PATRIZIA
WERTE ENTSCHEIDEN

ANNUAL REPORT 2015

expanding our reach

Key Figures

REVENUES AND EARNINGS

EUR'000	2015	2014	Change
Revenues	384,858	291,815	31.9%
Total operating performance	249,419	205,468	21.4%
EBITDA	175,077	55,886	213.3%
EBIT	168,018	48,946	243.3%
EBT	150,895	41,998	259.3%
Operating income[1]	155,271	50,210	209.2%
Consolidated net profit	134,462	35,020	284.0%

STRUCTURE OF ASSETS AND CAPITAL

EUR'000	31.12.2015	31.12.2014
Non-current assets	255,243	304,247
Current assets	1,376,588	436,929
Equity	539,791	410,048
Equity ratio (in %)	33.1%	55.3%
Non-current liabilities	105,202	102,878
Current liabilities	986,838	228,250
Total assets	1,631,831	741,176

SHARE

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	P1Z
Share capital as at 31 December 2015	EUR 76,323,533
No. of shares in issue as at 31 December 2015	76,323,533
2015 high[2]	EUR 27.97
2015 low[2]	EUR 12.48
Closing Price 2015[2]	EUR 27.00
Share price performance	121%
Market capitalisation as at 31 December 2015[2]	EUR 2.1 billion
Average trading volume per day[3]	139,900 shares
Indices	SDAX, GEX, DIMAX

[1] Without amortisation of fund management contracts, software and equipment, adjusted for profit/loss from interest rate and currency hedging instruments without cash effect. Realised changes in the value of investment property have been added.
[2] Closing price Xetra trading
[3] All German stock exchanges

Markets and regions

We are always a step closer to our clients – and we have a dedicated presence at selected locations: in Germany, Amsterdam, Copenhagen, Dublin, Helsinki, London, Luxembourg, Madrid and Paris.

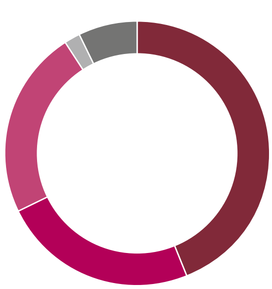
Assets under Management

in Europe

- Third Parties 53%
- Co-Investments 40%
- Principal Investments 7%

Investor structure

by sector



- Pensions funds 44%
- Saving Banks 24%
- Insurances 23%
- Banks, Endowments and Corporates 2%
- Others 7%

Institutional Investors

by region

- Domestic institutional investors 85%
- International institutional investors 15%

PATRIZIA is growing. And this is a good thing, since PATRIZIA wouldn't be where it is today if it weren't for growth. Whether it's in Germany, the United Kingdom, France, the Netherlands, the Nordics or Spain; whether in the area of offices, residential property, hotels, care homes or retail; whether for core or value-add investments; whether for purchases or new buildings; whether in the area of administration, rentals or sales – nowadays PATRIZIA is active in many different countries for all types of use and along the entire property value chain.

Growth has been – and still is – an essential part of the company's success. This means that growth is not an end in itself. It's a logical reaction to demand from the market. Since 1984, PATRIZIA has consistently developed this demand, thanks to investor confidence. PATRIZIA's work is based on trust and its everyday activities build on quality – enabling the company to continue to enjoy success in the future.

Contents

These symbols are used for the following information:

- Additional information in the Annual Report
- Additional information on the website
- References to sources

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

LETTER TO OUR SHAREHOLDERS

Dear shareholders,
Dear ladies and gentlemen,

2015 was once again a very successful year for PATRIZIA. This was also reflected in the key performance indicators we use to measure PATRIZIA against. We were able to achieve an outstanding operating income of EUR 155.3 million, with assets under management increasing by EUR 2.0 billion to EUR 16.6 billion. This growth is the result of a very active year: With an acquisition volume of EUR 4.2 billion and disposals of EUR 3.0 billion, our transactions totalled EUR 7.2 billion in Europe last year. In addition, we generated a valuation uplift of EUR 0.8 billion in our assets under management.

Today, we are one of the leading real estate investment firms in Europe. Our business model is very simple: We generate income across Europe by providing investment and asset management services to our investors and in some instances we invest alongside of our clients. Our long-term strategic direction has proven to be the right one and is bearing fruit. In recent years we have deliberately focussed our growth on developing our activities in Europe and this is where we see further significant potential in the future.

Strong European network

However, growth on its own is not our key purpose. PATRIZIA's growth is based on the trust of our clients, who wish to consolidate and expand their business relationships with us. Our growth has developed sustainably with well-structured products that deliver attractive returns. Based on this trust and an easily scalable platform, we successfully extended the scope of our activities last year to cover 15 European markets. We have our teams on the ground in these local markets enabling them to seek out attractive investment opportunities in virtually all asset classes and across all risk profiles. Last year in Europe, for example, we:

- invested the equivalent of around EUR 200 million in several co-investment- and principal investments and completed our first investments in the **United Kingdom**. Furthermore, we were able to acquire the building which houses "Madame Tussauds", the wax works museum, a world famous tourist attraction in London for EUR 484.2 million on behalf of a well-known Asian investor,

- acquired the largest retail portfolio of 2015 for EUR 346 million in the **Netherlands**, and

- added a specialist team for the **Iberian market** and for **European logistics investments** to enable us to offer investments in these two prospering areas.

Deep real estate expertise throughout Europe

PATRIZIA and its employees have a long-standing experience in the industry, an impressive track record and excellent business relationships. This network, in which our employees also collaborate across countries, ensures we get access to interesting portfolios – including off-market – whilst having the in-house expertise to swiftly execute complex transactions. Examples of this in the last year include the acquisition of around 13,500 apartments in Germany that were owned by a company that was stock-listed in a Scandinavian fund structure. We delisted the fund quickly for EUR 0.9 billion enabling us to sell it on only a few months later for EUR 1.1 billion.

PATRIZIA has the DNA of an investor

We are able to perform transactions like the one set out above because PATRIZIA has the DNA of an investor. In the first 20 years of our existence we only invested our own money, and today we make this experience and our knowledge available to our clients. Furthermore, we continue to invest our own capital when we are faced with complex structures or when speed of execution is required.

Trust and satisfaction

This is how we earn one of the most important factors for our success – the trust of our investors and clients. For the 200 institutional investors who invest with or through us, we invest responsibly and in their interest and always deliver on our promises. They demonstrate their thanks not only by their significant trust but also by their willingness to invest additional capital with and through us. More than half of our investors, have multiple investments with PATRIZIA, and in 2015 we saw them entrust EUR 1.5 billion of additional equity to us to invest on their behalf.

This growth in the development of our business is also expressed in the following indicators:

- **Assets under management** increased to EUR 16.6 billion, up 13.6%. Of this, a substantial element included growth in assets under management outside of Germany, which increased by an impressive 40.8% to EUR 5.5 billion.

- **Operating income** increased threefold to EUR 155.3 million, up significantly on the EUR 50.2 million delivered in the previous year. The main driver was the successful sale of SÜDEWO. This demonstrates that we are not only focussed on attractive acquisition opportunities, but are also keen to identify disposal opportunities that will deliver significant returns for our clients.

- Our **cash balance** of EUR 179.1 million will provide the flexibility to pursue potential new investments if attractive opportunities arise.

- We achieved a **transaction volume** of EUR 7.2 billion across 103 major transactions – and privatised an additional 345 apartments for retail investors.

Ladies and gentlemen,

We are very proud of the developments achieved over the last few months and years. PATRIZIA's business model is proven to be very profitable across Europe. Nevertheless, we strive to grow further, building on this excellent result. In particular, the expansion of our European business offers further potential growth for us and for our clients. With our organisational structure and our international platform in place we have created the groundwork for a successful future for our company. We wish to, and we will, continue to establish PATRIZIA as a leading European real estate investment firm over 2016 and in the coming years.

For you as PATRIZIA shareholders this means that you will benefit threefold:

- The PATRIZIA business model will generate long-term income through the services that we provide for our investors.

- We will earn performance-related remuneration when we achieve or exceed individually agreed returns.

- You will participate in the development of an attractive portfolio which is diversified across Europe through our co-investments and principal investments.

Outlook for 2016

For 2016 we expect another significant increase in our operating income to at least EUR 250 million and further expansion of our European activities. This will be accompanied by a further increase in assets under management by around EUR 2 billion.

All this would not be possible without our dedicated employees, who with their perseverance and commitment continue to develop the PATRIZIA business in the interests of our clients and shareholders every day. We would like to extend them our special thanks for their active collaboration in the past year.

We would also like to take this opportunity to thank you, our shareholders, for your loyalty. We would be delighted if you continued to place your trust in us and accompany us in the future.

Augsburg, 17 March 2016

The PATRIZIA Managing Board

Wolfgang Egger
CEO

Karim Bohn
CFO

Klaus Schmitt
COO

OUR SUCCESSES

Approx. 17

EUR billion
real estate assets managed

11.1

EUR billion
assets under management in Germany

58

percent
commercial assets under management

5.5

EUR billion
assets under management in Europe
(without Germany)

Our Successes

Operating Income

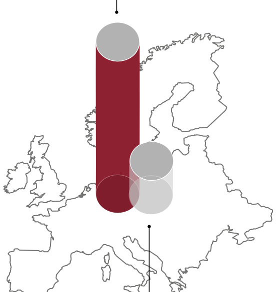
Delivering growth

We achieved our aim for 2015: PATRIZIA is now one of Europe's leading property investment companies. Our next task is to grow PATRIZIA further.

PROPERTY ASSETS

Approx. 17

EUR billion in 2015



Approx. 7

EUR billion in 2012

PATRIZIA Immobilien AG has been active in the property market for over 30 years as an investor and asset management service provider. With 823 employees located in nine countries, we manage property assets worth around EUR 17 billion – as a co-investor and portfolio manager for investors from Germany and abroad. Our services include acquisition, management, value enhancement and sales. This means that we cover the whole value chain for residential and commercial property.

GROWTH CREATES NEW OPPORTUNITIES

But we are not growing just for the sake of it. Demand for our investments is increasing, so we want to develop innovative products and services for new and our traditional markets, for both existing and potential clients. Our growth is based on the exceptional level of service that we have provided since 1984 and the high level of confidence that our investors have in us as a result of this. We have regional teams and specialists for all property categories – all of whom have excellent knowledge of their respective country – so our clients benefit from our considerable expertise. PATRIZIA's diversified set-up allows us to provide advice that is not biased towards certain products. A further reason for growth within Europe is that many clients would like to diversify their assets with a strong partner who thinks and acts like they do: in an owner-oriented and sustainable way. Investors want partners who are transparent and thus are recognised as stable and secure when it comes to transactions. Last but not least, the size of our company allows us to utilise economies of scale – a further important parameter for sustainable growth.

WE NEVER LOSE SIGHT OF OUR ROOTS

While we would like to create a stable foundation for expanding our company, we do not want to stray from our DNA as an investor. For the first 20 years of our business, we only invested our own money. Now we also invest our clients' money. Read on to find out how we are implementing our strategy for growth.

PATRIZIA was founded in Augsburg in 1984. Today we have offices throughout Europe. As one of the leading property investment companies in Europe, PATRIZIA currently manages property assets worth around EUR 17 billion.

INVESTMENTS IN 2015

Approx. **4.4**

EUR billion

Of this, PATRIZIA invested 1.7 billion in Germany and 2.7 billion in European countries in 2015: the UK, Ireland, Spain, the Netherlands, Denmark, Belgium, France and Sweden.

PRESENCE IN

15

countries across Europe

PATRIZIA is currently active in 15 countries in Europe: London, Paris, Frankfurt, Luxembourg, Amsterdam, Madrid, Munich, Berlin, Copenhagen and Hamburg.

Growing our presence

Our local offices in the Nordic countries, France, the UK, Ireland, Luxembourg, the Netherlands and Spain enable us to identify market opportunities early and have direct access to clients and properties.

DIVERSIFICATION CREATES FURTHER OPPORTUNITIES FOR GROWTH

Being present throughout Europe allows us to make the most of shifting market cycles and be more flexible in our investment and disposal decisions. Penetration of different types of property use leads to further diversification. It also decreases dependence on cyclical developments in individual market segments. Increasing diversification further reduces the risk for us and our clients, which creates opportunities for investment in every market phase.

We are careful about how we invest: we expand either by integrating established companies into ours or by setting up country offices with experienced and highly qualified experts. Local employees on the ground are responsible for managing our properties and are always in control of all investment processes and administrative procedures.

IDEALLY POSITIONED IN THE RESIDENTIAL PROPERTY MARKET

That is how we are able to benefit from market opportunities throughout Europe, which gives us a considerable advantage over our competitors. We are already ideally positioned in future growth markets such as the Netherlands, Spain and the UK thanks to our many years of experience. In a 2014 ranking by the magazine IP Real Estate, PATRIZIA was listed fourth among the world's largest residential property investment managers. In Europe the market which is very relevant for us – we came second.

APARTMENT PORTFOLIO IN FRANCE ACQUIRED

In 2015, PATRIZIA completed a purchase in the French residential property market. Our subsidiary PATRIZIA France acquired around 1,000 apartments and six retail units with over 60,000 sqm of rentable space in Paris and other major cities. Another good example of how we identify investment opportunities early on

In Denmark alone, the property assets managed by PATRIZIA have increased to around EUR 800 million. This is partly due to the purchase of the “Galleri K” complex in central Copenhagen. It houses 20 premium brands and is one of the most attractive residential and retail properties in Denmark.

is our co-investment with a German pension fund in Ireland with the purchase of the five-story “Park Lodge”, which has 62 upscale apartments and approximately 4,700 sqm of floor space and is located close to the centre of Dublin.

NEW COMMERCIAL PROPERTY IN VARIOUS COUNTRIES

We have also carried out significant transactions in the commercial property market. For one of our funds, we purchased a prestigious office building in the “Leopold” Quarter in Brussels. It comprises around 3,700 sqm of floor space in the immediate vicinity of many EU institutions. Tenants in the Belgian capital include the airline Emirates and the insurance company Allianz. The Spanish property market is now recovering, and we were able to purchase an attractive retail property in Malaga for a fund that we set up. There is good demand from major chains for space in this listed building, which has around 1,800 sqm of floor space and it is currently 100 percent let. Finally, we purchased the commercial complex “Galleri K” in central Copenhagen for a co-investment with a German pension fund. It houses 20 high-end shops, plus offices and apartments, and is situated on the most exclusive stretch of the well-known shopping street Stroget.

EXPANDING OUR BUSINESS TO COVER A NEW ASSET CLASS

We founded a Europe-wide division, headquartered in Amsterdam, to deal with our international logistics property business. Our aim is to serve the growing market for logistics facilities in a very targeted way. We are currently observing the European markets very closely and making the most of opportunities for our company and our clients.

Inspiring confidence

Expanding into new markets has allowed us to considerably broaden our client base in Germany and internationally. Institutional investors have the utmost confidence in us. In Germany, one in four savings banks invests in property via PATRIZIA.

A STRATEGIC PARTNER FOR ASIAN INVESTORS

In May 2015, PATRIZIA was able to secure a capital provider from Asia for the second time – for an investment in the UK. In early 2014, the renowned Korean investor Korean Teachers' Credit Union (KTCU) had already provided us with mezzanine capital worth EUR 43 million to purchase a business park near London. This illustrates the trend of major institutional investors from Asia increasingly investing worldwide in order to diversify their portfolios. They are also seeking strategic partners. Because of our network of specialist teams throughout Europe, we can offer them a range of solutions from a single source – and we already have built a good reputation based on successful transactions.

ACTIVE IN THE FUND BUSINESS FOR PRIVATE INVESTORS FOR THE FIRST TIME

In 2014, the company PATRIZIA GrundInvest KVG mbH was founded, and in the summer of 2015, it was authorised by Germany's Federal Financial Supervisory Authority. It has opened up a whole new client segment for us in the funds business. For the first time, high-quality closed-end property funds are being set up for private investors. They are able to take a stake in our products from EUR 10,000 upwards and benefit from our entire European network – a great advantage in our business. All property types – offices, retail, hotels and apartments throughout Europe – are served, which allows for an optimal risk diversification that should lead to an annual rate of return of four to six percent. The product pipeline for this is filling up: for the first retail fund for private investors, two modern commercial properties on the campus of the RWTH Aachen University were purchased. For the second retail fund, which will also be placed in 2016, we purchased the modern Südtor complex. It features a hotel, apartments, offices and restaurants and is prominently located in Stuttgart.

We have not just gained an additional attraction. We have also acquired an investment worth around EUR 466 million. PATRIZIA has purchased the building that houses the world-famous wax museum “Madame Tussauds” in London.

ASIAN INVESTORS

466

EUR million

For the Taiwanese insurance company Fubon Life, which is one of Asia’s largest insurers, we purchased the building that houses the world-famous wax museum “Madame Tussauds” in London, for approximately EUR 466 million.

INSTITUTIONAL INVESTORS

Approx. 200

Around 200 insurance companies, pension funds, sovereign wealth funds and savings banks invest with us or through us in property around Europe and benefit from our expertise in this industry.

Offering more choice

Another way we attract new client groups and establish a good reputation beyond national borders is by continually expanding our range of products. The PATRIZIA funds aim for stable cash flows and sustainable returns on investment based on risk diversification. PATRIZIA Research analyses the entire European market for our clients and identifies market opportunities.

MAJOR OFF-MARKET DEAL CLOSED IN 2015

In 2015, PATRIZIA carried out a very special transaction when we purchased a residential portfolio worth EUR 900 million: 13,500 high-quality apartments in Germany and over 500 apartments in Sweden were purchased from a Swedish property fund in an off-market deal. In the same financial year, the apartments were sold to a German investor and a Swedish investor in two transactions.

CO-INVESTMENT MODEL FOR BUILDING MORE APARTMENTS IN GERMANY

Apartments in Germany are in high demand, particularly in and around large cities. But the small amount of apartments being built is not necessarily enough to close the gap between supply and demand. The co-investment WohnModul ('residential module') developed by PATRIZIA is contributing to the urgently needed process of building new housing stock in Germany – by developing new neighbourhoods in towns and cities. Thanks to this initiative, PATRIZIA and its joint-venture partner CA Immo were able to hold a topping-out ceremony for the first section of the "Baumkirchen Mitte" complex in Munich after just ten months of construction work. A total of 600 apartments of very high architectural quality will be built. Every apartment building will have a roof garden. A landscaped park will be built on around 50 percent of the area, to provide an urban nature experience. In addition, further projects are being developed in Hamburg ("Unter den Linden"), Düsseldorf ("Glasmacherviertel") and Munich ("Hofmann Höfe"). In total PATRIZIA is managing a construction volume worth EUR 1.4 billion, creating approximately 4,000 new apartments.

A FIRST FOR THE BRITISH MARKET

PATRIZIA is the first continental European company to enter the UK's private residential property rental market (private rental sector, or PRS), which is still fairly small. Through our UK subsidiary, PATRIZIA UK, we purchased the eight-hectare First Street site in central Manchester in May 2015. It was already partially

A harmonious relationship between people and nature, life, work and leisure activities is a new phenomenon, even for Munich – a city that is already known for its excellent quality of life. The apartments and town houses in the "Baumkirchen Mitte" complex make this area an exclusive place to live that meets residents' requirements for modern and sustainable homes.

developed and on completion it will include 550 new-built apartments and 93,000 sqm of office space. The office and residential buildings planned by PATRIZIA will be developed by a local joint-venture partner within the next five to seven years, and then PATRIZIA will incorporate them into the new fund "PATRIZIA UK Residential 1" as a first investment. The target volume will be around GBP 500 million.

HIGH DEMAND FOR SECOND COMMERCIAL PROPERTY FUND

In the commercial property market, following the success of our pooled fund "Gewerbe-Immobilien-Deutschland I", we were able to set up the second fund of this kind. The equity from "Gewerbe-Immobilien Deutschland II" was fully placed in a short period of time. The target volume, at EUR 600 million, was almost twice as high as it was for the first fund. The office building "Oval Office" in Hamburg's City Nord area, which was completed in 2005 and has 26,000 sqm of floor space, was the first investment for the new fund. The investors include savings banks, cooperative banks, professional superannuation schemes and pension funds. Around 30 institutional investors are investing in commercial property in the core segment in Germany via this pooled fund. The sharp rise in demand confirms our view that institutional investors are increasingly looking for professional partners for their property investments – and that PATRIZIA is ideally positioned for this. In our activities, we build on results and insight issued by PATRIZIA Research via various publications.

AN INDIVIDUAL FUND SOLUTION: DANISH PROPERTY FOR GERMAN INVESTORS

“PATRIZIA Nordic Cities” is a fund we set up for commercial property in Denmark. It underscores how we develop individual property investment strategies for our clients and successfully seize investment opportunities on the various property markets throughout Europe. It was set up for two investors from Germany. PATRIZIA is responsible for fund, portfolio, asset and property management for these clients. “PATRIZIA Nordic Cities” initial investment was the purchase of a package called “Daisy” for approximately EUR 170 million. It is made up of ten high-quality retail properties and office buildings comprising a total of 22,000 sqm of space in a first-class location in central Copenhagen.

SPECIALIST TEAM FOR INVESTMENT OPPORTUNITIES IN THE AREA OF LOGISTICS PROPERTY

Thanks to our new team of specialists based in Amsterdam, we can offer our domestic and international clients investment opportunities throughout Europe in the growing area of logistics property. Globalisation is causing rapid growth in online shopping. This has given rise to a completely new type of specific logistics facility – and this is what the new PATRIZIA logistics platform is focusing on.

PATRIZIA is now ideally positioned to continue developing successfully in the future and to grow dynamically in any market phase.

The Office Park “Rheinlanddamm” – 12,000 sqm of available space with 10,000 sqm of office space and 230 parking spaces. And just a stone’s throw from Germany’s biggest football stadium. Excellence in the heart of the Ruhr region.

Quality guaranteed

Investors look for local experts on the ground. That's why our motto is "All business is local". In each of our markets, we establish a dedicated presence with experienced property specialists.

As a European investment group, we are investing on behalf of both German and international investors – not just within Germany but right across Europe. We integrate our markets and activities for our clients. And our local employees play a decisive role in this.

EUROPEAN SUBSIDIARIES ARE TAKING ON MORE STAFF

To help manage our growth, we need qualified personnel at both our German locations and our European subsidiaries. That is why we expanded our Nordic team last year. The subsidiary currently employs 23 people in the Copenhagen office alone, plus three more in Helsinki. The UK team also grew considerably as a result of our acquisition of the business park portfolio: it now comprises 28 people. The Dutch team in Amsterdam increased its number of employees to 15, while in Spain a completely new team was successfully set up to work on market opportunities in Spain and Portugal. A major advantage of our network is the fact that the teams in the different countries are able to concentrate on the operational side of the business.

TRAINING AND PROFESSIONAL DEVELOPMENT ENSURES QUALIFIED GROWTH

Our investment in our employees' training and further development is targeted, allowing us to increasingly recruit for management positions from within the company. In order to meet the growing demand for employees, we have once again increased the number of trainees at PATRIZIA. At the end of 2015, 47 young people were learning a profession at PATRIZIA. This was seven percent higher than in the previous year. In the medium term, we are aiming for an overall training rate of seven percent. There are five different training paths, including a practice-oriented BA in Real Estate Management in cooperation with the Baden-Wuerttemberg Cooperative State University Stuttgart. In addition, we offer our own management trainee programme for qualified graduates. Over an 18-month period, the future managers are given a deep and comprehensive an insight into our company, which provides them with the best possible preparation for their future work. They are also given a permanent employment contract from day one. Trainees are offered training across a variety

VALERIE OEHLER

Bachelor of Laws (LL.B.), Bucerius Law School, Hamburg

First State Examination in Law, Hamburg

Master of Law and Business (MLB), WHU – Otto Beisheim School of Management/Bucerius Law School, Hamburg

Master Thesis in cooperation with PRIMUS Developments, Hamburg

Junior Development Manager, ECE, Hamburg

Management Trainee, PATRIZIA Immobilien AG, Augsburg, Hamburg, London, Munich

Business Development Manager, PATRIZIA UK Ltd., London

of activities across the company, which includes a two-month stint at one of our European offices.

Valerie Oehler was one of the first management trainees at PATRIZIA. She has since gone on to have an impressive career. She has completed placements in various different departments and offices within the company, including the UK subsidiary in London. In just 18 months, Valerie developed a deep understanding for the company's operations and built a broad network of contacts throughout the business. Her hard work certainly paid off: after completing her traineeship she was offered a job as Business Development Manager in London, which she happily accepted. 'One of my career goals had always been to work abroad. So I really did fulfil a dream,' she says. As well as PATRIZIA's international outlook, she particularly appreciates the fact that she feels valued as a person and that the working atmosphere is positive and motivational.

The PATRIZIA Academy, founded in 2011, offers a wide range of company-specific professional development programmes for all employees. Here we support targeted, continuing and sustainable professional development in the form of specially designed seminars and training sessions in four different areas of competence. A special feature of this scheme is that we make the most of our employees' knowledge: some of the expert trainers are from our own ranks.

Our employees are one of the key success factors for our business thanks to their highly developed skills.

Benchmark deal in Denmark

PATRIZIA purchases Galleri K in central Copenhagen

200

EUR million
purchase price

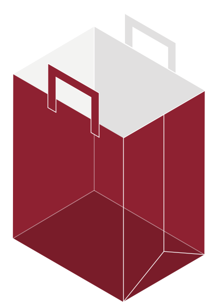
"In Denmark alone, the property assets managed by PATRIZIA have increased to around EUR 800 million."

Rikke Lykke, Managing Director of PATRIZIA Nordic Region – Denmark, Finland, Norway, Sweden

The six-storey retail complex "Galleri K" comprises several buildings that were constructed between 1752 and 1900, and extensively renovated and modernised in 2005/2006. They are situated on a plot measuring approximately 5,400 sqm between the well-known shopping streets Pilestraede, Ostergade, Antonigade and Kristen Bernikows Gade, and they have a total usable area of approximately 25,000 sqm.

The retail space covers more than 13,100 sqm in total, and there is a further 10,000 sqm of office space. Alongside numerous shops belonging to top international brands – including H&M, Topshop, Urban Outfitters and Nespresso – Copenhagen's two main department stores are also in the immediate vicinity.

EXCLUSIVE COMMERCIAL COMPLEX



25,000

square meter
total usable area

> 20

shops
including international fashion chains

ASSET CLASS "RESIDENTIAL"

1,000

Residential properties
Purchase of residential portfolio in France (includes 23 houses and one student residence)

INSTITUTIONAL CLIENTS

Approx. 1.5

EUR billion
equity capital raised institutional clients

ASSET CLASS "RETAIL"

Approx. 2.6

EUR billion
total current investments in Europe

Purchase for property fund

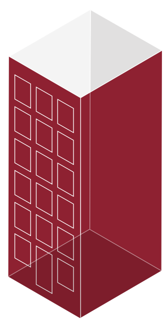
PATRIZIA purchases an office building in Brussels

The building comprises approximately 3,700 sqm and is situated in the Leopold Quarter, where many of the European Union institutions have their headquarters. Well-known tenants include the airline Emirates and the insurance company Allianz. The building was purchased for a property fund managed by PATRIZIA. The seller was Banimmo. Details of the purchase price are confidential.

PRESTIGIOUS BUILDING IN THE LEOPOLD QUARTER

3,700

square meter
with well-known tenants such as Allianz and Emirates



"Belgium is a mature property market, and the rental contracts are longer than in France. What's more, there are many high-end public and private tenants."

Bruno Cohen, Managing Director PATRIZIA France & Belgium

Further progress in the development of the First Street site

For project development on the "First Street site", a joint venture was agreed with the Greater Manchester Property Venture Fund (GMPVF). The investment volume amounts to around EUR 107 million. The project comprises a seven-storey office building that is being constructed by the property developer Carillion and will have over 16,000 sqm of office space. Well-known tenants include the energy company Gazprom, which has already rented around 3,400 sqm and has the option to rent a further 1,100 sqm of office space. The building is expected to be completed in 2017.

"Since we bought the First Street site around six months ago, we have made considerable progress in developing it. The agreement we have now concluded demonstrates the high demand from tenants and investors looking for dynamically developing locations like the First Street site. In addition, our cooperation with a British pension fund shows how PATRIZIA is creating investment opportunities for institutional clients in the form of co-investments."

James Muir, Managing Director PATRIZIA UK & Ireland

OUR RESPONSIBILITY

11

KinderHaus facilities
on four continents

21

seminars
in our in-house academy

47

trainees
in Germany and Luxembourg

60

percent
of GBW buildings use less than
125 kWh/sqm per year

Our Responsibility

Energy-efficient residential properties

80

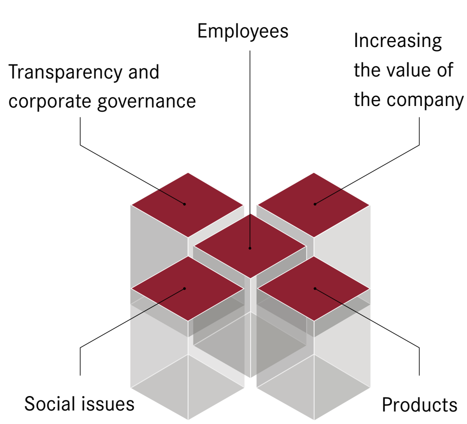
percent

of our residential properties which have achieved the energy efficiency class D or higher

Creating added value

At PATRIZIA, sustainability is an integral part of our everyday work – and it has been for over 30 years. That is because corporate responsibility has always been an important component of our self-image and our long-term strategy. It means that we create added value for our clients and for society, but also values that are binding for our employees.

PATRIZIA SUSTAINABILITY STRATEGY



The strategy sets the course for PATRIZIA's sustainable development.

Our sustainability strategy aims to include social and environmental concerns in the entire property value chain and in stakeholder dialogue. In this way, we can meet international requirements as we expand in Europe and are prepared for future challenges.

TAKING THE ENTIRE VALUE CHAIN INTO ACCOUNT

How, specifically, can we create sustainable values? On the one hand, there is the concept of increasing the value of property in the long term. We have unique experience in this area. In addition, we have PATRIZIA employees covering the key markets in Europe and the entire property life cycle – so our business is local everywhere, which makes it very personal, too.

On the other hand, we value all of our stakeholders – including our shareholders, investors, clients, employees and all other partners – very highly. This also secures our long-term success, since trust is the foundation for genuine partnerships. The sustainable success that

The Scandinavian property markets are among the most interesting in Europe. Our investments in Denmark, for example, are testament to this. We demonstrate foresight with regard to the development of the European property markets, taking into account our stakeholders' requirements.

PATRIZIA Immobilien AG has created since 1984 is based on this.

OUR SUSTAINABILITY STRATEGY PROVIDES A FRAMEWORK

Our sustainability strategy supports our company's future development. In particular, it takes into account the internal and external requirements of our stakeholders as well as developments in the European property market. The PATRIZIA sustainability strategy comprises a total of 11 key topics based on five different strategic fields of action. The individual key topics within the fields of action focus on the processes along the PATRIZIA value chain and are aligned with market-relevant and sustainability-related guidelines, such as the UNEP (United Nations Environment Programme), the GRI (Global Reporting Initiative) and others.

Supporting potential

Our employees are our most important asset, since they make a key contribution to PATRIZIA's continuing development. That is why it is particularly important to have locally based, well-trained and highly motivated employees. We focus on a high level of employee satisfaction and development, plus comprehensive opportunities for further training.

INCREASED EMPLOYEE BENEFITS

Sustainable employee satisfaction is the foundation of our company's success. That is why we have launched a variety of events and schemes that ensure a regular dialogue with our employees. Once a year, for example, we conduct an anonymous staff survey online. The questions cover five categories: credibility, respect, fairness, pride and team spirit. We use the insights gained from the survey to further optimise our HR policy in line with our employees' needs. In addition there is a monthly event known as PATRIZIA Wissen ('PATRIZIA knowledge') to facilitate the exchange of knowledge between the different parts of the company.

Employees

Benefits for employees also make a significant contribution to staff retention and to creating a motivational working environment. In recent years, we have put together a comprehensive package of voluntary corporate benefits for employees and we are continuously expanding it. It focuses on improving work-life balance and health management. It includes various sport-related schemes such as yoga and similar courses, plus medical check-ups and reduced prices for gym membership packages.

FURTHER TRAINING AND DEVELOPMENT IS ESSENTIAL

- **Lifelong learning is of utmost importance at PATRIZIA.**
- **In 2015, our in-house academy offered 21 different seminars in the areas of property expertise, leadership, soft skills and international expertise.**
- **This totalled 375 seminar days – or 0.49 days per employee.**
- **In 2015, there were over 500 registrations for in-house or external professional development sessions.**

AT PATRIZIA training and professional development are key. Education is an essential part of our responsibility as an employer.

Being clear about our values

When it comes to transparency and corporate governance, our aim is to implement our activities in the areas of property and sustainability consistently and have them certified in accordance with recognised sets of rules and regulations. This helps us to be more transparent and professional.

Transparency and corporate governance

GREAT SUCCESS IN THE BERTELSMANN STIFTUNG CRI

In recent years, we have continually increased the scope of our sustainability activities with regard to society, environment and corporate governance. We have achieved considerable improvements in many different areas, including our foundation PATRIZIA KinderHaus-Stiftung, the collection of energy-related data in residential properties, employee development and our participation in various benchmarks such as Great Place to Work and the Corporate Responsibility Index (CRI).

