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FINANCIAL STATEMENTS  
AS AT 31.12.2018

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### FINANCIAL STATEMENTS AND MANAGEMENT REPORT

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**BALANCE SHEET AS AT 31.12.2018**

<b>Assets</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	€	€ 1,000
<b>A. Fixed assets</b>		
<b>I. Intangible fixed assets</b>		
EDV software	271,299.57	292
	<b>271,299.57</b>	<b>292</b>
<b>II. Tangible fixed assets</b>		
1. Land and buildings	241,735,662.54	208,460
of which land value: € 41,015,606.28; 31.12.2017: € 40,646 K		
2. Other assets, office furniture and equipment	729,126.05	688
3. Prepayments made and construction in progress	612,930.21	16,615
	<b>243,077,718.80</b>	<b>225,763</b>
<b>III. Financial assets</b>		
1. Investments in affiliated companies	2,716,231,499.18	2,534,275
2. Loans to affiliated companies	752,582,554.67	494,345
3. Investments in associated companies	273,410.64	281
4. Loans to associated companies	0.00	850
5. Other loans	3,588,865.00	4,920
	<b>3,472,676,329.49</b>	<b>3,034,671</b>
	<b>3,716,025,347.86</b>	<b>3,260,726</b>
<b>B. Current assets</b>		
<b>I. Receivables</b>		
1. Trade receivables	160,392.22	53
2. Receivables from affiliated companies	30,163,947.96	40,307
3. Receivables from associated companies	12,000.00	103
4. Other receivables	15,153.96	10,400
	<b>30,351,494.14</b>	<b>50,863</b>
<b>II. Cash and cash equivalents</b>	<b>95,066,043.54</b>	<b>145,798</b>
	<b>125,417,537.68</b>	<b>196,661</b>
<b>C. Deferred charges</b>	<b>4,772,128.60</b>	<b>2,639</b>
<b>D. Deferred tax asset</b>	<b>1,141,035.07</b>	<b>0</b>
	<b>3,847,356,049.21</b>	<b>3,460,026</b>

**Liabilities and shareholders' equity**

	31.12.2018	31.12.2017
	€	€ 1,000
<b>A. Shareholders' equity</b>		
I. Share capital		
Share capital drawn	718,336,602.72	718,337
Treasury shares	– 42,020,868.99	– 40,582
	<b>676,315,733.73</b>	<b>677,755</b>
II. Tied capital reserves	854,841,594.68	854,842
III. Tied reserves for treasury shares	42,020,868.99	40,582
IV. Net profit	944,552,011.50	840,429
of which profit carried forward: € 766,006,772.46; 31.12.2017: € 557,421 K		
	<b>2,517,730,208.90</b>	<b>2,413,608</b>
<b>B. Grants from public funds</b>	<b>306,977.05</b>	<b>317</b>
<b>C. Provisions</b>		
1. Provision for severance payment	182,232.00	240
2. Tax provisions	2,816,000.00	1,956
3. Provision for deferred taxes	0.00	475
4. Other provisions	12,370,441.81	15,929
	<b>15,368,673.81</b>	<b>18,600</b>
<b>D. Liabilities</b>		
1. Bonds	990,000,000.00	840,000
of which convertible: € 200,000,000.00; 31.12.2017: € 200,000 K		
thereof with a residual term of more than one year: € 990,000,000.00; 31.12.2017: € 840,000 K		
2. Liabilities to banks	109,684,059.57	98,822
thereof with a residual term of up to one year: € 25,499,377.82; 31.12.2017: € 1,848 K		
thereof with a residual term of more than one year: € 84,184,681.75; 31.12.2017: € 96,975 K		
3. Trade payables	968,484.43	1,876
thereof with a residual term of up to one year: € 729,519.21 ; 31.12.2017: € 1,711 K		
thereof with a residual term of more than one year: € 238,965.22; 31.12.2017: € 165 K		
4. Payables to affiliated companies	195,206,281.56	71,715
thereof with a residual term of up to one year: € 195,206,281.56; 31.12.2017: € 71,715 K		
5. Other liabilities	15,933,300.83	12,620
of which from taxes: € 670,714.46 ; 31.12.2017: € 0 K		
of which social security related : € 188,261.79; 31.12.2017: € 127 K		
thereof with a residual term of up to one year: € 15,933,300.83; 31.12.2017: € 12,620 K		
	<b>1,311,792,126.39</b>	<b>1,025,033</b>
thereof with a residual term of up to one year: € 237,368,479.42; 31.12.2017: € 87,893 K		
thereof with a residual term of more than one year: € 1,074,423,646.97; 31.12.2017: € 937,140 K		
<b>E. Deferred income</b>	<b>2,158,063.06</b>	<b>2,468</b>
	<b>3,847,356,049.21</b>	<b>3,460,026</b>

## INCOME STATEMENT FOR THE YEAR ENDED 31.12.2018

	€	2018 €	€ 1,000	2017 € 1,000
<b>1. Gross revenues</b>		<b>31,119,626.05</b>		<b>32,171</b>
<b>2. Other operating income</b>				
a) Income from the sale and reversal of impairment losses of fixed assets except of financial assets	8,885,757.52		13,502	
b) Income from the reversal of provisions	381,291.78		457	
c) Other income	331,082.32	<b>9,598,131.62</b>	337	<b>14,296</b>
<b>3. Staff expense</b>				
a) Salaries	- 13,015,819.98		- 9,659	
b) Social expenses	- 2,527,726.32	<b>- 15,543,546.30</b>	- 2,167	<b>- 11,826</b>
thereof expenses in connection with pensions: € 230,964.89; 2017: € 169 K				
thereof expenses for severance payments and payments into staff welfare funds: € 227,401.90; 2017: € 186 K				
thereof payments relating to statutory social security contributions as well as payments dependent on remuneration and compulsory contributions: € 1,967,685.67; 2017: € 1,677 K				
<b>4. Depreciation on intangible fixed assets and tangible fixed assets</b>		<b>- 6,802,159.17</b>		<b>- 13,890</b>
of which unscheduled depreciation in accordance with § 204 para. 2 Commercial Code: € 0.00; 2017: € 7,194 K				
<b>5. Other operating expenses</b>				
a) Taxes	- 1,086,212.26		- 464	
b) Other expenses	- 17,286,279.81	<b>- 18,372,492.07</b>	- 18,430	<b>- 18,894</b>
<b>6. Subtotal from lines 1 to 5 (operating result)</b>		<b>- 439.87</b>		<b>1,857</b>
<b>7. Income from investments</b>		<b>28,130,854.70</b>		<b>75,964</b>
of which from affiliated companies: € 28,004,088.90; 2017: € 75,903 K				
<b>8. Income from loans from financial assets</b>		<b>21,461,020.78</b>		<b>13,544</b>
of which from affiliated companies: € 20,975,129.00; 2017: € 12,938 K				
<b>9. Other interest and similar income</b>		<b>959.73</b>		<b>139</b>
<b>10. Income from the disposal and revaluation of financial assets and securities of current assets</b>		<b>163,054,223.70</b>		<b>216,402</b>
<b>11. Expenses for financial assets and interest receivables in current assets, thereof</b>		<b>- 7,496,005.38</b>		<b>- 4,236</b>
a) Impairment: € 5,572,488.28; 2017: € 2,911 K				
b) Bad debt allowance of interest receivables € 1,043,240.48; 2017: € 1,322 K				
c) Expenses from affiliated companies: € 6,454,451.86; 2017: € 2,797 K				
<b>12. Interest and similar expenses</b>		<b>- 24,913,471.04</b>		<b>- 20,777</b>
of which relating to affiliated companies: € 2,586,883.55; 2017: € 1,695 K				
<b>13. Subtotal from lines 7 to 12 (financial result)</b>		<b>180,237,582.49</b>		<b>281,036</b>
<b>14. Result before taxes</b>		<b>180,237,142.62</b>		<b>282,893</b>
<b>15. Taxes on income</b>		<b>2,960,025.47</b>		<b>4,140</b>
thereof deferred taxes: income € 1,616,291.25; 2017: € 439 K				
<b>16. Net profit for the year</b>		<b>183,197,168.09</b>		<b>287,033</b>
<b>17. Allocation to treasury share reserve</b>		<b>- 4,651,929.05</b>		<b>- 4,025</b>
<b>18. Profit carried forward from the previous year</b>		<b>766,006,772.46</b>		<b>557,421</b>
<b>19. Net profit</b>		<b>944,552,011.50</b>		<b>840,429</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2018

### ACCOUNTING AND VALUATION PRINCIPLES AND GENERAL INFORMATION

CA Immobilien Anlagen Aktiengesellschaft (“CA Immo AG”) is classified as public interest entity according to section 189a Austrian Commercial Code (UGB) and as a large company according to section 221 Austrian Commercial Code (UGB).

The annual financial statements were prepared in accordance with Austrian Generally Accepted Accounting Principles in the current version 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 the financial statements.

For profit and loss, classification by nature was used.

#### 1. Fixed assets

##### Intangible and tangible fixed assets

Intangible and tangible assets are stated at acquisition or production cost reduced by scheduled depreciation, if 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 will occur. 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 and investments in associated companies 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 occur. 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 default risks are considered by carrying out individual value adjustments. Income from investments is recognised on the basis of shareholders' resolutions.

Reversal of short term asset impairments or the release of allowances are made when the underlying reasons for such decreases are no longer valid. In respect of interest receivables, relevant amounts for valuation are derived from IFRS equity of the respective entities.

## 3. Deferred charges and deferred income

Prepayments are recorded under deferred charges. Additionally the disagio of the bond is capitalized under this item and released over the redemption period, according to the effective interest method.

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

## 4. Deferred taxes

Provisions for deferred taxes are made using the 25% rate of corporate income tax, according to Art 198 par 9 and 10 in Austrian Commercial Code, using the liability method, i.e. on the temporary differences arising between tax basis of assets and liabilities and their accounting values and without discounting. Deferred taxes with a tax rate of 3% were also applied to deferred taxes of tax members, which themselves 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 the 75% threshold. As the tax planning does not provide sufficient evidence of future taxable profits, as at 31.12.2018 it was not possible to exercise the option to capitalize carried forward losses.

## 5. Grants from public funds

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

## 6. Provisions

Provisions for severance payments amount to 252 % (31.12.2017: 202%) of the imputed statutory notional severance payment obligations at the balance sheet date. The calculation is performed using the PUC method, which is recognised in international accounting, based on an interest rate of 0.17% (31.12.2017: 0%) and future salary increases (including inflation rate) of 4%. For the computation of severance payments provisions, life expectancy statistical information was used. The period for build-up is until retirement, i.e. for a maximum of 25 years. The same parameters were applied for calculation of the provisions as in the previous year. Interest 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.

## 7. Liabilities

Liabilities are stated at the amount to be paid.



## 8. 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 2018 the tax group comprised 14 Austrian group companies (2017: 14), 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 a rate of 22%, respectively up to a tax rate of 25% if the tax group has a profit. Losses carried forward of a group member are retained. In case of termination of the tax group or the withdrawal of a tax group member, CA Immo AG, as group head entity, is obliged to pay a final compensation payment 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 31.12.2018 the possible obligations against group companies resulting from a possible termination of the group, were estimated at € 25,935 K (31.12.2017: € 27,326 K). As at 31.12.2018 only group companies subject to liquidation or merger left the tax group, so no provision for termination settlement was made.

Tax expenses in the profit and loss are reduced by the tax compensation of tax group members.

## 9. Note on currency translation

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

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## EXPLANATORY NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

### 10. Explanatory notes on the balance sheet

#### a) Fixed assets

The breakdown and development of fixed assets can be seen in 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. As at the balance sheet date, the tangible assets comprise 4 properties (31.12.2017: 4 properties).

In the current year additions to advances and construction in progress amount to € 104 K (2017: € 28 K) and relate to capitalized interest. As at the balance sheet date interests amounting to € 133 K (31.12.2017: € 28 K) have been capitalized.

In 2018, unscheduled depreciation on tangible assets amounted to € 0 K (2017: € 7,194 K) and reversals of impairment losses amounting to € 8,869 K (2017: € 4,565 K) were recorded.

#### Financial assets

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

Impairment losses on financial assets in the amount of € 5,572 K (2017: € 2,911 K) and reversals of impairment losses in the amount of € 147,596 K (2017: € 216,396 K) were recognized in 2018.

Book value of investments in affiliated companies amounts to € 2,716,231 K (31.12.2017: € 2,534,275 K). Current additions are mainly the result of the acquisition of a subsidiary in Czechia and of various shareholders' contributions. Disposals mainly relate to the sale of a subsidiary in Austria and Hungary, as well as capital decreases. The company was an unlimited liability partner of Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. Leasing OG, Vienna, whose sale took place in January 2018.

