

PATRIZIA Immobilien AG
Speech by CEO Wolfgang Egger
at the Annual General Meeting on 22 June 2017

- Check against delivery -

Ladies and gentlemen,
shareholders,
friends of PATRIZIA Immobilien AG,

Welcome to today's Annual General Meeting of PATRIZIA Immobilien AG! I am delighted that so many of you have shown up here in Augsburg to find out about the business development of PATRIZIA – your PATRIZIA – in the past year.

2016 was another extremely successful financial year – in fact, the most successful so far in our company's history. We once again increased our already good operating earnings, as well as our real estate assets under management. Of course we are happy to be able to look back on a financial year like this. But all of us here know that in the world of real estate a single year is a very short time. After all, properties are very long-lasting assets, so in order to assess our development we should not only take a snapshot but also adopt a long-term perspective.

And we can only adopt a long-term perspective if we pursue a long-term strategy. That is exactly what sets PATRIZIA apart. We already set out this long-term strategy in detail in our issue prospectus for the IPO in 2006. Back then, we already described how PATRIZIA would develop into a European real estate investment company in the future: firstly by extending its business activities into Europe, and secondly by expanding its investment activities for national and international investors.

In the first few years after the IPO, the implementation of PATRIZIA's strategy was initially held back by the global financial crisis. But with the acquisition in 2011 of an asset manager for commercial real estate with operations throughout Europe, we showed that we are keeping to our strategy and consistently pursuing it. Since 2012, it has been clear to everyone how PATRIZIA is developing.

Over the past five years, we have steadily increased our assets under management from around EUR 5 billion to almost EUR 20 billion now. We were able to achieve this, ladies and gentlemen, because we have continuously invested our profits into PATRIZIA's further development.

Between 2012 and 2016, we also succeeded in executing real estate transactions with a volume of EUR 24.4 billion and obtaining EUR 8.3 billion of equity from institutional investors. In total, we have generated cumulative earnings of EUR 571.2 million in the past five years. This development, dear guests, is something we can be proud of – and it is not just reflected in the world of figures: The acquisition of LBBW Immobilien GmbH in 2012 was recently named the “deal of the decade” by the European trade journal Property EU. This award goes to projects and transactions that have displayed exceptional operational excellence over a decade. We are particularly proud of this award because it underscores two things: our own high-quality standards and our long-term approach to thinking about and practising our business.

Of course, PATRIZIA's development has not passed our shareholders by without a trace, either. The portfolio of a shareholder who bought PATRIZIA shares for EUR 1,000 at the beginning of 2012 would have been worth around EUR 6,470 by the end of 2016. So, the purchase of PATRIZIA shares generated an average annual return of around 50 percent between 2012 and 2016. That, ladies and gentlemen, is both a source of pleasure and an incentive for us. Our goal is to ensure that our customers

and shareholders are satisfied with our performance. After all, what is it that Warren Buffet once said? No business has ever failed with happy customers.

This long-term view, along with a look at last year's accounts, shows that PATRIZIA's business model works profitably for the company, and thus for its shareholders. And it shows that we were and still are right with our long-term strategic orientation and the expansion of our European activities. We generate income throughout Europe with the services we perform for our customers and with the investments we make together with our customers in some cases. These two components combined form a secure economic foundation on which we can further develop our strategy and expand significantly again.

Ladies and gentlemen, as I am sure most of you know, we have reinvested all of our profits in our further development for the past ten years. Our current high level of cash funds enables us to continue doing so, and to a much greater extent. As in the past, we will focus with strong financial discipline on those acquisitions that offer us and our customers the highest added value. It is not making a fast investment that matters, but making the right investment! After all, in a cyclical market good deals always come back around. To quote Warren Buffet again: Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble. This is ultimately what it comes down to. Identifying good deals and then successfully implementing them.

However, the purely economic component is not the only key to success. Personally, I see two other very crucial success factors: trust and absolute customer focus – or, as we call it internally, “clients first”.

Trust, ladies and gentlemen, is something that we have earned anew each day throughout our 30-year history. Through hard work. This trust also forms the basis for our growth. You see, most of our customers are not “one-time offenders”: They work with us repeatedly and often even broaden the business base. Why is this? It's simple: We offer them well-structured products with attractive yields in almost all asset classes throughout Europe.

More than 200 institutional investors currently invest with or through us. And over 50 percent of our investors are these “repeat offenders” who often invest in several PATRIZIA products at once. We are talking about roughly EUR 2.2 billion of equity acquired by us in 2016 alone. Our investor base is growing steadily – and not just in Germany and Europe any more. Around EUR 400 million of the equity acquired in 2016 came from institutional investors outside Europe. Asian investors in particular are placing their trust in PATRIZIA when it comes to complex major real estate investments in Europe.

Our “clients first” approach is primarily reflected in the fact that we always recommend our customers the best investment product for their purposes. This may be a German specialised fund as well as a vehicle under Luxembourgian, Dutch or French law. Because we collaborate with more than 100 different financial institutions, we also have a key competitive advantage: We do not have to sell our customers financing from a specific institution. We chose the financier from our network that offers the best conditions for the investment in question.

