

# TELEKOM AUSTRIA GROUP

## Telekom Austria Aktiengesellschaft

(incorporated as joint stock company (*Aktiengesellschaft*) with limited liability under the laws of the Republic of Austria)

EUR [●]

### Undated Subordinated Fixed Rate Bonds subject to Interest Rate Reset

ISIN XS0877720986, Common Code 087772098, WKN A1HE5C

Issue Price: [●] %

Telekom Austria Aktiengesellschaft, Lassallestrasse 9, 1020 Vienna, Republic of Austria (the “**Issuer**” or the “**Telekom Austria AG**”) will issue on February 1, 2013 (the “**Issue Date**”) EUR [●] Undated Subordinated Fixed Rate Bonds which are subject to interest rate reset (the “**Bonds**”) in the denomination of EUR 1,000 each.

The Bonds will be governed by the laws of the Federal Republic of Germany (“**Germany**”).

The Bonds will bear interest from and including February 1, 2013 (the “**Interest Commencement Date**”) to but excluding February 1, 2018 (the “**First Call Date**”) at a rate of [●] % per annum, payable annually in arrear on February 1 of each year (each such date an “**Interest Payment Date**”), commencing February 1, 2014. For each period from and including each Interest Payment Date to but excluding the next following Interest Payment Date (each an “**Interest Period**”) from and including the First Call Date to but excluding February 1, 2023 (the “**First Modified Reset Date**”) the Bonds will bear interest at the relevant 5-year Swap Rate plus [●] % margin (the “**First Reset Interest Rate**”), payable annually in arrear on each Interest Payment Date. For each Interest Period from and including the First Modified Reset Date to but excluding February 1, 2038 (the “**Second Modified Reset Date**”) the Bonds will bear interest at the relevant 5-year Swap Rate plus [●] % margin (the “**First Modified Reset Interest Rate**”), payable annually in arrear on each Interest Payment Date. For each Interest Period from and including the Second Modified Reset Date the Bonds will bear interest at the relevant 5-year Swap Rate plus [●] % margin (the “**Second Modified Reset Interest Rate**”) for the period from and including such Reset Date to but excluding the next following Reset Date (each a “**Reset Period**”), payable annually in arrear on each Interest Payment Date. “**Reset Date**” means the First Call Date and each Interest Payment Date falling 5 years after the previous Reset Date. The “**5-year Swap Rate**” for a Reset Period will be determined by the Calculation Agent in accordance with the Terms and Conditions prior to the respective Reset Date.

The Bonds will initially be represented by a Temporary Global Bond, without interest coupons, which will be exchangeable in whole or in part for a Permanent Global Bond without interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership.

The Issue Price, the aggregate principal amount of Bonds to be issued, the interest rate, the Margin the Modified Margin and the Second Modified Margin, the issue proceeds and the yield of the issue will be included in the Pricing Notice (as defined in the section “**OFFER, SALE AND SUBSCRIPTION OF THE BONDS**” below) which has to be published in accordance with Article 10, 16(2) and (3) of the Luxembourg Act dated July 10, 2005 relating to prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*, the “**Luxembourg Prospectus Law**”) and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) on or after the pricing date, which is expected to be on or about January 25, 2013 (the “**Pricing Date**”), and prior to the Issue Date of the Bonds.

This prospectus (the “**Prospectus**”) constitutes a prospectus within the meaning of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “**Prospectus Directive**”) as amended from time to time. This Prospectus, any supplement thereto and all documents incorporated by reference will be published in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and will be available free of charge at the specified office of the Issuer.

This Prospectus has been approved by the Commission de Surveillance du Secteur Financier, Luxembourg (“**CSSF**”) in its capacity as competent authority under the Luxembourg Prospectus Law. By approving this Prospectus, CSSF gives no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer. The Issuer will prepare and make available an appropriate supplement to this Prospectus if at any time the Issuer will be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Prospectus Law. The Issuer has requested CSSF to provide the competent authorities in Austria and Germany and may request CSSF to provide competent authorities in additional host Member States within the European Economic Area with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Luxembourg Prospectus Law.

**Prospective investors should be aware that an investment in the Bonds involves a risk and that, if certain risks, in particular those described in the chapter “**Risk Factors**” occur, the investors may lose all or a very substantial part of their investment.**

This document does not constitute an offer to sell, or the solicitation of an offer to buy Bonds in any jurisdiction where such offer or solicitation is unlawful. The Bonds have not been and will not be registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Bonds and on the distribution of this document, see “**SELLING RESTRICTIONS**” below.

Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed on the Official List of the Luxembourg Stock Exchange (the “**Official List**”) and to be admitted to trading on the Luxembourg Stock Exchange’s Regulated Market. The Luxembourg Stock Exchange’s Regulated Market is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

#### Joint Bookrunners

Citigroup  
(Joint Structuring Adviser)

BofA Merrill Lynch

Morgan Stanley  
(Joint Structuring Adviser)

UniCredit Bank Austria

The date of this Prospectus is January 17, 2013

The Issuer accepts responsibility for the information contained in this Prospectus and relating to the Bonds. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with any supplement hereto and the Pricing Notice, once available, and with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Bonds offered hereby and does not constitute an offer to sell or a solicitation of an offer to buy any Bonds offered hereby to any person in any jurisdiction in which it is unlawful to make any such offer or solicitation to such person.

Citigroup Global Markets Limited, Merrill Lynch International, Morgan Stanley & Co. International plc and UniCredit Bank Austria AG (together, the “**Joint Lead Managers**” or the “**Managers**”) expressly do not undertake to review the financial condition or affairs of the Issuer during the term of the Bonds or to advise any investor in the Bonds of any information coming to their attention. No Manager accepts any liability or makes any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Bonds, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers..

Only persons authorized in this Prospectus are entitled to use the Prospectus in connection with the offering of the Bonds.

The delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of Telekom Austria (as defined herein) since the date hereof or that the information set out in this Prospectus is correct as at any time since its date. No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Bonds.

This Prospectus has been prepared by the Issuer in connection with the offering solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds and to comply with the listing requirements of the regulated market of the Luxembourg Stock Exchange. In making an investment decision regarding the Bonds offered pursuant to this Prospectus, investors must rely on their own examination of Telekom Austria (as defined herein) and the terms of the offering, including, without limitation, the merits and risks involved. The offering is being made solely on the basis of this Prospectus.

Reproduction and distribution of this Prospectus or disclosure or use of the information contained herein for any purpose other than considering an investment in the Bonds is prohibited. The information contained in this Prospectus has been provided by the Issuer. No representation or warranty, explicit or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein

and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

The Issuer and the Managers do not represent that this Prospectus may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, subject to the following paragraph, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Subject to the following paragraph, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States and the European Economic Area (including the United Kingdom) - see "*Selling Restrictions*".

This Prospectus contains statements under the captions "Summary", "Risk Factors", and elsewhere which are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward looking terminology, including the words "believes", "estimates", "anticipates", "expects", "intends", "targets", "may", "will", "plans", "continue" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. The forward-looking statements contained in this Prospectus include certain "targets". These targets reflect goals that the Issuer and all of its subsidiaries is aiming to achieve and do not constitute forecasts.

Telekom Austria bases forward-looking statements on its current plans, estimates, projections and expectations. These statements are based on certain assumptions that, although reasonable at this time, may prove to be erroneous. Investors should not place undue reliance on these forward-looking statements. Many factors could cause Telekom Austria's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

The forward-looking statements contained in this Prospectus include all matters that are not historical facts and include statements regarding the Issuer's intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry and markets in which the Issuer operates. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

Many factors could cause the actual results, performance or achievements of Telekom Austria to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under "Risk Factors" below. Should one or more of these risks or uncertainties described in this Prospectus occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. The Issuer has no intention to and assumes no responsibility for updating the information contained in this Prospectus after January 17, 2013 if not required in accordance with Article 13 of the Luxembourg Prospectus Law.

This Prospectus contains statements regarding the market position of Telekom Austria. Unless specified otherwise, such statements regarding Telekom Austria's market or competitive position are based on

Telekom Austria's internal market research.

Where information has been sourced from a third party, Telekom Austria confirms that this information has been accurately reproduced and that as far Telekom Austria is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where such information has been included in this Prospectus, the source is indicated.

The legally binding language of this Prospectus is English. Any part of the Prospectus in German language constitutes a translation, except for the terms and conditions of the Bonds (the "**Terms and Conditions**") in respect of which German is the legally binding language.

