PATRIZIA
WERTE ENTSCHEIDEN

Q1

REPORT ON THE FIRST QUARTER

OF

2014

Key Figures

REVENUES AND EARNINGS

EUR '000	1st quarter 2014	1st quarter 2013
	01.01. – 31.03.2014	01.01. – 31.03.2013
Revenues	47,048	42,101
Total operating performance	55,401	39,061
EBITDA	12,167	3,824
EBIT	10,583	2,509
EBT	13,171	6,230
Operating result[1]	15,992	7,652
Consolidated net profit	12,040	5,196

STRUCTURE OF ASSETS AND CAPITAL

EUR '000	31.03.2014	31.12.2013
Non-current assets	362,468	390,036
Current assets	560,027	502,679
Equity	386,587	374,481
Equity ratio (in %)	41.9%	41.9%
Non-current liabilities	102,720	104,316
Current liabilities	433,188	413,918
Total assets	922,495	892,715

SHARE

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital at 31 March 2014	EUR 63,077,300
No. of shares in issue at 31 March 2014	63,077,300
First quarter 2014 high[2]	EUR 8.36
First quarter 2014 low[2]	EUR 7.49
Closing price 2013[2]	EUR 7.67
Closing price 31 March 2014[2]	EUR 8.36
Share price performance	9.1%
Market capitalisation at 31 March 2014	EUR 527.3 million
Average trading volume per day[3]	107,600 shares
Indices	SDAX, GEX, DIMAX

[1] Without amortisation of other intangible assets (fund management contracts) and gains/losses from currency translation, adjusted for profit/loss from interest rate hedges without cash effect. Realised changes in the value of investment property included.

[2] Closing price Xetra-trading

[3] All German stock exchanges

Contents

LETTER TO OUR SHAREHOLDERS

Dear shareholders,
Dear ladies and gentlemen,

For PATRIZIA Immobilien AG, the past fiscal year was shaped by extremely strong growth in assets under management and some one-off factors that affected results. For 2014, we have once again undertaken to channel this growth into increasing operating results. We are therefore delighted with our strong performance in the first quarter of 2014 when we more than doubled the previous year's figures for operating result, consolidated EBT and net profit. After adjustment for one special factor, all other accounting parameters also remained positive, reaffirming that we are on track to becoming a soundly positioned European real estate investment company.

We already reached an important milestone at the start of the 2014 fiscal year. In February, we signed the contract to purchase the "Leo I" real estate portfolio in Hessen. This portfolio comprises a total of 18 office buildings that are leased to the federal state of Hessen on a long-term basis and which have a combined market value of around EUR 1 billion. This transaction was closed at the end of the first quarter. The portfolio was incorporated into a special real estate fund. This proves we are able to implement our ambitious growth objectives quickly, and also establishes an excellent starting position for further development during the current year. We have set ourselves the goal of increasing the volume of real estate assets we manage by EUR 2 billion by the end of 2014. We have already achieved around half of this with the purchase of "Leo I".

Other components which will help to achieve our ambitious growth target include the net balance of purchases and sales by the two asset management companies and the co-investments and also of the continuing sale of own stock. However, growing our assets under management is not an end in itself but is instead intended to further increase our regular income from the management of real estate portfolios and corresponding investment vehicles and so enable stable, positive results. This is already evident in our figures for the first quarter of 2014. At the end of March the volume of real estate being managed amounted to EUR 12.9 billion.

Overall, in the first three months of the new fiscal year we posted an operating result of EUR 16.0 million, more than doubling the result of EUR 7.7 million achieved in the same quarter of 2013. At EUR 13.2 million (2013: EUR 6.2 million) earnings before tax according to IFRS also more than doubled, as did net profit at EUR 12.0 million (2013: EUR 5.2 million). The fact that we were unable to continue to improve our equity ratio and reduce bank loans in the first quarter was due to a special effect connected with the purchase of “Leo I”. Due to outstanding equity payments on the part of two investors, we took out bonded loans of EUR 84.9 million in the name of PATRIZIA Immobilien AG that extended beyond the quarterly reporting date and financed these through equity of EUR 20.5 million and a bridge loan of EUR 64.4 million. Once the investors’ payments were received in the first calendar week of April, both the equity portion and also the bridge loan were repaid. Consequently, this exceptional step will be eliminated from the figures in the half-yearly result, restoring the pleasing trend in improving the equity ratio and level of indebtedness.

Overall, therefore, we can be very pleased with our operating performance at the start of the year and still expect an operating result of at least EUR 50.0 million for 2014 as a whole. With regard to the next two quarters it is, however, important to note that since dividends and performance fees are received in the fourth quarter of a fiscal year, around 50% of the annual operating result will not be posted until the final quarter. This factor must be included in expectations for the next two quarters. However, the figures for the first quarter of 2014 and performance after the quarterly reporting date confirm our belief that in the 30th anniversary year of the founding of our company and based on our slogan “30 years of PATRIZIA – 100% passion”, we will further consolidate our position as a fully integrated real estate investment company with corresponding unique selling points.

The PATRIZIA Managing Board

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

Consolidated Interim Management Report

FOR THE FIRST QUARTER OF 2014

1 PATRIZIA ON THE CAPITAL MARKET

The PATRIZIA share started the new year at a price of EUR 7.67, rising 9.1% to EUR 8.36 by the end of the first quarter. This price on 31 March 2014 also represented the highest price of the quarter, with the lowest closing price of EUR 7.49 recorded on 16 January 2014. The average trading volume for the first quarter was 107,600 shares per day (full year in 2013: 162,600 shares/day).

2 OUR EMPLOYEES

As at 31 March 2014, PATRIZIA had 721 employees with permanent employment contracts, representing an increase of nine employees or 1.3% compared with the year-end (31 December 2013: 712 employees). Of these, 42 employees worked at the international locations, a further 38 were employed as trainees and students of Duale Hochschule Stuttgart majoring in real estate, and there were 58 part-time employees. In terms of full-time equivalents, PATRIZIA had 699 employees at the end of the quarter (31 December 2013: 688 employees). For the current year, the number of employees in Germany will remain fairly stable, while some positions remain to be filled in other countries.

3 ECONOMIC REPORT

3.1 ECONOMIC ENVIRONMENT

The German economy grew last year and reaffirmed its position as one of the most important macro economies in the Eurozone. The labour market revealed a positive trend thanks to stable domestic and international demand. By contrast, the euro area contracted slightly, due to a decline in internal demand and divergent development in southern EU countries. The current year is expected to bring a slight expansion, notably due to rising exports and the success of past structural reforms.

Residential Real Estate Market in Germany and Europe
The German real estate market proved extremely robust last year. The volume of investments rose to a record level since the start of the financial crisis with a pronounced increase in participation by international investors. Across Germany, prices for owner-occupied apartments and town houses recorded a further rise and the number of construction permits indicates an expansion in supply over the coming years. The positive trend in house prices in Great Britain, Sweden, Finland and Norway continued in 2013, notably due to the good demographics in these countries. With residential real estate proving increasingly attractive as an asset category, the European housing markets are expected to reveal stable development during the current year.

