
FINANCIAL STATEMENTS
AS AT 31.12.2017

17

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FINANCIAL STATEMENTS AND MANAGEMENT REPORT

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Liabilities and shareholders' equity

	31.12.2017	31.12.2016
	€	€ 1,000
A. Shareholders' equity		
I. Share capital		
Share capital drawn	718,336,602.72	718,337
Treasury shares	– 40,581,532.58	– 39,282
	677,755,070.14	679,055
II. Tied capital reserves	854,841,594.68	854,842
III. Tied reserves for treasury shares	40,581,532.58	39,282
IV. Net profit	840,429,411.66	618,112
of which profit carried forward: € 557,421,658.27; 31.12.2016: € 400,163 K		
	2,413,607,609.06	2,191,291
B. Grants from public funds	316,519.33	326
C. Provisions		
1. Provision for severance payment	240,345.00	179
2. Tax provisions	1,956,000.00	111
3. Provision for deferred taxes	475,256.18	915
4. Other provisions	15,929,153.35	10,837
	18,600,754.53	12,042
D. Liabilities		
1. Bonds	840,000,000.00	465,000
of which convertible: € 200,000,000.00; 31.12.2016: € 0 K		
thereof with a residual term of more than one year: € 840,000,000.00; 31.12.2016: € 465,000 K		
2. Liabilities to banks	98,822,212.85	90,151
thereof with a residual term of up to one year: € 1,847,540.59; 31.12.2016: € 44,120 K		
thereof with a residual term of more than one year: € 96,974,672.26; 31.12.2016: € 46,031 K		
3. Trade payables	1,876,129.25	1,228
thereof with a residual term of up to one year: € 1,710,947.25; 31.12.2015: € 1,092 K		
thereof with a residual term of more than one year: € 165,182.00; 31.12.2016: € 136 K		
4. Payables to affiliated companies	71,714,976.70	91,144
thereof with a residual term of up to one year: € 71,714,976.70; 31.12.2016: € 91,144 K		
5. Other liabilities	12,619,533.85	10,434
of which from taxes: € 0.00; 31.12.2016: € 204 K		
of which social security related : € 127,319.64; 31.12.2016: € 119 K		
thereof with a residual term of up to one year: € 12,619,533.85; 31.12.2016: € 10,434 K		
	1,025,032,852.65	657,957
thereof with a residual term of up to one year: € 87,892,998.39; 31.12.2016: € 146,790 K		
thereof with a residual term of more than one year: € 937,139,854.26; 31.12.2016: € 511,167 K		
E. Deferred income	2,468,031.40	2,624
	3,460,025,766.97	2,864,240

INCOME STATEMENT FOR THE YEAR ENDED 31.12.2017

	€	2017 €	€ 1,000	2016 € 1,000
1. Gross revenues		32,170,793.71		31,088
2. Other operating income				
a) Income from the sale and reversal of impairment losses of fixed assets except of financial assets	13,501,758.09		31,482	
b) Income from the reversal of provisions	456,967.43		151	
c) Other income	336,861.82	14,295,587.34	2,993	34,626
3. Staff expense				
a) Salaries	- 9,658,291.60		- 7,823	
b) Social expenses	- 2,166,480.51	- 11,824,772.11	- 4,454	- 12,277
thereof expenses in connection with pensions: € 168,546.80; 31.12.2016: € 267 K				
thereof expenses for severance payments and payments into staff welfare funds: € 185,598.45; 2016: € 2,455 K				
thereof payments relating to statutory social security contributions as well as payments dependent on remuneration and compulsory contributions: € 1,677,370.65; 2016: € 1,634 K				
4. Depreciation on intangible fixed assets and tangible fixed assets		- 13,890,035.75		- 7,072
of which unscheduled depreciation in accordance with § 204 para. 2 Commercial Code: € 7,193,866.22; 2016: € 0 K				
5. Other operating expenses				
a) Taxes	- 464,067.31		- 411	
b) Other expenses	- 18,430,405.38	- 18,894,472.69	- 20,553	- 20,964
6. Subtotal from lines 1 to 5 (operating result)		1,857,100.50		25,401
7. Income from investments		75,963,852.76		87,773
of which from affiliated companies: € 75,902,628.41; 2016: € 87,637 K				
8. Income from loans from financial assets		13,543,655.31		14,548
of which from affiliated companies: € 12,937,769.95; 2016: € 13,765 K				
9. Other interest and similar income		139,198.30		598
10. Income from the disposal and revaluation of financial assets and securities of current assets		216,402,063.78		166,975
11. Expenses for financial assets and interest receivables in current assets, thereof		- 4,236,146.65		- 6,595
a) Impairment: € 2,911,004.91; 2016: € 3,898 K				
b) Bad debt allowance of interest receivables € 1,321,555.06; 2016: € 2,682 K				
c) Expenses from affiliated companies: € 2,796,512.20; 2016: € 2,341 K				
12. Interest and similar expenses		- 20,776,179.94		- 20,551
of which relating to affiliated companies: € 1,694,936.85; 2016: € 522 K				
13. Subtotal from lines 7 to 12 (financial result)		281,036,443.56		242,748
14. Result before taxes		282,893,544.06		268,149
15. Taxes on income		4,139,538.39		5,379
thereof deferred taxes: income € 439,185.16; expense 2016: € 36 K				
16. Net profit for the year		287,033,082.45		273,528
17. Allocation to treasury share reserve		- 4,025,329.06		- 55,579
18. Profit carried forward from the previous year		557,421,658.27		400,163
19. Net profit		840,429,411.66		618,112

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2017

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 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 are higher than the book value at the balance sheet date, but below amortised costs.

Financial assets

Investments in affiliated companies, investment in associated companies and derivative financial instruments (swap-tion) 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 defaults risks are considered by carrying out individual value adjustments. Income from investments is recognised on the basis of shareholders' resolutions.

Reversal of short-term assets impairments, respectively the allowance releases are made when the underlying reasons for the decreases, respectively when the increases in allowances 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 accruals for directly attributable bond expenses are capitalised under this item and released over the redemption period, according to the principals of financial mathematics.

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

4. Grants from public funds

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

5. Provisions

Provisions for severance payments amount to 202 % (31.12.2016: 186%) of the imputed statutory notional severance payment obligations at balance sheet date. The calculation is performed using the PUC method, which is recognised in international accounting, based on an interest rate of 0% and future salary increases (including inflation rate) of 4%. The period for build-up is until the retirement point in time, 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.

Provisions for deferred taxes are made up using the 25% rate of corporate income tax, according to Art 198 par 9 and 10 in Austrian Commercial Code, after balance sheet orientated concept and without discounting. Deferred taxes with a tax rate of 3% are also applied to differences in members of tax group, 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 75% threshold. As the tax planning does not provide sufficient evidence of future taxable profits, as at 31.12.2017 it was not possible to exercise the option to activate losses carry forward.

6. Liabilities

Liabilities are stated at their amount to be paid.

7. 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 2017 the tax group comprised 14 Austrian group companies (2016: 15), 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 rate of 22%, respectively a profit of the tax group taxed at up to 25%. 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 31.12.2017 the possible obligations against group companies resulting from a possible termination of the group, were estimated at € 27,326 K (31.12.2016: € 21,897 K). As at 31.12.2017 only group companies subject to liquidation or merger left the tax group, so no provision for termination settlement was made.

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

8. Note on currency translation

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

EXPLANATORY NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

9. 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. Disposals mainly relate to the sale of a property. As at the balance sheet date, the tangible assets comprise 4 properties (31.12.2016: 5 properties).

In the current year additions to advances and construction in progress include capitalized interest in the amount of € 28 K (2016: € 0 K). As at balance sheet date capitalized interest totally amount to € 28 K (31.12.2016: € 0 K).

In 2017 unscheduled depreciation on tangible assets amounting to € 7,194 K (2016: € 0 K) and reversals of impairment losses amounting to € 4,565 K (2016: € 14,234 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 € 2,911 K (2016: € 3,898 K) and reversals of impairment losses in the amount of € 216,396 K (2016: € 164,036 K) were recognized in 2017.

Book value of investments in affiliated companies amounts to € 2,534,275 K (31.12.2016: € 2,264,459 K). Current additions are mainly the result of various shareholder contributions. Disposals mainly relate to the liquidation of a subsidiary in Hungary and capital decreases.

The company is unlimited liable shareholder of Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. Leasing OG, Vienna. In December 2017 the contract for sale of shares was concluded. Closing took place in January 2018.

Loans to affiliated companies are made up as follows:

€ 1,000	31.12.2017	31.12.2016
CA Immo Holding B.V., Amsterdam	102,815	45,904
4P - Immo. Praha s.r.o., Prague	47,589	0
RCP Amazon, s.r.o., Prague	38,638	18,852
Europolis Holding B.V., Amsterdam	35,520	50
Vaci 76 Kft, Budapest	34,776	4,537
INTERMED CONSULTING & MANAGEMENT S.R.L., Bucharest	34,200	0
CAINE B.V., Hoofddorp	31,493	47,373
CA Immo Invest GmbH, Frankfurt	28,000	37,000
BA Business Center s.r.o., Bratislava	28,000	29,700
EUROPOLIS ORHIDEEA B.C. S.R.L., Bucharest	26,424	13,424
Other up to € 20 m	86,890	65,208
	494,345	262,048

Loans to affiliated companies to the value of € 119,171 K (31.12.2016: € 119,511 K) have a remaining term of up to one year.

The item derivative financial instruments includes financial instruments, i.e. swaptions.

Other loans are made up as follows:

€ 1,000	31.12.2017	31.12.2016
ZAO Avielen AG	4,801	2,961
Other	119	287
	4,920	3,248

Other loans to the value of € 119 K (31.12.2016: € 287 K) have a remaining term of up to one year.

b) Current assets

All receivables – as in 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 € 53 K (31.12.2016: € 18 K) include outstanding rent and invoiced operating costs.

Receivables from affiliated companies are made up as follows:

€ 1,000	31.12.2017	31.12.2016
Trade receivable (current reinvoicings to affiliated companies)	2,501	5,115
Receivables from interest	18,873	15,946
Receivables from dividend payments	13,211	0
Receivables from tax compensation	5,722	5,576
	40,307	26,637

Other receivables in the amount of € 10,401 K (31.12.2016: € 127 K) mainly include receivables from sales price for a property (as at 31.12.2016 interest, receivables from cost re-invoicing as well as receivables from tax authorities. In 2017 the change in allowances for receivables amounted to € 212 K (2016: € -924 K).

c) Deferred expenses

€ 1,000	31.12.2017	31.12.2016
Additional expenses bonds	2,336	1,522
Other	303	80
	2,639	1,602

d) Shareholders' equity

Share capital is equivalent to the fully paid in nominal capital of € 718,336,602.72 (31.12.2016: € 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 5,582,054 treasury shares (31.12.2016: 5,403,519), each amounting to € 7.27, thus totaling € 40,581,532.58 (31.12.2016: € 39,282,129.13), were deducted from shareholders' equity. The registered shares are held by GENA ELF Immobilienholding GmbH, a subsidiary of IMMOFINANZ AG, each granting the right to nominate one member to the Supervisory Board. The right to nominate members of Supervisory Board was partially executed.

