PETRUSADVISERS

Supervisory Board of Immofinanz AG ("IIA")
Wienerbergstrasse 11
1100 Wien

London, 27 February 2018

Dear Ms Lielacher, dear sirs,

Value destruction at IIA continues. A combination of being overwhelmed, unlucky and rejected by international investors has led your management team to reduce the intrinsic value and share price of the company to their lowest ever levels. The biggest investor scandal the republic has ever seen took place at IIA. Yet under your watch, IIA is still frequented by certain figures and 'investors' to whom your – at best naive – management team grants free options with other people's money. In the Windhorst / Buwog-transaction of summer of 2016, we understand no money was paid out at all, and our value was further diminished. Despite what is nothing short of a mockery of shareholders, you have still permitted the payout of certain success fees.

As substantial investors in the company we will no longer tolerate this and demand that you comment on both the timely replacement of your discredited management team – especially Oliver Schumy and Stefan Schönauer – as well as on the following points:

(1) **Russia deal:** How is it possible that – assuming as common in Russia that IIA will not receive any of the conditional payments – the deal has resulted in a total write-off of ~€320m or 29% of April 2016 book value of Russia (date of announcement of divestiture intention)? What payments were made to 'advisors'? Did you consider the deplorable outcome when paying your advisors as well as your management team? What side agreements were in place?

(2) **Sale of logistics:** the sale of the logistics business to an American financial investor was rushed at what was an extremely unfavourable time just after the announcement of the CAI merger idea. We believe Blackstone will likely make a lot of money – e.g., the share price of peer company VGP has since risen by 98% implying €298m or €0.27 per share of value that has not materialized. What forced this value destructive process?

(3) **BUWOG shares:** with unnecessary haste, your BUWOG shares were sold off on the cheap. A combination of poor timing and poor execution resulted in only advisors making money – and of course Lars Windhorst's Sapinda, who bought and sold 18.5m shares at a 14% gain in no more than 5 weeks. Eventually, Vonovia has offered €29.05 per BUWOG share. In comparison to this offer, IIA shareholders have lost mind-boggling c. €440m or €0.39 / share[1]. What mechanisms were in place to vet the decision making and parties involved?

(4) **Financing:** Despite its highly conservative LTV of c. 35%[2], IIA is paying substantially higher interest rates than peers. What has the supervisory board done to understand and address this?

(5) **Convertible bonds:** IIA has been generous with convertible bond investors. Firstly, when diluting shareholders by 12% with the convertible bond issued in January 2017 - which resulted in a 7% share price decline. Secondly, by offering a 10.5%[3] incentive fee for conversion of the 2017 bond which was very expensive for IIA shareholders. How did the supervisory board benchmark and approve those terms?

(6) **Success payment for Pecik:** how did you justify the success payment for Ronnie Pecik in 2016? What arm's length test did you apply?

(7) **EMPARK:** in April 2015, IIA bought out the JV partners and in April 2016 classified the property as "held for sale". In September 2016, this entry was reversed as a sale at a fair price did not seem possible. What had been the basis for estimating the planned sales price and what caused the dramatic reversal?

(8) **Value attributed to the 'Golden Shares' in CA Immo:** How does the supervisory board ensure that IIA's balance sheet is not being inflated too aggressively?

---

[1] *Calculated as €29.05 vs. The weighted average price of €18.55 per share as achieved by IIA.*
[2] Adjusted for the sale of Russia, the repayment of the 2017 convertible bond, the incentivised conversion of the 2018 convertible bond; all events post the balance sheet date. *CA Immo stake treated as "securities".*
[3] *Based on the "clean" (i.e. excluding accrued interest) mid-quote of the bond on the day the transaction was announced.*

(9) Communication policy of not delivering on promises: 'Promises' by IIA management have often not been fulfilled. E.g., the market has been waiting for the promised FFO guidance since 2015, the sale of Russia was 'imminent' for more than one year, the early communication of an investment grade rating has been out there for nearly one year. How does the supervisory board deal with this culture of not delivering?

(10) Confidential information: How do you ensure that confidential information not been passed to individual investors?

The situation around management is not tenable, many issues are not being addressed, the culture at IIA seems rotten. We expect that you act swiftly and reserve any appropriate legal steps.

Sincerely,

Klaus Umek
Managing Partner

Till Hufnagel
Partner