

## 1. Statement by the Employees' Work Council of S IMMO AG on the mandatory takeover bid (sections 22 et seq. of the Austrian Corporate Takeover Act) by CPI PROPERTY GROUP S.A.

On 14 April 2022, CPI PROPERTY GROUP S.A. (CPIPG) requested that an extraordinary general meeting of S IMMO AG be called to vote on the abolition of maximum voting rights and, at the same time, announced its intention to make a mandatory takeover bid in accordance with sections 22 et seq. of the *Übernahmegesetz* (ÜbG – Austrian Corporate Takeover Act) to the shareholders of S IMMO AG of at least EUR 22.00 after maximum voting rights are abolished. The Management Board of S IMMO AG and CPIPG reached an agreement regarding the takeover bid on 2 May 2022. Under this agreement, the Management Board supports the abolition of maximum voting rights and, in return, CPIPG increased its offering price to EUR 23.50 (cum dividend). The Annual General Meeting of S IMMO AG was held on 1 June 2022, where the majority of shareholders voted to abolish maximum voting rights. After all antitrust approvals were obtained, the commercial register court entered the amendment to the Articles of Association to abolish maximum voting rights in the commercial register on 27 June 2022. The offer document for the mandatory takeover bid was subsequently sent to the Management Board and the Chairman of the Supervisory Board of S IMMO AG on 15 July 2022 and, in accordance with section 11(3) ÜbG, was forwarded to the Works Council of the company for its acknowledgement without delay.

### **Statement by the Management Board and the Supervisory Board**

The Works Council has despatched its three members to the Supervisory Board of S IMMO AG. These members reviewed the statement by the Management Board and supported the decision of the Supervisory Board to fully endorse this statement. Regarding the comprehensive business and legal analysis of the offer documents, the Works Council refers to the document posted on S IMMO AG's website. In view of the current economic uncertainty stemming from the rise in interest rates and the threat of a recession and given the context of the share price performance of other property stocks in 2022 especially, it appears clear that this takeover bid provides the shareholders of S IMMO with an appropriate exit scenario.

### **Initial situation**

The Works Council is open to all shareholders who wish to contribute to the long-term success of the company and therefore invest in the company. At the same time, the Works Council must uphold the interests of the employees of S IMMO AG to the best of its ability and review strategic decisions in terms of their social viability and their impact on the company's employees.

CPIPG announced its intention to make a mandatory takeover bid to the shareholders of IMMOFINANZ AG in December 2021. The offer documents with an offering price of EUR 21.20 (cum dividend) were published on 12 January 2022; CPIPG increased its offer to EUR 23.00 (cum dividend) on 10 February 2022. The results of the first acceptance period were announced on 24 February 2022; CPIPG held 55.07%, and thus a controlling interest,

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in IMMOFINANZ AG as of 3 March 2022. Following the end of the extension period for the takeover bid, CPIPG now holds around 77% in IMMOFINANZ. At the same time, CPIPG invested in S IMMO AG directly by acquiring an interest of 11.61% in December 2021. On 7 March 2022, CPIPG reported a total shareholding in S IMMO AG (including the S IMMO shares held by IMMOFINANZ AG) of 42.55%.

Firstly, the offer made should therefore be considered in the context that CPIPG already holds a controlling interest in S IMMO AG as referred to by the Austrian Corporate Takeover Act. Secondly, in order to assess the consolidation into a group that would presumably follow the takeover bid, it appears logical and advisable to consider the possible and probable effects of the steps already implemented by CPIPG at IMMOFINANZ AG.

### **Strategic and business impact**

In the offer document, CPIPG emphasises that it is not planning “*any material changes or additions to the business strategy of the Target Company*”, that it supports “*the current and future growth strategy of the Target Company*” and that it attaches “*great significance to the abilities and experience of the current management team and employees of the Target Company*”. At the same time, these statements are materially or at least partially qualified or restricted in the subsequent paragraphs. The offer document therefore does not seem sufficient to conclusively assess the bidder’s intentions regarding S IMMO’s further strategy or matters concerning S IMMO’s employees.

The following significant changes have taken place at IMMOFINANZ AG since control was acquired at the start of March of the current year:

- The Supervisory Board was reduced to four shareholder representatives and both the CEO and a top executive of CPIPG were appointed to the Supervisory Board. Moreover, the exercise of change-of-control rights completely changed the composition of the Management Board.
- A strategic change of course (including the disposal of properties of EUR 1 billion) was communicated.
- A significant restructuring of IMMOFINANZ AG is underway at both a local and international level, and turnover among IMMOFINANZ employees at a level significantly higher than before is rumoured.

### **Effects on S IMMO personnel**

In the offer document, CPIPG emphasises the importance of the “*ongoing involvement of the senior management team of the Target Company*” and reiterates that it does not intend “*to make material changes or additions to the general working conditions of the employees of the Target Company as a whole or the existing employee representation*”. The Works Council naturally welcomes this.

At the same time, just one line later, it is announced that “*within the overall corporate group of the Bidder, including the Target Company and IMMOFINANZ, substantial synergies are to be achieved through improved operational processes, the pooling of back office functions, the reduction of redundancies in administration and an improved allocation of responsibilities and organisational workload*”. It appears realistic overall that the aim of leveraging “*substantial synergies*” essentially entails plans to intervene in matters concerning employees and the personnel structure, and the Works Council thus regards the comments quoted above with a healthy scepticism.

S IMMO AG employs around 50 people in Austria. Throughout the Group as a whole – i.e. including the subsidiaries in Hungary, Germany, Romania and Croatia, this number is roughly 130 (not including the employees of the hotels

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# Statement by the Works Council

Vienna, 27 July 2022



run under management contract). S IMMO is therefore a lean organisation. For decades, the company has been characterised by flat hierarchies, a high level of efficiency thanks to practiced and proven cooperation and low cost ratios. On the one hand, the extremely low turnover at the head office in Vienna (6.52 % in 2021) and the long length of service of the company's employees have led to considerable experience regarding S IMMO's specific business and to professional and highly efficient working methods. On the other, this demonstrates S IMMO AG's appeal as an employer. In our opinion, this is a key contributing factor to S IMMO highly successful corporate track record. The Works Council sees the optimal utilisation of the expertise of the practiced, efficient and so far highly motivated team as a business advantage in implementing the future business strategy and thus in the shareholders' interests as well.

## Summary

The Works Council is fundamentally open to takeover bids and integration steps that actually result in synergies. However, given the contradictions in the offer document set out above, we remain concerned that S IMMO's staff will face uncomfortable changes in the coming months that will presumably not be well accepted by the staff. This therefore entails the risk of a rapid loss of key expertise and thus significant business risks. As the Works Council, our primary objective is to oversee employee concerns and to ensure that such processes achieve the utmost compliance with the provisions of labour law applicable in Austria. We assume that the claim to compliance with all legal conditions is consistent with that of the Bidder, and naturally we are open to a constructive dialogue and cooperation in this context at all times.

Vienna, 27<sup>th</sup> July 2022

The Employees' Work Council of S IMMO AG

A handwritten signature in black ink, appearing to be 'Hoy'.

A handwritten signature in black ink, appearing to be 'Holger Schmidtmayr'.

Elisabeth Wagg

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