

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 departures 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 to achieve sustainable operating profit to ensure the Company continues to grow in a sustainable manner, without reliance on proceeds from transactions.

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 dis-

cussions 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 development 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 7.04.2016, the Managing Board demonstrated the progress made in implementing specific measures and the economic implications of the project. The Managing Board also presented measures designed to enable PATRIZIA Immobilien AG to invest the Company’s available liquidity in a cost-neutral way during this ongoing period characterised by low or negative interest rates, through active liquidity management.

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 and we adopted this 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.

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 conditional 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 profit 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