PATRIZIA

A FORWARD-THINKING PARTNER

We invest responsibly to deliver real value

ANNUAL REPORT 2020

PATRIZIA Foundation
Building better futures.

Supporting the Kinderhaus facilities in the crisis

Immediate help thanks to the Corona Fund Education Healthcare

Schools around the world have been forced to close their doors due to the coronavirus pandemic. This also affected the Kinderhaus facilities of the PATRIZIA Foundation, which also stood empty. Things got so bad, many schools were worried they would have to close permanently because parents could no longer rely on a stable income to fund tuition fees. Thanks to the relief fund – Corona Fund Education Healthcare – the PATRIZIA Foundation was able to provide immediate aid on site.

“With the money from the relief fund, we supported the Kinderhaus facilities, which urgently needed emergency aid in order to maintain their structures”, explains Petra Ellert, who works on partner management at the foundation. “In the second step, we have advanced preventive measures against the spread of Covid-19 and are now also helping to build an infrastructure for digital instruction.” Petra is in permanent contact with local partners, so one of her tasks is to process aid applications.

The PATRIZIA Foundation launched the new coronavirus relief fund in April 2020 to provide affected Kinderhaus facilities with quick, unbureaucratic support. The foundation immediately paid EUR 100,000 from reserves into the fund and since then, a further EUR 230,000 of donations have been added. This provides a good basis for alleviating existential needs on the ground and will allow new systems to be introduced so that children and young adults no longer need to worry about the future. By the end of 2020, around 170,000 euros had been distributed from the fund to the affected facilites.

South Africa: The children were well prepared for the reopening of facilities in early September and knew that they would need to keep their distance.

Rwanda: The PATRIZIA Vocational Training Center Ntarama was supported in the first step with the implementation of hygiene measures. The next step is to build infrastructure for digital learning.

Food, hygiene measures and operating subsidies

In many countries, school meals are the only full meal available to children, like in Zimbabwe at PATRIZIA School Harare. Thanks to the coronavirus relief fund, daily school meals were maintained, and a hygiene concept was implemented. In addition, teachers' salaries and personnel costs for the administration were subsidized. This was because the school had no income from school fees during the lockdown and could no longer pay salaries. Similar emergency aid measures were provided for the PATRIZIA Child Care Grabouw: the families received food vouchers for the local supermarkets and the school received an operating subsidy.

Zimbabwe: Although it was closed during the lockdown, children still kept coming to the school for meals.

At PATRIZIA School Synageni in Kenya, masks, soaps, and handwashing facilities were provided, educational materials were distributed, and hygiene training was conducted. The PATRIZIA Vocational Training Center Alego in Kenya received money from the relief fund to provide hygiene items such as soap, disinfectants, washable face masks and hand-washing bowls as well as learning materials to support students who were to sit for the national exams at the end of the school year.

Helping to reopen the schools

The PATRIZIA School Buyamba in Uganda was closed with the lockdown in March. In order for the school to reopen, it has to meet certain requirements, such as providing handwashing facilities in the classrooms, but also repairing sanitary facilities and ensuring better ventilation in the classrooms. In some cases, this also requires reconstruction work. With the help of the Corona Fund Education Healthcare, the PATRIZIA Foundation will support these measures so that the school can open at the beginning of the first semester of 2021 in February.

Virtual learning

In addition to emergency aid, a number of project partners (such as Kinderhaus facilities in Rwanda, Cameroon and Nepal) also applied for money to allow children to learn virtually. “This involved things like teaching materials and the right infrastructure to set up a digital classroom. We’re currently working on a way to introduce measures with our partners on the ground,” says Petra Ellert. The idea is to ensure schools are prepared for digital lessons in the long term, so they can keep offering an education despite the coronavirus.

The coronavirus crisis is still not over. Schools are still closed in many countries, so we want to do what we can to keep supporting our Kinderhaus facilities. The best way to do this is to join forces.

Any contributions you can make to Corona Fund Education Healthcare will be a huge help!
www.patrizia.foundation/en/corona-fund/

Corona Fund Education Healthcare donation account:
IBAN DE11 7208 0001 0160 0333 88
BIC DRESDEFFXXX

Kenya: At the PATRIZIA Vocational Training Center in Alego, Kenya, thanks to the support from the relief fund, the exam candidates were not only able to prepare for their exams, but also received Covid-19 awareness training.

Contents

Key figures

Revenues and earnings

EUR k	2020	2019	Change
Revenues	301,693	398,703	-24.3%
Total operating performance	316,275	363,611	-13.0%
EBITDA	115,686	136,922	-15.5%
EBIT	73,377	81,360	-9.8%
EBT	62,046	77,411	-19.8%
Net profit for the period	40,678	56,347	-27.8%
Operating income[1]	116,453	134,523	-13.4%

[1] Please see page 18 for the definition of operating income

Structure of assets and capital

EUR k	31.12.2020	31.12.2019	Change
Non-current assets	1,033,018	1,025,724	0.7%
Current assets	929,065	961,356	-3.4%
Equity (excl. non-controlling interests)	1,237,240	1,206,391	2.6%
Equity ratio (excl. non-controlling interests)	63.1%	60.7%	2.3 PP
Non-current liabilities	419,214	480,677	-12.8%
Current liabilities	273,363	269,653	1.4%
Total assets	1,962,083	1,987,080	-1.3%

PATRIZIA share

ISIN	DE000PAT1AG3
SIN (Security Identification Number)	PAT1AG
Code	PAT
Issued shares as at 31.12.2020	92,351,476 shares
Outstanding shares as at 31.12.2020[1]	89,682,931 shares
2020 high[2]	EUR 26.65
2020 low[2]	EUR 16.60
Closing price as at 31.12.2020[2]	EUR 26.25
Share price performance 2020[2]	32.2%
Market Capitalisation as at 31.12.2020	EUR 2.4 bn
Average trading volume per day 2020[3]	83,192 shares
Indices	SDAX, MSCI World Small Cap Index and others (CDAX, Classic All Share, DAX International Mid 100, DAXplus FAMILY 30, DAXsector Financial Services, DAXsubsector Real Estate, DIMAX, Prime All Share, S&P Global BMI)

[1] Reduced number of shares compared to the issued shares due to share buybacks
[2] Closing price on Xetra-trading
[3] All German stock exchanges
PP = percentage points

Preamble by the Management Board

Dear Shareholders,
dear Readers,

a strong and reliable partner is what clients, tenants, employees and shareholders really value the most in times of uncertainty to help them navigate through unchartered waters. The current global Covid-19 pandemic is proving more than ever that stability and reliability are key to all our stakeholders.

A strong and reliable partner

The year 2020 has been full of uncertainty and an extraordinary year for all of us in many ways. Our initial reaction to this crisis was to protect people and investments, balance the interests of our clients and tenants and most importantly support those in need.

PATRIZIA, as a truly independent real asset investment manager, has successfully weathered several crises over the last four decades. Each time the company has emerged stronger than before. Over the past decade, we have put in place robust contingency plans for any unexpected situation.

We are a strong and reliable partner with 37 years of experience, rock solid financials, and long-term orientated investment strategies in resilient asset classes. We are expertly positioned to protect our clients and their investments.

We are able to leverage our platform to the benefit of our clients, thanks to over 800 professionals on the ground in 24 locations worldwide. We are proud that our clients trust us and they know that we give them access to the most accurate and balanced in-depth research possible, helping them to make the right decisions in these challenging times. More than ever, the expertise and experience of our people on the ground across all relevant real estate markets has been in demand during 2020.

The year 2020 in review – client activity and international rankings

Despite the Covid-19 pandemic, 2020 marks another successful year for PATRIZIA. The company has become even more attractive as a platform for real assets investment for domestic and international clients.

Despite one of the worst economic environments globally, PATRIZIA gathered equity commitments of EUR 1.9bn, of which more than half came from international clients. We welcomed over 30 new domestic and international institutional clients to our platform thereby increasing our strong, diversified client base to over 450. At the same time, we launched seven new institutional fund products to cater for the growing demand for real asset investments.

PATRIZIA signed EUR 5.4bn in transactions and closed EUR 6.9bn in transactions during 2020. This is a remarkable success given European transaction markets were partially closed or negatively impacted due to Covid-19 related lockdowns in 2020. Again, our established network of local experts on the ground in each relevant market significantly contributed to this success and ensured continued attractive investment opportunities for our clients.

Our clients include global institutional investors, such as pension funds, insurance companies and sovereign wealth funds as well as private clients from Germany. They all trust in our experience in the real estate industry and in PATRIZIA's strong platform. The majority of our clients invest with us on a long-term basis in order to generate sustainable, stable and growing income from real assets, especially to secure retirement provisions. In addition, 25% of our clients follow Value Add strategies to generate higher returns in an overall low yield environment. Clients trust us and are making repeated investments with PATRIZIA. Our assets under management continue to grow. This strengthens our company in the long term, whilst increasing our stable recurring income and benefits our shareholders.

As a result, PATRIZIA further expanded its position as a leading partner for global real assets in 2020. We now rank among the top 3 fully independent investment managers for real estate in Europe. Also, on a 10-year horizon, PATRIZIA ranks among the top 3 European investment managers in terms of capital entrusted by clients for private real estate funds with focus on Europe.

The year 2020 in review – financial results

The resilience of our investment strategies and the successful expansion of our business is reflected in our increased assets under management. The focus on Core/Core+ investment strategies as well as resilient asset classes like residential and logistics helped to withstand pressure from increased market uncertainties. In addition, continued investment activity for our clients lead to an increase in assets under management to EUR 47.0bn, an increase of 5.7% y-o-y.

We also grew the volume of our management fees, which rose by 1.3% y-o-y to EUR 193.4m. Despite overall lower transaction activity in the European real estate markets due to partial lockdowns, transaction fees came in at EUR 48.1m, only 26.4% below last year's outstandingly strong level. Performance fees were only 6.3% below last year's level at EUR 86.1m, confirming continued strong investment performance realisation for our clients.

Total service fee income – which combines management, transaction and performance fees – came in at EUR 327.6m, only 5.9% below last year's level. At the same time, tight cost control led to net operating expenses decreasing 3.3% y-o-y to EUR 219.7m. Thus, we achieved an operating income of EUR 116.5m (-13.4%), fully in line with our year-end guidance. This is testament to our strong and reliable business model even in an adverse economic and market environment.

We continue to have a very solid balance sheet and a high degree of financial flexibility, which will provide greater stability and further growth opportunities for PATRIZIA in the future.

We would like our shareholders to participate in PATRIZIA's success in the financial year 2020. In agreement with the Company's Supervisory Board, we will propose a dividend payment of EUR 0.30 per share to the 2021 Annual General Meeting. This corresponds to a further increase in the distribution of EUR 0.01 per share or 3.4% and marks the third consecutive increase in dividends in a row.

Further important milestones 2020

An elementary part of our DNA is to support social activities like the PATRIZIA Foundation, which has a track record of 21 years. In 2020, the Foundation set up the "Corona Fund Education Healthcare" as a direct response to the Covid-19 pandemic. We are very happy and proud that the Foundation could provide access to education, shelter and medical care for more than 220,000 children in need worldwide thus giving them the chance for a better life.

Effective 1 May 2020 the Supervisory Board appointed Thomas Wels, former Head of Global Real Estate of UBS Asset Management, as the new Co-CEO of PATRIZIA AG. His responsibilities include the further development of PATRIZIA's growing and diversified platform business as well as strategies to accelerate the industry consolidation including our move into new real asset classes and business areas.

We continued to develop our Sustainability strategy to further integrate ESG in all our investment processes and made strategic hires in this area to futureproof our platform, products and assets under management. The PATRIZIA Sustainability Report was launched at the end of the year showing progress aligned to our company's purpose of "building communities & sustainable futures".

As part of our strategic technology and innovation activities, we continued global and cross-industrial trend-scouting, the identification and implementation of innovative technologies and strategic investments into selected companies or partnerships. Investments in 2020 included BrickVest, a global and open digital investment platform for real asset investments. In addition, PATRIZIA partnered with three venture capital firms in Europe (PiLabs), the US (CamberCreek) and Asia (Taronga Ventures) to expand PATRIZIA's access to early stage, innovative PropTech start-ups. This strengthens the company's leading position to spearhead the technological transformation of the real estate industry and allows access to innovation in all key markets globally. This is another example of our forward-thinking strategy to futureproof PATRIZIA for the benefit of its stakeholders.

We believe in thinking outside of the box and preparing for the future are key ingredients for a successful investment manager: "A forward-thinking partner who invests responsibly to deliver real value" is hence the motto of this year's Annual Report.

Outlook 2021

For FY 2021, we expect an operating income in a range of EUR 100.0m to EUR 145.0m. The range is underpinned by the assumption that assets under management and management fees will continue to grow further compared to 2020, stabilising operating income at a high level overall. This is in line with our strategy of improving the quality of operating income in favour of recurring fee income.

Outlook – Mid-term strategy

Sustainability, technology and innovation, digitalisation, demographic change, regulation, the low interest environment and sector consolidation will continue to influence and fundamentally change our industry in the coming years. As a forward-thinking partner we already incorporated these trends in our mid-term strategy ("Strategy 2023") in 2019, on which we will continue to deliver. Key ingredients of this strategy are:

- **Scope**: Expanding our product suite and client reach with attractive investment opportunities
- **Simplification:** Increase efficiency to the benefit of our clients and shareholders
- **Services**: Create value with best-in-class services for our clients and employees
- **Stability**: Increase the level of recurring fee income

With our mid-term strategy, we will take advantage of the structural growth market in investments in real estate and infrastructure. This structural market growth is being driven by pension assets, which are increasing as a result of demographic change, and by an increased investment allocation to real estate and infrastructure, which is expanding as a result of sustained low interest rates. Furthermore, we expect PATRIZIA to benefit from growing consolidation pressure in the industry, which offers advantages for strong and independent platforms of scale. We therefore see the impending change as an opportunity and believe we are in an excellent position to successfully develop our company and business.

We assume that PATRIZIA will grow organically by an average of 8% to 10% per year over the next few years. Acquisitions could lead to a higher average annual growth rate in the range of 10% to 15%.

We are particularly encouraged by our highly motivated employees who generate added value for PATRIZIA and its stakeholders every day through their passion to represent the best interests of our clients and shareholders. We would therefore like to take this opportunity to thank our employees for their impressive dedication, great work and for helping to further grow PATRIZIA in 2020. The achieved is particularly exceptional bearing in mind our employees have not only worked from home to a large extent, but also had to reconcile a new family situation with childcare and home schooling being an additional burden for many. We would like to express our special thanks for the full commitment, flexibility and great collaboration in a truly unprecedent year.

We would also like to thank you, our shareholders, our clients and business partners for your loyalty and interest in PATRIZIA – we look forward to continuing PATRIZIA's journey together with you.

Augsburg, 16 March 2021

Your Management Board of PATRIZIA AG

Wolfgang Egger
Chairman of the
Management Board,
CEO

Thomas Wels
Member of the
Management Board,
Co-CEO

Alexander Betz
Member of the
Management Board,
CDO

Karim Bohn
Member of the
Management Board,
CFO

Dr Manuel Käsbauer
Member of the
Management Board,
CTIO

Anne Kavanagh
Member of the
Management Board,
CIO

Simon Woolf
Member of the
Management Board,
CHRO

Supervisory Board report

Dear Shareholders,
Dear Readers,

PATRIZIA AG once again demonstrated the performance of its investment management platform in the 2020. Although the year 2020 was marked by the Covid-19 pandemic worldwide, the company stood by its clients and all stakeholders as a stable and reliable partner in a challenging time. Despite international market distortions, PATRIZIA realised attractive investment opportunities for its national and international clients and further increased its assets under management to EUR 47.0bn. PATRIZIA has thus demonstrated the strength and stability of its business model and is ideally positioned to continue actively shaping the real asset investment industry.

Cooperation between the Management Board and the Supervisory Board

In the 2020 fiscal year, the Supervisory Board of PATRIZIA AG carefully performed all the duties assigned to it by law, by the Articles of Association and by the Rules of Procedure. We regularly advised the Management Board on its management of the Company and monitored its activities. At the same time, we were always involved in all key decisions at an early stage. The Management Board fully complied with its reporting obligations in accordance with the law and its Rules of Procedure and regularly informed us in written and oral reports about all aspects of business development that were of fundamental importance to the company and the Group. We were also informed comprehensively about the current opportunities and risks of the earnings and liquidity situation. The Management Board of PATRIZIA AG provided detailed explanations and reasons for the corporate planning and any deviations in the course of business from the planning.

Supervisory Board meetings

Five ordinary and one extraordinary meeting of the Supervisory Board took place in the reporting year. Due to the Covid-19 pandemic, most of the meetings were held virtually. Where necessary, the Supervisory Board met without the Management Board. Each member of the Supervisory Board attended all meetings. Even outside the regular meetings, there was a regular exchange between the Management Board and the Supervisory Board, represented by the Chairman of the Supervisory Board. In addition, there was a conference call with the Chief Financial Officer to discuss the quarterly figures prior to the publication of the quarterly figures for each of the first three quarters. Where the approval of the Supervisory Board was required by law, the Articles of Association or the Rules of Procedure for individual measures, we made our decisions on the basis of comprehensive reports and resolution proposals from the Management Board. If necessary, urgent resolutions of the Supervisory Board were passed by circulation. Due to the number of three Supervisory Board members, the Supervisory Board of PATRIZIA AG did not form any committees.

Key areas of advisory and supervisory activities

At the extraordinary meeting on 12 February 2020, the Supervisory Board approved the budget for the 2020 financial year. In addition, the Management Board provided information on the upcoming investor relations announcements regarding the result for the 2019 financial year and the forecast for the 2020 financial year.

The first ordinary meeting of the Supervisory Board on 17 March 2020 was also the meeting to approve the balance sheet for the past fiscal year 2019. In addition to the associated examination of the annual financial statements 2019 and the consolidated financial statements as well as the combined report on the situation of the Company and the Group, the Supervisory Board also approved the Company's dependent company report for the fiscal year 2019 following its own examination. The Supervisory Board concurred with the Management Board's recommendation to pay the shareholders a dividend of EUR 0.29 per share for the fiscal year 2019. In addition, the programme to buy back shares in PATRIZIA AG proposed by the Management Board was approved. Furthermore, the Management Board informed about the measures taken to ensure business continuity during the Covid-19 pandemic.

At the ordinary meeting on 24 March 2020, a report was given on the topic of compliance and further details of the final structure of the new harmonised remuneration system for PATRIZIA employees, including the Management Board, which was developed in cooperation with the remuneration consultants Willis Towers Watson. Furthermore, detailed reports were given on the business area and the COO's projects as well as PATRIZIA's digitalisation strategy. Information was also provided on current topics from the operating business and on dealing with the Covid-19 pandemic.

Following the Annual General Meeting on 1 July 2020, the Supervisory Board met for its third ordinary meeting. Here, in addition to updates from the operational areas and on the project to harmonise the remuneration system, reports were also given on fundraising and the equity available for investment from clients in the 2019 financial year. In addition, the CTIO provided detailed information about his business area and individual projects. In addition, the new Co-CEO Thomas Wels summarised the findings from the first two months of his term of office. The Supervisory Board adopted a new business allocation plan for the Management Board.

On 15 September 2020, the Supervisory Board met for its fourth ordinary meeting and, in addition to the report from the operational areas, was also informed about the CHRO's business area and projects. In addition, information was provided on the topic of compliance as scheduled, as well as an explanation of the implementation of the Shareholder Rights Directive (ARUG II) and the reform of the German Corporate Governance Code. In addition, the Supervisory Board set parameters for calculating the amount of the company-wide variable remuneration (Corporate Performance Target).

In the last ordinary meeting of the reporting year on 16 December 2020, the Supervisory Board dealt in detail with the annual planning and the corporate goals for the 2021 financial year. In addition to a strategic update by the Co-CEO, the Management Board reported on the operational business. Furthermore, resolutions were passed on the business allocation plan from 1 January 2021 and on the age limit of the Management Board as well as on the Rules of Procedure of the Supervisory Board.

The Supervisory Board members Dr Seitz, Mr Reuter and Mr Hoschek attended all six meetings of the Supervisory Board in the 2020 financial year. At four of the six meetings of the Supervisory Board in the 2020 financial year, the Supervisory Board also met without the Management Board.

No conflicts of interest arose in the Supervisory Board during the reporting year. The members of the Supervisory Board regularly undertook further training on their own. The company supported the members of the Supervisory Board in training and further education measures. To this end, the company continuously provided the Supervisory Board members with information on new regulatory and capital market requirements relevant to the Supervisory Board and Management Board. In particular, a corporate governance briefing was held as part of the Supervisory Board meeting on 15 September 2020. In addition, regular capital markets updates were provided to the Management Board and the Supervisory Board.

Other resolutions

In addition to the resolutions passed during the Supervisory Board meetings, circular resolutions were passed, in particular on the virtual implementation of the Annual General Meeting and its agenda, the termination of the share buyback programme, the resignation and appointment of Management Board members, amendments to Management Board employment contracts, the reorganisation of business areas within the Management Board, changes of Managing Directors at subsidiaries, the reimbursement of interest payments made in the interest of PATRIZIA AG, the merger of companies and regulations to avoid conflicts of interest.

Corporate Governance

The Management Board and Supervisory Board published the Corporate Governance Statement on the PATRIZIA website at https://www.patrizia.ag/en/shareholders/corporate-governance/corportate-governance-statement/ on 28 January 2021. Among other things, this declaration contains information on the working methods of the Management Board and Supervisory Board, the diversity concept, age limits and the targets for the proportion of women on the Supervisory Board, Management Board and the first two management levels below the Management Board. In addition, the Supervisory Board conducted a self-assessment in the reporting year on how effectively the Supervisory Board fulfils its tasks and discussed the results of the self-assessment. The efficiency of the cooperation among each other and with the Management Board was again found to be very good.

On 16 December 2020, the Management Board and the Supervisory Board adopted the statement of conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act; GCGC 2017 and GCGC 2020). The recommendations were complied, with a few exceptions. This declaration and all previous declarations of conformity are also permanently available on the PATRIZIA website.

Audit of the 2020 annual and consolidated financial statements

The annual financial statements of PATRIZIA AG prepared in accordance with the German Commercial Code (HGB), the IFRS consolidated financial statements and the combined management report of PATRIZIA AG and the Group for the 2020 fiscal year were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, including the accounting records, and were each given an unrestricted audit opinion. The members of the Supervisory Board of PATRIZIA AG received the aforementioned documents and the audit reports of Deloitte GmbH Wirtschaftsprüfungsgesellschaft in good time. The Management Board and the responsible auditors explained the results of the audit to us at the balance sheet meeting on 16 March 2021 and provided additional information. Deloitte also determined that the Management Board had set up an appropriate early risk detection system. The Supervisory Board also examined in detail the annual financial statements of PATRIZIA AG, the consolidated financial statements, the combined management report for the Company and the Group for the 2020 fiscal year and the Management Board's proposal for the appropriation of net retained profits and raised no objections. We agreed with the audit result of the external auditor findings. The Supervisory Board approved the annual and consolidated financial statements. The annual financial statements of PATRIZIA AG for the 2020 fiscal year are thus adopted. The Supervisory Board concurred with the Management Board's proposal for the appropriation of profits for the 2020 fiscal year and supports the payment of a dividend of EUR 0.30 per share. The remaining amount of the balance sheet profit according to HGB will be carried forward to new account.

Audit of the dependent company report

The report by the Management Board of PATRIZIA AG on relationships with related parties for the 2020 fiscal year was also audited by the auditor. All legal and business relationships with related parties listed therein correspond to standard market conditions as they would have been concluded between the PATRIZIA Group and third parties. There were no transactions with related parties within the meaning of Sections 107 and 111a to 111c AktG (German Stock Corporation Act) that would have required the approval of the Supervisory Board in the 2020 fiscal year. The auditor has issued the following statement on the dependency report:

"Following our statutory audit and assessment, we confirm that

– the actual information in the report is correct,
– in the legal transactions listed in the report, the company's performance was not unreasonably high."

The dependency report prepared by the Management Board and audited by the auditor as well as the associated audit report were made available to all members of the Supervisory Board in due time. After concluding its examination, the Supervisory Board raises no objections to the report and the final declaration of the Management Board contained therein.

PATRIZIA is a stable and reliable partner and has achieved good results even in the most difficult market environment. Our sincere thanks therefore go to the Management Board and all employees for what has been achieved. With your expertise and hard work, you have contributed significantly to this positive business development.

Augsburg, 16 March 2021

For the Supervisory Board of PATRIZIA AG

Dr Theodor Seitz
Chairman

The PATRIZIA share

PATRIZIA's key share data

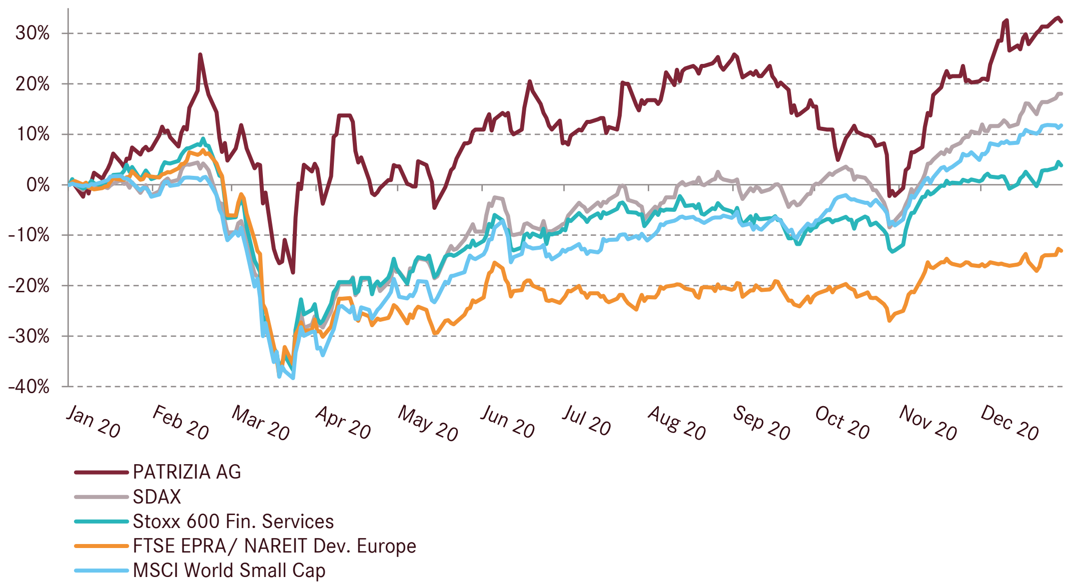
		2020	2019	2018
Share prices				
High	EUR	26.65	20.48	21.10
Low	EUR	16.60	15.90	14.85
Closing price as at 31.12.	EUR	26.25	19.86	16.65
Share price performance	%	32.18	19.30	-13.90
Market capitalisation as at 31.12.	EUR bn	2.4	1.8	1.5
Average trading volume per day[1]	EUR	1,785,860	1,407,100	2,012,200
Average trading volume per day[1]	Shares	83,192	76,778	111,500
Annual share turnover[2]		0.23	0.21	0.31
Issued shares as of reporting date	Shares	92,351,476	92,351,476	92,351,476
Outstanding shares as of reporting date	Shares	89,682,931	91,059,631	91,059,631
Earnings per share undiluted (IFRS, unadjusted)	EUR	0.42	0.58	0.57
Earnings per share diluted (IFRS, unadjusted)	EUR	0.42	0.58	0.57
Dividend per share	EUR	0.30	0.29	0.27

[1] All German stock exchanges
[2] Quotient of shares traded/average number of shares outstanding (2020: 92,351,476 shares; 2019: 92,351,476 shares; 2018: 92,351,476 shares)

At the beginning of 2020, the stock markets continued their positive development from 2019. The DAX reached its then record level of 13,795 points in the first quarter of 2020 before public life was significantly affected by the Covid-19 pandemic. The resulting global economic crisis caused the largest indices to plummet, sending the DAX benchmark index to a low of 8,256 points. However, since economists predicted a rapid economic recovery for Germany, the DAX was able to recover relatively quickly compared to the rest of Europe. It thus closed 2020 at 13,719 points despite the high volatility, which corresponds to an annual gain of 3.6%. A similar picture emerged for the German second-line stocks. The MDAX closed with a plus of 8.8%, while the SDAX even ended 2020 with a gain of 18.0% due to its high share of technology stocks.

Driven by the solid preliminary financial results for the 2019 fiscal year published in February 2020, the PATRIZIA share started the new year strongly. The deteriorating mood on the stock market due to the economic crisis subsequently had only a brief, negative effect on the share. Analysts and investors described PATRIZIA AG's business model as resilient and crisis-proof. This led to a continuously better performance compared to all benchmark indices over the year 2020, enabling the PATRIZIA share to end the year with a plus of 32.2% and a share price of EUR 26.25. Market capitalisation at the end of the year was EUR 2.4bn.

Development of the PATRIZIA share in comparison with various indices



An average of 83,192 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year increase in volume of 8.4% (2019: 76,778 shares/day) and annual share turnover of 0.23 (2019: 0.21).

Dividend payment

In 2020, a dividend of EUR 0.29 per share was paid in cash, an increase of 7.4% on the previous year. The HGB unappropriated profit in the amount of EUR 500.8m was used to pay the dividend, with the remaining amount being carried forward to new account. By resolution of the Annual General Meeting on 1 July 2020 a cash dividend of EUR 26.0m in total was paid. Based on the share of the IFRS consolidated net profit for 2019 attributable to shareholders of EUR 52.9m, this represented a pay-out ratio of 50.7%. The dividend was paid on 6 July 2020.

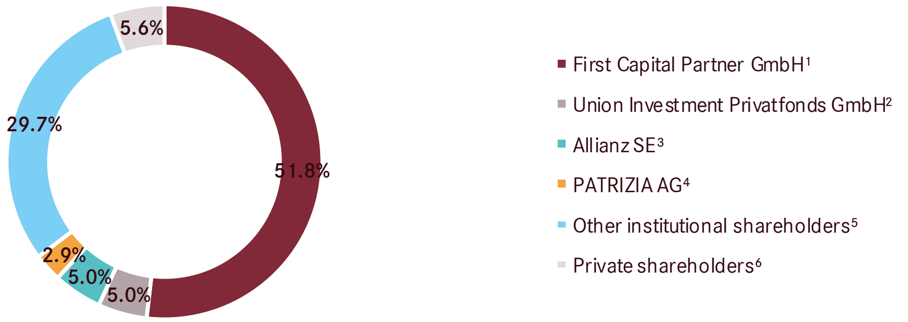
Investor Relations – valuable relationships and active communication

PATRIZIA AG maintains a continuous dialogue with its institutional, (semi-)professional and private investors as well as analysts. In this context, proactive and transparent information is provided on the Company's business development and all important events. Despite travel restrictions during 2020, the Management Board and the Investor Relations team presented the company, mainly via video conference, on 38 roadshow days to investors from 42 cities worldwide. The team also took part in a large number of international investor conferences and organised a private investor livestream in cooperation with Deutsche Schutzvereinigung für Wertpapierbesitz eV.

PATRIZIA's share is regularly rated by nine analysts from national and international banks. At the end of 2020, eight analysts or 89% recommended the PATRIZIA share as a buy, while one analyst issued a "hold" recommendation. The analysts' price targets ranged from EUR 24.00 to EUR 30.00 per share on 31 December 2020 and the average price target was EUR 26.89 per share.

Further information can be found online at www.patrizia.ag/en/shareholders/at-a-glance/. In addition to financial reports, presentations and announcements, this section of the company's website contains the financial calendar, the roadshows/conferences for 2021 and the latest analyst opinions on PATRIZIA AG's shares.

PATRIZIA shareholder structure as at 31 December 2020 | by shareholder group



[1] First Capital Partner is attributable to CEO Wolfgang Egger
[2] According to the voting rights notification of 31 October 2018
[3] According to the voting rights notification of 2 August 2019
[4] Source: PATRIZIA share register
[5] Treasury shares

PATRIZIA shareholder structure as at 31 December 2020 | by region

Shareholder structure of the Company

The shareholder structure of PATRIZIA AG changed only slightly in the past financial year. The founder and CEO of the company, Mr Wolfgang Egger, remains its majority shareholder. At the end of 2020, he held 51.81% of the share capital via First Capital Partner GmbH. The second-largest shareholder, Union Investment Privatfonds GmbH, retained its equity interest of 5.02% in 2020. In addition, Allianz Global Investors GmbH adjusted its equity interest to 4.99% according to the voting rights notification dated 14 December 2020. As at 31 December 2020, the number of treasury shares held by PATRIZIA AG increased to 2.89% of the issued shares after a share buy-back programme. 29.72% of the remaining shares are held by institutional investors, with a further 5.57% held by private shareholders.

In terms of regional distribution, PATRIZIA's shareholders, which number a good 7,300, are spread across 45 countries worldwide. However, the vast majority of the shares are held by German shareholders (81.00%), followed by shareholders in the USA (7.00%) and the United Kingdom (5.00%).

Distribution of a dividend of EUR 0.30 per share for the 2020 financial year

The Management Board and Supervisory Board of PATRIZIA AG are proposing that the HGB unappropriated profit for the 2020 financial year in the amount of EUR 476.7m can be used to pay a dividend of EUR 0.30 per share, with the remaining amount being carried forward to new account. This represents an increase in the dividend per share of 3.4% compared to the previous year. Based on the share of the IFRS consolidated net profit for 2020 attributable to shareholders of the parent company of EUR 37.7m, this corresponds to a pay-out ratio of 73.5%. PATRIZIA is maintaining its previous dividend policy. This means that the growth rates of management fees and assets under management compared to the previous year will form the basis for the dividend proposal of the Management Board and Supervisory Board of PATRIZIA AG.

Management Report

Combined management report of the Company and the Group

The management report has been combined with the management report of PATRIZIA AG in accordance with section 315 (5) of the German Commercial Code (HGB) in conjunction with section 298 (2) HGB because the situation of PATRIZIA AG as the management and financial holding company is strongly linked with the situation of the Group. The combined management report contains all presentations of the net assets, earnings and financial situation of the Company and the Group as well as other details that are required according to German commercial law and the supplementary provisions of DRS 20. The currency denomination is EUR. Differences may occur when using rounded amounts and percentages. All references with page numbers refer to pages in this annual report.

1 Group Fundamentals

1.1 Business Model

PATRIZIA AG is a partner for global real assets and one of the leading independent real estate investment companies in Europe. As at 31 December 2020 881 employees (FTE) are on hand for its clients in more than 15 European real estate markets. The company is also represented in New York, Hong Kong, Seoul, Melbourne, Zurich and Tokyo. PATRIZIA provides a wide range of services from asset management, portfolio management and implementation of purchase and sales transactions for almost all investment classes to alternative investments and project developments. As a result, client preferences and requirements can be met extensively and specifically. Its clients include institutional and (semi-)professional investors such as insurance firms, pension fund institutions and sovereign funds from Germany, Europe, the US and Asia in addition to private investors. PATRIZIA develops bespoke products for its clients in line with their individual return expectations, diversification objectives and risk styles.

PATRIZIA's core business is real asset investment management for institutional, (semi-)professional and private investors. PATRIZIA generates fee income for the services it performs and investment income from its co-investments and principal investments. Accordingly, the Group's activities can be broken down into the following three categories:

Funds under management

In its funds under management, PATRIZIA uses its own regulated and unregulated platforms to structure, place and manage fund assets for PATRIZIA clients. These funds are launched without any equity investment on the part of PATRIZIA. PATRIZIA generates stable, recurring income in the form of management fees for property management as well as for acquisition and disposal transactions. PATRIZIA also receives performance fees if defined individual yield targets are exceeded.

PATRIZIA has various regulated investment platforms, including German asset management companies and a regulated platform (AIFM) in each of Luxembourg, France, Denmark and the United Kingdom. The companies make investments in the various real estate sectors, with a particular focus on Europe, on behalf of their clients via the funds launched. The funds act as holding agents. The properties held by the funds typically have a planned initial holding period of between five and ten years.

Funds under management also include co-investments. PATRIZIA uses **co-investments** to participate in real estate investments with its own capital alongside that of its investors, particularly in the value-add and opportunistic segments. In addition to committing to the customer and the transaction, PATRIZIA generates fees and additional investment income. This allows PATRIZIA's shareholders to participate indirectly in the performance of an attractive European property portfolio. Co-investments accounted for EUR 6.1bn of PATRIZIA's assets under management as at 31 December 2020. PATRIZIA has invested EUR 0.1bn of its own equity in co-investments, current market values of these co-investments are significantly above the historic investment costs.

PATRIZIA's co-investments are listed in detail below:

Name	Description	AUM EUR m	PATRIZIA equity interest
Dawonia GmbH	Around 28,000 residential properties in southern Germany	4.928,1	5,1%
WohnModul I SICAV-FIS	Residential/commercial real estate and development projects in Europe	597,0	10,1%
TRIUVA/IVG logistics	Portfolio of 13 German and four logistics properties in France and the Netherlands	169,1	2,1%
TRIUVA/IVG commercial	Office properties in Germany		11,0%
Alliance	German retail portfolio comprising approx. 60 supermarkets, discount stores ad specialist stores	231,8	5,1%
Seneca	Portfolio comprising around 80 specialist stores and supermarkets	159,1	5,1%
PATRoffice	Portfolio that is being sold with only one remaining office property		6,3%
Citruz Holding LP (UK)	Office and light industrial portfolio in the United Kingdom that was successively realised following active management and that now only contains one property	2,3	10,0%
First Street Development LTD (UK)	Inner-city development site in Manchester originally used for office, retail, hotel and residential purposes that is being realised and sold in multiple phases		10,0%

Further details can be found in the capital allocation on page 43.

All in all, **funds under management** accounted for EUR 45.9bn of PATRIZIA's assets under management as at 31 December 2020 (31 December 2019: EUR 43.2bn).

Fund of funds

As one of the world's leading investment managers for real estate funds of funds in the small and mid-cap segment, PATRIZIA Global Partners A/S is responsible for managing fund of funds products and provides an attractive product addition for PATRIZIA's clients. Operating with a global network of partners, PATRIZIA Global Partners A/S invests in best-in-class real estate funds in Europe, Asia and the Americas. Assets under management (invested equity) in these funds amounted to EUR 1.1bn as at 31 December 2020 (31 December 2019: EUR 1.2bn).

Principal investments

PATRIZIA operates as an investment manager for institutional, (semi-)professional and private investors, and therefore endeavours to avoid conflicts of interest with its own investments. Principal investments, i.e. own-account transactions, relate to the company's own property portfolio, which is being downsized in line with the strategy. The company also has small residual holdings of properties for resale. Principal investments amounted to just EUR 15.9m as at 31 December 2020, compared to EUR 23.5m in the previous year, and related in particular to real estate in Munich and in London, United Kingdom, which are to be sold in the medium term.

Separately from the principal investments, properties are in some individual cases temporarily consolidated at the company as interim financing for closed-end funds or as early-phase investments with the purpose of subsequent contribution to institutional funds.

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

1.2 Group strategy

PATRIZIA aims to be a leader in all real estate asset classes for its investors – in Germany and Europe. As an independent real asset company, PATRIZIA operates both for large institutional investors from all over the world and for (semi-)professional and private investors from Germany, providing extensive value added in all real estate segments. PATRIZIA aims to strengthen its position further, steadily increasing its assets under management and recurring income in future years in order to generate a long-term rise in operating income and further improve the company's stability and financial flexibility.

Expansion and extension of the European platform

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

Expansion of the product range

The product line is subject to targeted expansion and now covers nearly all real estate asset classes as well as infrastructure: from residential, office, retail and logistics properties to hotels, care homes and caverns. PATRIZIA's Europe-wide platform provides the conditions to offer investments within the legal and regulatory framework preferred by the respective investors according to their local regulations. This expertise and its wide-ranging presence in Europe should help to establish PATRIZIA among investors as an internationally successful brand. As well as broadening its existing product range, PATRIZIA also plans to expand its business with infrastructure and debt finance products as part of its Strategy 2023.

Expansion of the national and international investor base

Relationships with investors have been and continue to be expanded worldwide. Local contacts have been established in Australia, Hong Kong, Japan, South Korea and the USA, and the European support team for institutional investors has been selectively bolstered. The existing national investor base is also being expanded further in Germany. The aim is to build up a long-term, stable client relationship as per that which PATRIZIA already enjoys with its existing predominantly German investors. There is strong demand among these investors for the range of new products as well as advice on reinvesting sales proceeds from existing investments. In the 2020 financial year, around 56% of newly raised institutional equity was attributable to international investors, thereby underlining the success of the strategic international expansion.

Pioneer in technology and innovation

PATRIZIA recognized the growing influence of technology and innovation on the investment management and real estate sector at an early stage and pursues the clear strategy of taking on a pioneering role in these areas. As well as incorporating these topics in the staff line-up of the company's Management Board as at 1 January 2020, PATRIZIA has already been investing for several years in innovative technology and data analysis tools, up-and-coming technology companies and industry-wide solutions to offer customers further improvements in service.

1.3 Competitive strengths

Direct access to a broad investor base

Direct access to investors is one of PATRIZIA's strengths. It is built on the trust of clients who have maintained and deepened their 37-year-plus business relationship with PATRIZIA, and who include more than 450 institutional investors in Germany and abroad. They invest with PATRIZIA regularly and recurrently, due to the good performance of the fund products. In addition, PATRIZIA has been offering closed-end funds for private investors and (semi-)professional investors since 2016. As well as attractive new closed-end fund products for national investors, a fund for (semi-)professional investors that can also be subscribed to by investors outside Germany was launched in 2019 for the first time. Overall, investors entrusted PATRIZIA with new equity of EUR 1.9bn in the past financial year. PATRIZIA currently has outstanding equity commitments amounting to around EUR 3.3bn, which as at 31 December 2020 have not yet been invested in real estate or real estate portfolios.

Network established throughout Europe

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

Extensive real estate value chain covered

PATRIZIA's investors are offered broad services as well as specialist expertise in the various types of use and risk classes of real estate. Investors receive an "all-round package" that covers all services and the entire value chain of the investment. Of course, individual components can also be selected from this range.

Successful track record attracts further transactions

PATRIZIA's successful transactions build its reputation. Despite the difficult market environment caused by the Covid-19 pandemic, acquisitions and disposals with a volume of EUR 5.4bn were signed for its clients last year (-39.2% year-on-year), and EUR 6.9bn (-9.7%) was closed in 2020. Ongoing high performance fees in the 2020 financial year are testament to the track record of the real estate funds launched for institutional, (semi-)professional and private investors. The long-term value-added within a portfolio is one of the company's core strengths that pays off in the return generated for investors. However, PATRIZIA's clients and business partners also value its professional identification of opportunities in all real estate asset classes throughout Europe and its fast, smooth handling of purchases and sales.

PATRIZIA has the DNA of an investor

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

Reputation breeds trust

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

1.4 Group management and performance indicators

1.4.1 Corporate management by segment

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

1.4.2 Corporate management on the basis of financial performance indicators

PATRIZIA uses the following financial performance indicators for corporate management:

Financial performance indicators	Description
Assets under Management (real estate assets)	The Group's growth is assessed on the basis of assets under management.
Operating income	Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for the non-cash effects like the measurement of investment property and unrealised currency and derivative effects, amortisation on fund management contracts, and net reorganisation income or expense as well as non-capitalisable expenses for investments in the future. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.
Cost Coverage Ratio (CCR)	CCR is a profitability indicator based on market-independent recurring fee income. The recurring fee income (Cost Coverage Income) is calculated from the management fees of a current financial year and 25% of the average transaction fees of the last 5 financial years (but at least EUR 14.1 million). This fee income is put in relation to the recurring costs (Cost Coverage Expenses), the sum of personnel expenses (without taking into account variable compensation components) and net operating expenses (without taking into account extraordinary expenses e.g. from M&A transactions or expensed investments in the future).

Investments in the future are project-related (non-capitalisable) one-off expenses in connection with the expansion of digitalization and the use of new technologies that are intended to further increase and improve operational efficiency. These include, for example, the automation of processes and the implementation of software solutions (as "software as a service") for data processing and data provision.

In addition, the following framework parameters support the management of the Group:

Further framework parameters	Description
Management fees	PATRIZIA receives recurring service fees for managing the real estate assets, usually depending on the volume of assets under management or net asset value of the managed funds.
Transaction fees	PATRIZIA receives a transaction volume-related fee for purchases or sales.
Performance fees	PATRIZIA receives performance fees if defined target returns on individual investments are exceeded.
Transaction volume	The transaction volume is the sum of signed acquisitions and disposals.
Net sales revenues and co-investment income	Return on own capital employed.
Equity raised	For the various investments, equity is raised from institutional, (semi-)professional and private investors worldwide.

The development of these indicators is detailed in section 2.2.

1.4.3 Corporate management on the basis of non-financial performance indicators

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

1.5 Non-financial statements

Section 1.5 is not checked for content by the auditor in accordance with German legal regulations.

1.5.1 Sustainability Strategy

Real estate plays a pivotal role in society. Across residential, commercial and logistics, it serves basic human needs such as housing, workspaces, infrastructure for healthcare and transportation of goods. The impact it has – both on the natural environment and the people that live within it – cannot be downplayed or ignored. The aim of the Sustainability Strategy is to cement PATRIZIA’s commitment to:

- Prudent property stewardship, with the goal of enhancing the sustainability of the managed assets
- A viable and resilient ecological system focused on the preservation of the natural environment
- A society in which economic development is not pursued at the expense of vulnerable groups or future generations
- Good corporate governance with transparent and efficient real estate markets

Real estate contributes as much to society’s well-being as they do to global energy consumption. According to the UNEP (United Nations Environment Programme) Finance Initiative, the real estate sector is responsible for about 40% of energy consumption and about 30% of greenhouse gas emissions. As a result, acting to create more energy-efficient properties can have a significant, positive impact on global warming and climate change. This responsibility falls to every individual, but to real estate investment managers’ more than most. And PATRIZIA wants to be part of the positive movement towards a more sustainable world.

