

H1 2020
HALF-YEAR
FINANCIAL REPORT

STRONGER

FOR CLIENTS AND SHAREHOLDERS

Key figures

Revenues and earnings

EUR k	H1 2020	H1 2019	Change
Revenues	148,153	179,825	-17.6%
Total operating performance	152,843	165,696	-7.8%
EBITDA	72,511	81,661	-11.2%
EBIT	54,752	57,914	-5.5%
EBT	46,075	55,642	-17.2%
Net profit for the period	33,723	43,334	-22.2%
Operating income ¹	74,061	78,959	-6.2%

Structure of assets and capital

EUR k	30.06.2020	31.12.2019	Change
Non-current assets	998,303	1,025,724	-2.7%
Current assets	919,149	961,356	-4.4%
Equity (excl. non-controlling interests)	1,219,557	1,206,391	1.1%
Equity ratio (excl. non-controlling interests)	63.6%	60.7%	2.9 PP
Non-current liabilities	472,720	480,677	-1.7%
Current liabilities	193,282	269,653	-28.3%
Total assets	1,917,452	1,987,080	-3.5%

Share

ISIN	DE000PAT1AG3
WKN	PAT1AG
Code	PAT
Issued shares as at 30.06.2020	92,351,476 shares
Outstanding shares as at 30.06.2020 ²	89,682,931 shares
First half 2020 high ³	EUR 25.20
First half 2020 low ³	EUR 16.60
Closing price as at 30.06.2020 ³	EUR 21.55
Share price performance First half 2020 ³	8.5%
Market Capitalisation as at 30.06.2020	EUR 2.0 bn
Average trading volume per day First half 2020 ⁴	122,927 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 Please see page 9 for the reconciliation of operating income

² Reduced number of shares compared to the issued shares due to share buybacks in 2017 and 2020

³ Closing price on Xetra-trading

⁴ All German stock exchanges

PP = Percentage points

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Interim group management report

as at 30 June 2020 (first half 2020)

1 Economic Report

1.1 Business performance

The first half of 2020 was again positive for PATRIZIA despite the challenging market environment due to the Covid-19 pandemic. The company continued to operate successfully for its global client base, especially in the European real estate market and was thus able to maintain total service fee income at an almost stable level overall compared to the same period of the previous year. This again demonstrates the resilience of the business model and provides a solid basis for the further achievement of the strategic goals. As a stable and reliable partner for all stakeholders, PATRIZIA confirms the guidance range, which was adjusted in the quarterly statement for the first three months of 2020.

Dividend

As at 1 July 2020, the Annual General Meeting of the Company approved by a large majority the proposal of the management to increase the dividend for the financial year 2019 by 7.4% (y-o-y) to EUR 0.29 per qualifying share and to carry forward the remainder to new account. Consequently, dividends in the amount of approximately EUR 26.0m were distributed to PATRIZIA shareholders on 6 July 2020. Based on the IFRS consolidated net profit attributable to shareholders of the parent company for 2019 in the amount of EUR 52.9m and the total number of shares issued, this corresponded to a payout ratio of 50.7%.

Guidance 2020 confirmed

Following the adjustment of the guidance for the 2020 financial year with publication of the quarterly statement for the first three months of 2020, PATRIZIA continues to expect an operating income between EUR 100.0 - 140.0m and organic growth in assets under management of between EUR 2.0 - 3.5bn. In addition, the adjusted assumptions in the company's forecast report for the 2020 financial year (page 16 of the quarterly statement 3M 2020) remain unchanged.

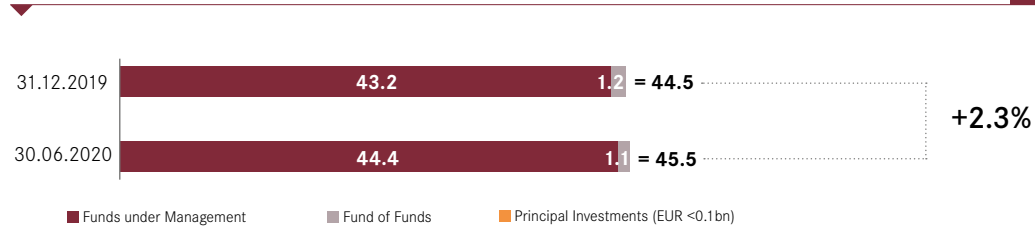
Development of financial performance indicators

Assets under management

As at 30 June 2020 PATRIZIA managed real estate and infrastructure assets of EUR 45.5bn, compared to EUR 44.5bn at the end of 2019. EUR 27.2bn of this related to Germany and EUR 18.3bn to other countries. Overall, assets under management grew by EUR 1.0bn or 2.3% in the reporting period. PATRIZIA continues to expect organic growth in assets under management of between EUR 2.0bn and EUR 3.5bn for the entire year 2020.

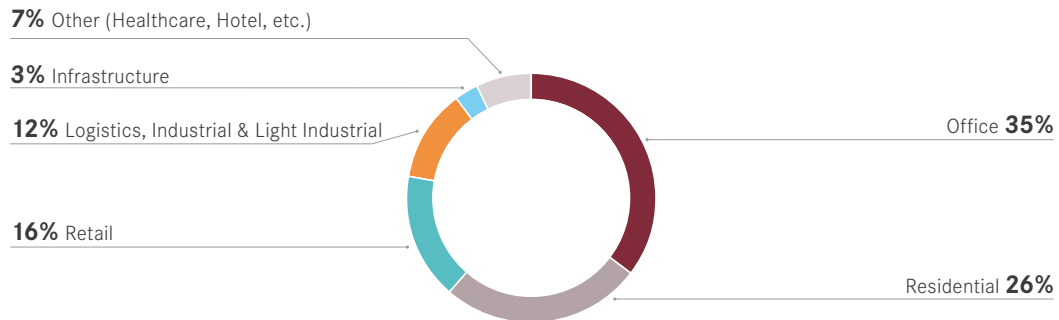
Assets under management (EUR bn)

G01



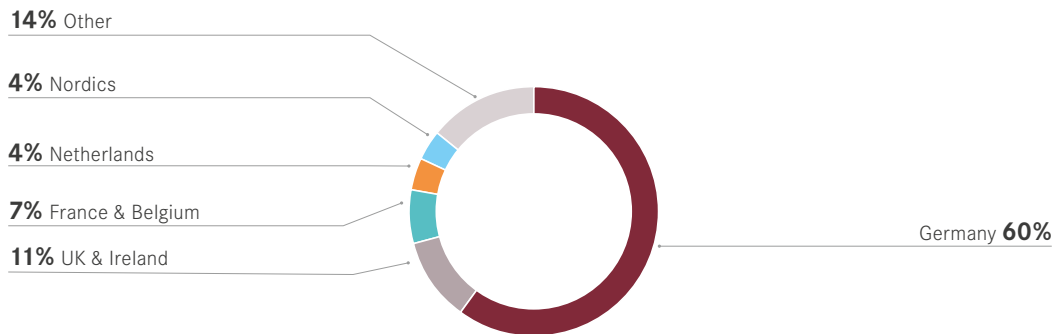
Assets under management as at 30 June 2020 - Sectoral distribution

G02



Assets under management as at 30 June 2019 – Geographical distribution

G03



Operating income

The operating income is the Group's key management parameter. It is calculated as EBT in accordance with IFRS, adjusted for non-cash effects like the measurement of investment property, unrealised currency and derivative effects, amortisation on fund management contracts and reorganisation expenses. Adjusted are also investments in the future (expansion of digitalisation/use of new technologies), which will be amortised through efficiencies in subsequent years. It includes changes in value on the disposal of investment property, operating income from participations (IFRS 9), other financial result and realised currency effects.

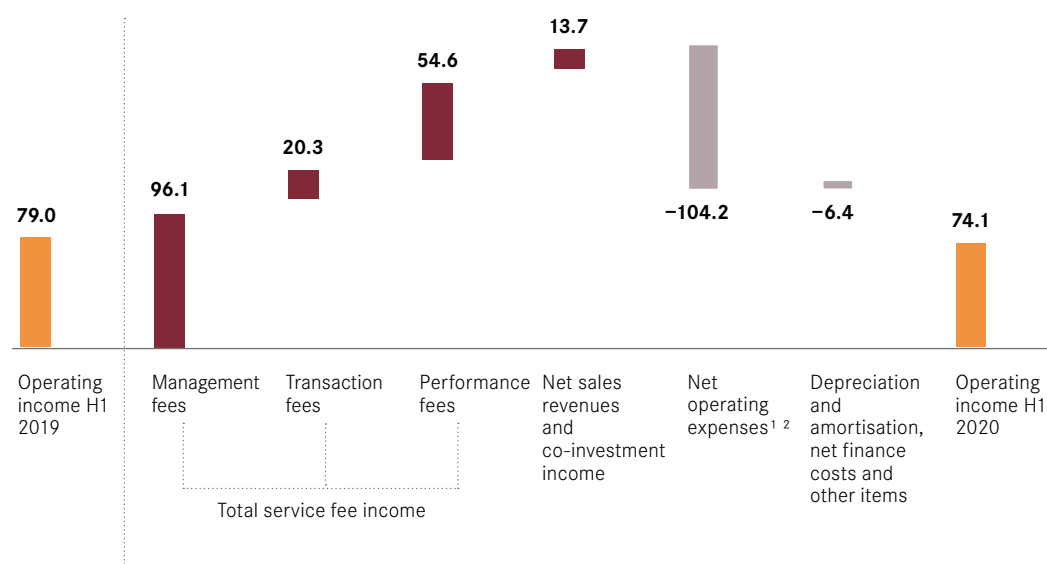
As a leading partner for global real assets, PATRIZIA generated an operating income of EUR 74.1m in the first half of 2020. Management fees contributed EUR 96.1m and were thus slightly below the same period of the previous year (H1 2019: EUR 97.1m). Among other things, the previous period was positively influenced by aperiodic effects in the amount of EUR 3.9m. Adjusted for these effects, management fees increased by 3.1% compared to the same period of the previous year. Despite the overall reduced transaction volume in Europe, PATRIZIA was successfully active for its global client base in the first half of 2020 and was able to increase transaction fees by 67.0% y-o-y to EUR 20.3m (H1 2019: EUR 12.1m). Performance fees of EUR 54.6m continued to be a stable component of total service fee income, although the prior-year period was already exceptionally strong at EUR 64.9m. The above-average investment performance that PATRIZIA has realized for its clients will also lead to the realisation of performance fees in the second half of 2020.

Operating income - composition as at H1 2020 (EUR m)

A detailed reconciliation of the individual components of the operating income to their respective line items, particularly within the consolidated income statement, is provided on pages 17 to 19 of this report.