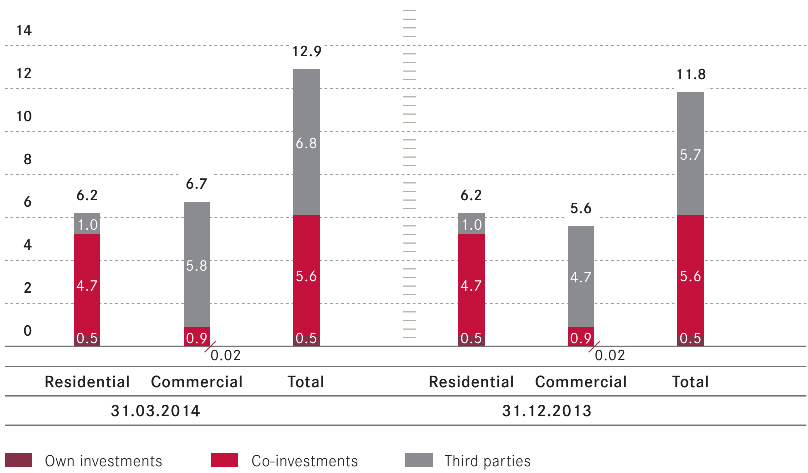
Commercial Real Estate Market in Germany and Europe
Last year, the German commercial real estate market benefitted from the favourable economic performance. Vacancy rates for office properties fell continuously in the top markets, with top rents showing stable development. The retail real estate market also revealed increasing demand from national and international investors, mainly focused on the top markets. In Europe, the volume of transactions also reached a record level. Great Britain and Germany remain the most important retail markets, where non-European investors accounted for two-thirds of investments last year. 2014 is expected to reveal growth in investments in secondary locations as demand for core locations significantly outstrips supply.

3.2 THE COURSE OF BUSINESS IN THE FIRST QUARTER OF 2014

Assets under management

At the end of the first quarter of 2014, PATRIZIA was managing real estate assets of EUR 12.9 billion. This represents a rise of EUR 1.1 billion or 9.8% (31 December 2013: EUR 11.8 billion). We have set ourselves the target of increasing managed real estate assets by EUR 2 billion by the end of 2014. We have already achieved around half of this with the purchase of “Leo I”. Almost all assets under management are now assigned to co-investments and services business for third parties.

ASSETS UNDER MANAGEMENT (IN EUR BILLION)



PATRIZIA’s level of participation is a determining factor in the financial assessment of business performance. Consequently, the figures in the table below are based on equity share and not on segments as these cannot be clearly differentiated based on the level of participation. The course of business is therefore shown based on the categories own investments, co-investments and third parties.

SUMMARY OF COMPLETED SALES, AVERAGE PRICES AND RENTS

	1st quarter 2014 01.01. – 31.03.2014	1st quarter 2013 01.01. – 31.03.2013	Change in %	2013 01.01. – 31.12.2013
Units from own stocks[1]	**237**	**260**	**–8.8**	**1,714**
Units from residential property resale	156	232	–32.8	746
Average weighted sales price in EUR/sqm	2,828	2,676	5.7	2,640
Units from block sales	81	28	> 100	968
Average weighted sales price in EUR/sqm	1,303	1,462	–10.9	1,618
Average rental income in EUR/sqm	7.53	7.67	–1.8	7.64
Co-investments[2]	**196**	**306**	**–35.9**	**1,054**
Units from residential property resale[3]	196	135	45.2	743
Units from block sales	0	171	–100	311
Services[2]	**39**	**118**	**–66.9**	**668**
Units from residential property resale	1	0	–	6
Units from block sales	38	118	–67.8	662
TOTAL	**472**	**684**	**–31.0**	**3,436**

[1] Transfer of ownership, usage and encumbrances (purchase price payments become due at the time of the commercial changeover and are thus recognised in profit or loss)
[2] Notarial deeds (sales commission becomes payable at the time of the notarial deed and is therefore recognised in profit or loss)
[3] Including new-build sales from real estate developments; Q1 2014: 48 units

OWN INVESTMENTS GERMANY

Residential property resales and block sales

The regional breakdown for the first quarter of 2014 is as follows:

RESIDENTIAL PROPERTY RESALES AND BLOCK SALES IN THE FIRST QUARTER OF 2014

Region/city	Number of units sold				Area sold in sqm			
	Residential property resale	Block sales	Total	Share in %	Residential property resale	Block sales	Total	Share in %
Munich	135	0	135	57.0	9,967	0	9,967	58.2
Cologne/Düsseldorf	7	81	88	37.1	698	5,373	6,071	35.4
Berlin	9	0	9	3.8	722	0	722	4.2
Hamburg	5	0	5	2.1	381	0	381	2.2
TOTAL	**156[1]**	**81[2]**	**237**	**100**	**11,769**	**5,373**	**17,142**	**100**

[1] Of these, 112 apartments were reported under investment property.
[2] Of these, 81 apartments were reported under investment property.

The area of **residential property resale** sold a total of 156 units from own stocks in the first quarter of 2014, 32.8% fewer than in the same period of the previous year (232 units). With a share of 62%, private investors were by far the most predominant category of purchasers. Owner-occupiers and tenants accounted for significantly lower shares with 27% and 11% respectively.

One transaction in Cologne/Düsseldorf with a total of 81 units was reported in income in the area of **block sales**.

The following is a summary of our portfolio after taking into account the **sales** completed in the first quarter of 2014 of 237 units, redensification measures and consolidations.

PATRIZIA PORTFOLIO – BREAKDOWN BY REGION AS AT 31 MARCH 2014

Region/city	Number of units				Area in sqm			
	Residential property resale	Block sales	Total	Share in %	Residential property resale	Block sales	Total	Share in %
Cologne/Düsseldorf	403	658	1,061	27.7	35,238	62,605	97,843	35.0
Leipzig	0	828	828	21.6	0	47,874	47,874	17.1
Frankfurt/Main	146	580	726	19.0	10,009	35,958	45,967	16.4
Hamburg	35	512	547	14.3	2,472	32,637	35,108	12.5
Munich	489	10	499	13.0	40,008	817	40,824	14.6
Hanover	0	106	106	2.8	0	7,604	7,604	2.7
Berlin	20	40	60	1.6	1,923	2,720	4,643	1.7
TOTAL	**1,093**	**2,734**	**3,827**	**100**	**89,649**	**190,215**	**279,863**	**100**

Own real estate developments

The VERO/F40 project in Frankfurt/Main will last for the entire 2014 fiscal year and have a corresponding impact on the income statement. Completion of the two projects IBA-Soft House in Hamburg and Friedrich-Karl-Terrassen in Cologne is on schedule for the second quarter of 2014.

CO-INVESTMENTS

For details on our co-investments GBW AG, Süddeutsche Wohnen GmbH (Südewo), WohnModul I SICAV-FIS, PATRoffice Real Estate GmbH & Co. KG, DEIKON, sono west, Plymouth Sound Holdings LP and Winnersh Holdings LP, please refer to the statements in the Company's 2013 Annual Report on p. 24 et seq. There were no major changes in the first three months of 2014.

THIRD PARTIES

PATRIZIA WohnInvest KAG mbH

Properties with a market value of EUR 14.5 million were transferred to the fund in the first quarter of 2014. In addition, properties with a market value of EUR 54.3 million were secured by purchase agreement.

PATRIZIA GewerbeInvest KAG mbH

Properties with a market value of EUR 1.2 billion were transferred to the funds of PATRIZIA GewerbeInvest KAG during the period under review. This concerns essentially the portfolio “Leo I”. Agreements made by savings banks to provide capital have increased further.