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 origin maximum limit of € 17.50 per share has been raised to € 24.20 per share as per 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 will take place for each purpose permitted by the resolution of the Annual General Meeting and will end no later than 2.11.2018. In total, 178,735 shares were acquired under this program at a weighted average value including bank charges of around € 22.57 per share in 2017. As at 31.12.2017, CA Immobilien Anlagen AG held 5,582,054 treasury shares in total (5.6% of the voting shares).

In 2017 a dividend of € 0.65 (2016: € 0.50) for each entitled share, in total € 60,691 K (2016: € 47,904 K) was distributed to the shareholders.

The total net profit as at 31.12.2017 amounting to € 840,429 K (31.12.2016: € 618,112 K) is not subject to dividend payment constraints.

As at 31.12.2017 there is unused authorised capital amounting to € 215,500,975.00 that may be drawn on or before 31.8.2018, as well as conditional capital in the total amount of € 100,006,120.00 earmarked for the specified purpose of servicing convertible bonds.

In the third quarter 2017, CA Immo AG issued a non-subordinated unsecured convertible bond in amount of € 200 m and 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. 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 company's choice, the redemption may be effected by provision of shares, cash or a combination of the latter two variants. The settlement of the transaction took place on 4.10.2017.

The declared revenues reserves are tied and will be increased up to the level the book value corresponds to the nominal value of the deducted amount of treasury shares from share capital.

€ 1,000	31.12.2017	31.12.2016
Other additional expenses for treasury shares	- 50,450	- 47,724
Nominal treasury shares in share capital	40,582	39,282
Reserves for other acquisition costs treasury shares	50,450	47,724
Tied revenue reserves for treasury shares	40,582	39,282

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	2017	2016
As at 1.1.	39,282	14,540
Deferred taxes recorded in shareholders' equity	0	- 879
Acquisition treasury shares total	- 4,025	- 54,700
Treasury shares due to decrease in share capital	1,300	24,742
Allocation to revenues reserves	4,025	55,579
As at 31.12.	40,582	39,282

e) Grants from public funds

The grants from public funds contain grants from city of Vienna for innovative constructions. A public grant amounting to € 320K 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.

f) Provisions

Provisions for severance payment amount to € 240 K (31.12.2016: € 179 K) and include severance payment entitlements of company employees and Management Board member.

Tax provisions in the amount of € 1,956 K (31.12.2016: € 111 K) mainly relate to provisions for corporate tax.

Provisions for deferred taxes comprise the offsetting of deferred tax assets and deferred tax liabilities and is based on the differences between tax and corporate value approaches for the following:

€ 1,000	31.12.2017	31.12.2016
Land and buildings	14,939	15,173
Partnership	- 1,659	2,160
Differences in tax group members (basis for 3 % tax rate)	3,604	6,940
Other assets, office furniture and equipment	- 18	- 52
Ancillary bond expenses	- 3,007	- 752
Bank loans ancillary expenses	- 1,186	- 878
Provisions for severance payments	- 198	- 141
Deferred income	- 1,700	- 1,711
Base for tax	10,775	20,739
Out of which resulted provision for deferred tax liabilities	1,901	3,657
less: offsetting with tax losses carried forward	- 1,426	- 2,743
As at 31.12.	475	914

As at 31.12.2017 CA Immo AG has tax losses carried forward in the amount of € 293,775 K (31.12.2016: € 315,945 K). Taxes for investment write off on outstanding amounts which have to be deferred over 7 years amount to € 35,732 K (31.12.2016: € 41,112 K) and they were fully impaired.

Movements in deferred tax liabilities are presented below:

	2017	2016
As at 1.1.	914	956
Changes affecting profit and loss	-439	-42
As at 31.12.	475	914

The other provisions are made up as follows:

€ 1,000	31.12.2017	31.12.2016
Real property tax and land transfer tax	4,154	2,740
Premiums	4,048	3,387
Construction services	3,216	1,440
Staff (vacation and overtime)	1,418	442
Derivative transactions	1,088	165
Legal, auditing and consultancy fees	955	1,764
Annual report and expert opinions	207	191
Commissions	61	0
Other	782	708
	15,929	10,837

In order to promote a high level of identification 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. For the management level, bonus payments are additionally linked to the achievement of individual annual operating targets. Furthermore, managerial staff have the opportunity to participate in a stock price-based compensation program. Diverging from the model for the Management Board (phantom shares), participation in the LTI program is voluntary. LTI is a revolving programme with a term (holding period) of three years per tranche; it presupposed a personal investment limited to 35% of the fixed annual salary. The investment is evaluated at the closing rate on 31 December, with the number of associated shares determined on the basis of this 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); weighting and respective target figures are set each year. Payments are made in cash. Within the remuneration system for the Management Board, the LTI programme was dissolved in 2015 and replaced by bonus payments based on phantom shares.

The performance-related remuneration for the Management Board is structured into three components and consists of an annual bonus (short-term incentive), a multi-year bonus (mid-term incentive) and a long-term variable compensation (long-term incentive). The performance-related remuneration is restricted to 200% of the gross annual salary. The bonus payment is linked to long-term operational and quality-based targets and also takes account of non-financial performance criteria. Of the variable remuneration, 50% is linked to the attainment of short-term targets defined annually (annual bonus); the other half of the performance-related components depends on the exceeding of annually defined indicators such as 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 after being checked by the auditor. 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.

g) Liabilities

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
Total	87,893	333,121	604,019	1,025,033

31.12.2016 € 1,000	Maturity up to 1 year	Maturity 1 - 5 years	Maturity more than 5 years	Total	
In bonds,	Bonds	0	140,000	325,000	465,000
also the	Liabilities to banks	44,120	2,610	43,421	90,151
converti- ble bond	Trade payables	1,092	136	0	1,228
is in- cluded	Payables to affiliated companies	91,144	0	0	91,144
with its	Other liabilities	10,434	0	0	10,434
	Total	146,790	142,746	368,421	657,957

term. The bonds item for 31.12.2017 comprises the following liabilities:

	Nominal value € 1,000	Nominal interest rate	Issue	Repayment
Convertible bond 2017-2025	200,000	0.75%	4.10.2017	4.4.2025
Bond 2015-2022	175,000	2.75%	17.2.2015	17.2.2022
Bond 2016-2021	140,000	1.88%	12.7.2016	12.7.2021
Bond 2016-2023	150,000	2.75%	17.2.2016	17.2.2023
Bond 2017-2024	175,000	1.88%	22.2.2017	22.2.2024
	840,000			

Liabilities to banks comprise investment loans amounting to € 98,822 K (31.12.2016: € 90,151 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 € 71,262 K (31.12.2016: € 90,352 K) and trade payables amounting to € 453 K (31.12.2016: € 792 K).

Other liabilities are essentially made up of accrued interest for bonds amounting to € 12,114 K (31.12.2016: € 8,961 K), unpaid liabilities to the property management company, liabilities arising from payroll-accounting and tax charge (31.12.2016: additionally, payables from the purchase of treasury shares amounting to € 888 K).

h) Deferred income

€ 1,000	31.12.2017	31.12.2016
Investment grants from tenants	1,700	1,711
Rent prepayments received	569	613
Revenues from guarantees	200	300
	2,468	2,624

i) Contingent liabilities

	Maximum amount as at 31.12.2017 € 1,000	Outstanding on reporting date 31.12.2017 € 1,000	Outstanding on reporting date 31.12.2016 € 1,000
Guarantees and letters of comfort in connection with sales by affiliated companies	266,845	€ 26,855	144,745
Guarantees for loans granted to affiliated companies	673	€ 673	61,314
Other guarantees in connection with affiliated companies	7,580	€ 7,580	17,050
Guarantees for loans granted to other group companies	14,504	€ 8,469	8,469
Guarantees in connection with sales by other group companies	9,743	€ 0	2,830
Other guarantees	0	€ 0	120
	299,345	43,577	234,527

Furthermore, the stakes of CA Immo AG in the following companies are pledged in favour of the lenders financing the subsidiaries:

Duna Terminal Hotel Kft., Budapest
Duna Irodahaz Kft, Budapest
Duna Business Hotel Kft., Budapest
Millenium Irodahaz Kft., Budapest

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

j) Liabilities from the utilisation of tangible assets

The lease-related liability from the utilisation of tangible assets not reported in the balance sheet is € 693 K (31.12.2016: € 675 K) for the subsequent business year and € 3,278 K (31.12.2016: € 3,218 K) for the subsequent five business years.

Out of this, € 621 K (31.12.2016: € 611 K) is attributable to affiliated companies for the subsequent business year and € 3,107 K (31.12.2016: € 3,057 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.

k) Details of derivative financial instruments – interest rate swaps

€ 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
6/2017	6/2027	11,628	0.79%	3M-EURIBOR	- 93	- 93
6/2017	6/2027	30,641	0.76%	3M-EURIBOR	- 229	- 229
8/2017	12/2029	30,200	1.12%	3M-EURIBOR	- 740	- 740
		83,562			- 1,088	- 1,088

€ 1,000		Nominal value	Fixed interest rate	Interest reference	Fair value	thereof considered
Start	End	31.12.2016	as at 31.12.2016	rate	31.12.2016	as provisions 31.12.2016
12/2016	12/2024	11,745	0.44%	3M-EURIBOR	- 165	- 165
		11,745			- 165	- 165

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

l) Details of derivative financial instruments – swaption

The fair value corresponds to the amount that CA Immo AG would receive upon termination of the contract on the balance sheet date. These values were determined by the financial institute with which the transactions were concluded. The book value corresponds to the acquisition costs or the lower fair value. The swaption held as at 31.12.2016 was terminated upon expiry and was not executed.

€ 1,000		Nominal value	Fixed interest rate	Interest reference	Fair value	Book value
Start	End	31.12.2016	as at 31.12.2016	rate	31.12.2016	31.12.2016
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	8	8
11/2015	11/2017	10,000	1.25%	6M-EURIBOR	9	9
		20,000			17	17

10. Explanatory notes on the income statement

Gross revenues

The gross revenues are made up as follows:

By type

€ 1,000	2017	2016
Rental income for real estate	15,408	15,439
Operating costs passed on to tenants	4,422	4,536
Income from management services	12,151	10,891
Other revenues	190	222
	32,171	31,088

By region

€ 1,000	2017	2016
Austria	21,674	21,949
Germany	4,197	2,441
Eastern Europe	6,300	6,698
	32,171	31,088

Other operating income

Revenues from sale and increase in value of tangible assets, except for financial assets

€ 1,000	2017	2016
Write-ups current year	4,565	2,341
Write-ups for previous year due to RÄG 2014	0	11,893
Write-ups tangible assets	4,565	14,234
Revenues from assets disposals	10,147	29,093
Book value disposed	- 1,139	- 11,734
Other expenses	- 71	- 111
Profit from sale of tangible assets	8,937	17,248
	13,502	31,482

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

Other operating income of € 337 K (2016: € 2,993 K) results from expenses re-invoicings, insurance revenues and the release of the deferrals for government grants.

