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Statement of S IMMO AG's Works Council
on the voluntary takeover offer
(§§ 4 ff Takeover Act)
by IMMOFINANZ AG

On 14 March 2021 IMMOFINANZ AG announced its intention to make a voluntary public takeover offer to the shareholders of S IMMO AG. The corresponding offer document was submitted to the management board and the chairwoman of the supervisory board of S IMMO AG on 19 May 2021 and was immediately forwarded to the works council of the company for information pursuant to section 11 para 3 ÜbG.

Statement of the Management Board and Supervisory Board

The works council has delegated two of its members to the supervisory board of S IMMO AG. These members have reviewed the statement of the management board and supervisory board in advance and agreed to its publication. The works council agrees in its entirety with the recommendations of the executive bodies of S IMMO AG and refers to the document available on the website of S IMMO AG for a comprehensive economic and legal analysis of the offer documents.

Initial situation

In principle, the works council welcomes all shareholders who want to contribute to the long-term success of the company and therefore take a stake in the company. At the same time, the works council must protect the interests of S IMMO AG employees to the best of its ability and examine strategic decisions for their social compatibility and their impact on the company's employees.

S IMMO AG and IMMOFINANZ AG have held reciprocal shareholdings for about three years now, and each is the largest shareholder of the other company. While S IMMO AG holds a stake of approximately 13.4% in IMMOFINANZ, IMMOFINANZ currently holds approximately 26.5% of S IMMO AG. There have also been parallel efforts from different sides to merge the two companies for about three years. To this end, talks on a possible merger were held between the executive bodies of the companies in 2019, which were terminated without result because no agreement could be reached, particularly on a possible exchange ratio.

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Also in 2019, IMMOFINANZ AG submitted a motion to the 30th Annual General Meeting of S IMMO AG to remove the maximum voting rights from the Articles of Association. The motion was rejected by shareholders at the Annual General Meeting - as was the case at the 2018 Annual General Meeting.

Strategic and economic impact

In the Q&As, which IMMOFINANZ AG makes available to its shareholders on its website, the question about the next steps after the completion of the Offer is answered as follows:

“IMMOFINANZ will, depending on the size of its shareholding in S IMMO AG after the successful settlement of the Offer and the then existing economic situation and regulatory framework, consider further steps.”

At shareholder events during the presentation of the business figures for 2020, it was also pointed out in response to corresponding questions that it was not yet possible to provide any information about the future strategy or detailed statements about possible synergies after a takeover. These answers seem insufficient for us to be able to make a valid assessment of the advantages of a takeover by IMMOFINANZ AG for both companies.

Shareholder Structure of IMMOFINANZ AG

At the time of this statement, in addition to S IMMO AG, RPPK Immo GmbH (approx. 10.5%) and Radovan Patrick Vitek (approx. 10.0%) are known shareholders of IMMOFINANZ AG. At the end of January 2021 RPPK Immo GmbH, which is attributable to Ronny Pecik (currently the CEO of IMMOFINANZ AG) and Peter Korbačka, concluded a share purchase agreement with Revenite Austria S.a.r.l. – attributable to Aggregate Holdings S.A., which in turn also holds a 10.8% stake in S IMMO AG. A condition precedent to this contract is Mr Korbačka’s consent to the sale by 31 March 2021. According to media reports, legal clarification has been underway for more than two months now as to whether this consent has actually been given and the purchase contract has thus entered into force. The media also report that the sale would result in Mr. Pecik resigning his CEO mandate. Thus, at the time of this statement, both the shareholder structure and the management of IMMOFINANZ AG are subject to possibly imminent changes, leading to additional uncertainties regarding the further course of action of IMMOFINANZ AG. Concurrently the papers have disclosed a criminal complaint launched with the Public Prosecutor’s Office for White Collar Crime and Corruption. The fact that the parties involved also publicly confront each other with various accusations does not really bolster confidence.

