Extensive roof greening will further support the sustainability concept. The pre-certificate in silver has also been awarded to the “Wohnen im PROVINOPARK” construction project in Augsburg. It is the environmental and socio-cultural criteria that are especially impressive here. Access to a former canal is being opened up and an extensive park is being created.

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

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

The Soft House is an innovative contribution by PATRIZIA to the International Building Exhibition in Hamburg in 2013

use pumps to exploit geo-thermal energy, and the technology installed in the house is ready for use with the forthcoming smart metering of energy consumption. This is intended to help residents analyze their energy consumption on a regular basis and systematically save energy or shift their energy consumption to times when electricity tariffs are more favorable. The house is being built as a solid wood construction, meaning it is based on renewable raw materials that also bind CO₂. With regard to the choice of location, redensification of the Elbe islands represents a valuable contribution to conserving resources since it allows the existing infrastructure to be used.

Sustainability involves the entire life cycle of the property

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

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

PATRIZIA Immobilienmanagement focuses on green power

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

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

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

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

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

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

Targeted and sustainable on principle – PATRIZIA KinderHaus Foundation aid projects

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

PATRIZIA is the main sponsor of the PATRIZIA KinderHaus Foundation.

6.2 EMPLOYEES

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

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

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

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

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

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

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

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

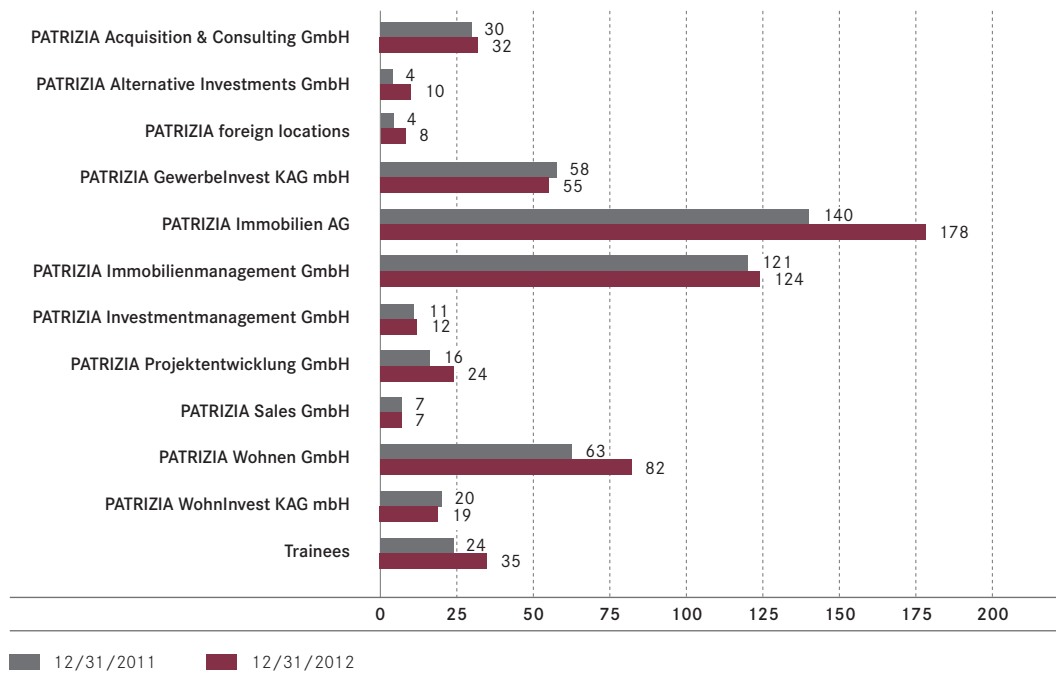
Whereas previously, for example, a company health management program, a kindergarten allowance, and group accident insurance cover had been introduced, PATRIZIA extended its social benefits package in 2012 to include a shopping card and a staff participation program that will come into effect in 2013.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

PATRIZIA is one of the top 15 employers in real estate

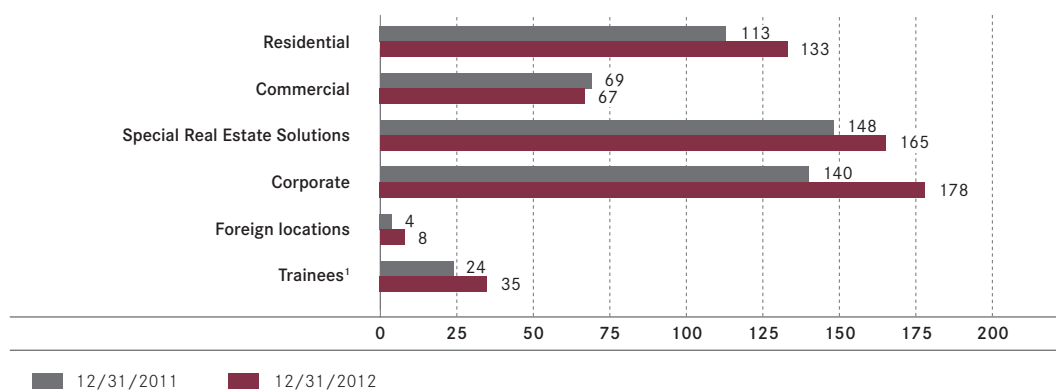
The attractiveness of the Company as an employer is also noticeable on the job market. In 2011 PATRIZIA was voted one of the top 15 employers in real estate by Immobilien Zeitung magazine for the first time and is thus the only company in residential real estate represented in the rankings. PATRIZIA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

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CHANGES IN STAFF NUMBERS BY OPERATING COMPANY



CHANGES IN STAFF NUMBERS BY BUSINESS LINE/SEGMENT



¹ Trainees are primarily assigned to the Corporate segment.

7 FURTHER DISCLOSURES

7.1 MERGER-RELATED DISCLOSURES

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

Composition of subscribed capital

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

Restrictions relating to voting rights and transfer of shares

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

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

As of December 31, 2012, Wolfgang Egger, CEO of PATRIZIA Immobilien AG, held a total stake of 51.62% in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100% stake via WE Vermögensverwaltung GmbH & Co. KG.

Shares with special rights conferring powers of control

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

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

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

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

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

Powers of the Managing Board to issue and buy back shares

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

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

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

Significant agreements by the Company contingent upon a change in control subsequent to a takeover bid

No agreements contingent upon a change in control subsequent to a takeover bid exist.

Compensation agreements by the Company with the members of the Managing Board or employees for the event of a takeover bid

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

7.2 COMPENSATION REPORT

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

Compensation of the Managing Board

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

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

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

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

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

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

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

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

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

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

¹ Payment in the 2012 fiscal year.

² The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

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

¹ Payment in the 2011 fiscal year.

² The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

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

¹ Granted in the 2012 calendar year for the 2011 fiscal year once all criteria required for determining the variable compensation were known.

² Granted in the 2011 calendar year for the 2010 fiscal year once all criteria required for determining the variable compensation were known.

³ Conversion to performance share units with two-year/three-year vesting period at an average price of EUR 3.45. To be paid out in 2014/2015 at the average Xetra price 30 days before and after December 31, 2013/2014.

⁴ Due to the bonus shares issued in a ratio of 10:1 in 2012, the performance share units issued were adjusted in the same ratio in order to offset any potential dilution effect.

⁵ Conversion to performance share units with two-year vesting period at an average price of EUR 4.02. To be paid out in 2013 at the average Xetra price 30 days before and after December 31, 2012.

Compensation of the Supervisory Board

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

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

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

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

¹ Since the beginning of the 2012 fiscal year the Supervisory Board has only received fixed compensation.

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

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


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

7.4 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

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

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

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

 Further information on page 139 f.

8 OPPORTUNITY AND RISK REPORT

8.1 OPPORTUNITY AND RISK MANAGEMENT

Risk Policy Principles

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

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

Risk Management Organization

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

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

Risk Management Process

Risk reporting has been integrated into the planning and controlling process

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

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

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

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

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

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

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

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

8.3 IMPORTANT CATEGORIES OF OPPORTUNITY AND RISK

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

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

Market and Industry

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

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

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

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

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

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

Finland

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

Norway

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

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

Denmark

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

Sweden

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

Nordics: High
demand meets
moderate supply

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

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

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

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

Business and Operating Activities

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

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

 Further information on page 76 ff.

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

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

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

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

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

Financial Risks

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

We currently see no risks from external borrowing

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

Interest rate hedges expire in January and June 2014.

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

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

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

Internal financing power and debt retirement capability are ensured

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

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

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

Legal and Political Risks

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

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

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

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

8.4 OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

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

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

9 SUPPLEMENTARY REPORT

Own Investments

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

Funds

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

Asset Management

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

10 REPORT ON EXPECTED DEVELOPMENTS

10.1 FUTURE ECONOMIC FRAMEWORK

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

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

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

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

 Further information on page 81

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

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

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

Loss of momentum on German commercial real estate markets

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

 Further information on page 76 f.

10.2 STRATEGIC DIRECTION

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

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

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

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

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

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

Financial Reporting in 2013

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

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

With the exception of the asset management companies¹, the operating subsidiaries that are headquartered in Germany will be merged into PATRIZIA Deutschland GmbH. Alongside this, PATRIZIA's foreign companies will remain independent entities. The segmentation of the corporate divisions will be based on the changed internal reporting lines. This means that financial reporting must also reflect the changes. Following conversion to the new Group structure, which should be completed by the middle of 2013, we will change our financial reporting in line with the new segments accordingly; this is expected to occur in the second quarter.

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

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

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

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

The Group in General

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

Co-investments

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

Funds

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

10.4 EXPECTED DEVELOPMENT OF THE FINANCIAL SITUATION

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

10.5 DIVIDEND POLICY

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

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

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

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

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

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

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

Augsburg, March 11, 2013



Wolfgang Egger
CEO



Arwed Fischer
CFO



Klaus Schmitt
COO

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

-
- | Number of staff in the Group increases by 16%
 - | PATRIZIA ranks among the five largest real estate investment companies in Germany
 - | PATRIZIA's own real estate portfolio is to be sold by 2015/2016
 - | In the medium term, we aim to increase our return on equity (based on realized operating result) of currently 13% to 15%
-

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Consolidated Financial Statements

Consolidated Balance Sheet

AS OF DECEMBER 31, 2012

ASSETS

EUR '000	Notes	12/31/2012	12/31/2011
A. Non-current assets			
Goodwill	4.1	610	610
Other intangible assets	4.1	43,259	45,227
Software	4.1	7,553	5,280
Investment property	4.1	374,104	532,321
Equipment	4.1	3,479	2,762
Investments in joint ventures	4.1	0	18
Participations in associated companies	4.1	15,810	6,809
Participations	4.1	18,407	3,134
Long-term tax assets	4.2	201	846
Total non-current assets		463,423	597,007
B. Current assets			
Inventories	4.3	345,920	407,529
Securities		60	1,634
Short-term tax assets	4.2	5,380	4,279
Current receivables and other current assets	4.5	98,635	60,007
Bank balances and cash	4.6	38,135	31,828
Total current assets		488,130	505,277
TOTAL ASSETS		951,553	1,102,284

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EQUITY AND LIABILITIES

EUR '000	Notes	12/31/2012	12/31/2011
A. Equity			
Share capital	5.1.1	57,343	52,130
Capital reserves	5.1.2	210,644	215,862
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	1,556	1,563
Valuation results from cash flow hedges	4.4	-469	-1,331
Consolidated net profit		66,808	41,346
Total equity		336,387	310,075
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.3	23,242	26,314
Long-term financial derivatives	4.4	16,363	33,470
Retirement benefit obligations	5.4	388	371
Long-term bank loans	5.2	302,004	417,685
Non-current liabilities	9.2	3,417	2,410
Total non-current liabilities		345,414	480,250
CURRENT LIABILITIES			
Short-term bank loans	5.2	219,050	275,667
Short-term financial derivatives	4.4	6,069	233
Other provisions	5.5	1,479	1,092
Current liabilities	5.6	28,750	22,644
Tax liabilities	5.7	14,404	12,323
Total current liabilities		269,752	311,959
TOTAL EQUITY AND LIABILITIES		951,553	1,102,284

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	Notes	2012	2011
Revenues	6.1	229,238	269,007
Income from the sale of investment property	4.1	16,916	6,205
Changes in inventories	6.2	-61,609	-102,910
Other operating income	6.3	11,566	8,225
Total operating performance		196,111	180,527
Cost of materials	6.4	-54,020	-45,743
Staff costs	6.5	-47,561	-35,672
Results from fair value adjustments to investment property	4.1	18	3
Other operating expenses	6.7	-45,268	-40,990
EBITDA		49,280	58,125
Amortization of intangible assets and depreciation on property, plant and equipment	6.6	-4,541	-3,494
Earnings before interest and taxes (EBIT)		44,739	54,631
Income from participations		6,557	0
Earnings from companies accounted for using the equity method	4.1	455	5
Finance income	6.8	11,727	8,988
Finance cost	6.8	-34,857	-43,718
Profit/loss before income taxes (EBT)		28,621	19,906
Income tax	6.9	-3,166	-6,413
Net profit/loss		25,455	13,493
Profit carried forward		41,223	27,730
CONSOLIDATED NET PROFIT		66,678	41,223
Earnings per share (undiluted) in EUR	6.10	0.44	0.24
The net profit/loss for the period is allocated to			
Shareholders of the parent company		25,462	13,571
Non-controlling shareholders		-7	-78
		25,455	13,493

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	2012	2011
Consolidated net profit	25,455	13,493
Other result		
Cash flow hedges		
Amounts recorded during the reporting period	276	712
Reclassification of amounts that were recorded	586	329
Total result for the reporting period	26,317	14,534
The total result is allocated to		
Shareholders of the parent company	26,324	14,612
Non-controlling shareholders	-7	-78
	26,317	14,534