In this Prospectus all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

IN CONNECTION WITH THE ISSUE OF THE BONDS, CITIGROUP GLOBAL MARKETS LIMITED (THE "**STABILISING MANAGER**") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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## DEFINITIONS

In this Prospectus, unless the context otherwise requires,

- “**Telekom Austria AG**” or the “**Issuer**” refers to Telekom Austria Aktiengesellschaft;
- “**Telekom Austria**” refers to Telekom Austria Aktiengesellschaft and its consolidated subsidiaries.

## MARKET AND INDUSTRY DATA

This Prospectus includes information regarding market share, market position, growth rates and industry data for Telekom Austria’s lines of business, which consists of estimates based on data and reports compiled by third parties, on data from other external sources, and on Telekom Austria’s knowledge of its sales and markets. Such third party information includes the International Monetary Fund and the Worldbank. The Issuer assumes no responsibility for the correctness of any market share or industry data included in this Prospectus derived from third party sources. Such third party sources have been accurately reproduced and, as far as the Issuer is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer has no access to the facts and assumptions underlying the numerical data, market data and other information extracted from publicly available sources, and have not independently verified market data provided by third parties or industry or general publications. In many cases there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring the Issuer to rely on internally developed estimates. While the Issuer believes its internal research to be reliable, such research has not been verified by any independent source and the Issuer cannot guarantee its accuracy. The Issuer believes that such data is useful in helping investors understand the industry in which the Telekom Austria operates and the Telekom Austria’s position within the industry.

## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

### Section A – Introduction and warnings

A.1 Warnings ..... The following summary must be read as an introduction to this Prospectus.

Any decision to invest in the Bonds should be based on a consideration of this Prospectus as a whole by the investor.

Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the relevant member state of the European Economic Area, have to bear the costs of translating this Prospectus before legal proceedings are initiated.

Civil liability attaches to those persons who have tabled this summary, including any translation thereof, and applied for its notification, but only if this summary is misleading, inaccurate or inconsistent when read together with the other sections of this Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.

A.2 Consent by the issuer to the use of the Prospectus by financial intermediaries .....

The Issuer consents to the use of the Prospectus by all credit institutions licensed in accordance with Art 4 number 1 of Directive 2006/48/EC to trade securities in Austria and/or Germany (each a “**Financial Intermediary**”) (general consent) and accepts responsibility for the content of the Prospectus also with respect to subsequent resale or final placement of the Bonds by any Financial Intermediary which was given consent to use the Prospectus; an exceeding liability of the Issuer is excluded.

Indication of the period for which the consent to use the Prospectus is given .....

The subsequent resale or final placement of Bonds by Financial Intermediaries can be made during the offer period which is expected to commence on the later of 25 January, 2013 and the date of the publication of the Pricing Notice and will be open until February 1, 2013 being the date of issuance of the Bonds.

Any other clear and objective conditions attached to the consent which are relevant for the use of the Prospectus. ....

Financial Intermediaries may use the Prospectus for subsequent resale or final placement of the Bonds in Austria and/or Germany during the offer period. However, the Issuer may revoke or limit its consent at any time, whereby such revocation requires a supplement to the Prospectus.

Any Financial Intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto.

Notice to investors..... **In the event of an offer being made by a Financial Intermediary, this Financial Intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.**

### Section B – Issuer

B.1 Legal and commercial name . Telekom Austria Aktiengesellschaft

B.2 Domicile, legal form, legislation, country of incorporation ..... Vienna, stock corporation (*Aktiengesellschaft*), Austrian law, Austria.

B.4b Known trends ..... Telekom Austria operates in a highly competitive environment in both, the fixed line and the mobile communication markets with negative pricing trends visible in most of its segments. Regulatory measures, particularly on mobile termination rates and roaming tariffs, impact domestic as well as international activities negatively.

In Austria, the telecommunication market remains characterized by fierce competition and ongoing fixed-to-mobile substitution. The competitive environment in the mobile communication market intensified significantly with limited signs for changes for the foreseeable future. This led to a market decline in pricing levels for package as well as data tariffs throughout 2012. In the fixed line market the ongoing loss of fixed voice minutes, due to the fixed-to-mobile substitution, remains a key challenge.

In CESEE, strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as in Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Particularly in Bulgaria and Croatia, competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal burdens affect operations in the CESEE region. The Bulgarian operation is severely impacted by a new glide path reducing termination rates by more than a half. With respect to foreign exchange markets uncertainty remains.



B.5	Description of the group.....	The Issuer is the ultimate parent company and holding company of Telekom Austria.  The business activities are placed in a large number of subsidiaries including project companies, with a high degree of integration in the management and business activities between the subsidiaries.																																																																																				
B.9	Profit forecast/estimate.....	Not applicable. No forecasts or estimates are made public.																																																																																				
B.10	Qualifications in the audit report .....	Not applicable. There are no qualifications in the audited financial reports for Telekom Austria.																																																																																				
B.12	Selected historical key financial information .....	<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Nine months ended September 30,</th> <th colspan="2">Year ended December 31,</th> </tr> <tr> <th>2012 (unaudited)</th> <th>2011</th> <th>2011 (audited)</th> <th>2010 (audited)</th> </tr> </thead> <tbody> <tr> <td colspan="5" style="text-align: center;"><b>in million EUR</b></td> </tr> <tr> <td>Operating revenues .....</td> <td>3,212.0</td> <td>3,338.7</td> <td>4,454.6</td> <td>4,650.8</td> </tr> <tr> <td>EBITDA comparable.....</td> <td>1,136.6</td> <td>1,190.4</td> <td>1,527.3</td> <td>1,645.9</td> </tr> <tr> <td>EBITDA incl. effects from restructuring and impairment tests ...</td> <td>1,115.0</td> <td>965.7</td> <td>1,044.7</td> <td>1,503.5</td> </tr> <tr> <td>Operating result.....</td> <td>388.1</td> <td>208.8</td> <td>(7.6)</td> <td>437.9</td> </tr> <tr> <td colspan="5" style="text-align: center;"><b>in million EUR</b></td> </tr> <tr> <td></td> <td>As of September 30, 2012 (unaudited)</td> <td></td> <td>As of December 31, 2011 (audited)</td> <td>2010 (audited)</td> </tr> <tr> <td colspan="5" style="text-align: center;"><b>in million EUR</b></td> </tr> <tr> <td>Total Assets .....</td> <td>7,262.2</td> <td></td> <td>7,448.8</td> <td>7,555.8</td> </tr> <tr> <td>Current Assets .....</td> <td>1,758.7</td> <td></td> <td>1,751.4</td> <td>1,437.7</td> </tr> <tr> <td>Non Current Assets .....</td> <td>5,503.4</td> <td></td> <td>5,697.4</td> <td>6,118.1</td> </tr> <tr> <td><b>Total Liabilities And Stockholders' Equity .....</b></td> <td><b>(7,262.2)</b></td> <td></td> <td><b>(7,448.8)</b></td> <td><b>(7,555.8)</b></td> </tr> <tr> <td>Current liabilities.....</td> <td>(2,209.1)</td> <td></td> <td>(2,412.0)</td> <td>(1,883.0)</td> </tr> <tr> <td>Non-Current liabilities.....</td> <td>(4,138.3)</td> <td></td> <td>(4,153.7)</td> <td>(4,195.9)</td> </tr> <tr> <td><b>Stockholders' Equity.....</b></td> <td><b>(914.8)</b></td> <td></td> <td><b>(883.1)</b></td> <td><b>(1,476.9)</b></td> </tr> </tbody> </table>		Nine months ended September 30,		Year ended December 31,		2012 (unaudited)	2011	2011 (audited)	2010 (audited)	<b>in million EUR</b>					Operating revenues .....	3,212.0	3,338.7	4,454.6	4,650.8	EBITDA comparable.....	1,136.6	1,190.4	1,527.3	1,645.9	EBITDA incl. effects from restructuring and impairment tests ...	1,115.0	965.7	1,044.7	1,503.5	Operating result.....	388.1	208.8	(7.6)	437.9	<b>in million EUR</b>						As of September 30, 2012 (unaudited)		As of December 31, 2011 (audited)	2010 (audited)	<b>in million EUR</b>					Total Assets .....	7,262.2		7,448.8	7,555.8	Current Assets .....	1,758.7		1,751.4	1,437.7	Non Current Assets .....	5,503.4		5,697.4	6,118.1	<b>Total Liabilities And Stockholders' Equity .....</b>	<b>(7,262.2)</b>		<b>(7,448.8)</b>	<b>(7,555.8)</b>	Current liabilities.....	(2,209.1)		(2,412.0)	(1,883.0)	Non-Current liabilities.....	(4,138.3)		(4,153.7)	(4,195.9)	<b>Stockholders' Equity.....</b>	<b>(914.8)</b>		<b>(883.1)</b>	<b>(1,476.9)</b>
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	No material adverse change/ significant changes in financial or trading position.....	There has been no material adverse change in the prospects of the Issuer and Telekom Austria since December 31, 2011. There were no significant changes in the financial or trading position of Telekom Austria since September 30, 2012.																																																																																				
B.13	Recent events to a material extent relevant to the evaluation of the Issuer's solvency.....	Not applicable, as no recent event was to a material extent relevant to evaluate the Issuer's solvency.																																																																																				
B.14	Dependency of the Issuer .....	Not applicable, as the Issuer is not dependent upon other entities within Telekom Austria.																																																																																				
B.15	Principal activities.....	Telekom Austria is a telecommunication provider. Its portfolio of fixed and mobile communication products and services covers many aspects of modern information and communication technologies, i.e. fixed and mobile voice telephony, fixed line and																																																																																				

mobile broadband internet, multimedia services, IP- and cable TV, data and IT applications, wholesale and payment services.