Composition of operating income H1 2020 (EUR m)

G04



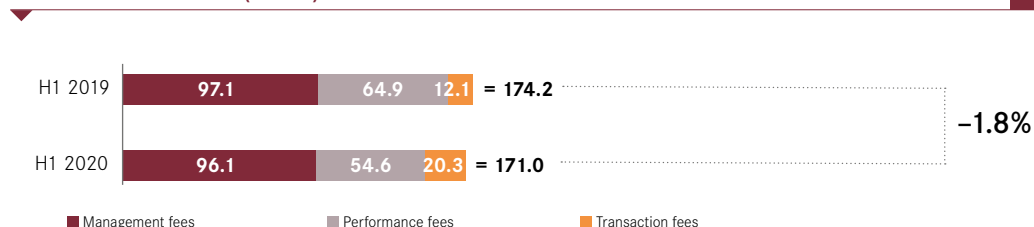
1 Excluding EUR 4.1m non-capitalisable expenses for investments in future technologies

2 Inter alia netted against other operating income of EUR 6.3m

Development of the framework parameters supporting the management of the company:

Total service fee income (EUR m)

G05



PATRIZIA continued to operate successfully for its global client base in the first half of 2020 despite the challenging market environment due to the Covid-19 pandemic. As a result, total service fee income remained almost stable y-o-y at EUR 171.0m, although the comparable period was already exceptionally strong (H1 2019: EUR 174.2m; -1.8%). The individual components of this key figure are explained in more detail below:

Management fees

All services performed by PATRIZIA are compensated in the form of fees. Management fees include remuneration for real estate services such as asset, fund and portfolio management and are highly recurring. Management fees in the amount of EUR 96.1m were received in the first half of 2020 (H1 2019: EUR 97.1m). The decline compared to the same period of the previous year is mainly due to aperiodic effects in the previous year in the amount of EUR 3.9m. Adjusted for these effects, management fees increased by 3.1%. In the consolidated income statement, these fees are reported partly as revenues (EUR 91.4m; H1 2019: EUR 92.4m) and partly as income from participations (EUR 4.7m; H1 2019: EUR 4.7m).

Transaction fees

PATRIZIA receives transaction fees for implementing acquisition and disposal transactions for its clients. Despite the challenging market environment due to the Covid-19 pandemic, PATRIZIA continued to operate successfully for its clients and was thus able to increase transaction fees by as much as 67.0% to EUR 20.3m compared to the same period in the previous year (H1 2019: EUR 12.1m).

Performance fees

PATRIZIA receives performance fees if defined target investment yields are met or exceeded. Due to the above-average performance that PATRIZIA was able to generate for its national and international clients in the first half of 2020, performance fees remained a stable component of total service fee income at EUR 54.6m (H1 2019: EUR 64.9m). In the consolidated income statement, these fees are reported partly as revenues (EUR 29.0m; H1 2019: EUR 46.7m) and partly as income from participations (EUR 16.6m; H1 2019: EUR 18.3m).

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

G06



In the first half of 2020 PATRIZIA generated EUR 13.7m net sales revenues and co-investment income, compared to EUR 9.8m in the same period last year. Net sales revenues and co-investment income increased compared to the first half of 2019, primarily due to higher income from the co-investment WohnModul I SICAV-FIS.

Transaction volume

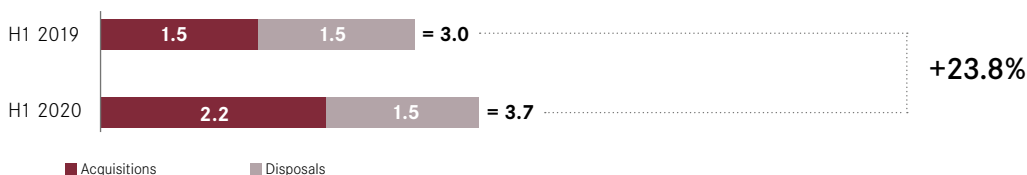
The transaction volume consists of acquisitions and disposals of real estate assets.

Transaction volume based on closed transactions (EUR bn)

In the first half of 2020, acquisitions of EUR 2.2bn (H1 2019 closed: EUR 1.5bn) and disposals of EUR 1.5bn (H1 2019 closed: EUR 1.5bn) were closed. In total, the transaction volume of closed transactions increased by 23.8% y-o-y to EUR 3.7bn (H1 2019 closed: EUR 3.0bn), in particular due to the closing of transactions already signed in previous periods.

Transaction volume based on closed transactions (EUR bn)

G07



Transaction volume based on signed transactions (EUR bn)

Transaction volume based on signed transactions (EUR bn)

G08



The signed transactions of EUR 1.6bn in the first half of 2020 (H1 2019: EUR 1.8bn; -12.1%) reflect the reduced transaction activity in the European real estate market in the first half of 2020, which was influenced by the uncertainties in the European investment and transaction market due to the Covid-19 pandemic.

Equity raised (EUR bn)

G09



In the first half of 2020, EUR 0.6bn of equity was raised from institutional, (semi-)professional and private investors for numerous national and international investments, compared with EUR 0.5bn in the same period of the previous year (+30.8%).

1.2 Business model

PATRIZIA's core business is the global investment management of real assets for institutional, (semi-)professional and private investors. PATRIZIA generates fee income for the services provided as well as investment income from its co-investments. Accordingly, the Group's activities can be divided 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 – institutional, (semi-)professional and private investors. These funds are launched without any equity investment on the part of PATRIZIA. PATRIZIA generates stable, recurring income in the form of management fees for asset 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 European focus 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 representing a commitment to the client and the transaction, this generates fee income and additional investment income for PATRIZIA. This allows PATRIZIA's shareholders to participate indirectly in the performance of an attractive European property portfolio.

In total, the funds under management contribute EUR 44.4bn to the assets under management as at 30 June 2020 (31.12.2019: EUR 43.2 bn). Further details on PATRIZIA's co-investments and the capital invested therein can be found in the capital allocation as at 30 June 2020 on page 20 of this report. Reference is also made to the information on page 20 of the Group's 2019 Annual Report.

Fund of Funds

PATRIZIA Global Partners (formerly PATRIZIA Multi Managers or Sparinvest Property Investors) is one of the world's leading investment managers for real estate funds of funds in the small and mid-cap segment and represents an attractive product supplement for PATRIZIA's clients. Operating with a global network of partners, PATRIZIA Global Partners invests in selected (best-in-class) real estate funds in Europe, Asia and America. As at 30 June 2020 the assets under management (invested equity) in these funds amounted to EUR 1.1bn (31.12.2019: 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, are generally undertaken either as interim financing for closed-end funds for private and (semi-)professional investors or as early-phase investments with the purpose of subsequent contribution to institutional funds. The company also has small residual holdings of properties for resale. Principal investments amount to EUR < 0.1bn as at 30 June 2020 (31.12.2019: EUR < 0.1bn) and relate in particular to real estate in Munich and in London, United Kingdom, which are to be sold in the medium term.

1.3 Economic situation

Financial performance of the PATRIZIA Group

In the first half of 2020, despite the challenging market environment due to the Covid-19 pandemic, PATRIZIA was successfully active for institutional, (semi-)professional and private investors, particularly on the European real estate markets. Despite the challenging market environment and the strong performance-related fees in the same period of the previous year, the company's earnings, assets and financial position remained stable or only declined slightly compared to the previous year. This provides a strong foundation for the further achievement of its strategic objectives.

Operating income

Operating income is the Group's key management parameter. It represents the sum of all the operating items in the consolidated income statement, adjusted for the extraordinary or non-cash effects presented below. In the first half of 2020, PATRIZIA achieved a strong operating income of EUR 74.1m despite the challenging market environment due to Covid-19. The exact calculation and development of the operating income is shown in the following table:

Reconciliation of operating income

01

EUR k	H1 2020	H1 2019	Change
EBITDA	72,511	81,661	-11.2%
Amortisation of other intangible assets ¹ , software and rights of use, depreciation of property, plant and equipment	-17,758	-23,748	-25.2%
EBIT	54,752	57,914	-5.5%
Finance income/expenses	-2,167	-2,150	0.8%
Result from currency translation	-6,511	-122	>1,000.0%
EBT	46,075	55,642	-17.2%
Amortisation of other intangible assets	9,824	15,626	-37.1%
Realised changes in value of investment property (net)	0	1,332	-100.0%
Reorganisation result	0	6,512	-100.0%
Non-cash currency effects	5,087	-153	<-1,000.0%
Operating income from participations (IFRS 9)	9,001	0	/
Investments in the future	4,075	0	/
Operating income	74,061	78,959	-6.2%

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

The decrease in operating income was mainly due to exceptionally strong performance fees, as well as mainly aperiodic effects in management fees in the prior-year period. Moreover, the proceeds from the sale of the remaining principal investments and the corresponding income continue to decline in line with the strategy.

The individual components of the operating income are explained in more detail below in the order in which they are reported in the consolidated income statement.

Consolidated income statement

Revenues

02

EUR k	H1 2020	H1 2019	Change
Revenues from management services	140,679	151,212	-7.0%
Proceeds from the sale of principal investments	2,471	25,060	-90.1%
Rental revenues	3,332	1,091	205.3%
Revenues from ancillary costs	601	1,197	-49.8%
Other	1,070	1,264	-15.4%
Revenues	148,153	179,825	-17.6%

The decline in revenues in the first half of 2020 is mainly due to exceptionally high proceeds from the sale of principal investments in the prior-year period, which is in line with the strategy. In addition, revenues from management services in the prior-year period were positively impacted by aperiodic effects in management fees and exceptionally high performance fees.

Revenues from management services fell by 7.0% in the reporting period. The prior-year period was positively influenced by aperiodic effects in management fees as well as exceptionally high performance fees. However, revenues alone are only of limited significance, as profit and loss items below consolidated revenues must also be taken into account in order to fully assess the Group's performance.

Proceeds from the sale of principal investments amounted to EUR 2.5m in H1 2020, a significant reduction compared to the same period of the previous year (H1 2019: EUR 25.1m; -90.1%). The reduction of principal investments is in line with the strategic focus on investment management services.

In the period under review PATRIZIA generated **rental revenues** of EUR 3.3m, compared to EUR 1.1m in the first half of 2019. The increase is mainly due to the temporary consolidation of properties for the closed-end fund business.

Revenues from ancillary costs are related to rental ancillary costs and amounted to EUR 0.6m in the reporting period (H1 2019: EUR 1.2m).

If income from participations is shown separately within fee income, the following picture emerges:

Reconciliation of total service fee income

03

EUR k	H1 2020	H1 2019	Change
Management fees (excluding income from participations)	91,407	92,407	-1.1%
Performance fees (excluding income from participations, excluding operating income from participations (IFRS 9))	29,011	46,673	-37.8%
Transaction fees	20,261	12,133	67.0%
Revenues from management services	140,679	151,212	-7.0%
Performance fees (in income from participations)	16,571	18,254	-9.2%
Shareholder contribution for management services (in income from participations)	4,719	4,706	0.3%
Operating income from participations (IFRS 9) ¹	9,001	0	/
Total service fee income	170,970	174,172	-1.8%

¹ Only includes the portion attributable to total service fee income

Taking into account the income from the co-investment Dawonia GmbH, which is booked under income from participations, **total service fee income amounted** to EUR 171.0m and thus remained almost stable compared to the previous year (H1 2019: EUR 174.2m; -1.8%). Management fees in the same period of the previous year were positively influenced by aperiodic effects in the amount of EUR 3.9m. Adjusted for this effect, management fees increased by 3.1%. Furthermore, transaction fees increased by 67.0% despite the challenging market environment due to the Covid-19 pandemic.

