PATRIZIA Immobilien AG
Speech by CFO Karim Bohn
at the Annual General Meeting on 22 May 2019

– check against delivery –

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Ladies and Gentlemen,
Dear Shareholders,

Again, welcome to today's Annual General Meeting!

Wolfgang Egger has already spoken about our strategic orientation on our way to becoming the leading global partner for pan-European real estate investment. As Chief Financial Officer, I would now like to elaborate on how our operating income, net assets, and financial position have developed as we executed our growth strategy. Our successful performance in the 2018 financial year is based not only on contributions from SparInvest Property Investors, now PATRIZIA Multi Managers, TRIUVA (consolidated since 1 January 2018), and Rockspring (consolidated since 31 March 2018), but also on the company's continued organic growth.

Our business performance in 2018 showed that our strategy pays off:

1. Our operating performance is very strong. We made faster progress than expected and raised our operating income forecast for 2018 twice. In particular, we are increasing the proportion of steady, 'weatherproof' income from recurring management fees.
2. We are financially stable and flexible. Our high net equity ratio reflects the stability of our balance sheet. At the end of 2018, we also had short-term available liquidity of 506.9 million euros. This gives us the financial flexibility for further organic and inorganic growth.
3. You, dear shareholders, participate in the successful development of PATRIZIA. We propose to increase the dividend by 8.0 percent to 0.27 euros per share.

Let me start by going into more detail about our operating performance. The two most important indicators we use to manage our business are the operating income and Assets under Management (AuM). We see a clearly positive development in both key figures.

We increased our operating income by 72.0 percent to 141.4 million euros in 2018. This positive development is due to higher income from fees and improved efficiency.

Overall, our total service fee income rose by 51.1 percent to 320.2 million euros. In particular, we increased our income from management fees. They increased by 88.1 percent to 175.3 million euros. For us, management fees are a stable, sustainable and high-quality source of income. They are generated by our investment services and services in the management of real estate assets. In other words, they are generated on an ongoing basis and for the most part independently of market developments. Recurring income contributes significantly to the financial stability of the company. We have also significantly increased the performance fees we generated. These increased by 38.2 percent year-on-year to 92.5 million euros – the amount achieved here can definitely be described as extraordinary compared to previous years. In addition, we generated transaction fees of 52.4 million euros, slightly above the previous year's level of 51.8 million euros.

Besides total service fee income, net sales revenues and co-investment income also contributed to our operating result. At 41.0 million euros, these are only slightly down year-on-year (from 41.7 million euros). This includes rental income and net sales proceeds from investments on the company's own books, known as principal investments. Income from co-investments is also included. These include, in particular, distributions and valuation effects from fund products in which PATRIZIA has a joint participation with institutional investors. In exceptional cases, PATRIZIA invests an equity share in the single-digit percentage range in selected funds.

Total service fee income now accounts for more than 88 per cent of our overall income, with the share of recurring income from management fees in particular rising significantly. Wolfgang Egger has already pointed out the importance of these steady earnings for our strategy and long-term development. Income from principal investments, on the other hand, will continue to become less and less important as we pursue our strategy of becoming a pure investment manager for third parties, or will no longer be generated in the medium term as we sell the remainder of our inventory.

Ladies and gentlemen,
We didn't achieve our positive operating result through higher revenues alone, but also through cost discipline. Although costs rose by 29.5 percent year-on-year due to the acquisition of three companies, they rose significantly slower than total service fee income. In other words, we have become more efficient. Our total cost ratio has fallen continuously in recent years. It puts costs in relation to assets under management. While the ratio in 2017 was still 0.80 percent, it was just 0.53 percent for the 2018 financial year. We achieved this through efficiencies, mainly from the integration of TRIUVA and Rockspring.

Overall, we see a very positive development of our operating result in the 2018 financial year. We are increasing our revenues faster than our costs and are continuously replacing the rather volatile and risky business involving our own investments with the stable, recurring service business. In this way, we stabilise our revenues and create a solid, sustainable financial basis even in economically uncertain times.

Dear Shareholders,
The second important indicator is assets under management. They are the basis for recurring income. In 2018, we increased this figure by 87.3 percent to 41.0 billion euros. The increase is mainly attributable to the first-time consolidation of Rockspring, TRIUVA and SparInvest Property Investors. In addition to consolidating the assets under management of the acquired companies, PATRIZIA achieved organic growth of 2.3 billion euros in assets under management in 2018 versus the pro forma figure for 2017.