In order to document our social and corporate responsibility and increase transparency further, PATRIZIA took part in the Bertelsmann Stiftung Corporate Responsibility Index for the second time in 2015. The CRI assesses the implementation of the sustainability strategy and the company's measures in line with the UN Global Compact, the ILO and the OECD rules. In November 2015, the Bertelsmann Stiftung praised PATRIZIA for having made the greatest progress in the 2015 CRI. The jury was particularly impressed by our management approach and the measures and results that we implemented as part of our efforts to be a sustainable and responsible company. The CR Index covers almost 200 small, medium-sized and listed companies and serves as a leading instrument for measuring corporate responsibility in Germany.

PARTICIPATION IN THE GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

Participating in industry-relevant benchmark programmes is also important for PATRIZIA as we expand in Europe. It allows us to identify what progress our activities have brought about and what potential they have for improvement, so that we can optimise them in the future. An important benchmark in our industry is the Global Real Estate Sustainability Benchmark (GRESB). It includes over 600 property companies and serves as a leading instrument for assessing the implementation of corporate responsibility and environmental management worldwide. In order to increase transparency fur-

PATRIZIA provides unlimited insight into its commitment to corporate responsibility, setting a high standard in the area of corporate governance.

ther and receive comprehensive feedback on our activities, PATRIZIA plans to take part in the GRESB in 2016.

CORPORATE GOVERNANCE BENCHMARKS

- **Materiality analysis of the sustainability strategy on the basis of the GRI guidelines.**
- **Compliance with ISO 9001 in property management.**
- **Compliance with the energy audit in accordance with DIN EN 16274-1.**
- **Participation in the Bertelsmann Stiftung Corporate Responsibility Index.**
- **Use of DGNB as a green label in Germany.**

Increasing efficiency

We develop individual products for our clients that are tailor-made to fit their risk/return profiles. We set a high bar for all of these activities.

When it comes to products, our mission is to collect energy consumption data at the level of the individual building, both for new buildings and existing properties, and to do our best to optimise it through specific reconstructions. In order to minimise the environmental footprint of our properties throughout their entire life cycle, we follow a sustainable construction strategy.

PATRIZIA PLACES GREAT VALUE ON SUSTAINABILITY FOR ITS PROPERTIES

Our approach to building sustainably goes beyond the legal requirements. 'Green building' is not enough for us; we believe a property is only sustainable if social and economic aspects are taken into account in addition to purely structural factors.

Products

ENERGY PERFORMANCE CERTIFICATES OF THE PATRIZIA PORTFOLIO

The introduction of energy performance certificates to measure energy consumption in residential buildings has tightened the legal requirements at the national and European level. This, in turn, is increasing environmental awareness – also among market participants – and the transparency of property transactions with regard to building quality. Recording specific energy performance data provides the management with effective instruments for planning and managing buildings and for future investments.

The key data for the energy requirements of the buildings in the portfolios belonging to PATRIZIA and the GBW group are encouraging.

- **Around 50 percent of the buildings held by PATRIZIA show an annual energy requirement of less than 100 kWh/sqm. This is equivalent to energy efficiency class C, at least.**
- **Around 60 percent of the buildings held by GBW show an annual energy requirement of less than 125 kWh/sqm. This is equivalent to energy efficiency class D, at least.**

We place great value on the sustainability of our properties. Our commitment has been recognised with an award from the US architecture portal “Architizer” for one of the best new buildings in the world, the “Soft House” in Hamburg.

The GBW portfolio shows a similar energy performance to that of PATRIZIA, but the share of buildings in energy efficiency class D is higher. We purchased this portfolio in 2013 with a consortium led by PATRIZIA and consisting of 27 renowned institutional investors from the German-speaking area. For both portfolios it can be established that the share of buildings in the lower three energy categories is not more than 10 percent in any case, so they can be classified as environmentally sustainable.

Assuming responsibility

PATRIZIA has identified a number of strategic areas in which the company's value can be enhanced. These include the Europe-wide expansion of our investment platforms in order to increase the number of investment solutions we can offer our customers. In addition, we are measuring and reducing the energy consumption of our business locations.

We intend to guarantee this by establishing measuring systems and by logging our use of resources. We are additionally developing strategies designed to reduce our energy consumption and therefore also our operating costs and the burden on the environment.

ENERGY AUDIT THROUGHOUT THE VALUE CHAIN TO BOOST EFFICIENCY

Increasing the value of the company

In 2015, PATRIZIA took an important step forward in the direction of reducing its environmental burden and cutting its energy consumption by conducting an energy audit in accordance with DIN EN 16247-1. As part of this energy audit, the energy consumption levels of the company headquarters in Augsburg and at the German branch offices were carefully examined. The analysis highlighted concrete potential to make savings, and recommendations were made regarding how these savings could be realised in particular in terms of the company's operating costs. Based on this, a decision was made to gradually reduce the company's energy consumption in the years to come. The concrete steps proposed include the introduction of an efficient output system tailored to our employees' requirements on the one hand and modernisation of the EDP infrastructure to incorporate innovative and energy-saving solutions on the other. It is expected that this will lead to an approximately 30 per cent reduction in energy consumption. In addition, each and every employee is encouraged to reduce their use of resources and to thus contribute to environmental protection and, not least, to enhancing the value of the company. This will ensure that the emissions footprint throughout PATRIZIA's operational value chain is minimised and that PATRIZIA lives up to both its business responsibilities andits ecological responsibilities.

An idea often starts with a blank sheet of paper. And one of our new ideas is related to paper. As part of our output management strategy, we are aiming to continue to dramatically reduce our paper consumption over the next few years.

Creating opportunities

PATRIZIA's main social project is the foundation PATRIZIA KinderHaus-Stiftung, which we have been involved with for many years. We want to keep our projects running in the future and expand them – particularly abroad.

Social

THE PATRIZIA KINDERHAUS-STIFTUNG HELPS THE YOUNGEST MEMBERS OF SOCIETY

The idea for the PATRIZIA KinderHaus-Stiftung came about when our CEO, Wolfgang Egger, travelled to Tanzania over 15 years ago. He had a long conversation with a missionary nun who was managing a hospital in the small town of Peramiho. The two of them exchanged ideas about how to improve support for children in Africa. Finally, they realised that PATRIZIA could provide very specific help by using our comprehensive property expertise to build facilities for them. That is when the PATRIZIA KinderHaus-Stiftung was born.

What started off as a small initiative has now grown to become a global organisation. There are now 11 KinderHaus facilities in Germany, Africa, Asia and Latin America. As one of the main sponsors, we support this work, and in 2015 were able to help approximately 11,500 children and young people on the educational, medical and social front. The foundation gives them a safe place where they are looked after and are able to learn, play and enjoy life – a place where they also have access to qualified medical, social and educational support.

ALL MONEY DONATED GOES DIRECTLY TO THE ORGANISATION

Once again, the PATRIZIA KinderHaus-Stiftung made great progress last year. Thanks to targeted events and activities, donations increased steadily. PATRIZIA Immobilien AG supports large-scale fundraising events and also helps to get external partners involved. For example, an exhibition with a grand opening followed by an auction held at the premises of Fürst Fugger Privatbank KG in Augsburg raised EUR 50,000 for the foundation. And three golf tournaments – known as the PATRIZIA Charity Golf Cups – raised EUR 60,000.

The foundation receives 100 percent of the money raised. That is how we helped ensure that two new children's facilities could be opened in 2014: a school in Sondoveni, Peru, and an orphanage in Songea, Tanzania.

Our charity work is multifaceted. Just as multifaceted as the personalities of the young people at the KinderHaus facilities that we have supported for many years. It's a project we are delighted to be part of.

Last year a further KinderHaus facility was opened in Augsburg. At the PATRIZIA KinderHaus centre for animal-assisted therapy, around 110 children and young people can receive special educational and therapeutic treatment. Support is available for their families, too. In addition, a new project was set up: a secondary school for 800 children in Cameroon. The ground-breaking ceremony took place in February 2015, and it is scheduled to open in September 2016.

PATRIZIA KinderHaus-Stiftung

For more information about the KinderHaus-Stiftung, visit **www.kinderhausstiftung.de**

"Our aim is to create structures that make it possible to help. We want to give people hope when life seems tough, and give them opportunities when there are obstacles in their path. We believe that everyone can do their part to ensure that disadvantaged children are able to smile again."

Constanze Egger, Chairwoman of the Foundation Board

The PATRIZIA KinderHaus-Stiftung

NUMBER OF KINDERHAUS FACILITIES WORLDWIDE

11

KinderHaus facilities
2015

9

KinderHaus facilities
2013

11,547

children
are reached from PATRIZIA Kinderhaus-Stiftung 2015 in schools, hospitals and orphanages

Employee benefits

- Leisure events (table football, go-karting and bowling tournaments) several times a year
- ShoppingCard for employees
- Flu vaccines
- Savings schemes
- Group accident insurance
- Childcare subsidies
- Flexible working hours
- Other benefits

3.92

hours of professional development
per employee for in-house and external courses; 3,000 hours of professional development per year

"Our employees are our most important asset, which is why their satisfaction and development come first."

Dr Marcelo Cajias, Sustainability Senior Manager

Employees

The number of employees at PATRIZIA increased by about 40 percent to 823 between 2012 and 2015. The proportion of employees taking maternity or carer's leave during 2015 was four percent. The growth of our company is being accompanied by a steady increase in the size of our workforce. One employee in ten has been working with the Group for at least eight years. Forty percent of employees joined PATRIZIA within the last three years. A total of 15 percent of employees are in the 50-plus age group.

STAFF STRUCTURE

823

employees
in total

47

percent
women

The PATRIZIA sustainability strategy

AREA OF RESPONSIBILITY	STRATEGIC FIELDS OF ACTION	AIM
Employees	Employee satisfaction and development	Helping employees develop further to improve work–life balance and productivity. Regular participation in the Great Place to Work programme to gauge employee satisfaction and the impact of the measures that have been introduced, and to establish a benchmark with regard to other market participants.
	Opportunities for further development	
Transparency and corporate governance	Adhering to regulations that are specific to the property industry and relevant for sustainability	Carrying out and certifying activities that are specific to the property industry and relevant for sustainability via recognised systems of regulations, in order to increase transparency and professionalism.
Products	Measuring energy consumption at the level of the individual building	Measuring the energy consumption of portfolios, with regard to the buildings, from different asset classes.
	Sustainable construction; incorporating sustainability-related aspects into purchase decisions	Meeting the requirements of sustainability labels for new-build projects to adhere to environment-related regulations. Considering key sustainability values when making purchase decisions.
	Expanding investment solutions for clients	Constantly reviewing potential investment strategies to develop profitable co-investments for our clients.
Increasing the value of the company	Expanding Europe-wide investment platforms	Establishing new investment platforms Europe-wide to increase the investment solutions for clients.
	Measuring and reducing energy consumption at our premises	Setting up measuring systems to collect data on resource consumption at PATRIZIA's premises, for example. Developing strategies for reducing energy consumption in order to reduce operational costs and environmental damage.
Social issues	The foundation PATRIZIA Kinder-Haus-Stiftung	Continuing and expanding the PATRIZIA Kinder-Haus-Stiftung and its projects – at home and abroad.
	Increasing social responsibility with regard to energy consumption	Launching initiatives to raise tenants' awareness of the topic of resource consumption.

An outstanding result

At PATRIZIA Immobilien AG, we are consistent in implementing our sustainability strategy. That was the conclusion reached by the Bertelsmann Stiftung. According to the Bertelsmann Stiftung 2015 Corporate Responsibility Index (CRI), which is considered a leading instrument for measuring the implementation of sustainability measures in Germany, PATRIZIA showed the greatest progress in implementing sustainability out of all the participating companies – of which there were almost 200. Our ISO-9001 certification, the introduction of compliance guidelines and the energy audit carried out in accordance with DIN EN 16274-1 are all notable steps in this respect. As a result, the properties managed by PATRIZIA in Germany is already highly energy efficient.

Our Company

Our Company

Average trading volume 2015

(in thousand shares/month)

Supervisory Board Report

Dear shareholders,
Dear ladies and gentlemen,

2015 was an outstanding year for PATRIZIA Immobilien AG – a year that not only ended with the best result in the Company's history but which also, to a significant degree, set the course for the future.

COOPERATION BETWEEN THE MANAGING BOARD AND THE SUPERVISORY BOARD

The PATRIZIA Immobilien AG Supervisory Board accomplished all mandatory duties in accordance with the law, the Articles of Association and the rules of proecedure in detail in the 2015 fiscal year. We regularly advised the Managing Board on corporate management issues and monitored the measures taken. At the same time, we were always involved in all major decisions from an early stage onwards. The Managing Board fulfilled its reporting duties as prescribed by law and the rules of procedure comprehensively and provided us with regular written and verbal information about all fundamental aspects of the Company's and the Group's performance. We were provided with equally complete information regarding the current risks and opportunities concerning the earnings and liquidity situation. The PATRIZIA Managing Board always discussed the business plan and its deviations with us in detail and provided us with corresponding explanations.

SUPERVISORY BOARD MEETINGS

Four ordinary and six extraordinary Supervisory Board meetings were held in the reporting year. Where necessary, the Supervisory Board met without the Managing Board. Each member attended every meeting. Regular exchange between the Supervisory Board and the Managing Board also took place outside of the scheduled meetings. Where the law, the Articles of Association or the rules of procedure required the agreement of the Supervisory Board for individual decisions, we made our conclusions on the basis of the reports and proposed resolutions from the Managing Board. When necessary, urgent Supervisory Board resolutions were passed by circulation. Since the PATRIZIA Immobilien AG Supervisory Board consists of three members, no committees were formed. The Supervisory Board considers it expedient to base the size of the PATRIZIA Immobilien AG Supervisory Board on the statutory minimum number of members in order to enable it to work efficiently and to allow an intensive exchange of ideas.

FOCUS OF SUPERVISORY ACTIVITIES, PERSONNEL CHANGES IN THE MANAGING BOARD

The first ordinary meeting of the Supervisory Board, which took place on 23 March 2015, was also the meeting held to approve the accounts for the 2014 fiscal year. The Supervisory Board performed an associated review of the 2014 financial statements of PATRIZIA Immobilien AG and of the consolidated financial statements, as well as of the executive management summary of the Company and the Group. Following separate analysis, it also approved the dependent company report for the 2014 fiscal year. The Supervisory Board agreed to the proposal on the deployment of net profit made by the Managing Board. The key topics at each meeting of the Supervisory Board were the liquidity situation and the report on operational development. We also addressed the planning for the 2015 fiscal year and received a detailed description of the business activities and the organisation of PATRIZIA Nordics.

Dr Theodor Seitz (Chairman of the Supervisory Board)

In an extraordinary meeting of the Supervisory Board on 13 April 2015, the Supervisory Board approved the acquisition of a Swedish real estate fund “Harald” with an equity investment of up to EUR 300 million (including a EUR 200 million corporate loan). In two further extraordinary meetings on 6 and 12 May 2015, we approved the transaction with an additional equity stake of up to EUR 50 million. On 11 May 2015, the Supervisory Board decided to take the expiry of Mr Arwed Fischer’s Managing Board contract as an opportunity for a generation change in the Chief Financial Officer position. Further on, we extended Mr Klaus Schmitt’s Managing Board contract for five further years, until 31 December 2020, in a resolution passed by circulation on 12 June 2015.

The Supervisory Board Board convened for a second ordinary meeting on 24 June 2015. The discussions of operating areas focused on co-investments and the establishment of a subsidiary in Spain. We were also informed about the current status of the “compliance” project and a company-internal code of conduct, and approved the targets for the legally required proportion of women on the Supervisory and the Managing Board.

The main subjects of the third ordinary meeting of the Supervisory Board on 28 September 2015 were the status quo, the development and declared targets of PATRIZIA UK & Ireland and the establishment of a Pan-European Logistics Division. Besides the current liquidity overview, we were informed in detail about the current status of the “Harald” project.

In a further extraordinary meeting on 12 October 2015, the Supervisory Board appointed Mr Karim Bohn to the Managing Board of PATRIZIA Immobilien AG with effect from 1 November 2015. Mr Karim Bohn became Chief

Financial Officer with the resignation of Mr Arwed Fischer from this position on 13 November 2015. Mr Arwed Fischer will assist the Company in an advisory capacity with his long-standing experience until end of August 2016. The Supervisory Board would like to thank Mr Fischer very warmly for the excellent collaboration over the past few years, during which he has played a significant role in the redirection of the Company. Furthermore, the Supervisory Board approved the sale of the "Harald portfolio" in an extraordinary meeting on 27 November 2015.

The Supervisory Board scrutinised and unanimously adopted the outlook for 2016 in its final ordinary meeting of the year on 18 December 2015. We were again informed about the current status of the "Compliance" project and the implementation of PATRIZIA's code of conduct. Additionally, the Managing Board provided information about transactions in the operative area during 2015.

CORPORATE GOVERNANCE

The Managing Board and Supervisory Board prepared a Corporate Governance Report, which is published on PATRIZIA's website at www.patrizia.ag/en/investor-relations/corporate-governance/ as part of the statement on the Company's management. In December 2015, the Managing Board and the Supervisory Board issued the Declaration of Conformity pursuant to Article 161 of the Aktiengesetz (AktG – German Stock Corporation Act). The recommendations and suggestions of the Code are applied with a few exceptions. This current declaration and all previous declarations are also available on the PATRIZIA website. My Supervisory Board colleagues and I also examined the efficiency of our Supervisory Board activities and discussed the findings. The efficiency of our internal cooperation and with the Managing Board was again found to be very good.

FURTHER RESOLUTIONS

Following the Annual General Meeting of 25 June 2015, which had agreed to a 10% equity increase from company funds in order to issue so-called bonus shares, the Supervisory Board decided, in accordance with Article 16 of the Articles of Association, to amend the wording of the first sentence of Article 4 (4) Sentence 1 of the Articles of Association (Contingent Capital 2012).

PERSONNEL CHANGES IN THE SUPERVISORY BOARD

During 2015, there have been personnel changes in the PATRIZIA Immobilien AG Supervisory Board . Our long-standing Supervisory Board member Mr Manfred J. Gottschaller died suddenly and unexpectedly on 4 June 2015. With Mr Gottschaller, PATRIZIA has lost a prudent and experienced member of the Supervisory Board. We are all aware of his close involvement with the Company and his extensive achievements on behalf of PATRIZIA. Mr Hoschek succeeded Mr Gottschaller on the PATRIZIA Immobilien AG Supervisory Board , as he had been elected as substitute member by the 2014 Annual General Meeting. In June 2015, Mr Harald Boberg resigned from his position as a Supervisory Board member. He was succeeded by Mr Gerhard Steck, who was appointed as member by the Local Court of Augsburg effective as per 1 July 2015. I would like to thank Mr Boberg on behalf of the Supervisory Board for his constructive cooperation at all times and his services in the interests of the Company.

EXAMINATION OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2015

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 members of the Supervisory Board received the aforementioned documents as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft punctually. The Managing Board and the auditors in charge explained the findings of the audit to us at the Accounts Meeting on 14 March 2016 and were available to provide additional information and answer questions. Deloitte & Touche also stated that the Managing Board has set up a suitable early risk detection system.

The Supervisory Board also thoroughly verified the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management report for the Company and for the Group as well as the Managing Board's proposal on the deployment of net profit and did not raise any objections. We agreed with the findings of the examination by the auditor. The Supervisory Board approved the annual and consolidated financial statements. The annual financial statements of PATRIZIA Immobilien AG are thus adopted. The Supervisory Board agreed with the proposal on the deployment of net profit made by the Managing Board and supports a further capital increase from company funds in order to issue bonus shares instead of paying a dividend.

EXAMINATION OF THE DEPENDENCY REPORT

The Managing Board's report on businesses with related parties for the 2015 fiscal year was also checked by the auditors. All legal and business relationships with related parties listed therein are in line with current market conditions to such relationships concluded between the PATRIZIA Group and third parties. The Dependency Report was issued with the following unqualified audit certificate by the auditor:

"Following our dutiful 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 amounts paid by the Company were not unduly high."

The Dependency Report prepared by the Managing Board and checked by the auditors as well as the associated audit report was made available to all members of the Supervisory Board in due time. 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.

2015 was yet another year of growth for PATRIZIA comprising plenty of challenges. We would like to express our sincere gratitude to the Managing Board and to all employees who, as local real estate experts, ensure our success all over Europe and who work with strong commitment and loyalty for the future of PATRIZIA.

Augsburg, 16 March 2016

For the Supervisory Board

Dr Theodor Seitz
Chairman

The PATRIZIA Share

KEY FIGURES FOR THE PATRIZIA SHARE

		2015	2014	2013
Share prices[1]				
High	EUR	27.97	12.57	9.75
Low	EUR	12.48	7.49	6.05
Year-end closing price	EUR	27.00	12.19	7.67
Share price performance[2]	%	121	59	19
Market capitalisation as at 31 December[1]	EUR billion	2.1	0.8	0.5
Average trading volume per day[3]	EUR	2,835,700	913,200	1,225,700
Average trading volume per day[3]	Shares	139,900	97,900	162,600
Trading volume for the year[4]		0,49	0,38	0,69
No. of shares in issue as at 31 December	Shares	76,323,533	69,385,030	63,077,300
Capital increase from retained earnings in order to issue bonus shares	EUR, shares	6,938,503	6,307,730	5,734,300
Earnings per share (IFRS)	EUR	1.45	0.47	0.49
Dividend per share	EUR	0.00[5]	0.00[6]	0.00[6]

[1] Closing price in Xetra trading
[2] Statements not adjusted for capital increase from company funds
[3] All German stock exchanges
[4] Ratio of share turnover/share float based on the average total number of shares in issue (2015: 71,951,326 shares, 2014: 65,980,584 shares, 2013: 59,840,955 shares).
[5] Instead, bonus shares are to be issued in a ratio of 10:1, subject to the approval of the Annual General Meeting on 16 June 2016
[6] Instead, bonus shares were issued in a ratio of 10:1

2015 was an eventful year on the stock market and was characterised by enormous share price growth. Significant market volatility resulted in the DAX jumping to a record high of around 12,400 points in April before falling to the year's low of almost 9,300 points in September. At year end, the benchmark index closed at 10,700 points, an annual growth of 10%. The small-cap index SDAX, in which PATRIZIA is listed, climbed 27% to 9,100 points in 2015. PATRIZIA Immobilien AG was one of the companies with the largest share price growth in the SDAX with its 121%.

The price of the PATRIZIA share rose by 121% in the course of 2015 – or by 144% in absolute terms adjusted for the capital increase from company funds – from EUR 12.19 at the start of the year to EUR 27.00 at year close. The years high of EUR 27.97 was reached in December. As a result of the 10% capital increase from company funds to issue bonus shares, PATRIZIA shares traded 9% lower on 19 August 2015 (the “ex-date”). This technical reduction of the share price was almost fully offset by the positive development of the share price until the end of the year. The “DAXsubsector Real Estate Performance” Index recorded an increase of 22%, while the DIMAX Real-Estate Stock Index created by Ellwanger & Geiger climbed 31%. At the end of the year, PATRIZIA’s market capitalisation reached at EUR 2.1 billion. The increase of 144% resulted from the significantly higher share prices and includes the newly issued bonus shares.

2.1

EUR billion

PATRIZIA’s stock market value at the year-end 2015

PERFORMANCE OF THE PATRIZIA SHARE IN 2015 COMPARED WITH VARIOUS INDICES (IN %)

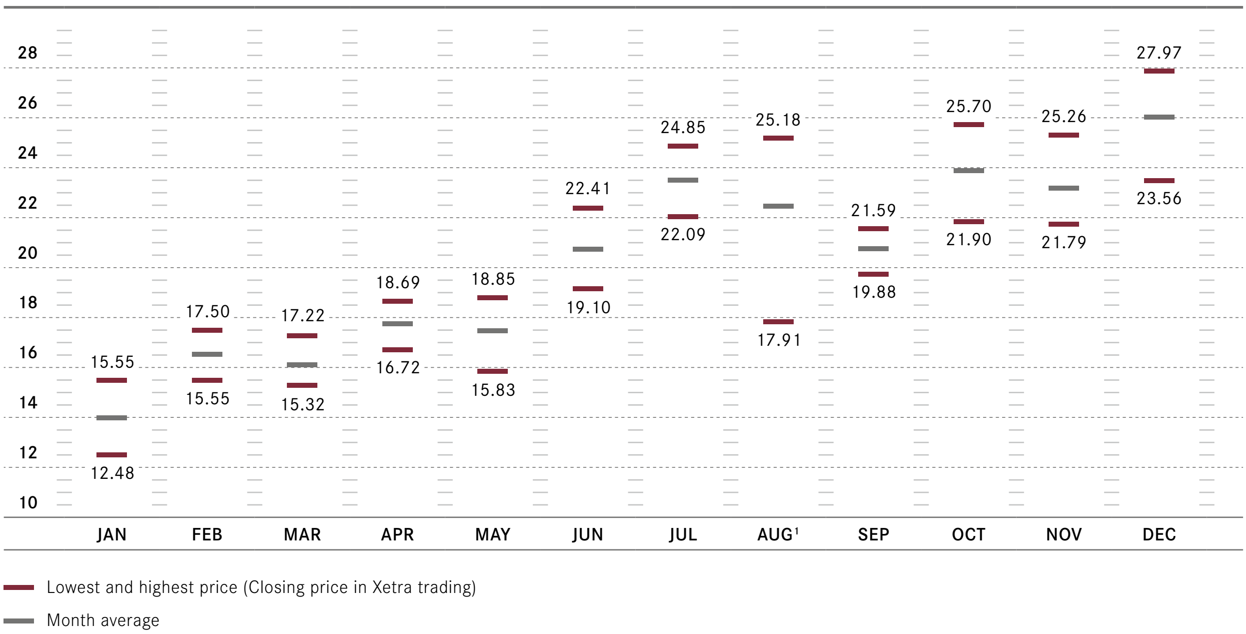
In terms of range, PATRIZIA’s share price varied between a low of EUR 12.48 and a high of EUR 27.97 over the year. On average, all German stock exchanges traded 139,900 PATRIZIA shares per day. This corresponds to an average total change of +43% over the previous year (2014: 97,900 shares/day). In December, the PATRIZIA share was ranked 54th in the Deutsche Börse MDAX index ranking in terms of market capitalisation and 59th in terms of trading volume. Over the course of the year, PATRIZIA’s ranking improved by 18 positions in terms of market capitalisation and by 16 positions in terms of trading volume. Based on PATRIZIA Immobilien AG’s average number of shares in issue in 2015 (around 72 million), the total of 35.4 million PATRIZIA shares traded during the past 12 month represent an annual turnover of 0.49 (previous year: 0.38).

202,000

shares per day

the highest trading volume was recorded in August 2015

HIGHS AND LOWS OF THE PATRIZIA SHARE IN 2015 (IN EUR)



[1] Capital increase from company funds of 10%

Issue of bonus shares

On 25 June 2015, the Annual General Meeting approved the Company's fourth consecutive capital increase from retained earnings in order 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 3 August 2015 and thus became effective. The share capital increased by 10%, or EUR 6,938,503, and amounts to EUR 76,323,533, divided into 76,323,533 registered no-par value shares. The new shares were issued after the close of trading on 18 August 2015, with the first day of trading on 19 August 2015. Each shareholder received one additional share for every ten existing PATRIZIA shares held.

Investor Relations – valuable relationships and lively communication

PATRIZIA Immobilien AG maintains a continuous and transparent dialogue with its institutional and private shareholders, informing them about important events on a regular basis. In the last year reviewed, the Managing Board and the Investor Relations team devoted 24 days to roadshows and presented the company at conferences in Europe and the USA on over twelve days.

The PATRIZIA Immobilien AG share is rated by nine analysts on a regular basis. Whereas J.P. Morgan Cazenove, HSBC Trinkaus & Burkhardt AG and Deutsche Bank AG have ceased their evaluation, NORD/LB commenced coverage of the PATRIZIA share in September. At the beginning of 2016, 56% of analysts recommended buying the PATRIZIA share. The price recommendation ranged from EUR 23 to EUR 28.

ANALYSTS COVERING PATRIZIA

Baader: Andre Remke	Bankhaus Lampe: Dr Georg Kanders	Berenberg: Kai Klose	BHF Bank: Thomas Effler
Commerzbank: Thomas Rothäusler	equinet Bank: Dr Philipp Häßler	Kepler Cheuvreux: Thomas Neuhold	Nord/LB: Michael Seufert
Manuel Martin			

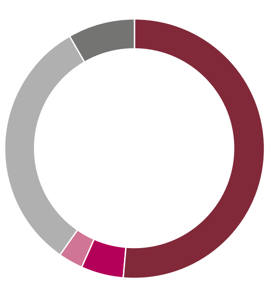
9
analysts
observe and evaluate our shares on a regular basis

Please find more detailed information on our website: www.patrizia.ag/en/investor-relations: in addition to financial reports, presentations and notifications, the website also contains the latest financial calendar as well as analyst opinions on the PATRIZIA Immobilien AG share.

Company shareholder structure

The shareholder structure of PATRIZIA Immobilien AG changed only slightly in the past financial year: the Company's CEO and principal shareholder, Mr Wolfgang Egger, continues to hold a 51.62% stake via First Capital Partner GmbH. Wasatch Advisors, Inc., based in Salt Lake City, USA, exceeded the threshold of 5% in December 2015 and now holds 5.20%. The shareholding of Union Investment Privatfonds GmbH has been reported as 3.07% in May 2013. Other institutional investors account for a further 32.01% of shares, while 8.10% of our shares are held by private shareholders.

PATRIZIA SHAREHOLDER STRUCTURE



- First Capital Partner GmbH[1] 51.62%
- Wasatch Advisors, Inc., USA[2] 5.20%
- Union Investment Privatfonds GmbH[3] 3.07%
- Other institutional investors[4] 32.01%
- Retail shareholders[4] 8.10%

[1] First Capital Partner is attributable to the CEO, Wolfgang Egger
[2] As per notification of voting rights dated 22 December 2015
[3] As per notification of voting rights dated 22 May 2013
[4] Shareholders recorded in the register of names, those not recorded are estimated

Our Results

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Our Results

Assets under Management

(Total EUR 16.6 billion in 2015)

11.1
EUR billion
Germany

5.5
EUR billion
abroad

Management Report

CONSOLIDATED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP

The Group management report was summarised in the PATRIZIA Immobilien AG management report in accordance with Article 315 (3) of the German Commercial Code (HGB) in conjunction with Article 298 (3) of the HGB because the position of PATRIZIA Immobilien AG as a management and financial holding company is mainly shaped by the position of the Group. The summarised management report contains all presentations of the net assets, financial and earnings situation of the Company and the Group as well as other details required according to German commercial law and the supplementary provisions of DRS 20. All monetary amounts are stated in euros.

1 FUNDAMENTAL PRINCIPLES RELATING TO THE GROUP

1.1 BUSINESS MODEL

PATRIZIA Immobilien AG is one of Europe's leading real estate investment companies. Across Europe, around 800 employees serve our clients on 15 European markets. PATRIZIA offers the complete value chain from asset to portfolio management, including the processing of acquisitions and sales transactions for virtually all classes of property as well as alternative investments and project development. This enables PATRIZIA to fully meet the clients' desires and requirements. These clients include long-term focused private and institutional investors such as insurance companies, pension funds, sovereign wealth funds and savings banks from all over Europe and Asia. PATRIZIA offers its clients products tailored to meet individual return, diversification aspirations and risk appetite.

PATRIZIA's business model focuses on making investments across Europe for institutional and private investors and on using its own equity to invest in attractive real estate and real estate portfolios. In doing so, PATRIZIA generates fees and investment income which can be classified in three categories:

Third-party business

Third-party business involves the placement and management of special funds by the Group's own investment management companies (KVGs) on behalf of private and institutional investors. The funds are structured without any equity contribution from PATRIZIA. PATRIZIA generates stable, recurring income from the management of the assets. Furthermore, this category includes additional mandates where PATRIZIA offers single individual services from its own comprehensive service portfolio.

Co-investment

Through co-investments, PATRIZIA also uses its own equity to participate in transactions together with its clients. In addition to the commitment to the client and to the transaction, these investments also generate management fees and income for PATRIZIA from participations. PATRIZIA also provides its shareholders the option to participate in the growth enhancement of an attractive and diversified Pan-European real estate portfolio.

Principal investment

PATRIZIA acquires portfolios or properties entirely on its own account as "principal investments" and convinces with its ability to close even complex transactions swiftly. An opportunity is acquired if it involves an attractive asset which is not marketable to funds due to time or complexity factors. However, the clear aim is to structure an attractive product for investors or to resell the portfolio or property at a profit.

As per 31 December 2015, PATRIZIA's assets under management increased to EUR 16.6 billion (31 December 2014: EUR 14.6 billion). The volume of assets managed on behalf of third parties totalled EUR 8.8 billion (31 December 2014: EUR 7.3 billion); the portfolio of co-investments in which PATRIZIA participates with up to 10% of its own equity fell to EUR 6.7 billion (31 December 2014: EUR 7.0 billion). In the past year, principal investments acquired worth around EUR 1.1 billion (31 December 2014: EUR 0.3 billion) were reported in the accounts.

2.0
EUR billion
annual growth of assets under management

In accordance with its business model, PATRIZIA Immobilien AG generates two primary income streams which form the basis of its operating income:

	Revenues from management services	Commissions on purchases and sales	Earnings on capital employed	Performance-dependent fees
Fees from third parties	✓	✓	✓ As part of co-investments	✓
Revenues from own investments	✓	✓	✓	✗

1.2 GROUP STRATEGY

PATRIZIA's strategy revolves around increasing assets under management by around EUR 2.0 billion each year and thereby achieving a sustainable growth in operating income.