PATRIZIA FUNDS AS AT 31 MARCH 2014

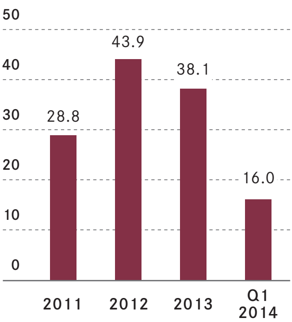
in EUR million	Planned target volume	Committed equity	Assets under management	Number of funds
PATRIZIA WohnInvest KAG mbH	**2,026**	**976**	**1,171[1]**	**7**
PATRIZIA GewerbeInvest KAG mbH	**7,696**	**4,063**	**5,211**	**17**
Modular funds	3,500	1,406	1,511	7
Individual funds	2,196	1,683	2,326	8
Label funds	2,000	974	1,373	2
TOTAL PATRIZIA	**9,722**	**5,039**	**6,382**	**24**

[1] Excludes real estate developments secured under purchase contracts

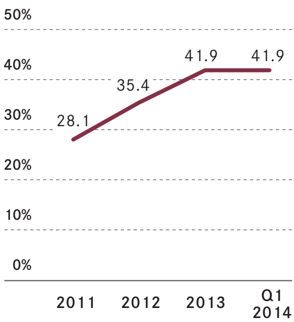
3.3 ECONOMIC POSITION IN THE FIRST QUARTER OF 2014

FINANCIAL PERFORMANCE INDICATORS

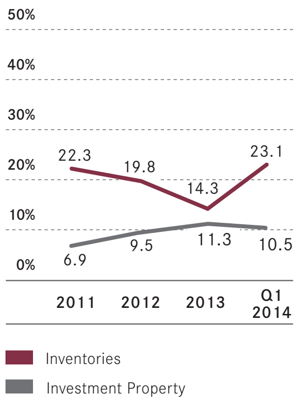
OPERATING RESULT[1]



EQUITY RATIO[2]



SALES MARGINS (GROSS)



[1] Operating result in EUR million
[2] Equity ratio for 2011 – 2013 as at 31 December of each year; for 2014 as at 31 March

EARNINGS SITUATION OF THE PATRIZIA GROUP

CONSOLIDATED REVENUES

	1st quarter 2014	1st quarter 2013		2013
	01.01. – 31.03.2014 EUR '000	01.01. – 31.03.2013 EUR '000	Change in %	01.01. – 31.12.2013 EUR '000
Purchase price revenues from residential property resale[1]	8,692	18,607	–53.3	54,763
Purchase price revenues from block sales[1]	0	0	–	25,491
Rental revenues	6,014	8,504	–29.3	30,699
Revenues from co-investments	4,562	2,896	57.5	39,226
Revenues from third parties	25,218	8,878	> 100	55,609
Other[2]	2,562	3,216	–20.3	11,609
TOTAL	**47,048**	**42,101**	**11.8**	**217,398**

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

In the first quarter of 2014, **consolidated revenues** improved 11.8% to EUR 47.0 million (first quarter of 2013: EUR 42.1 million). Significantly lower sales revenues from inventories (–53.3%) were more than offset by higher revenues from service business. The latter amounted to EUR 29.8 million, having more than doubled with an increase of 153%. Management Services now accounts for 63.3% of total consolidated revenues, which were previously dominated by sales successes. The purchase commission for the "Leo I" portfolio, which is reported under **revenues from third parties**, was a major contributory factor in this development. Total rental income for the first three months amounted to EUR 6.0 million and will fall further depending on planned sales.

Revenues have only limited significance for PATRIZIA since the selling prices of properties reported in non-current assets are not reflected in revenues. Profits from such sales are reported under the item **"Income from the sale of investment property".** After deduction of the carrying amounts of EUR 29.3 million, purchase price receipts of EUR 32.7 million (first quarter of 2013: EUR 34.7 million) resulted in a profit of EUR 3.4 million (gross margin: 10.5%). In the period 2007 – 2013, real estate accounted for positive pro-rata value adjustments that are only recognised at sale and reported accordingly in the presentation of the operating result and in the cash flow statement. The disproportionate reduction in purchase price revenues (–22.3%) compared with units sold (–8.8%) is largely due to block sales. In the previous year, units with significantly larger areas were sold.

PURCHASE PRICE REVENUES FROM REAL ESTATE SOLD IN THE FIRST QUARTER OF 2014

	1st quarter 2014	1st quarter 2013		2013
	01.01.– 31.03.2014 EUR '000	01.01.– 31.03.2013 EUR '000	Change in %	01.01.– 31.12.2013 EUR '000
Sales revenues from inventories	**8,692**	**18,607**	**–53.3**	**80,254**
Residential property resale	8,692	18,607	–53.3	54,763
Block sales	0	0	–	25,491
Sales revenues from investment property[1]	**32,744**	**34,729**	**–5.7**	**169,428**
Residential property resale	25,744	30,379	–15.3	96,691
Block sales	7,000	4,350	60.9	72,737
TOTAL	**41,436**	**53,336**	**–22.3**	**249,682**

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

Changes in inventories amounted to EUR 3.7 million in the first quarter of 2014 (first quarter of 2013: EUR –9.4 million). Additions to inventories of EUR 10.4 million (first quarter of 2013: EUR 5.4 million), largely as a result of capitalisation of new construction projects, exceeded the inventory outflows of EUR 6.7 million (first quarter of 2013: EUR –14.8 million). Based on the carrying value, a gross margin of 23.1% was achieved for the sale of inventories (first quarter of 2013: 20.5%).

The **cost of materials** increased to EUR 14.8 million (first quarter of 2013: EUR 10.9 million, +35.6%), of which EUR 8.5 million was attributable to PATRIZIA's own real estate developments. A further amount of EUR 3.7 million was attributable to renovation and maintenance measures, with the remaining cost of materials (EUR 2.6 million) resulting from ancillary costs.

Staff costs increased 20.3% to EUR 17.5 million (first quarter of 2013: EUR 14.6 million). This was largely driven by the new appointments in Germany and other countries during the past 2013 fiscal year. The acquisition of Tamar Capital Group Ltd. also increased costs compared with the first quarter of 2013, as did salary adjustments in line with market trends.

The **other operating expenses** in a total amount of EUR 10.9 million (first quarter of 2013: EUR 9.7 million, +11.9%) mainly comprise selling expenses of EUR 4.3 million, and also administrative expenses (EUR 2.6 million), operating expenses (EUR 3.1 million) and other expenses (EUR 0.9 million).

Earnings before finance income and income taxes (EBIT) in the first three months of 2014 amounted to EUR 10.6 million, having more than quadrupled compared with the same quarter in the previous year (first quarter of 2013: EUR 2.6 million).

In accordance with IFRS, changes in market value arising from interest hedging transactions are recognised in the consolidated income statement. Depending on the level of interest, the valuation is reported as income or expense in the **financial result,** causing the results to fluctuate substantially. However, this has no influence on PATRIZIA's liquidity position. Most of these **interest hedging transactions,** which guaranteed us a fixed average interest rate of 4.09%, were concluded at the end of 2006/beginning of 2007 in connection with the financing of major real estate portfolios. The majority of the interest hedging transactions expired on 31 January 2014, resulting in the interest hedging expense falling by EUR 2.9 million in the first quarter and having a corresponding positive impact on financing costs (interest rate plus margin). Declining by an average of 4.58%, this was the first time they had fallen below the figure for 2010 (first quarter of 2013: 5.83%; 2013: 7.06%). The remaining hedges will expire on 30 June 2014, leading to a further reduction in financial expenses. The **cash-related financial result** (cash-related interest expenses for bank loans plus expenses for interest rate hedging) improved from EUR –7.7 million to EUR –4.5 million (+41.6%). Further information on the financial result is available in Section 12 of the Notes to the Consolidated Interim Financial Statements.

