

ADDED VALUE

Market Knowledge is a Key Success Factor

Our strong presence in Europe means that we constantly have our finger on the pulse of the real estate markets. With our offices and hubs on four continents, we also know our clients' requirements inside-out. We provide them with a wide range of asset classes and investment products that is unrivalled in Europe.

19

offices in 18 countries

5

client relationship hubs
in Asia, North America and
Australia

> 35

years of experience





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*Dear Shareholders,
Ladies and Gentlemen,*

We are delighted to be writing to you following another active and successful financial year for PATRIZIA.

PATRIZIA has continued to expand its position as the global partner for pan-European real estate investment, originating and executing the acquisition of attractive properties and property portfolios across Europe on behalf of our global client base. Our clients – ranging from German private, (semi-)professional and institutional investors to global institutional investors including pension funds, insurance companies and state funds – continue to benefit from the Group's long-standing track record in real estate, our pan-European network and our highly committed and experienced staff.

Our ability to deliver outstanding results for our clients is driven by our client-focused and independent business model, our corporate culture and our belief that “Building Communities & Sustainable Futures” best answers the question of what drives us every day. This has resulted in another year of delivering sustainable, stable and growing cash-flows from long-term investment in real estate.

The successful integration of the businesses we acquired in 2017 and 2018 has substantially strengthened PATRIZIA's business model by growing our geographic reach and origination capabilities, as well as significantly expanding our product offering by both asset class and risk type. As a result, our clients are now benefitting from a platform of real estate sector specialists with scale.

PATRIZIA Multi Managers (formerly: Sparinvest Property Investors) provides our clients with access to international fund of funds investing opportunities in best-in-class real estate structures globally. TRIUVA, which contributed to our results from 1 January 2018 onwards, has increased our local market footprint across Europe and further strengthened our commercial real expertise while opening the door to the infrastructure sector. Rockspring, which contributed to our results from 30 March 2018 onwards, has significantly broadened our access to international clients as well as diversity of product range.

A highlight of 2018 has been the conclusion of a successful integration process with all Group staff operating under one common PATRIZIA brand since September 2018. This has been a significant undertaking when taking into account the individual projects required for consolidating four companies into ONE PATRIZIA, including office moves in more than 25 locations in 11 cities, new departmental set-ups with a new senior leadership team as well as consolidation of four IT systems into one best-in-class IT platform that gives us the opportunity to become the tech leader in our industry.

Most importantly, the integration confirmed that one of our key M&A targets was achieved – that **whoever joins the PATRIZIA platform thinks alike when it comes to our culture and the purpose of our daily work – creating long-term value for our clients.**

The major milestones we achieved during the 2018 financial year are illustrated on page 1 of this Annual Report and show that in addition to building an even stronger platform, we continued to focus on our clients' needs. This is evidenced by another year of organic growth in assets under management and equity raised for new products of EUR 2.6bn, the majority of which came from repeat clients thus confirming the trust our clients place with PATRIZIA. Putting our clients at the heart of everything we do and focusing on generating long-term performance in real estate investment not only benefited our clients, but also our shareholders in 2018.

With an operating income of EUR 141.4m in 2018 compared to EUR 82.2m in 2017, we improved our key performance indicator by 72.0% year-on-year. We were able to increase our operating income guidance twice during 2018. This was driven by tight cost control and hence better than expected development of operating expenses as well as stronger than expected performance fees, which reflect the outperformance PATRIZIA generated against the market. In November 2018, PATRIZIA's PanEuropean balanced fund was awarded the MSCI award having recorded the highest three-year NAV performance versus its peers.

At the same time, we delivered net organic growth in assets under management by EUR 2.3bn compared to the pro-forma 2017 number, driven by new and attractive property products for our clients, as well as winning existing asset management mandates, a strong sign of our clients' trust. **In total, assets under management grew significantly to EUR 41.0bn in the past financial year.** We also professionally and successfully completed property transactions throughout Europe with a total value of EUR 5.2bn on behalf of our clients and signed transactions with a volume of EUR 6.8bn. The acquisition of the Eurotower in Frankfurt/Main for one of Taiwan's largest insurance companies is just one example out of the more than around 200 transactions we carried out for our domestic and global clients in 2018. These transactions were across a number of asset classes from residential, office, retail and hotel properties to logistics properties, student accommodation and healthcare properties.