Staff expense

This item, totalling € 11,825 K (2016: € 12,277 K), includes expenses for the 65 staff members (2016: 59) employed by the company on average.

The expenses for retirement benefits are as follows:

€ 1,000	2017	2016
Pension fund contributions for Management Board members and senior executives	114	219
Pension fund contributions for other employees	55	48
	169	267

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

€ 1,000	2017	2016
Change of provision for severance payments to Management Board members and senior executives	54	- 105
Allocation to provision for severance payments to other employees	7	11
Severance payments to Management Board members and senior executives	0	2,441
Pension fund contributions for Management Board members and senior executives	71	76
Pension fund contributions for other employees	54	32
	186	2,455

Depreciation

€ 1,000	2017	2016
Depreciation of intangible fixed assets	365	378
Scheduled depreciation of buildings	6,102	6,379
Unscheduled depreciation of real estate	7,194	0
Depreciation of other assets, office furniture and equipment	220	300
Low-value assets	9	15
	13,890	7,072

Other operating expenses

Where they do not fall under taxes on income, the taxes in the amount of € 464 K (2016: € 411 K) mainly comprise the real estate charges passed on to tenants in the amount of € 210 K (2016: € 224 K) and the non-deductible input VAT € 254 K (2016: € 183 K).

Other expenses are made up as follows:

€ 1,000	2017	2016
Other expenses directly related to properties		
Operating costs passed on to tenants	4,204	4,315
Maintenance costs	2,266	2,033
Own operating costs (vacancy costs)	395	617
Administration and agency fees	40	36
Other	397	354
Subtotal	7,302	7,355
General administrative costs		
Bond issue related expenses	2,964	959
Legal, auditing and consultancy fees	2,663	4,142
Advertising and representation expenses	1,050	726
Administrative and management costs	842	1,059
Other fees and bank charges	720	413
Office rent including operating costs	630	621
Travel expenses	597	543
Supervisory Board remuneration	408	436
Costs charged to group companies	162	2,600
Claims and reserves for bad debts of other receivables	4	342
Other	1,088	1,357
Subtotal	11,128	13,198
Total other operating expenses	18,430	20,553

Income from investments

This item comprises dividends paid from companies in Austria in the amount of € 73,211 K (2016: € 86,000 K) and as well as companies in Germany and Eastern Europe in the amount of € 2,753 K (2016: € 1,772 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 revaluation of derivative financial instruments.

Income from the sale and revaluation of financial assets and securities from current assets

€ 1,000	2017	2016
Release of impairment due to increase in value	216,396	164,036
Sale of financial assets	6	1,153
Repayment of loans above book value	0	1,436
Sale of securities from current assets	0	350
	216,402	166,975

Expenses for financial assets and short-term interest receivables

€ 1,000	2017	2016
Depreciation of financial assets	2,911	3,898
Bad debt allowance for interest receivables	1,321	2,681
Loss from disposal of investments in affiliated companies	4	16
	4,236	6,595

Interest and similar expenses

€ 1,000	2017	2016
Interest costs for bonds	14,715	17,052
Interest for bank liabilities for the financing of real estate assets	2,438	2,693
Interest costs in respect of affiliated companies	1,695	522
Expenses for derivative transactions	1,566	165
Other	362	119
	20,776	20,551

Taxes on income

€ 1,000	2017	2016
Tax compensation tax group members	5,739	5,565
Corporate income tax	- 2,000	- 152
Deferred taxes	439	- 36
Other	- 38	2
Tax revenues	4,140	5,379

OTHER INFORMATION**11. 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.

12. Executive bodies and employees**Supervisory Board**Elected by the General Meeting:

Torsten Hollstein, Chairman

Dr. Florian Koschat, Deputy Chairman

Prof. Dr. Sven Bienert (since 11.5.2017; initially delegated via registered share (since 1.12.2016))

Dipl.-BW Gabriele Düker (since 11.5.2017)

Richard Gregson

Univ.-Prof. Dr. Klaus Hirschler (since 11.5.2017; initially delegated via registered share (since 1.12.2016))

John Nacos
Michael Stanton

Delegated by registered share:

Dr. Oliver Schumy
Stefan Schönauer

Delegated by works council:

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

As at balance sheet date the Supervisory Board of CA Immo consists of eight members elected by the General Meeting as well as two members delegated by registered shares and four members delegated by the works council.

In business year 2017, fixed salaries for business year 2016 of approximately € 368 K (previous year: € 306 K; figure includes total attendance fees of € 93 K against € 85 K in the previous year) were paid to members of the Supervisory Board.

Moreover, expenditure of € 660 K (2016: € 242 K) was reported in connection with the Supervisory Board in business year 2017. Of this amount, cash outlays for travel expenses accounted for approximately € 35 K (2016: € 47 K), legal and other consultancy services for the Supervisory Board accounted for € 620 K (2016: € 194 K) (including € 595 K for the CEO succession process) and other expenditure (including training costs) accounted for € 5 K (2016: € 1 K). No other fees (particularly for consultancy or brokerage activities) were paid to Supervisory Board members.

Total Supervisory Board remuneration of € 375 K for business year 2017 will be proposed to the Ordinary General Meeting on the basis of the same criteria (fixed annual payment of € 25 K per Supervisory Board member plus attendance fee of € 1,000 per meeting day). A provision of the same amount was formed as at 31.12.2017.

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 applies 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 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.

O1 Group Limited/O1 Group

From 20.2.2015 until its disposal to IMMOFINANZ AG on 2.8.2016 (closing date), O1 Group Limited directly or indirectly held 25,690,163 bearer shares and four registered shares of CA Immo AG.

IMMOFINANZ AG

Since 2.8.2016, IMMOFINANZ Group holds 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. As at 19.5.2017, IMMOFINANZ AG transferred its 25,690,163 bearer shares as well as its four registered shares in CA Immobilien Anlagen AG to its 100% owned subsidiary GENA ELF Immobilienholding GmbH.

Between IMMOFINANZ Group and CA Immo Group there is a reciprocal shareholding. The CA Immo Group holds 54,805,566 bearer shares of IMMOFINANZ AG (equivalent to approximately 4.9% of the capital stock of IMMOFINANZ AG).

Last year, CA Immo AG and IMMOFINANZ AG agreed to enter into constructive dialogue concerning a potential amalgamation of the two companies. The precondition stipulated by IMMOFINANZ AG of the sale of the Russian portfolio was met in December 2017. IMMOFINANZ AG had asked for the timetable of the potential merger talks to be adjusted thereafter. Afterwards IMMOFINANZ AG announced to further suspend detailed discussions over a possible merger between both companies for the time being and to evaluate other strategic options, among others, the possible sale of its CA Immo AG investment.

Management Board

Andreas Quint (since 1.1.2018)

Frank Nickel (until 31.3.2018)

Dr. Hans Volckens

Total salary payments to Frank Nickel and Dr. Hans Volckens, the Management Board members active in business year 2017 amounted to € 1,526 K (€ 1,346 K in 2016). Total expenditure on fixed salary components was € 1,050 K (€ 1,037 K in 2016). Fixed salaries amounted to € 750 K (€ 718 K in 2016). The proportion of fixed remuneration components in overall remuneration stood at 69%, taking account of variable salary components paid in 2017. Salary-based deductions accounted for € 136 K (€ 126 K in 2016).

Target attainment was 100% in business year 2016. This resulted in bonus entitlement of € 931 K (previous year: € 0 K), of which € 466 K was payable on confirmation of target attainment (short term incentive). Dr. Hans Volckens also received a special bonus of € 10 K (previous year: € 0 K), which was also paid without delay. In addition, € 106 K was paid to Florian Nowotny in 2016 in connection with the LTI tranche for 2013-2015. The remaining 50% of the bonus entitlement for business year 2016 (€ 466 K; € 0 K in the previous year) was based on the average rate for the final quarter of 2016 (€ 16.76 per share) with a total of 27,782 phantom shares. Of this total, Frank Nickel had 23,866 shares and Dr. Hans Volckens had 3,916 shares. Payment of the first tranche from these phantom shares in 2018 will be based on the average rate for the final quarter of 2017 (€ 24.82 per share). Owing to his early resignation, Frank Nickel will receive all bonuses for business years 2016 and 2017 by the end of May 2018 at the latest. As at 31 December 2017, provisions totalling € 2,191 K (including incidental charges; € 932 K on 31.12.2016) had been formed in connection with the variable remuneration system for the tranches beginning in 2016 and 2017. As at 31 December 2017, a sign-on bonus of € 300 K for Andreas Quint (to compensate for unpaid bonus payments from his former employer owing to early resignation) was also taken into consideration.

During business year 2017, contributions to pension funds for Management Board members (defined contribution plan) totalled € 41 K (€ 124 K in 2016). As at the balance sheet date 31.12.2017, severance payment provisions (defined benefit plan) for Management Board members totalled € 138 K (€ 84 K on 31.12.2016). Payments have been made to former members of the Management Board as follows: Following early termination of his Management Board contact, Florian Nowotny received a severance payment of € 2,441 K in business year 2016. An additional € 150 K was due on 31.3.2017, with the amount reflected in the financial statements for 31.12.2016. The salary-based deductions for this severance payment amounted to € 169 K in 2016; no salary-based deductions accrued in 2017. There were no other payment obligations to former Management Board members. By contrast, € 193 K from maturity of the LTI tranche for 2013-2015 was paid to former Management Board members in 2016. No loans or advances were granted to Management Board members.

As at 31.12.2017, provisions totalling € 1,714 K (including incidental charges; € 1,235 K on 31.12.2016) had been formed in connection with the LTI programme for the tranches beginning in 2015, 2016 and 2017; of this, former Management Board members accounted for € 47 K (€ 143 K in 2016).

