
FINANCIAL STATEMENT
AS AT 31.12.2016

16

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FINANCIAL STATEMENTS AND MANAGEMENT REPORT

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BALANCE SHEET AS AT 31.12.2016

Assets	31.12.2016	31.12.2015
	€	€ 1,000
A. Fixed assets		
I. Intangible fixed assets		
EDP software	590,908.18	680
	590,908.18	680
II. Tangible fixed assets		
1. Property and buildings	215,735,155.59	217,168
of which land value: € 38,467,209.82; 31.12.2015: € 39,398 K		
2. Other assets, office furniture and equipment	721,387.97	518
3. Prepayments made and construction in progress	1,940,482.69	934
	218,397,026.25	218,620
III. Financial assets		
1. Investments in affiliated companies	2,264,458,779.15	1,922,568
2. Loans to affiliated companies	262,048,077.51	336,108
3. Investments in associated companies	280,685.19	281
4. Loans to associated companies	850,000.00	380
5. Derivative financial instruments	17,295.89	139
6. Other loans	3,248,449.00	12,594
	2,530,903,286.74	2,272,070
	2,749,891,221.17	2,491,370
B. Current assets		
I. Receivables		
1. Trade debtors	18,266.51	408
2. Receivables from affiliated companies	26,636,196.92	29,273
3. Receivables from associated companies	63,980.91	51
4. Other receivables	127,103.27	12,191
	26,845,547.61	41,923
II. Other securities	0.00	13,658
III. Cash on hand, cash at banks	85,900,817.67	19,871
	112,746,365.28	75,452
C. Deferred expenses	1,602,229.94	702
	2,864,239,816.39	2,567,524

Liabilities and shareholders' equity

	31.12.2016	31.12.2015
	€	€ 1,000
A. Shareholders' equity		
I. Demanded and paid-in share capital		
Share capital drawn	718,336,602.72	718,337
Treasury shares	– 39,282,129.13	– 14,540
	679,054,473.59	703,797
II. Tied capital reserves	854,841,594.68	854,842
III. Tied revenue reserves for treasury shares	39,282,129.13	14,540
IV. Net profit	618,112,346.77	448,067
of which profit carried forward: € 400,163,577.46; 31.12.2015: € 191,490 K		
	2,191,290,544.17	2,021,246
B. Grants from public funds	326,061.61	304
C. Provisions		
1. Provision for severance payment	178,997.00	274
2. Tax provisions	111,000.00	2,648
3. Provision for deferred taxes	914,441.34	0
4. Other provisions	10,837,154.53	7,775
	12,041,592.87	10,697
D. Liabilities		
1. Bonds	465,000,000.00	375,000
thereof with a residual term of up to one year: € 0.00; 31.12.2015: € 200,000 K		
thereof with a residual term of more than one year: € 465,000,000.00; 31.12.2015: € 175,000 K		
2. Liabilities to banks	90,151,380.40	113,441
thereof with a residual term of up to one year: € 44,120,704.40; 31.12.2015: € 23,099 K		
thereof with a residual term of more than one year: € 46,030,676.00; 31.12.2015: € 90,342 K		
3. Trade creditors	1,227,699.99	900
thereof with a residual term of up to one year: € 1,091,728.74; 31.12.2015: € 591 K		
thereof with a residual term of more than one year: € 135,971.25; 31.12.2015: € 309 K		
4. Payables to affiliated companies	91,143,763.35	33,309
thereof with a residual term of up to one year: € 91,143,763.35; 31.12.2015: € 33,309 K		
5. Other liabilities	10,434,280.51	10,311
of which from taxes: € 203,855.76; 31.12.2015: € 1,347 K		
of which connected to social security: € 119,144.25; 31.12.2015: € 109 K		
thereof with a residual term of up to one year: € 10,434,280.51; 31.12.2015: € 10,311 K		
	657,957,124.25	532,961
thereof with a residual term of up to one year: € 146,790,477.00; 31.12.2015: € 267,310 K		
thereof with a residual term of more than one year: € 511,166,647.25; 31.12.2015: € 265,651 K		
E. Deferred income	2,624,493.49	2,316
	2,864,239,816.39	2,567,524

INCOME STATEMENT FOR THE YEAR ENDED 31.12.2016

	€	2016 €	€ 1,000	2015 € 1,000
1. Gross revenues		31,087,652.11		26,598
2. Other operating income				
a) Income from the sale and reversal of impairment losses of fixed assets except of financial assets	31,482,222.04		35,629	
b) Income from the reversal of provisions	150,449.57		93	
c) Other income	2,993,086.17	34,625,757.78	547	36,269
3. Staff expense				
a) Wages	0.00		- 13	
b) Salaries	- 7,822,566.20		- 6,468	
c) Social expenses	- 4,454,099.94	- 12,276,666.14	- 4,316	- 10,797
thereof expenses in connection with pensions: € 266,749.36; 2015: € 190 K				
thereof expenses for severance payments and payments into staff welfare funds: € 2,454,470.88 €; 2015: € 2,446 K				
thereof payments relating to statutory social security contributions as well as payments dependent on remuneration and compulsory contributions: € 1,633,879.30; 2015: € 1,585 K				
4. Depreciation on intangible fixed assets and tangible fixed assets		- 7,071,750.82		- 7,508
5. Other operating expenses				
a) Taxes	- 410,909.05		- 580	
b) Other expenses	- 20,553,183.72	- 20,964,092.77	- 15,479	- 16,059
6. Subtotal from lines 1 to 5 (Operating result)		25,400,900.16		28,503
7. Income from investments		87,772,396.85		57,312
of which from affiliated companies: € 87,637,156.85; 2015: € 57,165 K				
8. Income from loans from financial assets		14,548,062.73		13,617
of which from affiliated companies: € 13,765,126.21; 2015: € 10,618 K				
9. Other interest and similar income		597,765.92		23,861
of which from affiliated companies: € 0.00; 2015: € 23,119 K				
10. Income from the disposal and revaluation of financial assets		166,975,394.23		219,997
11. Expenses for financial assets and interest receivables in current assets, thereof		- 6,595,141.65		- 17,602
a) Impairment: € 3,897,765.31; 2015: € 15,310 K				
b) Bad debt allowance of interest receivables 2,681,664.15 €; 2015: € 1,992 K				
c) Expenses from affiliated companies: € 2,341,575.29; 2015: € 15,474 K				
12. Interest and similar expenses		- 20,550,884.14		- 41,808
of which relating to affiliated companies: € 521,779.60; 2015: € 887 K				
13. Subtotal from lines 7 to 12 (financial result)		242,747,593.94		255,377
14. Result before taxes		268,148,494.10		283,880
15. Taxes on income		5,379,243.59		5,004
thereof deferred taxes: € - 35,763.89; 2015: € 0 K				
16. Net profit for the year		273,527,737.69		288,884
17. Allocation to treasury share reserve		- 55,578,968.38		- 32,306
18. Profit carried forward from the previous year		400,163,577.46		191,490
19. Net profit		618,112,346.77		448,068

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2016

ACCOUNTING AND VALUATION PRINCIPLES AND GENERAL INFORMATION

CA Immobilien Anlagen Aktiengesellschaft ("CA Immo AG") is classified as a large entity according to para 221 Austrian Commercial Code (UGB).

The yearly financial statements were prepared in accordance with Austrian Generally Accepted Accounting Principles and with the principles of proper accounting and general standards, to present a true and fair view of assets, financial situation and profit and loss. Furthermore, going concern principle, prudence and completeness as well as individual valuation of assets and liabilities were taken into account in the preparation of financial statements.

For profit and loss, classification by nature was used.

Previous year amounts for balance sheet as well as profit and loss were restated, according to the changed requirements of RÄG 2014 (change in the Austrian accounting legislation), these mainly referring to:

- Netting of the treasury shares in shareholders' equity : treasury shares amounting to € 32,306 K were presented as other securities and investments as at 31.12.2015; these are now, in amount of the nominal of € 7.27 per share, thus € 14,540 K, in share capital, decreasing its value. The remaining amount of € 17,766 K is shown as reduction in the revenues reserves. The nominal value of treasury shares was treated as addition to tied revenue reserves.
- Reclassification from "other operating income" to "gross revenues": € 3,383 K revenues from management fees as well as € 234 K other revenues from guarantees, totalling € 3,617 K, are presented in income statement in 2015 in "gross revenues".
- Changes in table of movement of fixed assets: starting 2016, the movement in accumulated depreciation is also included.

The valuation methods that were used until now, except the changes of the first time use of the RÄG 2014, were maintained. These changes mainly refer to:

- Additional acquisition costs for treasury shares: these are no longer activated (2015: € 33 K), but presented in the profit and loss for 2016, as expenses;
- Reversal of impairments of tangible assets: in the past, sometimes the reversals of impairments were not recorded, in case in the following years these increases in value could not be further attributed. Starting 1.1.2016 the new requirements in RÄG 2014 stipulate a compulsory reversal of impairment for the value increases from the past. These were presented in the profit and loss statement in "other operating income" and they amounted to € 11,893 K;
- Deferred taxes in shareholders' equity: in the past, deferred tax liabilities related to the increase in value, as part of a merger, were not accounted for. As at 1.1.2016 these deferred taxes, calculated in accordance with RÄG 2014 balance sheet approach, amounted to € 850 K. Furthermore, as at 1.1.2016, the deferred taxes for the release of the non-taxed reserves in a subsidiary, amounting to € 29 K, were recorded in CA Immo AG. Both above mentioned circumstances, amounting to € 879 K are not presented in profit and loss, but in revenues reserves directly in shareholders' equity, in accordance with RÄG 2014.

1. Fixed assets

Intangible and tangible fixed assets

Intangible and tangible assets are stated at acquisition or production cost reduced by scheduled depreciation, where depreciable, and unscheduled depreciation, where required.

	from	Years to
EDV software	3	4
Fit-outs	5	10
Buildings	33	50
Other assets, office furniture and equipment	2	20

Scheduled depreciation is performed on a linear basis, with the depreciation period corresponding to useful life expectancy. Additions in the first half of the business year are subject to full annual depreciation, while additions in the second half are subject to half of the annual depreciation.

Unscheduled depreciation is only carried out where it is anticipated that permanent value impairments have occurred. Reversal of impairments recognised in prior periods are recorded, if the fair value is higher than the book value at the balance sheet date, but below amortised costs.

Financial assets

Investments in affiliated companies, investment in associated companies and derivative financial instruments (swap-tion) are stated at acquisition costs less unscheduled depreciation.

Loans to affiliated companies, associated companies and other loans are stated at acquisition costs less repayments made and unscheduled depreciation.

Unscheduled depreciation is only recorded if permanent impairment losses are expected to have occurred. A reversal of impairment losses recognised in prior periods is recorded if the fair value is considerably higher than the book value at the balance sheet date. The valuation is done by a simplified subsidiary valuation model based on the fair value of the respective property for IFRS purposes adjusted for other assets or liabilities of the subsidiary.

2. Current assets

Receivables are stated at nominal value. Identifiable defaults risks are considered by carrying out individual value adjustments. Income from investments is recognised on the basis of shareholders' resolutions.

Other securities and investments are stated at acquisition cost, though not higher than share price. Accrued interest attributable to securities is included in the item "other receivables".

Reversal of short-term assets impairments are made when the underlying reasons for the decreases are no longer valid. Relevant amounts for valuation are derived from IFRS equity of subsidiary.

3. Deferred expenses and deferred income

Prepayments are recorded under deferred expenses. Additionally, the accruals for directly attributable bond expenses are capitalised under this item and released over the redemption period, according to the principals of financial mathematics.

Rent prepayments and investment allowances from tenants are shown under deferred income.

4. Grants from public funds

These grants will be released over the remaining useful life of the building.

5. Provisions

Provisions for severance payments amount to 185.5 % (31.12.2015: 188.06 %) of the imputed statutory notional severance payment obligations at balance sheet date. The calculation is performed using the PUC method, which is recognised in international accounting, based on an interest rate of 0.00 % (31.12.2015: 0.49 %) and future salary increases of 2% for employees plus an inflation rate of 2% but without taking into account the fluctuation discount. The period for build-up is until the retirement point in time, i.e. for a maximum of 25 years. Apart from the fact that the interest rate decreased compared to previous year, the same parameters were applied for calculation of the provisions as in the previous year. Interest on counter value of provision as well as effects from the change in interest rate were recorded in "personnel expenses".

Tax and other provisions are made on a prudent basis, in accordance with anticipated requirements. They take into account all identifiable risks and not yet finally assessed liabilities.

Provisions for deferred taxes are made up using the 25% rate of corporate income tax, according to Art 198 para 9 and 10 in Austrian Commercial Code, after balance sheet orientated concept and without discounting. Deferred taxes with a tax rate of 3% are also applied to differences in tax group, if members account for only 22% of group tax (instead of 25% corporate income tax). CA Immo AG records tax losses amounting to the maximum of netted deferred tax assets and deferred tax liabilities, taking into account 75% threshold. As the tax planning does not provide sufficient evidence of future taxable profits, it was not possible to exercise the option to activate losses carry forward. As at 31.12.2016 deferred taxes were fully recorded.

6. Liabilities

Liabilities are stated on a prudent basis, at their repayment amount.

7. Tax group

In business year 2005 a group and tax compensation agreement was concluded for the formation of a tax group within the meaning of section 9 of the Austrian Corporation Tax Act (KStG) effective from business year 2005. In the subsequent years this was expanded to include additional group members. The group is headed by CA Immo AG. In business year 2016 the tax group comprised 15 Austrian group companies (2015: 20), in addition to the group head entity.

The allocation method used by the CA Immo tax group is the distribution method where tax profits of a group member are offset against pre-group tax losses carried forward and the remaining profit of the group member taxed at rate of 22%, respectively a profit of the tax group taxed at up to 25%. Losses carried forward of a group member are retained. In case of the tax group termination or the withdrawal of a tax group member, CA Immo AG, as group head entity, is obliged to pay a final compensation for unused tax losses that have been allocated to the head of the group. These compensation payments are based on the fair value of all (notional) prospective tax reductions, which the group member would have potentially realized, if it had not joined the tax group. Upon withdrawal of a tax group member or termination of the tax group, the final compensation payment will be determined through the professional opinion of a mutually appointed chartered accountant. As at 31.12.2016 the possible obligations against group companies resulting from a possible termination of the group, were estimated at € 21,897 K (31.12.2015: € 14,926 K). As at 31.12.2016 only group companies subject to liquidation or merger left the tax group, so no provision for termination settlement was made.

Tax expenses in profit and loss are reduced by the allocation of tax assets.

8. Note on currency translation

Foreign exchange receivables are valued at the purchase price or the lower bid rate as at the balance sheet date. Foreign exchange liabilities are valued at the purchase price or the higher offer rate as at the balance sheet date.

EXPLANATORY NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

1. Explanatory notes on the balance sheet

a) Fixed assets

The breakdown and development of fixed assets can be seen from the assets analysis in appendix 1.

Tangible assets

Additions to property and buildings and to prepayments made and construction in progress mainly relate to restoration of a garage, reconstruction for tenants in Erdberger Lände, as well as current investments. Disposals mainly relate to the sale of 2 properties and a part of a land plot. As at the balance sheet date, the tangible assets comprise 5 properties (31.12.2015: 7 properties).

In 2016 – as in the previous year – no unscheduled depreciation on tangible assets was made. In business year 2016, reversal of impairment losses of tangible assets amounting to € 14,234 K (2015: € 955 K) were recorded. Also, in 2016, reversal of impairment losses amounting to € 11,893 K refer to changes in previous year values and were made according to changes in requirements of RÄG 2014, starting 1.1.2016.