In addition to delivering on these core metrics, we also delivered key operational successes in the 2018 financial year. These include, for example, our business for private and (semi-)professional investors. After starting the business in 2016, ten funds have already been successfully launched for around 5,000 private and (semi-)professional investors in the first three years of operations. In 2018 alone five new funds were launched, and we expect further growth from this business with a new pan-European product due to be launched during 2019.

One of the strategic areas we put an ever increasing focus on during 2018 was how technology impacts our business model and the significant opportunities but also risks that arise thereof for our clients and for our platform. The acquisition of a strategic stake in artificial intelligence business EVANA in October 2018 should be seen as one of many steps we will be taking to digitalise our platform and further enhance the services for our clients. PATRIZIA has set itself a clear target in this respect – **we strive to become the technology leader in European real estate investment management** and to best guide our clients through the coming changes driven by technology.

Outlook 2019

Despite an increasingly volatile political and economic environment we have entered the 2019 financial year with a spirit of optimism, and again expect to exploit market opportunities for our domestic and international clients in the form of attractive property fund products. **We expect to generate operating income in the range of EUR 120.0m to EUR 130.0m in 2019**, which, excluding the exceptionally strong performance fees generated in the 2018 financial year, implies solid growth in profitability underpinned by stable and recurring asset management and transaction fees.

Among other things, what sets a successful investment manager apart is years of experience in local markets and asset classes, professional processes and, in particular, attractive products that consistently outperform the market average. This is how an investment management company earns the enduring trust of its investors. All this is made possible by our dedicated employees, who are passionate about creating value for the Group and its stakeholders day in day out, on behalf of our clients and shareholders.

We would therefore like to take this opportunity to thank our employees for PATRIZIA's ongoing success in 2018.

And we thank you, our shareholders, clients and business partners, for your loyalty to and interest in PATRIZIA – we are delighted to continue PATRIZIA's journey with you.

We have already mentioned “Building Communities & Sustainable Futures” at the beginning of this letter and would like to close our review of 2018 and outlook for 2019 with it, because to us this also means giving something back to society. **We will celebrate PATRIZIA Children Foundation's 20th anniversary in 2019** and are happy and proud that more than 200,000 children in need have already benefited through access to education and medical support via the Foundation.

We would hence like to take this opportunity to send a special thank you to every client, service provider and shareholder who helped making this happen.

Augsburg, 19 March 2019

The Managing Board of PATRIZIA Immobilien AG



Wolfgang Egger
CEO



Karim Bohn
CFO



Anne Kavanagh
CIO



Klaus Schmitt
COO



Dear Shareholders,
Ladies and Gentlemen,

2018 was an extraordinary year for PATRIZIA Immobilien AG. The company successfully implemented the biggest integration process in its history. Furthermore, the team achieved a number of operational successes and thereby significantly outperformed its own expectations. All in all, PATRIZIA ranks among Europe's ten biggest real estate investment managers at the end of the year, and is excellently positioned to continue actively shaping the industry.

Cooperation between the Managing Board and the Supervisory Board

In the 2018 financial year, the Supervisory Board of PATRIZIA Immobilien AG carefully performed all the duties assigned to it by law, by the Articles of Association and by its rules of procedure. We regularly advised the Managing Board in its management of the Company and monitored its activities. We were also involved in all decisions of material importance to the Company at an early stage. The Managing Board complied fully with its reporting obligations in accordance with the law and its rules of procedure and informed us regularly in written and oral reports about all fundamental aspects of the business development of the Company and the Group. We were also informed extensively about the current opportunities and risks of the earnings and liquidity situation. The Managing Board of PATRIZIA Immobilien AG provided a detailed discussion and explanation of the Company's business plan and any deviations between this plan and the actual course of business.

Supervisory Board Meetings

The Supervisory Board held four ordinary meetings and one extraordinary meeting in the year under review. The Supervisory Board met without the attendance of the Managing Board where required. Every member of the Supervisory Board attended all the meetings. There was also a regular exchange of information between the Managing Board and the Supervisory Board, represented by the Chairman of the Supervisory Board outside of the scheduled meetings. Where the Supervisory Board was required to approve individual measures in accordance with the law, the Articles of Association or its rules of procedure, we made our decisions on the basis of comprehensive reports and resolution proposals by the Managing Board. Urgent resolutions were adopted by the Supervisory Board by written procedure where required. As the Supervisory Board of PATRIZIA Immobilien AG comprises three members, it did not form any committees.