Telekom Austria's Austrian subsidiary, A1 Telekom Austria AG is a fully integrated fixed and mobile operator offering the whole product range to consumers and business customers. Its focus is on convergent product bundles including mobile and fixed line voice, mobile and fixed internet and IPTV.

In Bulgaria, Telekom Austria's local subsidiary MobilTel EAD, offers fixed line and mobile voice and data services to consumer and business customers, fixed line with fixed voice, high-speed internet and IPTV. In Croatia, Telekom Austria's local subsidiary VIPnet d.o.o. offers fixed line and mobile voice services as well as data services to consumer and business customers, fixed line with fixed voice, high-speed internet and cable TV. In Belarus, Telekom Austria's local subsidiary FE VELCOM offers mobile voice and data communication and value added services. In Slovenia, Serbia, Macedonia and Liechtenstein, Telekom Austria primarily offers mobile voice and data communication services.

B.16 Controlling interest over the Issuer ..... The following table shows the shareholder structure of the Issuer:

OIAG (Republic of Austria)	28.42%
América Móvil (direct and indirect)	22.76%
Free float <sup>(1)</sup>	48.81%

<sup>(1)</sup> Free float includes employee stocks and treasury shares.

The main shareholders of the Issuer, OIAG and América Móvil S.A.B. de C.V. may be able to significantly influence matters requiring shareholder approval.

B.17 Ratings..... The Issuer is assigned a long-term issuer rating of Baa1 with negative outlook by Moody's and BBB with stable outlook by Standard & Poor's.

### Section C – Securities

C.1 Type and class, identification ..... Undated fixed rate Bonds subject to interest rate reset.

ISIN: XS0877720986  
Common Code: 087772098

C.2 Currency ..... Euro

C.5 Restrictions on free transferability ..... Not applicable. There are no restrictions on free transferability of Bonds in the European Economic Area.

- C.8 Rights, ranking and limitations to the rights attached to the Bonds ..... The Bonds entitle in particular to the interest payments described in C.9. The obligations of the Issuer under the Bonds constitute unsecured obligations of the Issuer that in an insolvency or liquidation of the Issuer rank (i) *pari passu* among themselves and with any parity securities), (ii) subordinated to all present and future unsubordinated and subordinated obligations of the Issuer (other than parity securities and junior securities) and (iii) senior only to the rights and claims of holders of junior securities (e.g. shares and other instruments ranking *pari passu* with ordinary shares of the Issuer). Except for the possibility of the Issuer to defer interest payments, there are no limitations to the rights attached to the Bonds.
- C.9 Interest, due dates and redemption, yield, representation ..... See C.8.

**Interest:**

The Bonds will bear interest from and including February 1, 2013 to but excluding February 1, 2018 at a rate of [●]% per annum, payable annually in arrear on February 1 of each year, commencing on February 1, 2014. For each period from and including each interest payment date to but excluding the next following interest payment date from and including the first call date to but excluding February 1, 2023 the Bonds will bear interest at the 5-year swap rate (as determined by the calculation agent) plus [●]% margin, payable annually in arrear on each interest payment date. For each interest period from and including February 1, 2023 to but excluding February 1, 2038 the Bonds will bear interest at the 5-year swap rate plus [●]% margin, payable annually in arrear on each interest payment date. For each interest period from and including February 1, 2038 the Bonds will bear interest at the 5-year swap rate plus [●]% margin for the period from and including such reset date to but excluding the next following reset date, payable annually in arrear on each interest payment date.

The 5-year swap rate shall be the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which (i) has a term of 5 years (iii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis), as such arithmetic mean appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and the caption “11:00 AM Frankfurt time” (as such headings and captions may appear from time to time) as of 11.00 a.m. (Frankfurt time).

**Optional coupon deferral:**

The Issuer may elect, by giving not less than 10 and not more than 15 Business Days’ notice to the holders prior the relevant interest

payment date, to defer the relevant payment of interest. In such case, the Issuer will not have any obligation to pay such interest on such interest payment date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations. Deferred interest payments will not bear interest.

**Payment of outstanding amounts:**

The Issuer is entitled to pay outstanding deferred interest payments (in whole but not in part) at any time on giving not less than 10 and not more than 15 Business Days' notice to the holders which notice will specify (i) the amount of deferred interest payments to be paid and (ii) the date fixed for such payment.

The Issuer shall only have to pay outstanding deferred interest payments (in whole but not in part) if a compulsory settlement event occurs.

**Redemption:**

The Bonds have no final maturity date and shall not be redeemed. However, the Issuer may call the Bonds for redemption (in whole but not in part) with effect as of the first call date or on any reset date thereafter. In the case such call notice is given, the Issuer shall redeem the Bonds at the redemption amount on the specified redemption date.

The Issuer may redeem the Bonds if, as a consequence of a change in law (i) it has to pay any additional amounts or (ii) interest payable in respect of the bonds is no longer fully income tax deductible, (iii) if the funds raised by the issuance of the Bonds may no longer be treated as equity capital by the Issuer (iv) if certain rating agencies determine to no longer grant "equity credit" or a lower such credit to the Bonds, (v) if the Issuer or any subsidiary has purchased or redeemed Bonds equal to or in excess of 90% of the aggregate principal amount of the Bonds initially issued.

The Issuer may also call the Bonds for redemption, if a change of control event occurs.

**Indication of Yield:**

The yield to the first call date will be determined on the pricing date which is expected to be on or about January 25, 2013.

**Representation:**

The Bonds will be subject to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*), which, *inter alia*, provides for the possibility of the Issuer to amend the Terms and Conditions of the Bonds with the consent by majority vote of the holders and to appoint a joint representative (*gemeinsamer Vertreter*) for the preservation of their rights.

C.10 Derivative component in interest payment ..... See C.9.

The fixed interest rate applicable to the Bonds for each interest period shall be reset on each reset date. The new fixed interest rate applicable to the Bonds for the period from and including each reset date to but excluding the next following reset date shall be calculated on the basis of the 5-year swap rate determined by the calculation agent prior to the relevant reset date plus the applicable margin. As described under C.9, the 5-year swap rate is based in parts on the 6-months EURIBOR rate. EURIBOR is a daily reference rate based on the averaged interest rates at which approximately 40 Eurozone banks notify to ThomsonReuters to be prepared to lend unsecured funds to other banks in the euro wholesale money market (adjusted by eliminating the 15% highest and the 15% lowest interest rates so notified) and published on Reuters on a daily basis. The relevant 5-year swap rate will therefore in part depend on the level of the EURIBOR at the time of the reset dates, as a result of which an increase in EURIBOR may lead to a higher modified reset interest rate, a decrease to a lower modified reset interest rate.

C.11 Admission to trading ..... Application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

#### **Section D – Risks**

D.2 Key risks specific to the Issuer ..... **Macroeconomic risks and market environment**

- An economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending could adversely affect Telekom Austria's customers' purchases of products and services in each of the operating segments, which could have a negative impact on the operating results and financial condition of Telekom Austria.
- Recent market developments are characterized by high competition, declining prices and uncertain foreign exchange rates.

#### **Risks relating to Telekom Austria's business**

- Telekom Austria may realise neither the expected level of demand for its products and services, nor the expected level or timing of revenues generated by those products and services, as a result of technological change and lack of market acceptance, which could adversely affect Telekom Austria's cash flows.
- As a result of Telekom Austria's high number of civil servants and protected employees in Austria, it is limited in its ability to adjust its operating expenses according to the changing market environment.