Financial assets

The notes on affiliated companies can be found in appendix 2.

Impairment losses on financial assets in the amount of € 3,898 K (2015: € 15,310 K) and reversals of impairment losses in the amount of € 164,036 K (2015: € 184,627 K) were recognised in 2016.

Book value of investments in affiliated companies amounts to € 2,264,459 K (31.12.2015: € 1,922,568 K). Current additions are mainly the result of acquisitions of four subsidiaries in Hungary and various shareholder contributions. Disposals mainly relate to the liquidation of two subsidiaries and the sale of an investment in affiliated companies.

The company is unlimited liable shareholder of Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. Leasing OG, Vienna.

Loans to affiliated companies are made up as follows:

€ 1,000	31.12.2016	31.12.2015
CAINE B.V., Hoofddorp	47,373	58,266
CA Immo Holding B.V., Amsterdam	45,904	45,904
CA Immo Invest GmbH, Frankfurt	37,000	37,000
BA Business Center s.r.o., Bratislava	29,700	29,700
RCP Amazon, s.r.o., Prague	18,852	19,352
EUROPOLIS ORHIDEEA B.C. S.R.L., Bucharest	13,424	3,524
R70 Invest Budapest Kft, Budapest	12,354	12,004
EUROPOLIS SEMA PARK SRL, Bucharest	11,456	12,100
COM PARK Ingatlanberuházási Kft, Budapest	11,436	11,436
Kapas Center Kft., Budapest	10,430	10,430
CA Immobilien Anlagen Beteiligungs GmbH & Co Finanzierungs KG, Vienna	0	49,204
TK Czech Development IX s.r.o., Prague	0	16,564
Other up to € 7 m	24,119	30,624
	262,048	336,108

Loans to affiliated companies amounting to € 119,511 K (31.12.2015: € 104,573 K) have a remaining term of up to one year.

The item derivative financial instruments includes financial instruments, i.e. swaptions.

Other loans are made up as follows:

€ 1,000	31.12.2016	31.12.2015
ZAO Avielen AG	2,961	4,032
Other up to € 2.5 m	287	8,562
	3,248	12,594

Other loans to the value of € 287 K (31.12.2015: € 8,562 K) have a remaining term of up to one year.

b) Current assets

All receivables – as in previous year – have a due date of less than one year.

Trade debtors to the value of € 18 K (31.12.2015: € 408 K) include outstanding rent and recharged operating costs.

Receivables from affiliated companies are made up as follows:

€ 1,000	31.12.2016	31.12.2015
Receivables from interest	15,946	16,514
Receivables from tax compensation	5,576	7,419
Trade debtors (current charging to affiliated companies)	5,114	5,340
	26,636	29,273

Other receivables in the amount of € 127 K (31.12.2015: € 12,191 K) mainly include receivables from interest, receivables from cost re-invoicing as well as receivables from tax authorities (in 2015, additionally, receivables from sales prices). In 2016, the change in allowances for receivables amounted to € – 924 K (2015: € 389 K).

Other securities included own 2006-2016 bonds redeemed from the market in 2011 with a book value of € 13,658 K and a nominal value of € 14,008 K, which were settled in September 2016 following the repayment. A gain amounting to € 350 K was realised.

c) Deferred expenses

€ 1,000	31.12.2016	31.12.2015
Additional expenses bonds	1,522	612
Other	80	90
	1,602	702

d) Shareholders' equity

Share capital is equivalent to the fully paid in nominal capital of € 718,336,602.72 (31.12.2015: € 718,336.602.72). It is divided into 98,808,332 bearer shares and four registered shares of no par value. Out of nominal capital 5,403,319 treasury shares (31.12.2015: 2,000,000), each amounting to € 7.27, thus totaling € 39,282,129.13 (31.12.2015: € 14,540,000), were deducted from shareholders' equity based on the reclassifications in accordance with RÄG 2014. The registered shares are directly or indirectly held by IMMOFINANZ AG, each granting the right to nominate one member to the Supervisory Board. The right to nominate members of Supervisory Board was fully executed (31.12.2015: no appointment due to registered shares).

In the period 13.1 to 19.2.2016, CA Immo AG acquired a total of 1,000,000 bearer shares. At a total purchase price of € 15,392,916.72. The weighted average price per share is thus € 15.39. The highest consideration per share paid within the framework of the buyback program was € 16.38 and the lowest was € 14.39.

In the period 25.3 to 30.9.2016 a total of 2,000,000 bearer shares in the company were acquired at a total purchase price of € 32,347,069.75. The weighted average price per share is thus € 16.17. The highest consideration per share paid within the framework of the buyback program was € 17.50 and the lowest was € 14.66.

The third share buyback program started at the end of November 2016. The volume totals up to one million shares (representing approximately 1% of the current share capital of the company) with a maximum limit of € 17.50 per share. Additionally, the prize has to comply with the authorizing resolution of the Annual General Meeting, meaning that the lowest amount payable on repurchase is not to be less than 30 % and not to exceed 10 % of the average un-weighted price at the close of the market on the ten trading days preceding the repurchase. The buyback will be made for any permitted purpose covered by the resolution of the Annual General Meeting and will end 2.11.2018 at the latest. As per balance sheet date 403,319 shares with a weighted average price per share of € 17.26 were acquired within

the program. As at 31.12.2016, CA Immo AG had acquired a total of 5,403,319 treasury shares through the share buy-back programs (around 5.5% of the voting shares).

In 2016 a dividend of € 0.50 (2015: € 0.45) for each entitled share, in total € 47,904 K (2015: € 44,644 K) was distributed to the shareholders.

The total net profit as at 31.12.2016 amounting to € 618,112 K (31.12.2015: € 448,068 K) is not subject to dividend payment constraints (31.12.2015: 185,583 K according to para 235 Z1 Austrian Commercial Code).

As at 31.12.2016 there is unused authorised capital amounting to € 215,500,975.00 that may be drawn on or before 31.8.2018, as well as conditional capital in the total amount of € 100,006,120.00 earmarked for the specified purpose of servicing a convertible bond that may be issued in the future for the conversion of possible future convertible bonds.

In the revenues reserves, deferred tax affecting other comprehensive income, amounting to € 879 K is recorded, which is explained by the mergers from the previous periods as well as the release of the untaxed reserve in partnership, according to RÄG 2014. The declared revenues reserves are tied and will be increased up to the level the book value corresponds to the nominal value of the deducted amount of treasury shares from share capital.

€ 1,000	31.12.2016	31.12.2015
Other additional expenses for treasury shares	- 47,724	- 17,766
Nominal treasury shares in share capital	39,282	14,540
Reserves for other acquisition costs treasury shares	47,724	17,766
Tied revenue reserves for treasury shares	39,282	14,540

The requirement of the legal reserve up to 10% of the share capital is fulfilled. The changes in the revenues reserves are as follows:

€ 1,000	2016	2015
As at 1.1.	14,540	0
Deferred taxes recorded in shareholders' equity	- 879	0
Acquisition treasury shares total	- 54,700	- 32,306
Less treasury shares due to decrease in share capital	24,742	14,540
Allocation to revenues reserves	55,579	32,306
As at 31.12.	39,282	14,540

e) Grants from public funds

The grants from public funds contain grants from city of Vienna for innovative constructions. A public grant amounting to € 320K was given in previous years, for the rebuilding of section A of Erdberg building. Another grant of € 31 K was received in 2016 for a photovoltaic facility in Handelskai.

f) Provisions

Provisions for severance payment amount to € 179 K (31.12.2015: € 274 K) and include severance payment entitlements of company employees and Management Board member.

Tax provisions in the amount of € 111 K (31.12.2015: € 2,648 K) mainly relate to provisions for corporation tax in 2016.

Provisions for deferred taxes comprise the offsetting of deferred tax assets and deferred tax liabilities and is based on the differences between tax and corporate value approaches for the following:

€ 1,000	31.12.2016	1.1.2016 due to RÄG 2014
Property and buildings	15,173	14,792
Partnership	2,160	2,043
Differences in tax group members	6,940	11,037
Other assets, office furniture and equipment	-52	-66
Additional expenses bonds and bank loans	-1,630	-1,289
Provisions for severance payments	-141	-254
Deferred income	-1,711	-1,258
Base for tax	20,739	25,005
Out of which resulted provision for deferred tax liabilities	3,657	3,823
less: offsetting with tax losses carried forward	-2,743	-2,867
As at 31.12.2016 / 1.1.2016 due to RÄG 2014	914	956

As at 31.12.2016 CA Immo AG has tax losses carried forward in the amount of € 315,945 K (31.12.2015: € 316,523 K). Taxes for investment write off on outstanding amounts which have to be deferred over 7 years amount to € 41,112 K (31.12.2015: € 53,076 K) and they were fully impaired.

Movements in deferred tax liabilities are presented below:

	2016	1.1.2016
As at 1.1. due to RÄG 2014	956	0
Changes recognised directly in equity	0	879
Changes affecting profit and loss	-42	77
As at 31.12.2016 / 1.1.2016 due to RÄG 2014	914	956

The other provisions are made up as follows:

€ 1,000	31.12.2016	31.12.2015
Premiums	3,387	2,691
Real property tax and land transfer tax	2,740	1,548
Construction services	1,440	1,495
Legal, auditing and consultancy fees	1,764	724
Staff (vacation and overtime)	442	504
Annual report and expert opinions	191	159
Derivative transactions	165	0
Other	708	654
	10,837	7,775

As a part of their variable remuneration components, Management Board members could participate in a long term incentive scheme (LTI) from business year 2010 until 2014. LTI is a revolving program with a term (holding period) of three years per tranche; it presupposed a personal investment limited to 50% of the fixed annual salary for Management Board members. The investment is evaluated at the closing rate on 31.12., with the number of associated shares determined on the basis of this evaluation. At the end of each three-year performance period, a target/actual comparison is applied to define target attainment. The critical factor is the value generated within the Group in terms of NAV growth, TSR (total shareholder return) and growth of FFO (funds from operations); weighting and respective target figures are set each year. Payments are made in cash. Within the remuneration system for the Management Board, the LTI program was dissolved in 2015 and replaced by bonus payments based on phantom shares. The LTI program remains effective for managerial staff with the personal investment being limited to 35% of the fixed annual salary.

Since 2015, performance-related payments to the Management Board were restricted to 200% of the gross annual salary. The bonus payment is linked to long-term operational and quality-based targets and also takes account of non-financial performance criteria. Of the variable remuneration, 50% is linked to the attainment of short-term targets defined annually (annual bonus); the other half of the performance-related components depends on the exceeding of annually defined indicators such as return on equity (ROE), funds from operations (FFO) and NAV growth. The level of the bonus actually paid depends on the degree of target attainment: the values agreed and actually achieved at the end of each business year are compared and confirmed by the Remuneration Committee. Half of performance-related remuneration takes the form of immediate payments (short term incentive); the remaining 50% is converted into phantom shares on the basis of the average rate for the last 60 days of the business year relevant to target attainment. The payment of phantom shares is made in cash in three parts after 12 months, 24 months (mid-term incentive) and 36 months (long term incentive) at the average rate for the last 60 days of the payment year.

For this kind of share-based remuneration, which is settled in cash, the liability incurred is recognised as a provision in the amount of the attributable fair value. Until the debt is settled, the attributable fair value is determined afresh on every closing date and settlement date. All changes are recognised in the income statement in the relevant business year.

g) Liabilities

31.12.2016 € 1,000	Maturity up to 1 year	Maturity 1 – 5 years	Maturity more than 5 years	Total
Bonds	0	140,000	325,000	465,000
Liabilities to banks	44,120	2,610	43,421	90,151
Trade creditors	1,092	136	0	1,228
Payables to affiliated companies	91,144	0	0	91,144
Other liabilities	10,434	0	0	10,434
Total	146,790	142,746	368,421	657,957

31.12.2015 € 1,000	Maturity up to 1 year	Maturity 1 – 5 years	Maturity more than 5 years	Total
Bonds	200,000	0	175,000	375,000
Liabilities to banks	23,099	46,078	44,264	113,441
Trade creditors	591	309	0	900
Payables to affiliated companies	33,309	0	0	33,309
Other liabilities	10,311	0	0	10,311
Total	267,310	46,387	219,264	532,961

The bonds item for 31.12.2016 comprises the following liabilities:

	Nominal value € 1,000	Nominal interest rate	Issue	Repayment
Bond 2015 – 2022	175,000	2.750%	17.02.2015	17.02.2022
Bond 2016 – 2021	140,000	1.880%	12.07.2016	12.07.2021
Bond 2016 – 2023	150,000	2.750%	17.02.2016	17.02.2023
	465,000			

Liabilities to banks comprise investment loans to the value of € 90,151 K (31.12.2015: € 113,441 K), which are mainly secured by filed claims to entry in the land register and by pledge of bank credits as well as rental receivables.

The trade creditors item essentially comprises liabilities for construction services and liability guarantees as well as general administrative costs.

The liabilities shown under payables to affiliated companies mainly relate to intra-group loans amounting to € 90,352 K (31.12.2015: € 33,297 K) and trade payables amounting to € 792 K (31.12.2015: € 12 K).

Other liabilities are essentially made up of accrued interest for bonds amounting to € 8,961 K (31.12.2015: € 6,972 K) which only become cash-effective in February and July 2017, payables from the purchase of treasury shares amounting to € 888 K (31.12.2015: € 0 K), unpaid liabilities to the property management company, liabilities arising from payroll-accounting and tax charge.

h) Deferred income

€ 1,000	31.12.2016	31.12.2015
Investment grants from tenants	1,711	1,257
Rent prepayments received	613	659
Revenues from guarantees	300	400
	2,624	2,316

i) Contingent liabilities

	Maximum amount as at 31.12.2016 € 1,000		Outstanding on reporting date 31.12.2016 € 1,000	Outstanding on reporting date 31.12.2015 € 1,000
Guarantees and letters of comfort in connection with sales by affiliated companies	274,676	€	144,745	143,966
Guarantees for loans granted to affiliated companies	113,157	€	61,313	81,369
Letter of comfort in connection with construction contracts of affiliated companies	17,050	€	17,050	32,720
Guarantees for loans granted to other group companies	14,504	€	8,469	52,739
Guarantees in connection with sales by other group companies	2,830	€	2,830	5,014
Other guarantees	120	€	120	0
			234,527	315,808

Furthermore, the stakes of CA Immo AG in the following companies are pledged in favour of the lenders financing the subsidiaries:

Kilb Kft., Budapest
 Váci 76 Kft., Budapest
 Duna Terminal Hotel Kft., Budapest
 Duna Irodaház Kft., Budapest
 Duna Business Hotel Kft., Budapest
 Millennium Irodaház Kft., Budapest
 BBP Leasing S.R.L., Bucharest

j) Liabilities from the utilisation of tangible assets

The lease-related liability from the utilisation of tangible assets not reported in the balance sheet is € 675 K (31.12.2015: € 641 K) for the subsequent business year and € 3,218 K (31.12.2015: € 3,203 K) for the subsequent five business years.