MARKET VALUATION OF INTEREST RATE HEDGES

	1st quarter 2014	1st quarter 2013		2013
	01.01. – 31.03.2014 EUR '000	01.01. – 31.03.2013 EUR '000	Change in %	01.01. – 31.12.2013 EUR '000
Change in the value of derivatives	2,077	4,894	–57.6	19,525

The **income from participations** of EUR 4.2 million (first quarter of 2013: EUR 6.5 million) includes the quarterly pro-rata advance profit distribution of the co-investments Südewo (EUR 1.8 million) and GBW (EUR 2.4 million). To further increase the transparency of the income statement, the advance profit distributions are calculated on an exact monthly basis from 1 January 2014. The co-investment WohnModul I produced **earnings from companies accounted for using the equity method** of EUR 0.8 million (first quarter of 2013: EUR 0). It is important to note that in addition to residential property resale, new construction projects are also a focus here, even though these are largely still in the development phase. **Earnings before tax (EBT)** more than doubled from EUR 6.2 million to EUR 13.2 million.

The reconciliation of EBT in accordance with IFRS to the operating result is effected via an adjustment to non-cash-related components of the result and by taking realised value adjustments to investment property into account. In the financial result, the changes in market values of interest hedges and the gains/losses from currency translation are eliminated, and amortisation on fund management contracts is not included. There were no unrealised changes in the value of investment property in the first quarters of 2014 or 2013. This approach gives an **operating result** of EUR 16.0 million (first quarter of 2013: EUR 7.7 million). The Management Services segment now accounts for 74% of the operating result (first quarter of 2013: 24%; 2013: 77%).

CALCULATION OF THE ADJUSTED FIGURES

	1st quarter 2014	1st quarter 2013		2013
	01.01. – 31.03.2014 EUR '000	01.01. – 31.03.2013 EUR '000	Change in %	01.01. – 31.12.2013 EUR '000
EBIT	**10,583**	**2,509**	**> 100**	**18,749**
Amortisation on fund management contracts[1]	620	492	26.0	2,566
Unrealised change in the value of investment property	0	0	–	–17
Realised change in the value of investment property	4,247	5,824	–27.1	15,063
EBIT adjusted	**15,450**	**8,825**	**75.1**	**36,361**
Income from participations	4,166	6,528	–36.2	32,122
Earnings from companies accounted for using the equity method	784	0	–	658
Financial result	–2,453	–2,807	–12.6	–11,904
Change in the value of derivatives	–2,077	–4,894	–57.6	–19,525
Release of other result from cash flow hedging	31	0	–	433
Gains/losses from currency translation	91	0	–	–26
OPERATING RESULT	**15,992**	**7,652**	**> 100**	**38,119**

[1] Other intangible assets that resulted from the acquisition of PATRIZIA GewerbeInvest KAG mbH and Tamar Capital Group Ltd.

In the first quarter of the 2014 fiscal year, PATRIZIA achieved a **profit for the period** in accordance with IFRS of EUR 12.0 million (first quarter of 2013: EUR 5.2 million). **Earnings per share** rose from EUR 0.08 to EUR 0.19.

The table below provides a summary of the key items in the income statement:

SUMMARY OF THE KEY ITEMS IN THE INCOME STATEMENT

	1st quarter 2014	1st quarter 2013		2013
	01.01. – 31.03.2014 EUR '000	01.01. – 31.03.2013 EUR '000	Change in %	01.01. – 31.12.2013 EUR '000
Revenues	47,048	42,101	11.8	217,398
Total operating performance	55,401	39,061	41.8	207,878
EBITDA	12,167	3,824	> 100	24,856
EBIT	10,583	2,509	> 100	18,749
EBT	13,171	6,230	> 100	39,599
Operating result[1]	15,992	7,652	> 100	38,119
Profit for the period	12,040	5,196	> 100	37,168

[1] Adjusted for amortisation on other intangible assets (fund management contracts), unrealised value adjustments to investment property, gains/losses from currency translation and non-cash effects from interest hedging transactions. Realised changes in the value of investment property have been added.

NET ASSET AND FINANCIAL SITUATION OF THE PATRIZIA GROUP

PATRIZIA NET ASSET AND FINANCIAL KEY FIGURES

	31.03.2014 EUR '000	31.12.2013 EUR '000	Change in %
Total assets	922,495	892,715	3.3
Equity (including non-controlling partners)	386,587	374,481	3.2
Equity ratio	41.9%	41.9%	0
Bank loans	325,594	321,634	1.2
– Cash and cash equivalents	91,358	105,536	–13.4
+ Bonded loans (non-current liabilities)	77,000	77,000	0
= Net financial debt	311,236	293,098	6.2
Real estate assets[1]	514,274	538,920	–4.6
Loan to value[2]	63.3%	59.7%	3.6 PP
Net gearing[3]	80.8%	78.6%	2.2 PP
Operating return on equity[4]	16.8%	10.7%	6.1 PP

[1] Real estate assets comprise investment property valued at fair value and real estate held in inventories valued at amortised cost.
[2] Proportion of bank loans to real estate assets. Only investment property is calculated at fair value. Inventories are stated at amortised cost.
[3] Ratio of net financial debt to equity adjusted for minority interests
[4] Ratio of operating result to average equity

PP = percentage points

Total assets increased from EUR 892.7 million to EUR 922.5 million. Despite the fact that a bridge loan was taken out in an amount of EUR 64.4 million, total assets rose by only EUR 29.8 million. Adjusted for the bridge loan, total assets would have fallen by EUR 34.6 million. It should be noted that this interim financing was repaid at the beginning of April.

The rise in **inventories** was due to progress in the construction of the real estate developments (Frankfurt/Main, VERO/F40; Köln, Friedrich-Karl-Terrassen). This development was counteracted by the sale of stocks of property held for resale reported under inventories. As a result of sales, **investment property** fell by 12.3% to EUR 201.4 million. The carrying value of total real estate assets as at 31 March 2014 of EUR 514.3 million (31 December 2013: EUR 538.9 million) is calculated by adding inventories and investment property.

Since the end of 2013, **bank loans** rose slightly by 1.2% to EUR 325.6 million. This was because interim financing of EUR 64.4 million is still shown under this item as at 31 March 2014 in connection with the temporary acquisition of bonded loans for the special fund "PATRIZIA Res Publica Hessen II"; this bridge loan was, however, repaid in full at the beginning of

April 2014. A schedule of maturities for our loans is listed in Section 10.1 of the Notes to the Consolidated Interim Financial Statements of this report. **Cash and cash equivalents** fell 13.4% to EUR 91.4 million (31 December 2013: EUR 105.5 million). Here too, this was mainly due to the use of an amount of EUR 20.5 million of PATRIZIA's freely available liquidity for the short-term acquisition of bonded loans for the special fund "Leo I". This liquidity was also released at the beginning of April. At 41.9%, the Group's equity ratio remained unchanged on the year-end 2013. We aim to achieve a target ratio of 80 – 90% by the end of 2015.

PATRIZIA CAPITAL ALLOCATION AS AT 31 MARCH 2014

	Assets under management in EUR million	Investment capital in EUR million	Participation in %
Own investments	**7,289**	**280.3**	
Investment property and inventories[1]	514	228.6	100
Operating companies[2]	6,775	51.7	100
Co-investments	**5,629**	**120.8**	
Residential	**4,692**	**93.0**	
GBW AG	2,600	56.5	5.1
Süddeutsche Wohnen GmbH	1,503	14.9	2.5
WohnModul I SICAV-FIS	546	19.6	9.1
Other	43	2.0	10
Commercial Germany	**566**	**19.9**	
PATRoffice	321	7.8	6.3
sono west	58	7.0	30
Deikon	187	5.1	5.1
Commercial International	**371**	**7.9**	
Plymouth Sound Holdings LP (UK)	59	3.7	10
Winnersh Holdings LP (UK)	312	4.2	5
Other short-term tied investment capital (net)	**–**	**20.5**	**0**
Leo I	–	20.5	0
Tied investment capital	**12,918**	**421.6**	
Bank balances and cash	–	42.0	–
Total investment capital	**12,918**	**463.6**	
thereof borrowed capital (bonded loans)	–	77.0	–
thereof PATRIZIA equity	–	386.6	–

[1] Including real estate developments
[2] Including PATRIZIA WohnInvest KAG mbH, PATRIZIA GewerbeInvest KAG mbH, PATRIZIA UK, PATRIZIA Nordics

Net Asset Value (NAV)

At PATRIZIA, some real estate is valued at the market value (fair value, applies to investment property), and some at amortised cost (inventories). In the first quarter of 2014 sales resulted in respective gross margins of 23.1% and 10.5% above the carrying value, thus testifying to the value retention of our properties. The entire Services division, which at 74% accounted for the majority of the operating result for the first three months, is not included when calculating net asset value. Since the NAV represents a constantly declining part of PATRIZIA, we do not consider it appropriate to value the Group on the basis of this isolated indicator.