Expansion of the European platform

A key element of PATRIZIA's strategy involves further expansion in Europe. As a general principle, PATRIZIA only expands into new markets or market segments where established companies can be integrated into the PATRIZIA Group and/or where it is possible to recruit highly qualified experts with an appropriate track record. Following France, the United Kingdom, the Netherlands and Scandinavia, last year PATRIZIA expanded into the real estate market of the Iberian Peninsula through a dedicated team, with the result that PATRIZIA now has a local team in 15 European markets.

Extension of the product portfolio

The product portfolio is being systematically expanded and now incorporates almost all asset classes – from residential, office and retail through to hotels and nursing care properties. In 2015 PATRIZIA established a Pan-European logistics platform to cover the field of logistics real estate across Europe for its clients. In addition, national requirements for structuring products and supervisory requirements vary. PATRIZIA's European-wide platform provides optimal conditions for offering investments which match the legal and supervisory requirements demanded by individual investors based on national regulations. PATRIZIA's track record and presence in Europe have enabled it to establish itself as a successful international brand among investors.

Broadening of the international investor base

The international investor base is undergoing further expansion. Investors are being targeted globally with a focus on Europe, Asia, Australia and North and South America with a view to securing them as long-term clients for PATRIZIA. Collaboration with existing clients is also constantly intensified. As well as offering new products, targeted consultancy services on reinvesting sales proceeds from existing investments are also offered.

1.3 COMPETITIVE STRENGTHS

Direct access to a broad base of investors

Direct access to a broad base of investors is one of PATRIZIA's strengths. It is based on the trust of its clients who wish to consolidate and expand the business relationship that has developed over 30 years. PATRIZIA's clients include around 200 institutional investors in Germany and abroad who regularly and repeatedly invest with PATRIZIA. In 2015 alone, investors entrusted PATRIZIA with EUR 1.5 billion of new equity.

Established Pan-European network

Based on the deep trust and a professional, easily scalable platform, PATRIZIA's scope of activities and thus its network now encompasses 15 European markets. PATRIZIA is represented in these markets with long-standing, local expertise and through its established regional and national network is able to identify and implement attractive investment opportunities in virtually all asset classes and risk profiles. This network also provides PATRIZIA direct access to the latest market developments and the opportunity to perceive almost every appreciable transaction. The Harald acquisition – a portfolio primarily consisting of German apartments which PATRIZIA acquired through the privatisation of the listed fund structure based in Scandinavia – is a good example of this.

Offering the entire value chain for the property

Not just foreign investors are impressed by PATRIZIA's wide range of products and services, but German investors as well. Investors are offered a "comprehensive, care-free package" containing all services and the entire value chain of their investment. It goes without saying that individual components can also be selected from this repertoire.

Successful "track record" attracts further transactions

Successful transactions speak for PATRIZIA. Last year alone acquisitions and sales totalling EUR 7.2 billion were processed, EUR 2.6 billion of which was outside Germany. Successful value creation within a portfolio is one of PATRIZIA's core competences which is reflected in the returns achieved for our clients. However, the prudent recognition of opportunities in all asset classes throughout Europe and the prompt and discreet execution of deals are also what clients and business partners value about PATRIZIA.

PATRIZIA has the DNA of an investor

As well as investing for third parties, PATRIZIA has made investing own equity a key element of its business model from the outset. PATRIZIA has the DNA of an investor. Its long-standing experience and extensive expertise as an investor are demanded and appreciated by its clients. PATRIZIA also invests its equity on a collaborative basis with clients in co-investments, thus creating trust.

Reputation creates trust

Among investors and business partners in Europe, the name PATRIZIA stands for a trusting and reliable partnership and successful business. This reputation has developed from sustainable and prudent business acumen. The brand and the trust associated with it are indispensable for securing new clients and developing existing business relationships. This is why such great importance is attached to taking care of the PATRIZIA brand and repeatedly earning our investors' trust with each new transaction.

1.4 GROUP CONTROL AND PERFORMANCE INDICATORS

1.4.1 CORPORATE MANAGEMENT BY SEGMENT

Corporate management is performed at PATRIZIA in the segments Management Services and Investments. The **Management Services** segment includes service commission income from third parties and co-investments. The **Investments** segment includes the income earned on the capital funds employed for co-investments and principal investments. Further details on segment reporting are available under item 7.

1.4.2 CORPORATE MANAGEMENT BASED ON FINANCIAL PERFORMANCE INDICATORS

The following financial performance indicators are used for corporate management at PATRIZIA:

Financial performance indicators	Description
Assets under management (real estate assets)	The growth of the Group is measured by the assets under management and the increase in the income generated from these assets.
Operating income	The operating income before tax is the Group's most important key performance indicator. It is calculated from EBT adjusted for profit/loss arising from the non-cash market valuation of investment properties, interest rate hedges and amortisation of management contracts. Realised changes in value from the sale of investment property are added to this. In addition to other individually agreed targets, the operating income is also the measure used for performance-based compensation of the Managing Board members and first-tier managers.

The following framework parameters are also used for corporate Group management:

Financial performance indicators	Description
Management fees	PATRIZIA receives recurring service fees for managing real estate assets.
Performance-based income	The Group receives performance-based payments when defined target returns for individual investments are exceeded.
Transaction volume	The transaction volume is the total of all purchases and sales for which PATRIZIA receives a fee which is in line with the market.
Raised equity	The equity for various investments is raised from investors.

The development of the above indicators is outlined under item 2.2.

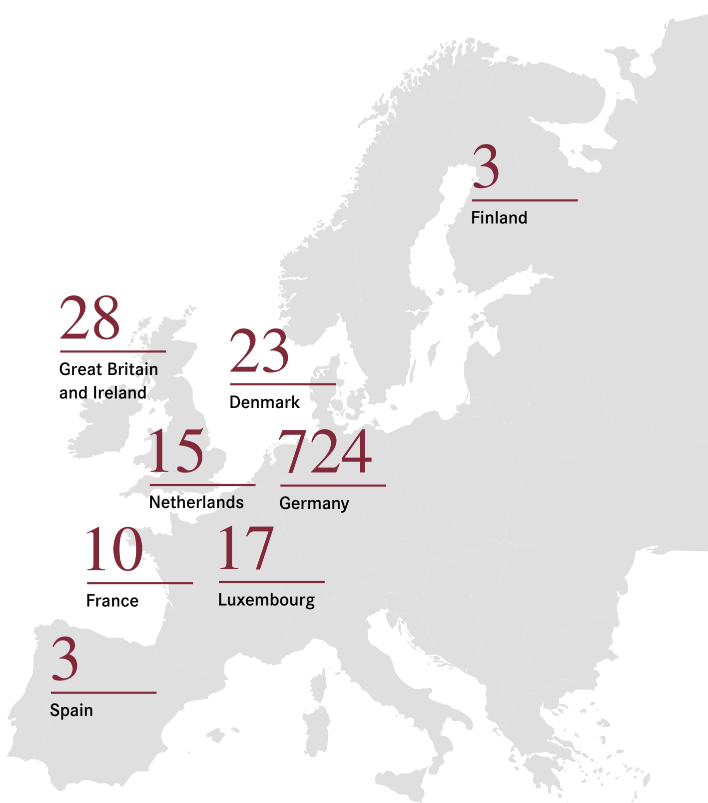
1.4.3 CORPORATE MANAGEMENT BASED ON NON-FINANCIAL PERFORMANCE INDICATORS

PATRIZIA does not directly apply any non-financial performance indicators.

1.5 EMPLOYEES

Employee structure

As per 31 December 2015, the European real estate investment company employed a total of 823 full-time employees (2014: 792 employees, +3.9%), including 47 trainees and students of the Cooperative State University Stuttgart (Duale Hochschule) studying real estate economics, plus 76 part-time employees. A total of 99 employees worked in the international subsidiaries across Europe (2014: 72 employees) in Denmark, Finland, France, the United Kingdom, Ireland, Luxembourg, the Netherlands and Spain. The increase in the number of employees is mainly a result of the expansion of our presence across Europe. In terms of full-time equivalents, the European headcount at the end of the year was 800 employees (2014: 770 employees, +3.9%).



Corporate culture

PATRIZIA'S corporate culture is based on our management principles and rules for collaboration, which are closely interconnected. They are divided into the five dimensions of performance, trust, respect, responsibility and support. All dimensions can be seen as of equal value and every employee is encouraged to share them and set an example of them in their own conduct. The essential nature of PATRIZIA's corporate culture makes it possible to achieve these goals better.

Diversity in the company

As a company with business activities throughout Europe, there is a constantly increasing level of cultural diversity in the Group. PATRIZIA now has local management teams in nine countries and is active as an investor and service provider in fifteen countries. At the end of the year, people of 26 nationalities were employed by PATRIZIA.

The proportion of male to female full-time employees is 53% to 47%, while the proportion of male to female part-time employees is 8% to 92%. With an overall proportion of 52%, the majority of employees (excluding trainees) of the PATRIZIA Group are female. In the year under review, female employees made up 5% of the senior management team (Managing Board and first-tier managers) across Europe (2014: 6%), while 23% of all managers in the Group were female (2014: 22%).

Further training possibilities

Further training for PATRIZIA employees is and remains a central objective. The PATRIZIA Academy offered 21 seminars from real estate skills, leadership skills, personal and social skills to international skills. Of a total of 20 instructors, 11 course leaders are drawn from within the company. Over the course of 2015, PATRIZIA invested around TEUR 412 in advanced and further training for its employees. This equates to EUR 540 per employee, based on the average number of people employed during the year. Each month, a onehour session on a selected topic is held under the slogan of "PATRIZIA Knowledge". These sessions focus on a dialogue between colleagues and aim to promote understanding among each other and across departments.

Employer attractiveness

In order to ensure that we can enjoy long-term success across Europe as a real estate investment company, we need to ensure remaining an attractive, exemplary employer when competing in order to recruit the best talents. PATRIZIA focuses on a mix of competitive remuneration, voluntary company social benefits, a friendly and constructive corporate culture and individually tailored development opportunities.

1.6 SUSTAINABILITY

PATRIZIA Immobilien AG supports various organisations in the real estate industry which are committed to promoting sustainability and environmentally conscious conduct. Through our membership in international property enterprises' associations, we contribute to the topics of sustainability in the real estate sector such as the definition of reporting standards for residential property.

Sustainability strategy

PATRIZIA's sustainability strategy comprises five strategic fields of action. These are employee development, social commitment, products, increasing the value of the company and raising transparency. The sustainability strategy aims to integrate social and environmental issues along the real estate value chain and in the stakeholder dialogue in order to be prepared for future challenges.

PATRIZIA KinderHaus Foundation

PATRIZIA also exercises sustainability through the support to the PATRIZIA KinderHaus Foundation, which was established by CEO Wolfgang Egger in 1999 and whose aim is to create living spaces for children and young people in need throughout the world by constructing PATRIZIA children's homes ('KinderHaus'). The main focus is always on constructing new buildings, extending buildings or converting buildings which are precisely tailored to the respective requirements. Eleven children's homes have been set up in Europe, Africa, Asia and South America in the more than 15 years of the foundation's existence. The underlying principle is to provide help to people to help themselves. All costs incurred are covered by PATRIZIA and further sponsors, meaning that 100% of every euro donated is spent directly on projects.

100
percent
of the donations are passed on to the aid projects

kinderhausstiftung.de
facebook.com/patriziakinderhausstiftung

2 ECONOMIC REPORT

2.1 ECONOMIC ENVIRONMENT

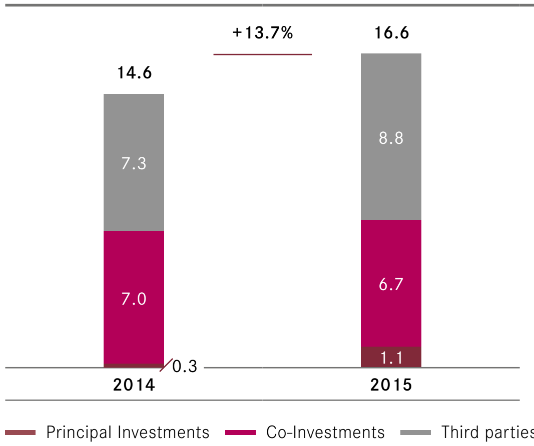
Markets in general: In Europe, the economic recovery turns into its third consecutive year, with the forecasts predicting further growth. It should however be noted that the current upturn is only proceeding very slowly, with real growth rates of between one and two per cent in almost all European countries. In 2015, the level of growth could largely be accounted for by decreasing oil prices, a relatively weak euro and the ECB's unconventional monetary policy. These favourable economic factors, in combination with a broadly neutral fiscal environment, have resulted in stimulation of private consumer spending and exports. Sources: eurostat, EU Commission, Reuters

Real estate markets: Real estate continues creating a great demand from both institutional and private investors. The volume of transactions on the European real estate markets reached a record high in 2015 again. Investment activities were driven by low returns on alternative investments and the availability of low costs of funding. Due to the robust economic development in Europe, there positive momentum continues for office buildings. European retail markets were also able to remain their strong development of the previous years. The interest for space in top locations and in locations bordering class A locations but also as class B and even class C locations remains high. European residential real estate markets continue to flourish in line with general economic trends. There are signs that the recovery is now spreading from country to country. Prices in cities are rising faster than the national averages in almost all European countries. This development is having an increasing effect on prices in commuter areas. Nevertheless, the risks associated with this appear currently limited since the recovery of the real estate market and the upturn in regional residential property markets have not yet resulted in a rapid expansion of lending. Sources: PMA, ECB, Reuters, eurostat

2.2 OPERATIONAL PERFORMANCE

Key performance indicators

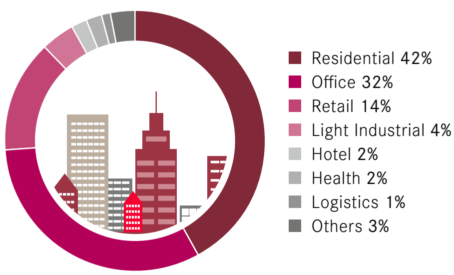
ASSETS UNDER MANAGEMENT (IN EUR BILLION)



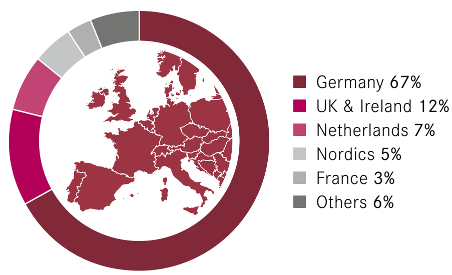
As per 31 December 2015, PATRIZIA was managing real estate assets worth EUR 16.6 billion compared with EUR 14.6 billion on the previous year's balance-sheet date. Of this, EUR 11.1 billion was accounted for by Germany and EUR 5.5 billion by other European countries. Overall, assets under management grew by EUR 2.0 billion, or 13.7% during the reporting period. The target growth of around EUR 2.0 billion per year was thus achieved. The company also expects net annual growth of around EUR 2.0 billion in assets under management in the future.

ASSETS UNDER MANAGEMENT

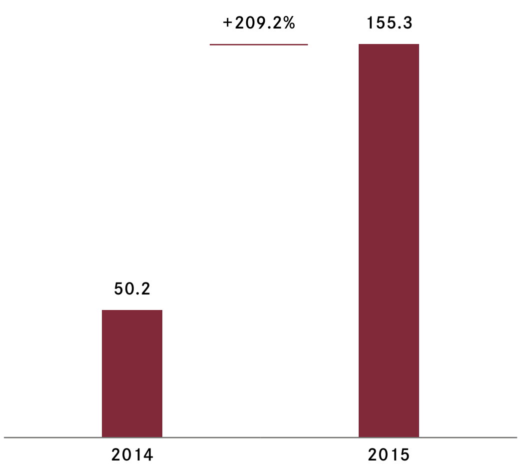
Breakdown by asset class



Geographical distribution



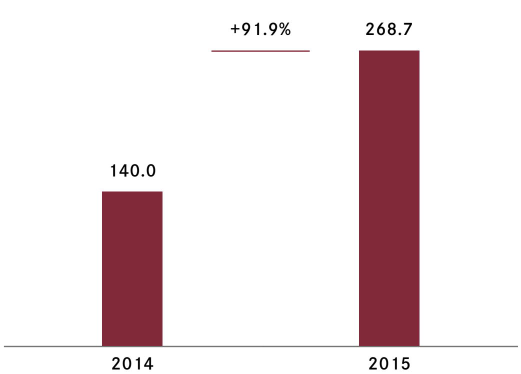
OPERATING INCOME (IN EUR MILLION)



The operating income is calculated from EBT according to IFRS adjusted for non-cash effects from the valuation of investment properties, interest rate hedges and amortisation of management contracts. Realised changes in value from the sale of investment property are added. For the 2015 fiscal year, the operating income more than tripled to EUR 155.3 million (2014: EUR 50.2 million). This achieved the upper half of the forecast of EUR 145–160 million, which had been revised upwards several times.

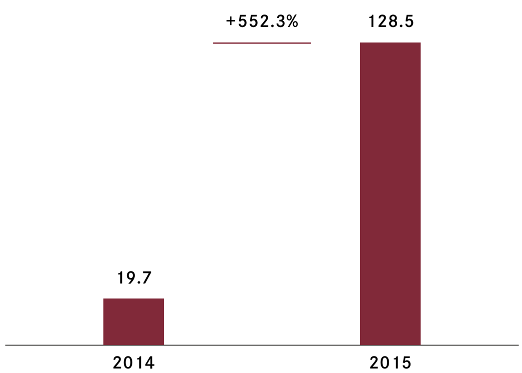
Development of the framework parameters which support corporate management:

INCOME FROM MANAGEMENT SERVICES (IN EUR MILLION)



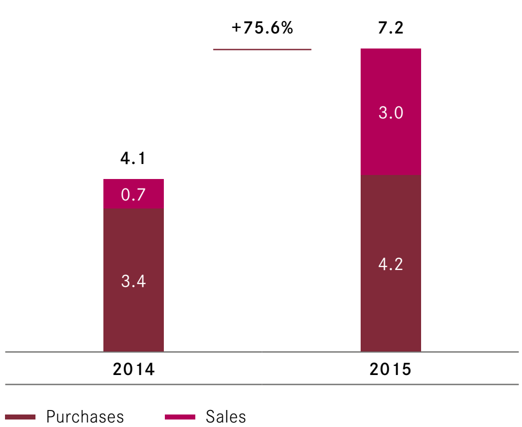
All services provided by PATRIZIA are compensated through management income. Management income includes the compensation for real-estate services such as asset and portfolio management, purchase and sale as well as performance fees. In 2015, management income of EUR 268.7 million was generated, representing an increase of 91.9% over the previous year (2014: EUR 140.0 million).

PERFORMANCE FEE (IN EUR MILLION)



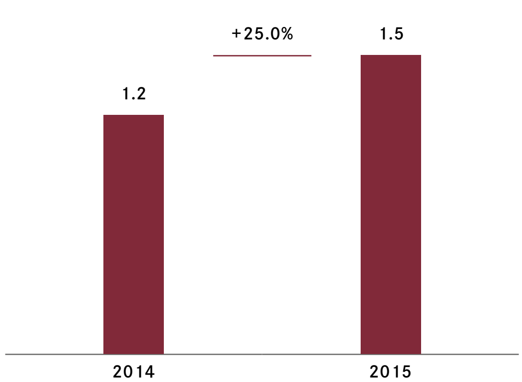
If defined target returns for investments are achieved or exceeded, PATRIZIA receives corresponding performance fees. This is part of the management income shown above. During the reporting year, this amounted to EUR 128.5 million (2014: EUR 19.7 million). The significant rise compared to the previous year was attributable to the sale of SÜDEWO, for which performance-based remuneration of EUR 103.5 million was received.

TRANSACTION VOLUME (IN EUR BILLION)



The transaction volume comprises closed real estate acquisitions and sales. In 2015, acquisitions totalled EUR 4.2 billion and sales EUR 3.0 billion. In the 2015 fiscal year, the transaction volume grew 75.6% to EUR 7.2 billion (2014: EUR 4.1 billion).

RAISED EQUITY (IN EUR BILLION)



In 2015, equity of EUR 1.5 billion was raised for the numerous international investments. This represents a 25.0% increase over the previous year's figure (2014: EUR 1.2 billion).

2.2.1 THIRD PARTIES

Business for third parties involves the placement and management of special funds by the Group's own investment management companies on behalf of private and institutional investors. PATRIZIA generates stable, recurring income from the management of the assets. Furthermore, this section includes additional mandates where PATRIZIA offers single individual services from its service portfolio. Third-party business does not involve any equity investment by PATRIZIA.

PATRIZIA investment management companies

The funds fulfil the role of asset holders, and the initial holding period planned for these assets is between seven and ten years. Various PATRIZIA business units act as service providers for the funds of the three investment management companies, thereby generating fee revenues.

PATRIZIA WohnInvest KVG mbH invests in residential properties and **PATRIZIA GewerbeInvest KVG mbH** in commercial real estate. Both companies operate with a focus on Europe and establish specialised real estate funds for institutional investors.

In contrast, **PATRIZIA GrundInvest KVG mbH**, which was licensed by the Federal Financial Supervisory Authority (BaFin) in 2015, focusses on establishing and managing closed-end real estate funds for retail investors. At the start of 2016, the company established its first fund and commenced its sales. The fund comprises two modern commercial properties located on the campus of RWTH Aachen University which are valued at EUR 40 million. The Südtor quarter in Stuttgart and a residential development in Copenhagen have already been acquired to establish further funds, with additional purchases planned during the year. In principle, PATRIZIA GrundInvest can invest in all markets and all types of real estate.

PATRIZIA Real Estate Investment Management S.à r.l. (REIM) manages the PATRIZIA Nordic Cities fund, which was established for two investors from Germany. Ten office and commercial properties in Denmark were acquired in December 2014 as an initial investment.

Management of investments for third parties

In addition, PATRIZIA Immobilien AG manages third-party mandates with real estate assets totalling EUR 749 million. This includes, for example, the mandate to manage London's Madam Tussaud's wax museum. PATRIZIA acquired this property as investment manager for the Taiwanese insurance group Fubon Life and took over its asset and property management in August 2015.

PATRIZIA VEHICLES AS OF 31 DECEMBER, 2015

in EUR million	Assets under management	Equity commitments	of which already invested equity	of which outstanding	Number of established vehicles
PATRIZIA WohnInvest KVG mbH	**1,414**	**1,572**	**965**	**606**[1]	**9**
Pool funds	935	1,003	621	381[1]	5
Individual funds	479	569	344	225[1]	4
PATRIZIA GewerbeInvest KVG mbH	**6,449**	**4,995**	**3,987**	**1,007**	**20**
Pool funds	3,578	2,505	2,025	480	9
Individual funds	1,011	1,221	817	404	9
Label funds	1,859	1,268	1,145	123	2
PATRIZIA Real Estate Investment Management S.à r.l. (REIM)[2]	**171**	**85**	**85**	**0**	**1**
Other mandates	**749**	**450**	**450**	**0**	**7**
PATRIZIA GrundInvest KVG mbH	**0**	**0**	**0**	**0**	**1**
THIRD PARTIES	**8,782**	**7,101**	**5,487**	**1,613**	**38**

[1] Excludes real estate developments secured under purchase contracts
[2] PATRIZIA Nordic Cities SCS SICAV-FIS

2.2.2 CO-INVESTMENTS

In the co-investments area, PATRIZIA invests in real estate in collaboration with its clients. Besides the commitment to the client and to the transaction, this also generates management fees and investment income for PATRIZIA in the same way as for third-party business. And our shareholders participate in the growth enhancement of an attractive and diversified Pan-European real estate portfolio. Co-investments account for EUR 6.7 billion of assets under management. Clients have invested EUR 2.7 billion and PATRIZIA EUR 0.2 billion.

PATRIZIA's co-investments are described below.

RESIDENTIAL

SÜDEWO

In fiscal year 2015, PATRIZIA Immobilien AG sold the Süddeutsche Wohnen Group (SÜDEWO) and its 19,800 apartments to Vonovia SE for EUR 1.9 billion. The group was purchased in 2012 for EUR 1.4 billion, with PATRIZIA holding a 2.5% stake.

GBW

GBW – a former BayernLB housing company – was acquired in 2013 for a consortium of German long-term investors. PATRIZIA has a 5.1% stake in the co-investment. Its aim is long-term, value-enhancing management of the portfolio, which extends throughout Bavaria. There were no material changes to this co-investment in the reporting period. Since acquisition, the value of the investment has increased from EUR 2.4 billion to EUR 3.3 billion.

WohnModul I SICAV-FIS

This co-investment's assets include European residential and commercial properties in Germany, Denmark, Ireland, France and the Netherlands. WohnModul's partner has committed total capital of EUR 820 million, of which an amount of EUR 776 million had been drawn at the reporting date. PATRIZIA holds a 10.1% stake. During the 2015 fiscal year, the co-investment made the following acquisitions:

- **Basket:** Purchase of a portfolio with 107 retail properties for EUR 286 million. The portfolio has a total rental space of 229,000 sqm and mainly comprises supermarkets, discount stores and specialist shopping centres in strong economic regions throughout Germany.
- **Wilhemina:** Economic takeover of the second tranche of the Dutch residential portfolio comprising 976 units. The first tranche with 4,157 apartments was already transferred in 2014. Overall, the portfolio comprises around 5,100 units and was purchased for EUR 564 million.
- **Dublin:** An inner-city residential building in Dublin with 62 high-quality apartments and gross floor space of around 4,700 sqm was acquired for around EUR 15 million.
- **Galleri K:** The "Galleri K" business quarter in the centre of Copenhagen was acquired for the equivalent of EUR 200 million. In addition to 20 high-quality businesses, the area also includes offices and apartments.
- **Bastide:** Acquisition of a portfolio in France with 23 residential buildings and a student residence comprising 978 residential and 6 commercial units. The purchase price was EUR 179 million.
- **Real estate developments in Germany:** Seven projects are currently at different stages of development in five German cities. The planned sales volume is around EUR 1.2 billion.

1.2
EUR billion
Development pipeline

Please refer to 2.3.2. "Earnings Situation" for information on this co-investment's impact on results.

COMMERCIAL

PATRoffice Real Estate GmbH & Co. KG

This is an actively managed co-investment with two pension funds, namely APG from the Netherlands and ATP Real Estate from Denmark. PATRIZIA Immobilien AG holds a 6.25% stake in the company. The exit phase and the sale of the properties were commenced in 2013. Assets with a value of EUR 92 million were sold in 2015. The remaining properties belonging to the company have a value of EUR 220.1 million and are to be sold in 2016 and the equity repaid.

Co-investments in the United Kingdom

PATRIZIA has four different co-investments with Oaktree Capital Management. PATRIZIA's stake varies between 5 and 10%.

Aviemore Topco	Three managed business parks: Hillington Park in Glasgow, Chineham Park in Basingstoke and Birchwood Park in Warrington.
Citruz Holdings LP	A commercial portfolio with 20 office, industry and leisure buildings. Four buildings were sold in 2015.
Plymouth Sound Holdings LP	A co-investment with three office buildings in Birmingham, Camberley and Watchmoor Park. The Arena 3 building in Bracknell was sold in 2015.
Winnersh Holdings LP	A business park near London, which is being developed by refurbishing existing buildings and through recompaction.

PATRIZIA believes that regional markets in the United Kingdom still offer good opportunities to acquire attractive commercial real estate near the low turning point of the market cycle and increase its value through active asset management.

In 2015 there were no major changes to the co-investments **Seneca** (DEIKON portfolio with 86 specialist stores and supermarkets) and **sono west** (construction of a new, eight-storey office and business building in Frankfurt).

2.2.3 PRINCIPAL INVESTMENTS

PATRIZIA acquires portfolios or individual properties on an opportunistic basis as a “principal investment” for its own account. An opportunity is only seized if it is considered to be an attractive, long-term investment. The clear aim is, however, to structure an attractive product for investors and to resell the portfolio or property at a profit.

Manchester First Street

During the period under review, PATRIZIA acquired the “First Street” site in Manchester, comprising 80,000 sqm, for around EUR 140 million. Some of the land has already been developed and built on, enabling PATRIZIA to add value through active management. While the on-site hotel has already been resold with a profit, a joint venture partner has now been secured for the undeveloped area and specific development plans have been drawn up. Plans for 2016 include selling the bar and restaurant businesses, and also the office building known as “First Street No. 1”, with a total area of 17,000 sqm.

Harald

As part of a voluntary public offer, PATRIZIA has acquired more than 14,000 apartments in Germany and Sweden during the 2015 fiscal year for some EUR 900 million. PATRIZIA has since successfully sold all the units. The units in Sweden were sold at a profit of around EUR 5.3 million in 2015, while the sale of the apartments in Germany for around EUR 1.1 billion has been notarised and will be completed in the first half of 2016.

Other principal investments

During the period under review, the principal investment Dover Street was also acquired, with the value-add building “Linley House” in Manchester and the Sudermannzentrum in Munich. 628 units were sold during the year under review (31 December, 2014: 2,985 units). As of year-end, PATRIZIA’s portfolio still comprised 471 units (31 December, 2014: 1,081 units).

Own project developments

PATRIZIA’s last real estate development for its own account was completed in 2015. No further projects are currently planned.

Please refer to 2.3.2 “Earnings Situation” for information on these principal investments’ impact on results.

2.3 ECONOMIC POSITION

2.3.1 GENERAL STATEMENT BY THE MANAGING BOARD

2015 was an outstanding year for PATRIZIA Immobilien AG – all relevant key performance indicators developed favourably and the forecast was met after being raised several times during the year. The outlook for the current fiscal year is also very positive and a further increase in the operating income is expected in 2016.

The income statement shows PATRIZIA's services under various items. The following therefore first outlines the key indicators.

At EUR 155.3 million, the **operating income** reached a new record high and was more than three times the 2014 result (EUR 50.2 million, +209.2%). The sharp rise in this indicator was driven by PATRIZIA's extremely positive development distinguished by the performance fee from the sale of SÜDEWO. The operating income includes all of PATRIZIA's operating income flows and thus gives an accurate reflection of actual operating performance. The composition and development of the operating income is explained in detail below.

Acquisitions and sales totalling EUR 7.2 billion were effected, representing a 75.6% year-on-year increase (2014: EUR 4.1 billion). As a result, **assets under management** also rose by EUR 2.0 billion to EUR 16.6 billion. The cash and cash equivalents of EUR 179.1 million on the reporting date will allow PATRIZIA to continue to exploit further attractive investment opportunities in the future. Overall, the net asset, financial and earnings situation developed extremely well and provides a good basis for PATRIZIA to continue implementing its strategic objectives.

2.3.2 GROUP EARNINGS SITUATION

OPERATING INCOME

The operating income is the Group's most important key performance indicator as it includes the total of all operating items in the income statement, adjusted by the cash and non-cash items listed below. In the 2015 fiscal year, the operating income more than tripled to EUR 155.3 million (2014: EUR 50.2 million, +209.2%). The change in the operating income over the previous year is shown below:

CALCULATION OF OPERATING INCOME

	2015 EUR '000	2014 EUR '000	Change
EBITDA	**175,077**	**55,886**	**213.3%**
Amortisation of fund management contracts[1], software and equipment	–7,059	–6,940	1.7%
EBIT	**168,018**	**48,946**	**243.3%**
Financial result (net interest income)	–16,505	–7,499	120.1%
Gains/losses from currency translation	–618	551	–
EBT	**150,895**	**41,998**	**259.3%**
Change in the value of derivatives	–2,888	–2,788	3.6%
+ Amortisation of management contracts[1]	1,968	2,485	–20.8%
Net realised change in the value of investment property	5,296	8,515	–37.4%
Operating income	**155,271**	**50,210**	**209.2%**

[1] Fund management contracts that were transferred as part of the acquisition of PATRIZIA GewerbeInvest KVG mbH and PATRIZIA UK Ltd.

The increase in the operating income is mainly attributable to the performance-related fee for the sale of SÜDEWO, which is shown under income from participations. This effect is explained in detail in **income from participations**.

The other items in the reconciliation of the operating income are shown below, based on their position in the consolidated income statement.

CONSOLIDATED INCOME STATEMENT

OVERVIEW OF PATRIZIA'S EARNINGS

	2015 EUR '000	2014 EUR '000	Change
Revenues	384,858	291,815	31.9%
Total operating performance	249,419	205,468	21.4%
EBITDA	175,077	55,886	213.3%
EBIT	168,018	48,946	243.3%
EBT	150,895	41,998	259.3%
Operating income[1]	155,271	50,210	209.2%
Consolidated annual profit	134,462	35,020	284.0%

[1] Adjusted for amortisation on fund management contracts, unrealised changes in the value of investment property and non-cash effects from interest and currency hedging transactions. Realised changes in the value of investment property have been added.

REVENUES

In 2015, consolidated revenues rose 31.9%, from EUR 291.8 million to EUR 384.9 million. All items in consolidated revenues contributed to the positive development and are explained below.

	2015 EUR '000	2014 EUR '000	Change
Sales proceeds from principal investments	188,979	155,189	21.8%
Rental revenues	42,761	21,187	101.8%
Revenues from management services	134,259	106,285	26.3%
Revenues from ancillary costs	14,678	7,728	89.9%
Other	4,181	1,426	193.2%
CONSOLIDATED REVENUES	**384,858**	**291,815**	**31.9%**

Revenues are of limited informative value because items shown beneath the revenue line must also be taken into account in order to obtain a complete picture of performance.