And we're not just growing with institutional clients. We are also expanding our business for private and (semi-)professional investors. In 2018 alone, we successfully placed five new closed-end funds in this customer group. We now serve about 5,000 customers in our closed-end funds.

So, in summary:
- We increased our operating income because we significantly expanded our portfolio through the integration of SparInvest Property Investors, TRIUVA and Rockspring while at the same time successfully continuing our organic growth course.
- We sustainably improved our finances, in particular by increasing our recurring management fees, keeping costs under control, and practicing disciplined management.

Ladies and Gentlemen,
Based on the operating performance described so far, I would now like to present our net assets and financial position for you and show you how financially flexible and stable we are. Our balance sheet demonstrates that we are a financially strong, solid company and a reliable business partner.

This is reflected, among other things, in our equity ratio. This ratio expresses equity as a percentage of total net assets. At 64.3 percent, the equity ratio remains at a very high level and reflects the balance sheet stability of PATRIZIA. Despite the acquisitions made, the ratio rose by 4.0 percentage points year-on-year, while our balance sheet total rose by 42.0 percent year-on-year to 1.8 billion euros as a result of the consolidation of TRIUVA and Rockspring. The growth in the balance sheet total was accompanied by an almost parallel increase in equity. In 2018, equity excluding non-controlling interests increased by 51.5 percent year-on-year from 755 million euros to 1.143 billion euros. This means that we have successfully combined growth and balance sheet stability.

In addition, we reduced our financial liabilities. PATRIZIA repaid in full its short-term bonded loan of 22.0 million euros due in 2018. This reduced financial liabilities by around 6.8 percent to 300.0 million euros. The financial liabilities currently consist of long-term bonded loans, which were raised in May 2017 at an average annual interest rate of around 1.5 percent.

Our financial strength is also reflected in the available liquidity mentioned above. PATRIZIA has free access to bank balances, cash on hand, and time deposits and securities amounting to 506.9 million euros. Even if one considers the net liquidity, that is the short-term liquidity minus the aforementioned bonded loans, PATRIZIA still has a liquidity cushion of 241.6 million euros, which gives it a high degree of financial flexibility.

Let me summarise briefly: Our balance sheet structure is very solid, which contributes to building trust among our business partners. At the same time, it gives us flexibility, which is an important strategic advantage when it comes to reacting to changing market conditions and exploiting market opportunities going forward. This makes our financial position a key prerequisite for strengthening our market position as a leading global partner for pan-European real estate investment.

Ladies and gentlemen,
Last year, PATRIZIA distributed a dividend for the first time since 2007. Last year, we explained why it makes sense to pay a dividend for PATRIZIA given its good liquidity and healthy balance sheet. In this way, we make our shares investable for 'dividend-driven' investors, such as equity funds that pursue a dividend strategy. This will help us increase our shareholder base. For the 2017 financial year, we distributed a dividend of 0.25 euros per share – a total of 21.2 million euros – and transferred treasury shares in PATRIZIA Immobilien AG worth 1.5 million euros.

Under item 2 of the agenda, the Supervisory Board and the Managing Board of PATRIZIA Immobilien AG propose that a dividend of 0.27 euros per dividend-bearing share, for a total of 24.6 million euros, be distributed from the 2018 balance sheet profit of 466.6 million euros. This corresponds to an 8.0-percent year-on-year increase in the dividend and a pay-out ratio of around 48 percent, based on the consolidated net income for 2018 of 51.7 million euros attributable to the shareholders of the parent company. The dividend will be paid in cash.

The Managing Board has also decided to determine the amount of future dividend pay-out proposals based on the annual growth rate of management fees and assets under management. It has thus communicated a clear dividend strategy to the capital market.

At this point, let me briefly comment on the development of the AG's balance sheet profit according to HGB, and the consolidated profit according to the IFRS international accounting standards. PATRIZIA Immobilien AG's balance sheet profit according to HGB increased by 15.1 percent from 405.3 million euros to 466.6 million euros in the 2018 financial year. It should be noted in this context that the unappropriated profit according to HGB includes the profit carried forward from previous periods.

To assess the success only of the past financial year, 2018, and as the basis for the 2018 dividend proposal, we instead use the consolidated net income for the year attributable to the shareholders of the parent company in accordance with IFRS. This dipped by 6 percent year-on-year, from 55.0 million euros in 2017 to 51.7 million euros in 2018. However, the decline can be explained, in particular, by a significant year-on-year increase in depreciation and amortisation of other intangible assets, software and property, plant and equipment, which is related to the acquisition of TRIUVA and Rockspring and should have a significantly smaller negative impact on the consolidated result in the following years.