Loans to affiliated companies are made up as follows:

€ 1,000	31.12.2018	31.12.2017
CA Immo Holding B.V., Amsterdam	240,787	102,815
EUROPOLIS ORHIDEEA B.C. S.R.L., Bucharest	54,424	26,424
4P - Immo. Praha s.r.o., Prague	44,689	47,589
INTERMED CONSULTING & MANAGEMENT S.R.L., Bucharest	38,170	34,200
RCP Amazon, s.r.o., Prague	35,388	38,638
Vaci 76 Kft, Budapest	33,076	34,776
Visionary Prague, s.r.o., Prague	32,027	0
Europolis Holding B.V., Amsterdam	31,690	35,520
CAINE B.V., Hoofddorp	30,493	31,493
BA Business Center s.r.o., Bratislava	28,000	28,000
CA Immo Invest GmbH, Frankfurt	25,500	28,000
EUROPOLIS City Gate Ingatlanberuházási Kft, Budapest	23,400	13,000
Duna Irodaház Kft., Budapest	20,639	0
Other up to € 20 m	114,300	73,890
	<b>752,583</b>	<b>494,345</b>

Loans to affiliated companies to the value of € 15,422 K (31.12.2017: € 119,171 K) have a remaining term of up to one year.

€ 1,000	31.12.2018	31.12.2017
ZAO Avielen AG	3,589	4,801
Other	0	119
	<b>3,589</b>	<b>4,920</b>

Other loans amounting to € 0 K (31.12.2017: € 119 K) have a remaining term of up to one year.

## b) Current assets

All receivables – as in the previous year – have a due date of less than one year. There is no exchangeable securitization issued in connection with receivables.

Trade receivables amounting to € 160 K (31.12.2017: € 53 K) include outstanding rent and invoiced operating costs.

Receivables from affiliated companies are made up as follows:

€ 1,000	31.12.2018	31.12.2017
Trade receivable (current reinvocings to affiliated companies)	2,224	2,501
Receivables from interest	23,299	18,873
Receivables from dividend payments	0	13,211
Receivables from tax compensation	4,641	5,722
	<b>30,164</b>	<b>40,307</b>

Other receivables amounting to € 15 K (31.12.2017: € 10,400 K) mainly include receivables from cost reinvocings (as at 31.12.2017 receivables from sales price for a property). In 2018 the decrease in allowances for receivables amounted to € 505 K (2017: € 212 K).

#### c) Deferred charges

€ 1,000	31.12.2018	31.12.2017
Disagio bonds	4,488	2,336
Other	284	303
	<b>4,772</b>	<b>2,639</b>

#### d) Deferred tax assets/ Provisions for deferred taxes

Deferred taxes comprise the offsetting of deferred tax assets and deferred tax liabilities and are based on the differences between tax and corporate value approaches for the following (+ deferred tax assets/ - deferred tax liabilities):

€ 1,000	31.12.2018	31.12.2017
Land and buildings	- 14,785	- 14,939
Partnership	13,753	1,659
Securities	7	0
Other assets, office furniture and equipment	8	18
Ancillary bond expenses	3,494	3,007
Bank loans ancillary expenses	908	1,186
Provisions for severance payments	139	198
Deferred income	1,636	1,700
<b>Base for tax rate 25%</b>	<b>5,160</b>	<b>- 7,171</b>
<b>Differences in tax group members (basis for 3% tax rate)</b>	<b>- 4,965</b>	<b>- 3,604</b>
Out of which resulted deferred tax / provision for deferred tax liabilities	1,141	- 1,901
less: offsetting with tax losses carried forward	0	1,426
<b>As at 31.12.</b>	<b>1,141</b>	<b>- 475</b>

Movements in deferred tax liabilities are presented below:

€ 1,000	2018	2017
<b>As at 1.1. provision for deferred taxes</b>	<b>- 475</b>	<b>- 914</b>
Changes affecting profit and loss provisions for deferred tax liabilities	475	439
Changes affecting profit and loss for deferred tax	1,141	0
<b>As at 31.12. deferred tax asset / provision for deferred taxes</b>	<b>1,141</b>	<b>- 475</b>

#### e) Shareholders' equity

Share capital is equivalent to the fully paid in nominal capital of € 718,336,602.72 (31.12.2017: € 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 5,780,037 treasury shares (31.12.2017: 5,582,054), each amounting to € 7.27, thus totaling € 42,020,868.99 (31.12.2017: € 40,581,532.58), were deducted from shareholders' equity. The registered shares are held by SOF-11 Klimt CAI S.à r.l. (former SOF-11 Starlight 10 EUR S.á r.l.), Luxemburg, an entity managed by Starwood Capital Group ("Starwood"), each granting the right to nominate one member of the Supervisory Board. The Supervisory Board currently consists of six members elected by the Annual General Meeting as well as three members elected by the registered shares and four delegated by the works council.

At the end of November 2016, the company started a share buyback programme for up to 1,000,000 shares (around 1% of the current share capital of the company). The original maximum limit of € 17.50 per share was raised to € 24.20 per share at the end of August 2017. The repurchase value to be paid must be within the scope of the authorization resolution of the Annual General Meeting and may not be lower than a maximum of 30% below and not higher than 10% above the average unweighted closing price of the ten trading days on the Stock Exchange preceding the repurchase. As before, the repurchase took place for each purpose permitted by the resolution of the Annual General Meeting and ended on 2.11.2018. In total, 197,983 shares (ISIN AT0000641352) were acquired under this program at a weighted average value including bank charges of around € 23.55 per share in 2018.

In 2018 a dividend of € 0.80 (2017: € 0.65) for each entitled share, in total € 74,423 K (2017: € 60,691 K) was distributed to the shareholders.

The total net profit as at 31.12.2018 amounting to € 944,552 K (31.12.2017: € 840,429 K) is subject to dividend payment constraints of € 1,141 K representing the amount of deferred tax asset. In the previous year there was no dividend payment constraint.

As at 31.12.2018 there is unused authorised capital amounting to € 359,168,301.36 that may be drawn on or before 18.09.2023, as well as conditional capital in the total amount of € 47,565,458.08 earmarked for the specified purpose of servicing 0.75% convertible bonds 2017-2025 (conditional capital 2013) as well as conditional capital in the amount of € 143,667,319.09 earmarked for the specified purpose of servicing convertible bonds which are issued prospectively based on the authorization from the resolution from the Ordinary General Meeting as of 9.5.2018 (conditional capital 2018).

In the third quarter 2017, CA Immo AG issued a non-subordinated unsecured convertible bond in the amount of € 200 m and with a term until April 2025 excluding subscription rights of the shareholders. The coupon payable semi-annually amounts to 0.75% p.a. and the initial conversion price has been set at € 30.5684 per share. This equals a conversion premium of 27.50% above the volume weighted average price (VWAP) of the CA Immo shares amounting to € 23.9752 on the launch date. Following the dividend payment amounting to € 0.80 per share on 14.5.2018, the conversion price has changed to € 30.4062, in accordance with section 11 (d) (ii) in issuance terms. The convertible bond was

issued at 100% of its nominal value of € 100 K per bond and will be redeemed at 100% of the nominal value, if not previously repaid or converted. At the company's choice, the redemption may be effected by provision of shares, cash or a combination of the two.

The declared revenues reserves are tied and were booked up to the level the book value corresponds to the nominal value of the treasury shares deducted from the share capital.

€ 1,000	31.12.2018	31.12.2017
Other additional expenses for treasury shares	- 53,663	- 50,450
Nominal treasury shares in share capital	42,021	40,582
Reserves for other acquisition costs for treasury shares	53,663	50,450
<b>Tied revenue reserves for treasury shares</b>	<b>42,021</b>	<b>40,582</b>

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	2018	2017
<b>As at 1.1.</b>	<b>40,582</b>	<b>39,282</b>
Acquisition treasury shares total	- 4,652	- 4,025
Treasury shares due to decrease in share capital	1,439	1,300
Allocation to revenues reserves	4,652	4,025
<b>As at 31.12.</b>	<b>42,021</b>	<b>40,582</b>

#### f) Grants from public funds

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

#### g) Provisions

Provisions for severance payment amount to € 182 K (31.12.2017: € 240 K) and include severance payment entitlements of company employees and Management Board members.

Tax provisions in the amount of € 2,816 K (31.12.2017: € 1,956 K) mainly relate to provisions for corporate tax for the current year which amount to € 2,300 K and for the previous year € 516 K.

Provisions for deferred taxes comprise the offsetting between deferred tax assets and deferred tax liabilities and amounted to € 475 K as at 31.12.2017. In 2018 a deferred tax asset was accounted for.

Other provisions are made up as follows:

€ 1,000	31.12.2018	31.12.2017
Construction services	3,434	3,216
Premiums	2,984	4,048
Derivative transactions	1,868	1,088
Property tax and land transfer tax	1,560	4,154
Staff (vacation and overtime)	695	1,418
Legal, auditing and consultancy fees	574	955
Annual report and expert opinions	171	207
Other	1,084	843
	<b>12,370</b>	<b>15,929</b>

In order to promote a high level of alignment with the corporate goals, all employees are provided with variable remuneration in addition to their fixed salary and thus participation in the company's success. Based on the remuneration system of the Management Board, the attainment of the budgeted quantitative and qualitative annual targets as well as a positive consolidated result are required. Furthermore, managerial staff have the additional option of participating in a remuneration scheme based on share prices. Diverging from the model for the Management Board (phantom shares), participation in the LTI program is voluntary. The revolving programme has a term (retention period) of three years per tranche; it presupposes a personal investment (maximum of 35% of the fixed annual salary). The personal investment is evaluated on the basis of the average rate for the first quarter of the year the tranche begins, and the number of associated shares is determined on the basis of that 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). The weighting for NAV and FFO growth is 30%, and 40% for the TSR. 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 bonus payment for the Management Board is linked to long-term operational and quality-based targets and also takes account of non-financial performance criteria. It is limited to 200% of the annual salary. Of the variable remuneration, half is linked to the attainment of short-term targets defined annually by the remuneration committee (annual bonus). The other half is based on outperformance of the following indicators defined annually by the remuneration committee: 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 determined 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 quarter of the business year relevant to target attainment. The payment of phantom shares is made in cash in three equal parts after 12 months, 24 months (mid term incentive) and 36 months (long term incentive) at the average rate for the last quarter of the year preceding 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.

**h) Liabilities**

31.12.2018 € 1,000	Maturity up to 1 year	Maturity 1 - 5 years	Maturity more than 5 years	Total
Bonds	0	465,000	525,000	990,000
Liabilities to banks	25,499	7,433	76,752	109,684
Trade payables	730	239	0	969
Payables to affiliated companies	195,206	0	0	195,206
Other liabilities	15,933	0	0	15,933
<b>Total</b>	<b>237,368</b>	<b>472,672</b>	<b>601,752</b>	<b>1,311,792</b>

31.12.2017 € 1,000	Maturity up to 1 year	Maturity 1 - 5 years	Maturity more than 5 years	Total
Bonds	0	315,000	525,000	840,000
Liabilities to banks	1,847	17,956	79,019	98,822
Trade payables	1,711	165	0	1,876
Payables to affiliated companies	71,715	0	0	71,715
Other liabilities	12,620	0	0	12,620
<b>Total</b>	<b>87,893</b>	<b>333,121</b>	<b>604,019</b>	<b>1,025,033</b>

In bonds, the convertible bond with its related maturity is also included. The bonds item for 31.12.2018 comprises the following liabilities:

	Nominal value € 1,000	Nominal interest rate	Issue	Repayment
Convertible bond 2017-2025	200,000	0.75%	04.10.2017	04.04.2025
Bond 2015-2022	175,000	2.75%	17.02.2015	17.02.2022
Bond 2016-2021	140,000	1.88%	12.07.2016	12.07.2021
Bond 2016-2023	150,000	2.75%	17.02.2016	17.02.2023
Bonds 2017-2024	175,000	1.88%	22.02.2017	22.02.2024
Bonds 2018-2026	150,000	1.88%	26.09.2018	26.03.2026
	<b>990,000</b>			

Liabilities to banks comprise investment loans amounting to € 109,684 K (31.12.2017: € 98,822 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.

Trade payables item essentially comprises liabilities for construction services and liability guarantees as well as general administrative costs.

The liabilities shown under payables to affiliated companies relate to intra-group loans amounting to € 194,923 K (31.12.2017: € 71,262 K) and trade payables amounting to € 283 K (31.12.2017: € 453 K).

Other liabilities are essentially made up of accrued interest for bonds amounting to € 12,848 K (31.12.2017: € 12,114 K), unpaid liabilities to the property management company, liabilities arising from payroll-accounting and tax charges.

**i) Deferred income**

€ 1,000	31.12.2018	31.12.2017
Investment grants from tenants	1,636	1,700
Rent prepayments received	522	568
Revenues from guarantees	0	200
	<b>2,158</b>	<b>2,468</b>

**j) Contingent liabilities**

	Maximum amount as at 31.12.2018 1,000		Outstanding on reporting date 31.12.2018 € 1,000	Outstanding on reporting date 31.12.2017 € 1,000
Guarantees and letters of comfort in connection with sales made by affiliated companies	36,489	€	23,967	26,855
Letter of comfort in connection with acquisitions made by affiliated companies	1,934	€	1,934	1,450
Guarantees for loans granted to affiliated companies	288	€	288	673
Other guarantees in connection with affiliated companies	4,789	€	4,789	6,130
Guarantees for loans granted to other group companies	1,027	€	1,027	8,469
Guarantees in connection with sales made by other group companies	22,442	€	22,442	0
	<b>66,969</b>		<b>54,447</b>	<b>43,577</b>

In connection with the disposals, marketable guarantees for coverage of possible warranty and liability claims exist and - where necessary - financial provisions were made.

