

PREAMBLE BY THE MANAGEMENT BOARD

A handwritten note in blue ink on a light background. The text reads: "Dear shareholders, Dear ladies and gentlemen,". The handwriting is cursive and appears to be a personal or informal address.

We are pleased to look back on another very successful financial year, for PATRIZIA and for you. In 2016 we demonstrated again that our business model works throughout Europe, that it is profitable, and that it is able to scale up. Our strategic orientation for the long term, and the expansion of European activities in recent years, has proven to be successful and is bearing fruit. The services we provide for our institutional and retail investors, and the investments, some of which we made alongside our investors, generated continued growth in revenues throughout Europe.

The outstanding development of our business is also expressed by the key metrics delivered during the last financial year:

- We were able to further increase the excellent operating result from EUR 155.3m in 2015 to EUR 283.2m.
- We successfully increased our assets under management to EUR 18.6bn.
- We concluded EUR 5.1bn of real estate transactions in total throughout Europe.
- We entered into contractual agreements for more than EUR 2.1bn of transactions, most of which will be closed in 2017. These include a growing volume of Europe-wide acquisitions as well as the sale of residential and commercial real estate assets which we are concluding on behalf of our investors.

One of our most important measures of success remains trust. In over 30 years of history, we have earned the trust of our investors, and it is on this trust that our growth is built. Many investors maintain and expand their business relationships with us because we are able to offer them well-structured products with attractive yields in almost all investment classes all over Europe. Currently, more than 200 institutional investors are investing with us and more than 50% of our investors are “regular customers” meaning they have [INVESTED IN MORE THAN ONE OF OUR PRODUCTS](#). In 2016 alone, we attracted approximately EUR 2.2bn of new equity, which is significantly more than the EUR 1.5bn in 2015. Our investor base continues to grow, not just in Germany and in Europe but globally. Approximately EUR 400m was invested by non-European institutional investors, in particular from Asia.

The Real Experience

What distinguishes
PATRIZIA
Page 30

Real Estate – Real Experience – Real Experts

The key element to our company’s success is our international team of experienced experts, which is available to our investors in more than 15 European real estate markets. In these markets, our local colleagues not only have an excellent local network, but also many years of industry experience. They are real experts with real experience in real estate. They are well placed to identify attractive investments in almost all asset classes and across different risk profiles at a time of increased global demand for real estate against a context of modest supply. We regard ourselves as a wholly European team which does not consider country borders when it comes to our collaboration. This is how we can

guarantee access to interesting real estate investment opportunities and are able to progress complex transactions quickly, whilst always being mindful of risk.

Some milestones that were reached in the last financial year highlight this real experience in real estate particularly well:

- Both the Astro Tower in Brussels and the Commerzbank Tower in Frankfurt am Main are among the most distinctive landmarks in their regions. Last year's acquisition of the two buildings in Belgium and Germany for institutional investors in Asia demonstrated again that PATRIZIA is able to carry out complex real estate transactions on behalf of investors from around the globe.
- In 2016, the company launched a pan-European fund for logistics properties, thereby offering institutional investors the ability to invest in a real estate class with tremendous growth potential. For this purpose, we put together an experienced team that is active throughout Europe and based out of Amsterdam. Almost half of the fund's target volume of EUR 500m has already been invested.
- Despite the uncertainty caused by Brexit, there are interesting opportunities in the UK and the private rental property market in urban centres is becoming increasingly attractive. PATRIZIA has already made good strides in this area, securing planning permission for the development of over 600 rental apartments in Manchester, the UK's third largest city, in 2016. In East London, PATRIZIA purchased Trocoll House for the development of approximately 200 modern apartments.
- In an off-market transaction, PATRIZIA was able to purchase, on behalf of a large German insurance company, a portfolio with approximately 3,500 apartments in Germany from a Dutch private investor fund. Again, this transaction illustrates the benefit our European network can provide to investors in accessing deals.
- Retail properties continued to be sought-after investments despite the changing face of the sector through e-commerce. During 2016, PATRIZIA invested over EUR 1bn in European retail property. In Germany, where we have approximately EUR 3.3bn invested, we are one of the largest retail investors and landlords in this segment of the market.
- In 2016, we made it possible for private investors to professionally invest in closed real estate funds throughout Europe managed by PATRIZIA. The range of products that are offered cover the entire spectrum of asset classes: from residential properties in growing metropolitan areas such as The Hague or Copenhagen, to office properties in Munich. The minimum investment amount is EUR 10,000. In its first year, more than 1,600 private investors participated in our funds and enjoyed disbursements ranging from four to five percent, an attractive return during this period of historically low interest rates.

