

## Report of the Management Board (TOP 9)

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 65  
PARA 1B IN CONJUNCTION WITH SECTION 153 PARA 4 OF THE  
AUSTRIAN STOCK CORPORATION ACT (AKTG)

### **Report of the Management Board on the authorisation of the Management Board to exclude the shareholders' right to sell in the case of buyback of treasury shares and to exclude the purchase right (exclusion of subscription right) in the case of sale of treasury shares (section 65 para 1b 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 9 of the agenda shall be proposed:

- "1. The authorisation of the Management Board granted in the extraordinary shareholders' meeting on 3 May 2016 to purchase treasury shares shall be withdrawn and the Management Board shall be authorised in accordance with section 65 para 1 no 8 and para 1a and para 1b Austrian Stock Corporation Act (AktG) for a period of 30 months from the date of the adopted resolution, with the consent of the Supervisory Board, to repurchase treasury shares in the company for a total of up to 10 per cent of the share capital of the company. The lowest amount payable on repurchase shall not be less than 30% and shall not exceed 10% of the average unweighted price at the close of the market on the ten trading days preceding the repurchase. The Management Board shall further be authorised to determine the respective other terms and conditions of the repurchase. Trading in treasury shares shall be excluded as the purpose of the purchase. The Management Board may elect to make the acquisition either on the stock exchange, or by way of a public offering, or in another lawful, expedient way, including, but not limited to, in particular, off the exchange, or from individual shareholders who are willing to sell their shares and under exclusion of the shareholders' pro rata rights to purchase that may be linked with such acquisition. The authorisation may be exercised in full or in part or in multiple partial amounts by the company, companies affiliated with it or by third parties for their account, and in pursuit of one or more purposes.*
- 2. The shareholder's general purchase options in conjunction with the utilisation of treasury shares to service the convertible bonds issued based on the authorisation granted on 7 May 2013 or based on the authorisation granted in the shareholders' meeting on 9 May 2018 are excluded.*
- 3. Furthermore, the Management Board is authorised, with the consent of the Supervisory Board,*

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- i. to use treasury shares as a consideration when acquiring enterprises, businesses, business units or interests in one or several companies domestically or abroad,*
- ii. to sell treasury shares at any time pursuant to Section 65 para 1b AktG on the stock exchange or by way of a public offering, and to determine the conditions of the sale,*
- iii. for a period of five years from the date of the resolution, to resell the treasury shares without excluding or partly or entirely excluding the shareholders' general purchasing options (exclusion of the pro rata right to repurchase), by any lawful means, including off the exchange, with the consideration payable not being lower than 10% of the average unweighted price at the close of the market on the ten trading days preceding the sale, and*
- iv. to reduce the company's share capital pursuant to Section 65 para 1 no 8 final sentence AktG in conjunction with Section 192 AktG by calling in the treasury shares without a further resolution of the General Meeting, whereas the Supervisory Board shall be entitled to adopt by resolution amendments to the Articles of Association arising from the calling-in of shares.*

In preparation of this shareholder resolution, the Management Board submits a written report to the shareholders' meeting in accordance with section 65 para 1b 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.

## **2. Exclusion of the shareholders' purchase right in the course of a sale of treasury shares**

### **2.1. Interest of the Company**

The exclusion of the shareholders' purchase right (exclusion of subscription right) in case the Company sells or uses treasury shares is, in terms of the resolution proposed under 1.2, in the interest of the Company for the following reasons:

In the case of the acquisition of companies, parts in companies, equity investments in companies, business operations or parts of business operations as well as the acquisition of certain assets (in particular real estate) it may be advantageous to the Company to offer its treasury shares in part or in full as the consideration in return, for instance, to compensate shareholders of target companies or in case the seller prefers to receive, in part or in full, shares of the Company instead of cash. Furthermore, it may also be necessary for the Company on account of strategic or corporate-organisational reasons to include the seller as shareholder in the Company. By use of treasury shares the liquidity requirements of the Company for investments/acquisitions are reduced and the completion of an investment/acquisition is accelerated if existing shares can be used and no new shares have to be created. The possibility of being able to offer treasury shares as acquisition currency gives the Company an advantage in the competition for acquisition objects. One advantage of using treasury shares can also be that the typical dilution effect is avoided if the acquisition is made in exchange for newly created shares (e.g. from authorised capital).