CALCULATION OF NAV

	31.03.2014 EUR '000	131.12.2013 EUR '000
Investment property[1]	201,387	229,717
Participations in associated companies	19,624	18,295
Participations	80,103	80,074
Inventories[2]	312,887	309,203
Current receivables and other current assets	64,450	82,262
Bank balances and cash	111,858[4]	105,536
Less non-current liabilities	–77,000[3]	–77,000[3]
Less currents liabilities	–86,402	–75,759
Less bank loans	–261,194[4]	–321,634
NAV	**365,713**	**350,694**
No. of shares	63,077,300	63,077,300
NAV/SHARE (EUR)	**5.80**	**5.56**

[1] Fair market valuation; (gross) sales margin of the first quarter of 2014: 10.5%
[2] Valuation at amortised cost; (gross) sales margin of the first quarter of 2014: 23.1%
[3] Adjusted for non-property-specific items
[4] Adjusted for the temporary special effect of the interim finance which was repaid at the beginning of April.

At this point it is important to mention that the entire service business is not mapped in the calculation of NAV and that inventory assets are accounted for at purchase cost.

4 DEVELOPMENT OF OPPORTUNITIES AND RISKS

In the course of its business activities, PATRIZIA Immobilien AG is confronted with both opportunities and risks. The necessary measures have been taken and processes put in place in the Group to identify negative trends and risks in good time and to counteract them. Since the annual accounts for the fiscal year 2013 there have been no significant changes related to the opportunity and risk profile to indicate any new risks or opportunities for the Group. The assessment of probabilities and potential extent of damage has also not led to any significant changes in the interim risk audit.

The statements in the risk report of the 2013 Annual Report still apply. Please therefore refer to the risk report on pages 50 et seq. of the 2013 Annual Report of PATRIZIA Immobilien AG for a detailed description of the opportunities and risks for the Group. No other risks are currently known to the Managing Board of PATRIZIA Immobilien AG.

5 REPORT ON EXPECTED DEVELOPMENTS

The PATRIZIA Managing Board forecasts an operating result of at least EUR 50 million for the 2014 fiscal year.

The report on expected developments published in the 2013 consolidated financial statements also includes a rise in assets under management of EUR 2 billion and a return on equity (based on the operating result achieved) of around 13%. At the year-end 2014 we expect a reduction in debt to EUR 180 million, of which around EUR 100 million will be attributable to bank loans and just under EUR 80 million to bonded loans.

More detailed statements can be found in the report on expected developments contained on pages 59 et seq. of the 2013 Annual Report.

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.

Consolidated Balance Sheet

AS OF 31 MARCH 2014

ASSETS

EUR '000	31.03.2014	31.12.2013
A. Non-current assets		
Goodwill	610	610
Other intangible assets	41,281	41,904
Software	8,750	8,698
Investment property	201,387	229,717
Equipment	4,722	4,765
Participations in associated companies	19,624	18,295
Participations	80,103	80,074
Loans	5,832	5,814
Long-term tax assets	159	159
Total non-current assets	**362,468**	**390,036**
B. Current assets		
Inventories	312,887	309,203
Securities	84,996	96
Short-term tax assets	6,336	5,582
Current receivables and other current assets	64,450	82,262
Bank balances and cash	91,358	105,536
Total current assets	**560,027**	**502,679**
TOTAL ASSETS	**922,495**	**892,715**

EQUITY AND LIABILITIES

EUR '000	31.03.2014	31.12.2013
A. Equity		
Share capital	63,077	63,077
Capital reserve	204,897	204,897
Retained earnings		
Legal reserves	505	505
Non-controlling shareholders	1,328	1,398
Valuation results from cash flow hedges	0	–31
Currency translation difference	535	500
Consolidated net profit	116,245	104,135
Total equity	**386,587**	**374,481**
B. Liabilities		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	22,110	22,933
Long-term financial derivatives	0	0
Retirement benefit obligations	534	534
Non-current liabilities	80,076	80,849
Total non-current liabilities	**102,720**	**104,316**
CURRENT LIABILITIES		
Short-term bank loans	325,594	321,634
Short-term financial derivatives	741	2,819
Other provisions	1,773	1,719
Current liabilities	86,402	75,759
Tax liabilities	14,512	11,987
Other current liabilities	4,166	0
Total current liabilities	**433,188**	**413,918**
TOTAL EQUITY AND LIABILITIES	**922,495**	**892,715**

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2014

EUR '000	01.01. – 31.03.2014	01.01. – 31.03.2013
Revenues	47,048	42,101
Income from the sale of investment property	3,445	4,278
Changes in inventories	3,684	–9,402
Other operating income	1,224	2,084
Total operating performance	**55,401**	**39,061**
Cost of materials	–14,790	–10,909
Staff costs	–17,543	–14,585
Other operating expenses	–10,901	–9,743
EBITDA	**12,167**	**3,824**
Amortisation of intangible assets and depreciation on property, plant and equipment	–1,584	–1,315
Earnings before finance income and income taxes (EBIT)	**10,583**	**2,509**
Income from participations	4,166	6,528
Earnings from companies accounted for using the equity method	784	0
Finance income	2,422	4,973
Finance cost	–4,875	–7,780
Losses from currency translation	91	0
Earnings before income taxes (EBT)	**13,171**	**6,230**
Income tax	–1,131	–1,034
Consolidated net profit	**12,040**	**5,196**
Earnings per share (undiluted) in EUR	0.19	0.08
The consolidated net profit for the period is allocated to:		
Shareholders of the parent company	12,110	5,237
Non-controlling shareholders	–70	–41
	12,040	**5,196**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2014

EUR '000	01.01.–31.03.2014	01.01.–31.03.2013
Consolidated net profit	**12,040**	**5,196**
Items of other comprehensive income with reclassification to net profit/loss for the period		
Profit/loss from the translation of financial statements of international business units	35	0
Cash flow hedges		
Amounts recorded during the reporting period	0	91
Reclassification of amounts that were recorded	31	0
Total result for the reporting period	**12,106**	**5,287**
The total result is allocated to:		
Shareholders of the parent company	12,176	5,328
Non-controlling shareholders	–70	–41
	12,106	**5,287**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2014

EUR '000	01.01.–31.03.2014	01.01.–31.03.2013
Consolidated net profit	12,040	5,196
Income taxes recognised through profit or loss	1,131	1,034
Financial expenses through profit or loss	4,875	7,780
Financial income through profit or loss	–2,422	–4,973
Amortisation of intangible assets and depreciation on property, plant and equipment	1,584	1,315
Gain on disposal of investment properties	–3,445	–4,278
Other non-cash items	–1,622	–486
Changes in inventories, receivables and other assets that are not attributable to investing activities	–71,526	56,142
Changes in liabilities that are not attributable to financing activities	15,490	1,590
Interest paid	–4,443	–7,558
Interest received	232	80
Income tax payments	–295	–2,296
Cash outflow/inflow from operating activities	**–48,401**	**53,546**
Capital investments in intangible assets and property, plant and equipment	–967	–1,427
Cash receipts from disposal of investment property	32,744	34,729
Payments for development or acquisition of investment property	–969	–570
Payments for the acquisition of shareholdings	0	–222
Payment for investments in companies accounted for using the equity method	–545	0
Cash inflow from investing activities	**30,263**	**32,510**
Borrowing of loans	64,400	25,940
Repayment of loans	–60,440	–31,077
Cash inflow/outflow from financing activities	**3,960**	**–5,137**
Changes in cash	**–14,178**	**80,919**
Cash 01.01.	105,536	38,135
Cash 31.03.	91,358	119,054

