Report on Item 7 of the Agenda

21st Ordinary Shareholders' Meeting
of
IMMOFINANZ AG
on 30 September 2014

Report of the Executive Board of IMMOFINANZ AG in accordance with section 170 para 2 in conjunction with section 153 para 4 of the Austrian Stock Corporation Act regarding the authorisation for exclusion of subscription rights in connection with the authorisation of the Executive Board for a capital increase in accordance with section 169 Austrian Stock Corporation Act in return for contributions in cash or in kind

1. Authorisation

In the 21st ordinary shareholders' meeting of IMMOFINANZ AG (the "**Company**") the following motion in connection with item 7 of the agenda shall be proposed:

The executive board shall be authorised for five years after the registration of this amendment to the Articles of Association in the Commercial Register pursuant to section 169 Austrian Stock Corporation Act (*Aktiengesetz*), with the consent of the supervisory board, to increase the registered capital by up to EUR 234,411,975.04 by issuance of up to 225,790,537 new ordinary bearer shares in return for contributions in cash or in kind, also in several tranches and to specify the issue price, which must not be below the notional par value per share in the Company's share capital, the terms of the issuance and further details of the execution of the capital increase in agreement with the supervisory board. The executive board shall be authorised, with the consent of the supervisory board, to fully or partially exclude shareholders' subscription rights, (i) if the capital increase is effected in return for cash contributions and in total the shares issued with excluded subscription rights shall not exceed the limit of 10% (ten per cent) of the share capital of the Company at the time of the exercise of the authorisation, (ii) if the capital increase is effected in return for contributions in kind, (iii) to provide for an overallotment option (Greenshoe) or (iv) to make up for fractional amounts. The total number of shares issued in accordance with this authorisation in return for contributions in cash and in kind with excluded shareholders' subscription rights, may not exceed the limit of 20% (twenty per cent) of the share capital of the Company at the time of the exercise of this authorisation. This limit includes new shares to be issued on the basis of a convertible bond issued during the term of this authorisation with shareholders' subscription rights excluded. The supervisory board shall be authorised to resolve upon amendments of the Articles of Association resulting from the issuance of shares based on the authorised capital.

In preparation, the executive board submits a written report to the shareholders' meeting in accordance with section 170 para 2 in conjunction with section 153 para 4 Austrian Stock Corporation Act stating the reasons for the authorisation for the exclusion of the subscription right as well as justifying the proposed issue price of the shares.

2. General

The existing authorised capital of the Company will expire on 22 October 2014. In order to ensure the Company's flexibility regarding capital measures, the renewal of the authorised capital in connection with the authorisation of the executive board to exclude the subscription right will be proposed to the shareholders' meeting.

According to the proposed resolution, the authorisation for the total or partial exclusion of the subscription right shall be applicable in the following cases:

(i) utilisation of the authorised capital in return for contributions in cash (cash capital increase), whereby in this case in total the shares issued with excluded subscription rights must not exceed the limit of 10% (ten per cent) of the share capital of the Company at the time of the exercise of the authorisation;

(ii) capital increase in return for contributions in kind;

(iii) granting an overallotment option (Greenshoe) within the scope of a cash capital increase; and

(iv) make up for fractional amounts.

3. Capital increase in return for contributions in cash

The authorisation for the total or partial exclusion of the shareholders' subscription rights in case of a cash capital increase is in the Company's interest for the following reasons:

It is in the interest of the Company to cover financing needs or to strengthen the capital structure of the Company quickly by placing larger blocks of shares. A respective financing requirement may in particular arise from financing an acquisition of a company or of real estate, but also from the coverage of a refinancing requirement of the Company or one of its subsidiaries, such as for redemption of a bond, a convertible bond, loan or other financing. In particular in these cases the swift placement of shares of the Company can be necessary and appropriate.

A capital increase with exclusion of shareholders' subscription rights can be processed significantly faster and more cost efficiently as a subscription offer with a statutory subscription period of two weeks (section 153 para 1 Austrian Stock Corporation Act) and a considerable longer preparation time required for drafting and approval of a prospectus. A placement with exclusion of the shareholders' subscription rights combined with an exemption to publish a prospectus avoids these downsides. Further, a placement under a prospectus exemption significantly reduces the liability risks of the Company compared to a public offering requiring the publication of a prospectus.

The new shares can be admitted to trading on the stock exchange immediately after issuance without approval and publication of a listing prospectus as section 75 para 1 Austrian Stock Exchange Act provides for a respective exemption in case of issuances of less than 10% (ten per cent) of shares already admitted to trading on the same regulated market within a period of 12 months.