PAYMENTS TO THE MANAGEMENT BOARD¹⁾

	Frank Nickel ²⁾		Dr. Hans Volckens ³⁾		Florian Nowotny ⁴⁾		Total ⁵⁾	
	2017	2016	2017	2016	2017	2016	2017	2016
€ 1,000								
Fixed salary	400	400	350	88	0	230	750	718
Salary-based deductions	81	56	56	13	0	57	136	126
Remuneration in kind, company car, etc	80	45	34	1	0	4	114	51
Expense allowances	2	13	6	4	0	2	8	18
Contributions to pension funds (non-cash)	41	41	0	0	0	83	41	124
Total fixed salary components	604	555	446	106	0	377	1,050	1,037
<i>Total fixed salaries as %</i>	<i>60%</i>	<i>100%</i>	<i>85%</i>	<i>100%</i>	<i>0%</i>	<i>55%</i>	<i>69%</i>	<i>77%</i>
Short-term incentive	400	0	76	0	0	203	476	203
LTI programme (until 2015)	0	0	0	0	0	106	0	106
Total variable payments	400	0	76	0	0	309	476	309
<i>Total variable payments as %</i>	<i>40%</i>	<i>0%</i>	<i>15%</i>	<i>0%</i>	<i>0%</i>	<i>45%</i>	<i>31%</i>	<i>23%</i>
Total salary payments	1,004	555	522	106	0	686	1,526	1,346

1) Includes salary components paid in 2016 and 2017 only. As at 31.12.2017, provision totalling € 2,191 K was made for other bonus claims for business years 2016 and 2017 (previous year: € 932 K for bonus claims from business year 2016).

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

3) Management Board member (CFO) since 27.9.2016

4) Management Board member (CFO) to 30.9.2016

5) Excludes severance payment of € 2,591 K (exclusive of salary-based deductions) linked to early termination of the Management Board contract of Florian Nowotny by mutual agreement.

13. Employees

The average number of staff employed by the company during the business year was 65 (2016: 59).

14. 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.

15. Events after the balance sheet date

In January 2018 the closing of share deal of Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. leasing OG, Vienna, took place.

On 28 February 2018 IMMOFINANZ AG, which is a 26% shareholder in CA Immo, announced to further suspend detailed discussions over a possible merger between both companies for the time being and to evaluate other strategic options, among others, the possible sale of its CA Immo investment.

By the publication date in March 2018, further 197,983 shares had been acquired in course of the share buy-back programme.

On 22.3.2018 SOF-11 Starlight 10 EUR S.à r.l., Luxembourg, an affiliate of Starwood Capital Group ("Starwood"), made an announcement pursuant to Sec 5 para 3 Austrian Takeover Act ("ATA"), that it decided to launch a voluntary public takeover offer pursuant to article 4 et seq ATA to the shareholders of CA Immobilien Anlagen AG. The takeover

offer to the shareholders of CA Immo is aimed at acquiring up to 25,690,167 bearer shares of CA Immo (ISIN AT0000641352) representing up to 26.00% of the overall issued bearer shares of CA Immo. The shareholders of CA Immo are offered an offer price of EUR 27.50 per CA Immo share on a cum dividend basis. The completion of the takeover offer for CA Immo will be subject to the following offer conditions: (i) merger control clearance; (ii) no material adverse change at CA Immo including but not limited to merger, spin-off or split; and (iii) no consent by CA Immo management to transfer the four registered shares.

16. Proposal for the appropriation of net earnings

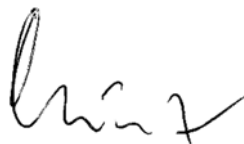
It is proposed to use part of the net retained earnings of € 840,429,411.66 to pay a dividend of € 0.80 per share, i.e. a total of € 74,581,025.60, to the shareholders. The remainder of the net retained earnings in the amount of € 765,848,386.06 is intended to be carried forward.

Vienna, 26.03.2018

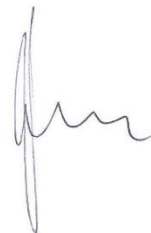
The Management Board



Frank Nickel
(Member of the Management Board)



Andreas Quint
(Chairman)



Dr. Hans Volckens
(Member of the Management Board)

ASSET ANALYSIS FOR THE BUSINESS YEAR 2017

	Acquisition and production costs as at 1.1.2017 €	Addition €	thereof additions interest €	Disposal €	Transfer €	Acquisition and production costs as at 31.12.2017 €
I. Intangible fixed assets						
Rights and EDP software	2,345,890.66	88,812.20	0.00	61,886.80	0.00	2,372,816.06
	2,345,890.66	88,812.20	0.00	61,886.80	0.00	2,372,816.06
II. Tangible fixed assets						
1. Land and buildings						
a) Land value	51,041,203.89	0.00	0.00	382,262.81	0.00	50,658,941.08
b) Building value	258,476,951.22	2,578,238.36	0.00	2,857,510.64	0.00	258,197,678.94
	309,518,155.11	2,578,238.36	0.00	3,239,773.45	0.00	308,856,620.02
2. Other assets, office furniture and equipment	3,190,827.16	213,344.46	0.00	295,568.99	0.00	3,108,602.63
3. Prepayments made and construction in progress	1,940,482.69	14,674,501.08	28,707.21	0.00	0.00	16,614,983.77
	314,649,464.96	17,466,083.90	28,707.21	3,535,342.44	0.00	328,580,206.42
III. Financial assets						
1. Investments in affiliated companies	2,708,264,175.47	42,972,189.19	0.00	7,199,616.70	16,204,770.11	2,760,241,518.07
2. Loans to related companies	270,710,417.51	267,131,381.19	0.00	18,777,986.20	-16,204,770.11	502,859,042.39
3. Investments in associated companies	281,584.19	0.00	0.00	0.00	0.00	281,584.19
4. Loans to associated companies	850,000.00	0.00	0.00	0.00	0.00	850,000.00
5. Derivative financial instruments	176,300.00	0.00	0.00	176,300.00	0.00	0.00
6. Other loans	31,266,536.32	0.00	0.00	1,764,583.36	0.00	29,501,952.96
	3,011,549,013.49	310,103,570.38	0.00	27,918,486.26	0.00	3,293,734,097.61
	3,328,544,369.11	327,658,466.48	28,707.21	31,515,715.50	0.00	3,624,687,120.09

Accumulated depreciation as at 1.1.2017	Depreciation and amortisation in 2017	Reversal of impairment losses in 2017	Accumulated depreciation disposal	Transfer	Accumulated depreciation as at 31.12.2017	Book value as of 31.12.2017	Book value as at 31.12.2016
€	€	€	€	€	€	€	€
1,754,982.48	364,772.91	0.00	39,289.93	0.00	2,080,465.46	292,350.60	590,908.18
1,754,982.48	364,772.91	0.00	39,289.93	0.00	2,080,465.46	292,350.60	590,908.18
12,573,994.07	297,526.55	2,858,185.82	0.00	0.00	10,013,334.80	40,645,606.28	38,467,209.82
81,209,005.45	12,998,982.37	1,706,735.32	2,118,186.17	0.00	90,383,066.33	167,814,612.61	177,267,945.77
93,782,999.52	13,296,508.92	4,564,921.14	2,118,186.17	0.00	100,396,401.13	208,460,218.89	215,735,155.59
2,469,439.19	228,753.92	0.00	277,302.14	0.00	2,420,890.97	687,711.66	721,387.97
0.00	0.00	0.00	0.00	0.00	0.00	16,614,983.77	1,940,482.69
96,252,438.71	13,525,262.84	4,564,921.14	2,395,488.31	0.00	102,817,292.10	225,762,914.32	218,397,026.25
443,805,396.32	2,489,794.37	214,115,916.18	6,320,627.23	108,000.00	225,966,647.28	2,534,274,870.79	2,264,458,779.15
8,662,340.00	400,000.00	440,000.00	0.00	-108,000.00	8,514,340.00	494,344,702.39	262,048,077.51
899.00	0.00	0.00	0.00	0.00	899.00	280,685.19	280,685.19
0.00	0.00	0.00	0.00	0.00	0.00	850,000.00	850,000.00
159,004.11	17,291.54	0.00	176,295.65	0.00	0.00	0.00	17,295.89
28,018,087.32	3,919.00	1,840,438.00	1,599,999.00	0.00	24,581,569.32	4,920,383.64	3,248,449.00
480,645,726.75	2,911,004.91	216,396,354.18	8,096,921.88	0.00	259,063,455.60	3,034,670,642.01	2,530,903,286.74
578,653,147.94	16,801,040.66	220,961,275.32	10,531,700.12	0.00	363,961,213.16	3,260,725,906.93	2,749,891,221.17

INFORMATION ABOUT GROUP COMPANIES

Direct investments

Company	Registered office	Share capital		Interest in %	Profit/ loss for fiscal year 2017		Shareholders' equity as at 31.12.2017		Profit/loss for fiscal year 2016		Shareholders' equity as at 31.12.2016	
					in 1,000		in 1,000		in 1,000		in 1,000	
CA Immo d.o.o.	Belgrad	32,523,047	RSD	100	- 1,477	RSD	60	RSD	- 660	RSD	1,537	RSD
CA Holding Szolgáltató Kft	Budapest	13,000,000	HUF	100	16,092	HUF	669,715	HUF	3,657	HUF	653,623	HUF
Canada Square Kft.	Budapest	12,510,000	HUF	100	65,394	HUF	1,089,592	HUF	76,452	HUF	1,024,196	HUF
Duna Irodaház Kft.	Budapest	838,082	EUR	100	614	EUR	26,565	EUR	928	EUR	22,549	EUR
Duna Termál Hotel Ingatlanfejlesztő Kft.	Budapest	1,182,702	EUR	100	748	EUR	27,487	EUR	363	EUR	24,894	EUR
Duna Business Hotel Ingatlanfejlesztő Kft.	Budapest	1,370,097	EUR	100	1,085	EUR	31,896	EUR	591	EUR	27,336	EUR
Kapas Center Kft.	Budapest	772,560,000	HUF	50	193,727	HUF	1,640,917	HUF	293,377	HUF	1,647,190	HUF
Kilb Kft.	Budapest	30,000,000	HUF	100	408,574	HUF	2,730,461	HUF	426,755	HUF	2,691,886	HUF
Millennium Irodaház Kft.	Budapest	3,017,097	EUR	100	360	EUR	20,273	EUR	- 95	EUR	19,657	EUR
R 70 Invest Budapest Kft.	Budapest	5,270,000	HUF	100	1,287	HUF	2,137,046	HUF	- 71,907	HUF	2,135,760	HUF
Váci 76 Kft.	Budapest	3,100,000	HUF	100	72,209	HUF	5,405,388	HUF	631,025	HUF	5,333,179	HUF
CA Immo Invest GmbH	Frankfurt	50,000	EUR	51	5,004	EUR	14,466	EUR	599	EUR	9,462	EUR
DRG Deutsche Realitäten GmbH	Frankfurt	500,000	EUR	49	259	EUR	812	EUR	125	EUR	678	EUR
Pannonia Shopping Center Kft.	Győr	3,040,000	HUF	50	19,639	HUF	76,727	HUF	- 218,886	HUF	- 144,932	HUF
CAINE B.V.	Hoofddorp	18,151	EUR	100	4,238	EUR	15,940	EUR	- 13,499	EUR	- 15,523	EUR
CA Immo Holding B.V.	Amsterdam	51,200,000	EUR	100	5,451	EUR	170,490	EUR	10,718	EUR	162,836	EUR
CA Immobilien Anlagen d.o.o.	Ljubljana	50,075	EUR	100	353	EUR	10,092	EUR	116	EUR	9,739	EUR
Avielen Beteiligungs GmbH	Vienna	35,000	EUR	100	440	EUR	- 7,418	EUR	- 952	EUR	- 7,858	EUR
Betriebsobjekte Verwertung Gesellschaft m.b.H. & Co. Leasing OG	Vienna	4,135,427	EUR	100	281	EUR	5,299	EUR	110	EUR	5,018	EUR
CA Immobilien Anlagen Beteiligungs GmbH & Co Finanzierungs KG	Vienna	154,818	EUR	100	4,193	EUR	152,011	EUR	5,020	EUR	161,042	EUR
CA Immo BIP Liegenschaftsverwaltung GmbH	Vienna	3,738,127	EUR	39	8,128	EUR	25,345	EUR	2,841	EUR	17,217	EUR
CA Immo International Holding GmbH	Vienna	35,000	EUR	100	291,336	EUR	2,027,728	EUR	190,891	EUR	1,757,242	EUR
CA Immo Rennweg 16 GmbH	Vienna	35,000	EUR	100	1,336	EUR	- 3,061	EUR	1,114	EUR	- 4,397	EUR
EBL Nord 2 Immobilien GmbH	Vienna	35,000	EUR	50	5	EUR	48	EUR	7	EUR	43	EUR
EBL Nord 2 Immobilien Eins GmbH & Co KG	Vienna	10,000	EUR	50	- 1,627	EUR	- 3,167	EUR	- 1,478	EUR	- 1,541	EUR
EBL Nord 2 Immobilien Zwei GmbH & Co KG	Vienna	10,000	EUR	50	- 168	EUR	- 501	EUR	- 329	EUR	- 333	EUR
omniCon Baumanagement GmbH	Vienna	100,000	EUR	100	14	EUR	130	EUR	12	EUR	117	EUR

