

IMMOFINANZ AG
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IMMOFINANZ AG has prepared this memorandum to provide information on specific aspects of Austrian tax law that apply to natural persons who are resident in Austria and hold IMMOFINANZ AG shares as part of their private assets. The memorandum does not cover the respective tax aspects for legal entities resident in Austria or natural persons who hold IMMOFINANZ shares as part of their business assets. Also not included are the tax consequences of the dividend payment for legal entities and natural persons who are not considered Austrian residents for tax purposes.

Please note that this information should be understood as a general guide for orientation. It is not legally binding and does not contain complete or comprehensive information or legal or tax advice on the dividend payment. Shareholders should therefore obtain professional advice on the tax consequences of the dividend as related to their personal situation.

Information on the Dividend

General information

The Executive Board will make a proposal to the 23rd annual general meeting of IMMOFINANZ AG on 29 October 2016, which calls for the **distribution of a 6 Euro cent dividend per share from retained earnings as shown in the annual financial statements as of 30 April 2016.**

Subject to the approval of the annual general meeting, the dividend will be distributed to shareholders on 4 October 2016 through their depository institution by Erste Group Bank AG as the payment office for IMMOFINANZ AG.

Classification as a repayment of capital without the deduction of withholding tax

The dividend is classified for tax purposes as a repayment of capital. The most important advantage of this classification is that the dividend will not be subject to 27.5% withholding tax. Shareholders will therefore receive the EUR 0.06 dividend per share “gross for net”, i.e. without the deduction of withholding tax (see the following notes under tax information).

Tax information for “private investors“

The following information applies solely to natural persons who are resident in Austria and who hold IMMOFINANZ shares as part of their private assets. In connection with this information, please note the disclaimer at the beginning of the memorandum.

1. What is a repayment of capital

A repayment of capital is a tax-neutral redistribution to shareholders from a corporation’s equity, outside of taxable distributions.

2. Does the capital repayment trigger 27.5% withholding tax?

No, because this dividend under company law is classified as a repayment of capital for tax purposes as defined in § 4 (12) of the Austrian Income Tax Act. Withholding tax is not levied on such repayments of capital. The dividend is transferred to shareholders “gross for net”, i.e. without the deduction of taxes.

3. Can this dividend create a tax liability for natural persons who are resident in Austria and hold shares as part of their private assets?

The repayment of capital is a tax-neutral event and, as such, will principally not create a tax liability for natural persons who are resident in Austria and hold the shares as part of their private assets. However, the repayment of capital reduces the purchase price of the shares (for tax purposes). If the capital repayment exceeds the purchase price of the shares (for tax purposes), a sale is considered to have taken place for tax purposes.

Therefore, when the purchase price of a share (for tax purposes) equals or exceeds 6 Euro cents on the date of the capital repayment, there will be no fictitious gain on sale for a capital repayment of 6 Euro cents per share because the capital repayment did not exceed the purchase price of the share (for tax purposes). This calculation is based on the purchase price of the share for tax purposes and also includes any previously received capital repayments.

Shareholders who are resident in Austria and hold shares as part of their private assets will only incur a tax liability when the capital repayment exceeds the purchase price of the shares (for tax purposes). In this case, the surplus amount will be taxed as a fictitious gain on sale. The reduction of the purchase price (for tax purposes) caused by the capital repayment increases a possible taxable gain on the sale of the shares at a later point in time (also see the example under point b).

The following comments on tax liability principally apply i) to a fictitious gain on sale if the capital repayment exceeds the purchase price (for tax purposes) and also to ii) a later gain on sale resulting from the disposal of the shares.

a) Tax liability of a gain on the sale of IMMOFINANZ shares

The primary factors for determining the tax liability are the date on which the shares were purchased for consideration, the amount of the investment held and the date on which the shares were sold.

If the shares were purchased for consideration prior to 1 January 2011 by a natural person resident in Austria and if the total investment was always less than 1%, a gain on the sale of the shares is principally not subject to taxation. If the shares were purchased for consideration after 31 December 2010, any gain on their sale is subject to withholding tax at a rate of 27.5%.

Other rules apply if the shareholder or – in the case of purchase without consideration – his or her legal successor held an investment of at least 1% in IMMOFINANZ AG during the five years¹ preceding 31 March 2012. In general, the gain on sale is also subject to 27.5% withholding tax in this case.² If the investment was purchased before 1 January 2011 and meets the conditions specified above (1% stake in the five years preceding 31 March 2012) but was less than 1% on 31 March 2012, the gain on sale is

¹ If specific reorganisation measures lead to a reduction of at least 1% in the investment to under 1% in the transferring or accepting company, the period for the tax liability is extended to 10 years beginning on the date of reorganisation.

² Withholding tax is only charged if the investment was acquired after 31 December 2010; for investments acquired before this date, the gain on sale would be reported on the investor's tax return.

only taxable if the disposal takes place within a period of five years³ after the investment has fallen below 1%.

b) Examples

The following (fictitious) examples provide a brief illustration of the above comments:

Example 1

- Purchase of shares on 2.2.2011; purchase price for tax purposes EUR 2.57
- Capital repayment 2011: EUR 0.10
- Capital repayment 2012: EUR 0.15
- Capital repayment 2013: EUR 0.15
- Capital repayment 2016: EUR 0.06
- ➔ Purchase price for tax purposes after capital repayments: EUR 2.11
- ➔ No fictitious gain on sale
- e.g. sale of shares at the beginning of 2017 for EUR 2.51
- ➔ Gain on sale EUR 0.40; tax liability EUR 0.11 (withholding tax)

Example 2

- Same as Example 1, but purchase of shares on 2.2.2010; investment < 1%
- Gain on sale is not taxable

Example 3

- Purchase of shares on 2.1.2012; purchase price for tax purposes EUR 0.42
- Capital repayment 2011: EUR 0.10
- Capital repayment 2012: EUR 0.15
- Capital repayment 2013: EUR 0.15
- ➔ Purchase price for tax purposes after capital repayments: EUR 0.02
- Capital repayment 2016: EUR 0.06
- ➔ Fictitious gain on sale of EUR 0.04 (the amount by which the capital repayment exceeds the purchase price for tax purposes)
- ➔ Tax liability: 27.5% of EUR 0.04 = EUR 0.011 (withholding tax)

Example 4

- Same as 3, but purchase of shares on 2.2.2010; investment < 1%
- Fictitious gain on sale is not taxable

These examples are intended to provide a general overview and do not take the place of consultation with a tax expert on the specific facts connected with individual situations. Shareholders should also be aware that the legal situation may change in the future. In this connection, please note the disclaimer at the beginning of the memorandum.

³ Or, in connection with specific reorganisation measures, within an extension provided by the Austrian Reorganisation Tax Act (see Footnote 1)

4. Can the capital repayment result in a tax liability for persons who are not resident in Austria and who hold shares not as part of their private assets, in particular legal entities, natural persons who hold shares as part of their business assets or foreign shareholders?

This memorandum only provides an overview, in accordance with Austrian tax law, of the situation of natural persons resident in Austria who hold shares as part of their private assets. All shareholders and, above all, legal entities, natural persons who hold shares as part of their business assets and shareholders who are not classified as Austrian residents for tax purposes should obtain advice from a tax professional on the consequences of the dividend payment (classified as a repayment of capital for tax purposes) for their personal situation.

5. Warning

The above presentation is general and does not cover all aspects of taxation. This memorandum is provided solely for information purposes; it is in no way conclusive and does not replace professional advice by a tax accountant or attorney. Shareholders should obtain appropriate advice on the tax treatment of the dividend payment.