Out of this, € 611 K (31.12.2015: € 609 K) is attributable to affiliated companies for the subsequent business year and € 3,057 K (31.12.2015: € 3,043 K) for the subsequent five business years. The above mentioned amounts refers to the office in Mechelgasse 1. The rental agreement was concluded for an unlimited period, whereas in the above only next five years were considered.

k) Details of derivative financial instruments – interest rate swaps

€ 1,000		Nominal value	Fixed interest rate as at	Interest reference rate	Fair value	thereof considered as provisions
Start	End	31.12.2016	31.12.2016		31.12.2016	31.12.2016
12/2016	12/2024	11,745	0.44%	3M-EURIBOR	- 165	- 165

The fair value corresponds to the value CA Immo AG would receive upon termination of contract at balance sheet date. The value is received from the financial institution, with which the contract was signed. The quoted value is a cash value. Future cash flows are from variable payments as well as discounting rates will be calculated based on generally accepted financial models. For the valuation, inter-bank middle rates are used. Specific bid/ ask rates as well as other termination expenses are not included in the valuation.

l) Details of derivative financial instruments – swaption

€ 1,000		Nominal value	Fixed interest rate as at	Interest reference rate	Fair value	Book value
Start	End	31.12.2016	31.12.2016		31.12.2016	31.12.2016
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	8	8
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	9	9
		20,000			17	17

€ 1,000		Nominal value	Fixed interest rate as at	Interest reference rate	Fair value	Book value
Start	End	31.12.2015	31.12.2015		31.12.2015	31.12.2015
06/2013	06/2016	50,000	2.50%	6M-EURIBOR	0	0
06/2013	06/2016	50,000	2.50%	6M-EURIBOR	0	0
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	70	70
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	69	69
		120,000			139	139

The fair value corresponds to the amount that CA Immo AG would receive upon termination of the contract on the balance sheet date. These values were determined by the financial institution with which the transactions were concluded. The book value corresponds to the acquisition costs or the lower fair value.

2. Explanatory notes on the income statement

Gross revenues

The gross revenues are made up as follows:

By type

€ 1,000	2016	2015
Rental income for real estate	15,439	17,306
Operating costs passed on to tenants	4,536	5,675
Income from management	10,891	3,383
Other revenues	222	234
	31,088	26,598

By region

€ 1,000	2016	2015
Austria	21,949	24,580
Germany	2,441	0
Eastern Europe	6,698	2,018
	31,088	26,598

Other operating income

Revenues from sale and increase in value of tangible assets, except for financial assets

€ 1,000	2016	2015
Reversal of impairment current year	2,341	955
Reversal of impairment for previous year due to RÄG 2014	11,893	0
Reversal of impairment tangible assets	14,234	955
Revenues from assets disposals	29,093	59,527
Book value assets disposed	- 11,734	- 23,751
Other expenses	- 111	- 1,102
Profit from sale of tangible assets	17,248	34,674
	31,482	35,629

The revenues from release of provisions refer mainly to provisions for maintenance and consultancy expenses.

Other operating income of € 2,993 K (2015: € 547K) results from cost re-charging and insurance revenues.

Staff expense

This item, totalling € 12,277 K (2015: € 10,797 K), includes expenses for the 59 staff members (2015: 56) employed by the company on average.

The expenses for retirement benefits are as follows:

€ 1,000	2016	2015
Pension fund contributions for Management Board members and senior executives	219	146
Pension fund contributions for other employees	48	44
	267	190

Expenses for severance payments as well as payments dependent on remuneration and compulsory contributions are made up as follows:

€ 1,000	2016	2015
Change of provision for severance payments to Management Board members and senior executives	- 105	- 147
Allocation to provision for severance payments to other employees	11	11
Severance payments to Management Board members and senior executives	2,441	2,490
Pension fund contributions for Management Board members and senior executives	76	59
Pension fund contributions for other employees	32	33
	2,455	2,446

Depreciation

€ 1,000	2016	2015
Depreciation of intangible fixed assets	378	483
Scheduled depreciation of buildings	6,379	6,698
Depreciation of other assets, office furniture and equipment	300	322
Low-value assets	15	5
	7,072	7,508

Other operating expenses

Where they do not fall under taxes on income, the taxes in the amount of € 411 K (2015: € 580 K) mainly comprise the real estate charges passed on to tenants in the amount of € 224 K (2015: € 257 K) and the non-deductible input VAT € 183 K (2015: € 63 K, as well as adjustment of real estate tax for a merger in amount of € 177 K).

Other operating expenses are made up as follows:

€ 1,000	2016	2015
Other expenses directly related to properties		
Operating costs passed on to tenants	4,315	5,401
Maintenance costs	2,033	2,205
Own operating costs (vacancy costs)	617	449
Administration and agency fees	36	13
Other	354	514
Subtotal	7,355	8,582
General administrative costs		
Legal, auditing and consultancy fees	4,142	2,472
Charged costs to group companies	2,600	338
Administrative and management costs	1,059	0
Expenses of bonds	959	376
Advertising and representation expenses	726	951
Office rent including operating costs	621	629
Supervisory Board remuneration	436	386
Other fees and bank charges	413	112
Claims and reserves for bad debts of other receivables	342	3
Other	1,900	1,630
Subtotal	13,198	6,897
Total other operating expenses	20,553	15,479

Income from investments

This item comprises dividends paid from companies in Austria in the amount of € 86,000 K (2015: € 56,762 K) and as well as companies in Germany and Eastern Europe in the amount of € 1,772 K (2015: € 550 K).

Income from loans from financial investments

This item comprises interest income from loans.

Other interest and similar income

The interest income mainly refers to interests for acquired bonds.

Income from the sale and revaluation of financial assets and short-term securities

€ 1,000	2016	2015
Reversal of impairment due to increase in value	164,036	184,627
Repayment of loans above book value	1,436	29,043
Sale of financial assets	1,153	5,232
Sale of securities from current assets	350	0
Release allowance of interest receivable	0	1,095
	166,975	219,997

Expenses for financial assets and short-term interest receivables

€ 1,000	2016	2015
Depreciation of financial assets	3,898	15,310
Bad debt allowance for interest receivables	2,682	1,993
Loss from disposal of investments in affiliated companies	16	299
	6,596	17,602

Interest and similar expenses

€ 1,000	2016	2015
Interest costs for bonds	17,052	14,409
Interest for bank liabilities for the financing of real estate assets	2,693	3,159
Interest costs in respect of affiliated companies	522	887
Expenses for derivative transactions	165	23,346
Other	119	7
	20,551	41,808

Taxes on income

€ 1,000	2016	2015
Tax compensation tax group members	5,565	7,762
Corporate income tax	- 152	- 2,675
Deferred taxes	- 36	0
Other	2	- 83
Tax revenues	5,379	5,004

OTHER INFORMATION**3. Affiliated companies**

CA Immo AG, Vienna, is the main parent company of CA Immo Group. The consolidated financial statements are drawn up pursuant to International Financial Reporting Standards (IFRS) and the supplementary provisions of section 245a of the Austrian Commercial Code (UGB) and filed at the Vienna Commercial Court.

4. Executive bodies and employees**Supervisory Board**Elected by the General Meeting:

Torsten Hollstein, Vorsitzender (since 3.5.2016)
Dr. Florian Koschat, Stv. des Vorsitzenden (since 3.5.2016)
Richard Gregson
John Nacos
Michael Stanton
Dmitry Mints, Stv. des Vorsitzenden (until 21.12.2016)
Dr. Maria Doralt (until 10.11.2016)
Barbara A. Knoflach (until 10.11.2016)
Dr. Wolfgang Ruttenstorfer (until 10.11.2016)
Franz Zwickl (until 17.2.2016)

Delegated by registered share:

Dr. Oliver Schumy (since 2.8.2016)
Stefan Schönauer (since 2.8.2016)
Univ.-Prof. Dr. Klaus Hirschler (since 1.12.2016)
Prof. Dr. Sven Bienert (since 1.12.2016)
Timothy Fenwick (from 3.5.2016 until 30.11.2016)
Marina Rudneva (from 3.5.2016 until 2.8.2016)
Dr. Wolfgang Renner (from 3.5.2016 until 2.8.2016)

Delegated by works council:

Sebastian Obermair (since 22.3.2016)
Georg Edinger (since 3.5.2016)
Nicole Kubista (since 3.5.2016)
Franz Reitermayer (since 3.5.2016)

As at balance sheet date the Supervisory Board of CA Immo AG consists of five members elected by the General Meeting as well as four members delegated by registered shares and four members delegated by works council.

In the business year 2016 payments amounting to approximately € 306 K (2015: € 198 K), representing fixed remuneration for 2015 (including attendance fees for members of Supervisory Board totaling € 85 K, previous year € 19 K), were made. Additionally, Supervisory Board related expenses amounted to € 242 K (2015: € 215 K). Out of this amount, cash outlays for travel expenses amounted to € 47 K (2015: € 13 K), legal and other consultancy services for the Supervisory Board totalled € 194 K (2015: € 0 K) and other expenses were of € 1 K (2015: € 4 K). No other fees (particularly for consultancy or brokerage activities) were paid to Supervisory Board members.

For the business year 2016 a total remuneration of € 396 K is to be proposed to the Annual General Meeting based on the same criteria (annual fixed remuneration of € 25 K per member of the Supervisory Board as well as an attendance fee

of € 1K per meeting day); a provision was made for the same amount as at 31.12.2016. The increase compared to the previous year results from the expansion of the Supervisory Board.

All business transactions conducted between the company and members of the Supervisory Board which oblige such members to perform services for the CA Immo Group outside of their Supervisory Board activities in return for remuneration of a not inconsiderable value (L Rule no. 48 and article 228 section 3 of the Austrian Commercial Code) must conform to industry standards and be approved by the Supervisory Board. The same applies to contracts with companies in which a Supervisory Board member has a significant business interest. In this specific case, the conclusion of agreements with, and award of assignments to, the global law office DLA Piper and its international partner firms was particularly relevant because Maria Doralt, who was a member of the Supervisory Board of CA Immo is also a partner in DLA Piper. A letter of engagement has existed with DLA Piper UK LLP since the end of 2012 concerning advice relating to the letting of the Kontorhaus office building in Munich. On behalf of the refinancing banks DLA Piper Weiss-Tessbach Rechtsanwälte GmbH acted in 2015 in an advisory capacity in connection with two refinancing operations in Hungary. The relevant fees correspond to usual hourly rates for the sector and totalled € 0K for business year 2016 (€ 164 K in 2015). No other fees (particularly for consultancy or brokerage activities) were paid to Supervisory Board members. No loans or advances were granted.

O1 Group Limited/O1 Group

From 20.2.2015 until its disposal to IMMOFINANZ AG on 2.8.2016 (closing date), O1 Group Limited held directly or indirectly 25,690,163 bearer shares via Terim Limited and four registered shares of CA Immo AG.

In connection with the voluntary public partial offer made to the shareholders of IMMOFINANZ AG in 2015, CA Immo AG and O1 Group Limited were deemed parties acting in concert under the terms of the Austrian Takeover Act. In this regard, there was a memorandum of understanding with O1 Group Limited which was terminated in 2016.

During the second quarter 2015, following a competitive process with Vesper Real Estate (Cyprus) Limited, a company under the influence of Mr. Boris Mints (owner and chairman of O1 Group), a sales contract regarding a plot in Berlin (Kunstkubus, Europacity) suitable for residential construction was signed. The agreed purchase price of € 7,000 K was confirmed by an external fairness opinion and was paid in the first quarter 2016.

IMMOFINANZ AG

With share purchase agreement dated 17.4.2016, IMMOFINANZ AG acquired 25,690,163 bearer shares from Terim Limited and four registered shares from O1 Group Limited of CA Immo AG (approximately 26% of the capital stock of CA Immo AG). Closing of the transaction was on 2.8.2016.

Between IMMOFINANZ AG and CA Immo AG there is a reciprocal shareholding. The CA Immo Group holds 54,805,566 bearer shares of IMMOFINANZ AG (equivalent to approximately 5.6% of the capital stock of IMMOFINANZ AG).

CA Immo AG and IMMOFINANZ AG have agreed to enter into constructive dialogue concerning a potential merger of the two companies. IMMOFINANZ AG had advocated selling or spinning off the Russia portfolio as a precondition to potentially successful merger negotiations; in mid-December 2016, the company announced that talks on the possible merger (including separation of the Russia portfolio) would be suspended and the timetable would be adjusted.

Management Board

Frank Nickel (Chief Executive Officer since 1.1.2016)
Dr. Hans Volckens (since 27.9.2016)
Florian Nowotny (until 30.9.2016)

In business year 2016, total salary payments to active Management Board members stood at € 1,347 K (€ 1,485 K in 2015). Of this amount € 126 K (2015: € 101 K) were salary-related deductions. Management Board remuneration contains € 203 K in short-term incentives (€ 545 K in 2015) and € 106 K from the LTI tranche for 2013-2015 (€ 175 K in 2015 for the LTI tranche for 2012-2014). Fixed salary components made up 77% of Management Board remuneration (52% in 2015), with variable salary components accounting for 23% (48% in 2015). Provisions of € 932 K (2015: € 467 K) including incidental charges were allocated at Management Board level for variable salary components payable in 2017 on the basis of targets agreed in business year 2016. As at 31.12.2016 provisions totaling € 1,235 K (including incidental charges; € 1,835 K on 31.12.2015) had been formed in connection with the LTI programmes starting in 2014, 2015 and 2016; of this, the Management Board accounted for € 143 K (€ 206 K in the previous year). During business year 2016, contributions to pension funds for Management Board members (defined contribution plan) totalled € 124 K (€ 60 K in 2015). Payments to form a reserve for severance payment claims (defined benefit plan) amounted to € 84 K in the last business year (compared to € 65 K in 2015). As at 31.12.2016, severance payment provisions totalled € 84 K (€ 189 K on 31.12.2015). Payments have been made to former members of the Management Board as follows: Following early termination of his Management Board contract, Florian Nowotny received a severance payment of € 2,441 K in 2016; appropriate provision was made on the balance sheet date for payment of an additional € 150 K on 31 March 2017. In 2016, corresponding salary-based deductions amounted to € 169 K. In 2015, Dr. Bruno Ettenauer received a severance payment of € 2,490 K; further payment of an additional € 150 K was due on 30.6.2016. Appropriate provision has been made on the balance sheet date 31.12.2015. A total of € 193 K was paid to former members from maturity of the LTI tranche 2013-2015 (€ 320 K in the previous year for LTI tranche 2012-2014). There are no further obligations. No loans or advances were granted to Management Board members.

PAYMENTS TO THE MANAGEMENT BOARD ¹⁾

	Frank Nickel ²⁾		Hans Volckens ³⁾		Bruno Ettenauer ⁴⁾		Florian Nowotny ⁵⁾		Total ⁶⁾	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
€ 1,000										
Fixed salary	400	0	88	0	0	343	230	246	718	589
Salary-based deductions	56	0	13	0	0	63	57	37	126	101
Remuneration in kind, company car, etc	45	0	1	0	0	9	4	4	51	13
Expense allowances	13	0	4	0	0	1	2	1	18	2
Total fixed salaries	514	0	106	0	0	416	294	290	913	706
<i>Total fixed salaries as % (incl. contributions to pension funds)</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>	<i>50%</i>	<i>55%</i>	<i>53%</i>	<i>77%</i>	<i>52%</i>
Short-term variable payments (objective agreement bonus)	0	0	0	0	0	320	203	225	203	545
Mid-term variable payments (LTI programme)	0	0	0	0	0	126	106	49	106	175
Total variable payments	0	0	0	0	0	446	309	274	309	720
<i>Total variable payments as %</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>50%</i>	<i>45%</i>	<i>47%</i>	<i>23%</i>	<i>48%</i>
Contributions to pension funds	41	0	0	0	0	35	83	25	124	60
Total salary payments	555	0	106	0	0	896	686	589	1,347	1,485

¹⁾ The table contains only compensation components actually paid in 2015 or 2016. As at 31.12.2016 provisions of € 932 K were recognised for bonus entitlements for 2016.

²⁾ Chief Executive Officer since 1.1.2016

³⁾ Member of the management board (CFO) since 27.9.2016

⁴⁾ Chief Executive Officer until 31.12.2015

⁵⁾ Member of the management board (CFO) until 30.9.2016

⁶⁾ Exclusive severance payment of € 2,640 K for Dr. Bruno Ettenauer and € 2,441 K for Florian Nowotny plus corresponding salary-based deductions of € 197 K (in 2015) and € 169 K (in 2016) following the early termination of the management board contracts.