From a European Real Estate Investment Company to a Global Provider of European Real Estate Investments

Last year, we successfully identified and realised additional growth opportunities for our investors in the European real estate markets which further strengthened and expanded PATRIZIA's position as one of the leading real estate investment companies in Europe. We also increased the focus of our internal organisation towards investment management to

enable us to capture the opportunities and challenges of the future. Having sold our property management segment, we have been able to focus more on our activities as investment managers. In addition, we made a strategic decision to expand PATRIZIA's global fund raising team, where we now have representation in Germany, the UK, France, Australia, and North America.

To support our continued international expansion, the management board recently appointed a Chief Investment Officer (CIO), Anne Kavanagh, who joins us in April. Working out of both our Augsburg and London offices, she will be responsible for all of our investment activities as well as portfolio management. Having worked in various international investment markets for more than 25 years, Anne has tremendous industry experience and an **OUTSTANDING REPUTATION** with our investors. In view of the increasing global demand for investment opportunities in European real estate markets, we are convinced that, together with Anne's support, we will be able to successfully continue our pan-European growth for the benefit of our investors.

25 years of experience

on international
investment markets

To summarise, we are very pleased with the results of the last financial year, and our focus is on building on this to deliver further growth. With the company's high level of liquid assets and low debt levels, we are ideally positioned to continue pursuing our strategy for international expansion, benefiting from market opportunities both in Germany and abroad. Our vision is to further evolve PATRIZIA in the years to come, from being one of the leading independent European real estate companies to a global provider of European real estate investments.

Outlook 2017

Going forward, we expect to continue the successful growth of our business and are confident that 2017 will be another strong year for PATRIZIA.

All this wouldn't be possible without our dedicated employees who, with a great deal of professionalism and passion, propel PATRIZIA forward every day on behalf of our investors and shareholders. They deserve special thanks for their active involvement and we are very proud of our strong European community of colleagues and employees.

Finally, we would like to thank you, our shareholders, for your trust. We would be honoured if you continued to place this trust in us and support our continued growth path.

Augsburg, 14 March 2017
Your PATRIZIA Management Board



WOLFGANG EGGER
CEO



KARIM BOHN
CFO



KLAUS SCHMITT
COO

SUPERVISORY BOARD REPORT

Dear Shareholders,
Ladies and Gentlemen,

2016 was an outstanding year for PATRIZIA Immobilien AG, producing the best financial results in the history of the Company and setting the course for the future.

Cooperation between the Managing Board and the Supervisory Board

In the financial year 2016, the Supervisory Board of PATRIZIA Immobilien AG carefully performed all the duties entrusted to it by law, the Articles of Association and rules of procedure. We, the Supervisory Board, regularly advised the Managing Board on the management of the Company and monitored the measures it undertook in that process. We were also involved at an early stage in all key decisions by the Managing Board. The Managing Board fully complied with its reporting obligations pursuant to the law and the rules of procedure and informed us regularly in writing and verbally of all fundamental aspects relating to the development of the business for the Company and the Group. We were also informed extensively on any current opportunities or threats that might impact on the earnings and liquidity of PATRIZIA Immobilien AG. The PATRIZIA Managing Board outlined and explained in depth the business plan and any deviations from the strategy as business developed over the course of the year.

Supervisory Board meetings

In the year under review, four ordinary and two extraordinary Supervisory Board meetings took place. The Supervisory Board met without the Managing Board as needed. Every member of the Supervisory Board attended all the meetings. Furthermore, outside of the scheduled meetings, there was a regular exchange between the Supervisory Board and the Managing Board. If the law, Articles of Association or rules of procedure required individual measures to be approved by the Supervisory Board, we made our decisions on the basis of extensive reports and resolution proposals by the Managing Board. Where required, urgent Supervisory Board resolutions were adopted by circulation. Given that the Supervisory Board of PATRIZIA Immobilien AG comprises three members, it did not form any committees. To enable an in-depth exchange of information as well as efficient working process, the Supervisory Board believes it expedient to base the size of the PATRIZIA Immobilien AG Supervisory Board on the statutory minimum number of members.

Focus of the advisory and supervisory activities, changes in the members of the Managing Board

The first ordinary meeting of the Supervisory Board on 14 March 2016 included the approval of the annual accounts for the financial year 2015. This included the examination of the 2015 annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements and the combined management report on the Company and the Group. In addition, the Supervisory Board also approved the Company's Dependency Report for the financial year 2015 after due examination. As at every Supervisory Board meeting, the liquidity situation and the report from the operational divisions were key topics during this meeting. Furthermore, we adopted the corporate targets for the financial year 2016 and were given a detailed presentation on the "Leading" project, including its

planned measures and project budget. The project's objective is to further consolidate PATRIZIA Immobilien AG's position as a leading real-estate investment company in Europe and achieve sustainable operating income expansion to ensure the Company continues to grow in a sustainable manner.