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By placing treasury shares with an exclusion of the shareholders' purchase right the shareholder structure of the Company may also be broadened or stabilised. First, this concerns an appropriate anchoring of the shareholders' base of the Company in regard to institutional investors (in particular financial investors and strategic investors). Furthermore it can be appropriate based on strategic reasons with respect to the business activities of the Company, to include an investor as new shareholder, who, due to know-how and/or investment capital, broadens the business activities for the Company or stabilises and strengthens the market position of the Company.

The sale or use of treasury shares with the exclusion of the shareholders' purchase right allows for rapid placement. This allows the Company to take advantage of market opportunities, in particular regarding the price level of the shares, and use them quickly and flexibly for the sale or use of its treasury shares.

Through the sale or use of treasury shares, the Company may cover a particular financing requirement in an individual case at more favourable terms than by way of debt financing. In particular in connection with the financing of a company acquisition or real estate acquisition but also when meeting a refinancing requirement of the Company or one of its subsidiaries, e.g. in case of a bond, a convertible bond or loan or other financing, it may be the case, due to the amount of the necessary financing requirement and/or the given time limit in which the financing requirement has to be met and in consideration of the general market and share prices development, the trading volumes available on the stock exchange and the statutory restrictions on trading volumes for share sale programmes over the stock exchange, that the necessary financing requirement cannot be met or not be met within the time limit required through a (exclusive) sale of treasury shares over the stock exchange or through a public offering.

The exclusive sale of treasury shares over the stock exchange or through a public offering is not consistent with the funding of means required to cover a specific financing need, in particular when it is not possible, due to usual trading volumes on the stock exchange, to sell the treasury shares in time or at the appropriate average market price on the market.

The authorisation proposed to the Management Board to resolve on another type of sale, also excluding the shareholders' purchase right, enables the Management Board to swiftly and flexibly take advantage of upcoming opportunities for the off-exchange block sale of treasury shares at appropriate prices. This is of particular importance to the Company in order to be able to take advantage of market opportunities in a swift and flexible way.

The exclusion of the general purchase opportunity allows the Company to avoid potential disadvantages. In particular, this applies to negative changes in the share price due to selling pressure on the stock exchange and in the course of a selling programme with negative impacts on the success and the profits of the capital measure (notably in volatile markets), avoidance of short selling during the selling programme, as well as securing of certain proceeds from the sale, in particular in a difficult stock market environment (exclusion of the placement risk). Especially in an uncertain and volatile market environment due to macro-economic factors the Company can be subject to market-driven disadvantageous price risks.

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Excluding the shareholders' purchase right allows the Company to take advantage of an accelerated bookbuilding which reduces the placement risk. In the course of an accelerated bookbuilding the Company is able to assess the market's perception of the price more quickly and precisely during a short offer period. International practice has also shown that an accelerated bookbuilding can usually achieve better conditions than would be the case otherwise since market risk factors, among others, cease to apply in the case of immediate placement, which would otherwise be priced in by institutional investors to the disadvantage of the Company.

A public offering also requires a significantly longer time period for preparation and approval of a capital market prospectus. A placement of the shares with exclusion of the shareholders' purchase right as well as executing a private placement under a prospectus exemption avoids such downsides. Further, a placement within the scope of a prospectus exemption reduces the liability risks of the Company compared to a public offering requiring the publication of a prospectus.

The exclusion of the shareholders' purchase right can also be useful in the course of a capital increase and placement of new shares of the Company in order to fulfil over-allotment options (Greenshoe) with treasury shares. Over-allotment options (Greenshoe) are applied for over-subscribed issues of shares. For over-allotment options additional shares are issued under the same conditions that applied to the new shares issued in the course of the capital increase. Over-allotment options (Greenshoe) are standard international practice with the purpose to stabilize the share price after the placement of shares and are therefore in the interest of the Company.

The Company's use of its treasury shares in financing transactions (e.g. repo transactions or swap transactions) increases the ways in which the Company may conduct financing and is therefore an option to swiftly and flexibly achieve financing to optimal conditions. It is also in the interest of the Company to use its treasury shares (e.g. in securities lending or loans) as a source of income. Furthermore, treasury shares can be used in securities lending as (price) stabilisation measures in connection with issuances of securities (e.g. convertible bonds of the Company with conversion and/or subscription rights into shares of the Company).

For the purpose of the sale of treasury shares it might be appropriate to conclude options with the right of the Company to sell shares (put options) or the obligation of the Company to sell shares if the option is exercised (call options).