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 sales proceeds from principal investments, among other things – are taken into account in total operating performance. In the first half of 2020 PATRIZIA generated total operating performance of EUR 152.8m, compared to EUR 165.7m in the same period of the previous year (-7.8%). The decline is primarily due to lower revenues from the sale of principal investments, which is in line with the strategy.

Reconciliation of total operating performance

04

EUR k	H1 2020	H1 2019	Change
Revenues	148,153	179,825	-17.6%
Income from the sale of investment property	0	249	-100.0%
Changes in inventories	-1,677	-20,422	-91.8%
Other operating income	6,251	6,045	3.4%
Income from the deconsolidation of subsidiaries	116	0	/
Total operating performance	152,843	165,696	-7.8%

Income from the sale of investment property

In line with the company's strategy, no income from the sale of investment property was generated in the reporting period, compared to EUR 0.2m in the first half of 2019.

Changes in inventories

Changes in inventories consist of the carrying amount of principal investments sold (-) and the capitalised cost of materials assigned to inventories (+). In the first half of 2020, changes in inventories were posted in the amount of EUR -1.7m, compared to EUR -20.4m in the first half of 2019. The decline compared to the previous year is due to the lower sales volume of principal investments, which is in line with the strategy.

Other operating income

At EUR 6.3m, other operating income in H1 2020 remained stable compared to the previous year (H1 2019: EUR 6.0m) and mainly includes income of EUR 3.9m from discontinued obligations.

Income from the deconsolidation of subsidiaries

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

05

EUR k	H1 2020	H1 2019	Change
Total operating performance	152,843	165,696	-7.8%
Cost of materials	-3,112	-1,492	108.5%
Cost of purchased services	-8,089	-7,952	1.7%
Staff costs	-67,379	-62,941	7.1%
Other operating expenses	-33,397	-30,397	9.9%
Impairment losses for trade receivables and contract assets	22	-460	-104.8%
Income from participations	23,370	25,428	-8.1%
Earnings from companies accounted for using the equity method	10,000	292	>1,000.0%
Cost from the deconsolidation of subsidiaries	1,746	0	/
EBITDAR	72,511	88,173	-17.8%
Reorganisation result	0	-6,512	-100.0%
EBITDA	72,511	81,661	-11.2%

Cost of materials

The cost of materials includes construction and maintenance work for principal investments, which are generally capitalised and must be viewed in conjunction with changes in inventories. Compared to the same period of the previous year, the cost of materials increased by 108.5% from EUR 1.5m to EUR 3.1m. The increase is primarily due to additions to provisions for litigation in connection with sold real estate portfolios and to apportionable operating costs from companies deconsolidated as at 30 June 2020 from PATRIZIA's closed-end fund business.

Cost of 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. Compared to the same period of the previous year, the cost of purchased services remained relatively stable at EUR 8.1m (H1 2019: EUR 8.0m; +1.7%).

Staff costs

As at 30 June 2020, PATRIZIA employed 850 full-time equivalents (FTE). The increase compared to the previous year results from the company's steady growth in line with the strategy and the resulting higher personnel requirements.

Staff costs

06

EUR k	H1 2020	H1 2019	Change
Fixed salaries	38,186	35,449	7.7%
Variable salaries	16,472	16,224	1.5%
Social security contributions	8,640	7,640	13.1%
Sales commission	510	1,023	-50.1%
Effect of long-term variable remuneration ¹	869	314	177.0%
Other	2,702	2,292	17.9%
Total	67,379	62,941	7.1%

¹ Change in the value of long-term variable remuneration due to changes in the company's share price

Overall, staff costs rose 7.1% y-o-y to EUR 67.4m in H1 2020 (H1 2019: EUR 62.9m), primarily due to the hiring of new employees. As a result of the grown number of employees, fixed salaries increased by 7.7% from EUR 35.4m to EUR 38.2m. At EUR 16.5m, variable salaries remained stable y-o-y (H1 2019: EUR 16.2m; +1.5%). Due to reduced sales activities in the individual privatisation, sales commissions decreased from EUR 1.0m to EUR 0.5m. In line with the performance of the shares of PATRIZIA AG, the measurement of long-term variable remuneration resulted in an expense of EUR 0.9m in the reporting period after an expense of EUR 0.3m in the first half of 2019. Other staff costs primarily include benefits in kind.

Other operating expenses

Other operating expenses amounted to EUR 33.4m in the first half of 2020, compared to EUR 30.4m in the same period of the previous year. The composition of this item is shown below:

Other operating expenses – 6 months

07

EUR k	H1 2020	H1 2019	Change
Tax, legal, other advisory and financial statement fees	7,958	10,553	-24.6%
IT and communication costs and cost of office supplies	9,146	5,909	54.8%
Rent, ancillary costs and cleaning costs	1,500	1,010	48.5%
Other taxes	149	1,188	-87.4%
Vehicle and travel expenses	2,621	2,795	-6.2%
Advertising costs	1,570	1,974	-20.4%
Recruitment and training costs and cost of temporary workers	3,687	1,755	110.1%
Contributions, fees and insurance costs	2,081	2,099	-0.9%
Commission and other sales costs	458	1,323	-65.4%
Costs of management services	67	235	-71.5%
Indemnity/reimbursement	20	296	-93.4%
Donations	1,490	3	>1,000.0%
Other	2,650	1,257	110.8%
Total	33,397	30,397	9.9%

The position Tax, legal, other advisory and financial statement fees of EUR 8.0m (H1 2019: EUR 10.6m) primarily includes consulting costs for various projects. Compared to the same period of the previous year, fewer consulting services were used due to the Covid-19 pandemic.

IT and communication costs and cost of office supplies rose 54.8% y-o-y to EUR 9.1m (H1 2019: EUR 5.9m) due to the Company's digitalisation strategy. PATRIZIA sees a portion of these costs as investments in the future and expects the resulting efficiencies to amortise for the costs in the coming years.

The Rent, ancillary costs and cleaning costs rose to EUR 1.5m, as opposed to EUR 1.0m in the prior-year period. This is due to the fact that rent-related costs, which were previously reported in the position Other taxes, are now reported in the position costs for Rent, ancillary costs and cleaning costs.

As a result of the restricted travel activity, vehicle and travel expenses fell by 6.2% compared to the previous year.

Recruitment and training costs and cost of temporary workers increased to EUR 3.7m, mainly due to the recruitment of temporary workers for the implementation of projects considered as an investment in the future.

The donations include grants to charitable organisations such as the PATRIZIA Children Foundation. In 2018, the Company's Management Board had decided to support charitable organisations with up to 1% of the Company's operating income each year.

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

PATRIZIA generated income from participations of EUR 23.4m in the first half of 2020. This corresponds to a slight decrease of 8.1% compared to the value of EUR 25.4m in the first half of 2019. The slight decrease is mainly due to lower performance fees. Performance fees of EUR 16.6m were received for the co-investment Dawonia GmbH (H1 2019: EUR 18.3m).

The earnings from companies accounted for using the equity method, which includes in particular the co-investment WohnModul I SICAV-FIS, generated EUR 10.0m (H1 2019: EUR 0.3m). Income from participations and the earnings from companies accounted for using the equity method reflect the investment income from co-investments and, for Dawonia GmbH, management fees and performance fees as well.

Income from participations

08

EUR k	H1 2020	H1 2019	Change
Dawonia GmbH	22,902	24,571	-6.8%
Harald-Portfolio	0	430	-100.0%
Co-investments in the UK (Aviemore and Citruz)	0	414	-100.0%
TRIUVA Funds	65	0	/
Closed-end funds business	400	12	>1,000.0%
Other	3	0	/
Income from participations	23,370	25,428	-8.1%
Earnings from companies accounted for using the equity method	10,000	292	>1,000.0%
Total	33,370	25,720	29.7%

Reorganisation expenses

The reorganisation expenses amount to EUR 0.0m (H1 2019: EUR 6.5m) due to the completed integration of Triuva and Rockspring.

Net profit for the period

In the first half of 2020, PATRIZIA generated a net profit of EUR 33.7m, which is below the previous year (H1 2019: EUR 43.3m). The decline is primarily due to the exceptionally high performance fees and revenues from the strategic sale of principal investments in the prior-year period. In addition, realised exchange rate losses of EUR 6.0m had a negative impact on net income for the period. The exchange rate losses of EUR 6.0m are primarily the result of non-cash capital repayments from the strategic sale of principal investments.

Reconciliation of net profit for the period

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EUR k	H1 2020	H1 2019	Change
EBITDA	72,511	81,661	-11.2%
Amortisation of other intangible assets ¹ , software and rights of use, depreciation of property, plant and equipment	-17,758	-23,748	-25.2%
Earnings before interest and taxes (EBIT)	54,752	57,914	-5.5%
Finance income	1,217	863	41.0%
Financial expenses	-3,384	-3,013	12.3%
Result from currency translation	-6,511	-122	>1,000.0%
Net finance costs	-8,678	-2,272	282.0%
Earnings before taxes (EBT)	46,075	55,642	-17.2%
Income taxes	-12,351	-12,308	0.3%
Net profit for the period	33,723	43,334	-22.2%

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

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

Amortisation of other intangible assets and software, rights of use, depreciation of property, plant and equipment decreased to EUR 17.8m in H1 2020 (H1 2019: EUR 23.7m; -25.2%) and includes in particular amortisation of fund management contracts worth EUR 9.8m (H1 2019: EUR 15.6m; -37.1%). The decrease compared to the previous year is due to an impairment loss at the end of the 2019 financial year and the expiry of fund management contracts. Both of these circumstances reduced the basis for the amortisation.

Financial result

The financial result changed to EUR -8.7m in the first half of 2020, after EUR -2.3m in the same period of the previous year (+282.0%). The change is primarily due to non-cash capital repayments from the strategic sale of principal investments in the amount of EUR 6.0m.

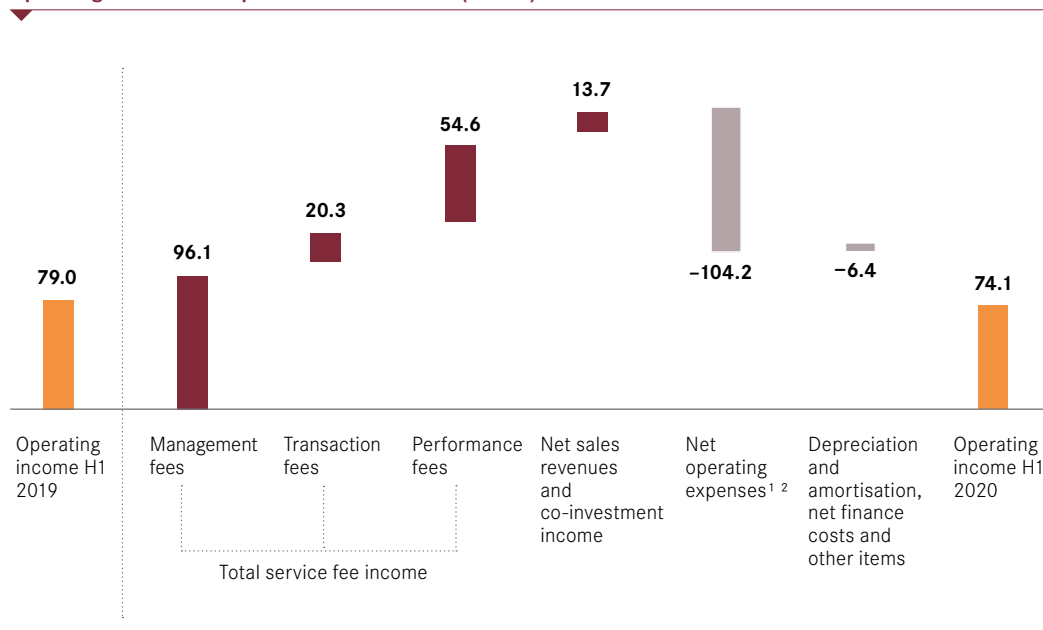
Income taxes

In the first half of 2020, tax expenses amounted to EUR 12.4m, compared to EUR 12.3m in the same period of the previous year (+0.3%).