Employees

The average number of staff employed by the company during the business year was 59 (2015: 56).

5. Auditor's remuneration

There is no indication of the auditor's remuneration for the business year pursuant to section 237 para 14 of the Austrian Commercial Code (UGB), as this information is contained in the consolidated financial statements of CA Immo AG.

6. Events after the balance sheet date

In February 2017, CA Immo AG issued a corporate bond with a total volume of € 175 m and a term of seven years. The coupon rate of the fixed interest bond is 1.875 %.

Until the publication of this report in March 2017, another 34,727 treasury shares have been repurchased from the share buyback programme resolved in November 2016.

7. Proposal for the appropriation of net earnings

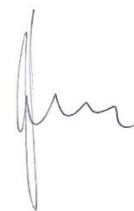
It is proposed to use part of the net retained earnings of € 618,112,346.77 to pay a dividend of € 0.65 per share, i.e. a total of € 60,713,261.05, to the shareholders. The remainder of the net retained earnings in the amount of € 557,399,085.72 is intended to be carried forward to new account.

Vienna, 20.03.2017

The Management Board



Frank Nickel
(Chief Executive Officer)



Dr. Hans Volckens
(Member of the Management Board)

ASSET ANALYSIS FOR THE BUSINESS YEAR 2016

	Acquisition and production costs as at 1.1.2016	Addition	Disposal	Transfer	Acquisition and production costs as at 31.12.2016
	€	€	€	€	€
I. Intangible fixed assets					
Rights and EDP software	2,056,434.82	325,463.65	36,007.81	0.00	2,345,890.66
	2,056,434.82	325,463.65	36,007.81	0.00	2,345,890.66
II. Tangible fixed assets					
1. Property and buildings					
a) Land value	54,377,443.96	70,802.00	3,407,042.07	0.00	51,041,203.89
b) Building value	270,861,584.69	2,265,006.22	14,649,639.69	0.00	258,476,951.22
	325,239,028.65	2,335,808.22	18,056,681.76	0.00	309,518,155.11
2. Other assets, office furniture and equipment	2,855,841.88	524,473.58	189,488.30	0.00	3,190,827.16
3. Prepayments made and construction in progress	934,481.26	1,112,521.97	106,520.54	0.00	1,940,482.69
	329,029,351.79	3,972,803.77	18,352,690.60	0.00	314,649,464.96
III. Financial assets					
1. Investments in affiliated companies	2,529,570,397.01	170,644,676.08	122,701.00	8,171,803.38	2,708,264,175.47
2. Loans to related companies	343,755,595.74	11,485,000.00	76,358,374.85	-8,171,803.38	270,710,417.51
3. Investments in associated companies	289,678.33	0.00	8,094.14	0.00	281,584.19
4. Loans to associated companies	380,000.00	500,000.00	30,000.00	0.00	850,000.00
5. Derivative financial instruments	1,487,550.00	0.00	1,311,250.00	0.00	176,300.00
6. Other loans	38,754,410.79	0.00	7,487,874.47	0.00	31,266,536.32
	2,914,237,631.87	182,629,676.08	85,318,294.46	0.00	3,011,549,013.49
	3,245,323,418.48	186,927,943.50	103,706,992.87	0.00	3,328,544,369.11

Accumulated depreciation as at 1.1.2016 €	Depreciation and amortisation in 2016 €	Reversal of impairment losses in 2016 €	Accumulated depreciation disposal €	Accumulated depreciation as at 31.12.2016 €	Book value as at 31.12.2015 €	Book value as of 31.12.2016 €
1,376,723.50	378,258.98	0.00	0.00	1,754,982.48	679,711.32	590,908.18
1,376,723.50	378,258.98	0.00	0.00	1,754,982.48	679,711.32	590,908.18
14,979,220.41	0.00	2,405,226.34	0.00	12,573,994.07	39,398,223.55	38,467,209.82
93,091,931.17	6,378,817.49	11,828,465.84	6,433,277.37	81,209,005.45	177,769,653.52	177,267,945.77
108,071,151.58	6,378,817.49	14,233,692.18	6,433,277.37	93,782,999.52	217,167,877.07	215,735,155.59
2,337,894.15	314,674.35	0.00	183,129.31	2,469,439.19	517,947.73	721,387.97
0.00	0.00	0.00	0.00	0.00	934,481.26	1,940,482.69
110,409,045.73	6,693,491.84	14,233,692.18	6,616,406.68	96,252,438.71	218,620,306.06	218,397,026.25
607,001,897.32	903,999.00	164,035,500.00	65,000.00	443,805,396.32	1,922,568,499.69	2,264,458,779.15
7,647,616.00	1,014,724.00	0.00	0.00	8,662,340.00	336,107,979.74	262,048,077.51
8,992.14	0.00	0.00	8,093.14	899.00	280,686.19	280,685.19
0.00	0.00	0.00	0.00	0.00	380,000.00	850,000.00
1,348,493.77	121,760.34	0.00	1,311,250.00	159,004.11	139,056.23	17,295.89
26,160,805.35	1,857,281.97	0.00	0.00	28,018,087.32	12,593,605.44	3,248,449.00
642,167,804.58	3,897,765.31	164,035,500.00	1,384,343.14	480,645,726.75	2,272,069,827.29	2,530,903,286.74
753,953,573.81	10,969,516.13	178,269,192.18	8,000,749.82	578,653,147.94	2,491,369,844.67	2,749,891,221.17

INFORMATION ABOUT GROUP COMPANIES

Direct investments

Company	Registered office	Share capital		Interest in %	Profit/loss for fiscal 2016		Shareholders' equity as at 31.12.2016		Profit/loss for fiscal 2015		Shareholders' equity as at 31.12.2015	
					in 1,000		in 1,000		in 1,000		in 1,000	
CA Immo d.o.o.	Belgrad	32,523,047	RSD	100	-660	RSD	1,537	RSD	-3,455	RSD	2,198	RSD
CA Holding Szolgáltató Kft	Budapest	13,000,000	HUF	100	3,657	HUF	653,623	HUF	9,160	HUF	649,966	HUF
Canada Square Kft.	Budapest	12,510,000	HUF	100	76,452	HUF	1,024,198	HUF	31,077	HUF	411,310	HUF
Duna Irodaház Kft.	Budapest	838,082	EUR	100	928	EUR	22,549	EUR	purchase	2016		
Duna Termál Hotel Ingatlanfejlesztő Kft.	Budapest	1,182,702	EUR	100	363	EUR	24,894	EUR	purchase	2016		
Duna Business Hotel Ingatlanfejlesztő Kft.	Budapest	1,370,097	EUR	100	591	EUR	27,336	EUR	purchase	2016		
Kapas Center Kft.	Budapest	772,560,000	HUF	50	293,377	HUF	1,647,190	HUF	323,147	HUF	1,353,813	HUF
Kilb Kft.	Budapest	30,000,000	HUF	100	426,755	HUF	2,691,886	HUF	494,958	HUF	2,265,132	HUF
Millennium Irodaház Kft.	Budapest	3,017,097	EUR	100	-95	EUR	19,942	EUR	purchase	2016		
R 70 Invest Budapest Kft.	Budapest	5,270,000	HUF	100	-72,178	HUF	2,135,488	HUF	-87,490	HUF	2,207,666	HUF
Skogs Buda Business Center II. Kft.	Budapest	327,010,000	HUF	100	-340	HUF	208,857	HUF	-13,642	HUF	209,197	HUF
Váci 76 Kft.	Budapest	3,100,000	HUF	100	631,025	HUF	5,333,179	HUF	428,357	HUF	4,702,153	HUF
CA Immo Invest GmbH	Frankfurt	50,000	EUR	51	6,649	EUR	15,512	EUR	-28,194	EUR	8,863	EUR
DRG Deutsche Realitäten GmbH	Frankfurt	500,000	EUR	49	125	EUR	678	EUR	243	EUR	829	EUR
Pannonia Shopping Center Kft.	Győr	3,020,000	HUF	50	-218,696	HUF	-144,742	HUF	47,485	HUF	73,952	HUF
CAINE B.V.	Hoofddorp	18,151	EUR	100	-9,403	EUR	-11,426	EUR	4,096	EUR	-30,023	EUR
CA Immo Holding B.V.	Amsterdam	51,200,000	EUR	100	7,940	EUR	161,905	EUR	9,297	EUR	152,118	EUR
CA Immobilien Anlagen d.o.o.	Ljubljana	50,075	EUR	100	116	EUR	9,739	EUR	-658	EUR	3,848	EUR
Avielen Beteiligungs GmbH	Vienna	35,000	EUR	100	-952	EUR	-7,858	EUR	-1,375	EUR	-6,906	EUR
Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. Leasing OG	Vienna	4,135,427	EUR	100	227	EUR	5,018	EUR	-1,422	EUR	4,791	EUR
CA Immobilien Anlagen Beteiligungs GmbH & Co Finanzierungs KG	Vienna	154,812	EUR	100	5,022	EUR	161,044	EUR	4,268	EUR	156,022	EUR
CA Immo BIP Liegenschaftsverwaltung GmbH	Vienna	3,738,127	EUR	39	12,666	EUR	17,545	EUR	-3,405	EUR	4,879	EUR
CA Immo International Holding GmbH	Vienna	35,000	EUR	100	190,891	EUR	1,757,242	EUR	237,372	EUR	1,570,058	EUR
CA Immo Rennweg 16 GmbH	Vienna	35,000	EUR	100	910	EUR	-4,601	EUR	367	EUR	-5,511	EUR
EBL Nord 2 Immobilien GmbH	Vienna	35,000	EUR	50	14	EUR	51	EUR	2	EUR	37	EUR
EBL Nord 2 Immobilien Eins GmbH & Co KG	Vienna	10,000	EUR	50	-1,478	EUR	-1,541	EUR	-73	EUR	-63	EUR
EBL Nord 2 Immobilien Zwei GmbH & Co KG	Vienna	10,000	EUR	50	-292	EUR	-297	EUR	-15	EUR	-5	EUR
omniCon Baumanagement GmbH	Vienna	100,000	EUR	100	10	EUR	115	EUR	11	EUR	105	EUR

Information on participations for 2016 is based on preliminary figures in financial statements prepared according to local accounting standards.

MANAGEMENT REPORT

GROUP STRUCTURE

The CA Immo Group is an internationally active real estate group. The parent company of the Group is **CA Immobilien Anlagen Aktiengesellschaft**, a listed company based in Vienna whose main activity is the strategic and operational management of subsidiary companies at home and abroad. The company has branch offices in Austria, Germany, Hungary, Czechia, Romania, Poland and Serbia; the Group also has offices in Cyprus and Ukraine. Each site acts as a largely autonomous profit centre. Other subsidiaries (without separate local teams) are present in Bulgaria, Croatia, the Netherlands, Slovakia and Slovenia. As at key date 31.12.2016, the Group comprised 206 companies (31.12.2015: 214) with around 363 employees (31.12.2015: 357) in 16 countries¹⁾. The CA Immo Group's core field of expertise involves developing and managing modern and spacious office properties in Central and Eastern Europe. In regional terms, the company focuses on Austria, Germany, Poland, Hungary, Czechia, Slovakia and Romania. Business activity in Germany is focused on Munich, Frankfurt and Berlin; in other countries, the strategic emphasis is on the capital cities. Aside from office properties, the asset portfolio of the Group includes hotels, speciality retail outlets, shopping malls and a small proportion of residential and logistical properties. From the design and development of entire urban districts to the active management of investment properties, value is generated through a comprehensive value chain.

Austria

The company's domestic properties are overseen in direct subsidiaries of CA Immobilien Anlagen AG. As at 31.12.2016, the parent company also directly held property assets of approximately € 255.8 m (€ 278.2 m on 31.12.2015). As at 31.12.2016, the total Austrian portfolio comprised investment properties with a market value of € 547.0 m (€ 587.6 m on 31.12.2015) along with three development projects.

Germany

The operational platform for all Group activities in Germany is **CA Immo Deutschland GmbH**. As a former collecting society for state-owned railway properties in Germany, the company has a wealth of expertise in developing inner city real estate.

COMPANIES BY REGION

Number of companies ¹⁾	31.12.2016	31.12.2015
Austria	22	27
- of which joint ventures	1	1
Germany	101	95
- of which joint ventures	16	15
Eastern Europe ²⁾	83	92
- of which joint ventures	8	8
Group-wide	206	214
- of which joint ventures	25	24

¹⁾ Joint ventures at property/project level

²⁾ Includes holding companies in Cyprus and the Netherlands established in connection with Eastern European investments

With subsidiaries in Frankfurt, Berlin and Munich, an appropriate local profile is assured. Aside from investment properties, the company's property assets mainly comprise properties under construction and undeveloped plots alongside a portfolio of properties intended for trading or sale. Investment properties are largely held in direct holdings and let and managed by **DRG Deutsche Realitäten GmbH**, a joint venture set up with the Austrian estate agent and property management firm ÖRAG. Construction management – which encompasses construction management, project management and construction supervision – is carried out by CA Immo's German subsidiary **omniCon**, which also performs these services for third parties.

Eastern Europe

In Eastern Europe, the focus is also on commercial class A buildings in regional capitals. The Group's portfolio of investment properties in Eastern Europe, along with a small proportion of development projects and undeveloped plots, is directly held via CA Immo participating interests and via **Europolis GmbH**, another wholly owned subsidiary of CA Immo acquired from the Volksbank Group early in 2011. On the balance sheet date there was also a partnership with Union Invest overseeing a sub-portfolio comprising two investment properties. The share of Union Invest (49%) was acquired by CA Immo in mid-January 2017. All properties in Eastern Europe are managed by regional companies in Prague, Budapest, Warsaw, Bucharest and Belgrade under the name **CA Immo Real Estate Management**.

¹⁾ Includes holding companies in Cyprus and the Netherlands and another company in Switzerland.

GROUP STRUCTURE



ECONOMIC ENVIRONMENT

The economic trend¹⁾

In 2016 the global economy and Europe in particular had to cope with numerous challenges including geopolitical tensions, terrorist attacks, stressed banking sectors, UK's vote to leave the European Union. That notwithstanding, the European economy has shown resilience and delivered economic growth as well as strong dynamics regarding the creation of new jobs. GDP growth picked up towards the end of 2016 and is expected to maintain its momentum into 2017. European economies enjoyed a number of favourable factors, such as the low oil price, a depreciating euro (especially against the US dollar) and in particular accommodative monetary policies. According to the European Commission, private consumption has been the main growth driver in Europe while investment continued to be subdued, which "casts a shadow of doubt over the sustainability of the recovery and the economy's potential growth".

Stock markets showed strong performances across the world in 2016. The DAX rose 7% and the ATX by 9% over the 12 months. The S&P 500 gained 9% and the Dow Jones increased by 12% over the the same period. Russia's RTS index soared after the US election and gained 28% in 2016, while China's Shanghai Composite ended 10% lower.

Review of the CA Immo core markets in 2016²⁾

Growth in the eurozone amounted to 1.7% in 2016, with the EU as a whole achieving 1.9%. The unemployment rate (seasonally adjusted) for the euro area was 9.6% (down from 10.4% in January 2016) and 8.1% (down from 8.9% in January 2016) for the EU as a whole in January 2017, which is the lowest rate since January 2009. The government debt to GDP ratio stood at 91.2% at the end of the third quarter 2016 (83.3% in the EU28). Annual inflation picked up in the fourth quarter of 2016 and is expected to be 2.0% in February 2017.

