

PATRIZIA Immobilien AG
Speech by CFO Karim Bohn
at the Annual General Meeting on 22 June 2017

- Check against delivery -

Ladies and gentlemen,

I would also like to wish you, our shareholders, a very warm welcome to our Annual General Meeting today.

As Chief Financial Officer of PATRIZIA, I will now follow on from Mr Egger's explanation of the general business position and our strategic orientation by giving you an overview of our earnings, net assets and financial situation. The 2016 financial year was highly successful in economic terms. As you know, the key indicators that we use to manage our business – operating earnings and assets under management – developed very positively.

We raised our target for operating earnings during the year and almost doubled the previous year's figure of EUR 155.8 million to EUR 283.2 million in 2016. This was also accompanied by an increase in our real estate assets under management in line with our planning. We managed EUR 18.6 billion as at the reporting date, representing a EUR 2.0 billion increase in comparison to the previous year's figure of EUR 16.6 billion.

Let me first discuss the earnings situation. Operating earnings are the most important key performance indicator for us, as they reflect PATRIZIA's operational and financial performance. Our operating earnings are made up of two components: fee income from our extensive range of services for our customers, and income from capital employed, chiefly from co-investments. Both of these earnings contributions increased substantially in 2016 and formed the basis for the significant rise in our operating earnings from EUR 155.8 million in 2015 to EUR 283.2 million in the past financial year.

But allow me at this point to take a somewhat more differentiated look at the figures. As you know, our earnings were impacted by the sale of SÜDEWO in 2015 and by the sale of the Harald portfolio in 2016. We do still expect earnings contributions of this kind in the future, but not every year and not on a comparable scale. PATRIZIA generates stable and steadily growing basic income from our service business and co-investments and also offers considerable additional income potential – such as, for example, from the sale of the Harald portfolio in the past financial year.

I am happy to present to you now our figures not including the additional income generated in order to emphasise the continuous development of our company.

Adjusted operating earnings rose by 69.3% to EUR 72.2 million in the past year, after EUR 42.7 million in 2015. The biggest and most constant source of revenue, fee income from service business, rose by 14.1% to EUR 188.6 million after EUR 165.2 million in 2015.

EUR 89.1 million of this was attributable to continuous, recurring administrative income; EUR 70.3 million to fees from transaction business; and EUR 29.2 million to performance fees. All three categories increased significantly in the past year. Income from capital employed also developed very well, rising to EUR 29.1 million after EUR 23.4 million in 2015.

It is both interesting and important to note that fee income now accounts for more than 80% of our income. We have replaced volatile and risky investment business with stable and recurring service business.

Our second key performance indicator is the volume of real estate assets we manage. In the past year, our assets under management increased by EUR 2.0 billion to EUR 18.6 billion. This increase is due to a large number of transactions with a total volume of EUR 5.1 billion – after a volume of EUR 7.2 billion in 2015. On a like-for-like basis, not including Harald and SÜDEWO, the transaction volume remained largely constant at around EUR 4.0 billion. And why is this growth in assets under management so important to us? Because growth in our assets under management means that our stable basic income also increases! We want to grow in order to continuously increase our stable income base and become less susceptible to cyclical fluctuations!

For us, the significance of investments outside Germany is very high as it confirms the success of our increasing internationalisation strategy. As at the end of 2016, they accounted for a share of 33%.

Let me now briefly discuss the key items of our consolidated balance sheet. Our conservative balance sheet figures show us to be a financially strong company and a reliable business partner. Our balance sheet and capital structure are extremely sound. At the end of 2016, we reported net liquidity of EUR 360.0 million again for the first time in years, and a net equity ratio of 82.1%. Specifically, this means that liabilities of EUR 80.2 million are offset by cash and cash equivalents of EUR 440.2 million, so we can immediately repay all of our debts with the available cash. This excellent balance sheet structure was ultimately also one of the reasons why, in May 2017, we were able to take out a promissory note of EUR 300 million at an unusually low average interest rate of 1.5% with a very long average term of more than 7 years.

So we now have an extremely sound balance sheet structure and extensive cash funds for the implementation of the expansion strategy described by Wolfgang Egger and for new investments.

Ladies and gentlemen,

At this point, let me take a look back at the development over the past five years. This very strikingly illustrates PATRIZIA's development from a predominantly German apartment privatiser into an international investment manager.

- Since 2012 we have increased our real estate assets under management by an average of 28.1% per year to EUR 18.6 billion at the end of 2016, and, today, they already exceed EUR 19 billion
- Fee income has risen by 26.9% per year to EUR 188.6 million as at the end of 2016
- In each year since 2012, we have raised equity averaging EUR 1.7 billion from our customers
- Administrative fees, which represent the most constant part of our fee income, grew by an average of 25.8% to EUR 89.1 million at the end of 2016.
- The quality of our operating earnings has thus become considerably more robust. Whereas in 2012 less than 60% came from the stable business area of investment management, this share had already risen to over 80% by the end of 2016.

And you, our shareholders, have benefited very directly from this. As Wolfgang Egger said earlier, investments in PATRIZIA shares have performed strongly. Since the IPO in March 2006, we have increased our market capitalisation, corresponding to the absolute value of our company, by more than 50% from EUR 943 million to approximately EUR 1.5 billion. By issuing scrip shares, we allowed you to share in this very positive development while also reinvesting retained income of EUR 488.5 million in the highly successful development of PATRIZIA since 2012 alone.

The scrip shares continuously increased the share's liquidity, making our company more interesting for international institutional investors. In our opinion, the scrip shares are still a very effective way of allowing you to share in PATRIZIA's success and allowing us to use our strategic cash fund for the further development of the various different growth initiatives at PATRIZIA. Wolfgang Egger has presented to you the strategy as well as the specific growth plans that we are implementing by means of additional co-investments and complementary corporate acquisitions with the aim of further increasing PATRIZIA's value in the future. Complementary means that we will expand our existing platform

and our presence by strengthening our company in a targeted way with regards to the customer base, asset classes and countries.

