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## REPORT OF THE SUPERVISORY BOARD



Dr. Wolfgang Ruttensdorfer  
Chairman of the Supervisory Board

Another key event alongside the Europolis acquisition was the amalgamation of CA Immo International AG with CA Immobilien Anlagen AG following last year's voluntary takeover bid; the operational integration of Vivico within the CA Immo Group, the development of a sustainability strategy and continual improvements to corporate governance were also major strategic targets in 2010.

### **Cooperation between the Management Board and Supervisory Board**

The Supervisory Board convened seven times in business year 2010. Regular reporting provided the Board with full and timely updates on all pertinent issues linked to business development, including the risk situation and risk management in the CA Immo Group. Issues such as future trends on the real estate market (development of interest rates, rental prices, etc.), (dis)investment plans, staff changes and associated opportunities and threats were evaluated in detail, special reports on profitability, liquidity and property valuation featured regularly were also on the agenda in 2010. All meetings took the form of open discussions between the members of the Management Board and the Supervisory Board. The Supervisory Board Chairman maintained close and regular contact with the Management Board, which fully explained any departures from agreed plans and targets. Decisions and measures taken by the Management Board were transparent and raised no objections.

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### **DEAR SHAREHOLDERS AND READERS,**

After two crisis-hit years for the real estate sector, raising the profitability of the CA Immo Group and bringing about sustainable organic growth through the implementation of development projects became the priorities in 2010. The measures required to achieve these objectives have been founded on a comprehensive corporate strategy. The main focus was on the effective and profitable utilisation of liquidity generated through the issuing of two bonds in 2009, an aspiration successfully fulfilled with the acquisition of Europolis, a company with a portfolio that rates highly in terms of both quality and cash flow. Given that it mainly comprises investment properties in the CEE markets of Poland, the Czech Republic and Hungary, the € 1.5 bn portfolio dovetails ideally with our development activities in Germany.

### **Priorities in 2010**

Last year, the acquisition of Europolis in particular served to consolidate CA Immo's position as a leading listed property concern in Central Europe. The task in the medium term will be steadily to optimise the platform established over the past few years, thereby utilising the potential in the portfolio with a view to generating regular returns for the shareholders. To this end, the Supervisory Board organised a one-day strategy meeting with the Management Board last summer as well as a special meeting in the autumn in order to review strategy in detail and define the main strategic objectives for the CA Immo Group. The actual acquisition of Europolis was approved by the Supervisory Board at a special meeting held in May 2010, at which the main focus of discussion was the structure of the acquisition, the purchase price, opportunities and threats and the implications for the balance sheet of the

CA Immo Group. More information on the strategy of the CA Immo Group and on Europolis AG are included into this report. Progress towards the realisation of strategic targets is discussed by the Supervisory Board on a regular basis. The Supervisory Board paid particular attention to the following topics at its ordinary meetings:

At the meetings held on 2 July 2010 and 25 August 2010, the Supervisory Board discussed measures aimed at simplifying the structure of the CA Immo Group, and in particular the consolidation of CA Immo International AG and CA Immobilien Anlagen AG by means of a merger. On the basis of the joint merger report of the Boards of CA Immo International AG and CA Immobilien Anlagen AG and the merger audit report of the joint merger auditor PwC Transaction Services Wirtschaftsprüfung GmbH, the Supervisory Board scrutinised the merger and approved the relevant audit report. The Supervisory Board found the information in the merger agreement to be complete and correct. In the view of the Supervisory Board, the merger was advisable from a business standpoint and the exchange ratio (10 CA Immobilien Anlagen AG exchange shares to 19 CA Immo International shares) was appropriate. The Supervisory Board had addressed the takeover bid preceding the merger in the spring of 2010, subsequently authorising the Management Board to enact a voluntary takeover bid for free float shares of CA Immo International AG at an offer price of € 6.50 per share. KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH was appointed as an independent expert for CA Immo ("bidder") and PwC Wirtschaftsprüfung GmbH was the independent expert for the target company CA Immo International AG. For more information on the transaction, please refer to the Investor Relations section.

In addition to the topics outlined above, the Supervisory Board devoted a number of meetings to detailed discussions on the acquisition and implementation of various development projects in Germany and Eastern Europe as well as the sale of real estate.

Amongst other things, the Board approved the planning and realisation of two office/commercial buildings with a total investment volume of € 43.4 m for BelsenPark (the new district of Oberkassel) and the sale of four other sites for residential construction in the park. The Supervisory Board also considered land development for the new Europacity district in Berlin, the construction of a three-star InterCity Hotel in Berlin's Lehrter quarter and sales of real estate in Frankfurt, Munich and Basel. In Eastern Europe, the Supervisory Board turned its attention to the implementation of construction phase two of the Poleczki Business Park in Warsaw; phase one, which lasted just under two years, was concluded in June 2010.

Issues relating to risk management, progress on development projects launched in recent years and continuing in 2010, refinancing and personnel were also addressed at a number of meetings; the Supervisory Board received written and verbal reports on such matters at regular intervals.

In January 2010, the Board conducted its first self-assessment on the efficiency of its activities, evaluating in particular its organisation and procedures in 2009 (C-Rule 36 of the Austrian Corporate Governance Code). At a meeting held on 24 March 2010, the results of the evaluation and the annual activity report on compliance management within the CA Immo Group were discussed as appropriate; corporate governance was also reviewed. Observance of the Corporate Governance Code was evaluated by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH.

#### **Committees**

The audit committee convened twice in 2010. The investment committee also convened on two occasions in order to hold detailed discussions with the Management Board on the Europolis acquisition and prepare the ground for a decision of the full Supervisory Board. The remuneration and nomination committee convened once in the period under review. The corporate governance report contains more information on the composition and activities of the Supervisory Board and its committees.

#### **Staff changes**

Last year (effective 31 July 2010), Horst Pöchlhacker resigned his mandate prematurely and of his own volition on account of his substantial commitments to ÖBB and ASFINAG. Mr. Pöchlhacker had served the Supervisory Board since May 2007, and we would like to thank him for his positive contribution. No replacement Board member has been appointed. His resignation has reduced the Supervisory Board to five members, with the mandates of Regina Prehofer and Detlef Bierbaum due to expire in the business year ahead. A proposal concerning the filling of the vacant positions will be submitted to the Ordinary General Meeting by the nomination committee or the full Supervisory Board in good time. The proposal will pay particular attention to the balanced composition of the Supervisory Board (diversity) as well as the professional and personal qualifications of candidates.

#### **Consolidated and annual financial statements for 2010**

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH has audited the annual financial statements for 2010 (including the management report) and the consolidated financial statements for 2010 (including the Group management report) and expressed its unqualified auditor's

opinion. All documents making up the financial statements, the Management Board's proposal on the distribution of profit, the auditor's reports and the corporate governance report were discussed in detail by the audit committee in the presence of the auditor and the Management Board members and examined according to article 96 of the Austrian Stock Corporation Act; after concluding the examination, no significant objections were raised. The Supervisory Board endorsed the annual financial statements, which were thus adopted in accordance with article 96 subsection 4 of the Austrian Stock Corporation Act, and indicated its consent to the Management Board's proposal on the distribution of profit.

The Supervisory Board would like to extend thanks to the Management Board and all employees for the dedication they have shown.

Vienna, February 2011

A handwritten signature in black ink, appearing to read 'Wolfgang Ruttendorfer', with a stylized flourish at the end.

On behalf of the Supervisory Board  
Wolfgang Ruttendorfer, Chairman