Source: https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/cities/sustainable-buildings

What sustainability means to PATRIZIA is exemplified by the following five target areas of the firm’s Sustainability Strategy:

- **Energy efficiency:** Monitor Energy Performance Certificates (EPCs) and obtain certifications to future-proof the managed portfolio. PATRIZIA understands its responsibility as real estate investment manager and closely monitors the efficiency of the managed assets. Where possible, ways to reduce the primary energy demand of those assets are defined. Decreasing energy consumption not only saves valuable resources, but also futureproofs the portfolio, and secures sustainable performance returns for the Group’s clients – its institutional, (semi-)professional and private investors.
- **Green energy:** Increase renewable energy usage across the portfolio. PATRIZIA’s ongoing commitment to switch large parts of the portfolio to green energy is already bearing positive results. Wherever possible, PATRIZIA also aims to generate renewable energy on-site, by investing in solar panels for assets.
- **Carbon management:** Develop a corporate CO2 footprint reduction and compensation strategy. On the pathway to a net-zero carbon economy by 2050, as per the Paris Agreement, PATRIZIA has started measuring the Group’s CO2 footprint in order to develop a strategy to reduce the impact on the environment in the long-term, and to prepare for the transition to a low-carbon economy.

- **ESG KPIs:** Align reporting with international standards and improve environmental impact. PATRIZIA regularly reviews and updates internal governance policies to ensure they reflect topical ESG (Environmental, Social and Governance) issues which affect the corporate oversight of the Group's business and funds. As part of this commitment, PATRIZIA is developing ESG KPIs to quantify sustainability performance and align reporting with internationally established industry standards, namely UN PRI, GRESB and INREV. In alignment with the recommendations by TCFD, PATRIZIA also considers climate and climate change-related risks in investment decisions.
- **Corporate social responsibility:** Work towards the highest standards of professional and personal development of employees. PATRIZIA commits to fair human resource policies and procedures, and leading labour standards towards health, well-being and safety policies. The Group aims for a diverse workforce, fair remuneration and hiring and promoting without any discrimination.

The PATRIZIA Sustainability Strategy covers all topics and processes that are allocated to environmental, social and governance (ESG). Sustainability is the Company's chosen name for the strategy while ESG is used to ensure the whole range of related topics (environmental, social and governance) is addressed.

UN Principles of Responsible Investment (UN PRI)

The Group's corporate governance framework is forming the foundation of PATRIZIA's sustainability efforts. Derived from there, PATRIZIA is committed to conducting business in a manner that complies with the law, meets high ethical standards and positively impacts environment and society. PATRIZIA takes its social responsibility very seriously. Transparent actions, but above all moral actions along universally human parameters such as integrity, decency, dignity and respect, form the basis of PATRIZIA's activities.

The Sustainability Strategy is based on the UN PRI and in alignment with the UN Global Compact Principles. Being a signatory to UN PRI, PATRIZIA is committed to voluntarily abide by the principles of responsible investment and recognises that applying these Principles align clients with broader objectives of society. Therefore, where consistent with its fiduciary responsibilities, PATRIZIA commits to the following:

- To incorporate ESG issues into investment analysis and decision-making processes;
- To be an active owner and to incorporate ESG issues into ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which PATRIZIA invests;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
- To report on activities and progress towards implementing the Principles.

The annual UN PRI report supports PATRIZIA in assessing the strategic and operational implementation of the Sustainability Strategy. In 2020 the UN PRI score is A for the modules Strategy and Governance and Indirect Investment Property and B for Direct Investment Property. All scores are in line with the median score.

UN Sustainability Development Goals (SDGs)

PATRIZIA's Sustainability Strategy and business activities are aligned with the overall goal of the UN Sustainability Development Goals (SDGs) to create a better future for all. The SDGs are a universal set of goals, targets and indicators for global development that are very important guidelines for the PATRIZIA Sustainability Strategy and the Group's understanding what responsible practices are. The SDGs serve as a blueprint for positively transforming today's world by ending poverty, safeguarding the planet and ensuring prosperity for all by 2030.
Source: Managed portfolio excludes tenant areas where PATRIZIA has only limited or no operational control

Creating investment practices and business plans linked to the goals of the SDGs, of which there are 169 sub-goals, illustrates the breadth of opportunity that investing with impact offers. In an effort to support the goals set out in the SDGs PATRIZIA commits to adopt more sustainable business practices and seeks to innovate to deliver sustainable products and services. While supporting the SDGs in their entirety, PATRIZIA has identified the following SDGs as primarily relevant and closest to the Group's values and will proceed to include these in corporate and fund specific sustainability strategies:

- **SDG 11 Sustainable Cities and Communities** reflects the core of real estate investment management. PATRIZIA commits to contribute to inclusive and healthy environments with its investments.
- **SDG 7 Affordable and Clean Energy** and **SDG 13 Climate Action** are fundamental to create sustainable cities and communities. PATRIZIA runs the majority of the managed portfolio[1] on renewable energy to contribute to climate change mitigation and reduce the companies CO2 footprint in line with the goals of the Paris Agreement.

[1] Managed portfolio excludes tenant areas where PATRIZIA has only limited or no operational control

- **SDG 3 Good Health** and **SDG 4 Quality Education** are primary values of corporate social responsibility. PATRIZIA and especially the PATRIZIA Foundation commit to facilitate education and a healthy environment for its employees, the wider real estate industry and children in need.

Regulatory Development

PATRIZIA prepares for regulatory and market development in alignment with global climate targets to contribute to climate change mitigation, future proof the portfolio and ensure compliance and value preservation for investors. The Group is actively preparing to report and disclose information in alignment with the EU Taxonomy and Sustainable Finance Disclosure Regulation.

1.5.2 Systematic Integration of Sustainability

Stable, market-leading and performance-oriented investment vehicles require sustainability to be embedded in the philosophy and process from the start. Sustainable investments mean promoting and safeguarding the environmental, social and economic interest of stakeholders, including clients, tenants, employees and the communities in which PATRIZIA operates.

That is why the PATRIZIA ESG Committee has instituted a systematic approach ensuring just that. Responsible Investment Guidelines have been formulated and consideration checklists are to be followed throughout the investment process, from acquisition to disposal.

Responsible Investment Guidelines

The PATRIZIA Responsible Investment Guidelines are the foundation for integrating ESG considerations into investment decision-making and real estate operations. They describe the principles and minimum standards for all employees, regarding environmental and social engagement, in each phase of the real estate investment lifecycle. The purpose of these guidelines is to create and protect long-term stakeholder and asset value. For every investment vehicle, dedicated sustainability strategies are defined in alignment with client interests, and relevant targets are set. Progress is disclosed in regular reporting and, if required by clients, fund-level ESG performance is assessed by reporting to the Global Real Estate Sustainability Benchmark (GRESB).

Environmental Management System (EMS)

PATRIZIA has implemented an EMS in line with the international DIN ISO 14000 to ensure the implementation of the Sustainability Strategy. The EMS includes the planning of activities, considerations of ESG and climate-related risks and opportunities, allocation of responsibilities and resources, and the development of practices and processes, on corporate as well as fund level. The EMS organises the approval process between the ESG Committee and internal fund reviews.

ESG Screening and Exclusion

The PATRIZIA ESG Screening and Exclusion policy ensures clients’ and shareholders’ money is aligned with the Group’s broader beliefs in order to mitigate reputational risk. As a signatory to UN PRI, PATRIZIA respects the UN Global Compact principles on human rights, labour conditions, the environment and anti-corruption. As a result, the Group does not enter into any kind of business relationship or transaction with corporate entities, governments, joint ventures or individuals with clear, direct links to controversial weapons, nor with countries that deem to have serious violations on political stability and peace, human rights and religious freedoms.

Sustainability during Deal-Sourcing and Acquisition

PATRIZIA’s goal is to bring together the economic interests of clients with wider environmental and social prosperity. The Group therefore analyses how investments can contribute to the creation of a sustainable future and strong communities, as well as how future trends will impact the real estate sector. All potential acquisitions undergo an ESG assessment to evaluate risks and opportunities, as well as the propensity to deliver the best service to clients and provide tenants with modern and healthy spaces. When considering the ESG credentials of investments, PATRIZIA assesses factors such as:

Environmental	Social	Governance
Biodiversity and habitat	Community and engagement	Anti-bribery and money laundering
Climate change	Health and safety	Cybersecurity
Land contamination	Human rights	Data protection and privacy
Energy consumption	Inclusion and diversity	Legal and regulatory fines
Greenhouse gas emissions	Labour standards and working conditions	ESG clauses in existing leases
Indoor environment	Social enterprise partnering	
Location and connectivity	Stakeholder relations	
Materials	Occupier amenities – showers, changing rooms	
Pollution	Controversial tenants	
Resilience to catastrophe/disaster		
Renewable energy		
Sustainable procurement		
Waste management		
Water consumption		

Active Ownership Approach

The Group's fund and asset management teams work closely together to manage the properties in a sustainable way. PATRIZIA appoints property managers who are responsible for managing the compliance of operational assets, and management teams meet regularly to review the relevant sustainability strategy and process and compliance requirements.

Sustainability policies and the targets for their implementation are defined in line with client requirements. Such policies describe the implementation of ESG elements during the operational stages of the asset lifecycle, including individual strategies to enhance environmental performance through asset-specific sustainability capex measures, refurbishment and development. Strong emphasis is put on stakeholder engagement and investigating new ways to co-operate with tenants to stimulate the adoption of environmentally sound practices and to positively contribute to social aspects and local communities.

PATRIZIA's 4 step approach to active ownership is described below:

- **Active management**
  PATRIZIA considers environmental performance indicators such as energy, water, waste and greenhouse gas emissions to improve sustainability performance.
- **Active assessment**
  PATRIZIA regularly evaluates the portfolio to identify sustainability measures and reduce operating expenses to increase efficiency and long-term asset value.
- **Active diligence**
  PATRIZIA integrates environmental indicators into fund strategies to enhance the position of assets in their markets, reduce obsolescence and promote resilience.
- **Active co-operation**
  PATRIZIA considers the benefit of third-party green real estate and health and well-being certifications such as LEED, BREEAM, HQE, WELL and Fitwel.

Real Estate Development

PATRIZIA's impact is highest when committing to sustainability from the ground up. That is why sustainable building practices beyond regulatory requirements and beyond the timeline of the individual business plan are considered. Properties may stand for hundreds of years, so sustainability is considered from the very beginning: into real estate development strategies, design and construction, with a view on lifecycle and operation. PATRIZIA employs architects and engineering consultants with a proven track record on sustainability, and integrates ESG requirements in the sourcing and appointing of general contractors in alignment with the PATRIZIA Supplier Code of Conduct reflecting the Group's commitment to protection of the environment, protection of employees and workers, community involvement and compliance and ethics.

1.5.3 Employees

PATRIZIA's clients benefit from the variety of skills, experience and talents of PATRIZIA's employees. Their qualifications, experience and subject matter expertise form the basis for business success. Investing in the Group's people and striving to attract, retain and promote a unique and capable workforce is therefore at the forefront of the Group's people strategy.

PATRIZIA's People Deal endeavours to create an environment in which employees can fulfil their entire potential and in which differences are respected and acknowledged. PATRIZIA helps its employees to perform their tasks as well as possible and is proud of its inclusive and collaborative corporate culture. As an employer, PATRIZIA delegates a high degree of decision-making authority and responsibility to its employees. This gives them the scope to evolve and enhance their knowledge, experience and careers. In the process, this fosters their identification with the corporate objectives and their commitment to clients. This is what is meant by the "PATRIZIA spirit". PATRIZIA helps its employees to find the right place in one of its business units and global locations. Interesting career and development opportunities for employees create a team that makes PATRIZIA what it is – the partner for global real assets.

Attracting Employees

In order to reinforce PATRIZIA's marketing position and ensure that it is optimally positioned for the future, it is important for it to be an attractive employer that offers interesting and varied challenges for young talents and experienced specialists & leaders alike.

To reach these target groups, PATRIZIA advertises jobs using different channels - on its own website, in a targeted manner on various job portals and sometimes through specialist agencies. A presence at trade fairs (e.g. EXPO REAL and the IZ Careers Forum), universities (e.g. IREBS) and schools in Augsburg and the surrounding area and the provision of numerous internships and student employee positions are further key elements of employer branding.

A management trainee programme gives graduates of real estate courses the ideal preparation for their future tasks in the form of an in-depth, comprehensive insight into the Group. During the 18-month programme, the management trainees pass through three real estate departments and one non-real estate department, always including international experience at one of PATRIZIA's European locations. In terms of content, the trainees can expect both strategic and operational tasks in which they already assume responsibility for entire projects. PATRIZIA intends to mirror this broad experience and exposure to graduates on its upcoming analyst talent programme. PATRIZIA only trains people with a view to meeting its own needs. To date, all trainees and students have been employed after the end of their training where this was desired by both parties. This is no longer something that can be taken for granted in many other industries and companies, and it reflects the seriousness with which PATRIZIA seeks to ensure sustainable staff retention.

Employee Development

In addition to training, the targeted development of employees is promoted through:

- Regular feedback and employee development meetings
- Goal setting and quarterly check-in conversations
- Cross-departmental interdisciplinary project work
- An attractive internal job market and transfer opportunities
- Targeted succession planning
- Leadership and Management programme
- Targeted individual career planning with appropriate training options
- A wide range of in-house training options in the PATRIZIA Academy

The options offered by the PATRIZIA Academy were again expanded in 2020 in order to both increase the breadth of learning opportunities and to support the pandemic with an accelerated move to more mobile working In 2020, many of the extensive training options were moved from classroom-based training to virtual learning and LinkedIn Learning was introduced to give PATRIZIAns a flexible on-demand learning solution to meet their bespoke needs . As a matter of principle, various subject-specific, methodical and soft skills training programmes are available to employees. Individual employees may also obtain external professional education in the form of seminars and part-time study.

As 2020 was an unprecedented year due to the pandemic, further new learning was also introduced to support the well-being of employees and managers to help them remain productive, motivated and resilient. This was accompanied by various measures such as intact team workshops, personal coaching and development on topics such as compassionate and inclusive management and dealing professionally with leadership challenges.

Health and Well-Being

PATRIZIA places great importance on the mental, physical and social health of its employees in an employment world that is rapidly changing. Ordinarily, employees are offered burnout prevention and mindfulness training, "active breaks", yoga and mobile massages and in 2020 following a well-being survey being conducted, further specific guidance and stress management training was available for all employees.

To improve employees' work-life balance, various forms of part-time work are available at all locations. The overall level of part-time workers is 13.3%. Two of the top-five PATRIZIA countries with most employees have an above average level of part-time workers: Germany with 15.8% and the Netherlands with 17.9%.

PATRIZIA Culture

An open, empowering and inclusive culture is a priority for PATRIZIA, as is regular reviews and investment that enhance the employee experience. In 2020 PATRIZIA used the greater prevalence of hybrid working to accelerate the transition to new ways of working, with the introduction of more efficient digital systems and equipment for employees, upgrades to certain offices and a toolkit and policy to support mobile working practices.

Further employee network groups were established to drive a number of cultural and working related initiatives so employees can bring their whole self to work and feel comfortable:

- Promoting a culture of inclusion & diversity
- Supporting a culture of parents and carers in the workplace
- Providing health and well-being opportunities
- Providing opportunities for networking, education & development

Culture is also promoted in a highly targeted manner through various events, e.g.:

- Employee orientation day for all new PATRIZIA staff
- "PATRIZIA Talks" events (knowledge sharing)
- Annual Employee Day
- Insights (seeing how other teams work)

Diversity and Inclusion

PATRIZIA's values include innovation and diversity. The international and multicultural Group thrives on the combination of different perspectives that contribute to its long-term success. Employees are given equal opportunities regardless of race or ethnic origin, gender, religion or ideology, disability, sexual identity or age. Appointments, promotions and level of remuneration are based solely on employees' mindset, qualifications and experience. In addition, on signing their employment contract, all managers and employees are obliged to refrain from discrimination on the above grounds. PATRIZIA recognises and accommodates many personal working circumstances and has a comprehensive Family Leave policy that covers maternity, paternity, adoption, shared parental, parental, time off for dependents, flexible working, compassionate, additional paid, jury service and unpaid leave circumstances.

The number of employees (FTEs) was 881 as at 31 December 2020. There is a balanced age structure: just under 6% of employees are under 25 years old, approximately 26% are aged between 25 and 34, 35% are aged between 35 and 44, little over 23% are aged between 45 and 54, and a good 9% are aged 55 or above. The diversity of nationalities, cultures and languages is also a major strategic advantage for PATRIZIA. In the reporting year, the workforce had a total of 35 different nationalities.

The share of women in the workforce is 48%. The share of women in the Management Board in 2020 is 14%, while 13% of the managers in the top management team, i.e. the first management level below the Management Board, are female. Looking at the total number of managers within the Group, over 24% are female.

PATRIZIA has initiatives aimed at supporting a more gender balanced representation and talent pipeline with the introduction of a talent programme.

1.5.4 PATRIZIA Foundation

PATRIZIA's social responsibility is particularly evident in the company's attitude that part of its success must be shared with those who are in desperate need. A proof of impact of this responsibility is the support of the PATRIZIA Foundation (PF) for more than 20 years, which provides education, accommodation and medical care to children in need.

By establishing the foundation in 1999, Wolfgang Egger created the basis for realising his desire to give children access to education. Since then, a total of 19 PATRIZIA KinderHaus facilities have been initiated, located in eleven countries on four continents: Germany, Cameroon, India, Kenya, Nepal, Peru, Rwanda, South Africa, Tanzania, Uganda and Zimbabwe. So far, about 220,000 children and young adults have benefited from the foundation's facilities around the world.
Source: https://www.patrizia.foundation/en/

In 2020, all PATRIZIA KinderHaus facilities had to be temporarily closed due to the coronavirus pandemic. Some have still not reopened one year after the first lockdown. Thanks to the “Corona Fund Education Healthcare”, the PATRIZIA Foundation was able to provide immediate aid on site. The relief fund was launched in April 2020 to provide quick, unbureaucratic support. By the end of 2020, around 170,000 euros had been distributed from the fund.
Source: https://www.patrizia.foundation/en/corona-fund/

The PATRIZIA Foundation is a legally independent organisation and is supported in its work by PATRIZIA. Up to 1% of the operating income is spent on social projects such as the foundation. In addition to financial support, employees of the Group have the opportunity to dedicate 1% of their working hours to charitable causes. Around two days per person per year can be used to support the foundation's goal of building better futures for children.

1.5.5 Sustainability risk analysis

PATRIZIA commits to promote more informed investment decisions and therefore aims to understand better its exposure to climate-related risks. To inform its stakeholders PATRIZIA aims to align with the framework of the Task Force on climate related Financial Disclosures (TCFD) and the four recommendations for effective climate-related financial disclosures:

- **Governance:** Disclosure of the organisation’s governance around climate-related risks and opportunities.
- **Strategy:** Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.
- **Risk Management:** Disclosure of the processes used by the organisation to identify, assess, and manage climate-related risks.
- **Metrics and Targets:** Disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

Sustainability is most successful when implemented at both corporate level and investment level. Sustainable investment management requires that ESG responsibilities are integrated across all business functions and are part of the day-to-day operations of the Group. This is why PATRIZIA employs over 40 specialists with ESG knowledge globally, across the entire scope of operations: fund and asset management, real estate development, transactions and client services.

Sustainability is a Management Board responsibility, with the ESG Committee established as one of the Group’s six Executive Committees, directly reporting to the Management Board and being chaired by PATRIZIA’s Co-CEO Thomas Wels who holds responsibility for assessing and managing climate-related risks and opportunities.

Head of Strategy and Sustainability reporting to Co-CEO, directs the business strategy and the systematic development and implementation of the PATRIZIA Sustainability Strategy. He also ensures proper coordination of ESG initiatives across business functions. To ensure strong alignment between sustainability implementation at the strategic Group level and the operational investment level, the ESG Committee includes team leaders from Asset and Fund Management, Real Estate Development, Transactions, Capital Markets and corporate functions such as Human Resources, Digitalisation, Technology & Innovation and Legal & Compliance. The ESG Committee delegates operative tasks to dedicated ESG working groups made up of relevant teams within the organisation in order to fulfil specific sustainability initiatives.

Risk Strategy

Environmental risks

PATRIZIA’s assets under management pose a physical risk to the environment by contributing to global greenhouse gas emissions. To minimise such adverse impact the Sustainability Strategy is constantly reviewed and aligned with energy-saving measures throughout the portfolio. Environmental KPIs are integrated in decision-making and property managers as well as tenants are engaged to increase data coverage of ESG data. To analyse the environmental impact PATRIZIA has analysed and measured the CO2 footprint including scope 1 and 2 of its operations in 2020 following identification of reduction potentials.
Source: https://ghgprotocol.org/calculationg-tools-faq, The GHG Protocol further categorizes these direct and indirect emissions into three broad scopes: Scope 1: All direct GHG emissions, Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam, Scope 3: Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

Climate change risks

Considering the long-term nature of real estate, climate change risks must be taken into account, even when they are not yet always visible. Additionally, PATRIZIA is subject to increasing regulation with regards to environmental protection and climate change mitigation. This transition risk of legislative changes is monitored closely and business partners, especially property managers, are engaged to cooperate in complying with increasing requirements and protect assets against obsolescence due to policy changes. Amongst others, the following transition risks with regards to environmental issues and climate change are monitored:

- **Changing market behaviour:** PATRIZIA sees the shift of demand towards sustainable and responsible investments as an opportunity to future-proof its portfolio by demonstrating responsibility towards stakeholders, the environment and communities.
- **Mandates on and regulation of existing products and services:** PATRIZIA secures that the portfolio is prepared for, amongst others, required EPC levels.
- **Enhanced emissions-reporting obligations:** PATRIZIA is taking steps to improve the Group's abilities to report its carbon footprint with a first CO2 footprint analysis including scope 1 and 2 of the Group's operations. Furthermore, PATRIZIA has set carbon emission reduction targets in line with the targets of the Paris Agreement to ensure resilience of its managed portfolio. In 2020 PATRIZIA has initiated designated carbon reduction pathways for a part of its discretionary investment portfolio including asset specific planning.
- **Physical risks** to the Group's assets under management resulting from severe weather conditions and events are analysed during the due diligence process at time of acquisition. Additionally, the risks of possible structural damages are assessed and appropriately insured. Potential physical risks monitored include, but are not limited to, the following: higher operating costs. PATRIZIA monitors the risk of higher operating costs due to higher insurance premiums to cover risk of climate change. However, up to today no increased insurance costs attributable to environmental or climate change risks has been recorded.
- **Increased capital costs:** Possible higher maintenance and capex costs due to facilities damages and/or inadequate technical facilities to be substituted.

Risks related to employees and social risks
PATRIZIA's employees, their motivation, knowledge and skills are key to the Group's success. Fluctuation of staff and the inability to recruit suitable staff would expose the Group to the risk of losing market expertise and jeopardise its competitive advantage. Risks are mitigated by offering attractive, interesting positions with motivating remuneration schemes, including relevant training opportunities to promote professional and personal development. PATRIZIA continually strives to improve its employer quality and to align with employees' needs.

Due to the nature of PATRIZIA's business there are no material risks imposed on employees with regards to work accidents. Nevertheless, health and well-being topics such as burnout prevention, work-life balance and promoting a sportive lifestyle are taken very seriously.

Human rights and related risks
PATRIZIA is committed to respecting fundamental human rights as defined by the United Nations Universal Declaration of Human Rights and international standards of labour rights as defined by the International Labour Organisation (ILO). As a Germany headquartered business PATRIZIA is also examining its implementation of human rights due diligence at corporate level in relation to the German federal government's National Action Plan on Human Rights. PATRIZIA's commitment to human rights is included in the Group's Compliance Handbook as well as the Modern Slavery Statement and is in line with the UN Global Compact Principles.

Due to its regional focus PATRIZIA sees no particular risk with regards to human rights. PATRIZIA expects that business partners will respect internationally recognised human rights. These include, for example, strict compliance with the prohibition on forced and child labour, as well as observation of the statutory minimum working age. Additionally, PATRIZIA commits to the Modern Slavery Act.

Anti-corruption and -fraud and related risks
PATRIZIA is committed to high ethical standards and expects the same from its employees and third-party service providers. Anti-corruption and -fraud laws around the world explicitly require the implementation of policies and procedures designed to ensure compliance with anti-corruption and -fraud requirements. PATRIZIA has a Code of Values and a Compliance Manual that contain extensive regulations and standards relating to anti-bribery and corruption. In addition, compliance training sessions that particularly cover these two issues have been held globally for all employees in 2020.

PATRIZIA primarily depends on its employees respecting corporate governance and compliance standards. If PATRIZIA's policies and protocols are not enforced and employees show unlawful or unethical behaviour this could have an adverse effect on the business and PATRIZIA's reputation. Therefore, a strong system is in place to ensure the documentation, enforcement and controls of compliance rules and relevant training is provided to all employees via the PATRIZIA Academy.

In particular, PATRIZIA expects that business partners will comply with statutory prohibitions regarding bribery and corruption, as well as competition law. In particular, the Group will in no way tolerate attempts by business partners to inappropriately influence PATRIZIA employees in business dealings through gifts and other benefits. The Group will also not provide any incentives that could give business partners the impression that PATRIZIA staff is receptive to inappropriate gifts or other benefits. Training on these matters is obligatory for all employees and reiterated annually.

ESG Risk Management

The identification and management of climate-related risks are part of the ESG Committee’s scope and fall under the responsibilities of the Co-CEO as chair of the committee. The risk assessment is embedded in the organisation’s overall risk management processes along the investment chain, starting with screening and exclusion and due diligence, active asset management and appropriate consideration in investment specific business plans.

Metrics and Targets

PATRIZIA has identified climate-related and ESG metrics of material impact for its business and the resilience of its investment portfolio in alignment with established industry standards, amongst others TCFD, GRESB, and INREV. The metrics are integrated in asset level reporting and aggregated on portfolio and corporate level. PATRIZIA has set CO2 reduction targets in line with the targets of the Paris Agreement and sets individual portfolio reduction targets for energy and water consumption and waste generation. In 2020 PATRIZIA has analysed the Group’s CO2 footprint including scope 1 and 2 and follows up with a reduction strategy in development for 2021.

2 Economic report

2.1 Economic environment

The markets in general: The year 2020 was marked by the outbreak of the Covid-19 pandemic. The first lockdown in spring 2020 resulted in a massive slump in mobility and almost complete stagnation of economic activity in Europe. Economic performance plummeted in almost all European countries. Late spring and the summer brought recovery, but the recovery phase was slowed down by renewed lockdowns in some European countries in autumn 2020. The extent of the recession varied widely from one country to another. The southern European economies, the United Kingdom and France recorded a much higher decline in gross domestic product than the northern European countries. The Covid-19 pandemic will continue to accompany in 2021, as many countries started the year in lockdown. Despite that Europe is expected to experience a significant economic recovery compared to the previous year. Households and businesses have now adapted to the situation, so the impact of lockdowns and restrictions on mobility is less serious. In addition, vaccination campaigns have been launched throughout Europe to limit the number of infections in the course of the year. The unemployment rate will rise, albeit in a relatively moderate extent, as European and national aid packages support labour markets. The economic recovery, and thus the recovery of labour markets, is expected to accelerate in the northern European countries, which have experienced a smaller decline in gross domestic product. Due to the high economic challenges posed by the impact of the Covid-19 pandemic, the ECB is continuing its low interest rate policy, leaving fixed-income investments unattractive to investors looking for an ongoing attractive return.
Sources: PATRIZIA, PATRIZIA House View, IPE REIM Guide

Real estate markets: The European real estate investment market in 2020 was marked by uncertainties created by the Corona pandemic. As a result, the investment volume of EUR 255 billion was significantly lower (-27%) compared to the EUR 347 billion in the previous year. However, the continuation of central banks' low interest rate policies means that demand for real estate investments remains high, or even increases. Thus, a higher investment volume can be expected in 2021, especially as companies and investors have adapted to the new situation.

The pandemic affects the individual real estate sectors differently. The retail sector has been hit hardest, while residential and logistics have been very resilient. Last year, it became clear that investors are taking this into account and shifting their capital from heavily affected sectors to resilient sectors. Such shifts were evident not only between, but also within the sectors. In 2020, the trend was mainly towards core investments with stable yields. However, the current crisis poses not only many challenges for investors, but also opportunities, for example, from price corrections and/or structural changes. This could provide a lot of movement in the real estate investment market in 2021.
Sources: PATRIZIA, PATRIZIA House View, IPE REIM Guide

Structural growth market: According to the industry consensus, the real estate investment management market will continue to grow in the coming years, regardless of the short or medium term market effects of the Covid-19 pandemic. On the one hand, an aging society is leading to further increases in capital inflows for private product providers. In addition, according to many economists, the low interest rate environment will persist for a few more years, which is why institutional investors on the look-out for returns are increasing their allocations to real estate. At the same time, large investors are increasingly looking for investment managers with a wide range of products, which leads to an ongoing consolidation in the global investment management market. Whereas in 2012 only EUR 15bn in assets under management were needed to be among the top ten real estate investment managers in Europe, by 2019 this had risen to EUR 39bn (+160%).
Sources: IREI, Ifo Institute, INREV, German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth

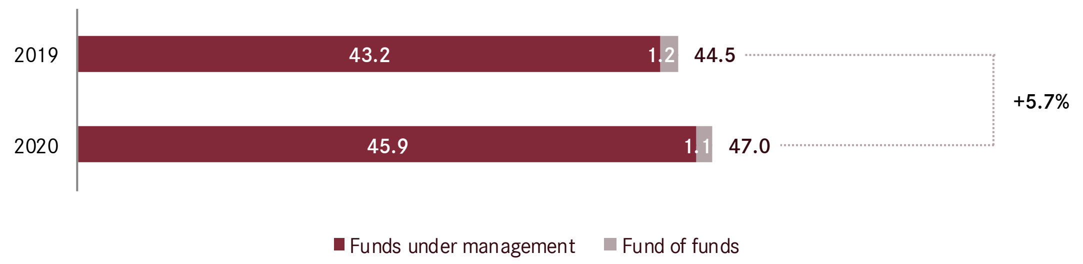
2.2 Business performance | Development of financial performance indicators

Assets under management

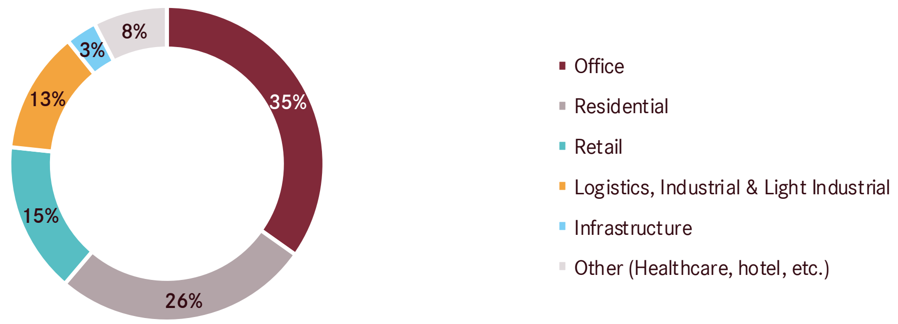
PATRIZIA had real assets under management of EUR 47.0bn as at 31 December 2020, as against EUR 44.5bn as at the end of the previous year. EUR 27.8bn of this related to Germany and EUR 19.2bn to other countries. In total, assets under management rose by EUR 2.5bn or 5.7% in the reporting period and were positively influenced mainly by organic growth, measurement effects, as well as new mandates. The last published forecast of increasing assets under management to between EUR 46.5bn and EUR 48.0bn in 2020 was thus achieved. This forecast was adjusted from the original range of EUR 48.0bn to EUR 49.0bn in the financial report for the first three months of 2020 to reflect uncertainties about the potential impact of the Covid-19 pandemic on European real estate investment markets.

In the 2020 financial year, the definition of assets under management (AUM) was adjusted to the best-practice definitions of the industry standards. According to this definition, financial resources managed for clients in funds are included in addition to pure real estate assets, which positively influenced the calculation of AUM in the 2020 financial year by around EUR 0.8bn. Adjusted for this effect, AUM stood at EUR 45.2bn at 31.12.2019.

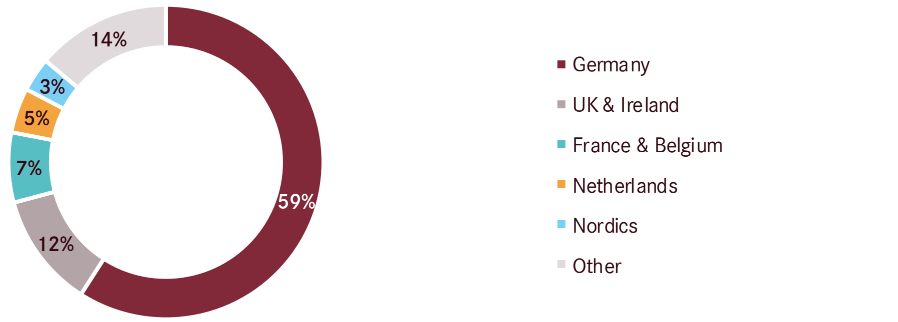
Assets unter management (EUR bn)



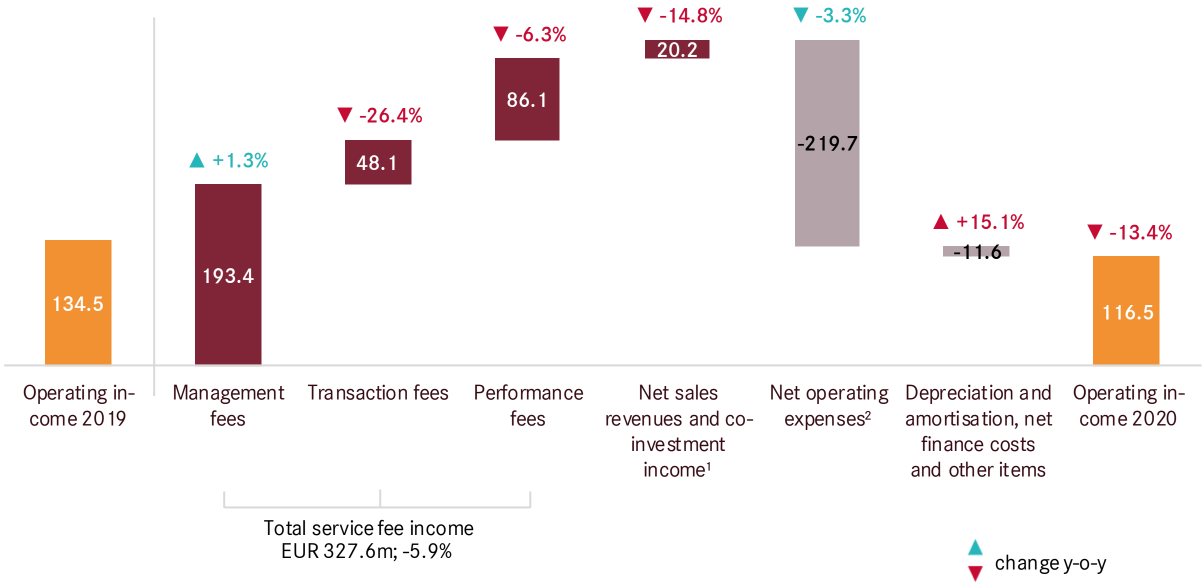
Assets under management as at 31 December 2020 | Sectoral distribution



Assets under management as at 31 December 2020 | Geographical distribution



Composition of operating income (EUR m)



[1] Including EUR 3.1m operating income from participations (IFRS 9)
[2] Inter alia netted against other operating income of EUR 16.5 m

Operating income is the Group's key management parameter. It represents the total of all of the operating items in the income statement adjusted for extraordinary and non-cash effects. In the 2020 financial year, operating income of EUR 116.5m was generated, in line the forecast range of EUR 110.0m to EUR 130.0m.

PATRIZIA had originally expected an operating income in a range of EUR 120.0m to EUR 140.0m.

The forecast for the operating income was extended to EUR 100.0m to EUR 140.0m as part of the quarterly statement for the first three months of the 2020 fiscal year to reflect the uncertainties surrounding the potential impact of the Covid-19 pandemic on the European real estate investment markets.

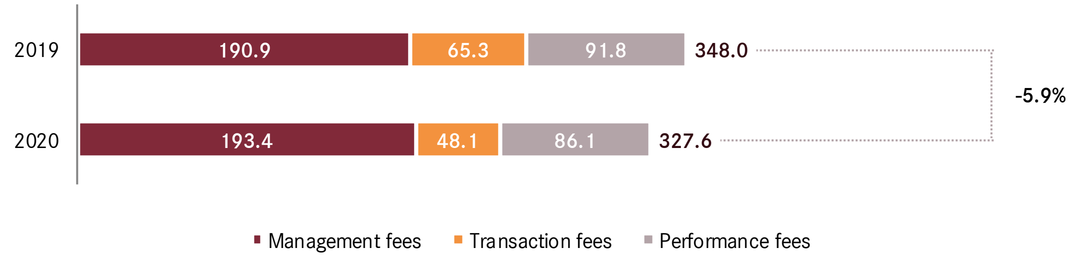
As part of the publication of the quarterly statement on the first nine months of 2020, the forecast for the operating income was refined to EUR 110.0m to 130.0m, as PATRIZIA now had sufficient visibility over the remainder of the fiscal year. All comparisons of the forecast range for the 2020 fiscal year in the remainder of this report therefore refer to the most recently published forecast range.

In line with the strategy, quality of earnings remained on a high level. Net sales revenues and co-investment income only contributed EUR 2.4m to earnings (2019: EUR 13.0m).

A detailed reconciliation of the individual components of operating income to their respective line items in the consolidated income statement in particular can be found from page 41 onwards in this report.

Development of the parameters supporting the management of the company:

Total service fee income (EUR m)



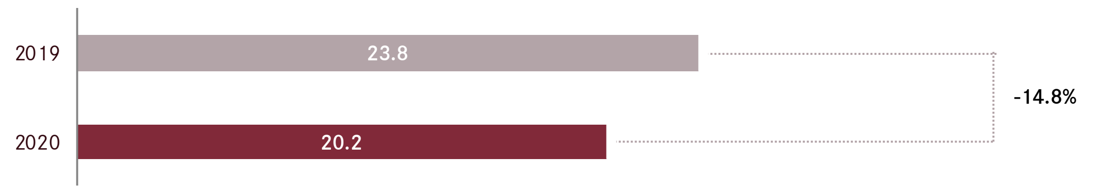
Total service fee income decreased by -5.9% to EUR 327.6m in 2020 (2019: EUR 348.0m). The individual components of total service fee income are discussed below:

Management fees: All services performed by PATRIZIA are compensated in the form of fees. Management fees comprise the company's remuneration for real estate services such as asset, fund and portfolio management and are mostly recurring in nature. Management fees of EUR 193.4m were received in 2020 (2019: EUR 190.9m). This increase of 1.3% was primarily due to organic growth in assets under management and new mandates.

Transaction fees: PATRIZIA receives transaction fees for the implementation of acquisition and disposal transactions. These fees amounted to EUR 48.1m in the past year (2019: EUR 65.3m; -26.4%). Acquisitions accounted for EUR 31.9m of this figure (2019: EUR 41.4m; -22.9%) and disposals for EUR 16.2m (2019: EUR 23.9m; -32.4%). In the same period, the transaction volume on the European market as a whole recorded a Covid-19-related decline from EUR 347.1bn to EUR 254.9bn.

Performance fees: PATRIZIA receives performance fees if defined target investment yields are met or exceeded. Due to the sustained positive development of the real estate assets under management by PATRIZIA, performance fees also remained at a high level of EUR 86.1m and are stable contributor to operating income (2019: EUR 91.8m). In the consolidated income statement, these fees are reported partly as revenues (EUR 60.5m; 2019: EUR 82.8m) and partly as income from participations (EUR 16.6m; 2019: EUR 18.3m) and operating income from participations (EUR 9.0m).

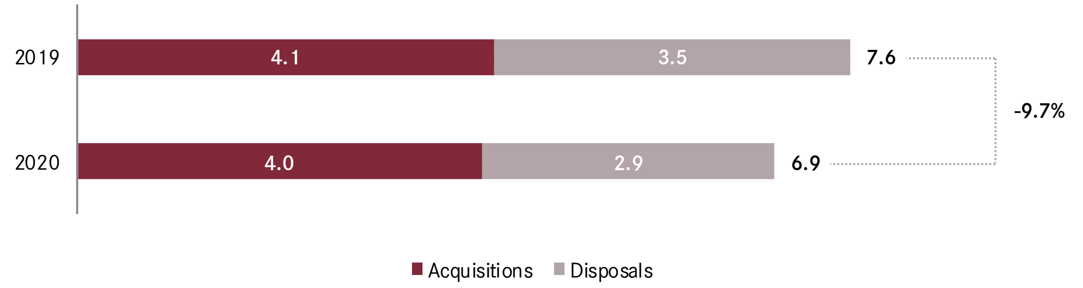
Net sales revenues and co-investment income (EUR m)



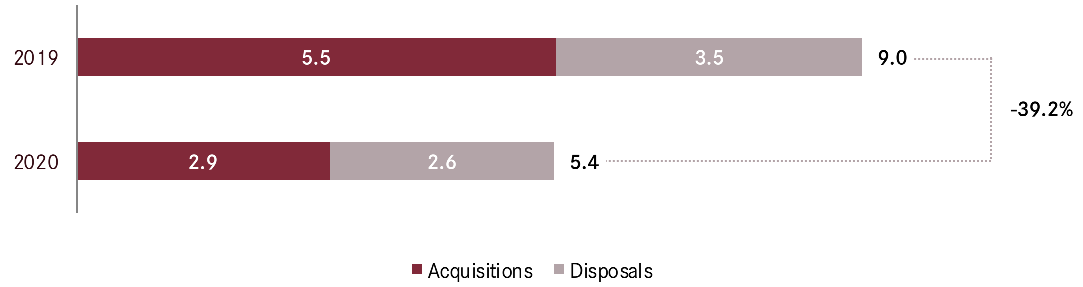
In the 2020 reporting year, PATRIZIA generated net sales revenues and co-investment income of EUR 20.2m after EUR 23.8m in the same period of the previous year. This result shows revenues from the strategic sale of principal investments, which contributed EUR 2.4m to net income (2019: EUR 13.0m) and revenues from co-investments, which contributed EUR 17.1 (2019: EUR 10.8m).

Net operating expenses decreased by 3.3% from EUR 227.2m in the previous year to EUR 219.7m in the reporting year 2020. In the reporting year 2020, investments in the future amounting to EUR 10.7m were excluded from net operating expenses for the first time. Investments in the future are project-related (non-capitalisable) one-off expenses in connection with the expansion of digitalisation and the use of new technologies that are intended to further increase and improve operational efficiency. These include, for example, the automation of processes and the implementation of software solutions (as "software as a service") for data processing and provision.

Transaction volume on the basis of closed transactions (EUR bn)



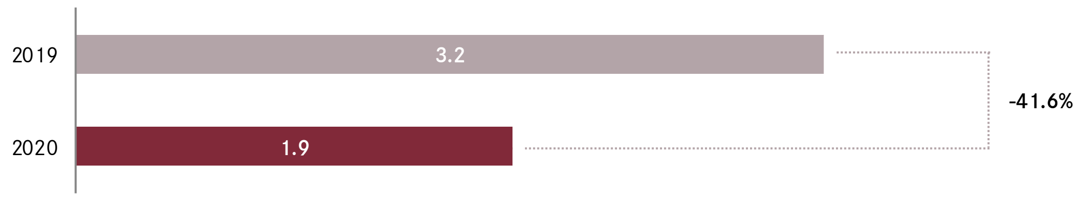
Transaction volume on the basis of signed transactions (EUR bn)



The transaction volume consists of the realised property acquisitions and disposals. Acquisitions closed in 2020 amounted to EUR 4.0bn (signed in 2020: EUR 2.9bn; signed in 2019: EUR 5.5bn) while disposals closed amounted to EUR 2.9bn (signed in 2020: EUR 2.6bn; signed in 2019: EUR 3.5bn). All in all, PATRIZIA closed a volume of transactions at EUR 6.9bn, corresponding to a year-on-year decrease of 9.7%.

PATRIZIA signed transactions in the amount of EUR 5.4bn in the 2020 financial year (2019: EUR 9.0bn, -39.2%). The difference between signing and closing results from the fact that the transfer of ownership, benefits and obligations does not take place until the purchase price is paid. This payment is initiated as soon as certain predefined conditions have been met after the signing.

Equity raised (EUR bn)



In the period under review, equity of EUR 1.9bn was raised from institutional, private and (semi-)professional investors for various national and international investments, as against EUR 3.2n in the previous year (-41.6%).

Cost Coverage Ratio

CCR is a profitability indicator based on market-independent recurring fee income. The recurring fee income (Cost Coverage Income) is calculated from the management fees of a current financial year and 25% of the average transaction fees of the last 5 financial years (but at least EUR 14.1 million). This fee income is put in relation to the recurring costs (Cost Coverage Expenses), the sum of personnel expenses (without taking into account variable compensation components) and net operating expenses, without taking into account extraordinary expenses (e.g. from M&A transactions or expensed investments in the future).

In FY 2020 the cost coverage ratio improved to 119.8% from 111.3% in the previous year.

2.3 Economic situation

2.3.1 General statement by the Management Board

In the 2020 financial year, PATRIZIA again enjoyed considerable success on the European real estate markets despite the challenging market environment due to the Covid-19 pandemic. The financial position of PATRIZIA AG continues to provide a solid basis for the mid-term strategy.