By means of a placement of larger blocks of shares under exclusion of the shareholders' subscription rights the shareholding structure of the Company may also be broadened or stabilised. First, this concerns an appropriate anchoring of the shareholders' base of the Company with institutional investors (in particular financial investors and strategic investors). With a (partial) exclusion of the subscription right, the Company is able to address an institutional investor, or a range of selected institutional investors, in advance, who commit to subscribe to a certain number of shares (so called "anchor investors"). Being able to commit to a certain allotment of new shares to such investor(s) (without claw-back) on the one side in general a higher issue price for the new shares may be realised, and further a fixed placement and subscription of shares by an anchor investor renders a positive signal and in general enhances the transaction security for the subsequent rights issue of the Company.

Furthermore, based on strategic reasons with respect to the business activities of the Company it can be appropriate to acquire an investor as new shareholders, who, due to know-how and/or investment capital broadens the business activities for the company or stabilises and strengthens the market position of the Company.

By complying with a two-week subscription period there is a risk that institutional investors may not or may only be addressed with a reduced volume because of the allocation structure and/or the exposure of the investors to market risks during the subscription period.

The share issuance (capital increase) under exclusion of the shareholders' subscription rights allows a quick placement within a short offer period. By that means the Company can swiftly and flexibly exploit market opportunities, in particular regarding the price level of the shares, for a capital increase of the Company. This applies in particular to negative share price developments during the offer period with adverse effects on the success or the costs of the capital measure (notably in volatile markets) as well as the avoidance of risk of speculation ("short selling") against the share during the offer period. In particular, in a difficult stock market environment it is important to reduce the placement risk. Especially in an unstable and volatile market environment due to macro-economic factors the Company can be subject to market-driven price risks of the shares.

Excluding the shareholders´ subscription rights allows the Company to execute an Accelerated Bookbuilding and considerably reduce the placement risk of an issue (capital increase).

In the course of an Accelerated Bookbuilding the Company is able to assess the market price precisely and more swiftly, during a short offer period, which in this form would not be possible in the course of an offer with subscription rights, as in the latter case the issue price is determined in the course of the offer period.

Executing an Accelerated Bookbuilding reduces the risk that determined conditions are no longer in line with market conditions as at the time of the actual placement. Experience shows that the market view in fact may be subject to significant changes within a two-week subscription period. However, in case of an issue with the (partial) exclusion of the subscription rights the Company is able to determine quickly and flexibly taking into consideration the actual market conditions – as far as possible – an optimized issue price for the capital increase.

International practice has also shown that better pricing has been achieved in the course of an Accelerated Bookbuilding due to the immediate placement, which eliminates market risk factors otherwise reducing the offered price from institutional investors. An Accelerated Bookbuilding provides higher transaction security, as the claw-back risk for institutional shareholders in the course of placements with subscription rights is detrimental for the placement with institutional investors. A (partial) exclusion of the subscription right in case of a capital increase in return for cash contribution reduces this claw-back risk as not a total allocation is subject to the exercise of subscriptions rights. A reduced claw-back risk also reduces discounts of the investors on the issue price.

The authorisation of the exclusion of the shareholders' subscription right is suitable, necessary and proportionate:

The authorisation of the executive board regarding the above-mentioned exclusion of the subscription right is both suitable and necessary in order to raise equity in a quick and flexible way to address financial needs or to strengthen the Company's capital structure and to extent or stabilise the shareholder structure of the Company and to address certain groups of investors as well as to exploit market opportunities swiftly and flexibly and to reduce the placement risk.

To the extent of the usual trading volumes the shareholders are free to purchase shares via the stock exchange. Consequently, in general also in the case of a capital increase with excluded shareholders' subscription rights, the shareholders have the opportunity to avoid a dilution of their shareholding quota by way of purchases of shares via the stock exchange. In case of a capital increase in return for cash contribution the issued shares must not exceed the limit of 10% (ten per cent) of the share capital of the Company. Further, a dilution of the shareholding quota in the value of the enterprise as well as voting rights would be confined to reasonable limits. Even in case of certain disadvantages for the existing shareholders because of an exclusion of subscription rights, such disadvantages would remain within reasonable limits, because the share capital increase is limited to ten per cent of the share capital. Therefore, an exclusion of the subscription right up to such amount is in general admissible under German stock corporation law.

Due to the reasons referred to above the interest of the Company to pursue the measurements in the interest of the Company – which is in any case indirectly aligned with the interests of the shareholders – prevails so that excluding the shareholders' subscription rights is not disproportionate.