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 MARCH 2014

EUR '000	Share capital	Capital reserve	Valuation result from cash flow hedges	Retained earnings (legal reserve)	Currency translation	Consolidated net profit	Thereof attributable to the shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
Balance 01.01.2013	57,343	210,644	–469	505	0	66,808	334,831	1,556	336,387
Net amount recognised directly in equity, where applicable less income taxes			91				91		91
Net profit/loss for the period						5,237	5,237	–41	5,196
Full overall result for the period			91				5,328	–41	5,287
Balance 31.03.2013	57,343	210,644	–378	505	0	72,045	340,159	1,515	341,674
Balance 01.01.2014	63,077	204,897	–31	505	500	104,135	373,083	1,398	374,481
Net amount recognised directly in equity, where applicable less income taxes			31		35		66		66
Net profit/loss for the period						12,110	12,110	–70	12,040
Full overall result for the period			31				12,176	–70	12,106
BALANCE 31.03.2014	63,077	204,897	0	505	535	116,245	385,259	1,328	386,587

Notes to the Consolidated Interim Financial Statements

TO 31 MARCH 2014 (FIRST QUARTER OF 2014)

1 GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a listed German stock corporation. The Company's headquarters are located at Fuggerstrasse 26, 86150 Augsburg. PATRIZIA Immobilien AG has been active as an investor and service provider on the real estate market for 30 years, and now in over ten countries. PATRIZIA covers the spectrum of purchasing, management, appreciation and sale of residential and commercial real estate. As a recognised business partner of large institutional investors, the Company operates nationally and internationally, covering the entire value chain relating to all fields of real estate. Currently the Company manages real estate assets with a value of EUR 12.9 billion mainly as a co-investor and portfolio manager for insurance companies, pension fund institutions, sovereign wealth funds and savings banks.

2 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated interim financial statements of PATRIZIA Immobilien AG for the first quarter of 2014 (1 January to 31 March 2014) were prepared in accordance with Article 37 (3) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with Article 37w (2) WpHG 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.

From the perspective of the Company's management, the present unaudited consolidated interim financial statements for the period ended 31 March 2014 contain all of the information necessary to provide a true and fair view of the course of business and the earnings situation in the period under review. The earnings generated in the first three months of 2014 are not necessarily an indication of future earnings or of the expected total earnings for fiscal year 2014.

When preparing the consolidated financial statements for the interim report in line with IAS 34 "Interim Financial Reporting", the Managing Board of PATRIZIA Immobilien AG must make assessments and estimates as well as assumptions that affect the application of accounting standards in the Group and the reporting of assets and liabilities as well as income and expenses. Actual amounts may differ from these estimates.

These consolidated interim financial statements have been prepared in accordance with the same accounting policies as the last consolidated financial statements for fiscal year 2013. A detailed description of the principles applied in preparing the consolidated financial statements and the accounting methods used can be found in the notes to the IFRS consolidated financial statements for the year ending 31 December 2013, which are contained in the Company's 2013 Annual Report.

The unaudited interim financial statements were prepared in euro. The amounts, including the previous year's figures, are stated in EUR thousand (TEUR).

3 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. In addition to the parent company, the scope of consolidation comprises 67 subsidiaries. They are included in the consolidated financial statements in line with the rules of full consolidation.

Due to a change in shareholder structure, Carl Carry GmbH & Co. KG was included in the scope of consolidation in the first quarter of 2014.

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 real estate 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 this real estate development company are accounted for at purchase cost.

COMPANY ACQUISITIONS

PATRIZIA Immobilien AG acquired Archa 2 Oy, Helsinki, on 10 January 2014. The company was renamed PATRIZIA Finland Oy with effect from 3 March 2014. The company's share capital is EUR 2,547.06. The purpose of the company is the provision of property-related services in Finland.

4 INVESTMENT PROPERTY

Qualifying real estate as an investment is based on a corresponding management decision to use the real estate in question to generate rental income and thus liquidity, while realising higher rent potential over a long period and, accordingly, an increase in value. The share of owner-occupier use does not exceed 10% of the rental space. Measurement is at fair value taking into account the current usage that corresponds to the highest and best usage. Changes in value are recognised through profit or loss.

A detailed description of the accounting methods used can be found in the notes to the IFRS consolidated financial statements for the year ending 31 December 2013, which are contained in the Company's 2013 Annual Report.

5 PARTICIPATIONS IN ASSOCIATED COMPANIES

The item "Participations in associated companies" includes the 9.09% (previous year: 9.09%) share in PATRIZIA WohnModul I SICAV-FIS.

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS for the first quarter of 2014 was TEUR 784 (first quarter of 2013: TEUR 0).

6 PARTICIPATIONS

The item "Participations" includes the following main holdings:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2013: 6.25%)
- CARL A-Immo GmbH & Co. KG 12.5% (31 December 2013: 12.5%)
- sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2013: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30% (31 December 2013: 30%)
- PATRIZIA Projekt 150 GmbH 10% (31 December 2013: 10%)
- Plymouth Sound Holdings LP 10% (31 December 2013: 10%)
- Winnersh Holdings LP 4.9% (31 December 2013 4.9%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2013: 5.1%)
- GBW AG 5.1% (31 December 2013: 5.1%)

The investment result in the first quarter of 2014 was TEUR 4,166 (first quarter of 2013: TEUR 6,528).

7 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 modernisation and renovation activities. Assessment and qualification as an inventory is undertaken within the context of the purchasing decision and implemented in the balance sheet as 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 recognised during this time period. However, inventories are still classed as intended for direct sale even if the sale is not recognised within three years.

Inventories are carried at cost. Acquisition costs comprise the directly attributable purchase and commitment costs; production costs comprise the costs directly attributable to the real estate development process.

8 EQUITY

As at the reporting date, the share capital of PATRIZIA Immobilien AG amounted to EUR 63,077,300 (31 December 2013: EUR 63,077,300) and is divided into 63,077,300 no-par value shares. The development of equity is shown in the consolidated statement of changes in equity. As at 31 March 2014, equity improved to EUR 386.6 million (31 December 2013: EUR 374.5 million).

9 SECURITIES

On the reporting date, PATRIZIA Immobilien AG held share certificates in the special fund PATRIZIA Res Publica Hessen II in an amount of TEUR 84,900, of which TEUR 84,000 have since been re-sold to investors.

10 LIABILITIES

10.1 LIABILITIES TO BANKS

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

In the table below, loans whose terms end within the 12 months following the reporting date and also revolving lines of credit used are posted as bank loans with a residual term of less than one year. Regardless of the terms shown below, loans which serve to finance inventories are in principle reported in the balance sheet as short-term bank loans.

In connection with the temporary acquisition of share certificates in the special fund PATRIZIA Res Publica Hessen II, the liabilities to banks on the reporting date included a bridge loan in an amount of TEUR 64,400, which increased this balance sheet item. This interim finance was repaid in full at the beginning of April 2014.