Detailed reconciliation of key performance indicators

The following section explains the reconciliation of the individual components of operating income to their respective line items, in particular within the consolidated income statement.

Operating income – Composition as at H1 2020 (EUR m)



¹ Excluding EUR 4.1m non-capitalisable expenses for investments in future technologies

² Inter alia netted against other operating income of EUR 6.3m

The management fees of EUR 96.1m are predominantly derived from "Revenues from management services", which includes EUR 91.4m in management fees (excluding income from participations). In addition, there are management services provided as a shareholder contribution for the Dawonia portfolio (formerly GBW) amounting to EUR 4.7m, which is included in "Income from participations" (see page 11).

Transaction fees of EUR 20.3m are also included in "Revenues from management services", as shown in the overview of fee income on page 11.

Like management fees, **performance fees** of EUR 54.6m come partly from "Revenues from management services" and partly from "Income from participations". In the first half of 2020 the breakdown was as follows: EUR 29.0m performance fees (excluding income from participations) and EUR 16.6m performance related shareholder contribution for the Dawonia portfolio, which is included in "Income from participations" (see also page 11), as well as EUR 9.0m operating income from participations (IFRS 9).

The sum of these three types of fees gives a **total service fee income** of EUR 171.0m.

Net sales revenues and co-investment income of EUR 13.7m comprises the following items: "Proceeds from the sale of principal investments" of EUR 2.5m (page 10), supplemented by "Changes in inventories" of EUR -1.7m (page 12) and "Cost of materials" of EUR -3.1m (page 13); in addition, "Rental revenues" of EUR 3.3m and "Revenue from ancillary costs" of EUR 0.6m (page 10). Co-investment income adds EUR 10.0m and includes "Earnings from companies accounted for using the equity method" of EUR 10.0m (page 13) and the remaining EUR 2.1m from "Income from participations".

Net operating expenses of EUR 104.2m include staff costs of EUR 67.4m (page 14) as well as the following non-staff operating and other income items: "Other operating expenses" of EUR 33.4m, "Cost of purchased services" of EUR 8.1m (page 13), "Expenses from the deconsolidation of subsidiaries" of EUR 1.7m and "Impairment on trade receivables and contract assets" of EUR <0.1m (page 13). Offsetting income items consist of "Other operating income" of EUR 6.3m (page 12), investments in the future, which should be amortised through efficiencies in subsequent years, of EUR 4.1m, "Income from the deconsolidation of subsidiaries" of EUR 0.1m (page 12) and "Other revenues" of EUR 1.1m (page 10). In addition, the portion of D&A attributable to IFRS 16 and representing corresponding costs of the company is added back in the amount of EUR 5.1m (page 9).

"Depreciation and amortisation, financial result and other items" amounting to EUR -6.4m consists of the following items: "Amortisation of other intangible assets and software, rights of use, depreciation of property, plant and equipment" of EUR -2.8m (page 9, excluding amortisation of fund management contracts of EUR 9.8m and depreciation and amortisation from IFRS 16 of EUR 5.1m previously added to net operating expenses); plus "Financial income" of EUR 1.2m and "Financial expenses" of EUR -3.4m (page 9). The "Result from currency translation" of EUR -6.5m is adjusted by the "Expense/income from unrealised currency translation" (EUR 5.0m) and is therefore included in the calculation in the amount of EUR -1.4m (page 9). The "Amortisation of other intangible assets" (fund management contracts) of EUR 9.8m are also recognised in this position, but entirely neutralised (all page 9).

PATRIZIA's key asset and financial data at a glance

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EUR k	30.06.2020	31.12.2019	Change
Total assets	1,917,452	1,987,080	-3.5%
Equity (excl. non-controlling interests)	1,219,557	1,206,391	1.1%
Equity Ratio	63.6%	60.7%	2.9 PP
Cash and cash equivalents	502,891	449,084	12.0%
+ Term deposits	145,000	185,000	-21.6%
+ Securities	0.0	1,000	-100.0%
- Bank loans	-55,900	-93,194	-40.0%
- Bonded loans	-300,000	-300,000	0.0%
= Net cash (+) / net debt (-)	291,991	241,891	20.7%
Net Equity Ratio¹	78.1%	75.7%	2.4 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 declined slightly compared with the end of 2019 to EUR 1.9bn.

Equity

Equity increased by 1.1% to EUR 1.2bn in the reporting period. The positive change in the revaluation reserve in accordance with IFRS 9 and the consolidated net profit of the first half of 2020 were the main drivers for the increase in equity.

Investment property and inventories

PATRIZIA's real estate assets (principal investments) fell by 82.1% in the reporting period, from EUR 115.0m as at 31 December 2019 to EUR 20.6m as at 30 June 2020.

Investment property and inventories

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EUR k	30.06.2020	31.12.2019	Change
Inventories	18,779	113,208	-83.4%
Investment property	1,835	1,835	0.0%
Real estate assets	20,613	115,043	-82.1%

Of this amount, EUR 18.8m (31.12.2019: EUR 113.2m) is attributable to inventories. The sharp decline compared to the end of 2019 is due to the temporary consolidation of properties for the closed-end fund business at the end of 2019. Inventories include property only temporarily held for sale in the normal of business or for subsequent contribution to a fund product for private and (semi-)professional investors.

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 30 June 2020

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	Assets under Management in EUR m	Invested capital (fair value) in EUR m	Invested capital (at cost) in EUR m	Participations in %
Third-party business	39,281.6	0.0		
Co-Investments	6,165.1	485.2	94.5	
Residential	5,323.1	465.5	77.3	
Dawonia GmbH	4,709.1	155.1 ¹	51.7	5.1
Dawonia performance fee claims		284.8 ¹	0.0	0.1
WohnModul I SICAV-FIS	614.0	25.5	25.5	10.1
Other		0.1	0.1	0.0
Commercial Germany	839.8	17.4	14.4	
Alliance	236.2	5.7 ¹	5.3	5.1
Seneca	159.1	6.3 ¹	4.9	5.1
PATROffice		0.5 ¹	0.2	6.3
TRIUVA/IVG logistics	444.5	4.0 ¹	3.4	2.1
TRIUVA/IVG commercial		0.8 ¹	0.7	11.0
Commercial International	2.3	2.4	2.8	
Citruz Holdings LP (UK)	2.3	0.0 ¹	0.4	10.0
First Street Development LTD (UK)		2.4	2.4	10.0
Principal investments	22.7	20.6		
Other balance sheet items		394.8²		
Tied-up investment capital	45,469.4	900.6		
Available liquidity		618.9		
Total investment capital	45,469.4	1,519.6		
of which debt (bonded loans)		300.0		
of which equity PATRIZIA (without non-controlling interests)		1,219.6		

¹ After deduction of deferred taxes from the valuation according to IFRS 9

² Including goodwill and fund management contracts

Financial liabilities

The Group's financial liabilities have fallen by 9.5% to EUR 355.9m since the end of 2019. They consist of the bonded loan raised in 2017 and short-term money market loans. The bonded loan is accounted for under non-current liabilities and is divided into three tranches of five, seven and ten years. The interest rate is on average 1.50% p.a., partly fixed and partly variable.

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EUR k	30.06.2020	31.12.2019	Change
Non-current bonded loans	300,000	300,000	0.0%
Short-term bank loans	55,900	93,194	-40.0%
Total financial liabilities	355,900	393,194	-9.5%

For a detailed maturity profile of financial liabilities, please refer to Note 10 of the interim consolidated financial statements.

Liquidity

As at 30 June 2020, PATRIZIA had available liquidity of EUR 618.9m compared to EUR 607.0m at the end of 2019.

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EUR k	30.06.2020	31.12.2019
Cash and cash equivalents	502,891	449,084
Term deposits	145,000	185,000
Securities	0	1,000
Liquidity	647,891	635,084
- Regulatory reserve for asset management companies	-28,972	-22,266
- Transaction related liabilities and blocked cash	0	-5,469
- Liquidity in closed-end funds business property companies	0	-388
= Available liquidity	618,919	606,961

Total liquidity amounts to EUR 647.9m (31.12.2019: EUR 635.1m). However, PATRIZIA does not have complete freedom of disposal over the amount of EUR 647.9m. A total of EUR 145.0m is invested in short-term deposits. Transaction-related liabilities arose from the temporary consolidation of properties for the closed-end fund business. Due to the deconsolidation of the company, these liabilities no longer apply. In addition, cash and cash equivalents totalling EUR 29.0m must be held permanently due to regulatory requirements for the asset management companies and the mutual funds. Accordingly, PATRIZIA has directly available cash funds of EUR 618.9m (31.12.2019: EUR 607.0m).

2. Development of opportunities and risks

PATRIZIA AG is exposed to both opportunities and risks as part of its business activities. Within the Group the necessary measures have been taken and processes installed to prevent negative developments and to identify risks in good time and to be able to counteract them. No significant new opportunities or risks for the Group have been identified since the annual financial statements for the 2019 financial year. Also the assessment of the probability of occurrence and extent of damage has not led to any significant changes in the assessment of opportunities and risks.

Due to the Covid-19 pandemic, market developments and the resulting potential opportunities and risks are continuously identified in order to be able to react quickly to relevant issues.

In a letter dated 3 June 2020, PATRIZIA AG was notified by the Bundesanstalt fuer Finanzdienstleistungen (BaFin) that the enforcement procedure for the 2016 consolidated financial statements addressed in the 2019 Annual Report will be concluded without the determination of incorrect accounting for the 2016 financial year. Thus the presentation and valuation of PATRIZIA's investment in the Dawonia Group in the financial statements for the 2016 financial year were confirmed by the supervisory authority - contrary to the opinion of the Deutsche Pruefstelle fuer Rechnungslegung (DPR). In this respect, the accounting risks reported in the Annual Report no longer exist.

Furthermore, statements made in the risk report contained in the 2019 Annual Report of PATRIZIA AG continue to apply. For a detailed presentation of the opportunities and risks in the Group, please refer to pages 62 to 70 of the 2019 Annual Report. The PATRIZIA AG Management Board is currently not aware of any other risks.

3. Forecast

Confirmation of earnings forecast for 2020

PATRIZIA confirms the forecast for the 2020 financial year adjusted in the 3M 2020 quarterly statement on page 16, as well as the assumptions made for the achievement of the operating income.

