

## Report of the Management Board (TOP 8)

31st Annual General Meeting  
CA Immobilien Anlagen Aktiengesellschaft  
Studio 44 of the Austrian Lotteries (Österreichische Lotterien), Rennweg 44,  
1038 Vienna  
9 May 2018, 2:00 pm (Vienna time)



REPORT OF THE MANAGEMENT BOARD PURSUANT TO SECTION 174  
PARA 4 IN CONJUNCTION WITH SECTION 153 PARA 4 OF THE  
AUSTRIAN STOCK CORPORATION ACT

### **Report of the Management Board on the exclusion of the shareholders' subscription rights in connection with the authorisation of the Management Board to issue convertible bonds in accordance with section 174 para 4 in conjunction with section 153 para 4 of the Austrian Stock Corporation Act (AktG)**

#### **1. Authorisation**

At the 31<sup>st</sup> ordinary shareholders' meeting of CA Immobilien Anlagen AG (the "Company") the following motion in connection with item 8 of the agenda shall be proposed:

*"1.1. The authorisation of the Management Board granted in the shareholder's meeting on 7 May 2013 to issue convertible bonds shall be withdrawn in the unused amount and the Management Board shall be authorised for a period of five years starting with the date of the resolution, with the consent of the Supervisory Board, to issue convertible bonds up to a total nominal amount of Euro 750,000,000.00 with conversion and/or subscription rights in respect of up to 19,761,667 ordinary bearer shares of the company representing a pro-rata amount of the share capital of the company of up to Euro 143,667,319.09, also in several tranches and to determine all other terms of the convertible bonds as well as in respect of the issuance and the conversion procedure. The convertible bonds may be issued against cash and also for contribution in kind. The shareholders' subscription rights are excluded. The authorisation to issue convertible bonds may also be exercised repeatedly. In that case the total number of (i) the shares already issued to holders of convertible bonds according to this authorisation and (ii) the shares in relation to which conversion and/or subscription rights may be exercised out of convertible bonds already issued and out of convertible bonds that may be issued pursuant to the repeated exercise of the issuance authorisation, must not exceed the total maximum amount set out in this resolution. The same applies mutatis mutandis for the total nominal amount of the convertible bonds set out in this authorisation. The fulfilment of the conversion and/or subscription rights can be effected through conditional capital, authorised capital, out of treasury shares or by way of delivery from third parties or a combination thereof.*

*1.2. Under this authorisation convertible bonds may only be issued if the total number of new shares for which conversion and/or subscription rights are granted by such convertible bonds shall not exceed 20% (twenty per cent) of the share capital at the time this authorisation is resolved upon.*

1

#### **Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

*The number of those new shares shall be included for the calculation of this limit, which have been issued from authorised capital under exclusion of the shareholders' subscription rights during the term of this authorisation; further, the number of those shares, for which conversion and/or subscription rights are granted by way of convertible bonds issued under exclusion of subscription rights on the basis of another authorisation during the term of this authorisation.*

*1.3. The Management Board shall be authorised to determine, with the consent of the Supervisory Board and in accordance with the provisions of the Austrian Stock Corporation Act, the terms of issuance and the terms and conditions of the convertible bonds, in particular interest rate, issue price, maturity and denomination, dilution adjustment, conversion period and/or conversion date, conversion rights and/or conversion obligations, conversion ratio and conversion price as well as the terms for conversion and/or subscription. In particular, the following terms and conditions (or a combination thereof) may be provided for:*

- i. additional cash payment and consolidation or cash settlement for fractional amounts that cannot be converted;*
- ii. fixed or variable conversion ratio or the determination of the conversion price within a specified range dependent on the company's share price development during the term of the convertible bonds;*
- iii. the company's right, in case of conversion (exercise of the conversion and/or subscription right) not to deliver shares, but to pay an adequate cash amount on the basis of the company's share price;*
- iv. the company's right to redeem the convertible bonds prior to maturity at the nominal amount;*
- v. the right of the convertible bond holders to request redemption of the convertible bonds prior to the maturity date at the nominal amount; or*
- vi. the conversion obligation (conversion and/or subscription obligation) at the maturity date (or at another date) or the company's right to wholly or partially deliver shares of the company at the maturity date instead of making a cash payment to the holders of convertible bonds.*

*1.4. The convertible bonds may also be issued by a directly or indirectly wholly owned subsidiary of CA Immobilien Anlagen Aktiengesellschaft; in such case the Management Board shall be authorised, with the consent of the Supervisory Board, to issue a guarantee in respect of the convertible bonds and, in case of conversion (exercise of conversion and/or subscription rights) to deliver shares of the company.*