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	2012	2011
Consolidated net profit	25,455	13,493
Actual income taxes recognized through profit or loss	3,166	5,814
Financing costs recognized through profit or loss	34,857	43,718
Income from financial investments recognized through profit or loss	-1,025	-2,769
Amortization of intangible assets and depreciation on property, plant and equipment	4,541	3,494
Results from fair value adjustments to investment property	-18	-3
Loss from/gain on disposal of investment properties	-16,916	-6,205
Change in deferred taxes	-2,520	599
Change in retirement benefit obligations	17	3
Ineffectiveness of cash flow hedges	-10,316	-5,137
Changes in inventories, receivables and other assets that are not attributable to investing activities	23,405	31,907
Changes in liabilities that are not attributable to financing activities	9,391	5,597
Interest paid	-32,739	-40,772
Interest received	170	1,925
Income tax payments/refunds	-4,613	-6,945
Cash inflow from operating activities	32,855	44,718
Capital investments in intangible assets and property, plant and equipment	-5,563	-4,655
Cash receipts from disposal of intangible assets and property, plant and equipment	0	0
Cash receipts from disposal of investment property	178,325	90,068
Payments for development or acquisition of investment property	-3,174	-1,368
Payments for the acquisition of shareholdings	-15,273	0
Payment for investments in companies accounted for using the equity method	-8,560	-6,846
Cash receipts from the disposal of consolidated companies and other business units	0	944
Payments for the acquisition of consolidated companies and other business units	0	-28,644
Cash inflow from investing activities	145,755	49,494
Borrowing of loans	25,940	37,171
Repayment of loans	-198,238	-170,092
Payment for the issuance of bonus shares	-5	0
Cash outflow from financing activities	-172,303	-132,921
Changes in cash	6,307	-38,709
Cash January 1	31,828	70,537
Cash December 31	38,135	31,828

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1, 2012 TO DECEMBER 31, 2012

EUR '000	Share capital	Capital reserves	Valuation result from Cash Flow Hedges	Retained earnings (legal reserve)	Consolidated net profit /loss	Thereof attributable to the Shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
Balance January 1, 2011	52,130	215,862	-2,372	505	27,775	293,900	832	294,732
Additional non-controlling shareholders which originated in the course of the PATRIZIA Gewerbe-Invest KAG mbH acquisition							1,889	1,889
Reclassification of guaranteed dividend							-1,080	-1,080
Net amount recognized directly in equity, where applicable less income taxes			1,041			1,041		1,041
Net profit/loss for the period					13,571	13,571	-78	13,493
Full overall result for the fiscal year			1,041		13,571	14,612	-78	14,534
Balance December 31, 2011	52,130	215,862	-1,331	505	41,346	308,512	1,563	310,075
Balance January 1, 2012	52,130	215,862	-1,331	505	41,346	308,512	1,563	310,075
Net amount recognized directly in equity, where applicable less income taxes			862			862		862
Issue of bonus shares	5,213	-5,213						0
Expense incurred in issuing bonus shares		-5				-5		-5
Net profit/loss for the period					25,462	25,462	-7	25,455
Full overall result for the fiscal year			862			26,324	-7	26,317
BALANCE DECEMBER 31, 2012	57,343	210,644	-469	505	66,808	334,831	1,556	336,387

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Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation based in Augsburg; the Company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. The Company operates on the German and European real estate market as an investor and service provider. Together with its subsidiaries, PATRIZIA Immobilien AG is a fully integrated real-estate investment company and specializes in buying high-quality residential and commercial real estate at commercially attractive locations in Germany and in Europe and in optimizing them with the aim of increasing their value and subsequently reselling the real estate. The PATRIZIA Group performs all services along the value-added chain in the real estate sector. The Company also launches special real estate funds in accordance with investment law via its asset management companies PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH and PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH.

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG to December 31, 2012 were prepared in line with IFRS and in compliance with the provisions of German commercial law additionally applicable as per Article 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All compulsory official announcements of the International Accounting Standards Board (IASB) have been applied, i. e. those adopted up to the balance sheet date by the EU in the context of the endorsement process and published in the Official Journal of the EU.

At the time of preparing the consolidated financial statements no new interpretations had been published that were to be adopted for the first time during the current fiscal year.

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

- I Amendment to IFRS 1 – “First-time adoption of International Financial Reporting Standards” (amendments relating to fixed transition dates and severe hyperinflation)
- I Amendment to IFRS 7 – “Financial Instruments: Disclosures” (amendment to improve disclosures on the transfer of financial assets)
- I Amendment to IAS 12 – “Income Taxes” (amendment relating to the recovery of underlying assets)

Although the following standards and interpretations had already been published by the IASB at the time of preparing the consolidated financial statements, their adoption was not yet compulsory:

- I IFRS 9 – “Financial Instruments” (to be adopted for fiscal years commencing on or after January 1, 2015; this standard has not yet been adopted by the EU)

- I IFRS 10 – “Consolidated Financial Statements” (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- I IFRS 11 – “Joint Arrangements” (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- I IFRS 12 – “Disclosures of Interests in Other Entities” (to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- I IFRS 13 – “Fair Value Measurement” (to be adopted for fiscal years commencing on or after January 1, 2013)
- I IFRIC 20 – “Stripping Costs in the Production Phase of a Surface Mine” (to be adopted for fiscal years commencing on or after January 1, 2013)

Although the following amendments to standards and interpretations had already been published by the IASB at the time of preparing the consolidated financial statements, their adoption was not yet compulsory:

- I Amendment to IAS 1 – “Presentation of Financial Statements” (amendment relating to the presentation of other comprehensive income; to be adopted for fiscal years commencing on or after July 1, 2012)
- I Amendment to IAS 19 – “Employee Benefits” (comprehensive revision of the standard; to be adopted for fiscal years commencing on or after January 1, 2013)
- I Amendment to IFRS 27 – “Separate Financial Statements” (elimination of the consolidation provisions; to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- I Amendment to IFRS 28 – “Investments in Associates and Joint Ventures” (inclusion of rules on accounting of joint ventures; to be adopted for fiscal years commencing on or after January 1, 2013; in the EU, first-time adoption is likely to be mandatory only for fiscal years commencing after January 1, 2014)
- I Amendment to IAS 32 – “Financial Instruments: Presentation” (additions on account of application problems relating to the requirements for offsetting financial assets and liabilities; to be adopted for fiscal years commencing on or after January 1, 2014)
- I Amendment to IFRS 7 – “Financial Instruments: Disclosures” (inclusion of the requirement to disclose information about rights of offset and related arrangements; to be adopted for fiscal years commencing on or after January 1, 2013)
- I Amendment to IFRS 1 – “First-time Adoption of International Financial Reporting Standards” (amendments relating to government loans; to be adopted for fiscal years commencing on or after January 1, 2013; this amendment has not yet been adopted by the EU)
- I Annual improvements to the IFRS – 2009-2011 cycle (changes to IAS 12 – “Property, plant and equipment” and IAS 32 – “Financial Instruments: Presentation”; published in May 2012; the amendments to these standards have not yet been adopted by the EU)

We do not expect any significant effects on the consolidated financial statements following the application of the amended standards and interpretations.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as current if their realization or repayment is expected within the normal course of the Group's business cycle or, in relation to assets, if the latter are held for sale within this period. The nature of expense method was selected for the income statement.

The fiscal year corresponds to the calendar year. The consolidated financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

2 SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

2.1 SCOPE OF CONSOLIDATION

All of the Company's subsidiaries are included in the consolidated financial statements of PATRIZIA Immobilien AG. The Group includes all companies controlled by PATRIZIA Immobilien AG. Control is deemed to be the ability to determine the business and financial policy of the subsidiary in order to benefit from its commercial activities.

Control is in principle assumed if PATRIZIA Immobilien AG directly or indirectly holds the majority of voting rights in another company.

All the companies included in PATRIZIA Immobilien AG's consolidated financial statements can be found in the list of shareholdings (Appendix to the Notes to the Consolidated Financial Statements). With the exception of PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH, PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH, PATRIZIA Wohnen GmbH and Stella Grundvermögen GmbH, the subsidiaries listed and bound by a profit and loss transfer agreement each make use of the relief provided for in Article 264 (3) of the Handelsgesetzbuch (HGB – German Commercial Code). The partnerships also found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.

Joint ventures are companies that do not meet the criteria to be classified as subsidiaries since with regard to influencing their business and financial policies, two or more partner companies are bound to common management under a contractual agreement. Joint ventures are accounted for at equity within the Group.

Associated companies are companies that do not meet the criteria of a subsidiary or joint venture and whose business and financial policy can be significantly influenced by PATRIZIA Immobilien AG. A significant influence is assumed if a direct or indirect voting right share of at least 20% is held in another company. The assumption of a significant influence is rebuttable if, despite a voting share of 20% and above, contractual regulations exclude any influence on exercisable business and corporate policy and the exercisable rights consist only of industrial property rights. Associated companies are accounted for at equity within the consolidated financial statements.

In addition to the parent company, the scope of consolidation comprises 58 subsidiaries. They are included in the consolidated financial statements in line with the rules of full consolidation. In addition, one participating interest in a SICAV is accounted for at equity in the consolidated financial statements. The SICAV is a stock corporation with variable equity in accordance with the laws of Luxembourg. In addition, 28.3% of the limited liability capital is held in one project development company (in the form of a GmbH & Co. KG), while 30% is held in the associated general partner. A significant influence does not apply because provisions in the partnership agreement mean that management cannot be exercised, that a significant influence cannot be exerted on the management and that there is no entitlement to appoint members of the governing organs. The shares in the project development company are accounted for at purchase cost.

The reporting dates of the subsidiaries included in the consolidated financial statements correspond to the parent company's reporting date. The financial statements are prepared in line with uniform accounting and valuation principles.

Company Acquisitions, Sales and Intercompany Restructuring

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-541 GmbH, Munich; the company name was changed to Carl Carry GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-543 GmbH, Munich; the company name was changed to Carl A-Immo Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-545 GmbH, Munich; the company name was changed to Carl HR Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated February 2, 2012, PATRIZIA Immobilien AG acquired Blitz 12-549 GmbH, Munich; the company name was changed to Carl B-Immo Verwaltungs GmbH as of June 21, 2012. The company's share capital is EUR 25,000. The company acts as general partner in the context of investments in a real estate portfolio.

Under a notarial purchase agreement dated April 16, 2012, PATRIZIA Immobilien AG sold 94.9% of PATRIZIA Projekt 220 GmbH, Augsburg, (renamed PATRIZIA Projekt Gerresheim GmbH, Luxembourg, on May 7, 2012) to PATRIZIA Wohnmodul I Zwischenholding S.à r.l., Luxembourg. The company was deconsolidated from the PATRIZIA consolidated financial statements on the same date.

Under a notarial purchase agreement dated April 15, 2012, PATRIZIA Immobilien AG acquired ApS STAKE Nr. 1702, Copenhagen, Denmark; the company name was changed to PATRIZIA Nordics ApS as of April 20, 2012. The company's share capital was initially DKK 80,000. On September 24, 2012 the company name was changed to PATRIZIA Nordics A/S and its share capital was increased to DKK 500,000. The company will provide services in the field of real estate in Denmark.

Under a notarial purchase agreement dated August 31, 2012, PATRIZIA Immobilien AG acquired AM alpha Projekt GmbH, Frankfurt/Main; the company name was changed to PATRIZIA Projekt 700 GmbH, Augsburg, as of August 31, 2012. The company's share capital is EUR 25,000. The company will be held as a shelf company within the Group.

Under a notarial purchase agreement dated July 24, 2012, PATRIZIA Immobilien AG acquired a further 50% in meridomus GmbH, Cologne, and now holds 100%; the company name was changed to PATRIZIA Projekt 710 GmbH, Augsburg, as of September 18, 2012. The company's share capital is EUR 25,000. The company, which serves as a shelf company, is included in the PATRIZIA consolidated financial statements as part of a full consolidation. It is therefore no longer reported under investments in joint ventures.

Under a notarial purchase agreement dated November 13, 2012, PATRIZIA Immobilien AG sold 100% of Carl Immo AcquiCo1 GmbH (formerly Blitz 11-677 GmbH), Munich. The company was deconsolidated from the PATRIZIA consolidated financial statements on the same date.

With effect from December 31, 2012, PATRIZIA Immobilien AG contributed its shares in PATRIZIA Scandinavia AB, Stockholm, Sweden, to PATRIZIA Nordics A/S. In this connection, the equity of PATRIZIA Nordics A/S was increased by DKK 79,420.

Furthermore, under a notarial purchase agreement dated November 28, 2012, PATRIZIA Immobilien AG acquired Blitz 12-572 GmbH & Co KG, Munich; the company's share capital is EUR 500. The company is a limited partnership and will provide management services for a real estate portfolio.

Under a notarial purchase agreement dated November 28, 2012, PATRIZIA Immobilien AG acquired Blitz 12-571 GmbH, Munich; the company's share capital is EUR 25,000. The company is the general partner of Blitz 12-572 GmbH & Co KG.

The scope of IFRS 3 does not apply to the company acquisitions and sales effected during the fiscal year.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognized in the consolidated financial statements using full consolidation. Since January 1, 2002, acquired subsidiaries have been accounted for using the purchase method under IFRS 3. Using the relief option of IFRS 1, purchases of shares in companies before this date were still accounted for on the basis of the carrying amount method in accordance with the Handelsgesetzbuch (HGB – German Commercial Code).

The date of initial consolidation is the date of acquisition and therefore the date on which control of the net worth and operating activities of the acquired company is actually transferred to the parent company. The acquisition costs comprise the cash paid for the acquisition. Since January 1, 2010, ancillary costs that are directly attributable to the acquisition are accounted for immediately through profit or loss. The calculated acquisition costs are allocated among the identifiable assets and liabilities of the acquired company. Goodwill is to be stated if the acquisition costs exceed the share in the re-valued net worth of the acquired company that is applicable to the parent company. In the reverse case, a negative difference is to be recognized through profit or loss. The equity share held in the acquired company is authoritative in determining the net worth applicable to the Group. In principle, the re-valued net worth must be recognized in full. Non-controlling partners' interests are posted separately within consolidated equity. If the loss for a period that is applicable to the non-controlling partners exceeds their interest that is to be posted in the consolidated balance sheet, this is offset against the majority share in the consolidated equity.