**k) Liabilities from the utilisation of tangible assets**

The lease-related liability from the utilisation of tangible assets not reported in the balance sheet is € 714 K (31.12.2017: € 693 K) for the subsequent business year and € 3,356 K (31.12.2017: € 3,278 K) for the subsequent five business years.

Out of this, € 635 K (31.12.2017: € 621 K) is attributable to affiliated companies for the subsequent business year and € 3,163 K (31.12.2017: € 3,107 K) for the subsequent five business years. The above mentioned amounts refers to the Rennweg office/ Mechelgasse 1. The rental agreement was concluded for an unlimited period, whereas in the above only next five years were considered.



**l) Details of derivative financial instruments - swaption**

€ 1,000		Nominal value	Fixed interest rate	Interest reference	Fair value	thereof considered
Start	End	31.12.2018	as at 31.12.2018	rate	31.12.2018	as provisions 31.12.2018
12/2016	12/2024	10,440	0.44%	3M-EURIBOR	- 116	- 116
06/2017	06/2027	11,388	0.79%	3M-EURIBOR	- 206	- 206
06/2017	06/2027	29,686	0.76%	3M-EURIBOR	- 504	- 504
08/2017	12/2029	30,200	1.12%	3M-EURIBOR	- 1,041	- 1,041
		<b>81,714</b>			<b>- 1,867</b>	<b>- 1,867</b>

€ 1,000		Nominal value	Fixed interest rate	Interest reference	Fair value	thereof considered
Start	End	31.12.2017	as at 31.12.2017	rate	31.12.2017	as provisions 31.12.2017
12/2016	12/2024	11,093	0.44%	3M-EURIBOR	- 27	- 27
06/2017	06/2027	11,628	0.79%	3M-EURIBOR	- 93	- 93
06/2017	06/2027	30,641	0.76%	3M-EURIBOR	- 229	- 229
08/2017	12/2029	30,200	1.12%	3M-EURIBOR	- 740	- 740
		<b>83,562</b>			<b>- 1,088</b>	<b>- 1,088</b>

The fair value corresponds to the value CA Immo AG would receive upon termination of the contract at the balance sheet date. The value would be received from the financial institution, with which the contract was signed. The quoted value is a cash value. Future cash flows from variable payments as well as discount 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.

**11. Explanatory notes on the income statement****Gross revenues**By type

€ 1,000	2018	2017
Rental income from real estate	13,352	15,408
Operating costs passed on to tenants	4,271	4,422
Income from management services	13,220	12,151
Other revenues	277	190
	<b>31,120</b>	<b>32,171</b>

By region

€ 1,000	2018	2017
Austria	19,635	21,674
Germany	3,892	4,197
Eastern Europe	7,593	6,300
	<b>31,120</b>	<b>32,171</b>

**Other operating income**Revenues from sale and increase in value of tangible assets, except for financial assets

€ 1,000	2018	2017
<b>Write-ups current year</b>	<b>8,869</b>	<b>4,565</b>
Revenues from assets disposals	17	10,147
Book value disposed	0	- 1,139
Other expenses	0	- 71
<b>Profit from sale of tangible assets</b>	<b>17</b>	<b>8,937</b>
	<b>8,886</b>	<b>13,502</b>

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

Other operating income of € 331 K (2017: € 337 K) results from expenses reinvocings, insurance revenues and the release of the deferrals for government grants.

**Staff expense**

This item, totalling € 15,544 K (2017: € 11,826 K), includes expenses for the 67 staff members (2017: 65) employed by the company on average.

The expenses for retirement benefits are as follows:

€ 1,000	2018	2017
Pension fund contributions for Management Board members and senior executives	153	114
Pension fund contributions for other employees	78	55
	<b>231</b>	<b>169</b>

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

€ 1,000	2018	2017
Change in provision for severance payments to Management Board members and senior executives	- 60	54
Allocation to provision for severance payments to other employees	2	7
Severance payments to Management Board members and senior executives	115	0
Pension fund contributions for Management Board members and senior executives	126	71
Pension fund contributions for other employees	44	54
	<b>227</b>	<b>186</b>

### Depreciation

€ 1,000	2018	2017
Depreciation of intangible fixed assets	250	365
Scheduled depreciation of buildings	6,344	6,102
Unscheduled depreciation of real estate	0	7,194
Depreciation of other assets, office furniture and equipment	200	220
Low-value assets	8	9
	<b>6,802</b>	<b>13,890</b>

### Other operating expenses

Where they do not fall under taxes on income, the taxes in the amount of € 1,086 K (2017: € 464 K) mainly comprise the real estate charges passed on to tenants in the amount of € 207 K (2017: € 210 K) and the non-deductible input VAT € 879 K (2017: € 254 K), out of which € 386 K are for previous years.

Other expenses are made up as follows:

€ 1,000	2018	2017
<b>Other expenses directly related to properties</b>		
Operating costs passed on to tenants	4,069	4,204
Maintenance costs	1,646	2,266
Administration and agency fees	793	40
Own operating costs (vacancy costs)	748	395
Other	500	397
<b>Subtotal</b>	<b>7,756</b>	<b>7,302</b>
<b>General administrative costs</b>		
Legal, auditing and consultancy fees	3,385	2,663
Bond issue related expenses	1,044	2,964
Administrative and management costs	1,041	842
Advertising and representation expenses	805	1,050
Travel expenses	648	597
Office rent including operating costs	636	630
Supervisory Board remuneration	483	408
Other fees and bank charges	239	720
Costs charged to group companies	99	162
Other	1,150	1,092
<b>Subtotal</b>	<b>9,530</b>	<b>11,128</b>
<b>Total other operating expenses</b>	<b>17,286</b>	<b>18,430</b>

#### Income from investments

This item comprises dividends paid from companies in Austria in an amount of € 27,079 K (2017: € 73,211 K) as well as companies in Germany and Eastern Europe in the amount of € 1,052 K (2017: € 2,753 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 amounts from deposits and bank accounts.

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

€ 1,000	2018	2017
Release of impairment due to increase in value	147,596	216,396
Sale of financial assets	15,458	6
	<b>163,054</b>	<b>216,402</b>

<b>Expenses for financial assets and short-term interest receivables</b>		
€ 1,000	2018	2017
Depreciation of financial assets	5,572	2,911
Bad debt allowance for interest receivables	1,043	1,321
Loss from disposal	881	4
	<b>7,496</b>	<b>4,236</b>

<b>Interest and similar expenses</b>		
€ 1,000	2018	2017
Interest costs for bonds	17,623	14,715
Interest costs in respect of affiliated companies	2,587	1,695
Interest for bank liabilities for the financing of real estate assets	2,399	2,438
Expenses for derivative transactions	1,774	1,566
Other	530	362
	<b>24,913</b>	<b>20,776</b>

<b>Taxes on income</b>		
€ 1,000	2018	2017
Tax compensation tax group members	4,714	5,739
Corporate income tax	- 3,270	- 2,000
Deferred taxes	1,616	439
Other	- 100	- 38
<b>Tax revenues</b>	<b>2,960</b>	<b>4,140</b>

## OTHER INFORMATION

### 12. Affiliated companies

CA Immobilien Anlagen AG, Vienna, is the main parent company of CA Immo AG 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.

### 13. Executive bodies and employees

#### Supervisory Board

##### Elected by the General Meeting:

Torsten Hollstein, Chairman

Dr. Florian Koschat, Deputy Chairman

Richard Gregson

Univ.-Prof. MMag. Dr. Klaus Hirschler

John Nacos

Michael Stanton

Prof. Dr. Sven Bienert (until 26.10.2018)

Dipl.-BW Gabriele Düker (until 25.10.2018)

Delegated by registered share:

Jeffrey Gordon Dishner (from 28.9.2018)  
Laura Mestel Rubin (from 28.9.2018)  
Sarah Broughton (from 28.9.2018)  
Dr. Oliver Schumy (until 27.9.2018)  
Stefan Schönauer (until 27.9.2018)

Delegated by works council:

Georg Edinger, BA, REAM (IREBS)  
Nicole Kubista  
Sebastian Obermair  
Franz Reitermayer

As at balance sheet date 31.12.2018, the Supervisory Board comprises six shareholder representatives elected by the Ordinary General Meeting, three shareholder representatives delegated by registered shares and four employee representatives.

In business year 2018 (for 2017), € 361 K (previous year: € 368 K) was paid out in fixed salaries (including total attendance fees of € 88 K; € 93 K in the previous year). Moreover, expenditure of € 206 K was reported in connection with the Supervisory Board in business year 2018 (2017: € 660 K). Of this, cash outlays for travel expenses accounted for approximately € 90 K (2017: € 35 K) and other expenditure (including training costs) accounted for € 43 K (2017: € 5 K). Legal and other consultancy services accounted for € 74 K (2017: € 620 K; of which € 595 K was linked to the executive search in connection with the CEO succession process). Consulting costs of € 150 K relating to the CFO search process were also taken into account in 2018. No other fees (particularly for consultancy or brokerage activities) and no loans or advances were paid to Supervisory Board members.

Total Supervisory Board remuneration of € 380 K for business year 2018 will be proposed to the Ordinary General Meeting on the basis of the same criteria (fixed annual payment of € 30 K per Supervisory Board member plus attendance fee of € 1,000 per meeting day), taking account of the waiver of remuneration for Supervisory Board members appointed on the basis of registered shares. As at 31.12.2018, the remuneration was recognized in the financial statements. 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 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. This applied to a deed of donation concluded between CA Immo and the IRE | BS Universitätsstiftung für Immobilienwirtschaft on 16.9.2014 and extended early in 2018, whereby the foundation receives an annual ringfenced amount of € 25 K from CA Immo, 50% of which is made freely available to the former Supervisory Board member Professor Sven Bienert for teaching and research activity at the IRE | BS International Real Estate Business School. No other fees (particularly for consultancy or brokerage activities) were paid to Supervisory Board members. No loans or advances were granted.

**IMMOFINANZ Group, Vienna**

From 2.8.2016 to 27.9.2018, IMMOFINANZ Group (via its 100% owned subsidiary GENA ELF Immobilienholding GmbH) held 25,690,163 bearer shares as well as four registered shares of CA Immo AG representing with approximately 26% of the capital stock the largest single shareholder of the company.

Until 27.9.2018 there was a reciprocal shareholding between the IMMOFINANZ Group and the CA Immo Group. The CA Immo Group still holds 5,480,566 bearer shares of IMMOFINANZ AG (equivalent to approximately 4.9% of the capital stock of IMMOFINANZ AG).

In 2016, CA Immo AG and IMMOFINANZ AG agreed to enter into constructive dialogue concerning a potential amalgamation of the two companies. On 28.2.2018, IMMOFINANZ AG announced its intention to further suspend detailed discussions about a potential merger between both companies for the time being and to evaluate other strategic options, among others, a potential sale of its investment in CA Immo AG; a bidding process was started. On 2.7.2018, IMMOFINANZ AG announced the sale of its stake in CA Immo AG to SOF-11 Starlight 10 EUR S.à r.l. (now SOF-11 Klimt CAI S.à r.l.), a company managed by Starwood Capital Group. The transaction was closed on 27.9.2018 after release by the competition authorities in charge and approval of the Management Board of CA Immo of the transfer of the four registered shares on 18.7.2018.

#### **Starwood Capital Group (Starwood)**

Since 27.9.2018, SOF-11 Klimt CAI S.à r.l. (formerly SOF-11 Starlight 10 EUR S.à r.l.) holds 25,843,652 bearer shares as well as four registered shares of CA Immo AG, with approximately 26.16% of the capital stock representing now the largest single shareholder of the company. SOF-11 Klimt CAI S.à r.l. is an indirect wholly owned subsidiary of SOF-11 International, SCSp. SOF-11 International, SCSp is part of a group of companies known as SOF-XI, a discretionary fund with approximately USD 7.56 bn assets under management. SOF-XI is controlled by Starwood, a privately owned global alternative investment company with more than 80 partners. Starwood Capital Group is an investor focusing on global real estate investments.

#### **Management Board**

Andreas Quint (since 1.1.2018)

Keegan Viscius (since 1.11.2018)

Frank Nickel (until 31.3.2018)

Dr. Hans Volckens (until 10.10.2018)

Total salary payments to Management Board members active in business year 2018 amounted to € 8,601 K (€ 1,526 K in 2017). Total expenditure on fixed salary components was € 1,918 K (€ 1,050 K in 2017). Fixed salaries amounted to € 1,060 K (€ 750 K in 2017). In addition, remuneration in kind was € 79 K (previous year: € 114 K), expense allowances were € 5 K (previous year: € 8 K) and pension fund contributions stood at € 74 K (€ 41 K in 2017). Taking into account variable salary components paid in 2018 (excluding severance and redundancy payments), the proportion of fixed remuneration was 27% (previous year: 69%). Payroll-related taxes and contributions accounted for € 701 K (€ 136 K in 2017). As at the balance sheet date 31.12.2018, severance payment provisions for Management Board members totalled € 79 K (€ 138 K on 31.12.2017). There were no payment obligations to former members of the Management Board. No loans or advances were granted to Management Board members.