- The risk relating to system failures due to natural or human failure and the technological dependency on third parties may have an impact on Telekom Austria's reputation and the rate of customer satisfaction.
- Technological change could increase competition, render existing technologies obsolete or require Telekom Austria to make substantial additional investments.
- The migration to next generation networks might lead to substantial investments in the future and might impair the value of existing investments which could have a negative impact on Telekom Austria's profitability.
- Telekom Austria depends on retaining, recruiting and training management staff and skilled employees.
- Alleged health risks of wireless communications devices could lead to litigation or decreased wireless communications usage or increased difficulty in obtaining sites for base stations and, as a result, adversely affect the financial condition and results of operations of Telekom Austria's wireless services business.
- Shortcomings in Telekom Austria's supply and procurement process could negatively affect its product portfolio, revenues and profits.
- The risk relating to the insolvency of major customers or international suppliers may have an impact on Telekom Austria's revenues or profitability.
- Exchange rate and interest rate risks have had, and may continue to have, an adverse effect on Telekom Austria's revenue and cost development.
- Downgrades in the rating or a decline in the credit metrics of the Issuer, its inability to obtain new financing and covenants in existing financing agreements could increase refinancing costs and impair Telekom Austria's liquidity and profitability.
- Telekom Austria may acquire or sell assets or companies, or enter into joint ventures which could potentially deliver less revenues, cash flows and earnings than anticipated and may experience difficulties integrating acquired assets or companies in a timely manner; anticipated synergies may not realize as expected.
- Unexpected events may result in the insurance coverage of Telekom Austria being inadequate.
- The Issuer's principal shareholders may exercise significant influence over Telekom Austria and its interests may not always correspond to the interests of Telekom Austria.

- Capital requirements for banks could lead to higher costs of capital for Telekom Austria.

#### **Regulatory, legal and compliance risks**

- Regulatory decisions and changes in the regulatory environment could adversely affect Telekom Austria's business.
- Telekom Austria is continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on Telekom Austria's results of operations and financial condition.
- Potential breaches of compliance requirements or the identification of material weaknesses in Telekom Austria's internal control over financial reporting may have an adverse impact on Telekom Austria's corporate reputation, financial condition and the trading price of its securities.
- Crime, corruption and money laundering in the countries where Telekom Austria operates may adversely affect Telekom Austria's ability to conduct its business.

#### **Country risk factors regarding Telekom Austria**

- The legal systems, economies, social and other circumstances in Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia (the "**Operating Region**") are in different stages of the process of transformation towards EU standards.
- Emerging markets in the Operating Region are subject to greater risks than more developed markets.
- Telekom Austria faces intense competition in the telecommunication markets in Austria and the Operating Region, which could lead to reduced prices for its products and services and a decrease in market share in certain service areas, thereby adversely affecting Telekom Austria's revenues and net profit.
- Economic instability in the Operating Region may adversely affect Telekom Austria's business and operations.
- Political instability in the Operating Region may adversely affect Telekom Austria's business and operations.
- Telekom Austria could become subject to the risk of expropriation and nationalization in countries of the Operating Region.

- Instability of Belarusian, Bulgarian, Croatian, Macedonian and Serbian currencies may adversely affect Telekom Austria's earnings.
- Changes the relationships between countries of the Operating Region and western governments and institutions may affect Telekom Austria's business.
- Relationships upon which countries in the Operating Region depend for their economic growth may deteriorate and thus affect Telekom Austria's business.
- Limited financial infrastructure and liquidity problems in the Operating Region may adversely affect Telekom Austria's business, results of operations and financial conditions.
- Potential social instability in the Operating Region may affect Telekom Austria's business.
- The evolving legal systems in the Operating Region are subject to risks and uncertainties, which may have an adverse effect on Telekom Austria's business.
- The difficulty of enforcing contracts with suppliers, consumers and other counterparties and court decisions and governmental discretion in investigating, joining and enforcing claims could prevent Telekom Austria from obtaining effective redress in court proceedings.
- Uncertainties in the tax systems in the Operating Region may adversely affect Telekom Austria's business, financial condition and results of operations.
- Shareholder liability under legislation in the Operating Region could cause a holding company to become liable for the obligations of its subsidiaries.
- Courts in the Operating Region may force a legal entity into liquidation on the basis of non-compliance with certain requirements of corporate law.
- Deterioration of relationships between countries in the Operating Region and their major creditors may adversely affect such country's financing and, their level of money depreciation, which may in turn affect Telekom Austria's business.

D.3 Key risks specific to the Bonds.....

- The Bonds may not be a suitable investment for all investors.
- The Bonds are undated securities and the holders may not declare the Bonds due and payable.
- At the Issuer's option, the Bonds may be redeemed (i) on the first call date or any reset date thereafter or (ii) if as a consequence of a change in law it has to pay any additional



amounts with respect to taxation or (iii) if 90% or more in principal amount of the Bonds initially issued have been redeemed or purchased or (iv) if as a consequence of a change of control the Issuer's credit rating is downgraded or withdrawn. In addition, the Issuer may redeem the Bonds if (i) interest payable in respect of the Bonds is no longer fully income tax deductible, (ii) the funds raised by the issuance of the Bonds may no longer be treated as equity capital by the Issuer or (iii) certain rating agencies determine to no longer grant "equity credit" or a lower such credit to the Bonds. In the case of redemption, holders might suffer a lower than expected yield, might not be able to reinvest the funds on the same term and may receive a redemption amount lower than the prevailing market price of the Bonds.

- The claims of holders are unsecured, deeply subordinated obligations of the Issuer.
- The Terms and Conditions do not contain any express event of default or cross default provisions.
- The holders have limited ability to influence the outcome of an insolvency proceeding or a restructuring outside insolvency
- The holders have no voting rights in general meetings of the Issuer.
- The holders will have only limited remedies against the Issuer for recovery of amounts which have become due in respect of the Bonds.
- There is no restriction on the amount of debt which the Issuer may issue ranking equal or senior to the obligations under or in connection with the Bonds.
- Application has been made for the Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List. However, there can be no assurance that a liquid secondary market for the Bonds will develop. Moreover, the trading market for Bonds may be volatile.
- There is a risk that trading in the Bonds will be suspended, interrupted or terminated.
- During the period from the issue date to the first call date, it cannot be ruled out that the price of the Bonds may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates.
- After the first call date, investors should be aware that the interest rate will be determined on each reset date at the 5-year swap rate for the relevant reset period plus a margin. The performance of the 5-year swap rate and the interest income on the Bonds cannot be anticipated and a definite

yield of the Bonds cannot be determined. In addition, during each reset period, it cannot be ruled out that the price of the Bonds may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates.

- The Issuer may elect to defer an interest payment. Any such deferral of interest shall not constitute a default for any purpose and deferred interest will not bear interest. Any deferral of interest will likely have an adverse effect on the market price of the Bonds.
- Ratings of the Issuer or the Bonds may be subject to change at all times and are not a recommendation to buy, sell or hold Bonds.
- The Bonds denominated in Euro could represent a currency risk for a holder if the Euro represents a foreign currency to such holder; in addition governments and monetary authorities could impose exchange controls in the future.
- Because the global bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.
- A holder is subject to the risk of being outvoted and of losing rights towards the Issuer against his will in the case that holders agree to amendments of the Terms and Conditions of the Bonds by majority vote according the German Act on Issues of Debt Securities (*Gesetz über die Schuldverschreibungen aus Gesamtemissionen*). In the case of an appointment of a holders' representative for all holders a particular holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other holders.
- Investors in the Bonds assume the risk that the credit spread of the Issuer changes (credit spread risk).
- Due to future money depreciation (inflation), the real yield of an investment may be reduced.
- The tax impact of an investment in the Bonds should be carefully considered.
- If a loan is used to finance the acquisition of the Bonds, the loan may significantly increase the risk of a loss.
- Incidental costs related in particular to the purchase and sale of the Bonds may have a significant impact on the profit potential of the Bonds.
- Changes in the EU Savings Directive could negatively affect investors.