2.3 CONSOLIDATION OF JOINT VENTURES AND ASSOCIATED COMPANIES USING THE EQUITY METHOD

The equity method is applied to the presentation of joint ventures and associated companies in the consolidated financial statements. In contrast to full consolidation, no assets and liabilities or expenses and income of the company valued at equity are recognized (proportionately) in the consolidated financial statements when the equity method is applied. Instead, the carrying amount of the participation is updated annually in accordance with the development of the proportionate equity in the associated company.

The initial application of the equity method takes place from the time at which the associated company is to be classified as a joint venture. During initial consolidation, the acquisition costs for the shares acquired are netted against the equity attributable to them. Any difference is examined, in accordance with the rules for full consolidation, for the existence of hidden reserves or charges and any remaining difference is treated as goodwill. During subsequent consolidation, the carrying amount of the participation is updated in line with the proportionate changes in equity at the associated company.

2.4 CONSOLIDATION OF LIABILITIES, EXPENSES AND INCOME AND ELIMINATION OF INTRA-GROUP RESULTS

Intercompany balances, transactions, profits and expenditure of the companies included in the consolidated financial statements by means of full consolidation are eliminated in full. Deferred taxes are recognized for temporal differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY TRANSLATION

The consolidated financial statements were prepared in euro, the Group's functional currency. With the exception of PATRIZIA Property Inc. in Delaware, USA, PATRIZIA Scandinavia AB with headquarters in Stockholm, Sweden, and the subsidiary PATRIZIA Nordics A/S that was acquired in the 2012 fiscal year, the scope of consolidation is made up only of subsidiaries located in the European Monetary Union. The functional currency of these three companies is the respective national currency. Conversion is performed using the modified reporting date rate method. There were no material assets or liabilities, contingent receivables or liabilities in foreign currencies on the reporting date.

3 SUMMARY OF KEY ACCOUNTING AND VALUATION POLICIES

The financial statements included in the consolidated financial statements are prepared in line with uniform accounting and valuation principles.

3.1 GOODWILL

The goodwill that results from a business combination is accounted for at acquisition cost less any required impairments and shown separately in the consolidated balance sheet.

In order to verify possible impairments, the goodwill is allocated to each cash-generating unit of the Group which is expected to derive a benefit from the synergies resulting from the business combination.

The cash-generating units that are allocated a portion of the goodwill are subject to an annual impairment review. If there is evidence of an impairment for an entity, that entity is assessed more frequently. If the recoverable amount of a cash-generating unit is smaller than the unit's carrying amount, the impairment expense is initially assigned to the carrying amount of any goodwill assigned to the unit and then proportionately to the other assets based on the carrying amount of each asset within the unit.

3.2 SOFTWARE

Software is recognized at acquisition or manufacturing cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as reversals taking into account amortized cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Purchased software is amortized over three to ten years.

3.3 MANAGEMENT CONTRACTS

Management contracts acquired as part of the business combination with the company now known as PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH are shown separately from the goodwill; at the time of their acquisition they are measured at fair value.

In subsequent periods these management contracts are measured in exactly the same way as individually acquired intangible assets (i. e. at acquisition cost less scheduled cumulative amortization and any cumulative impairments).

The period of amortization for the management contracts is based on the expected terms of the fund contracts.

3.4 EQUIPMENT

Equipment is recognized at acquisition or manufacturing cost at the date of addition. Subsequent measurement provides for the carrying out of scheduled amortization and, if applicable, unscheduled amortization as well as write-ups, taking into account amortized cost of acquisition or manufacturing.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortization is carried out using the straight-line method. It starts as soon as the asset can be used and ends with disposal of the asset. The amortization period is geared towards the expected useful life. Equipment is amortized over three to thirteen years.

3.5 IMPAIRMENT OF ASSETS

Where assets are subject to scheduled depreciation and there is an indication of impairment, a review is undertaken to ascertain whether there is a need for unscheduled depreciation. Assets that are not subject to scheduled depreciation are checked on each balance sheet date to ascertain if there is a need for value adjustment.

3.6 INVESTMENT PROPERTY

Qualifying real estate as an investment is based on a corresponding management decision to use the real estate in question to generate rental income and thus liquidity, while realizing higher rent potential over a long period and, accordingly, an increase in value. The share of owner-occupier use does not exceed 10% of the rental space. In contrast to the real estate posted under inventories, investment property is not intended for sale in the ordinary course of business or within the framework of the construction or development process. Investment property is measured at fair value, with changes in value recognized through profit or loss.

Investment property is measured at market values. In principle, investment property is measured on the basis of external appraisals carried out by independent experts using current market prices or using customary valuation methods and consideration of the current and long-term rental situation. For individual investment properties, the residential property resale process was launched in previous years and successfully continued and expanded in 2012. Valuation of these properties is based on current comparative values.

The market value is equivalent to the fair value. The valuation method used to determine fair value pursuant to IAS 40.38 et seq. is based on a hypothetical transaction price, the most likely amount at which the asset could be exchanged between knowledgeable, willing parties in an arms-length transaction. In terms of content, this definition also corresponds to the definition of the market value pursuant to Section 194 of the Baugesetzbuch (BauGB – Federal Building Code). In particular, this estimate excludes price assumptions that are increased or reduced by subsidiary agreements or special circumstances. Investment property is reported at this fictitious market value without any deduction of transaction costs.

With the exception of the properties earmarked for resale, the fair values of the investment property as shown in the consolidated financial statements are based on valuations by independent experts who apply international valuation standards (International Valuation Standard, Concepts/Principles No. 9.2.1.3 – Income Capitalization Approach; RICS Valuation Standards PS 3.3 – Market Value) based on discounted future cash flows in accordance with the investment method (core value and topslice) – (IAS 40.46 (c)).

In contrast to the income value method in accordance with the Immobilienwertermittlungsverordnung (Immo-WertV – German Ordinance on the Valuation of Real Estate), the approach used for the investment method does not consider a separate value for the plot.

The market rent is reduced by costs of the lessor that cannot be passed on and is capitalized as perpetual annuity with the interest rate determined for the property in question. For each property, costs that cannot be passed on to the tenant, such as risk of loss of rental income, management, maintenance costs and an appropriation for operating costs that cannot be passed on, were deducted from the gross income of the rental forecast along with estimated costs for modernization and re-renting. The resulting value is referred to as core value.

The difference between the market rent and the rent received is capitalized during the remaining residual rental term (assumed for residential properties), in this case up to five years. Costs borne by the lessee and a deduction for risk are taken into consideration. The resulting value is referred to as topslice.

The market value is derived by adding the core value and the topslice, which is negative if the market rent is higher than the rent received. The costs of rental, maintenance and renovation are also deducted. The total gives the market value of the property.

Property-specific vacancy rates between 0% and 19% are assumed, which can have a material impact on the assumed remaining lease term. Key items of payments are maintenance costs averaging EUR 6 to 10 p.a./sqm living space and EUR 15 to 25 p.a. per parking space, management costs of 0.75 to 5.38% of rental income, and the risk of loss of rental income of 2% of rental income. The capitalization interest rates used amount to between 4.5 and 5.75%.

The properties that are earmarked for resale are not valued by independent experts but are instead valued by PATRIZIA using detailed project accounting. This project accounting is based on comparative values ascertained in the direct surroundings of the properties. Both offer prices and also selling prices were used for this, but only of comparable properties.

All investment property held by the Group is leased. The resultant rental income and the expenses directly associated with it are recognized in the consolidated income statement.

3.7 PARTICIPATIONS IN ASSOCIATED COMPANIES

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

PATRIZIA's share in the associated company's result following the acquisition is shown in the consolidated income statement. The cumulative changes after the date of acquisition increase or reduce the associated company's investment carrying amount. If the losses of an associated company that are attributable to PATRIZIA equal or exceed the value of the share in this company, no further shares in losses are recorded unless PATRIZIA has entered into obligations or has effected payments for the associated company.

The share in an associated company is the carrying amount of the participating interest, plus all non-current shares which, according to the business purpose, are attributable to the owner's net investment in the associated

company. On every balance-sheet reporting date, PATRIZIA checks whether there is objective evidence for an impairment of the share in the associated company. If such evidence exists, PATRIZIA determines the impairment requirement as the difference between the recoverable amount and the carrying amount of the associated company. At the time when a material influence on an associated company is lost, any remaining shares are revalued at fair value. The difference between the carrying amount of the associated company and the fair value of the remaining share plus any sales proceeds is recorded through profit or loss.

3.8 INVESTMENTS IN JOINT VENTURES

The Group held a stake in a joint venture, meridomus GmbH Forderungsmanagement und Servicegesellschaft für den Vermieter, in the form of a jointly managed company. As part of the acquisition of a further 50% of the shares, the company was fully consolidated and included in the PATRIZIA consolidated financial statements, so that it is no longer reported under investments in joint ventures. Up to this date, the Group accounted for its share in the joint venture at equity (IAS 31.38).

3.9 INVENTORIES

The "Inventories" item contains real estate that is intended for sale in the context of ordinary activities or that is intended for such sale in the context of the construction or development process; in particular, it includes real estate that has been acquired solely for the purpose of resale in the near future or for development and resale. Development also covers straightforward modernization and renovation activities. Assessment and qualification as an inventory is undertaken within the context of the purchasing decision and implemented in the balance sheet as at the date of addition.

PATRIZIA has defined the operating business cycle as three years, because based on experience the majority of the units to be sold are sold and recognized during this time period. However, inventories are still classed as intended for direct sale even if the sale is not recognized within three years (e.g. due to unforeseeable/unforeseen changes in economic conditions).

Inventories are carried at the lower of acquisition costs/manufacturing costs and net sales price. Acquisition costs comprise the directly attributable purchase and commitment costs, i. e. especially acquisition costs for real estate as well as ancillary acquisition costs (notary's fees etc.). Manufacturing costs comprise the costs directly attributable to the real estate development process, i. e. especially renovation costs. Borrowing costs that are directly related to the acquisition, construction or production of a qualifying asset are capitalized as part of the purchase or production costs for the respective asset. Borrowing costs that are not directly related to the acquisition, construction or production of a qualifying asset are recorded as an expense in the time period in which they arise. The net sale price corresponds to the sale proceeds likely to be generated in the ordinary course of business less any renovation or modernization and selling costs incurred.

3.10 FINANCIAL ASSETS

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

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

Financial assets are stated in the balance sheet if the company is party to a contract for this asset. Customary purchases of financial assets for which there is only a short customary period between entry into, and fulfillment of, the obligation are generally accounted for on the trading date. This also applies analogously to customary sales.

There were no *held-to-maturity investments* as at the balance sheet date.

Derivatives which are not designated as hedging instruments or are not effective as such within the meaning of IAS 39 are classified as *financial assets at fair value through profit or loss*.

These financial instruments must be allocated to one of three levels, depending on the extent to which the fair value can be assessed.

- I Level-1 valuations at fair value are those which are based on quoted prices (unadjusted) on active markets for identical financial assets or liabilities.
- I Level-2 valuations at fair value are those based on parameters that do not correspond to quoted prices for assets and liabilities as in level 1 (data), but are either derived directly (i.e. as prices) or indirectly (i.e. derived from prices).
- I Level-3 valuations at fair value are those derived from models that use parameters for the assessment of assets or liabilities that are not based on observable market data (non-observable parameters, assumptions).

The fair value of derivatives is determined by external banks. The valuation can be assigned to level 2.

Investments which have been entered into with the intention of holding them are categorized as *available-for-sale financial assets*. These are valued at acquisition cost since, due to the absence of an active market, a fair value can only be determined on the basis of specific sale negotiations. There are currently no plans to sell these instruments. For available-for-sale financial assets, the Group ascertains, on each reporting date, whether there are objective indications that impairment of an asset or of a group of assets has taken place. In the case of available-for-sale equity instruments, a “significant” or “continuing” fall in the fair value of the instrument below its acquisition cost would represent an objective indication.

Loans and receivables are non-derivative financial assets with fixed or definable payments which are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairments.

If there are any objective indications that *impairment of financial assets which have been accounted for at amortized cost* has taken place, the amount of the impairment loss is equivalent to the difference between the carrying amount of the asset and the present value of the expected future cash flow (with the exception of

expected future, though not yet occurred, loan losses), discounted with the original effective interest rate of the financial asset, i. e. at the effective interest rate determined at initial recognition. The carrying amount of the asset is decreased using a value adjustment account. The impairment loss is recognized through profit or loss.

If the amount of the impairment decreases in the subsequent reporting periods and if this decrease can be objectively attributed to a circumstance occurring subsequent to impairment, the previous impairment is reversed. However, the new carrying amount of the asset may not exceed the acquisition costs at the time of the reversal of the impairment. The reversal of the impairment is recognized through profit or loss.

If, in the case of trade receivables, there are objective indications that not all amounts due will be received in accordance with the originally agreed invoice conditions (such as probability of insolvency or significant financial difficulties on the part of the debtor), impairment is recognized using a value adjustment account. Derecognition of receivables takes place if they are classified as uncollectible.

3.11 CASH AND CASH EQUIVALENTS

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

3.12 FINANCIAL LIABILITIES

Upon initial recognition, interest-bearing loans are measured at fair value less the transaction costs directly associated with the borrowing. They are not recognized at fair value through profit or loss. Following initial recognition, the interest-bearing loans are measured at amortized cost using the effective interest method.

3.13 DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (or a part of a financial asset or a group of similar financial assets) is derecognized if the preconditions of IAS 39 are met.

A financial liability is derecognized if the obligation upon which this liability is based is fulfilled, cancelled or has expired.