Our shareholder structure remains very stable. We are an owner-managed real estate investment manager – this is one of the reasons why institutional investors and business partners place so much trust in us. At the end of 2018, Wolfgang Egger still held a 51.71 percent majority stake in PATRIZIA Immobilien AG. Institutional investors, led by Union Investment and Allianz Global Investors, hold a total of nearly 40 percent of the shares in the company, while around nine percent of the shares are held by private investors.

Despite the company's excellent business performance, the PATRIZIA share price was unable to continue the successful development seen in 2017 and ended 2018 down 13.9 percent. Even if this is only a small consolation, the PATRIZIA share still outperformed the DAX and SDAX Index by 4.4 percentage points and 6.1 percentage points respectively in a generally difficult stock market year 2018. We continue to assume that many positive elements of the 2018 financial year were already anticipated by analysts and investors in the fourth quarter of 2017 following the announcement of the acquisitions of TRIUVA and Rockspring, and that they were therefore already reflected very positively in the share price at the end of 2017 and not in 2018. Fortunately, however, PATRIZIA's share price performance has been much more positive since the beginning of 2019 – at a price of EUR 19.08 as per 17 May 2019, the price is now 15 percent above the closing price for 2018.

We are convinced that PATRIZIA's positive business performance and our dividend strategy will also have a positive effect on the long-term performance of the PATRIZIA share. The proposed dividend increase gives our shareholders the opportunity to participate in the Group's improved profitability. At the same time, PATRIZIA retains the financial flexibility needed for further organic and inorganic growth.

I would like to conclude my comments on PATRIZIA's earnings, asset and financial position with a reference to the takeover-relevant disclosures and the key features of the internal control and risk management system with regard to the accounting process. This German Stock Corporation Act provides for this pursuant to § 289a (1) and § 315a (1) HGB. This information is presented in detail from page 56 and from page 65 of the Company's 2018 Annual Report. You will also find explanatory notes in the written reports of the Management Board, which have been available on PATRIZIA's website since the Annual General Meeting was convened and which are also on display here today at the table for speakers at the Annual General Meeting. Please refer to these documents.

Ladies and gentlemen,
In closing, I would like to give you a brief outlook for the 2019 financial year. We expect to continue our positive development despite the political uncertainty and the signs of weaker economic growth on the horizon.

The current market environment poses a further challenge, with the supply of real estate in Europe trending downward – in the 2018 financial year alone, around 13 percent fewer properties and real estate portfolios were traded in Europe than in the previous year. Following the successful course of business in 2018 and the rapid integration of our acquisitions, however, we believe that we are well positioned to handle this as well. Our strategy is paying off. In 2018, we improved on almost all our key indicators. Our customers entrusted us with funds totalling 2.6 billion euros – an increase of 33 percent over the previous year. And: We have a convincing, versatile product portfolio and a well-filled pipeline of new products for our customers. This is an excellent basis for a continued positive business performance in 2019.

We expect to increase our assets under management organically by between three and four billion euros in 2019, and to be managing real estate assets of 44 to 45 billion euros by the end of the year. We would also like to continue the positive development of our operating income. We expect an operating result of 120 to 130 million euros. Although this is slightly below the 141.4 million euros achieved in the 2018 financial year, as mentioned earlier that result included an exceptionally high proportion of performance fees, and we do not currently expect to reach the same level in the 2019 financial year. Conversely, this means that the annual result will be based even more strongly than in the previous year on stable, recurring management fees, and that we are striving to further improve the quality of our results in 2019.

This growth and our competitive strength are based above all on the commitment and competence of our employees, who as local real estate experts make a significant contribution to our success on the European real estate markets and the global financial markets. Accordingly, our sincere thanks go out to our employees for their great commitment to our success.

As you can see, PATRIZIA looks back on a very successful business year. A financial year with results that exceeded our expectations. A financial year characterised by active strategic decisions for the future. And a financial year in which we created a strong operating basis for our future success.

On behalf of the entire Managing Board, I would like to thank you, our shareholders, for your trust and support. We look forward to continuing on this successful path together with you.

Before ceding the floor to our Chairman Dr Seitz, I would like to point out, for the sake of good form, that in the following general debate we will adopt all the statements of the panel.

With this I cede the floor to our chairman, Dr Seitz.

Thank you very much for your attention!