In summary, it can be noted that, considering all described circumstances, the exclusion of the subscription rights within the limits described above is necessary, suitable, appropriate and in the prevailing interest of the Company objectively justified and required.

4. Capital increase in return for contributions in kind

The executive board shall be authorised to exclude the subscription right totally or partly in connection with a capital increase in return for contributions in kind.

This option to exclude the subscription right shall enable the executive board, with the consent of the Supervisory Board, to acquire real estate, companies, parts of companies as well as shares, in particular in real estate holding companies or other assets, where appropriate, in return for shares in the Company.

Strategic transactions shall be enabled depending on market conditions and the future development of the Company. When acquiring real estate, a company, parts of companies and shares, in particular in real estate holding companies or other assets, it may be appropriate or necessary to use or issue shares of the Company as consideration, e.g. where shareholders of the target company need to be compensated or in case the seller prefers to receive shares of the Company instead of cash.

Potential vendors often prefer an acquirer who offers to execute the acquisition in return for listed shares as this often renders tax benefits for the vendor. In addition, the vendor may optimally realise the received consideration by having the flexibility to sell the shares received as consideration in the market and thereby to exploit market developments.

An investment/acquisition in return for shares is also beneficial to the Company itself because this way of financing does not increase the Company's liquidity requirements or interest expenses. In particular due to own limited financial resources and/or difficulties in procuring debt financing the utilisation of shares under authorised capital usually serves as reasonable compensation for investments/acquisitions. The opportunity of offering shares exercising the authorised capital as acquisition currency for investments and acquisitions provides the Company with the necessary flexibility to exploit acquisition opportunities in a quick and flexible way.

Especially a capital increase by contribution in kind usually requires the exclusion of the subscription rights since the assets to be contributed are mostly unique in their composition (such as real estate, companies, parts of companies and shares, in particular in real estate holding companies as well as other assets) and cannot be contributed by all shareholders.

Thus, the exclusion of the subscription right in case of a capital increase in return for the contribution of real estate, companies, parts of companies as well as shares, in particular in companies holding real estate or of other assets is in the interest of the Company and its shareholders because this type of investment/acquisition offers advantages compared to other investors/bidders and does not burden the Company with financing expenses.

In case the Company pursues certain investment/acquisition the exclusion of the subscription rights is both suitable and necessary to achieve the goals as described above. When considering the interests involved, the interest of the Company and the shareholders in the investment/transaction prevails.

5. Exclusion of subscription rights in the case of overallotment options

In the course of placement of new shares of the Company it may be advantageous to be able to grant overallotment options (so called Greenshoe). Overallotment options (Greenshoe) are used in case new issues of shares are oversubscribed, i.e. in case the demand for the new shares is higher than the supply. In such case an overallotment option offers the opportunity to issue additional shares under the same terms as the shares originally issued in the course of the capital increase. This market standard measure aims at stabilising the share price after placement and as such is not only in the interest of the Company, but also of the shareholders. In order to be able to make use of overallotment options existing shareholders' subscription rights must be excluded.

6. Exclusion of subscription rights to make up for fractional amounts

The authorisation of the executive board to exclude subscription rights to make up for fractional amounts serves the purpose to achieve a practicable conversion ratio in relation to the amount of the capital increase in return for contribution of cash considerations. Without such exclusion of subscription rights the technical execution of the capital increase may be hindered, especially in case of a capital increase by an even sum. The new shares, which have been excluded from shareholders' subscription rights as free fractions, will either be sold on the stock market (stock exchange) or in any other manner be utilised for the Company in the best possible way. This procedure is in line with market standards and objectively justified since the costs of subscription right trading in case of fractional amounts are out of proportion in relation to the shareholders' advantage. In addition, impacts of the restrictions are hardly noticeable.

7. Justification of the Issue Price

The issue price for the shares of the Company in case of a capital increase in return for contributions in cash with shareholders' subscription rights (partly) excluded will be set depending on market conditions and the current share price level.

In the case of exclusion of subscription rights in the course of a capital increase in return for contributions in kind the executive board, with the consent of the supervisory board, will make use of the authorised capital only if the issue price to be agreed upon with the contributor is reasonable in relation to the value of the contribution in kind.

The offering price in the case of overallotment options (Greenshoe) is identical to the offering price of the shares to be issued in the course of the original capital increase.

8. Additional reporting

In the case of exclusion of subscription rights the executive board will publish an additional report at the latest two weeks before the respective resolution of the supervisory board is passed in accordance with the applicable statutory requirements (section 171 para 1 in conjunction with section 153 para 4 Austrian Stock Corporation Act).

Vienna, September 2014

The Executive Board