Key areas of Advisory and Supervisory Activities

The first ordinary meeting of the Supervisory Board on 13 March 2018 included the approval of the annual accounts for the 2017 financial year. In addition to its examination of the annual financial statements of PATRIZIA Immobilien AG for the 2017 financial year, the consolidated financial statements and the combined management report of the Company and the Group, the Supervisory Board approved the dependent company report prepared by the Company for the 2017 financial year following its own review. The Supervisory Board concurred with the Managing Board's recommendation to pay the shareholders a dividend of EUR 0.25 per share for the 2017 financial year. Shareholders were given the option of receiving the dividend payment in cash or in the form of shares in PATRIZIA Immobilien AG. As at every Supervisory Board meeting, the report from the operational divisions was also a central topic at this meeting. Furthermore, the Managing Board reported on the integration of the acquired companies Sparinvest Property Investors, TRIUVA Kapitalverwaltungsgesellschaft mbH and Rockspring Property Investment Managers LLP, also presenting the intended project plan, objectives, procedure and responsibilities. The planned restructuring of the Group organisation was also presented. Furthermore, there was an explanation and discussion of the current and planned support of the PATRIZIA Children Foundation (formerly: PATRIZIA KinderHaus Stiftung). In conjunction with the implementation of Group-wide compliance standards, the code of values, the compliance manual, a whistleblowing system and compliance training were discussed and further procedure was presented.

At an extraordinary meeting on 25 April 2018, the Managing Board reported on the current status of the integration of the acquired companies and presented the further procedure, the economic targets, the intended measures and the planned communications with employees.

The Supervisory Board held its second ordinary meeting after the Annual General Meeting on 20 June 2018. In addition to the current situation in the operational divisions, there was a report on the integration of the acquired companies. Resolutions were also adopted on the adjustment of the executive organisation chart for the Managing Board and their targets for the 2018 financial year in addition to the amount of donations to the PATRIZIA Children Foundation. Furthermore, the Supervisory Board approved the proposal by the Managing Board to offer up to 1,434,038 treasury shares in PATRIZIA Immobilien AG for subscription by the company's shareholders in exchange for a pro rata dividend (stock dividend). In a subsequent written resolution, the Managing Board and the Supervisory Board then set the subscription price for the stock dividend at EUR 15.84 per share on 6 July 2018. On 17 July 2018, by way of a further written resolution, the Managing Board and the Supervisory Board decided that 93,339 treasury shares in total would be sold to shareholders in the context of the stock dividend.

The Supervisory Board met for its third ordinary meeting on 1 October 2018, where it heard reports on the operational divisions, the current status of the integration and the progress of various compliance activities. Furthermore, the Managing Board and the Supervisory Board agreed on diversity concepts specific to the



Supervisory Board f.l.t.r.: Alfred Hoschek, Dr Theodor Seitz, Uwe H. Reuter

executive bodies in accordance with section 289f(2) no. 6 of the Handelsgesetzbuch (HGB – German Commercial Code). In line with the recommendations of the German Corporate Governance Code, the Supervisory Board also resolved specific objectives for the composition of the Supervisory Board and approved a skills profile for the body as a whole. It then coordinated the intensification of a pronounced cost culture by establishing systematic cost management with the Managing Board.

At the final ordinary meeting of the financial year on 19 December 2018, the Supervisory Board examined the annual budget for 2019 in detail and adopted it unanimously. The Managing Board also gave presentations on operating and integration activities, compliance and the Compensation & Benefits project, the aim of which is to develop a new remuneration system for the Group as a whole.

Further Resolutions

In addition to the resolutions adopted during meetings of the Supervisory Board, there were further written resolutions on creating and acquiring companies, on addenda to Managing Board contracts and on issuing a letter of comfort.

Corporate Governance

The Managing Board and Supervisory Board have prepared a corporate governance report that is in connection with the corporate governance statement on the PATRIZIA website at <https://www.patrizia.ag/en/shareholders/corporate-governance/our-basic-principles/>. This declaration also contains comments on the diversity concepts specific to the executive bodies approved by the Managing Board and the Supervisory Board in 2018, and the objectives to which the Supervisory Board is committed in terms of its own composition.