## Section E – Offer

E.2b Reasons for the offer and use of proceeds .....	The Issuer makes the offer and intends to use the net proceeds for general corporate purposes, in particular for the financing of the YESSS!-acquisition, frequency auctions and the extension of existing frequency agreements.
E.3 Terms and conditions of the offer .....	The Bonds will be offered in Austria and Germany during an offer period which will commence on the later of January 25, 2013 and the date of the publication of the Pricing Notice and which will be open until the Issue Date subject to a shortening or extension of the offer period.
	<p>The Issue Price, the aggregate principal amount of Bonds to be issued, the interest rate, the margin, the modified margin and the second modified margin, the issue proceeds and the yield to the first call date will be included in the pricing notice which will be published on the website of the Luxembourg Stock Exchange (<a href="http://www.bourse.lu">www.bourse.lu</a>) on or after the pricing date and prior to the issue date of the Bonds.</p>
	<p>There are no conditions to which the offer is subject. Investors may submit their offers to buy Bonds, using the information system Bloomberg or any other commonly used information systems. Any investor who has submitted an order in relation to the Bonds whose order is accepted will receive a confirmation by electronic mail, fax or through commonly used information systems relating to the respective allotment of Bonds. Until receipt of such confirmation, the investor may reduce or withdraw its order.</p>
	<p>Delivery and payment of the Bonds and the confirmation of the allotment to investors will be made on February 1, 2013. The Bonds will be delivered via book-entry through the clearing systems and their depositary banks against payment of the issue price.</p>
E.4 Material Interest .....	Following the determination of the pricing details, Citigroup Global Markets Limited, Merrill Lynch International, Morgan Stanley & Co. International plc. and UniCredit Bank Austria AG (together the “ <b>Managers</b> ”) will, pursuant to a subscription agreement to be signed on or about January 30, 2013, agree to subscribe or procure subscribers the Bonds. The Managers will be entitled, under certain circumstances, to terminate the subscription agreement. In such event, no Bonds will be delivered to investors. Furthermore, the Issuer will agree to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The commission payable to the Managers in connection with the offering, placement and subscription of the Bonds will be up to 0.70% of the aggregate principal amount of the Bonds. The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions. There are no interests of natural and legal persons

other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

E.7 Costs for holders..... Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Bonds.

## GERMAN TRANSLATION OF THE SUMMARY

### ZUSAMMENFASSUNG

*Zusammenfassungen bestehen aus Informationsblöcken, die als „Angaben“ bezeichnet werden. Diese Angaben sind in Abschnitten A-E (A.1 – E.7) nummeriert.*

*Diese Zusammenfassung enthält alle Angaben, die für eine Zusammenfassung für diese Art von Wertpapier und diese Emittentin erforderlich sind. Da einige Angaben nicht aufgenommen werden müssen, kann die Nummerierung Lücken enthalten.*

*Auch wenn eine Angabe für diese Art von Wertpapier und diese Emittentin in diese Zusammenfassung aufgenommen werden muss, kann es sein, dass keine relevanten Informationen zur Verfügung stehen. In diesem Fall wird eine kurze Beschreibung der geforderten Angabe mit dem Hinweis „entfällt“ in die Zusammenfassung aufgenommen.*

### Abschnitt A - Einleitung und Warnhinweise

A.1 Warnhinweise..... Diese Zusammenfassung sollte als Einleitung zum Prospekt verstanden werden.

Ein Anleger sollte sich bei jeder Entscheidung, in die Schuldverschreibungen zu investieren, auf den Prospekt als Ganzes stützen.

Ein Anleger, der wegen der in dem Prospekt enthaltenen Angaben Klage einreichen will, muss möglicherweise nach den nationalen Rechtsvorschriften seines Mitgliedstaats für die Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann.

Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung verglichen mit den anderen Teilen des Prospekts irreführend, unrichtig oder inkohärent ist oder verglichen mit den anderen Teilen des Prospekts Schlüsselinformationen, die in Bezug auf Anlagen in die Schuldverschreibungen für die Anleger eine Entscheidungshilfe darstellen, vermissen lassen.

A.2 Zustimmung der Emittentin zur Prospektverwendung durch Finanzintermediäre....

Die Emittentin stimmt der Verwendung des Prospekts durch alle gemäß Art 4 Nummer 1 der Richtlinie 2006/48/EG zum Handel mit Wertpapieren in Österreich und/oder Deutschland zugelassene Kreditinstitute (jeweils ein „**Finanzintermediär**“) zu (generelle Zustimmung) und übernimmt die Verantwortung für den Inhalt des Prospekts auch im Hinblick auf die spätere Weiterveräußerung oder endgültige Platzierung der Schuldverschreibungen durch einen Finanzintermediär, der die Zustimmung zur Verwendung des Prospekts erhalten hat. Darüber hinaus übernimmt die Emittentin keine Haftung.

<p>Angabe des Zeitraums, für den die Zustimmung zur Prospektverwendung erteilt wurde .....</p> <p>Sonstige klare und objektive Bedingungen, an die die Zustimmung gebunden ist und die für die Verwendung des Prospekts relevant sind.....</p> <p>Hinweis für die Anleger .....</p>	<p>Die spätere Weiterveräußerung oder endgültige Platzierung der Schuldverschreibungen durch Finanzintermediäre kann während der Angebotsfrist erfolgen. Der Beginn der Angebotsfrist wird für den 25. Jänner 2013 erwartet, frühestens jedoch zum Zeitpunkt der Veröffentlichung der Preismitteilung.</p> <p>Finanzintermediäre können den Prospekt während der Angebotsfrist für die spätere Weiterveräußerung oder endgültige Platzierung der Schuldverschreibungen in Österreich und Deutschland verwenden. Die Emittentin kann die Zustimmung jedoch jederzeit einschränken oder widerrufen, wobei der Widerruf der Zustimmung eines Nachtrags zum Prospekt bedarf.</p> <p>Jeder Finanzintermediär, der diesen Prospekt verwendet, muss auf seiner Website bestätigen, dass er diesen Prospekt in Übereinstimmung mit der Zustimmung und den ihr beigelegten Bedingungen verwendet.</p> <p><b>Falls ein Angebot durch einen Finanzintermediär erfolgt, wird dieser Finanzintermediär den Anlegern Informationen über die Bedingungen des Angebots zum Zeitpunkt der Vorlage des Angebots zur Verfügung stellen.</b></p> <p style="text-align: center;"><b>Abschnitt B – Emittentin</b></p>
<p>B.1 Gesetzliche und kommerzielle Bezeichnung.....</p> <p>B.2 Sitz, Rechtsform, Recht, Land der Gründung .....</p> <p>B.4b Bekannte Trends.....</p>	<p>Telekom Austria Aktiengesellschaft</p> <p>Wien, Aktiengesellschaft, österreichisches Recht, Österreich.</p> <p>Die Telekom Austria befindet sich sowohl im Festnetz- als auch im Mobilkommunikationsmarkt in einem stark vom Wettbewerb geprägten Umfeld, wobei sich in fast allen Segmenten der Telekom Austria negative Preisentwicklungen abzeichnen. Darüber hinaus werden sowohl die heimischen als auch die internationalen Geschäftstätigkeiten durch Regulierungsmaßnahmen – insbesondere in Bezug auf mobile Terminierungsentgelte und Roaming-Tarife – negativ beeinflusst.</p> <p>Der Telekommunikationsmarkt in Österreich ist weiterhin durch einen intensiven Wettbewerb und die anhaltende Substitution der Festnetz-Sprachtelefonie durch die Mobilkommunikation gekennzeichnet. Das Wettbewerbsumfeld auf dem Mobilfunkmarkt verschärfte sich deutlich und es liegen für die absehbare Zukunft kaum Anzeichen einer Veränderung vor. Dies führte im gesamten Jahr 2012 zu einem deutlichen Rückgang des</p>

Preisniveaus sowohl für Paket- als auch Datentarife. Auf dem Festnetzmarkt besteht die größte Herausforderung weiterhin im anhaltenden Rückgang von Festnetz-Sprachminuten aufgrund der Substitution der Festnetz-Sprachtelefonie durch die Mobilkommunikation.

In den anderen Ländern, in denen die Telekom Austria tätig ist, wirken sich die starken makroökonomischen Gegenwinde und ein intensiver Wettbewerb nach wie vor auf die Geschäfte in Bulgarien und in Kroatien aus und beeinflussen zunehmend die Märkte in Slowenien, der Republik Serbien und der Republik Mazedonien. Vor allem in Bulgarien und Kroatien ist der Wettbewerb im Hinblick auf die Preisgestaltung und Komplettpakete auf den Mobilfunkmärkten sowie bei konvergenten Produktbündeln weiterhin intensiv. Darüber hinaus werden die Geschäfte in den anderen Ländern, in denen die Telekom Austria tätig ist, durch regulatorische und steuerliche Belastungen beeinträchtigt. Das Geschäft in Bulgarien wird durch einen neuen Gleitpfad mit Wirkung zum 1. Juli 2012 in Mitleidenschaft gezogen, durch den die mobilen Terminierungsentgelte mehr als halbiert werden. Auf den Devisenmärkten hält die Unsicherheit weiterhin an.

