

REPORT OF THE MANAGEMENT BOARD PURSUANT TO SECTION 65  
(1B) IN CONJUNCTION WITH SECTION 153 (4) STOCK  
CORPORATION ACT (AKTG)

The Management Board of CA Immobilien Anlagen Aktiengesellschaft intends to propose to the 27th Annual General Meeting to be held on 8 May 2014 to adopt a resolution to directly exclude the shareholders' purchase opportunity by using treasury shares to service the convertible bonds issued on the basis of the authorisations of 13 May 2008 and of 7 May 2013 and, apart from that, to authorise the Management Board, with the consent of the Supervisory Board, following share buyback, to the maximum extent legally permitted

- (i) to use treasury shares as consideration for the acquisition of enterprises, businesses or parts thereof, or shares of one or more companies, domestically and abroad,
- (ii) to sell, at any time, pursuant to Section 65 Abs (1b) of the Stock Corporation Act, treasury shares on the stock exchange or via a public offering and to determine the selling conditions,
- (iii) for a period of five years from the date of the resolution, to resell the treasury shares without excluding the general purchase opportunity or partly or entirely excluding the general purchase opportunity, by any lawful means, including off-exchange, and
- (iv) to reduce the Company's share capital pursuant to Section 65 Abs (1) (8), last sentence, in conjunction with Section 192 Stock Corporation Act by calling in the treasury shares without further resolution of the Annual General Meeting, whereas the Supervisory Board shall be entitled to adopt by resolution amendments to the Articles of Association arising from the calling-in of shares.

As both the use of treasury shares for servicing convertible bonds for which the subscription right can be excluded and the use as consideration for the acquisition of enterprises, businesses or parts thereof or shares of companies and the exclusion of the general purchase opportunity can be compared substantively with an exclusion of subscription rights, the Management Board herewith and pursuant to Section 65 (1b) in conjunction with Section 153 (4) Stock Corporation Act, submits the following

**REPORT:**

**1. Interest of the Company**

The exclusion of the shareholders' rights to purchase shares in the course of a sale of treasury shares by the Company in accordance with the proposed resolution is in the business interest of the Company in the following situations:

- In the case of acquisition of companies, participations, business operations or parts of business operations as well as in connection with the acquisition of certain assets (especially real estate) it may be beneficial to the Company to offer treasury shares as consideration in whole or in part, for instance to compensate shareholders of target companies or in case the seller prefers to receive shares of the Company instead of cash in whole or in part.

Furthermore, it may also be necessary for the Company to integrate the seller as shareholder in the company due to strategic reasons or reasons in relation to the Company's organisational structure. Through the use of treasury shares the liquidity requirements of the Company for investments/acquisitions are reduced and the execution of the investment/acquisition is accelerated, as existing shares can be used and no new shares need to be created. An advantage of the use of treasury shares may also arise due to the fact that the dilution effect typical for an acquisition in return for the delivery of newly created shares (e.g. out of authorised capital) is avoided.

- On an individual basis the Company may be capable to meet a particular financing requirement at more favourable terms by selling or deploying treasury shares than by way of debt financing. In particular in connection with the financing of the acquisition of a company or real estate, but also when meeting a refinancing requirement of the Company or one of its subsidiaries, for example in case of expiration of a convertible bond or loan financing, it may be the case, due to the amount of the necessary financing requirement and/or the tight time schedule to meet the financing requirement, having regard to the general market and share prices development, the trading volumes available on the stock exchange and the statutory restrictions on trading volumes for share disposal programmes over the stock exchange, that the necessary financing requirement cannot be met or cannot be met within the time limit required through an (exclusive) sale of treasury shares over the stock exchange or via a public offering to the shareholders.
- In particular, the exclusive sale of treasury shares via the stock exchange or by way of public offering is not feasible for short-term procurement of means to cover a specific financing need in cases when it is not possible to sell the required number of treasury shares or to sell the treasury shares at the respective average prices due to the usual trading volumes on the stock exchange.
- The intended authorisation of the Management Board to resolve on another mode of sale, also excluding the general opportunity to buy, enables the Management Board to swiftly and flexibly take advantage of upcoming opportunities for the off-exchange block sale of treasury shares at appropriate prices. This is of particular importance to the Company as it must be able to take advantage of market opportunities in a swift and flexible way in order to meet the necessary capital and financing requirements briskly and in each case at the most favourable financing terms.
- Through exclusion of the general opportunity to buy also potential disadvantages to the Company can be avoided. This particularly applies to negative share price developments because of an increased supply of shares on the stock exchange and in the course of a disposal programme with negative implications for the success or the costs of the capital measure (notably in volatile markets), avoidance of risk of speculation ("short selling") against the share during the disposal programme, as well as hedging of certain disposal proceeds, in particular in a difficult stock market environment (elimination of the placement risk).
- In case treasury shares are deployed as underlying for conversion and/or subscription rights of convertible bonds of the Company and in case of fulfilment of conversion and/or subscription rights of convertible bonds of the Company with already existing treasury shares no

additional capital measures (e.g. contingent capital) are necessary. Hence, for the fulfilment of conversion and/or subscription rights no new shares (e.g. from conditional capital) have to be created, whereby the typical dilution effect of share capital increases can be avoided.