Variable salary components totalled € 5,088 K (previous year: € 476 K). These include the payment of all short-, medium- and long-term bonuses. Further compensatory and severance payments totalling € 1,596 K were paid in connection with the aforementioned change of control (previous year: € 0 K).

Target attainment was 100% in business year 2017. This resulted in bonus entitlement of € 1,500 K (previous year: € 931 K), of which € 1,150 K (previous year: € 466 K) was payable on confirmation of target attainment (immediate payment). Having terminated his employment contract ahead of time, Frank Nickel received all outstanding bonus payments (immediate payments and phantom shares) of € 1,593 K prematurely. The remaining 50% of the bonus entitlement for Dr. Hans Volckens in business year 2017 (€ 350 K) was based on the average rate for the final quarter of 2017 (€ 24.82 per share) with a total of 14,101 phantom shares.

In the course of the change of control, Andreas Quint received a retention bonus of € 1,120 K for remaining at CA Immo. In addition, target attainment for business year 2018 was determined as 100% in negotiations with the CEO and all bonus payments due for business year 2018 (€ 1,120 K) were settled early and paid in full and in cash on 31.10.2018. There was no conversion to phantom shares as otherwise provided for in the remuneration system. In addition to these payments, Andreas Quint received a signing bonus in the amount of € 300 K as compensation for bonus

payments not paid by his previous employer owing to his premature resignation. The signing bonus was accrued as at 31.12.2017.

Dr. Hans Volckens received compensatory and severance payments totalling € 476 K in connection with the early resignation of his position as CFO of CA Immo. In addition, all bonus entitlement outstanding since 2016 (including phantom shares) became due for payment. Target attainment of 100% was also agreed with Dr. Volckens for business year 2018. The short term incentives indicated thus comprised immediate payments of € 350 K for 2017 and 2018 and a proportionate payment of € 408 K for the period up to and including 31.7.2019 as well as a special bonus for business year 2017 (€ 50 K). All 18,017 phantom shares since business year 2016, originally with a lock-up, were valued at an agreed price of € 32.00 per share and also paid in full in the amount of € 917 K.

As at 31.12.2018, there was no requirement for provisions in connection with the variable remuneration system for the tranches of phantom shares beginning in 2016, 2017 and 2018 (€ 2,191 K as at 31.12.2017).

#### PAYMENTS TO THE MANAGEMENT BOARD<sup>1)</sup>

€ 1,000	Andreas Quint <sup>2)</sup>		Keegan Viscius <sup>3)</sup>		Hans Volckens <sup>4)</sup>		Frank Nickel <sup>5)</sup>		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed salary	560	0	79	0	321	350	100	400	1,060	750
Payroll-related taxes and contributions	276	0	13	0	258	56	154	81	701	136
Remuneration in kind, company car, etc	0	0	28	0	39	34	12	80	79	114
Expense allowances	1	0	0	0	3	6	0	2	5	8
Contributions to pension funds (non-cash)	57	0	6	0	0	0	10	41	74	41
<b>Total fixed salary components</b>	<b>895</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>621</b>	<b>446</b>	<b>276</b>	<b>603</b>	<b>1,918</b>	<b>1,050</b>
<i>Total fixed salary components as %</i>	<i>39%</i>	<i>0%</i>	<i>100%</i>	<i>0%</i>	<i>23%</i>	<i>85%</i>	<i>15%</i>	<i>60%</i>	<i>27%</i>	<i>69%</i>
Short-term incentive (down payment)	860	0	0	0	1,158	76	600	400	2,619	476
Short-term incentive (phantom shares)	560	0	0	0	917	0	992	0	2,470	0
<b>Total variable salary components</b>	<b>1,420</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,076</b>	<b>76</b>	<b>1,593</b>	<b>400</b>	<b>5,088</b>	<b>476</b>
<i>Total variable salary components as %</i>	<i>61%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>77%</i>	<i>15%</i>	<i>85%</i>	<i>40%</i>	<i>73%</i>	<i>31%</i>
<b>Total fixed and variable salary components</b>	<b>2,315</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>2,696</b>	<b>522</b>	<b>1,869</b>	<b>1,003</b>	<b>7,006</b>	<b>1,526</b>
Compensatory and severance payments (CoC)	1,120	0	0	0	419	0	57	0	1,596	0
<b>Total salary payments</b>	<b>3,435</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>3,115</b>	<b>522</b>	<b>1,926</b>	<b>1,003</b>	<b>8,601</b>	<b>1,526</b>

1) Includes salary components paid/utilised in 2017 and 2018 only (excl. annual leave payments in the amount of € 66 K for Dr. Volckens or € 116 K for Frank Nickel). As at 31.12.2017, provision totalling € 2,191 K was made for bonus claims for business years 2016 and 2017.

2) Chief Executive Officer since 1.1.2018

3) Management Board member (CIO) since 1.11.2018

4) Management Board member (CFO) to 10.10.2018

5) Chief Executive Officer to 31.12.2017, Management Board member to 31.3.2018

#### 14. Employees

The average number of staff employed by the company during the business year was 67 (2017: 65).

#### 15. 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.



**16. Events after the balance sheet date**

In January 2019 the closing of the sale of a subsidiary with a property in Slovenia took place.

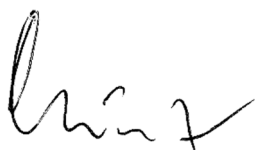
In its meeting of 8.3.2019, the Supervisory Board of CA Immo AG appointed Dr. Andreas Schillhofer as the new Chief Financial Officer (CFO) of the company. Dr. Andreas Schillhofer will take office by 1.10.2019 at the latest.

**17. Proposal for the appropriation of net earnings**

It is proposed to use part of the net retained earnings of € 944,552,011.50 to pay a dividend of € 0.90 per share, i.e. a total of € 83,725,469.10, to the shareholders. The remainder of the net retained earnings in the amount of € 860,826,542.40 is intended to be carried forward.

Vienna, 27 March 2019

The Management Board



Andreas Quint  
(Chairman)



Keegan Viscius  
(Management Board Member)

## ASSET ANALYSIS FOR THE BUSINESS YEAR 2018

	Acquisition and production costs as at 1.1.2018	Addition	thereof additions interest	Disposal	Transfer	Acquisition and production costs as at 31.12.2018
	€	€	€	€	€	€
<b>I. Intangible fixed assets</b>						
EDV software	2,372,816.06	228,550.74	0.00	0.00	0.00	2,601,366.80
	<b>2,372,816.06</b>	<b>228,550.74</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,601,366.80</b>
<b>II. Tangible fixed assets</b>						
1. Land and buildings						
a) Land value	50,658,941.08	0.00	0.00	0.00	0.00	50,658,941.08
b) Building value	258,197,678.94	2,853,524.52	0.00	197,394.28	28,070,719.48	288,924,528.66
	<b>308,856,620.02</b>	<b>2,853,524.52</b>	<b>0.00</b>	<b>197,394.28</b>	<b>28,070,719.48</b>	<b>339,583,469.74</b>
2. Other assets, office furniture and equipment	3,108,602.63	249,534.24	0.00	91,905.44	0.00	3,266,231.43
3. Prepayments made and construction in progress	16,614,983.77	12,068,665.92	104,293.78	0.00	- 28,070,719.48	612,930.21
	<b>328,580,206.42</b>	<b>15,171,724.68</b>	<b>104,293.78</b>	<b>289,299.72</b>	<b>0.00</b>	<b>343,462,631.38</b>
<b>III. Financial assets</b>						
1. Investments in affiliated companies	2,760,241,518.07	45,213,852.18	0.00	9,565,778.36	0.00	2,795,889,591.89
2. Loans to related companies	502,859,042.39	302,098,394.57	0.00	46,534,882.29	0.00	758,422,554.67
3. Investments in associated companies	281,584.19	0.00	0.00	7.27	0.00	281,576.92
4. Loans to associated companies	850,000.00	0.00	0.00	850,000.00	0.00	0.00
5. Other loans	29,501,952.96	0.00	0.00	206,943.61	0.00	29,295,009.35
	<b>3,293,734,097.61</b>	<b>347,312,246.75</b>	<b>0.00</b>	<b>57,157,611.53</b>	<b>0.00</b>	<b>3,583,888,732.83</b>
	<b>3,624,687,120.09</b>	<b>362,712,522.17</b>	<b>104,293.78</b>	<b>57,446,911.25</b>	<b>0.00</b>	<b>3,929,952,731.01</b>

Accumulated depreciation as at 1.1.2018	Depreciation and amortisation in 2018	Reversal of impairment losses in 2018	Accumulated depreciation disposal	Transfer	Accumulated depreciation as at 31.12.2018	Book value as of 31.12.2018	Book value as at 31.12.2017
€	€	€	€	€	€	€	€
2,080,465.46	249,601.77	0.00	0.00	0.00	2,330,067.23	271,299.57	292,350.60
<b>2,080,465.46</b>	<b>249,601.77</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,330,067.23</b>	<b>271,299.57</b>	<b>292,350.60</b>
10,013,334.80	0.00	370,000.00	0.00	0.00	9,643,334.80	41,015,606.28	40,645,606.28
90,383,066.33	6,344,437.55	8,498,757.52	24,273.96	0.00	88,204,472.40	200,720,056.26	167,814,612.61
<b>100,396,401.13</b>	<b>6,344,437.55</b>	<b>8,868,757.52</b>	<b>24,273.96</b>	<b>0.00</b>	<b>97,847,807.20</b>	<b>241,735,662.54</b>	<b>208,460,218.89</b>
2,420,890.97	208,119.85	0.00	91,905.44	0.00	2,537,105.38	729,126.05	687,711.66
0.00	0.00	0.00	0.00	0.00	0.00	612,930.21	16,614,983.77
<b>102,817,292.10</b>	<b>6,552,557.40</b>	<b>8,868,757.52</b>	<b>116,179.40</b>	<b>0.00</b>	<b>100,384,912.58</b>	<b>243,077,718.80</b>	<b>225,762,914.32</b>
225,966,647.28	4,027,000.00	147,596,294.33	2,739,260.24	0.00	79,658,092.71	2,716,231,499.18	2,534,274,870.79
8,514,340.00	325,660.00	0.00	3,000,000.00	0.00	5,840,000.00	752,582,554.67	494,344,702.39
899.00	7,267.28	0.00	0.00	0.00	8,166.28	273,410.64	280,685.19
0.00	0.00	0.00	0.00	0.00	0.00	0.00	850,000.00
24,581,569.32	1,212,561.00	0.00	87,985.97	0.00	25,706,144.35	3,588,865.00	4,920,383.64
<b>259,063,455.60</b>	<b>5,572,488.28</b>	<b>147,596,294.33</b>	<b>5,827,246.21</b>	<b>0.00</b>	<b>111,212,403.34</b>	<b>3,472,676,329.49</b>	<b>3,034,670,642.01</b>
<b>363,961,213.16</b>	<b>12,374,647.45</b>	<b>156,465,051.85</b>	<b>5,943,425.61</b>	<b>0.00</b>	<b>213,927,383.15</b>	<b>3,716,025,347.86</b>	<b>3,260,725,906.93</b>