Location issue

The Offer Documents state that IMMOFINANZ AG does not assume that the completion of the Offer will have any impact on the headquarters or employment conditions at S IMMO. Especially in view of the uncertainties regarding the composition of the management and the shareholder base of the Bidder Company, it would be desirable to substantiate this assumption with binding commitments. Such commitments can be well established through Business Combination Agreements - for example, in the planned takeover of Deutsche Wohnen AG by Vonovia AG, which is taking place simultaneously in Germany. In this case agreements were made which also take into account the interests of the employees and thus prevent key positions and valuable company resources from being imperiled in the takeover process. The works council would welcome such an agreement and is available for respective constructive discussions.

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Social impact

In the offer document, IMMOFINANZ AG emphasises that a reduction in personnel is not in the foreground. The works council naturally welcomes this. At the same time – as one of the few business policy goals that are concretely formulated in the offer document – the possibility is considered to combine the management of the real estate portfolio and administrative tasks in individual business areas. Such a merger would probably only make sense with simultaneous staff reductions. In the light of this, the works council views the statement mentioned at the beginning with a certain degree of scepticism.

S IMMO AG employs about 40 people in Austria, and about 110 across the Group – including the subsidiaries in Hungary, Germany, Romania and Croatia (not including the employees of the hotels operated under management contracts). This means that S IMMO has a very lean structure. Flat hierarchies, a high degree of efficiency and a low cost structure have characterised the company for decades. The extremely low staff turnover at the headquarters in Vienna (2.4% in 2020) and the above-average length of stay in the company are evidence of the team's many years of experience and expertise, as well as S IMMO AG's attractiveness as an employer. S IMMO can look back on an extremely successful company history. To forego the expertise of the well-coordinated, efficient and highly motivated team that is largely responsible for these successes in the long term cannot be in the spirit of a successful merger of the companies.

Market participants who know both companies well, have already expressed their concerns that the corporate cultures of the two companies are very different and that a mutually satisfactory integration could face various challenges. For example, the industry journal "Der Börsianer" (derboersianer.com) writes the following analysis on its website:

"However, with the management of Immofinanz AG and S Immo AG, two completely different corporate worlds collide. It takes a fine blade to integrate them. This will be a prerequisite for a successful takeover."

These and other statements reinforce our concern that a merger is not in the best interests of S IMMO employees.

Alternative: Stand-alone

The Management Board of S IMMO AG has already presented its strategy in the event that the current takeover bid should not be successful. A key point is to divest the mutual shareholdings by selling the shares in IMMOFINANZ AG and CA Immobilien Anlagen AG. The proceeds thus obtained can be used directly for the purchase of profitable properties in the company's markets in order to further increase the value of S IMMO on a continuous basis and to further secure the high dividend-paying capacity of S IMMO AG.

The works council believes that the company is in the best possible position for this scenario and very much welcomes to definitively disentangle the various companies. The discussions about a possible merger of S IMMO AG and IMMOFINANZ AG, which have now lasted almost three years, have not been crowned with success to date, but have also tied up valuable resources. Focusing fully on S IMMO's core business – real estate investments in selected EU markets – appears to be the most promising option from the staff's point of view. The company has proven its earnings strength in the past, potential was recognised in good time and used to further increase the company's value. Against this background, it also appears more attractive for shareholders in the long term to

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Statement of the Works Council

Vienna, 02 June 2021



remain invested in a strong, growing dividend-paying stock such as S IMMO and not to tender the shares into a takeover offer below EPRA NAV.

Summary

In principle, the works council is open to takeover bids. However, we are convinced that the present offer does not reflect the value of the S IMMO share. We remain concerned that a merger of the two companies is not in the best interests of the shareholders and employees of the company. The strategic considerations of IMMOFINANZ AG were only presented in an insufficient form and the statements regarding the effects of the offer on the employee situation and location issues lack substance and are therefore not convincing. Against this backdrop, it seems much more sensible to disentangle the companies and let S IMMO continue its growth course of recent years in a stand-alone variant.

Finally, it should be noted that the effects on the location, employment situation and social compatibility described in this statement could potentially also apply to the employees of IMMOFINANZ AG. Our concern is to strengthen the Austrian location and secure jobs - in both companies.

Vienna, 02 June 2021

The Employee Works Council of S IMMO AG

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