If an existing financial liability is exchanged for another financial liability of the same lender at substantially different contractual conditions or if the conditions of an existing liability are significantly changed, such an exchange or change is treated as a derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized through profit or loss.

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the derivative financial instruments of interest rate swaps and interest rate collars to protect itself against interest rate risks. These derivative financial instruments are measured at fair value. Derivative financial instruments are recognized as assets if their fair value is positive, and as liabilities if their fair value is negative.

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

The PATRIZIA Group's hedging instruments are classified as cash flow hedges for accounting purposes, since they involve hedging against the risk of fluctuations in the cash flow, which can be allocated to the risk associated with a recognized asset or with a recognized liability.

At the start of the hedging, both the hedges and the Group's risk management objectives and strategies regarding hedging are formally specified and documented. The documentation contains the determination of the hedging instrument when compensating for risks arising from changes to the fair value or cash flow of the hedged underlying transaction. These types of hedges are considered highly effective in terms of compensating for risks resulting from changes to fair value or cash flow. They are continuously assessed as to whether they were actually highly effective during the entire reporting period for which the hedge was defined.

Cash flow hedges that meet the strict criteria for accounting of hedges are accounted for as follows:

The effective part of the profit or loss from a hedging instrument is taken directly to equity, while the ineffective part is immediately recognized through profit or loss.

The amounts taken directly to equity are transferred to the consolidated income statement during the period in which the hedged transaction influences the result, e.g. if hedged financial income or expenses are recognized or if an expected sale is executed.

If the scheduled transaction or the fixed obligation is no longer expected, the amounts previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without substitution or a rollover of the hedging instrument into another hedging instrument, the amounts previously recognized in equity remain as separate items in equity until the scheduled transaction or fixed obligation has occurred.

3.15 RETIREMENT BENEFIT OBLIGATIONS

Performance-related pension plans are valued using the projected unit credit method on the basis of a pension report. The retirement benefit obligations in the balance sheet are calculated based on the present value of the defined benefit obligation on the balance sheet date. The Group recognizes actuarial gains and losses for defined benefit pension plans through profit or loss in the reporting period in which they arise. The interest share of pension expenses was not significant enough to be recognized in the financial result, and was instead recognized in staff costs.

3.16 OTHER PROVISIONS

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

3.17 LEASES

The determination of whether an agreement includes a lease is made on the basis of the economic substance of the agreement at the time of the conclusion of the respective agreement and requires an estimate as to whether the fulfillment of the contractual agreement is dependent upon the utilization of a certain asset or certain assets and whether the agreement grants a right to utilization of the asset.

Leases where all opportunities and risks of the Group associated with the ownership are not passed to the lessee to a significant degree are classified as operating leases. Initial direct costs which arise during the negotiations and the conclusion of an operating leasing contract are added to the carrying amount of the leased object and are recognized as expenses correspondent to the rental income over the term of the lease. Contingent rent is recognized as income during the period in which it is generated.

Within the PATRIZIA Group, there are only an insignificant number of leases for which the Group is the lessee. All these are classified as operating leases.

3.18 TAXES

Actual Taxes

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

Actual taxes which refer to items that are directly recognized in equity are not recognized in the income statement, but rather in equity.

Deferred Taxes

Deferred taxes are recognized using the liability method, for temporary differences existing on the balance sheet date between the amount stated in the balance sheet for an asset or a liability and the fiscal amount.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards not yet utilized and tax credits not yet utilized, in the probable extent to which taxable income will be available against which the deductible temporary differences and the tax loss carryforwards and tax credits not yet utilized can be used.

The carrying amount of deferred tax assets is reviewed on every balance sheet date and decreased by the extent to which it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can at least be partly used. Deferred tax assets not recognized are reviewed on every balance sheet date and are recognized in the amount in which it has become probable that a future taxable result allows recognition of the deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rates which will probably become effective in the period in which an asset is realized or a liability is settled. The tax rates and laws applicable on the balance sheet date are used as a basis. Future tax rate changes are to be taken into account on the balance sheet date if significant effectiveness requirements are met within the scope of pending legislation.

Deferred taxes which relate to items that are directly recognized in equity are not recognized in the income statement, but are also recognized in equity.

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

3.19 BORROWING COSTS

Borrowing costs used to produce a qualifying asset are capitalized. A qualifying asset is an asset that is needed for a significant time period in order to bring it into condition for its intended use or sale. This requirement is met by all projects under development by the Group. All other borrowing costs are recorded as expenses in the period in which they are incurred.

3.20 REVENUE RECOGNITION

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

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

3.21 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

When preparing the consolidated financial statements a certain degree of assumptions must be made and estimates must be used which impact on the amount and reporting of the assets and liabilities, income and expenses as well as contingent receivables and liabilities carried for the reporting period. An estimate is made on the basis of the most recently available reliable information. The assets, liabilities, income, expenses and contingent receivables and liabilities recognized on the basis of estimates may differ from the amounts to be recognized in future. Changes are taken into account through profit or loss on the date when more precise information is obtained. Estimates are largely made for the following:

- I Determining the recoverable amount to assess the necessity and extent of unscheduled amortization, especially on the real estate posted under the item "Inventories"
- I Recognizing and measuring provisions
- I Valuing receivables subject to risk
- I Assessing whether deferred tax assets can be recognized

The assumptions made when valuing the real estate portfolios could subsequently prove to be partially or fully incorrect, or there could be unexpected problems or unidentified risks relating to real estate portfolios. Such possible developments, even of a short-term nature, could cause a deterioration in the earnings situation, a decrease in the value of the purchased assets and a considerable reduction in the revenues generated from residential property resale and ongoing rental.

In addition to the factors inherent in each property, the recoverability of real estate assets is chiefly determined according to the development of the real estate market as well as the general economic situation. There is a risk that, in the event of a negative development of the real estate market or of the general economic situation, the valuation estimates made by the Group may have to be corrected.

4 NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

4.1 NON-CURRENT ASSETS

The breakdown of and changes in non-current assets as well as amortization for the fiscal year and for the previous year are set out below:

DEVELOPMENT OF NON-CURRENT ASSETS - 2012

EUR '000	Goodwill	Other intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2012	610	53,901	6,728	61,239
Additions	0	4,332	2,037	6,370
Disposals	0	-635	-1,148	-1,783
Balance 12/31/2012	610	57,598	7,617	65,825
Amortization				
Balance 01/01/2012	0	3,394	3,966	7,360
Additions	0	3,423	1,118	4,541
Disposals	0	-31	-946	-977
Balance 12/31/2012	0	6,786	4,138	10,924
CARRYING AMOUNTS AS AT 01/01/2012	610	50,507	2,762	53,879
CARRYING AMOUNTS AS AT 12/31/2012	610	50,812	3,479	54,901

DEVELOPMENT OF NON-CURRENT ASSETS - 2011

EUR '000	Goodwill	Other intangible Assets	Equipment	Total
Acquisition costs				
Balance 01/01/2011	0	3,641	4,929	8,570
Additions	610	50,260	1,799	52,669
Disposals	0	0	0	0
Balance 12/31/2011	610	53,901	6,728	61,239
Amortization				
Balance 01/01/2011	0	830	3,036	3,866
Additions	0	2,564	930	3,494
Disposals	0	0	0	0
Balance 12/31/2011	0	3,394	3,966	7,360
CARRYING AMOUNTS AS AT 01/01/2011	0	2,811	1,893	4,704
CARRYING AMOUNTS AS AT 12/31/2011	610	50,507	2,762	53,879

DEVELOPMENT OF NON-CURRENT ASSETS – 2012

EUR '000	Investment Property
Fair Value	
Balance 01/01/2012	532,321
Additions – assets	3,174
Disposal – assets	-161,409
Positive fair value changes	7,385
Negative fair value changes	-7,367
BALANCE 12/31/2012	374,104

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Investment property
Fair Value	
Balance 01/01/2011	614,945
Additions – assets	1,368
Disposal – assets	-83,995
Positive fair value changes	4,770
Negative fair value changes	-4,767
BALANCE 12/31/2011	532,321

DEVELOPMENT OF NON-CURRENT ASSETS – 2012

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2012	6,818	13	3,134	9,965
Additions	8,561	0	15,273	23,834
Disposals	0	-13	0	-13
Balance 12/31/2012	15,379	0	18,407	33,786
Adjustments at equity/ amortization				
Balance 01/01/2012	-9	5	0	-4
Additions	440	15	0	455
Disposals	0	-20	0	-20
Balance 12/31/2012	431	0	0	431
CARRYING AMOUNTS AS AT 01/01/2012	6,809	18	3,134	9,961
CARRYING AMOUNTS AS AT 12/31/2012	15,810	0	18,407	34,217

DEVELOPMENT OF NON-CURRENT ASSETS – 2011

EUR '000	Participations in associated companies	Investments in joint ventures	Participations	Total
Acquisition costs				
Balance 01/01/2011	0	8	3,090	3,098
Additions	6,818	5	44	6,867
Disposals	0	0	0	0
Balance 12/31/2011	6,818	13	3,134	9,965
Adjustments at equity/ amortization				
Balance 01/01/2011	0	-5	0	-5
Additions	0	10	0	10
Disposals	-9	0	0	-9
Balance 12/31/2011	-9	5	0	-4
CARRYING AMOUNTS AS AT 01/01/2011	0	3	3,090	3,098
CARRYING AMOUNTS AS AT 12/31/2011	6,809	18	3,134	9,961

The goodwill with a carrying amount of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH. The company was identified as a cash-generating unit. The goodwill will not be deductible in future fiscal periods and is therefore treated as a permanent difference when determining deferred taxes.

The recoverable amount of the cash-generating unit was determined by means of a calculation of the value in use based on cash-flow projections from the financial budget approved by the Managing Board for a period of seven years and a discount rate of 10.0% p.a. (previous year: 10.6% p.a.). For the period after the seventh year, the cash flows were extrapolated using a constant annual growth rate of 2% p.a. (previous year: 2% p.a.). The Managing Board is of the opinion that no reasonably foreseeable change in the underlying assumptions on which the determination of the recoverable amount is based would cause the cumulative carrying amount of the cash-generating unit to exceed its cumulative recoverable amount.

The intangible assets include an amount of TEUR 43,259 relating to the hidden reserves identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH to the fund management contracts. The hidden reserves are currently subject to scheduled depreciation of TEUR 1,968 p.a. A review of the fair value did not reveal any additional impairment requirement.

Investment property is property that is held for generating rental income and/or for capital appreciation; in accordance with IAS 40, it is valued at market values through profit or loss. In the year under review a total of nine investment properties in Berlin, Frankfurt, Hanover, Cologne/Dusseldorf, Munich and Regensburg were sold. In addition, four properties in Berlin and Munich were privatized during the fiscal year.

The fair value of the pledged investment properties is TEUR 374,104 (previous year: TEUR 532,321).

The item "Participations in associated companies" mainly includes the 9.09% (previous year: 9.09%) share in PATRIZIA WohnModul I SICAV-FIS. The following table shows the key data for the associated companies accounted for at equity. The figures do not relate to the shares attributable to the PATRIZIA Group, but instead refer to the company as a whole.

EUR '000	2012	2011
Total assets	433,798	246,204
Total liabilities	191,528	59,255
Revenues	22,196	2,985
Consolidated net profit	5,616	-110

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 440 (previous year: TEUR -10).

The item "Participations" includes the 6.25% (previous year: 6.25%) share in PATRoffice Real Estate GmbH & Co. KG, the 12.5% (previous year: 0%) share in CARL A-Immo GmbH & Co KG (formerly Blitz 12-544 GmbH & Co. KG), the 7.5% (previous year: 0%) share in CARL HR GmbH & Co KG (formerly Blitz 12-546 GmbH & Co. KG), the 28.3% (previous year: 28.3%) participation in Projekt Feuerbachstraße GmbH & Co. KG, the 10% (previous year: 10%) share in PATRIZIA Projekt 150 GmbH, and the 30% (previous year: 0%) participation in Projekt Feuerbachstraße Verwaltung GmbH.

4.2 TAX ASSETS

Corporation tax credits of TEUR 201 (previous year: TEUR 237) with a right to payment that arose after 2008 and that are to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as non-current tax assets. Measurement is at present value.

Allowable taxes and tax prepayments reimbursed by the tax authorities are reported as current tax assets. These tax assets have a residual term of less than one year.

4.3 INVENTORIES

A breakdown of inventories is shown below:

INVENTORIES

EUR '000	12/31/2012	12/31/2011
Real estate intended for sale	273,791	346,443
Real estate in the development phase	72,129	61,086
	345,920	407,529

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

As at December 31, 2012, two properties were in the development phase. In 2012 inventories with a total carrying amount of TEUR 85,214 (previous year: TEUR 120,928) were sold. In the year under review no adjustments were made to inventories (previous year: TEUR 0).

During the period under review directly assignable borrowing costs of TEUR 695 (previous year: TEUR 940) were capitalized.

The carrying amounts of inventories which are pledged as security totaled TEUR 343,444 (previous year: TEUR 339,497).

Realization of inventories amounting to TEUR 231,138 is expected to last longer than twelve months.

4.4 FINANCIAL DERIVATIVES

The Group uses various interest rate swaps and interest rate collars for partial hedging of the interest rate risk from its bank loans. These are cash flow hedges where a hedging relationship to the respective underlying transaction could be demonstrated in some cases.

The changes to the fair values of the derivatives classed as ineffective are recognized through profit or loss in the income statement. In the fiscal year, they amounted to TEUR 11,028 (previous year: TEUR 4,947).

As at December 31, 2012, the nominal volume of the derivatives classified as ineffective totaled TEUR 511,671 (previous year: TEUR 524,485); the corresponding market values were TEUR -21,929 (previous year: TEUR -31,454).

The changes to the fair values of the effective hedging derivatives of TEUR -244 (previous year: TEUR -1,235) were directly recognized in equity, taking deferred taxes of TEUR -39 (previous year: TEUR -195) into account.