B 5 Beschreibung der Gruppe..... Die Emittentin ist die Konzernmuttergesellschaft und Holdinggesellschaft der Telekom Austria.

Die Geschäftsaktivitäten sind auf zahlreiche Tochtergesellschaften, darunter Projektgesellschaften, verteilt, und unter den Tochtergesellschaften besteht ein hohes Maß an Integration in die Verwaltungs- und Geschäftsaktivitäten.

B.9 Gewinnprognosen und -schätzungen..... Entfällt. Es werden keine Prognosen oder Schätzungen veröffentlicht.

B.10 Beschränkungen im Bestätigungsvermerk..... Entfällt. Für die geprüften Jahresabschlüsse der Telekom Austria wurden uneingeschränkte Bestätigungsvermerke erteilt.

B.12 Ausgewählte wesentliche Finanzinformationen .....

	Neun Monate zum 30. September		Geschäftsjahr zum 31. Dezember	
	2012 (ungeprüft)	2011	2011 (geprüft)	2010
	in Millionen EUR			
Umsatzerlöse .....	3.212,0	3.338,7	4.454,6	4.650,8
EBITDA bereinigt .....	1.136,6	1.190,4	1.527,3	1.645,9
EBITDA inkl. Effekte aus Restrukturierung und Werthaltigkeitsprüfung.....	1.115,0	965,7	1.044,7	1.503,5
Betriebsergebnis .....	388,1	208,8	(7,6)	437,9

	Neun Monate zum	Geschäftsjahr zum 31.		
	30. September	Dezember		
	2012	2011	2010	
	(ungeprüft)	(geprüft)		
	in Millionen EUR			
	<b>Aktiva .....</b>	<b>7.262,2</b>	<b>7.448,8</b>	<b>7.555,8</b>
	Kurzfristige Aktiva.....	1.758,7	1.751,4	1.437,7
	Langfristige Aktiva.....	5.503,4	5.697,4	6.118,1
	<b>Passiva .....</b>	<b>(7.262,2)</b>	<b>(7.448,8)</b>	<b>(7.555,8)</b>
	Kurzfristige Verbindlichkeiten .....	(2.209,1)	(2.412,0)	(1.883,0)
	Langfristige Verbindlichkeiten .....	(4.138,3)	(4.153,7)	(4.195,9)
	Eigenkapital.....	(914,8)	(883,1)	(1.476,9)
Keine wesentliche Verschlechterung der Aussichten/ Wesentliche Veränderungen bei Finanzlage oder Handelsposition.....	Seit 31. Dezember 2011 haben sich die Aussichten der Telekom Austria nicht wesentlich verschlechtert. Es gab seit 30. September 2012 keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der Telekom Austria.			
B.13 Für die Zahlungsfähigkeit der Emittentin in wesentlichem Maße relevante Ereignisse der jüngsten Zeit.....	Entfällt, weil in jüngster Zeit kein Ereignis für die Zahlungsfähigkeit der Emittentin in wesentlichem Maße relevant war.			
B.14 Abhängigkeit der Emittentin.....	Entfällt, weil die Emittentin nicht von anderen Unternehmen der Telekom Austria abhängig ist.			
B.15 Haupttätigkeiten.....	Die Telekom Austria ist ein Telekommunikationsanbieter. Das Produktportfolio der Telekom Austria an Festnetz- und Mobilkommunikationsprodukten und -dienstleistungen umfasst viele Aspekte moderner Informations- und Kommunikationstechnologien, das heißt Festnetz-Sprachtelefonie und Mobilkommunikation, Breitband-Internet in Festnetz und Mobilfunk, Multimedia-Dienste, IPTV und Kabelfernsehen, Daten- und IT-Anwendungen, Großkunden-Angebote und elektronische Zahlungsdienste.  A1 Telekom Austria AG als Tochtergesellschaft der Telekom Austria ist ein voll integrierter Festnetz- und Mobilfunkanbieter, der Privat- und Firmenkunden die gesamte Produktpalette anbietet. Der Fokus liegt bei konvergenten Produktbündeln, inklusive mobilen und Festnetzsprachminuten, mobilem und Festnetz-Internet sowie IPTV.  Die lokale Tochtergesellschaft der Telekom Austria in Bulgarien, MobilTel EAD, bietet Festnetz- und Mobilfunk-Sprach- und Datenkommunikationsdienste für Privat- und Geschäftskunden, high-speed Internet und IPTV an. Die lokale Tochtergesellschaft der Telekom Austria in Kroatien, VIPnet d.o.o. bietet Festnetz- und Mobilfunk-Sprach- und Datenkommunikationsdienste für Privat- und Geschäftskunden, high-speed Internet and Kabel-TV an. Die lokale Tochtergesellschaft der Telekom Austria in Weißrussland, FE VELCOM bietet Mobilfunk- und Datenkommunikationsdienste sowie Mehrwertdienste an. In			



Slowenien, Serbien, Mazedonien und Liechtenstein bietet die Telekom Austria überwiegend Mobilfunk- und Datenkommunikationsdienste an.

B.16 Beteiligungen und Beherrschungsverhältnisse... Die folgende Tabelle zeigt die Aktionärsstruktur der Emittentin:

ÖIAG (Republik Österreich)	28,42%
América Móvil (direkt und indirekt)	22,76%
Streubesitz <sup>(1)</sup>	48,81%

<sup>(1)</sup> Der Streubesitz enthält Mitarbeiteraktien und eigene Aktien.

Die Hauptaktionäre der Emittentin, OIAG und América Móvil S.A.B. de C.V. könnten in der Lage sein, Angelegenheiten, die der Zustimmung der Aktionäre bedürfen, wesentlich zu beeinflussen.

B.17 Ratings..... Moody's bewertet die langfristigen Verbindlichkeiten der Emittentin mit dem Rating Baa1 und negativem Ausblick und Standard & Poor's mit BBB und stabilem Ausblick.

### **Abschnitt C - Wertpapiere**

C.1 Art und Gattung, Wertpapierkennung ..... Festverzinsliche Schuldverschreibungen mit Zinssatz-Reset mit unbegrenzter Laufzeit.

ISIN: XS0877720986  
Common Code: 087772098

C.2 Währung ..... Euro

C.5 Beschränkungen der freien Übertragbarkeit ..... Entfällt. Im Europäischen Wirtschaftsraum bestehen keine Beschränkungen für die freie Übertragbarkeit von Schuldverschreibungen.

C.8 Rechte, Rangordnung, Beschränkung der Rechte.... Die Schuldverschreibungen berechtigen insbesondere zu den in C.9 beschriebenen Zinszahlungen. Die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen begründen nicht besicherte Verbindlichkeiten der Emittentin, die im Falle der Insolvenz oder Liquidation der Emittentin (i) untereinander und mit gleichrangigen Wertpapieren (gleichrangig sind, (ii) gegenüber allen gegenwärtigen und zukünftigen nicht nachrangigen und nachrangigen (mit Ausnahme von gleichrangigen Wertpapieren und nachrangigen Wertpapieren) Verbindlichkeiten der Emittentin nachrangig sind, und (iii) im Rang nur den Ansprüchen und Rechten von Inhabern von nachrangigen Wertpapieren (Aktien und andere Instrumente, die mit ordentlichen Aktien der Emittentin gleichrangig sind) vorgehen. Abgesehen von der Möglichkeit der Emittentin zu verzögerten Zinszahlungen unterliegen die mit den Schuldverschreibungen verbundenen Rechte keinen Einschränkungen.

C.9 Zinssatz,  
Fälligkeitstermine und  
Rückzahlung, Rendite,  
Vertretung ..... Siehe C.8.