The economy of **Austria** continues to grow with real GDP rising by 1.5% in 2016. The inflation rate in Austria stood at 1.0% in 2016 and is expected to increase to 1.8% in 2017. The current unemployment rate is reported at 5.7%.

The German economy continued its robust growth path and expanded by 1.9% in 2016. In EU comparison, **Germany** and **Czechia** reported the lowest unemployment rates at just 3.8% and 3.4%, respectively, according to the most recent publication by Eurostat. The inflation rate in Germany remained on a low level throughout 2016 at 0.4%.

As in preceding quarters, the core CA Immo markets in the CEE region displayed positive growth trends, although the pace of growth has slowed somewhat (with the exception of Romania).

¹⁾ European Commission, Bloomberg, Financial Times, The Economist

²⁾ Eurostat, European Commission, Bloomberg

Hungary was the laggard among the CEE core markets in terms of GDP growth at 1.9% in 2016. The economy of **Romania** continued to perform extraordinarily well in 2016, recording GDP growth of 4.9%. Gross domestic product in **Poland** grew to 2.8% in 2016 and **Czechia** expanded by 2.4% over the same period. The unemployment rate in the CEE nations is below the EU 28 and euro zone average; it stands at 3.4% in Czechia, 4.3% in Hungary and 5.4% in Poland and Romania.

The inflation rates in most CEE countries turned negative and remained below the respective targets last year mainly due to the continual fall in oil prices. 2016 partly showed a turnaround into positive territory. Czechia reported an inflation rate of 0.6% for 2016, while the inflation rate in Romania produced an annual value of -1.1%. The inflation rate in Poland stood at -0.2%, Hungary yielded an annual inflation of 0.4%.

The money market and interest environment¹⁾

Monetary policy continued to be highly expansive in 2016 and was characterised by the continuance of historically low interest rates. In March 2016, the European Central Bank (ECB) under Mario Draghi announced a package of measures that exceeded market expectations. The policy of quantitative easing was extended with a further reduction in the deposit rate to -0.4%. Starting in April, € 80 bn (up from the previous level of € 60 bn) were invested in the purchase programme for government bonds and other securities. The programme was extended at least to the end of March 2017 in December. In a recent response to criticism about the policy in Germany, the ECB said that it is still not the time to start tapering the stimulus programme.

The European Central Bank (ECB) has maintained its interest rates at record lows at its January 2017 policy meeting. The marginal refinancing rate stands at 0.0%, while the marginal lending rate stands slight above at 0.25%. The interest rate on deposit facilities (deposit rate) for the euro zone stands at -0.4%. The rate remained negative during the whole year to make lending more attractive to banks.

The 3 month Euribor rate remained in negative territory, fluctuating between -0.13% and -0.32% in the period under review. As a result of the expansive policy of the European Central Bank (ECB), yields on government

bonds from eurozone countries and corporate bonds with good credit ratings remain at historic lows. The 10-year German federal bond produced a negative yield for the first time in the second quarter of 2016. Corporate bonds with a negative yield of -0.05% were issued for the first time in quarter three of 2016.

Following the presidential election in the USA in November 2016, the mood brightened on international capital markets after an initially negative reaction. The infrastructure investment and tax cuts signalled have prompted many investors to factor in higher expectations of growth and inflation and, by extension, interest rates. Yields on 10-year US Treasury bonds and other government bonds, and especially those in emerging nations and the eurozone, have posted the biggest gains since the financial crisis in some instances. On a different note, renewed concerns about the future of the euro zone pushed the spread of French, Greek and Italian bonds over that of German bonds to recent highs.

Outlook²⁾

The European Commission raised its growth forecast for the euro zone slightly to 1.6% in 2017 and 1.8% in 2018. At the same time, it pointed to “exceptional risks” surrounding its forecast, such as the start of “Brexit” - negotiations between Britain and the European Union and “to be clarified” intentions of the new administration of the United States in key policy areas. The unemployment rate in the euro area is expected to decline further, from 10.0% in 2016 to 9.6% in 2017.

Euro zone inflation has reached its highest level in four years (above the targeted ECB rate) in February 2017 driven by rising energy costs, which might intensify the discussion on whether the bank should reduce its stimulative monetary policy. Annual inflation up to 2.5% in the US in January 2017 (up from 2.1% in December) might lead to another interest rate hike in March and consequently to a policy turnaround of the Federal Reserve towards a more aggressive monetary tightening path.

¹⁾ Sources: Eurostat, Central Statistical Offices, Bloomberg

²⁾ Sources: European Commission Winter 2017 Economic Forecast, Bloomberg, Financial Times, The Economist

THE REAL ESTATE MARKET IN AUSTRIA¹⁾

The investment market

In 2016 the total volume invested in commercial real estate in Austria was € 2.8 bn; Vienna was the focus, attracting around 60% of that total. Although this value was roughly 29% below the record volume of last year, it exceeded the five-year average figure by approximately 16%. The decrease was mainly due to large-scale transactions that were signed in 2016 but will not be concluded until next year.

Office properties accounted for around 40% of transactions, followed by the hotel segment with around 26%. Domestic investors were responsible for approximately 54% of investment. The proportion of international investors was therefore somewhat lower at around 46%, while the proportion of German investors fell to around 12%, its lowest level for many years.

Like last year, the peak yield on office properties fell significantly to stand at the historically low level of just under 4.0%. Yields in good and average locations also continued to fall in the final quarter to 4.7% and 5.15% respectively. CBRE Research expects demand levels for commercial real estate in Austria to remain high and estimates a transaction volume of €3.5 bn for 2017.

The office property market

The stock of premises on the Viennese office property market amounted to 10.9 million sqm at year end. The main reason for the general stability of the total portfolio compared to the previous year was the significantly lower completion volume of around 65,000 sqm (compared to approximately 178,000 sqm in 2015).

Year on year, lettings performance rose sharply (59%) to stand at around 329,000 sqm, the highest value since 2012 and roughly 24% above the five-year average. Almost all of the office premises completed in 2016 were pre-let or (to a higher degree) earmarked to be owner-occupied, and were therefore not made available on the lettings market.

Over the course of 2016, the vacancy rate declined significantly to stand at the record low of 5.3% at year end

(Q4 2015: 6.3%). The positive trend is expected to continue into next year, driven by an anticipated demand for floor space.

The peak monthly rent in Vienna has been stable at around € 26.0/sqm since the first quarter of 2016. Monthly rents rose by around 6.5% to € 16.50/sqm in good office locations, while monthly rents in average locations stood at € 14.25/sqm.

THE REAL ESTATE MARKET IN GERMANY²⁾

The investment market

The transaction volume for commercial real estate in Germany totalled € 52.5 bn, just below the previous year's level. In spite of sharply falling yields, the German investment market continued to display extremely robust demand levels while offering an attractive alternative to many investors in view of historically low interest rates. In quarter four Germany was the most important European investment market for commercial real estate with a volume of €19.8 bn.

Around € 24.8 bn was invested in office properties in Germany in 2016. Offices therefore constituted the asset class in greatest demand, accounting for 47% of the entire German investment market for commercial real estate. The top five locations accounted for approximately 74% of investment.

With € 4.7 bn, the transaction level on the Berlin market exceeded the 10-year average by 26%; this figure was around 40% below the record value of the previous year, however, mainly because of the shortage of high quality properties on the market. A strong final quarter in Frankfurt produced a total volume of € 6.3 bn thanks to a range of large transactions. This value was exceeded with € 6.6 bn in Munich, where once again a very strong closing quarter generated more than € 3 bn. Investment activity in Munich was thus 50% above the 5-year average. In both Frankfurt and Munich, the office area accounted for more than 80% of the investment volume.

Demand for office properties remains high in German cities, with a rising proportion of foreign investors (>50% in 2016) playing key roles in large-volume transactions in

¹⁾ Sources: CBRE: Austria Investment MarketView Q4 2016, Vienna Office MarketView Q4 2016, MarketView EMEA Rents and Yields Q4 2016

²⁾ Sources: CBRE: Germany Investment Quarterly MarketView Q4 2016; Germany Office Investment MarketView Q4 2016; Berlin, Munich, Frankfurt Investment MarketView H2 2016; Germany Real Estate Market Outlook 2017; Destatis

particular. Owing to high demand for investment paired with a low level of supply, the peak yield in Munich fell to 3.20% year on year, 45 base points down since the end of 2015. In the same period Berlin fell 60 base points to 3.40% in the prime office segment. The prime yield in Frankfurt stood at 4.00%, a decline of 10 base points.

The office property market¹⁾

The continuing upward trend in the German economy was reflected in GDP growth of 1.9% in 2016, the strongest rate of growth in the last five years. The trend in the number of persons employed is positive, leading to a rising demand for office space; given the shortage of floor space in many inner city areas, rental rates are rising.

The lettings market in **Munich** performed very strongly once again in 2016. Floor space turnover totalled 789,400 sqm in 2016, approximately 4% above the previous year's value. Year on year, the continuing high demand brought about a 3% rise in the peak monthly rent to € 35.0/sqm, while the weighted monthly average rent was 3% below the previous year's level at € 16.0. The office vacancy rate currently stands at the historically low level of 4.1% (2015: 4.9%). Although the completion volume of 156,000 sqm in 2016 is the lowest value for the last 10 years, this figure is expected to rise significantly in 2017 and 2018.

Office space take-up in **Frankfurt** stood at 546,400 sqm in 2016, a significant rise of 36% on the previous year and the highest value since 2007. The vacancy rate was 11.1% at year end, well below the 10-year average of 14.8%. Aside from rising demand for office space, the demolition and conversion of older office premises to other uses underpinned the positive trend. The peak monthly rent of € 39.50 was unchanged on the previous year. The weighted average market rent is € 19.09/sqm per month. The completion volume of around 179,000 sqm was just below the 10-year average. CBRE Research does not expect the supply of floor space in the top segment of the market to expand significantly in the years ahead.

Office space take up for 2016 in **Berlin** was slightly up on the previous year and thus a new record value. The German capital therefore headed the field for another year in terms of lettings activity in the office sector. In

yearly comparison, the vacancy rate fell by almost a quarter to its current level of 4.9%. The shortage of floor space led to a 17% increase in the peak monthly rent of € 27.50/sqm, the strongest rate of growth among the top five locations in Germany. The weighted average rent also increased further to € 15.84/sqm per month. Although the completion volume of 340,000 sqm increased significantly on previous years, it is struggling to keep pace with high demand.

THE REAL ESTATE MARKET IN EASTERN EUROPE²⁾

The investment markets

Strong demand from investors for the real estate asset class has also led to a significant rise in liquidity on property markets in Eastern Europe. The registered transaction volume of € 12.6 bn – the highest recorded value – was some 42% above the previous year's volume. In regional terms, Poland accounted for the largest volume (36%), followed by Czechia (29%), Hungary (13%) and Romania (7%).

The volume of office transactions was approximately € 1.1 bn in Warsaw, with a registered peak yield of up to 5.25%. This trend is expected to continue in 2017 with the suppression of yields reaching up to 5.0%. The peak yield also fell sharply (to as much as 4.85%) in Prague. JLL Research anticipates a yield of 6.75% for prime office projects in Budapest and expects further suppression thanks to greatly improved market sentiment. The office segment accounted for roughly 47% of the overall transaction volume of € 1.7 bn. The acquisition of Millennium Towers in Budapest by CA Immo was the largest single office transaction in the history of Hungary's commercial property market. Romania reported an investment volume of € 890 m, of which the capital Bucharest accounted for around 70% and the office sector was responsible for 45%; a peak yield of 7.5% is indicated.

The office property markets³⁾

Lettings continued to develop positively in 2016 in all four of CA Immo's core cities (Warsaw, Prague, Budapest and Bucharest), bringing about a decrease in vacancy rates in some cities over the course of the year.

By the end of 2016, total office space in **Warsaw** had exceeded the 5.0 million sqm threshold as around

¹⁾ Sources: CBRE: Munich, Frankfurt, Berlin Office MarketView Q4 2016

²⁾ Sources: Jones Lang LaSalle: CEE Investment Pulse H2 2016

³⁾ Sources: CBRE: Prague, Warsaw, Bucharest and Budapest Office MarketView Q4 2016

417,000 sqm of floor space was completed during the year. More than 60 projects were under construction at the time according to CBRE Research; around 54% of the associated floor space of 856,000 sqm was in a central location, with some 360,000 sqm of this scheduled for completion in 2017. Total floor space turnover in 2016 was 757,700 sqm, around 9% below the previous year's value. The vacancy rate remained high, rising 1.9% on last year's level to 14.1%. The peak monthly rent has fallen steadily over recent quarters before stabilising at the current level of around € 23/sqm in the CBD.

By the end of 2016 some 412,000 sqm of office space had been let in **Bucharest**, an increase of 73% on the previous year. Of the 294,000 sqm completed, 75% was pre-let. The stock of office space totalled 2.64 million sqm, a figure set to rise to over 3 million sqm over the next two years. In annual comparison, the vacancy rate had fallen slightly by year end to 11.7%. The peak monthly rent in Bucharest was stable at € 18.5/sqm.

Annual take-up in **Budapest** amounted to 467,100 sqm in 2016, a high level above the 10-year average but below last year's record number of 538,100 sqm. Around 96,000 sqm of new space was added to the market. The vacancy rate continued its declining trend since 2012 and stood at 9.5% at the end of the year (2015: 12.1%). The prime monthly rent is reported at € 22.0/sqm.

An historically low completion volume of 33,400 sqm was reported for the office market in **Prague** in 2016; the stock of office space was also constant at 3.20 million sqm. Lettings performance totalled 414,400 sqm in 2016, of which 305,400 sqm was newly let – a new record value. The vacancy rate fell to 10.6% over the course of the year. Peak rents in the city centre stood at € 19.50/sqm per month.

PROPERTY ASSETS

The CA Immo Group divides its core activity into the business areas of letting investment properties and developing real estate. In both of these business areas, the Group specialises in commercial real estate with a clear focus on office properties in capital cities in the centre of Europe. The objective is to build up a focused portfolio of high quality and sustainable investment properties within the core markets of Germany, Austria, Czechia,

Poland, Hungary, Romania and Slovakia. The company generates additional revenue through the utilisation of developed land reserves.

CA Immo Group's property assets

As at key date 31.12.2016, CA Immo Group held property assets of approx. € 3.8 bn (31.12.2015: € 3.7 bn). Of this figure, investment properties account for € 3.4 bn (88% of the total portfolio)¹ and property assets under development represent € 0.4 bn (12% of the total portfolio). Germany is the biggest regional segment with a proportion of 44% of total property assets.

Portfolio of CA Immobilien Anlagen AG

Property assets directly held by CA Immobilien Anlagen AG represent a rentable effective area of 134,529 sqm (2015: 141,475 sqm). As at the balance sheet date, these assets comprised five properties (7 in 2015) and two project developments in Austria with a market value (including prepayments made and construction in progress) of € 217,676 K (€ 218,102 K on 31.12.2015). This portfolio generated rental income of € 15,439 K in 2016 (€ 17,306 K in 2015).

Lettings

An approximate of 13,691 sqm of floor space was newly let or extended in 2016 (5,915 sqm in 2015). Contracts were also concluded for another 1,075 sqm or so of floor space that will be occupied in 2017. In addition, a lease for 9,821 sqm rental space for the Erdberger Lände property had been concluded with a lease term starting on 1 January 2018. The economic occupancy rate in the asset portfolio was approximately 93% (95% in 2015). The biggest tenants of CA Immobilien Anlagen AG are Österreichische Post AG and Robert Bosch AG.

Development projects

In the **Vienna district of Lände 3**, CA Immo has made rapid progress with utilisation of the last two construction sites on Erdberger Lände itself, a process that began in 2015.

