TELEKOM AUSTRIA GROUP

General information regarding the qualification of dividends as repayment of equity according to sec 4 para 12 Austrian Income Tax Act (EStG)

Dividends the distribution of which is decided starting from January 1, 2016 have to be treated as *„repayment of equity for tax purposes"* (= reduction of the acquisition cost for tax purposes for the shareholder) under certain circumstances. The qualification of a dividend for tax purposes as a repayment of equity or distribution of dividends is determined by the computation of a key figure *(„tax self-financing status")* prescribed by law. In case that this figure is positive the dividend distribution may be treated as dividend also for tax purposes; in case that this figure is negative the distribution is mandatory a *„repayment of equity for tax purposes"*.

What does this mean to the shareholder?

If there is a repayment of equity for tax purposes, there is no obligation to deduct withholding tax (Kapitalertragsteuer). Accordingly, the shareholders receive a dividend without any tax deduction into their bank accounts. However, due to the repayment of equity for tax purposes the tax acquisition costs of the shareholder are reduced by the same amount. From a tax point of view, this reduction becomes relevant only on the occasion of future disposals (especially in connection with the determination of a capital gain). In case that the tax acquisition costs fall below zero due to the dividends being treated as repayment of equity for tax purposes, any further distribution has tax-wise to be treated as capital gain.

The information whether the dividend has – for tax purposes – to be treated as repayment of equity or not is given by an annual notification of the company.

The depositary credit institution reports the respective tax acquisition costs.

The company law qualification of the distributions remains unaffected, i.e. from the point of-view of an institutional investor the acquisition cost remain unchanged in a balance sheet and company law sense.

For detailed information we kindly ask you to consult your tax advisor.