The General Meeting 2008 already authorised the Management Board to issue, with the approval of the Supervisory Board, convertible bonds to a maximum nominal amount of up to EUR 317.185,011 by 12 May 2013 in one or more issuances, potentially excluding the subscription rights of shareholders, and to grant to the holders of convertible bonds conversion rights on up to 43,629,300 non-par value bearer shares of the Company. On the basis of this authorisation, a five-year convertible bond with a volume of EUR 135 million was issued in November 2009. The coupon on the bond (payable semiannually) was set at 4.125% and the original conversion price was set at € 11.5802 (equivalent to a premium 27.5% above the reference price). On account of the payment of a cash dividend of € 0.38 per share to the shareholders of CA Immobilien Anlagen Aktiengesellschaft of Vienna in 2012 and 2013, this conversion price was adjusted to € 10.6620 in accordance with article 10e of the conditions governing convertible bonds for 2009-2014. The last adjustment came into effect on 10 May 2013. Given the currently outstanding volume of approximately € 114.5 m, a maximum of 10,739,073 shares can thus be issued should conversion rights be exerted. The contingent capital I approved in this regard at the 26th Ordinary General Meeting on 7 May 2013 (Section 159 of the Stock Corporation Act) amounts to € 135,000,003.28.

At the 26th Ordinary General Meeting, the Management Board, with the approval of the Supervisory Board, was again authorised to issue, 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 (Section 174 para 4 of the Stock Corporation Act in conjunction with Section 153 of the Act) were excluded. Since the convertible bonds already issued are unaffected by this new authorisation, the amount hereby authorised can be fully exploited by the Management Board. To secure conversion rights, contingent capital (Section 159 of the Stock Corporation Act) of the same amount (€ 100,006,120) was approved.

In addition to existing contingent capital, treasury shares can be used to service the convertible bonds already issued or to be issued in future.

## **2. The exclusion of the subscription right is suitable, necessary and proportionate**

The exclusion of the general purchase opportunity of shareholders in case of deployment as underlying for the convertible bonds issued on the basis of the authorisations of 13 May 2008 and of 7 May 2013 and the authorisation of the Management Board to sell treasury shares other than via the stock exchange or via a public offering, and excluding the shareholders' right to purchase shares (exclusion of subscription rights) is both suitable and necessary in order to ensure the disposal of the treasury shares at the best possible terms and/or in order to achieve optimal financing terms and/or to procure the necessary financing means within a tight time schedule for the purposes mentioned under Item 1.

To the extent of the usual trading volumes the shareholders are free to purchase shares through the stock exchange. Consequently, in general also in the case of an off-exchange disposal of treasury shares by the Company under exclusion of the shareholders' right to purchase shares, the shareholders have the opportunity to avoid dilution of their shareholding quota by way of purchases of shares via the stock exchange.

What must be noted in this respect is that in case of disposal of treasury shares, in general there is no risk of dilution of shareholders – comparable to capital increases – provided the sale price is adequate (see Item 3). The percentage of the shareholder's shareholding also changes in the case of sale of treasury shares, however by such sale only the original percentage of the shareholding is restored which was in place prior to the buyback of treasury shares by the Company and which has changed temporarily to the benefit of the shareholders due to the restrictions on the rights of treasury shares held by the Company in accordance with Section 65 (5) Stock Corporation Act.

In the case of deployment of treasury shares as underlying for conversion and/or subscription rights of convertible bonds or to fulfil conversion and/or subscription rights of convertible bonds the above mentioned justifications apply *mutatis mutandis*: In general a dilution of existing shareholders can be avoided through an adequate pricing at the issuance of the convertible bonds. Dilution effects can be reduced if conversion and/or subscription rights out of convertible bonds are serviced with treasury shares instead of issuing new shares out of contingent capital.

In any case, the exclusion of the right to purchase shares is suitable, necessary and proportionate if a block of shares cannot be sold via the stock exchange within the time schedule required for the financing requirement or the transaction due to the usual trading volumes on the stock exchange.

Even if disadvantages occur for the existing shareholders because of the exclusion of the right to purchase shares such disadvantages will remain within tight limits due to the statutory maximum amount for treasury shares held by the company of 10% of the share capital.

A consideration of the interests of the company with respect to an optimised way for the utilisation of treasury shares and/or financing of the company on the one hand and the interests of the existing shareholders to preserve their percentage shareholding on the other hand leads to the conclusion that the authorisation for the sale of treasury shares excluding the shareholders' subscription rights is not disproportionate.

The sale or deployment of treasury shares other than via the stock exchange or via a public offering and the determination of the terms of the sale or deployment are subject to approval by the Supervisory Board.

### **3. Justification of the sales price**

In the case of an off-exchange sale of treasury shares under exclusion of the shareholder's right to purchase shares the sales prices shall be determined with regard to (average) share prices or above the average share prices. In most cases, with such pricing no disadvantage occurs to the shareholders; in any case, however, no disproportionate disadvantage occurs as a result of a percentage dilution.

#### **4. Weighing of interests**

With regard to the proposed authorisation of the Management Board concerning deployment and/or sale of shares - also with the exclusion of the general right of subscription – the overall interest of the Company thus outweighs the disadvantage of shareholders arising from the exclusion of general subscription rights in case of deployment and/or selling treasury shares of the Company. Therefore, the proposed authorisation of the Management Board to exclude general subscription rights appears to be objectively justified. Moreover, the proposed authorisation of the Management Board to deploy and sell shares is in line with the statutory intention not to leave treasury shares with the Company. The deployment and/or sale of treasury shares and the determination of all terms and conditions for deployment and/or sale are subject to approval by the Supervisory Board of the Company.

Vienna, April 2014

The Management Board