## INFORMATION ABOUT GROUP COMPANIES

### Direct investments

Company	Registered office	Share capital		Interest in %	Profit/ loss for fiscal year 2018		Shareholders' equity as at 31.12.2018		Profit/loss for fiscal 2017		Shareholders' equity as at 31.12.2017	
					in 1,000		in 1,000	in 1,000	in 1,000	in 1,000		
CA Immo d.o.o.	Belgrad	32,523,047	RSD	100	45	RSD	- 2,736	RSD	- 1,477	RSD	60	RSD
CA Holding Szolgáltató Kft	Budapest	13,000,000	HUF	100	22,399	HUF	692,114	HUF	16,092	HUF	669,715	HUF
Canada Square Kft.	Budapest	12,510,000	HUF	100	128	HUF	1,089,720	HUF	65,394	HUF	1,089,592	HUF
Duna Irodaház Kft., Budapest	Budapest	838,082	EUR	100	- 190	EUR	28,577	EUR	614	EUR	26,565	EUR
Duna Termál Hotel Ingatlanfejlesztő Kft.	Budapest	1,182,702	EUR	100	242	EUR	31,161	EUR	748	EUR	27,487	EUR
Duna Business Hotel Ingatlanfejlesztő Kft.	Budapest	1,370,097	EUR	100	650	EUR	35,483	EUR	1,085	EUR	31,896	EUR
Kapas Center Kft.	Budapest	772,560,000	HUF	50	- 21,752	HUF	1,619,166	HUF	193,727	HUF	1,640,917	HUF
Kilb Kft.	Budapest	30,000,000	HUF	100	350,310	HUF	2,780,771	HUF	408,574	HUF	2,730,461	HUF
Millennium Irodaház Kft.	Budapest	3,017,200	EUR	100	229	EUR	23,677	EUR	360	EUR	20,273	EUR
R 70 Invest Budapest Kft.	Budapest	5,270,000	HUF	100	- 145,263	HUF	1,991,474	HUF	1,287	HUF	2,137,046	HUF
Váci 76 Kft.	Budapest	3,100,000	HUF	100	14,788	HUF	5,420,175	HUF	72,209	HUF	5,405,388	HUF
CA Immo Invest GmbH	Frankfurt	50,000	EUR	51	4,547	EUR	16,837	EUR	5,004	EUR	14,466	EUR
DRG Deutsche Realitäten GmbH	Frankfurt	500,000	EUR	49	328	EUR	881	EUR	259	EUR	812	EUR
CAINE B.V.	Hoofddorp	18,151	EUR	100	- 936	EUR	15,004	EUR	4,238	EUR	15,940	EUR
CA Immo Holding B.V.	Amsterdam	51,200,000	EUR	100	11,029	EUR	193,682	EUR	5,451	EUR	170,490	EUR
CA Immobilien Anlagen d.o.o.	Ljubljana	50,075	EUR	100	455	EUR	10,545	EUR	353	EUR	10,092	EUR
Visionary Prague, s.r.o.	Prague	200,000	CZK	100	- 59,210	CZK	361,123	CZK	Acquisition 2018		Acquisition 2018	
Avielen Beteiligungs GmbH	Vienna	35,000	EUR	100	- 910	EUR	- 8,328	EUR	440	EUR	- 7,418	EUR
CA Immobilien Anlagen Beteiligungs GmbH & Co Finanzierungs KG	Vienna	154,818	EUR	100	3,377	EUR	151,195	EUR	4,193	EUR	152,011	EUR
CA Immo BIP Liegenschaftsverwaltung GmbH	Vienna	3,738,127	EUR	39	1,428	EUR	16,775	EUR	8,128	EUR	25,345	EUR
CA Immo International Holding GmbH	Vienna	35,000	EUR	100	36,118	EUR	2,044,846	EUR	291,336	EUR	2,027,728	EUR
CA Immo Rennweg 16 GmbH	Vienna	35,000	EUR	100	1,815	EUR	- 1,246	EUR	1,336	EUR	- 3,061	EUR
EBL Nord 2 Immobilien GmbH	Vienna	35,000	EUR	50	5	EUR	54	EUR	5	EUR	48	EUR
EBL Nord 2 Immobilien Eins GmbH & Co KG	Vienna	10,000	EUR	50	19,117	EUR	15,963	EUR	- 1,627	EUR	- 3,167	EUR
EBL Nord 2 Immobilien Zwei GmbH & Co KG	Vienna	10,000	EUR	50	4,192	EUR	3,691	EUR	- 168	EUR	- 501	EUR
omniCon Baumanagement GmbH	Vienna	100,000	EUR	100	1	EUR	132	EUR	14	EUR	130	EUR

Information on participations for 2018 is based on preliminary figures in financial statements prepared according to local accounting standards.

## MANAGEMENT REPORT

### GROUP STRUCTURE

CA Immo is a real estate company with its headquarters in Vienna and branch offices in Germany, Poland, Romania, Serbia, Czechia and Hungary. 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 various branch offices act as largely decentralised profit centres. Other subsidiaries (without separate local teams) are present Croatia, the Netherlands, Slovakia, Slovenia and Cyprus. As at key date 31 December 2018, the Group comprised 196 companies (31.12.2017: 200) with approximately 382 employees (378 on 31.12.2017) in 14 countries<sup>1)</sup>.

The core business of the CA Immo Group is the letting, management and development of high quality commercial real estate with a clear focus on office properties. The company, which has a high degree of in-house construction expertise, covers the entire value chain in the field of commercial real estate. The objective is to build up a focused portfolio of high quality, high yielding investment properties within the core markets of Germany, Austria, Czechia, Poland, Hungary, Romania and Serbia. Additional earnings contributions are generated through the preparation and utilisation of land reserves in the development field. CA Immo either transfers completed projects to its investment portfolio or sells them to investors. The Group currently controls property assets of around € 4.5 bn in Germany, Austria and Eastern Europe.

#### Austria

The company's domestic properties are overseen in subsidiary companies of CA Immobilien Anlagen AG. As at 31 December 2018, the parent company also directly held property assets of approximately € 298.2 m (€ 257.8 m on 31.12.2017). The total Austrian portfolio comprised investment properties with a market value of € 560.2 m at 31 December 2018 (31.12.2017: € 494.2 m).

#### 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. With subsidiaries in Berlin, Frankfurt 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. A number of development projects (in Munich and Mainz, for example), are being realised in the framework of joint ventures. Construction management – which encompasses construction management, project management and construction supervision – is carried out by CA Immo's German subsidiary **omni-Con**, which also performs these services for third parties.

### COMPANIES BY REGION

Number of companies <sup>1)</sup>	31.12.2018	31.12.2017
Austria	20	20
- <i>Of which joint ventures</i>	3	3
Germany	101	101
- <i>Of which joint ventures</i>	27	28
Eastern Europe <sup>2)</sup>	75	79
- <i>Of which joint ventures</i>	4	8
<b>Group-wide</b>	<b>196</b>	<b>200</b>
- <i>Of which joint ventures</i>	34	39

<sup>1)</sup> Joint ventures involving consolidated companies.

<sup>2)</sup> Includes holding companies in Cyprus and the Netherlands established in connection with Eastern European investments.

<sup>1)</sup> Includes holding companies in Cyprus and the Netherlands and another company in Switzerland.

### Eastern Europe

In Eastern Europe, the strategic focus is also on commercial class A buildings in the respective capitals. The 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. All Eastern European properties are managed by regional subsidiaries under the name **CA Immo Real Estate Management**.

## ECONOMIC ENVIRONMENT

### The economic trend<sup>1)</sup>

The International Monetary Fund (IMF) painted in its January 2019 Update of the World Economic Outlook a cautious yet positive picture of the global economy. An estimated economic growth of 3.7% in 2017 was followed by the same forecast for 2018 and a slight decrease of 0.2 percentage points to 3.5% in 2019 and 3.6% in 2020. The current outlook is 0.2 and 0.1 percentage point below the forecasts published in October 2018.

Most recent economic data and survey outcomes point to slower economic growth in the European Union. The increase of 1.8% of the eurozone over the year 2018 was 60 basis points below the 2017 figure. Prospects for growth have been revised down slightly due to persistent geopolitical and economic uncertainties at the global level. The unemployment rate in the EU-28 has reached its lowest level since 2008.

### Review of the CA Immo core markets in 2018<sup>2)</sup>

Growth in the eurozone in 2018 came to 1.8%, and across the entire EU to 1.9%, compared to 2.4% and 2.4%, respectively, in the previous year. The (seasonally adjusted) unemployment rate was 7.9% (down from 8.6% in January 2018) in the eurozone and 6.6% (down from 7.2% in January 2018) for the EU as a whole in January 2019, which is the lowest rate since January 2000. The government debt stood at 86.1% in the eurozone at the end of the third quarter of 2018 (80.8% in the EU-28).

Annual inflation in the eurozone was 1.4% in January 2019, clearly less than the rate targeted by the ECB of below, but close to 2.0% (January 2018: 1.3%), whereas the euro area reported 1.5% (January 2018: 1.6%). The inflation rate continued to be below the ECB target recently,

but is, given the monetary measures taken, sustained economic stability and associated higher wage increases, expected to grow in the medium term.

The economy of Austria grew with real GDP rising by 2.7% in 2018. The inflation rate in Austria stood at 1.7% in January 2019. The current unemployment rate is 4.7%.

Employment has reached a new record level in **Germany**, underlining the extremely robust situation of the German economy, which has a positive effect also on other European countries, such as Czechia. In EU comparison, Germany and Czechia reported the lowest unemployment rates at only 3.3% and 2.1%, respectively, according to the most recent publication of Eurostat.

The German economy recorded a GDP growth of 1.4% in 2018, representing a decline of 80 basis points from last year's 2.2%. The slowdown was caused mainly by weakening export growth and growing consumer restraint, particularly in the second half of the year. The inflation rate for Germany was reported at 1.7% in January 2019.

As observed in preceding years, the positive economic trend in the core CA Immo markets in the CEE region was maintained over the year 2018, albeit a slowing compared to the previous year. Strong increases in employment combined with real wage growth stimulate private consumption. Additionally, there is a massive effect from large inflows of EU funds, representing an essential lever for the CEE economies.

Within the CEE core markets, Poland and Hungary reported the highest GDP growth of 5.4% or 4.9% respectively in 2018. The gross domestic product in Romania grew by 4.1% in 2018, and in Czechia by 3.0%. The unemployment rate in the CEE countries is significantly lower than in the EU-28 and the euro area average; it stands at 2.1% in the Czechia, 3.5% in Poland, 3.7% in Hungary and 3.8% in Romania.

Compared to the previous year, the inflation rate in 2018 in all CEE core countries displayed a slightly negative trend and stood partly below the eurozone average. The Czechia reported an inflation rate of 2.0% for January 2019, whereas the annual rate in Romania stood at 3.2%. The annual inflation rate in Poland was recorded at 0.7%, in Hungary at 2.8%.

<sup>1)</sup> International Monetary Fund, European Commission, Eurostat, Bloomberg, Financial Times, The Economist

<sup>2)</sup> Eurostat, European Commission, Bloomberg, Financial Times, The Economist

### **The money market and interest environment<sup>1)</sup>**

At its latest meeting held on 7th March 2019, the Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.40%, respectively. In a press release, the Governing Council expected "the key ECB interest rates to remain at their present levels at least through the end of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term."

The expansive monetary market policy of the European Central Bank (ECB) was continued in 2018. The purchase programme for government bonds and other securities as a special monetary policy measure remained in effect until the end of the year but was not extended. According to the official publication of the European Central Bank, "the Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation." Furthermore "a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) will be launched, starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy."

The 3-month Euribor remained in negative territory, fluctuating between -0.31% and -0.33% in the period under review. Due to the continued strong growth momentum, pressure to increase interest rates in CEE countries should be mounting. In 2018, the Czech central bank increased the interest rate four times. Romania surprised the market in January 2018, as the interest rate was raised for the first time since 2008 (increasing the key interest rate by 25 base points to 2.0%), followed by two more increases until May up to 2.5%. In the medium term further interest rate increases are expected in all CEE core markets.

Influenced by four interest rate increases by the Federal Reserve Bank within 2018 the yield on 10-year US Treasury bonds reached its 5-year high of 3.3%. However, by the end of the year, this value had fallen back to 2.6%. The demonstrably increased readiness of the FED for interest rate increases led combined with other factors to an increase in volatility on the international financial markets.

### **Outlook<sup>2)</sup>**

In March 2019 the European Central Bank (ECB) revised its growth forecast for the euro area down to 1.1% for the year 2019 and 1.6% for 2020. The expected inflation was reduced to 1.2% for 2019 and 1.5% for 2020.

## **THE REAL ESTATE MARKET IN AUSTRIA<sup>3)</sup>**

### **The investment market**

In 2018 the total volume invested in commercial real estate in Austria was approximately € 4.1 bn. This value was around 18% below the record volume of 2017 at approximately € 5.0 bn.

Due to stable economic framework conditions as well as a further growing shortage of core properties in the German metropolitan cities, Austria remains the focus of both German and international investors, who accounted for more than 44% of the overall investment volume in 2018.

Like last year, the prime yield on office properties dropped and currently stands at a historically low level of just under 3.75% for offices in Vienna's CBD. Yields in good and average locations also fell again in 2018, to 4.10% and 4.60%, respectively. CBRE Research expects demand for commercial properties in Austria to remain high in 2019 and, as a result – given limited product availability – further declining yields, especially in the office sector.

### **The office property market**

The stock of office floor space in the Viennese market amounted to around 11.3 m sqm at year end. The completion volume of office space totalled approximately 266,000 sqm in 2018, increasing by more than 70% compared to the previous year.

<sup>1)</sup> Sources: European Central Bank, Eurostat, Central Statistical Offices, Bloomberg

<sup>2)</sup> Sources: European Central Bank, Bloomberg, Financial Times, The Economist

<sup>3)</sup> Sources: CBRE: ERIX, Austria Investment MarketView H2 2018; Vienna Office MarketView H2 2018; Austria Real Estate Market Outlook 2019

Year on year, the lettings performance increased, standing at around 269,000 sqm (2017: 192,000 sqm). Over the course of 2018, the vacancy rate, due to higher completion volumes, went up by approximately 30 basis points to 5.2%.

The peak monthly rent in Vienna remained constant at around € 25.50/sqm. Monthly rents rose to around € 18.50/sqm in good office locations, while monthly rents in average locations stood at about € 15.50/sqm.

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#### THE REAL ESTATE MARKET IN GERMANY<sup>1)</sup>

##### The investment market

The transaction volume for commercial real estate in Germany totalled € 60.2 bn (5% above the previous year's result), once again surpassing the former top result achieved in 2017. In spite of sharply falling yields, Germany continued to stand out as a stable and safe investment market that displayed extremely robust demand levels supported both by German and international investors. Office properties remain the investment focus of investors, accounting for almost half of the total volume in 2018. The top locations attracted around 60% of investment. Prime yields were subject to further compression in the year under review, albeit to a more moderate extent than in the previous years. The CBD net initial yield for the top 7 markets is reported at 3.06%.

The **Berlin** office market posted undiminished strong demand, generating € 6.8 bn, the third best year in its history (73% above the 10-year average figure). The prime yield stood at 3.10% (2017: 3.10%). The office market in **Frankfurt** recorded investment volumes of € 9.6 bn (41% above last year's level). The largest single transactions in Germany all took place in Frankfurt. The prime yield remained stable and stood at 3.20% at the end of the year.