On 19 December 2018, the Managing Board and Supervisory Board approved the declaration of conformity in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). In the opinion of the Supervisory Board, all members of the Supervisory Board are currently independent within the meaning of item 5.4.2 of the German Corporate Governance Code. Barring a few exceptions, the company also complies with the other recommendations and suggestions of the German Corporate Governance Code. The current declaration of conformity and all previous declarations are also permanently available on the PATRIZIA website. My colleagues on the Supervisory Board and I also examined the efficiency of our work and discussed the results. The efficiency of the cooperation between the members of the Supervisory Board and with the Managing Board was again deemed to be extremely good.

Audit of the 2018 Single-Entity and Consolidated Financial Statements

The annual financial statements of PATRIZIA Immobilien AG prepared in accordance with the German Commercial Code, the IFRS consolidated financial statements and the combined management report of PATRIZIA Immobilien AG and the Group for the 2018 financial year were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the books and records and were issued with an unqualified audit opinion in each case. The members of the Supervisory Board of PATRIZIA Immobilien AG received the aforementioned documents and the audit reports by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in good time. At the meeting to approve the annual accounts on 19 March 2019, the Managing Board and the responsible auditors discussed the results of the audit and provided additional information. Deloitte also stated that the Managing Board has established a suitable system for the early identification of risks. The Supervisory Board conducted its own detailed examination of the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements,

the combined management report of the Company and the Group for the 2018 financial year and the Managing Board's proposal for the appropriation of the unappropriated profit and did not raise any objections. We agreed with the audit result of the external auditor. The Supervisory Board approved the single-entity and consolidated financial statements. The annual financial statements of PATRIZIA Immobilien AG for the 2018 financial year have therefore been adopted. The Supervisory Board agrees with the Managing Board's proposal for the appropriation of profits for the 2018 financial year and supports the payment of a dividend of EUR 0.27 per share. The remainder of the unappropriated profit according to HGB will be carried forward to new account.

Audit of the Dependent Company Report

The report by the Managing Board of PATRIZIA Immobilien AG on relationships with related parties (dependent company report) for the 2018 financial year was also examined by the external auditor. All the legal and business relationships with related parties described therein are conducted at arm's-length conditions such as would have been agreed between the PATRIZIA Group and a third party. The auditor issued the dependent report with the following audit opinion:

"Having duly examined and assessed the report, we confirm that

1. the factual statements contained in the report are correct,
2. the Company's consideration with respect to the legal transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Managing Board and examined by the external auditor and the associated audit report were made available to all members of the Supervisory Board in good time. Based on the result of its examination, the Supervisory Board raises no objections to the report and the concluding statement by the Managing Board contained therein.

2018 was another year full of successful milestones for PATRIZIA Immobilien AG. Not least, it succeeded in forming four companies into a single one, which can now face the future stronger and more confidently than ever before. Our sincere thanks therefore go to the Managing Board and all employees for what has been achieved. Your expertise and hard work have made a very crucial contribution to this positive business performance.

Augsburg, 19 March 2019

For the Supervisory Board of PATRIZIA Immobilien AG



Dr Theodor Seitz
Chairman

The PATRIZIA Share

PATRIZIA's Key Share Data

		2018	2017	2016
Share prices				
High	EUR	21.10	20.17 ¹	22.31 ¹
Low	EUR	14.85	13.34 ¹	13.15 ¹
Closing price	EUR	16.65	19.34 ¹	14.35 ¹
Share price performance	%	-13.9	34.7 ¹	-35.7 ¹
Market capitalisation as at 31.12.	EUR bn	1.5	1.8	1.3
Average trading volume per day²				
Average trading volume per day ²	EUR	2,012,200	3,247,700	2,839,600
Average trading volume per day ²	Number	111,500	188,500	142,500
Annual share turnover ³		0.31	0.55	0.46
Issued shares as at 31.12.	Number	92,351,476	92,351,476	83,955,887
Outstanding shares as at 31.12.	Number	91,059,631	89,555,059	83,955,887
Capital increase from company funds for the issue of bonus shares	EUR, number	-	8,395,589	7,632,354
Earnings per share (IFRS, unadjusted)				
Earnings per share (IFRS, unadjusted)	EUR	0.57	0.60	2.57
Dividend per share	EUR	0.27	0.25	0.00 ⁴

¹ Closing price on Xetra-trading adjusted for capital increase from company funds (for the issue of bonus shares)