The **operating income** of EUR 116.5m was in line with the last published forecast for the financial year 2020 of between EUR 110.0m and EUR 130.0m. The business model of PATRIZIA AG proved to be resilient and resistant to the crisis. Recurring management fees increased 1.3% to EUR 193.4m. Despite the challenging market environment, PATRIZIA was able to do selective attractive transactions for the global client base. The resulting transaction fees decreased -26.4% y-o-y to EUR 48.1m. Performance fees remained a stable contributor to operating income at EUR 86.1m (change compared to the previous year: -6.3%). Total service fee income decreased by 5.9% to EUR 327.6m. Through strict cost discipline, net operating expenses decreased by 3.3% to EUR 219.7m. Net operating expenses also adjusted for expenses of EUR 10.7m (2019: EUR 0) for the development and application of new technologies to equip the PATRIZIA platform for the future.

Total service fee income

EUR m	2020	2019	Change
Management fees	193.4	190.9	1.3%
Performance fees	86.1	91.8	-6.3%
Transaction fees	48.1	65.3	-26.4%
Total service fee income	**327.6**	**348.0**	**-5.9%**

Assets under management increased by 5.7% year-on-year to EUR 47.0bn, partly due to acquisitions on the European real estate market for national and international clients and the acquisition of new asset management mandates.

Dividend payment

In 2020, a dividend of EUR 0.29 per share was paid in cash, an increase of 7.4% on the previous year. The HGB unappropriated profit in the amount of EUR 500.8m was used to pay the dividend, with the remaining amount being carried forward to new account. By way of resolution of the Annual General Meeting on 1 July 2020 a cash dividend of EUR 26.0m in total was paid. Based on the share of the IFRS consolidated net profit for 2019 attributable to shareholders of EUR 52.9m, this corresponded to a pay-out ratio of 50.7%. The dividend was paid on 6 July 2020.

2.3.2 Results of operations of the Group

Operating income

Operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for the non-cash effects like the measurement of investment property and unrealised currency and derivative effects, amortisation on fund management contracts, and net reorganisation income or expense as well as non-capitalisable investments in the future. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.

In the 2020 financial year, PATRIZIA generated operating income of EUR 116.5m, thus exceeding the forecast for 2020 of between EUR 110.0m and EUR 130.0m (previous year: EUR 120.0m to EUR 130.0m). The forecast range was extended from the original EUR 120.0m to EUR 140.0m to EUR 100.0m to EUR 140.0m with the report on the first three months of 2020 due to the uncertainties caused by the Covid-19 pandemic and specified to the stated range with the report on the first nine months of 2020. In line with strategy, the quality of earnings remains on a high level. The strategic sale of principal investments only contributed EUR 2.4m to operating income.

A detailed reconciliation of the development of the operating income can be found in the table below.

Reconciliation of operating income

EUR k	2020	2019	Change
EBITDA	**115,686**	**136,922**	**-15.5%**
Amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-42,309	-55,562	-23.9%
EBIT	**73,377**	**81,360**	**-9.8%**
Finance income/expenses	-3,735	-4,015	-7.0%
Other financial result	0	300	-100.0%
Result from currency translation	-7,595	-234	>1,000.0%
EBT	**62,046**	**77,411**	**-19.8%**
Amortisation of fund management contracts and licenses as well as financial investments	25,848	40,242	-35.8%
Changes in value of investment property	-4	791	-100.4%
Realised changes in value of investment property (net)	0	3,972	-100.0%
Reorganisation result	0	7,961	-100.0%
Other financial result	0	-300	-100.0%
Non-cash currency effects	5,738	-459	< - 1,000.0%
Operating income from participations (IFRS 9)	12,102	4,905	146.7%
Investments in the future	10,721	0	/
Operating income	**116,453**	**134,523**	**-13.4%**

[1] In particular fund management contracts transferred as part of the recent acquisitions

The decrease in operating income is essentially due to the lower transaction fees resulting from the lower transaction activity in European real estate markets. Income from the sale of remaining principal investments and the corresponding income are declining steadily in line with strategy, i.e. improving the quality of earnings.

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

Revenues and earnings

EUR k	2020	2019	Change
Revenues	301,693	398,703	-24.3%
Total operating performance	316,275	363,611	-13.0%
EBITDA	115,686	136,922	-15.5%
EBIT	73,377	81,360	-9.8%
EBT	62,046	77,411	-19.8%
Net profit for the period	40,678	56,347	-27.8%
Operating income[1]	116,453	134,523	-13.4%

[1] Please see page 18 for the definition of operating income

Revenues

Revenues decreased in the 2020 reporting year, from EUR 398.7m to EUR 301.7m (-24.3%). Due to the challenging market environment due to Covid-19, revenues from management services decreased because of lower transaction activity for clients. Proceeds from the sale of principle investments also decreased, in line with strategy.

Revenues

EUR k	2020	2019	Change
Revenues from management services	292,503	329,504	-11.2%
Proceeds from the sale of principal investments	3,746	60,828	-93.8%
Rental revenues	3,500	2,970	17.8%
Revenues from ancillary costs	955	2,099	-54.5%
Other	989	3,302	-70.0%
Revenues	**301,693**	**398,703**	**-24.3%**

Revenues from management services decreased in the reporting period by 11.2% year-on-year from EUR 329.5m to EUR 292.5m. However, revenues alone have only limited information value; certain profit and loss items below revenues must also be taken into account in order to fully assess the Group's performance.

Taking into account the income from the Dawonia GmbH co-investment, which is reported in income from participations, **total service fee income** amounted to EUR 327.6 down 5.9% on the previous year's figure of EUR 348.0m. As a result of the organic growth in AUM and the acquisition of new mandates, management fees increased by 1.3% year-on-year to EUR 193.4m (2019: EUR 190.9m). Transaction fees decreased due to the Covid-19 related challenging market environment by -26.4% to EUR 48.1m (2019: EUR 65.3m). Performance fees remained stable at a high level of EUR 86.1m (2019: EUR 91.8m; -6.3%) and included, among other things, operating income from participations (IFRS 9) of EUR 9.0m (2019: EUR 0.0m).

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

Reconciliation of total service fee income

EUR k	2020	2019	Change
Management fees (excluding income from participations)	183,904	181,361	1.4%
Performance fees (excluding income from participations, excluding operating income from participations (IFRS 9))	60,508	82,815	-26.9%
Transaction fees	48,091	65,328	-26.4%
Revenues from management services	**292,503**	**329,504**	**-11.2%**
Performance fees (in income from participations)	16,571	18,254	-9.2%
Shareholder contribution for management services (in income from participations)	9,490	9,490	0.0%
Operating income from participations (IFRS 9)[1]	9,001	0	/
Performance fee label funds	0	-9,231	-100.0%
Total service fee income	**327,565**	**348,018**	**-5.9%**

[1] Includes only the portion attributable to service fee income

Proceeds from the sale of principal investments amounted to EUR 3.7m after EUR 60.8m in the previous year and resulted from the strategic sale of principal investments. The reduction of principal investments is consistent with the stronger strategic focus on investment management services.

PATRIZIA generated **rental revenues** of EUR 3.5m in the period under review after EUR 3.0m in the 2019 financial year. The increase in comparison to the previous year is mainly due to the temporary consolidation of properties for the closed-end fund business.

Revenues from ancillary costs relate to rental ancillary costs and amounted to EUR 1.0m in the period under review (2019: EUR 2.1m).

Other essentially comprises transaction costs that are charged on to the corresponding investment vehicles. This item decreased from EUR 3.3m in the previous year to EUR 1.0m in the 2020 financial year.

Total operating performance

Total operating performance reflects PATRIZIA's operating performance more comprehensively than revenues. Other relevant parameters, such as changes in inventories – which must be viewed in relation to proceeds from the sale of principal investments, among other things – are taken into account in total operating performance. PATRIZIA's total operating performance decreased by -13.0% to EUR 316.3m in 2020 after EUR 363.6m in the previous year.

Reconciliation of total operating performance

EUR k	2020	2019	Change
Revenues	301,693	398,703	-24.3%
Income from the sale of investment property	0	252	-99.9%
Changes in inventories	-2,242	-50,535	-95.6%
Other operating income	16,522	14,607	13.1%
Income from the deconsolidation of subsidiaries	302	585	-48.4%
Total operating performance	**316,275**	**363,611**	**-13.0%**

Income from the sale of investment property

PATRIZIA generated income of EUR 0.0m from the sale of investment property in the 2020 financial year after EUR 0.3m in the previous year.

Changes in inventories

Changes in inventories consist of the carrying amount of principal investments sold from inventories (-) and the capitalised cost of materials assigned to inventories (+). Changes in inventories of EUR -2.2m were reported in 2020 (2019: EUR -50.5m). The carrying amount of inventories decreased by EUR 2.8m compared to the previous year (2019: EUR 52.8m, -94.5%). Inventories were increased by the capitalisation of EUR 0.5m (2019: EUR € 2.3m, -77.3%), primarily relating to construction and maintenance work on principal investments.

Other operating income

Other operating income amounted to EUR 16.5m in financial year 2020 (2019: EUR 14.6m). Income from discontinued obligations essentially results from the final settlement of bonuses, variable salaries from 2019 and remaining holiday entitlements in the amount of EUR 3.6m (2019: EUR 4.0m), from the reversal of provisions for outstanding invoices in the amount of EUR 2.7m (2019: EUR 3.7m) as well as from the release of other tax provisions in the amount of EUR 1.4m (2019: EUR 0). The income from bargain purchase results from the acquired subsidiary Silver Swan S.a.r.l. from the current 2020 financial year (See also item 2.1 in the notes to the financial statements). In 2019 litigation costs/risks that were no longer applicable after the conclusion of a court settlement in the amount of EUR 0.6m were included. The “Other” item mainly includes other agency fees of EUR 0.5m (2019: EUR 0) and income from other charges of EUR 0.4m (2019: EUR 0.5m). In 2019 income from the recalculation of the liability remuneration from the years 2014 to 2019 (EUR 1.2m) was also included.

Income from the deconsolidation of subsidiaries

Income from the deconsolidation of subsidiaries was EUR 0.3m in the financial year 2020 (2019: EUR 0.6m). This item primarily results from the deconsolidation of property companies, in which assets are temporarily held on the balance sheet. These are intended for placement in a closed-end fund of PATRIZIA GrundInvest KVG for private and (semi-) professional investors.

EBITDA

Reconciliation of EBITDA

EUR k	2020	2019	Change
Total operating performance	316,275	363,611	-13.0%
Cost of materials	-3,568	-6,601	-46.0%
Cost of purchased services	-16,066	-28,036	-42.7%
Staff costs	-143,759	-131,769	9.1%
Change in value of investment property	4	-791	-100.4%
Other operating expenses	-76,678	-84,718	-9.5%
Impairment result for trade receivables and contract assets	418	-429	-197.5%
Result from participations	31,624	32,891	-3.9%
Earnings from companies accounted for using the equity method	9,181	725	>1,000.0%
Cost from the deconsolidation of subsidiaries	1,746	0	/
EBITDAR	**115,686**	**144,883**	**-20.2%**
Reorganisation result	0	-7,961	-100.0%
EBITDA	**115,686**	**136,922**	**-15.5%**

Cost of materials

The cost of materials includes construction and maintenance work for principal investments that are typically capitalised and must be considered in conjunction with changes in inventories. The cost of materials declined by 46.0% year-on-year from EUR 6.6m to EUR 3.6m.

Costs for purchased services

In particular, the cost of purchased services comprises the purchase of fund management services for the label funds for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service asset management company. To improve the presentation of performance, transaction costs which are incurred to generate revenue and can generally be charged on have also been included in this item since 2018.

Staff costs

PATRIZIA employed a total of 881 full-time equivalents (FTE) as at 31 December 2020, compared to 814 in the previous year.

Staff costs

EUR k	2020	2019	Change
Fixed salaries	79,686	70,555	12.9%
Variable salaries	36,568	37,193	-1.7%
Social security contributions	18,331	15,943	15.0%
Sales commission	1,020	1,801	-43.4%
Effect of long-term variable remuneration[1]	1,742	833	109.1%
Share-based payment	1,085	0	/
Other	5,327	5,444	-2.1%
Total	**143,759**	**131,769**	**9.1%**

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

Correlating to the rise in the price of PATRIZIA AG shares, staff costs of EUR 1.7m (2019: EUR 0.8m) arose in connection with the remeasurement of the value of phantom shares in the reporting period.

The rise of staff costs is primarily due to the need for additional personnel because of the growth in assets under management. Considering the economies of scale that can be achieved using new technologies, the product-related and strategically important functional areas have essentially been strengthened to strengthen operational efficiency and further improve service quality. The annual inflation adjustment and a review of the compensation components in connection with the introduction of a new compensation model also contributed to the increase.

An expense of EUR 1.1m was recognised for the share-based payment agreement for executives introduced in the 2020 financial year. Further information on the determination of the fair value of this remuneration component can be found in section 9.1.2 of the notes to the consolidated financial statements.

Changes in value of investment property

This item contains the result of the annual revaluation of investment property. Changes in the value of investment property amounted to EUR 0.0m (income) in the 2020 financial year after EUR -0.8m (income) in the previous year.

Other operating expenses

Other operating expenses decreased by 9.5% to EUR 76.7m in 2020 after EUR 84.7m in the previous year. This item breaks down as follows:

Other operating expenses

EUR k	2020	2019	Change
Tax, legal, other advisory and financial statement fees	22,348	26,146	-14.5%
IT and communication costs and cost of office supplies	17,956	15,979	12.4%
Rent, ancillary costs and cleaning costs	3,331	2,707	23.0%
Other taxes	1,638	6,969	-76.5%
Vehicle and travel expenses	4,599	7,075	-35.0%
Advertising costs	3,915	5,890	-33.5%
Recruitment and training costs and cost of temporary workers	7,510	4,779	57.1%
Contributions, fees and insurance costs	4,450	3,721	19.6%
Commission and other sales costs	729	1,981	-63.2%
Costs of management services	186	513	-63.7%
Indemnity / reimbursement	572	846	-32.5%
Donations	1,493	1,084	37.8%
Other	7,951	7,026	13.2%
Total	**76,678**	**84,718**	**-9.5%**

Tax, legal, other advisory and financial statement fees in the amount of EUR 22.3m (2019: EUR 26.1m) inter alia include:

- Project-related consulting services in the context of digitalisation as well as costs of initial testing, acquisition and use of new technologies in the amount of EUR 5.8m (2019: EUR 2.1m).
- Costs for consulting services in connection with the introduction of the new remuneration structure and a human resources management software in the amount of EUR 1.3m (2019: EUR 0m)
- Costs related to the management consulting of BrickVest amounting to EUR 1.4m (2019: 0m)
- Costs related to the acquisition of companies (in 2020 mainly BrickVest, in 2019 TRIUVA & Kenzo) amounting to EUR 1.8m (2019: EUR 0.6m and EUR 0.5m, respectively)

The increase in IT, communication costs and costs for office supplies results from the increased use of technological innovations and the further expansion of the degree of digitization.

The decrease in the item “Other taxes” results mainly from additional sales tax payments made in the previous year, which did not arise in the current reporting year.

The decrease in car and travel costs as well as advertising costs is due to the travel and contact restrictions in connection with the Covid-19 pandemic.

The increase in recruitment, training and temporary employment costs results primarily from the increased use of recruitment agencies and interim management services to support project-related work in the context of digitization.

The rise in premiums, fees and insurance costs resulted in an increase in the coverage of risks for the Asian and US regions.

The donations include donations to charitable organizations such as the PATRIZIA Foundation. In 2018, the company's Management Board decided to support non-profit organizations with up to 1% of the company's operating profit annually.

Impairment losses for trade receivables and contract assets

This item includes impairment losses for other trade receivables and other assets in the amount of EUR 0.4m (2019: EUR -0.4m).

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

PATRIZIA generated result from participations of EUR 31.6m in 2020 (2019: EUR 32.9m, -3.9%). This decrease was mainly due to lower performance fees from the Dawonia co-investment. Investment income totalling EUR 29.3m was received for the Dawonia co-investment (2019: EUR 31.0m).

Earnings from companies accounted for using the equity method, which primarily contains the co-investment WohnModul I SICAV-FIS, generated EUR 9.2m (2019: EUR 0.7m). The year-on-year increase is due to higher income from the WohnModul co-investment. Overall, income from participations and earnings from companies accounted for using the equity method represent the investment income from co-investments and, for Dawonia GmbH, management and performance fees as well.

Result from participations

EUR k	2020	2019	Change
Dawonia GmbH	29,284	30,967	-5.4%
Harald-Portfolio	0	777	-100.0%
Co-investments in the UK (Aviemore and Citruz)	-0	516	-100.1%
Seneca	854	438	95.0%
TRIUVA	80	183	-56.0%
Closed-end funds business	1,060	12	>1,000.0%
Other	346	0	< - 1,000.0%
Result from participations	**31,624**	**32,891**	**-3.9%**
Earnings from companies accounted for using the equity method	**9,181**	**725**	**>1,000.0%**
Total	**40,805**	**33,616**	**21.4%**

Net reorganisation expenses

In the previous year, the reorganisation income/expense arose as part of the integration of TRIUVA and Rockspring. This mainly concerned expenses for severance payments, current salaries during the release phase, material costs and consulting costs in connection with the reorganization. Since the reorganisation has been completed, there is no corresponding expense in the reporting year.

Consolidated net profit

In the 2020 financial year, PATRIZIA's consolidated net profit decreased to EUR 40.7m (2019: EUR 56.3m; -27.8%), primarily due to the effects of the Covid-19 pandemic on European real estate markets.

Reconciliation of consolidated net profit

EUR k	2020	2019	Change
EBITDA	**115,686**	**136,922**	**-15.5%**
Amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-42,309	-55,562	-23.9%
Earnings before interest and taxes (EBIT)	**73,377**	**81,360**	**-9.8%**
Finance income	2,971	2,096	41.8%
Financial expenses	-6,707	-6,111	9.7%
Other financial result	0	300	-100.0%
Result from currency translation	-7,595	-234	>1,000.0%
Net finance costs	**-11,330**	**-3,950**	**186.9%**
Earnings before taxes (EBT)	**62,046**	**77,411**	**-19.8%**
Income taxes	-21,369	-21,064	1.4%
Net profit for the period	**40,678**	**56,347**	**-27.8%**

[1] In particular fund management contracts transferred as part of the recent acquisitions

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

Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment

Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment decreased to EUR 42.3m (2019: EUR 55.6m; -23.9%) and chiefly consisted of amortisation of fund management contracts (see note 4.1.2 or 6.11 in the notes to the consolidated financial statements for further information) and licences of EUR 24.4m (2019: EUR 40.2m), amortisation of rights of use of EUR 10.4m (2019: EUR 9.9m), and amortisation of software and depreciation of operating and office equipment of EUR 6.0m (2019: EUR 5.4m). The statement of changes in fixed assets is discussed in detail in note 4 of the notes to the consolidated financial statements.

Net finance costs

Financial income increased to EUR 3.0m after EUR 2.1m in the previous year (+41.8%), and essentially resulted from the shareholder loans to co-investments, interest on late purchase price payments and interest refunds from the tax office. Financial income was offset by financial expenses of EUR 6.7m (2019: EUR 6.1m, +9.7%), including in particular interest for bonded loans and interest accrued on retirement benefit obligation. “Other financial result” includes income from the write-up in connection with the remeasurement of financial assets in the amount of EUR 0.0m (2019: EUR 0.3m).

Result from currency translation

The result from currency translation amounted to EUR -7.6m as at 31 December 2020 (2019: EUR -0.2m). It is composed of realised currency effects of EUR -1.9m (2019: EUR -0.7m) and unrealised non-cash currency effects of EUR -5.7m (2019: EUR 0.5m).

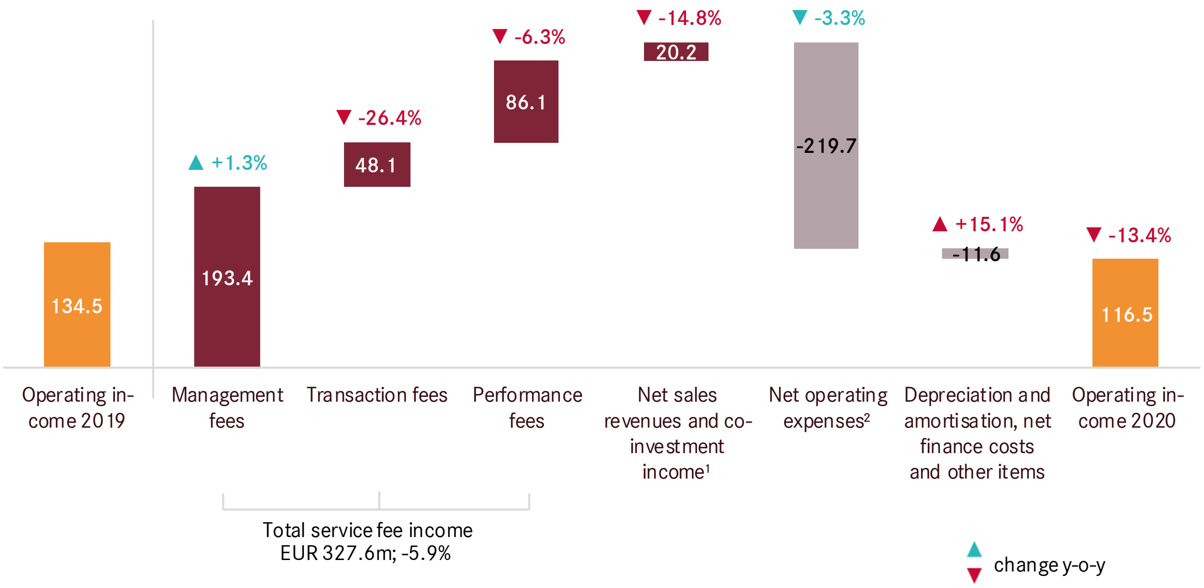
Income taxes

Tax expenses amounted to EUR 21.4m in the 2020 financial year after EUR 21.1m in the previous year (+1.4%).

Detailed reconciliation to operating income

The individual components of operating income and their respective line items, in particular within the consolidated income statement, are explained below.

Composition of operating income (EUR m)



[1] Including EUR 3.1m operating income from participations (IFRS 9)
[2] Inter alia netted against other operating income of EUR 16.5m

The **management fees** of EUR 193.4m are predominantly derived from “Revenues from management services”, which includes EUR 183.9m in management fees (excluding income from participations). In addition, there are management services provided as a shareholder contribution for Dawonia in the amount of EUR 9.5m, which is included in “Income from participations” (see page 35).

Transaction fees of EUR 48.1 are also included in “Revenues from management services”, as shown in the overview of service fee income on page 35.

Like management fees, **performance fees** of EUR 86.1m derive partly from “Revenues from management services” and partly from “Income from participations”. The breakdown was as follows in 2020: EUR 60.5m in performance fees (excluding income from participations) and a performance-based shareholder contribution of EUR 16.6m included in “Income from participations”. Further EUR 9.0m from operating income from participations are also included (see page 35).

These three fee streams add up to **total service fee income** of EUR 327.6m.

Net sales revenues and co-investment income of EUR 20.2m consists of the following items: “Proceeds from the sale of principal investments” of EUR 3.7m (page 35) plus “Changes in inventories” of EUR -2.2m and “Costs of materials” of EUR -3.6m (page 74); also “Rental revenues” of EUR 3.5m “Revenues from ancillary costs” of EUR 1.0m (page 35), and “Income from the sale of investment property” of EUR 0.0m (page 74). Finally “Realised changes in the value of investment property” (net) of EUR -0.0m were also included in the calculation (page 34) – bringing the total to EUR 2.4m. The net income from co-investments contributes a total of EUR 17.8m and results from “Earnings from companies accounted for using the equity method” of EUR 9.2m and EUR 5.6m from return on equity invested. In addition, “Operating income from participations (IFRS 9)” in the amount of EUR 3.1m is taken into account.

Net operating expenses of EUR 219.7m include staff costs of EUR 143.8m (page 73) and the following non-staff operating costs and other income items of EUR 86.7m in total: “Other operating expenses” of EUR 76.7m, “Cost of purchased services” in a net amount of EUR 16.1m and “Impairment on trade receivables and contract assets ” of EUR -0.4m and “Expenses from the deconsolidation of subsidiaries” of EUR 1.7m. Offsetting income items consist of “Other operating income” of EUR 16.5m, “Income from the deconsolidation of subsidiaries” of EUR 0.3m (all page 74) and other revenues of EUR 1.0m (page 35). An amount of EUR 10.4m from amortisation of rights of use (page 40) from the item “Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment" is also included here as an item that increases expense. Costs for investments in the future of EUR 10.7m were adjusted in the end which include costs for temporary work of EUR 2.7m, IT-costs of EUR 4.4m and advisory costs of EUR 3.6m.

Depreciation and amortisation, financial result and other items of EUR -11.6m includes "Amortisation of software and depreciation of operating and office equipment and other" in the amount of EUR -6.0m (page 128) as well as "Financial income" of EUR 3.0m and "Financial expenses" of EUR -6.7m (page 128). The "Result from currency translation" (EUR -7.6m) is adjusted for the expense/income from non-cash currency translation (EUR 5.7m; page 34) and thus included in the calculation in the amount of EUR -1.9m. "Amortisation of fund management contracts and licences" of EUR -24.4 are also included in this item, but are neutralized (page 128).

2.3.3 Financial position of the PATRIZIA Group

PATRIZIA's key asset and financial data at a glance

EUR k	31.12.2020	31.12.2019	Change
Total assets	1,962,083	1,987,080	-1.3%
Equity (excl. non-controlling interests)	1,237,240	1,206,391	2.6%
Equity Ratio	**63.1%**	**60.7%**	**2.3 PP**
Cash and cash equivalents	495,454	449,084	10.3%
+ Term deposits	180,797	185,000	-2.3%
+ Securities	0	1,000	-100.0%
- Bank loans	-43,200	-93,194	-53.6%
- Bonded loans	-300,000	-300,000	0.0%
= Net cash (+) / net debt (-)	333,051	241,891	37.7%
Net Equity Ratio[1]	**76.4%**	**75.7%**	**0.7 PP**

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

Total assets

The Group's total assets were relatively stable at EUR 2.0.bn as at 31 December 2020.

Equity

Equity (excluding non-controlling interests) was relatively stable at EUR 1.2bn as at the end of 2020. This small increase was partly due to the remeasurement of participations and performance fee claims, which increased equity by EUR 51.5m year-on-year. In addition, the share of the consolidated net profit attributable to the shareholders of the parent company less the dividend payment to the shareholders had a positive impact on equity. A share buy-back programe carried out in the 2020 financial year with a volume of EUR 27.9m had a reducing effect. Please see the statement of changes in equity for further information on changes in equity. The equity ratio increased slightly accordingly.

Investment property and inventories

PATRIZIA's property assets decreased by -85.7% in the reporting period, from EUR 115.0m as at 31 December 2019 to EUR 16.5m as at 31 December 2020. This decrease was mainly attributable to a temporary rise in inventories in the previous year. This item contained real estate only temporarily held for subsequent contribution to a fund product for private and (semi-)professional investors (EUR 91.6m). By contrast, investment property remained on a low level at in line with the strategy from EUR 1.8m as at 31 December 2019 to EUR 1.8m at the end of 2020.

Investment property and inventory

EUR k	31.12.2020	31.12.2019	Change
Inventories	14,647	113,208	-87.1%
Investment property	1,838	1,835	0.2%
Real estate assets	**16,485**	**115,043**	**-85.7%**

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

PATRIZIA's capital allocation as at 31 December 2020

	Assets under Management EUR m	Invested capital (fair value) EUR m	Invested capital (at cost) EUR m	Participations in %
Third-party business	**40,905.2**	**0.0**		
Co-Investments	**6,087.3**	**510.5**	**87.1**	
Residential	**5,525.1**	**496.4**	**75.6**	
Dawonia GmbH	4,928.1	163.4 [1]	51.7	5.1
Dawonia performance fee claims		309.0 [1]	0.0	0.1
WohnModul I SICAV-FIS	597.0	23.9	23.9	10.1
Other		0.1	0.1	0.0
Commercial Germany	**559.9**	**11.7**	**8.6**	
Alliance	231.8	5.6 [1]	5.1	5.1
Seneca	159.1	3.6 [1]	1.8	5.1
PATRoffice		0.3 [1]	0.2	6.3
TRIUVA/IVG logistics	169.1	1.1 [1]	0.8	2.1
TRIUVA/IVG commercial		1.2 [1]	0.7	11.0
Commercial International	**2.3**	**2.4**	**2.8**	
Citruz Holding LP (UK)	2.3	0.0 [1]	0.4	10.0
First Street Development LTD (UK)		2.4	2.4	10.0
Principal investments	**15.9**	**16.5**		
Other balance sheet items		**365.2** [2]		
Tied-up investment capital	**47,008.5**	**892.2**		
Available liquidity		645.0		
Total investment capital	**47,008.5**	**1,537.2**		
of which debt (bonded loans)		300.0		
of which equity PATRIZIA (without non-controlling interests)		1,237.2		

[1] After deduction of deferred taxes from the valuation according to IFRS 9
[2] Including goodwill and fund management contracts

Capital structure

Financial liabilities

The Group's financial liabilities decreased from EUR 393.2m as at 31 December 2019 to EUR 343.2m as at 31 December 2020. The bonded loan of EUR 300.0m raised in 2017 consists of tranches of five, seven and ten years, and bears interest at both fixed and floating rates averaging 1.5% p.a. This bonded loan is partly recognised under non-current liabilities (EUR 234.0m) and partly under current liabilities (EUR 66.0m). The short-term bank loans of EUR 43.2m relate to temporary interim financing for properties for one of the funds managed by PATRIZIA.

Financial liabilities developed as follows as against the end of 2019:

Financial liabilities

EUR k	31.12.2020	31.12.2019	Change
Non-current bonded loans	234,000	300,000	-22.0%
Current bonded loans	66,000	0	0.0%
Short-term bank loans	43,200	93,194	-53.6%
Total financial liabilities	**343,200**	**393,194**	**-12.7%**

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

Liquidity

PATRIZIA has available liquidity of EUR 645.0m as at 31 December 2020 compared to EUR 607.0m at the end of 2019.

Liquidity

EUR k	31.12.2020	31.12.2019
Cash and cash equivalents	495,454	449,084
Term deposits	180,797	185,000
Securities	0	1,000
Liquidity	**676,251**	**635,084**
Regulatory reserve for asset management companies	-31,229	-22,266
Transaction related liabilities and blocked cash	0	-5,469
Liquidity in closed-end funds business property companies	-15	-388
Available liquidity	**645,007**	**606,961**

Liquidity amounts to EUR 676.3m in total (31 December 2019: EUR 635.1m). However, PATRIZIA cannot freely access this amount. A total of EUR 180.8m is invested in securities and deposits with a withdrawal notice period of more than three months. Furthermore, cash and cash equivalents of EUR 31.2m in total must be permanently retained for asset management companies and closed-end funds in order to comply with the relevant regulatory requirements. Accordingly, PATRIZIA has directly available cash funds of EUR 645.0m (31 December 2019: EUR 607.0m).

Consolidated cash flow statement

Cash flow from operating activities amounted to EUR 82.9m in the year under review after EUR 56.6m in 2019.

The cash flow from operating activities (operating cash flow) may reflect certain distortions from year to year due to the regulatory and temporary inclusion of the closed-end investment KGs of PATRIZIA GrundInvest KVG mbH (closed-end funds business). The purchase of properties for subsequent placement as part of the closed-end funds business reduces the operating cash flow as an addition to inventories. From the Group’s point of view, these properties are accounted for as inventories, as these recur in the context of the deconsolidation of closed-end investment companies when investors join. The financing of this measure is included in the cash flow from financing activities. When the corresponding companies are added to/removed from the Group, the operating cash flow is not affected. No such transaction has taken place in FY 2020.

Cash flow from investing/disinvesting activities resulted in a cash outflow of EUR -15.3**m** in the reporting year (2019: inflow of EUR 42.1m) and is mainly due to payments from loans as a result of short-term interim financing for properties for a fund managed by PATRIZIA (EUR 61.7m). Offsetting items are mainly equity repayments in the Co-Investment WohnModul I SICAV-FIS in the amount of EUR 41.5m.

Added to this is the **cash flow from financing activities** of EUR -18.3**m**, compared to EUR 17.8**m** in the previous year. The most important components of financing activities in 2020 included various loan borrowings and repayments, including for the short-term interim financing of properties for PATRIZIA AG funds in the amount of EUR 43.2m described above, as well as the dividend distribution of EUR 26.0m to PATRIZIA AG shareholders. In addition, a share buyback programme with a volume of EUR 27.9m was carried out.

Accordingly, the change in **cash and cash equivalents** amounted to EUR 49.3m (2019: EUR 116.5m), meaning that cash and cash equivalents increased from EUR 449.1m at the end of 2019 to EUR 495.5m as at 31 December 2020.

Abridged consolidated statement of cash flow for the Period from 1 January to 31 December 2020

EUR k	2020	2019
Cash flow from operating activities	82,870	56,620
Cash flow from investing/divesting activities	-15,312	42,106
Cash flow from financing activities	-18,296	17,771
Change in cash and cash equivalents	49,262	116,497
Cash and cash equivalents as at 01.01.	**449,084**	**330,598**
Effects of changes in foreign exchange rates on cash and cash equivalents	-2,892	1,989
Cash and cash equivalents as at 31.12.	**495,454**	**449,084**

2.3.4 Notes to the HGB annual financial statements of PATRIZIA AG (holding company)

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

As the financial and management holding company for these operating companies, PATRIZIA AG generated **sales revenues** of EUR 31.9m (2019: EUR 22.4m; 42.6%), which mainly resulted from management fees paid to the subsidiaries. The item **other own work capitalised and other operating income** increased to EUR 9.8m in 2020 (2019: EUR 3.9 m). This increase is mainly attributable to income from realised (EUR 3.2m; 2019: EUR 0.6m) and unrealised exchange rate fluctuations (EUR 1.9m; 2019: EUR 0.0m) as well as income from the reduction of the general bad debt allowance (EUR 1.0m; 2019: EUR 0.0m).

The **cost of materials** increased to EUR 0.7m. **Staff costs** increased by 11.0% to EUR 33.3m (2019: EUR 30.0m). This results from the annual wage adjustment and the increase in the number of employees (annual average: 223 FTEs; 2019: 207 FTEs). **Depreciation, amortization and write-downs and other operating expenses** show an increase of 4.2% to EUR 60.2m (2019: EUR 57.8m), mainly due to higher IT and software costs. At EUR 98.2m, the **income from participations, financial assets, profit transfers and loss absorption** is below that of the previous year (2019: EUR 148.7m). This is mainly the result of lower income from profit transfers. At EUR -5.0m, **net interest income** in 2020 was up on the previous year (2019: EUR -8.0m). This was primarily due to lower interest expenses from affiliated companies. Taxes were reduced by EUR 7.9m to EUR 12.2m in the financial year 2020.

This results in an HGB **net profit** for the past year of EUR 28.5m (2019: EUR 58.7m) at PATRIZIA AG. Together with the profit carried forward of EUR 474.8m this forms the company's unappropriated profit and the offsetting of the difference between the calculated value and the acquisition costs for the purchase of treasury shares of EUR -26.6m. This **unappropriated profit** decreased from EUR 500.8m in 2019 to EUR 476.7m in 2020.

PATRIZIA AG is expected to enjoy positive development in the 2021 financial year. Further information can be found in the Group forecast (note 5).

Abridged consolidated balance sheet of PATRIZIA AG

EUR k	31.12.2020	31.12.2019
Fixed assets	502,745	670,368
Current assets	809,064	710,055
Prepaid expenses	4,466	2,516
Total assets	**1,316,275**	**1,382,939**
Equity	750,168	775,630
Provisions	31,584	29,667
Liabilities	534,523	577,642
Total equity and liabilities	**1,316,275**	**1,382,939**

Abridged income statement of PATRIZIA AG

EUR k	2020	2019	Change
Revenues	31,881	22,351	42.6%
Other own work capitalised and other operating income	9,842	3,868	154.4%
Cost of materials (cost of purchased services)	-729	-349	109.2%
Staff costs	-33,255	-29,960	11.0%
Depreciation, amortisation and write-downs and other operating expenses	-60,224	-57,804	4.2%
Income from participations, financial assets, profit transfers and loss absorption	98,181	148,716	-34.0%
Net interest expense	-4,954	-8,030	-38.3%
Taxes	-12,248	-20,081	-39.0%
Net profit for the year	**28,494**	**58,711**	**-51.5%**
Profit carried forward	474,746	442,042	7.4%
Purchase of treasury shares	-26,571	0	-100.0%
Unappropriated profit	**476,668**	**500,754**	**-4.8%**

3 Other disclosures

3.1 Acquisition-related disclosures

The aim of all arrangements is to meet the standards for capital market-oriented German companies.

Composition of share capital, share classes

The company's share capital amounts to EUR 92,351,476.00 divided into 92,351,476 shares. These are no-par value bearer shares; there are no other share classes. The company held 2,668,545 treasury shares as at 31 December 2020. The company's share capital shown in the consolidated balance sheet amounts to EUR 89,682,931.00 accordingly. Further details can be found in the notes to the consolidated financial statements under 5.1 Equity and 5.1.4 Treasury shares.

Restrictions on voting rights and the transfer of shares

Each share grants the holder one vote. There are no restrictions on the voting rights or the transfer of shares (with the exception of individual shares transferred to third parties by PATRIZIA AG in connection with company acquisitions with the condition that they may not be sold within a defined lock-up period). The Management Board is not aware of any corresponding shareholder agreements. Treasury shares do not entitle the company to voting rights.

Direct or indirect interest in the Company's share capital of more than ten percent

As at 31 December 2020, Wolfgang Egger, CEO of PATRIZIA AG, held an interest in the company's share capital totalling 51.81% via First Capital Partner GmbH, in which he directly and indirectly holds a 100% equity interest via we holding GmbH & Co. KG.

Shares with special rights conferring powers of control

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

Controls in respect of voting rights for shares held by employees

There are no controls in respect of voting rights.

Appointment and dismissal of members of the Management Board, amendments to the Articles of Association

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

Authorisation of the Management Board to issue and buy back shares

By resolution of the Annual General Meeting on 20 June 2018, the Management Board was authorised to purchase shares of the company amounting to up to 10% of the then existing share capital up to and including 19 June 2023; this corresponds to 9,235,147 shares. The authorisation may be exercised in whole or in part, on one or more occasions and in pursuit of one or more objectives by the company and its Group companies or by third parties acting on behalf of the company and its Group companies. The Management Board is free to choose whether to purchase the shares on the stock exchange, by means of a public purchase offer extended to all of the company's shareholders, by means of a public invitation to sell or through the use of derivatives. The purchased shares may be subsequently used for all legally permissible purposes; in particular, they may be withdrawn, sold in exchange for cash or non-cash contributions or used to meet subscription or conversion rights.

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

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

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

Significant agreements by the Company contingent upon a change of control following a takeover bid

There are, with the exception of the LTI Plan, no agreements contingent upon a change of control following a takeover bid.

Compensation agreements between the Company and members of the Management Board or employees in the event of a takeover bid

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

3.2 Remuneration report

The remuneration report details the principles and the essential features of the remuneration system for the Management Board and Supervisory Board of PATRIZIA AG. It explains the remuneration which is granted to the individual members of the Management Board and Supervisory Board for the financial year 2020 and discloses the amount of the payments made.

The remuneration system of the Management Board aims to follow the same principles and clear line of vision as the system implemented for all other employees and Senior Leaders of PATRIZIA, especially considering the remuneration structure and remuneration elements but also considering the target setting approach behind performance related remuneration elements.

Remuneration of the Management Board

Over the last few years, four companies have come together to become ONE PATRIZIA. As part of the integration process of the acquisitions carried out since 2017, PATRIZIA has implemented a new remuneration system for the entire company including the Management Board.

The Supervisory Board approved the new remuneration system for the Management Board. The following principles were considered for the design of the new remuneration system:

- Harmonizing the remuneration structure and elements of the Management Board with the employees of PATRIZIA and PATRIZIA's Senior Leaders.

- Supporting the achievement of PATRIZIA's corporate strategy and vision of becoming the global partner for real assets and ensuring continued long-term success, which is reflected in PATRIZIA's mid-term strategy "Strategy 2023". Especially the structure and design of PATRIZIA's annual Short-Term Incentive Plan (STI) and Long-Term Incentive Plan (LTI) including its target setting approach aims to support the delivery and fulfilment of the targets set in "Strategy 2023".
- Addressing the variety of PATRIZIA's stakeholder interests by demanding the attainment of a diverse set of targets including a focus on sustainability.
- Ensuring market competitiveness and being in line with legal requirements and recommendations (i.e. §87a AktG, German Corporate Governance Code).
- Enabling a clear performance orientation by focusing on the achievement of collective and individual objectives.

The new remuneration system contributes to the strategy, long-term interest and sustainable success of PATRIZIA and its stakeholders through the following principles:

- A diverse set of individual and corporate targets to reflect the company's strategy with focus on long-term value creation.
- Full alignment with key performance indicators used in strategic decision making and regular financial reporting (e.g. Operating income, Assets under Management and Cost Coverage Ratio).
- Focus on further improving recurring profitability, efficiency and growth of the company's platform to stay competitive and safeguard PATRIZIA's leading market position.

Additionally, due to the new legal requirements pursuant to §120a, Paragraph 1 AktG, the first-time consultative vote on the new remuneration system for the Management Board will take place at the Annual General Meeting in 2021.

Already six of in total seven Management Board Members are participating in the new remuneration system for the Management Board which is described in what follows. Only the new remuneration system will be applied to future contract extensions or new contracts for members of the Management Board.
The structure of the remuneration and the amounts paid to the members of the Management Board are defined and regularly reviewed by the Supervisory Board. The review considers all the assessment criteria recommended in Section G of the German Corporate Governance Code and the requirements according to §87 AktG to the extent no deviation is declared. It also includes a market benchmark of the compensation levels against the market practice of key competitors in the same industry. Due to PATRIZIA's increasing international footprint, diverse portfolio and Management Board Members' background, the benchmark is based on two comparative peer groups, one German and one European peer group. An external independent expert was consulted for the determination of the peer groups. The European peer group focuses primarily on investment management firms and is complemented by financial services organisations with a focus on real estate financing. Since the number of comparable investment management firms is limited in Germany, the German peer group focuses on the real estate industry and firms that are comparable with PATRIZIA regarding its business model and size, the number of their employees as well as their geographic and industry or business focus.

The remuneration paid to the members of the Management Board is based on their respective area of responsibility, the individual performance, the performance of the Management Board as a whole, as well as on the economic and financial position and success of PATRIZIA. The remuneration paid to the members of the Management Board has the aim to be appropriate, performance-based and consistent with market conditions. It is composed of the following non-performance-related and performance-related components with a short-term and long-term incentive effect:

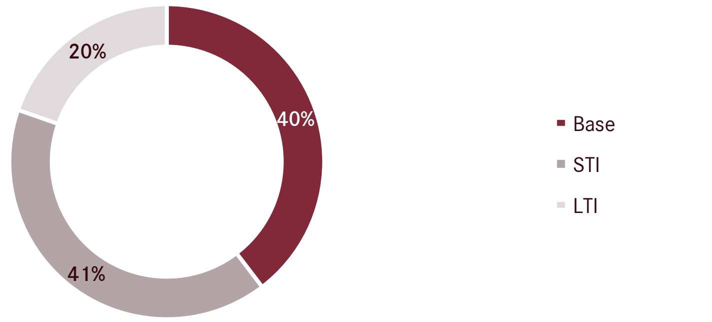
- Fixed annual remuneration (base salary, pension contribution, benefits)
- Short Term Incentive (STI)
- Long Term Incentive (LTI)

Variable component as a proportion of the total remuneration of the Management Board

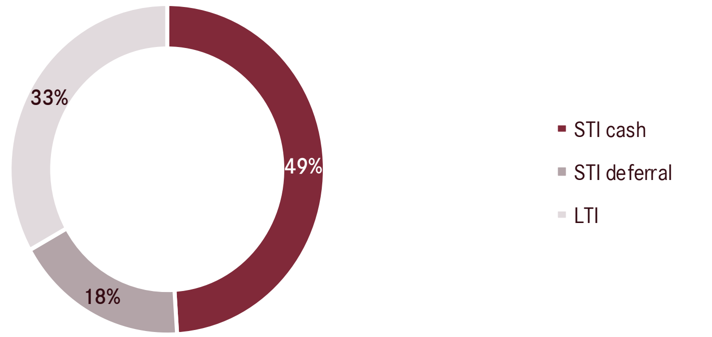
Taking into account the different target percentages for each Management Board Member due to their area of responsibility, the total variable compensation resulting from the annual Short Term Incentive accounts for 70-140% of base salaries assuming the company's and personal targets are met in full (100% target attainment). The variable compensation resulting from the Long Term Incentive accounts for 36-60% of base salaries assuming targets are met in full (100% target attainment). Hence in total 54-65% of the total remuneration (base pay + STI + LTI) is subject to performance related remuneration elements.

This leads to the following average pay mix structure of non-performance related (base) and performance related (STI + LTI) remuneration elements in 2020:

Structure total remuneration



Structure varibale remuneration



In accordance with the recommendations of the German Corporate Governance Code, the variable element of target compensation at PATRIZIA has a predominantly long-term character. Thus, more than 50% of the yearly variable remuneration (variable remuneration understood as STI and LTI Award together) ("deferral threshold") is granted in share-based instruments awarded as deferrals from the short-term incentives and/or through the long-term incentive plan. These awards are subject to multi-year performance periods.

In order to meet the requirement of the German Corporate Governance Code, Performance Shares are granted subject to a three-year performance period and two-year holding period as part of PATRIZIA's Long Term Incentive Plan; furthermore, the portion of the short-term incentive required to meet the deferral threshold is granted in Phantom Shares and deferred for four years. The values of the Performance Shares and Phantom Shares are subject to PATRIZIA's share price development.