During the year under review market value changes of TEUR 1 (previous year: TEUR 190) were taken into account in the income statement as ineffective portions of hedging derivatives.

As at December 31, 2012, the nominal volume of these hedging derivatives totaled TEUR 15,000 (previous year: TEUR 60,000); the corresponding market values were TEUR 503 (previous year: TEUR -2,249).

In the year under review, value changes in cash flow hedges in the amount of TEUR 781 (previous year: TEUR 0) were released through profit or loss, with derecognition of the corresponding deferred taxes applied (TEUR 124), and transferred into the financial result.

As at December 31, 2012, the total amount of unrecognized losses from interest hedging transactions that was transferred to the provisions for hedging transactions related to these future transactions, taking into account deferred tax effects, was TEUR -469 (previous year: TEUR -1,331). It is expected that 66.0% of the interest hedging transactions will end in accordance with the contracts in 2013, and 34.0% in 2014. For payment flows recognized through profit or loss cf. item 5.2.

4.5 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

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

RECEIVABLES AND OTHER CURRENT ASSETS

EUR '000	12/31/2012	12/31/2011
Trade receivables	20,449	9,893
Other current assets	78,186	50,114
	98,635	60,007

The carrying amount of the receivables corresponds to their fair value.

As at the balance sheet date, the following receivables were overdue, but not impaired:

RENT RECEIVABLES

EUR '000	2012	2011
Rent receivables	616	225
Of which < 90 days	72	225
Of which > 90 days	544	0

Rent receivables of TEUR 616 (previous year: TEUR 225) are secured through rental deposits.

Trade receivables and other current assets are decreased by specific value adjustments of TEUR 3,738 (previous year: TEUR 4,388).

The other current assets were mainly influenced by purchase price receivables (TEUR +34,545), receivables in connection with the Feuerbachstrasse project (TEUR +9,460), receivables from companies in which participations are held (TEUR -19,508) and the billing of asset, sales and project management fees (TEUR +9,944).

CHANGES IN THE VALUE ADJUSTMENT ACCOUNT FOR RECEIVABLES

EUR '000	2012	2011
Balance as at January 1	4,388	3,160
Additions	274	1,617
Outflows due to derecognitions	-232	-46
Outflows due to payments received	-692	-343
BALANCE AS AT DECEMBER 31	3,738	4,388

Trade receivables are in principle impaired via a value adjustment account.

Receivables and other current assets have a residual term of less than one year.

4.6 BANK BALANCES AND CASH

The item "Bank balances and cash" comprises cash and short-term cash deposits held by the Group. The carrying amount of these assets corresponds to their fair value.

Of the bank balances, an amount of TEUR 1,830 (previous year: TEUR 1,831) is pledged as security. A breakdown is shown below:

An amount of TEUR 1,000 is pledged in favor of R+V Versicherung as collateral for a guaranty credit. This guaranty credit is security for a payment guaranty that was issued by the bank for the general contractor in the "Wasserturm, Sternschanze" project. Because arbitration proceedings are pending with the general contractor, it is not possible to judge how much longer the assets will be pledged as security.

A total of TEUR 730 was pledged to Zurich Versicherung as security for a guaranty in a total amount of TEUR 5,000. This can be used for various guaranties by PATRIZIA; cash collateral is 15%.

A further amount of TEUR 100 is pledged in favor of Bayerische Landesbank (institution under public law) as collateral for an interest hedge.

5 NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

5.1 EQUITY

For the development of equity, please see the statement of changes in equity.

5.1.1 SHARE CAPITAL

Following the issue of bonus shares, the company's share capital at the reporting date totaled TEUR 57,343 (previous year: TEUR 52,130) and is divided into 57,343,000 (previous year: 52,130,000) registered no-par value shares (shares with no nominal value).

The Managing Board was authorized, by resolution of the Annual General Meeting on June 20, 2012, to increase the share capital on one or more occasions with the consent of the Supervisory Board by up to a total of EUR 14,335,750 in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (Authorized Capital 2012) by June 19, 2017.

At the same time the Company's share capital was conditionally increased, through a resolution of the Annual General Meeting, by up to EUR 14,335,750.00 through the issue of 14,335,750 new, registered no-par value shares with a pro-rata share in the share capital of EUR 1.00 (Contingent Capital 2012). The conditional capital increase shall be used to grant rights to the holders or creditors of convertible bonds and bonds with warrants and/or profit participation rights with conversion or option rights and/or a conversion obligation that are issued, on the basis of the authorization pursuant to the resolution by the General Meeting held on June 20, 2012, until June 19, 2017 by the Company or by companies in which the Company holds a direct or indirect majority interest.

First Capital Partner GmbH is a shareholder of PATRIZIA Immobilien AG with 29,597,668 no-par value shares (previous year: 26,871,953 no-par value shares), which equates to a 51.62% shareholding (previous year: 51.55%).

5.1.2 CAPITAL RESERVES

The share premiums collected for the issue of new shares that occurred in the past as part of the Company's capital increase are posted on an unchanged basis in the Capital reserve. In connection with the issue of bonus shares in the 2012 fiscal year, the capital reserves fell by TEUR 5,218.

5.1.3 RETAINED EARNINGS

The legal reserve of TEUR 505 (previous year: TEUR 505) is posted under Retained earnings.

5.1.4 NON-CONTROLLING PARTNERS

As part of the initial consolidation of F 40 GmbH, PATRIZIA KinderHaus Foundation was allocated an amount of TEUR 878 corresponding to its share as a non-controlling partner. This amount is 5.1% of the market value of F 40 GmbH at the time of acquisition. In the year under review the company generated a result of TEUR -131, with the result that earnings of TEUR -7 were allocated to the non-controlling shareholder.

5.2 BANK LOANS

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	12/31/2012	12/31/2011
Less than 1 year	52,683	90,044
1 to 2 years	430,281	81,095
More than 2 to 5 years	38,090	522,213
More than 5 years	0	0
TOTAL	521,054	693,352

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

MATURITY

Year	Amount of loans due as at 12/31/2012	
	EUR '000	%
2013	52,683	10.1
2014	430,281	82.6
2015	38,090	7.3
2016	0	0.0
TOTAL	521,054	100

Bank loans are measured at amortized cost. They have variable interest rates. In this respect, the Group is exposed to an interest rate risk in terms of the cash flows. To limit the risk, the Group has concluded interest hedging transactions for the majority of the loans.

All loans are in euro. Where real estate is sold, financial liabilities are in principle redeemed through repayment of a specific share of the sale proceeds.

Accordingly, in the above table, the loan maturity dates existing on the balance sheet date are allocated in accordance with the contractually agreed terms of the loan agreements, without taking into account repayments from resales.

In the above table, loans whose terms end within the 12 months following the reporting date are posted as bank loans with a residual term of less than one year.

Regardless of the terms shown above, loans which serve to finance inventories are in principle reported in the balance sheet as short-term bank loans (cf. 1. Principles Applied in Preparing the Consolidated Financial Statements).

The Group's own real estate serves as security for the bank loans. The bank loans secured by real estate liens amount to TEUR 519,670 (previous year: TEUR 691,553). In addition, financial liabilities are secured by assigning purchasing prices, and others are secured by assigning future rental payments.

5.3 DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

The main deferred tax assets and deferred tax liabilities and their development are set out below:

DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

EUR '000	12/31/2012 Assets	12/31/2012 Liabilities	12/31/2011 Assets	12/31/2011 Liabilities
Investment Property	0	10,585	0	14,694
Inventories	0	1,292	0	771
Derivatives	3,550	0	5,333	0
Tax loss carryforwards	0	0	609	0
Intangible assets PATRIZIA GewerbeInvest KAG mbH	0	13,961	0	14,597
Securities PATRIZIA GewerbeInvest KAG mbH	0	0	0	219
Consolidation of debts	889	1,470	0	1,269
Other	187	560	5	102
	4,626	27,868	5,947	31,652
Netting	-4,626	-4,626	-5,338	-5,338
	0	23,242	609	26,314

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognized for losses prior to fiscal unity of TEUR 447 (previous year: TEUR 447). The loss carryforwards for which deferred tax assets have been capitalized will be used in line with expectations within the planning period (maximum two years). The losses can be carried forward for an indefinite period.

According to IAS 12.24(b), the Group has not recognized any deferred tax assets for the temporary differences arising from the real estate of Alte Haide Baugesellschaft mbH.

In the same way, no deferred tax assets have been recognized for existing loss carryforwards in Alte Haide Baugesellschaft mbH of TEUR 1,481 (previous year: TEUR 1,629) due to lack of predictability of their tax usability.

In addition, on the balance sheet date, two companies (previous year: one company) had corporation tax loss carryforwards of TEUR 31,481 (previous year: TEUR 41,909); no deferred tax assets were formed for these due to the lack of predictability concerning their usability for fiscal purposes.

Where possible, deferred tax assets and deferred tax liabilities are in principle offset against one another, as the Group has an enforceable right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income tax that is levied by the same tax authority.

The temporary differences relating to participating interests in subsidiaries for which no deferred taxes were recognized amounted to TEUR 11,342 (previous year: TEUR 9,411).

5.4 RETIREMENT BENEFIT OBLIGATIONS

In principle, there are no performance-related pension schemes at the Group. Exceptions to this are a scheme that was transferred in 2002 in conjunction with an acquisition and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of six people had a performance-related commitment. Four of these people are retired persons who already receive ongoing pension payments. As at December 31, 2012, actuarial interest rates of 2.78% – 3.0% (previous year: 4.6%) and a projected pension increase of 2.0% (previous year: 2.0%) were used for the reference reports prepared in accordance with IAS 19. The projected unit credit method was used as the calculation method. The calculations were based on Prof. Klaus Heubeck's biometric reference tables (probabilities of death and invalidity) (2005G Reference Tables). As at December 31, 2012, the pension provision recognized was TEUR 388 (previous year: TEUR 371). Due to the low level of the annual pension payments of TEUR 26 (previous year: TEUR 38) and therefore also the low value of the pension provision, the pension provision in the consolidated financial statements was not regarded as material. For this reason, there is no breakdown of the change to the pension provision. As at the balance sheet date, there were neither plan assets nor unrecognized actuarial losses and/or unrecognized past service costs. The interest cost is posted under Staff costs.

5.5 OTHER PROVISIONS

The changes in other provisions are shown below:

OTHER PROVISIONS 2012

EUR '000	01/01/2012	Addition	Release	Drawn	12/31/2012
Other provisions	1,092	1,479	39	1,053	1,479
	1,092				1,479

OTHER PROVISIONS 2011

EUR '000	01/01/2011	Addition	Release	Drawn	12/31/2011
Other provisions	666	1,092	160	506	1,092
	666				1,092

The other provisions chiefly consist of provisions for unused holiday entitlements, contributions to employee accident insurance and surcharges for not employing handicapped persons.

With regard to other provisions, it is to be assumed that the outflow of funds will occur in the subsequent year.

5.6 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

CURRENT LIABILITIES

EUR '000	12/31/2012	12/31/2011
Trade payables	1,914	1,606
Advance payments	1,591	309
Other liabilities	25,245	20,729
	28,750	22,644

The current liabilities have a residual term of less than 12 months. Due to the short residual term, there are no major differences between the carrying amount and the fair value of the liabilities. Other liabilities chiefly include liabilities for acquisition and manufacturing costs arising after the balance sheet date in an amount of TEUR 11,716 (previous year: TEUR 9,062).

5.7 TAX LIABILITIES

The tax liabilities mainly concern subsequent taxation of the former Equity 02 portfolios amounting to TEUR 2,463 (previous year: TEUR 2,847), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 4,598 (previous year: TEUR 2,750), corporation tax of TEUR 2,869 (previous year: TEUR 4,579) on account of subsidiaries in Luxembourg that are subject to limited taxation in Germany, and also other taxes.

5.8 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The Group's financial assets chiefly comprise trade receivables, other assets and bank balances. The Group is exposed to a credit risk in these categories. The Group's credit risk primarily results from trade receivables. Insofar as they are identifiable, these are decreased by specific value adjustments. For the trade receivables, where property is sold as a single asset, security exists in the form of a commercial right of retransfer for the sold real estate in the event of default by the customer. When individual apartments are sold, ownership is not transferred until the purchase price is received in full. Consequently, there is no credit risk here.

The bank balances are held at banks with strong credit ratings and are held with several different banks in order to diversify risks.

Apart from derivative instruments, the main financial liabilities used by the Group comprise long-term and short-term bank loans and trade payables. The main objective of these financial liabilities is to finance the Group's business activities.

The Group also has derivative financial instruments. These comprise interest rate swaps and interest rate collars. The aim of these derivative financial instruments is to hedge against interest risks which result from the Group's business activities and from its financing sources.

Significant risks for the Group arising from the financial instruments include interest-related cash flow risks and liquidity and credit risks. The Management decides on strategies and procedures to manage individual risk types; these are outlined below.

Interest Rate Risk

The risk from fluctuations in the market interest rates to which the Group is exposed results primarily from financial liabilities with a variable interest rate.

To manage and smooth the Group's interest expense, the Group concludes interest hedging transactions. At specified intervals the Group exchanges with the contractual partner the difference between fixed-interest and variable-interest amounts for a previously agreed nominal amount or sets a maximum rate. The underlying obligation is hedged with these interest hedging transactions. As at December 31, 2012, the Group's external funds were secured to the full extent (previous year: 84%).

Overview of the Interest Rate Risk

In principle, the PATRIZIA Group concludes only variable interest rate loans. The Group is therefore subject to an interest rate risk on financial liabilities. This risk is reduced by using derivative financial instruments whereby variable interest rates are exchanged for fixed interest rates (swap) or a fixed upper ceiling is agreed for variable interest (collar or cap).