The residual terms of the bank loans are as follows:

BANK LOANS

EUR '000	31.03.2014	31.12.2013
Up to 1 year	288,923	284,857
More than 1 year to 2 years	36,671	36,777
TOTAL	325,594	321,634

MATURITY OF LOANS BY FISCAL YEAR (1 JANUARY TO 31 DECEMBER)

Year	Amount of loans due as at			
	31.03.2014		31.12.2013	
	EUR '000	in %	EUR '000	in %
2014	288,923	88.7	284,857	88.6
2015	36,671	11.3	36,777	11.4
TOTAL	**325,594**	**100**	**321,634**	**100**

MATURITY OF LOANS BY QUARTER

Year	Quarter	Amount of loans due as at 31.03.2014	
		EUR '000	in %
2014	Q2	264,707	81.3
	Q4	24,216	7.4
2015	Q2	2,241	0.7
	Q4	34,430	10.6
TOTAL		**325,594**	**100**

10.2 LIABILITIES TO OTHER LENDERS

As at 31 March 2014, the non-current liabilities included bonded loans in an amount of TEUR 77,000.

10.3 OTHER CURRENT LIABILITIES

A corresponding deferred item was formed under other current liabilities in order to periodise the interim profits for the two co-investments Südewo and GBW.

11 REVENUES

Revenues comprise purchase price receipts from the sale of real estate held in inventories, on-going rental revenues, revenues from services and other revenues. Please refer to the statements on segment reporting.

12 FINANCIAL RESULT

EUR ’000	1st quarter 2014	1st quarter 2013	2013
	01.01.–31.03.2014	01.01.–31.03.2013	01.01.–31.12.2013
Interest on bank deposits	185	76	326
Changes in the value of derivatives	2,077	4,894	19,525
Other interest	160	3	669
Financial income	**2,422**	**4,973**	**20,520**
Interest on revolving lines of credit and bank loans	–1,438	–2,326	–8,104
Interest-rate hedging expense	–2,086	–5,018	–19,771
Release of other result from cash flow hedging	–31	0	–433
Other finance costs	–1,320	–436	–4,116
Financial expenses	**–4,875**	**–7,780**	**–32,424**
FINANCIAL RESULT	**–2,453**	**–2,807**	**–11,904**
Financial result adjusted for valuation effects	**–4,499**	**–7,701**	**–30,996**

13 EARNINGS PER SHARE

	1st quarter 2014	1st quarter 2013	2013
	01.01.–31.03.2014	01.01.–31.03.2013	01.01.–31.12.2013
Net profit for the period (in EUR ’000)	12,040	5,196	37,326
Number of shares issued	63,077,300	57,343,000	63,077,300
Weighted number of shares	63,077,300	63,077,300	63,077,300
EARNINGS PER SHARE (IN EURO)	**0.19**	**0.08**	**0.59**

In application of IAS 33.64, the weighted number of shares for the same quarter in the previous year (57,343,000) was adjusted. In doing so, it was assumed that the weighted number of shares throughout the year for 2013 corresponds to that for 2014.

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

14 SEGMENT REPORTING

Segment reporting categorises the business segments according to whether PATRIZIA acts as investor or service provider. In line with the Group's reporting for management purposes and in accordance with the definition contained in IFRS 8 "Operating segments", two segments have been identified based on functional criteria: **Investments** and **Management Services.** Besides functional criteria, the operating segments will also be delimited by geographical criteria. Country assignment will be effected according to the location of the real estate asset being managed. International subsidiaries will continue to be reported as a total for the time being owing to the still low contribution made by the individual national companies to revenues and results.

In addition, PATRIZIA Immobilien AG (corporate administration) together with the management of international subsidiaries will be reported under Corporate. Corporate does not constitute an operating segment with an obligation to report but is presented separately owing to its activity as an internal service provider and its transnational function.

The elimination of intracompany revenues, interim results and the reversal of intracompany interest charges will be performed via the Consolidation column. The "Corporate" column thus consolidates all internal services between the Investments and Management Services segments and the Group within a country; it represents the external service provided by the Group in the region concerned. Transnational consolidation is performed in the Consolidation row.

The **Investments segment** primarily bundles portfolio management and the sale of own investments. As at the balance sheet date, the segment had a portfolio of around 3,800 residential units (31 December 2013: around 4,100) as well as three real estate developments that are reported as investment property and inventories. Clients include private and institutional investors that invest either in individual residential units or in real estate portfolios. It is planned to sell off the entire stock of own property as far as possible by the end of 2015.

The results of all participating interests (excluding interim profits) from co-investments are also reported in this segment.

The **Management Services segment** covers a broad spectrum of real estate services, in particular analysis and consultancy during the purchase and sale of individual residential and commercial properties or portfolios (Acquisition and Sales), the management of real estate (Property Management), value-oriented management of real estate portfolios (Asset Management) as well as strategic consulting with regard to investment strategy, portfolio planning and allocation (Portfolio Management) and the execution of complex, non-standard investments (Alternative Investments). Special funds are also established and managed – including at a client's individual request – via the Group's two own asset management companies. Commission revenues generated by services, both from co-investments and from business with third parties, are reported in the Management Services segment. These also include income from participating interests that are granted as interim profits for asset management of the two co-investments Südewo and GBW.

The range of services provided by the Management Services segment is being increasingly used by third parties as assets under management grow and PATRIZIA sells off more and more of its own portfolio.

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 parameters, which for the purposes of internal control and reporting are referred to as EBT and operating EBT (operating result).

EBT, the measure of segment earnings, comprises the total of revenues, income from the sale of investment property, changes in inventories, cost of materials and staff costs, other operating income and expenses, changes in the value of investment property, amortisation, as well as earnings from investments (including investments valued at equity) and the financial result and gains/losses from currency translation.

Certain adjustments are made in the course of determining operating EBT (operating result). First, these involve non-cash effects such as amortisation on other intangible assets (fund management contracts) transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and Tamar Capital Group Ltd., unrealised changes in the value of investment property, gains/losses from currency translation and the results of the market valuation of the interest-rate hedging instruments. Second, income-related realised changes in the value of investment property are then added to this.

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

Due to the capital intensity of the segment, the assets and liabilities in the Investments segment account for well over 90% of the Group’s total assets and liabilities. For this reason, there is no breakdown of assets and liabilities by individual segments.

The individual segment figures are set out below. The reporting of amounts in EUR thousands can result in rounding differences. However, individual items are calculated on the basis of non-rounded figures. Figures from the previous year have been adapted to the new structure.

FIRST QUARTER 2014 (1 JANUARY – 31 MARCH 2014)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
External revenues	**17,243**	**28,656**	**0**	**0**	**45,899**
Purchase price revenues from single unit sales	8,692	0			8,692
Purchase price revenues from block sales	0	0			0
Rental revenues	6,014	0			6,014
Revenues from services	0	28,656			28,656
Co-investments		4,516			4,516
Third parties		24,140			24,140
Other revenues	2,537	0			2,537
Intercompany revenues	**94**	**3,170**	**0**	**–2,600**	**664**
International[1]					
External revenues	**0**	**1,058**	**0**	**0**	**1,058**
Revenues from services		1,058			1,058
Co-investments		26			26
Third parties		1,032			1,032
Intercompany revenues		**762**			**762**
Corporate					
External revenues	**0**	**0**	**91**	**0**	**91**
Intercompany revenues	**0**	**0**	**5,340**	**0**	**5,340**
Consolidation					
External revenues	**0**	**0**	**0**	**0**	**0**
Intercompany revenues	**0**	**–936**	**0**	**–5,830**	**–6,766**
Group					
External revenues	**17,243**	**29,714**	**91**	**0**	**47,048**
Purchase price revenues from single unit sales	8,692	0	0		8,692
Purchase price revenues from block sales	0	0	0		0
Rental revenues	6,014	0	0		6,014
Revenues from services	0	29,714	66		29,780
Co-investments		4,542	20		4,562
Third parties		25,172	46		25,218
Other revenues	2,537	0	25		2,562
Intercompany revenues	**94**	**2,996**	**5,340**	**–8,430**	**0**
Financial Result	**–3,961**	**900**	**605**	**3**	**–2,453**
Financial income					
Germany	2,773	141	0	–161	2,753
International[1]	39	2,892	0	–1,473	1,458
Corporate	0	0	2,278	0	2,278
Consolidation	–1,376	–5	0	–2,686	–4,067
Group	**1,436**	**3,028**	**2,278**	**–4,320**	**2,422**
Financial expenses					
Germany	–6,663	–478	0	161	–6,980
International[1]	–111	–1,655	0	1,476	–290
Corporate	0	0	–1,673	0	–1,673
Consolidation	1,376	5	0	2,686	4,068
Group	**–5,398**	**–2,128**	**–1,673**	**4,322**	**–4,875**