Sales proceeds from principal investments include purchase price revenues from PATRIZIA's own portfolio and also purchase price revenues from project developments. Sales of apartments from the company's own portfolio accounted for EUR 89.8 million (2014: EUR 129.5 million, –30.7%). The remaining own real estate developments accounted for sales of EUR 99.2 million (2014: EUR 25.7 million, +286.4%). Most real estate developments have been sold and completion is expected in the first half of 2016. Sales revenues contrasted with inventory outflows of EUR –106.8 million (2014: EUR –26.7 million), with the result that in 2015, sales resulted in net proceeds of EUR –7.6 million (2014: EUR –1.0 million).

The doubling of **rental revenues** from EUR 21.2 million in 2014 to EUR 42.8 million in 2015 was largely due to the addition of the properties in the Harald portfolio (EUR 34.0 million), which was also able to offset sales-related reductions in rents. As the acquisition of the Harald portfolio was completed during the course of the year, this amount represents the pro-rata rent received.

Service business expanded further in the 2015 fiscal year. Revenues from management services rose 26.3% from EUR 106.3 million to EUR 134.3 million. Of this, EUR 68.4 million (2014: EUR 51.3 million, +33.3%) was attributable to income from services provided and EUR 65.9 million (2014: EUR 55.0 million; +19.8%) to transaction fees and performance-based fees. This rise was due to the growth in assets under management and to the marked increase in transaction volume.

The item **Revenues from ancillary costs** contains an amount of EUR 14.7 million (2014: EUR 7.7 million, +89.9%) in revenues from the apportionment of ancillary rental costs. The item **Other** basically contains transaction fees which are charged on to the corresponding investment vehicles. As a result of the rise in transaction performance, the value increased 193.2% from EUR 1.4 million to EUR 4.2 million in 2015.

TOTAL OPERATING PERFORMANCE

Total operating performance is a better reflection of PATRIZIA's performance than revenues because it includes some items such as the sale of investments held as non-current assets which cannot be shown under revenues.

As a result of the sharp rise in revenues, total operating performance also grew in 2015, increasing 21.4% from EUR 205.5 million to EUR 249.4 million.

CALCULATION OF TOTAL OPERATING PERFORMANCE

	2015 EUR '000	2014 EUR '000	Change
Revenues	384,858	291,815	31.9%
Income from the sale of investment property	10,075	17,019	–40.8%
Changes in inventories	–166,980	–110,509	51.1%
Other operating income	16,189	7,143	126.6%
Income from the deconsolidation of subsidiaries	5,277	0	–
Total operating performance	**249,419**	**205,468**	**21.4%**

The development of **revenues** in 2015 is described above.

Income from the sale of investment property

Sales proceeds from properties shown under non-current assets are not included in consolidated revenues. Such revenues are reported in the income statement under the item "Income from the sale of investment property". After deducting the corresponding carrying values of EUR 59.7 million, the sales proceeds of EUR 69.8 million produced net income of EUR 10.1 million in the year under review. The 40.8% decline from the previous year, when income of EUR 17.0 million was generated, was due to the lower number of units sold. In the period from 2007 to 2015, these properties achieved increases with a value of EUR 67.5 million, including EUR 5.3 million in the 2015 fiscal year. These changes in value will be realised upon sale and will then be visible in the operating income.

Changes in inventories

In the year under review, changes in inventories amounted to EUR –167.0 million (2014: EUR –110.5 million, +51.1%). Decreases in the carrying value of real estate sold from inventory assets reduced stock by EUR 182.4 million (2014: EUR –147.3 million, +23.8%). The largest items were disposals from the sale of the VERO/F40 development and sales of a property in Cologne and a hotel in Manchester. Inventories increased as a result of capitalisation totalling EUR 15.4 million (2014: EUR 36.8 million; –58.2%), largely attributable to building progress in project developments.

Other operating income

Other operating income increased by 126.6% to EUR 16.2 million (2014: EUR 7.1 million). Of this, an amount of EUR 5.2 million mainly results from the release of liabilities and provisions of the Harald portfolio. A further EUR 5.2 million (2014: EUR 1.8 million) is attributable to the release of provisions and liabilities for building costs and to the acquisition in Manchester. A further EUR 1.7 million (2014: EUR 0.7 million) is attributable to income from charging on transaction costs and fees.

Income from the deconsolidation of subsidiaries

This item includes the sale of 630 apartments in Umea, Sweden, which formed part of the Harald portfolio. This transaction was executed as a share deal and is therefore not reported in revenues. After disposal of assets and liabilities, the income from the deconsolidation of subsidiaries was EUR 5.3 million (2014: EUR 0 million).

EBITDA

CALCULATION OF EBITDA

	2015 EUR '000	2014 EUR '000	Change
Total operating performance	249,419	205,468	21.4%
Cost of materials	–52,438	–54,455	–3.7%
Cost of purchased services	–14,787	–9,990	48.0%
Staff costs	–93,519	–77,239	21.1%
Change in the value of investment property	462	51	805.9%
Other operating expenses	–69,973	–50,193	39.4%
Income from participations	151,681	39,062	288.3%
Earnings from companies accounted for using the equity method	4,232	3,182	33.0%
EBITDA	**175,077**	**55,886**	**213.3%**

Income from investments forms part of PATRIZIA's operating income and will in future be shown above EBITDA in the items **Income from participations** and **Earnings from companies accounted for using the at equity method**.

Cost of materials

The cost of materials primarily includes investment costs for own real estate developments and PATRIZIA's own portfolio, which are generally capitalised. In the past year, it also included the ancillary costs of the Harald portfolio for the first time. Compared to the previous year, the cost of materials declined 3.7% to EUR 52.4 million (2014: EUR 54.5 million) and comprises the following expense items:

- Real estate developments of EUR 15.7 million (2014: EUR 29.9 million, –47.5%).
- Refurbishment and reconstruction activities of EUR 14.2 million (2014: EUR 11.8 million, +20.3%).
- Current maintenance of EUR 3.9 million (2014: EUR 2.4 million, +62.5%), plus
- allocable rental ancillary costs of EUR 18.7 million, including EUR 13.3 million attributable to the "Harald" principal investment (2014: EUR 10.4 million, +79.8%).

Cost of purchased services

The cost of purchased services of EUR 14.8 million (2014: EUR 10.0 million; +48.0%) includes in particular the expenses for the label funds of PATRIZIA GewerbeInvest, for which PATRIZIA acts as a service provider. In fiscal 2015, the rise in the cost of purchased services was mainly attributable to a 39.2% increase in acquisition activity in the label funds to EUR 13.4 million compared with EUR 9.6 million in the previous year. Revenues from label funds amounted to EUR 16.0 million (2014: EUR 11.7 million, +36.4%).

Staff costs

As a result of the expansion of the company's presence across Europe, the number of permanent employees rose to 823 on the reporting date (2014: 792 employees). Consequently, staff costs developed as follows:

	2015 EUR '000	2014 EUR '000	Change
Fixed salaries	48,413	40,744	18.8%
Variable salaries	20,526	16,577	23.8%
Sales commission	6,989	6,226	12.3%
Social insurance contributions	9,609	8,236	16.7%
Effect of long-term variable compensation[1]	4,464	2,496	78.8%
Other	3,518	2,960	18.9%
TOTAL	**93,519**	**77,239**	**21.1%**

[1] Changes in the value of long-term variable compensation due to changes in the share price. Further details are provided in the compensation report under 3.2.

The 21.1% rise in staff costs to EUR 93.5 million (2014: EUR 77.2 million) was primarily due to the 18.8% increase in fixed salaries from EUR 40.7 million to EUR 48.4 million. The sharp rise in fixed salaries in 2015 reflects the whole-year effect of employees taken on at the end of 2014 as part of the acquisition of an asset manager in England and also the new appointments in 2015. The 78.8% rise in long-term variable compensation to EUR 4.5 million (2014: EUR 2.5 million) is due to non-cash related changes in the value of long-term variable compensation due to the change in the share price. Further details on long-term variable compensation can be found in the compensation report (item 3.2). The item **Other** rose 18.9% on the previous year to EUR 3.5 million. This primarily includes benefits in kind of EUR 1.6 million compared with EUR 1.3 million in the previous year and also employee profit participation of EUR 0.8 million for the year 2015 (2014: EUR 0.8 million).

Change in the value of investment property

This item includes the result of the annual valuation of investment property. For the 2015 fiscal year, the change in value amounted to EUR 0.5 million compared to EUR 0.1 million in the previous year.

Other operating expenses

In line with PATRIZIA's significant increase in performance, other operating expenses rose 39.4% from EUR 50.2 million to EUR 70.0 million. The detailed composition is shown below:

	2015 EUR '000	2014 EUR '000	Change
Operating expenses	15,959	12,994	22.8%
Administrative expenses	17,957	16,039	12.0%
Selling expenses	12,050	8,982	34.2%
Other expenses	24,007	12,178	97.1%
TOTAL	**69,973**	**50,193**	**39.4%**

Operating expenses rose by 22.8% from EUR 13.0 million to EUR 16.0 million. Key items in operating expenses include rent for business premises and corresponding ancillary costs (EUR 7.2 million, up 19.6% compared to EUR 6.0 million in the previous year) which, like IT costs and maintenance, (EUR 5.6 million, up 37.3% compared to EUR 4.1 million in the previous year) increased due to the expansion in activities.

Administrative expenses rose 12.0% to EUR 18.0 million compared to EUR 16.0 million in 2014. In the fiscal year 2015, the largest items were transaction-related costs for due diligence and similar processes (EUR 6.2 million), legal and consultancy costs (EUR 5.1 million) and insurance and other contributions (EUR 1.0 million). The rise in administrative costs was mainly due to the increased transaction frequency. Transaction-related costs for due diligence and also legal and consulting services are charged to the respective investment vehicles and reported as a cost reimbursement under other revenues.

Selling expenses rose 34.2% from EUR 9.0 million to EUR 12.1 million and mainly include the costs associated with the sale activities of PATRIZIA. Commission paid directly amounted to EUR 3.7 million, a rise of 84.1% on the previous year (EUR 2.0 million). The remaining costs were incurred for various marketing services to support sales.

Other expenses almost doubled in the year under review from EUR 12.2 million to EUR 24.0 million. The most significant items were consultancy services for transactions (EUR 7.6 million compared to EUR 4.6 million in the previous year; +66.8%) and EUR 4.9 million for asset and property management services in the Harald portfolio (not applicable in the previous year).

Income from participations and earnings from companies accounted for using the equity method

In the reporting period, income from participations climbed 288.3% from EUR 39.1 million to EUR 151.7 million.

The rise was primarily attributable to the sale of the co-investment **SÜDEWO**, for which performance-based remuneration of EUR 103.5 million was received. In addition, an amount of EUR 3.6 million was attributable to services provided for SÜDEWO in the form of a shareholder contribution in the first half of 2015, which was not applicable from the second half of the year due to the sale, and an amount of EUR 13.4 million was attributable to earnings on the capital employed for this investment.

As in the previous year, in 2015 the co-investment **GBW** generated EUR 9.5 million from services provided as a shareholder contribution and an amount of EUR 17.8 million in performance-related shareholder compensation as well as a distribution on invested equity of EUR 3.2 million.

The **Seneca** supermarket portfolio contributed a dividend on invested equity of EUR 0.5 million (2014: EUR 0.4 million). The co-investment **WohnModul I** generated income of EUR 4.2 million compared to EUR 3.2 million in the previous year, which is reported as earnings from companies accounted for using the equity method.

	2015 EUR '000	2014 EUR '000	Change
SÜDEWO	**120,508**	**14,545**	**728.5%**
Services provided as a shareholder contribution	3,625	7,250	–50.0%
Performance-related shareholder compensation	103,466	5,630	1737.8%
Earnings on capital employed	13,417	1,665	705.8%
GBW	**30,555**	**24,156**	**26.5%**
Services provided as a shareholder contribution	9,490	9,490	0.0%
Performance-related shareholder compensation	17,842	11,443	55.9%
Earnings on capital employed	3,223	3,223	0.0%
SENECA	**510**	**358**	**42.5%**
UK	**108**	**0**	**–**
WohnModul I	**4,232**	**3,182**	**33.0%**
TOTAL	**155,913**	**42,241**	**269.1%**

CONSOLIDATED ANNUAL PROFIT

In line with the positive development in earnings performance, PATRIZIA's consolidated annual profit rose 284.0% from EUR 35.0 million to EUR 134.5 million.

CALCULATION OF CONSOLIDATED ANNUAL PROFIT

	2015 EUR '000	2014 EUR '000	Change
EBITDA	175,077	55,886	213.3%
Amortisation on fund management contracts, software and fixed assets	–7,059	–6,940	1.7%
Earnings before finance income and taxes (EBIT)	168,018	48,946	243.3%
Financial income	6,666	4,413	51.1%
Financial expenses	–23,171	–11,912	94.5%
Gains/losses from currency translation	–618	551	–212.2%
Profit/loss before income tax (EBT)	150,895	41,998	259.3%
Income taxes	–16,433	–6,978	135.5%
CONSOLIDATED ANNUAL PROFIT	134,462	35,020	284.0%

The relevant items in the calculation are shown below.

Amortisation of fund management contracts, software and equipment

Amortisation on fund management contracts, software and fixed assets remained almost unchanged at EUR 7.1 million (2014: EUR 6.9 million, +1.7%). The largest items here are amortisation on fund management contracts (EUR 2.0 million compared to EUR 2.5 million in the previous year; –20.8%) and also software in an amount of EUR 3.3 million (2014: EUR 2.6 million; +27.6%) as well as equipment in an amount of EUR 1.2 million (2014: EUR 1.2 million). The fixed assets schedule and its changes are described in detail in item 4 of the Notes.

Financial result

As a result of the increased financing volume, the negative financial result increased 120.1% from EUR –7.5 million in the previous year to EUR –16.5 million. Financial income rose to EUR 6.7 million, of which EUR 5.2 million came from income from interest rate hedging of the Harald portfolio. This contrasted with financial expenses such as interest and interest hedging costs of EUR 23.2 million, of which EUR 16.0 million was attributable to the Harald portfolio. Further information is available under item 6.10 of the Notes to the Consolidated Financial Statements.

Gains/losses from currency translation

As at 31 December 2015, gains/losses from currency translation amounted to EUR –0.6 million (2014: EUR 0.6 million) and comprised realised/unrealised gains/losses from currency exchange and also the currency swaps acquired in connection with the acquisition of the Harald portfolio, which expired during the 2015 fiscal year.

2.3.3 NET ASSET AND FINANCIAL SITUATION OF THE GROUP

PATRIZIA NET ASSET AND FINANCIAL KEY FIGURES

	31.12.2015 EUR '000	31.12.2014 EUR '000	Change
Total assets	1,631,831	741,176	120.2%
Equity (including non-controlling partners)	539,791	410,048	31.6%
Equity ratio	33,1%	55,3%	–22.2 PP
Bank loans	821,828	121,950	573.9%
– Cash and cash equivalents	179,141	145,361	23.2%
+ Bonded loans	67,000	77,000	–13.0%
= Net financial debt	709,687	53,589	1.224.3%
Real estate assets[1]	1,078,744	277,201	289.2%

[1] Real estate assets comprise investment property measured at fair value and real estate held in inventories measured at amortised cost.

PP = percentage points

Total assets

The Group's total assets rose to EUR 1.6 billion compared with EUR 0.7 billion in 2014. The increase was largely due to the inclusion of principal investments in an amount of EUR 1.0 billion on the reporting date, which more than offset the sale of other real estate in the portfolio.

Investment property and inventories

On the reporting date, PATRIZIA's real estate assets as recognised in the consolidated financial statements totalled EUR 1.1 billion (2014: EUR 0.3 billion; +289.2%):

	31.12.2015 EUR '000	31.12.2014 EUR '000	Change
Investment property	20,802	78,507	–73.5%
Inventories	1,057,942	198,694	432.4%
Principal investments	**1,078,744**	**277,201**	**289.2%**

Of this, an amount of EUR 20.8 million is accounted for by **investment property** which is earmarked for sale and which generates rental income until then. An amount of EUR 1.1 billion is accounted for by **inventories**. This item includes assets held for sale in the ordinary course of business. The large majority with a value of almost EUR 1.0 billion is attributable to the principal investment Harald.

An overview of all participations, assets under management and also of PATRIZIA's invested capital is shown in the following table.

PATRIZIA CAPITAL ALLOCATION AS AT 31 DECEMBER 2015

	Assets under management in EUR million	PATRIZIA investment capital in EUR million	Participation in %
Third parties	8,782	–	–
Co-investments	6,719	168.3	
Residential	5,087	128.6	
GBW GmbH	3,314	54.4	5.1
WohnModul I SICAV-FIS	1,730	70.4	10.1
Other	43	3.8	10.0
Commercial Germany	464	17.9	
PATRoffice	220	6.9	6.3
Seneca	58	6.1	30.0
sono west	186	4.9	5.1
Commercial international	1,168	21.8	
Aviemore Topco (UK)	597	12.9	10.0
Citruz Holdings LP (UK)	127	3.2	10.0
Plymouth Sound Holdings LP (UK)	69	2.0	10.0
Winnersh Holdings LP (UK)	376	3.7	5.0
Principal investments	1,081	419.4	
Harald	834	263.8	94.9
Other	247	155.6	100
Operating companies[1]	–	45.6	100
Tied investment capital	16,582	633.3	–
Bank balances and cash	–	171.1	–
Total investment capital	16,582	804.4	–
of which external capital (bonded loans and bridge financing)	–	264.6	–
of which PATRIZIA equity	–	539.8	–

[1] Tied investment capital relating to the acquisition of companies (mainly the acquisition of PATRIZIA GewerbeInvest KVG) and the capital commitment from the operation of the services business (mainly investments in systems and current receivables).

CAPITAL STRUCTURE

Bonded loans

In 2013, two bonded loans in a total amount of EUR 77.0 million were taken out. At the end of 2015, an amount of EUR 5.0 million was repaid on each of these loans, giving the two bonded loans a value of EUR 67.0 million on the balance-sheet date. A further EUR 10.0 million was repaid in January 2016. For the first time, this item is shown under long-term and short-term bonded loans.

Bank loans and financial liabilities

PATRIZIA does not require any debt for its operating business. For investments in the form of principal investments or co-investments, an appropriate dept share can be considered in order to increase the return on capital employed. Whereas, as in the case of Harald, it is possible to take over existing financing, the use of external capital is in principle examined on an individual basis for each investment and structured accordingly. If debt is used, the respective debts are shown as a financial liability based on their maturity.

As at 31 December 2015, the Group had current bank loans of EUR 821.8 million (2014: EUR 122.0 million). Of this, an amount of EUR 772.1 million is attributable to the principal investments (mainly relating to financing the Harald portfolio).

The development of bank loans and financial liabilities is shown in the following table:

	2015 EUR '000	2014 EUR '000	Change
Long-term bonded loans	32,000	77,000	–58.4%
Short-term bonded loans	35,000	0	–
Short-term bank loans	821,828	121,950	573.9%

A detailed schedule of maturities for the loans by fiscal year is listed in the Notes to the Consolidated Financial Statements under item 5.4.

LIQUIDITY

Financing of the PATRIZIA Group is centrally managed by PATRIZIA Immobilien AG. As at 31 December 2015, credit agreements existed with seven banks. According to the credit agreements and in line with our business model, we repay loans based on the sales status of the financed real estate, with the result that a large portion of sales proceeds is used for repayments.

179.1

EUR million

Cash and cash equivalents on the balance sheet date

Liquidity management ensures that the PATRIZIA Group is solvent at all times. Most of the individual Group companies are directly linked to the Group's automatic cash pooling system. 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 and the liquidity surpluses from sales represent the most important source of liquidity within the Group and ensure that financing requirements are met. An appropriate liquidity reserve is maintained in the form of cash to ensure the Group's solvency. As of 31 December 2015, PATRIZIA had cash and cash equivalents of EUR 179.1 million. The item includes cash and cash equivalents of EUR 8.4 million (2014: EUR 5.3 million; +59.1%), which the investment management companies must maintain because of regulatory requirements. In addition, an amount of EUR 95.0 million (2014: EUR 34.0 million; +179.3%) is reserved for repayments.

Cash Flow Statement

In the reporting year, there were cash inflows from current **business activities** of EUR 90.4 million (2014: EUR 140.0 million, –35.4%). The decline was because the change in inventories also included additions from investments in new principal investments in the reporting year. No comparable investments were made in the previous year. **Investment activities** resulted in a cash outflow of EUR 181.2 million (2014: inflow of EUR 99.5 million), mainly driven by the acquisition of the principal investments Harald and Manchester and by reduced inflows from the sale of investment property. The increased transaction volume resulted in clear inflows from **financing activities** because, in contrast to previous years, a significantly greater volume of loans was taken out than was repaid. The **change in cash** thus amounted to EUR 33.3 million (2014: EUR 39.8 million) and increased cash and cash equivalents from EUR 145.5 million at the end of 2014 to EUR 179.1 million as of 31 December 2015.

SUMMARY OF THE 2015 CONSOLIDATED CASH FLOW STATEMENT

	2015 EUR '000	2014 EUR '000	Change
Cash inflow from operating activities	90,406	140,020	–35.4%
Cash inflow/outflow from investment activities	–181,211	99,502	–
Cash inflow/outflow from financing activities	124,130	–199,697	–
Changes in cash	33,326	39,825	–16.3%
Cash and cash equivalents Jan. 1	145,361	105,536	37.7%
Cash and cash equivalents 31 Dec.	179,141	145,361	23.2%

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

The position of the parent company PATRIZIA Immobilien AG is essentially determined by the activities of the Group's operating companies.

As a financing and management holding company for these companies, PATRIZIA Immobilien AG generated **revenues** of EUR 20.9 million (2014: EUR 20.0 million; +4.7%), mainly as a result of management cost allocations to the subsidiaries. The increase in revenues was due to the fact that this allocation was increased in the 2015 fiscal year. Commission income for services provided by the subsidiaries is also invoiced through the parent company and results in corresponding administrative expenses.

Staff costs increased by 12.2% to EUR 26.9 million (2014: EUR 24.0 million). This was mainly due to the significantly higher valuation from long-term variable compensation and to annual salary adjustments. The **cost of materials** and **other operating expenses** increased 54.3% to EUR 26.8 million (2014: EUR 17.4 million). Other operating expenses increased due to higher rental expenses for office premises resulting from the European growth, higher IT costs and provisions for litigation. **Net interest income** fell EUR 4.0 million to EUR –0.9 million (2014: EUR 3.1 million). The parent company's profit/loss consists of the operating income of the Company itself and profits and losses of the subsidiaries with which profit and loss transfer agreements exist. At EUR 119.7 million, **net income from profit transfers and loss absorption** was up 191.5% on the previous year (2014: EUR 41.1 million). A key driver here was the favourable development in results at the subsidiaries. **Income from participations** declined to EUR 3.2 million (2014: EUR 5.8 million, –44.3%). Due to the sale of SÜDEWO, return on capital employed is not applicable for PATRIZIA Immobilien AG. For commercial law purposes, the income from the sale of the participation in SÜDEWO is recognised in other operating income, and not in income from participations (as for IFRS). In addition, the switch within the framework of the GBW co-investment to a quarterly pro-rata guarantee dividend has resulted in a further adjustment to this item. PATRIZIA Immobilien AG's **net profit** under HGB for the 2015 fiscal year amounted to EUR 92.9 million (2014: EUR 21.2 million; +337.4%) and when combined with the profits brought forward of EUR 111.2 million (2014: EUR 89.9 million; +23.6%) represents the Company's distributable unappropriated profit. This unappropriated profit amounted to EUR 204.1 million, an increase of 83.6% over the previous year (EUR 111.2 million).

It is assumed that PATRIZIA Immobilien AG's positive performance will continue in the 2016 fiscal year. Please refer to the Group report on expected developments (item 6).

SUMMARY OF THE PATRIZIA IMMOBILIEN AG BALANCE SHEET

	31.12.2015 EUR '000	31.12.2014 EUR '000
Non-current assets	475,007	302,825
Current assets	141,900	268,596
Prepaid expenses	346	572
TOTAL ASSETS	617,253	571,993
Equity	479,120	386,207
Provisions	30,423	15,085
Liabilities	107,711	170,701
TOTAL EQUITY AND LIABILITIES	617,254	571,993

SUMMARY OF THE PATRIZIA IMMOBILIEN AG INCOME STATEMENT

	2015 EUR '000	2014 EUR '000	Change
Revenues	20,949	20,014	4.7%
Other capitalised services and other operating income	18,752	1,779	954.1%
Cost of materials (cost of purchased services)	–63	–259	–75.7%
Staff costs	–26,889	–23,964	12.2%
Depreciation, amortisation, write-downs and other operating expenses	–31,572	–21,328	48.0%
Profit/loss from participations, profit transfers and loss absorption	122,890	46,839	162.4%
Net interest income	–910	3,127	–129.1%
Result from ordinary activities	**103,157**	**26,210**	**293.6%**
Taxes	–10,244	–4,966	106.3%
Net profit/loss	**92,913**	**21,243**	**337.4%**
Profit carried forward	111,169	89,926	23.6%
UNAPPROPRIATED PROFIT	204,082	111,169	83.6%

3 ADDITIONAL INFORMATION

3.1 INFORMATION RELATING TO TAKEOVERS

All of PATRIZIA's arrangements comply with the standards for German publicly traded companies.

Composition of subscribed capital, capitalisation

On 25 June 2015, the Annual General Meeting approved the Management proposal to carry the entire profit to new account and to issue bonus shares in a ratio of 10:1 for the 2014 fiscal year. Since the corresponding capital increase was entered into the Commercial Register on 3 August 2015, the Company's subscribed share capital has totalled EUR 76,323,533 and is divided into 76,323,533 registered no-par value shares. There are no other classes of shares.

Restrictions relating to voting rights or the transfer of shares

Each share confers the right to one vote; there are no restrictions concerning either voting rights or the transfer of shares. The Managing Board is also not aware of corresponding shareholder agreements.

Direct or indirect interest amounting to more than 10% of the capital

As at 31 December 2015, 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.

Control of voting rights where employees hold shares in the Company's capital

There are no controls in respect of voting rights.

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

The appointment and dismissal of the Managing Board is governed by Article 84 of the AktG and is supplemented by 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. These make use of the option, granted by law, of specifying a different capital majority.

Powers of the Managing Board to issue and buy back shares

By resolution of the Annual General Meeting of 25 June 2015, the Managing Board is entitled to acquire shares in the Company with a volume of up to 10% of the share capital until 24 June 2020. The entitlement may be 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. Purchases can be exercised 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 cancelled, sold in exchange for a contribution in kind or to shareholders or used to meet subscription or conversion rights.

The Managing Board was further 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). In certain cases, the Managing Board is authorised, with the approval of the Supervisory Board, to exclude the legal subscription rights of the shareholders. The complete authorisation results from Article 4 (3) of the Articles of Association. In addition, the Managing Board is authorised on one or more occasions, with the approval of the Supervisory Board to grant until 19 June 2017, in accordance with the more detailed conditions of the bonds, convertible bonds, and/or bonds with warrant, issued 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 bearers or the creditors of bonds, conversion privileges or option rights to new, registered no-par value shares of the Company with a pro-rata amount of the share capital of up to EUR 14,335,750. As a result of the 2013, 2014 and 2015 capital increases from company funds, the 2012 contingent capital was conditionally increased by law in accordance with Article 218 sentence 1 AktG, in the same ratio as the share capital – i.e. by 10% in each case – by EUR 1,734,625.75, from EUR 17,346,257.50 to EUR 19,080,883.25 through the issue of 19,080,883.25 new, registered no-par value shares with a pro-rata share in the share capital of EUR 1.00 during the year under review. 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 exist with the members of the Managing Board or employees for the event of a takeover bid.

3.2 COMPENSATION REPORT

The compensation report explains the principle features of the compensation system for the Managing Board and Supervisory Board of PATRIZIA Immobilien AG and discloses the amount of the payments made to the individual members of the Managing Board and Supervisory Board for the 2015 fiscal year. The compensation report considers all statutory requirements and corresponds to the recommendations of the German Corporate Governance Code, with the restriction that the variable portion of remuneration does not set a maximum amount.

Compensation of the Managing Board

The system of management compensation used was approved under a resolution of the Annual General Meeting on 23 June 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 task area, 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 consists of non-performance-related components and performance-related components with short and long-term incentive effects. There are no agreements in place in the case of a change of control.

Non-performance-related compensation

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.

Performance-related compensation

As a general principle, performance-related, variable compensation components are calculated on the basis of quantitative targets set at the start of the fiscal year, which are divided into three categories: company targets, business line targets and individual targets. Consequently, the amount of variable compensation paid out depends on the degree to which the predetermined targets are achieved, missed or exceeded.

The primary criterion for the achievement of company targets is the operating income, the Group's most important performance indicator. 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 the operating income is less than the hurdle of 67% of the defined target figure, the Managing Board receives no variable compensation whatsoever, irrespective of the achievement of other targets – company, business line or individual targets. Additional criteria for calculating variable compensation include the return on equity in the past fiscal year and the performance of PATRIZIA's shares over two years in relation to the DIMAX real estate reference index. The 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 at the time of granting. If 80% of the target is achieved, 50% of the variable compensation is granted.

Short and long-term variable compensation components

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 as cash payment, which is designated as a short-term component. The remaining third of the variable compensation is granted as 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 plan. 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 was set at three years for all Managing Board members at the start of the 2015 fiscal year. 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 following 31 December 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 third year following the fiscal year in question, i.e. after the end of the vesting period. The variable compensation component with a long-term incentive effect is thus dependent on the Company's share price performance. A maximum amount for the fair value at the time of payment has not been set.

Shares of the individual components in the Managing Board's overall compensation

Assuming that both PATRIZIA and the Managing Board members meet 100% of their targets for the respective fiscal year, the following approximate compensation structure applies for the fair value at the time of granting: around 41% of the total remuneration consists of non-performance-related compensation components. Short-term variable compensation, which is payable immediately, accounts for a further 39%. The long-term compensation component from performance share units comprises some 20% of the overall compensation.

Total remuneration for the 2015 fiscal year

The remuneration granted to the members of the Managing Board for the 2015 fiscal year totalled EUR 3.5 million. Some of this remuneration was not accompanied by actual payments. A total of 29,955 performance share units are included for the Managing Board for 2015; the cash equivalent of this sum will be paid out in the 2019 fiscal year (48,186 units for the 2014 fiscal year for payment in 2018). The total remuneration paid out to the Managing Board was EUR 4.0 million in the reporting year (2014: EUR 2.7 million).

The following table corresponds to the sample tables recommended in the German Corporate Governance Code and differentiates according to payments which the members of the Managing Board have been granted for the fiscal year but which have not yet been paid out in full and payments which have actually been made.

The following payments were granted to the members of the Managing Board for the relevant fiscal year:

Payments granted EUR '000	WOLFGANG EGGER, CEO Joined: 21.08.2002 Appointed until: 30.06.2016				ARWED FISCHER, CFO Joined: 01.03.2008 Left: 13.11.2015				KARIM BOHN, CFO Joined: 01.11.2015 Appointed until: 31.10.2018				KLAUS SCHMITT, COO Joined: 01.01.2006 Appointed until: 31.12.2020			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Fixed compensation	360	360	360	360	360	360	360	360	–	60	60	60	360	360	360	360
Fringe benefits	27[1]	27[1]	27[1]	27[1]	33[1]	33[1]	33[1]	33[1]	–	2[1]	2[1]	2[1]	12[1]	13[1]	13[1]	13[1]
Total	**387**	**387**	**387**	**387**	**393**	**393**	**393**	**393**	**–**	**62**	**62**	**62**	**372**	**373**	**373**	**373**
One-year variable compensation	412[2]	504[3]	0	540[4]	384[2]	448[3]	320[5]	480[4]	–	47[6]	47[6]	47[6]	354[2]	504[3]	0	540[4]
Multi-year variable compensation									–							
Performance share units tranche 2016–2018	–	252[3]	–	270[4]	–	224[3]	160[5]	240[4]	–	23[6]	23[6]	23[6]	–	252[3]	–	270[4]
Performance share units tranche 2014–2015	206[2]	–	–		192[2]	–	–		–	–	–		177[2]	–	–	
Total	**1,005**	**1,143**	**387**	**1,197**	**969**	**1,065**	**873[5]**	**1,113**	**–**	**132[6]**	**132[6]**	**132[6]**	**903**	**1,129**	**373**	**1,183**
Pension expenses	12	12	12	12	12	12	12	12	–	1	1	1	24	24	24	24
Total compensation	**1,017**	**1,155**	**399**	**1,209**	**981**	**1,077**	**885[5]**	**1,125**	**–**	**133[6]**	**133[6]**	**133[6]**	**927**	**1,153**	**397**	**1,207**

[1] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[2] Granted in the 2015 calendar year for 2014 year once all criteria required for determining the variable compensation were known.
[3] Corresponds to the liability posted for 140% target achievement. (The exact amount will be defined in the outstanding settlement).
[4] Corresponds to the maximum amount of variable compensation that can be achieved of 150%.
[5] A minimum target achievement of 100% was agreed with Mr Fischer for 2015.
[6] A target achievement of 100% and payment pro rata temporis was agreed with Mr Bohn for 2015.