On 16 March 2016, the Supervisory Board held an extraordinary meeting in which the Supervisory Board approved the use of the net profit proposed by the Managing Board, following discussions with the Managing Board at the ordinary Supervisory Board meeting on 14 March 2016.

After the Annual General Meeting on 16 June 2016, the Supervisory Board convened its second ordinary meeting. In addition to a detailed presentation of developments in the operational divisions, we were also briefed on the current status of the "Leading" project. On the basis of the 9-point project plan communicated on 7 April 2016, the Managing Board demonstrated the progress made in implementing specific measures and the economic implications of the project. The Managing Board also presented active liquidity management measures designed to enable PATRIZIA Immobilien AG to deposit the Company's available liquidity and thereby avoiding negative interest rates.

The key topics addressed at the third ordinary Supervisory Board meeting on 26 September 2016 were a general update, the strategic development and the targets aspired to by PATRIZIA Netherlands and progress in the "Leading" project. For the latter, in addition to the update on the measures contained in the 9-point project plan, the current developments in the sale of Property Management took primary place in this discussion.

On 17 October 2016, we convened an extraordinary Supervisory Board meeting in response to the successful sale of the Property Management business. At the meeting, the Managing Board outlined the offer made by DIM Deutsche Immobilien Management AG on which the purchase agreement was based and surmised that DIM is a long term business partner for PATRIZIA Immobilien AG, and has been positively received by employees who transferred with the business.

At the final ordinary meeting for the financial year on 21 December 2016, the Supervisory Board examined the 2017 annual budget in detail and adopted this unanimously. We were updated on the "Leading" project and briefed by the Managing Board on developments in the operational divisions and the very successful fundraising and transaction business in 2016. To comply with Article 16 of Regulation (EU) No. 537 / 2014 the Managing Board also submitted a suitable proposal for the exercise of our monitoring obligations for audits and the approval of non-audit services, which we adopted during the meeting.

Corporate Governance

The Managing Board and Supervisory Board compiled a Corporate Governance Report, which has been published in combination with the Corporate Governance Statement on the PATRIZIA homepage at www.patrizia.ag/investor-relations/corporate-governance. In December 2016, the Managing Board and Supervisory Board adopted the Compliance Statement pursuant to Section 161 AktG (German Stock Corporation Act). The Code's recommendations and suggestions have been largely complied with. All former as well as current Compliance Statements are permanently available on the PATRIZIA website. In addition, the Supervisory Board underwent an internal review process, which determined that the efficiency of the board's work both internally and with the Managing Board was deemed to be very good.



Dr Theodor Seitz (Chairman of the Supervisory Board)

Further resolutions

Following the ordinary Annual General Meeting on 16 June 2016, which approved a 10% equity increase from company funds in order to issue so-called bonus shares and the repeal of the existing authorised capital 2012 and conditional capital 2012 and the creation of new authorised capital 2016/I, authorised capital 2016/II and contingent capital 2016, the Supervisory Board decided in accordance with Section 16 of the Articles of Association to amend the wording of Section 4 (3), (3a) and (4) of the Articles of Association.

Changes in the members of the Supervisory Board

There were no changes in the members of the Supervisory Board in 2016. The Annual General Meeting did, however, confirm the appointment of Mr Gerhard Steck on 16 June 2016, who had been appointed by Augsburg Local Court on 1 July 2015.

Audit of the 2016 annual and consolidated financial statements

The annual financial statements of PATRIZIA Immobilien AG, prepared in accordance with the German Commercial Code, the consolidated financial statements, prepared in accordance with IFRS, and the combined management report for PATRIZIA Immobilien AG and the Group, were all audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping, and each issued with an unqualified audit opinion. The members of the Supervisory Board received the aforementioned documents as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft on schedule. The Managing Board and the auditors explained the findings of the audit to us at the Accounts Meeting on 13 March 2017 and were available to provide additional information as needed. Deloitte & Touche has also stated that the Managing Board has set up a suitable system for early detection of risks.