The Group measures the interest rate risk with the help of the cash flow sensitivity in the case of an assumed parallel shift in the interest curve of 100 basis points. Assuming a rise of 100 basis points in the interest rate, then as at December 31, 2012 and without taking taxes into account, this would have an effect of TEUR 1,429 (previous year: TEUR 9,372) on the consolidated profit and TEUR 151 (previous year: TEUR 846) on consolidated equity. Taking deferred taxes into account, an increase of 100 basis points in the interest rate would have an effect of TEUR 1,382 (previous year: TEUR 7,251) on the consolidated profit and TEUR 127 (previous year: TEUR 712) on consolidated equity. When determining the effects, existing accounting hedges were included with their characteristics as they appeared on the balance sheet date.

Credit Risk

In principle, due to a wide and uncorrelated counterparty structure there is no concentration of risks in our group of companies.

With regard to the Group's other financial assets such as cash and cash equivalents, and financial investments available for sale, the maximum credit risk in the event of default by the counterparty corresponds to the carrying amount of these instruments.

Liquidity Risk

The Group continually monitors the risk of a liquidity bottleneck using liquidity planning. This liquidity planning takes into account the terms of the financial liabilities and also expected cash flows from the operating activities.

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

The maturities of financial liabilities can be found in item 5.2 of the Notes to the Consolidated Financial Statements.

 Further information
on page 122

Capital Management

The Group monitors its capital with the help of a gearing ratio which corresponds to the ratio of net financial liabilities to the sum of modified equity and net financial liabilities. Net financial liabilities comprise interest-bearing loans, trade payables and other liabilities less cash and short-term deposits. Modified equity comprises the equity attributable to the shareholders of the parent company less unrecognized profit.

CAPITAL MANAGEMENT

EUR '000	2012	2011
Interest-bearing loans	521,054	693,352
Trade payables and other liabilities	42,258	34,209
Less cash and short-term deposits	-38,135	-31,828
Net financial liabilities	525,177	695,733
Equity	336,387	310,075
Unrecognized losses	469	1,331
Total modified equity	336,856	311,406
Modified equity and net financial liabilities	862,033	1,007,139
Gearing ratio	61%	69%

5.9 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR '000	12/31/2012	12/31/2011
Loans and receivables	140,453	97,063
Available-for-sale financial assets	18,407	3,134

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

CARRYING AMOUNTS OF FINANCIAL LIABILITIES

EUR '000	2012	2011
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39	21,929	31,454
Financial liabilities which are measured at amortized cost	526,911	698,897
Derivative financial instruments which are designated as hedging instruments and are effective as such	503	2,249

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2012	2011
Loans and receivables	+699	+2,864
Available-for-sale financial assets	+6,557	+96
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (interest expenses)	-18,798	-16,851
Financial liabilities which are measured at amortized cost	-13,101	-23,564
Financial liabilities which are measured at fair value through profit or loss and are held for trading in accordance with IAS 39 (change in value)	+11,028	+4,947
Derivative financial instruments which are designated as hedging instruments and are effective as such - included in consolidated profit	+1	+190

Net profit and loss from financial instruments that are recognized at fair value through profit or loss include interest income/expense.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

6.1 REVENUES

Please refer to the statements on segment reporting.

Revenues include rental income from investment property of TEUR 31,227 (previous year: TEUR 38,864).

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase, sale and renovation of property intended for sale is recognized through profit or loss under Changes in inventories and is corrected accordingly in Cost of materials. Consequently, the acquisition of property intended for sale leads to an increase in inventories and the sale of the corresponding property leads to a reduction in inventories.

6.3 OTHER OPERATING INCOME

Other operating income primarily includes income from cancelled obligations in the amount of TEUR 4,257 (previous year: TEUR 5,053); income from liability compensation in the amount of TEUR 589 (previous year: TEUR 588); income from payments in kind of TEUR 639 (previous year: TEUR 553); income from insurance compensation in the amount of TEUR 171 (previous year: TEUR 367); income from the reduction in specific value adjustments in the amount of TEUR 791 (previous year: TEUR 3); income from costs charged on of TEUR 1,716 (previous year: TEUR 350) and the settlement of transaction fees in an amount of TEUR 2,736 (previous year: TEUR 0).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance and comprises maintenance expenses of TEUR 2,773 (previous year: TEUR 3,579), project development costs of TEUR 17,787 (previous year: TEUR 5,639), renovation costs of TEUR 14,988 (previous year: TEUR 15,064) and ancillary costs of TEUR 18,472 (previous year: TEUR 21,220).

6.5 STAFF COSTS

A breakdown of staff costs is shown below:

STAFF COSTS

EUR '000	2012	2011
Wages and salaries	42,389	31,573
Social insurance contributions	5,172	4,099
	47,561	35,672

6.6 AMORTIZATION

Scheduled amortization of software and equipment amounted to TEUR 2,573 (previous year: TEUR 1,526). This item also shows amortization of the hidden reserves allocated to the fund management contracts when PATRIZIA GerwerbInvest Kapitalanlagegesellschaft mbH was acquired. Subject to an annual impairment test, the annual amortization amount is TEUR 1,968 (previous year: TEUR 1,968).

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

OTHER OPERATING EXPENSES

EUR '000	2012	2011
Operating expenses	9,031	6,536
Administrative expenses	12,660	10,506
Selling expenses	17,456	14,926
Other expenses	6,121	9,022
	45,268	40,990

6.8 FINANCIAL RESULT

FINANCIAL RESULT

EUR '000	2012	2011
Interest on bank deposits	168	1,722
Income from securities	0	96
Changes in the value of derivatives	11,028	6,028
Other interest	531	1,142
Finance income	11,727	8,988
Interest on revolving lines of credit and bank loans	-13,101	-23,564
Interest rate hedging expense	-18,798	-16,851
Changes in the value of derivatives	0	-889
Release of other result from cash flow hedging	-781	0
Other finance costs	-2,177	-2,414
Financial expenses	-34,857	-43,718
Financial result	-23,130	-34,730

Interest income of TEUR 531 (previous year: TEUR 1,142), which was recognized at the effective interest rate, is attributable to loans and receivables. There were no pure measurement effects for instruments of this category. The amount of the impairment on receivables can be seen under section 4.5.

6.9 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAX

EUR '000	2012	2011
Actual taxes	-5,761	-5,814
Deferred taxes	2,595	-599
	-3,166	-6,413

The deferred taxes in the income statement chiefly result from loss carryforwards, the fair value measurement of interest rate hedging instruments and the investment property and also from the elimination of intra-Group results.

Reconciliation Statement

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

EFFECTIVE TAX EXPENSE

EUR '000	2012	2011
IFRS consolidated profit/loss for the period before income tax	28,621	19,906
Expected actual income tax expenses	-8,822	-6,137
Tax additions and deductions	1,518	-1,326
Use of non-capitalized loss carryforwards	2,974	1,360
Non-recognition of loss carryforwards	0	-713
Trade tax effects from income subject to limited taxation	823	240
Effects outside the period	808	561
Other	-467	-398
EFFECTIVE TAX EXPENSE	-3,166	-6,413

6.10 EARNINGS PER SHARE

EARNINGS PER SHARE

	2012	2011
Profit share of Group shareholders	25,461,247	13,571,454
Number of shares issued	57,343,000	52,130,000
Weighted number of shares	57,343,000	57,343,000
EARNINGS PER SHARE (UNDILUTED)	EUR 0.44	EUR 0.24

There were no diluted earnings per share in the reporting year or in the previous year. In application of IAS 33.64, the weighted number of shares for the previous year (52,130,000) was adjusted. In doing so, it was assumed that the weighted number of shares for 2011 corresponds to that for 2012.

The Managing Board was authorized, by resolution of the Annual General Meeting on June 20, 2012, to increase the share capital on one or more occasions with the consent of the Supervisory Board by up to a total of EUR 14,335,750 in exchange for cash contributions and/or contributions in kind by issuing new, registered no-par value shares (Authorized Capital 2012) by June 19, 2017.

7 SEGMENT REPORTING

In the PATRIZIA Group, the use of real estate as residential or commercial property determines and segments the associated activities. In line with the Group's reporting for management purposes and in accordance with the definition contained in IFRS 8 "Operating segments", three segments are identified based on functional criteria: Residential, Commercial and Special Real Estate Solutions.

The Residential segment bundles all activities relating to own investments, co-investments, funds and other services in the field of residential real estate. It comprises PATRIZIA Acquisition & Consulting GmbH, PATRIZIA Wohnen GmbH and PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH. The real estate portfolio for residential property resale and asset repositioning is held as own investments. Clients include private and institutional investors that invest either in individual residential units or in real estate portfolios. As of the balance sheet date, the segment had a portfolio of around 6,000 residential units (December 31, 2011: around 7,500) that are listed as investment property and inventories. The commission revenues from the co-investment WohnModul I (for example for residential property resale or for the purchase of residential real estate) are included in the portfolio management service revenues.

The Commercial segment combines the same portfolio of services for commercial real estate. This also covers the special fund provider for real estate PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and the co-investment PATROffice Real Estate GmbH & Co. KG. The only proprietary investment of PATRIZIA is currently a commercial property in Cologne with 25 units or 12,200 sqm.

The subsidiaries that serve both the residential and commercial sectors make up the Special Real Estate Solutions segment. These include PATRIZIA Alternative Investments GmbH, PATRIZIA Immobilienmanagement GmbH, PATRIZIA Projektentwicklung GmbH and PATRIZIA Sales GmbH. In particular, this segment bundles services for group companies, for the co-investments WohnModul I and Süddeutsche Wohnen GmbH (formerly LBBW Immobilien GmbH) and also for third parties. The commission revenues from the co-investments (e.g. for property management, for block sales or the management of new construction projects) are included in the portfolio management service revenues. PATRIZIA's own project developments are also shown under this segment.

The internal corporate, cross-company services provided by the holding company and all consolidating entries are shown in the segment Corporate/Consolidation, as are the activities of corporate divisions that are not shown separately. These mainly include PATRIZIA's foreign companies. Thus, all internal output is consolidated in the column "Group", which represents the external output of the Group.

The PATRIZIA Group's internal control and reporting measures are primarily based on the principles of accounting under IFRS. The Group measures the success of its segments using segment earnings, which are listed in the internal control and reporting as EBIT, operating EBIT, EBT and operating EBT.

The segment earnings parameter EBIT comprises a total of revenues, income from the sale of investment property, changes in inventories, cost of materials and staff costs, other operating income and expenses, changes in the value of investment property and also amortization and depreciation. To determine operating EBIT, allowances are made for non-liquidity-related effects. This firstly involves amortization of other intangible assets (fund management contracts) transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and secondly unrealized changes in the value of investment property. Realized changes in the value of investment property are added.

EBT comprises EBIT plus earnings from investments (including investments valued at equity) and the financial result. Operating EBT includes further adjustments to account for the results of the market valuation of the interest-rate hedging instruments.

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

Although PATRIZIA has now extended its operating activities to selected European regions, the majority of revenues are still generated within Germany. For this reason, PATRIZIA still refrains from applying geographical segmentation.

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. The calculation of individual financial figures is carried out on the basis of non-rounded figures.

2012 (JANUARY 1 – DECEMBER 31, 2012)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli- dation	Total
Portfolio-Management					
Third-party revenues	9,506	1,542	25,496	361	36,904
Rental revenues	0	0	0	2	2
Revenues from services	9,506	1,542	25,496	359	36,902
Intercompany revenues	19,657	630	5,000	-25,287	0
Own Investments					
Residential Property Resale					
Third-party revenues	96,745	-	9,865	-	106,610
Rental revenues	8,831	-	0	-	8,831
Purchase price revenues from single unit sales	83,772	-	0	-	83,772
Purchase price revenues from bloc sales	2,300	-	9,460	-	11,760
Other revenues	1,842	-	405	-	2,247
Intercompany revenues	116	-	6	-123	0
Asset Repositioning					
Third-party revenues	53,345	1,954	-	-	55,299
Rental revenues	32,540	1,371	-	-	33,911
Purchase price revenues from bloc sales	10,702	0	-	-	10,702
Other revenues	10,103	583	-	-	10,686
Intercompany revenues	145	94	-	-239	0
Funds					
Third-party revenues	8,388	22,037	-	-	30,425
Revenues from services	8,388	22,037	-	-	30,425
Intercompany revenues	1,025	148	-	-1,173	0
Total Group Revenues					
Third-party revenues	167,983	25,532	35,361	361	229,238
Rental revenues	41,370	1,371	1	2	42,744
Revenues from services	17,893	23,579	25,496	359	67,327
Purchase price revenues from single unit sales	83,772	0	0	0	83,772
Purchase price revenues from bloc sales	13,002	0	9,460	0	22,462
Other revenues	11,945	583	405	0	12,933
Intercompany revenues	20,943	873	5,007	-26,823	0
Finance income	14,360	787	2,632	-6,051	11,727
Finance cost	-43,128	-3,665	-4,757	16,693	-34,857
Significant non-cash earnings					
Market valuation income derivatives	11,028	0	0	0	11,028
Market valuation expenditures derivatives	-781	0	0	0	-781
Results from fair value adjustments to investment property	18	0	0	0	18
Amortization of other intangible assets	0	-1,968	0	0	-1,968
Valuation of fund shares	0	0	0	0	0
Segment result EBIT	53,494	6,715	3,403	-18,873	44,739
Segment result EBT	25,180	3,837	7,834	-8,230	28,621
Segment result realized operating EBIT	77,044	8,683	3,403	-18,873	70,257
Segment result realized operating EBT	38,483	5,805	7,834	-8,230	43,892
Thereof result from participating interests¹	455	0	6,557	0	7,012
Segment assets	734,301	106,752	55,893	54,607	951,553
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	15,810	15,810
Additions to non-current assets	3,174	4,632	200	25,372	33,378
Segment liabilities	-687,667	-64,623	-33,844	170,968	-615,166

¹ Including investments valued at equity

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2011 (JANUARY 1 – DECEMBER 31, 2011)