The following payments were made to the members of the Managing Board in the relevant fiscal year:

	WOLFGANG EGGER, CEO		ARWED FISCHER, CFO		KARIM BOHN, CFO		KLAUS SCHMITT, COO	
Amount paid EUR ’000	Joined: 21.08.2002 Appointed until: 30.06.2016		Joined: 01.03.2008 Left: 13.11.2015		Joined: 01.11.2015 Appointed until: 31.10.2018		Joined: 01.01.2006 Appointed until: 31.12.2020	
	2014	2015	2014	2015	2014	2015	2014	2015
Fixed compensation	360	360	360	360	–	60	360	360
Fringe benefits	27[1]	27[1]	33[1]	33[1]	–	2[1]	12[1]	13[1]
Total	**387**	**387**	**393**	**393**	**–**	**62**	**372**	**372**
One-year variable compensation	437	412	411	384	–	–	389	354
Multi-year variable compensation								
Performance share units tranche 2012–2014	–	–	–	567[3]	–	–	–	628[3]
Performance share units tranche 2013–2014	–	388[3]	–	–	–	–	–	–
Performance share units tranche 2012–2013	277[2]	–	-	–	–	–	–	–
Total	**1,101**	**1,187**	**804**	**1,344**	**–**	**62**	**761**	**1,354**
Pension expenses	12	12	12	12	–	1	24	24
Total compensation	**1,113**	**1,199**	**816**	**1,356**	**–**	**63**	**785**	**1,378**

[1] The item primarily includes non-cash benefits arising from the provision of company cars and insurance premiums.
[2] Amount paid out in 2014 after conversion of the performance share units tranche for 2012–2013 at an average price of EUR 7.784692.
[3] Amount paid out in 2015 after conversion of the performance share units tranche for 2013–2014 and 2012–2014 at an average price of EUR 13.12425.

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. The Supervisory Board receives fixed compensation in line with the level customary in the market; this is paid to members in four equal instalments at the end of each quarter. No variable compensation is paid.

In view of the size of the Supervisory Board with just three members, no committees were formed. Consequently, the committee remuneration recommended by the German Corporate Governance Code is irrelevant. If a Supervisory Board member has not been 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 their expenses as well as reimbursement for any value-added tax payable on their compensation and expenses.

Personnel changes occurred in the Supervisory Board of PATRIZIA Immobilien AG during the reporting period. The long-standing Supervisory Board member, Mr Manfred J. Gottschaller, died suddenly and unexpectedly on 4 June 2015. PATRIZIA has lost a prudent and experienced member of the Supervisory Board in the person of Mr Gottschaller. Mr Gottschaller was succeeded on the Supervisory Board of PATRIZIA Immobilien AG by Mr Hoschek, who had been elected as substitute member by the 2014 Annual General Meeting. In June 2015, Mr Harald Boberg resigned his position as Supervisory Board member. He was succeeded by Mr Gerhard Steck, who was appointed as member of the body by the Local Court of Augsburg with effect from 1 July 2015.

The following payments were granted to the Supervisory Board in the 2015 fiscal year:

EUR '000	Fixed compensation	
	2015	2014
Dr Theodor Seitz, Chairman	40,000	40,000
Alfred Hoschek (since 4 June 2015)	17,250	0
Gerhard Steck (since 1 July 2015)	15,000	0
Harald Boberg (until 25 June 2015)	15,000	30,000
Manfred J. Gottschaller (until 4 June 2015)	15,000	30,000
TOTAL	**102,250**	**100,000**

3.3 DECLARATION ON CORPORATE GOVERNANCE – DISCLOSURES IN ACCORDANCE WITH ARTICLE 289A HGB (GERMAN COMMERCIAL CODE)

The Managing Board of PATRIZIA Immobilien AG issued a declaration on 18 February 2016 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/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung.

3.4 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 for each legal transaction. There were no measures taken during the fiscal year that require reporting."

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

4 SUPPLEMENTARY REPORT

Sale of the Harald portfolio

The sale of the Harald portfolio to Deutsche Wohnen AG was notarised in November 2015 for a selling price of EUR 1.1 billion and is expected to be concluded in the first half of 2016. Due to the complex structure of the portfolio under corporate law, the transaction was designed partly as an asset deal and partly as a share deal.

Sale in Manchester

Through its British subsidiary PATRIZIA UK Ltd., PATRIZIA has agreed to construct an office building in Manchester in conjunction with one of the UK's largest pension funds. In a first step under this project, an undeveloped plot of land (plot 5) was sold, after the balance sheet date, by Southside Regeneration Ltd. to the real estate development fund GMPVF for a purchase price of GBP 8.5 million. GMPVF invests in the development of the UK's north-western regions and belongs to the Greater Manchester Pension Fund, the largest municipal pension fund in the UK. PATRIZIA holds a minority interest of 0.05% in this development project.

5 DEVELOPMENT OF OPPORTUNITIES AND RISKS

5.1 MANAGEMENT OF OPPORTUNITIES AND RISKS

The group-wide risk management system ensures that internal and external opportunities and risks are systematically captured, assessed, controlled, monitored and communicated. Our aim is to obtain information on risks and opportunities and their financial implications at an early stage and to manage them in such a way that the long-term value of the company is sustainably safe and can increase. The Managing Board of PATRIZIA Immobilien AG bears overall responsibility. Monitoring and development of the risk management system lies with the risk management working group which consists of employees from the Controlling, Investor Relations and Legal departments as well as from operational areas.

Opportunity management is performed independently of risk management. The Transactions and Alternative Investments departments observe the market for attractive investment opportunities. The Product Development and Institutional Clients departments develop new pro-ducts and structures for our clients. Strategic growth opportunities are identified and pursued by PATRIZIA's Strategy Committee. PATRIZIA's asset management companies each maintain a risk management system focusing on the real estate special funds that they manage and in order to ensure compliance with legal and supervisory requirements. The risks and opportunities which PATRIZIA identifies and communicates at an early stage – defined as negative/positive deviations from plan figures – pass through the further management process. This is ensured through the regular jour fixe session of the Managing Board and of the Cooperation Committee, which consists of all Country Heads, Group Heads, Operational Group Heads and the COO.

Group Controlling reports provide a regular and reliable information base for managing opportunities and risks. The value drivers for each area of responsibility are exposed in a monthly target-actual analysis in order to identify undesirable developments at an early stage and to allow measures to be taken. Identified opportunities and risks are integrated into the regular planning and forecasting processes. Risks are evaluated on the basis of the probability of their occurrence and the magnitude of potential damage and are summarised at Group level. We use this information to develop the required course of action and to limit their impact through operational measures and, where necessary, through financial precautions such as accruals. The analysis generally covers the period of our corporate planning but can also be extended beyond this in the event of significant strategic risks.

The efficiency and effectiveness of the risk management system are assessed once a year in an internal risk audit. The results are set out in a risk report, which presents all risks, operational measures and responsibilities which were previously examined by the departments in charge. In addition to the Managing Board, the Managing Directors of the business functions are informed of the risk inventory's results. Further on, the early risk detection system is examined by the auditors in accordance with Article 317 (4) of the German Commercial Code (HGB).

5.2 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 GERMAN COMMERCIAL CODE (HGB)

The risks relating to accounting and financial reporting are that our annual financial statements and quarterly reports could contain incorrect presentations. In order to avoid sources of error, PATRIZIA Immobilien AG has established an internal control system (ICS) for its accounting process. It ensures sufficient security for the reliability of its financial reporting and preparation of its regular reports as well as of the annual and consolidated financial statements and quarterly reports. Nevertheless, the ICS cannot provide absolute certainty. The members of PATRIZIA Immobilien AG's Managing Board sign the declaration of legal representatives each quarter. In doing so, they confirm that accounting standards have been complied with and that the figures represent the actual assets and liabilities, financial position and earnings situation. The starting point for the ICS is the projection based on the targets set by the Managing Board and the planning of the operating businesses. This planning provides budgetary values for the coming fiscal year and budget figures for the following fiscal year for each company and each cost centre. Differences between the actual and target figures are determined and analysed on a monthly basis. A revised forecast for the current fiscal year is prepared mid-year, based on actual values already booked and open budget values.

The ICS includes all measures and processes to ensure that all business transactions are entered quickly into the bookkeeping and financial statements. It examines the effect of amendments to laws and accounting standards and the preparation of financial statements. Systematic implementation of the four eyes principle ensures compliance with legal regulations in accounting processes. The separation of functions and authorisation regulations, which are reinforced by standardised control and coordination processes, form the basis of the ICS. All authorisations are documented and subject to system-based archiving.

The accounting for all operational and property holding companies in Germany is located centrally within PATRIZIA Immobilien AG. Accounting for companies located abroad is generally performed by the national company. The basis for accounting is provided by group-wide standards within a central IT environment, which is mainly SAP-based. The Group Accounting department performs the consolidation required to produce the consolidated financial statements centrally. Employees involved in the preparation of the annual financial statements are appropriately trained, and the responsibilities and controls for preparing the annual financial statements are clearly defined.

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

5.3 IMPORTANT OPPORTUNITY AND RISK CATEGORIES

5.3.1 MARKET RISKS

Opportunities and risks arising from macroeconomic developments: favourable financing terms and low mortgage interest rates are increasing the attractiveness of real estate and demand from both private and institutional investors throughout Europe. PATRIZIA can meet this demand with its comprehensive product mix by actively purchasing and selling assets and realising development projects. Demand for property is expected to continue in the 2016 fiscal year as a result of the ECB's ongoing expansionary monetary policy and the lack of investment alternatives. At the macroeconomic level, the volatility of the euro and possible deflationary scenarios might be factors which curb positive economic development in the euro area but could promote demand for real estate as a safe haven. Currently, we do not see any substantial weakening risk in PATRIZIA's development in the medium term.

Residential real estate market: increasing construction activity in Europe demonstrates that the market is responding to the existing shortage in urban areas. Demographic change, urbanisation and a changing regulatory framework are effecting the development of real estate and hence price development across Europe, too. For this reason, it is very important to perform a detailed analysis of the long-term demand structure and to manage portfolios actively. In Germany, rent controls ('Mietpreisbremse') are showing slight initial effects on how rents are developing in certain urban areas, as rent increases have been restricted in tight markets. Current discussions about how local rent indices are calculated and modernisation cost allocation are causing a degree of uncertainty and must be monitored carefully.

Commercial real estate market: strong demand for office and retail space can also be expected in 2016. This demand implies stable growth in rents and positive growth in value. As a consequence, growth is also anticipated in investment activities in commercial real estate in Europe. Continuing strong economic growth in the United Kingdom will continue to drive activities in commercial real estate. With the strong increase, demand, especially from the Asian region, is meeting a relatively short supply. Macroeconomic development in the Nordic countries has led to meaningful rent increases in the commercial sector and made these assets more attractive.

Competitive situation: high demand for indirect real estate investment opportunities remains. PATRIZIA has fully implemented the Alternative Investment Fund Managers Directive (AIFMD). The new structure allows cross-border synergies to be leveraged across all product classes. PATRIZIA will extend its range of products and services via its established country platforms in Germany, Scandinavia and Finland, the United Kingdom and Ireland, France, Spain as well as Luxembourg and the Netherlands, and increasingly acquire international investors. As a consequence, we have increased the number of staff within the Institutional Clients area. Strong market competition is still anticipated for Management Services. Clients attach increasing importance to outstanding management quality at competitive prices. PATRIZIA considers itself well-positioned in this respect.

Long-term investment contracts: steady income flows result from a large number of long-term investment contracts, concluded for a fixed term. For this reason, the loss of a single mandate – even through selling a portfolio – is not associated with any substantial risk, rather more it is part of our business model.

5.3.2 BUSINESS RISKS

Purchases and sales of real estate: again there was a considerable increase in demand for real estate in 2015. In an environment of low interest rates, an increasing number of international investors are focusing on the European real estate market. The transaction volume improved again compared with the previous years. Moreover, it is becoming increasingly challenging to acquire suitable properties with the planned risk-return-matrix for our clients. In this market situation, PATRIZIA is able, firstly, to use its experience, expertise and market access to acquire attractive properties for its clients and, secondly, to present attractive exit opportunities to existing investors. Further investment opportunities for PATRIZIA result from the international and strategic development with its own foreign subsidiaries. PATRIZIA is therefore seen throughout Europe as a reliable and professional partner in the fast realisation of large individual investments and portfolios.

Principal investments: these are investments that PATRIZIA undertakes for its own account. The main risk which might result from this it that a property may not be sold at the desired price. So far, it has always been possible to sell all principal investments made, completely or in part, faster than expected and very profitably, which demonstrates the significant opportunities that PATRIZIA generates with these investments.

Employees: the skills and motivation of PATRIZIA's employees are essential for success. Through our employees, we gain the trust of our investors, tenants, business partners and shareholders and are able to establish long-term business relationships. We endeavour to retain qualified staff in the long-term. We apply personnel development measures, representation rules and early succession planning as part of our efforts to reduce the risk of staff leaving and loss of knowledge and in order to occupy management positions internally. Furthermore, the recruitment of new employees, especially during our period of growth, is vital for PATRIZIA's successful future development.

For further information, please refer to the section on Employees under 1.5.

IT security: almost all our essential business processes are supported by IT systems. Any fault in the operation of the IT systems affects our business activities. A substantial loss of data could lead to serious financial losses and also adversely affect public perceptions of the Company. Virtually all systems have been operated redundantly at two physically separate computer centres since 2015 in order to always ensure the availability of business applications. In addition, the ERP (Enterprise Resource Planning) systems are operated in parallel on a mirrored basis. These two measures guarantee a significant reduction in downtimes in the event of an emergency. Data backups are performed on a regular basis in order to prevent the loss of company data and to ensure the reliability of IT operations. Our password policy also ensures that access passwords are changed regularly.

Financing risks: borrowing is not essential for PATRIZIA's business model. While managed real estate is regularly financed using borrowing, this form of financing takes place at portfolio or property level and has a negligible impact on indicators and PATRIZIA's result. Moreover, the risk of external financing not being available to PATRIZIA Immobilien AG is currently extremely low. Debts to the order of EUR 10 million were repaid at the end of 2015 and at the end of January 2016 on each of the two bonds issued in 2013 for EUR 77 million. Along with significant liquidity, PATRIZIA is in a position to respond to the capital requirements of new investments at any time. Principal investments are always financed at property or portfolio level, too. As per 31 December 2015, EUR 821.8 million of short-term bank loans was accounted for by principal investments. The loans are repaid on a continuous basis as the sales of the underlying investments are take place. PATRIZIA also procures external capital as part of its service under co-investments and funds.

Credit terms: financial covenant rulings have not existed within the Group since January 2016. Loan clauses exist in the bank liabilities assumed from the principal investments "Harald" and "First Street" in Manchester. Credit clauses will cease to exist when the principal investments are sold. These risks are therefore negligible. Indicators are agreed in loan agreements for property financing, and compliance with them is constantly monitored. There are no direct effects for PATRIZIA resulting from this.

Interest risks: no interest rate risks exist for PATRIZIA, as both bonds carry a fixed interest rate. The financing assumed in the acquisition of the "Harald" portfolio is covered by an interest hedge.

Liquidity risk: there is currently no indication of a possible liquidity shortage. As per 31 December 2015, cash and cash equivalents amounting to EUR 179.1 million were available to PATRIZIA in order to cover its operating liquidity and financing requirements. Moreover, we expect further cash surpluses from operating business over the course of the year which will be used for investment planning in matching periods. The equity released through sales is also increasing existing liquidity. PATRIZIA optimises and manages liquidity by means of cash pooling. Early-warning indicators and comprehensive continuous liquidity planning also serve to prevent risks and to ensure that an unexpected liquidity requirement can be serviced.

Exchange risk: most subsidiaries and real estate companies are located in the European Monetary Union countries, where there is no currency risk. The exceptions are the international offices in Denmark, Sweden and the United Kingdom, which exercise asset management mandates, perform purchases and sales on behalf of funds and invest through co-investments. PATRIZIA had approximately EUR 66.1 million invested in foreign currency at the reporting date. Since the participating interests in these companies and the granting of shareholder loans are effected in the respective national currency, the subsidiaries and real estate holding companies are subject to the risk of changing exchange rates. This position may become more relevant with continuing expansion in Europe outside the euro area. In addition, liquidity positions in Swedish crowns and Norwegian crowns were assumed as part of the acquisition of the “Harald” portfolio and their equivalent in euros may fluctuate. Nevertheless, the Group’s entire exchange risk is monitored and measured on a regular basis in order to immediately identify action which may need to be taken and to initiate countermeasures.

Legal risks: PATRIZIA is present in different legal systems. As a result of their business operations, individual companies can be involved in various litigation and arbitration proceedings. Out-of-court claims are asserted against them occasionally. We aim to minimise any legal risks by monitoring our contractual obligations and involving internal and external legal experts in contractual matters. We have booked accruals for potential losses from pending cases. In some of these, the claims asserted against us are significantly higher than the amount of the corresponding accruals. Based on an extensive legal assessment, we consider these claims to be unfounded. No contractual risks exist with regard to co-investments, e.g. in respect of the social clauses, since these only affect non-consolidated subsidiaries. The investment contracts do not reveal any substantive contractual risks either.

5.3.3 PARTNER RISKS

Third parties: with regard to special real estate funds, opportunities and risks result from income from fees that depend on managed real estate assets, on purchases and sales and on the returns achieved. This income can be negatively affected by a decline in the value of real estate, rent losses and a reduced transaction volume. However, PATRIZIA operates a large number of different funds and is able to access a varied supply of suitable properties in Germany and other countries. Since the properties held in special funds must be backed by at least 50% equity, borrowing in this constellation can be obtained quickly and at favourable terms. Generally, we do not expect a lower level of investment activity in the future. We consider the risk of a decrease in planned dividend payments to investors to be very slight. On the contrary, we see an opportunity for acquiring new clients and expanding our fund business based on our track record and PATRIZIA’s reputation. Additional opportunities arise by introducing closed-end real estate funds to private investors. From 2016 onwards, we will use these public investment funds to make properties with a market value of between EUR 50–150 million accessible that will appeal to private investors. As an asset and property manager, we are also responsible for managing and optimising third-party properties. Poor service could lead to dissatisfaction of the respective client or to financial claims which might extend to the loss of contracts and an impact on the Group’s earnings situation. We assume a very low probability of this happening in 2016 with, at most, negligible financial consequences.

Co-investments: PATRIZIA participates in projects with up to a 10% capital stake of its own funds through co-investments. Acquiring clients and the necessary equity with them does not constitute any real limiting factor. We also do not consider securing finance to be a risk. As already explained under "Purchases and sales of real estate", the challenge tends to lie in acquiring suitable real estate which meets the criteria defined by PATRIZIA and investors.

Raising equity capital: we do not see any risk of a shortage of business partners/investors or problems in acquiring new business partners/investors owing to the high level of liquidity in the market combined with the pressure to invest and the lack of investment alternatives. Extending co-investment and fund business activity increases PATRIZIA's dependency on institutional clients, which could put pressure on our margins. This risk is offset by our sales strategy, which also involves addressing additional, in particular foreign, investors. About 200 institutional investors – from savings banks and insurance companies to pension funds and sovereign wealth funds – now invest via PATRIZIA. 48% of investors in our funds and co-investments have invested in several PATRIZIA products.

5.4 OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

Risk management at PATRIZIA is a process which records risk positions, identifies changes in risk and defines appropriate actions. In 2015, like in previous years, PATRIZIA examined the evaluation categories for the potential magnitude of damages for all known risks and increased or reduced them as necessary. The risk management system illustrated here enables PATRIZIA to counteract risks at an early stage and to exploit the opportunities that present themselves. Considering all individual risks and a possible cumulative effect, PATRIZIA's overall risk is limited at present. No significant risks for future development or the continued existence of the Company and the Group have been identified based on our current knowledge and medium-term planning.

6 REPORT ON EXPECTED DEVELOPMENTS

6.1 FUTURE ECONOMIC FRAMEWORK

Macroeconomic development: as a result of the continued recovery and the labour market reforms in some countries of Europe, conditions on the work markets are expected to improve further in 2016. Despite the ECB's decision to extend its bond purchase programme until the start of 2017, inflation in the euro area is expected to remain at a low level over the coming months. The FED's decision, at the end of December 2015, to gradually increase base rates represents a historic change in rates. It remains to be seen whether the FED will, as expected, follow this first step with further interest rate rises during the current year. The continuing action by the central banks and the development of potential and actual flashpoints such as the referendum on the UK remaining in the EU, China's economic development, price trends for key raw materials such as oil or the refugee situation in Europe are also shaping sentiment on the financial markets. Considerable uncertainty thus remains and this should prompt further growth in demand for less risky assets such as real estate among institutional and private investors. Source: PATRIZIA Research

Development on the European real estate market: the favourable development on residential and commercial real estate markets in European city regions should continue, with investors expected to increasingly look to B locations due to the shortage in supply. So far, the increasing regulation in some markets (e.g. freezing on rent prices for residential real estate in Germany, special tax on rent for retail properties in Poland of 250 sqm and above) has only exercised minimal impact. Nevertheless, future political activities will require close observation. Overall, the current year is expected to result in positive growth in value within Europe, driven by low financing costs, a lack of alternative investments and a further increase in interest among national and international investors. Source: PATRIZIA Research

6.2 EXPECTED DEVELOPMENT OF THE EARNINGS SITUATION AND ASSUMPTIONS CONCERNING ACHIEVEMENT OF TARGETS IN 2016

6.2.1 THE GROUP IN GENERAL

In view of the generally positive business outlook and foreseeable transfers of portfolios and properties based on contracts already concluded, 2016 is again expected to result in a further improvement in key performance indicators. Specifically, development as follows is expected:

	Initial forecast 2015	Final forecast 2015	Actual figures 2015	Forecast 2016
Assets under management	Growth of EUR 2 billion	Growth of EUR 2 billion	Growth of EUR 2 billion	Further growth of around EUR 2.0 billion
Operating income	Increase of around 10% to EUR 55 million	EUR 145 – 160 million	EUR 155.3 million	at least EUR 250 million[1]

[1] Please refer to the following explanation of the forecast for details concerning the definition of the operating income.

PATRIZIA expects further future sustainable growth in earnings, as expressed by the operating income. In particular, this is to be achieved through a further increase in assets under management and the stabilisation of performance-based payments.

Operating income

Specifically, a marked increase in **operating income** to at least EUR 250 million is forecast, compared with the figure of EUR 155.3 million for the period under review. The main drivers will be the sale of the Harald portfolio, which has already been notarised and parts of which have already been concluded since the reporting date, and also the further growth of the service business and the associated incomes. It should be noted that the forecast operating income for the sale of the Harald portfolio already incorporates the deduction of transaction-related taxes and non-controlling interests.

Assets under management

invested capital of EUR 1.6 billion. The current average equity coverage of 62% is well above the statutory required minimum ratio of 50% and permits further growth of the funds if suitable investment opportunities can be identified. In addition, steps will be taken in 2016 to attract more investors from outside Europe, so that at the same time as expanding the product portfolio in the field of logistics real estate, for example, the range of potential transactions will also be broadened, leading to operational growth. Together with some sales, therefore, a net growth in **assets under management** of EUR 2.0 billion is again planned for 2016 following a rise of the same magnitude in 2015.

In addition, the other framework parameters which support corporate management such as raised **equity, transaction volume** and **management income** are also expected to continue their positive growth path during the current year.

In principle, growth across Europe will focus on the commercial real estate market including logistics. In the residential sector, the Netherlands and Scandinavia, and notably Denmark, offer the most promising opportunities. The other markets will obviously be closely monitored for any emerging investment opportunities and a detailed assessment will be carried out where an investment opportunity arises.

6.2.2 THIRD PARTY BUSINESS

After over EUR 1.5 billion in fresh equity was raised from institutional investors in Germany and other countries for existing and new specialised PATRIZIA GewerbeInvest KVG and PATRIZIA WohnInvest KVG funds in 2015, further growing interest is expected among institutional investors, together with a significant increase in committed equity.

Moreover, PATRIZIA GrundInvest KVG, the investment vehicle for retail investors, expects to receive its first notable equity payments in 2016.

6.2.3 CO-INVESTMENTS

The fees from the co-investments are expected to stabilise over the coming year. In addition to management services fees, a further dividend on invested pro-rata equity is expected. As in the previous year, the co-investments **GBW**, **WohnModul I** and **Seneca** are expected to deliver notable contributions to results. The somewhat opportunistic **co-investments in the UK** were made with a clear intent to sell if suitable market opportunities arise; some such opportunities are expected in 2016.

6.2.4 PRINCIPAL INVESTMENTS

Harald: The sale of the Harald portfolio was notarised in November 2015 and is expected to be completed in the first half of 2016. The corresponding contribution to the result has been taken into account in the forecasts.

Manchester First Street: Plans for 2016 include selling the bar and restaurant businesses once they have been fully let, and also the office building known as “First Street No. 1” with a total area of 17,000 sqm.

6.3 EXPECTED DEVELOPMENT OF THE NET ASSET AND FINANCIAL SITUATION

Bank liabilities have increased significantly as a result of the acquisition of the Harald portfolio. This is a short-term effect. Following the conclusion of the Harald sale in 2016, PATRIZIA will then only have a low volume of liabilities to banks. First repayments on the bonded loans were made in 2015, with further repayments planned during the current year. If attractive investment opportunities arise which can be structured as principal investments, the possibility of funding via a debt mix will also be examined.

6.4 DIVIDEND POLICY

For the past **2015 fiscal year**, the Managing Board and the Supervisory Board of PATRIZIA Immobilien AG propose that the retained earnings of EUR 204.1 million should be fully carried forward to the new account. As in previous years, a capital increase from company funds will be used to issue new shares to shareholders with a ratio of 10:1. On the one hand, the increased number of shares will increase the liquidity of the company's shares, and on the other hand PATRIZIA can, as in the past, use the liquid funds to exploit investment opportunities which arise. The shareholders will not be required to make any contribution. The retained liquid funds are to be used for investment opportunities in the field of principal investments and also for expanding European activities, thereby contributing to PATRIZIA's sustainable, long-term growth.

10:1
subscription ratio
for "bonus shares"

If the Annual General Meeting of PATRIZIA Immobilien AG to be held on 16 June 2016 agrees to the measure, the capital increase will be effected by issuing 7,632,354 new registered no-par value shares. This measure will not affect the amount of total equity since it simply involves a transfer from retained earnings to subscribed capital. The share capital will increase from a current total of EUR 76,323,533 to EUR 83,955,887, divided into the same number of no-par value shares. The new shares will carry dividend rights from the beginning of the 2016 fiscal year.

6.5 GENERAL STATEMENT OF THE COMPANY'S MANAGEMENT ON PROSPECTS FOR 2016

PATRIZIA will continue its highly successful growth in 2016. The company will resolutely drive its presence across Europe and thus its European growth path. This will be reflected in assets under management, which are again forecast to rise by EUR 2.0 billion in 2016, thereby increasing income from the service business. Moreover, the sale of the Harald portfolio is expected to make a significant contribution to results in the current year, allowing us to forecast a rise in PATRIZIA Immobilien AG's operating income to at least EUR 250 million after non-controlling interests and transaction-related taxes for the Harald transaction.

The outlook for 2016 and statements about subsequent years include 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, 7 March 2016

Wolfgang Egger
CEO

Karim Bohn
CFO

Klaus Schmitt
COO

This report contains specific forward-looking statements which 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 Financial Statements

Consolidated Financial Statements

Share price growth 2014-2015

Consolidated Balance Sheet

AS OF 31 DECEMBER 2015

ASSETS

EUR '000	Notes	31.12.2015	31.12.2014
A. Non-current assets			
Goodwill	4.1.1	610	610
Fund management contracts	4.1.2	37,417	39,407
Software	4.1.3	9,225	10,795
Investment property	4.1.4	20,802	78,507
Equipment	4.1.5	5,015	4,476
Participations in associated companies	4.1.6	88,179	68,497
Participations	4.1.7	81,406	96,555
Loans	4.1.8	5,498	5,281
Long-term tax assets	4.2	78	119
Deferred Taxes	5.2	7,013	0
Total non-current assets		**255,243**	**304,247**
B. Current assets			
Inventories	4.3	1,057,942	198,694
Securities		54	86
Short-term tax assets	4.2	8,280	8,014
Current receivables and other current assets	4.4	131,171	84,774
Bank balances and cash	4.5	179,141	145,361
Total current assets		**1,376,588**	**436,929**
TOTAL ASSETS		**1,631,831**	**741,176**

EQUITY AND LIABILITIES

EUR '000	Notes	31.12.2015	31.12.2014
A. Equity			
Share capital	5.1.1	76,324	69,385
Capital reserve	5.1.2	191,637	198,576
Retained earnings			
Legal reserves	5.1.3	505	505
Non-controlling shareholders	5.1.4	18,190	809
Currency translation difference	2.5	-869	1,030
Consolidated unappropriated profit		254,004	139,743
Total equity		**539,791**	**410,048**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	63,253	19,704
Retirement benefit obligations	5.3	687	630
Bonded loan	5.4	32,000	77,000
Non-current liabilities	5.5	9,262	5,544
Total non-current liabilities		**105,202**	**102,878**
CURRENT LIABILITIES			
Short-term bank loans	5.4	821,828	121,950
Bonded loan	5.4	35,000	0
Short-term financial derivatives	5.7	3,677	0
Other provisions	5.6	6,740	2,142
Current liabilities	5.8	95,288	92,506
Tax liabilities	5.9	24,305	11,652
Total current liabilities		**986,838**	**228,250**
TOTAL EQUITY AND LIABILITIES		**1,631,831**	**741,176**

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	Notes	2015	2014
Revenues	6.1	384,858	291,815
Income from the sale of investment property	4.1.4	10,075	17,019
Changes in inventories	6.2	–166,980	–110,509
Other operating income	6.3	16,189	7,143
Income from the deconsolidation of subsidiaries	2.1	5,277	0
Total operating performance		**249,419**	**205,468**
Cost of materials	6.4	–52,438	–54,455
Cost of purchased services	6.5	–14,787	–9,990
Staff costs	6.6	–93,519	–77,239
Results from fair value adjustments to investment property	4.1.4	462	51
Other operating expenses	6.7	–69,973	–50,193
Income from participations	6.9	151,681	39,062
Earnings from companies accounted for using the equity method	4.1.6	4,232	3,182
EBITDA		**175,077**	**55,886**
Amortisation of fund management contracts, software and equipment	6.8	–7,059	–6,940
Earnings before finance income and income taxes (EBIT)		**168,018**	**48,946**
Finance income	6.10	6,666	4,413
Finance cost	6.10	–23,171	–11,912
Gains/losses from currency translation	2.5	–618	551
Earnings before income taxes (EBT)		**150,895**	**41,998**
Income tax	6.11	–16,433	–6,978
Consolidated net profit		**134,462**	**35,020**
Earnings per share (undiluted) in EUR	6.12	1.45	0.46
The consolidated net profit is allocated to:			
Shareholders of the parent company		110,759	35,608
Non-controlling shareholders	5.1.4	23,703	–588
		134,462	**35,020**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	2015	2014
Consolidated net profit	**134,462**	**35,020**
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	–1,899	530
Cash flow hedges		
Amounts recorded during the reporting period	0	0
Reclassification of amounts that were recorded	0	31
Total result for the reporting period	**132,563**	**35,581**
The total result is allocated to:		
Shareholders of the parent company	108,860	36,169
Non-controlling shareholders	23,703	–588
	132,563	**35,581**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	2015	2014
Consolidated net profit	134,462	35,020
Income taxes recognised through profit or loss	16,433	6,978
Financial expenses through profit or loss	23,171	11,912
Financial income through profit or loss	–6,666	–4,413
Financial income from divestments of participations, recognised through profit or loss	–13,504	0
Amortisation of fund management contracts, software and equipment	7,059	6,940
Results from fair value adjustments to investment property	–462	–51
Gain on the disposal of investment properties	–10,075	–17,019
Income from the deconsolidation of subsidiaries	–5,277	0
Other non-cash items	–8,877	–6,226
Changes in inventories, receivables and other assets that are not attributable to investment activities	–372	105,615
Changes in liabilities that are not attributable to financing activities	–26,376	22,525
Interest paid	–13,251	–10,993
Interest received	454	658
Income tax payments	–6,313	–10,926
Cash inflow from operating activities	**90,406**	**140,020**
Capital investments in software and equipment	–4,621	–6,247
Payments received from the disposal of investment property	69,637	171,818
Payments for the development of investment property	–1,395	–3,538
Payments for the acquisition of participations	–211	–16,294
Payments received from the equity reduction of participations	1,459	183
Payments received from the sale of participations	26,427	0
Payments for investments in companies accounted for using the equity method	–15,450	–47,020
Payments received from the repayment of loans to companies in which participating interests are held	0	5,267
Payments for loans to companies in which participating interests are held	0	–4,667
Payments received from the disposal of consolidated companies and other business units	18,708	0
Payments from the partial disposal of shares in a subsidiary that does not result in a loss of control	442	0
Payments for the acquisition of consolidated companies and other business units	–276,206	0
Cash outflow/inflow from investment/divestment activities	**–181,211**	**99,502**
Borrowing of loans	248,909	147,062
Repayment of loans	–103,678	–346,746
Payments to non-controlling shareholders	–21,101	0
Payment for the issue of bonus shares	0	–13
Cash inflow/outflow from financing activities	**124,130**	**–199,697**
Changes in cash	**33,326**	**39,825**
Cash 1 January	145,361	105,536
Effect of changes in exchange rates on cash	454	0
Cash 31 December	179,141	145,361

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

EUR '000	Share capital	Capital reserve	Valuation result from cash flow hedges	Retained earnings (legal reserve)	Currency translation difference	Consolidated unappropriated profit	Thereof attributable to the shareholders of the parent company	Thereof attributable to non-controlling shareholders	Total
Balance 1 January 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		530		561		561
Issue of bonus shares	6,308	−6,308							
Expense incurred in issuing bonus shares		−13					−13		−13
Non-controlling interests arising from the inclusion of new companies								−1	−1
Net profit/loss for the period						35,608	35,608	−588	35,020
Balance 31 December 2014	**69,385**	**198,576**	**0**	**505**	**1,030**	**139,743**	**409,239**	**809**	**410,048**
Balance 1 January 2015	**69,385**	**198,576**	**0**	**505**	**1,030**	**139,743**	**409,239**	**809**	**410,048**
Net amount recognised directly in equity, where applicable less income taxes					−1,899		−1,899		−1,899
Issue of bonus shares	6,939	−6,939							
Non-controlling interests arising from the inclusion of new companies		−13						101,631	101,631
Non-controlling interests arising from the sale of shares								441	441
Purchases of shares of non-controlling shareholders						2,956		−85,263	−82,307
Withdrawal of profit shares by non-controlling shareholders		198,576						−21,100	−21,100
Disposal of shares of non-controlling shareholders						546		−2,031	−1,485
Net profit/loss for the period						110,759	110,759	23,703	134,462
BALANCE 31 DECEMBER 2015	**76,324**	**191,637**	**0**	**505**	**−869**	**254,004**	**518,099**	**18,190**	**539,791**

Notes to the IFRS Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2015

GENERAL DISCLOSURES

PATRIZIA Immobilien AG is a stock-listed German 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 more than 30 years. Today local management teams in nine countries provide services for a total of 15 countries. PATRIZIA covers the entire value chain of services for the acquisition, management, value creation 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 kinds of real estate. Currently the company manages assets with a value of EUR 16.6 billion mainly as a portfolio manager and co-investor for insurance companies, pension fund institutions, government funds and savings banks.