And with regards to potential co-investments, I can confirm that we are aiming to earn a suitable return on equity for you, our shareholders, as we did with SÜDEWO and GBW, to name just two examples.

In doing so, we apply our expertise in a targeted manner and remain disciplined in terms of the purchase price, as we do when making investments for our customers.

So when you ask me: “When will we invest the available liquidity?”, I can only answer: “We will invest the liquidity well and wisely for the long term in the interests of our shareholders, not quickly and hectically. Our disciplined focus is on finding and implementing the right transaction!”

With this approach, we pursue the goal of making our business more robust for the future and making PATRIZIA less dependent on particular markets, customer groups or business cycles. We can thus offer you, our shareholders, a consistently stable business model under which income will continue to grow steadily and in line with the company’s growth. The strategic cash fund enables us to take advantage of opportunities when they arise. Experience and the past teach us that such opportunities usually arise precisely when financing conditions have become difficult – and we are well prepared for such cases with our liquidity.

The equity analysts think so, too. All seven of the analysts currently monitoring us unreservedly recommend buying the PATRIZIA share, with an average price target of EUR 22.21. This would represent a 28.9% increase compared to the closing price on 19 June. In this respect, we are also optimistic that the successful implementation of our strategy will be followed by a positive share price performance.

Our shareholder structure remains very stable. Wolfgang Egger still holds a majority interest in our company with a share of 51.62%. The other top 50 shareholders represent around 25% of the capital and are domiciled roughly half in North America and half in Europe. Larger parcels of shares of more than 3% are held by Wasatch from Salt Lake City and by Union Investment. Private shareholders hold around 10% of our shares.

Dear shareholders,

I now come to the final part of my report on PATRIZIA’s financial and earnings situation – the outlook for the 2017 financial year – before I move on to the items on today’s agenda. 2017 will be another successful financial year for PATRIZIA. We anticipate operating earnings of between EUR 60 million and EUR 75 million, after operating earnings adjusted for the Harald sale of EUR 72.2 million in 2016. Besides average assumptions for the business development, this figure does not yet include any income from the investment of our cash and cash equivalents totalling around EUR 700 million. However, it does include expenses of around EUR 7.0 million that we will invest in the expansion of our platform, for example for the establishment of the global “PATRIZIA” brand as well as for international fund-raising and customer service outside Germany. At an industrial company, these costs would be reported as research and development, but unfortunately that is not possible with our business model. We also expect to be able to increase our assets under management again this year by around EUR 2.0 billion to around EUR 20.6 billion.

For the sake of completeness, let me now discuss the financial statement of the parent company, PATRIZIA Immobilien AG. The earnings of PATRIZIA Immobilien AG are made up of three components: the operating earnings of the company itself, the profits or losses of the subsidiaries with which profit and loss transfer agreements exist, and distributions from subsidiaries. As at 31 December 2016, the net loss for the year amounted to EUR 23.1 million, after a net profit of EUR 92.9 million as at the end of 2015. The main reason for the negative result is the fact that the income from the sale of the Harald portfolio has not yet been internally distributed to PATRIZIA Immobilien AG, and on an intercompany basis interest was paid on this amount. Hence, this is a purely temporal shift. Together with the profit carried forward from previous years of EUR 204.1 million, this results in retained earnings of

EUR 181.0 million. This represents the company's distributable profit, the appropriation of which is to be resolved in item 2 of today's agenda.

Subject to a positive vote by you, we wish to carry forward all the retained earnings to new account again this year, as in the previous years, and refrain from distributing a cash dividend. The development of PATRIZIA and the long-term share price performance have shown that the decisions taken in the past years to retain profits and invest them in the business development were the right ones. The available liquidity gives PATRIZIA the necessary flexibility to press ahead with its international expansion and further development without any dilutive capital measures. In item 7 of the agenda, the Managing Board and the Supervisory Board therefore propose a capital increase from company funds again. As in previous years, you are to receive one new PATRIZIA share for every ten shares already held. The higher number of shares will further improve the share's liquidity, which is important for the index composition, and contribute to the long-term increase in PATRIZIA's value.

Ladies and gentlemen,

The German Stock Corporation Act stipulates that the Managing Board must inform the Annual General Meeting about acquisition-related information in accordance with section 289 paragraph 4 and section 315 paragraph 4 of the German Commercial Code and about the main features of the internal control and risk management system in relation to the accounting process. This information is presented in detail starting on pages 74 and 82 of the annual report. Related explanations can also be found in the Managing Board's written reports, which have been available on PATRIZIA's website since the Annual General Meeting was convened and are also displayed on the document table here at the Annual General Meeting today. I can therefore refer you to these documents.

So that brings me to the end of my comments on PATRIZIA's earnings and financial situation.

As you can see, PATRIZIA is a company with tradition and a future, a company with a sustainably profitable business model and with specific growth initiatives for a prosperous future with a growing income base. Based on a very good year in 2016, we will develop our business further in the current year and the following years and continue to increase performance in our key indicators. We will achieve long-term success with our business model and establish ourselves as the leading independent real estate investment company in Europe. This strength is based not least on our employees, who ensure our success on the European markets as local real estate experts. I would like to take this opportunity to offer them my sincere thanks.

And I would also like to thank you, our shareholders, for your trust. We look forward to continuing along PATRIZIA's successful path with you. Before I hand back over to our meeting chairman Dr Seitz, I would like to state as a matter of form that we espouse all statements by the podium speakers in the following general debate.

Thank you for your attention.