Alongside the construction of 220 rental apartments for a local investor (Wohnbau Süd), which began early in 2016, CA Immo started development of the 14,700 sqm **ViE office building** at the end of 2016. Completion of the

¹ Includes properties used for own purposes and short-term property assets

last structure under development in the Lände 3 district is scheduled for 2018.

Investments

The company invested € 3,446 K in its asset portfolio in 2016 (€ 2,288 K in 2015). Of this figure, € 2,033 K was earmarked for modernisation and optimisation measures (especially for tenant fit-out and reconstruction of Erdberger Lände, Wolfganggasse, Storchengasse and of Donau Business Center at Handelskai) (€ 2,205 K in 2015); € 118 K (€ 364 K in 2015) was devoted to the furtherance of development projects.

Disposals

As part of its portfolio streamlining, two investment properties of various asset classes in Vienna with a book value of € 11,727 K were sold in 2016 (compared to 6 investment properties with a value of € 23,751 K in 2015). The book value also reflects pro-rata costs for a plot of land that was sold in 2015. These sales generated total income of € 31,482 K (compared to € 35,629 K in 2015).

COURSE OF BUSINESS FOR CA IMMOBILIEN ANLAGEN AG

Results

As a result of sales during the previous year **rental income** decreased by 11% (from € 17,306 K to € 15,439 K). **Operating expenses** passed on to tenants declined in line from € 5,675 K to € 4,536 K. Furthermore, the company generated management revenues of € 10,891 K (€ 3,383 K in 2015). Overall this led to a 17% increase in **gross revenues** from € 26,598 K to € 31,088 K.

Other operating income amounted to € 34,626 K (€ 36,269 K in 2015) and comprise the following: sales revenues in the amount of € 29,093 K (€ 59,527 K in 2015) with a corresponding book value decrease amounting to € -11,734 K (€ -23,751 K in 2015). Profit from the sale of tangible assets stood at € 17,248 K in 2016 versus € 34,674 K in 2015. Write-ups to tangible assets amounted to € 14,234 K (€ 955 K in 2015).

Staff expenses increased by 14% from € -10,797 K in 2015 to € -12,277 K in 2016. The increase mainly results from higher profit sharing bonus and other bonuses. Staff expenses include a severance payment of € 2,441 K to the former CFO Florian Nowotny following early termination of his Management Board contract. In addition, appropriate provision was made on the balance sheet date for payment of an additional € 150 K on 31 March 2017. In 2016,

the company employed 59 staff members on average (2015: 56).

Compared to the previous year **depreciation charged to tangible assets** decreased by 6% to € -7,072 K (€ -7,508 K in 2015).

Primarily caused by higher general administrative expenses (€ -13,198 K in 2016 compared to € -6,897 K in 2015) – among other things caused by project-related legal, auditing and consultancy fees associated with the potential merger with IMMOFINANZ AG – other **operating expenditures** rose by 31% to € -20,964 K (€ -16,059 K in 2015). In contrast, other expenses directly related to properties dropped by 14% from € -8,582 K in 2015 to € -7,355 K in 2016.

In overall terms, the developments outlined above led to an **operating result** of € 25,401 K in 2016 (€ 28,503 K in 2015).

The company received total **income from investments** of € 87,772 K (€ 57,312 K in 2015) via subsidiary dividend payouts. In 2016, this item was counterbalanced by expenses linked to financial assets and interest receivables on current assets of € -6,595 K compared to € -17,602 K in 2015. Loans granted mainly to subsidiary companies produced revenue of € 14,548 K (€ 13,617 K in 2015). **Other interest and similar income** stood at € 598 K (compared to € 23,861 K in 2015) and included accrued interest of € 521 K for an own bond held by the company.

Income from financial investments stood at € 166,975 K (€ 219,997 K in 2015) and include investment appreciations in an amount of € 164,036 K (€ 184,627 K in 2015), revenues from the repayment and the disposal of loans above book value in an amount of € 1,436 K and revenues from the sale of financial assets in the amount of € 1,153 K. This item was offset by writedowns on equity holdings of € -3,898 K (€ -15,310 K in 2015).

Due to the further optimisation of the financing structure, **interest and similar expenditure** fell by another 51% from € -41,808 K in 2015 to € -20,551 K in 2016. Interest for bank loans or **real estate financing** fell by 15% to € -2,693 K (€ -3,159 K in 2015). Expenses for derivative transactions decreased to € -165 K (€ -23,346 K in 2015). Interest costs in respect of affiliated companies decreased from € -887 K in 2015 to € -522 K in 2016. Moreover, repayment of 5.125% CA Immo bond

06-16 (ISIN: AT0000A026P5) in the third quarter positively influenced the average financing costs of the company. Due to the issuance of further bonds **interest expenses for bonds** stood at € –17,052 K in 2016 versus € –14,409 K in 2015. As of 31.12.2016, the company has three outstanding bonds, registered for trading on the unlisted securities market of the Vienna Stock Exchange. In February 2017, a further bond with a volume of € 175 m with a coupon of 1.875% and a seven-year term has been issued. The bonds provide unsecured financing for CA Immobilien Anlagen AG; they are on equal footing to one another and to all other unsecured financing of CA Immobilien Anlagen AG. The conditions of the bonds do not provide for any relevant financial covenants.

Overall, the factors outlined above led to an **financial result** of € 242,748 K in 2016 (€ 255,377 K in 2015). **Earnings before taxes** stood at € 268,148 K (against € 283,880 K in 2015). After taking account of **tax revenue** of € 5,379 K (2015: € 5,004 K), the annual **net profit** as at 31.12.2016 stands at € 273,528 K, compared to € 288,884 K on 31.12.2015. Taking into consideration the allocation to revenue reserve of € –55,579 K (€ –32,306 K in 2015) for 5,403,319 treasury shares (around 5.5% of the voting stock) held by the company as of the balance sheet date as well as the profit brought forward from the previous year of € 400,164 K (€ 191,490 K in the previous year), the annual financial statements of CA Immobilien Anlagen AG show **net retained earnings** of € 618,112 K (€ 448,068 K in 2015).

Proposed dividend for 2016

For business year 2016, the Management Board will propose a dividend of € 0.65 per share. Compared to last year, this represents another rise of approximately 30%. In relation to the closing rate as at 31.12.2016 (€ 17.47), the dividend yield is back to approximately 4%. The dividend will be paid on 17 May 2017 (the ex-dividend day and verification date are 15 May/16 May 2017 respectively).

Cash-flow

Cash flow from operating activities (operating cash flow plus changes in net working capital) stood at € 91,479 K in the past business year (€ 39,455 K in 2015). Cash flow from investment activities was € –60,618 K (2015: € –131,790 K) and cash flow from financing activities was € 35,169 K (2015: € 84,513 K).

Balance sheet: assets

Compared to the previous year, the **total assets** of CA Immobilien Anlagen AG increased from € 2,567,524 K as at 31.12.2015 to € 2,864,240 K as at 31.12.2016.

Fixed assets rose by 10% from € 2,491,370 K as at 31.12.2015 to € 2,749,891 K on 31.12.2016. As a proportion of total assets, the share of fixed assets amounted to 96% on 31.12.2016 (31.12.2015: 97%). Intangible assets, which solely comprise EDP software, decreased to € 591 K (31.12.2015: € 680 K). As at the balance sheet date, the company's **property assets** comprised five properties in Austria with a market value (including prepayments made and construction in progress) of € 217,676 K (compared to seven properties with a market value of € 218,102 K on 31.12.2015). **Tangible fixed assets** totalled € 218,397 K (€ 218,620 K on 31.12.2015). **Financial assets** increased by 11% to € 2,530,903 K (31.12.2015: € 2,272,070 K). The book value of investments in affiliated companies stood at € 2,264,459 K (31.12.2015: € 1,922,568 K); current additions were mainly the result of the acquisition of four entities in Hungary (Millenium Towers office complex).

Current assets increased from € 75,452 K as at 31.12.2015 to € 112,746 K on 31.12.2016. **Receivables** show a decline of 36% from € 41,923 K as of 31.12.2015 to € 26,846 K on 31.12.2016. In the previous year the item '**Other securities**' contained own bonds repurchased from the market in 2011 with a book value of € 13,658 K and a nominal value of € 14,008 K; the bond has been repaid in 2016. Furthermore, the item included 2,000,000 treasury shares of the company with a book value of € 32,306 K. Due to the changed requirements of RÄG 2014 (change in the accounting legislation) those treasury shares are now separated from shareholders' equity in the amount of the nominal value of € 7.27 per share (total amount: € 14,540 K). The remaining amount of € 17,766 K is shown as a reduction in the revenues reserves. On 31.12.2016 the company has cash holdings of € 85,901 K (31.12.2015: € 19,871 K).

Balance sheet: liabilities

Shareholders' equity rose to € 2,191,291 K as at the balance sheet date (€ 2,021,246 K on 31.12.2015). The equity ratio on the key date was approximately 77% (31.12.2015: 79%). Equity covered 80% of fixed assets (31.12.2015: 81%). **Provisions** amounted to € 12,042 K (31.12.2015: € 10,697 K). **Liabilities** increased from € 532,961 K at the end of 2015 to € 657,957 K as at 31.12.2016.

DEVELOPMENT OF SHAREHOLDERS' EQUITY

€ 1,000	31.12.2015	Change Treasury share reserve	Deferred taxes directly in equity	Dividend payments	Annual result	Addition to reserves	31.12.2016
Share capital	703,797	-24,742	0	0	0	0	679,055
Tied capital reserves	854,842	0	0	0	0	0	854,842
Tied revenue reserves	14,540	-29,958	-879	0	0	55,579	39,282
Net profit	448,067	0	0	-47,904	273,528	-55,579	618,112
Total equity	2,021,246	-54,700	-879	-47,904	273,528	0	2,191,291

SHAREHOLDER STRUCTURE AND CAPITAL DISCLOSURES (INFORMATION PROVIDED UNDER SECTION 243A UGB (AUSTRIAN COMMERCIAL CODE))

The company's capital stock amounted to € 718,336,602.72 on the balance sheet date. This was divided into four registered shares and 98,808,332 bearer shares each with a proportionate amount of the capital stock of € 7.27. The bearer shares trade on the prime market segment of the Vienna Stock Exchange (ISIN: AT0000641352).

IMMOFINANZ AG as new main shareholder

On the basis of the share purchase agreement of 17 April 2016, O1 Group Limited ('O1') sold its 25,690,163 bearer shares indirectly held via Terim Limited ('Terim') (approximately 26% of the entire capital stock of CA Immo) and the four registered shares of CA Immo directly held by O1 to IMMOFINANZ AG. The purchase price was € 23.50 per share, with the total transaction volume approximately € 604 m. Closing for the transaction took place on 2 August 2016.

With a shareholding of 26% and four registered shares, IMMOFINANZ AG is the largest shareholder in CA Immo. As at the balance sheet date, the company held 5,403,319 treasury shares. The registered shares confer the right of nominating up to four Supervisory Board members. Full use was made of this right of appointment: the Supervisory Board currently comprises five shareholder representatives elected by the Ordinary General Meeting, four shareholder representatives appointed by registered shares and four employee representatives. Transfer of registered shares requires the approval of the company.

The remaining shares of CA Immo (approximately 74% of the capital stock) are in free float with both institutional and private investors. The company is not aware of any other shareholders with a stake of more than 4% or 5%. There are no preference shares or restrictions on issued ordinary shares of the company. Apart from IMMOFINANZ AG, there are no holders of shares with special inspection rights. Employees who hold shares directly exercise their rights to vote at the Ordinary General Meeting.

Potential merger of CA Immo and IMMOFINANZ

CA Immo and IMMOFINANZ AG have agreed to enter into constructive dialogue concerning a potential amalgamation of the two companies.

In line with the Austrian Stock Corporation Act, such a merger must be approved by the Ordinary General Meetings of both organisations with a 75% majority. A fair and transparent process allied with corporate governance that conforms to international conventions are key elements in establishing a sound basis on which shareholders can make decisions on the transaction. IMMOFINANZ AG had advocated selling or spinning off the Russia portfolio as a precondition to potentially successful merger negotiations; in mid-December 2016, the company announced that talks on the possible merger (including separation of the Russia portfolio) would be suspended and the timetable would be adjusted. CA Immo is well prepared for negotiations and will thoroughly examine the pros and cons of a possible merger in the interests of its shareholders. According to the IMMOFINANZ AG announcement, the timing of the separation of the Russian properties should be such that the

Ordinary General Meetings of the two companies that will rule on a potential merger could take place in 2018.

Capital disclosures

At the 28th Ordinary General Meeting of 28 April 2015, the Management Board was authorised to increase the capital stock by up to € 215,500,975 (approximately 30% of current capital stock) by 31 August 2018 through cash or contribution in kind against the issue of up to 29,642,500 bearer shares (in several tranches if required), thereby observing the statutory subscription right (article 153 section 6 of the Austrian Stock Corporation Act) and determining the issue price and conditions by agreement with the Supervisory Board.

At the 27th Ordinary General Meeting held on 8 May 2014 and at the 29th Ordinary General Meeting held on 3 May 2016, the Management Board was authorised to acquire treasury shares to the maximum degree admissible by law (10% of the capital stock, article 65 section 1 line 8 of the Stock Corporation Act) for a period of 30 months, and if necessary to withdraw or sell own shares via the stock exchange, or by other means, or via a public offer.

A total of three share buyback programmes were undertaken in the past business year, with the repurchases approved in January and March respectively performed on the basis of the enabling resolution passed by the 27th Ordinary General Meeting and the buyback programme that started at the end of November performed on the basis of the enabling resolution passed by the 29th Ordinary General Meeting. Details of transactions completed as part of the buyback programme are published at <http://www.caimmo.com/en/investor-relations/share-buy-back-ca-immo/>.

At the 26th Ordinary General Meeting, the Management Board, with the approval of the Supervisory Board, was again authorised to issue by 6 May 2018, in several tranches if required, convertible bonds associated with conversion or subscription rights on up to 13,756,000 bearer shares of the company with a proportionate amount of the capital stock of up to € 100,006,120, up to a total amount of approximately € 100 m, and to stipulate all other conditions, the issue itself and the conversion procedures for the convertible bonds. The subscription rights of shareholders (article 174 section 4 of the Stock Corporation Act in conjunction with article 153 of the Act) were excluded.

Information on the Management and Supervisory Boards

According to the articles of association, the Management Board of CA Immo comprises one, two or three persons. The age limit for Management Board members is defined as 65 in the Articles of Association. The final term of office for Management Board members concludes at the end of the Ordinary General Meeting that follows the 65th birthday of a Board member. The Supervisory Board comprises no less than three and no more than 12 members. At any time, Supervisory Board members appointed through registered shares may be asked to step down by the person entitled to nominate and replaced by another. The provisions of the Articles of Association regarding terms of office and elections to appoint replacements do not apply to them. The other Supervisory Board members are elected by the Ordinary General Meeting. The age limit for Supervisory Board members is defined as 70 in the Articles of Association. Supervisory Board members must step down from the Board at the end of the Ordinary General Meeting that follows their 70th birthday. The Shareholder's Meeting resolves on the dismissal of members of the Supervisory Board on the basis of a majority of at least 75% of the capital stock represented (article 21 of the Articles of Association of CA Immo).

Change-of-control

Both Management Board contracts contain a change of control clause assuring payments in the event of premature termination of Management Board duties following a change of control. A change of control occurs either where a shareholder or group of shareholders attains 25% of voting rights in the Ordinary General Meeting, or they are obliged to make a mandatory takeover bid where the investment threshold of 30% is exceeded, or a corporate merger takes place. A merger constitutes a change of control. The contractual regulations provide for extraordinary termination rights as well as continued remuneration (including variable remuneration) for the remaining term of the employment contract. Otherwise, there are no significant agreements in place that would become effective, change or terminate in the event of a change of control in the company resulting from a takeover bid.