The predominantly long-term character of the variable remuneration is facilitated by a structure with more than 50% of the variable remuneration being based on the achievement of long-term targets. The target metrics as such applied under the STI and LTI, such as "Growth in Assets under Management (AuM)" or "Cost Coverage Ratio (CCR)" have a long-term success character. AuM correlates with a long product maturity and ensures stable and recurring management fees for several years. The CCR reflects the profitability ratio of the company with revenues primarily based on management fees. Furthermore, the Performance Shares granted under the LTI are subject to the development of PATRIZIA's CCR and the development of the company's Total Shareholder Return (TSR) compared to peer indices. Both, CCR and TSR, stand for long-term sustainable success for PATRIZIA.

Non-performance-related remuneration

Non-performance-related remuneration components are the fixed annual remuneration, which consists of a base salary being paid as a monthly salary reflecting the Board Member's role in the Management Board, pension contributions, benefits in kind and other benefits, which primarily comprise the amounts permitted to be recognised under tax law for insurance premiums and the use of a company car.

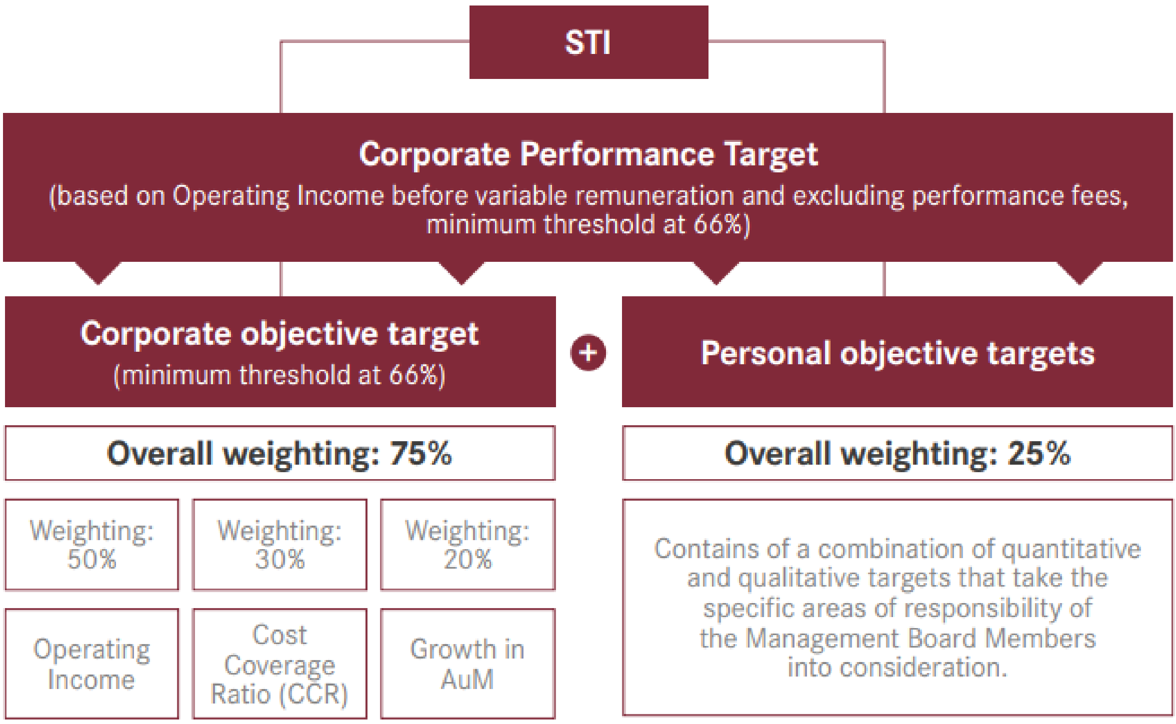
Performance-related remuneration

Short-term variable remuneration components

The Short-Term Incentive (STI) rewards for the achievement of PATRIZIA's short- to mid-term business objectives set as part of the objective setting agreement of the performance for the respective financial year performance.

The absolute and relative amount of the STI remuneration differs between the members of the Management Board and is based on a contractually agreed target rate between 70-140% of base salary. The award of the Short-Term variable remuneration component is determined based on qualitative and quantitative targets defined at the start of the financial year.

Overview of the Short Term Incentive (STI)



For the Management Board to receive any STI in respect of the financial year, a minimum threshold of 66% must be achieved for the Corporate Performance Target, which is measured on PATRIZIA's Operating Income (before variable remuneration and excluding performance fees). There is no additional minimum threshold for the Personal objective targets to be reached.

Provided that the Corporate Performance Target meets its minimum threshold, the annual pay-outs are determined by the target attainment of two subcomponents – a Corporate objective target and the Personal objective targets – whereas the Corporate objective target is weighted with 75% and the Personal objective targets with 25% in the performance evaluation. The performance evaluation considers both positive and negative developments.

The Corporate objective target is set by the Supervisory Board at the beginning of every performance year and is defined and applied consistently to all Management Board Members. For 2020, the Corporate objective target includes the following financial KPIs:

- Operating Income - 50% weighting
- Cost coverage ratio (CCR) - 30% weighting
- Growth in assets under management (AuM) - 20% weighting

The performance achieved against these objectives will be assessed at the end of the financial year. Depending on the performance achieved, pay-outs for the corporate component (Corporate objective target) can vary between 0%-200% of the Target Bonus.

In accordance with the German Corporate Governance Code, more than 50% of the variable remuneration is based on the achievement of long-term targets ("long-term threshold"). To follow this guideline, the portion of the STI award required to achieve this long-term threshold (in addition to the LTI Award) is being deferred and converted into Phantom Shares. The value of a “Phantom Share” corresponds to the value of one PATRIZIA AG share based on the average of the Xetra closing price in the period starting 30 days before and ending 30 days after 31 December of the relevant performance year. The equivalent value of the “Phantom Shares” is paid to the member of the Management Board after a “lock-up period” of four years following the relevant financial year. The value of a “Phantom Share” relevant for the payment corresponds to the value of one PATRIZIA AG share according to the average of the Xetra closing prices in the period starting 30 days before and ending 30 days after 31 December of the fourth year following the “lock-up period”. This ensures that the above-mentioned portion of the STI delivers value by fully mirroring PATRIZIA’s long-term share price development. The Performance Shares do not carry any voting or dividend rights

For 2020, the following target values for the Corporate objective target were set and achieved:

Corporate objective target

Objectives[1]	Weighting	Min	Target	Max	Attainment[2]
Operating Income	50%	80%	100%	140%	117%
CCR	30%	96%	100%	110%	103%
AuM Growth	20%	80%	100%	120%	61%

[1] Performance corridor translates into Corporate objective target achievement levels of 0% - 200%
[2] The attainment of the above targets is subject to the Supervisory Board’s final decision. Final figures are being published in the following remuneration report

This led to an overall 111% target attainment for the Corporate objective target for all Management Board Members.

The target attainment of the corporate performance objective was measured at 110% for the financial year 2020. As the final target attainment is above 66%, an STI award will be granted to the members of the Management Board.

For the Personal objective targets, the target attainment is individually evaluated following the end of the financial year. In the following an overview of the topic areas taken into account for the Personal objective targets is provided:

Topic areas taken into account for the personal objective targets FY2020

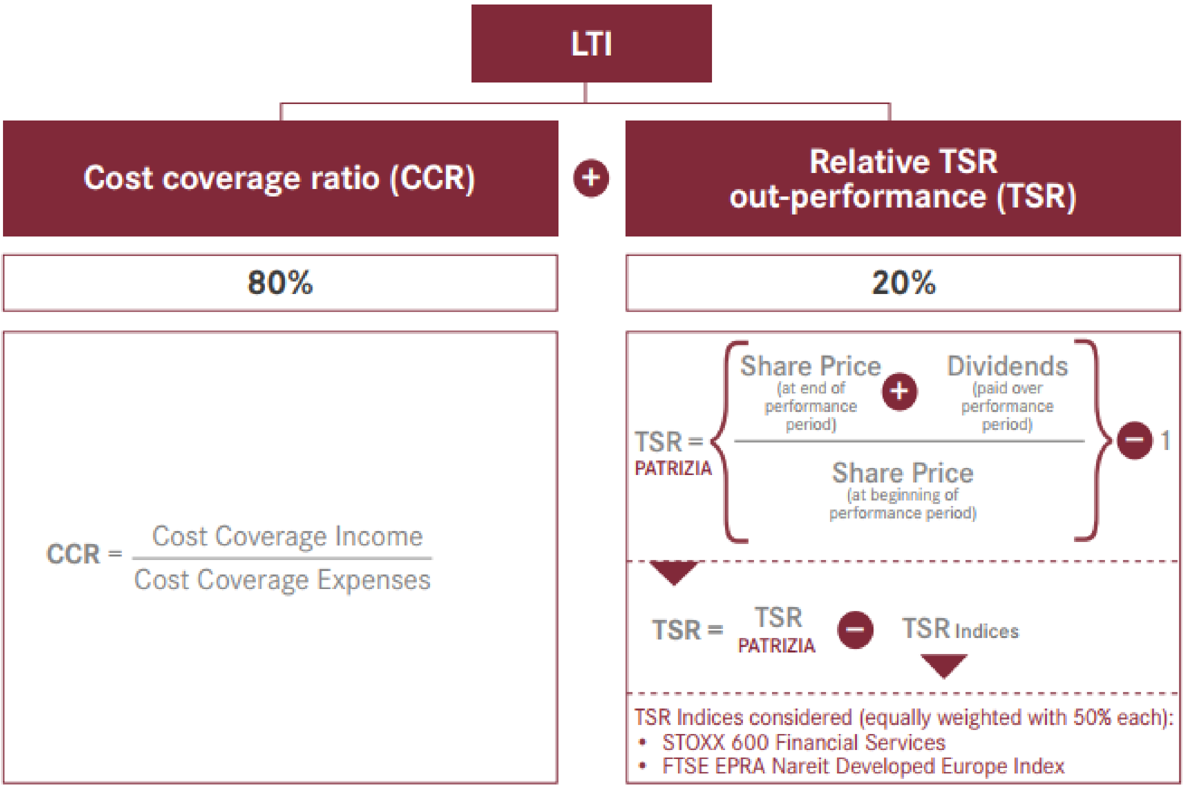
Member of the Management Board	Topic areas for individual targets - FY2020	Alignment with purpose, vision & strategy
Wolfgang Egger	- Develop PATRIZIA's strategy further - Leading the Company to deliver on Strategy 2023 development targets - Increase client satisfaction and retention; broaden and diversify client base	- Deliver on Company purpose: "Building communities & sustainable futures"
Thomas Wels	- Focus on diversifying sources of growth incl. search for suitable M&A opportunities to enhance and complement product offering and service to clients - Advancing the operating model	- Become the leading partner for global real assets
Alexander Betz	- Simplify processes, digitalise and automate workflows - Harmonise and optimise system landscape - Develop and provide an online portal as well as API to better serve clients and property managers	- Simplification – we make things simple to unleash our strengths
Karim Bohn	- Enhance company-wide tax compliance and risk management through implementation of state-of-the art systems and tools - Driving forward the capital markets activities - Implement system-based profit contribution analysis and reporting	- Stability – we will be a stable and reliable partner for our clients and shareholders
Dr Manuel Käsbauer	- Driving PATRIZIA's T&I investments - Global T&I trend scouting	- Services – we create value with best-in-class services for our clients, tenants and employees
Anne Kavanagh	- Securing investment performance - Strengthening research and innovation to support product development	- Scope – we create investment opportunities with attractive return profiles
Simon Woolf	- Introduce and implement a companywide performance management and reward program - Further development of software-based HR management systems	- Becoming the employer of choice

The individual attainments of the Personal objective targets are subject to the Supervisory Board's decision but can be expected to broadly lie in the range of 100%. Final target attainments will be published in the following remuneration report. For the former member of the Management Board Klaus Schmitt an individual target attainment of 100% was fixed as part of the settlement agreement.

Long-term variable remuneration components

The new Long-Term Incentive plan (LTI) was introduced as part of the overall remuneration structure in 2020 and aligns the interests of shareholders, PATRIZIA´s Management Board Members and Senior Leaders of the company. The plan aims to put the focus of the Management Board Members on the long term and sustainable success of the company by measuring performance on the achievement of multiyear objectives and considering the company performance relative against the development of the market environment. It also supports equity ownership of the individual Board Members.

Overview of the Long Term Incentive (LTI)



Cost Coverage Income: Calculated from the management fees of a current financial year and 25% of the average transaction fees of the last 5 financial years (but at least EUR 14.1m)
Cost Coverage Expenses: The sum of personnel expenses (without taking into account variable compensation components) and net operating expenses, without taking into account extraordinary expenses (e.g. from M&A transactions or expensed investments in the future).

The LTI remuneration component is based on a contractually agreed yearly target value that lies between a range starting at EUR 150,000 up to EUR 224,756 (equivalent to GBP 200,000) for every Management Board Member.

Participants of the LTI plan are awarded with annual grants in every financial year, which gives the opportunity to participate in a new performance schedule every year. The LTI plan uses Performance Shares to measure the company's success over a period of three financial years which defines one LTI plan performance period.

The initial grant of 2020 will be subject to the following performance conditions measures over three financial years up to the end of 2022:

– Development of the company's Cost Coverage Ratio (CCR) - 80% of the award
– Development of the relative Total Shareholder Return (TSR) - 20% of the award

The company's target CCR is defined based on the company's business plan. For the LTI grant in 2020, the targets are in line with the overall strategy of PATRIZIA and targets set out in the company's mid-term business plan. The company's TSR development is measured against two indices (STOXX 600 Financial Services Index and FTSE EPRA/NAREIT Developed Europe Index) that are weighted equally. A performance corridor is being defined to determine how much of the Performance Shares vest depending on the three-year performance of the two performance measures CCR and TSR. Therefore, a threshold, a target and maximum level (cap) of vesting are defined. No Performance Shares vest below the threshold level, and the number vesting between threshold and target, and target and maximum, is determined on a straight-line basis. Delivery can be settled in company shares or as a cash equivalent.

For 2020, the following values were set:

LTI KPIs

2020 Grant Performance Corridor[1]	Threshold	Target	Max
CCR	91%	100%	117%
TSR	80%	100%	120%

[1] Performance Corridor translates into target achievement of 50% - 200%

The LTI awards granted relate to a specified nominal number of shares in the capital of the company which are described as Performance Shares. The granted Performance Shares relate to a nominal value on the grant date which is equal to a specified cash amount. The Performance Shares can be seen as a right to receive a cash equivalent or as a right to receive company shares when the performance conditions are met at the end of the performance period.

The Performance Shares vest after the three-year performance period to the Management Board Members and are transferred to them after the end of the additional two-year holding period – in sum the shares are transferred to the plan participants after a total of five years. At the end of the holding period, a pay-out will be made in cash or by transferring the vested shares to the participant.

2020 is the first time the LTI award was granted to the Management Board Members. Therefore, no pay-out is due until 2025.

LTI-Award

Members of the Management Board	Award date	Performance period	Performance period	End of holding	Total number of performance shares granted
Wolfgang Egger	02.01.2020	3 years	31.12.2022	31.12.2024	10,541
Thomas Wels	01.05.2020	3 years	31.12.2022	31.12.2024	10,541
Alexander Betz	02.01.2020	3 years	31.12.2022	31.12.2024	7,906
Karim Bohn	0	0 years	0	0	0
Dr Manuel Käsbauer	02.01.2020	3 years	31.12.2022	31.12.2024	7,906
Anne Kavanagh	02.01.2020	3 years	31.12.2022	31.12.2024	12,459
Simon Woolf	02.01.2020	3 years	31.12.2022	31.12.2024	9,344
Klaus Schmitt	0	0 years	0	0	0

Relevant provisions governing the vesting of outstanding awards connected to the cessation of employment is contained in the Terms & Conditions of the LTI plan. Subject to the nature of cessation, outcome could typically be vesting in full, vesting partially, or lapsed entirely. Discretion, if applied, will be determined by the Supervisory Board.

For the LTI plan a change of control clause is provided. In the event of a change of control, where the company underlies a takeover by an acquiring company, Performance Shares will vest on a pro-rata basis or continue to be invested depending on the acquiring company. In case a takeover result in a winding-up of the company, unvested awards will vest on a time pro-rated basis, i.e. the number of shares granted apportioned by number of years accumulated over the vesting period. Performance Shares will be scaled back by reference to the number of years completed from the date of grant to the date of the change of control relative to the length (in years) of the vesting period. In case a takeover results in the company being organized under a new holding parent, no immediate vesting of awards takes place and a “Replacement Award” will be offered to the participants by the acquiring company.

Maximum Remuneration
According to the new remuneration system, the total remuneration to be granted for a financial year (sum of all remuneration amounts spent for the relevant financial year including fixed annual salary, variable remuneration (STI and LTI Award) and fringe benefits) of a member of the Management Board is limited to a maximum amount. This applies regardless of whether the remuneration amounts are paid out in the respective financial year or at a later point in time. Under this system, the total remuneration of the CEO may not exceed an amount of EUR 7.0m gross for a financial year. The same applies to the total remuneration of the Co-CEO. The total remuneration for any other member of the Management Board may not exceed an amount of EUR 6.2m gross or GBP 5.4m gross, in the event that a service agreement provides for remuneration in GBP, for a financial year under this system.

For the following Management Board Members a maximum remuneration to be granted for a financial year (sum of all remuneration components paid for the financial year in question including fixed annual salary, variable remuneration (STI and LTI Award) and fringe benefits) (gross), has been agreed:

- Wolfgang Egger: EUR 6.1m
- Thomas Wels: EUR 6.1m
- Alexander Betz: EUR 3.0m
- Dr Manuel Käsbauer: EUR 2.2m
- Anne Kavanagh: GBP 4.5m
- Simon Woolf: GBP 2.2m

For the financial year 2020 the maximum remuneration limit has not been exceeded for any of the aforementioned Management Board Members.

Malus and clawback
Following the recommendation of the German Corporate Governance Code, malus and clawback provisions have been implemented, which ensure a further alignment of interest with the company's shareholders. PATRIZIA is entitled to reclaim an appropriate amount of the variable remuneration paid pursuant to the STI or LTI component if a malus or clawback event take place. This could refer, inter alia, to a material misstatement in the financial results of the company or a violation of any relevant external or internal rules relating to conduct. In the financial year 2020, no malus or clawback provision was applied for the Management Board of PATRIZIA AG.

Pension entitlements
PATRIZIA AG provides allowances for a statutory pension insurance or contributions to a personal pension plan, insofar the member of the Management Board takes out a corresponding policy. The allowances will be made on a monthly or annual basis and paid in gross amounts depending on the plan.

Directors & officers liability insurance (D&O)
The company has purchased insurance for the members of the Management Board to cover their personal liability arising from their service on the Management Board. The D&O insurance provides for a deductible of 10% of the damage up to 150% of the Management Board Member's fixed annual remuneration.

Total remuneration for the 2020 financial year
The total remuneration granted to serving and former members of the Management Board for the 2020 financial year based on 100% target attainment amounts to EUR 8.6m (2019: EUR 5.2m), comprising EUR 3.4m in non-performance-related remuneration and EUR 5.2m in performance-related remuneration. Some of this amount was not yet paid out. The specifications for 2020 contain EUR 2.4m of Phantom Shares and Performance Share units granted to the members of the Management Board. Of the Phantom Shares the cash value equivalent will be paid out in the 2025 financial year, whilst the Performance Shares will be delivered to the Management Board Members in 2025 or will be paid out as cash value equivalent following completion of the combined vesting and holding period.

The total remuneration paid out to the serving and former members of the Management Board in the year under review amounted to EUR 6.9m (2019: EUR 4.9m).

The overview below provides the remuneration granted to the members of the Management Board for the financial year 2020. In addition, the actual remuneration paid in the 2020 financial year is shown, which also includes work performed in previous years.

Remuneration granted Wolfgang Egger, CEO

Appointed: 21.08.2002
Appointed until: 30.06.2021

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	420	420	420	420
Fringe benefits[1]	0	0	0	0
Sub-total	**420**	**420**	**420**	**420**
Short-term variable remuneration (STI)	926	588	0	1,176
STI in cash	617	386	0	772
STI Deferral (in phantom shares)[2]	309	202	0	404
Long-term variable remuneration (LTI)[2]	0	200	0	400
Total	**1,346**	**1,208**	**420**	**1,996**
Service cost[3]	12	12	12	12
Total remuneration	**1,358**	**1,220**	**432**	**2,008**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Thomas Wels, Co-CEO

Appointed: 01.05.2020
Appointed until: 30.04.2023

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	0	433	433	433
Fringe benefit[1]	0	16	16	16
Sub-total	**0**	**450**	**450**	**450**
Short-term variable remuneration (STI)	0	607	0	1,213
STI in cash	0	395	0	791
STI Deferral (in phantom shares)[2]	0	211	0	423
Long-term variable remuneration (LTI)[2]	0	200	0	400
Total	**0**	**1,256**	**450**	**2,063**
Service cost[3]	0	44	44	44
Total remuneration	**0**	**1,300**	**493**	**2,107**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Alexander Betz, CDO

Appointed: 01.01.2020
Appointed until: 31.12.2022

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	0	420	420	420
Fringe benefits[1]	0	18	18	18
Sub-total	**0**	**438**	**438**	**438**
Short-term variable remuneration (STI)	0	336	0	672
STI in cash	0	238	0	476
STI Deferral (in phantom shares)[2]	0	98	0	196
Long-term variable remuneration (LTI)[2]	0	150	0	300
Total	**0**	**924**	**438**	**1,410**
Service cost[3]	0	12	12	12
Total remuneration	**0**	**936**	**450**	**1,422**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Karim Bohn, CFO

Appointed: 01.11.2015
Appointed until: 31.10.2023

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	420	420	420	420
Fringe benefits[1]	18	18	18	18
Sub-total	**438**	**438**	**438**	**438**
Short-term variable remuneration (STI)	718	750	375	1,125
STI in cash	479	500	250	750
STI Deferral (in phantom shares)[2]	239	250	125	375
Long-term variable remuneration (LTI)[2]	0	0	0	0
Total	**1,156**	**1,188**	**813**	**1,563**
Service cost[3]	12	12	12	12
Total remuneration	**1,168**	**1,200**	**825**	**1,575**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Dr Manuel Käsbauer, CTIO

Appointed: 01.01.2020
Appointed until: 31.12.2022

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	0	250	250	250
Fringe benefits[1]	0	14	14	14
Sub-total	**0**	**264**	**264**	**264**
Short-term variable remuneration (STI)	0	175	0	350
STI in cash	0	159	0	319
STI Deferral (in phantom shares)[2]	0	16	0	32
Long-term variable remuneration (LTI)[2]	0	150	0	300
Total	**0**	**589**	**264**	**914**
Service cost[3]	0	24	24	24
Total remuneration	**0**	**613**	**288**	**938**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Anne Kavanagh, CIO

Appointed: 15.04.2017
Appointed until: 15.04.2022

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	418	472	472	472
Fringe benefits[1]	5	0	0	0
Sub-total	**423**	**472**	**472**	**472**
Short-term variable remuneration (STI)	869	661	0	1,322
STI in cash	579	434	0	868
STI Deferral (in phantom shares)[2]	290	227	0	454
Long-term variable remuneration (LTI)[2]	0	225	0	450
Total	**1,292**	**1,358**	**472**	**2,243**
Service cost[3]	47	45	45	45
Total remuneration	**1,340**	**1,402**	**517**	**2,288**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Simon Woolf, CHRO
Appointed: 01.01.2020
Appointed until: 31.12.2022

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	0	281	281	281
Fringe benefits[1]	0	16	16	16
Sub-total	**0**	**297**	**297**	**297**
Short-term variable remuneration (STI)	0	197	0	393
STI in cash	0	179	0	358
STI Deferral (in phantom shares)[2]	0	18	0	35
Long-term variable remuneration (LTI)[2]	0	169	0	337
Total	**0**	**662**	**297**	**1,028**
Service cost[3]	0	28	28	28
Total remuneration	**0**	**690**	**325**	**1,056**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

Remuneration granted Klaus Schmitt, COO
Appointed: 01.01.2006
Appointed until: 30.06.2020

EUR k	2019	2020	2020 (min)	2020 (max)
Fixed remuneration	420	420	420	420
Fringe benefits[1]	22	22	22	22
Sub-total	**442**	**442**	**442**	**442**
Short-term variable remuneration (STI)	864	750	375	1,125
STI in cash	576	500	250	750
STI Deferral (in phantom shares)[2]	288	250	125	375
Long-term variable remuneration (LTI)[2]	0	0	0	0
Total	**1,306**	**1,192**	**817**	**1,567**
Service cost[3]	24	24	24	24
Total remuneration	**1,330**	**1,216**	**841**	**1,591**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] STI Deferral and LTI maximum amounts based on average share price at award date
[3] The item primarily includes pension contributions

The individual members of the Management Board were paid the following remuneration for the respective financial year:

Remuneration paid out Wolfgang Egger, CEO

EUR k	2019	2020
Fixed remuneration	420	420
Fringe benefits[1]	0	0
Sub-total	**420**	**420**
STI in cash	642	617
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	386
Tranche 2016-2018	220	0
Long-term variable remuneration (LTI)	0	0
Total	**1,282**	**1,423**
Service cost[2]	12	12
Total remuneration	**1,294**	**1,435**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Thomas Wels, Co-CEO

EUR k	2019	2020
Fixed remuneration	0	433
Fringe benefits[1]	0	16
Sub-total	**0**	**450**
One-time sign-on bonus	0	0
STI in cash	0	0
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	0
Tranche 2016-2018	0	0
Long-term variable remuneration (LTI)	0	0
Total	**0**	**450**
Service cost[2]	0	44
Total remuneration	**0**	**493**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Alexander Betz, CDO

EUR k	2019	2020
Fixed remuneration	0	420
Finge benefits[1]	0	18
Sub-total	**0**	**438**
STI in cash	0	0
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	0
Tranche 2016-2018	0	0
Long-term variable remuneration (LTI)	0	0
Total	**0**	**438**
Service cost[2]	0	12
Total remuneration	**0**	**450**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Karim Bohn, CFO

EUR k	2019	2020
Fixed remuneration	420	420
Fringe benefits[1]	18	18
Sub-total	**438**	**438**
STI in cash	513	479
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	284
Tranche 2016-2018	19	0
Long-term variable remuneration (LTI)	0	0
Total	**971**	**1,201**
Service cost[2]	12	12
Total remuneration	**983**	**1,213**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Dr Manuel Käsbauer, CTIO

EUR k	2019	2020
Fixed remuneration	0	250
Fringe benefits[1]	0	14
Sub-total	**0**	**264**
STI in cash	0	0
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	0
Tranche 2016-2018	0	0
Long-term variable remuneration (LTI)	0	0
Total	**0**	**264**
Service cost[2]	0	24
Total remuneration	**0**	**288**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Anne Kavanagh, CIO

EUR k	2019	2020
Fixed remuneration	418	472
Fringe benefits[1]	5	0
Sub-total	**423**	**472**
STI in cash	604	579
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	0
Tranche 2016-2018	0	0
Long-term variable remuneration (LTI)	0	0
Total	**1,027**	**1,051**
Service cost[2]	47	45
Total remuneration	**1,074**	**1,096**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Simon Woolf, CHRO

EUR k	2019	2020
Fixed remuneration	0	281
Fringe benefits[1]	0	16
Sub-total	**0**	**297**
STI in cash	0	0
STI Deferral (in phantom shares)		
Tranche 2017-2019	0	0
Tranche 2016-2018	0	0
Long-term variable remuneration (LTI)	0	0
Total	**0**	**297**
Service cost[2]	0	28
Total remuneration	**0**	**325**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

Remuneration paid out Klaus Schmitt, COO

EUR k	2019	2020
Fixed remuneration	420	420
Fringe benefits[1]	22	22
Sub-total	**442**	**442**
STI in cash	642	576
STI Deferral (in phantom shares)	0	0
Tranche 2017-2019	0	346
Tranche 2016-2018	225	0
Long-term variable remuneration (LTI)	0	0
Total	**1,084**	**1,018**
Service cost[2]	24	24
Total remuneration	**1,108**	**1,042**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] The item primarily includes pension contributions

In addition former Management Board member Arwed Fischer received a payment for 10,424 Phantom Shares in financial year 2020, equivalent to EUR 210k, as well as a pension payment of EUR 6k.

The following two tables show a comparative presentation of the annual change in target compensation for Management Board members compared with the average target compensation (assuming 100% target achievement) of employees on a full-time equivalent basis. The figures for employees only include fixed and variable salary components and no other benefits (e.g. non-cash benefits).

With regard to the annual changes in employee target compensation, it should be noted that these are based on a very heterogeneous employee population due to the strong inorganic growth of the Company in the past (particularly outside Germany) and therefore do not allow a complete view on a comparable basis ("like for like").

In addition, the target compensation of the Management Board members is compared with the Company's earnings performance over the last five financial years.

Development of average total target compensation of the Management Board and Employees

EUR k	2016	Change 2016/17	2017	Change 2017/18	2018	Change 2018/19	2019	Change 2019/20	2020[1]
Management Board	849	12.4%	954	16.8%	1,115	1.5%	1,132	-8.6%	**1,034**
Employees[2]	73	14.0%	83	9.0%	91	3.0%	93	24.6%	**116**

[1] Introduction of LTI programme
[2] Employees until 2019 only based on German employees, based on FTE

Development of individual total target compensation of members of the Management Board and Financial KPIs

EUR k	2016	Change 2016/17	2017	Change 2017/18	2018	Change 2018/19	2019	Change 2019/20	2020[1]
Serving members of the Management Board as at 31 December 2020									
Wolfgang Egger	990	3.0%	1,020	14.7%	1,170	0.0%	1,170	3.2%	**1,208**
Thomas Wels	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**1,240**
Alexander Betz	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**906**
Karim Bohn	780	0.0%	780	30.8%	1,020	0.0%	1,020	14.7%	**1,170**
Dr Manuel Käsbauer	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**575**
Anne Kavanagh	0	0.0%	998	10.3%	1,101	6.1%	1,168	16.2%	**1,358**
Simon Woolf	0	0.0%	0	0.0%	0	0.0%	0	0.0%	**646**
Former members of the Management Board									
Klaus Schmitt	1,020	0.0%	1,020	14.7%	1,170	0.0%	1,170	0.0%	**1,170**
Arwed Fischer	607	0.0%	0	0.0%	0	0.0%	0	0.0%	**0**
Financial KPIs									
Operating Income	344,658	-76.2%	82,185	72.0%	141,373	-4.8%	134,523	-13.4%	**116,453**

[1] Introduction of LTI programme

Remuneration of the Supervisory Board

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

If a Supervisory Board member is not a member of the Supervisory Board during the entire financial year, the respective fixed remuneration is paid on a pro rata basis. Supervisory Board members are also reimbursed for their expenses and any VAT payable on their remuneration and expenses.

The Supervisory Board was granted the following remuneration in the 2020 financial year:

Remuneration of the Supervisory Board

EUR k	2020	2019
Dr Theodor Seitz, Chairman	60	40
Alfred Hoschek, Deputy Chairman	45	30
Uwe Reuter, Deputy Chairman	45	30
Total	**150**	**100**

3.3 Corporate Governance Statement – disclosures in accordance with section 289f HGB and section 315d HGB

On 28 January 2021, the Management Board and the Supervisory Board of PATRIZIA AG issued a Corporate Governance Statement in accordance with section 289f HGB and section 315d HGB and made this statement publicly available on the Company's website at:
https://www.patrizia.ag/en/shareholders/corporate-governance/corportate-governance-statement/.

3.4 German Corporate Governance Code – disclosures in accordance with section 161 AktG (German Stock Corporation Act)

On 16 December 2020, the Management Board and the Supervisory Board adopted the statement of conformity with the recommendations of the German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act; GCGC 2017 and GCGC 2020). The recommendations were complied, with a few exceptions. This declaration and all previous declarations of conformity are also permanently available on the PATRIZIA website at:
https://www.patrizia.ag/en/shareholders/corporate-governance/declarations-of-conformity/.

3.5 Transactions with related companies and individuals

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

Extensive information on business relationships with related companies and individuals can be found in note 9.2 of the notes to the consolidated financial statements.

4 Development of opportunities and risks

4.1 Management of opportunities and risks

A Group wide risk management system ensures that risks are systematically identified, recorded, managed and communicated both internally and externally when deemed necessary. In this context, opportunities are also systematically identified, recorded, seized and, if necessary, communicated internally and externally.

The aim is to proactively collect relevant information about potential and actual risks and their direct and indirect financial consequences for PATRIZIA at an early stage in order to manage them and sustainably secure enterprise value. Overall responsibility for risk management lies with the Management Board of PATRIZIA AG. The monitoring and ongoing development of the risk management system is the responsibility of the Risk Management function. Opportunity management is handled in parallel to risk management. The aim is also to collect relevant information about opportunities and their potential direct and indirect financial upside at an early stage and pursue and manage them to sustainably secure and increase enterprise value.

The main opportunities for PATRIZIA lie in expanding the current product and client base as well as sourcing M&A (Mergers & Acquisitions) and other alternative investment opportunities. The departments Products and Capital Markets (responsible for fund raising and client services) develop new products and investment structures for clients. Strategic growth opportunities are identified and systematically pursued by the Operational Board as well as the Management Board of PATRIZIA, the Strategic Corporate M&A department and the Alternative Investments team. In addition, opportunities are seen in digitalisation and technology & innovation, which are equally pursued to ensure continued growth and strategic development as well as ongoing operational optimisation.

To further strengthen governance, PATRIZIA established a group wide Risk Management function during 2020 to bundle activities relating to risk management. This established central responsibility for further development of suitable risk management processes. The existing processes, which are based among other things on the regular exchange of knowledge between operational functions and Risk Management, were further developed, optimised and supplemented with additional procedures for early risk detection, reporting and risk-bearing capacity. The role concept within PATRIZIA's Risk Management is designed to ensure optimum interaction between operational functions and the monitoring functions.

PATRIZIA has also set up a committee structure to provide the Management with the best possible support. Particular importance is attached to the consideration of potential risks and future opportunities. The committee structure ensures that all important parties are informed and involved in due time and thus forms a central element of risk identification and management. The main committees are:

- Investment Committee
- Products & Fundraising Committee
- Capital Allocation Committee
- Fund Review Committee
- Technology & Innovation Committee
- Risk Committee
- Ad-hoc Committee
- Environmental, Social and Governance (ESG) Committee
- Global Projects and Development (GPD) Committee
- Remuneration Committee

The establishment of risk management functions in PATRIZIA's regulated companies (AIFM, MiFID) follows the separate legal requirements and supervisory regulation and is carried out by all regulated entities. The Risk Management of PATRIZIA and the regulated entities is in permanent cooperation, among other things through a joint management function. This supports the optimal exchange of knowledge between the risk management functions at all levels and ensures the efficient consideration of PATRIZIA's core risks.

Environmental, social and governance (ESG) issues are another key element in the overall assessment of PATRIZIA's opportunity and risk Management and the importance has increased in recent years. For details please refer to chapter 1.5 on all ESG matters.

The Corporate Reporting & Planning department reports Group financial data on a monthly basis to the Management and the Operational Board and Risk Management. The reporting helps to identify potential risks at an early stage and to initiate relevant countermeasures.

Within the framework of risk management, the identified risks are evaluated with regard to their probability of occurrence and potential loss at the Group level. This is used to determine the necessary actions to manage and if needed limit the impact of the respective risks by operational countermeasures e.g. change in process and, where deemed necessary, accounting related precautions such as the recognition of provisions, etc. In principle, the risk assessment considers the risk effect over one year and is aligned with PATRIZIA's fiscal year and thus the budget period.

The identified and assessed risks are taken into account in a risk-bearing capacity calculation at the Group level. The identified significant risk areas, the results of the risk-bearing capacity calculation as well as the results of the implemented risk indicator system are included in the periodic reporting of the risk management function to the Management Board.

PATRIZIA's Internal Audit regularly reviews the risk management system for efficiency and effectiveness as part of an internal risk audit. In addition to the Risk Management function, all other key PATRIZIA business areas are included in the audit planning in a risk-oriented approach. The Management Board receives an annual report on the results of the internal audit. In accordance with Section 317 (4) of the German Commercial Code (HGB), the risk early warning system in accordance with Section 91 (2) Stock Corporation Act (AktG) is also audited by the auditor of PATRIZIA AG. The alignment of PATRIZIA's risk management organisation with the three lines of defence model forms the basis for stable corporate governance.

4.2 Internal control and risk management system with regard to the accounting process - disclosures in accordance with sections 289 (4), section 315 (4) HGB

The central risk of accounting and financial reporting is that the annual and quarterly financial statements could contain inaccurate representations. In order to avoid sources of error, PATRIZIA has set up an internal control system (ICS) for the accounting process. It is designed to provide sufficient security for the reliability of financial reporting and the preparation of annual and quarterly financial statements in accordance with regulatory and capital market requirements. Nevertheless, the ICS cannot guarantee absolute security. The members of the Management Board of PATRIZIA AG sign the Responsibility Statement on a quarterly basis. In doing so, they confirm that the accounting standards have been complied with and that the figures represent the actual net assets, financial position and results of operations.

The Budget is the starting point of the controlling process as a central component of the ICS, which is based on the targets set by the Management Board and the expectations for operational business development. This serves as a guideline for the budget of the entire group and the upcoming business year. The actual figures and possible deviations from the budget are reviewed, analysed and reported on a monthly basis. For the current business year, regular updates, forecasts and projections are prepared based on the actual results achieved compared to the budget and the identified opportunities and risks.

The ICS also comprises measures and processes for the timely recording of all business movements and positions in the accounting and financial statements. It examines changes in legislation and accounting standards and their effects on the Group's accounting and financial statements. The consistent implementation of the dual control principle ensures compliance with legal requirements in the accounting-related processes. The basis for the ICS is formed by guidelines on the separation of functions and release regulations, which are supported by standardised control and reconciliation processes. All releases are documented and archived.

Accounting for all operating companies in Germany is organised centrally at PATRIZIA. Accounting for the operating subsidiaries outside Germany is generally carried out by the respective local company under the supervision of the central function. The basis for accounting is formed by uniform Group wide requirements within a central, largely SAP based IT environment. The data is consolidated in the Group Reporting & Consolidation department. The employees involved in the preparation of the financial statements are trained accordingly and the responsibilities and controls within the preparation process are clearly defined.

The effectiveness of the accounting related ICS is assessed as part of the preparation of the financial statements. Accounting is also included in the audit plan of the internal audit department. The focus on corporate governance contributes overall to the further stabilisation and optimisation of existing processes including the ICS for accounting.

4.3 Significant opportunity and risk categories

4.3.1 Market opportunities and -risks in the economic environment

Opportunities and risks of overall economic development: Almost all economic forecasts in 2020 were turned upside down by the outbreak of the Covid-19 pandemic. The severe lockdown measures in March 2020 led to an almost complete standstill of economic life in almost all European countries and in North America. As a result, economic growth collapsed on an unprecedented scale and governments decided on extensive rescue packages to support the economy and labour markets. During the spring and especially the summer, the situation increasingly recovered and a solid upswing was expected until the end of the year, which then slowed down significantly in late autumn with the start of the "second wave". However, the negative effects of the second lockdown were less severe than those of the first, as households and businesses adjusted to the situation based on their experience from the spring. Nevertheless, a recession of historic proportions is expected in most European economies in 2020. A significant upswing is expected for 2021, especially since Covid-19 vaccinations have already started in many countries at the end of 2020, much earlier than expected in the autumn, and it can be assumed that the incidence of infection will be contained during the course of the year. The lockdown at the beginning of 2021 will possibly dampen this development, but not reverse it. The Covid-19 pandemic has also left its mark on the European real estate markets, albeit to very different degrees. The residential and logistics sectors have been extremely resilient, while the retail and hotel sectors have been particularly hard hit.

Interest rates remain at extremely low levels due to the economic consequences of the pandemic, underlining that fixed-income investments are a dying asset class for investors seeking an attractive current yield. This will lead to a further increase in demand for real estate investments. Within the real estate investment market, shifts were already evident last year, away from crisis or pandemic-prone types of use, such as retail, towards crisis-resistant sectors such as residential. Polarisation is also becoming stronger within the individual sectors, such as in retail, where food retail is booming, while the textile sector in particular is struggling. In the office sector, the trend is towards modern flexible space, while vacancies in outdated and inflexible space are on the rise. It is therefore more important than ever to have profound knowledge of local markets and market trends in order to implement successful investment strategies.

Residential real estate market: The residential sector has been relatively resilient during the Covid-19 pandemic and has lived up to its reputation for stable cash flows even in these uncertain times. Nonetheless, this sector is not completely immune and there are clear differences between the individual segments within the residential real estate universe. The multi-family sector can be described as the most resilient segment. The fundamental factors such as urbanisation, high construction costs and increasing regulation persist and have not fundamentally changed the supply and demand situation. Rental income continued to flow here almost unaffected despite the tense overall economic situation. There were greater effects on the student housing segment. There was a temporary slump in demand here, against the backdrop that universities do not offer face-to-face seminars and foreign students stayed away, also due to travel restrictions. However, since education is one of the most important resources in today's world, stable demand for student housing can be expected in the medium to long term. A similar development is emerging for the co-living segment. Currently, the challenges are high, but a normalisation of the situation will lead to more demand again, with a clear focus on the large prosperous cities, as this segment appeals to young, mobile workers for whom there is a high job offer in these cities. In addition, senior living continues to offer attractive investment opportunities, from assisted living to nursing homes. Overall, it is immensely important to carefully analyse and reflect the realities of the different markets as well as the (politically induced) changes in order to be successful in this sector.

Commercial real estate market - retail: There was an unprecedented decline in consumer spending due to the lockdowns introduced by governments during 2020. This intensified and accelerated many of the structural change processes that the retail sector was already undergoing before the Covid-19 pandemic, such as the rise of online retail and the decline in profit margins in brick-and-mortar retail. The speed of change in the retail sector has increased significantly and depends on how fast consumer spending recovers. The slower consumer spending recovers, the more this will manifest itself in retail rents, especially for high street and shopping centres. Despite all the challenges, there will be no vibrant city centres without vibrant shopping streets. As long as the skills to adjust or even reposition are there, the major challenges for the retail sector also hold opportunities, especially if there are price corrections. Within the retail sector, there are also winners despite the structural changes. One of these winners is food anchored retail, which has not been so badly affected by lockdowns and is proving relatively resilient to the rise of online retailing and therefore brings attractive investment opportunities.

Commercial real estate market - office: The fundamentals for office employment in Europe were very robust prior to the recession triggered by the Covid-19 pandemic, with low vacancy rates, moderate new space additions and an increasing concentration of economic activity in the major cities. As 2020 progressed, it became increasingly apparent that the impact of this crisis will, on the one hand, accelerate structural changes and create headwinds for space demand in the medium term and, on the other hand, lead to greater polarisation within individual markets, with large differences between them. For example, a decline in space turnover. More and more employees are working from home and factors such as health and well-being, technical equipment and flexibility are increasingly determining demand profiles. Thus, modern, flexible space continues to enjoy high demand, while older space that does not meet the "new" requirements is increasingly vacant. Northern European cities, which are less affected by the economic crisis and have stable demand, will prove more resilient in the medium term than Southern European markets such as Italy. In this environment, good knowledge of the individual markets as well as flexibility and operational excellence will be crucial for successful investments.

Commercial real estate - logistics: Logistics is one of the winners of the Covid-19 pandemic. This is primarily due to the strong increase in online trade during the crisis. However, the production logistics sector could also benefit from a restructuring of supply and production chains in a less globalised world. The Covid-19 pandemic has led to a renewed boom in online trade in 2020 and strong demand for both large logistics hubs and urban delivery centres. Nevertheless, hub logistics may experience greater polarisation and longer vacancy periods in markets that have higher levels of new space and/or are more affected by the recession. In contrast, limited vacancy and competition from alternative uses in urban areas with lower supply should continue to offer rental growth potential.

4.3.2 Operational risks

Acquisition and disposition of real estate: The trend of strong demand for real estate has continued in 2020. However, due to the Europe-wide Covid-19 pandemic, investors have strongly differentiated by type of use. The types of use that were significantly more affected by the crisis, due to closures and the associated loss of turnover, such as shopping centres and hotels, have been traded significantly less. The transaction volume remains at a very high level on a ten-year average. In a continuous environment of loose monetary policy, national and international investors continue to invest more in the European real estate markets. This means that it remains challenging for PATRIZIA to acquire suitable properties with risk-adjusted returns for its clients in a very competitive market. However, even in this market environment PATRIZIA has succeeded in using its experience and market knowledge to acquire attractive properties and portfolios for its clients - partly by approaching sellers directly and bypassing competitive situations - and to enable its clients to take profits and optimise their portfolios through targeted sales in this market environment.

The ongoing strategic development of PATRIZIA's European platform is intended to provide additional, broader access to attractive investment opportunities. PATRIZIA should thus be seen not only across Europe, but increasingly also internationally as a reliable and professional partner in the trustworthy and rapid implementation of large individual and portfolio investments. Despite the currently prevailing seller's market, there is a fundamental risk that the sale of real estate may not be realised at the intended price.

For further information, please refer to point 1.5.5.

IT security: Almost all essential business processes in the company rely on IT systems. Any disruption in the operation of IT systems has an impact on business operations. Significant data loss and breaches of data protection requirements could result in serious financial damage, but also have a negative impact on the public's perception of the company. To ensure the availability of business applications, all systems have been operated redundantly in two physically separate data centers. In addition, the ERP (Enterprise Resource Planning) systems are also operated in parallel and mirrored. Both measures ensure a significant reduction in downtime in the event of an emergency. Other protective measures, such as desktop virtualisation and the operation of a NAC solution (Network Access Control) as well as other supplementary anti-malware mechanisms reduce the risk of damage from viruses, Trojans and ransomware (malware - especially extortion software). Regular information activities to raise staff awareness (e.g. on topics such as phishing, social engineering or CEO fraud - but also on the requirements of the GDPR) round off the system-based protection and security precautions. A password policy also ensures the use of secure access passwords and their regular change. Another component of the security concept is the two-factor authentication for remote dial-in - especially in view of the intensive mobile use of the infrastructure. To prevent the technical loss of company data and to ensure the reliability of IT operations, data backups are carried out regularly. Annual emergency tests with changing focal points are intended to ensure that in the event of a crisis, organisation and technology mesh and systems and data can be made available again in accordance with the service levels. The measures described have proven their worth, especially in the changed risk situation caused by the Covid-19 pandemic.