1 PRINCIPLES APPLIED IN PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of PATRIZIA Immobilien AG as per 31 December 2015 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, the following standards and interpretations had been published and had to be applied for the first time during the current fiscal year:

- IFRIC 21 "Levies" (to be applied for fiscal years commencing on or after 1 January 2014; different effective date due to EU endorsement. Here: 17 June 2014)

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

- Annual improvements to the IFRS 2011–2013 cycle (amendments to IFRS 1 First-time Application of International Financial Reporting Standards", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property"; to be applied for fiscal years commencing on or after 1 July 2014; in the EU, initial application is mandatory for fiscal years commencing on or after 1 January 2015)

The standards/interpretations which were applied for the first time from 1 January 2014 did not have any impact on the consolidated financial statements. However, the first-time application of IFRS 12 led to more extensive disclosures in the consolidated financial statements.

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

- IFRS 16 “Leases” (to be applied for fiscal years commencing on or after 1 January 2019; this standard has not yet been adopted by the EU)
- IAS 7 “Disclosure Initiative” (to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” (to be applied for fiscal years commencing on or after 1 January 2017; this standard has not yet been adopted by the EU)
- IFRS 9 “Financial Instruments” (to be applied for fiscal years commencing on or after 01 January 2018; this standard has not yet been adopted by the EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to these standards have not yet been adopted by the EU)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (to be applied for fiscal years commencing on or after 1 January 2016)
- IFRS 14 “Regulatory Deferral Accounts” (to be applied for fiscal years commencing on or after 1 January 2016; the amendments to this standard have not yet been adopted by the EU)
- IFRS 15 “Revenue from Contracts with Customers” (to be applied for fiscal years commencing on or after 1 January 2018; the amendments to this standard have not yet been adopted by the EU)
- Amendments to IAS 1: “Disclosure Initiative” (to be applied for fiscal years commencing on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (to be applied for fiscal years commencing on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41 Bearer Plants (to be applied for fiscal years commencing on or after 1 January 2016)
- Amendment to IAS 19 “Employee Benefits” (amendment concerning contributions by employees or third parties in respect of service; to be applied for fiscal years commencing on or after 1 July 2014; in the EU, first-time application is mandatory for fiscal years commencing after 1 February 2015)
- Amendments to IAS 27 “Equity Method in Separate Financial Statements” (to be applied for fiscal years commencing on or after 1 January 2016)
- Annual improvements to the IFRS 2010–2012 cycle (amendments to IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IFRS 13 “Fair Value Measurement”, IAS 16 “Property, Plant and Equipment”, IAS 24 “Related Party Disclosures”, and IAS 38 “Fund Management Contracts”; to be applied for fiscal years commencing on or after 1 July 2014; in the EU, first-time application is mandatory for fiscal years commencing on or after 1 February 2015)
- Annual improvements to the IFRS 012-2014 cycle (amendments to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits”, IAS 34 “Interim Financial Reporting”; to be applied for fiscal years commencing on or after 1 January 2016)

IFRS 14 “Regulatory Deferral Accounts” is not to be applied since the Company is not a first-time adopter of the IFRS.

With regard to first-time application of IFRS 9, IFRS 15 and IFRS 16, it is currently not possible to evaluate the effects because detailed analyses are still being processed. We do not expect the other standards specified above to have any significant impacts on accounting.

The balance sheet presentation is geared towards the maturity of the corresponding assets and liabilities. Assets and liabilities are regarded as current if their realisation or repayment is expected within the normal course of the Group's business cycle. The expense method was selected for the income statement.

The fiscal year corresponds to the calendar year. The consolidated financial statements are 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

The consolidated financial statements contain the financial statements of the parent company and of the companies it controls (its subsidiaries). The Company acquires control if:

- it can exert power of disposal over the assets of the associated company,
- its returns are dependent on the performance of the investment and
- it can influence the amount of the returns owing to its power of disposal.

The Company re-assesses whether or not it controls an associated company if facts or circumstances indicate that one or more of the three aforementioned criteria relating to control have changed.

A subsidiary is included in the consolidated financial statements from the date on which the Company acquires control over the subsidiary until the date on which the Company's control ends, unless stated otherwise. The results of the subsidiaries acquired or sold during the year are recognised in the consolidated income statement and other consolidated net income from the effective date of acquisition or up to the date of the effective sale respectively.

All internal assets, liabilities, equity items, income, expenses and cash flows relating to business transactions between group companies are eliminated in full during the consolidation process.

All 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 and PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, all 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). Also, the partnerships found in the list of shareholdings make use of the relief provided for in Article 264b of the German Commercial Code.

A joint venture is a joint agreement in which the parties which exercise joint control have rights to the net assets of the arrangement. Joint management is the contractually agreed jointly exercised management of an arrangement. This only applies if decisions concerning key activities require the unanimous consent of the parties involved in joint management.

An associated company is a company over which the Group has significant influence. Significant influence is assumed if a direct or indirect voting right share of at least 20% is held in 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.

Shares in associated companies or joint ventures must be included in the consolidated total assets at their acquisition cost using the equity method; these are adjusted for changes in the Group's share in the profit or loss and in the other comprehensive income of the associated company or joint venture after the date of acquisition. Losses of an associated company or joint venture which exceed the Group's share in such an associated company or joint venture are not recorded.

In addition to the parent company, the scope of consolidation comprises 117 subsidiaries. They are included in the consolidated financial statements in line with the rules of consolidation. Also, one participating interest in an 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. Although PATRIZIA exercises significant influence on management, it does not have control because this is held by the majority investor in the SICAV. In addition, 28.3% of the limited liability capital is held by one real estate development company (in the form of a GmbH & Co. KG) and 30% is held by the associated general partner. Significant influence does not apply because provisions in the partnership agreement state that management cannot be exercised, that significant influence cannot be exerted on the management and no entitlement to appoint members of the governing organs exists. The shares in this real estate development company are accounted for at purchase cost.

Furthermore one company was established by 31 December 2015 but was not included in the scope of consolidation because it had not commenced business operations and was therefore of minor significance for the consolidated financial statements.

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

COMPANY ACQUISITIONS

Acquisition of the First Street portfolio ("Manchester principal investment")

PATRIZIA Immobilien AG acquired the First Street site in Manchester, which extends over 80,000 sqm, on 30 June 2015. In addition to four plots of land, the site also includes the recently completed Melia Innside hotel, nine bar and restaurant businesses and the First Street No. 1 office building (17,000 sqm).

The four plots of land, the hotel and the bar and restaurant businesses were acquired indirectly by purchasing all of the shares with voting rights in Southside Real Estate Ltd. and Southside Regeneration Ltd., while the office building was acquired directly through First Street PropCo Ltd.

In the present consolidated financial statements, the acquisition of Southside Real Estate Ltd. and Southside Regeneration Ltd. is declared as an acquisition of assets as no business operation within the meaning of a business pursuant to IFRS 3.3 was acquired. Instead, the transaction focused exclusively on the acquisition of the real estate held by the companies. The purchase prices for the companies were allocated to the individual identifiable assets and liabilities at the time of acquisition, based on their fair values.

The Melia Innside hotel was already resold as of the reporting date of 31 December 2015.

Acquisition of Boligutleie Holding III AS and Hyresfastigheter Holding III Gul AB ("Harald principal investment")

1. SUBSIDIARIES ACQUIRED

In May 2015, PATRIZIA Immobilien AG acquired the majority of the shares in Boligutleie Holding III AS (BUH III) as well as the majority of the shares in Hyresfastigheter Holding III Gul AB (HFH III). As a result of acquiring these shares, on the reporting date the company held a majority interest in the Scandinavian fund Hyresbostäder i Sverige III Gul AB (HBS III), which at the time of the acquisition was managing eight real estate portfolios. Additional shares were acquired in BUH III and HFH III in June, July, September and December 2015. The portfolios consist of various structured investment and special purpose vehicles. At the date of acquisition, the overall portfolio acquired included more than 14,000 apartments at attractive locations in Germany and Sweden. Notwithstanding the fact that the transaction was effected as part of a share deal, the acquired assets almost exclusively comprise real estate. Apart from the real estate, the companies do not have any other significant assets. PATRIZIA Immobilien AG entered into a contract with Deutsche Wohnen AG on 27 November 2015, pertaining to selling the German residential portfolio.

Subject to the fulfilment of all sale conditions, selling the portfolio shall be completed partly as asset and partly as share deals with Deutsche Wohnen AG in the first half of 2016. The Swedish portfolio was already sold on in June 2015.

Company	Principal activitiy	Acquisition date	Shares acquired at initial consolidation	Shares acquired as of 31 Dec. 2015
Boligutleie Holding III AS	Feeder company	19 May 2015	75.5%	92.4%
Hyresfastigheter Holding III Gul AB	Feeder company	21 May 2015	59.7%	100.0%

For reasons of simplicity and expedience, initial consolidation was performed as per 31 May 2015. No major transactions took place between the actual dates of acquisition and the date of initial consolidation.

A) ASSETS ACQUIRED AND LIABILITIES ASSUMED

As per 31 May 2015, the fair values of the acquired assets and liabilities recognised at the time of acquisition were as follows:

EUR '000	Fair value at time of acquisition
Acquired assets	
Real estate inventories	888,483
Cash and cash equivalents	74,704
Other assets	4,194
	967,381
Liabilities assumed	
Financial liabilities	536,597
Derivatives	6,917
Deferred tax liabilities	51,839
Current liabilities	25,422
Other current liabilities	3,220
	623,995
Total identifiable net assets at fair value	**343,386**
Shares of non-controlling shareholders in the net assets	101,631
Total counterperformance paid	**241,755**

No goodwill is created as a result of the transaction. The consideration paid reflects the fair value of the assets, taking the liabilities assumed into account.

B) CONSIDERATION TRANSFERRED AND TRANSACTION COSTS

The consideration transferred (excluding transaction costs) consisted exclusively of cash and cash equivalents and amounted to TEUR 241,755 at the time of the acquisition.

The transaction costs already incurred totalling TEUR 5,171 (previous year: TEUR 0) were posted as an expense and reported as other operating expenses.

C) NET CASH OUTFLOW AS A RESULT OF THE ACQUISITION

EUR '000	31.05.2015
Gegenleistung in Form von Zahlungsmitteln	–241,755
Erworbene Zahlungsmittel und Zahlungsmitteläquivalente	74,704
Net cash outflow (–)	**–167,051**

D) SHARES OF NON-CONTROLLING SHAREHOLDERS

At the time of the acquisition, the shares of non-controlling shareholders were considered with their share of the fair value of the net assets and were measured at TEUR 101,631. As at 31 December 2015 there were still shares of non-controlling shareholders totalling TEUR 16,939.

The non-controlling shareholders were allocated a portion of the result amounting to TEUR 2,603 in the reporting period.

E) CHANGES IN THE SHAREHOLDING OF THE ACQUIRED SUBSIDIARIES AS PER 31 DECEMBER 2015

PATRIZIA gradually acquired additional shares in BUH III and HFH III after initial consolidation. A squeeze-out was implemented for the remaining shares in HFH III in the fourth quarter of 2015. This was carried out by guaranteeing the advance vesting of title with an equivalent value of TEUR 8,203. The outflow of funds occurred in January 2016. The non-controlling shareholders' shares thus decreased by TEUR 84,692 as per 31 December 2015. Furthermore, hidden reserves of TEUR 2,955 were transferred, which were recognised in consolidated unappropriated profit resulting in neither profit nor loss.

F) EFFECTS OF THE ACQUISITION ON THE CONSOLIDATED RESULT FOR THE PERIOD

Of the profit for the period as per 31 December 2015, an amount of TEUR 14,014 is attributable to the acquired companies. This amount contains a profit on deconsolidation from the sale of the Swedish portfolio of TEUR 5,277 (please refer to "Sale of subsidiaries"). Of the revenues for 2015, an amount of TEUR 46,177 results from the business activities of the acquired companies and primarily relates to rental income.

If the acquisition had taken place as per 1 January 2015, the consolidated revenues of PATRIZIA Immobilien AG as per 31 December 2015 would have been around EUR 420 million and the profit for the period extrapolated to around EUR 158 million.

2. SELLING SUBSIDIARIES

At the end of June 2015, the Group sold its shares in III Gul bostäder i Umea AB which it held via the Hyresbostäder i Sverige III Gul AB fund. In effecting this sale, the Group resold the Swedish residential units it had acquired in May 2015 as part of the purchase of the shares in Boligutleie Holding III AS and Hyresfastigheter Holding III Gul AB (please refer to "Subsidiaries Acquired" for more information). Deconsolidation took place as per 30 June 2015. A purchase price of TEUR 20,294 was agreed as consideration for the sold shares.

A) ASSETS AND LIABILITIES SOLD DUE TO THE LOSS OF CONTROL

EUR '000	30.06.2015
Assets	
Real estate inventories	61,204
Cash and cash equivalents	1,585
Other assets	253
	63,042
Liabilities	
Financial liabilities	39,444
Deferred tax liabilities	6,881
Current liabilities	215
	46,540
Net assets sold	**16,502**

B) GAIN FROM THE SALES OF SUBSIDIARIES

EUR '000	30.06.2015
Agreed counterperformance	20,294
Net assets relinquished	–16,502
Shares of non-controlling shareholders	1,485
Gain on disposal	**5,277**

The gain on sales is recognised in the income from deconsolidation of subsidiaries and also includes the referring deferred tax liabilities.

C) NET PAYMENT FROM THE SALE OF SUBSIDIARIES

EUR '000	30.06.2015
Cash and cash equivalents received	20,294
Less cash and cash equivalents paid out in connection with the sale	–1,585
Net cash outflow inflow (+)	**18,709**

The agreed purchase price had already been received at the time the report was prepared.

For further information, please refer to section 9.8 of the Notes.

FURTHER NEW COMPANIES FOUNDED

PATRIZIA Immobilien AG acquired Grinan Invest SL, Madrid, on 25 March 2015. The company was renamed as PATRIZIA Activos Inmobiliarios España S.L.U. on 30 March 2015. The company's share capital is EUR 3,006. The object of the company is the provision of property-related services in Spain.

Under a notarial purchase agreement dated 3 June 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG, acquired Sudermann S.à r.l., Luxembourg. The company's share capital is EUR 12,500. The object of the company is the operation and sale of real estate held by the company.

On 27 August 2015, PATRIZIA Immobilien AG established PATRIZIA Logistics Management Europe B.V., Amsterdam. The company's share capital is EUR 1. The object of the company is the provision of services relating to logistics real estate in Europe.

PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH, part of the scope of consolidation of PATRIZIA Immobilien AG, established four closed investment limited partnerships (Kommanditgesellschaften under German law) in the reporting year.

The purpose of these companies is solely the investment and management of the companies' funds in accordance with a defined investment strategy on collective investment pursuant to Articles 261 to 272 KAGB (Kapitalanlagegesetzbuch – German Investment Code) to the benefit of investors. The investment strategy of the companies is the direct investment in real estate in different locations, which hold long term leased contracts and shall be sold after the expiration of the lease contract.

Pursuant to a notarial deed of incorporation dated 16 October 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Wildrosen S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to purchase real estate and to manage, operate, rent and sell real estate held by the company.

Pursuant to a notarial deed of incorporation dated 30 September 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Dover Street S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to purchase real estate and to manage, operate, rent and sell real estate held by the company.

Pursuant to a notarial deed of incorporation dated 18 December 2015, PATRIZIA Investment Management HoldCo S.à r.l., part of the scope of consolidation of PATRIZIA Immobilien AG established Trocoll S.à r.l, a limited liability company under Luxembourg law. The share capital is EUR 12,500. The purpose of the company pursuant to Article 3 of the company's Articles of Association is

- to purchase or hold shares in one or several real estate companies;
- to grant financing to real estate companies under the precondition that the company directly or indirectly holds a participation in the financed companies; and/or
- to purchase real estate and to manage, operate, rent and sell real estate held by the company.

2.2 CAPITAL CONSOLIDATION USING FULL CONSOLIDATION

In principle, all subsidiaries are recognised in the consolidated financial statements due to full consolidation. Since 1 January 2002, acquired subsidiaries have been accounted for using the acquisition method under IFRS 3. Using the relief options 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). According to the acquisition method, the consideration transferred at the time of a business combination is measured at fair value. This is determined from the aggregate of the fair values of the transferred assets, measured at the time of acquisition, of the liabilities assumed from the previous owners of the acquired company and of the equity instruments issued by the Group in exchange for control of the acquired company. Transaction costs associated with the business combination are recognised in profit or loss as incurred.

A subsidiary is included in the consolidated financial statements from the date on which the Company acquires control over the subsidiary until the date on which the Company's control ends. The acquisition costs consist of the cash paid for the acquisition. Goodwill is calculated as the amount by which the sum of

- the consideration transferred and
- the amount of all non-controlling interests in the acquired company

exceeds the fair values of the acquired identifiable assets and liabilities assumed on the date of acquisition. If – even after a further assessment – the difference is negative, this is recognised immediately in profit or loss. The profit or loss and every component of other comprehensive income are to be assigned to the shareholders of the parent company and to the non-controlling interests. This applies even if the non-controlling interests have a negative balance.

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 recognised (proportionately) in the consolidated financial statements when the equity method is applied. Instead, the carrying amount of the participation is updated quarterly 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 participation is to be classified as a joint venture or as an associated company. Here, the acquisition costs for the shares acquired are initially 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 or badwill. In subsequent periods, 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 INTERIM 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 recognised for timing differences arising from the elimination of profits and losses as a result of transactions within the Group.

2.5 CURRENCY CONVERSION

Business transactions in foreign currencies are translated using the relevant exchange rates at the time of the transaction. In the following periods, monetary assets and liabilities are valued on the balance sheet date and the resulting conversion differences are recorded through profit or loss. Non-monetary items are assessed at historical costs in a foreign currency which is converted using the rate prevailing on the date of the business transaction.

The financial statements of international subsidiaries whose functional currency is not the euro and does not therefore correspond to the Group's presentation currency are exchanged using the modified reporting date method. According to this method, assets and liabilities are translated at the respective rate on the reporting date. Income and expenses are translated at the exchange rate prevailing on the date of the transaction. The resulting exchange differences are shown separately in equity.

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 and – where necessary – less any 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 a specifc entity, that entity will be assessed more frequently. If the recoverable amount of a cash-generating unit is lower 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. Here, the recoverable amount is the higher of value in use and fair value less selling costs.

3.2 FUND MANAGER CONTRACTS

Fund manager contracts acquired as part of the business combination with the company PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH and those acquired as part of the business combination with the company PATRIZIA UK Ltd. are shown separately and are measured at fair value at the time of their acquisition.

In subsequent periods these fund manager contracts are measured in exactly the same way as individually acquired intangible assets, i.e. at acquisition cost less scheduled cumulative amortisation and any cumulative impairments.

The period of amortisation for the fund manager contracts is based on the expected terms of the contracts (19 to 23 years). Since their course cannot be reliably determined in advance, the linear method was selected.

3.3 SOFTWARE

Software is recognised at acquisition or production cost on the date of addition. In subsequent periods, it is measured at acquisition or production cost less any accumulated scheduled depreciation and any accumulated impairment losses.

Acquisition costs include the directly attributable purchase and commitment costs.

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

3.4 INVESTMENT PROPERTY

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. In contrast to the real estate posted under inventories, investment properties are neither intended for sale in the ordinary course of business nor within the framework of the construction or development process. Measurement is at fair value taking the current usage that corresponds to the highest and best usage into account. Changes in value influence Group profit or loss.

The market value is equivalent to the fair value. Measurements are carried out in accordance with the provisions of IFRS 13 and define the price which would be received in an orderly business transaction between market participants on the measurement reference date for the sale of an asset or which would be paid for the transfer of a liability. 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.

For individual investment properties, the apartment privatisation process was launched in previous years and successfully continued in 2015. The properties which are earmarked for resale are valued internally using detailed project accounting. This valuation includes key input factors such as comparative values from market transactions relating to the property or in its direct vicinity and assumptions concerning period of utilisation, potential categories of purchasers and planned renovation and modernisation measures which are still to be carried out.

In accordance with the valuation hierarchy specified in IFRS 13, the fair value measurement of the investment property is thus to be assigned to level 3. The values determined are entry prices within the context of IFRS 13; in this case, therefore, it is not necessary to deduct purchaser transaction costs.

On the closing date, properties with a total area of 10,080 sqm with an average selling price of EUR 2,277 per sqm were earmarked for resale. Any change in this average attainable selling price per sqm results in a corresponding change in the fair value determined using the valuation method (example: if the average attainable selling price per sqm rises by EUR 100, this is reflected in an increase of TEUR 754 in the fair value).

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

3.5 EQUIPMENT

Equipment is recognised at acquisition or production cost at the date of addition. In subsequent periods, it is measured at acquisition or production cost less any accumulated scheduled depreciation and any accumulated impairment losses.

Acquisition costs include the directly attributable purchase and commitment costs.

Scheduled amortisation 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 amortisation period is geared towards the expected useful life. Equipment is amortised over three to thirteen years. Minor-value assets are fully depreciated in the year of addition.

3.6 IMPAIRMENT OF ASSETS

If there is an indication of an impairment, assets which are subject to scheduled depreciation are reviewed to ascertain whether there is a need for unscheduled depreciation. If the reason for the unscheduled depreciation no longer applies, the impairment is reversed. Assets which are not subject to scheduled amortisation are checked on each balance sheet date to ascertain whether there is a need for value adjustment.

3.7 PARTICIPATIONS IN ASSOCIATED COMPANIES

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

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. Dividends received from an associated company reduce the carrying amount of the shares.

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 decisive 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 PARTICIPATIONS

Participations are categorised as financial assets available for sale. These are valued at acquisition cost since, due to the absence of an active market, a fair value can only be determined based on specific sales negotiations. There are currently no plans to sell these instruments. On each reporting date, the Group ascertains whether there are objective indications that an impairment has taken place.

3.9 INVENTORIES

The "Inventories" item contains real estate that is intended for sale in the context of ordinary business activities or which 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 per the date of addition.

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

Inventories are carried at the lower of cost or net sale 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 capitalised 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 modernisation and selling costs incurred.

3.10 FINANCIAL ASSETS

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

- Held-to-maturity investments
- Loans and receivables
- Financial assets at fair value through profit or loss
- 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 fulfilment 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 per 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:

- Level 1 valuations at fair value are those which are based on quoted prices (unadjusted) on active markets for identical financial assets or liabilities.
- Level 2 valuations at fair value are those based on parameters which 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).
- Level 3 valuations at fair value are those derived from models which use parameters for the assessment of assets or liabilities which 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 categorised as **“available-for-sale financial assets”** (see 3.8). 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 on an active market. Following initial recognition, loans and receivables are measured at amortised 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 amortised 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 loan losses which have not yet occurred), 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 recognised 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. The reversal of the impairment is recognised 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 recognised using a value adjustment account. Derecognition of receivables takes place if they are classified as non-collectable.

3.11 CASH AND CASH EQUIVALENTS

Cash and cash deposits shown on the balance sheet comprise cash and bank balances with a duration 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 recognised at fair value through profit or loss. Following initial recognition, the interest-bearing loans are measured at amortised 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 derecognised if the preconditions of IAS 39 are met.

A **financial liability** is derecognised 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 recognised through profit or loss.

3.14 DERIVATIVE FINANCIAL INSTRUMENTS

The last of the interest hedging derivatives expired in the fiscal year 2014. As a result of the ECB's continuing low interest-rate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing does not currently incorporate any interest rate hedging.

However, interest rate and currency swaps were made as part of the Harald principal investment, which were employed in the acquired companies to hedge against interest rate changes and foreign exchange risk. While the foreign currency swaps expired in the third quarter of 2015, the interest rate swaps mature in March 2016 and July 2018. In addition, foreign currency options were entered into by PATRIZIA Harald GmbH to hedge against currency fluctuations in the purchase price for the Harald investment. These had already expired as per the balance sheet date.

All derivative financial instruments as per the balance sheet date (exclusively interest rate swaps as per 31 December 2015) are measured at fair value. The provisions of IAS 39/IFRS 9 for hedge accounting do not apply. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. Profits or losses from changes in the fair value of the derivative financial instruments are immediately recognised in profit or loss.

3.15 RETIREMENT BENEFIT OBLIGATIONS

Defined-benefit 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 recognises 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 recognised in the financial result, and was instead recognised in staff costs.

3.16 OTHER PROVISIONS

Provisions are liabilities of uncertain timing or amount. The concept of a provision essentially requires a current liability based on a past event, that a corresponding outflow of resources is probable and that the amount of this outflow of resources can be reliably estimated. Provisions are measured using the best possible estimate of the extent of the obligation. The provisions are discounted in the event of material interest effects.

3.17 TAXES

Actual profits 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 on the balance sheet date.

Tax assets and 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 taxes of the same taxable entity and are levied by the same tax authority.

Deferred taxes

Deferred taxes are recognised 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 recognised for all deductible temporary differences, tax loss carried forward not yet utilised and tax credits not yet utilised, in the probable extent to which taxable income will be available against which the deductible temporary differences and the tax loss carried forward and tax credits not yet utilised can be used.

The amount of deferred tax assets carried forward 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 recognised are reviewed on every balance sheet date and are recognised 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 realised 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 relating to items which 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.

3.18 BORROWING COSTS

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

3.19 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. It requires an estimate as to whether the fulfilment of the contractual agreement is dependent upon the utilisation of a certain asset or certain assets and whether the agreement grants a right to utilisation of the asset.

Leases where all opportunities and risks associated with the ownership are not passed to the lessee to a significant degree by the lessor 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 amount carried forward for the leased object and are recognised as expenses correspondent to the rental income over the term of the lease. Contingent rent is recognised 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.

3.20 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 of the main opportunities and risks to the purchaser 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 area, revenue is usually recognised after performance has been provided and invoicing has taken place.

3.21 ESTIMATES AND ASSESSMENTS IN ACCOUNTING

When preparing the consolidated financial statements, assumptions must be made to a certain extent 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 recognised on the basis of estimates may differ from the amounts to be recognised in the 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:

- Measurement of investment property
- Determining the recoverable amount to assess the necessity and extent of unscheduled amortisation, especially on the real estate posted under the item “Inventories”
- Recognising and measuring provisions
- Valuing receivables subject to risk
- Assessing whether deferred tax assets can be recognised

The assumptions made when valuing the real estate portfolios could subsequently prove to be partially or fully incorrect, or unexpected problems or unidentified risks relating to real estate portfolios may arise. 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 specific 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. The risk exists 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 amortisation for the fiscal year and for the previous year are set out below:

4.1.1 GOODWILL

The goodwill of TEUR 610 (previous year: TEUR 610) results from the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungs 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 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 two years and a discount rate of 5.91% p.a. (previous year: 5.65% p.a.). For the period after the seventh year, the cash flows were extrapolated using a constant annual growth rate of 1% p.a. (previous year: 1% p.a.). PATRIZIA 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.

4.1.2 FUND MANAGEMENT CONTRACTS

			2015			2014
EUR ’000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**48,462**	**–9,055**	**39,407**	**48,427**	**–6,523**	**41,904**
Additions	0	–1,996	–1,996	0	–2,511	–2,511
Disposals	0	0	0	0	0	0
Currency movement	6	0	6	35	–21	14
Balance as per 31 December	**48,468**	**–11,051**	**37,417**	**48,462**	**–9,055**	**39,407**

Hidden reserves in respect of fund management contracts were identified during the purchase price allocation of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH and PATRIZIA UK Ltd. These are subject to scheduled depreciation of TEUR 1,996 per annum. The majority at EUR 37,355 represents the fund management contracts of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH.

4.1.3 SOFTWARE

EUR '000	2015 Purchase costs	2015 Amortisation	2015 Carrying amount	2014 Purchase costs	2014 Amortisation	2014 Carrying amount
Balance as per 1 January	**17,265**	**–6,470**	**10,795**	**13,341**	**–4,643**	**8,698**
Additions	1,971	–3,541	–1,570	4,906	–2,809	2,097
Disposals	0	0	0	–982	982	0
Balance as per 31 December	**19,236**	**–10,011**	**9,225**	**17,265**	**–6,470**	**10,795**

4.1.4 INVESTMENT PROPERTY

DEVELOPMENT OF NON-CURRENT ASSETS

EUR '000	2015 Investment property	2014 Investment property
Balance as per 1 January	**78,507**	**229,717**
Additions – assets[1]	1,395	3,538
Disposal – assets	–59,562	–154,799
Positive fair value changes	1,471	2,198
Negative fair value changes	–1,009	–2,147
Balance as per 31 December	**20,802**	**78,507**

[1] These are exclusively subsequent acquisition costs.

Two investment properties were sold in Hamburg and Munich in the fiscal year.

Based on the fair value of the overall portfolio as per 31 December 2015, the average value is EUR 2,080 (previous year: EUR 2,222) per sqm and/or a multiplier of 21 (previous year: 19) is based on the target rent. The change in average value is due to the continued sell-off of the portfolio.

In accordance with existing loan agreements, investment property totalling TEUR 20,802 (previous year: TEUR 78,507) was pledged as security.

In the reporting year, investment property provided rental revenues of TEUR 3,217 (previous year: TEUR 13,451) and cost of materials of TEUR 3,043 (previous year: TEUR 8,837).

4.1.5 EQUIPMENT

EUR '000	2015 Purchase costs	2015 Amortisation	2015 Carrying amount	2014 Purchase costs	2014 Amortisation	2014 Carrying amount
Balance as per 1 January	**11,221**	**–6,745**	**4,476**	**10,150**	**–5,385**	**4,765**
Additions	2,649	–1,521	1,128	1,341	–1,621	–280
Disposals	–2,200	1,660	–540	–270	261	–9
Currency movement	0	–49	–49	0	0	0
Balance as per 31 December	**11,670**	**–6,655**	**5,015**	**11,221**	**–6,745**	**4,476**

4.1.6 BETEILIGUNGEN AN ASSOZIIERTEN UNTERNEHMEN

EUR '000	2015 Purchase costs	2015 Adjustments at equity	2015 Carrying amount	2014 Purchase costs	2014 Adjustments at equity	2014 Carrying amount
Balance as per 1 January	**64,226**	**4,271**	**68,497**	**17,206**	**1,089**	**18,295**
Additions	15,450	4,232	19,682	47,020	3,182	50,202
Disposals	0	0	0	0	0	0
Balance as per 31 December	**79,676**	**8,503**	**88,179**	**64,226**	**4,271**	**68,497**

The item “Participations in associated companies” includes the participation in PATRIZIA WohnModul I SICAV-FIS with its registered office in Luxembourg.

PATRIZIA WohnModul I SICAV-FIS firstly enables the purchase of real estate developments and asset repositioning properties, while secondly allowing apartments to be sold even during the investment phase. The exit strategy plans both block sales and individual privatisation.

Because of its participation in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to customary risks specific to the real estate sector such as market trends for residential property resales and real estate developments, and also to interest rate fluctuations.

PATRIZIA WohnModul I is included in the consolidated financial statements of PATRIZIA Immobilien AG based on the equity method. The summarised financial information for the aforementioned associated company is provided below.

EUR '000	2015	2014
Current assets	1,889,881	1,247,220
Non-current assets	9,609	13,730
Current liabilities	117,691	74,849
Non-current liabilities	910,133	506,413
Revenues	145,718	77,033
Net profit/loss for the year	48,438	30,560
Other comprehensive income	25	0
Total comprehensive income	**48,463**	**30,560**

The share in the consolidated net profit of PATRIZIA WohnModul I SICAV-FIS was TEUR 4,232 (previous year: TEUR 3,182).

Reconciliation statement for financial information presented relating to the carrying amount of the participation interest in PATRIZIA WohnModul I SICAV-FIS:

EUR '000	2015	2014
Net assets of the associated company	870,847[1]	679,688
Group's shareholding	10.1%	10.1%
Goodwill	0	0
Other adjustments	223	–151
Carrying value of the Group's participating interest in PATRIZIA WohnModul I SICAV-FIS	**88,179**	**68,497**

[1] The net assets of the associated company have been adjusted for minority interests.