Information on participations for 2017 is based on preliminary figures in financial statements prepared according to local accounting standards.

MANAGEMENT REPORT

GROUP STRUCTURE

The CA Immo Group is an internationally active real estate concern. 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 company has branch offices in Austria, Germany, Hungary, the Czech Republic, Romania, Poland and Serbia; the Group also has an office in Ukraine. The Cyprus office was closed on 31 December 2017. The various branch offices act as largely autonomous profit centres. Other subsidiaries (without separate local teams) are present in Bulgaria, Croatia, the Netherlands, Slovakia and Slovenia. As at key date 31 December 2017, the Group comprised 200 companies (31.12.2016: 206) with approximately 378 employees (363 on 31.12.2016) in 16 countries¹⁾.

The CA Immo Group's core field of expertise involves developing and managing modern and spacious office properties in Central and Eastern Europe. In regional terms, the company focuses on Austria, Germany, Poland, Hungary, the Czech Republic, Serbia, Slovakia and Romania. Business activity in Germany is focused on Munich, Frankfurt and Berlin; in other countries, the strategic emphasis is on the capital cities. Aside from office properties, the asset portfolio of the Group includes hotels, speciality retail outlets, shopping malls and a small proportion of residential and logistical properties. From the design and development of entire urban districts to the active management of investment properties, value is generated through a comprehensive value chain.

Austria

The company's domestic properties are overseen in subsidiary companies of CA Immobilien Anlagen AG. As at 31 December 2017, the parent company also directly held property assets of approximately € 257.8 m (€ 255.8 m on 31.12.2016). The total Austrian portfolio comprised investment properties with a market value of € 494.2 m as at 31 December 2017 (€ 547.0 m on 31.12.2016) along with three development projects in Vienna.

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 Frankfurt, Berlin 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 **omniCon**, which also performs these services for third parties.

COMPANIES BY REGION

Number of companies ¹⁾	31.12.2017	31.12.2016
Austria	20	21
- of which joint ventures	3	3
Germany	101	102
- of which joint ventures	28	31
Eastern Europe ²⁾	79	83
- of which joint ventures	8	13
Groupwide	200	206
- of which joint ventures	39	46

¹⁾ Joint ventures involving consolidated companies

²⁾ Includes holding companies in Cyprus and the Netherlands established in connection with Eastern European investments

¹⁾ Includes holding companies in Cyprus and the Netherlands and another company in Switzerland.

Eastern Europe

In Eastern Europe, the focus is also on commercial class A buildings in regional capitals. The Group's 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 properties in Eastern Europe are managed by regional companies in Belgrade, Budapest, Bucharest, Prague and Warsaw under the name **CA Immo Real Estate Management**.

ECONOMIC ENVIRONMENT

The economic trend ¹⁾

In its World Economic Outlook published in January 2018, the International Monetary Fund (IMF) painted an exceptionally positive picture of the global economy. The estimated economic growth of 3.7% in 2017 was followed by an upward revision of the forecast by 0.2 percentage points to 3.9% in 2018 and 2019, based both on stronger growth momentum and the tax reform initiated in the United States as driving force.

Most recent economic data and survey outcomes underline the recovery seen in the European Union, which has also gained momentum recently. The increase of 2.3% of the eurozone over the year 2017 represented the highest growth rate since 2007. Prospects for growth have been revised upward despite 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 2017 ²⁾

Growth in the eurozone in 2017 came to 2.3%, and across the entire EU to 2.4%, compared to 1.8% and 2.0%, respectively, in the previous year. The (seasonally adjusted) unemployment rate was 8.6% (down from 9.6% in January 2017) in the eurozone and 7.3% (down from 8.1% in January 2017) for the EU as a whole in January 2018, which is the lowest rate since October 2008. The government debt stood at 88.1% in the eurozone at the end of the third quarter of 2017 (82.5% in the EU-28).

Annual inflation in the eurozone arrived at 1.3% in January 2018, clearly less than the rate targeted by the ECB of below, but close to 2.0% (January 2017: 1.8%), whereas the European Union reported 1.6% (January 2017: 1.7%). The inflation rate continued to arrive below the ECB target recently, but is expected to grow, given the monetary measures taken, sustained economic upswing and associated higher wage increases.

The economy of **Austria** grew strongly in 2017 with real GDP rising by 2.9%. The inflation rate in Austria stood at 1.9% in January 2018. The current unemployment rate is 5.5%.

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 the Czech Republic. In EU comparison, Germany and Czechia reported the lowest unemployment rates at only 3.6% and 2.4%, respectively, according to the most recent publication of Eurostat.

The booming German economy recorded a GDP growth of 2.2% in 2017, representing a sound increase from last year's 1.9%. Strong export figures based on global economic recovery, rising tax revenues and a combination of real wage growth and a historically low interest rate level have also stimulated consumer spending in Europe's largest economy. The inflation rate for Germany was reported at 1.4% in January 2018.

As observed in preceding years, the positive economic trend in the core CA Immo markets in the CEE region gained further momentum throughout 2017. Supported by the tailwind of the positive development of the German economy, Eastern Europe posted its steepest growth in 9 years. 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 Eastern European economies.

Within the CEE core markets, **Romania** reported the highest GDP growth of 7.0% (preliminary) in 2017, clearly exceeding expectations. The economy of **Poland** developed extremely well, as the GDP rose by 4.6%. The gross domestic product in **Czechia** grew by 4.3% in 2017,

¹⁾ International Monetary Fund, European Commission, Bloomberg, Financial Times, The Economist

²⁾ Eurostat, European Commission, Bloomberg, Financial Times, The Economist

and in **Hungary** by 4.0% in the same period. The unemployment rate in the **CEE** countries is significantly lower than in the EU-28 and the euro area average; it stands at 2.4% in Czechia, 3.8% in Hungary, 4.5% in Poland and 4.6% in Romania.

Compared to the previous year, the inflation rate in 2017 displayed a rising trend and arrived above the eurozone average in all CEE core countries at the beginning of 2018. Czechia reported an inflation rate of 2.1% for January 2018, whereas the annual rate in Romania stood at 3.4%. The annual inflation rate in Poland was recorded at 1.6%, in Hungary at 2.1%.

The money market and interest environment ¹⁾

At its latest meeting held on 8 March 2018, 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 for an extended period of time, and well past the horizon of the net asset purchases".

The expansive monetary market policy of the European Central Bank (ECB) was continued in 2017. The purchase programme for government bonds and other securities as a special monetary policy measure of currently € 30 bn per month remains in effect until the end of September 2018 and beyond, if required. According to the official publication of the European Central Bank, "until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim". As no mention was made that the multi-billion bond purchases could be extended if overall conditions deteriorate, this may be an indication that the extreme quantitative easing policy could come to an end. However, no specific final date was mentioned.

The 3-month Euribor remained in negative territory, fluctuating between -0.32% and -0.33% in the period under review. Due to the currently strong growth momentum, pressure to increase interest rates in Eastern European countries should be mounting. In 2017, the Czech central bank increased the interest rate twice. 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%). Also in Poland, analysts expect the central bank to pursue a more restrictive course in the first half of 2018.

The yield on 10-year US Treasury bonds recently reached its 4-year high of 2.9%, in anticipation of a possibly faster interest rate increase by the Federal Reserve Bank. This market expectation based on the minutes of the FED meetings showing its readiness to increase interest rates at short notice has driven up volatility in the international financial markets massively.

Outlook ²⁾

The European Central Bank (ECB) slightly raised its growth forecast of 2.4% for the eurozone in March 2018. The projection for the year 2019 of 1.9% remained unchanged from the last forecast of December 2017. The expected inflation rate was reduced by 0.1%, to 1.4% for 2018.

THE REAL ESTATE MARKET IN AUSTRIA ³⁾

The investment market

In 2017 the total volume invested in commercial real estate in Austria was approximately € 4.9 bn, with Vienna being the focus, attracting around 80% of the total. Although this value was clearly above the former record volume of 2015 at around € 3.9 bn, it exceeded the five-year average figure by roughly 16%.

Stable economic framework conditions as well as increasing shortage of core properties in the German metropolitan cities increasingly moved Austria into the focus of international investors accounting for more than 80% of the overall transaction volume in 2017.

Like last year, the prime yield on office properties dropped significantly and currently stands at a historically low level of just 3.90% for offices in Vienna's CBD. Yields in good and average locations fell more sharply in the second half of 2017, to 4.45% and 4.95%, respectively. CBRE Research expects demand for commercial

¹⁾ Sources: European Central Bank, Eurostat, Central Statistical Offices, Bloomberg

²⁾ Sources: European Central Bank, Bloomberg, Financial Times, The Economist

³⁾ Sources: CBRE: Austria Investment MarketView H2 2017; Vienna Office MarketView H2 2017; Austria Real Estate Market Outlook 2018

properties in Austria to remain high in 2018 and, as a result – given limited product availability – further declining yields, especially in the office sector.