Financing risks: Debt financing is currently of secondary importance for PATRIZIA's business model due to the solid balance sheet structure. The remaining portfolio of managed own real estate (principal investments) is no longer financed with debt capital. The risk of PATRIZIA not having debt capital available for any new principal investments - generally only as interim financing for public funds or as early-stage investments with the purpose of later contribution to institutional funds - is currently low. In May 2017, PATRIZIA raised an unsecured promissory note loan totaling EUR 300m via the capital market. Due to high demand, the issue was significantly oversubscribed. Together with substantial existing liquid funds, PATRIZIA is in a position to respond to capital requirements of new investments at any time. Potential principal investments are also always financed at property or portfolio level. As part of the funds under management, PATRIZIA AG takes on the procurement of debt capital as a service. This service is fundamentally exposed to financing risks in the event of a deterioration in market conditions. The current Covid-19 pandemic has put pressure on the financing market, which is mainly reflected in increased liquidity costs. The situation is not expected to ease before the end of the crisis. However, there are no significant risks associated with this. However, a further downturn could have an impact on access to liquidity and thus influence new investment opportunities for PATRIZIA's clients.

As business development in recent years has shown, PATRIZIA was able to achieve its annual and growth targets without having to draw on the entire liquidity buffer built up for inorganic growth. In addition, the cash balance was further expanded due to the positive business development. The Management Board of PATRIZIA AG has therefore decided to repay the variable tranches of the promissory note loan ahead of schedule.

Credit terms: An equity covenant has been agreed in the existing promissory note loan, compliance with which is monitored on an ongoing basis. In some cases, key figures have been agreed in the loan agreements for the property and portfolio financing of the funds under management, compliance with which is also monitored on an ongoing basis. However, there are no direct effects on PATRIZIA from these ratios.

Interest rate risks: The promissory note loan for a total of EUR 300m contains EUR 66m, which bears variable interest on the basis of 3-month Euribor and does not include an agreement on interest rate hedging. The interest rate development is monitored continuously. PATRIZIA is not exposed to any further interest rate risks from the promissory note loan, as the remaining tranches of EUR 234m have a fixed interest rate.

Liquidity risks: The risk of a liquidity shortage is currently not discernible: As at 31 December 2020, PATRIZIA had bank balances and cash in hand of EUR 495.5m and short-term investments of EUR 180.8m available to cover its operating liquidity requirements and for refinancing. In order to avoid a possible counterparty risk, the investments of liquidity are distributed among 57 financial institutions. The maximum investment volume per bank is EUR 50m. These banks must have at least an S&P rating of BBB+. In addition, PATRIZIA expects further liquidity surpluses from the operating business, which will be used in the investment planning with matching maturities. The equity released through sales of residual holdings of Principal Investments also contributes to the increase in existing liquidity. PATRIZIA optimizes and manages Group wide liquidity as part of a cash pooling process. Early warning indicators and comprehensive rolling planning also serve as a preventative measure and ensure that unexpected liquidity requirements can be met.

Exchange rate risks: Most of the Group's subsidiaries and property companies are located in the European Monetary Union, so there is no currency risk here. The foreign branches in the USA, Hong Kong, Japan, South Korea, Denmark, Sweden, Poland and Great Britain, which carry out investment management mandates as well as purchases and sales for the funds and invest within the scope of co-investments, are an exception. As at the balance sheet date, PATRIZIA had EUR 181.0m invested in foreign currency. As the investments in these companies and the granting of shareholder loans are in the respective national currency, the subsidiaries and property companies are subject to the risk of fluctuating exchange rates. With increasing expansion outside the Eurozone, this position could increase further in the future. The Group's overall currency risk is regularly monitored and assessed in order to promptly identify any need for action and to be able to initiate countermeasures such as currency hedging.

Legal risks: PATRIZIA is represented in various legal circles. Individual companies are involved in various court proceedings and arbitration proceedings as a result of their business operations. Sometimes claims are also asserted against them out of court. By monitoring our contractual obligations and involving legal experts in contractual matters, we aim to minimise any legal risks. Provisions have been made for potential losses from pending proceedings. Serious legal risks that would be decisive for the future development of the company are currently not discernible.

Accounting risks: In the application of accounting policies, judgements have to be made that can significantly affect the amounts recognised in the financial statements. The consolidation, accounting and valuation methods applied on the basis of the discretionary decisions made are presented in sections 1 to 3 of the notes to the consolidated financial statements.

The enforcement proceedings concerning the consolidated financial statements of the company as at 31 December 2016 were discontinued by the German Federal Financial Supervisory Authority (BaFin, letter dated 3 June 2020) without a finding of incorrect accounting. The focus of the proceedings was the valuation of investments for which there is no price quoted on an active market. The proceedings have been conducted at BaFin level since January 2019.

4.3.3 Partner opportunities and risks

Funds under Management: In connection with the fund structures set up by PATRIZIA, there are opportunities and risks from fee income, which depends on the value of the real estate assets under management, purchases and sales and the return achieved by the funds. These revenues can be negatively influenced by the reduction in value of real estate, rental defaults as well as a reduced transaction volume. However, PATRIZIA serves a large number of different funds and can access a diverse range of suitable properties in Germany and abroad. As the properties held in the funds must be backed by appropriate equity, debt financing can be obtained quickly and cheaply in this constellation. In principle, a reduction in investment activity is not to be expected at present. The risk of a reduction in planned distributions to investors is currently considered to be very low. Instead, the Company sees the opportunity to acquire further new customers and expand its fund business thanks to the fund's performance and PATRIZIA's reputation. Further opportunities arise from the placement of retail funds, a business model that was established operationally at the beginning of 2016 and has now successfully launched fifteen real estate funds with properties across Europe.

As an investment manager, PATRIZIA is also responsible for managing and optimising its clients' properties. Inadequately performed services could lead to dissatisfaction among clients or financial claims up to and including the loss of mandates and burden the Group's earnings situation. Group wide, as described above, there is an opportunity due to the favourable market conditions, which have also triggered the repeated generation of performance-based fees in recent years. Nevertheless, PATRIZIA is taking precautionary measures in its business model to prepare for potentially declining growth and thus for the potential occurrence of the negative influences mentioned above.

Funds under Management | Co-investments: Via co-investments, PATRIZIA participates with its own money in up to 10% of the fund equity. Acquiring clients and with them the necessary equity capital is not currently a limiting factor. Securing financing is also not considered a risk. The challenge at present is rather, as already described under "Acquisition and sale of real estate", the acquisition of suitable real estate that meets PATRIZIA's and the customers' criteria.

Equity raising: Due to the high availability of liquidity on the investor side, combined with investment pressure and few alternatives to real estate investments, the risk of a default by business partners/investors or fundamental problems in acquiring new ones is low. However, it can be observed that due to the attractiveness of real estate investments, new competitors are increasingly entering the market. This assessment is based on the current market situation and must be re-evaluated in the event of a change in market conditions. With the expansion of the international fund business, PATRIZIA's dependence on large international institutional clients is increasing. The continued persistence of the Covid-19 pandemic may lead to delays in planned product fundraisings and will also have an impact on connecting new investors/investor groups to the Company. In addition to approaching further, especially international institutional investors, the focus is also increasingly on approaching private and (semi-)professional investors in Germany and Europe. More than 450 institutional investors now invest through PATRIZIA - from savings banks to insurance companies and pension funds to sovereign wealth funds. More than 50% of the customers are invested in several PATRIZIA products. Through the acquisition of PATRIZIA Multi Managers, TRIUVA and Rockspring, PATRIZIA has significantly expanded its investor base. The increased diversification enables PATRIZIA to further reduce sales risks and potential margin pressure. The expansion of the product range with so-called "discretionary funds" also increases sales opportunities and opens up further customer acquisition possibilities for PATRIZIA. In order to improve its risk position, PATRIZIA plans to sustainably further expand its global client relationships.

4.4 Overall view of the opportunities and risks

PATRIZIA's risk management process is designed to ensure that relevant risk positions are identified, recorded and monitored and that suitable control measures are defined and implemented. The primary objective is to create comprehensive transparency regarding the current risk situation and thus enable risk-oriented decisions to be made. To achieve this, it is crucial that the risk management function maintains direct contact with all operational areas and that the operational areas themselves are integrated into the risk management procedures. In this way, a continuous exchange of knowledge takes place within the Group and enables the early identification of potential risks and the timely initiation of appropriate countermeasures. Taking into account all individual risks and a possible cumulative effect, the overall risk to which PATRIZIA is currently exposed is limited. Based on the information available and the medium-term planning for key investments, there is no indication as at 31 December 2020 that the existing risk situation could endanger the future development or continued existence of PATRIZIA alone and the PATRIZIA Group.

5 Forecast

5.1 Future economic conditions

For 2021, we expect a significant upturn compared to the previous year. The Covid-19 pandemic will continue to accompany us and we are in a second lockdown at the beginning of the year, but the impact is less severe than at the first lockdown, as households and businesses have now adapted to the situation. In addition, Covid-19 vaccinations have started earlier than expected in many countries at the end of 2020 to curb new infections over the course of the year. Supportive measures by both national governments and the EU cannot prevent, but significantly cushion, a decline in employment, leading to a relatively moderate rise in unemployment and the economic impact of the pandemic is prompting central banks to continue their low-interest-rate policies.

The continuation of the low interest rate policy underlines that fixed income investments remain a difficult asset class for investors looking for attractive returns. Thus, the demand for real estate investments will remain high or even increase in our estimation.

The Covid-19 crisis is clearly reflected in the European real estate markets by creating new structural challenges and accelerating those that had already existed. Last year, investment activity has shifted away from crisis-prone sectors such as retail to crisis-resistant sectors such as residential. Polarization is also evident within the sectors.

In the office sector, the demand for modern flexible spaces is increasing, also to meet the new requirements for health and well-being, as well as greater flexibility. In the retail sector, which has been badly affected by the crisis, structural change has accelerated significantly. The share of online retail is rising significantly due to Covid-19 and Lockdowns and the brick-and-mortar segment, especially in the textile sector, is facing major challenges. At the same time, food retailing is a beneficiary of the crisis. The logistics sector can also be described as the winner of the Covid-19 crisis. Booming online trade is leading to increased demand for space, and industrial logistics is also expected to gain new impetus in a less globalised world.

In the residential sector, multi-family housing is proving to be particularly resilient to crises. Segments such as student housing or co-living have short-term demand challenges but will also develop positively in the medium to long term in our estimation. However, the current crisis poses not only many challenges for investors, but also opportunities for successful investments, provided that market changes and rent-increase potentials are identified and exploited. This applies to all real estate sectors and is only possible through in-depth market knowledge and penetration.
Sources: PATRIZIA, PATRIZIA House View, IPE REIM Guide

5.2 Expected development of results of operations and assumptions concerning target attainment in 2020

The Group in general

The company has entered the 2021 financial year in a spirit of optimism and expects to successfully exploit market opportunities for its institutional, (semi-)professional and private investors once again in the form of attractive real estate fund products. On this basis, PATRIZIA is again anticipating strong transaction performance and growth in assets under management, with fee income from investment management continuing to increase and stabilise as a result.

Assets under management are expected to see organic growth of between EUR 3.0bn and EUR 6.0bn in the 2021 financial year. All in all, the company expects its assets under management to increase to EUR 50.0bn to EUR 53.0bn by the end of 2021.

PATRIZIA is forecasting **operating income** of between EUR 100.0m and EUR 145.0m in 2020 after EUR 116.5m in 2020.

PATRIZIA expects the **cost coverage ratio** to remain stable or increase slightly in 2021.

EUR bn	Last forecast 2020	Actual figures 2020	Forecast 2021
Assets under management (organic growth)	Growth of EUR 2.0-3.5bn	**Growth of EUR 2.6bn**	Growth of EUR 3.0-6.0bn
Operating income	EUR 110.0-130.0m	**EUR 116.5m**	EUR 100.0-145.0m
Cost Coverage Ratio (CCR)	n/a	**119.8%**	Stable to slightly increasing

Assumptions concerning the operating income forecast

Operating income of between EUR 100.0m and EUR 145.0m is expected for 2021. The following section discusses the assumptions and expectations underlying this forecast.

PATRIZIA is anticipating **management fees** for asset and portfolio management services of between EUR 204.0m and EUR 208.0m. The company expects the majority of net growth in assets under management to have a positive impact on management fees only in the second half of 2021 as the respective transactions are closed.

The company expects the transaction market to remain active in 2021 and is forecasting **transaction fees** of between EUR 50.0m and EUR 60.0m based on a signed transaction volume of between EUR 6.0bn and EUR 9.0bn.

Income from **performance fees** is determined by the yields achieved in excess of the agreed target yields. These result from the realisation of value-adding measures in particular. PATRIZIA expects to generate performance fees of between EUR 60.0m and EUR 90.0m in 2021.

Total service fee income is expected to amount to between EUR 314.0m and EUR 358.0m.

In 2021, **net sales revenues and co-investment income** are expected to lie between EUR 5.0m and EUR 20.0m.

Net operating expenses, which primarily comprise staff costs and non-staff operating expenses, are forecast at between EUR -209.0m and EUR -223.0m.

Depreciation and amortisation, financial result and other items of around EUR -10.0m are forecast for 2021.

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

5.3 Expected development of net assets and financial position

PATRIZIA does not currently anticipate any significant changes in its net assets and financial position in 2021. However, PATRIZIA expects to have substantial cash and cash equivalents that are significantly in excess of the liabilities from the bonded loan once again in 2021.

5.4 Dividend policy

The Management Board and Supervisory Board of PATRIZIA AG are proposing that the HGB unappropriated profit for the 2020 financial year in the amount of EUR 476.7m can be used to pay a dividend of EUR 0.30 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2020 attributable to shareholders of EUR 37.7m, this corresponds to a pay-out ratio of 73.5%. The year-on-year growth rate of management fees compared to the previous year of 1.3% and the year-on-year growth rate of assets under management compared to the previous year of 5.7% form the basis for the dividend proposal of the Management Board and Supervisory Board of PATRIZIA AG, which corresponds to an increase in the dividend of 3.4% as against the previous year.

5.5 Management's overall assessment of the outlook for 2021

PATRIZIA set to enjoy further positive development in 2021

The results for the 2020 financial year confirmed PATRIZIA's strong market positioning as a partner for global real assets investments. With the market environment expected to remain positive and in light of the planned organic growth of the international platform, PATRIZIA is anticipating a further increase in recurring income compared with the previous year and operating income of between EUR 100.0m and EUR 145.0m.

The outlook for 2021 and the statements concerning subsequent years take into account all events that could affect PATRIZIA's business development that were known when the consolidated financial statements were prepared. At the time of publication of this report, it is not possible to conclusively assess the effects that the further spread of the Covid-19 virus will have on the general economic situation as well as on the markets relevant to PATRIZIA.

Augsburg, 16 March 2021

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Thomas Wels
Member of the
Management Board,
Co-CEO

Alexander Betz
Member of the
Management Board,
CDO

Karim Bohn
Member of the
Management Board,
CFO

Dr Manuel Käsbauer
Member of the
Management Board,
CTIO

Anne Kavanagh
Member of the
Management Board,
CIO

Simon Woolf
Member of the
Management Board,
CHRO

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

Consolidated financial statements

Consolidated balance sheet

as at 31 December 2020

Assets

EUR k	Note	31.12.2020	31.12.2019
A. Non-current assets			
Goodwill	4.1.1	212,353	210,292
Other intangible assets	4.1.2	106,137	131,895
Software	4.1.3	16,603	10,326
Rights of use	4.1.4	25,906	24,988
Investment property	4.1.5	1,838	1,835
Equipment	4.1.6	7,305	6,056
Associated companies accounted using the equity method	4.1.7	32,357	69,035
Participations	4.1.8	574,561	525,716
Non-current borrowings and other loans	4.1.9	34,927	28,276
Deferred taxes	5.2	21,031	17,305
Total non-current assets		**1,033,018**	**1,025,724**
B. Current Assets			
Inventories	4.2	14,647	113,208
Securities	4.5	11	1,011
Current tax assets	4.3	26,554	17,318
Current receivables and other current assets	4.4	392,399	380,735
Cash and cash equivalents	4.5	495,454	449,084
Total current assets		**929,065**	**961,356**
Total assets		**1,962,083**	**1,987,080**

Equity and liabilities

EUR k	Note	31.12.2020	31.12.2019
A. Equity			
Share capital	5.1.1	89,683	91,060
Capital reserves	5.1.2	129,751	155,222
Retained earnings			
Legal reserves	5.1.3	505	505
Currency translation difference	2.5	-7,944	-4,818
Remeasurements of defined benefit plans according to IAS 19		-5,457	-3,459
Revaluation reserve according to IFRS 9		130,196	78,721
Consolidated unappropriated profit	5.1.5	900,507	889,160
Non-controlling interests	5.1.6	32,265	30,359
Total equity		**1,269,505**	**1,236,750**
B. Liabilities			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5.2	115,484	112,178
Retirement benefit obligations	5.3.1	29,579	27,564
Bonded loans	5.4	234,000	300,000
Non-current liabilities	5.5	22,340	25,094
Leasing liabilities	5.6	17,811	15,841
Total non-current liabilities		**419,214**	**480,677**
CURRENT LIABILITIES			
Short-term bank loans	5.4	43,200	93,194
Short-term bonded loans	5.4	66,000	0
Other provisions	5.7	9,109	9,254
Current liabilities	5.9	105,858	101,186
Short-term leasing liabilities	5.6	8,387	9,328
Tax liabilities	5.10	40,809	56,692
Total current liabilities		**273,363**	**269,653**
Total equity and liabilities		**1,962,083**	**1,987,080**

Consolidated income statement

for the period from 1 January to 31 December 2020

EUR k	Note	2020	2019
Revenues	6.1	301,693	398,703
Income from the sale of investment property	4.1.5	0	252
Changes in inventories	6.2	-2,242	-50,535
Other operating income	6.3	16,522	14,607
Income from the deconsolidation of subsidiaries	2.1	302	585
Total operating performance		**316,275**	**363,611**
Cost of materials	6.4	-3,568	-6,601
Cost of purchased services	6.5	-16,066	-28,036
Staff costs	6.6	-143,759	-131,769
Change in value of investment property	4.1.5	4	-791
Other operating expenses	6.7	-76,678	-84,718
Impairment result for trade receivables and contract assets	5.8	418	-429
Result from participations	6.8	31,624	32,891
Earnings from companies accounted for using the equity method	6.9	9,181	725
Cost from the deconsolidation of subsidiaries	2.1	-1,746	0
EBITDAR		**115,686**	**144,883**
Reorganisation income	6.10	0	2,377
Reorganisation expenses	6.10	0	-10,339
EBITDA		**115,686**	**136,922**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	6.11	-42,309	-55,562
Earnings before interest and taxes (EBIT)		**73,377**	**81,360**
Financial income	6.12	2,971	2,096
Financial expenses	6.12	-6,707	-6,111
Other financial result	6.12	0	300
Result from currency translation	6.12	-7,595	-234
Earnings before taxes (EBT)		**62,046**	**77,411**
Income taxes	6.13	-21,369	-21,064
Net profit for the period		**40,678**	**56,347**
Attributable to shareholders of the parent company		37,703	52,869
Attributable to non-controlling interests	5.1.6	2,975	3,478
Earnings per share (undiluted) in EUR	6.14	0.42	0.58
Earnings per share (diluted) in EUR	6.14	0.42	0.58

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2020

EUR k	2020	2019
Net profit for the period	**40,678**	**56,347**
Items of other comprehensive income reclassified to net profit for the period		
Profit/loss arising on the translation of the financial statements of foreign operations	-3,272	10,101
Items of other comprehensive income without reclassification to net profit for the period		
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	51,685	45,471
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	-2,121	-3,639
Other comprehensive income	**46,292**	**51,933**
Total comprehensive income for the reporting period	**86,970**	**108,280**
Attributable to shareholders of the parent company	84,053	88,681
Attributable to non-controlling interests	2,916	19,599

Consolidated cash flow statement

for the period from 1 January to 31 December 2020

EUR k	2020	2019[1]
Net profit for the period	40,678	56,347
Income taxes recognised through profit or loss	21,369	21,064
Financial expenses recognised through profit or loss	6,707	6,111
Financial income recognised through profit or loss	-2,971	-2,096
Income from participations through profit or loss	-31,624	-32,891
Earnings from companies accounted for using the equity method	-9,181	-725
Income from unrealised currency translation recognised through profit or loss	-272	-459
Income from the disposal of other intangible assets, software, rights of use and equipment recognised through profit or loss	152	256
Income from divestments of financial assets recognised through profit or loss	-85	0
Share-based payment through profit or loss	1,085	0
Income from bargain purchase	-3,858	0
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	42,309	55,562
Results from fair value adjustments to investment property	-4	791
Income from the sale of investment property	0	-252
Results from fair value adjustments to securities	0	-300
Expenses of the deconsolidation of subsidiaries	1,746	0
Income from the deconsolidation of subsidiaries	-302	-585
Other non cash-items	-5,240	-7,608
Changes in inventories, receivables and other assets that are not attributable to investment activities	21,193	-19,735
Changes in liabilities that are not attributable to financing activities	14,007	-15,689
Distributed income from participations	41,326	29,135
Interest paid	-5,527	-5,355
Interest received	3,075	900
Income tax payments	-51,712	-27,850
Cash flow from operating activities	**82,870**	**56,620**

[1] The previous year's figures were restated in line with the new table structure in the year under review. .

EUR k	2020	2019[1]
Payments for investments in Goodwill	-5,187	-1,491
Payments for investments in other intangible assets, software and equipment	-13,923	-8,262
Payments received from the disposal of intangible assets and equipment	31	32
Payments received from the sale of investment property	0	6,533
Payments for the development of investment property	0	-600
Payments received from the disposal of securities and short-term investments	5,258	25,000
Payments for the acquisition of participations	-3,665	-3,957
Payments received from the equity reduction of participations	5,659	8,446
Payments received from the disposal of participations	2,926	23,382
Payments for investments in companies accounted for using the equity method	-3,607	-4,386
Payment received through distributions of companies accounted for using the equity method	3,109	9,090
Payments received from the repayment of shares of companies accounted for using the equity method	41,511	6,565
Payments received from the repayment of loans to companies with participation interest	122	221
Payments for loans to companies with participation interest	-923	-685
Payments received from the repayment of other loans	13,644	0
Payments for other loans	-61,683	-1,000
Payments received from the disposal of consolidated companies and other business units	4,064	278,077
Payments for the disposal of consolidated companies and other business units	-6,426	0
Payments for the acquisition of consolidated companies and other business units	-275	-294,861
Payments received for the acquisition of consolidated companies and other business units	4,052	0
Cash flow from investing/divesting activities	**-15,312**	**42,106**
Borrowing of loans	60,057	173,194
Repayment of loans	-12,740	-120,916
Repayment of leasing liabilities	-10,318	-9,747
Interest paid	-255	-225
Payments of profit shares to non-controlling interests	-1,084	-213
Payments of dividends to shareholders	-26,008	-24,576
Payments for buy-backs of own shares	-27,947	0
Payments received from increase of capital stock	0	255
Cash flow from financing activities	**-18,296**	**17,771**
Change in cash and cash equivalents	49,262	116,497
Cash and cash equivalents as at 01.01.	**449,084**	**330,598**
Effects of changes in foreign exchange rates on cash and cash equivalents	-2,892	1,989
Cash and cash equivalents as at 31.12.	**495,454**	**449,084**

[1] The previous year's figures were restated in line with the new table structure in the year under review.

Consolidated statement of changes in equity

for the period from 1 January to 31 December 2020

EUR k	Share capital	Capital reserve	Retained earnings (legal reserves)	Currency translation difference	Remeasurements of defined benefit plans according to IAS 19
As at 01.01.2019	**91,060**	**155,222**	**505**	**-15,605**	**0**
Net profit for the period	0	0	0	0	0
Other comprehensive income	0	0	0	10,787	-3,459
Total comprehensive Income	**0**	**0**	**0**	**10,787**	**-3,459**
Non-controlling interests arising from the inclusion of new companies	0	0	0	0	0
Disposal of shares of non-controlling interests arising from sale	0	0	0	0	0
Capital increase	0	0	0	0	0
Dividend distribution to shareholders in cash	0	0	0	0	0
Purchases of shares of non-controlling interests	0	0	0	0	0
Payout of profit shares to non-controlling interests	0	0	0	0	0
As at 31.12.2019	**91,060**	**155,222**	**505**	**-4,818**	**-3,459**
As at 01.01.2020	**91,060**	**155,222**	**505**	**-4,818**	**-3,459**
Net profit of the period	0	0	0	0	0
Other comprehensive income	0	-0	0	-3,126	-1,998
Total comprehensive Income	**0**	**-0**	**0**	**-3,126**	**-1,998**
Dividend distribution to shareholders in cash	0	0	0	0	0
Purchases of shares of non-controlling interests	0	0	0	0	0
Payout of profit shares to non-controlling interests	0	0	0	0	0
Share-based payment	0	1,100	0	0	0
Share buy-back	-1,377	-26,571	0	0	0
As at 31.12.2020	**89,683**	**129,751**	**505**	**-7,944**	**-5,457**

Revaluation reserve according to IFRS 9	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of non-controlling interests	Total	EUR k
49,503	**862,421**	**1,143,106**	**10,682**	**1,153,788**	**As at 01.01.2019**
0	52,869	52,869	3,478	**56,347**	Net profit for the period
29,217	-734	35,812	16,121	**51,933**	Other comprehensive income
29,217	**52,135**	**88,681**	**19,599**	**108,280**	**Total comprehensive Income**
0	0	0	4,378	**4,378**	Non-controlling interests arising from the inclusion of new companies
0	-0	-0	-4,378	**-4,378**	Disposal of shares of non-controlling interests arising from sale
0	0	0	255	**255**	Capital increase
0	-24,576	-24,576	0	**-24,576**	Dividend distribution to shareholders in cash
0	-820	-820	371	**-448**	Purchases of shares of non-controlling interests
0	0	0	-548	**-548**	Payout of profit shares to non-controlling interests
78,721	**889,160**	**1,206,391**	**30,359**	**1,236,750**	**As at 31.12.2019**
78,721	**889,160**	**1,206,391**	**30,359**	**1,236,750**	**As at 01.01.2020**
0	37,703	37,703	2,975	**40,678**	Net profit of the period
51,475	0	46,351	-59	**46,292**	Other comprehensive income
51,475	**37,703**	**84,053**	**2,916**	**86,970**	**Total comprehensive Income**
0	-26,008	-26,008	0	**-26,008**	Dividend distribution to shareholders in cash
0	-348	-348	-9	**-357**	Purchases of shares of non-controlling interests
0	0	0	-1,001	**-1,001**	Payout of profit shares to non-controlling interests
0	0	1,100	0	**1,100**	Share-based payment
0	0	-27,947	0	**-27,947**	Share buy-back
130,196	**900,507**	**1,237,240**	**32,265**	**1,269,505**	**As at 31.12.2020**

Notes to the consolidated financial statements

for the period from 1 January to 31 December 2020

General information

PATRIZIA AG (hereinafter also referred to as PATRIZIA or the Group) is a listed German stock corporation. The registered office of the company is Fuggerstrasse 26, 86150 Augsburg (Augsburg Local Court, HRB 19478). PATRIZIA is a global partner for pan-European real estate investments and one of the leading independent real estate investment companies in Europe. As at 31 December 2020, 881 employees (FTE) are on hand for its clients in more than 15 European real estate markets. The company is also represented in New York, Hong Kong, Seoul, Melbourne, Zurich and Tokyo. PATRIZIA provides a wide range of services from asset management, portfolio management and implementation of purchase and sales transactions for almost all real estate asset classes to alternative investments and project developments. As a result, client preferences and requirements can be met extensively in a client-specific manner. Its clients include institutional and (semi-) professional investors such as insurance firms, pension fund institutions and sovereign funds from Germany, Europe, the US and Asia in addition to private investors. PATRIZIA develops bespoke products for its clients in line with their individual return expectations, diversification objectives and risk styles.

1 Principles applied in the preparation of the consolidated financial statements

The consolidated financial statements of PATRIZIA AG as at 31 December 2020 have been prepared in accordance with IFRS and in compliance with the provisions of German commercial law in line with section 315e of the Handelsgesetzbuch (HGB – German Commercial Code). All effective official announcements of the International Accounting Standards Board (IASB) have been applied, i.e. those adopted by the EU in the context of the endorsement process and published in the Official Journal of the EU by the end of the reporting period.

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

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

1.1 New financial reporting standards effective in the financial year

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

Standard	Title
Amendments Framework	Amendments to References to the Conceptual Framework in IFRS Standards
Amendments IAS 1/IAS 8	Definition of Material
Amendments IFRS 3	Definition of Business
Amendments IFRS 9/IAS 39 and IFRS 7	Amendments IFRS9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
Amendments IFRS 16	IFRS 16 Covid -19- Related Rent Concessions

The standards and interpretations to be applied for the first time as of 1 January 2020 had no effect on the consolidated financial statements.

1.2 New financial reporting standards effective in future periods

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

Standard	Title	Date of adoption[1]	Planned adoption
Endorsed			
Amendments IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	01.01.2021	01.01.2021
Amendments IFRS 9/IAS 39/IFRS 7/IFRS 4/IFRS 16	Amendments IFRS9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform - Phase 2	01.01.2021	01.01.2021
Endorsement pending			
Amendments IFRS 3	Reference to the Conceptual Framework	01.01.2022	01.01.2022
Amendments IAS 37	Onerous Contracts - Costs of Fulfilling a contract	01.01.2022	01.01.2022
Amendments IAS 16	Property, Plant & Equipment: Proceeds before Intended Use	01.01.2022	01.01.2022
AIP 2018-2020	Improvements IFRS 1/IFRS 9/IFRS 16 and IAS 41	01.01.2022	01.01.2022
Amendments IFRS 17	Amendments to IFRS 17	01.01.2023	01.01.2023
Amendments IAS 1/PS2	Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	01.01.2023	01.01.2023
Amendments IAS 8	Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting	01.01.2023	01.01.2023
Amendments IAS 1	Classification of Liabilities as Current or Non-current including Deferral of Effective Date	01.01.2023	01.01.2023

[1] Adjusted by EU endorsement, if applicable

2 Consolidated group and consolidation methods

2.1 Consolidated group

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

– it can exercise control over the investee;
– there is a risk exposure to, or entitlement to, fluctuating returns from the involvement with the investee; and
– it can use its control to influence the amount of returns.

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

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

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

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

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

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

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

The basis of consolidation comprises 111 subsidiaries (31 December 2019: 119) in addition to the parent company. They are included in the consolidated financial statements in line with the rules of full consolidation. There are also 5 (31 December 2019:6) equity investments, listed below, that are accounted for using the equity method in the consolidated financial statements.

Participations in entities accounted for using the equity method

Entity	Head office
PATRIZIA WohnModul I SICAV-FIS	Luxemburg
Evana AG	Saarbrücken
Cognotekt GmbH	Köln
control.IT Unternehmensberatung GmbH	Bremen
ASK PATRIZIA (GQ) LLP	Manchester

Furthermore, there are holdings of 28.3% in the limited liability capital of a project development company (legal form: GmbH & Co. KG) and 30.0% in the associated general partner (GmbH). There is no significant influence over this company as it cannot be managed or significantly influenced on account of company law regulations and there is no right to make appointments to its executive bodies. The shares in this project development company are measured at fair value through other comprehensive income (FVTOCI).

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

46 companies (31 December 2019: 43) have not been included in the consolidated group as at the end of the reporting period as they have only minor or no business operations, and are immaterial to the Group and a true and fair view of its financial position and performance.

Business combinations, disposals and intragroup restructuring

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

Group companies

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

Group companies

As at 01.01.2020	**119**
Companies acquired	4
Companies founded	4
Mergers	-2
Companies deconsolidated	-14
As at 31.12.2020	**111**

Acquisitions of subsidiaries

BrickVest

Founded in 2014, BrickVest is a global online platform for real estate investment opportunities from various investment companies for institutional, (semi-)professional and private investors. The platform offers digital access to a wide range of Real Assets investments as well as debt and equity solutions for Real Assets and the financial services sector.

PATRIZIA will promote the further development of BrickVest as an open, independent industry platform that brings together connecting various investor groups with deal sponsors and product providers. With this investment, PATRIZIA is continuing its Technology & Innovation Investments with the aim of advancing the transformation of the sector.

The initial consolidation from the combined share and asset deal was retroactive to 1 January 2020, as no material transactions had taken place by the time the purchase agreement was signed on 3 February 2020. For reasons of simplification, the initial consolidation of BrickVest IM Ltd. will be carried out on 31 May 2020, after the closing on 22 May 2020. The initial consolidation of BrickVest Reim Europe SAS was carried out on 31 July 2020 for simplification reasons, after the closing took place on 22 July 2020.

a) Acquired assets

The following assets were acquired in the asset deal:

Fair value

EUR k	
Goodwill	5,187
Other intangible assets	200
Software	5,982
Equipment	59
Total non-current assets	**11,428**
Current receivables and other current assets	18
Total current assets	**18**
Total assets	**11,446**

The transaction acquired a goodwill of EUR 5,187k. The main reasons for the acquisition are the potential from further development of the platform technology and access to new business areas in the field of alternative real estate and infrastructure investments.

Acquired goodwill is deductible for tax purposes in future periods.

In addition to the asset deal, further share deals took place. In each case, 100% of the shares in the following companies were acquired.
The following assets and liabilities accrue to the Group from these:

BrickVest Markets Ldt.

Fair value

EUR k	
Current receivables and other current assets	164
Cash and cash equivalents	173
Total current assets	**337**
Total assets	**337**
Current liabilities	159
Total current liabilities	**159**
Total liabilities	**159**
Net assets	**177**
Goodwill	247
Total consideration paid	**424**

The goodwill will not be deductible for tax purposes in future periods.

BrickVest IM Ltd.

Fair value

EUR k	
Current receivables and other current assets	127
Total non-current assets	**127**
Current receivables and other current assets	220
Cash and cash equivalents	259
Total current assets	**479**
Total assets	**606**
Deferred tax liabilities	24
Total non-current liabilities	**24**
Current liabilities	442
Total current liabilities	**442**
Total liabilities	**466**
Net assets	140
Total consideration paid	**140**

BrickVest Reim Europe SAS

Fair value

EUR k	
Current receivables and other current assets	149
Total non-current assets	**149**
Current receivables and other current assets	8
Cash and cash equivalents	133
Total current assets	**142**
Total assets	**291**
Deferred tax liabilities	50
Total non-current liabilities	**50**
Current liabilities	311
Total current liabilities	**311**
Total liabilities	**360**
Net assets	**-70**
Goodwill	207
Total consideration paid	**137**

The goodwill will not be deductible for tax purposes in future periods.

b) Consideration transferred and transaction costs

Net Outflow of Cash Funds for the Acquisition

EUR k	
Consideration paid in the form of cash	12,130
Less cash acquired	-565
Net cash outflow	**11,565**

The fair value of the consideration transferred for assets and liabilities taken over at the time of acquisition was EUR 12,130. Ancillary acquisition costs of approximately EUR 1.202k were incurred in connection with the asset deal. These are reported under other operating expenses in the income statement.

c) Effects of the acquisition on consolidated profit

From the net profit for the period as of 31 December 2020, a loss of EUR 555k is attributable to the acquired BrickVest companies. Of the revenue in 2020, EUR 102k results from the business activities of the acquired companies and mainly relates to fee income.

A presentation of the business combinations as at 1 January 2020 has been omitted as there would have been no material impact.

Silver Swan

With the acquisition of 100% of the shares of Silver Swan C 2018 S.à r.l., Luxembourg, PATRIZIA has secured the "Plot84 Hamburg HafenCity" project development. This is a highly attractive project in the residential sector. PATRIZIA intends to pass the project on to an investor.

The initial consolidation took place retroactively as of 1 June 2020, as no significant transactions had taken place by the time the purchase agreement was signed on 4 June 2020.

a) Acquired assets

The following assets and liabilities were acquired in the share deal:

Fair value

EUR k	
Current receivables and other current assets	1,783
Cash and cash equivalents	3,913
Total current assets	**5,696**
Total assets	**5,696**
Current liabilities	1,838
Total current liabilities	**1,838**
Total liabilities	**1,838**
Net assets	**3,858**
Income from bargain purchase	-3,858
Total consideration paid	**0**

In the context of the Covid-19 pandemic, the seller has taken the decision to withdraw from all European investments. To avoid additional payment obligations, the seller deliberately entered into a sale at EUR 1. Therefore, the purchase price does not economically reflect the value of the assets. In this respect, the profit from the acquisition of the company at a price below the market value in the amount of EUR 3,858k, which was recognised in profit or loss in the reporting period, can be explained.

b) Consideration transferred and transaction costs

Net Outflow of Cash Funds for the Acquisition

EUR k	
Consideration paid in the form of cash	0
Less cash acquired	-3,913
Net cash inflow	**-3,913**

The fair value of the consideration transferred for assets and liabilities taken over at the time of acquisition was EUR 1. Ancillary acquisition costs of approximately EUR 27k were incurred in connection with the share deal. These are reported under other operating expenses in the income statement.

c) Effects of the acquisition on consolidated profit

The net profit for the period as at 31 December 2020 includes an income from bargain purchase from the acquisition of Silver Swan C 2018 S.à r.l. at a price below market value in the amount of EUR 3,858k.

A presentation of the business combinations as at 1 January 2020 has been omitted as there would have been no material impact.

Disposal of subsidiaries

In the 2015 financial year, PATRIZIA AG expanded its product range to include closed-end funds. These companies are to be temporarily included in consolidation in the PATRIZIA Group in the fund formation phase and during the placement of the respective shares. The companies listed below again left the PATRIZIA consolidated group with income from deconsolidation of EUR 302k (2019: EUR 585) and an expense on deconsolidation of EUR -1,746 k (2019: EUR 0k) in the 2020 financial year.

Companies - result from deconsolidation

EUR k	2020
Edgbaston S.à r.l.	186
PATRIZIA GrundInvest Europa Wohnen Plus GmbH & Co. geschlossene Investment-KG	49
PATRIZIA GrundInvest Hamburg Schloßstraße GmbH & Co. geschlossene Investment-KG	67
PATRIZIA GrundInvest Objekt Hamburg Schloßstraße GmbH & Co. KG	-423
PATRIZIA GrundInvest Helsinki GmbH & Co. geschlossene Investment-KG	-1,323
Total	**-1,444**

Intragroup restructuring

In the reporting period, various PATRIZIA subsidiaries were merged as part of internal restructuring within the Group. For example, SCAN Deutsche Beteiligungsverwaltungs GmbH & Co. KG was merged with SCAN Deutsche Beteiligungsmanagement GmbH as of 2 September 2020, and SCAN Deutsche Beteiligungsmanagement GmbH was merged with Wohnungsgesellschaft Olympia mbH as of 30 September 2020.

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

2.2 Acquisition accounting by way of consolidation

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

Consolidation of a subsidiary begins from the date the company obtains control of the investee and ceases when the company loses control of the investee. The cost consists of the cash paid for the acquisition. Goodwill is the excess of the total of the consideration transferred and the amount of all non-controlling interests in the acquiree over the net fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date. Any negative difference – even after reassessment – is recognised in profit and loss.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. This applies even if this results in the non-controlling interests having a deficit balance.

2.3 Inclusion of joint ventures and associates using the equity method

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

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

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

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

2.5 Currency translation

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

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

3 Summary of key accounting policies

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

3.1 Goodwill

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

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

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

3.2 Other intangible assets

Other intangible assets essentially include fund management contracts.

Fund management contracts acquired as part of the business combinations with PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Global Partners A/S (formerly PATRIZIA Multi Managers), PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH, PATRIZIA PROPERTY INVESTMENT MANAGERS LLP and as part of the acquisition of KENZO (renamed PATRIZIA Japan KK) are recognised separately and measured at fair value as at the acquisition date.

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

The amortisation period for the fund management contracts is based on the expected terms of the fund contracts (one to 26 years). The straight-line method was chosen as their development cannot be reliably determined in advance.

3.3 Software

a) Acquired software

Purchased software, i.e. the granting of an exclusive and generally indefinite right of use for a software licence, is carried at cost at the time of acquisition. In subsequent periods, this is measured at cost less accumulated amortisation and any accumulated impairment.

The cost includes the directly attributable acquisition and provision costs.

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

b) Cloud computing

Cloud computing contracts grant access to user software in a cloud environment provided by a supplier for a limited contractual term in exchange for a fee ("software rent"). The software as a service (SaaS) service model or the public cloud delivery model are usually agreed as the contract conditions. In these circumstances, cloud computing agreements are regularly viewed as service contracts and recognised as ongoing expenses. Associated implementation costs are generally recognised as an expense in the period in which they are incurred.

3.4 Leases

At the inception of the contract, the Group assesses whether the contract creates or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lesee:

The classes of assets underlying the leases relate to:

- business and office premises
- motor vehicles
- IT equipment
- operating and office equipment

The Group measures all leases using a uniform model, with the exception of short-term leases and leases of low value. The lessee's balance sheet now shows assets (from the right of use) and liabilities (from the lease obligation) for all identified leases.

The right of use is measured at cost. At the acquisition date(provision date), this comprises the amount from the initial measurement of the lease liability plus any initial costs of the lessee. In the case of leasing contracts for business and office premises as well as vehicle leasing contracts, leasing and non-leasing components are separated. Non-lease components are expensed immediately.

The lease liability is measured as the present value of the lease payments made during the term of the lease. In the PATRIZIA Group, the payments are discounted at the incremental borrowing rate. The incremental borrowing rate is based on the interest rate that the company would have to use to borrowing under comparable economic conditions. A uniform discount rate is applied to portfolios of similarly structured leases (e.g. similar assets, similar remaining terms, similar economic environment).

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

In subsequent measurement, the right-of-use asset is amortised over the lease term. The lease liability is amortised using the effective interest method, taking into account the lease payments made. In addition, the right-of-use asset is continuously adjusted for impairment, if necessary, and for certain revaluations of the lease liability.

Lease liabilities are revalued when there is a change in the future lease payments due to a change in an index or (interest) rate, when the Group revises its estimate of the expected payments under a residual value guarantee, when the Group changes its estimate of the exercise of a purchase, renewal or termination option, or when there is a change in a de facto fixed lease payment. Upon such reassessment of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

The rights of use are presented separately in the consolidated statement of financial position under non-current assets. The leasing liabilities are also shown separately in the statement of financial position under non-current and current liabilities.

The PATRIZIA Group has decided not to recognise short-term (remaining term 12 months) and low-value leases (underlying asset of low value). Neither a lease liability nor a right of use is recognised for these leases. Instead, the lease payments are recognised as an expense on a straight-line basis over the lease term.

Lessor:

In classifying the lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If so, the lease is classified as a finance lease, otherwise it is classified as an operating lease. As part of this assessment, the Group considers certain indicators, such as whether the lease covers the major part of the economic life of the asset. As a rule, operating leases exist in the PATRIZIA Group.

If an agreement contains lease and non-lease components, the Group applies IFRS 15 to allocate the contractually agreed consideration. Lease payments from operating leases are recognised by the Group as income on a straight-line basis over the term of the lease and reported separately under revenues.

3.5 Investment property

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

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

This estimate specifically excludes price assumptions inflated or deflated by special terms or circumstances.

The residential privatisation process for investment property was initiated in previous years and successfully continued in 2020. The assets are valued internally using a detailed project calculation. The key inputs used in this valuation include comparative values from market transactions within the property or its immediate environment, in addition to assumptions regarding the realisation period, potential types of buyer and intended renovation and modernisation measures yet to be implemented.

Fair value measurement of investment property is therefore allocated to level 3 of the IFRS 13 measurement hierarchy.

As at the end of the reporting period, real estate with a total area of 590 square metres an average selling price of EUR 3,440 per square metre is planned for privatisation. In the event of a change in this average potential selling price per square metre, the fair value calculated would be altered accordingly (example: If the average selling price per square metre increases by EUR 100, this would result in an increase in fair value of EUR 55k).

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

3.6 Operating and office equipment

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

The cost includes the directly attributable acquisition and provision costs.

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

3.7 Impairment of assets

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

3.8 Participations in associated companies

Associates are companies in which PATRIZIA has significant influence on the financial and operating policies (usually on account of direct or indirect voting rights of between 20% and 50%). They are accounted for in the consolidated financial statements using the equity method (see note 4.1.7).

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

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

3.9 Classification and measurement of financial assets and financial liabilities

IFRS 9 introduces three basic categories for the classification of financial assets:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit or loss (FVTPL).

The classification of financial assets according to IFRS 9 is based on the characteristics of the contractual cash flows and on the business model for managing financial assets. With regard to the business model, the Group differentiates between financial assets whose objective is solely to realise contractual cash flows and financial assets whose objective can be both to realise contractual cash flows and to trade in these financial instruments. Financial assets that cannot be allocated to either of the two alternatives are assigned to a "residual category".

Equity investments are investments that the Group intends to hold for the long term for strategic reasons. In accordance with IFRS 9, the Group has therefore classified these participations as FVTOCI as at the date of initial application. The Group believes that designation as FVTOCI allows more meaningful accounting for its strategic investments in the statement of financial position. Subsequent changes in the fair value of the investment are recognised in other comprehensive income.

Long-term loans whose cash flows do not consist solely of payments of principal and interest are measured at FVTPL in accordance with IFRS 9.

Other loans, trade receivables and other receivables are classified at amortised cost, as are securities that were previously classified as held to maturity.