In particular, PATRIZIA continues to expect an operating income of between EUR 100.0m and 140.0m and organic growth of the assets under management of between EUR 2.0bn and 3.5bn in financial year 2020.

Augsburg, 5 August 2020



Wolfgang Egger
CEO



Thomas Wels
Co-CEO



Alexander Betz
CDO



Karim Bohn
CFO



Dr. Manuel Käsbauer
CTIO



Anne Kavanagh
CIO



Simon Woolf
CHRO

This report contains certain statements relating to the future, which relate in particular to PATRIZIA's business development and the economic and regulatory framework conditions as well as other factors to which PATRIZIA is exposed. These forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge and are subject to a number of risks and uncertainties that could lead to a forward-looking assessment or statement becoming incorrect and the actual results deviating from the results currently expected. It is pointed out that differences may occur in the use of rounded amounts and percentages due to commercial rounding.

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Consolidated balance sheet

as at 30 June 2020

Assets

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EUR k	30.06.2020	31.12.2019
A. Non-current assets		
Goodwill	211,231	210,292
Other intangible assets	120,380	131,895
Software	16,727	10,326
Rights of use	21,627	24,988
Investment property	1,835	1,835
Equipment	6,094	6,056
Associated companies accounted using the equity method	34,035	69,035
Participations	538,637	525,716
Non-current borrowings and other loans	28,404	28,276
Deferred taxes	19,334	17,305
Total non-current assets	998,303	1,025,724
B. Current Assets		
Inventories	18,779	113,208
Securities	11	1,011
Current tax assets	14,027	17,318
Current receivables and other current assets	383,441	380,735
Cash and cash equivalents	502,891	449,084
Total current assets	919,149	961,356
Total assets	1,917,452	1,987,080

Equity and liabilities

16

EUR k	30.06.2020	31.12.2019
A. Equity		
Share capital	89,683	91,060
Capital reserves	128,652	155,222
Retained earnings		
Legal reserves	505	505
Currency translation difference	-10,429	-4,818
Remeasurements of defined benefit plans according to IAS 19	-3,459	-3,459
Revaluation reserve according to IFRS 9	93,834	78,721
Consolidated unappropriated profit	920,770	889,160
Non-controlling interests	31,894	30,359
Total equity	1,251,451	1,236,750
B. Liabilities		
NON-CURRENT LIABILITIES		
Deferred tax liabilities	111,045	112,178
Retirement benefit obligations	27,201	27,564
Bonded loans	300,000	300,000
Non-current liabilities	20,163	25,094
Leasing liabilities	14,311	15,841
Total non-current liabilities	472,720	480,677
CURRENT LIABILITIES		
Short-term bank loans	55,900	93,194
Other provisions	8,864	9,254
Current liabilities	88,546	101,186
Short-term leasing liabilities	7,532	9,328
Tax liabilities	32,440	56,692
Total current liabilities	193,282	269,653
Total equity and liabilities	1,917,452	1,987,080

Consolidated income statement

for the period from 1 January to 30 June 2020

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenues	81,567	122,083	148,153	179,825
Income from the sale of investment property	0	18	0	249
Changes in inventories	-133	-15,375	-1,677	-20,422
Other operating income	4,194	4,409	6,251	6,045
Income from the deconsolidation of subsidiaries	116	0	116	0
Total operating performance	85,744	111,135	152,843	165,696
Cost of materials	-2,409	-763	-3,112	-1,492
Cost of purchased services	-2,974	-4,689	-8,089	-7,952
Staff costs	-33,279	-31,502	-67,379	-62,941
Other operating expenses	-16,075	-17,763	-33,397	-30,397
Impairment losses for trade receivables and contract assets	60	0	22	-460
Income from participations	3,565	3,593	23,370	25,428
Earnings from companies accounted for using the equity method	10,000	292	10,000	292
Cost from the deconsolidation of subsidiaries	-1,746	0	-1,746	0
EBITDAR	42,886	60,304	72,511	88,173
Reorganisation Income	0	0	0	0
Reorganisation expenses	0	-4,708	0	-6,512
EBITDA	42,886	55,596	72,511	81,661
Amortisation of other intangible assets, software and rights of use, depreciation of property, plant and equipment	-8,971	-12,162	-17,758	-23,748
Earnings before interest and taxes (EBIT)	33,915	43,434	54,752	57,914
Financial income	662	450	1,217	863
Financial expenses	-1,717	-1,565	-3,384	-3,013
Other financial result	0	0	0	0
Result from currency translation	-7,077	-550	-6,511	-122
Earnings before taxes (EBT)	25,784	41,769	46,075	55,642
Income taxes	-3,324	-10,636	-12,351	-12,308
Net profit for the period	22,460	31,133	33,723	43,334
Earnings per share (undiluted /diluted) in EUR	0.23	0.33	0.35	0.46
Net Profit for the Period Attributable to:				
Shareholders of the parent company	21,135	30,116	31,610	42,317
Non-controlling interests	1,325	1,016	2,113	1,016
	22,460	31,133	33,723	43,334

Consolidated statement of comprehensive income

for the period from 1 January to 30 June 2020

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019
Net profit for the period	22,460	31,133	33,723	43,334
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	1,879	-4,809	-5,797	3,361
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)	14,122	36,850	15,163	36,978
Value adjustments resulting from remeasurements of defined benefit plans (IAS 19)	0	0	0	0
Other comprehensive income	16,001	32,041	9,366	40,339
Total comprehensive income for the reporting period	38,462	63,173	43,089	83,673
Total comprehensive income attributable to:				
Shareholders of the parent company	37,215	62,260	41,113	82,760
Non-controlling interests	1,247	913	1,976	913
	38,462	63,173	43,089	83,673

Consolidated cash flow statement

for the period from 1 January to 30 June 2020

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EUR k	H1 2020	H1 2019
Net profit for the period	33,723	43,334
Income taxes recognised through profit or loss	12,351	12,308
Financial expenses recognised through profit or loss	3,384	3,013
Financial income recognised through profit or loss	-1,217	-863
Income from participations through profit or loss	-23,370	-25,428
Earnings from companies accounted for using the equity method	-10,000	-293
Income from unrealised currency translation recognised through profit or loss	-913	-153
Income from the disposal of other intangible assets, software, rights of use and equipment recognised through profit or loss	20	11
Income from divestments of financial assets recognised through profit or loss	0	-5
Amortisation of other intangible assets and software, rights of use, depreciation of property, plant and equipment	17,758	23,748
Income from the sale of investment property	0	-249
Expenses of the deconsolidation of subsidiaries	1,746	0
Income from the deconsolidation of subsidiaries	-116	0
Other non cash-items	-205	-1,588
Changes in inventories, receivables and other assets that are not attributable to investment activities	5,671	-2,967
Changes in liabilities that are not attributable to financing activities	-17,411	-45,192
Distributed income from participations	33,615	22,960
Interest paid	-4,709	-4,396
Interest received	1,729	512
Income tax payments	-24,060	-22,169
Cash flow from operating activities	27,996	2,585

EUR k	H1 2020	H1 2019
Payments for investments in Goodwill	-5,187	0
Payments for investments in other intangible assets, software and equipment	-9,523	-1,778
Payments received from the disposal of intangible assets and equipment	20	0
Payments received from the sale of investment property	0	3,139
Payments received from the disposal of securities and short-term investments	41,000	44,005
Payments for the acquisition of participations	-2,391	-1,459
Payments received from the disposal of participations	928	305
Payments for investments in companies accounted for using the equity method	-15	0
Payment received through distributions of companies accounted for using the equity method	58	4,545
Payments received from the repayment of shares of companies accounted for using the equity method	41,511	0
Payments received from the repayment of loans to companies	0	221
Payments for loans to companies	-2,998	-30
Payments received from the repayment of other loans	944	0
Payments for other loans	-55,900	0
Payments for the disposal of consolidated companies and other business units	-6,426	0
Payments received for the acquisition of consolidated companies and other business units	144	0
Cash flow from investing/divesting activities	2,167	48,948
Borrowing of loans	60,057	0
Repayment of loans	-40	0
Repayment of leasing liabilities	-5,058	-4,998
Interest paid	-115	-108
Payments of profit shares to non-controlling interests	-609	-213
Payments of dividends to shareholders	0	-24,576
Payments for buy-backs of own shares	-27,947	0
Cash flow from financing activities	26,287	-29,895
Change in cash and cash equivalents	56,451	21,636
Cash and cash equivalents as at 01.01.	449,084	330,598
Effects of changes in foreign exchange rates on cash and cash equivalents	-2,644	-214
Cash and cash equivalents as at 30.06.	502,891	352,020

Consolidated statement of changes in equity

for the period from 1 January to 30 June 2020

EUR k	Share capital	Capital reserve	Retained earnings (legal reserves)
As at 01.01.2019	91,060	155,222	505
Net profit for the period	0	0	0
Other comprehensive income			
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Changes in course of revaluation of IFRS 9 financial instruments	0	0	0
Total comprehensive Income	0	0	0
Dividend distribution to shareholders in cash	0	0	0
Purchases of shares of non-controlling interests	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
As at 30.06.2019	91,060	155,222	505
As at 01.01.2020	91,060	155,222	505
Net profit of the period	0	0	0
Other comprehensive income			
Net amount recognised directly in equity, where applicable less income taxes	0	0	0
Changes in course of revaluation of IFRS 9 financial instruments	0	0	0
Total comprehensive Income	0	0	0
Payout of profit shares to non-controlling interests	0	0	0
Share buy-back	-1,377	-26,571	0
As at 30.06.2020	89,683	128,652	505

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	Currency translation difference	Remeasurements of defined benefit plans according to IAS 19	Revaluation reserve according to IFRS 9	Consolidated unappropriated profit	Equity of the shareholders of the parent company	Equity of non-controlling interests	Total
	-15,605	0	49,503	862,421	1,143,105	10,682	1,153,788
	0	0	0	42,317	42,317	1,016	43,334
	4,199	0	0	-736	3,464	-103	3,361
	0	0	36,979	0	36,979	0	36,978
	4,199	0	36,979	41,582	82,760	913	83,673
	0	0	0	-24,576	-24,576	0	-24,576
	0	0	0	-321	-321	321	0
	0	0	0	0	0	-213	-213
	-11,407	0	86,482	879,106	1,200,969	11,703	1,212,671
	-4,818	-3,459	78,721	889,160	1,206,391	30,359	1,236,750
	0	0	0	31,610	31,610	2,113	33,723
	-5,610	0	0	0	-5,610	-187	-5,797
	0	0	15,113	0	15,113	50	15,163
	-5,610	0	15,113	31,610	41,113	1,976	43,089
	0	0	0	0	0	-441	-441
	0	0	0	0	-27,947	0	-27,947
	-10,429	-3,459	93,834	920,770	1,219,557	31,894	1,251,451

Notes to the consolidated interim financial statements

for the period from 1 January to 30 June 2020

1 General information

PATRIZIA AG (hereinafter 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 leading partner for global real assets and one of the leading independent real estate investment companies in Europe. Around 850 employees (FTE) are present for their clients in more than 15 European real estate markets. The company is also represented in New York, Hong Kong, Seoul, Melbourne and Tokyo. PATRIZIA offers a comprehensive portfolio of services, from asset- and portfolio management to the implementation of acquisition and disposal transactions for almost all real estate classes to alternative investments and project developments. The preferences and requirements of clients can thus be served comprehensively and in a clients-specific manner. Its clients include institutional and (semi-) professional investors such as insurance companies, pension funds and sovereign wealth funds from Germany, Europe, the USA and Asia as well as private investors. PATRIZIA develops tailor-made products for its clients in accordance with individual return expectations, diversification efforts and risk styles.