COMMITTED TO OBSERVING THE AUSTRIAN CORPORATE GOVERNANCE CODE

Compliance with legal provisions applicable in the CA Immo Group's target markets is a high priority for the company. We organise our business in such a way that we are able to comply with all applicable compliance standards in our everyday business dealings. The Management Board and Supervisory Board are committed to observing the Austrian Corporate Governance Code¹⁾ and thus to transparency and principles of good corporate management. The rules and recommendations of the version of the Corporate Governance Code applicable in business year 2016 (January 2015 amendment) are implemented almost in full. Discrepancies are noted in respect of C Rules no. 2 (right of appointment to the Supervisory Board), no. 38 (appointment of management board), no. 39 (committee authorised to take decisions in urgent cases) and no. 45 (executive positions with competitor companies). The evaluation carried out by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft concerning compliance with rules 1 to 76 of the Austrian Corporate Governance Code for business year 2016 found that declarations of conformity submitted by CA Immo with regard to compliance with the C and R Rules of the Code were correct.

RISK MANAGEMENT AT CA IMMO

To ensure the success of CA Immo as a business over the long term and enable the company to meet its strategic objectives, effective management of new and existing risks is essential. A commensurate measure of risk must be accepted if we are to utilise market opportunities and exploit the potential for success they hold. For this reason, risk management and the internal monitoring system (IMS) deliver an important contribution to the Group's corporate governance (defined as the principle of responsible management).

Strategic alignment and tolerance of risk

The Management Board, with the approval of the Supervisory Board, defines the strategic direction of the CA Immo Group as well as the nature and extent of risks the Group is prepared to accept in pursuit of its strategic objectives. The Risk Management division supports the

Management Board in assessing the risk environment and the development of potential strategies to raise long-term shareholder value. The aim of this is to ensure the company adopts the best possible direction from the alternatives available. CA Immo evaluates the opportunity/threat situation through quarterly reporting. Risk is assessed in relation to specific properties and projects as well as (sub)portfolios. The company incorporates early warning indicators such as rent forecasts, vacancy analyses, continual monitoring of lease agreement periods and the possibility of terminations; construction costs are also tracked during project implementation. Scenarios are envisaged regarding the value trend for the real estate portfolio, exit strategies and liquidity planning; these supplement risk reporting and promote reliable planning. CA Immo observes the precautionary principle by applying the full investment horizon to long-term planning and investment decisions. The company also evaluates specific risks at regular intervals (most recently in 2015), focusing on content, effect and likelihood of occurrence. The Management Board uses this data as the basis for determining the severity and type of risks that it regards as acceptable in pursuing its strategic objectives. Strategies adopted by the Management Board are incorporated into the Group's three-year planning; this assists the Group in communicating its willingness to take risks and its expectations both internally and externally.

The risk policy of CA Immo is defined by a range of guidelines, observance of which is continually monitored and documented by controlling processes. Risk management is obligatory at all levels of the company. The Management Board is involved in all risk-relevant decisions and bears overall responsibility for such decisions. At all levels, decisions are subject to the dual verification principle. Internal Auditing, an independent division, audits operational and business processes; it acts independently in reporting and evaluating the audit results. The audit committee is responsible for overseeing the proper functioning of risk management processes.

¹⁾The Austrian Corporate Governance Code may be viewed on the web site of the Austrian Working Group for Corporate Governance at www.corporate-governance.at.

KEY FEATURES OF THE INTERNAL MONITORING SYSTEM (IMS)

CA Immo's internal monitoring system covers all principles, procedures and measures designed to ensure the effectiveness, cost-effectiveness and correctness of accounting as well as compliance with relevant legal regulations and company guidelines. The IMS is integrated into individual business processes, taking account of management processes. The objectives of the IMS are to preclude and expose errors in accounting and financial reporting, thus enabling amendments to be introduced in good time. Transparent documentation makes it possible to depict processes of accounting, financial reporting and audit activity. All operational areas are incorporated into the financial reporting process. Competent local management teams are responsible for implementing and monitoring the IMS; the managing directors of the subsidiaries are required to perform self-checks in order to assess and document compliance with monitoring measures. The effectiveness of the IMS is regularly assessed by the Group Auditing department and the cost-effectiveness of business processes is continually evaluated. The results of these assessments are reported to the responsible executive boards, the full CA Immo Management Board and (at least once a year) the audit committee. The proper functioning of the risk management system is evaluated annually by the Group auditor in line with the requirements of C Rule no. 83 of the Austrian Corporate Governance Code. The results are reported to the Management Board and the audit committee.

STRATEGIC RISKS

CA Immo defines strategic risk as the danger of unexpected losses that can result from management policy decisions on the direction taken by the company. These risks generally arise from unexpected changes in the macroeconomic market environment. In 2017, for example, the World Economic Forum (WEF)¹ is warning of particularly acute economic and social risks.

The global **financial market and economic crisis** and the sovereign debt crisis (especially in the eurozone) have in the past had a significant negative impact on the asset, financial and revenue positions of CA Immo. Another future crisis could have highly adverse conse-

quences for CA Immo. Moreover, the effects of the relaxed **monetary policy** pursued by central banks over recent years cannot be foreseen at present. A further extension to the expansive monetary policy could lead to financial instability, potentially resulting in negative incentives for governments, misallocation of investments and resources and the creation of asset and financial bubbles, all of which would impact adversely on economic growth. The possible reintroduction of national currencies by individual eurozone members would have grave consequences for the economies and financial markets of Europe. Finally, the departure of other nations from European currency union could lead to a complete collapse of the monetary system. The current economic environment is characterised by low interest rates and comparatively high valuations of real estate portfolios. An **interest rate rise** could have a negative effect on the property market and, in turn, the valuation of properties and the disinvestment plans of CA Immo. Acquiring equity and loan capital could become significantly more difficult, making expansion plans impossible or only partially feasible. There are also **geopolitical factors** which could potentially have negative effects on the capital market; in the event of an excessive concentration of properties in one region, the impact on the earnings of the CA Immo Group could be substantial. In 2017, the economic environment will be defined by political challenges facing the USA, the results of elections in Europe (France, Netherlands and Germany) and the progress of Brexit negotiations. Taken together with ongoing tensions such as the crisis in eastern Ukraine, sanctions against Russia, political instability in Turkey and the continuing civil war in Syria, these outcomes have the potential to throw economic development in Europe into considerable doubt. The possibility that the resultant increase in volatility on capital and financial markets will spread even to economically powerful countries like Austria and Germany – and their financial and real estate markets – cannot be ruled out. Many of these risks are not actively manageable; where they arise, CA Immo has a range of precautions in place to minimise the risk.

¹ World Economic Forum: The Global Risks Report 2017, 12th edition.

PROPERTY-SPECIFIC RISKS

Risks linked to the market environment and composition of the portfolio

The real estate market is determined by macroeconomic development and demand for properties. Economic instability and restricted access to loan capital and equity-based financing can lead to business partners opting out. Where the liquidity of the real estate investment market is insufficient, there is a risk that sales of individual properties with a view to strategically adjusting the real estate portfolio may prove impossible or only possible under unacceptable conditions. The general market environment continues to pose the danger of starting yields for commercial real estate being adjusted upwards. Many factors that can lead to unfavourable developments are outside of CA Immo's control. These include changes to available income, economic output, interest rates and tax policy. Economic growth, unemployment rates and consumer confidence also influence supply and demand levels for real estate at a local level. This can affect market prices, rents and occupancy rates while adversely affecting the value of properties and associated income. For this reason, highly negative effects on earning power and property valuations cannot be ruled out.

CA Immo counters **market risk** by spreading its portfolio across various countries. CA Immo counters **country-specific risk** by concentrating on defined core regions through local subsidiaries with their own on-site staff, and through appropriate regional allocation within those core markets. Market knowledge, continual evaluation of strategy and monitoring of the portfolio and purposeful portfolio management in the context of strategic decision-making (e.g. defining exit strategies, medium-term planning of sales) enable the company to respond quickly to economic and political events. CA Immo negates **transfer risk** by repatriating liquid assets from investment markets with a low credit standing. Active portfolio management is aimed at minimising **concentration risk**. In the wake of numerous sales over the past few years (partial sale of Tower 185, sale of the Hesse portfolio and non-core properties, and especially the logistics portfolio), regional distribution in the portfolio is approaching the desired levels of 40% for both Eastern Europe and Germany and 20% for Austria. Germany remains the biggest single market of CA Immo. The aim here is to maintain property assets of € 250-300 m per core city to uphold consistent market relevance. For **single investments**, CA Immo defines concentration risk as a limit value of 5% of the total portfolio. The only property in this category at present is

Tower 185 in Frankfurt. The concentration risk in respect of **single tenants** is manageable. At present, the top 15 tenants are generating some 28% of rental revenue. Accounting for a share of approximately 6% of total rental income, PricewaterhouseCoopers is the largest single tenant in the portfolio at present. The generally high risk arising from the high capital commitment to **land reserves** and **land development projects** was steadily reduced through the sale of non-strategic land reserves. In addition, land development will be accelerated and partners involved at an early stage. The development volume is indicated at approximately 15% of the equity of the CA Immo Group.

Political and economic trends in the countries in which CA Immo is active also have a significant impact on **occupancy rates** and rent losses. The earning power and market value of a property is adversely affected where the Group is unable to extend a rental agreement due to expire under favourable conditions or find (and retain for the long term) suitably solvent tenants. The creditworthiness of a tenant, especially during an economic downturn, may diminish over the short or medium term, which can affect rental revenue in turn. In critical situations, the Group can opt to cut rents in order to maintain an acceptable occupancy rate. Through careful monitoring and proactive measures (such as demanding securities and screening the creditworthiness and reputation of tenants), the Group's **loss of rent risk** has settled at the low level of under 1% of rental income. At present, most outstanding rental payments relate to Eastern Europe. All outstanding receivables are evaluated quarterly and adjusted according to the associated level of risk; around 25% of outstanding receivables are adjusted on average. The risk of lost rent was taken into account to a sufficient degree in the estimation of property values. Many of the Group's lease agreements contain stable value clauses, usually taking account of consumer price indices for particular countries. The level of revenue from such rental contracts and new lettings depends heavily on the inflation trend (**sustainable value risk**).

Competition for reputable tenants is intense on the lettings market; rent levels are coming under pressure on many markets. To remain attractive to tenants, CA Immo could be forced to accept lower rental rates. Moreover, incorrect assessments of the attractiveness of **locations** or potential **usages** can make lettings more difficult or significantly impair desired lease conditions.

The Group's portfolio also includes **special asset classes** such as shopping malls, specialist retail centres and hotels whose operation involves certain risks. Poor running of the centre, inadequate corporate management of tenants, declining footfall and increasing competition can force rental rates down and lead to the loss of key tenants, which leads to rent losses and problems with new lettings. For this reason, the Group's earnings situation also depends on the quality of hotel management and the development of hotel markets.

Risks associated with the project development area

Costs are generally sustained at the early stages of real estate development projects; revenue is not generated until the later phases of a project. Many development projects may be associated with **cost overruns** and **delays** in completion that are frequently caused by factors beyond the control of CA Immo. This can adversely affect the economic viability of individual projects and lead to **contractual penalties** and **compensation claims**. If no suitable tenants are found, this can produce vacancy after completion. CA Immo takes various steps to keep such risks largely under control (cost monitoring, variance analyses, long-term liquidity planning and so on). With few exceptions (especially in Germany), projects are only launched subject to appropriate pre-letting. All projects are being implemented within their approved timeframes and budgetary frameworks. Currently there are proceedings pending relating to two legally binding building permits at Erdberger Lände site in Vienna. A neighbour claims the unlawfulness of the building permits. CA Immo and its legal advisors believe that there are no grounds for entitlement to change or annul the building permits or any compensation claims of the neighbour.

Risks associated with sales transactions

Sales transactions can give rise to risks linked to contractual agreements and assurances. These might relate to **guaranteed** income from rental payments, and can subsequently reduce purchase sums agreed or received. Sufficient financial provisions have been made in response to recognised risks to revenue from transacted sales, and liquidity risk is considered in liquidity planning. Contractual obligations in the form of follow-on costs (e.g. residual construction work) form part of relevant project cost estimates.

Environmental risks

Environmental and safety regulations serve to standardise active and latent obligations to remediate contaminated sites, and complying with these provisions can entail considerable investment expenses and other costs. These obligations may apply to real estate currently or formerly owned by CA Immo, or currently or formerly managed or developed by the company. In particular, the provisions cover **contamination** with undiscovered harmful materials or noxious substances, munitions and other environmental risks such as soil pollution, etc. Several regulations impose sanctions on the discharge of emissions into air, soil and water: this can make CA Immo **liable** to third parties, significantly impact the sale and letting of affected properties and adversely affect the generation of rental revenue from such properties. **Natural disasters** and extreme weather conditions can also cause considerable damage to real estate. Unless sufficient **insurance** is in place to cover such damage, this can have an adverse impact. To minimise the risk, CA Immo incorporates these considerations into its assessments prior to every purchase and appropriate guarantees are required from sellers. Wherever possible, the CA Immo Group makes use of environmentally sustainable materials and energy-saving technologies. CA Immo observes the ecological precautionary principle by ensuring all (re)development projects qualify for certification: in this way, stringent specifications regarding green buildings and sustainability are satisfied while the usage of environmentally unsound products is also ruled out.

GENERAL BUSINESS RISKS

Operational and organisational risks

Weaknesses in the CA Immo Group's **structural and process organisation** can lead to unexpected losses or additional expenditure. This risk can arise from shortcomings in **EDP** and other **information systems** as well as human error and inadequate internal inspection procedures. Flawed program sequences as well as automated EDP and information systems pose a significant operational risk where their type and scope fail to take account of business volumes or they are vulnerable to cybercrime. Human risk factors include an insufficient understanding of corporate strategy, inadequate internal risk monitoring (and especially business process controls) and excessive decision-making authority at an individual level, which can also lead to unconsidered actions or, conversely, a

proliferation of decision-making bodies that hinder flexible responses to changes in the market. Moreover, some real estate management tasks and other administrative duties are outsourced to third parties outside the company. In the process of transferring administrative tasks, it is possible that knowledge of managed properties and administrative processes can be lost, and that CA Immo could prove incapable of identifying and contractually committing suitable service providers within the necessary timeframe. Nonetheless, the **expertise** possessed by a company and its workforce constitutes a significant competitive factor and a unique point of distinction over competitors.

CA Immo takes various measures to counter these risk factors. In the case of corporate mergers (e.g. the former Vivico and Europolis), CA Immo observes structured processes of organisational integration. Process organisation (i.e. system/process integration) is firmly established; activities to ensure the long-term implementation of operational processes are ongoing. The Group structure is regularly scrutinised and examined to ensure predefined structures take account of the size of the company. CA Immo counters risks linked to individual expertise (which can arise with the resignation of key knowledge holders) through regular transfers of knowledge (in training courses) and by documenting know-how (in manuals, etc.) as well as far-sighted staff planning.

Legal risks

In the course of normal business activity the companies of the Group become involved in **legal disputes**, both as plaintiffs and as defendants. Such cases are heard in various jurisdictions. In each case, different procedural law means that competent courts are not always equally efficient; moreover, in certain cases the complexity of issues in dispute can make for protracted proceedings or lead to other delays. CA Immo believes it has made sufficient financial provisions for legal disputes. At present, no lawsuits or arbitration proceedings that could threaten the company's survival are imminent or pending.