Financial liabilities are classified and measured at amortised cost unless they are held for trading. If the latter is the case, they are measured at fair value.

Impairment of financial assets

In accordance with IFRS 9, the expected credit losses (ECL) method is used. The impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at FVTOCI, but not to equity investments held as investment securities. In the Group, the following classes of financial instruments are subject to the IFRS 9 impairment model:

- Other loans
- Trade receivables and other financial assets
- Securities
- Cash and cash equivalents

Hedge accounting

The Group did not use hedging accounting as at the end of the reporting period.

Financial liabilities

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

Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the rights to payment expire or the financial asset is transferred to a third party.

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

A significant change in the contractual terms of a financial instrument results in its derecognition and the recognition of a new financial asset or financial liability. Non-significant changes result in an adjustment of the carrying amount without derecognition of the financial instrument.

3.10 Inventories

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

PATRIZIA has defined a normal operating cycle as three years, as experience shows that a majority of the units intended for sale are sold in this time. However, it is still intended to sell inventories directly even if they are not sold within three years (e.g. due to unforeseen or foreseen changes in economic conditions).

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

3.11 Cash and cash equivalents

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

3.12 Share based payments

For share-based commitments, the Group provides for settlement through equity instruments or cash settlement. The fair value is determined at the grant date of the award and recognised as an expense with a corresponding increase in equity over the vesting period. The amount recognised as an expense is adjusted to reflect the number of awards for which the relevant service conditions and non-market performance conditions are expected to be met. For market performance conditions, the grant date fair value is determined using a simulation model, taking into account these conditions. For the market-based performance conditions, there is no adjustment between expected and actual outcomes.

In addition, there is another remuneration model in the form of an executive participation model, which, however, does not fall under IFRS 2 and is described in more detail under item 9.1.1.

3.13 Retirement benefit obligations

Defined benefit pension plans are measured using the projected unit credit method on the basis of an actuarial pension report. Retirement benefit obligations in the statement of financial position are calculated from the present value of the defined benefit obligation at the end of the reporting period. The Group recognises actuarial gains and losses on defined benefit pension plans in profit or loss in the period in which they occur.

3.14 Other provisions

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

3.15 Taxes

Current income taxes

Current tax assets and tax liabilities for the current and earlier period are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The calculation of this amount is based on the tax rates and tax laws in effect as at the end of the reporting period.
Tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these relate to the same taxable entity and taxes levied by the same taxation authority.

Deferred taxes

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

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

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

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

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

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

3.16 Borrowing costs

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

3.17 Performance obligations and methods of revenue recognition

Revenue is measured on the basis of the consideration agreed in a contract with a client. The Group recognises revenue when control of a good or service is transferred to a client.

Revenues from management services

Revenues from management services typically break down as follows:

- Management fees
- Transaction fees (services in connection with the acquisition, construction or disposal of assets or shares in them)
- Performance fees

These performance obligations are distinct as the investor typically receives a distinct benefit from the fulfilment of a performance obligation and the services promised are separable from other services under the same contract.

PATRIZIA typically receives a monthly/quarterly management fee for its (asset) management services and a (e.g. annual) performance fee if a defined investment yield is exceeded. (Asset) management is a service performed over time.

Management fees are typically based on the fund volume as at the end of the month, which fluctuates depending on the market values of the assets regularly determined by external experts. Any uncertainty regarding consideration is typically resolved when the fund volume is determined as at the end of the month.

Among other scenarios, PATRIZIA receives a performance fee if the investment vehicle has outperformed its benchmark or if defined investment yields are exceeded. The performance fee can relate to one or more years and also constitutes consideration subject to uncertainty. Owing to potential clawback agreements, even performance fees already received can still be subject to uncertainty. Clawback obligations are measured based on the most likely future performance of a portfolio, taking consideration already received for past performance into account.

Transaction fees are typically for performance obligations fulfilled at a point in time, namely the acquisition or disposal of assets or portfolios. In some cases, there can also be performance-based consideration depending on a portfolio's performance.

Revenues from management services are invoiced on revenue recognition. Invoices for management fees are typically payable within 14 days, while invoices for transaction fees are typically due within zero to 60 days.

Proceeds from the sale of principal investments

Proceeds from the sale of principal investments are recognised when control of assets has transferred to the buyer.

Buyers achieve control of real estate when ownership, rights and liabilities are transferred to them. An enforceable right to payment arises at this time. The amount of revenues is the contractually agreed transaction price. Most of the consideration is due when legal title has transferred. The transaction price therefore does not include a significant financing component.

Revenues from incidental costs

Revenues from incidental costs are recognised over the period in which the services are rendered. The tenant typically receives and consumes the services at the same time. Revenues are recognised using input-based methods, whereby revenues are recognised based on the costs incurred or resources consumed in proportion to the total inputs expected to be required to fulfil the performance obligation. The agreed consideration is due monthly.

3.18 Accounting assumptions and estimates

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

- measurement of investment property
- calculation of the recoverable amount to assess the necessity and amount of impairment losses, in particular on real estate reported under “Inventories”
- determination of the transaction price for variable consideration
- recognition and measurement of provisions
- measurement of bad debts
- recoverability of deferred tax assets
- measurement of equity investments
- measurement of goodwill
- measurement of fund management contracts

Assumptions made for the valuation of real estate portfolios could subsequently prove to be partially or wholly inaccurate, or there could be unexpected problems or undetected risks in connection with real estate portfolios. Such developments, which are also possible at short notice, could negatively affect the result of operations, reduce the value of the assets acquired and significantly reduce revenues generated from the privatisation of apartments and current rents. In addition to the specific factors for each property, the recoverability of real estate assets is primarily determined by the development of the real estate asset market and the general economic situation. There is the risk that the Group’s valuations would have to be corrected in the event of a negative development on the real estate market or in the general economic situation. Please see note 3.17 for information on judgement in determining the transaction price for variable consideration.

Particularly in the valuation of the investments held by PATRIZIA, the application of IFRS 9 results in different values of the fair values based on various measurement decisions, which are to be recognised in the consolidated financial statements. The valuation of PATRIZIA's investment in Dawonia was discussed in an enforcement procedure by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung DPR e. V.). (DPR) and was discussed and problematised.

The enforcement proceedings concerning the consolidated financial statements as at 31 December 2016 were discontinued by BaFin (in a letter dated 6 June 2020) without a finding of incorrect accounting. The focus of the proceedings was the valuation of investments for which there is no price quoted on an active market. The proceedings have been conducted at the level of the Federal Financial Supervisory Authority (BaFin) since January 2019. Details on the impact on the balance sheet can be found in the 2018 Notes to the Consolidated Financial Statements of PATRIZIA AG.

4 Notes the consolidated balance sheet assets

4.1 Non-current assets

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

4.1.1 Goodwill

The PATRIZIA Group has recognised goodwill of EUR 212,353k (31 December 2019: EUR 210,292k). The goodwill will not be deductible in future tax periods and is therefore treated as a permanent difference in the calculation of deferred taxes.

Goodwill

	2020			2019		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**210,292**	**0**	**210,292**	**201,109**	**0**	**201,109**
Additions	5,187	0	5,187	6,059	0	6,059
Changes in the consolidated group	454	0	454	0	0	0
Disposals	0	0	0	0	0	0
Foreign exchange differences	-3,580	0	-3,580	3,124	0	3,124
As at 31.12.	**212,353**	**0**	**212,353**	**210,292**	**0**	**210,292**

The additions in the financial year includes the acquired original goodwill of EUR 5,187k from the asset deal as well the derivative goodwill of EUR 454k from the share deal of BrickVest IM Ltd. See in detail section 2.1 Acquisition of subsidiaries.

Corporate management and monitoring take place on the basis of functions. This functional management is carried out in the “Management Services” and “Investments” segments. Within the segments, the cash-generating units are defined as follows:

“Management Services” segment:

- Core business
- PATRIZIA Global Partners (formerly PATRIZIA Multi Managers)
- Retail business
- Alternative investments
- PATRIZIA Japan KK (formerly KENZO Japan)
- BrickVest

“Investments” segment:

- Co-investments
- Principal investments
- Assets retail business

As at 31 December 2020, goodwill was allocated to the cash-generating units as follows:

- Core business: EUR 195,153k (31 December 2019: EUR 198,582k)
- PATRIZIA Global Partners (formerly PATRIZIA Multi Managers): EUR 6,779k (31 December 2019: EUR 6,752k)
- PATRIZIA Japan KK (formerly KENZO Japan): EUR 4,780k (31 December 2019: EUR 4,958k)
- BrickVest: EUR 5.641k (31 December 2019: EUR 0k)

In addition to the goodwill from the acquisition of BrickVest, the change in total goodwill compared to 31 December 2019 is due to exchange rate changes of EUR -3,580k (31 December 2019: EUR 3,124k). These are mainly due to the exchange rate development of the British pound.

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

The recoverable amount of the cash-generating units was determined by calculating the value in use using measurement methods based on discounted cash flows. These discounted cash flows are based on five-year forecasts derived from financial planning approved by the Management Board. The cash flow forecasts take into account past experience and are based on management estimates of future developments and external economic data. The cash flows were derived from forecasts of future cash flows from the respective fund management contracts and realised synergies. Cash flows beyond the planning period are extrapolated at a growth rate of 1.0% p. a. (2019: 1.0%).

The weighted average cost of capital (WACC) was used to discount the cash flows applying costs of capital before income taxes specific to the cash-generating units.

In 2020, the following cost of capital rates (before taxes) were derived for the cash-generating units: :

- Core Business: 7.0% (2019: 7.0%)
- PATRIZIA Global Partners (formerly PATRIZIA Multi Managers): 6.3% (2019: 6.0%)
- PATRIZIA Japan KK (formerly KENZO Japan): 7.9% (2019: 7.0%)
- BrickVest: 7.0% (2019: 0.0%)

As in the previous year, the impairment test performed in 2020 did not give rise to any impairment requirement as the recoverable amount exceeds the carrying amount of the respective cash-generating unit.

These premises and the underlying method can have a significant influence on the respective values and ultimately on the amount of possible goodwill impairment.

Sensitivity analyses were carried out for the key assumptions used in the impairment testing of cash-generating units.
Based on these analyses and taking into account the change in the key assumptions on which the impairment tests are based, there is no scenario considered possible that would lead to a need for impairment. In this respect, the sensitivity analyses confirm that no impairment is required.

4.1.2 Other intangible assets

Other intangible assets

	2020			2019		
EUR k	Cost	Amortisation	Carrying amounts	Cost	Amortisation	Carrying amounts
As at 01.01.	**226,072**	**-94,178**	**131,895**	**222,048**	**-55,486**	**166,562**
Additions	200	-24,491	-24,290	3,561	-40,250	-36,689
Changes in the consolidated group	276	0	276	0	0	0
Disposals	0	0	0	-2,809	2,802	-7
Foreign exchange differences	-3,650	1,907	-1,743	3,272	-1,244	2,028
As at 31.12.	**222,898**	**-116,761**	**106,137**	**226,072**	**-94,178**	**131,895**

In the purchase price allocation for PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH, PATRIZIA UK Ltd., PATRIZIA Global Partners A/S (formerly PATRIZIA Multi Managers), PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH and PATRIZIA PROPERTY INVESTMENT MANAGERS LLP as well as PATRIZIA Japan KK (formerly KENZO Japan) from previous years, hidden reserves on other intangible assets were identified. In total, amortisation in the amount of EUR 24,442k (2019: EUR 40,242k) was recognised on other intangible assets and in the amount of EUR 49k (2019: EUR 8k) on licenses in the reporting year. Impairment testing of fund management contracts as at 31 December 2020 resulted, due to selloffs and completion of funds, in impairment losses on three (2019: seven) fund management contracts in the amount of EUR 5,002k (2019: EUR 9,285k).

The negative currency translation result as at the end of the reporting period in the amount of EUR -1,743k (2019: EUR 2,028k) arises mainly from fund management contracts of PATRIZIA PROPERTY INVESTMENT MANAGERS LLP.

Significant portions of the other intangible assets reported as at the end of the reporting period relate to the fund management contracts of PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH at EUR 56,894k (31 December 2019: EUR 65,260k), PATRIZIA PROPERTY INVESTMENT MANAGERS LLP at EUR 20,944k (31 December 2019: EUR 33,448k) and PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH at EUR 20,971k (31 December 2019: EUR 23,960k).

Please also see the accounting policies under 3.2 Other intangible assets.

4.1.3 Software

Software

EUR k	2020 Cost	2020 Amortisation	2020 Carrying amounts	2019 Cost	2019 Amortisation	2019 Carrying amounts
As at 01.01.	**32,860**	**-22,534**	**10,326**	**29,852**	**-18,456**	**11,396**
Additions	10,455	-4,230	6,225	2,531	-3,601	-1,070
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-20	20	0	0	0	0
Foreign exchange differences	52	-1	51	477	-477	0
As at 31.12.	**43,347**	**-26,744**	**16,603**	**32,860**	**-22,534**	**10,326**

The additions in the current period mainly result in the amount of EUR 5,982k from the combined share- and asset deal BrickVest IM Ltd. See also section 2.1 Acquisition of subsidiaries.

4.1.4 Rights of use

The rights of use break down as follows:

Rights of use

EUR k	2020 Cost	2020 Amortisation	2020 Carrying amounts	2019 Cost	2019 Amortisation	2019 Carrying amounts
As at 01.01.	**34,935**	**-9,946**	**24,988**	**0**	**0**	**0**
Additions	11,565	-10,428	1,137	34,807	-9,927	24,879
Disposals	-1,452	1,450	-1	-25	10	-14
Foreign exchange differences	-298	81	-218	153	-30	123
As at 31.12.	**44,750**	**-18,844**	**25,906**	**34,935**	**-9,946**	**24,988**

Rights of use by class

EUR k	2020	2019	Change
Rental contracts for business and office premises	23,576	21,656	8.9%
Motor vehicles	1,421	1,705	-16.7%
IT	909	1,627	-44.1%
Total	**25,906**	**24,988**	**3.7%**

4.1.5 Investment property

Investment property

EUR k	2020	2019
As of 01.01.	**1,835**	**8,308**
Foreign exchange differences	0	0
Addition	0	599
Disposal	-491	-2,310
Disposal Depreciation	491	-3,972
Positive changes in market value	4	0
Negative changes in market value	0	-791
As at 31.12.	**1,838**	**1,835**

There are still two investment properties in Munich as at the end of the reporting period.

On the basis of the fair value of the portfolio as a whole as at 31 December 2020, the average fair value is EUR 3,115 (31 December 2019: EUR 3,110) per square meter, with a multiplier of 21 (2019: 14) in relation to the target rent.

There were no loan agreements for which investment property was pledged as at 31 December 2020.

Including non-periodic effects, investment property gave rise to rental revenues of EUR 157k (2019: EUR 114k) and a cost of materials of EUR 1,084k (2019: EUR 1,227k) in the reporting period.

4.1.6 Operating and office equipment

Equipment

EUR k	2020 Cost	2020 Amortisation	2020 Carrying amounts	2019 Cost	2019 Amortisation	2019 Carrying amounts
As at 01.01.	**17,261**	**-11,206**	**6,056**	**16,139**	**-10,249**	**5,890**
Additions	3,268	-1,753	1,515	2,170	-1,784	386
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-2,649	2,466	-183	-1,198	910	-287
Foreign exchange differences	-170	87	-83	150	-83	67
As at 31.12.	**17,710**	**-10,405**	**7,305**	**17,261**	**-11,206**	**6,056**

4.1.7 Participations in companies accounted for using the equity method

Participations in companies accounted for using the equity method

EUR k	2020 Cost	2020 At equity adjustment	2020 Carrying amounts	2019 Cost	2019 At equity adjustment	2019 Carrying amounts
As at 01.01.	**66,830**	**2,205**	**69,035**	**65,571**	**10,570**	**76,141**
Additions	3,607	7,774	11,381	4,386	725	5,111
Changes in the consolidated group	-3,416	0	-3,416	3,416	0	3,416
Disposals	-41,511	-3,109	-44,620	-6,565	-9,090	-15,655
Foreign exchange differences	-24	0	-24	22	0	22
As at 31.12.	**25,486**	**6,871**	**32,357**	**66,830**	**2,205**	**69,035**

The item “Participations in companies accounted for using the equity method” breaks down as follows:

Participations in entities accounted for using the equity method

Entity	Head office	Equity Investment
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	10.10%
Evana AG	Saarbrücken	25.01%
Cognotekt GmbH	Köln	35.67%
control.IT Unternehmensberatung GmbH	Bremen	10.00%
ASK PATRIZIA (GQ) LLP	Manchester	50.00%

The companies listed above are included in the consolidated financial statements of PATRIZIA AG in accordance with the equity method.

The in the previous year reported at-equity investment TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY, Helsinki/Finland, was disposed of in 2020 as part of the deconsolidation of PATRIZIA GrundInvest Helsinki GmbH & Co. Geschlossene Investment KG.

Ask PATRIZIA (GQ) LLP is a joint venture for a real estate project development in Newcastle/Gateshead in the north of England.

For reasons of materiality, additional information on this joint venture Ask PATRIZIA (GQ) LLP will be dispensed with below and information will only be provided on the associates PATRIZIA WohnModul I SICAV-FIS, Evana AG, control.IT Unternehmensberatung GmbH and Cognotekt GmbH.

The strategy of PATRIZIA WohnModul I SICAV-FIS is primarily the acquisition of project developments and revitalisation properties. Its intended exit strategy is block sales and individual privatisation. Through its investment in PATRIZIA WohnModul I SICAV-FIS, PATRIZIA is subject to the usual risks specific to properties such as market developments in the privatisation of residential properties and project developments in addition to interest rate fluctuations.

A summary of the financial information on PATRIZIA WohnModul I SICAV-FIS is shown below.

Summary of the financial information of the PATRIZIA WohnModul I SICAV-FIS

EUR k	2020	2019
Current assets	445,708	1,072,365
Non-current assets	3,820	2,320
Current liabilities	61,993	91,623
Non-current liabilities	146,593	417,236
Revenues	27,966	57,748
Net income	117,244	22,292
Other comprehensive income	0	0
Total comprehensive income	117,244	22,292

The share of the profits of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group amounts to EUR 11,842k (2019: EUR 2,251k) in the reporting period. The positive valuation result from 2020 essentially results from the sale of a large Dutch residential property portfolio.

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

EUR k	2020	2019
Net assets of associated company[1]	239,142	562,671
Group shareholding	10.10%	10.10%
Other adjustments	-282	165
Carrying amount of the equity investment	**23,871**	**56,995**

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

Other adjustments include income from participations in companies that, based on their substance, are attributable to the associate.

In the reporting period, repayments of shares in the amount of EUR 41,590k (2019: EUR 6,565k) were made from PATRIZIA WohnModul I SICAV-FIS to PATRIZIA AG. In addition, PATRIZIA WohnModul I SICAV-FIS paid total distributions of EUR 3,030k (2019: EUR 9,090k) to PATRIZIA AG in the reporting period. The repayment of shares and the paid distributions were recognised against the participation in associated companies without effecting the income statement.

Evana AG is a provider of data management services and artificial intelligence in the real estate industry. Evana AG's strategy is the development of self-learning algorithms for the processing and evaluation of large data volumes.

Through its investment in Evana AG, PATRIZIA is subject to the risk of delays in the product's market launch and sales success.

A summary of the financial information on Evana AG is shown below.

Summary of the financial information of the Evana AG

EUR k	2020	2019
Current assets	2,051	825
Non-current assets	383	694
Current liabilities	630	2,247
Non-current liabilities	0	0
Revenues	1,733	1,172
Net income	-4,478	-4,284
Other comprehensive income	0	0
Total comprehensive income	-4,478	-4,284

The share of the loss of Evana AG attributable to the PATRIZIA Group amounts to EUR -1,119k (2019: EUR -1,071k) in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in Evana AG

EUR k	2020	2019
Net assets of associated company	3,465	3,855
Group shareholding	25.01%	25.01%
Goodwill	2,964	2,964
Other adjustments	-235	40
Carrying amount of the equity investment	**3,596**	**3,968**

In the reporting period, a resolution was passed to increase the share capital of Evana AG, in which the PATRIZIA Group participated in the amount of EUR 1,584k in proportion to its shares.

In the financial year, the at-equity investment was written down to fair value by EUR 709k (2019: EUR 0k).

Cognotekt GmbH is a provider of data management services in connection with artificial intelligence.

Through its investment in Cognotekt GmbH, PATRIZIA is subject to the risk of delays in the product's market launch and sales success.

A summary of the financial information on Cognotekt GmbH is shown below.

Summary of the financial information of the Cognotekt GmbH

EUR k	2020	2019
Current assets	1,175	1,812
Non-current assets	1,024	1,233
Current liabilities	498	1,864
Non-current liabilities	1,250	386
Revenues	757	2,330
Net income	-4,081	-2,138
Other comprehensive income	0	0
Total comprehensive income	-4,081	-2,138

The share in the loss of Cognotekt GmbH attributable to the PATRIZIA Group amounts to EUR -824k (2019: EUR -140k) in the reporting period.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in Cognotekt GmbH

EUR k	2020	2019
Net assets of associated company	451	5,153
Group shareholding	35.67%	13.07%
Goodwill	3,549	1,675
Other adjustments	-796	120
Carrying amount of the equity investment	**2,914**	**2,468**

In the financial year, Cognotek GmbH carried out a capital increase of EUR 10k by issuing new shares, which were taken over in full by the PATRIZIA Group. As a result, the shareholding in Cognotek GmbH increased from 13.07% to 35.67%. In addition, the PATRIZIA Group made another payment of EUR 1,993k to the capital reserve of Cognotek GmbH.

In the financial year, the at-equity investment was written down to fair value by EUR 698k EUR (2019: 0k).

control.it Unternehmensberatung GmbH is a provider of asset and portfolio management systems with comprehensive digitalisation strategies. Through its investment in control.IT Unternehmensberatung GmbH, PATRIZIA is subject to the risk of general competition and demand for IT projects in the context of digitalisation in the real estate industry.

A summary of the financial information on control.IT Unternehmensberatung GmbH is shown below.

Summary of the financial information of the control.IT Unternehmensberatung GmbH

EUR k	2020	2019
Current assets	7,597	5,734
Non-current assets	584	358
Current liabilities	614	329
Non-current liabilities	457	147
Revenues	6,305	6,765
Net income	-639	1,262
Other comprehensive income	0	0
Total comprehensive income	-639	1,262

The share in the profits of control.IT Unternehmensberatung GmbH attributable to the PATRIZIA Group amounts to EUR -64k (2019: EUR 43k) in the reporting period.

In the reporting period control.IT Unternehmensberatung GmbH paid distributions in the amount of EUR 79k (2019: EUR 0k). The paid distributions were recognised against the participation in associated companies without effecting the income statement.

Statement of reconciliation from the financial information presented to the carrying amount of the equity investment in control.IT Unternehmensberatung GmbH

EUR k	2020	2019
Net assets of associated company	11,426	11,316
Group shareholding	10.00%	10.00%
Goodwill	391	391
Other adjustments	24	223
Carrying amount of the equity investment	**1,557**	**1,746**

4.1.8 Participations

Participations

EUR k	2020 Cost	2020 First-time application IFRS 9	2020 Revaluation IFRS 9	2020 Carrying amounts	2019 Cost	2019 First-time application IFRS 9	2019 Revaluation IFRS 9	2019 Carrying amounts
As at 01.01.	**75,383**	**347,666**	**102,668**	**525,716**	**98,059**	**347,666**	**53,516**	**499,241**
Additions	11,503	0	0	11,503	3,982	0	0	3,982
Changes in the consolidated group	-200	0	0	-200	0	0	0	0
Disposals	-8,585	0	-9,001	-17,586	-26,656	0	-267	-26,924
Positive changes in market value	0	0	60,599	60,599	0	0	58,471	58,471
Negative changes in market value	0	0	-5,172	-5,172	0	0	-9,388	-9,388
Foreign exchange differences	-408	0	109	-300	-2	0	337	335
As at 31.12.	**77,693**	**347,666**	**149,202**	**574,561**	**75,383**	**347,666**	**102,668**	**525,716**

The item “Participations” contains the following material shares:

- OSCAR Lux Carry SCS 0.1% (31 December 2019: 0.1%)
- Dawonia GmbH 5.1% (31 December 2019: 5.1%)
- Seneca Holdco SCS 5.1% (31 December 2019: 5.1%)
- Investment Alliance (Entities Opportunitäten Europa 1 S.à r.l. up to Opportunitäten Europa 11 S.à r.l.) each 5.1% (31 December 2019: 5.1%)

The item participations includes shares in affiliated companies amounting to EUR 93k, which are not consolidated due to their minor importance for the group. These financial assets are recognised at amortised cost.

4.1.9 Non-current borrowings and other loans

Non-current borrowings and other loans

EUR k	2020 Cost	2020 Amortisation	2020 Carrying amounts	2019 Cost	2019 Amortisation	2019 Carrying amounts
As at 01.01.	**27,977**	**300**	**28,276**	**27,513**	**0**	**27,513**
Additions	7,759	0	7,759	685	300	985
Changes in the consolidated group	0	0	0	0	0	0
Disposals	-1,109	0	-1,109	-221	0	-221
Foreign exchange differences	0	0	0	-0	0	-0
As at 31.12.	**34,627**	**300**	**34,927**	**27,977**	**300**	**28,276**

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

Loans classified at amortised cost have interest rates of 2.5% to 5.0% (2019: 2.5% to 5.0%) and a remaining term of 1 to 7 years. Long-term loans at fair value through profit or loss have an agreed interest rate of 1.25% (2019: 1.25%) and a remaining term of up to one to two years.

4.2 Inventories

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

Inventories are composed as follows:

Inventories

EUR k	2020	2019	Change
Property intended for sale	1,683	100,170	-98.3%
Properties in the development phase	12,964	13,038	-0.6%
Total	**14,647**	**113,208**	**-87.1%**

The “Real estate assets in the development phase” item includes the Trocoll House property, which was acquired by a subsidiary of PATRIZIA AG in Greater London in 2016.

The change in inventories of EUR -98,561k results primarily from the disposal of real estate assets newly acquired and held temporarily for the purposes of placement via closed-end funds in the amount of EUR 91,636k, the sale of the subsidiary Edgbaston S.à.r.l., Luxembourg, in the amount of EUR 3,849k, as well as from the disposal of various real estate asset units in the privatisation portfolio.

4.3 Current tax assets

Current tax assets of EUR 26,554k (31 December 2019: EUR 17,318k) are essentially recognised for receivables due to excess payment of taxes and refunds of capital gains tax in the financial year.

4.4 Current receivables and other current assets

Current receivables and other current assets break down as follows:

Current receivables and other current assets

EUR k	31.12.2020	31.12.2019
Trade receivables	**145,543**	**168,773**
Receivables from services	97,276	92,862
Receivables from property sales	10,722	19,072
Other	37,545	56,838
Other current assets	**246,856**	**211,963**
Total	**392,399**	**380,735**

Other trade receivables mainly include deferred acquisition and performance fees that were generated at the end of the year and will affect cash flow in subsequent periods.

Other current assets break down as follows:

Other current assets

EUR k	31.12.2020	31.12.2019
Term deposits	180,797	185,000
Receivables from other investees and investors	4,109	5,354
Other	61,949	21,608
As at 31.12.	**246,856**	**211,963**

As term deposits of EUR 180,797k (31 December 2019: EUR 185,000k) have terms of more than three months, as at the end of the reporting period they were disclosed in the balance sheet item current receivables and other current assets instead of cash and cash equivalents.

The "Other" item essentially comprises loan receivables, deposits, creditors with debit balances, and prepaid expenses. The increase mainly results from a short term granted loan in the amount of EUR 43,200k, classified at amortised cost.

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

4.5 Securities, cash and cash equivalents

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

Cash funds were invested in short-term, money market securities in the context of active liquidity management. An amount of EUR 180,797k (31 December 2019: EUR 185,000k) was invested in short-term term deposits with a maturity of more than three months. These term deposits are reported in the consolidated balance sheet under current receivables and other current assets.

Liquidity

EUR k	31.12.2020	31.12.2019
Cash and cash equivalents	495,454	449,084
Term deposits	180,797	185,000
Securities	0	1,000
Liquidity	**676,251**	**635,084**
Regulatory reserve for asset management companies	-31,229	-22,266
Transaction related liabilities and blocked cash	0	-5,469
Liquidity in closed-end funds business property companies	-15	-388
Available liquidity	**645,007**	**606,961**

5 Notes to the consolidated balance sheet – equity and liabilities

5.1 Equity

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

5.1.1 Share capital

The share capital of the company amounts, after offsetting treasury shares in the amount of EUR 2,668,545 (31 December 2019: EUR 1,291,845), to EUR 89,683k (31 December 2019: EUR 91,060k as at the end of the reporting period and was divided into 89,682,931 no-par-value registered shares.

As part of the share buyback programme from 19 March to 22 June 2020, PATRIZIA AG bought back a total of 1,376,700 shares at an average price of EUR 20.30 per share (incl. transaction costs) in a total volume of EUR 27,947k.

The direct parent company of PATRIZIA AG is First Capital Partner GmbH. The parent company of First Capital Partner GmbH and thus the ultimate parent company of PATRIZIA AG is we holding GmbH & Co. KG (formerly: WE Vermögensverwaltung GmbH & Co. KG). Compared to 31 December 2019, First Capital Partner GmbH continues to hold a stake of 47,844,484 no-par-value shares in PATRIZIA AG which corresponds to a share of 51.81%.

For information on the authorisation of the Management Board to issue and buy back shares, see section 3.1 of the combined management report.

5.1.2 Capital reserves

The capital reserves changed from EUR 155,222k to EUR 129,751k as at 31 December 2020 due to the share buyback programme of EUR -26,571k and the first-time recognition of share-based payment (IFRS 2) of EUR 1,100k.

5.1.3 Retained earnings

The legal reserves reported under retained earnings in the amount of EUR 505k as at 31 December 2020 were unchanged as compared to the prior period.

5.1.4 Treasury shares

In the reporting period, the number of treasury shares increased by 1,376,700 to 2,668,545 and their total value by EUR 27,947,473 to EUR 49,626,365 after the share buyback programme ended on 22 June 2020.

Treasury shares

	Number of shares	Price per share in EUR[1]	Total Value in EUR
As at 01.01.2020	**1,291,845**		**21,678,892**
Share buyback programme	1,376,700	20.30	27,947,473
As at 31.12.2020	**2,668,545**		**49,626,365**

[1] Incl. Transaction costs

5.1.5 Consolidated unappropriated profit

The consolidated unappropriated profit increased from EUR 889,160k to EUR 900,507k as at 31 December 2020.
A cash dividend of EUR 26,008k (2019: EUR 24,576k) was distributed to the company's shareholders in the reporting year.

5.1.6 Non-controlling interests

There were non-controlling interests of EUR 32,265k as at 31 December 2020 (31 December 2019: EUR 30,359k).

A profit share of EUR 2,975k (31 December 2019: EUR 3,478k) was allocated to non-controlling interests in the reporting period.

As at 31 December 2020, profit shares of EUR 1,001k (31 December 2019: EUR 548k) had been withdrawn by non-controlling interests. These are payments to non-controlling interests, some of whom are also employed by the company.

As part of the internal restructuring of the Group, PATRIZIA acquired non-controlling interests of EUR 9k (31 December 2019 EUR 364k).

Subsequent purchase price costs of EUR 357k were incurred for non-controlling interests in PATRIZIA Investment Management S.C.S that were already acquired in the 2018 financial year.

In this regard, we also refer to the explanations in the section on company acquisitions, disposals and intragroup restructuring in section 2.1 Scope of consolidation.

A total of EUR 211k (31 December 2019: EUR 16,254k) in connection with the remeasurement of financial instruments pursuant to IFRS 9 and a total of EUR -123k (31 December 2019: EUR -180k) for the measurement of the defined benefit obligation (DBO) pursuant to IAS 19 are reported in the 2020 financial year.

5.2 Deferred tax assets and defered tax liabilities

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

Deferred tax assets/liabilities

EUR k	31.12.2020 Assets	31.12.2020 Liability	31.12.2019 Assets	31.12.2019 Liability
Investment property	0	151	0	144
Participations	1,776	73,545	1,714	66,400
Liabilities / Provisions	7,916	86	6,905	262
Fund management contracts due to company acquisitions	0	30,411	0	36,439
Leasing	7,678	7,636	6,948	7,839
Other	102	1,081	629	990
Consolidation	3,559	2,574	1,108	104
Total	**21,031**	**115,484**	**17,304**	**112,178**

Owing to the uncertainty of the dissolution of the tax group, deferred tax assets were not recognised for losses prior to joining the tax group of EUR 50k (31 December 2019: EUR 50k). The losses can be carried forward indefinitely.

In addition, deferred tax assets were not recognised for income tax loss carryforwards of EUR 120,427k (31 December 2019: EUR 149,795k) at 39 companies (31 December 2019: 46 companies) as their eligibility for tax purposes is uncertain. These losses can also be carried forward indefinitely.

The temporary differences from participations in subsidiaries for which no deferred taxes were recognised amount to EUR 203,600k (31 December 2019: EUR 195,185k).

5.2.1 Deferred income tax relating to components of other comprehensive income

Deferred income tax relating to components of other comprehensive income are shown below:

Deferred income tax relating to components of other comprehensive income

	2020			2019		
EUR k	before Tax	Tax	Net	before Tax	Tax	Net
Profit/loss arising on the translation of the financial statements of foreign operations	-3,272	0	-3,272	10,101	0	10,101
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	58,528	-6,843	51,685	53,682	-8,211	45,471
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	-2,121	0	-2,121	-4,855	1,216	-3,639
Total	**53,135**	**-6,843**	**46,292**	**58,928**	**-6,995**	**51,933**

5.3 Employee benefits

5.3.1 Retirement benefit obligations

The Group has no defined benefit plans. There are exceptions to this for plans that were taken on in past financial years in connection with business combinations. Furthermore, defined benefit plans were transferred to the Group in connection with the acquisition of TRIUVA in the 2018 financial year. Defined benefit plans can expose the Group to actuarial risks such as longevity risk, interest rate risk and currency risk.

There were defined benefit obligations for 79 persons (31 December 2019: 81) in total as at the end of the reporting period. 30 of these persons (31 December 2019: 28) are retired and already receive ongoing pension benefits. The projected unit credit method was used as the calculation method as defined by IAS 19. The calculations are based on the current 2018 G Heubeck mortality tables.

The development of retirement benefit obligations and plan assets for defined benefit plans is as follows:

Defined benefit obligation

EUR k	2020	2019
As at 01.01.	**27,869**	**22,021**
Current expenses of employment period	272	639
Remeasurements	2,304	5,473
thereof adjustments of financial assumptions	2,166	5,669
thereof adjustments of demographical assumptions	0	0
thereof other/experience adjustments	137	-196
Interest expenses	190	432
Pension payments/scheduled payments made	-742	-696
As at 31.12.	**29,893**	**27,869**

Plan assets at fair value

EUR k	2020	2019
As at 01.01.	**305**	**297**
Income/expenses from plan assets (without interests)	6	2
Interest income/interest expenses	2	6
Contributions to provision plan/employer contributions	0	0
Pension payments/payments made	0	0
Mergers/business transfer	0	0
As at 31.12.	**313**	**305**

Composition of net liability from defined benefit plans

EUR k	2020	2019
Defined benefit obligation	29,893	27,869
Plan assets at fair value	313	305
Net debt	29,579	27,564

Actuarial assumptions

%	2020	2019
Discounting interest rate	0.29	0.69
Salary trend	2.25	2.25
Pension trend	1.00/1.65	1.00/1.65

A change in one of the actuarial assumptions, with all other assumptions remaining constant, would alter the defined benefit obligation as follows:

Sensitivity analyses

		31.12.2020		31.12.2019	
EUR k	Sensitivitiy	Increase	Decrease	Increase	Decrease
Discounting interest rate	+/-0.50%	-2,677	3,094	-2,457	2,835
Salary trend	+/-0.50%	72	-68	67	-63
Pension trend	+/-0.50%	2,128	-1,932	1,948	-1,510
Life expectancy	+/-1 Year	1,797	-1,753	1,586	-1,539

The above analysis was performed based on an actuarial method that shows the impact on the defined benefit obligation as a result of changes in key assumptions.

In the 2020 financial year, the Group anticipates payments due to retirement benefit obligations of EUR 734k (2019: EUR 695k) and contributions to plan assets of EUR 0k (2019: EUR 0k).

The average term of retirement benefit obligations is 18.9 years (2019: 18.6 years).

5.3.2 Other employee benefits

The Group makes payments to defined contribution plans for employees. The cost recognised in the financial statements for defined contribution plans (e.g. direct insurance policies, pension funds) amounts to EUR 2,781k for the 2020 financial year (2019: EUR 3,649k).

In addition, there are pension plans for the Management Board in the form of a pension fund. The Group pays set contributions to an independent entity (fund) in this context. This pension benefit involves a risk of subsidiary liability for the Group if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The commitment of the pension fund is covered on the basis of life insurance policies. The commitment was granted in 2003. A total of EUR 119.8 (2019: EUR 43.7k) was paid in contributions to the pension fund for members of the Management Board in 2020. Furthermore, contributions in total of EUR 81.0k (2019: EUR 47.0k) were paid to a self-invested personal pension for three (2019: one member) members of the Management Board. For more detailed information, please refer to section 3.2. referred to in the combined management report.

5.4 Financial liabilities

The maturity profile of financial liabilities is as follows:

Financial liabilities 31.12.2020

EUR k	2021	2022	2024	2027	Total
Bank loans	43,200	0	0	0	43,200
Bonded loans	66,000	76,000	89,000	69,000	300,000
Total financial liabilities	**109,200**	**76,000**	**89,000**	**69,000**	**343,200**

Financial liabilities 31.12.2019

EUR k	2020	2022	2024	2027	Total
Bank loans	93,194	0	0	0	93,194
Bonded loans	0	91,500	124,000	84,500	300,000
Total financial liabilities	**93,194**	**91,500**	**124,000**	**84,500**	**393,194**

Financial liabilities amounted to EUR 343,200k (31 December 2019: EUR 393,194k) in total as at 31 December 2020.

In the 2017 fiscal year, PATRIZIA issued a promissory note loan on the capital market for a total of EUR 300,000k. The target volume of originally planned EUR 100,000k was oversubscribed several times. The inflowing financial resources represented an additional liquidity reserve as part of the growth strategy (company acquisition as part of expansion) or to take advantage of strategic co- and principal investment opportunities. The promissory note loan had terms of 5, 7 and 10 years and fixed and variable interest rates.

As business development in recent years has shown, PATRIZIA was able to achieve its annual and growth targets without having to draw on its entire liquidity reserves. The liquidity reserves generated hardly any interest income due to the negative interest rate environment. In order to avoid an unnecessary interest burden, the Managing Board of PATRIZIA AG decided to repay the variable tranches of the promissory note loan in the amount of EUR 66,000k ahead of schedule. This amount was therefore reclassified to current liabilities in the reporting period.

In the course of the deconsolidation of companies due to the placement of closed-end funds (see section 2.1. Disposal of subsidiaries), bank and mortgage loans in the amount of EUR 97,311k were disposed of in the reporting period.

On the other hand, a new short-term bank loan of EUR 55,900k was taken out in the current fiscal year. This is in connection with interim financing for a public closed-end fund of PATRIZIA Immobilien KVG, which was provided as part of a purchase. PATRIZIA AG has taken out a short-term bank loan with a term of less than one year to secure liquidity. As of the balance sheet date, this short-term loan is reported with a remaining amount of EUR 43,200k after repayment during the year.

5.5 Non-current liabilities

Non-current liabilities of EUR 22,340k (31 December 2019: EUR 25,094k) essentially consist of the long-term component of the management participation model, which is described in more detail under note 9.1, liabilities from the acquisition of KENZO (PATRIZIA Japan KK) (see note 2.1 Acquisitions PATRIZIA annual report 2019) and the TRIUVA guaranteed dividend to non-controlling interests.

5.6 Lease liabilities

Lease liabilities mainly comprise leases for

- business and office premises
- motor vehicles
- IT equipment
- operating and office equipment

and have the following maturity profile:

Maturities Lease Liabilities 31.12.2020

EUR k	2021	2022 - 2025	2026+	Total
Lease liabilities	**8,387**	**14,838**	**2,973**	**26,197**

Maturities Lease Liabilities 31.12.2019

EUR k	2020	2021 - 2024	2025+	Total
Lease liabilities	**9,328**	**14,297**	**1,544**	**25,169**

The remaining terms of the undiscounted lease liabilities including interest payments after the end of the reporting period are shown below:

Maturity of undiscounted leasing liabilities including interest payments 31.12.2020

EUR k	Carrying amount	Total amount	2021	2022-2025	2026+
Leasing liabilities	**26,197**	**26,763**	**8,590**	**15,161**	**3,013**

Maturity of undiscounted leasing liabilities including interest payments 31.12.2019

EUR k	Carrying amount	Total amount	2020	2021-2024	2025+
Leasing liabilities	**25,169**	**25,641**	**9,573**	**14,513**	**1,555**

In the reporting period, a total expense of EUR 489k (2019: EUR 726k) is recognised for short-term leases and expenses for leases of a low-value asset; a breakdown by category is not provided for reasons of materiality.

Total cash outflows for leases amounted to EUR 10,807k in the reporting period (2019: EUR 10,473k).

5.7 Other provisions

Other provisions developed as follows:

Other provisions 2020

EUR k	01.01.2020	Addition	Unused amounts reversed	Utilisation	Time value of money	Foreign exchange differences	31.12.2020
Litigation risks	2,985	1,060	0	-124	0	0	3,920
Indemnification obligation	0	135	0	0	0	0	135
Employee benefits	3,905	3,510	-3	-2,911	0	-26	4,476
Reorganisation costs	2,364	0	-1,013	-774	0	0	578
Total	**9,254**	**4,705**	**-1,015**	**-3,809**	**0**	**-26**	**9,109**

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

The reorganisation provisions were recognised for the integration of TRIUVA and Rockspring within the previous reporting period. These are essentially provisions for severance payments, ongoing salaries during time off work, non-staff operating costs and consulting costs in connection with the reorganisation.

5.8 Objectives and methods of financial risk management

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

Credit risk

The Group's credit risk primarily results from trade receivables. Corresponding loss allowances have been recognised for these financial assets. For trade receivables, there is collateral for outright sales in the form of a right to reclaim the real estate sold in the event of default by the client. When selling individual apartments, ownership is transferred only after the purchase price has been paid in full, hence there is no risk of default here.

Impairment losses on financial assets are recognised in profit or loss as follows:

Result impairment on financial assets

EUR k	2020	2019
Impairment result for trade receivables and contract assets	418	-429
Total impairment	**418**	**-429**

The development of impairment losses on trade receivables is as follows:

Impairment losses on trade receivables

EUR k	2020	2019
Value adjustment for sales as at 01.01.	975	1,244
Value adjustment for rent receivables as at 01.01.	941	961
As at 01.01.	**1,916**	**2,205**
Changes in the consolidated group	0	0
Net revaluation of value adjustment	-1,018	-289
As at 31.12.	**898**	**1,916**

The Group's credit risk is mainly determined by receivables past due. The nature of the revenue from which the receivables result also plays a role.

The following table provides information on the credit risk and the expected credit losses for receivables from disposals of various project developments and fund management services.

Credit risk and expected credit losses

EUR k	Loss rate (weighted average) 31.12.2020	Gross carrying amount 31.12.2020	Value adjustment 31.12.2020	Affected credit rating 31.12.2020
Low risk Maturity up to 90 days	0.0%	113,287	0	no
Medium risk Maturity up to 180 days	0.0%	20,179	0	no
Doubtful Maturity over 180 days	4.4%	6,467	284	yes
Total default risk/credit losses	**4.4%**	**139,932**	**284**	

The Group uses corresponding provision matrices to measure the expected credit losses on trade receivables from rentals, real estate disposals and other services (with and without fund management).

The loss rates are based on past values adjusted for prospective expectations.

The following table provides information on the credit risk and the expected credit losses for receivables from rentals, real estate disposals and other services (not including fund management).

Loss rate (weighted average) 31.12.2020

EUR k	not yet due	due up to 30 days	due up to 60 days	due up to 90 days	due up to 120 days	due up to 180 days	due up to 365 days	due since 365 days	
Rent receivables	3%	3%	25%	25%	75%	75%	100%	100%	
Receivables from sales	0%	0%	0%	0%	75%	75%	100%	100%	
Receivables from other services (without fund management)	0%	0%	25%	25%	75%	75%	100%	100%	
Gross carrying amount	**16,198**	**90**	**56**	**0**	**23**	**0**	**189**	**675**	**17,231**
Value adjustment	**3**	**1**	**13**	**0**	**17**	**0**	**189**	**675**	**898**

Impairment is not calculated for cash funds as the reporting entity does not anticipate impairment. Cash funds in foreign currency are measured in accordance with IAS 21. The credit risk on cash funds invested with banks is ruled out by risk diversification (large number of banks) and the selection of banks of good credit standing.

Investigations by the Group found that loss allowances do not have to be recognised for other loans or securities recognised at amortised cost. The risk has not changed since the acquisition date; there are no indications of a deterioration in borrowers' ratings. The risk was assessed as insignificant as at the acquisition date.

There is currently no clustering of risks within the Group thanks to its broad counterparty structure. For all financial assets of the Group, the maximum credit risk in the event of counterparty default is equal to the carrying amount of these instruments.

Exchange rate risks

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

Interest rate risk

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

Overview of interest rate risk

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

Liquidity risk

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

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

The maturity structure of financial liabilities is shown under note 5.4. Please also see the information in section 4.3.2 of the combined management report.