In case the Company uses existing treasury shares to cover or fulfil conversion and/or subscription rights of convertible bonds, no additional capital measures (e.g. conditional capital) are necessary. Hence, no new shares (e.g., from conditional capital) have to be created to fulfil conversion and/or subscription rights, which is why the typical dilution effect of share capital increases can be avoided.

## **2.2. The exclusion of the right to purchase shares is suitable, required and proportionate**

The authorisation of the Management Board to sell treasury shares in another way than over the stock exchange or through a public offering with the exclusion of the shareholders' pro rata repurchase right (exclusion of subscription right) is suitable and required for the outlined purposes and in the interest of

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the Company.

To the extent of usual trading volumes the shareholders are free to purchase shares over the stock exchange. Consequently, when the Company sells or uses treasury shares with exclusion of the shareholders' purchase rights, the shareholders have the opportunity to avoid a dilution of their shareholding quota by way of share purchase over the stock exchange.

Provided that the sale price is adequate (see point 2.3) there is usually no dilution risk for shareholders which is comparable to capital increases. The shareholding quota of a shareholder may change in the case of sale of treasury shares, but the sale will only restore the ratio of participation existing prior to the Company's repurchase of treasury shares, which has changed temporarily due to the limitations on the rights arising from treasury shares for the Company in accordance with section 65 para 5 Austrian Stock Corporation Act.

The use of treasury shares as consideration for an acquisition requires the exclusion of the shareholders' purchase rights because individual assets are acquired (e.g. companies, parts of companies and shareholdings or other assets) which in general cannot be provided by the shareholders.

Financing transactions (e.g. repo transactions or swap transactions) using treasury shares, security lending transactions or security loan transactions or concluding put or call options may only be executed with certain market participants, for appropriate and practical reasons, in particular to react in a quick and flexible way to the market situation. Therefore, the exclusion is necessary to execute these transactions.

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

In any case the exclusion of the purchase right is suitable, required and proportionate, if a block of shares cannot be sold over the stock exchange within the required time frame or for adequate prices due to the usual trading volumes on the stock exchange.

Even if disadvantages occur for existing shareholders by the exclusion from the opportunity to purchase shares, such disadvantages will remain within tight limits due to the statutory threshold of 10% of the share capital for treasury shares held by the Company.

Considering the Company's interests in the use and sale of treasury shares and/or financing of the Company and the interests of the existing shareholders to preserve their proportional investment the authorisation to sell treasury shares with the exclusion of the shareholders' subscription right is not disproportionate.

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The sale or use of treasury shares with the exclusion of the shareholder's purchase right and the specification of the conditions for the sale or use may only be exercised with the consent of supervisory board.

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

In the case of the use of treasury shares as consideration for acquisition purposes (acquisition currency), the sales price for the treasury shares compared to the value of the acquired asset must be in an appropriate ratio.

If treasury shares are used to fulfil overallotment options (Greenshoe), the sales price for the treasury shares mostly corresponds to the issue amount of the shares issued in the course of the capital increase (issuance).

In the case of a sale or use of treasury shares under exclusion of the shareholders' purchase rights, the sales prices shall be determined depending on market conditions with regard to (average) share prices and the price level of the shares; where appropriate also with regard to calculated market values based on market standard calculation methods of options, taking into account in particular the strike price and paid and/or received option premiums. In most cases, with such pricing based on market standard calculation and pricing methods no disadvantage occurs to the shareholders; in any case, however, no disproportionate disadvantage occurs as a result of a percentage dilution.

When treasury shares are used for financing transactions (e.g. repo transactions or swap transactions) or securities lending or securities loan, the sales price may deviate from the afore mentioned limits, whereas a balance will be achieved due to a respective deviation of the repurchase price.

## **3. Exclusion of the shareholders' right to sell shares in case of a buyback of treasury shares**

### **3.1. Interest of the Company**

The exclusion of the shareholders' right to sell when the Company buys back its treasury shares is in the interest of the Company, if the Company intends to use its treasury shares for the purposes described above under point 2.1 in the interest of the Company or if the Company purchases its treasury shares for "investment purposes", for a "management" of the capital structure of the Company (as the case may be), particularly with regard to the relationship between equity and debt or, in the case of a buy-back, for the redemption of its own shares.