At a volume of € 6.7 bn, the office investment market in **Munich** recorded a growth of 12% in yearly comparison. Year on year, the prime yield fell to 2.90%, 20 basis points down since the end of 2017.

##### The office property market<sup>2)</sup>

The continued positive development of the German economy was reflected in GDP growth of 1.4% in 2018, a lower growth rate than in the previous years (2017: 2.2%, 2016: 2.2%). In 2018 the level of employment, however, reached another peak since the German reunification.

These extremely positive framework conditions continue to drive up demand for office space, which, given the shortage of floor space in inner city areas, sustains the positive rental rate momentum.

The lettings market in **Munich** performed once again very strongly in 2018. Floor space take-up totalled 984,000 sqm, remaining at the same level as in the previous year. Extremely tight supply coupled with continuing high demand brought about a rise in the peak monthly rent of more than 4% to € 38.0/sqm, while the weighted monthly average rent of around € 18.70 was 8% above last year. The office vacancy rate of 2.9% (2017: 3.1%) reached a new historic low for the overall market at year end. At a vacancy rate of 2.0% Munich's city area was practically fully let.

The completion volume of around 256,400 sqm in 2018 (new builds and core refurbishments) exceeded last year's level by 8%, just above the ten-year average figure. Despite significantly rising numbers of projects, no easing of the supply situation is in sight for 2019. The stock of office floor space totalled approximately 21.6 m sqm at year end.

Office space take-up in **Frankfurt** stood at 620,200 sqm in 2018, representing a decline of more than 13% on the previous year. Continuing high demand reduced the vacancy rate to 7.8%. Compared to last year, the peak monthly rent rose slightly to € 41.00/sqm. The weighted monthly average rent in the market is reported at € 20.70/sqm, remaining stable against the prior year. The completion volume (new builds and core refurbishments) was around 104,700 sqm, clearly below the 10-year average. From what is known today, about 590,000 sqm of office space is under development at the moment, of which more than half is already let. Completion of "ONE", CA Immo's currently largest development project in Frankfurt, is scheduled for the year 2021. At the end of the year, the reported stock of office space was around 11.3 m sqm.

Office space take-up of 840,400 sqm registered for **Berlin** in 2018 was down by 9% on the previous year, but still was 34% above the 10-year average. Compared to the prior year, the vacancy rate fell again substantially to its current level of 2.2% (2017: 3.1%). This shortage of floor space led to a 12% increase in the peak monthly rent to € 33.50/sqm. The weighted average rent also went up further to € 21.25/sqm per month, 10% above the value of last year. Over the course of 2018, about 230,700 sqm of new space was completed, of which only 6% was still

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<sup>1)</sup> Sources: CBRE: ERIX, Germany Office Investment MarketView Q4 2018; Berlin, Munich, Frankfurt Investment MarketView Q4 2018

<sup>2)</sup> Sources: CBRE: ERIX, Munich, Frankfurt, Berlin Office MarketView Q4 2018; Destatis



available for rent on completion. Although an increase to more than 440,000 sqm is expected for 2019, the current development pipeline is struggling to keep pace with high demand. At the end of the year, the stock of office space totalled around 18.2 m sqm.

## THE REAL ESTATE MARKET IN CENTRAL AND EASTERN EUROPE<sup>1)</sup>

### The investment market

In CEE the positive momentum in the properties markets was sustained. The registered transaction volume of commercial properties of € 13.2 bn was 11% above the previous record value posted last year. In regional terms, Poland accounted for the largest volume (54%), followed by Czechia (19%), Hungary (14%) and Romania (7%).

The investment volume was at approximately € 7.2 bn in Poland, a new peak value for the fourth year in a row. € 2.75 bn of transaction volume was recorded in the office market. The reported prime yield in **Warsaw** was approximately 4.75%. With its acquisition of the Warsaw Spire C prime office property CA Immo, after 2017, was active in the market in 2018 as well. Based on strong fundamental data, **Prague** further strengthened its position as an internationally sought-after investment market, with the prime yield standing at 4.50%.

Due to the strong performance in the second half of the year, the investment volume in Hungary surpassed the level of 2017, posting high demand in the investment market for the third consecutive year. **Budapest** recorded considerable yield compression of 5.75% for prime office projects (2017: 6.00%). Romania registered an investment volume of approximately € 900 m in 2018, of which the office sector accounted for around 50%. **Bucharest** attracted more than 78% of the overall investment volume in Romania. The prime yield is reported at 7.25%.

### The office property markets<sup>2)</sup>

Lettings continued to develop positively in all four major cities of CA Immo (Warsaw, Prague, Budapest and Bucharest) in 2018, bringing about a decrease in vacancy rates over the course of the year.

By the end of 2018, total office space in **Warsaw** stood at around 5.5 m sqm, as approximately 230,000 sqm had been completed during the year. Currently, 700,000 sqm is

under construction. By 2021, floor space is expected to expand to more than 6 m sqm.

The office pipeline is heavily concentrated on the CBD of the Polish capital. Office floor space take-up was 858,400 sqm in 2018, both above the level of 2017 and the record level seen in the year 2015. At the end of the year, the vacancy rate stood at 8.7%, down 3.0% from last year's value. Peak rents have fallen steadily in the past quarters, standing at approximately € 24.00 /sqm per month in central locations.

During 2018 some 325,000 sqm of office space had been let in **Bucharest**, a decline of 8% on the previous year. The stock of office space totalled 2.91 m sqm, following a completion volume of around 144,000 sqm (including CA Immo's Orhideea Towers) at the end of the year, and is set to rise by another 300,000 sqm in 2019. Over the year 2018, the vacancy rate again fell sharply, reaching a historically low level of 7.4% at the end of the year. The largest part of the vacant space is concentrated in category B buildings. The peak monthly rent in Bucharest was stable at € 18.50/sqm.

Annual take-up in **Budapest** amounted to 536,000 sqm in 2018, exceeding the former record of the year 2015. The total office space as at year end was 3.6 m sqm. In 2018, the completion volume reached approximately 230,000 m sqm, the highest level in a decade, but is expected to decline again considerably in the following year. The vacancy rate continued its declining trend since 2012 and stood at a record level of 7.3% at the end of the year (2017: 7.5%), although the supply of office space had gone up. The current average monthly rent of available office space is reported at € 12.20/sqm, compared to € 25.00 /sqm per month for category A office space. CBRE reports 5%-9% rental growth across the market in 2018.

The office property market in **Prague** posted a record year in 2018. The 2017 stock of office space of around 3.34 m sqm was expanded by roughly 133,000 sqm in 2018. The lettings performance of 520,000 sqm reached a historic record level. The vacancy rate fell substantially and was at 5.1% at the end of the year. Monthly peak rents in central locations stood at € 21.50/sqm.

<sup>1)</sup> Sources: JLL: CEE Investment Market H2 2018

<sup>2)</sup> Sources: CBRE: ERIX, Prague, Warsaw, Office MarketView Q4 2018, Romania Market View 2018, Budapest Offices Snapshot Q4 2018

## 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, CA Immo specialises in commercial real estate with a clear focus on office properties in capital cities in the centre of Europe. The objective is to expand the focused portfolio of high quality and profitable investment properties within the core markets of Germany, Austria, Czechia, Poland, Hungary and Romania. Additional earnings will be generated through the preparation, development and utilisation of land reserves in the development area.

### CA Immo Group's property assets

By the acquisition of investment properties as well as the transfer of own project completions into the investment portfolio, CA Immo has increased the value of its property assets in 2018 by 17% up to € 4.5 bn (2017: € 3.8 bn). Of this figure, investment properties account for € 3.8 bn (84% of the total portfolio), property assets under development represent € 0.7 bn (15%) and short-term properties<sup>1)</sup> € 59 m (1%). With a proportion of 44% of total property assets, Germany is the biggest regional segment.

### Portfolio of CA Immobilien Anlagen AG

Property assets directly held by CA Immobilien Anlagen AG represent a rentable effective area of 141,572 sqm (2017: 132,365 sqm). As at the balance sheet date, these assets comprised four investment properties in Austria with a market value (including prepayments made and construction in progress) of € 242,349 K (4 investment properties; € 225,075 K on 31.12.2017). This portfolio generated rental income of € 13,352 K in 2017 (€ 15,408 K in 2017).

### Lettings

An approximate of 22,400 sqm of floor space was newly let or extended in 2018 (15,800 sqm in 2017). After Österreichischen Post AG moved out from the office building on Erdberger Lände site, the economic occupancy rate in the asset portfolio was down to approximately 74% (94% in 2017). Wiener Verkehrsamt (drivers and vehicles licensing authority) and the Hauptverband der österreichischen Sozialversicherungsträger ('Federation of Austrian Social Insurance Entities') could already be acquired as new tenants. In addition, Volksbank Wien will occupy

approximately 14,000 sqm of office space from the end of 2019.

### Project completions

Situated close to the Lände and Wiener Prater recreation areas is the **ViE office building**, spanning. The building, which spans around 13,200 sqm, was completed by CA Immo in autumn 2018 and is now part of the CA Immo investment portfolio.

### Investments

The company invested € 14,922 K in its development projects and asset portfolio in 2018 (€ 17,253 K in 2017). Of this figure, € 1,646 K was earmarked for modernisation and optimisation measures (especially for tenant fit-out of Erdberger Lände, Wolfganggasse, Storchengasse and of Donau Business Center at Handelskai) (€ 2,266 K in 2017); additional € 11 K (2017: € 47 K) was devoted to development projects.

### Disposals

No assets have been sold in business year 2018.

## COURSE OF BUSINESS FOR CA IMMOBILIEN ANLAGEN AG

### Results

Compared to the previous year **rental income** declined by -13% to € 13,352 K (2017: € 15,408 K). **Operating expenses** passed on to tenants declined in line from € 4,422 K to € 4,271 K. In contrast, **management revenues** rose by 9% from € 12,150 K in 2017 to € 13,220 K in 2018. Overall this led to a -3% decrease in **gross revenues** to € 31,120 K (€ 32,171 K in 2017). Revenues are distributed as follows: 63% Austria, 13% Germany, 24% Central and Eastern Europe.

**Other operating income** declined by 33% to € 9,598 K (€ 14,296 K in 2017). In the previous year, sales revenues (asset disposals) amounted to € 10,147 K. Write-ups to tangible assets amounted to € 8,869 K (€ 4,565 K in 2017).

As a consequence of the change of control arising from the sale of the 26% stake in CA Immo held by the IMMO-FINANZ Group to a Luxembourg fund managed by Starwood Capital Group ('Starwood'), and payments made in business year 2018 on the basis of the existing change of control clause, **staff expenses** rose by 31% from € 11,826 K in 2017 to € 15,544 K in 2018. For details of

<sup>1)</sup> Incl. properties intended for trading or sale

remuneration paid to the Management Board, refer to the notes section. In 2018, the company employed 67 staff members on average (65 in 2017).

**Depreciation charged to tangible assets** stood at € -6,802 K (€ -13,890 K in 2017). **Other operating expenditures** amounted to € -18,372 K (€ -18,894 K in 2017). Around € -9,530 K (€ -11,128 K in 2017) of this figure was attributable to general administrative costs like project-related legal, auditing and consultancy fees and bond issue related expenses or administrative management costs. Other expenses directly related to properties stood at € -7,756 K (€ -7,302 K in 2017).

In overall terms, the developments outlined above led to a negative **operating result** of € 0 K compared to € 1,857 K in the previous year.

The company received total **income from investments** of € 28,131 K (€ 75,964 K in 2017) via subsidiary dividend payouts. In 2018, this item was counterbalanced by expenses linked to financial assets and interest receivables on current assets of € -7,496 K compared to € -4,236 K in 2017. Loans granted mainly to subsidiary companies produced revenue of € 21,461 K (€ 13,544 K in 2017). **Other interest and similar income** stood at € 1 K (compared to € 139 K in 2017).

**Income from financial investments** stood at € 163,054 K (€ 216,402 K in 2017) and include investment appreciations in an amount of € 147,596 K (€ 214,116 K in 2017). This item was offset by writedowns on equity holdings of € -5,572 K (€ -2,911 K in 2017).

**Interest and similar expenditure** rose by 20% to € -24,913 K (€ -20,777 K in 2017). Interest for bank loans or **real estate financing** fell by 2% to € -2,399 K (€ -3,438 K in 2017). Expenses for derivative transactions increased to € -1,774 K (€ -1,566 K in 2017). Interest costs in respect of affiliated companies increased from € -1,695 K in 2017 to € -2,587 K in 2018. After the issuance of convertible bonds in 2017, interest costs for bonds rose by 20% from € -14,715 K in 2017 to € -17,623 K in 2018. After the issuance of another corporate bond, with a volume of € 150 m and a coupon of 1.875% in September 2018, five CA Immo corporate bonds were thus trading on the unlisted securities market of the Vienna Stock Exchange and partly on the regulated market of the Luxembourg Stock Exchange (Bourse de Luxembourg). The convertible bonds issued in the fourth quarter of 2017 were included in trading on the unregulated third market (multilateral trade system) of the Vienna Stock Exchange. Except for the 2015-2022 corporate

bond and the convertible, bond conditions contain a loan-to-value (LTV) covenant.