### **Verzinsung**

Die Schuldverschreibungen werden vom 1. Februar 2013 (einschließlich) bis 1. Februar 2018 (ausschließlich) mit [●]% pro Jahr verzinst, zahlbar jährlich im Nachhinein am 1. Februar eines jeden Jahres, erstmalig am 1. Februar 2014. Für jede Periode von einem Zinszahlungstag (einschließlich) zum nächstfolgenden Zinszahlungstag (ausschließlich) in der Periode vom ersten Rückzahlungstermin (einschließlich) bis 1. Februar 2023 (ausschließlich) beträgt die jährliche Verzinsung die 5-jährige Swap Rate (wie von der Berechnungsstelle festgelegt) plus eine Marge von [●]%, zahlbar jährlich im Nachhinein an jedem Zinszahlungstag. Für jede Zinsperiode vom 1. Februar 2023 (einschließlich) bis 1. Februar 2038 (ausschließlich) werden die Schuldverschreibungen mit der 5-jährigen Swap Rate plus einer Marge von [●]% verzinst, zahlbar jährlich im Nachhinein an jedem Zinszahlungstag. Für jede Zinsperiode ab dem 1. Februar 2038 (einschließlich) beträgt die Verzinsung der Schuldverschreibungen die 5-jährige Swap Rate plus einer Marge von [●]% für jeden Zeitraum von einem Reset-Termin (einschließlich) bis zum nächsten Reset-Termin (ausschließlich), zahlbar jährlich im Nachhinein an jedem Zinszahlungstag.

Die 5-jährige Swap Rate ist das rechnerische Mittel der nachgefragten und angebotenen Sätze für den jährlichen Festzinszahlungsstrom (berechnet auf einer 30/360 Tageberechnungsbasis) einer fixed-for-floating Euro Zinsswap-Transaktion, (i) die eine 5-jährige Laufzeit hat (ii) die auf einen Betrag lautet, der dem einer repräsentativen einzelnen Transaktion in dem relevanten Markt zur relevanten Zeit eines anerkannten Händlers mit guter Bonität im Swap-Markt entspricht, und (iii) deren variabler Zahlungsstrom auf dem 6-Monats EURIBOR Satz beruht (berechnet auf einer Actual/360 Tage-Berechnungsbasis), wie es auf dem Reuters Bildschirm „ISDAFIX2“ unter der Überschrift „EURIBOR BASIS“ und dem Untertitel „11:00 AM Frankfurt time“ (auf dem solche Überschriften und Untertitel von Zeit zu Zeit erscheinen) angezeigt wird.

### **Fakultativer Zinsaufschub**

Die Emittentin kann Zinsen, die während einer Zinsperiode auflaufen, durch Bekanntmachung an die Anleihegläubiger innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem betreffenden Zinszahlungstag aussetzen. Diesfalls ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Eine Nichtzahlung von Zinsen aus diesem Grund begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen. Aufgeschobene Zinszahlungen werden nicht verzinst.

### **Zahlungen**

Die Emittentin ist berechtigt, ausstehende aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise nach Bekanntmachung an die Anleihegläubiger unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen nachzuzahlen, wobei eine solche Bekanntmachung (i) den Betrag an aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung.

Die Emittentin ist nur zur Zahlung aufgeschobener Zinszahlungen verpflichtet, wenn ein obligatorisches Nachzahlungsereignis eintritt.

### **Rückzahlung:**

Die Schuldverschreibungen haben keinen Endfälligkeitstag. Die Emittentin kann die Schuldverschreibungen (insgesamt und nicht nur teilweise) mit Wirkung zum Ersten Rückzahlungstermin oder jedem nachfolgenden Reset-Termin kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zum Rückzahlungsbetrag zurückzuzahlen.

Darüber hinaus kann die Emittentin die Schuldverschreibungen zurückzahlen, wenn sie aufgrund einer Gesetzesänderung (i) zusätzliche Beträge zu bezahlen hat oder (ii) Zinszahlungen in Bezug auf die Schuldverschreibungen nicht mehr vollständig steuerlich abzugsfähig sind, (iii) wenn die durch die Emission eingeworbenen Mittel nicht mehr als Eigenkapital der Emittentin behandelt werden können, (iv) wenn bestimmte Ratingagenturen die Schuldverschreibungen keiner oder einer geringeren Eigenkapitalanrechnungskategorie zuordnen, (v) oder die Emittentin oder eine Tochtergesellschaft Schuldverschreibungen im Volumen von 90% oder mehr des ursprünglich begebenen Gesamtnennbetrages der Schuldverschreibungen erworben oder zurückgezahlt haben.

Die Emittentin kann die Schuldverschreibungen auch im Falle eines Kontrollwechsels kündigen.

### **Angabe der Rendite:**

Die Bestimmung der Rendite zum ersten Rückzahlungstermin erfolgt am Preisfestsetzungstag, der voraussichtlich auf oder in etwa auf den 25. Jänner 2013 fällt.

### **Vertretung**

Die Schuldverschreibungen unterliegen dem deutschen Gesetz über Schuldverschreibungen aus Gesamtemissionen, welches unter anderem die Möglichkeit der Emittentin vorsieht, mit Zustimmung durch Mehrheitsentscheidung der Anleihegläubiger die Anleihebedingungen zu ändern und einen gemeinsamen Vertreter zur Wahrnehmung ihrer Rechte zu ernennen.

C.10 Derivative Komponente  
bei Zinszahlung ..... Siehe C.9.

Der auf die Schuldverschreibungen anwendbare fixe Zinssatz für jede Zinsperiode wird an den Reset-Terminen neu festgelegt. Der neue fixe Zinssatz, welcher für den Zeitraum von einem Reset-Termin (einschließlich) bis zum nächsten Reset-Termin (ausschließlich) anwendbar ist, wird von der Berechnungsstelle auf Basis des 5-Jahres Swapsatzes plus der anwendbaren Marge festgelegt. Wie unter C.9 beschrieben basiert der 5-Jahres Swapsatz zum Teil auf dem 6-Monats-EURIBOR. Der EURIBOR ist ein täglicher Referenzzinssatz, der auf den durchschnittlichen Zinssätzen beruht, zu denen rund 40 Banken der Eurozone ThomsonReuters ihre Bereitschaft bekannt geben, anderen Banken im Internbankenmarkt unbesichert Mittel zur Verfügung zu stellen (bereinigt um die höchsten und niedrigsten 15% der bekanntgegebenen Zinssätze), wie er von Reuters täglich veröffentlicht wird. Der relevante 5-Jahres Swapsatz wird daher zum Teil vom Niveau des EURIBOR zu den Reset-Terminen abhängen, weshalb ein Anstieg des EURIBOR zu höheren modifizierten Reset-Zinssätzen führen kann und ein Rückgang zu niedrigeren modifizierten Reset-Zinssätzen.

C.11 Zulassung zum Handel..... Bei der Luxemburger Wertpapierbörse wurde die Zulassung der Schuldverschreibungen zum Handel am geregelten Markt der Luxemburger Wertpapierbörse beantragt.

#### **Abschnitt D – Risiken**

D.2 Wesentliche Risiken der  
Emittentin.....

#### **Makroökonomische Risiken und Marktumfeld**

- Ein wirtschaftlicher Abschwung, eine wesentliche Verlangsamung des Wirtschaftswachstums oder eine Verminderung der Verbraucherausgaben könnte den Verkauf von Produkten und Dienstleistungen der Telekom Austria an Kunden in den operativen Segmenten nachteilig beeinflussen – dies könnte eine negative Auswirkung auf das Betriebsergebnis und die Finanzlage der Telekom Austria haben.
- Jüngste Marktentwicklungen sind von hohem Wettbewerb, sinkenden Preisen und Unsicherheiten bei Fremdwährungskursen gekennzeichnet.

#### **Risiken aus der Geschäftstätigkeit der Telekom Austria**

- Aufgrund technologischer Änderungen und mangelnder Marktakzeptanz könnte es der Telekom Austria nicht gelingen, erwartete Nachfrageniveaus für ihre Produkte und Dienstleistungen oder das erwartete Niveau bzw die Zeitschiene für die mit solchen Produkten und Dienstleistungen erwirtschafteten Umsätze zu erreichen, was die Cash-flows der Telekom Austria nachteilig beeinflussen könnte.