The other adjustments include income from participations in companies which are not assignable to the associated company on account of their economic substance and the interim results which are to be taken into account.

There was no dividend payout from WohnModul I SICAV-FIS to PATRIZIA Immobilien AG in the reporting period.

4.1.7 PARTICIPATIONS

	2015			2014		
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**96,555**	**0**	**96,555**	**80,074**	**0**	**80,074**
Additions	210	0	210	16,294	0	16,294
Changes to the scope of consolidation	13	0	13	0	0	0
Disposals	–16,401	0	–16,401	–183	0	–183
Currency movement	1,029	0	1,029	370	0	370
Balance as per 31 December	**81,406**	**0**	**81,406**	**96,555**	**0**	**96,555**

The “Participations” item includes the following main holdings:

- PATRoffice Real Estate GmbH & Co. KG 6.25% (31 December 2014: 6.25%)
- sono west Projektentwicklung GmbH & Co. KG 28.3% (31 December 2014: 28.3%)
- Projekt Feuerbachstraße Verwaltung GmbH 30% (31 December 2014: 30%)
- PATRIZIA Projekt 150 GmbH 10% (31 December 2014: 10%)
- Plymouth Sound Holdings LP 10% (31 December 2014: 10%)
- Winnersh Holdings LP 5.0% (31 December 2014: 5.0%)
- Seneca Holdco S.à r.l. 5.1% (31 December 2014: 5.1%)
- GBW GmbH 5.1% (31 December 2014: 5.1%)
- Aviemore Topco 10% (31 December 2014: 10%)
- Citruz Holdings LP 10% (31 December 2014: 10%)

Key changes resulted from the withdrawal of CARL A-Immo GmbH & Co. KG within the scope of the sale of the Süddeutsche Wohnen Group (SÜDEWO) and the reduction in the participation in CITRUZ Holdings LP.

The sale of SÜDEWO to Vonovia SE (formerly Deutsche Annington SE) was already completed in July 2015.

4.1.8 LOANS

			2015			2014
EUR '000	Purchase costs	Amortisation	Carrying amount	Purchase costs	Amortisation	Carrying amount
Balance as per 1 January	**5,281**	**0**	**5,281**	**5,814**	**0**	**5,814**
Additions	0	0	0	4,667	0	4,667
Disposals	–82	0	–82	–5,267	0	–5,267
Currency movement	299	0	299	67	0	67
Balance as per 31 December	**5,498**	**0**	**5,498**	**5,281**	**0**	**5,281**

Loans are related to the investments Winnersh, Plymouth and Aviemore listed under “Participations”.

4.2 TAX ASSETS

Corporation tax credits of TEUR 78 (previous year: TEUR 119) with a right to payment from 2008 and to be paid by the tax authorities over a period of 10 years in equal annual amounts are treated as long-term tax assets. Measurement is at present value.

The current tax assets of TEUR 8,280 (previous year: TEUR 8,014) mainly include receivables from tax overpayments and claims for reimbursement from capital gains tax.

4.3 INVENTORIES

A breakdown of inventories is shown below:

INVENTORIES INCL. HARALD PORTFOLIO

EUR ’000	31.12.2015	31.12.2014
Real estate intended for sale	1,057,942	90,908
Real estate in the development phase	0	107,786
	1,057,942	**198,694**

INVENTORIES EXCL. HARALD PORTFOLIO

EUR ’000	31.12.2015	31.12.2014
Real estate intended for sale	224,170	90,908
Real estate in the development phase	0	107,786
	224,170	**198,694**

In the previous year the Feuerbachstraße and Friedrich-Karl-Terrassen projects were reported under the “Real estate in the development phase” item. Both properties were largely completed during the reporting period and already as good as sold.

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

In addition to the Harald and Manchester portfolios already listed under “Company Acquisitions”, the Sudermann-Allee property in Munich and Linley House in Manchester properties were acquired for a total of TEUR 51,903 in the current reporting period.

Inventories with a total carrying amount of TEUR 182,362 (previous year: TEUR 147,307) were sold in the fiscal year.

During the period under review, directly assignable borrowing costs of TEUR 175 (previous year: TEUR 423) were capitalised.

In accordance with existing loan agreements, inventories totalling TEUR 994,531 (previous year: TEUR 98,226) were pledged as securities.

Realisation of inventories amounting to TEUR 58,316 is expected to last longer than twelve months.

4.4 CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

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

RECEIVABLES AND OTHER CURRENT ASSETS

EUR '000	31.12.2015	31.12.2014
Trade receivables	**60,850**	**38,191**
Receivables from services	27,249	25,370
Receivables from sales of real estate	30,286	9,812
Rent receivables decreased by value adjustments	1,072	415
Sonstige	2,243	2,594
Other current assets	**70,321**	**46,583**
	131,171	**84,774**

Rent receivables as of the balance sheet date are as follows:

EUR '000	31.12.2015	31.12.2014
Nominal receivables for rent and rental ancillary costs	6,088	3,182
Value adjustments	–5,016	–2,767
	1,072	**415**

These rent receivables are matched by rent deposits amounting to TEUR 1,183 (previous year: TEUR 369).

Changes in the value adjustment account for receivables:

EUR '000	31.12.2015	31.12.2014
Balance as per 1 January	**2,798**	**2,739**
Change to the consolidated entities[1]	2,279	0
Additions	1,681	497
Outflows due to derecognitions	–795	–373
Outflows due to payments received	–947	–65
Balance as per 31 December[1]	**5,016**	**2,798**

[1] The Harald portfolio accounts for TEUR 2,081 of the value adjustments as per 31 December 2015.

A breakdown of other current assets is shown below:

EUR '000	31.12.2015	31.12.2014
Amounts owed by undertakings in which the company has a participating interest	33,601	39,471
Claim to transfer of title	16,665	0
Payments deposited to notary's escrow account	9,659	0
Other	10,396	7,112
Balance as per 31 December	**70,321**	**46,583**

The item “Claim to transfer of title” refers to the Wildrosenweg property in Munich, which was already paid at the balance sheet date whereas the transfer of ownership, benefits and obligations only took place on 1 January 2016. The item “Other” is primarily composed of debit balances, receivables from rental incentives, deferred items and receivables from loans.

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

4.5 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.

The item includes a cash amount of TEUR 8,441 (previous year: TEUR 5,307) that must be made held available on a permanent basis by asset management companies owing to regulatory requirements. An additional TEUR 94,985 (previous year: TEUR 34,012) is reserved for loan repayments.

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 totalled EUR 76,323,533 (previous year: EUR 69,385,030) and is divided into 76,323,533 (previous year: 69,385,030) registered no-par value shares.

The Managing Board was further 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).

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 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). As a result of the 2013 and 2014 capital increases from company funds, during the year under review the 2012 contingent capital was increased by law, in accordance with Article 218 sentence 1 AktG, in the same ratio as the share capital to EUR 17,346,257.50 through the issue of 17,346,257.50 new, registered no-par value shares with a pro-rata share in the share capital of EUR 1.00. 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 resolution by the General Meeting held on 20 June 2012, until 19 June 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 39,394,492 no-par value shares (previous year: 35,813,177 no-par value shares), which equates to a 51.62% shareholding (previous year: 51.62%).

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 reserves. In connection with the issue of bonus shares in the 2015 fiscal year, the capital reserves fell by TEUR 6,939 (previous year: TEUR 6,321).

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

In May 2015, PATRIZIA Immobilien AG acquired the majority of the shares in Boligutleie Holding III AS and also the majority of the shares in Hyresfastigheter Holding III Gul AB as part of the Harald principal investment. At the time of the acquisition, the shares of non-controlling shareholders were considered with their share of the fair value of the net assets and were measured at TEUR 101,631. Please also refer to the information in the Company Acquisitions section.

As per 31 December 2015 a minority shareholding in Boligutleie Holding III AS of 7.57% (TEUR 16,939) existed.

The other shares of non-controlling partners are classed as insignificant by PATRIZIA.

In the reporting period the non-controlling shareholders were allocated a share in the results of TEUR 23,703 of which TEUR 21,100 had been taken up to the balance sheet date.

These are payments to minority shareholders with whom the Company also has an employment relationship.

5.2 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	31.12.2015 Assets	31.12.2015 Liabilities	31.12.2014 Assets	31.12.2014 Liabilities
Investment property	0	1,283	0	3,239
Inventories	0	47,242	0	1,232
Derivatives	644	0	0	0
Tax loss carried forward	7,226	0	0	0
Fund management contracts PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH	0	12,056	0	12,691
Other	186	1,309	696	1,800
Consolidation	–1,043	1,363	715	2,153
	7,013	**63,253**	**1,411**	**21,115**
Netting	0	0	–1,411	–1,411
	7,013	**63,253**	**0**	**19,704**

In the course of the Harald transaction, deferred tax assets of TEUR 4,721 and deferred tax liabilities of TEUR 45,988 arose or adopted valuation differences were continued.

Due to the lack of predictability regarding dissolution of the tax group, no deferred tax assets have been recognised for losses prior to fiscal unity of TEUR 514 (previous year: TEUR 447). The losses can be carried forward for an indefinite period.

In addition, at the balance sheet date, four companies (previous year: two companies) had corporation tax loss carried forward of TEUR 32,763 (previous year: TEUR 20,939); no deferred tax assets were formed for these due to the lack of predictability concerning their usability for fiscal purposes. These losses can also be carried forward for an indefinite period.

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 recognised amounted to TEUR 48,540 (previous year: TEUR 41,099).

5.3 RETIREMENT BENEFIT OBLIGATIONS

In principle, there are no defined-benefit pension schemes at the Group. This excludes plans which were assumed in the past in connection with acquisitions. As per the balance sheet date, a total of six people had a defined-benefit commitment. Four of these people are retired persons who already receive ongoing pension payments. As per 31 December 2015, an actuarial interest rate of 2.42% (previous year: 1.78%–3.7%) 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) (2005 G Reference Tables). As per 31 December 2015, the pension provision was recognised at TEUR 687 (previous year: TEUR 630). Due to the low level of the annual pension payments of TEUR 19 (previous year: TEUR 150) 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 per the balance sheet date, there were neither plan assets nor unrecognised actuarial losses and/or unrecognised past service costs. The interest cost is posted under staff costs.

In the current fiscal year, the employer's contributions to pension insurance amounted to TEUR 3,397 (previous year: TEUR 3,138).

5.4 FINANCIAL LIABILITIES

The financial liabilities have the following maturity profile:

EUR '000 as per 31.12.2015	2016	2017	2018	2019	2020	2021	Total
Bank loans	**197,541**	**0**	**0**	**0**	**0**	**0**	**197,541**
of which Harald	197,541	0	0	0	0	0	197,541
Mortgage loans	**202,150**	**0**	**76,400**	**108,341**	**0**	**236,678**	**623,569**
of which Harald	73,000	0	76,400	108,341	0	236,678	494,419
Bonded loans	**35,000**	**0**	**32,000**	**0**	**0**	**0**	**67,000**
Interest accrued and current account	**718**	**0**	**0**	**0**	**0**	**0**	**718**
of which Harald	252	0	0	0	0	0	252
	435,409	**0**	**108,400**	**108,341**	**0**	**236,678**	**888,828**

As per 31 December 2015 financial liabilities totalled TEUR 888.828; excluding Harald, they amounted to TEUR 196,616.

EUR '000 as per 31.12.2014	2015	2016	2017	2018	Total
Bank loans	0	0	0	0	0
Mortgage loans	33,595	88,252	0	0	121,847
Bonded loans	0	40,000	0	37,000	77,000
Interest accrued and current account	103	0	0	0	103
	33,698	128,252	0	37,000	198,950

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. The interest rate hedges adopted with the Harald portfolio counteract this risk. The loans are denominated in EUR and GBP. For bank loans which serve to finance own investments, the financial liabilities are repaid when the real estate is sold. Loans to finance the Harald portfolio will be fully paid back within the scope of the sale.

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 repayments from resales into account.

In the above table, loans with terms ending within the 12 months following the reporting date are posted as bank loans with a residual term of up to 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 – please refer to 1. Principles Applied in Preparing the Consolidated Financial Statements.

The Group's own real estate serves as security for the mortgage loans. The mortgage loans secured by real estate liens amount to TEUR 623,569 (previous year: TEUR 121,847); excluding the loans from the Harald portfolio they total TEUR 129,150. In addition, financial liabilities are secured by assigning purchasing prices and by assigning future rental payments.

At the balance sheet date, promissory note loans with a total amount of TEUR 67,000 are reported in the consolidated financial statements. According to the maturities, TEUR 32,000 (maturing 30 June 2018) is reported as non-current liabilities and TEUR 35,000 (maturing 30 June 2016) as current liabilities.

5.5 NON-CURRENT LIABILITIES

Non-current liabilities totalling TEUR 9,262 (previous year: TEUR 5,544) mainly comprise the long-term components of the management participation model described in more detail under item 9.2.

5.6 OTHER PROVISIONS

The changes in other provisions are shown below:

OTHER PROVISIONS 2015

EUR '000	01.01.2015	Addition	Release	Use	31.12.2015
Other provisions	2,142	6,740	13	2,129	6,740
	2,142				**6,740**

OTHER PROVISIONS 2014

EUR '000	01.01.2014	Addition	Release	Use	31.12.2014
Other provisions	1,719	2,142	6	1,713	2,142
	1,719				**2,142**

The other provisions chiefly consist of the provision for unused holiday entitlements, contributions to employee accident insurance and surcharges for non-employment of disabled persons as well as risks of litigation and contractual indemnification obligations.

5.7 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 for global sales, security exists in the form of a commercial right of retransfer 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 placed at several different banks in order to diversify risks.

The main liabilities within the Group comprise long-term and short-term bank loans, promissory note bonds and trade payables. The main objective of these financial liabilities is to finance the Group's business activities.

Significant risks for the Group arising from the financial instruments include interest-related cash flow risks and liquidity and credit risks.

Interest Rate Risk

The risk of fluctuation in interest rates which the Group is exposed to results from financial liabilities with a variable interest rate. This risk is offset to a considerable extent by contrary effects from inter-est rate swaps acquired as part of the Harald transaction.

Interest Rate Risk Overview

As a result of the ECB's continuing low interestrate policy and PATRIZIA's own assessments of the overall economic situation in Europe, financing is currently borrowed without interest rate hedging. The Group is therefore subject to an interest rate risk on financial liabilities. The interest rate swaps reported as per the balance sheet date result from the companies acquired as part of the Harald transaction.

The Group measures the interest rate risk using cash flow sensitivity analysis with an assumed parallel shift in the interest curve of 10 basis points. Assuming a rise of 10 basis points in the interest rate, then as per 31 December 2015 and without taking taxes into account, this would have an effect of TEUR 121 (previous year: TEUR 122) on the consolidated profit and TEUR 121 (previous year: TEUR 122) on consolidated equity.

Credit Risk

Due to a broad counterparty structure there is currently no concentration of risks within the 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 by applying liquidity planning. This liquidity planning takes the terms of the financial liabilities and expected cash flows from the operating activities into account.

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

As per 31 December 2015, the nominal volume of interest rate swaps was TEUR 242,000 (previous year: TEUR 0); the corresponding market values were TEUR –3,677 (previous year: TEUR 0).

The table below shows the expected undiscounted net cash inflows/outflows from interest rate swaps.

EUR '000	31.12.2015	31.12.2014
Up to 1 year	2,006	0
More than 1 year to 2 years	0	0
More than 2 years to 5 years	1,504	0
TOTAL	**3,510**	**0**

Further maturities on financial liabilities can be found in item 5.4 of the Notes to the Consolidated Financial Statements.

Capital Management

The Group monitors its capital structure with 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 all obligations except deferred tax liabilities less cash and short-term deposits. Modified equity incorporates the equity attributable to the shareholders of the parent company less unrecognised profit.

CAPITAL MANAGEMENT

EUR '000	2015	2015	2014
	PATRIZIA Group	PATRIZIA excl. Harald transaction	PATRIZIA Group
Interest-bearing loans	821,828	129,616	121,950
Promissory note loans[1]	67,000	67,000	77,000
Trade payables and other liabilities[2]	130,167	93,298	110,332
Less cash and short-term deposits	–179,141	–79,236	145,361
Net financial liabilities	**839,854**	**210,678**	**163,921**
Equity	539,791	507,594	410,048
Cash flow hedges valuation result	0	0	0
Currency translation difference	869	869	–1,030
Total modified equity	**540,660**	**508,463**	**409,018**
Modified equity and net financial liabilities	1,380,514	719,141	572,939
Gearing ratio	61%	29%	29%

[1] Promissory note loans were added to the representations for 2014.
[2] Non-current liabilities were added to the representation for 2014.

5.8 CURRENT LIABILITIES

A breakdown of current liabilities is shown below:

EUR '000	31.12.2015	31.12.2014
Trade payables	8,467	4,431
Advance payments	8,853	44,139
Other liabilities	77,968	43,936
	95,288	**92,506**

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.

The advance payments relate to purchase price receipts from sold properties.

A breakdown of other liabilities is shown below:

EUR ’000	31.12.2015	31.12.2014
Liabilities relating to variable salary components	23,416	17,294
Liabilities from services purchased before the balance sheet date	11,647	5,616
Interest on promissory note loans	1,737	1,737
Acquisition and production costs for sold properties arising after the balance sheet date	6,439	9,899
Liabilities to non-controlling shareholders	5,303	0
Prepaid expenses	3,971	0
Debtors with credit balances	2,727	2,528
Liability from payments to be made relating to the squeeze-out described under “Company acquisitions”	8,203	0
Accounting and auditing costs	730	414
Liability from emphyteusis payments	3,344	0
Other	10,451	6,448
	77,968	**43,936**

5.9 TAX LIABILITIES

The tax liabilities mainly relate to subsequent taxation of the former EK 02 portfolios amounting to TEUR 1,226 (previous year: TEUR 1,687), corporation tax and trade tax on profits of domestic subsidiaries amounting to TEUR 17,240 (previous year: TEUR 6,925), as well as tax on the profits of foreign subsidiaries totalling TEUR 4,906. Corporation tax on account of subsidiaries in Luxembourg which are subject to limited taxation in Germany amounts to TEUR 933 (previous year: TEUR 626).

5.10 FINANCIAL ASSETS AND LIABILITIES

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

FINANCIAL ASSETS

EUR ’000	31.12.2015	31.12.2014
Loans and receivables	288,785	231,081
Available-for-sale financial assets	81,460	96,641

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

FINANCIAL LIABILITIES

EUR '000	2015	2014
Financial liabilities which are measured at amortised cost	989,203	296,904
Derivative financial instruments which are held for trading purposes	3,677	0

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

NET PROFIT/LOSS BY CATEGORY

EUR '000	2015	2014
Loans and receivables	1,213	1,576
Available-for-sale financial assets	151,681	39,675
Financial liabilities which are measured at amortised cost	–17,063	–8,193
Derivative financial instruments which are held for trading purposes	3,151	–34

Net profit and loss from financial instruments that are recognised 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 expense method.

6.1 REVENUES

Revenues consist of the following:

EUR '000	2015	2014
Rental revenues[1]	42,761	21,187
Sales	188,979	155,189
Services	134,259	106,285
Other[2]	18,859	9,154
Total revenue	**384,858**	**291,815**

[1] Revenues include rental income from investment property of TEUR 3,217 (previous year: TEUR 13,451).
[2] Other revenues include rental ancillary costs.

The Harald portfolio acquired in the reporting year accounts for TEUR 33,963 of the rental revenues and TEUR 12,214 of the other revenues.

The revenues from services include commission income, income from asset and fund management and trustee fees.

For further information please refer to section 7, Segment Reporting.

6.2 CHANGES IN INVENTORIES

The impact on the balance sheet of the purchase and renovation of real estate intended for sale can be recognised in terms of net income in the inventory changes.

6.3 OTHER OPERATING INCOME

The other operating income mainly relates to:

EUR '000	2015	2014
Income from cancelled obligations	5,221	1,763
Income from an amicable settlement in emphyteusis disputes in the Harald portfolio	3,476	0
Other operating income in the Harald portfolio	1,704	0
Income from cost recharging and transaction fees	1,677	690
Income from payments in kind	1,333	1,125
Income from the reduction in specific value adjustments	292	136
Income from insurance compensation	97	1,074
Income from liability compensation	90	548
Other	2,299	1,807
	16,189	**7,143**

Income from cancelled obligations chiefly result from improved awareness of post-completion construction costs in residential property resales (TEUR 1,896) and from bonuses (TEUR 988).

Liabilities formed in the previous year for the acquisition of the Manchester portfolio were eliminated in the reporting year as a result of a change in the acquisition strategy (TEUR 1,592).

The Other item mainly includes income from purchaser settlements (TEUR 660) and from the elimination of the payroll tax in Denmark (TEUR 303).

6.4 COST OF MATERIALS

Cost of materials includes the direct costs incurred in conjunction with service performance and is broken down as follows:

EUR '000	2015	2015	2014
	PATRIZIA Group	PATRIZIA of which Harald transaction	PATRIZIA Group
Real estate development costs	15,651	15,651	29,901
Renovation costs	14,236	7,996	11,819
Ancillary costs	18,696	5,357	10,382
Maintenance costs	3,855	743	2,353
	52,438	**29,747**	**54,455**

6.5 COST OF PURCHASED SERVICES

The item cost of purchased services totalling TEUR 14,787 (previous year: TEUR 9,990) mainly comprises the purchase of fund management services. For PATRIZIA, this relates in particular to the expenses for the label funds of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH, for which PATRIZIA acts as a servicing capital management company. The cost of purchased services rose in the 2015 fiscal year, primarily as a result of increased acquisition activity in the label funds.

6.6 STAFF COSTS

A breakdown of staff costs is shown below:

EUR '000	2015	2014
Wages and salaries	83,910	69,003
of which valuation of long-term incentives	4,464	2,497
of which sales commission	7,012	6,226
Social insurance contributions	9,609	8,236
	93,519	**77,239**

Following the significant increase in the share price of PATRIZIA Immobilien AG, additional personnel expenses arose due to valuation effects in conjunction with long-term incentives of TEUR 4,464.

6.7 OTHER OPERATING EXPENSES

A breakdown of other operating expenses is shown below:

EUR '000	2015	2014
Operating expenses	15,959	12,994
Administrative expenses	17,957	16,039
Selling expenses	12,050	8,982
Other expenses	24,007	12,178
	69,973	**50,193**

Other operating expenses include transaction-related services amounting to TEUR 5,003 (previous year: TEUR 2,524).

The Harald portfolio accounted for other operating expenses to the order of TEUR 9,989.

6.8 AMORTISATION

Scheduled amortisation of software and equipment amounted to TEUR 5,063 (previous year: TEUR 4,430).

This item also shows amortisation of the hidden reserves allocated to the fund management contracts and licences within the context of the acquisition of PATRIZIA GerwerbeInvest Kapitalverwaltungsgesellschaft mbH and the acquisition of PATRIZIA UK Ltd. Scheduled amortisation amounts to TEUR 1,996 per annum (previous year: TEUR 2,510).

6.9 INCOME FROM PARTICIPATIONS

Income from participations totalling TEUR 151,681 (previous year: TEUR 39,062) mainly results from the investments GBW and Seneca and the sale of the Süddeutsche Wohnen Group.

PATRIZIA earned performance-related compensation of TEUR 103,466 from the sale of the Süddeutsche Wohnen Group, together with TEUR 13,417 as a return on the equity capital employed of TEUR 15,000. In return, the scheduled preliminary profit distribution for the second half of 2015 of around TEUR 3,600 and the expected performance-based payment did not materialise (2014: TEUR 5,630).

In turn, the income from participations was earned during the same period in the 2015 fiscal year.

As in the previous year, the co-investment GBW generated TEUR 9,490 TEUR as shareholder contribution, TEUR 17,842 as performance-related shareholder compensation and a dividend of TEUR 3,223 on the invested equity.

The Seneca supermarket portfolio contributed a dividend on invested equity of TEUR 510 (previous year: TEUR 358).

6.10 FINANCIAL RESULT

EUR '000	2015	2014
Interest on bank deposits	175	459
Changes in the value of derivatives	5,410	2,819
Other interest	1,081	1,135
Financial income	**6,666**	**4,413**
Interest on revolving lines of credit and bank loans	–9,488	–4,459
Interest-rate hedging expense	0	–2,822
Currency hedging expense	–1,406	0
Changes in the value of derivatives	–2,260	0
Release of other result from cash flow hedging	0	–31
Other finance costs	–10,017	–4,600
Financial expenses	**–23,171**	**–11,912**
Financial result	**–16,505**	**–7,499**

Interest income of TEUR 1,213 (previous year: TEUR 1,576) taken into account as conformant with the effective interest rate. There were no pure measurement effects for instruments of this category.

Currency conversion differences of TEUR –617 (previous year: TEUR 551) were recognised through profit or loss in the fiscal year.

6.11 INCOME TAX

A breakdown of income taxes is shown below:

INCOME TAX

EUR '000	2015	2014
Actual taxes	–22,020	–10,218
Deferred taxes	5,587	3,240
	–16,433	**–6,978**

The deferred taxes in the income statement chiefly result from fund management contracts, investment property and 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 and loss 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:

EUR '000	2015	2014
IFRS consolidated profit/loss for the period before income tax	**150,894**	**41,998**
Income tax expenses expected on the above	–46,513	–12,946
Taxable profits based on the partial income method	10,090	0
Tax exemption from profit distributions	7,252	0
Tax additions and deductions	11,435	2,971
International subsidiaries with differing tax rates	1,014	642
Non-activation of deferred taxes on losses	–10,765	–3,974
Use of non-capitalised loss carried forward	5,422	2,987
Trade tax effects from income subject to limited taxation	6,350	2,311
Effects outside the period[1]	–365	785
Other	–353	246
EFFECTIVE TAX EXPENSE	**–16,433**	**–6,978**

[1] This includes special effects from the conclusion of the tax audit 2007–2010.

6.12 EARNINGS PER SHARE

in EUR	2015	2014
Profit share of Group shareholders	110,758,410	35,608,093
Number of shares issued	76,323,533	69,385,030
Weighted number of shares	76,323,533	76,323,533
EARNINGS PER SHARE (UNDILUTED)	**1.45 EUR**	**0.47 EUR**

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 (69,385,030) was replaced by the weighted number of shares in 2015 (76,323,533).

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).

7 SEGMENT REPORTING

Segment reporting categorises the business segments according to whether PATRIZIA acts as an investor or a service provider. In line with the Group's reporting for management purpsoes 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 are also delimited by geographical criteria. Country assignment is effected according to the location of the real estate asset being managed. International subsidiaries continue to be reported as a total for the time-being owing to the contribution made by the individual national companies to revenues and results still being low.

In addition, PATRIZIA Immobilien AG (corporate administration) including its international subsidiary management is defined as **Corporate**. Corporate does not constitute an operating segment with an obligation to report but is presented separately due 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 within segments are performed via the **Consolidation** column. The "Corporate" column consolidates all internal services between the Investments and Management Services segments on the one hand and PATRIZIA AG on the other hand within a country; it represents the external service provided by the Group in the region concerned. In contrast, the transnational exchange of services is eliminated in the Consolidation row.

The **Investments segment** primarily bundles principal investments and the company's remaining portfolio. As per the balance sheet date, the segment had a portfolio of 471 (31 December 2014: 1,081) residential units reported as investment property and inventories. Selling will be continued and is scheduled to be largely completed by the end of 2016.

Principal investments are also a part of this segment. Proceeds from sales and ongoing rental income from principal investments are reported here.

Furthermore, the earnings-related bonuses (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 advice 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 own investment management companies. Commission revenues generated by services, both from co-investments and from third parties, are reported in the Management Services segment. These also include income from participating interests which are granted as shareholder contribution for the asset management of the two co-investments SÜDEWO and GBW.

With growing assets under management, the range of services provided by the Management Services segment is enjoying increasing demand from third parties.

As a matter of principle, the PATRIZIA Group's internal control and reporting measures are based on the principles of accounting in accordance with 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 income).

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, cost of purchased services, 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 when determining the operative EBT (operating income). First, these involve non-cash effects such as amortisation and depreciation on fund management contracts, software and property, plant and equipment transferred in the course of the acquisition of PATRIZIA GewerbeInvest Kapitalanlagegesellschaft mbH and PATRIZIA UK Limited, unrealised changes in the value of investment property and the results of the market valuation of interest-rate hedging instruments. Second, cash-effective realised changes in the value of investment property are added to this.

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

Due to the capital intensity of the Investments segment, the assets and liabilities in the segment, most of which are allocable to Germany, 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 segment.

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.

2015 (1 JANUARY – 31 DECEMBER 2015)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
Revenues from principal investments	148,320	0	0	0	148,320
Rental revenues	40,756	0	0	–176	40,580
Revenues from management services	0	113,652	0	–4,919	108,733
Other	15,100	4,343	0	–106	19,336
Revenues	**204,175**	**117,994**	**0**	**–5,201**	**316,968**
International[1]					
Revenues from principal investments	40,660	0	0	0	40,660
Rental revenues	2,179	0	0	0	2,179
Revenues from management services	0	51,380	0	–354	51,026
Other	655	226	0	0	880
Revenues	**43,494**	**51,606**	**0**	**–354**	**94,746**
Corporate					
Revenues	**0**	**0**	**24,000**	**0**	**24,000**
Consolidation					
Revenues	**0**	**–24,741**	**0**	**–26,115**	**–50,856**
Group					
Revenues from principal investments	188,979	0	0	0	188,979
Rental revenues	42,935	0	1	–176	42,761
Revenues from management services	0	140,355	22,703	–28,799	134,259
Other	15,754	4,504	1,295	–2,694	18,858
Revenues	**247,669**	**144,859**	**24,000**	**–31,670**	**384,858**
Details					
Total operating performance					
Germany	87,305	120,969	0	–5,201	203,073
International[1]	20,891	55,784	0	–1,306	75,368
Corporate	0	0	25,981	0	25,981
Consolidation	–1,029	–24,766	0	–29,208	–55,003
Group	**107,166**	**151,987**	**25,981**	**–35,716**	**249,419**
Cost of materials and cost of purchased services					
Germany	–52,337	–22,325	0	494	–74,168
International[1]	–593	–20,555	0	0	–21,148
Corporate	0	0	0	0	0
Consolidation	0	24,643	0	3,448	28,091
Group	**–52,930**	**–18,237**	**0**	**3,942**	**–67,225**
Change in value of investment properties					
Germany	462	0	0	0	462
Group	**462**	**0**	**0**	**0**	**462**
Staff costs					
Germany	0	–50,515	0	0	–50,515
International[1]	0	–15,610	0	0	–15,610
Corporate	0	0	–27,797	0	–27,797
Consolidation	0	63	0	340	403
Group	**0**	**–66,062**	**–27,797**	**340**	**–93,519**
Other operating expenses					
Germany	–21,529	–42,139	0	5,418	–58,250
International[1]	–3,368	–7,575	0	1,306	–9,637
Corporate	0	0	–25,379	0	–25,379
Consolidation	980	60	0	22,254	23,294
Group	**–23,917**	**–49,655**	**–25,379**	**28,979**	**–69,973**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics, Spain

→

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Income from participations and earnings from companies accounted for using the equity method					
Germany	18,950	134,403	0	0	153,353
International[1]	2,560	0	0	0	2,560
Corporate	0	0	0	0	0
Consolidation	0	0	0	0	0
Group	**21,510**	**134,403**	**0**	**0**	**155,913**
Amortisation of fund management contracts, software and equipment					
Germany	–3,149	–2,024	0	0	–5,174
International[1]	–50	–120	0	0	–170
Corporate	0	0	–4,895	0	–4,895
Consolidation	50	0	0	3,130	3,180
Group	**–3,149**	**–2,144**	**–4,895**	**3,130**	**–7,059**
Financial Result					
Germany	–16,272	686	0	0	–15,586
International[1]	3	–31	0	0	–28
Corporate	0	0	–891	0	–891
Consolidation	0	0	0	0	0
Group	**–16,269**	**655**	**–891**	**0**	**–16,505**
Gains/losses from currency translation					
Germany	–2,061	97	0	0	–1,964
International[1]	–167	120	0	0	–47
Corporate	0	0	1,393	0	1,393
Consolidation	0	0	0	0	0
Group	**–2,227**	**217**	**1,393**		**–618**
EBT (IFRS)					
Germany	11,368	139,151	0	712	151,230
International[1]	19,277	12,012	0	0	31,288
Corporate	0	0	–31,588	0	–31,588
Consolidation	0	0	0	–36	–36
Group	**30,644**	**151,163**	**–31,588**	**676**	**150,895**
Adjustments					
Germany	**2,408**	**1,968**	**0**	**0**	**4,376**
Significant non-operating earnings	3,350	–1,968	0	0	1,382
Market valuation income derivatives	5,060	0	0	0	5,060
Market valuation expenditures derivatives	–2,171	0	0	0	–2,171
Fund agreement amortisation	0	–1,968	0	0	–1,968
Realised fair value	5,758	0	0	0	5,758
International[1]	**0**	**0**	**0**	**0**	**0**
Significant non-operating earnings	0	0	0	0	0
Fund agreement amortisation	0	0	0	0	0
Group	**2,408**	**1,968**	**0**	**0**	**4,376**
Operating income (adjusted EBT)					
Germany	13,775	141,119	0	712	155,606
International[1]	19,277	12,012	0	0	31,288
Corporate	0	0	–31,588	0	–31,588
Consolidation	0	0	0	–36	–36
Group	**33,052**	**153,131**	**–31,588**	**676**	**155,271**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics, Spain

2014 (1 JANUARY – 31 DECEMBER 2014)

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Germany					
Revenues from principal investments	155,189	0	0	0	155,189
Rental revenues	21,380	0	0	–194	21,185
Revenues from management services	0	103,184	0	–12,320	90,864
Other	9,041	434	0	–443	9,032
Revenues	**185,610**	**103,618**	**0**	**–12,958**	**276,270**
International[1]					
Revenues from management services	0	31,030	0	0	31,030
Other	0	0	0	0	0
Revenues	**0**	**31,030**	**0**	**0**	**31,030**
Corporate					
Revenues	**0**	**0**	**19,998**	**0**	**19,998**
Consolidation					
Revenues	**0**	**–14,536**	**0**	**–20,947**	**–35,483**
Group					
Revenues from principal investments	155,189	0	0	0	155,189
Rental revenues	21,380	0	2	–194	21,187
Revenues from management services	0	119,691	18,611	–32,017	106,285
Other	9,041	422	1,386	–1,694	9,154
Revenues	**185,610**	**120,113**	**19,998**	**–33,905**	**291,815**
Financial Result					
Financial income					
Germany	5,044	1,247	0	–641	5,650
International[1]	5,333	154	0	0	5,487
Corporate	0	0	8,779	0	8,779
Consolidation	–4,897	–10	0	–10,595	–15,503
Group	**5,480**	**1,391**	**8,779**	**–11,237**	**4,413**
Financial expenses					
Germany	–19,502	–1,882	0	641	–20,743
International[1]	–817	–165	0	0	–982
Corporate	0	0	–5,689	0	–5,689
Consolidation	4,897	10	0	10,595	15,502
Group	**–15,422**	**–2,038**	**–5,689**	**11,236**	**–11,912**
EBT (IFRS)					
Germany	9,958	44,404	0	680	55,042
International[1]	4,142	3,108	0	–2	7,248
Corporate	0	0	–19,878	0	–19,878
Consolidation	0	0	0	–414	–414
Group	**14,100**	**47,512**	**–19,878**	**264**	**41,998**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics

➔

PROSECUTION

EUR '000	Investments	Management Services	Corporate	Consolidation	Group
Adjustments					
Germany	**5,728**	**1,968**	**0**	**0**	**7,696**
Significant non-operating earnings	2,838	–1,968	0	0	870
Market valuation income derivatives	2,819	0	0	0	2,819
Market valuation expenditures derivatives	–31	0	0	0	–31
Change in value of investment properties	51	0	0	0	51
Fund agreement amortisation	0	–1,968	0	0	–1,968
Realised fair value	8,566	0	0	0	8,566
International[1]	**0**	**517**	**0**	**0**	**517**
Significant non-operating earnings	0	–517	0	0	–517
Fund agreement amortisation	0	–517	0	0	–517
Group	**5,728**	**2,485**	**0**	**0**	**8,213**
Operating income (adjusted EBT)					
Germany	15,686	46,372	0	680	62,737
International[1]	4,142	3,625	0	–3	7,764
Corporate	0	0	–19,878	0	–19,878
Consolidation	0	0	0	–414	–414
Group	**19,828**	**49,997**	**–19,878**	**263**	**50,210**

[1] France, Great Britain, Luxembourg, Netherlands, Nordics

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 flow from investment activities includes financially effective investments and sales, especially in/of financial investments, property held as an investment and tangible assets.