Overall, the factors outlined above the **financial result** declined by 36% from € 281,036 K in 2017 to € 180,238 K in 2018. **Earnings before taxes** stood at € 180,237 K (against € 282,893 K in 2017). After taking account of **tax revenue** of € 2,960 K (€ 4,140 K in 2017), the annual **net profit** as at 31 December 2018 stands at € 183,197 K, compared to € 287,033 K on 31 December 2017. Taking into consideration the allocation to revenue reserve of € -4,652 K (€ -4,025 K in 2017) for 5,780,037 treasury shares (around 6% 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 € 766,007 K (€ 557,421 K in the previous year), the annual financial statements of CA Immobilien Anlagen AG show **net retained earnings** of € 944,552 K (€ 944,552 K in 2017).

#### Proposed dividend for 2018

For business year 2018, the Management Board will propose a dividend of € 0.90 per share with dividend entitlement. Compared to last year, this represents a further rise of approximately 13%. In relation to the closing rate as at 31 December 2018 (€ 27.62) the dividend yield was approximately 3%. The dividend will be paid on 15 May 2019 (the ex-dividend day and verification date are 13/14 May 2019, respectively).

#### Cash-flow

Cash flow from operating activities (operating cash flow plus changes in net working capital) stood at € 30,648 K in the past business year (€ 68,766 K in 2017). Cash flow from investment activities was € -286,827 K (€ -308,734 K in 2017) and cash flow from financing activities was € 205,448 K (€ 299,864 K in 2017).

#### Balance sheet: assets

Compared to the previous year, the **total assets** of CA Immobilien Anlagen AG increased from € 3,460,026 K as at 31 December 2017 to € 3,847,356 K as at 31 December 2018.

**Fixed assets** rose from € 3,260,726 K as at 31 December 2017 to € 3,716,025 K on 31 December 2018. As a proportion of total assets, the share of fixed assets amounted to 97% on 31 December 2018 (31.12.2017: 94%). Intangible assets, which solely comprise EDP software, decreased to € 271 K (31.12.2017: € 292 K). As at the balance sheet date, the company's **property assets** comprised four properties in Austria with a market value (including prepayments

made and construction in progress) of € 242,349 K (compared to 4 properties with a market value of € 225,075 K on 31.12.2017). **Tangible fixed assets** totalled € 243,078 K (€ 225,763 K on 31.12.2017). **Financial assets** increased by 14% to € 3,472,676 K (31.12.2017: € 3,034,671 K). The book value of investments in affiliated companies stood at € 2,716,231 K (31.12.2017: € 2,534,275 K); current additions were mainly the result of capital contributions to subsidiaries for property investments and upward revaluations of the investments.

**Current assets** fell from € 196,661 K as at 31 December 2017 to € 125,418 K on 31 December 2018. **Receivables**

show a decrease of 40% from € 50,863 K as of 31 December 2017 to € 30,351 K on 31 December 2018. On 31 December 2018, the company has cash holdings of € 95,066 K (31.12.2017: € 145,798 K).

#### Balance sheet: liabilities

**Shareholders' equity** rose to € 2,517,730 K as at the balance sheet date (€ 2,413,608 K on 31.12.2017). The equity ratio on the key date was approximately 65% (31.12.2017: 70%). Equity covered 68% of fixed assets (31.12.2017: 74%). **Provisions** amounted to € 15,369 K (31.12.2017: € 18,600 K). **Liabilities** increased from € 1,025,033 K at the end of 2017 to € 1,311,792 K as at 31 December 2018.

#### DEVELOPMENT OF SHAREHOLDERS' EQUITY

€ 1,000	31.12.2017	Change treasury share reserve	Dividend payments	Annual result	Addition to reserves	31.12.2018
Share capital	677,755	-1,439	0	0	0	676,316
Tied capital reserves	854,841	0	0	0	0	854,841
Retained Earnings	40,582	1,439	0	0	0	42,021
Net profit	840,430	0	-74,423	183,197	-4,652	944,552
<b>Total equity</b>	<b>2,413,608</b>	<b>0</b>	<b>-74,423</b>	<b>183,197</b>	<b>-4,652</b>	<b>2,517,730</b>

## 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).

### Voluntary public takeover bid by Starwood

On 18 April 2018, SOF-11 Starlight 10 EUR S.à r.l. of Luxembourg (now SOF-11 Klimt CAI S.à r.l.), a company managed by Starwood Capital Group, launched a voluntary public takeover bid in accordance with article 4ff of the Austrian Takeover Act to the shareholders of CA Immo. The takeover offer was aimed at acquiring up to 25,690,167 bearer shares of CA Immo or a stake of up to 26% of the overall issued bearer shares of the company. The offer price was € 27.50 per share on a *cum* dividend basis for 2017 business year. That meant that the offer price was reduced by the amount of any dividend declared between the announcement of the takeover offer and its settlement. The offer could be accepted from 18 April 2018 up to and including 30 May 2018, 17:00 local Vienna time). By the end of the acceptance period, 153,489 shares of CA Immo had been tendered. Details on the takeover offer, including statements by the Management Board and the Supervisory Board of CA Immo are available on <http://www.caimmo.com/en/investor-relations/takeover-offers/>.

### IMMOFINANZ AG sells share package to Starwood

Following the failed takeover offer by Starwood, the Supervisory Board of IMMOFINANZ AG on 2 July 2018 approved the package sale of the approximately 26% stake in CA Immo. The purchaser of the 25,690,163 bearer shares and four registered shares was SOF-11 Starlight 10 EUR S.à r.l. (now SOF-11 Klimt CAI S.à r.l.). The selling price of the package totalled € 757.9 m, corresponding to an average of € 29.50 per share. The transaction was closed in the third quarter of 2018, after release by the competition authority and approval of the transfer of the four registered shares by the Management Board of CA Immo.

With a shareholding of around 26% and the four registered shares, Starwood now is the largest shareholder of CA Immo. Starwood is a global financial investor focusing on real estate investments.

The remaining shares of CA Immo are in free float held by both institutional and private investors. Further major shareholders include AXA S.A., BlackRock Inc. (each holding around 4% of the company's capital stock) and the S IMMO Group (holding around 6%). No other shareholders with a stake of more than 4% are known. For more information on the organisation of the shares and the rights of shareholders, please refer to the Corporate Governance Report.

### Capital disclosures

At the 31st Ordinary General Meeting of 9 May 2018, the Management Board was authorized, with the consent of the Supervisory Board, to increase the capital stock by up to € 359,168,301.36 (approx. 50% of the current capital stock) by issuance of up to 49,404,168 new ordinary bearer shares in return for contributions in cash or in kind (also in several tranches and by exclusion of shareholders' subscription rights if required). The authorisation is valid until 18 September 2023.

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. Within this framework, a further share buyback programme has been initiated in November 2016 for up to 1,000,000 shares (approx. 1% of the company's capital stock). The original upper limit of € 17.50 per share was raised to € 24.20 per share at the end of August 2017. The equivalent value to be attained had to be within the range stipulated in the enabling resolution passed by the Ordinary General Meeting and may be no more than 30% below and 10% above the average non-weighted stock exchange closing price on the ten trading days preceding the repurchase. The repurchase was undertaken to support the purposes permitted by resolution of the Ordinary General Meeting and ended on 2 November 2018. A new enabling resolution for the acquisition and sale of treasury shares had been rejected by the 31st Ordinary General Meeting.

Because of the fixed upper limit of € 24.20 per share in total only 197,983 shares were acquired in the last business year. The weighted equivalent value per share was approx. € 23.50 per share (or € 23.55 per share incl. incidental costs). As at 31 December 2018, CA Immobilien Anlagen AG held 5,780,037 treasury shares in total; given the total number of voting shares issued (98,808,336),

this is equivalent to around 6% of the voting shares. Details of transactions completed, along with any changes to the programme, will be 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 (conditional capital), 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.

Based on this authorisation, the company issued a non-subordinate, unsecured convertible bond under exclusion of subscription rights in a total nominal amount of € 200 m and with a term to April 2025.

The coupon (payable semi-annually) is 0.75% p.a. while the initial conversion price was fixed at € 30.5684, equivalent to a conversion premium of 27.50% above the volume-weighted average price (VWAP) for the CA Immo shares of € 23.9752 on the day of issue. Due to the payment of a cash dividend of € 0.80 per share to the shareholders of the company, the conversion price has been adjusted to € 30.4062 pursuant to § 11 (d) (ii) of the terms and conditions, and effective on 14 May 2018. The convertible bonds were issued at 100% of their nominal amount of € 100,000 per bond, excluding the subscription rights of shareholders; in the absence of premature conversion or repayment, they will be redeemed at 100% of the nominal amount at the end of the term. The company may choose to effect repayment through the provision of shares, payment or a combination of the two. The convertible bonds were registered for trading in the unregulated Third Market (multilateral trade system) of the Vienna Stock Exchange.

#### **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 clauses**

All 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. Corporate mergers always constitute 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. The exercising of a special right of termination in the event of a change of control in the sphere of the Starwood Group, the new major shareholder, has been contractually excluded for all Management Board members. Details of payments made in business year 2018 on the basis of the existing change of control clause are listed in the notes section.

#### **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. The Management Board and Supervisory Board are committed to observing the Austrian Corporate

Governance Code<sup>1)</sup> 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 2018 (January 2018 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 members) and no. 45 (executive positions with competitor companies). The evaluation carried out by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. concerning compliance with rules 1 to 76 of the Austrian Corporate Governance Code for business year 2018 found that declarations of conformity submitted by CA Immo with regard to compliance with the C and R Rules of the Code were correct. The corporate governance report is also available on the company's web site at <https://www.caimmo.com/de/investor-relations/corporate-governance/>.

## 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 Controlling department, which also helps to manage risk, supports the Management Board in assessing the risk environment and the development of potential strategies to raise long-term shareholder value. An internal risk committee comprising representatives from all business areas and the Management Board has also been set up; this meets quarterly. The purpose of the committee is to provide additional assurance in assessing the Group's risk situation across departmental boundaries

regularly and introduce measures as necessary. 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 2018), 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, checks operational and business processes, appointing experts from outside as necessary; it acts independently in reporting and evaluating the audit results.

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.

<sup>1)</sup> 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](http://www.corporate-governance.at).

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### 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.

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### STRATEGIC RISKS

CA Immo defines strategic risk as the danger of unexpected deviations from company plans or 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. Many of the risks mentioned here are not actively manageable.

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. Even though the upturn in the eurozone, apparent since the 2009 financial crisis, has levelled off, another future crisis could have highly adverse consequences for CA Immo.

In their outlooks for 2019, experts indicate that global economic growth has passed its peak. Economic momentum may slow down not only in the eurozone but also in many emerging countries – according to the World Economic Outlook of the International Monetary Fund (IMF)<sup>1)</sup>. A global economic downturn is not expected for 2019. There may be political stress factors, in particular, that will cause market volatility. The budgetary conflict with Italy and the worries over an unregulated BREXIT are also putting a strain on Europe. In addition to this there is the global trade war – particularly between the USA und China.

The IMF predicts global growth of 3.5% for 2019. This is expected to rise a little more sharply at 3.6% for the following year. In Germany, CA Immo's largest market, growth this year is expected to be slow at only 1.3%; 0.6 percentage points less than last autumn. The German economy is only expected to recover again in 2020 with an increase of 1.6%. The OECD anticipates a further slowdown for the eurozone to 1.8% and 1.6% in 2020.<sup>2)</sup>

Moreover, the effects of the relaxed **monetary policy** pursued by central banks over recent years cannot be foreseen at present. A further extension to expansive monetary policy could give rise to financial instability, resulting in asset and financial bubbles that would adversely impact economic growth.

In contrast, a slight increase in inflation predicted for 2019 could cause the central banks to continue tightening their expansive monetary policy which would, in turn, lead to higher interest rates. Although the economic environment remains characterised by low interest rates and relatively high property portfolio valuations, the possibility of an **interest rate rise** negatively affecting the real estate market – and thus property valuations and the divestment plans of CA Immo – cannot be discounted. Acquiring equity and loan capital could become significantly more difficult, making expansion plans impossible or only partially feasible.

The possible reintroduction of national **currencies** by individual eurozone members would also 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.

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<sup>1)</sup> International Monetary Fund (IMF). 2018. World Economic Outlook 2018: Challenges to Steady Growth. Washington, DC: IMF. <https://www.imf.org/en/publications/weo>.

<sup>2)</sup> International Monetary Fund (IMF). 2018. World Economic Outlook 2018: Challenges to Steady Growth. Washington, DC: IMF. <https://www.imf.org/en/publications/weo>.



**Geopolitical risks** such as political instability, lack of basic legislation and arbitrary government practices offset the economic opportunities offered by enterprises in other countries. Consequently, enterprises operating in an unstable region have to factor in significant impacts on their business activities, such as tax increases, customs duties, export bans, expropriations and seizure of assets. Where properties are concentrated too strongly in a single region, these factors can also have a considerable influence on the profitability of the CA Immo Group. It is therefore vital to keep an eye on geopolitical tensions and political factors.

