

STRATEGY

Over three decades of continual development, CA Immo has become distinctly competitive and secured an excellent market position in Central Europe. By letting, managing and developing high quality office buildings, the company has built up property assets worth around € 5.2 bn in Central Europe, obtained attractive land reserves and established a first class capital and earnings basis for many more years of high value creation.

Company profile and business model

Developing and managing modern and spacious office properties in Central and Eastern Europe is CA Immo's core field of expertise. The company's core region comprises Austria, Germany, Poland, Hungary, Czechia, and Romania. While business activity in Germany is concentrated on the cities of Munich, Frankfurt and Berlin, the strategic focus in the other countries is directed at capital cities (Vienna, Warsaw, Prague, Budapest and Bucharest). In Germany, expansion into additional metropolitan areas with attractive characteristics and more than 500,000 inhabitants is a strategic option.

From the design and development of entire urban districts to the active management of investment properties, value is generated for CA Immo shareholders through a comprehensive value chain. The CA Immo business model aims to ensure stable revenue from lettings to a first-class pool of tenants with high credit ratings while generating additional revenue from the development and sale of real estate.

High-quality Investment Portfolio

While the asset portfolio is clearly focused on office properties with an attractive yield in central and very well connected locations (the proportion of office properties was approximately 89% of the overall property portfolio on the key date), hotel properties are also held long-term as a supplementary usage type. Other usage types only serve to optimise actual strategic real estate and account for a very small proportion of the total portfolio.

The company aims to enhance the attractiveness of the portfolio over the long term through active portfolio management, i.e. by means of continual investment and the ongoing sale of properties with limited value creation potential. The company's core activities in several countries enable risk diversification. A strategic investment property should not only be attractive in terms of loca-

tion and fittings, but also technically innovative and sustainable in every respect; each should retain a strong market position combined with a distinctive image as an urban benchmark.

Real estate development significant growth driver

In-house development and the incorporation of modern, energy efficient core properties on the main markets of CA Immo will continue to be the main drivers of organic growth. In Germany in particular, land reserves in the portfolio and the company's development expertise constitute a strategic competitive advantage in a very competitive market for high quality buildings in urban locations.

Aside from its far-reaching stock of land reserves in German prime locations, CA Immo also benefits from its internal development platform (including, among others, construction subsidiary omniCon) enabling utilisation of the entire value-chain depth. From land preparation to procurement of building rights to construction management, letting and transfer of completed buildings to its own portfolio or selling them to final investors, CA Immo covers the full range of project development services.

Many successfully completed projects in Germany – including large-scale, complex undertakings for such reputable tenants as PricewaterhouseCoopers, Bosch, Mercedes-Benz, KPMG as well as Google and Salesforce – have highlighted the development expertise of the company and improved access to leading tenants as the basis for new development projects.

As in recent years, the company's development activity will focus on the German market. The CA Immo Group's strong positioning as an established, nationally successful real estate developer in Germany is critical to the future growth strategy of the company as this enables sustained access to high quality office properties and thus the organic expansion of rental cash flow. Returns attained on production costs are well above the current market level.

Regarding utilisation of its project completions, CA Immo pursues its strategy as office portfolio holder: Office and hotel properties are developed primarily for the company's own portfolio, whereas residential properties are earmarked for selling after completion (see section on 'Development Potential of Land Reserve').

Property acquisitions also driving growth

Aside from property development, the portfolio for the Group's core markets will be bolstered by selective acquisitions, which will also provide additional rental revenue. Value-enhancing growth opportunities to strengthen market position are most evident on the core markets of CA Immo in Central and Eastern Europe. Combined with a robust balance sheet profile and the local market expertise of internal asset management teams on all core markets, the corporate platform optimised over recent years constitutes a sound basis for raising value through growth.

Successful implementation of strategic programmes

CA Immo successfully implemented the strategic programmes of prior years. In addition to the finalising of sales of non-strategic properties and further optimisation of the financing structure, the strategic agenda was clearly focused on value-enhancing growth within defined core markets. Continuing to strengthen long-term cash flow for CA Immo while generating an attractive return on equity will continue to be the priority when it comes to strategy implementation (see section on 'Financial performance indicators').

Attractive dividends

CA Immo has positioned itself as a dividend payer with the long-term objective of offering shareholders attractive payouts on a regular basis. The long-term, stable profitability of lettings business is a critical indicator of the company's capacity to pay a dividend, which should be gradually raised by means of the measures outlined above. This continual enhancement of recurring earning power as a core strategic objective is to be reflected in dividend growth, with an approximate payout ratio of 70% of FFO I.

Investment grade as a strategic component

In December 2015 Moody's Investors Service, the international rating agency, classified CA Immobilien Anlagen AG with a Baa2 investment grade (long-term issuer) rating with a stable outlook following a comprehensive analysis of creditworthiness. The key indicators in retaining and upholding the corporate credit investment grade rating, which is of high strategic significance to CA Immo, are a strong balance sheet with low gearing, recurring earning power, an associated solid interest coverage ratio and a sufficiently large quota of unsecured properties (see 'Financing' section).