2 Principles applied in the preparation of the interim consolidated financial statements

The interim consolidated financial statements of PATRIZIA AG for the first half of 2020 (1 January to 30 June 2020) have been prepared in accordance with § 115 of the German Securities Trading Act (WpHG) in compliance with IAS 34 "Interim Financial Reporting" and the IFRS as well as in compliance with the supplementary commercial law regulations to be applied in accordance with § 315e of the Handelsgesetzbuch (HGB – German Commercial Code). All mandatory pronouncements of the International Accounting Standards Board (IASB) that were adopted by the EU as part of the endorsement process, i.e. published in the Official Journal of the EU, (by the balance sheet date) have been applied.

In the opinion of the company's management, the present unaudited interim consolidated financial statements as at 30 June 2020 contain all the necessary information to ensure a true and fair view of the company's performance and financial position in the reporting period. The results achieved in the first six months of 2020 are not necessarily an indicator of future results or an overall result to be expected for the financial year 2020 as a whole.

As part of the preparation of the consolidated interim financial statements for the interim report in accordance with IAS 34 "Interim Financial Reporting", the Management Board of PATRIZIA AG must make assessments and estimates as well as assumptions that influence the application of accounting principles in the Group and the reporting of assets and liabilities as well as income and expenses. The actual amounts may differ from these estimates.

These interim consolidated financial statements have been prepared using the same accounting policies as those applied to the consolidated financial statements for the 2019 financial year. A detailed description of the basis of preparation of the consolidated financial statements and the accounting policies can be found in the IFRS notes to the consolidated financial statements as at 31 December 2019 in the 2019 Annual Report.

These interim financial statements are prepared in euros. Unless otherwise stated, the amounts including the previous year's figures are stated in thousands of euros (EUR k). It should be noted that differences may occur in the use of rounded amounts and percentages due to commercial rounding.

3 Consolidated group

All subsidiaries are included in the interim consolidated financial statements of PATRIZIA AG. The group of subsidiaries includes all companies that are controlled by PATRIZIA AG. In addition to the parent company, the consolidated group includes 108 subsidiaries (31.12.2019: 119 subsidiaries). They are included in the interim consolidated financial statements according to the rules of full consolidation.

In addition, as at 30 June 2020, five investments listed below are accounted for using the equity method in the consolidated financial statements.

Associated entities

21

Participations in entities accounted for using the equity method	Head office	Equity Investment
PATRIZIA WohnModul I SICAV-FIS	Luxembourg	10.10%
EVANA AG	Saarbrücken	25.01%
Cognotekt GmbH	Cologne	13.07%
control.IT Management Consulting GmbH	Bremen	10.00%
ASK PATRIZIA (GQ) LLP	Manchester	50.00%

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).

56 companies (31.12.2019: 43) have not been included in the consolidated group as at the end of the reporting period as they only have minor or no business operations, and are immaterial to the Group and a true and fair view of its financial position and performance.

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

Group companies

22

As at 01.01.2020	119
Companies acquired	2
Companies deconsolidated	-13
As at 30.06.2020	108

Acquisition of subsidiaries**BrickVest**

With the signing of the purchase agreement on 3 February 2020, PATRIZIA acquired the digital platform for investments in real assets of BrickVest Ltd. (in short: BrickVest), London, as well as 100% of the shares in BrickVest IM Ltd. BrickVest Reim Europe SAS and BrickVest Markets Ltd. were acquired.

As at 30 June 2020, the closing for BrickVest Reim Europe SAS had not yet taken place.

BrickVest is a global online platform founded in 2014 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 asset 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 various investor groups with deal sponsors and product providers. With this investment, PATRIZIA is continuing its technology and 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.

a) Acquired assets

The following assets were acquired as part of the asset deal:

Fair value

23

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 resulted in 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.

In addition to the asset deal, further share deals took place. The following assets and liabilities accrue to the Group from these:

BrickVest Markets Ltd.

Fair value

24

EUR k	
Current receivables and other current assets	164
Cash and cash equivalents	173
Total current assets	337
Total assets	337
Short-term liabilities	159
Total current liabilities	159
Total liabilities and shareholders' equity	159
Net assets	177
Badwill	-29
Total consideration paid	148

The resulting badwill of EUR 29k is recognised in the income statement in the reporting period.

BrickVest IM Ltd.

Fair value

25

EUR k	
Other intangible 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
Short-term liabilities	442
Total current liabilities	442
Total liabilities and shareholders' equity	466
Net assets	140
Total consideration paid	140

b) Consideration transferred and transaction costs

Net outflow of cash funds for the acquisition

26

EUR k	
Consideration paid in the form of cash	11,735
Less cash acquired	-432
Net cash outflow	11,303

The fair value of the consideration transferred for assets and liabilities taken over at the time of acquisition was EUR 11,735k.

In connection with the combined share and asset deal, incidental acquisition costs of EUR 1,349k were incurred as at 30 June 2020, which are reported under other operating expenses in the income statement.

c) Effects of the acquisition on the Group's net profit for the period

The acquisition of BrickVest in the form of a combined share and asset deal on 3 February 2020/ 22 May 2020 had no material effect on the net profit for the period as at 30 June 2020.

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 116k (2019: EUR 585k) and an expense on deconsolidation of EUR 1,746k (2019: EUR 0k) in the reporting period.

Companies – result from deconsolidation

27

EUR k		H 1 2020
PATRIZIA GrundInvest Europa Wohnen Plus GmbH & Co. geschlossene Investment-KG		49
PATRIZIA Grundinvest Augsburg Fünf GmbH & Co. KG		67
PATRIZIA GrundInvest Augsburg Sechs GmbH & Co. KG		-423
PATRIZIA GrundInvest Helsinki GmbH & Co. geschlossene Investment-KG		-1,323
Total		-1,630

Additional four companies were liquidated by 30 June 2020.

4 Goodwill

The PATRIZIA Group recognised goodwill of EUR 211,231k as at 30 June 2020 (31.12.2019: EUR 210,292k). The goodwill will not be deductible in future tax periods and is therefore be treated as a permanent difference when calculating deferred taxes.

As at 30 June 2020, goodwill was allocated to the following cash-generating units as follows:

- Core business: EUR 194,264k (31.12.2019: EUR 198,582k)
- Multi Managers: EUR 6,769k (31.12.2019: EUR 6,752k)
- KENZO Japan: EUR 5,011k (31.12.2019: EUR 4,958k)
- BrickVest: EUR 5,187k (31.12.2019: EUR 0k)

In addition to the goodwill from the acquisition of BrickVest, the change in total goodwill compared with 31 December 2019 is due to exchange rate changes of EUR -4,248k. These are mainly due to the development of the British pound sterling exchange rate.

These values are tested for impairment at least once a year by the Group as part of an impairment test in accordance with IAS 36. As at 30 June 2020, there were no events that would justify an impairment test and the resulting need for impairment.

5 Participations in companies accounted for using the equity method

The item "Participations in companies accounted for using the equity method" includes the investments listed under point 3 according to the equity method.

Compared with 31 December 2019 the participation TIKKURILAN ASEMAKESKUSPYSÄKÖINTI OY, Finland, was disposed as part of the deconsolidation of PATRIZIA GrundInvest Helsinki GmbH & Co geschlossene Investment-KG.

In the reporting period capital repayments from PATRIZIA WohnModul I SICAV-FIS to PATRIZIA AG totaled EUR 41,511k (H1 2019: EUR 0k). No other distributions from PATRIZIA WohnModul I SICAV-FIS to PATRIZIA AG (H1 2019: EUR 4,545k) were conducted.

The PATRIZIA Group's share of the profits of PATRIZIA WohnModul I SICAV-FIS amounted to EUR 10,000k in the reporting period (H1 2019: EUR 292k). The positive valuation result from the reporting period is primarily due to the sale of a large Dutch residential real estate portfolio.

Due to materiality reasons, the PATRIZIA Group's shares of the earnings of EVANA AG, Cognotekt GmbH, control.IT Unternehmensberatung GmbH, and ASK PATRIZIA (GQ) LLP were not measured in the reporting period.

A detailed description of the individual investments accounted for using the equity method can be found in section 4.1.7 of the PATRIZIA 2019 Annual Report in the IFRS consolidated notes as at 31 December 2019.

6 Inventories

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

Inventories are composed as follows:

Inventories

28

EUR k	30.06.2020	31.12.2019
Property intended for sale	6,662	100,170
Properties in the development phase	12,116	13,038
Total	18,779	113,208

The “Properties 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 reduction in inventories amounting to EUR 94,429k results primarily from the disposal of real estate for the purpose of placement via closed-end funds in the amount of EUR 91,636k, as well as from the disposal of various real estate units in the privatisation portfolio.

7 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.

In the course of active liquidity management, cash funds were invested in short-term, (near-)money market securities. An amount of EUR 145,000k (31.12.2019: EUR 185,000k) was invested in short-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

29

EUR k	30.06.2020	31.12.2019
Cash and cash equivalents	502,891	449,084
Term deposits	145,000	185,000
Securities	0	1,000
Liquidity	647,891	635,084
- Regulatory reserve for asset management companies	-28,972	-22,266
- Transaction related liabilities and blocked cash	0	-5,469
- Liquidity in closed-end funds business property companies	0	-388
= Available liquidity	618,919	606,961

8 Equity

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

8.1 Share capital

The company's share capital amounts to EUR 89,682,931 (31.12.2019: EUR 91,059,631) at the end of the reporting period and is 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 20.28 per share in a total volume of EUR 27.9m.

As at 30 June 2020, First Capital Partner GmbH continues to hold 47,844,484 no-par value shares (31.12.2019: 47,844,484) in PATRIZIA AG, which corresponds to a share of 51.81% (31.12.2019: 51.81%).

For information on the authorisation of the Management Board to issue and buy back shares, see section 3.1. of the 2019 Annual Report.

8.2 Capital reserves

Due to the share buyback programme the capital reserve decreased to EUR 26,571k from EUR 128,652k as at 30 June 2020.

8.3 Retained earnings

The legal reserves reported under retained earnings in the amount of EUR 505k as at 30 June 2020 were unchanged as compared to the prior period.

8.4 Treasury share

In the reporting period, following the completion of the share buyback programme on 22 June 2020, the total 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.

Treasury shares

30

	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 30.06.2020	2,668,545		49,626,365

¹ Average price per share in EUR from several share purchases including incidental costs

8.5 Consolidated unappropriated profit

The consolidated unappropriated profit increased as at 30 June 2020 from EUR 889,160k as at 31 December 2019 to EUR 920,770k.