[1] France, Great Britain, Luxembourg, Nordics

➔

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	2,861	13,459	0	284	16,604
International[1]	–88	–202	0	0	–290
Corporate	0	0	–2,704	0	–2,704
Consolidation	0	0	0	–439	–439
Group	**2,773**	**13,257**	**–2,704**	**–155**	**13,171**
Adjustments					
Germany	**2,201**	**492**	**0**	**0**	**2,693**
Significant non-operating earnings	2,046	–492	0	0	1,554
Market valuation income derivatives	2,077	0			2,077
Market valuation expenditures derivatives	–31	0			–31
Changes in the value of investment property	0	0			0
Fund agreement amortisation	0	–492			–492
Realised fair value	4,247	0	0	0	4,247
International[1]	**0**	**128**	**0**	**0**	**128**
Significant non-operating earnings		–128			–128
Fund agreement amortisation		–128			–128
Group	**2,201**	**620**	**0**	**0**	**2,821**
Operating result (adjusted EBT)					
Germany	5,062	13,951	0	284	19,297
International[1]	–88	–74	0	0	–162
Corporate	0	0	–2,704	0	–2,704
Consolidation	0	0	0	–439	–439
Group	**4,974**	**13,877**	**–2,704**	**–155**	**15.992**

[1] France, Great Britain, Luxembourg, Nordics

FIRST QUARTER 2013 (1 JANUARY – 31 MARCH 2013)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
External revenues	**30,327**	**11,562**	**0**	**0**	**41,889**
Purchase price revenues from single unit sales	18,607	0			18,607
Purchase price revenues from block sales	0	0			0
Rental revenues	8,504	0			8,504
Revenues from services	0	11,562			11,562
Co-investments	0	2,896			2,896
Third parties	0	8,666			8,666
Other revenues	3,216	0			3,216
Intercompany revenues	**87**	**4,713**	**0**	**–4,800**	**0**
International[1]					
External revenues	**0**	**212**	**0**	**0**	**212**
Revenues from services		212			212
Co-investments		0			0
Third parties		212			212
Intercompany revenues	**0**	**0**	**0**	**0**	**0**
Corporate					
External revenues	**0**	**0**	**0**	**0**	**0**
Intercompany revenues	**0**	**0**	**2,847**	**–2,847**	**0**
Consolidation					
External revenues	**0**	**0**	**0**	**0**	**0**
Intercompany revenues	**0**	**0**	**–2,847**	**2,847**	**0**
Group					
External revenues	**30,327**	**11,774**	**0**	**0**	**42,101**
Purchase price revenues from single unit sales	18,607	0	0		18,607
Purchase price revenues from block sales	0	0	0		0
Rental revenues	8,504	0	0		8,504
Revenues from services	0	11,774	0		11,774
Co-investments		2,896	0		2,896
Third parties		8,878	0		8,878
Other revenues	3,216	0	0		3,216
Intercompany revenues	**87**	**4,713**	**0**	**–4,800**	**0**
Financial Result	–3,832	–312	1,338	–1	–2,807
Financial income					
Germany	6,536	164	0	0	6,700
International[1]	3,096	0	0	0	3,096
Corporate	0	0	1,722	0	1,722
Consolidation	0	0	0	–6,545	–6,545
Group	**9,632**	**164**	**1,722**	**–6,545**	**4,973**
Financial expenses					
Germany	–11,623	–476	0	0	–12,099
International[1]	–1,842	0	0	0	–1,842
Corporate	0	0	–383	0	–383
Consolidation	0	0	0	6,544	6,544
Group	**–13,465**	**–476**	**–383**	**6,544**	**–7,780**

[1] France, Great Britain, Luxembourg, Nordics

➔

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
EBT (IFRS)					
Germany	6,445	2,537	0	227	9,209
International[1]	1.254	–294	0	0	960
Corporate	0	0	–3,939	0	–3,939
Consolidation	0	0	0	0	0
Group	**7,699**	**2,243**	**–3,939**	**227**	**6,230**
Adjustments					
Germany	**930**	**492**	**0**	**0**	**1,422**
Significant non-operating earnings	4,894	–492			4,402
Market valuation income derivatives	4,894	0			4,894
Valuation of fund shares	0	–492			–492
Realised fair value	5,824	0			5,824
International[1]	**0**	**0**	**0**	**0**	**0**
Group	**930**	**492**	**0**	**0**	**1,422**
Operating result (EBT)					
Germany	7,374	3,029	0	227	10,630
International[1]	1,254	–294	0	0	960
Corporate	0	0	–3,939	0	–3,939
Consolidation	0	0	0	0	0
Group	**8,628**	**2,735**	**–3,939**	**227**	**7,652**

[1] France, Great Britain, Luxembourg, Nordics

15 TRANSACTIONS WITH RELATED COMPANIES AND INDIVIDUALS

At the reporting date, the Managing Board of PATRIZIA Immobilien AG was not aware of any dealings, contracts or legal transactions with associated or related parties and/or companies for which the Company does not receive appropriate consideration at arm's length conditions. All such transactions are conducted at arm's length and do not differ substantially from transactions with other parties for the provision of goods and services.

The disclosures on related party transactions contained in section 9.3 of the notes to the consolidated financial statements in the 2013 Annual Report remain valid.

16 RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES OF PATRIZIA IMMOBILIEN AG PURSUANT TO ARTICLE 37Y OF THE WERTPAPIERHANDELSGESETZ (WPHG – GERMAN SECURITIES ACT) IN CONJUNCTION WITH ARTICLE 37W (2) NO. 3 OF THE WPHG

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

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

Financial Calendar and Contact Details

FINANCIAL CALENDAR 2014

8 May 2014	Interim report for the first quarter of 2014
27 June 2014	Annual General Meeting, Augsburg
6 August 2014	Interim report for the first half of 2014
6 November 2014	Interim report for the first nine months of 2014

PATRIZIA Immobilien AG
PATRIZIA Bürohaus
Fuggerstrasse 26
86150 Augsburg
Germany
P +49 821 50910-000
F +49 821 50910-999
immobilien@patrizia.ag
www.patrizia.ag

Investor Relations
Verena Schopp de Alvarenga
P +49 821 50910-351
F +49 821 50910-399
investor.relations@patrizia.ag

Press
Andreas Menke
P +49 821 50910-655
F +49 821 50910-695
presse@patrizia.ag

This interim report was published on 8 May 2014. This is a translation of the German interim report. In case of divergence from the German version, the German version shall prevail.

PATRIZIA Immobilien AG
PATRIZIA Bürohaus
Fuggerstrasse 26
86150 Augsburg
Germany
P +49 821 50910-000
F +49 821 50910-999
immobilien@patrizia.ag
www.patrizia.ag