The office property market

The stock of floor space in the Viennese office property market amounted to around 11.0 m sqm at year end. The completion volume of office space totalled approximately 154,000 sqm in 2017, increasing by more than 130% compared to the previous year. For 2018, the completion volume is expected to be higher, while roughly half of the space being brought to the market has already been pre-let or used by owners themselves. CA Immo will complete its core office project "ViE" in the second half of 2018.

Year on year, however, lettings performance declined, standing at around 192,000 sqm (2016: 329,000 sqm). Over the course of 2017, the vacancy rate – despite higher completion volumes – went down to 4.9%, by approximately 40 base points.

The peak monthly rent in Vienna remained stable at around € 26.0/sqm. Monthly rents rose by around 1.5% to € 17.00/sqm in good office locations, while monthly rents in average locations stood at about € 14.55/sqm.

THE REAL ESTATE MARKET IN GERMANY ¹⁾

The investment market

The transaction volume for commercial real estate in Germany totalled € 57.4 bn, 9% above the previous year's result, generating the second best result following the 2007 boom year. In spite of sharply falling yields, the German investment market continued to stand out as a stable and safe investment market that displayed extremely robust demand levels supported both by German and, increasingly, international investors. Office properties remain the investment focus of investors, attracting almost half of the total volume (a new record level since official figures were first taken, according to CBRE Research). The top locations accounted for around 74% of investment. Prime yields were subject to compression once again in 2017, albeit to a more moderate extent than in the previous years. The CBD net initial yield for the top 7 markets is reported at 3.28%.

The Berlin market posted undiminished strong demand, generating € 7.1 bn – the second best year in its history (49% above last year's level). Over the course of the year, the prime yield dropped to 3.10% (2016: 3.40%). The office market in Frankfurt recorded investment volumes of € 6.0 bn, including the sale of the Tower 185 of CA Immo together with both joint venture partners to Deko Immobilien, covering a volume worth € 775 m. Prime yields shrank to a record low, arriving at 3.20% at year end, down 20% from the end of the previous year (2016: 4.00%). The office investment market in Munich was characterised by numerous large-volume transactions and recorded its third strongest year after 2007 and 2016, generating the same volume of € 6 bn. Year on year, the prime yield fell to 3.00%, 20 base points down since the end of 2016.

The office property market²⁾

The continued positive development of the German economy was reflected in GDP growth of 2.2% in 2017, a higher growth rate than in the previous years (2016: 1.9%, 2015: 1.7%). In 2017 the number of gainfully employed persons reached its peak since the German reunification. These highly 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 2017. Floor space take-up in 2017 totalled 982,600 sqm, approximately 24% above the previous year's value. Extremely tight supply coupled with continuing high demand brought about a rise in the peak monthly rent of more than 4% to € 36.50/sqm, while the weighted monthly average rent of € 17.30 was roughly 9% above last year's reading. The office vacancy rate of 3.1% (2016: 4.1%) reached a new historic low for the overall market at year end. At a vacancy rate of 1.9% Munich's city area was factually fully let. The completion volume of around 238,000 sqm in 2017 (new builds and core refurbishments) exceeded last year's level by 53%, just above the ten-year average figure. The stock of office floor space totalled approximately 21.4 m sqm at year end.

¹⁾ Sources: CBRE: Germany Office Investment MarketView Q4 2017; Berlin, Munich, Frankfurt Investment MarketView Q4 2017

²⁾ Sources: CBRE: Munich, Frankfurt, Berlin Office MarketView Q4 2017; Destatis

Office space take-up in **Frankfurt** stood at 716,600 sqm in 2017, a significant rise of more than 30% on the previous year and the highest value since 2000. Increasing demand reduced the vacancy rate to 9.5%, the first single-digit figure since the year 2003. Aside from rising demand for office space, demolition and conversion of older office premises to other uses underpinned this positive trend. Compared to last year, the peak monthly rent rose slightly to € 40.00/sqm. The weighted monthly average rent in the market is reported at € 20.70/sqm per month. The completion volume (new builds and core refurbishments) arrived at around 101,000 sqm, clearly below the 10-year average of 181,000 sqm, and is expected to remain below that level also in 2018. While an addition of about 193,000 sqm is expected for the year 2019, CBRE projects a volume of 172,000 sqm for 2020 (of which 50,000 sqm were reported to be already let at the end of 2017). Completion of "ONE", CA Immo's currently largest development project in Frankfurt, is scheduled for the year 2020. At the end of the year, the reported stock of office space was around 11.4 m sqm.

Office space take-up of 925,500 sqm registered for **Berlin** in 2017 was up by 4% on the previous year and a new record value exceeding the 10-year-average by 57%. The German capital therefore headed the field for another year in terms of letting activity in the office sector. In yearly comparison, the vacancy rate fell again substantially to its current level of 3.1% (2016: 4.9%). This shortage of floor space led to a 9% increase in the peak monthly rent of € 30.00/sqm. The weighted average rent also went up further to € 19.31/sqm per month, the strongest growth among the top locations in Germany. Over the course of 2017, about 182,000 sqm of new space were completed. Although an increase to more than 400,000 sqm is expected for 2018, 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 18.1 m sqm.

THE REAL ESTATE MARKET IN EASTERN EUROPE ¹⁾

The investment market

Also in Eastern Europe the positive momentum in the properties markets was sustained. The registered transaction volume of commercial properties of € 13.0 bn was 3.3% above the previous record value posted last year. In

regional terms, Poland accounted for the largest volume (39%), followed by the Czechia (27%), Hungary (14%) and Romania (8%).

The volume of office transactions was approximately € 1.6 bn in Poland, while regional locations accounting for € 970 m generated clearly larger volumes than Warsaw. The registered prime yield in the Polish capital fluctuated between 5.00% and 5.25%. For 2018 JLL expects the investment volume to expand in the wake of large-scale deals. With its acquisition of the Warsaw Spire B prime office property CA Immo was also active in the market. Based on strong fundamental data, Prague further strengthened its position in the letting markets as an internationally sought-after investment market, with the prime yield standing at 4.85%.

Market liquidity rose sharply due to significantly improved investor sentiment regarding Hungary. Budapest recorded considerable yield compression of 6.00% for prime office projects (2016: 6.75%). Office properties accounted for roughly 43% of the overall investment volume of € 1.9 bn. Romania registered an investment volume of more than € 960 m in 2017, of which the office sector accounted for around 22%. The prime yield is reported at 7.5%.

The office property markets²⁾

Lettings continued to develop positively in all core cities of CA Immo (Warsaw, Prague, Budapest, Bucharest and Belgrade) in 2017, bringing about a decrease in vacancy rates over the course of the year.

By the end of 2017, total office space in **Warsaw** stood at around 5.3 m sqm, as approximately 275,000 sqm had been completed during the year. Currently, 860,000 sqm are 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 arrived at 820,500 sqm in 2017, equalling the record level seen in the year 2015. At the end of the year, the vacancy rate stood at 11.7%, down 2.6 percent from last year's value. Peak rents have fallen steadily in the past quarters, ranging from € 20.0 to € 23.0/sqm per month in central locations.

¹⁾ Sources: JLL: CEE Investment Market H2 2017; Budapest, Bucharest City Report Q4 2017

²⁾ Sources: CBRE: Prague, Warsaw, Bucharest Office MarketView Q4 2017, JLL: Budapest City Report Q4 2017

By the end of 2017 some 350,000 sqm of office space had been let in **Bucharest**, a decrease of 15% on the previous year. The stock of office space totalled 2.76 m sqm, following a completion volume of 120,000 sqm at the end of the year, and is set to rise by another 200,000 sqm in 2018. By completing the Orhideea Towers, CA Immo will play a major role in the process. In annual comparison, the vacancy rate fell sharply by the end of the year to 9.0%. The peak monthly rent in Bucharest was stable at € 18.50/sqm.

Annual take-up in **Budapest** amounted to 467,100 sqm in 2016, a high level above the 10-year average. For 2017, a similar strong result is expected. Total floor space came to approximately 3.4 m sqm at the end of the year. The vacancy rate continued its declining trend since 2012 and stood at 7.5% at the end of the year (2016: 9.5%). The current peak monthly rent is reported at € 22.50/sqm.

The office property market in **Prague** posted a record year in 2017. The stock of office space of around 3.34 m sqm was expanded by roughly 136,000 sqm in 2017. In 2017, lettings performance of 540,000 sqm reached a historic record level. The vacancy rate fell substantially and arrived at 7.5% at the end of the year. Monthly peak rents in central locations stood at € 20.50/sqm.

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, the Group specialises in commercial real estate with a clear focus on office properties in capital cities in the centre of Europe. The objective is to build up a focused portfolio of high quality and sustainable investment properties within the core markets of Germany, Austria, the Czech Republic, Poland, Hungary, Romania and Serbia. The company generates additional revenue through the utilisation of developed land reserves.

CA Immo Group's property assets

As at key date, the property assets of CA Immo were approximately € 4.3 bn (2016: € 3.8 bn). Of this figure, investment properties account for € 3.2 bn (75% of the total

portfolio)¹⁾, property assets under development represent € 0.6 bn (14%) and short-term properties²⁾ € 0.5 bn (11%). With a proportion of 47% 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 132,365 sqm (2016: 134,529 sqm). As at the balance sheet date, these assets comprised four investment properties and one project development in Austria with a market value (including prepayments made and construction in progress) of € 225,075 K (5 investment properties and 1 development; € 217,676 K on 31.12.2016). This portfolio generated rental income of € 15,408 K in 2017 (€ 15,439 K in 2016).

Lettings

An approximate of 15,800 sqm of floor space was newly let or extended in 2017 (13,690 sqm in 2016). The economic occupancy rate in the asset portfolio was approximately 94% (93% in 2016). The biggest tenants of CA Immobilien Anlagen AG are Österreichische Post AG and Robert Bosch AG.

Development projects

In the **Vienna district of Lände 3**, CA Immo has made rapid progress with utilisation of the last three construction sites on Erdberger Lände itself, a process that began in 2015. In October 2017, CA Immo celebrated completion of the structural shell for the 14,700 sqm office building ViE. Completion of the office building for the Lände 3 district is scheduled for 2018.

Investments

The company invested € 17,253 K in its development projects and asset portfolio in 2017 (€ 3,973 K in 2016). Of this figure, € 2,266 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) (€ 2,033 K in 2016); additional € 47 K (2016: € 118 K) was devoted to the furtherance of development projects.

Disposals

As part of its portfolio streamlining, one investment property in Vienna with a book value of € 1,128 K was sold in 2017 (compared to 2 investment properties with a

¹⁾ Incl. properties used for own purposes, properties fully consolidated and partially owned by CA Immo, consolidated at equity (pro-rata share)

²⁾ Incl. properties held for trading or sale, fully consolidated and partially owned by CA Immo, consolidated at equity (pro-rata share)

value of € 11,727 K in 2016). This sale generated total income of € 8,902 K (compared to € 17,204 K in 2016).