*1.5. The price of the convertible bonds shall be determined with regard to market-standard calculation methods in a market-standard pricing procedure. The price (issue price) of the convertible bonds thereby has to be determined by the price (issue price) of an ordinary fixed-interest bond and the price for the conversion rights taking into consideration the other terms and conditions. The issue price of a bond is determined on the basis of market-standard calculation methods subject to maturity of the bond, interest rate, current market interest rate as well as considering the credit*

**Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

*rating of the company. The value of the conversion and/or subscription right is calculated by means of option price calculation, in particular considering maturity/exercise period, share price development (volatility) or other financial key performance indicators as well as the relation of the conversion and/or subscription price to the share price. Further conditions, e.g. rights of early redemption, a conversion obligation and a fixed or variable conversion ratio are to be considered.*

- 1.6. The issue price of the shares issued upon exercise of conversion (exercise of the conversion and/or subscription right) and the conversion and/or subscription ratio shall be determined with regard to market-standard calculation methods and the stock market price of the shares of the company (basis of the calculation of the issue price); the issue price must not be below the pro-rata amount of the share capital.*
- 1.7. The share capital shall be conditionally increased in accordance with sec 159 para 2 no 1 of the Austrian Stock Corporation Act by up to Euro 143,667,319.09 by issuance of up to 19,761,667 new ordinary bearer shares. The conditional capital increase shall be executed to the extent that conversion and/or subscription rights of holders of convertible bonds issued by the company on the basis of the resolution of the shareholder's meeting of 9 May 2018 are fulfilled. The issue price and the conversion and/or subscription ratio shall be determined with regard to market standard calculation methods and the stock market price of the shares of the company (basis of the calculation of the issue price); the issue price must not be below the pro-rata amount of the share capital. The Management Board shall be authorised, subject to the approval of the Supervisory Board, to determine further details of the execution of the conditional capital increase (especially issue price, rights attached to the shares, dividend entitlement). The supervisory board shall be authorised to resolve upon amendments of the Articles of Association resulting from the issuance of shares from the conditional capital.*
- 1.8. The Articles of Association are amended in Article 4 (Registered Capital and Shares) to the effect that para 4 shall now read as follows:*

*“The share capital will be increased according to Section 159 para 2 no 1 of the Austrian Stock Corporation Act by up to EUR 47,565,458.08 through the issue of up to 6,542,704 ordinary bearer shares in the company (contingent capital increase 2013). The conditional capital increase will only be realised, if the bearer of the convertible bonds issued on the basis of the resolution of the Ordinary General Meeting on 7 May 2013 exercise their right to issue or to convert the convertible bonds into ordinary bearer shares. The amount of capital issued and the exchange ratio are to be established in compliance with recognised actuarial methods and the price of the company's ordinary shares in a recognised price fixing procedure (principles governing the calculation of the issue amount); the issue amount shall not be less than the pro rata amount of the share capital. The Management Board is authorised with the approval of the Supervisory Board to determine the other details of the conditional capital increase (in particular the issue price and the scope of the rights inherent in the shares). The Supervisory Board is authorised to adopt amendments to the Articles of Association arising from the issue of shares on the basis of the conditional capital increase.“*

**Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

and a new para 5 shall be added to Article 4 that shall read as follows:

*“The registered capital of the company is increased conditionally in accordance with sec 159 para 2 no 1 of the Austrian Stock Corporation Act (Aktiengesetz) by up to Euro 143,667,319.09 by issuance of up to 19,761,667 new ordinary bearer shares (contingent capital increase 2018). The conditional capital increase shall be executed to the extent that conversion and/or subscription rights of holders of convertible bonds issued by the company on the basis of the resolution of the shareholders’ meeting of 9 May 2018 are fulfilled. The issue price and the conversion and/or subscription ratio shall be determined with regard to market standard calculation methods and the stock market price of the shares of the company (basis of the calculation of the issue price); the issue price must not be below the pro-rata amount of the share capital. The Management Board shall be authorised, subject to the approval of the Supervisory Board, to determine further details of the execution of the conditional capital increase (especially issue price, rights attached to the shares, dividend entitlement). The Supervisory Board shall be authorised to resolve upon amendments of the Articles of Association resulting from the issuance of shares from the conditional capital.”“*

In preparation, the Management Board submits a written report to the shareholders’ meeting in accordance with section 174 para 4 in conjunction with section 153 para 4 Austrian Stock Corporation Act (AktG) stating the reasons for the authorisation for the exclusion of the subscription right as well as justifying the proposed issue price of the shares.