This means that we are able to advise our customers independently, and we offer them the opportunity to make diversified investments. We provide professional consulting for all types of use – from offices to retail and residential properties to hotels and care homes. Our expertise also spans different risk classes – from core to value-add to opportunistic. And we offer this expertise throughout Europe – from Germany to Finland to Ireland to the Iberian Peninsula. Whether it's office buildings in Scandinavia or shopping centres in Germany, apartments in the Netherlands or retail properties in Spain – we always recommend our customers the properties and projects in which we see the greatest added value for them.

Providing independent advice also means that we only make investments in asset classes and countries in which we have confidence on a long-term basis. If this is the case, then in the next step we look for skilled local specialists, or “localists”, who have in-depth insider knowledge of the market. Only then do we offer our customer the opportunity to invest before subsequently looking for properties and entering into purchase negotiations. Always in precisely this order. So we don’t suddenly start investing in micro-apartments in secondary cities in France just because this happens to be en vogue. Instead, we do so only if two conditions are met: Based on our market analysis, we must be convinced that micro-apartments in these locations promise success in the medium and long term; and we must have brought in experts with good knowledge of micro-apartments.

All of this has very positive consequences for our investors, as demonstrated by our “deal of the decade” that I mentioned earlier. In 2012, we acquired LBBW Immobilien GmbH with its approximately 20,000 apartments on behalf of an investor consortium. In 2015, we sold this company, trading as SÜDEWO by then, to the company now known as Vonovia, which had made us a very attractive offer. We thus implemented the sale considerably earlier than foreseen in the business plan, thereby generating real added value for the investor consortium. If we were purely an asset manager, we certainly would not have aimed for this sale; after all, that would have meant losing an asset management mandate. But as an investment manager with a comprehensive approach, we think a step ahead: By securing a good deal for the investors, we increase the chances that they will choose to work with us again in the future.

Focusing on the long term and having the DNA of an investor – this is what we are known for and this is how we have always adhered to the principle of investing our investors’ money as if it were our own. Prudently, without pressure, but with maximum prospects of success. Ultimately, you have to understand that PATRIZIA’s way of thinking is similar to that of a pension fund. We think long-term, meaning in generations. And we treat the money entrusted to us as if it were our own. The only difference from a pension fund is that we invest exclusively in real estate: And we do so – as I mentioned earlier – in all asset and risk classes, throughout Europe and always with our own employees on site.

Dear guests, all of our transactions are about long-term prospects and responsibility. We are fully aware of our social and societal responsibility and accept this. Ultimately, we want to be able to look our customers and all other stakeholders in the eye after closing a transaction. After all, our reputation is one of our most valuable assets.

So when we sold SÜDEWO, we paid very close attention to ensuring that the new owner would comply with all obligations to the tenants arising from the social charter we had signed. We are not a private equity gambler that pops up here one moment and there the next and quickly disappears from the real estate market again when in doubt. We know that properties are long-term assets that affect people and the environment and must be handled responsibly.

A key aspect of accepting this responsibility is undoubtedly economic strength. You need to have adequate capital resources available to be able to a) win high-volume projects quickly and b) seize attractive investment opportunities from a position of strength in difficult market phases – which will always keep coming back around.

That, ladies and gentlemen, is the reason why PATRIZIA has been continuously evolving for years and always keeps tapping into new countries and business areas. In this way, we have gained the trust of institutional investors and are also gaining that of new customers. So growth is not an end in itself. Growth and size are dependent on one another and strengthen our competitive position. And staying still is not an alternative. The market is far too lively, dynamic and demanding for that. Those who set the standards now and in the future have the best chances of sustainable success in the long term.

I don’t need to emphasise that this is hard work: You have to focus on your goals, but above all you have to act with an understanding of your own strengths. That means not only having the confidence

to take action, but also trusting yourself. Only those who trust themselves can trust others – and thus in turn win the trust of others. This set of fundamental values makes us the best partner for our investors. A strong partner. And strong partners are the only ones in whom you place your trust. This trust is a great honour to us, since ultimately we manage what other people have spent their whole lives working hard for in order to be safeguarded by the best possible pension when they retire.

Ever since PATRIZIA was first established, we have provided security. At the start, we gave tenants the opportunity to purchase their own four walls, thereby safeguarding their retirement provisions. And when it comes down to it, we are doing the same thing now as we did then. The difference is simply that insurance companies, pension funds and other institutional customers are also involved now. They invest their policyholders' money in order to provide a stable basis for their policyholders' pensions in the long term. Whether or not many people's private pensions are safeguarded depends on us. So what essentially sets PATRIZIA apart can be summed up in three words: we safeguard pensions.