COURSE OF BUSINESS FOR CA IMMOBILIEN ANLAGEN AG

Results

Despite the disposals during the previous year **rental income** at € 15,408 K was only slightly down from the prior-year-figure of € 15,439 K. **Operating expenses** passed on to tenants declined in line from € 4,536 K to € 4,422 K. Furthermore, the company generated management revenues of € 12,151 K (€ 10,891 K in 2016). Overall this led to a 3% increase in **gross revenues** from € 31,088 K to € 32,171 K.

Other operating income amounted to € 14,296 K (€ 34,626 K in 2016) and comprise the following: sales revenues (asset disposals) amounted to € 10,147 K (€ 29,093 K in 2016), with a corresponding book value decrease of € -1,139 K (€ -11,734 K in 2016). Profit from the sale of tangible assets stood at € 8,937 K in 2017 versus € 17,248 K in 2016. Write-ups to tangible assets amounted to € 4,565 K (€ 14,234 K in 2016).

Staff expenses decreased by 4% from € -12,277 K in 2016 to € -11,825 K in 2017. In 2016, staff expenses included a severance payment of € 2,441 K to the former CFO Florian Nowotny following early termination of his Management Board contract. In addition, appropriate provision was made on 31 December 2016 for payment of an additional € 150 K on 31 March 2017. In 2017, the company employed 65 staff members on average (59 in 2016).

Compared to the previous year **depreciation charged to tangible assets** increased by 96% to € -13,890 K (€ -7,072 K in 2016).

Primarily caused by lower general administrative expenses (€ -11,128 K in 2017 compared to € -13,198 K in 2016) – in particular project-related legal, auditing and consultancy fees – other **operating expenditures** dropped by 10% to € -18,894 K (€ -20,964 K in 2016). In contrast, other expenses directly related to properties remained nearly unchanged and stood at € -7,302 K (€ -7,355 K in 2016).

In overall terms, the developments outlined above led to a 93% decline in **operating result** from € 25,401 K in 2016 to € 1,857 K in 2017.

The company received total **income from investments** of € 75,964 K (€ 87,773 K in 2016) via subsidiary dividend payouts. In 2017, this item was counterbalanced by expenses linked to financial assets and interest receivables on current assets of € -4,236 K compared to € -6,595 K in 2016. Loans granted mainly to subsidiary companies produced revenue of € 13,544 K (€ 14,548 K in 2016). **Other interest and similar income** stood at € 139 K (compared to € 598 K in 2016). In 2016, this figure included accrued interest of € 521 K for an own bond held by the company.

Income from financial investments stood at € 216,402 K (€ 166,975 K in 2016) and include investment appreciations in an amount of € 214,116 K (€ 164,036 K in 2016). This item was offset by writedowns on equity holdings of € -2,911 K (€ -3,898 K in 2016).

Interest and similar expenditure of € -20,776 K remain on the level of the previous year (€ -20,551 K in 2016). Interest for bank loans or **real estate financing** fell by 9% to € -2,438 K (€ -2,693 K in 2016). Expenses for derivative transactions increased to € -1,566 K (€ -165 K in 2016). Interest costs in respect of affiliated companies increased from € -522 K in 2016 to € -1,695 K in 2017. Due to the repayment of 5.125% CA Immo bond 06-16 (ISIN: AT0000A026P5) in 2016, **interest expenses for bonds** stood at € -14,715 K in 2017 versus € -17,052 K in 2016 (-14%). After the issuance of a new seven-year corporate bond with a volume of € 175 m and a coupon of 1.875% in February 2017, four CA Immo corporate bonds were trading on the unlisted securities market of the Vienna Stock Exchange as at 31 December 2017. In the third quarter, CA Immo successfully placed its second convertible bond in almost eight years. This was a non-subordinate, unsecured convertible bond 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. The bonds provide unsecured financing for CA Immobilien Anlagen AG; they are on equal footing to one another and to all other unsecured financing of CA Immobilien Anlagen AG. 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** increased by 16% from € 242,748 K in 2016 to € 281,036 K in 2017. **Earnings before taxes** stood at € 282,894 K (against € 268,149 K in 2016). After taking account of **tax revenue** of € 4,140 K (€ 5,379 K in 2016), the

annual **net profit** as at 31 December 2017 stands at € 287,033 K, compared to € 273,528 K on 31 December 2016. Taking into consideration the allocation to revenue reserve of € -4,025 K (€ -55,579 K in 2016) for 5,582,054 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 € 557,422 K (€ 400,163 K in the previous year), the annual financial statements of CA Immobilien Anlagen AG show **net retained earnings** of € 840,429 K (€ 618,112 K in 2016).

Proposed dividend for 2017

For business year 2017, the Management Board will propose a dividend of € 0.80 per share. Compared to last year, this represents another rise of approximately 23%. In relation to the closing rate as at 31 December 2017 (€ 25.81), the dividend yield is back to approximately 3%. The dividend will be paid on 16 May 2018 (the ex-dividend day and verification date are 14 May / 15 May 2018 respectively).

Cash-flow

Cash flow from operating activities (operating cash flow plus changes in net working capital) stood at € 68,766 K in the past business year (€ 91,479 K in 2016). Cash flow from investment activities was € -308,734 K (2016: € -60,618 K) and cash flow from financing activities was € 299,864 K (2016: € 35,169 K).

Balance sheet: assets

Compared to the previous year, the **total assets** of CA Immobilien Anlagen AG increased from € 2,864,240 K as at 31 December 2016 to € 3,460,026 K as at 31 December 2017.

Fixed assets rose from € 2,749,891 K as at 31 December 2016 to € 3,260,726 K on 31 December 2017. As a proportion of total assets, the share of fixed assets amounted to 94% on 31 December 2017 (31.12.2016: 96%). Intangible assets, which solely comprise EDP software, decreased to € 292 K (31.12.2016: € 591 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 € 225,075 K (compared to 5 properties with a market value of € 217,676 K on 31.12.2016). **Tangible fixed assets** totalled € 225,763 K (€ 218,397 K on 31.12.2016). **Financial assets** increased by 20% to € 3,034,671 K (31.12.2016: € 2,530,903 K). The book value of investments in affiliated companies stood at € 2,534,275 K (31.12.2016: € 2,264,459 K); current additions were mainly the result of capital contributions to subsidiaries for property investments and upward revaluations of the investments.

Current assets increased from € 112,747 K as at 31 December 2016 to € 196,661 K on 31 December 2017. **Receivables** show an increase of 89% from € 26,846 K as of 31 December 2016 to € 50,864 K on 31 December 2017. On 31 December 2017, the company has cash holdings of € 145,798 K (31.12.2016: € 85,901 K).

Balance sheet: liabilities

Shareholders' equity rose to € 2,413,608 K as at the balance sheet date (€ 2,191,291 K on 31.12.2016). The equity ratio on the key date was approximately 70% (31.12.2016: 77%). Equity covered 74% of fixed assets (31.12.2016: 80%). **Provisions** amounted to € 18,601 K (31.12.2016: € 12,042 K). **Liabilities** increased from € 657,957 K at the end of 2016 to € 1,025,033 K as at 31 December 2017.

DEVELOPMENT OF SHAREHOLDERS' EQUITY

€ 1,000	31.12.2016	Change Treasury share reserve	Dividend payments	Annual result	Addition to reserves	31.12.2017
Share capital	679,055	-1,299	0	0	0	677,756
Tied capital reserves	854,842	0	0	0	0	854,842
Retained Earnings	39,282	0	0	0	1,299	40,581
Net profit	618,112	0	-60,691	287,033	-4,025	840,429
Total equity	2,191,291	-1,299	-60,691	287,033	-2,726	2,413,608

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). With a shareholding of 26% and four registered shares, the IMMOFINANZ Group (through GENA ELF Immobilienholding GmbH, a wholly owned subsidiary of IMMOFINANZ AG) is the largest shareholder of CA Immo. The registered shares confer the right of nominating up to four Supervisory Board members. Partly use was made of this right of appointment: the Supervisory Board currently comprises eight shareholder representatives elected by the Ordinary General Meeting, two shareholder representatives appointed by registered shares and four employee representatives. Transfer of registered shares requires the approval of the company. There is a reciprocal shareholding between the IMMOFINANZ Group and the CA Immo Group. The CA Immo Group holds 54,805,566 bearer shares in IMMOFINANZ AG, equivalent to an approximately 5% of the capital stock of IMMOFINANZ AG.

The company held 5,582,054 treasury shares on the balance sheet date (around 6% of the company's capital stock). The remaining shares of CA Immo are in free float with both institutional and private investors. In the final quarter of 2017, S IMMO AG announced that it had increased its holding in CA Immo (held through its subsidiary CEE Immobilien GmbH) to just over 5%. In addition, AXA S.A. and BlackRock, Inc. currently hold around 4% of the company's capital stock through various mutual funds. No other shareholders with a holding of over 4% are known. There are no preference shares or restrictions on issued ordinary shares of the company. Apart from IMMOFINANZ Group, there are no holders of shares with special inspection rights. Employees who hold shares directly exercise their rights to vote at the Ordinary General Meeting.

Potential merger of CA Immo and IMMOFINANZ

Last year, CA Immo and IMMOFINANZ agreed to enter into constructive dialogue concerning a potential amalgamation of the two companies. The precondition stipulated by IMMOFINANZ AG of the sale of the Russian portfolio was met in December 2017. IMMOFINANZ AG had

asked for the timetable of the potential merger talks to be adjusted thereafter. On 28 February 2018 IMMOFINANZ announced to further suspend detailed discussions over a possible merger between both companies for the time being and to evaluate other strategic options, among others, the possible sale of its CA Immo investment.

In line with the Austrian Stock Corporation Act, such a merger must be approved by the Ordinary General Meetings of both organisations with a 75% majority. A fair and transparent process allied with corporate governance that conforms to international conventions are key elements in guaranteeing a sound basis on which shareholders can make decisions on the transaction.

Capital disclosures

At the 28th Ordinary General Meeting of 28 April 2015, the Management Board was authorised to increase the capital stock by up to € 215,500,975 (approximately 30% of current capital stock) by 31 August 2018 through cash or contribution in kind against the issue of up to 29,642,500 bearer shares (in several tranches if required), thereby observing the statutory subscription right (article 153 section 6 of the Austrian Stock Corporation Act) and determining the issue price and conditions by agreement with the Supervisory Board.

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. Last business year, the share buyback programme initiated in November 2016 on the basis of this enabling resolution continued. The programme allows for a volume of up to 1,000,000 shares (approximately 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 must 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. As in previous instances, the repurchase will be undertaken to support the purposes permitted by resolution of the Ordinary General Meeting and will end on 2 November 2018 at the latest. Last business year, 178,735 shares in total were acquired through the programme at a weighted equivalent value

per share of approximately € 22.52. As at 31 December 2017, CA Immobilien Anlagen AG held 5,582,054 treasury shares. At the time of publication of this report in March 2018, further repurchases had increased the number of treasury shares to 5,780,037; 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 as part of the buyback programme are published at <http://www.caimmo.com/de/investor-relations/aktienrueckkauf/>.