## **2. General**

At the 26<sup>th</sup> Annual General Meeting, the Management Board was authorised to issue, with the approval of the Supervisory Board, 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 Euro 100,006,120, up to a total amount of approximately Euro 100 m, and to stipulate all other conditions, the issue itself and the conversion procedures for the convertible bonds. The subscription rights of shareholders were excluded.

The authorisation to issue convertible bonds, which was used to a large extent, expired on 6 May 2018. Thus, a renewal of this authorisation shall be proposed. In particular, the Company shall be able to use convertible bonds in the course of the active management of its capital structure by this authorisation. Convertible bonds are an appropriate instrument for the Company to keep the costs of capital at a minimum. Through financing with convertible bonds the Company in general can obtain more favourable financing conditions compared to (mere) debt instruments (loan financing, bonds).

## **3. Interest of the Company**

The exclusion of the shareholders’ subscription rights in the course of an issue of convertible bonds is

4

### **Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

in the interest of the Company for the following reasons:

The Company shall be able to finance itself quickly by issuing convertible bonds. Such financing requirement may arise from refinancing as well as to finance acquisitions of companies or real estate and development projects in the course of the Company's growth strategy.

The financing of the Company by issuing convertible bonds enables the Company to decrease the financing costs and to optimise the capital structure. The more favourable financing conditions are a result from a combination of the following factors:

Convertible bonds bear interest together with a redemption right of the bondholders at maturity. In addition the bonds carry the right to acquire shares of the Company at a price fixed upon issuance of the convertible bond (conversion price), which allows to participate in the substance and the profitability of the Company as well as in the increase of the share value.

In case of an issue of convertible bonds an advantage compared to a capital increase (such as from authorised capital) might be that upon conversion a higher issue price can be achieved compared to an immediate capital increase. Under the common conditions of convertible bonds on the capital market the conversion and/or subscription price of the shares to be issued in the course of a conversion (exercise of conversion and/or subscription rights) is above the share price at the time of issuance of the convertible bonds.

The practise has shown that, with an issue under exclusion of subscription rights, in general better conditions can be achieved by the Company since an immediate placement avoids price effective risks from changes in market conditions and further institutional investors, which focus on investments in convertible bonds, may be better addressed. On the contrary, a rights issue with subscription rights requires a minimum two weeks statutory subscription period (sec 174 para 4 in conjunction with sec 153 para 1 of the Austrian Stock Corporation Act). Disadvantages from a time lag may also arise if an authorisation of the Management Board to exclude the subscription rights is resolved upon and the Management Board decides to exclude the subscription rights in the course of the issue procedure. In this case the publication of a further report of the Management Board is mandatory and a waiting period of at least two weeks must be observed prior to the required resolution of the supervisory board to implement the measure.

The consideration and observance of such subscription periods or waiting periods would cause that such investors may not or may only be addressed with a lower amount due to non-market standard arrangements or allocation mechanisms and/or potential market risks for these investors arising during a subscription period or waiting period. In addition, an investor communication focused on the specific target group is required. The Company can also strengthen this institutional investor base by issuance of convertible bonds in this way.

Based on experience, more attractive financing conditions can be achieved if the Company is able to react swiftly and flexibly to favourable market conditions. These advantages could not be realized to the same extent if the consideration of a subscription period of two weeks or a waiting period of two weeks

**Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

in case of an authorisation to exclude the subscription rights is required. The issue of convertible bonds under the proposed exclusion of shareholders' subscription rights can be processed faster and more cost efficiently since neither subscription periods nor waiting periods have to be observed nor preparation time for prospectus drafting and obtaining the prospectus approval is required. A placement under exclusion of subscription rights and based on a prospectus exemption can avoid these disadvantages. Further, the placement under a prospectus exemption also reduces the liability risks of the Company compared to an offering with publishing a prospectus significantly.