² All German stock exchanges

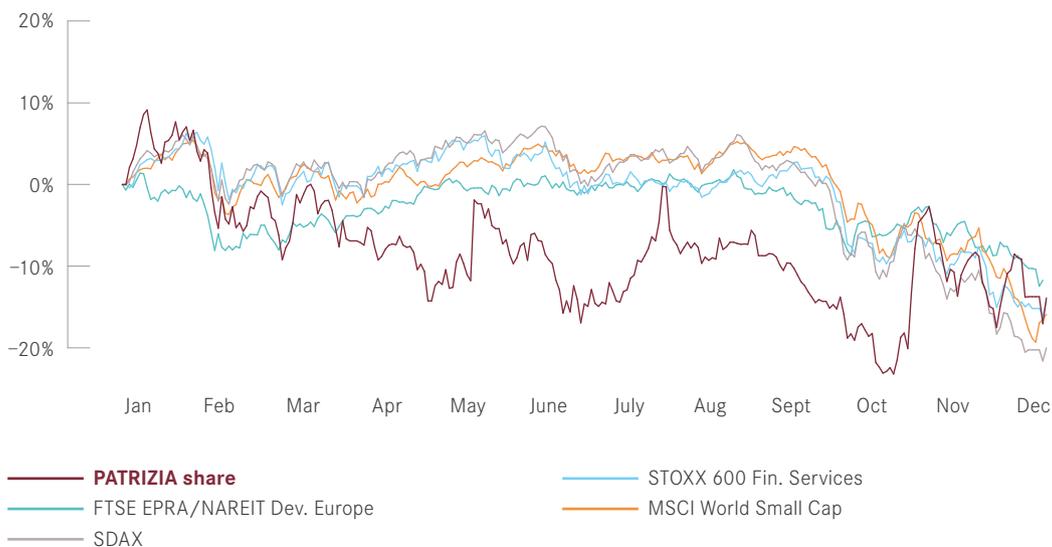
³ Quotient of shares traded/average number of shares outstanding (2018: 92,351,476 shares; 2017: 88,096,177 shares; 2016: 79,284,720 shares)

⁴ Issue of bonus shares in 10:1 ratio in lieu of dividend payment

The upward trend seen on the stock exchanges in recent years came to a halt in 2018. The leading DAX index closed 2018 at 10,559 points for a loss of 18.3%. Various reasons, including the debate over Brexit in Europe, the trade conflict between the USA and China and the global economic slowdown that emerged in the course of the year, meant the DAX saw its first year of negative performance since 2011. The SDAX small cap index, which includes the shares of PATRIZIA Immobilien AG, also failed to escape this trend and fell by 20.0% to close 2018 at 9,509 points. PATRIZIA Immobilien AG's shares outperformed the DAX and the SDAX by 4.4 and 6.1 percentage points respectively. Despite outstanding operating performance, however, they closed the year down 13.9% in absolute terms at a price of EUR 16.65. Market capitalisation amounted to EUR 1.5bn as at 31 December 2018.

An average of 111,500 PATRIZIA shares were traded every day across all German stock exchanges. This corresponds to a year-on-year reduction in volume of 40.8% (2017: 188,500 shares/day) and annual share turnover of 0.31 (2017: 0.55). This development is due in part to existing institutional investors with a long-term perspective having increased their equity interest in PATRIZIA Immobilien AG in the course of 2018.

Development of PATRIZIA's Share Price in 2018 Compared with Various Indices



Dividend Payment

In 2018, a dividend of EUR 0.25 per share was paid in cash or in the form of shares of PATRIZIA Immobilien AG for the 2017 financial year – the first dividend payment since 2007. The HGB unappropriated profit in the amount of EUR 405.3m was used to pay the dividend, with the remaining amount being carried forward to new account. By resolution of the Annual General Meeting, on 20 June 2018, a cash dividend of EUR 21,197k was paid and 96,213 treasury shares of PATRIZIA Immobilien AG valued at EUR 1,524k were transferred. Based on the share of the IFRS consolidated net profit for 2017 of EUR 55.0m attributable to shareholders, this corresponded to a pay-out ratio of 42%. The dividend was paid on 20 July 2018.

Investor Relations – Valuable Relationships and Active Communication

PATRIZIA Immobilien AG maintains a continuous dialogue with its institutional, (semi-)professional and private investors and analysts in order to provide proactive, transparent information on its business development and all important events concerning the company. In all, the Managing Board and the Investor Relations team presented the company at 19 roadshow days in 22 cities across 13 countries. The team also participated in 13 international investor conferences as well as the 14th DSW Investor Forum for Private Shareholders in Augsburg.