8.6 Non-controlling interests

As at 30 June 2020, there were non-controlling interests amounting to EUR 31,894k (30.06.2019: EUR 11,703k).

A profit share of EUR 2,113k (H1 2019: EUR 1,016k) was allocated to non-controlling interests in the reporting period.

As at 30 June 2020, profit shares of EUR 441k (30.06.2019: EUR 213k) had been withdrawn by non-controlling interests.

As part of the revaluation of financial instruments in accordance with IFRS 9, an amount of EUR 50k (30.06.2019: EUR 0k) is reported in the first half of 2020.

9 Deferred tax liabilities

Deferred income tax relating to components of other comprehensive income

31

EUR k	2020			2019		
	before Tax	Tax	Net	before Tax	Tax	Net
Profit/loss arising on the translation of the financial statements of foreign operations	-5,797	0	-5,797	3,361	0	3,361
Value adjustments resulting from equity instruments measured including capital gains (IFRS 9)	15,689	-526	15,163	43,441	-6,463	36,978
Total	9,892	-526	9,366	46,802	-6,463	40,339

10 Financial liabilities

Financial liabilities 30.06.2020

32

EUR k	2021	2022	2024	2027	Total
Bank loans	55,900	0	0	0	55,900
Bonded loans	0	91,500	124,000	84,500	300,000
Total financial liabilities	55,900	91,500	124,000	84,500	355,900

Financial liabilities 31.12.2019

33

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

As at 30 June 2020, financial liabilities totaled EUR 355,900k.

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

In the course of the deconsolidation of companies due to the placement of the closed-end funds (see Note 3, Disposal of subsidiaries), bank and mortgage loans amounting to EUR 97,311k were disposed in the reporting period.

In contrast, a new short-term bank loan of EUR 55,900k was taken out.

The reported bank loan is in connection with a bridging loan for a PATRIZIA Immobilien KVG fund, which was given as part of an acquisition. To secure liquidity, PATRIZIA AG borrowed a short-term bank loan with a term of less than one year.

11 Non-current liabilities

Non-current liabilities of EUR 20,163k (31.12.2019: EUR 25,094k) essentially consist of the long-term component of the management participation model, which is described in more detail in note 9.1 of the PATRIZIA 2019 Annual Report, liabilities from the acquisition of KENZO (see note 2.1 Company Acquisitions PATRIZIA 2019 Annual Report) and the TRIUVA guaranteed dividend to non-controlling interests.

12 Tax liabilities

Tax liabilities include obligations from income taxes, VAT and other types of taxes.

The income taxes essentially comprise EUR 30,597k (31.12.2019: 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 1,843k (31.12.2019: EUR 15,575k).

13 Financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial 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 - 30.06.2020

34

EUR k	Carrying amounts				Fair value		
	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		538,637					x
Other non-current financial assets	10,440						x
Current loans	3,075						x
	13,515	538,637					
Financial assets not measured at fair value							
Other lendings			17,964				
Trade receivables and other financial assets			380,366				
Securities			11				
Cash and Cash Equivalents			502,891				
			901,232				
Financial liabilities not measured at fair value							
Financial liabilities (bank, mortgage and bonded loans)				355,900			
Trade payables				4,371			
Liabilities from services purchased before the end of the reporting period				27,314			
Contractual liabilities of pre-payments from property sales				141			
Liabilities from settled performance fees owed attributable to future periods				0			
Leasing liabilities IFRS 16				21,843			
Subtotal financial liabilities				409,570			
Other liabilities				46,899			
Total financial liabilities				456,468			

Financial assets and liabilities - 31.12.2019

35

EUR k	Carrying amounts				Fair value		
	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
Current loans	1,000						x
	11,440	525,716					
Financial assets not measured at fair value							
Other lendings			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 pre-payments from property sales				130			
Liabilities from settled performance fees owed attributable to future periods				0			
Leasing liabilities IFRS 16				25,169			
Subtotal financial liabilities				455,536			
Other liabilities				39,472			
Total financial liabilities				495,008			

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

36

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 NAVs or - if known - potential sales prices of participations	<ul style="list-style-type: none"> - Shares of participations (2,0% - 30,0%) - important assessment basis: NAV /sales prices of participations (EUR 0m - EUR 3.083m) 	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 10m - EUR 14m)	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 45,711k (H1 2019: EUR 71,342k).

In the case of long-term loans, an increase (reduction) in net assets would result in an increase (reduction) in fair value of EUR 963k (H1 2019: EUR 660k).

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 30.06.2020

37

EUR k	Equity investments	Convertible loans
As at 1 January 2020	525,716	11,440
Profit/loss, including in the other comprehensive income (IFRS 9)		
<i>changes of the fair value</i>	15,689	0
Profit/loss, including in the net profit for the period		
<i>changes of the fair value</i>	0	0
Additions in the financial year	7,789	2,075
Disposals in the financial year	-9,929	0
Changes in the consolidated group	-200	0
Foreign exchange differences	-428	0
As at 30 June 2020	538,637	13,515

Reconciliation of level 3 fair values 2019

38

EUR k	Equity investments	Convertible loans
As at 1 January 2019	499,241	10,140
Profit/loss, including in the other comprehensive income (IFRS 9)		
<i>changes of the fair value</i>	49,082	0
Profit/loss, including in the net profit for the period		
<i>changes of the fair value</i>	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 December 2019	525,716	11,440

Net gains/losses by category

39

EUR k	30.06.2020	31.12.2019
Financial assets and liabilities, which are mandatory measured at FVTPL	69	300
Financial assets, which are measured at amortized cost	824	156
Financial liabilities, which are measured at amortized cost	-2,928	-5,224
Equity investments, which are measured at FVTOCI (without recycling)	15,689	48,773

Equity investments, which are measured at fair value through other comprehensive income

Dividend income from equity investments measured at fair value through other comprehensive income amounted to EUR 23,370k in the reporting period (H1 2019: EUR 25,428k). The dividends received result exclusively from participations still held at the end of the reporting period. The fair value of the disposed equity investments amounted to EUR 928k (H1 2019: EUR 305k) at the time of disposal. No gains were recognised in the statement of comprehensive income in connection with the disposal of the equity investment.

14 Revenues

Revenues break down as follows:

Revenues					40
EUR k	Germany	Luxem- bourg	United Kingdom	Rest of world	Total
Q2 2020					
Proceeds from the sale of principal investments	0	321	0	0	321
Rental revenues	6	93	0	1,263	1,363
Revenues from management services	33,030	34,149	9,955	2,059	79,194
Revenues from ancillary costs	0	60	176	0	236
Other	239	106	66	41	453
Revenues	33,275	34,730	10,197	3,364	81,567
Q2 2019					
Proceeds from the sale of principal investments	-166	2,159	17,484	0	19,477
Rental revenues	34	314	186	0	534
Revenues from management services	57,939	27,298	14,331	1,140	100,708
Revenues from ancillary costs	-9	257	265	0	513
Other	54	18	703	77	851
Revenues	57,853	30,045	32,969	1,216	122,083
H1 2020					
Proceeds from the sale of principal investments	-3	2,474	0	0	2,471
Rental revenues	527	191	0	2,613	3,332
Revenues from management services	65,795	51,212	19,426	4,245	140,679
Revenues from ancillary costs	32	276	293	0	601
Other	331	156	520	63	1,070
Revenues	66,682	54,310	20,240	6,921	148,153

Revenues (continued)

40

EUR k	Germany	Luxem- bourg	United Kingdom	Rest of world	Total
H1 2019					
Proceeds from the sale of principal investments	2,600	4,977	17,484	0	25,060
Rental revenues	88	655	349	0	1,091
Revenues from management services	89,189	34,674	23,885	3,463	151,212
Revenues from ancillary costs	-6	791	413	0	1,197
Other	426	20	704	113	1,264
Revenues	92,297	41,117	42,835	3,576	179,825

Geographical allocation is based on the location of the registered office of the unit providing the service.

In accordance with its business model, revenue from contracts with clients at PATRIZIA results from service fee income (revenues from management services), sales of properties in the company's own portfolio (principal investments), rental revenues and ancillary costs.

15 Other operating income

Other operating income

41

EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Income from discontinued obligations	3,523	3,837	3,855	4,703	-18.0%
Income from payments in kind	219	205	828	771	7.4%
Insurance compensation	0	11	9	13	-35.9%
Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation	2	4	822	62	>1.000,0%
Income from sales of financial assets	9	0	9	5	78.4%
Realisierung Badwill IFRS 3	28	0	28	0	0.0%
Other	413	68	701	490	43.0%
Total	4,194	4,125	6,251	6,045	3.4%

Income from discontinued obligations essentially results from the final settlement of liabilities for goods and services ordered but not called off and from the release of provisions for litigation costs/risks.

The item Income from reimbursement of lawyers' fees, court costs and transaction costs and compensation payments mainly includes income from compensation payments.

16 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

42

EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Renovation and construction costs	1,197	41	1,355	183	641.9%
Incidental costs	1,211	713	1,753	1,268	38.2%
Maintenance costs	2	9	3	42	-92.1%
Total	2,409	763	3,112	1,492	108.5%

The increase is primarily due to additions to provisions for litigation in connection with sold real estate portfolios and apportionable operating costs from PATRIZIA's closed-end fund business deconsolidated as at 30.06.2020.

17 Cost of purchased services

The cost of purchased services amounting to EUR 8,089k (H1 2019: EUR 7,952k) essentially comprises the purchase of fund management services for label funds for which PATRIZIA Immobilien Kapitalverwaltungsgesellschaft mbH operates as the service management company (KVG).

In order to ensure an improved presentation of the earnings situation, since 2018 this item also includes transaction costs that are incurred in order to generate revenue and are generally passed on. In the first half of 2020 these amount to EUR 868k (H1 2019: EUR 727k).

18 Other operating expenses

Other operating expenses break down as follows:

Other operating expenses

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Tax, legal, other advisory and financial statement fees	4,495	5,741	7,958	10,553	-24.6%
IT and communication costs and cost of office supplies	4,269	3,089	9,146	5,909	54.8%
Rent, ancillary costs and cleaning costs	902	360	1,500	1,010	48.5%
Other taxes	-179	1,180	149	1,188	-87.4%
Vehicle and travel expenses	1,303	1,313	2,621	2,795	-6.2%
Advertising costs	705	1,205	1,570	1,974	-20.4%
Recruitment and training costs and cost of temporary workers	1,856	965	3,687	1,755	110.1%
Contributions, fees and insurance costs	340	1,157	2,081	2,099	-0.9%
Commission and other sales costs	302	1,018	458	1,323	-65.4%
Costs of management services	42	108	67	235	-71.5%
Indemnity / reimbursement	5	269	20	296	-93.4%
Donations	1,487	2	1,490	3	>1.000,0%
Other	547	614	2,650	1,257	110.8%
Total	16,075	17,020	33,397	30,397	9.9%

Tax, legal and other advisory and financial statement fees of EUR 7,958k (H1 2019: EUR 10,553k) include, among other things, transaction costs of EUR 1,349k incurred in connection with the acquisition of BrickVest.

The increase in the item IT and communication costs and costs of office supplies is primarily due to the strategic focus on digitalisation and the increased application of technological innovations.