It is further in the interest of the Company to issue convertible bonds in exchange for contributions in kind, in particular in connection with mergers or for acquiring (also indirectly) companies and parts thereof, shares, businesses or parts of businesses or other assets (in particular real estate) or rights to acquire assets and also receivables against the Company. Convertible bonds can be used – depending on market conditions and the future development of the Company – as an acquisition currency for strategic transactions. It might be possible to realise an issue price above the share price at the issue date in case of conversion, which could be an advantage compared to an acquisition in exchange for new shares (e.g. from authorised capital). Further, it is not required to immediately use liquid funds to finance the consideration. The issue of convertible bonds in exchange for contributions in kind in general requires the exclusion of the subscription rights, because in most cases individual assets are acquired (e.g. real estate, companies, parts of companies and shares or other assets) which cannot be provided by the shareholders. Having the opportunity to offer convertible bonds as acquisition currency can be an advantage for the Company in the competition for assets to be acquired.

The exclusion of the shareholders' subscription right is necessary for strategic, financial and organisational reasons in order to achieve the advantages for the Company in connection with the issuance of convertible bonds.

For the reasons listed above, the exclusion of the shareholders' subscription right in the course of convertible bonds issuances is common practice on the international capital market. This is also accepted by the stock market, in particular, if the shareholders are able to purchase convertible bonds on the secondary market. Thus, it is intended that convertible bonds are admitted to trading at an appropriate stock exchange or a multilateral trading facility.

By issuing convertible bonds under exclusion of the shareholders' subscription rights the Company is able to strengthen its equity as well as to reduce its financing costs in the interest of the Company and its shareholders.

#### **4. Issue price**

In case of an issue of convertible bonds the Management Board will determine with the consent of the supervisory board and in accordance with the provisions of the Austrian Stock Corporation Act the terms of issuance and the terms and conditions of the convertible bonds, in particular interest rate, issue price, maturity and denomination, dilution adjustment, conversion period and/or conversion date, conversion rights and/or conversion obligations, conversion ratio and conversion price as well as the terms for

#### **Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

conversion and/or subscription.

The fulfilment of the conversion and/or subscription rights can be effected through conditional capital, authorised capital, out of treasury shares or by way of delivery from third parties or a combination thereof.

The price of the convertible bonds shall be determined with regard to market-standard calculation methods in a market-standard pricing procedure. The price (issue price) of a convertible bond thereby has to be determined by the price (issue price) of an ordinary fixed-interest bond and the price for the conversion rights taking into consideration the other terms and conditions. The issue price of a bond is determined on the basis of market-standard calculation methods subject to the maturity of the bond, interest rate, current market interest rate as well as considering the credit rating of the Company. The value of the conversion and/or subscription right is calculated by means of option price calculation, in particular considering maturity/exercise period, share price development (volatility) or other financial key performance indicators as well as the relation of the conversion and/or subscription price to the share price. Further conditions, e.g. rights to early redemption, conversion obligations, and a fixed or variable conversion ratio are to be considered.

The issue price of the shares issued upon exercise of conversion (exercise of the conversion and/or subscription right) and the conversion and/or subscription ratio shall be determined with regard to market-standard calculation methods and the stock market price of the shares of the Company (basis of the calculation of the issue price).

In case of an issue of convertible bonds in exchange for contributions in kind (i) the issue price of the convertible bonds determined by applying the pricing terms described above analogously and to be agreed upon with the investors (contributors in kind) and (ii) the value of the contributed (acquired) assets must be in an adequate ratio.

The issue price of convertible bonds as well as the issue price of the shares are determined by objective criteria in line with international standards and satisfy the interest of the shareholders, whereby a dilution of the shareholders' financial participation shall be avoided as far as possible.

## **5. Consideration of interests**

The exclusion of the subscription rights for the described purposes is in the interest of the Company and is objectively justified in particular to strengthen and improve the market and competitive position in the interest of the Company and the shareholders.

The exclusion of shareholders' subscription rights is also necessary and appropriate, as in general more favourable conditions for convertible bonds can be achieved and more cost-intensive capital measures can be replaced. This secures long term and flexible financial and business planning. Without the exclusion of the shareholder' subscription rights the Company would not be able to use market conditions and/or acquisition opportunities as swiftly and flexibly. These benefits of the Company are

7

### **Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.

also advantageous for all shareholders and it is to be expected that these benefits and, thus, the interest of the Company outweigh the interference by the exclusion of subscription rights.

Finally, an issue price will be targeted that avoids a dilution of the current shareholders.

If the mentioned circumstances are carefully considered, the exclusion of the subscription rights in case of an issue of convertible bonds within the described limits is necessary, suitable, appropriate and in the prevailing interest of the Company objectively justified as well as required.

Vienna, 11 April 2018

The Management Board

**Disclaimer**

This is a working translation from the German language version and for convenience purposes only. In the event of conflict with the German language version, the German language version shall prevail.