PATRIZIA Immobilien AG's shares are regularly covered by eight analysts from national and international banks. At the end of 2018, five analysts (63%) recommended PATRIZIA's shares as a buy, while the other three analysts issued a hold recommendation. The analyst target prices as at 31 December 2018 ranged from EUR 16.67 to EUR 25.00, with an average target price of EUR 21.59 per share.

Further information can be found online at www.patrizia.ag/en/shareholders. In addition to financial reports, presentations and announcements, this section of the company's website contains the financial calendar, the roadshows/conferences for 2019 and the latest analyst opinions on PATRIZIA Immobilien AG's shares.

Shareholder Structure of the Company

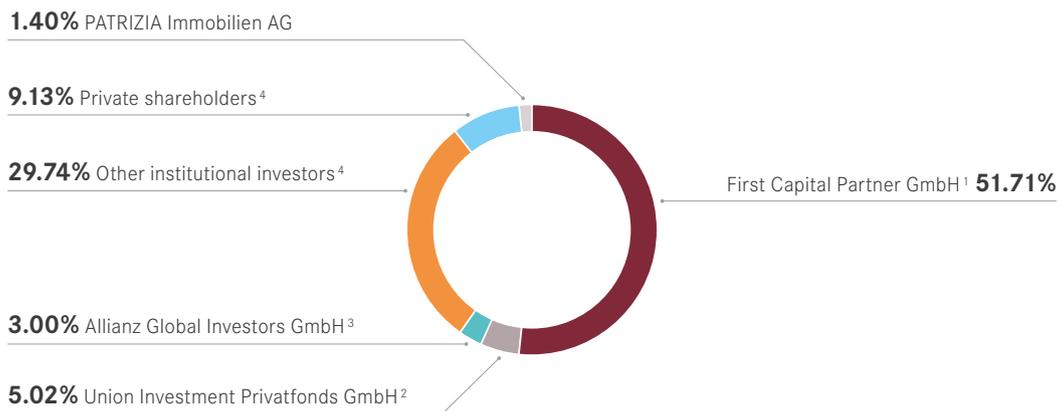
The shareholder structure of PATRIZIA Immobilien AG changed only slightly in the past financial year. The founder and CEO of the company, Mr Wolfgang Egger, remains its majority shareholder. At the end of 2018, he held 51.71% of the share capital via First Capital Partner GmbH. The second-largest shareholder, Union Investment Privatfonds GmbH, increased its equity interest to 5.02% in 2018 according to the voting rights notification dated 31 October 2018. In addition, Allianz Global Investors GmbH increased its equity interest to 3.00% according to the voting rights notification dated 11 October 2018. As at 31 December 2018, the number of treasury shares held by PATRIZIA Immobilien AG corresponded to 1.40% of the issued shares. The reduction in treasury shares compared with the previous year is due to the treasury shares used for the Rockspring acquisition as well as the dividend payment to shareholders. 29.74% of the remaining shares are held by institutional investors, with a further 9.13% held by private shareholders.

In terms of regional distribution, PATRIZIA's shareholders, which number a good 10,000, are spread across 48 countries worldwide. However, the vast majority of the shares in free float (excluding the shares held by First Capital Partner GmbH) are held by German shareholders (57.86%), followed by shareholders in the USA (16.59%) and the United Kingdom (9.05%).

Distribution of a Dividend of EUR 0.27 per Share for the 2018 Financial Year

The Managing Board and Supervisory Board of PATRIZIA Immobilien AG are proposing that the HGB unappropriated profit for the 2018 financial year in the amount of EUR 466.6m can be used to pay a dividend of EUR 0.27 per share, with the remaining amount being carried forward to new account. Based on the share of the IFRS consolidated net profit for 2018 attributable to shareholders of EUR 51.7m, this corresponds to a pay-out ratio of 48%. In the future, the growth rate of management fees and the growth rate of assets under management compared to the previous year will form the basis for the dividend proposal of the Managing Board and Supervisory Board of PATRIZIA Immobilien AG.

PATRIZIA Shareholder Structure as at 31 December 2018 – by Shareholder Group



¹ First Capital Partner is attributable to CEO Wolfgang Egger

² According to the voting rights notification of 31 October 2018

³ According to the voting rights notification of 11 October 2018

⁴ Source: PATRIZIA share register

PATRIZIA Shareholder Structure as at 31 December 2018 – by Region