Capital management

The Group monitors its capital structure using its equity and net equity ratios as follows:

Capital management

EUR k	31.12.2020	31.12.2019
Interest-bearing loans	43,200	93,194
Bonded loans	300,000	300,000
Less cash and cash equivalents and short-term deposits, not exceeding the total amount of the above debt	-343,200	-393,194
Net financial liabilities	**0**	**0**
Total Assets	1,962,083	1,987,080
Net total assets	1,618,883	1,593,887
Equity (not including non-controlling interests)	1,237,240	1,206,391
Equity ratio	**63.1%**	**60.7%**
Net equity ratio	**76.4%**	**75.7%**

5.9 Current liabilities

Current liabilities break down as follows:

Current liabilities

EUR k	31.12.2020	31.12.2019
Trade payables	1,995	3,575
Contract liabilities	4,783	12,943
Other liabilities	99,080	84,669
Total	**105,858**	**101,186**

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

Other liabilities break down as follows:

Other liabilities

EUR k	31.12.2020	31.12.2019
Liabilities from outstanding invoices	23,814	24,419
Liabilities from variable salary components and other personnel costs	38,782	31,531
Liabilities to companies with a participating interest	11,316	2,869
Acquisition and production costs for sold properties arising after the balance sheet date	3,768	4,985
Liabilities from company acquisitions	0	5,290
Liabilieties for reimbursements in connection with the sale of the structure of the Harald portfolio	2,349	2,349
Liabilities from ongoing legal proceedings	5,337	1,411
Interest on loans	2,441	2,379
Debtors with credit balances	2,446	264
Accounting and auditing costs	1,147	1,297
Deferred revenue liabilities	22	29
Other	7,658	7,844
Total	**99,080**	**84,669**

5.10 Tax liabilities

Tax liabilities include obligations for income taxes, VAT and other types of taxes.

The income taxes essentially comprise EUR 27,339k (31 December 2019: EUR 41,117k) in corporation and trade tax on the profits of German and non-German subsidiaries. In addition, obligations from VAT, wage taxes and miscellaneous other taxes were recognised in the amount of EUR 13,470k (31 December 2019: EUR 15,575k).

5.11 Financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain information on the fair value for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

Financial assets and liabilities - 31.12.2020

	Carrying amounts				Fair value		
EUR k	Mandatory FVTPL	FVTOCI-equity instruments	Financial assets at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets at fair value							
Participations		574,467					x
Participations in subsidiaries not consolidated			93				
Other non-current financial assets	10,440						x
Other Loans	6,644						x
	17,084	**574,467**	**93**				
Financial assets not measured at fair value							
Other loans			17,843				
Trade receivables and other financial assets			392,399				
Securities			11				
Cash and Cash Equivalents			495,454				
			905,706				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				343,200			
Trade payables				1,995			
Liabilities from services purchased before the end of the reporting period				31,900			
Contractual liabilities of prepayments from property sales				178			
Liabilities from settled performance fees owed attributable to future periods				4,606			
Subtotal financial liabilities				**381,878**			
Other liabilities				35,485			
Total financial liabilities				**417,364**			

Financial assets and liabilities - 31.12.2019

	Carrying amounts				Fair value		
EUR k	Mandatory FVTPL	FVTOCI-equity instruments	Financial assets at amortised cost	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets at fair value							
Participations		525,716					x
Other non-current financial assets	10,440						x
Other loans	1,000						x
	11,440	**525,716**					
Financial assets not measured at fair value							
Other loans			17,837				
Trade receivables and other financial assets			379,735				
Securities			1,011				
Cash and Cash Equivalents			449,084				
			847,667				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				393,194			
Trade payables				3,575			
Liabilities from services purchased before the end of the reporting period				33,469			
Contractual liabilities of prepayments from property sales				130			
Liabilities from settled performance fees owed attributable to future periods				11,993			
Subtotal financial liabilities				**442,359**			
Other liabilities				27,480			
Total financial liabilities				**469,839**			

Assessment of the fair value of financial assets

The following tables show the valuation techniques used to assess level 3 fair values and the significant unobservable inputs used.

Valuation technique fair value

Type	Valuation technique	Important non-observable input factors	Context between Important non-observable input factors and the valuation at fair value
Equity investments	Valuation model considers individual shares of participations as well as the assessment basis particularly of NAV	- Shares of participations (0,01% - 51,0%) - important assessment basis: NAV of participations (EUR 0m - EUR 3.257m)	Estimated fair value would increase (decrease), if the assessment basis increase (decrease)
Non-current loans	Valuation model considers net assets at fair value of the borrower	- Net assets (2020: EUR 6.6m - EUR 10.4m)	Estimated fair value would increase (decrease), if the assessment basis increase (decrease)

Sensitivity analysis of level 3 fair values

A 10% increase (reduction) in the basis of measurement for equity investments with all other inputs remaining constant would result in an increase (reduction) of EUR 75,120k (2019: EUR 44,995k).

An increase (reduction) of net assets would result in an increase (reduction) of EUR 2,051k (2019: EUR 30k) in the fair value of long-term loans.

Reconciliation of level 3 fair values

The following table shows the reconciliation from opening to closing level 3 fair values.

Reconciliation of level 3 fair values - 2020

EUR k	Equity investments	Convertible loans
As at 01.01.	**525,716**	**11,440**
Profit/loss, including in the other comprehensive income (IFRS 9)		
changes of the fair value	55,426	0
Profit/loss, including in the net profit for the period		
changes of the fair value	0	0
Additions in the financial year	11,410	8,644
Disposals in the financial year	-17,586	-3,000
Changes in the consolidated group	-200	0
Foreign exchange differences	-300	0
As at 31.12.	**574,467**	**17,084**

Reconciliation of level 3 fair values - 2019

EUR k	Equity investments	Convertible loans[1]
As at 01.01.	**499,241**	**10,140**
Profit/loss, including in the other comprehensive income (IFRS 9)		
changes of the fair value	49,082	0
Profit/loss, including in the net profit for the period		
changes of the fair value	0	300
Additions in the financial year	3,982	1,000
Disposals in the financial year	-26,924	0
Foreign exchange differences	335	0
As at 31.12.	**525,716**	**11,440**

[1] The previous year was adjusted to the new structure.

Net gains / losses by category

EUR k	31.12.2020	31.12.2019
Financial assets and liabilities, which are mandatory measured at FVTPL	281	300
Financial assets, which are measured at amortized cost	2,950	156
Financial liabilities, which are measured at amortized cost	-6,034	-5,224
Equity investments, which are measured at FVTOCI (without recycling)[1]	51,685	45,471

[1] Amount after tax

Equity investments measured at fair value through other comprehensive income

Dividend income from equity investments measured at fair value through other comprehensive income amounted to EUR 32,358k in the financial year (2019: EUR 32,891k). The dividends received result exclusively from participations still held at the end of the reporting period. The fair value of equity investments disposed of as at the date of disposal is EUR 17,586k (2019: EUR 26,656k). No gains were realised in the statement of comprehensive income in connection with the final disposal of the equity investments.

6 Notes to the consolidated income statement

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

6.1 Revenues

Revenues break down as follows

Revenues

EUR k	Germany	Luxembourg	United Kingdom	Rest of world	Total
2020					
Revenues from management services	161,965	72,918	43,950	13,671	292,503
Proceeds from the sale of principal investments	-139	3,885	0	0	3,746
Rental revenues	532	355	0	2,613	3,500
Revenues from ancillary costs	32	240	683	0	955
Other	60	151	690	88	989
Revenues	**162,451**	**77,548**	**45,323**	**16,372**	**301,693**
2019					
Revenues from management services	209,275	64,158	46,180	9,891	329,504
Proceeds from the sale of principal investments	14,501	27,833	18,495	0	60,829
Rental revenues	578	1,328	170	894	2,970
Revenues from ancillary costs	445	1,208	446	0	2,099
Other	1,132	84	1,651	435	3,302
Revenues	**225,931**	**94,610**	**66,942**	**11,220**	**398,703**

Geographical allocation is based on the registered office of the unit performing the services. In accordance with its business model, revenue from contracts with clients at PATRIZIA results from service fee income (revenues from management services), disposals of principal investments, rental revenues and incidental costs.

In the 2020 financial year, no performance-related remuneration was generated from label funds. In the previous year, performance-based remuneration of EUR 9,231k was generated from label funds and recognised under revenues from management services. Almost 100% of this performance-based remuneration was passed on to investors based on the contractual framework. The amounts passed on and were recognised in the “Cost of purchased goods” item.

Revenue from contracts with clients breaks down as follows as regards the timing of revenue recognition:

Revenues from contracts with customers

EUR k	2020	2019[1]
Transferred products/services at a period of time	112,346	208,971
Transferred products/services over a period of time	185,848	186,762
Revenues from customer contracts	**298,194**	**395,733**

[1] For comparability with the current reporting year, the previous year's figures were adjusted due to the separate presentation of leasing income.

Revenue from contracts with clients that relates to transaction fees (for acquisitions and disposals) qualifies as revenue recognised at a point in time. Ongoing management fees are classified as revenue recognised over time.

The Group generated lease income of EUR 3,500k in the 2020 financial year (2019: EUR 2,970k).

6.1.1 Contract balances

The following table provides information on receivables, contract assets and contract liabilities from contracts with clients.

Contract balances

EUR k	31.12.2020	31.12.2019
Receivables from contracts with clients	145,543	168,773
Contract liabilities	4,783	12,943

There were no contract assets, i.e. services already rendered but not yet invoiced, as at either the start or end of the financial year.

Contract liabilities essentially relate to prepayments received from clients in connection with asset disposals. The amount of EUR 12,943k reported at the end of the previous period was recognized as revenue in the 2020 financial year. The contract liabilities in place as at the end of the reporting period have an expected remaining term of one year or less.

6.2 Changes in inventories

The accounting impact of the disposal and renovation and construction costs of real estate assets intended for sale are reported in profit or loss under changes in inventories.

6.3 Other operating income

Other operating income essentially relates to:

Other operating income

EUR k	2020	2019	Change
Income from discontinued obligations	8,074	9,712	-16.9%
Income from payments in kind	1,047	1,245	-15.9%
Insurance compensation	10	59	-83.9%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	932	71	>1,000.0%
Income from sales of financial assets	95	0	>1,000.0%
Income from bargain purchase	3,858	0	0.0%
Other	2,506	3,519	-28.8%
Total	**16,522**	**14,607**	**13.1%**

Income from discontinued obligations essentially results from the final settlement of bonuses, variable salaries from 2019: and remaining holiday entitlements in the amount of EUR 3,638k (2019: EUR 4,031k), from the reversal of provisions for outstanding invoices in the amount of EUR 2,683k (2019: EUR 3,708k) as well as from the release of other tax provisions in the amount of EUR 1,377k (2019: EUR 17k).
The income from bargain purchase results from the acquired subsidiary Silver Swan S.a.r.l. from the current 2020 financial year.

In 2019, litigation costs/risks that were no longer applicable after the conclusion of a court settlement in the amount of EUR 640k were included.

The "Other" item mainly includes other agency fees of EUR 531k (2019: EUR 0k) and income from other charges of EUR 462k (2019: EUR 521k).

In 2019 income from the recalculation of the liability remuneration from the years 2014 to 2019 (EUR 1,242k) was also included.

6.4 Cost of materials

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

Cost of materials

EUR k	2020	2019	Change
Renovation and construction costs	1,411	3,860	-63.4%
Incidental costs	2,151	2,664	-19.2%
Maintenance costs	5	77	-93.4%
Total	**3,568**	**6,601**	**-46.0%**

6.5 Costs for purchased services

The “Cost of purchased services” item totalling EUR 16,066k (2019: EUR 28,036k) essentially comprises the purchase of fund management services for label funds in the amount of EUR 13,826k (2019: EUR 22,334k) for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH is the service asset management company.

The reduction in expenses results from the passing on of performance-related fees in the previous year that were generated based on sales.

To improve the presentation of performance, transaction costs which are incurred to generate revenue and are generally charged on have also been included in this item. These costs amounted to EUR 904k in 2020 (2019: EUR 3.090k).

6.6 Staff costs

Staff costs break down as follows:

Staff costs

EUR k	2020	2019	Change
Wages and salaries	125,427	115,826	8.3%
of which valuation of phantom shares	1,742	833	109.1%
of which sales commission	1,020	1,801	-43.4%
of which share-based payment	1,085	0	/
Social security contributions	18,331	15,943	15.0%
Total	**143,759**	**131,769**	**9.1%**

Correlating to the rise in the price of PATRIZIA AG shares, staff costs of EUR 1,742k (2019: EUR 833k) arose in connection with the remeasurement of the value of phantom shares in the reporting period.

The increase of staff costs is primarily due to the need for additional personnel regarding the growth in assets under management. Considering the economies of scale that can be achieved using new technologies, the product-related and strategically important functional areas have essentially been strengthened to strengthen operational efficiency and further improve service quality. The annual inflation adjustment and a review of the compensation components in connection with the introduction of a new compensation model also contributed to the increase.

An expense of EUR 1.085k was recognized for the share-based payment agreement for executives introduced in the 2020 financial year. Further information on the determination of the fair value of this remuneration component can be found under point 9.1.2 of the notes to the consolidated financial statements.

6.7 Other operating expenses

Other operating expenses break down as follows:

Other operating expenses

EUR k	2020	2019	Change
Tax, legal, other advisory and financial statement fees	22,348	26,146	-14.5%
IT and communication costs and cost of office supplies	17,956	15,979	12.4%
Rent, ancillary costs and cleaning costs	3,331	2,707	23.0%
Other taxes	1,638	6,969	-76.5%
Vehicle and travel expenses	4,599	7,075	-35.0%
Advertising costs	3,915	5,890	-33.5%
Recruitment and training costs and cost of temporary workers	7,510	4,779	57.1%
Contributions, fees and insurance costs	4,450	3,721	19.6%
Commission and other sales costs	729	1,981	-63.2%
Costs of management services	186	513	-63.7%
Indemnity / reimbursement	572	846	-32.5%
Donations	1,493	1,084	37.8%
Other	7,951	7,026	13.2%
Total	**76,678**	**84,718**	**-9.5%**

Tax, legal, other advisory and financial statement fees in the amount of EUR 22,348k (2019: EUR 26,146k) inter alia include:

- Project-related consulting services in the context of digitalisation as well as costs of initial testing, acquisition and use of new technologies in the amount of EUR 5,822k (2019: EUR 2,124k).
- Costs for consulting services in connection with the introduction of the new remuneration structure and a human resources management software in the amount of EUR 1,259k (2019: EUR 0k)
- Costs related to the management consulting of BrickVest amounting to EUR 1,440k (2019: EUR 0k)
- Costs related to the acquisition of companies (in 2020 mainly BrickVest, in 2019 TRIUVA & Kenzo) amounting to EUR 1,752k (2019: EUR 608k and EUR 502k, respectively)

The increase in IT, communication costs and costs for office supplies results from the increased use of technological innovations and the further expansion of the degree of digitization.

The decrease in the item “other taxes” results mainly from additional sales tax payments made in the previous year, which did not arise in the current reporting year.

The decrease in car and travel costs as well as advertising costs is due to the travel and contact restrictions in connection with the Covid-19 pandemic.

The increase in recruitment, training and temporary employment costs results primarily from the increased use of recruitment agencies and interim management services to support project-related work in the context of digitization.

The rise in premiums, fees and insurance costs resulted in an increase in the coverage of risks for the Asian and US regions.

The donations include donations to charitable organizations such as the PATRIZIA Foundation. In 2018, the company's board of directors decided to support non-profit organizations with up to 1% of the company's operating profit annually

6.8 Result from participations

The result from participations of EUR 31.624 in the reporting period (2019: EUR 32,891k) comes from the participations in Dawonia GmbH, Seneca Holdco SCS, TRIUVA / IVG Logistik, PATRoffice Real Estate GmbH & Co. KG, Camber Creek Fund III LP and from closed-end funds business (2019: Dawonia GmbH, Harald-Portfolio, Aviemore Bidco 1 S.á.r.l, Seneca Holdco SCS und TRIUVA/IVG Logistik).

The result from participations breaks down as follows:

Result from participations

EUR k	2020	2019	Change
Performance-based shareholder remuneration	16,571	18,254	-9.2%
Services provided as shareholder contributions	9,490	9,490	0.0%
Return on equity employed	5,562	5,148	8.1%
Total	**31,624**	**32,891**	**-3.9%**

The return on equity employed includes expenses from the assumption of losses in the amount of EUR 735k (2019: EUR 0).

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

6.9 Earnings from companies accounted for using the equity method

Earnings from companies accounted for using the equity method break down as follows:

Earnings from companies accounted for using the equity method

EUR k	2020	2019	Change
PATRIZIA WohnModul I SICAV-FIS	11,396	1,723	561.4%
Evana AG	-1,247	-855	45.9%
Cognotekt GmbH	-858	-131	554.4%
control.IT Unternehmensberatung GmbH	-110	-12	847.0%
Total	**9,181**	**725**	**>1,000.0%**

The increase in the result from the "PATRIZIA Wohnmodul I SICAV-FIS" investment is due to the ongoing strategic reduction in the underlying portfolio and in 2020 results mainly from the sale of a large Dutch residential property portfolio.

6.10 Reorganisation income/expenses

In the previous year, the reorganisation income/expenses arose in the context of the integration of TRIUVA and Rockspring. These were essentially costs for severance payments, current salaries during time off work, non-staff operating costs and consulting costs in connection in connection with the reorganisation. Provisions from the reorganisation that were no longer required were reversed through profit or loss. With the completion of the reorganisation, there is no corresponding expense or income in the reporting year.

6.11 Depreciation and amortisation

Depreciation and amortisation break down as follows:

Amortisation and depreciation

EUR k	2020	2019	Change
Amortisation of fund management contracts and licences	24,442	40,242	-39.3%
Amortisation of rights of use	10,428	9,927	5.0%
Depreciation of software and fixed assets	5,983	5,385	11.1%
Amortisation of other rights and assets	49	8	533.6%
Value adjustment in associated participations	1,407	0	0.0%
Total	**42,309**	**55,562**	**-23.9%**

The amortisation of fund management contracts includes non-scheduled write-downs of EUR 5,002k (2019: EUR 9,285k) due to the sale and termination of funds. In addition, reference is made to the accounting and valuation methods in section 3.2 Other intangible assets.

The depreciation on investments in associated companies includes the extraordinary depreciation on the companies accounted for using the equity method Evana AG in the amount of EUR 709k and Cognotek GmbH in the amount of EUR 698k. See also section 4.1.7 Participation in companies accounted for using the equity method.

Amortisation of rights of use breaks down by asset classes as follows:

Amortisation of rights of use

EUR k	2020	2019	Change
Rental contracts for business and office premises	8,618	7,896	9.1%
Motor Vehicle contracts	1,070	1,180	-9.3%
IT contracts	740	851	-13.0%
Total	**10,428**	**9,927**	**5.0%**

6.12 Financial result

Financial result

EUR k	2020	2019	Change
Interest on bank deposits and loans	1,652	1,099	50.3%
Interest from participations	291	263	10.7%
Interest from taxes	331	58	470.6%
Other interest	697	676	3.1%
Financial income	**2,971**	**2,096**	**41.8%**
Interest on overdraft facilities and loans	-5,417	-4,996	8.4%
Interest expenses from taxes	-186	-45	313.0%
Interest expenses from participations	-379	-76	398.0%
Interest expenses - Leasing IFRS 16	-255	-225	13.4%
Other financial expenses	-470	-769	-38.9%
Financial expenses	**-6,707**	**-6,111**	**9.7%**
Other financial result	**0**	**300**	**-100.0%**
Result from currency translation	**-7,595**	**-234**	**>1,000.0%**
Financial result	**-11,330**	**-3,950**	**186.9%**

Financial income of EUR 2,971k (2019: EUR 2,096k) is attributable to financial assets that were valued at amortized cost and in accordance with FVTPL and are considered in accordance with the effective interest rate.
The remaining financial income mainly results from late receipt of purchase prices.

The financial expenses of EUR 6.707k (2019: EUR 6.111k) relate to financial liabilities that were valued at amortized cost and are considered in accordance with the effective interest rate.

The interest on overdrafts and loans mainly contains interest on borrower's note loans in the amount of EUR 4,463k (2019: EUR 4,517k).

The other financial expenses mainly relate to interest from the compounding of pension obligations.

The other financial result from 2019 includes income from the write-up during the revaluation of financial assets.

In the 2020 financial year, the currency result was EUR -7,595k (2019: EUR -234k). This includes realised, non-cash exchange rate losses of EUR 7,857k (2019: EUR -693k). These result mainly from the discontinuation of the operational business of PATRIZIA First Street LP in the second quarter of 2020. The related exchange rate losses of EUR 6,000k were realised by reclassifying them from other comprehensive income (OCI) to the income statement.

6.13 Income taxes

Income taxes break down as follows:

Income taxes

EUR k	2020	2019	Change
Current income taxes	-28,433	-35,835	-20.7%
Deferred taxes	7,064	14,771	-52.2%
Income tax	**-21,369**	**-21,064**	**1.4%**

The deferred taxes in the income statement essentially resulted from temporary differences, most of which were caused by amortisation of fund management contracts.

Tax reconciliation statement

The tax reconciliation statement describes the relationship between the actual tax expense and the expected tax expense based on the IFRS consolidated net profit before income taxes by applying the income tax rate of 30.825% (2019: 30.825%). The income tax rate consists of 15% corporate income tax, a 5.5% solidarity surcharge on this and 15% trade tax:

Tax reconciliation statement

EUR k	2020	2019
IFRS consolidated net profit before income taxes	**62,047**	**77,411**
Income tax expense expected on the above	-19,126	-23,862
Tax exemption of income from participations	5,055	7,878
Tax additions and deductions	-3,635	149
International subsidiaries with differing tax rates	1,236	4,839
Deferred tax assets on losses not capitalised	-3,380	-8,918
Use of loss carryforwards not capitalised	1,643	2,199
Trade tax effects from income subject to limited taxation	40	249
Prior-period effects	-3,970	-3,620
Other tax effects	768	22
Income tax	**-21,369**	**-21,064**
Actual tax expenses in percent	**34.4%**	**27.2%**

6.14 Earnings per share

Earnings per share

EUR k	2020 adjusted[1]	2019 adjusted[1]	2020	2019
Share of earnings attributable to shareholders of the Group	37,703	58,664	37,703	52,869
Number of shares[2]	89,682,931	91,059,631	89,682,931	91,059,631
Weighted number of shares undiluted[2]	90,113,827	91,059,631	90,113,827	91,059,631
Earnings per share (undiluted) in EUR	**0.42**	**0.64**	**0.42**	**0.58**
Weighted number of shares diluted[3]	90,368,023	91,059,631	90,368,023	91,059,631
Earnings per share (diluted) in EUR[4]	**0.42**	**0.64**	**0.42**	**0.58**

[1]Adjusted = without reorganization effort
[2]Pending after share buyback
[3]Share-based payment
[4]If served by new shares

The average market value of the shares for calculating the dilutive effect of stock options is based on the quoted market prices for the period in which the options were in circulation.

Due to the time-weighted share buybacks in the reporting period, the weighted number of shares (undiluted) decreased by 945,804 and the weighted number of shares (diluted) by 691,608 in accordance with IAS 33.19 ff.

7 Segment reporting

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

The Investments segment bundles principal investments and participations.

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

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

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

Certain adjustments are made to calculate operating EBT, namely for non-cash effects from the valuation of investment property, exchange rate effects, amortization and impairment losses on fund management contracts and licenses as well as financial investments, reorganisation income and expenses, and other financial result. In addition, investments in the future (expansion of digitalisation/use of new technologies) are adjusted, the amortisation of which is expected through efficiencies in subsequent years.The items added included changes in value on the disposal of investment property, realised currency effects, and operating income from participations (IFRS 9).

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

All relevant consolidation matters to be eliminated, such as intercompany sales, intercompany results and the reversal of intercompany eliminations, take place within the segments.

As in the previous year, non-current assets are mainly held in Germany.
Non-current assets do not include financial investments (with the exception of financial assets accounted for using the equity method), deferred tax assets and employee benefit assets.

Segment information is calculated in line with the accounting policies applied when preparing the consolidated financial statements.

The individual operating segments are set out below. The reporting of amounts in thousands of euro (EUR k) may result in rounding differences based on the unrounded figures.

Segment Reporting - 2020 (01.01.-31.12.2020)

EUR k	Investments	Management Services	Group
Revenues	8,333	293,361	301,693
Income from the sale of investment property	0	0	0
Changes in inventories	-2,242	0	-2,242
Other operating income	4,516	12,006	16,522
Income from the deconsolidation of subsidiaries	302	0	302
Total operating performance	**10,908**	**305,367**	**316,275**
Cost of materials	-3,565	-3	-3,568
Cost of purchased services	0	-16,066	-16,066
Staff costs	-0	-143,758	-143,759
Results from fair value adjustments to investment property	4	0	4
Other operating expenses	-2,107	-74,570	-76,678
Impairment result for trade receivables and contract assets	409	9	418
Result from participations	187	31,437	31,624
Earnings from companies accounted for using the equity method	9,181	0	9,181
Cost from the deconsolidation of subsidiaries	-1,746	0	-1,746
Reorganisation income	0	0	0
Reorganisation expenses	0	0	0
Amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	-1,407	-40,902	-42,309
Finance income	527	2,444	2,971
Finance costs	-891	-5,815	-6,707
Result from currency translation	158	-7,753	-7,595
Earnings before taxes (EBT)	**11,658**	**50,389**	**62,046**
Amortisation of fund management contracts and licenses as well as financial investments	1,407	24,442	25,848
Changes in value of investment property	-4	0	-4
Realised changes in value of investment property (net)	0	0	0
Reorganisation income	0	0	0
Reorganisation expenses	0	0	0
Other financial result	0	0	0
Non-cash currency effects	-155	5,893	5,738
Operating income from participations (IFRS 9)	3,102	9,001	12,102
Investments in the future	0	10,721	10,721
Operating income	**16,008**	**100,445**	**116,453**

[1] In particular fund management contracts transferred as part of the recent acquisitions

Segment Reporting - 2019 (01.01.-31.12.2019)

EUR k	Investments	Management Services	Group
Revenues	65,851	332,852	398,703
Income from the sale of investment property	246	6	252
Changes in inventories	-50,535	0	-50,535
Other operating income	1,835	12,771	14,607
Income from the deconsolidation of subsidiaries	5	580	585
Total operating performance	**17,402**	**346,209**	**363,611**
Cost of materials	-6,465	-135	-6,601
Cost of purchased services	0	-28,036	-28,036
Staff costs	-0	-131,769	-131,769
Results from fair value adjustments to investment property	-791	0	-791
Other operating expenses	-4,688	-80,030	-84,718
Impairment result for trade receivables and contract assets	258	-688	-429
Result from participations	3,508	29,383	32,891
Earnings from companies accounted for using the equity method	1,723	-998	725
Cost from the deconsolidation of subsidiaries	0	0	0
Reorganisation income	0	2,377	2,377
Reorganisation expenses	0	-10,339	-10,339
Amortisation of other intangible assets[1], software and rights of use, depreciation of property, plant and equipment as well as financial investments	0	-55,562	-55,562
Finance income	789	1,307	2,096
Finance costs	-533	-5,578	-6,111
Other financial result	0	300	300
Result from currency translation	11	-245	-234
Earnings before taxes (EBT)	**11,213**	**66,197**	**77,411**
Amortisation of fund management contracts and licenses as well as financial investments	0	40,242	40,242
Changes in value of investment property	791	0	791
Realised changes in value of investment property (net)	3,972	0	3,972
Reorganisation income	0	-2,377	-2,377
Reorganisation expenses	0	10,339	10,339
Other financial result	0	-300	-300
Non-cash currency effects	-11	-448	-459
Operating income from participations (IFRS 9)	4,600	305	4,905
Investments in the future	0	0	0
Operating income	**20,565**	**113,958**	**134,523**

[1] In particular fund management contracts transferred as part of the recent acquisitions

8 Information on the consolidated cash flow statement

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

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

Other non-cash effects mainly result from deferred taxes, income from participations, not yet paid liabilities for the acquisition of participations, currency effects, changes in provisions and fair value changes in accordance with IFRS 9 and IAS 19.

When deriving the operating cash flow from corrections to net profit, only changes that were recognised in the income statement are taken into account.

The cash flow from investing/divesting activities contains the effects of investments and disposals, in particular in or of financial assets, investment property, intangible assets, investment property and property, plant and equipment.

The item “Payments received from the disposal of consolidated companies and other business units” shows the additions of cash and cash equivalents from the sale of subsidiaries.

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

Disposals of cash and cash equivalents from acquisitions of subsidiaries are reported under the item “Payments for the acquisition of consolidated companies and other business units”.

„Payments received for the acquisition of consolidated companies and other business units“ include cash inflows from the acquisition of subsidiaries.

The cash flow from financing activities includes loan borrowings and repayments for the financing of current and non-current assets, dividend payments to shareholders, buy back of treasury shares and payments for the redemption of and interest on lease liabilities.

Interest paid in the area of finance consists entirely of interest for lease liabilities.

The amounts shown in the consolidated cash flow statement correspond only partially to the changes in the statement of financial position observable from one reporting period to the next, as they do not take into account non-cash items such as changes in exchange rates or changes in the scope of consolidation.

Financial liabilities developed as follows over 2020:

Financial liabilities 2020

		Cash	Non-cash			Reclassification	
EUR k	01.01.2020		Changes in the consolidated group	Exchange rate effects	Fair value changes		31.12.2020
Long-term borrowings	300,000	0	0	0	0	-66,000	234,000
Short-term borrowings	93,194	47,317	-97,311	0	0	66,000	109,200
Total financial liabilities	**393,194**	**47,317**	**-97,311**	**0**	**0**	**0**	**343,200**

The following table shows the comparative information for 2019:

Financial liabilities 2019

		Cash	Non-cash			Reclassification	
EUR k	01.01.2019		Changes in the consolidated group	Exchange rate effects	Fair value changes		31.12.2019
Long-term borrowings	300,000	0	0	0	0	0	300,000
Short-term borrowings	0	52,277	40,916	0	0	0	93,194
Total financial liabilities	**300,000**	**52,277**	**40,916**	**0**	**0**	**0**	**393,194**

9 Notes

9.1 Share price based remuneration components

As at 31 December 2020, the following share-price based remuneration components exist in the Group:

9.1.1 Phantom Shares participation model

PATRIZIA's phantom shares participation model focuses on the aspects of market conformity, performance and sustainability. It was developed in line with the requirements of the German Corporate Governance Code.

The fundamental requirement of PATRIZIA's phantom shares participation model is a consistent target system the supports the company's strategy. The system assigns quantitative and qualitative targets at company, division and individual levels to members of the Management Board and members of first line management within the German regulated entities.

The degree to which the quantitative targets are achieved is determined by reference to projected figures in line with company planning. The key targets are operating income (for definition see combined management report, section 1.4.2 Corporate management on the basis of financial performance indicators) and other relevant performance indicators for the respective financial year. At division level, the basic structure of PATRIZIA's provision of services is mapped in the form of value contributions to processes and the interdependencies among process participants. Members of the Management Board and the first line involved in the provision of services or qualitative projects are set common targets.

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

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

The variable remuneration is divided into a short-term and a deferred incentive component. The short-term component is paid out immediately after it has been established that targets have been achieved. The deferred incentive is a salary commitment with a virtual link to PATRIZIA's share price.It is only paid out up to four years after confirmation that targets have been achieved.

A Phantom Shares of EUR 2,168k (31 December 2019: EUR 2,527k) was taken into account for the first and second management levels for the 2020 financial year. This corresponds to the liability recognised on the basis of average target achievement of 115% (2019: 130%). The liability as at 31 December 2020 is converted at the average closing price in Xetra trading for PATRIZIA shares for the 30 days prior to and 15 days after 31 December of the financial year in question. The shortened 15-day period is due to PATRIZIA's closing process. The final calculation can only be made after all data required for the calculation is known, which is only the case after the 2020 consolidated financial statements have been approved. The monetary amount earned is converted into performance share units at the average closing price in Xetra trading for PATRIZIA shares for the 30 days prior to and 30 days after 31 December of the financial year in question. The equivalent value of the shares (adjusted for bonus shares in the past) is paid out in cash at the average closing price in Xetra trading 30 days prior to and after 31 December up to four years (vesting period).

Based on the 30 days prior to and 15 days after 31 December 2020, the average price of PATRIZIA's shares is EUR 25.53 (2019: EUR 19.77), thus amounting to 84,917 shares for 2020 (2019: 127,796 shares). Expenses for share-based payment of EUR 3,718k (2019: EUR 3,491k) were incurred in the reporting period. These consist of exchange rate effects of EUR 1,742k, additions to shared-based payment transactions of EUR 2,168k and corrections due to the final settlement in the reporting period of EUR -192k. In the previous year, the income from share price development of EUR 833k, the addition to shared-based payment transactions of EUR 2,527k and the corrections due to the final settlement in the reporting period of EUR 133k came to a total of EUR 3,491k.

The fair value is as follows:

Components with long-term incentive effect

	Number of phantom shares 2020	Fair Value 31.12.2020 EUR k	Number of phantom shares 2019	Fair Value 31.12.2019 EUR k	Paid out EUR k
Phantom shares tranche 2020[1]	84,917	2,168	0	0	0
Phantom shares tranche 2019	122,384	3,124	127,796	2,527	0
Phantom shares tranche 2018	127,012	3,243	134,581	2,661	77
Phantom shares tranche 2017	47,330	1,208	81,906	1,619	698
Phantom shares tranche 2016	0	0	60,790	1,202	1,227
Total	**381,643**	**9,743**	**405,073**	**8,009**	**2,001**

[1] Corresponds to the liability recognised for 115% target achievement. The final calculation of this variable remuneration and the allocation to the individual beneficiaries will be performed after the 2020 consolidated financial statements have been approved

The Phantom Shares units outstanding at the end of the reporting period are as follows:

Phantom shares

	01.01.-31.12.2020	01.01.-31.12.2019
Outstanding at the start of the reporting period	405,073	355,957
Granted in the reporting period	84,917	127,796
Correction due to final settlement in the reporting period	-9,170	7,689
Paid out in the reporting period	-99,177	-86,369
Outstanding at the end of the reporting period	**381,643**	**405,073**

9.1.2 Share price based remuneration agreement

In January 2020, the Group introduced a stock option program (LTI) for executives. This grants beneficiary employees an entitlement to PATRIZIA shares without them having to make any payment in return. The share-based commitments can be fulfilled by newly issued PATRIZIA shares, by treasury shares or by cash settlement. The Group currently assumes that all options will be settled by physical delivery of shares. If the beneficiary's employment ends before the end of the vesting period, the commitments may lapse.

The program has a three-year vesting period. The number of shares awarded at the end of the vesting period depends on the Group meeting certain performance criteria. The performance indicators consist of a market-independent internal profitability indicator (80%) and a market-dependent component (20%) which considers the Group's total shareholder return in relation to the STOXX Europe 600 Financial Services Index and the FTSE EPRA/NAREIT Developed Europe Index.

The shares awarded at the end of the vesting period are subsequently subject to a holding period of two years.

The share awards developed as follows:

Development of share awards 2020

Number of options	Outstanding as at 1 January	Granted during the year	Performance adjustments	Outstanding as at 31 December	Weighted average contractual life (years)
Tranche 2020	0	204,848	38,807	243,655	3
Total	**0**	**204,848**	**38,807**	**243,655**	**3**

The fair value of the share-based payment arrangement was determined using the Monte Carlo simulation.

The following parameters were used in determining the fair value at the grant date of the equity-settled share-based payment arrangement:

Share option program

	2020
Fair value at grant date (in EUR)	26.81
Share price at grant date (in EUR)	20.63
Exercise price (in EUR)	0.00
Expected volatility (weighted-average, in %)	27.78%
Expected life (weighted-average, in years)	3
Expected dividends (in EUR)	0.31
Risk-free interest rate (based on government bonds, in %)	-0.58%

The expected volatility is based on the assessment of the indices as the historical volatility of the daily logarithmic stock price returns in EUR, for the same period corresponding to the simulation period. Daily closing prices were used for the volatility calculation.

Expenses recognised in profit and loss

Further information on employee benefit expenses can be found in the Notes under Note 6.6 Personnel expenses.

For detailed information on the compensation report, please refer to the combined management report under Note 3.2.

9.2 Related party transactions

All consolidated companies as well as associated companies and joint ventures of PATRIZIA are considered related parties. These companies are also presented in the consolidated financial statements via the list of shareholdings. In addition, related parties include the members of the Managing Board and Supervisory Board, including their close family members, as well as those companies over which Managing Board or Supervisory Board members of the Company or their close family members can exercise a significant influence or in which they hold a significant share of the voting rights.

The direct parent company of PATRIZIA AG is First Capital Partner GmbH. The parent company of First Capital Partner GmbH and thus the ultimate parent company of PATRIZIA AG is we holding GmbH & Co. KG (formerly: WE Vermögensverwaltung GmbH & Co. KG). If members of the management in key positions of First Capital Partner GmbH and we holding GmbH & Co. KG control other companies outside the PATRIZIA Group, these companies are also considered related parties to PATRIZIA.

Related party transactions

Shareholdings in PATRIZIA by members of management in key positions and their related parties

Wolfgang Egger, CEO, holds a total interest of 51.81% (31 December 2019: 51.81%) in the company through First Capital Partner GmbH, in which he directly and indirectly holds a 100% interest through we holding GmbH & Co. KG as at the end of the reporting period.

Wolfgang Egger also holds 5.1% in Projekt Wasserturm Grundstücks GmbH & Co. KG. A further 45.9% is held indirectly by PATRIZIA, while the remaining 49.0% is held by Mr Ernest-Joachim Storr. There were no changes here in comparison to the previous year.

Remuneration of key management personnel[1]:

Total remuneration

	2020		2019	
EUR k	granted	paid out	granted	paid out
Remuneration and fringe benefits	3,421	3,421	1,817	1,817
Benefits after termination of the employment relationship	6	216	6	201
Short-Term-Incentives	4,063	3,268	3,377	2,865
Benefits on the occasion of the termination of the employment relationship	0	0	0	0
Share-based payment	1,093	0	0	0
Remuneration Supervisory Board	150	150	100	100
Total remuneration	**8,733**	**7,055**	**5,300**	**4,984**

[1] Key management personnel: management board members, supervisory board members of the AG and management board members of the parent companies

For detailed information on the compensation of the Board of Management and Supervisory Board, please refer to the Compensation Report in the Combined Management Report under section 3.2.

Remuneration to former members of the Management Board

Mr Arwed Fischer and Mr Klaus Schmitt are granted earnings and performance based remuneration that they earned in the context of their employment.

Other related party transactions:

Other related party transactions

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
EUR k	2020	2019	2020	2019
From services and other exchange of services (incl. rents paid and received, purchase and sale of assets)				
Service provider				
Parent company	-11	0	0	0
Members of the management in key positions [1]	0	0	0	0
Companies accounted for using the equity method	-40,157	-26,587	1,001	0
Other related parties [2]	-2	0	0	0
Beneficiary				
Parent company	92	0	0	0
Members of the management in key positions [1]	1,761	1,687	37	0
Companies accounted for using the equity method	2,145	2,621	-56	0
Other related parties [2]	2	0	2	0
Transfer within the framework of financing agreements (incl. loand, cash, securities and distributions)				
Parent company	0	0	0	0
Members of the management in key positions [1]	0	0	0	0
Companies accounted for using the equity method	-3,109	-9,090	0	0
Other related parties [2]	0	0	0	0
Other related parties [2]	0	0	0	0
Total	**-39,278**	**-31,369**	**983**	**0**

[1] Key management personnel: management board members, supervisory board members of the AG and management board members of the parent companies
[2] Other related parties: family members and the companies of the members of the board of management, supervisory board of the AG and members of the board of management of the parent companies

9.3 Supervisory Board and Management Board

Members of the Management Board of the parent company

The following are members of the Management Board:

- Wolfgang Egger, CEO
- Thomas Wels, Co-CEO (since 1 May 2020)
- Alexander Betz, CDO (since 1 January 2020)
- Karim Bohn, CFO
- Dr Manuel Käsbauer, CTIO (since 1 January 2020)
- Anne Kavanagh, CIO
- Klaus Schmitt, COO (until 30 June 2020)
- Simon Woolf, CHRO (since 1 January 2020)

Activities of Management Board Members in companies outside PATRIZIA

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

CFO Karim Bohn is a member of the Supervisory Board of Dawonia Real Estate GmbH & Co. KG (formerly: GBW Real Estate GmbH & Co. KG), Grünwald, and Managing Director of Blitz 13-309 GmbH, Augsburg.

Members of the Supervisory Board of the parent company

The following are members of the Supervisory Board:

- Dr Theodor Seitz, Chairman, lawyer and tax consultant, Augsburg
- Uwe H. Reuter, First Deputy Chairman, Chairman of the Management Board of VHV Holding AG, Hanover
- Alfred Hoschek, Second Deputy Chairman, Managing Director of AHO Verwaltungs GmbH, Gräfelfing

Activities of Supervisory Board Members in companies outside PATRIZIA

The Chairman of the Supervisory Board, Dr Theodor Seitz, is the Chairman of the Supervisory Board of CDH AG, Augsburg.
In addition to being a member of the Supervisory Board at PATRIZIA, Uwe H. Reuter holds the following mandates:

Intra-Group mandates within VHV Holding AG (Chairman of the Supervisory Board):

- VHV Allgemeine Versicherung AG, Hanover
- Hannoversche Lebensversicherung AG
- VHV solutions GmbH
- VHV Vermögensanlage AG
- VAV Versicherungs-AG, Vienna/Austria

Non-Group mandates (Member of the Supervisory Board):

- E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover
- Hannover Impuls GmbH (Business Development Agency of City of Hanover)

9.4 Other financial obligations and contingent liabilities

9.4.1 Other financial obligations

The obligations from existing rental and leasing agreements amount to:

Obligations from existing rental and leasing agreements 2020

in the years	EUR k
2021	8,203
2022-2025	8,537
2026 and later	2
Total	**16,742**

Obligations from existing rental and leasing agreements 2019

in the years	EUR k
2020	1,040
2021-2024	0
2025 and later	0
Total	**1,040**

Obligations from leases and rental agreements in 2020 do not include any leases or subleases as defined in IFRS 16 Leases.

9.4.2 Contingent liabilities

Die PATRIZIA AG gibt als Muttergesellschaft eine Garantie für Verbindlichkeiten bestimmter UK Tochtergesellschaften. Die folgenden Unternehmen sind von der Veröffentlichung geprüfter Abschlüsse gemäß Section 479A of the UK companies Act 2006 befreit.

Company Name:	Registration Number:
– PATRIZIA Trocoll House LP	LP017438
– PATRIZIA Trocoll House GP Ltd.	10164623
– PATRIZIA First Street LP	LP016420
– PATRIZIA First Street GP Ltd.	09361053
– PATRIZIA PIM Ltd.	01878842
– PAT Property Holdings Ltd.	05108612
– PAT P.I.M. (Reg.) Ltd.	02776714

Due to the fact that there are only intragroup entities involved, no more quantitative disclosures were made.

9.5 Employees

The average headcount of full-time employees at the Group in 2020 (not including the Management Board or trainees) was 853 (2019: 803). The Group also had 21 trainees (2019: 19).

9.6 Auditor’s fees

The auditor’s expenses calculated for the 2020 financial year amount to EUR 488k (2019: EUR 453k) for audits of financial statements and EUR 20k for other assurance services for an audit in accordance with the German Securities Trading Act (WpHG) (2019: EUR 36k for an audit in accordance with WpHG), for tax advice services EUR 15k (2019: EUR 0k) and other services (regarding the procedure by the DPR) EUR 3k (2019: EUR 0k).

9.7 Events after the end of the reporting period

There were no events after the balance sheet date with an impact on the asset, financial and earnings situation.

9.8 German corporate governance code

In December 2020, the Management Board and the Supervisory Board of PATRIZIA AG approved the declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Corporation Act) and made it permanently available on the Group's website.

10 Responsibility statement

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

The Management Board approved the financial statements for submission to the Supervisory Board on 16 March 2021.

It is the responsibility of the Supervisory Board to examine the consolidated financial statements and to state whether it adopts them.