It is not possible to predict changes to **legal provisions**, case law and administrative practice or their impact on business results; such changes may adversely affect real estate values or the cost structure of the CA Immo Group.

Organised crime, and particularly fraud and extortion, is a general risk to commercial activity. Many countries

continue to perform very poorly in combating **corruption**. Such illegal activity can lead to considerable financial repercussions and negative publicity.

Taxation risk

For all companies, rental revenue, capital gains and other income is subject to income tax in the respective country. Important discretionary decisions must be taken regarding the level of tax provisions that need to be formed. The extent to which active deferred taxes are recognised must also be determined.

Subject to compliance with certain requirements, revenue from the sale of participating interests is fully or partially exempted from income tax. Even where a company's intention is to meet the requirements, passive deferred taxes are fully applied to property assets according to IAS 12.

Key assumptions must also be made regarding the extent to which deductible temporary differences and loss carry forwards are set off against future taxable profits, and thus the extent to which active deferred taxes can be recognised. Uncertainty arises regarding the amount and timing of future income and the interpretation of complex tax regulations. Where there is uncertainty over the application of income tax to business transactions, an assessment will be required as to whether or not the responsible tax authority is likely to accept the interpretation of the tax treatment of such transactions. On the basis of that assessment, the CA Immo Group enters the tax obligation as the most likely amount in case of doubt. Such doubt and complexity can mean that future tax payments are significantly higher or lower than the obligations assessed as probable and recognised in the balance sheet.

The CA Immo Group holds a large part of its real estate portfolio in Germany, where many complex tax regulations must be observed. In particular, these include (i) provisions on the transfer of hidden reserves to other assets, (ii) legal regulations on real estate transfer tax charges and the possible accrual of real estate transfer tax in connection with direct or indirect changes of control in German partnerships and corporations and (iii) the deduction of input taxes on construction costs in the case of development projects. The CA Immo Group makes every effort to ensure full compliance with all tax regulations. Nonetheless, there are circumstances (some of which are outside the CA Immo Group's control) such as changes to the shareholding structure, changes in legislation or

changes in interpretation on the part of tax authorities and courts which could lead to the aforementioned taxation cases being treated differently, which in turn would influence the assessment of tax in the consolidated financial statements.

Partner risks

Since CA Immo undertakes numerous development projects as **joint ventures**, the company depends on the solvency and performance capability of partners to an extent (partner risks). Moreover, the Group is exposed to **credit risk** in respect of its counterparties. Depending on the agreement in question, CA Immo could also bear joint liability for costs, taxes and other third-party claims with its co-investors and, where a co-investor **opts out**, be forced to accept liability for their credit risk or share of costs, taxes or other liabilities.

FINANCIAL RISKS

Liquidity, investment and refinancing risk

(Re)financing on the financial and capital markets is one of the most important considerations for real estate companies. CA Immo requires loan capital to refinance existing loans and to finance development projects and acquisitions in particular. In effect, therefore, the company is dependent on the readiness of banks to provide additional loan capital and extend existing financing agreements under acceptable terms. Market conditions for real estate financing are constantly changing. The attractiveness of financing alternatives depends on a range of factors, not all of which can be influenced by the Group (market interest rates, level of necessary financing, taxation aspects, required securities and so on). This can significantly impair the ability of the Group to raise the completion level of its development portfolio, invest in suitable acquisition projects or meet its obligations arising from financing agreements. Although the CA Immo Group has a sufficient level of liquidity as things stand, we must take account of restrictions at individual subsidiary level; access to cash and cash equivalents is limited owing to obligations to current projects and a liquidity requirement to stabilise loans exists in certain instances. There is also a risk that planned sales will be prevented, delayed or transacted at prices lower than expected. Other risks arise from unforeseen **additional funding obligations** in relation to project financing and breaches of covenant in the property financing area. Where these requirements are violated or default occurs, the relevant

contractual partners are entitled to accelerate financing and demand immediate repayment. This could impel the Group to sell real estate or arrange refinancing under unfavourable terms.

CA Immo has fluctuating stocks of cash and cash equivalents which the company invests according to its particular operational and strategic needs and objectives. In some cases, an **investment** may take the form of listed securities or funds, which are subject to a higher risk of loss. Sufficient equity capitalisation will be required for the company to retain its Baa2 investment grade (long-term issuer) **rating** (granted by Moody's in December 2015). The planned repayment of financial liabilities in Eastern Europe will expand the pool of unencumbered assets – a key criterion in the company's investment grade rating.

CA Immo counters risk of this kind by continually monitoring covenant agreements and effectively planning and securing liquidity. The financial consequences of strategic aims are also taken into account. This also ensures the Group can meet unexpected cash flow requirements. To this end, various liquidity deployment measures have been identified and successfully implemented in some instances. The use of trading income to repay liabilities falling due in the next two years has had a highly positive effect on the **maturity profile**, which is now largely stable for the years ahead. In line with the investment horizon for real estate, loans are invariably agreed on a long-term basis. As an alternative and supplement to established means of (equity) capital procurement, the company enters into equity partnerships (joint ventures) at project level. Even with meticulous planning, however, liquidity risk cannot be eliminated, particularly where capital requests linked to joint venture partners are not viable. CA Immo Deutschland has a high capital commitment, which is typical in the case of development projects. Financing has been secured for all projects under construction; additional financing is required for new project launches.

Interest rate risk

Market-led fluctuations in the interest rate affect both the level of financing costs and the fair value of interest hedging transactions concluded. For financing purposes, CA Immo uses banks at home and abroad and issues corporate bonds, thereby opting for a mix of long-term fixed-rate and floating-rate loans. To hedge against impending

interest rate changes and associated fluctuations in financing costs, greater use is made of derivative financial instruments (interest rate caps and swaps) in the case of floating-rate loans. However, hedging transactions of this kind may prove to be inefficient or unsuitable for achieving targets; they may also result in losses that affect earnings. Moreover, the **valuation of derivatives** can impact negatively on profits and shareholders' equity. The extent to which the Group utilises derivative instruments is guided by assumptions and market expectations in respect of the future interest level, and especially the 3 month Euribor rate. Should these assumptions prove incorrect, the result can be a significant rise in interest expenditure. Continual monitoring of the interest rate risk is therefore essential. No risks constituting a serious and permanent threat to the company exist at the present time. Sufficient provisions have been formed for all risks identified. Repayment of the 5.125% bond in September 2016 has brought about a further significant improvement in average borrowing costs as well as the maturity profile while raising the quota of hedged financial liabilities; the issue of another corporate bond, proceeds from which will mainly be used to reschedule existing loans in eastern Europe and substitute planned loans, has also contributed to this.

Currency risk

Since CA Immo is active on a number of markets outside the eurozone, the company is subject to various currency risks. Where rents are payable in currencies other than the euro on these markets and cannot be fully adjusted to current exchange rates in time, **incoming payments may be reduced** by exchange rate changes. Where expenses and investments are not transacted in euros, exchange rate fluctuations can impair the **payment capacity** of Group companies and adversely affect the Group's profits and earnings situation. CA Immo generally counters such risk in that foreign currency inflows are secured by pegging rents to the euro; no significant and direct currency risk exists at present. The pegging of rents affects the **creditworthiness of tenants** and thus produces an indirect currency risk that can result in payment bottlenecks and loss of rent. Since incoming payments are mainly received in local currency, however, free liquidity (rental revenue less operating costs) is converted into euros upon receipt. This process is continually overseen by the responsible country coordinators. There is no currency risk on the liabilities side. Currency risks linked to construction projects are hedged according to need on a case-by-case basis, taking account of the currency underlying the order and lease agreement, likely exchange rate

development and the calculation rate. In addition, with fluctuating exchange rates, property values might be affected when converted to an investor's domestic currency (exit risk).

LIKELY DEVELOPMENTS AND THE MAIN OPPORTUNITIES AND RISKS

Many forecasts, including that of the European Commission, point to positive economic development in Europe in the years 2017 and 2018. We believe the general conditions on CA Immo's core markets should remain conducive to business. With the environment in Germany remaining fundamentally strong, core markets in Eastern Europe are also reporting clear growth trends. The financing and interest environment will continue to define the real estate sector in 2016.

Strategy

The strategic programme for 2012-2015, which was successfully implemented ahead of time, was succeeded last year by a new strategic agenda for 2015-2017. Alongside the finalising of sales of non-strategic properties and further optimisation of the financing structure, the focus for CA Immo now fully turns to expansion of real estate portfolios in the company's defined core markets. The main aim will be to continuously raise the profitability of the CA Immo Group over the long term.

Development

The development of high quality core office properties on the core markets of CA Immo as a driver of organic growth, especially in Germany, will remain critically important in the business years ahead and should further gain momentum. In 2017 specific efforts will be made to advance development projects under construction in Berlin (KPMG, Rieck I and Cube office projects), Frankfurt (Steigenberger Hotel), Mainz (Rheinallee III office) Bucharest (Orhideea Towers) and Vienna (ViE office, Laendyard residential).

Moreover, dates for the commencement of construction work will quickly be assigned to development projects at the preparation stage. At present, this applies to the MY.O office project and NEO (hotel/office) as well as Eggartensiedlung (residential) in Munich and the ZigZag office project in Mainz. Investment in ongoing development projects should average € 150-200 m annually.

Rental business

In like-for-like comparison, rental levels are expected to be generally stable across the portfolio. The increase in rent from the Millennium Towers office complex acquisition in Budapest should more than make up for losses of rent linked to finalised sales of non-strategic properties as part of portfolio optimisation. The level of portfolio utilisation, which has risen steadily over recent years, is expected to be stable.

Financing

The environment for refinancing of expiring project financing of the CA Immo Group is still assessed as positive. In the property development area, we also expect the availability of bank financing under competitive conditions to remain healthy on our core market of Germany. With the corporate bond issue 2017-2024 in February 2017, we have already achieved one of our main financing goals in 2017.

Our expectations are based on certain assumptions regarding general and specific conditions. Key factors that may influence our business plans for 2017 include:

- Economic developments in the regions in which we operate and their impact on demand for rental premises and rental prices (key indicators comprise GDP growth, unemployment and inflation).
- The general progression of interest rates.
- The financing environment as regards availability and the cost of long-term financing with outside capital and, accordingly, the development of the market for real estate investment, price trends and their impact on the valuation of our portfolio. The speed at which planned development projects are realised will also depend

largely on the availability of necessary external loan capital and equity.

- Political, fiscal, legal and economic risks; the transparency and development level on our real estate markets.

RESEARCH AND DEVELOPMENT

Technological and social change continues to transform the office environment and the knowledge-based economy. The challenge of developing office properties today and successfully managing them over usage periods of up to 30 years calls for far-sighted planning on the basis of relevant research. Since April 2016, CA Immo is a partner to the OFFICE 21® joint research project of the Fraunhofer IAO Institute (www.office21.de). The research phase extending from 2016 to 2018 is focusing on the success factors in creating a working environment that promotes innovation while linking analyses of best practice to exclusive research findings.

The cornerstones of the research activity are:

- Devising exemplary working environments and processes to optimise and stimulate the responsiveness and creativity of organisations
- Exploring different working cultures and subsequently producing optimised workplace models
- Developing answers to the changing requirements of office environments through the increasingly hyper-flexible, multi-site and digital workplace

The aim of the partnership is to produce specific research findings to enable the development of innovative new office properties and thereby ensure the competitiveness of the company for the long term.

Vienna, 20 March 2017

The Management Board



Frank Nickel
(Chief Executive Officer)



Hans Volckens
(Member of the Management Board)

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of

**CA Immobilien Anlagen Aktiengesellschaft,
Vienna, Austria,**

that comprise the statement of financial position as of 31 December 2016, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Valuation of Financial Assets (Investments in and loans to affiliated companies)

Refer to notes section "1. Explanatory notes on the balance sheet" / management report "Course of Business/Balance sheet: assets".

Risk for the Financial Statements

Investments in and loans to affiliated companies amount to app 88 % of total assets of the stand-alone financial statements of the Company. As parent company of CA Immobilien Anlagen Group the Company holds investments in operational subsidiaries, mainly in Austria, Germany and the CEE region. The complex investment structure consists of several levels. The valuation of investments in affiliated companies is closely linked to the valuation of investment property held by the respective subsidiary.

At least once a year the investments are valued using the "Valuation Model" of CA Immobilien Anlagen Aktiengesellschaft. This model is based on the IFRS reporting packages as presented in the consolidation tool SAP-BPC. It uses an approach, which encompasses all significant assets and liabilities of the investment subsidiaries, taking deferred taxes into consideration. Investment properties are in general valued at fair value in accordance with IAS 40. This valuation involves significant subjective estimates and depends on the future revenue growth as well as on the discount rate applied, which gives rise to significant estimation uncertainties that can be difficult to corroborate.

The risk for the financial statements is in principle that the valuation does not comply with the Company Code.

Our Response

We assessed the valuation of the investment in and loan to each of the subsidiaries jointly. We assessed the valuation of investment property for each subsidiary during our audit of the Group's financial statements.

During our audit of the financial statements we checked whether the book value of the financial assets is in line with the IFRS net asset of the subsidiary, and where applicable the required impairment or write back of impairment is correctly processed.

Management's Responsibility and Responsibility of the Audit Committee for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional – misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.
- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

REPORT ON OTHER LEGAL REQUIREMENTS

Management Report

In accordance with the Austrian Commercial Code the management report is to be audited as to whether it is consistent with the financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report has been prepared in accordance with legal requirements and is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and the understanding of the Company and its environment, we did not note any material misstatements in the management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Auditor in Charge

The auditor in charge is Mag. Walter Reiffenstuhl.

Vienna, 20 March 2017

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Mag. Walter Reiffenstuhl

Wirtschaftsprüfer

(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

The financial statements together with our auditor's opinion may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

DECLARATION OF THE MANAGING BOARD DUE TO SECTION 82 (4) OF THE AUSTRIAN STOCK EXCHANGE ACT (BÖRSENGESETZ)

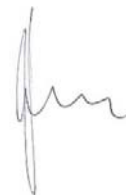
The managing board confirms to the best of their knowledge that the financial statements of CA Immobilien Anlagen Aktiengesellschaft, which were prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the CA Immobilien Anlagen Aktiengesellschaft and that the management report gives a true and fair view of the development and performance of the business and position of the company, together with a description of the principal risks and uncertainties the CA Immobilien Anlagen Aktiengesellschaft faces.

Vienna, 20 March 2017

The Management Board



Frank Nickel
(Chief Executive Officer)



Hans Volckens
(Member of the Management Board)

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DISCLAIMER

This Report contains statements and forecasts which refer to the future development of CA Immobilien Anlagen AG and their companies. The forecasts represent assessments and targets which the Company has formulated on the basis of any and all information available to the Company at present. Should the assumptions on which the forecasts have been based fail to occur, the targets not be met or the risks set out in the risk management report materialise, then the actual results may deviate from the results currently anticipated. This Report does not constitute an invitation to buy or sell the shares of CA Immobilien Anlagen AG.

IMPRINT

Published by: CA Immobilien Anlagen AG
1030 Vienna, Mechelgasse 1
Text: Claudia Höbart, Christoph Thurnberger
Graphic design and setting: Marion Naderer, WIEN NORD Werbeagentur
Photographs: CA Immo
Production: 08/16



produced according to the Austrian Eco-Label criteria UZ 24 "low pollutant printed products"
Druckerei Janetschek GmbH · UWNr. 637

We ask for your understanding that gender-conscious notation in the texts of this Report largely had to be abandoned for the sake of undisturbed readability of complex economic matters.

This Report is printed on environmentally friendly and chlorine-free bleached paper.