Recruitment and training costs and costs of temporary workers of EUR 3,687k (H1 2019: EUR 1,755k) result mainly from additional hiring costs and the increased need for temporary staff to support future investment initiatives.

The donations include EUR 1,445k grants to charitable organizations such as the PATRIZIA Children Foundation. In 2018, the company's management board had decided to support charitable organizations with up to 1% of the company's operating income each year.

19 Income from participations

Income from participations of EUR 23,370k in the reporting period (H1 2019: EUR 25,428k) results from the participations Dawonia GmbH, TRIUVA/IVG Logistik (2019: Dawonia GmbH, Harald-Portfolio, Aviemore Bidco 1 Sarl, Seneca Holdco SCS and TRIUVA/IVG Logistik) and from closed-end fund business.

Income from participations breaks down as follows:

Income from participations

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Performance-based shareholder remuneration	0	0	16,571	18,254	-9.2%
Services provided as shareholder contributions	2,360	2,353	4,719	4,706	0.3%
Return on equity employed	1,206	1,240	2,080	2,468	-15.7%
Total	3,565	3,593	23,370	25,428	-8.1%

20 Earnings from companies accounted for using the equity method

The result from companies accounted for using the equity method as at 30 June 2020 in the amount of EUR 10,000k (H1 2019: EUR 292k) includes the pro rata share of profit of PATRIZIA WohnModul I SICAV-FIS attributable to the PATRIZIA Group.

21 Reorganisation income/expenses

In the previous year, these were essentially expenses for severance payments, ongoing salaries during time off work, non-staff operating costs and consulting costs in connection with the integration of TRIUVA and Rockspring.

22 Amortisation of other intangible assets, software, rights of use and tangible assets

Amortisation and depreciation

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Amortisation of fund management contracts and licences	4,872	7,811	9,824	15,626	-37.1%
Amortisation of rights of use	2,534	2,893	5,095	5,091	0.1%
Depreciation of software and fixed assets	1,555	1,634	2,826	3,031	-6.8%
Amortisation of other rights and assets	10	0	14	0	0.0%
Value adjustment in associated participations	0	-177	0	0	0.0%
Total	8,971	12,162	17,758	23,748	-25.2%

Reference is also made to the accounting policies in section 3.2 Other intangible assets in the 2019 Annual Report.

23 Financial result

Financial result

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EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Interest on bank deposits and loans	141	109	679	406	67.3%
Interest from participations	76	130	149	130	14.4%
Interest from taxes	75	0	75	5	>1.000,0%
Other interest	371	211	313	322	-2.6%
Financial income	662	450	1,217	863	41.0%
Interest on overdraft facilities and loans	-1,319	-1,211	-2,823	-2,362	19.6%
Interest expenses from taxes	0	-161	-70	-163	-57.2%
Interest expenses from participations	-173	0	-173	0	0.0%
Interest expenses - Leasing IFRS 16	-53	-66	-115	-108	6.3%
Other financial expenses	-171	-127	-202	-380	-46.8%
Financial expenses	-1,717	-1,565	-3,384	-3,013	12.3%
Result from currency translation	-7,077	-550	-6,511	-122	>1.000,0%
Financial result	-8,132	-1,666	-8,678	-2,272	282.0%

1 Previous year's figures were adjusted to the new table structure in the reporting year.

Other financial income results mainly from interest on late purchase price payments.

Interest on overdraft facilities and loans essentially includes interest on bonded loans of EUR 2,257k (H1 2019: EUR 2,255k).

In the first half of 2020, the result from currency translation was EUR -6,511k (H1 2019: EUR -122k). This includes realised exchange rate losses of EUR -7,424k (H1 2019: EUR -275k).

The realised exchange rate losses essentially result from the discontinuation of PATRIZIA First Street LP's business operations in the second quarter of 2020. These exchange rate losses of EUR 6,000k were realised by reclassifying them from other comprehensive income (OCI) to the income statement.

24 Income taxes

Income taxes break down as follows:

Income taxes					
EUR k	Q2 2020	Q2 2019	H1 2020	H1 2019	Change
Current income taxes	-4,499	-13,844	-15,632	-18,285	-14.5%
Deferred taxes	1,175	3,208	3,281	5,977	-45.1%
Income tax	-3,324	-10,636	-12,351	-12,308	0.3%

The deferred taxes in the income statement essentially resulted from temporary differences, most of which were caused by amortisation of fund management contracts.

In accordance with IAS 34, the income tax expense for the interim consolidated financial statements is calculated on the basis of the average annual tax rate expected for the entire financial year. An income tax rate of 27.21% was applied to the interim financial statements for the first half of 2020.

25 Earnings per share

Earnings per share				
EUR k	H1 2020 adjusted ¹	H1 2019 adjusted ¹	H1 2020	H1 2019
Share of earnings attributable to shareholders of the Group	31,610	47,389	31,610	42,317
Number of shares ²	89,682,931	91,059,631	89,682,931	91,059,631
Weighted number of shares ²	90,548,956	91,059,631	90,548,956	91,059,631
Earnings per share (undiluted/diluted) in EUR	0.35	0.52	0.35	0.46

1 Adjusted = not including reorganization expenses

2 Outstanding after share buybacks

In the reporting period, the weighted number of shares decreased by 510,675 in accordance with IAS 33.19 (et seq.) as a result of the time-weighted share buybacks.

26 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.

Compared with the first half of 2019, three aspects of segment reporting were changed.

The Corporate operating segment with the reported PATRIZIA AG (Group management) including the management of the international subsidiaries, which was not reportable in the previous year, has been allocated to the Management Services segment since the 2019 financial year, as it also contributes to generating management service income.

In addition, the introduction of new consolidation software in 2019 means that all relevant consolidation items are eliminated, such as intragroup revenues, intercompany transactions and intragroup transfers, can be shown within the segments, allowing the "Consolidation" column required in the previous year to be omitted. This results in a more appropriate presentation of the respective segments' performance.

Finally, the operating units are no longer managed on the basis of geographical criteria as in the previous year.

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, 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, impairment losses on fund management contracts, reorganisation income and expenses, and other financial result. Adjustments are also made for investments in the future (expansion of digitalisation/use of new technologies), which will be amortised 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.

Segment information is calculated in line with the accounting policies applied when preparing the consolidated financial statements.

To ensure comparability with the current reporting year, the segment reporting for H1 2019 has been retroactively adjusted in line with the new structure.

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.-30.06.2020)

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EUR k	Investments	Management Services	Group
Revenues	6,495	141,658	148,153
Income from the sale of investment property	0	0	0
Changes in inventories	-1,677	0	-1,677
Other operating income	56	6,195	6,251
Income from the deconsolidation of subsidiaries	116	0	116
Total operating performance	4,989	147,853	152,843
Cost of materials and cost of purchased services	-3,110	-8,091	-11,201
Staff costs	-5	-67,375	-67,379
Other operating expenses	-806	-32,591	-33,397
Impairment losses for trade receivables and contract assets	18	4	22
Income from participations	1,712	21,658	23,370
Earnings from companies accounted for using the equity method	10,000	0	10,000
Cost from the deconsolidation of subsidiaries	-1,746	0	-1,746
Reorganisation expenses	0	0	0
Amortisation of other intangible assets ¹ , software and rights of use, depreciation of property, plant and equipment	0	-17,758	-17,758
Financial income/expenses	-520	-1,646	-2,167
Result from currency translation	5	-6,516	-6,511
Earnings before taxes (EBT)	10,538	35,537	46,075
Amortisation of other intangible assets	0	9,824	9,824
Realised changes in value of investment property (net)	0	0	0
Reorganisation expenses	0	0	0
Non-cash currency effects	-5	5,092	5,087
Operating income from participations (IFRS 9)	0	9,001	9,001
Investments in the future	0	4,075	4,075
Operating income	10,533	63,528	74,061

¹ in particular fund management contracts that have been transferred in the course of the acquisitions of recent years

Segment Reporting - 2019 (01.01.-30.06.2019)

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EUR k	Investments	Management Services	Group
Revenues	27,354	152,471	179,825
Income from the sale of investment property	214	35	249
Changes in inventories	-20,373	-49	-20,422
Other operating income	612	5,433	6,045
Income from the deconsolidation of subsidiaries	0	0	0
Total operating performance	7,807	157,889	165,696
Cost of materials and cost of purchased services	-1,463	-7,981	-9,444
Staff costs	-10	-62,931	-62,941
Other operating expenses	-1,349	-29,048	-30,397
Impairment losses for trade receivables and contract assets	0	-460	-460
Income from participations	1,754	23,674	25,428
Earnings from companies accounted for using the equity method	292	0	292
Cost from the deconsolidation of subsidiaries	0	0	0
Reorganisation expenses	0	-6,512	-6,512
Amortisation of other intangible assets ¹ , software and rights of use, depreciation of property, plant and equipment	0	-23,748	-23,748
Financial income/expenses	349	-2,499	-2,150
Result from currency translation	5	-127	-122
Earnings before taxes (EBT)	7,385	48,258	55,642
Amortisation of other intangible assets	0	15,626	15,626
Realised changes in value of investment property (net)	1,332	0	1,332
Reorganisation expenses	0	6,512	6,512
Non-cash currency effects	-14	-139	-153
Operating income from participations (IFRS 9)	0	0	0
Investments in the future	0	0	0
Operating income	8,703	70,257	78,959

¹ in particular fund management contracts transferred as part of acquisitions in recent years

27 Related party transactions

The presentation on related party transactions under item 9.2 of the notes to the consolidated financial statements in PATRIZIA's 2019 Annual Report remains valid.

In addition, the Management Board of PATRIZIA AG is not aware of any circumstances, contracts or legal transactions with affiliated or related parties for which the company does not receive fair and appropriate consideration. All business relationships are in line with standard market conditions and do not fundamentally differ from the trade relationships with other persons or companies.

28 Events after the end of the Reporting Period

The Annual General Meeting on 1 July 2020 resolved to distribute a total dividend of EUR 26,127k from the consolidated retained earnings. This corresponds to a dividend of EUR 0.29 per dividend-bearing share. The dividend was paid out on 6 July 2020.

29 Responsibility Statement by the legal representatives of PATRIZIA AG

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

Augsburg, 5 August 2020



Wolfgang Egger
CEO



Thomas Wels
Co-CEO



Alexander Betz
CDO




Karim Bohn
CFO



Dr. Manuel Käsbauer
CTIO



Anne Kavanagh
CIO



Simon Woolf
CHRO

Financial calendar and contact details

Financial calendar

2020	
6 August 2020	Interim Report for the first half of 2020 with investor and analyst conference call
12 November 2020	Quarterly Statement for the first nine months of 2020 with investor and analyst conference call
2021	
25 Februar 2021	Preliminary results 2020
18 März 2021	Annual Report 2020 with investor and analyst conference call
12 Mai 2021	Quarterly Statement for the first quarter of 2021 with investor and analyst conference call
23 Juni 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

Investor relations

Martin Praum

T +49 821 50910-402

investor.relations@patrizia.ag

Press

Christoph Liedtke

T +49 821 50910-636

communications@patrizia.ag

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www.patrizia.ag/de/aktionaere/finanzberichte/quartersberichte/
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