The Supervisory Board also thoroughly examined the annual financial statements of PATRIZIA Immobilien AG, the consolidated financial statements, the combined management report for the Company and the Group, and the Managing Board's proposal on the deployment of net profit and did not raise any objections. We agreed with the findings of the audit by the external auditors. The Supervisory Board approved the annual and consolidated financial statements. The annual financial statements of PATRIZIA Immobilien AG are thus adopted. The Supervisory Board approved the proposal on the deployment of net earnings made by the Managing Board and supports a further capital increase from company funds for the purposes of issuing bonus shares in lieu of the payment of a dividend.

Audit of the Dependency Report

The Managing Board's report on related party transactions for the financial year 2016 was also audited by the external auditor. All legal and business relationships with related parties listed therein are in line with current market conditions and with what would have been concluded between the PATRIZIA Group and third parties. The auditor issued the Dependency Report the following audit certificate:

"Having duly examined and assessed this report, we hereby confirm that

1. the information given in the report is correct,
2. with regard to the legal transactions listed in the report, the amounts paid by the company were not unduly high."

The Dependency Report compiled by the Managing Board, and audited by the external auditors as well as the associated audit report, were available to all members of the Supervisory Board in due time. In accordance with the concluding findings of its examination, the Supervisory Board raises no objections to the report and the concluding statement by the Managing Board contained therein.

2016 was yet another of year of growth for PATRIZIA Immobilien AG which brought many challenges with it. We would like to express our sincere thanks to the Managing Board and all the employees who ensure our success on the European market as local real estate experts and who work with great commitment and loyalty for the future of PATRIZIA Immobilien AG.

Augsburg, 13 March 2017

On behalf of the Supervisory Board



DR THEODOR SEITZ
Chairman

THE PATRIZIA SHARE

KEY FIGURES OF THE PATRIZIA STOCK

		2016	2015	2014
Share price¹				
Highest	EUR	27.00	27.97	12.57
Lowest	EUR	14.47	12.48	7.49
Year-end	EUR	15.79	27.00	12.19
Share price development ²	%	-42	121	59
Market capitalisation as of 31 December ¹	billion EUR	1.3	2.1	0.8
Average share volume per day ³	EUR	2,839,600	2,835,700	913,200
Average share volume per day ³	Each	142,500	139,900	97,900
Annual share turnover ⁴		0.46	0.49	0.38
Outstanding shares as of 31 December	Each	83,955,887	76,323,533	69,385,030
Capital increase from Company resources to issue bonus shares	EUR, each	7,632,354	6,938,503	6,307,730
Result per share (IFRS)	EUR	2.83	1.32	0.42
Dividend per share	EUR	0.00 ⁵	0.00 ⁶	0.00 ⁶

1) Xetra closing price

2) Not adjusted for capital increase from Company resources

3) All German exchanges

4) Quotient from share volume / share inventory based on average outstanding shares (2016: 79,284,720 shares, 2015: 71,951,326 shares, 2014: 65,980,584 shares)

5) Instead, bonus shares are to be issued in the ratio of 10:1, subject to the approval of the Annual General Meeting on 22 June 2017

6) Instead, bonus shares were issued in the ratio of 10:1

At the end of 2016, the markets were able to look back to a tumultuous year. In particular, the monetary policy of the international central banks and the elections in Great Britain and the United States had a significant impact on investor behaviour. The German leading index DAX reported the worst opening in decades and reached its lowest point of the year mid-February with approximately 8,750 points. A recovery followed, which was only briefly interrupted by the Brexit referendum of

the British population. After Donald Trump was elected in late autumn, the DAX started a final sprint that ended with an annual high of over 11,480 points. As a result, the index was able to end the year 7% up. In comparison, the German small-cap index SDAX, which includes PATRIZIA, ended somewhat weaker; it increased by approximately 5% over the course of the year.

PATRIZIA Immobilien AG was unable to continue its road to success from the previous year in 2016. In spite of a very positive operational performance, the PATRIZIA share dropped by approximately 42%. Adjusted for the issuance of bonus shares, the price decline of 36% is somewhat less drastic. With a share price of EUR 27.00, the stock started close to its all-time high for the year, but increasingly distanced itself over the course of the year from this level. At the beginning of December, it reached its low for the year of EUR 14.47. By the end of the year, the price had moderately recovered, and ended the year at EUR 15.79 with a corresponding market capitalization of EUR 1.3bn.

On average, 142,500 PATRIZIA shares were traded daily at all German exchanges. This corresponds to an average increase of 2% compared to the previous year (2015: 139,900 shares / day) and an annual share turnover of 0.46 (2015: 0.49). In the MDAX index ranking of Deutsche Börse, PATRIZIA was ranked 59 again in terms of the trade volume. Due to the development of the share price, however, PATRIZIA dropped from rank 54 to rank 65 for the market capitalisation.