The purchase of blocks of treasury shares from one or more shareholders with the exclusion of the other shareholders' right to sell is in the interest of the Company if, for example due to the available time frame, consideration of general and special market developments and share price performance, the trading volume on an exchange or the statutory volume restrictions for stock buy-back programs over an exchange, it can be assumed that the required treasury shares cannot be purchased by the Company within the required period of time or cannot be purchased at reasonable prices over an exchange or

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through a public offering.

The purchase of blocks of treasury shares from one or more shareholders with the exclusion of the other shareholders' right to sell is also in the interest of the Company if, as a result, the shareholder structure of the Company can be stabilised, in particular with regard to strategic investors.

In the case of sale of companies, parts in companies, equity investments in companies, business operations or parts of business operations as well as sale of certain assets (in particular real estate) it may be advantageous to the Company to accept treasury shares in part or in full as the consideration in return. Thus, it will be possible to combine a deinvestment (sale) of assets of the Company with the buyback of treasury shares or blocks of treasury shares. The possibility of being able to accept treasury shares as acquisition currency gives the Company an advantage in the course of sale transactions.

It is also in the interest of the Company in connection with its own shares to be able to conclude put options which oblige the Company upon exercise of the option to purchase shares of the Company or to agree on call options which grant rights to the Company upon exercise of the option to purchase shares of the Company. Put options in the context with the buyback of shares can be appropriate, if the Company intends to repurchase treasury shares at a low share price level. By using call options the Company can also hedge the share price. Concluding options may also create liquidity advantages because liquidity is only required upon exercise of the option. Those transactions can – for practical and appropriate reasons – only be executed with professional market participants. Therefore those transactions can only be executed by excluding the shareholders' right to sell the required shares.

The authorisation of the Management Board enables the Company to swiftly acquire the required treasury shares for the purposes pursued by the Company and at optimised terms.

Through the off-exchange purchase of blocks of shares as well as agreements on put or call options, which require a corresponding exclusion of the shareholders' rights to sell shares, also potential disadvantages to the Company in the course of a share buyback programme or a public offering can be avoided. This applies specifically to share price changes during the term of the buyback programme with negative impacts on the success or the costs of the capital measure (particularly in volatile markets), hedging of a certain investment volume for the buyback programme as well as the avoidance of peak share prices because of increased demand driven by the share buybacks by the Company.

As already described under point 2.1, it may be in the interest of the Company to use treasury shares in the course of financing transactions (e.g. repo transactions or swap transactions) or securities lending or securities loan. The buyback of treasury shares upon the termination of a financing transaction requires – as part of the whole transaction – the exclusion of the shareholders from their right to sell treasury shares, which is – as the financing transactions itself – in the interest of the Company. The same applies mutatis mutandis to securities lending or securities loan.

### **3.2. The exclusion of the right to dispose of shares is suitable, required and proportionate**

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The authorisation of the Management Board for the buyback of treasury shares as well as off-exchange with the exclusion of the shareholders' right to sell are suitable and required for the purchasing of the Company's own shares for the described purposes and in the interest of the Company.

The exclusion of the shareholders' rights to sell in case of an off-exchange repurchase of treasury shares by the Company will not have a negative dilutive effect for the shareholders and there is no risk of a decrease of the shareholding ratio. As the purchase price is determined depending on market conditions with regard to (average) share prices and the price level of the shares (also where appropriate with regard to calculated market values based on market standard calculation methods of options, taking into account in particular the strike price and paid and/or received option premiums) in most cases no disadvantage of shareholders will arise and in the (fewer) remaining cases no disproportionate disadvantage will occur as the shareholders are free to sell shares over the stock exchange within the limits of usual trading volumes.

By the exclusion from the right to sell in the case of a buyback of treasury shares upon the termination of financing transactions, transactions involving securities lending or securities loan, only the previous status – prior to the sale of treasury shares – is restored. The consideration per share paid by the Company is limited with the initial sale price and – in accordance with the financing purpose – an appropriate interest rate may be taken into account.

Taking into account the described interests of the Company for the buyback of treasury shares on the one hand and the interest of the shareholders of the Company to sell shares to the Company over the stock exchange in the course of a share buyback programme or to tender the shares to the Company on the other hand, the authorisation to repurchase treasury shares off-exchange under exclusion of the shareholders' rights to sell shares is not disproportionate and based on the reasons described above is required and suitable in order to achieve the objectives in the interest of the Company and the shareholders.

The repurchases of treasury shares under exclusion of the shareholders' rights to sell and the determination of the terms for the repurchase requires the consent of the supervisory board.

Vienna, 11. April 2018

The Management Board

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