

20th October 2009

**REPORT BY THE MANAGEMENT BOARD OF CA IMMOBILIEN ANLAGEN AKTIENGESELLSCHAFT ON THE RESOLUTION TO ISSUE CONVERTIBLE BONDS PASSED BY THE 21st ORDINARY GENERAL MEETING OF 13th MAY 2008****In compliance with article 153 subsection 4 in conjunction with article 174 subsection 4 of the Austrian Stock Corporation Act**

The 21st Ordinary General Meeting of CA Immobilien Anlagen Aktiengesellschaft held on 13th May 2008 authorised the Management Board, subject to the approval of the Supervisory Board, to issue (in one or more issuances and excluding the subscription rights of shareholders) convertible bonds with a maximum nominal amount not exceeding €317,185,011 by 12th May 2013, and to grant the holders of convertible bonds conversion rights equivalent to a maximum of 43,629,300 bearer shares of the company, subject to the convertible bond conditions to be defined by the Management Board.

According to the resolution passed by the Ordinary General Meeting of 13th May 2008, the Management Board shall exclude the subscription rights of shareholders in the issuance of convertible bonds with a maximum nominal amount of up to €317,185,011. The convertible bonds shall grant bearers conversion rights of up to 43,629,300 bearer shares according to the convertible bond conditions to be defined on the basis of the resolution passed by the Ordinary General Meeting.

To this end, and subject to the legal provisions, the Management Board of CA Immobilien Anlagen Aktiengesellschaft issues the following

**Report:**

The exclusion of subscription rights is in the interests of the company and the shareholders. The benefits of convertible bonds lie in the advantageous financing possibilities opened up to the company, the high conversion rate and the access created to new investor groups.

- a. For a long time, the company has been actively managing its capital structure with a view to keeping capital costs as low as possible. Convertible bonds have always represented a useful means of realising this aim. For the company, the high security for bondholders means fast and flexible access to attractive financing conditions, sometimes below the levels of loan capital instruments. However, positive financing conditions are only possible where the company can respond quickly and flexibly to favourable market conditions. A rights issue with a subscription period of at least two weeks would negate this advantage. Moreover, the issuance of convertible bonds can enhance the company's capital structure and improve its balance sheet structure. Depending on the structure adopted, loan capital raised through convertible bonds may be assessed by the regulatory authority or international rating agencies as shareholders' equity in full or in part. An assessment of this kind can in turn lead to an

improved rating for the company and thus to lower financing costs for the company in connection with future loan capital.

- b. Furthermore, in the case of convertible bonds, investors will be given the right to acquire shares in the company in future at a price determined when the convertible bonds are issued (conversion price), thus providing access to the asset value and earning power of the company.

Convertible bonds offer an opportunity to turn the unpredictability of the company's share price – volatile on account of market trends – to the advantage of the company, and thereby reduce the company's capital costs. The conditions attached to the convertible bonds mean that the issue price of shares issued in the event of the conversion of convertible bonds will be above the share price at the time of issuance, with the result that the company receives more capital than would be generated by an immediate capital increase. This practice has shown that the conversion price for issuances where subscription rights are excluded can normally be set higher than for issuances of the same value where subscription rights are granted. This is explained by the structure of rights issues where a minimum subscription period of two weeks is observed. Where subscription rights are excluded, more funds can be generated for the company from a smaller number of issued shares. For this reason, the exclusion of subscription rights has also become standard practice in the issuance of convertible bonds on the capital markets.

Moreover, a convertible bond is generally regarded by the capital markets as a positive sign of managerial confidence in the future trend for the share price. This confidence is reflected in the conversion price, which can usually be set at a higher level for the reasons stated where subscription rights are excluded.

- c. Convertible bonds are normally subscribed by institutional investors who specialise in this type of investment; convertible bonds are also issued with a view to accessing this group. By issuing convertible bonds without subscription rights, therefore, the company can create a new investor base. Institutional investors impose certain requirements in terms of the denomination, organisation and temporal flexibility of convertible bonds. Attractive financing conditions can only be offered where the company is in a position to respond quickly and flexibly. Given a minimum subscription period of two weeks, issuing convertible bonds with subscription rights would severely restrict the prospect of placing these with institutional investors, or even make it impossible. For reasons of strategy, finance and corporate organisation, excluding subscription rights is necessary to maximise the advantages associated with the issuance of convertible bonds for the company.

We would also note that where the assessment of a convertible bond with subscription rights is market-driven (i.e. in line with the best possible market conditions for the company), subscription rights are worthless.

By circumventing the processing of subscription rights, which demands a lot of time and is cost-intensive, the company's capital requirement can be met very quickly through short-term market opportunities, and new investors can be attracted at home and abroad. The option of excluding subscription rights thus consolidates capital resources and reduces financing costs in the interests of the company and its shareholders.

- d. The issue price for shares to be issued where conversion rights are asserted (conversion price) is calculated from the market price of the share plus a surcharge corresponding to expected price developments for the company in line with similar transactions on the relevant market. This approach gives the company the flexibility to offer attractive issue conditions; at the same time, the likely development of the share price and the prevailing conditions and conventions of the international financial markets at the time of issue are taken into account.

In objective terms, the declared aim – namely optimising the capital structure and reducing financing costs in order to ensure consolidation and enhancement of the company's competitive position in the interests of the company and its shareholders – justifies the exclusion of subscription rights. Furthermore, excluding subscription rights is both appropriate and necessary given that the anticipated influx of shareholders' equity generated by the targeting of convertible bonds at specific target groups replaces more costly capital measures, offers favourable financing conditions and underpins the flexible planning and realisation of long-term corporate goals to the benefit of the company and thus the benefit of shareholders. If subscription rights were not excluded, the company would not be able to respond to promising market conditions with speed and flexibility. The Management Board believes that the issuance of convertible bonds with subscription rights excluded represents benefits which are in the best business interests of the company and its shareholders, and which outweigh any disadvantage to shareholders posed by the exclusion of subscription rights.

Our assessment of the circumstances as outlined leads us to conclude that the exclusion of subscription rights within the limits stated is necessary, appropriate, proper and clearly in the best interests of the company; our objective view is thus that the resolution is both justified and imperative.

The Management Board