DEVELOPMENT OF THE PATRIZIA STOCK IN 2016 COMPARED TO VARIOUS INDICES (IN %)



Issuance of bonus shares

On 16 June 2016, the Annual General Meeting approved the capital increase from Company accounts to issue bonus shares in a ratio of 10:1 for the fifth consecutive time. The amendment of the Articles of Association was entered in the Company's commercial register on 12 August 2016, thereby becoming effective. The share capital increased by 10% or EUR 7,632,354 and now amounts to EUR 83,955,887, divided into 83,955,887 registered no-par value shares. On 26 August 2016, after the close of the markets, every shareholder was assigned one new share for each ten existing PATRIZIA shares. First day of trading for the new shares was on 29 August 2016.

EUR bn

1.3

PATRIZIA market value
at the end of 2016

shares / day

262,000

highest average trade volume
in November 2016

More than 40 Days in 2016 spent the Investor Relations Team on road shows and conferences



www.patrizia.ag/investor-relations

7

analysts monitor and regularly rate PATRIZIA and its stock

Investor Relations – valuable relationships and active communication

PATRIZIA Immobilien AG maintains a continuous and comprehensive dialogue with its institutional and private shareholders in which it proactively and transparently provides information about the business development and all important events. Consequently, the Company's Managing Board and Investor Relations gave presentations at all important financial centres in Europe and the United States in 2016 as well. In total, the Company visited 26 cities in 15 countries on a total of 32 road-show days – from A as in Atlanta to Z as in Zurich. The team also attended 10 international investor conferences.

The stock of PATRIZIA Immobilien AG is regularly rated by seven analyses from renowned German and international banks. At the end of 2016, six of the analysts, or respectively 86%, recommended buying PATRIZIA stock, while one analyst recommended to hold the share. Compared to the previous year, when 56% of the analysts clearly rated the stock a “buy”, this represents a clearly improved starting position. The exchange price recommendations ranged from EUR 17 to EUR 26 on 31 December 2016, and the average target price was around EUR 22.21.

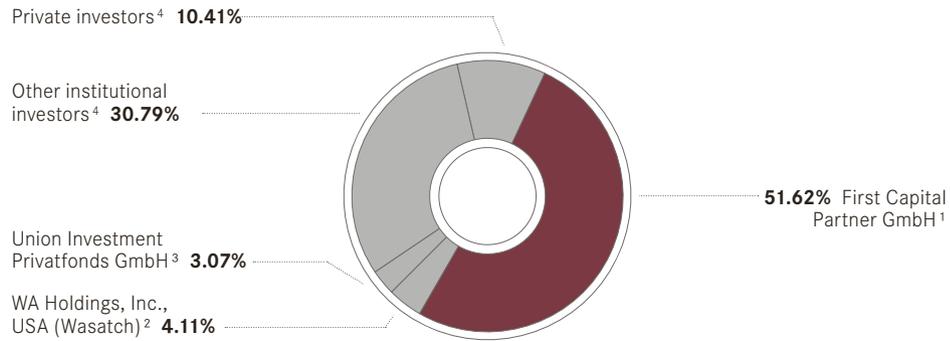
For more information, please visit www.patrizia.ag/investor-relations. This website offers financial reports, presentations, and notifications as well as the current financial calendar and the assessments prepared by analysts about the stock of PATRIZIA Immobilien AG.

Company's shareholder structure

The shareholder structure of PATRIZIA Immobilien AG remained mostly unchanged in the past fiscal year. The company's founder and CEO Mr Wolfgang Egger continues to be the majority shareholder. Through First Capital Partner GmbH, he maintained his 51.62% interest in 2016. The second largest shareholder, the North American investor Wasatch reduced its interest in December 2016 to 4.11% and thus fell below the reporting threshold of 5%. The company Union Investment Privatfonds GmbH had purchased a share package of 3.07% in May 2013. The remaining shares are held by institutional investors at 30.79% and by private shareholders at 10.41%.

From a regional perspective, the more than 43,000 PATRIZIA shareholders are spread across a total of 45 countries throughout the world. The largest majority of the shares, however, are held by German (81.55%), American (8.72%), and British (3.65%) shareholders.

PATRIZIA SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2016



- 1) First Capital Partner is attributable to CEO Wolfgang Egger
- 2) According to the voting right notification of 21 December 2016
- 3) According to the voting right notification of 22 May 2013
- 4) Shareholders included in the register of names, those that are not registered were estimated

PATRIZIA SHAREHOLDER STRUCTURE BY REGION AS OF 31 DECEMBER 2016