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.

In the third quarter, CA Immo successfully placed its second convertible bond in almost eight years. This was a non-subordinate, unsecured convertible bond 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. 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 net proceeds were used to improve the financing structure of CA Immo. Settlement for the transaction took place on 4 October 2017. 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

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, or a corporate merger takes place. The contractual regulations provide for extraordinary termination rights as well as continued remuneration (including variable remuneration) for the remaining term of the employment contract. Otherwise, there are no significant agreements in place that would become effective, change or terminate in the event of a change of control in the company resulting from a takeover bid.

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 Code¹⁾ 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 2017 (January 2015 amendment) are implemented almost in full. Discrepancies are noted in respect of C Rules no. 2 (right of appointment to the Supervisory Board) 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 2017 found that declarations of conformity submitted by CA Immo with regard to compliance with the C and R Rules of the Code were correct.

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 Risk Management division 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 of all departments and the Management Board was also set up in 2017; the committee meets quarterly. The purpose of the committee is to further secure the assessment of the Group's risk situation across departmental boundaries regularly as well as the introduction of 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 2017), 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.

¹⁾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.

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. 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.

STRATEGIC RISKS

CA Immo defines strategic risk as the danger of unexpected 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.

The Federation of German Industries (BDI), for example, is warning that businesses will be exposed to increasing global risks in 2018 that could curtail economic progress despite faster growth rates. The biggest threats emanate from China, the USA and the United Kingdom, the three main trading partners. At its annual conference on national and sector-specific risks, credit insurer Coface¹ identified overheating in developed nations, the

Chinese banking sector and social instability in emerging markets as the three greatest threats in 2018.

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. Another future crisis could have highly adverse consequences for CA Immo. Although capital market experts at Deutsche Bank are predicting in their Capital Markets Outlook 2018 that the global economy will continue to expand solidly this year as US monetary policy gradually returns to normal, they also point to potential economic dangers. In particular, spiralling inflation could force central banks to abandon their zero interest rate policy faster than planned, with correspondingly adverse effects on economic development around the world. In their view, 2018 will be defined by two market-influencing factors: the strong global economy on the one side and the central banks on the other, who will need to ensure a smooth transition to a less expansive monetary policy.

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.

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.

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.

Geopolitical risks and unexpectedly strong inflationary developments could also slow the upturn in 2018, with potentially negative effects for the capital market. Where

¹ Coface handbook: Country & Sector Risks 2018.

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. Although the positive political and economic developments of last year have tempered the risk in certain regions, fresh geopolitical friction must be borne in mind. The boom of 2017 continues unabated thanks to the robust development of the global economy and anticipated tax reforms in the USA. In Japan, the triumph of the LPD party in parliamentary elections delivered a boost to Abenomics while in China, President Xi Jinping consolidated his reform project by defining its direction in more detail. At the same time, however, new geopolitical frictions have surfaced. Problem areas include further destabilisation in the Middle East. Any escalation of tension would have an effect on oil prices, while political factors could also heighten investment risk. North Korea may continue to be a source of problems: while it is clear that China and the USA are seeking a joint solution, the foreign policy direction of North Korea is unforeseeable. Within the eurozone, Brexit and the U.S. trade war could have an underappreciated effect on financial markets. There will also be a focus on Germany, where the difficult process of setting up a governing coalition have brought political life to a standstill.

Many of these risks are not actively manageable. CA Immo has a range of precautions in place to minimise the risk.

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 con-

sumer 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. 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. The possibility of an increase in general interest rates forcing property yields up and values down cannot 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 the Hesse portfolio and non-core properties, and especially the logistics portfolio, and more recently shares in Tower 185 in Frankfurt), regional distribution in the portfolio is approaching the desired levels of up to 20% for Austria and apart from that an equal proportion of Germany and Eastern Europe. Germany remains the biggest single market of CA Immo, accounting for a share of 47%. The aim here is to maintain property assets of € 250-300 million 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 properties in this category at present are Tower 185 (closing of sale in January 2018) and the Skygarden office building in Munich. The concentration risk in

respect of **single tenants** is manageable. As at 31 December 2017 present, the top 10 tenants were generating some 22% of rental revenue. With an approximate share of 6% of total rental income, PricewaterhouseCoopers was the biggest individual tenant in the portfolio on the balance sheet date; the sale of Tower 185 will reduce this share to around 3%. Land reserves and land development projects also 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 under 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; around 20% of outstanding receivables are adjusted on average. 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 on 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 **special asset classes** such as shopping malls, specialist retail centres 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, especially in Germany – the core market for CA Immo's development projects – presents risk to the company as regards the (on time) availability of construction services and the level of building costs. Last year saw a massive rise in **construction costs** driven by high demand. Rates for constructing a conventional residential building in Germany, for example, rose by 3.4% between November 2016 and November 2017. According to the Federal Statistical Office (Destatis), this was the steepest rise in construction prices for 10 years (November 2007: +5.8%). Between August 2017 and November 2017, construction prices expanded by 0.7%. With the construction volume in Germany likely to remain high, further rises in building costs cannot be ruled out; this in turn would create risks to budget compliance and overall project success. 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 contaminated 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.

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. Moreover, 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. The **expertise** possessed by a company and its workforce constitutes a significant competitive factor and a unique point of distinction over competitors.

CA Immo takes various measures to counter these risk factors. In the case of corporate mergers (e.g. the former Vivico and Europolis), CA Immo observes structured processes of organisational integration. 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, rental revenue, capital gains and other income 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 are 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 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. 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). The planned repayment of financial liabilities in Eastern Europe will expand the pool of unencumbered assets – a key criterion in the company's investment grade rating.

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. To this end, various liquidity deployment measures have been identified and successfully implemented in some

instances. The use of trading income to repay liabilities falling due in the next two years 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 enters into equity partnerships (joint ventures) at project level. Even with meticulous planning, however, liquidity risk cannot be eliminated, 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 and swaps) in the case of floating-rate loans. Swaptions are also used to manage interest rate risk. 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. Sufficient provisions have been formed for all risks identified. Moreover, CA Immo is increasingly obtaining finance from the capital market. Unsecured financing currently accounts for less than 10% of the total financing volume, including in the form of corporate bonds. Continually optimising the financing structure 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 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 point to positive economic development in Europe in the years 2018 and 2019, which has picked up pace in recent quarters. We believe the general conditions on the relevant CA Immo's core markets should remain conducive to business. With the environment in Germany remaining fundamentally strong, core markets in Eastern Europe are also reporting clear growth trends. The financing and interest environment will continue to define the real estate sector in 2018.

Strategy

Following successful implementation of the strategic programme for 2012-2015, the subsequent strategic agenda for 2015-2017 was also implemented successfully. In 2017 CA Immo largely concluded the sales of non-strategic properties as well as its wide-ranging optimisation of the financing structure; together with a further reduction in average financing costs, this has significantly enhanced the robustness of the financing profile. The pool of unmortgaged properties has been significantly expanded while the average term of financial liabilities and the interest rate hedging ratio have both risen substantially.

As in the previous year, the strategic focus for 2018 will again be firmly on raising value through expansion of the CA Immo portfolio within defined core markets. The main aim will be to continuously raise the profitability of the CA Immo Group over the long term.

Development

The development of high quality core office properties on the core markets of CA Immo as a driver of organic growth, especially in Germany, will remain critically important in the business years ahead in terms of the company's growth strategy. Further rapid progress will also be made on development projects under construction. Moreover, dates for the commencement of construction work will quickly be assigned to development projects at the preparation stage. At present, this applies, amongst others, to several residential projects, which are achievable on existing land reserves earmarked for residential units.

Rental business

In like-for-like comparison, rental levels are expected to be generally stable across the portfolio.

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 on our core market of Germany. Thanks to a significant rise in the interest rate hedging ratio in 2017 to over 90% on the key date, the robustness of the Group's cash flow is assured, even in the event of rising interest rates. For more information and details, please refer to the 'Financing' section.

Key factors that may influence our business plans for 2018 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, unemployment and inflation).
- The general progression of interest rates.
- The financing environment as regards availability and the cost of long-term financing with outside capital 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; the transparency and development level on our real estate markets.

RESEARCH AND DEVELOPMENT

Technological and social change continues to transform the office environment and the knowledge-based economy. Technological and social change is transforming the office environment and the knowledge-based economy faster than ever before. 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.

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). 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 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.

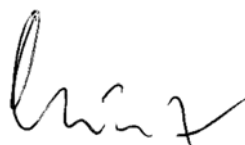
The aim of these pilot projects and research activity is to influence the market by presenting innovative offers. We ensure the long-term competitiveness of the company by developing innovative new office properties, drawing on our own findings and applying external best practice in the process.

Vienna, 26 March 2018

The Management Board



Frank Nickel
(Member of the Management Board)



Andreas Quint
(Chief Executive Officer)



Hans Volckens
(Member of the Management Board)

AUDITOR'S REPORT

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, 2017, 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, 2017 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.

Other Matters

The financial statements of CA Immobilien Anlagen Aktiengesellschaft for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2017.

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, 2017 show material investments in affiliated companies (TEUR 2.534.275) as well as loans to affiliated companies (TEUR 494.345). Furthermore, the financial statements show income from the revaluation of investments in and loans to affiliated companies of TEUR 214.556 and impairment of such of TEUR 2.890.

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 development 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 "9 a) – Financial assets" and in appendix 2 – Information about group companies in the financial statements as of December 31, 2017.

Consideration in the audit

To address this risk, we have critically assessed the assumptions and estimates made by management. Our audit procedures comprised, among others, the following:

- 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 and independence of the external valuation experts engaged by management
- Assessment of the applied methods and the mathematical accuracy of selected 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 and with involvement of our internal property valuation experts
- 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 11, 2017. We were appointed by the Supervisory Board on November 2, 2017. 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 26, 2018

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Alexander Wlasto mp

Mag. (FH) Isabelle Vollmer mp

Wirtschaftsprüfer / Certified Public Accountant

Wirtschaftsprüferin / Certified Public Accountant

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 MANAGING BOARD DUE TO SECTION 124 OF THE AUSTRIAN STOCK EXCHANGE ACT (BÖRSEGESETZ)

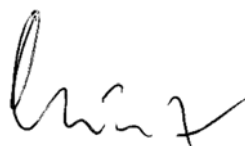
The managing board confirms to the best of their knowledge that the financial statements of CA Immobilien Anlagen Aktiengesellschaft, which were prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss 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, 26 March 2018

The Management Board



Frank Nickel
(Member of the Management Board)



Andreas Quint
(Chief Executive Officer)



Hans Volckens
(Member of the Management Board)

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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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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.

