

## **Report of the Supervisory Board**

Dear shareholders,  
Dear ladies and gentlemen,

For PATRIZIA, 2013 marked another year of growth, but also a year that presented many challenges.

The Supervisory Board of PATRIZIA Immobilien AG performed all the duties incumbent upon it in accordance with the law, the Articles of Association and the bylaws with great care in fiscal year 2013. We regularly advised the Managing Board on corporate management issues and monitored the measures taken. The Supervisory Board was always involved at an early stage in all major decisions affecting the Company and the Group. The Managing Board fulfilled its reporting duties as prescribed by law and the bylaws in full and provided us with regular written and verbal information regarding all key aspects of the Company's and Group's business performance. We were provided with equally detailed information about the current risks and opportunities concerning the earnings and liquidity situation and their management. The PATRIZIA Managing Board provided detailed explanations of and justifications for the Company's budgeting and its realisation as well as for deviations from previously prepared plans.

### **Ordinary Meetings of the Supervisory Board**

The Supervisory Board came together in four ordinary meetings during the reporting year. On two occasions, the Supervisory Board members met without the participation of the Managing Board. Each member attended every meeting. Regular exchanges between the Supervisory Board and the Managing Board also took place outside of these scheduled meetings in personal discussions. We discussed in detail all measures requiring approval and made our decisions on the basis of the reports and proposed resolutions of the Managing Board. When necessary, urgent resolutions of the Supervisory Board were passed by circulation. Contrary to the recommendations of the German Corporate Governance Code, we refrained from forming committees owing to the number of three Supervisory Board members. The Supervisory Board considers it expedient to base the size of the Supervisory Board of PATRIZIA Immobilien AG on the statutory minimum number of members in order to enable it to work efficiently and to allow an intensive exchange of ideas.

On 18 March 2013 we met for the year's first regular meeting of the Supervisory Board. Following a careful review in the presence of the external auditor, we approved the 2012 annual financial statements for PATRIZIA Immobilien AG and the consolidated financial statements for the Group as well as the combined management report for the Company and the Group. Following a separate examination, the Supervisory Board also approved the dependent company report for the 2012 fiscal year. Significant attention was devoted to the report from the operational areas. Liquidity planning, personnel development and further corporate development were also discussed, notably in connection with the internal restructuring and the European expansion. The proposed resolutions for the agenda of the 2013 Annual General Meeting were also approved.

At the Supervisory Board meeting following the Annual General Meeting on 12 June 2013, we focused on current business development, including in particular the issues of purchasing and co-investments. Individual fund products and the current liquidity situation were also discussed. In addition, the Supervisory Board approved amendments, in accordance with Article 16 of the Articles of Association, to the wording of the first sentence of Article 3 of the Articles of Association (Company Notifications) and the first sentence of Article 4 (4) of the Articles of Association (Contingent Capital).

The third Supervisory Board meeting held on 27 September 2013 focused on issues relating to the operational areas. The discussions placed particular emphasis on the continuing challenging market situation for funds business purchases. The Managing Board also informed us about the status of the various project developments and commented on the performance of the co-investments. The growth of our foreign branches, notably of PATRIZIA Nordics A/S of Copenhagen, Denmark, was also discussed. We also addressed the liquidity situation against the backdrop of the portfolio purchases made in the form of further co-investments and scrutinised personnel planning within the Group.

At the last meeting of 2013 held on 16 December the Managing Board explained development in the operational areas. In addition to the general business and liquidity situation, we focused on planning for the 2014 fiscal year. We also discussed the delay in the new-build project in Frankfurt. The insolvency of a major trade company meant that the contribution to results that was expected in 2013 will now be pushed back to the first half of 2014. In addition to headcount development, the Supervisory Board also discussed the level of selling expenses. Having compared expected income against planned investments, we approved the 2014 budget in its entirety. In addition, an adjustment to Managing Board bonuses was agreed in view of the significant increase in responsibilities assumed by the Managing Board members.

The Supervisory Board also addressed the amendments to the German Corporate Governance Code in the version valid since 10 June 2013. At this meeting, the Managing Board and Supervisory Board issued a declaration of conformity in accordance with Article 161 of the German Stock Corporation Act (AktG) which also expressed an opinion on the recommendations of the Code. The recommendations and suggestions of the Code are followed through with a few exceptions. The current and also all previous declarations of conformity are permanently available for viewing on the website of PATRIZIA AG. My colleagues on the Supervisory Board and I also examined the efficiency of our Supervisory Board activities and discussed the findings. The efficiency of our collaboration with each other and with the Managing Board was again found to be very good.

#### **Further Supervisory Board Resolutions**

PATRIZIA Immobilien AG's participation as co-investor in the acquisition of shares in GBW AG totalling EUR 58 million and the acquisition of the "Deikon portfolio" were agreed by circulation.

#### **Examination of the Annual and Consolidated Financial Statements 2013**

The annual financial statements of PATRIZIA Immobilien AG, which are prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code), and the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the combined management report for PATRIZIA Immobilien AG and the Group were examined by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, together with the bookkeeping, and each issued with an unqualified audit opinion. The documents mentioned as well as the audit reports from Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft were made available on time to the members of the Supervisory Board for the accounts meeting on 24 March 2014. The Managing Board and the responsible auditors explained the findings of the audit and were available to provide additional information. The risk management system and the effectiveness of the internal control system also formed part of the audit. The auditor confirmed that there were no material weaknesses in this regard.

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 for the Group as well as the Managing Board's proposal on the appropriation of net profit. We concurred with the findings of the examination by the auditor. No objections were raised. The Supervisory Board approved the annual and consolidated financial statements. The annual financial statements are thus adopted pursuant to Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board agrees with the proposal on the appropriation of net profit made by the Managing Board and supports a renewed capital increase from company funds in order to issue bonus shares instead of paying a dividend.

### **Examination of the Dependent Company Report**

All legal and business relationships with related parties and companies were presented to the Supervisory Board, which carried out an in-depth review of market conformity on the basis of relevant documents. These contractual relationships with related parties and companies were also checked by the auditor and are in line with current market conditions also applicable to such relationships concluded between the PATRIZIA Group and third parties.

The dependent company report on relationships between PATRIZIA Immobilien AG and affiliated companies prepared by the Managing Board for the 2013 fiscal year was examined by the auditor and given the following opinion:

"Following our mandatory audit and assessment, we hereby confirm that:

1. The information given in the report is correct.
2. With regard to any legal transactions listed in the report, the sum paid by the Company was not unduly high."

The auditor's report on the dependent company report was made available to all members of the Supervisory Board at an early stage and was discussed with the auditors present at the meeting. The Supervisory Board concurred with the result of the auditor's examination of the dependent company report. In accordance with the concluding findings of its examination, the Supervisory Board raises no objections to the dependent company report and the concluding declaration of the Managing Board contained therein. We express our gratitude to the Managing Board and to all employees for their work. The result achieved in 2013 was only made possible through their loyalty and tireless dedication.

Augsburg, 24 March 2014

For the Supervisory Board



Dr. Theodor Seitz  
Chairman