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

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

Augsburg, 16 March 2021

The PATRIZIA Management Board

Wolfgang Egger
Chairman of the
Management Board,
CEO

Thomas Wels
Member of the
Management Board,
Co-CEO

Alexander Betz
Member of the
Management Board,
CDO

Karim Bohn
Member of the
Management Board,
CFO

Dr Manuel Käsbauer
Member of the
Management Board,
CTIO

Anne Kavanagh
Member of the
Management Board,
CIO

Simon Woolf
Member of the
Management Board,
CHRO

Annex to the notes to the consolidated financial statements

List of shareholdings of PATRIZIA AG as at 31 December 2020 pursuant to § 313 (2) HGB

Fully consolidated subsidaries

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Germany					
PATRIZIA Augsburg Kapitalverwaltungsgesellschaft mbH	Augsburg	EUR	direct	100.0	1
PATRIZIA Institutional Clients & Advisory GmbH	Augsburg	EUR	direct	100.0	1
LB Invest GmbH	Hamburg	EUR	indirect	100.0	1
PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH	Hamburg	EUR	indirect	94.9	1
PATRIZIA Deutschland GmbH	Augsburg	EUR	direct	100.0	1
PATRIZIA GrundInvest Kapitalverwaltungsgesellschaft mbH	Augsburg	EUR	direct	100.0	1
Mondstein 402. GmbH	München	EUR	direct	100.0	
PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH	Frankfurt am Main	EUR	indirect	94.0	1
PMG - Property Management Gesellschaft mit beschränkter Haftung	Frankfurt am Main	EUR	indirect	100.0	2
PATRIZIA Acquisition Holding alpha GmbH	Augsburg	EUR	direct	100.0	
PATRIZIA Acquisition Holding gamma GmbH	Augsburg	EUR	direct	100.0	
PATRIZIA Acquisition Holding delta GmbH	Augsburg	EUR	direct	100.0	
PATRIZIA Acquisition Holding epsilon GmbH	München	EUR	direct	100.0	
PATRIZIA Acquisition Holding beta GmbH	Augsburg	EUR	direct	100.0	1
PATRIZIA Real Estate Corporate Finance und Service GmbH	Augsburg	EUR	direct	100.0	
PATRIZIA Projekt 170 GmbH	Augsburg	EUR	direct	100.0	1
PATRIZIA Projekt 180 GmbH	Augsburg	EUR	direct	100.0	1
PATRIZIA Projekt 230 GmbH	Augsburg	EUR	direct	100.0	1, 4
PATRIZIA Projekt 260 GmbH	Augsburg	EUR	direct	100.0	1, 4
PATRIZIA Facility Management GmbH	Augsburg	EUR	indirect	100.0	1
PATRIZIA Projekt 380 GmbH	Augsburg	EUR	indirect	100.0	
PATRIZIA Alternative Investments GmbH	Augsburg	EUR	direct	100.0	1
Stella Grundvermögen GmbH	Augsburg	EUR	direct	100.0	1, 4
Alte Haide Baugesellschaft mit beschränkter Haftung München	Augsburg	EUR	indirect	100.0	1, 4
Wohnungsgesellschaft Olympia mbH	Augsburg	EUR	direct	100.0	4
PATRIZIA Vermögensverwaltungs GmbH	Augsburg	EUR	direct & indirect	100.0	1, 4
F 40 GmbH	Augsburg	EUR	indirect	100.0	1
Projekt Wasserturm Grundstücks GmbH & Co. KG	Augsburg	EUR	indirect	45.9	
Projekt Wasserturm Bau GmbH & Co. KG	Augsburg	EUR	indirect	51.0	
Projekt Wasserturm Verwaltungs GmbH	Augsburg	EUR	indirect	51.0	5
PATRIZIA European Real Estate Management GmbH	Gräfelfing	EUR	indirect	100.0	
PATRIZIA Projekt 600 GmbH	Augsburg	EUR	indirect	100.0	1
PATRIZIA Acquisition GmbH	Augsburg	EUR	direct	100.0	
PATRIZIA Projekt 710 GmbH	Augsburg	EUR	direct	100.0	2
Carl Carry Verwaltungs GmbH	Gräfelfing	EUR	direct	100.0	1, 5
PATRIZIA Carry GmbH & Co. KG	Gräfelfing	EUR	indirect	73.5	1
Carl A-Immo Verwaltungs GmbH	Augsburg	EUR	direct	100.0	1, 5
Pearl AcquiCo Zwei GmbH & Co. KG	Augsburg	EUR	direct	100.0	1
PATRIZIA GrundInvest Beteiligungs GmbH & Co. KG	Augsburg	EUR	indirect	100.0	3
PATRIZIA GrundInvest Beteiligungs 2 GmbH & Co. KG	Augsburg	EUR	indirect	100.0	2
PATRIZIA GrundInvest Augsburg Sieben GmbH & Co. KG	Augsburg	EUR	indirect	100.0	7
PATRIZIA GrundInvest Augsburg Acht GmbH & Co. KG	Augsburg	EUR	indirect	100.0	7
PATRIZIA GrundInvest Augsburg Neun GmbH & Co. KG	Augsburg	EUR	indirect	100.0	7
United Kingdom					
PATRIZIA UK LIMITED	Swindon	GBP	direct	100.0	
PATRIZIA FINANCIAL SERVICES LIMITED	Edinburgh	GBP	indirect	100.0	
PATRIZIA PROPERTY HOLDINGS LIMITED	London	GBP	direct & indirect	94.9	

PATRIZIA EUROPE LIMITED	London	GBP	indirect	100.0	
PATRIZIA PROPERTY ASSET MANAGEMENT	London	GBP	indirect	100.0	
PATRIZIA PIM LIMITED	London	GBP	indirect	100.0	
PATRIZIA PROPERTY INVESTMENT MANAGERS LLP	London	GBP	indirect	100.0	
PATRIZIA P.I.M. (REGULATED) LIMITED	London	GBP	indirect	100.0	
BRICKVEST MARKETS LTD	London	GBP	indirect	100.0	
BRICKVEST IM LTD.	London	GBP	indirect	100.0	
PATRIZIA PERIPHERAL EUROPE GP LLP	London	GBP	indirect	100.0	
PATRIZIA FIRST STREET LP	London	GBP	indirect	100.0	
PATRIZIA FIRST STREET GP LIMITED	Swindon	GBP	indirect	100.0	
FIRST STREET PROPCO LIMITED	Swindon	GBP	indirect	100.0	
SOUTHSIDE REAL ESTATE LIMITED	Swindon	GBP	indirect	100.0	
SOUTHSIDE REGENERATION LIMITED	Swindon	GBP	indirect	100.0	
FIRST STREET MANAGEMENT COMPANY LIMITED	Swindon	GBP	indirect	18.2	
PATRIZIA TROCOLL HOUSE GP LIMITED	Swindon	GBP	indirect	100.0	
PATRIZIA TROCOLL HOUSE LP	London	GBP	indirect	100.0	
PATRIZIA GQ LIMITED	Swindon	GBP	indirect	100.0	
Luxembourg					
PATRIZIA Investment Management S.à r.l.	Luxemburg	EUR	direct	100.0	2
PATRIZIA Innovation Management S.à r.l.	Luxemburg	EUR	direct	100.0	2
PATRIZIA Innovation Fund I SCSp	Luxemburg	EUR	direct & indirect	100.0	2
PATRIZIA Luxembourg S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA RE Management HoldCo S.à r.l.	Luxemburg	EUR	indirect	100.0	2
Alliance Real Estate HoldCo S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Ivanhoe 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA REAL ESTATE 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	
PATRIZIA Lux 10 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA REAL ESTATE 20 S.à r.l.	Luxemburg	EUR	indirect	100.0	
PATRIZIA Lux 20 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Lux 30 N S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Real Estate 50 S.à r.l.	Luxemburg	EUR	indirect	100.0	
PATRIZIA Lux 50 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA Real Estate 60 S.à r.l.	Luxemburg	EUR	indirect	100.0	
PATRIZIA Lux 60 S.à r.l.	Luxemburg	EUR	indirect	100.0	2
PATRIZIA RE Management Coop S.A.	Luxemburg	EUR	direct	100.0	2
PATRIZIA RE Management S.C.S.	Luxemburg	GBP	indirect	100.0	2
Seneca Topco S.à r.l.	Luxemburg	EUR	indirect	100.0	2
First Street Topco 1 S.à r.l.	Luxemburg	GBP	indirect	100.0	
PATRIZIA Harald Fund Investment S.C.S. in Liquidation	Luxemburg	EUR	direct	100.0	
Sudermann S.à r.l.	Luxemburg	EUR	indirect	100.0	
Dover Street S.à r.l.	Luxemburg	GBP	indirect	100.0	
Wildrosen S.à r.l.	Luxemburg	EUR	indirect	100.0	
Trocoll House No. 1 S.à r.l.	Luxemburg	GBP	indirect	100.0	
Silver Swan C 2018 S.à r.l.	Luxemburg	EUR	indirect	100.0	
Denmark					
PATRIZIA DENMARK A/S	Kopenhagen	DKK	direct	100.0	
PATRIZIA Multi Managers Holding A/S	Kopenhagen	DKK	direct	100.0	
PATRIZIA Global Partners A/S	Hellerup	DKK	indirect	100.0	
BMK 3 ApS	Hellerup	DKK	indirect	100.0	
SPF III GP ApS	Hellerup	DKK	indirect	100.0	
SPF III US HUH GP ApS	Hellerup	DKK	indirect	100.0	
SPF III MPC I GP ApS	Hellerup	DKK	indirect	100.0	
PMM V GP ApS	Kopenhagen	DKK	indirect	100.0	
PMM Global V Feeder GP ApS	Hellerup	DKK	indirect	100.0	
Other countries					
PATRIZIA Hong Kong Limited	Hong Kong	HKD	direct	100.0	2
PATRIZIA Japan KK	Tokyo	JPY	direct	100.0	6

PATRIZIA Property Inc.	Wilmington	USD	direct	100.0	2
PATRIZIA Sweden AB	Stockholm	SEK	direct	100.0	
PATRIZIA Finland Oy	Helsinki	EUR	direct	100.0	
PATRIZIA France SAS	Paris	EUR	direct	100.0	
PATRIZIA IRELAND LIMITED	Dublin	EUR	direct	100.0	
PATRIZIA PROPERTY INVESTMENT MANAGERS FRANCE SAS	Paris	EUR	direct	100.0	
PATRIZIA Netherlands B.V.	Amsterdam	EUR	direct	100.0	2
PATRIZIA Logistics Management Europe B.V.	Amsterdam	EUR	direct	100.0	2
ROCKSPRING POLAND SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ	Warschau	PLN	indirect	100.0	
BRICKVEST REIM EUROPE SAS	Nizza	EUR	indirect	100.0	
PATRIZIA ACTIVOS INMOBILIARIOS ESPAÑA S.L.	Madrid	EUR	direct	100.0	2

Non-consolidated subsidaries of minor importance

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
Germany					
PATRIZIA GrundInvest Fonds-Treuhand GmbH	Augsburg	EUR	indirect	100.00	
TRIUVA Angerhof und Zeil 94 Verwaltungs GmbH	Frankfurt am Main	EUR	indirect	100.00	5, 6
STORAG Etzel Komplementär GmbH	Frankfurt am Main	EUR	indirect	100.00	2, 5
United Kingdom					
PATRIZIA GRB (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER SCOTLAND) LIMITED	Edinburgh	GBP	indirect	100.00	
PATRIZIA PORTUGUESE PROPERTY PARTNERSHIP (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (SLP) IV LIMITED	Edinburgh	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) IV LIMITED	London	GBP	indirect	100.00	
PATRIZIA UK VALUE SLP (SCOTLAND) LIMITED	Edinburgh	GBP	indirect	100.00	
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) V LIMITED	London	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (SLP) V LIMITED	Edinburgh	GBP	indirect	100.00	
PATRIZIA SINGLE EUROPE (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	
ROCKSPRING SINGLE CLIENT FUND (GENERAL PARTNER) LIMITED	London	GBP	indirect	100.00	
PATRIZIA UK VALUE SLP (SCOTLAND) L.P.	Edinburgh	GBP	indirect	100.00	
PLOT 5 FIRST STREET GP LIMITED	Swindon	GBP	indirect	51.00	
BRICKVEST MB1 LTD	London	GBP	indirect	100.00	
BRICKVEST MB2 LTD	London	GBP	indirect	100.00	
ACRON INVEST LTD	London	GBP	indirect	100.00	
BRICKVEST NOMINEES LTD	London	GBP	indirect	100.00	
PATRIZIA MONTCLAIR SLP (GP) LLP	Edinburgh	GBP	indirect	100.00	
PATRIZIA MONTCLAIR (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	100.00	
PATRIZIA SINGLE CLIENT II (GENERAL PARTNER) LLP	London	GBP	indirect	100.00	
PATRIZIA SINGLE CLIENT II SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (SLP) VI LLP	Edinburgh	GBP	indirect	100.00	
PATRIZIA TRANSEUROPEAN PROPERTIES (GENERAL PARTNER) VI LLP	London	GBP	indirect	100.00	
PATRIZIA PANEUROPEAN GP LLP	London	GBP	indirect	100.00	
PATRIZIA PERIPHERAL EUROPE SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	
PATRIZIA UK VALUE 2 SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	
PATRIZIA UK VALUE 2 (GENERAL PARTNER) LLP	London	GBP	indirect	100.00	
PATRIZIA GRB (GP2) LLP	London	GBP	indirect	100.00	
PATRIZIA SINGLE EUROPE (GP2) LLP	London	GBP	indirect	100.00	
PATRIZIA TRANSEUROPEAN PROPERTIES (GP2) V LLP	London	GBP	indirect	100.00	
PATRIZIA SINGLE CLIENT (GP2) LLP	London	GBP	indirect	100.00	
PATRIZIA RIMBAUD SLP (GP) LLP	Edinburgh	GBP	indirect	100.00	
PATRIZIA SPREE (GP) LIMITED	London	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (GP2) IV LLP	London	GBP	indirect	100.00	
PATRIZIA SINGLE CLIENT III SLP (GENERAL PARTNER) LLP	Edinburgh	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTIES (SLP) VII LLP	Edinburgh	GBP	indirect	100.00	
TRANSEUROPEAN PROPERTY (SCOTS) VII LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	100.00	
PATRIZIA EUROPEAN PROPERTY III (SCOTS) LP	Edinburgh	GBP	indirect	100.00	
Other countries					
PATRIZIA HANOVER REAL ESTATE INVESTMENT MANAGEMENT LIMITED	St Helier	GBP	indirect	100.00	
Carl Offshore Limited	St Peter Port	GBP	direct	100.00	
Carl Two Offshore Limited	St Peter Port	GBP	direct	100.00	
PATRIZIA Transeuropean Properties (General Partner) VII S.à r.l.	Luxemburg	EUR	indirect	100.00	3

PO-SH Europe Residential Investment GP S.à r.l.	Luxemburg	EUR	indirect	100.00	2
PATRIZIA PanEuropean Property 2 SCS	Luxemburg	EUR	indirect	100.00	2

Associated companies accounted for using the equity method

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Footnote
PATRIZIA WohnModul I SICAV-FIS	Luxemburg	EUR	direct	10.1	
ASK PATRIZIA (GQ) LLP	Manchester	GBP	indirect	50.0	2
Evana AG	Saarbrücken	EUR	indirect	25.0	2
Cognotekt GmbH	Köln	EUR	indirect	35.7	2
control.IT Unternehmensberatung GmbH	Bremen	EUR	indirect	10.0	2

Other investments

Name of the company	Domicile	Currency	Relation to PATRIZIA AG	Shares in equity %	Equity in currency (in k)	Net result in currency (in k)	Footnote
Germany							
Carl HR GmbH & Co. KG	München	EUR	direct	361.00	1	0	
Berliner Volksbank eG	Berlin	EUR	direct	100.00	1,077,380	21,092	3
PATRIZIA Projekt 430 GmbH	Augsburg	EUR	direct	510.00	-2,999	-5,311	
PATRIZIA Projekt 440 GmbH	Augsburg	EUR	direct	510.00	-3,478	-458	
PATRoffice Real Estate GmbH & Co. KG	Gräfelfing	EUR	indirect	625.00	12,469	-129	
sono west Projektentwicklung GmbH & Co. KG	Frankfurt am Main	EUR	indirect	3,000.00	1,126	354	
LB Immo PIB GmbH	Hamburg	EUR	indirect	520.00	280	-6	
PATRIZIA GrundInvest Campus Aachen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	8.00	24,310	1,030	2
PATRIZIA GrundInvest Stuttgart Südtor GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	4.00	52,580	2,196	2
PATRIZIA GrundInvest Kopenhagen Südhafen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	10.00	33,672	1,296	2
PATRIZIA GrundInvest Den Haag Wohnen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	8.00	13,110	664	2
PATRIZIA GrundInvest München Leopoldstraße GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	29.00	31,089	4,176	2
PATRIZIA GrundInvest Mainz Rheinufer GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	3.00	62,390	2,894	2
Projekt Feuerbachstraße Verwaltung GmbH	Frankfurt am Main	EUR	indirect	3,000.00	31	0	
Dawonia Real Estate GmbH & Co. KG	Grünwald	EUR	indirect	10.00	3,134,302	380,663	3
Dawonia GmbH	Grünwald	EUR	indirect	510.00	441,077	0	3
PATRIZIA GrundInvest Garmisch-Partenkirchen GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	29.00	12,637	642	2
PATRIZIA GrundInvest Dresden GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	7.00	29,020	-72	2
PATRIZIA GrundInvest Die Stadtmitte Hofheim am Taunus GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	7.00	28,300	630	2
PATRIZIA GrundInvest Frankfurt Smart Living GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	9.00	21,550	627	2
PATRIZIA GrundInvest Objekt Mainz Rheinufer GmbH & Co. KG	Augsburg	EUR	indirect	510.00	49,594	2,098	2
PATRIZIA GrundInvest Objekt Dresden GmbH & Co. KG	Augsburg	EUR	indirect	510.00	29,960	-505	2
PATRIZIA GrundInvest Objekt Hofheim GmbH & Co. KG	Augsburg	EUR	indirect	510.00	24,159	103	2
PATRIZIA GrundInvest Objekt Berlin GmbH & Co. KG	Augsburg	EUR	indirect	510.00	47,340	-10	2
PATRIZIA GrundInvest Berlin Landsberger Allee GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	3.00	58,820	-112	2
PATRIZIA GrundInvest Die Stadtmitte Mülheim GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	5.00	39,440	191	2
PATRIZIA GrundInvest Objekt Mühlheim Die Stadtmitte GmbH & Co. KG	Augsburg	EUR	indirect	510.00	35,595	461	2
PATRIZIA GrundInvest Europa Wohnen Plus GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	292.00	10,808	-649	2
PATRIZIA GrundInvest Hamburg Schloßstraße GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	14.00	14,320	-359	2
Carl A-Immo GmbH & Co. KG	München	EUR	direct	1,250.00	-6	0	
PATRIZIA GrundInvest Objekt Hamburg Schloßstraße GmbH & Co. KG	Augsburg	EUR	indirect	510.00	13,375	-525	2
PATRIZIA GrundInvest Helsinki GmbH & Co. geschlossene Investment-KG	Augsburg	EUR	indirect	32.00	17,373	-1,016	
STORAG Etzel GmbH & Co. geschl. InvKG	Frankfurt am Main	EUR	indirect	323.00	21,389	-564	6
United Kingdom							
PATRIZIA EUROPEAN PROPERTY II (SCOTS) LP	Edinburgh	GBP	indirect	770.00	0	0	

TRANSEUROPEAN PROPERTY (SCOTS) VI LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	561.00	0	0	
PATRIZIA PERIPHERAL EUROPE (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	1,400.00	0	0	
PATRIZIA UK VALUE 2 (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	3,220.00	0	0	
PATRIZIA RIMBAUD (SCOTLAND) LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	1,880.00	0	0	
TRANSEUROPEAN PROPERTY (SCOTS) V LIMITED PARTNERSHIP	Edinburgh	GBP	indirect	345.00	0	0	
CITRUZ REAL ESTATE INVESTMENT LP	Swindon	GBP	indirect	3,429.00	-1,327	-361	
FIRST STREET DEVELOPMENT LIMITED	Manchester	GBP	indirect	1,000.00	25	-6	2
WINNERSH HOLDINGS LP	Swindon	GBP	indirect	2,390.00	1,064	-52	
PATRIZIA PANEUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	7.00	398,442	6,448	3
THE ROCKSPRING GERMAN RETAIL BOX FUND L.P.	London	EUR	indirect	24.00	353,886	-17,768	3
TRANSEUROPEAN PROPERTY LIMITED PARTNERSHIP IV	London	EUR	indirect	36.00	16,949	-8,299	3
NPS EUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	33.00	3,104	-2,101	3
PATRIZIA TRANSEUROPEAN PROPERTY V LIMITED PARTNERSHIP	London	EUR	indirect	64.00	55,988	-1,270	3
PATRIZIA UK VALUE 2 LIMITED PARTNERSHIP	London	GBP	indirect	45.00	213,445	-9,080	3, 6
NPS EUROPEAN PROPERTY II LP	London	EUR	indirect	73.00	288,855	16,226	3
PATRIZIA TRANSEUROPEAN PROPERTY VI LIMITED PARTNERSHIP	London	EUR	indirect	99.00	511,011	71,718	3
CHARLIE BERLIN LP	London	EUR	indirect	99.00	1,119	-3,945	3
ROCKSPRING PERIPHERAL EUROPE LIMITED PARTNERSHIP	London	EUR	indirect	1.00	6,319	1,126	3
WINNERSH GP LTD	Swindon	GBP	indirect	500.00	0	0	
CITRUZ GENERAL PARTNER LIMITED	Swindon	GBP	indirect	1,000.00	-4	133	
AVIEMORE HOLDINGS LP	Swindon	GBP	indirect	3,429.00	126	-46	
AVIEMORE GP LTD	Swindon	GBP	indirect	1,000.00	0	0	
HBOS FSPS EUROPEAN PROPERTY LIMITED PARTNERSHIP	London	EUR	indirect	0.00	328,405	35,147	3
NPS REAL ESTATE PROJECTS LIMITED PARTNERSHIP	London	GBP	indirect	0.00	254,193	-31,521	3
PI LABS III LP	London	GBP	indirect	1,000.00	1,041	467	6
PATRIZIA SPITFIRE CARRY LLP	London	GBP	indirect	870.00	0	0	
Luxembourg							
PATRIZIA Lux TopCo S.à r.l. en liquidation volontaire	Luxemburg	EUR	indirect	1,000.00	88	-4	3
Carl Lux SCS	Luxemburg	EUR	direct	1.00	-540	0	3
Opportunitäten Europa 1 S.à r.l.	Luxemburg	EUR	indirect	510.00	1,615	-34	3
Opportunitäten Europa 2 S.à r.l.	Luxemburg	EUR	indirect	510.00	-1,999	72	3
Opportunitäten Europa 3 S.à r.l.	Luxemburg	EUR	indirect	510.00	-2,138	24	3
Opportunitäten Europa 4 S.à r.l.	Luxemburg	EUR	indirect	510.00	-1,661	68	3
Opportunitäten Europa 5 S.à r.l.	Luxemburg	EUR	indirect	510.00	-718	165	3
Opportunitäten Europa 6 S.à r.l.	Luxemburg	EUR	indirect	510.00	-1,538	295	3
Opportunitäten Europa 7 S.à r.l.	Luxemburg	EUR	indirect	510.00	-1,922	209	3
Opportunitäten Europa 8 S.à r.l.	Luxemburg	EUR	indirect	510.00	-1,490	114	3
Opportunitäten Europa 9 S.à r.l.	Luxemburg	EUR	indirect	510.00	-3,928	-81	3
Opportunitäten Europa 10 S.à r.l.	Luxemburg	EUR	indirect	510.00	-3,167	22	3
Opportunitäten Europa 11 S.à r.l.	Luxemburg	EUR	indirect	510.00	-2,415	53	3
Seneca Holdco SCS	Luxemburg	EUR	indirect	510.00	58,297	35,219	2
OSCAR Lux Carry SCS	Luxemburg	EUR	indirect	10.00	2,706	2,212	3
PATRIZIA Real Estate 30 S.à r.l.	Luxemburg	EUR	indirect	510.00	298	301	3
PATRIZIA TransEuropean Property VII SCSp-RAIF	Luxemburg	EUR	indirect	0.00	158,864	7,163	3
Augusta Wohnen S.à r.l.	Luxemburg	EUR	indirect	200.00	8,771	-93	2
PATRIZIA Europe Residential Plus S.A. SICAV-RAIF	Luxemburg	EUR	indirect	19.00	1,310	810	3
Julienne Holdings S.à r.l.	Luxemburg	EUR	indirect	1,000.00	-31,469	-1,238	3
PATRIZIA EuroLog Fund SCSp	Luxemburg	EUR	indirect	0.00	638,792	-3,978	2
PATRIZIA PanEuropean Property SCS	Luxemburg	EUR	indirect	12.00	42,554	599	3
NPS European Property III SCSp	Luxemburg	EUR	indirect	1,832.00	0	0	7
Other countries							
MERRION S.A.	Brüssel	EUR	indirect	0.00	2,993	-172	3
Opportunitaeten Europa 12 Limited	Dublin	EUR	indirect	510.00	-5,820	-260	2
SPITFIRE (JCO) LIMITED	St Helier	EUR	indirect	133.00	35,532	2,819	3

WS HOLDCO, INC.	Wilmington	USD	indirect	263.00	10,173	268	2
Real Tech Ventures I ILP	Sydney	AUD	indirect	2,480.00	7,994	-61	2, 6
Camber Creek Fund III, LP	Wilmington	USD	indirect	211.00	23,644	1,708	2

3

1 As a result of the existing control and profit transfer agreements, the results are adopted by PATRIZIA
2 Provisional financial statements
3 Previous financial statements figures
4 Use of Section § 264 Abs. 3 HGB resp. § 264b HGB
5 General Partner as per § 285 Nr.11a HGB
6 Deviating financial year
7 Opening balance sheet figures

Currency translation into EUR

Currency	Closing rate 31.12.2020	Average exchange rate 2020
AUD	1.59	1.65
DKK	7.44	7.45
GBP	0.90	0.89
HKD	9.51	8.87
JPY	126.49	121.92
PLN	4.56	4.44
SEK	10.03	10.48
USD	1.23	1.14

Responsibility statement by the legal representatives

of PATRIZIA AG (Group)

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.

Augsburg, 16 March 2021

The Management Board

Wolfgang Egger
Chairman of the Management Board, CEO

Thomas Wels
Member of the Management Board, Co-CEO

Alexander Betz
Member of the Management Board, CDO

Karim Bohn
Member of the Management Board, CFO

Dr. Manuel Käsbauer
Member of the Management Board, CTIO

Anne Kavanagh
Member of the Management Board, CIO

Simon Woolf
Member of the Management Board, CHRO

Auditor's opinion

To Patrizia AG, Augsburg

Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of PATRIZIA AG, Augsburg/Germany, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report on the parent company and the group of PATRIZIA AG, Augsburg/Germany, for the financial year from 1 January to 31 December 2020. Pursuant to German legal requirements, we have not audited the content of the combined non-financial statement pursuant to Sections 289b to 289e and/or Sections 315b and 315c German Commercial Code (HGB) included in section "Non-financial statement" of the combined management report, nor the content of the corporate governance statement pursuant to Section 289f and 315d HGB, respectively, (including the declaration pursuant to Section 161 German Stock Corporation Act (AktG)) referenced in the combined management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the combined management report does not include an opinion on the content of the combined non-financial statement pursuant to Sections 289b to 289e and/or Sections 315b and 315c HGB included in the chapter "Non-financial statement" of the combined management report, nor on the corporate governance statement pursuant to Section 289f and 315d HGB, respectively, (including the declaration according to Section 161 AktG) referenced in the combined management report.

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Valuation of equity interests
2. Recoverability of goodwill
3. Recoverability of fund management contracts

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor’s response

1. Valuation of Equity Interests

a) The consolidated financial statements of PATRIZIA AG state equity interests of mEUR 574.6 overall. This amount corresponds to 29.3% of the consolidated balance sheet total or 45.3% of the Group’s equity. According to IFRS 9, equity interests are measured at fair value, with value changes recognised through other comprehensive income (FVTOCI). For measuring these equity interests, PATRIZIA AG uses a valuation model which is essentially based on the net asset values (NAV) or expected selling prices of the investment companies, if known, and which takes into account the relevant share of PATRIZIA AG in its investment. The NAV of the investment companies is largely determined by the market values of the properties held by them. Usually, external valuation reports on the properties are at hand.

The executive directors' estimation regarding the valuation of equity interests is prone to uncertainty and an incorrect valuation would significantly affect the other comprehensive income and hence the equity ratio in the corresponding reporting period. In this light, we have deemed the valuation of equity interests to be a key audit matter.

The executive directors' disclosures regarding the valuation of equity interests are included in the sections 3.8, 4.1.7, 4.1.8 and 5.11 of the notes to the consolidated financial statements.

b) In auditing the equity interests, we first of all reconstructed the valuation model and the methodic approach used by PATRIZIA AG to measure the equity interest. On this basis, we inspected the assets, liabilities, financial position and financial performance of the respective investment company for selected significant equity interests in more detail. For this purpose, we particularly assessed the annual audit reports, valuation reports and other documents and information regarding this investment company. In relation to the NAV, we initially examined whether the NAV had been determined methodically correct and whether they had been derived from suitable data. By means of questioning the executive directors or third parties nominated by them, we satisfied ourselves of the appropriateness of the material underlying assumptions. Furthermore, we compared the assumptions with general and industry-specific market expectations. With regard to the share of the NAV of the associated companies allocated to PATRIZIA AG within the framework of the valuation model, we verified that this allocation corresponds to the contractual regulations on the distribution of earnings and assets for the respective associated companies on the basis of the contractual documents.
Due to the potential significance mentioned above and the fact that the valuation of equity interest also depends on overall conditions and external effects which are beyond PATRIZIA AG's ability to influence, we also critically reviewed the sensitivity analyses carried out by the executive directors in order to be able to estimate potential risks of value changes in case key input factors change.

2. Recoverability of Goodwill

a) The consolidated financial statements of PATRIZIA AG state goodwill in the amount of mEUR 212.4 corresponding to 10.8% of the Group's total assets or 16.7% of the Group's equity. Goodwill is regularly tested for impairment or if there is any indication that it may be impaired by PATRIZIA. Impairment tests are carried out by means of company valuations according to the discounted cash flow method. The present values of the future cash flows valid for the accepted five-year planning (detailed planning period) at the point in time of the impairment test constitute the basis of the valuation. This detailed planning period is then adjusted assuming long-term growth rates. Goodwill is discounted by means of the weighted average cost of capital (WACC). The recoverable amount is determined based on the value in use and then compared to the carrying amount in order to establish whether there is any need for impairment. The result of this valuation is largely dependent on the executive directors' estimation of the future cash inflows, the long-term growth rates as well as the WACC rates used for discounting and hence prone to uncertainty and the executive directors' scope of discretion. In this light, we have deemed the recoverability of goodwill to be a key audit matter within the scope of our audit.
Please see sections 3.1 and 4.1.1 of the notes to the consolidated financial statements for the disclosures regarding goodwill provided by the parent company's executive directors.

b) Within the scope of our audit, we have especially concentrated on assessing the methodic approach of carrying out the impairment tests. We evaluated whether the valuation model used properly represents the conceptional requirements of the relevant IFRS standards and whether the required input data was determined and adopted properly and completely as well as whether the calculations in the model were carried out correctly. In order to establish whether the future cash inflows used in the calculation constitute a proper basis for the calculations, we particularly compared them with the five-year planning as well as questioned the executive directors on their essential assumptions and presumptions on this planning. Furthermore, we critically assessed the planning keeping general and industry-specific market expectations in mind. As a significant portion of the value in use has been determined based on projected cash flows for the period following the detailed planning period (period of perpetuity), we also examined the sustained growth rate applied for the period of perpetuity based on general and industry-specific market expectations in particular. As even relatively small changes of the discount rate used can cause substantial effects on the recoverable amount, we have validated the parameters used for the determination of the WACC rate for discounting and assessed the calculation scheme. Due to the potential significance mentioned above and the fact that the valuation of goodwill also depends on general conditions and external effects which are beyond PATRIZIA AG's ability to influence, we additionally critically assessed the sensitivity analyses carried out by the executive directors in order to be able to estimate potential risks of value changes in case key valuation parameters change.

3. **Recoverability of Fund Management Contracts**

a) In the consolidated financial statements, PATRIZIA AG states fund management contracts amounting to mEUR 106.1 under "other intangible assets", corresponding to 5.4% of the Group's total assets or 8.4% of the Group's equity. The analysis and valuation of indications for an impairment of the newly acquired and pre-existing fund management contracts largely require assumptions and estimations on the future net cash inflows from the contracts as well as the discount rate used. Incorrect analyses and valuations can have a significant impact on the consolidated financial statements due to the size of the item of the statement of financial position. Due to the reasons mentioned, we deem the recoverability of the fund management contracts to be a key audit matter.

Please see sections 3.2 and 4.1.2 of the notes to the consolidated financial statements for the disclosures regarding the fund management contracts provided by the parent company's executive directors.

b) In order to assess the appropriateness of the analysis carried out by the executive directors of whether there was an indication for an impairment of the acquired fund management contracts ("triggering event" analysis), we considered the underlying processes and carried out substantive audit procedures. We have particularly substantiated the determination of the present value of the future cash flows and obtained an understanding of the underlying valuation models in terms of the methods and the figures used. In doing so, we examined and evaluated whether the budget planning mirrored general and industry-specific market expectations. We also assessed and validated the valuation parameters used for the estimation of the fair values.

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board,
- the non-financial statement pursuant to Sections 289b to 289e HGB and/or Sections 315b and 315c HGB included in the "Non-financial statement" section of the combined management report,
- the corporate governance statement pursuant to Section 289f and Section 315d HGB, respectively, (including the declaration according to Section 161 AktG) referenced in the combined management report,
- the executive directors' confirmations pursuant to Section 297 (2) sentence 4 and/or Section 315 (1) sentence 5 HGB regarding the consolidated financial statements and the combined management report, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the executive board as well are responsible for the declaration according to Section 161 AktG, which is part of the corporate governance statement, which is referenced in the combined management report. Apart from that the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities 159ort h Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Files of the Consolidated Financial Statements and of the Combined Management Report prepared for Publication pursuant to Section 317 (3b) HGB

Audit Opinion

In accordance with Section 317 (3b) HGB, we have assessed with reasonable assurance whether the electronic files of the consolidated financial statements and of the combined management report (hereafter referred to as "ESEF files") prepared for publication, contained in the accompanying file, which has the SHA-256 value 8F4531616CFCF53F66D0A77EAF29F7AC62556C656F685E0930E17386DCEE11AF, meet, in all material respects, the requirements concerning the electronic reporting format ("ESEF format") pursuant to Section 328 (1) HGB. In accordance with the German legal requirements, this audit only covers the transfer of the consolidated financial statements' and the combined management report's information into the ESEF format, and therefore covers neither the information contained in these electronic files nor any other information contained in the file stated above.

In our opinion, the electronic files of the consolidated financial statements and of the combined management report prepared for publication contained in the accompanying file stated above meet, in all material respects, the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 contained in the above "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report", we do not express any audit opinion on the information contained in these electronic files and on any other information contained in the file stated above.

Basis for the Audit Opinion

We conducted our audit of the electronic files of the consolidated financial statements and of the combined management report contained in the accompanying file stated above in accordance with Section 317 (3b) HGB and on the basis of the IDW Draft Auditing Standard: Audit of the Electronic Files of the Annual Financial Statements and of the Management Report prepared for Publication pursuant to Section 317 (3b) HGB (IDW Draft AuS 410). Our responsibilities in this context are further described in the section "Group Auditor's Responsibilities for the Audit of the ESEF Files". Our audit firm has applied the Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Files

The executive directors of the parent are responsible for the preparation of the ESEF files based on the electronic files of the consolidated financial statements and of the combined management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal control as they have determined necessary to enable the preparation of ESEF files that are free from material violations against the requirements concerning the electronic reporting format pursuant to Section 328 (1) HGB, whether due to fraud or error.

The executive directors of the parent are also responsible for the submission of the ESEF files together with the auditor's report and the accompanying audited consolidated financial statements and the audited combined management report as well as other documents to be filed with the publisher of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF files as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Files

Our objectives are to obtain reasonable assurance about whether the ESEF files are free from material violations, whether due to fraud or error, against the requirements pursuant to Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material violations against the requirements pursuant to Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit of the ESEF files in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- assess the technical validity of the ESEF files, i.e. whether the file containing the ESEF files meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date as to the technical specification of this file.
- evaluate whether the ESEF files enable a XHTML copy of the audited consolidated financial statements and of the audited combined management report whose content is identical with these documents.
- evaluate whether the ESEF files have been tagged using inline XBRL technology (iXBRL) in a way that enables an appropriate and complete machine-readable XBRL copy of the XHTML copy.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the general meeting held on 1 July 2020. We were engaged by the supervisory board on 20 October 2020. We have been the group auditor of PATRIZIA AG, Augsburg/Germany, without interruption since the financial year 2005.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Franz Klinger.

Munich, 16 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Franz Klinger)	(Andreas Lepple)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Further information

1 Five-year consolidated balance sheet

Five-year overview in accordance with IFRS

Assets

EUR k	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
A. Non-current assets					
Goodwill	212,353	210,292	201,109	7,366	610
Other intangible assets	106,137	131,895	166,562	35,224	35,416
Software	16,603	10,326	11,396	11,207	10,772
Rights of use	25,906	24,988	0	0	0
Investment property	1,838	1,835	8,308	15,979	12,226
Equipment	7,305	6,056	5,890	4,483	4,460
Associated companies accounted using the equity method	32,357	69,035	76,141	88,905	85,923
Participations	574,561	525,716	499,241	89,114	102,033
Non-current borrowings and other loans	34,927	28,276	27,513	23,291	7,015
Non-current tax assets	0	0	0	0	35
Deferred taxes	21,031	17,305	6,102	331	323
Total non-current assets	**1,033,018**	**1,025,724**	**1,002,262**	**275,900**	**258,813**
B. Current Assets					
Inventories	14,647	113,208	71,534	99,791	182,931
Securities	11	1,011	3,011	5,010	44
Current tax assets	26,554	17,318	15,585	9,098	11,941
Current receivables and other current assets	392,399	380,735	355,456	479,920	99,311
Cash and cash equivalents	495,454	449,084	330,598	382,675	440,219
Total current assets	**929,065**	**961,356**	**776,184**	**976,494**	**734,446**
Total assets	**1,962,083**	**1,987,080**	**1,778,446**	**1,252,394**	**993,259**

Equity and Liabilities

EUR k	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
A. Equity					
Share capital	89,683	91,060	91,060	89,555	83,956
Capital reserves	129,751	155,222	155,222	129,545	184,005
Retained earnings					
Legal reserves	505	505	505	505	505
Currency translation difference	-7,944	-4,818	-15,606	-11,586	-10,803
Remeasurements of defined benefit plans according to IAS 19	-5,457	-3,459	0	0	0
Revaluation reserve according to IFRS 9	130,196	78,721	49,503	0	0
Consolidated unappropriated profit	900,507	889,160	862,421	546,682	491,679
Non-controlling interests	32,265	30,359	10,682	1,691	1,691
Total equity	**1,269,505**	**1,236,750**	**1,153,788**	**756,392**	**751,033**
B. Liabilities					
NON-CURRENT LIABILITIES					
Deferred tax liabilities	115,484	112,178	110,387	15,833	17,992
Retirement benefit obligations	29,579	27,564	21,724	776	648
Bonded loans	234,000	300,000	300,000	300,000	22,000
Non-current liabilities	22,340	25,094	16,836	9,062	6,866
Leasing liabilities	17,811	15,841	0	0	0
Total non-current liabilities	**419,214**	**480,677**	**448,947**	**325,671**	**47,506**
CURRENT LIABILITIES					
Short-term bank loans	43,200	93,194	0	0	53,200
Short-term bonded loans	66,000	0	0	22,000	5,000
Other provisions	9,109	9,254	23,530	16,083	27,627
Current liabilities	105,858	101,186	99,963	93,123	75,343
Short-term leasing liabilities	8,387	9,328	0	0	0
Tax liabilities	40,809	56,692	52,218	39,125	33,550
Total current liabilities	**273,363**	**269,653**	**175,711**	**170,331**	**194,720**
TOTAL EQUITY AND LIABILITIES	**1,962,083**	**1,987,080**	**1,778,446**	**1,252,394**	**993,259**

2 Five-year consolidated income statement

Five-year overview in accordance with IFRS

Consolidated income statement

EUR k	2020	2019	2018	2017	2016
Revenues	301,693	398,703	350,628	249,574	817,879
Income from the sale of investment property	0	252	828	691	1,542
Changes in inventories	-2,242	-50,535	-28,731	-39,909	-502,018
Other operating income	16,522	14,607	20,698	17,294	14,252
Income from the deconsolidation of subsidiaries	302	585	317	1	194,730
Total operating performance	**316,275**	**363,611**	**343,740**	**227,651**	**526,385**
Cost of materials	-3,568	-6,601	-11,699	-17,450	-33,712
Cost of purchased services	-16,066	-28,036	-15,679	-11,450	-14,832
Staff costs	-143,759	-131,769	-124,954	-87,071	-101,313
Changes in value of investment property	4	-791	3,975	6,748	431
Other operating expenses	-76,678	-84,718	-90,742	-82,228	-68,757
Impairment result for trade receivables and contract assets	418	-429	-1,059	0	0
Result from participations	31,624	32,891	28,042	49,315	32,667
Earnings from companies accounted for using the equity method	9,181	725	11,852	13,353	7,651
Cost from the deconsolidation of subsidiaries	-1,746	0	-377	-750	0
EBITDAR	**115,686**	**144,883**	**143,099**	**98,118**	**348,520**
Reorganisation income	0	2,377	0	0	0
Reorganisation expenses	0	-10,339	-22,318	-2,330	-20,406
EBITDA	**115,686**	**136,922**	**120,781**	**95,788**	**328,114**
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment as well as financial investments	-42,309	-55,562	-42,235	-8,681	-6,134
Earnings before interest and taxes (EBIT)	**73,377**	**81,360**	**78,546**	**87,107**	**321,980**
Financial income	2,971	2,096	3,021	914	3,057
Financial expenses	-6,707	-6,111	-6,436	-5,146	-7,361
Other financial result	0	300	0	0	0
Result from currency translation	-7,595	-234	1,175	-2,747	-4,029
Earnings before taxes (EBT)	**62,046**	**77,411**	**76,306**	**80,128**	**313,647**
Income taxes	-21,369	-21,064	-18,190	-21,230	-57,383
Consolidated net profit	**40,678**	**56,347**	**58,116**	**58,898**	**256,264**
Earnings per share (undiluted) in EUR	0.42	0.58	0.57	0.60	2.57
Earnings per share (diluted) in EUR	0.42	0.58	0.57	0.60	2.57

3 Supervisory Board

As at 31 December 2020

Dr Theodor Seitz

Chairman, Member of the Supervisory Board
First appointed on: 21 August 2002
Appointed until: 23 June 2021

Tax consultant and lawyer, partner of the law firm Seitz Weckbach Fackler, Augsburg

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code

– Chairman of the Supervisory Board of CDH AG, Augsburg

Uwe H. Reuter

First Deputy Chairman, Member of the Supervisory Board
First appointed on: 22 June 2017
Appointed until: 23 June 2021

CEO of VHV Holding AG, Hanover

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code

Intra-Group mandates within VHV Holding AG (Chairman of the Supervisory Board):

– VHV Allgemeine Versicherung AG
– Hannoversche Lebensversicherung AG
– VHV solutions GmbH
– VAV Versicherungs-AG, Vienna/Austria
– WAVE Management AG

Non-Group mandates (Member of the Supervisory Board):

– E + S Rückversicherung AG (subsidiary of Hannover Rückversicherung AG), Hanover
– Hannover Impuls GmbH (Business Development Agency of the city and region of Hanover)

Alfred Hoschek

Second Deputy Chairman, Member of the Supervisory Board
First appointed on: 25 June 2015
Appointed until: 23 June 2021

Managing Director of AHO Verwaltungs GmbH, and other project companies, Gräfelfing

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code

– None

4 Management Board

As at 31 December 2020

Wolfgang Egger

Chairman of the Management Board, CEO
First appointed on: 21 August 2002
Appointed until: 30 June 2021

Responsibilities on the Management Board
Capital Allocation & Investments, Capital Markets & Fundraising, Corporate M&A, HR Culture, Institutional Clients, Marketing & Communications, Renumeration topics, Supervisory Board – Lead responsibility, Tech Strategy & Tech M&A

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- None

Thomas Wels

Member of the Management Board, Co-CEO
First appointed on: 1 May 2020
Appointed until: 30 April 2023

Responsibilities on the Management Board
Capital Allocation & Investments, Corporate M&A, Internal Audit, Productivity & Performance, Regions, Remuneration topics, Retail Clients, Strategy & ESG

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- None

Alexander Betz

Member of the Management Board, CDO
Erstmals bestellt am: 1. Januar 2020
Zurzeit bestellt bis: 31. Dezember 2022

Responsibilities on the Management Board
Digitalisation & IT Strategy, Global Projects & Development, IT Operations & Business Applications, Processes & Organisation

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
- Member of the Supervisory Board of eFonds AG

Karim Bohn

Member of the Management Board, CFO
First appointed on: 1 November 2015
Appointed until: 31 October 2023

Responsibilities on the Management Board
Accounting, Capital Allocation & Investments, Corporate Finance, Corporate Reporting & Planning, Fund Services, Insurance, Investor Relations, Legal & Compliance, Procurement & Services, Remuneration topics, Risk Management, Supervisory Board – Organisational responsibility, Tax

Disclosures pursuant to article 285 no. 10 of the German Commercial Code
- Member of the Supervisory Board of Dawonia Real Estate GmbH & Co. KG

Dr. Manuel Käsbauer

Member of the Management Board, CTIO
First appointed on: 1 January 2020
Appointed until: 31 December 2022

Responsibilities on the Management Board
Tech & Innovation Strategy, Technology & Innovation, Tech M&A, Tech Investments

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Anne Kavanagh
Member of the Management Board, CIO
First appointed on: 15 April 2017
Appointed until: 15 April 2022

Responsibilities on the Management Board
Alternative Investments, Asset Management, Fund Management, Global Partners, Infrastructure, Investment Strategy & Research, Logistics, Product Development & Client Services, Real Estate Development, Renumeration topics, Transactions

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Simon Woolf
Member of the Management Board, CHRO
First appointed on: 1 January 2020
Appointed until: 31 December 2022

Responsibilities on the Management Board
HR Operations, HR Strategy, Remuneration topics, Reward, Talent Acquisition, Talent & Organisational Development

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

Retired member during the financial year 2020

Klaus Schmitt
Member of the Management Board, COO
First appointed on: 1 June 2006
Retired as of: 30 June 2020

Disclosures pursuant to Article 285 No. 10 of the German Commercial Code
– None

5 Financial calendar and contact details

Financial calendar 2021

Date	
18 March 2021	Annual Report 2020 with investor and analyst conference call
12 May 2021	Quarterly Statement for the first quarter of 2021 with investor and analyst conference call
23 June 2021	Annual General Meeting, Augsburg
5 August 2021	Interim Report for the first half of 2021 with investor and analyst conference call
11 November 2021	Quarterly Statement for the first nine months of 2021 with investor and analyst conference call

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This annual report was published on 18 March 2021. 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:

https://www.patrizia.ag/de/aktionaere/news-publikationen/geschaeftsberichte/
https://www.patrizia.ag/en/shareholders/news-publications/annual-reports/