It is therefore not surprising that, with this same aim in mind, as of late, private investors are able to subscribe to fund units of EUR 10,000 or more with PATRIZIA via PATRIZIA GrundInvest. The first two funds, "Campus Aachen" and "Stuttgart Südtor", were fully placed after just a few months. So fast that we were actually a little surprised by it ourselves. But this emphatically demonstrates how much demand there is for high-quality investment alternatives at present. The four current funds investing in modern residential properties in the fast-growing metropolises of Den Haag and Copenhagen and in an office property in a top city-centre location in Munich and in an office and commercial building in Mainz are meeting with similarly high demand, and another fund is already planned for 2018.

Dear guests, over the years PATRIZIA has developed from a residential specialist in Germany into a global partner for real estate investments in Europe. And we will continue to change, just as the world around us will continue to change. It may sound paradoxical, but if we want everything to stay as it is with PATRIZIA as a strong, customer-focussed partner, then everything needs to change – continuously and time and time again. This means that we will actively promote and help shape further developments on an ongoing basis. This is the only way for us to remain competitive on the European market and also on the international market in the future.

What is the logical next step for the implementation of our strategy? We will essentially focus on three different areas: firstly, broadening our investor base; secondly, expanding our product portfolio; and thirdly, strengthening our operational platforms.

Firstly, when it comes to broadening our investor base, in practice this will mean in addition to expanding our investor base in Germany, Austria and Switzerland, we will also focus on increasingly contacting international investors. The broader and more diversified our investor network, the more robust and stable PATRIZIA's position. Our regional subsidiaries' existing networks are a major advantage in this endeavour when it comes to establishing and maintaining contacts. This is an advantage that we intend to make more use of and expand further in the future. And we have already put out feelers beyond Europe's borders: PATRIZIA's global fundraising team has been expanded, with new colleagues strengthening the teams in Australia and North America last year, for example.

Secondly. Investors that make global investments in real estate are characterised by a growing trend of seeking partners who can offer them everything from a single source in a particular region. This applies not only to services, but also to the products offered. The bigger a customer is, the greater its need to diversify its investments accordingly. So if we want to be a partner to these companies, we need to offer new products, new services and new solutions in order to be competitive. We could also imagine co-investing with our customers in this context – as we have often done in the past, for example with GBW and the former LBBW Immobilien GmbH now SÜDEWO.

Expanding our product portfolio. Of course, we have always been open to new products and topics. Examples include the logistics division, private investor funds and so-called niche assets such as care homes and hotels that we have incorporated in our portfolio. This is an ongoing process that will undoubtedly also extend beyond real estate to real assets over time, also including investments in infrastructure.

I now come to the third aspect, strengthening our operational platforms. We are also continuously on the lookout for attractive opportunities for inorganic growth in order to further consolidate our existing platform within Europe. In this context, we are primarily thinking of acquiring complementary investment managers.

What do we mean by this? We mean corporate acquisitions that enable us to expand our presence in Europe – both in new countries and in countries where we already operate. In this way, we aim to gain access to new assets, asset classes and investors. However, one essential prerequisite for such acquisitions is that the corporate culture must be compatible with us. Because the “clients first” approach is our top priority here, too. Quite simply, we want to find the best partner for us. And we take as much time as necessary to do so. As I said before, it is about making the right decision, not just a quick one.

Ladies and gentlemen, our current liquidity of EUR 700 million enables us to achieve all of this. We can develop further in Europe, thereby sustainably strengthening our international competitive position.

Our implementation of this strategy with new international investors, an expanded product portfolio and a larger network of regional subsidiaries will be successful only if we adapt our structures accordingly. This included the restructuring of the German entity last year, which involved selling the property management division and the associated service roles to a strategic partner.

I would like to take this opportunity to thank all PATRIZIA employees who contributed to the success of this measure – specifically all those colleagues who continued to do a professional and highly motivated job at PATRIZIA for another eight months before moving to Deutsche Immobilien Management. Thank you for this, and thank you to all colleagues at PATRIZIA; for your hard work, your skills and your integrity. You are real trustees – and you take this role very seriously.

I would also like to thank the Supervisory Board for another year of good, efficient cooperation and constructive dialogue – always on an equal footing and with the right dose of criticism.

The same goes for my two colleagues on the Management Board, Klaus Schmitt and Karim Bohn. Thank you for a challenging year, one that we managed to tackle so well and successfully only by working together.

As you know, we recently expanded our Management Board with a Chief Investment Officer. Ladies and gentlemen, allow me to introduce Anne Kavanagh, an exceptionally internationally experienced colleague who will support us with all of her experience and professional expertise as we move forward with our internationalisation. And who will undoubtedly also enrich our “bunch of guys” with new approaches and perspectives. We are looking forward to it, Anne! Welcome!

Last but not least, my thanks also go to you: our shareholders. Many of you have been accompanying us for several years already – and I greatly appreciate your trust and your commitment to PATRIZIA. Stay with us – we work hard each and every day to ensure that we do not disappoint you. And we are eagerly looking forward to our journey that will gradually lead us beyond Europe and out into the world.

But first, our Chief Financial Officer Karim Bohn will sum up the past financial year again in figures.
Thank you for your attention!