EUR '000	Residential	Commercial	Special Real Estate Solutions	Corporate/ Consoli- dation	Total
Portfolio-Management					
Third-party revenues	3,879	2,266	4,583	-185	10,544
Rental revenues	0	0	1	2	3
Revenues from services	3,879	2,266	4,582	-242	10,485
Intercompany revenues	14,233	2,286	6,148	-22,985	-318
Own Investments					
Residential Property Resale					
Third-party revenues	138,692	-	404	-	139,096
Rental revenues	20,810	-	310	-	21,120
Purchase price revenues from single unit sales	95,895	-	0	-	95,895
Purchase price revenues from bloc sales	15,833	-	0	-	15,833
Other revenues	6,154	-	94	-	6,248
Intercompany revenues	165	-	31	-	196
Asset Repositioning					
Third-party revenues	91,119	2,104	-	-	93,223
Rental revenues	32,820	1,380	-	-	34,200
Purchase price revenues from bloc sales	47,200	0	-	-	47,200
Other revenues	11,099	724	-	-	11,823
Intercompany revenues	54	68	-	-	122
Funds					
Third-party revenues	7,763	18,381	-	-	26,144
Revenues from services	7,763	18,381	-	-	26,144
Intercompany revenues	0	0	-	-	0
Total Group Revenues					
Third-party revenues	241,453	22,752	4,987	-185	269,007
Rental revenues	53,630	1,380	311	2	55,323
Revenues from services	11,642	20,648	4,582	-242	36,629
Purchase price revenues from single unit sales	95,895	0	0	0	95,895
Purchase price revenues from bloc sales	63,033	0	0	0	63,033
Other revenues	17,254	724	94	55	18,127
Intercompany revenues	14,452	2,354	6,179	-22,985	0
Finance income	8,932	1,117	1,056	-2,116	8,988
Finance cost	-51,150	-3,431	-3,087	13,949	-43,718
Significant non-cash earnings					
Market valuation income derivatives	5,696	332	0	0	6,028
Market valuation expenditures derivatives	-889	0	0	0	-889
Results from fair value adjustments to investment property	3	0	0	0	3
Amortization of other intangible assets	0	-1,968	0	0	-1,968
Valuation of fund shares	0	21	0	0	21
Segment result EBIT	73,299	3,770	-2,873	-19,565	54,631
Segment result EBT	31,081	1,456	-4,903	-7,727	19,906
Segment result realized operating EBIT	85,339	5,738	-2,873	-19,565	68,638
Segment result realized operating EBT	38,314	3,071	-4,903	-7,727	28,754
Thereof result from participating interests¹	-	-	-	5	5
Segment assets	899,297	115,059	94,013	-6,085	1,102,284
of which shareholding carrying amounts of financial investments valued at equity	0	0	0	6,838	6,838
Additions to non-current assets	1,368	47,195	0	0	48,563
Segment liabilities	-861,906	-77,892	-71,781	219,370	-792,209

¹ Including investments valued at equity

8 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement was prepared in line with the provisions of IAS 7.

In the cash flow statement, the payment flows are subdivided into cash flow from current operating activities, cash flow from investing activities and cash flow from financing activities. Effects of changes to the scope of consolidation are eliminated in the respective items. The cash flow from current operating activities was calculated using the indirect method.

Cash and cash equivalents contain the short-term bank balances and cash posted in the balance sheet. Of the cash and cash equivalents, an amount of TEUR 1,830 (previous year: TEUR 1,831) is restricted in terms of availability.

Cash flow from investing activities contains financial investments and sales, especially in/of investment property, and also property, plant and equipment and investments in financial assets.

Cash flow from financing activities includes cash outflows for dividends of PATRIZIA Immobilien AG as well as loan receipts and redemptions to finance current and non-current assets.

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

9 OTHER NOTES

9.1 POST-EMPLOYMENT EMPLOYEE BENEFITS

In principle, there are no performance-related pension schemes at the Group. Exceptions to this are a scheme that was transferred in 2002 as part of an acquisition process and a plan which was assumed in 2007 in connection with the acquisition of a real estate portfolio. As at the balance sheet date, a total of six people had a performance-related commitment. Two of these people are retired persons who already receive ongoing pension benefits. In addition, there are performance-related pension schemes for the Managing Board in the context of a company provident fund. In this respect, the Group makes set contributions to an independent entity (fund). This pension commitment involves a risk of subsidiary liability for the Group if the fund does not have sufficient assets to pay all benefits relating to work performed by the employees in the reporting period and earlier periods. The provident fund commitment is reinsured. The commitment was granted in 2003. In 2012, a total of TEUR 66.9 (previous year: TEUR 72) was paid in contributions to the provident fund.

Most employees in the Group have compulsory state pension insurance and are thus covered by a state defined contribution scheme. Under this pension commitment, the Group is neither legally nor factually obliged to pay contributions over and above this. Contributions under defined contribution pension systems are paid in the year in which the employee provided the counterperformance for these contributions.

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

9.2 MANAGEMENT PARTICIPATION MODEL

PATRIZIA Immobilien AG's management participation model focuses on the aspects of market conformity, performance and sustainability. The model was developed taking into account the requirements of the German Corporate Governance Code.

The fundamental requirement of PATRIZIA's management participation model is a consistent target system that supports the corporate strategy. It is based on a long-term, multidimensional and neutral approach. The system sets Managing Board members and managing directors of Group companies quantitative and qualitative Company, business line and individual goals. In principle, the degree to which quantitative goals are achieved is based on projected figures derived from the Company's planning. Key objectives include in particular consolidated profit before taxes of the past fiscal year without taking changes in the market value of investment property and of interest hedging instruments into account and without taking amortization of intangible assets (fund management contracts arising on the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH) into account. This adjusted pre-tax profit is published in PATRIZIA's financial reports as so-called EBT adjusted. Other objectives include the Group return on equity and also share price performance in relation to reference indices.

At business line level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and of performance interdependencies among the parties involved in processes. Managing Board members and managing directors of Group companies involved in the provision of services or in qualitative projects are set common targets.

At individual level, the quantitative results or qualitative project results for which the Managing Board members and managing directors of Group companies hold individual responsibility are taken into account.

The degree to which the individual goals are achieved determines the amount of the variable portion of remuneration. A cap is placed on achievable variable compensation components. If the Group achieves less than two-thirds of the aforementioned forecast consolidated profit, the Managing Board members and managing directors of Group companies lose the entire variable portion of remuneration.

The variable portion of remuneration is divided into a long-term and a short-term incentive component. The short-term incentive is paid directly after it has been established that the targets have been achieved. The long-term incentive is a salary commitment with a virtual link to the PATRIZIA share price. It is not paid until two or three years after confirmation that the targets have been achieved.

Within this vesting period, the cash commitment is tied to allocation conditions. These regulate the consequences regarding allocation of the long-term incentive to the respective individual Managing Board members and managing directors of a Group company should they leave the Group. Depending on the reason for leaving, an individual may receive all, part or none of the promised but as yet undistributed claims.

In 2012, a long-term incentive of TEUR 932 was established for the first and second management level. This corresponds to the provision formed for the maximum achievable long-term variable compensation. The final calculation cannot be made until all data required for the calculation are known; these data will not be known until after the consolidated financial statements have been approved. This monetary amount is converted into performance share units at the average Xetra price 30 days prior to and after December 31 of the fiscal year in question. The cash price equivalent of the shares calculated from this is paid out at the average Xetra rate 30 days prior to and after December 31 of the second or third year (vesting period).

Managers who leave the Company during the vesting period generally lose their claims to payment, unless they retire or die. Individual agreements may be concluded on a case-by-case basis.

Based on the average share price of the PATRIZIA share 30 days before and after December 31, 2012, the average rate is EUR 6.26. This corresponds to 148,990 shares. In the reporting period expenses of TEUR 2,135 (previous year: TEUR 772) arose for share-based compensation.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	No. of performance share units	Fair values 12/31/2012 EUR '000	Fair values 12/31/2011 EUR '000	Paid out EUR '000
Tranche performance share units fiscal year 2012 ¹	148,990	932	0	0
Tranche performance share units fiscal year 2011	249,618	1,563	976	0
Tranche performance share units fiscal year 2010	196,439	1,229	613	0
Tranche performance share units fiscal year 2009	97,725	0	335	335

¹ Corresponds to the provision posted for 120% target achievement. Final calculation of this variable becomes possible when all data required to determine it are known. This will not be until after the 2012 Consolidated Financial Statements have been approved.

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

PERFORMANCE SHARE UNITS

units	12/31/2012	12/31/2011
Outstanding at the start of the reporting period	561,123	276,306
Granted for the reporting period	189,567	284,817
Forfeited in the reporting period	57,917	0
Paid out in the reporting period	97,725	0
Outstanding at the end of the reporting period	595,047	561,123

9.3 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

The individuals and companies related to the company include the members of the Managing Board and Supervisory Board as well as the directors of subsidiaries, in each case including their close relatives, as well as companies on which the Managing Board or Supervisory Board members or their close relatives can exert a significant influence or in which they hold a significant share of the voting rights. In addition, related companies include companies with which the company forms an affiliated group or in which it holds a participating interest that enables it to exert significant influence on the business policy of the associated company, as well as the main shareholders of the company including its affiliated companies.

PATRIZIA maintains the following business relationships with related parties:

Ownership of PATRIZIA shares by members of the Managing Board and persons related to Managing Board members

As at the balance sheet date, Wolfgang Egger, CEO, holds a total stake of 51.62% in the Company via First Capital Partner GmbH, in which he directly and indirectly holds a 100% stake via WE Vermögensverwaltung GmbH & Co. KG.

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

Klaus Schmitt, a member of the Company's Managing Board, holds a total stake of 0.15% in PATRIZIA Immobilien AG.

Ownership of shares by other members of the management in key positions

In addition, Johannes Altmayr, Markus Fischer, Jürgen Kolper and Martin Lemke hold a total of 0.2% as members of PATRIZIA's additional management level.

Contracts and business relationships between the Managing Board members and PATRIZIA

PATRIZIA Immobilien AG and the subsidiaries of PATRIZIA Immobilien AG provide various services for Wolfgang Egger and for companies controlled indirectly or directly by Wolfgang Egger. In particular, these services relate to management of real estate portfolios and construction projects. The scope of services to be provided by PATRIZIA Immobilien AG and/or its subsidiaries is precisely defined in the framework agreement of March 25, 2010. The remuneration for services provided as agreed in the contract is in line with current market conditions. In the 2012 fiscal year, PATRIZIA provided services to the value of TEUR 14 (previous year: TEUR 532).

Rental agreements between Managing Board members and PATRIZIA

Wolfgang Egger – as lessor – has concluded a rental agreement with the Company – as tenant – relating to the building, including parking spaces, used by the Company as its head office (Fuggerstrasse 18-24 and also Fuggerstrasse 26 in Augsburg) at a current monthly rent of TEUR 103 (previous year: TEUR 103).

Activities of Managing Board members outside PATRIZIA

Chairman of the Board Wolfgang Egger is a director of Wolfgang Egger Verwaltungs GmbH (general partner of Wolfgang Egger GmbH & Co. KG), as well as general partner of Friedrich-List Vermögensverwaltungs KG.

Consultancy agreement with the law firm Seitz, Weckbach, Fackler

There is a consultancy relationship with the law firm Seitz, Weckbach, Fackler of Augsburg, under which the company is advised on competition and employment law. A partner in this law firm, Dr. Theodor Seitz, is also Chairman of the Company's Supervisory Board. In 2012 no consultancy costs were incurred with the law firm Seitz, Weckbach, Fackler (previous year: TEUR 1).

9.4. SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company

The following are members of the Managing Board:

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

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

SHORT-TERM COMPENSATION 2012¹

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

¹ Payment in the 2012 fiscal year

² The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

SHORT-TERM COMPENSATION 2011¹

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

¹ Payment in the 2011 fiscal year

² The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.

VARIABLE COMPENSATION WITH A LONG-TERM INCENTIVE EFFECT

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

¹ Granted in the 2012 calendar year for the 2011 fiscal year once all criteria required for determining the variable compensation were known.

² Granted in the 2011 calendar year for the 2010 fiscal year once all criteria required for determining the variable compensation were known.

³ Conversion to performance share units with two-year/three-year vesting period at an average price of EUR 3.45. To be paid out in 2014/2015 at the average Xetra price 30 days before and after December 31, 2013/2014.

⁴ Due to the bonus shares issued in a ratio of 10:1 in 2012, the performance share units issued were adjusted in the same ratio in order to offset any potential dilution effect.

⁵ Conversion to performance share units with two-year vesting period at an average price of EUR 4.02. To be paid out in 2013 at the average Xetra price 30 days before and after December 31, 2012.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

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

In the fiscal year, the Supervisory Board received remuneration of TEUR 100 (previous year: TEUR 63); details can be found in the following table:

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

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

¹ From the start of the 2012 fiscal year the Supervisory Board now receives only fixed compensation.

² Up to the end of 2011 the Supervisory Board was paid variable compensation based on the amount of dividends paid out for the last fiscal year. Since no dividend was paid for the 2011 fiscal year, the basis for performance-related compensation did not apply.

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

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

OBLIGATIONS ARISING FROM EXISTING MAINTENANCE AND LEASING AGREEMENTS

EUR '000	
2013	2,985
2014 – 2017	8,976
2018 and later	2,891
	14,852

Use of part of our office buildings is based on operating lease agreements. This also reduces capital tie-up and leaves the investment risk with the lessor. The leasing agreement for the office building in Augsburg still has a residual term of just under ten years and results in an annual leasing expense of TEUR 1,228. Rental agreements have also been concluded for subsidiaries' offices in other locations; they have remaining terms of between three months and three years. The obligations amount to TEUR 1,405 for 2013, TEUR 1,157 for 2014 and TEUR 1,098 for 2015.

9.6 EMPLOYEES

The average headcount at the Group in 2012 (excluding members of the Managing Board) was 529 (previous year: 455).