Cash flow from financing activities includes payments in connection with the issuance of bonus shares 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 defined performance-related benefit pension schemes in the Group. This excludes plans which were assumed in the past in connection with acquisitions. As per the balance sheet date, a total of six people were entitled to a defined-benefit commitment. Four of these people are retired persons who already receive ongoing pension benefits. In addition, there are defined-benefit 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 2014, a total of TEUR 57.9 (previous year: TEUR 68.4) 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 provides the consideration for these contributions.

Since 1 January 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 the requirements of the German Corporate Governance Code into account.

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 assigns quantitative and qualitative company, business line and individual goals to members of the Managing Board and members of the First Line (FL). The First Line comprises the employees who report directly to Managing Board and the Managing Directors in Germany.

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 consideration and without taking amortisation of intangible assets (fund management contracts arising on the acquisition of PATRIZIA GewerbeInvest Kapitalverwaltungsgesellschaft mbH and of PATRIZIA UK Ltd.) into account, but taking realised increases in fair value into account. This adjusted pre-tax result is reported in PATRIZIA's financial reports as operating result. Other target criteria include the Group return on equity and 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. Members of the Managing Board and members of the FL 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 members of the Managing Board and members of the FL 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 members of the Managing Board and the members of the First Line 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 confirmed 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 to 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 member or member of FL should they leave the Group.

For the 2015 fiscal year, a long-term incentive of TEUR 2,280 was included for the first and second management levels (previous year: TEUR 1,608). This corresponds to the liability posted, based on a target achievement rate of 140% (previous year: 130%). The final calculation cannot be made until all data required for the calculation is known 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 31 December of the fiscal year in question. The cash price equivalent of the shares is paid out at the average Xetra price 30 days prior to and after 31 December of the second/third year (vesting period).

Based on the average share price of PATRIZIA shares 30 days before and after 31 December 2015, the average price is EUR 25.393. Therefore 88,277 shares are counted for 2015. In the reporting period, expenses of TEUR 6,975 (previous year: TEUR 4,432) were incurred for share-based compensation. These comprised price effects to the order of TEUR 4,464, allocation to share-based compensation totalling TEUR 2,678 and corrections due to the final settlement in the reporting period of TEUR –167.

Fair value is as follows:

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

	Number of performance shares 2015	Fair values 31.12.2015 EUR '000	Number of performance shares 2014	Fair values 31.12.2014 EUR '000	Paid out in EUR '000
Tranche of performance share units in the 2015 fiscal year[1]	88,277	2,242	0	0	0
Tranche of performance share units in the 2014 fiscal year	120,711	3,065	122,485	1,608	0
Tranche of performance share units in the 2013 fiscal year	205,500	5,218	199,282	2,615	0
Tranche of performance share units in the 2012 fiscal year	57,248	1,454	200,551	2,632	1,881
Tranche of performance share units in the 2011 fiscal year	0	0	91,094	1,196	1,196
Total	**471,736**	**11,979**	**613,412**	**8,051**	**3,077**

[1] Corresponds to the liability posted for 140% target achievement. The final calculation of this variable compensation and the allocation to the individual beneficiaries will be effected on approval of the consolidated financial statements for 2015.

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

PERFORMANCE SHARE UNITS

	01.01. – 31.12.2015	01.01. – 31.12.2014
Outstanding at the start of the reporting period	613,412	661,884
Granted in the reporting period	105,467	145,805
Correction due to final settlement in the reporting period	–12,746	–9,092
Paid out in the reporting period	–234,397	–185,185
Outstanding at the end of the reporting period	**471,736**	**613,412**

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 per 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.

Share ownership by members of the PATRIZIA First Line, employee participation

Members of the First Line hold a total of 0.04% in PATRIZIA Immobilien AG.

Non-controlling shareholders to whom payments were made in the reporting year also have an employment contract with PATRIZIA.

Contracts and business relationships between the Managing Board members directly and PATRIZIA

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

PATRIZIA Immobilien AG provided services via PATRIZIA Deutschland GmbH within the context of management activities and project management. For suchlike, an amount of TEUR 283 was invoiced in 2015. No other services were provided for property management in fiscal year 2015. All services provided satisfy customary market standards for comparative arms-length transactions.

Mr Arwed Fischer acts as consultant to the Managing Board of PATRIZIA under an employment relationship. His work includes all the tasks that are related to the position and function of a member of the Managing Board. He also agrees to fulfil such duties arising within the PATRIZIA Group of companies. He receives a monthly fee amounting to TEUR 32.5 for the entirety of his activities. In addition, results- and performance related payments are made together with an allowance for pension provision and a company car is also provided.

Rental agreements between Managing Board members and PATRIZIA
Wolfgang Egger – as a lessor – has concluded a rental agreement with the Company – as tenant – relating to the building, including parking spaces, which is used by the Company as its head office (Fuggerstrasse 18–24 and also Fuggerstrasse 26 in Augsburg) at a current monthly rent of TEUR 127 (previous year: TEUR 117).

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 Vermögenserwaltungs KG.

Asset management agreement with PATRIZIA Projekt 150 GmbH
PATRIZIA Immobilien AG has provided asset management services via PATRIZIA Deutschland GmbH for PATRIZIA Projekt 150 GmbH, in which AHO Beteiligungs GmbH holds a stake. Alfred Hoschek is a shareholder of AHO Beteiligungs GmbH and at the same time a member of the Supervisory Board of PATRIZIA Immobilien AG. A total amount of TEUR 288 (previous year: TEUR 342) was invoiced for these services in the reporting year. All services provided satisfy customary market standards for comparative arms-length transactions.

9.4 SUPERVISORY BOARD AND MANAGING BOARD

Members of the Managing Board of the Parent Company
The following are members of the Managing Board:

- Wolfgang Egger, businessman, Chief Executive Officer
- Karim Bohn, business studies graduate, Chief Financial Officer since 13.11.2015
- Klaus Schmitt, Ass. Jur., Chief Operating Officer
- Arwed Fischer, business studies graduate, resigned on 13.11.2015

In 2015 the members of the Managing Board were granted total remuneration of TEUR 3,528 (previous year: TEUR 2,925) and were paid total remuneration of TEUR 3,996 (previous year: TEUR 2,714). This comprised TEUR 1,263 of regular salary and fringe benefits as well as TEUR 1,150 of short-term incentives and TEUR 1,583 of long-term incentives as components of the management participation model.

Please refer to the Compensation Report in the Management Report for more detailed information under section 3.2.

Members of the Supervisory Board of the parent company
The following are members of the Supervisory Board:

- Dr Theodor Seitz, Chairman, tax consultant and lawyer, Augsburg
- Alfred Hoschek, Managing Director of AHO Verwaltung GmbH, Augsburg (since 4 June 2015)
- Gerhard Steck, Member of the Board of VPV i. R., Weissach im Tal (since 1 July 2015)
- Harald Boberg, (until 25 June 2015) representative of Bankhaus Lampe KG, (Düsseldorf), Hamburg
- Manfred J. Gottschaller, (until 4 June 2015) Member of the Board on behalf of Bayerische Handelsbank AG, Munich

In the 2015 fiscal year, the Supervisory Board received fixed compensation of TEUR 102
(previous year: TEUR 100).

Further information on Supervisory Board compensation can be found in the Compensation Report in the Management Report under section 3.2.

9.5 OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

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

EUR '000	
2016	6,942
2017–2020	13,061
2021 and later	346
	20,349

PATRIZIA has rented office space. This reduces capital commitment and leaves the investment risk with the lessor. The rental agreement for the office building in Augsburg still has a residual term of six years, annual leasing expenses are TEUR 1,524 plus ancillary costs. Rental agreements have also been concluded for offices at other locations; they have remaining terms of between three months and nine years. The resulting obligations amount to TEUR 2,890 for 2016, TEUR 2,282 for 2017 and TEUR 1,378 for 2018. The remaining obligations relate to lease agreements for office, IT and business equipment and for company cars.

9.6 EMPLOYEES

The average headcount at the Group in 2015 (excluding members of the Managing Board and trainees) was 731 (previous year: 677). Furthermore, the Group employed an additional 40 (previous year: 40).

9.7 AUDITOR'S FEES

The auditor's expenses calculated for 2015 amounted to TEUR 455 (previous year: TEUR 313 TEUR) for auditing the financial statements, TEUR 38 (previous year: TEUR 2) for other audit services and TEUR 22 (previous year: TEUR 0) for tax advisory services.

9.8 EVENTS AFTER THE BALANCE SHEET DATE

Sale of the Harald portfolio

The sale of the Harald portfolio to Deutsche Wohnen AG was notarised in November 2015 at a price of EUR 1.1 billion and is expected to be concluded in the first half of 2016. The transaction was structured partly as an asset deal and partly as a share deal due to the complex legal corporate structure of the portfolio.

The sale is associated with a significant reduction in the net debt of PATRIZIA. At the same time, all derivative financial instruments related to this portfolio will be handed over.

Sale of Manchester Plot 5

Via its British subsidiary PATRIZIA UK Ltd. and in conjunction with one of the largest British pension funds, PATRIZIA has agreed the construction of an office building in Manchester. Within the scope of this project, the first stage is the sale of a vacant development plot (Plot 5) from Southside Regeneration Ltd. to the real estate development fund GMPVF for a purchase price of GBP 8.5 million. GMPVF invests in the development of the north-western region of England and is part of the Greater Manchester Pension Fund, the largest municipal pension fund in England. PATRIZIA holds a minority interest of 0.05% in this development project.

9.9. GERMAN CORPORATE GOVERNANCE CODE

In December 2015 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 website (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 summarised Management Report for the Company and the Group.

The Managing Board released these financial statements for forwarding to the Supervisory Board on 7 March 2016. The Supervisory Board is tasked with auditing the consolidated financial statements and announcing its approval of the consolidated financial statements.

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

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

Augsburg, 07 March 2016

Wolfgang Egger	**Karim Bohn**	**Klaus Schmitt**
CEO	CFO	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	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA Deutschland GmbH[1]	Augsburg	100	2,057,974.00	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 Projekt 160 GmbH[1]	Augsburg	100	25,000.00	0.00
PATRIZIA Projekt 170 GmbH[1]	Augsburg	100	170,895,000.00	0.00
PATRIZIA Projekt 180 GmbH[1]	Augsburg	100	10,072,450.00	0.00
PATRIZIA WohnInvest Kapitalverwaltungs-gesellschaft mbH[1]	Augsburg	100	2,963,776.67	0.00
PATRIZIA Projekt 230 GmbH[1]	Augsburg	100	18,656.57	0.00
PATRIZIA Projekt 240 GmbH[1]	Augsburg	100	15,582.49	0.00
PATRIZIA Projekt 250 GmbH[1]	Augsburg	100	14,837.33	0.00
PATRIZIA Projekt 260 GmbH[1]	Augsburg	100	24,040.80	0.00
Wohnungsgesellschaft Olympia mbH	Augsburg	100	83,410.91	–17,188.48
Stella Grundvermögen GmbH[1]	Augsburg	100	7,538,113.38	0.00
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	100	4,260.72	–2,448.77
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	–22,134.66[2]	–3,944.15[2]
PATRIZIA Denmark A/S	Copenhagen	100	5,996,317.45	3,566,442.43
PATRIZIA Acquisition GmbH	Augsburg	100	21,867.96	–3,232.94
PATRIZIA Projekt 710 GmbH	Augsburg	100	24,064.18	1,289.69
Carl HR Verwaltungs GmbH	Augsburg	100	32,014.80	2,104.37
Carl B-Immo Verwaltungs GmbH	Augsburg	100	31,790.63	2,104.37
Carl A-Immo Verwaltungs GmbH	Augsburg	100	32,014.81	2,104.38
Carl Carry Verwaltungs GmbH	Augsburg	100	32,012.79	2,104.37
Carl C-Immo Verwaltungs GmbH	Augsburg	100	30,907.81	2,104.37
PATRIZIA Sweden AB	Stockholm	100	351,036.83	17,537.46
Pearl AcquiCo Zwei GmbH und Co. KG	Munich	100	56,925,461.79	3,211,219.23
PATRIZIA Real Estate Investment Management S.à r.l.	Luxembourg	100	4,719,918.25	1,177,269.99
PATRIZIA Ireland Ltd.	Dublin	100	9,905.50	–31.50
PATRIZIA UK Ltd.	Swindon	100	832,967.17	2,910,521.21
PATRIZIA Institutional Clients & Advisory GmbH[1]	Augsburg	100	50,000.00	0.00
PATRIZIA Finland OY	Helsinki	100	65,181.62	–377,855.71
PATRIZIA Netherlands B.V.	Amsterdam	100	4,616,688.36	2,247,600.19
PATRIZIA GrundInvest Kapitalverwaltungs-gesellschaft mbH[1]	Augsburg	100	4,425,874.21	0.00
PATRIZIA France S.A.S.	Paris	100	–865,491.19	391,358.60
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	10.1	877,389,807.06[3]	18,539,724.34[3]
PATRIZIA Harald GmbH	Augsburg	100	127,641,968.33	–6,004,891.35
PATRIZIA Activos Inmobiliarios España S.L.U.	Madrid	100	–482,146.51	–485,152.51
PATRIZIA Logistics Management Europe B.V.	Amsterdam	100	–455,830.88	–455,831.88

[1] As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA Immobilien AG.
[2] Amounts from 2014.
[3] Provisional financial statements.

PATRIZIA Immobilien AG participates **indirectly** in the following companies:

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
PATRIZIA European Real Estate Management GmbH	Gräfelfing	100	–594,898.17	24,100.95
Projekt Wasserturm Verwaltungs GmbH	Augsburg	51	49,370.22	–1,221.21
Alte Haide Baugesellschaft mbH	Augsburg	100	9,287,982.89	365,687.76
PATRIZIA Luxembourg S.à r.l.	Luxembourg	100	178,249,205.50	–2,542,588.78
PATRIZIA Lux 10 S.à r.l.	Luxembourg	100	12,119,255.41	1,695,386.82
PATRIZIA Lux 20 S.à r.l.	Luxembourg	100	86,262,281.41	–4,129.09
PATRIZIA Lux 30 N S.à r.l.	Luxembourg	100	75,940.31	–398.67
PATRIZIA Lux 50 S.à r.l.	Luxembourg	100	30,285,983.62	2,424.44
PATRIZIA Lux 60 S.à r.l.	Luxembourg	100	5,529,329.58	4,121.81
PATRIZIA Real Estate 10 S.à r.l.	Luxembourg	100	15,611,013.80	775,825.78
PATRIZIA Real Estate 20 S.à r.l.	Luxembourg	100	28,948,821.51	18,094,065.74
PATRIZIA Real Estate 50 S.à r.l.	Luxembourg	100	–1,333,221.37	53,919.72
PATRIZIA Real Estate 60 S.à r.l.	Luxembourg	100	481,031.88	–127,328.63
F40 GmbH	Augsburg	94.9	–19,980,997.43	–14,444,201.52
PATRIZIA Projekt 380 GmbH	Augsburg	100	–16,183.19	–3,054.01
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	45.9	–730,117.91	–3,336.04
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	51	–2,845,177.30	–262,620.93
PATRIZIA Projekt 600 GmbH	Augsburg	100	16,665,602.61	6,603,881.56
PATRIZIA GewerbeInvest Kapitalverwaltungs-gesellschaft mbH[1]	Hamburg	94.9	5,000,100.00	0.00
LB Invest GmbH	Hamburg	100	40,680.64	–2,097.96
PATRIZIA Facility Management GmbH[2]	Augsburg	100	25,000.000	0.00
Projekt Feuerbachstraße Verwaltung GmbH[3]	Frankfurt	30	29,267.90	1,152.02
sono west Projektentwicklung GmbH & Co. KG[3]	Frankfurt	28.3	9,786,645.30	–199,655.15
PATRIZIA Fund Management A/S	Copenhagen	100	357,739.74	133,497.57
PATRIZIA Investment Management S.C.S.	Luxembourg	78.26	5,944,914.78	1,092,209.73
PATRIZIA Carry GmbH & Co. KG	Augsburg	75	493,597.22	103,454,726.00
PATRIZIA Investment Management COOP S.A.	Luxembourg	100	–1,480.04	18,141.02
SENECA TopCo S.à r.l.	Luxembourg	100	5,722,189.08	387,741.29
PATRIZIA Capital Partners Ltd.	Swindon	100	–1,359,926.06	367,856.89
PATRIZIA Asset Management Ltd.	Edinburgh	100	–33,561.89	–35,793.49
PATRIZIA Financial Services Ltd.	Edinburgh	100	428,931.62	84,366.64
PATRIZIA Investment Management HoldCo S.à r.l.	Luxembourg	100	118,425,168.32	–228,352.01
First Street TopCo 1 S.à r.l.	Luxembourg	97.83	16,723.42	–66,891.65
PATRIZIA Harald Fund Investment S.C.S. (vormals: First Street TopCo 2 S.à r.l.)	Luxembourg	97.83	315,929,050.66	–7,726.96
PATRIZIA Harald Verwaltungs S.à r.l. (vormals: First Street A S.à r.l.)	Luxembourg	97.83	3,978.03	–7,392.06
PATRIZIA Harald Fund Investment 1 S.à r.l. (vormals: First Street B S.à r.l.)	Luxembourg	97.83	314,404,242.79	–1,507,559.82
Boligutleie Holding III AS	Oslo	92.43	106,318,082.89	–6,697,109.34
Hyresfastigheter Holding III Gul AB	Stockholm	100.00	60,569,642.11	–1,831,418.02
Hyresbostäder i Sverige III Gul AB	Stockholm	94.93	273,540,668.56	92,983,938.11
Scan Deutsche Real Estate Holding GmbH	Berlin	94.90	45,112,285.28	9,266.44
Scan Deutsche Beteiligungsverwaltung GmbH & Co. KG	Berlin	94.90	3,107,604.62	–27,055.60

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.

➔

PROSECUTION

Name	Head office	Holding in %	Equity in EUR	Net profit/loss for the last fiscal year in EUR
Scan Deutsche Real Estate Kiel GmbH	Berlin	94.93	30,325,978.02	4,584,242.33
Hyresbostäder i Bayern Gul AB	Stockholm	94.93	19,431,857.49	376,318.40
Hyresbostäder i West Deutschland AB	Stockholm	94.93	20,063,119.39	295,582.98
Hyresbostäder i Rheinmain Gul AB	Stockholm	94.93	22,257,486.17	617,996.48
Hyresbostäder i Zeven Gul AB	Stockholm	94.93	872,148.05	–340,799.86
Draaipunt Holding B.V.	Baarn	94.68	8,028,048.32	1,700,083.98
Promontoria Holding V B.V.	Baarn	94.68	8,881,985.00	2,203,734.26
Promontoria Holding X B.V.	Baarn	94.68	7,281,758.78	1,271,244.47
Hyresbostäder i Södra Tyskland i Gul AB	Stockholm	80.69	13,280,606.23	–436,033.22
Hyresbostäder i Köln Senior Residential AB	Stockholm	80.69	96,449.95	2,406.97
Hyresbostäder i Södra Tyskland Celle & Bielefeld Verwaltung GmbH	Köln	76.49	–23,980.62	–1,866.37
Hyresbostäder i Södra Tyskland Verwaltungs GmbH	Köln	76.49	–700,351.60	–13,427.00
Hyresbostäder i Södra Tyskland Celle und Bielefeld GmbH & Co. KG	Berlin	80.48	5,561,962.76	510,096.66
Hyresbostäder i Södra Tyskland GmbH & Co. KG	Berlin	80.48	–13,037,859.33	1,716,214.79
Hyresbostäder i Puchheim Gul AB	Stockholm	94.93	9,465,988.79	630,557.41
Hyresbostäder i Norra Tyskland i Gul AB	Stockholm	94.93	11,368,567.54	–243,717.42
Hyresbostäder Norra Tyskland Verwaltung GmbH	Augsburg	94.93	–295,748.31	–23,726.53
Hyresbostäder Norra Tyskland GmbH & Co. KG	Augsburg	94.93	13,984,940.15	1,257,525.48
Hyresbostäder i Tyskland i Gul AB	Stockholm	94.93	27,662,309.01	2,277,986.78
Markarydsbostäder Syd AB	Stockholm	90.09	93,407.14	–65,751.91
Alpina Grundbesitz GmbH Puchheim 1	Berlin	94.66	3,432,063.32	474,427.81
Hyresbostäder i Bad Kissingen Gul AB (dormand)	Stockholm	94.93	10,427.14	–53.01
Sudermann S.à r.l.	Luxembourg	100	7,903,755.73	–108,744.27
Wildrosen S.à r.l.	Luxembourg	100	3,518,928.33	–21,071.67
Dover Street S.à r.l.	Luxembourg	100	–38,688.45	–51,188.45
Trocoll House 1 S.à r.l.	Luxembourg	100	2,001,829.26	49.65
PATRIZIA First Street LP	Swindon	97.83	44,870,940.61	1,997,872.01
PATRIZIA First Street GP Ltd.	Swindon	97.83	140.57	0.00
First Street PropCo. Ltd.	Swindon	97.83	5,305,526.18	–233,294.46
Southside Real Estate Ltd.	Swindon	97.83	–16,216,646.06	17,569,716.81
Southside Regeneration Ltd.	Swindon	97.83	5,836,818.30	10,345,924.28
First Street Management Comp. Ltd.	Swindon	97.83	1.36	0.00

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

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

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

Responsibility Statement by the Legal Representatives of PATRIZIA Immobilien AG

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

Wolfgang Egger	**Karim Bohn**	**Klaus Schmitt**
CEO	CFO	COO

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 cash flow statement, consolidated statement of changes in equity, and consolidated notes – as well as the management report and consolidated management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the consolidated management report 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 consolidated management report 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 consolidated management report 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 consolidated management report 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 consolidated management report. 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 consolidated management report 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, 7 March 2016

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Löffler
German Public Auditor

Stadter
German Public Auditor

Further Information

Further Information

Asset classes

(by sector)

42
percent
Residential

58
percent
Commercial

Consolidated Balance Sheet

FIVE-YEAR OVERVIEW IN ACCORDANCE WITH IFRS

ASSETS

EUR '000	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
A. Non-current assets					
Goodwill	610	610	610	610	610
Other intangible assets	37,417	39,407	41,904	43,259	45,227
Software	9,225	10,795	8,698	7,553	5,280
Investment property	20,802	78,507	229,717	374,104	532,321
Equipment	5,015	4,476	4,765	3,479	2,762
Investments in joint ventures	0	0	0	0	18
Participations in associated companies	88,179	68,497	18,295	15,810	6,809
Participations	81,406	96,555	80,074	18,407	3,134
Loans	5,498	5,281	5,814	0	0
Long-term tax assets	78	119	159	201	846
Deferred taxes	7,013	0	0	0	0
Total non-current assets	**255,243**	**304,247**	**390,036**	**463,423**	**597,007**
B. Current assets					
Inventories	1,057,942	198,694	309,203	345,920	407,529
Securities	54	86	96	60	1,634
Short-term tax assets	8,280	8,014	5,582	5,380	4,279
Current receivables and other current assets	131,171	84,774	82,262	98,635	60,007
Bank balances and cash	179,141	145,361	105,536	38,135	31,828
Total current assets	**1,376,588**	**436,929**	**502,679**	**488,130**	**505,277**
TOTAL ASSETS	**1,631,831**	**741,176**	**892,715**	**951,553**	**1,102,284**

EQUITY AND LIABILITIES

EUR '000	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
A. Equity					
Share capital	76,324	69,385	63,077	57,343	52,130
Capital reserve	191,637	198,576	204,897	210,644	215,862
Retained earnings					
Legal reserves	505	505	505	505	505
Non-controlling shareholders	18,190	809	1,398	1,556	1,563
Valuation results from cash flow hedges	0	0	–31	–469	–1,331
Currency translation difference	–869	1,030	500	0	0
Consolidated unappropriated profit	254,004	139,743	104,135	66,808	41,346
Total equity	**539,791**	**410,048**	**374,481**	**336,387**	**310,075**
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	63,253	19,704	22,933	23,242	26,314
Long-term financial derivatives	0	0	0	16,363	33,470
Retirement benefit obligations	687	630	534	388	371
Long-term bank loans	0	0	0	302,004	417,685
Bonded loan	32,000	77,000	77,000	0	0
Non-current liabilities	9,262	5,544	3,849	3,417	2,410
Total non-current liabilities	**105,202**	**102,878**	**104,316**	**345,414**	**480,250**
CURRENT LIABILITIES					
Short-term bank loans	821,828	121,950	321,634	219,050	275,667
Bonded loan	35,000	0	0	0	0
Short-term financial derivatives	3,677	0	2,819	6,069	233
Other provisions	6,740	2,142	1,719	1,479	1,092
Current liabilities	95,288	92,506	75,759	28,750	22,644
Tax liabilities	24,305	11,652	11,987	14,404	12,323
Total current liabilities	**986,838**	**228,250**	**413,918**	**269,752**	**311,959**
TOTAL EQUITY AND LIABILITIES	**1,631,831**	**741,176**	**892,715**	**951,553**	**1,102,284**

Consolidated Income Statement

FIVE-YEAR OVERVIEW IN ACCORDANCE WITH IFRS

in TEUR	2015	2014	2013	2012	2011
Revenues	384,858	291,815	217,398	229,238	269,007
Income from the sale of investment property	10,075	17,019	19,133	16,916	6,205
Changes in inventories	–166,980	–110,509	–36,717	–61,609	–102,910
Other operating income	16,189	7,143	8,064	11,566	8,225
Income from the deconsolidation of subsidiaries	5,277	0	0	0	0
Total operating performance	**249,419**	**205,468**	**207,878**	**196,111**	**180,527**
Cost of materials	–52,438	–54,455	–58,314	–54,020	–45,743
Cost of purchased services	–14,787	–9,990	–14,120	–7,338	–7,872
Staff costs	–93,519	–77,239	–65,733	–47,561	–35,672
Results from fair value adjustments to investment property	462	51	17	18	3
Other operating expenses	–69,973	–50,193	–44,872	–37,930	–33,118
Income from participations	151,681	39,062	32,122	6,557	0
Earnings from companies accounted for using the equity method	4,232	3,182	658	455	5
EBITDA	**175,077**	**55,886**	**57,636**	**56,292**	**58,130**
Amortisation of intangible assets and depreciation on property, plant and equipment	–7,059	–6,940	–6,107	–4,541	–3,494
Earnings before finance income and income taxes (EBIT)	**168,018**	**48,946**	**51,529**	**51,751**	**54,636**
Finance income	6,666	4,413	20,520	11,727	8,988
Finance cost	–23,171	–11,912	–32,424	–34,857	–43,718
Gains/losses from currency translation	–618	551	-26	0	0
Earnings before income taxes (EBT)	**150,895**	**41,998**	**39,599**	**28,621**	**19,906**
Income tax	–16,433	–6,978	–2,431	–3,166	–6,413
Consolidated net profit	**134,462**	**35,020**	**37,168**	**25,455**	**13,493**
Earnings per share (undiluted) in EUR	1.45	0.47	0.54	0.40	0.24

Supervisory Board

AS PER 31 DECEMBER 2015

DR THEODOR SEITZ

Chairman
Member of the Supervisory Board since 2002 and Chairman since 2003
Tax consultant and lawyer, Augsburg
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- Chairman of the Supervisory Board of CDH AG, Augsburg

HARALD BOBERG (UNTIL 25 JUNE 2015)

Deputy Chairman
Member of the Supervisory Board from 2003–2015
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
- None

MANFRED J. GOTTSCHALLER (UNTIL 4 JUNE 2015)

Member of the Supervisory Board from 2003–2015
Retired Director of Bayerische Handelsbank AG, Munich
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

ALFRED HOSCHEK (SINCE 4 JUNE 2015)

Deputy Chairman
Member of the Supervisory Board since 2015
Managing Director AHO Verwaltung GmbH, Augsburg
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

GERHARD STECK (SINCE 1 JULY 2015)

Member of the Supervisory Board since 2015
Retired from the Management Board of VPV, Weissach im Tal
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code
- None

Managing Board

AS PER 31 DECEMBER 2015

WOLFGANG EGGER

Chief Executive Officer
First appointed on: 21 August 2002
Currently appointed until: 30 June 2016
Responsibilities on the Managing Board of PATRIZIA
Corporate Communications, Corporate Development, Corporate Social Responsibility, Institutional Clients, Marketing, Research
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- None

KARIM BOHN (SINCE 13 NOVEMBER 2015)

Chief Financial Officer
First appointed on: 1 November 2015
Currently appointed until: 31 October 2018
Responsibilities on the Managing Board of PATRIZIA
Board and Committees, Controlling & Accounting, Corporate Finance, Investor Relations, IT, Procurement & Services, Risk Management
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- Member of the Supervisory Board of the GBW Group

ARWED FISCHER (UNTIL 13 NOVEMBER 2015)

Chief Financial Officer
First appointed on: 1 March 2008
Responsibilities on the Managing Board of PATRIZIA
Board and Committees, Controlling & Accounting, Corporate Finance, Investor Relations, IT, Procurement & Services, Risk Management
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- None

KLAUS SCHMITT

Chief Operating Officer
First appointed on: 1 January 2006
Appointed until: 31 December 2020
Responsibilities on the Managing Board of PATRIZIA
Human Resources, Legal, Management of Operating Business Fields, Regulations & Taxes, Strategy and M&A
Notification of seats on other supervisory boards pursuant to Article 285 No. 10 of the German Commercial Code

- None

Financial Calendar and Contact Details

FINANCIAL CALENDAR 2016

17 March 2016	Financial statements 2015 with press conference and investor and analyst conference call
10 May 2016	Interim report for the first quarter of 2016 with investor and analyst conference call
16 June 2016	Annual General Meeting, Augsburg
9 August 2016	Interim report for the first half of 2016 with investor and analyst conference call
8 November 2016	Interim report for the first nine months of 2016 with investor and analyst conference call

Investor Relations

Michael Tegeder
P +49 821 50910-401
F +49 821 50910-399
investor.relations@patrizia.ag

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 annual report was published on 17 March 2016. This is a translation of the German annual report.

In case of doubt, the German version shall apply. Both versions are available on our website:

www.patrizia.ag/investor-relations/finanzberichte/geschaeftsberichte

www.patrizia.ag/en/investor-relations/financial-reports/annual-reports

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

PATRIZIA Immobilien AG – Annual Report 2015