## 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.

Given the continuing urbanisation trend world-wide, residential property markets in conurbations remain attractive. This applies to Germany, CA Immo's largest core market, where supply cannot keep pace with rising demand in many major cities. In the commercial property sector, according to experts, office premises in global metropolitan regions could benefit from the increasing importance of the service sector. Uncertainties associated with Great Britain's exit from the EU have given a further boost to the German property market, particularly in Frankfurt. Alongside Berlin and Munich, Frankfurt is one

of the top three German investment locations for large-volume core properties. However, property values depend not just on the development of rental rates but also real estate starting yields. The historically high price of property investment is combining with low real estate yields to create risks to the **value of properties** in the CA Immo portfolio. Due to sustained pressure from investors there is also the risk that properties will only be available to purchase at inflated prices. The possibility of an increase in general interest rates forcing property yields up and values down can not 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 (sale of Tower 185 in Frankfurt and of some non-core properties) and the recent Eastern European acquisitions, regional distribution in the portfolio is approaching the desired levels of up to 20% for Austria and, apart from that, an equal distribution across Germany and Eastern Europe. Germany remains the biggest single market of CA Immo, accounting for a share of 44%. 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 the balance sheet date was the Skygarden office building in Munich. The portfolio as a whole is highly diversified: the top ten Group assets represent less than 27% of the total portfolio. The concentration risk in respect of **single tenants** is also manageable. As at 31 December 2018, the top ten tenants were generating some 20% of rental revenue. With an approximate share of 3% of total rental income, PricewaterhouseCoopers followed by Frontex are currently the biggest individual tenants in the portfolio. **Land reserves** and **land development projects** present specific risks owing to the high capital commitment and absence of steady cash inflows; however, they also offer considerable potential for value increases through the securing or enhancement of building rights.

Risks are regularly reduced via the sale of non-strategic land reserves. The acquisition of building rights on remaining land will be accelerated through the company's own capacity. 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 approximately 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. 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 in 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, to a lesser extent, **special asset classes** such as shopping malls 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, projects are only launched subject to appropriate pre-letting.

Saturation of the construction industry presents risk to CA Immo as regards the (on time) availability of construction services and the level of building costs. This is now noticeable not only in Germany – the core market for the company's development projects – but also in all CA Immo's core regions. Despite making a provision for rising costs within project reserves, the fact that further rises in **construction costs** could present a risk to budget compliance and the overall success of a project cannot be ruled out. Another risk is that current property yields might change, thereby reducing target project profits, even though projects have been calculated defensively. For that reason, CA Immo is relying increasingly on appropriate market and cost analyses also in the development area. Projects currently in progress are generally on time and within the approved budget; they are continually evaluated as regards current cost risks.

#### **Risks from 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 contami-

nated 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.

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## 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 a proliferation of decision-making bodies that hinder flexible responses to changes in the market. 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. When key members of staff leave, therefore, the company becomes exposed to the risk of loss of expertise, which generally requires significant commitment of corporate resources (money, time, recruitment of new employees) to redress the balance. CA Immo takes various measures to counter these risk factors. In the case of corporate mergers (e.g. the former Vivico and Europolis), structured processes of organisational integration are observed. 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. As publicly announced, CA Immo has become a private party to the BUWOG criminal proceedings (privatisation of state residential construction companies in 2004) with preliminary damages of €200 m. However, the existence of any claims largely depends on the factual circumstances and the outcome of proceedings.

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, current income and capital gains 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 turn out to be significantly higher or lower than the obligations currently 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 a number of development projects as **joint ventures**, the company depends on the solvency and performance capability of partners to an extent; 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 and capital markets 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 or corporate bonds and convertible bonds issued by CA Immo. 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).

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. To control liquidity peaks, the Group has secured a revolving overdraft facility at parent company level. This also ensures the Group can meet unexpected cash flow requirements. The use of trading income to repay liabilities 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 also enters into equity partnerships (joint ventures) at project level. Despite meticulous planning it is not possible to eliminate liquidity risk, however, 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, swaps and floors) 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. Moreover, CA Immo is increasingly obtaining finance from the capital market. Fixed-interest loans (e.g. in the form of corporate bonds) or loans hedged through derivatives currently account for 95% of the total financing volume. Continually optimising the financing structure in recent years has served to improve the maturity profile and raise the quota of hedged financial liabilities while reducing average borrowing costs. The pool of unencumbered assets – a key factor in the company's investment grade rating – was also raised and the rating of CA Immo was consolidated. The financing profile has thus become more robust.

#### **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 hardly 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. Currency movements can also lead to fluctuating property values where funds are converted into currencies other than the euro for investors (exit risk).

#### LIKELY DEVELOPMENTS AND THE MAIN OPPORTUNITIES AND RISKS

Many forecasts expect the positive economic development in Europe to continue in the years 2019 and 2020, even if the momentum is believed to weaken. Over this period, we expect to see stable overall conditions in the key CA Immo core markets. With the environment in Germany remaining fundamentally strong, core markets in Eastern Europe are also reporting clear growth trends. In addition, the financing and interest rate environment will continue to define the real estate sector in 2019.

##### Strategy

Following successful implementation of the strategic programmes of recent years, CA Immo has obtained an excellent market position in its core markets. The year 2018 was characterised by strong portfolio growth. In addition to a surge in organic growth due to the successful completion of four development projects in Berlin, Vienna, Bucharest and Frankfurt and their subsequent integration into the Group's portfolio, further purchases of high quality portfolio properties were realised in the CEE core markets of Warsaw, Prague and Bucharest.

The associated significant increase in the Group's annual rental income, coupled with an optimised financing structure, directly strengthens the sustainable profitability and dividend capacity of CA Immo.

##### Development

Organic growth through the development of high quality core office properties in the core markets of CA Immo, especially in Germany, will remain critically important in the business years ahead. The office development projects under construction on Kunstcampus, MY.B and Cube (Berlin) as well as the third construction phase WA3 of the residential project in Munich-Baumkirchen are scheduled for completion by the end of 2019.

Moreover, dates for the commencement of construction work will quickly be assigned to development projects at

the preparation stage. Apart from an office building in Prague, this applies to several residential projects, which are achievable on existing land reserves earmarked for residential units.

##### Rental business

In like-for-like comparison, rental levels, as in the previous year, are expected to develop positively across the portfolio in the 2019 business year. In addition to good overall economic conditions with historically low vacancy rates in several core cities, rental price growth is expected to continue, especially in Germany.

##### Financing

The environment for refinancing from 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 in our core market of Germany. Thanks to a significant rise in the interest rate hedging ratio over the past two years to over 90% on the key date, the robustness of the Group's cash flow has been assured substantially, even in the event of rising interest rates. The Group's investment grade rating (Baa2 by Moody's) remained unchanged over the period under review and the outlook was raised to stable.

**Key factors** that may influence our business plans for 2019 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, employment and inflation).
- The general progression of interest rates.
- The financing environment as regards availability and the cost of long-term financing with outside capital (both secured financing from banks and unsecured capital market financing) 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 and the transparency and development level on our real estate markets.

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## RESEARCH AND DEVELOPMENT

Technological and social change continues to transform the office environment and the knowledge-based economy. To develop office properties today in such a way that they can be efficiently and profitably managed in future, CA Immo monitors changes to working processes and corporate requirements in terms of premises; at the same time, it trials new technical solutions along with space and building concepts on selected development projects. Current examples of this approach include **cube berlin** – a fully digitised structure with artificial intelligence ('brain').

In the course of theoretical and practical research activity, CA Immo maintains partnerships with other companies and research institutions. For example, CA Immo is a **partner to the Office 21 joint research project of the Fraunhofer IAO Institute** ([www.office21.de](http://www.office21.de)). The current research phase extending from 2016 to 2018 is focused on the success factors in creating a working environment that promotes innovation while linking analyses of best practice to pertinent research findings.

CA Immo continues to collaborate with **RWTH Aachen, Germany's largest technical university**, for the cube Berlin testing laboratory. Here the latest technologies for cube, the smart building project in Berlin, are tested and developed.

CA Immo actively participates in the main platforms for the real estate sector through cooperation agreements and memberships of such bodies as the **Urban Land Institute (ULI)**, the **German Property Federation (ZIA)**, the **German Sustainable Building Council** and its Austrian equivalent the **Austrian Society for Sustainable Real Estate (ÖGNI)**. In this way we can influence the development of the sector while contributing to research into sustainable urban and structural development.

In addition, CA Immo is a member of the **Innovation platform RE!N (Real Estate Innovation Network)** since 2018, with the objective of pilot testing own innovation approaches in cooperation with other real estate companies and start-ups at an early stage.

CA Immo derives its own and implements external best practice findings in order to develop, for instance, new and innovative office properties to secure the long-term competitiveness of the company.

Vienna, 27 March 2019

The Management Board

A handwritten signature in black ink, appearing to read 'Andreas Quint'.

Andreas Quint  
(Chairman)

A handwritten signature in black ink, appearing to read 'Keegan Viscius'.

Keegan Viscius  
(Management Board Member)



## AUDITOR'S REPORT<sup>\*)</sup>

### Report on the Financial Statements

#### Audit Opinion

We have audited the financial statements of

#### CA Immobilien Anlagen Aktiengesellschaft, Vienna,

These financial statements comprise the balance sheet as of December 31, 2018, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2018 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

#### Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters that we identified:

##### Titel

Valuation of investments in and loans to affiliated companies

##### Risk

The financial statements of CA Immobilien Anlagen Aktiengesellschaft as of December 31, 2018 show material investments in affiliated companies (TEUR 2,716,231) as well as loans to affiliated companies (TEUR 752,583). Furthermore, the financial statements show income from the revaluation of investments in and loans to affiliated companies of TEUR 147,596 and impairment of such of TEUR 4,353.

All investments in and loans to affiliated companies are tested for impairment. These impairment assessments require significant assumptions and estimates.

Due to the fact that most of the affiliated companies are real estate companies the impairment test is based on a simplified entity value which is mainly influenced by the property valuation reports by external, independent valuation experts or contractually agreed purchase prices. The material risk within the valuation reports exists when determining assumptions and estimates such as the discount-/capitalization rate and rental income and for properties under devel-

opment the construction and development costs to completion and the developer's profit. A minor change in these assumptions and estimates can have a material impact on the valuation of investments in and loans to affiliated companies.

The respective disclosures relating to investments in and loans to affiliated companies are shown in Section "1 – Financial assets", in Section "10 a) – Financial assets" and in appendix 2 – Information about group companies in the financial statements as of December 31, 2018.

#### **Consideration in the audit**

To address this risk, we have critically assessed the assumptions and estimates made by management and the external valuation experts and performed, among others, the following audit procedures with involvement of our internal property valuation experts:

- Assessment of concept and design of the underlying business process
- Assessment of the applied methods and the mathematical accuracy of the calculations and supporting documentation
- Assessment of the competence, capability and objectivity of the external valuation experts engaged by management
- Assessment of the applied methods and the mathematical accuracy of selected property-valuation reports as well as assessment of the plausibility of the underlying assumptions (eg. Rental income, discount-/capitalization rate, usable space, vacancy rate) by means of comparison with market data if available
- Check of certain input-data as included in the valuation reports with data in the accounting system or underlying agreements
- Inquiry of project-management for selected properties under development regarding reasons for deviations between plan and actual costs and current estimation of cost to completion; review of actual costs for those projects through review of project-documentation and vouching on a sample basis as well as evaluation of the derived percentage of completion

#### **Responsibilities of Management and of the Audit Committee for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of 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 Company’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.]

#### **Comments on the Management Report**

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

**Opinion**

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the financial statements.

**Statement**

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

**Additional information in accordance with Article 10 EU regulation**

We were elected as auditor by the ordinary general meeting at May 9, 2018. We were appointed by the Supervisory Board on August 14, 2018. We are auditors since the financial year 2017.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

**Responsible Austrian Certified Public Accountant**

The engagement partner is Alexander Wlasto, Certified Public Accountant.

Vienna, March 27, 2019

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto mp

Mag. (FH) Isabelle Vollmer mp

Wirtschaftsprüfer / Certified Public Accountant

Wirtschaftsprüferin / Certified Public Accountant

Mag. Alexander Wlasto

Mag. (FH) Isabelle Vollmer

Wirtschaftsprüfer / Certified Public Accountant

Wirtschaftsprüferin / Certified Public Accountant

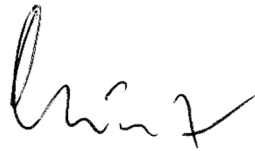
<sup>1)</sup>This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

## DECLARATION OF THE MANAGEMENT BOARD DUE TO SECTION 124 OF THE AUSTRIAN STOCK EXCHANGE ACT (BÖRSEGESETZ)

The Management 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, 27 March 2019

The Management Board



Andreas Quint  
(Chairman)



Keegan Viscius  
(Management Board Member)

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## CONTACT

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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.

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## IMPRINT

Published by: CA Immobilien Anlagen AG  
1030 Vienna, Mechelgasse 1  
Text: Claudia Höbart, Christoph Thurnberger  
Graphic design and setting: Cornelia Kellner, WIEN NORD Werbeagentur  
Production: 08/16  
This report has been produced inhouse with firesys.



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.