9.7 AUDITOR'S FEES

The expenses for the auditor recorded for the 2012 fiscal year amounted to TEUR 407 (previous year: TEUR 343) for auditing the financial statements and TEUR 4 (previous year: TEUR 15) for tax advisory services.

9.8 GERMAN CORPORATE GOVERNANCE CODE

On December 17, 2012, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act) and published it on the Company's homepage (www.patrizia.ag).

10 STATEMENT OF THE MANAGING BOARD

The Managing Board of PATRIZIA Immobilien AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and of the Management Report of the Company and the Group.

The Managing Board released these financial statements for presentation to the Supervisory Board on March 11, 2013. It is the duty of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them.

The Consolidated Financial Statements were prepared in line with the International Financial Reporting Standards (IFRS).

The Management Report of the Company and the Group contains analyses relating to the net asset, financial and earnings situation of the Group as well as other explanations as required by Article 315 of the Handelsgesetzbuch (HGB – German Commercial Code).

Augsburg, March 11, 2013



Wolfgang Egger
CEO



Arwed Fischer
CFO



Klaus Schmitt
COO

Appendix to the Notes to the Consolidated Financial Statements

LIST OF SHAREHOLDINGS

PATRIZIA Immobilien AG participates directly in the following companies:

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA Acquisition & Consulting GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Investmentmanagement GmbH ¹	Augsburg	100	164,912.54	0.00
PATRIZIA Immobilienmanagement GmbH ¹	Augsburg	100	16,881.05	0.00
PATRIZIA Projektentwicklung GmbH ¹	Augsburg	100	250,000.00	0.00
PATRIZIA Wohnen GmbH ¹	Augsburg	100	618,682.33	0.00
Deutsche Wohnungsprivatisierungs GmbH ¹	Augsburg	100	13,145.51	0.00
PATRIZIA Projekt 100 GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 110 GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 120 GmbH ¹	Augsburg	100	22,280.88	0.00
PATRIZIA Sales GmbH ¹ (formerly: PATRIZIA Projekt 140 GmbH)	Augsburg	100	34,592.95	0.00
PATRIZIA Projekt 160 GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH ¹	Augsburg	100	135,245,000.00	0.00
PATRIZIA Projekt 180 GmbH ¹	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalanlagegesellschaft mbH ¹	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 230 GmbH	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 240 GmbH	Augsburg	100	15,582.49	0.00
PATRIZIA Projekt 250 GmbH	Augsburg	100	14,837.33	0.00
PATRIZIA Projekt 260 GmbH ¹	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Hamburg	100	125,545.79	12,852.46
Stella Grundvermögen GmbH ¹	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance GmbH	Augsburg	100	10,841.41	-619.90
PATRIZIA Projekt 420 GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 450 GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Alternative Investments GmbH ¹	Augsburg	100	25,000.00	0.00
PATRIZIA Property Inc.	Wilmington, Delaware/USA	100	-9,623.16 ²	-7,950.57 ²
PATRIZIA Nordics A/S	Copenhagen	100	-66,130.58 ³	-143,796.04 ³
PATRIZIA Projekt 700 GmbH	Augsburg	100	42,300.00	-200.00
PATRIZIA Projekt 710 GmbH	Augsburg	100	40,549.09	12,550.00
Carl HR Verwaltungs GmbH	Munich	100	25,669.89	669.89
Carl B-Immo Verwaltungs GmbH	Munich	100	25,477.86	477.86
Carl A-Immo Verwaltungs GmbH	Munich	100	25,701.39	701.39
Carl Carry Verwaltungs GmbH	Munich	100	25,699.69	699.69
Blitz 12-571 GmbH	Munich	100	25,000.00	0.00
Carl HR AcquiCo GmbH	Munich	100	25,161.15	1,038.63

¹ As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.

² Amounts from 2011

³ Provisional financial statements

PATRIZIA Immobilien AG participates indirectly in the following companies:

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA European Real Estate Management GmbH	Augsburg	100	499,238.48	474,238.48
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	49,351.90	1,918.01
Alte Haide Baugesellschaft mbH	Augsburg	100	8,283,535.07	4,535.47
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	140,807,598.71	1,271,461.49
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,152,699.83	101,654.57
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	30,340,561.50	281,872.33
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	86,720.59	354.52
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	9,144,034.37	61,463.62
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	710,218.63	10,244.16
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	18,668,613.97	1,211,702.95
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	-48,174,044.57	29,810,838.94
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	-4,686,361.93	-1,610,842.47
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	-358,291.06	467,295.24
F40 GmbH	Augsburg	94.9	10,474,320.23	252,491.26
PATRIZIA Projekt 380 GmbH	Augsburg	100	10,175.33	-2,276.99
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	-701,301.14	-12,904.15
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	-1,169,999.22	-159,364.64
PATRIZIA Projekt 600 GmbH	Augsburg	100	6,011,071.41	5,273,358.32
PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH ¹	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	44,532.52	886.76
PATRIZIA Facility Management GmbH ²	Augsburg	100	25,000.00	0.00
PATRIZIA Scandinavia AB	Stockholm	100	12,012.55 ³	4,969.53 ³
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt	30	27,452.13	2,502.13
Projekt Feuerbachstraße GmbH & Co. KG	Frankfurt	28.3	575,595.62	-115,254.38

¹ As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 600 GmbH.

² As a result of the existing control and profit transfer agreement, the result is adopted by the stockholder PATRIZIA Projekt 180 GmbH.

³ Provisional financial statements

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

Name	Head office	Share holding %	Equity EUR	Net profit/net loss for the last fiscal year EUR
PATRIZIA Vermögensverwaltungs GmbH ¹	Augsburg	100	687,583.35	0.00
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	9.09	183,338,585.37	5,544,389.01

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

Auditor's Certificate

We have audited the consolidated financial statements prepared by PATRIZIA Immobilien AG, Augsburg – comprising the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated notes – as well as the report on the position of the company and the Group for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the report on the position of the company and the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of German commercial law additionally applicable as per Article 315a (1) of the German Commercial Code is the responsibility of the company's Managing Board. Our responsibility is to express an opinion on these consolidated financial statements and the report on the position of the company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net asset, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting framework and in the report on the position of the company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the report on the position of the company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and the significant estimates made by the Managing Board, as well as evaluating the overall presentation of the consolidated financial statements and the report on the position of the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PATRIZIA Immobilien AG, Augsburg, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law as per Article 315a (1) of the German Commercial Code and give a true and fair view of the net asset, financial and earnings situation of the Group in accordance with these requirements. The report on the position of the company and the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 11, 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

Stadter
German Public Auditor

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 management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.



Wolfgang Egger
CEO



Arwed Fischer
CFO



Klaus Schmitt
COO

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Further Information

Consolidated Balance Sheet

FIVE-YEAR OVERVIEW IN ACCORDANCE WITH IFRS

ASSETS

EUR '000	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
A. Non-current assets					
Goodwill	610	610	0	0	0
Other intangible assets	43,259	45,227	0	0	0
Software	7,553	5,280	2,811	539	579
Investment property	374,104	532,321	614,945	657,320	660,000
Investment property under construction	0	0	0	0	11,162
Equipment	3,479	2,762	1,893	1,650	2,005
Investments in joint ventures	0	18	8	13	6,033
Participations in associated companies	15,810	6,809	0	0	0
Participations	18,407	3,134	3,090	3,090	3,090
Long-term tax assets	201	846	281	313	311
Total non-current assets	463,423	597,007	623,028	662,925	683,180
B. Current assets					
Inventories	345,920	407,529	510,438	676,008	717,772
Securities	60	1,634	0	0	0
Short-term tax assets	5,380	4,279	263	1,879	6,685
Current receivables and other current assets	98,635	60,007	10,282	29,428	41,611
Bank balances and cash	38,135	31,828	70,537	56,183	67,905
Total current assets	488,130	505,277	591,520	763,498	833,973
TOTAL ASSETS	951,553	1,102,284	1,214,548	1,426,423	1,517,153

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EQUITY AND LIABILITIES

EUR '000	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
A. Equity					
Share capital	57,343	52,130	52,130	52,130	52,130
Capital reserves	210,644	215,862	215,862	215,862	215,862
Retained earnings					
Legal reserves	505	505	505	505	505
Non-controlling shareholders	1,556	1,563	832	877	0
Valuation results from cash flow hedges	-469	-1,331	-2,372	-6,079	-8,054
Consolidated net profit	66,808	41,346	27,775	21,529	31,029
Total equity	336,387	310,075	294,732	284,824	291,472
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	23,242	26,314	9,701	5,516	4,769
Long-term financial derivatives	16,363	33,470	39,715	34,208	24,551
Retirement benefit obligations	388	371	368	339	365
Long-term bank loans	302,004	417,685	0	0	0
Non-current liabilities	3,417	2,410	1,202	259	0
Total non-current liabilities	345,414	480,250	50,986	40,322	29,685
CURRENT LIABILITIES					
Short-term bank loans	219,050	275,667	841,380	1,070,207	1,161,735
Short-term financial derivatives	6,069	233	363	8,895	10,238
Other provisions	1,479	1,092	666	580	616
Current liabilities	28,750	22,644	17,008	13,116	12,556
Tax liabilities	14,404	12,323	9,413	8,051	9,847
Other current liabilities	0	0	0	428	1,004
Total current liabilities	269,752	311,959	868,830	1,101,277	1,195,996
TOTAL EQUITY AND LIABILITIES	951,553	1,102,284	1,214,548	1,426,423	1,517,153

Consolidated Income Statement

FIVE-YEAR OVERVIEW IN ACCORDANCE WITH IFRS

EUR '000	2012	2011	2010	2009	2008
Revenues	229,238	269,007	339,593	250,888	221,325
Income from the sale of investment property	16,916	6,205	1,237	370	21,747
Changes in inventories	-61,609	-102,910	-165,632	-106,173	-75,623
Other operating income	11,566	8,225	4,658	14,168	4,109
Total operating performance	196,111	180,527	179,856	159,253	171,558
Cost of materials	-54,020	-45,743	-68,072	-60,884	-66,000
Staff costs	-47,561	-35,672	-28,580	-23,888	-22,445
Results from fair value adjustments to investment property	18	3	325	0	0
Other operating expenses	-45,268	-40,990	-21,376	-17,553	-17,199
EBITDA	49,280	58,125	62,153	56,928	65,914
Amortization of intangible assets and depreciation on property, plant and equipment	-4,541	-3,494	-904	-824	-846
Earnings before interest and taxes (EBIT)	44,739	54,631	61,249	56,104	65,068
Income from participations	6,557	0	0	0	0
Earnings from companies accounted for using the equity method	455	5	-5	6	-1,004
Finance income	11,727	8,988	11,494	12,271	29,972
Finance cost	-34,857	-43,718	-61,250	-76,342	-126,444
Profit/loss before income taxes	28,621	19,906	11,488	-7,961	-32,408
Income tax	-3,166	-6,413	-5,287	-1,539	-1,730
Net profit/loss	25,455	13,493	6,201	-9,500	-34,138
Profit carried forward	41,223	27,730	21,529	31,029	65,167
CONSOLIDATED NET PROFIT	66,678	41,223	27,730	21,529	31,029
Earnings per share (undiluted) in EUR	0.44	0.24	0.12	-0.18	-0.65

Supervisory Board

AS OF DECEMBER 31, 2012

DR. THEODOR SEITZ

Chairman

Member of the Supervisory Board since 2002 and Chairman since 2003
Tax consultant, lawyer, Augsburg

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

I Chairman of the Supervisory Board of CDH AG, Augsburg

HARALD BOBERG

Deputy Chairman

Member of the Supervisory Board since 2003
Representative of Bankhaus Lampe KG (Düsseldorf), Hamburg

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- I Member of the Supervisory Board of HanseMerkur Lebensversicherung AG, Hamburg
(until December 31, 2012)
- I Member of the Supervisory Board of Flughafen Hamburg GmbH, Hamburg
(until December 31, 2012)
- I Deputy Chairman of the Supervisory Board of mosaïques diagnostics and therapeutics AG, Hanover

MANFRED J. GOTTSCHALLER

Deputy Chairman

Member of the Supervisory Board since 2003
Director of Bayerische Handelsbank AG i. R., Munich

Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

I None

Managing Board

AS OF DECEMBER 31, 2012

WOLFGANG EGGER

Chief Executive Officer

First appointed on: August 21, 2002

Appointed until: June 30, 2016

Responsibilities

Communications, Institutional Clients, Marketing, Research, Strategy and Business Development

Notification of seats on other supervisory boards pursuant to

Article 285 No. 10 of the German Commercial Code

I None

ARWED FISCHER

Chief Financial Officer

First appointed on: March 1, 2008

Appointed until: February 29, 2016

Responsibilities

Accounting, Central Purchasing, Controlling, Corporate Finance, Investor Relations, IT Management, Risk Management

Notification of seats on other supervisory boards pursuant to

Article 285 No. 10 of the German Commercial Code

I None

KLAUS SCHMITT

Chief Operating Officer

First appointed on: January 1, 2006

Appointed until: December 31, 2015

Responsibilities

Boards and Committees, Property Acquisitions, Human Resources, Legal Affairs, Management of Operating Business Fields, Organizational Development

Notification of seats on other supervisory boards pursuant to

Article 285 No. 10 of the German Commercial Code

I None

Financial Calendar and Contact

FINANCIAL CALENDAR 2013

March 21, 2013	Financial statements 2012
May 7, 2013	Interim report for the first quarter of 2013
June 12, 2013	Annual General Meeting, Augsburg
August 7, 2013	Interim report for the first half of 2013
November 7, 2013	Interim report for the first nine months of 2013

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This annual report was published on March 21, 2013. This is a translation of the German annual report. In case of divergence from the German version, the German version shall prevail. Both versions are available on our website:

- 🔗 www.patrizia.ag/de/investor-relations/berichte/geschaeftsberichte.html
- 🔗 www.patrizia.ag/en/investor-relations/reports/annual-reports.html

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