- Aufgrund der großen Anzahl der von der Telekom Austria in Österreich beschäftigten Beamten und kündigungsgeschützten Mitarbeitern ist die Telekom Austria in der Möglichkeit, ihre Betriebsausgaben an geänderte Marktverhältnisse anzupassen, beschränkt.
- Das Risiko von Systemausfällen aufgrund menschlichen oder sonstigen Versagens und die technologische Abhängigkeit von Dritten könnten sich auf das Ansehen der Telekom Austria und die Kundenzufriedenheit auswirken.
- Technologische Veränderungen könnten den Wettbewerb erhöhen, bestehende Technologien überholen und die Telekom Austria zu wesentlichen zusätzlichen Investitionen zwingen.
- Die Umstellung auf „next generation networks“ könnte zu wesentlichen künftigen Investitionen führen und den Wert bestehender Investitionen beeinträchtigen, was negative Auswirkungen auf die Ertragskraft der Telekom Austria hätte.
- Die Telekom Austria ist davon abhängig, Führungskräfte und qualifizierte Mitarbeiter zu behalten, anzuwerben und aus- bzw weiterzubilden.
- Vermeintliche Gesundheitsgefahren drahtloser Kommunikationsmittel könnten zu Gerichtsverfahren oder dem verminderten Gebrauch drahtloser Kommunikationsmittel oder erhöhten Schwierigkeiten beim Erhalt von geeigneten Grundstücken für Basisstationen führen und können daher die Finanzlage und die Betriebsergebnisse des Mobilfunk-Geschäfts der Telekom Austria nachteilig beeinflussen.
- Unzulänglichkeiten im Einkaufs- und Logistikprozess der Telekom Austria könnten ihr Produktportfolio, ihre Erträge und ihren Gewinn beeinträchtigen.
- Das Risiko der Insolvenz wichtiger Kunden oder internationaler Zulieferer könnte sich negativ auf die Erträge und die Ertragskraft der Telekom Austria auswirken.
- Wechselkurs- und Zinssatzrisiken hatten in der Vergangenheit und könnten auch in der Zukunft nachteilige Auswirkungen auf die Entwicklung der Umsätze und der Kosten der Telekom Austria haben.
- Verschlechterungen des Ratings oder der Kreditkennzahlen der Emittentin, ihre Unfähigkeit, erforderliche Neufinanzierungen zu erhalten und Bedingungen, die in bestehenden Finanzierungsverträgen enthalten sind, könnten ihre Refinanzierungskosten erhöhen und ihre Liquidität und Rentabilität beeinträchtigen.
- Die Telekom Austria könnte Vermögenswerte oder Unternehmen erwerben oder verkaufen oder Joint Ventures

eingehen, die möglicherweise weniger Umsatzerlöse, Cashflows und Erträge generieren als angenommen und könnte Schwierigkeiten ausgesetzt sein, diese Vermögenswerte oder Unternehmen zeitgerecht zu integrieren; erwartete Synergien könnten sich nicht realisieren.

- Die Telekom Austria unterliegt Risiken im Zusammenhang mit unzureichender Versicherung.
- Die Hauptaktionäre der Emittentin könnten wesentlichen Einfluss auf die Telekom Austria ausüben und ihre Interessen müssen nicht immer mit den Interessen der Telekom Austria übereinstimmen.
- Die Eigenmittelanforderungen für Banken könnten zu höheren Kapitalkosten für die Telekom Austria führen.

#### **Regulatorische, rechtliche und Compliance Risiken**

- Aufsichtsrechtliche Entscheidungen und Änderungen im Aufsichtsumfeld könnten das Geschäft der Telekom Austria nachteilig beeinflussen.
- Die Telekom Austria ist laufend in Streitigkeiten und Verfahren mit Aufsichtsbehörden, Mitbewerbern und anderen Parteien verwickelt. Das Ergebnis solcher Verfahren ist allgemein ungewiss. Wenn solche Verfahren endgültig abgeschlossen sind, könnten sie das Betriebsergebnis und die Finanzlage der Telekom Austria wesentlich nachteilig beeinflussen.
- Mögliche Verstöße gegen Compliance Vorschriften und die Identifizierung von Schwachstellen bei der internen Kontrolle der Finanzberichterstattung könnten nachteilige Auswirkungen auf das Ansehen, die Finanzlage der Telekom Austria und den Wert ihrer Wertpapiere haben.
- Kriminalität, Korruption und Geldwäsche in den Ländern, in denen die Telekom Austria operiert, könnten die Fähigkeit der Telekom Austria, ihrem Geschäft nachzugehen, wesentlich erschweren.

#### **Länderrisiken betreffend die Telekom Austria**

- Die Rechtssysteme sowie die wirtschaftlichen und sozialen Rahmenbedingungen in Weißrussland, Bulgarien, Kroatien, Mazedonien, Serbien und Slowenien (die „**Tätigkeitsregion**“) sind in verschiedenen Stadien am Weg Richtung EU Standards.
- Neue Märkte in der Tätigkeitsregion unterliegen höheren Risiken als entwickelte Märkte.
- Die Telekom Austria ist am Telekommunikationsmarkt in den Ländern, in denen sie tätig ist intensivem Wettbewerb ausgesetzt, was zu niedrigen Preisen für ihre Produkte und

Dienstleistungen und Marktanteileinbußen führen und dadurch die Erträge und Nettogewinne der Telekom Austria nachteilig beeinflussen könnte.

- Wirtschaftliche Instabilität in der Tätigkeitsregion könnte die Tätigkeiten und das Geschäft der Telekom Austria nachteilig beeinflussen.
- Politische Instabilität in der Tätigkeitsregion könnte die Tätigkeiten und das Geschäft der Telekom Austria nachteilig beeinflussen.
- Die Telekom Austria könnte in der Tätigkeitsregion dem Risiko von Enteignungen und Verstaatlichungen unterliegen.
- Die Instabilität der Währungen in Weißrussland, Bulgarien, Kroatien, Mazedonien und Serbien könnte die Erträge der Telekom Austria nachteilig beeinflussen.
- Änderungen der Beziehungen zwischen Ländern der Tätigkeitsregion und den Regierungen westlicher Länder und westlicher Institutionen könnten das Geschäft der Telekom Austria nachteilig beeinflussen.
- Beziehungen, von denen Länder der Tätigkeitsregion im Hinblick auf ihr Wirtschaftswachstum abhängig sind, könnten sich verschlechtern und so das Geschäft der Telekom Austria nachteilig beeinflussen.
- Begrenzte Finanzinfrastruktur und Liquiditätsprobleme in der Tätigkeitsregion könnten das Geschäft, die Erträge und die Finanzlage der Telekom Austria nachteilig beeinflussen.
- Mögliche soziale Unruhen in der Tätigkeitsregion könnten das Geschäft der Telekom Austria beeinträchtigen.
- Die sich entwickelnden Rechtssysteme in der Tätigkeitsregion unterliegen Risiken und Unsicherheiten, die nachteilige Auswirkungen auf das Geschäft der Telekom Austria haben können.
- Schwierigkeiten bei der Durchsetzung von Verträgen und Gerichtsentscheidungen und das Ermessen von Regierungen bei Untersuchungen und der Durchsetzung von Ansprüchen könnten die Telekom Austria daran hindern, wirksame Entschädigungen in Gerichtsverfahren zu erhalten.
- Ungewissheiten der Steuersysteme in der Tätigkeitsregion könnten das Geschäft, die Finanz- und die Ertragslage der Telekom Austria nachteilig beeinflussen.
- Die Gesellschafterhaftungsregime nach der in der Tätigkeitsregion anwendbaren Gesetzgebung könnten zu einer Haftung der Holdinggesellschaft für ihre Tochtergesellschaften führen.

D.3 Wesentliche Risiken der Schuldverschreibungen .....

- Gerichte in der Tätigkeitsregion könnten Gesellschaften aufgrund von Complianceverstößen in die Liquidation zwingen.
- Verschlechterungen der Beziehungen zwischen Ländern in der Tätigkeitsregion und ihren wichtigsten Gläubigern könnten die Finanzierung dieser Länder und damit das Inflationsniveau beeinträchtigen, was in der Folge das Geschäft der Telekom Austria beeinträchtigen würde.
- Die Schuldverschreibungen sind möglicherweise keine für alle Anleger geeignete Anlage.
- Die Schuldverschreibungen haben eine unbegrenzte Laufzeit, und Anleihegläubiger können die Schuldverschreibungen nicht kündigen.
- Nach Wahl der Emittentin können die Schuldverschreibungen zurückgezahlt werden: (i) am ersten Rückzahlungstermin oder an jedem darauf folgenden Reset Tag, (ii) wenn die Emittentin aufgrund einer Gesetzesänderung zusätzliche Beträge hinsichtlich Steuern zu bezahlen hat, (iii) wenn 90% oder mehr des ursprünglich begebenen Nennbetrags der Schuldverschreibungen zurückgezahlt oder zurückerworben wurden oder (iv) wenn das Rating der Emittentin aufgrund eines Kontrollwechsels herabgestuft oder zurückgezogen wird. Darüber hinaus kann die Emittentin die Schuldverschreibungen zurückzahlen, wenn (i) Zinszahlungen in Bezug auf die Schuldverschreibungen nicht mehr vollständig steuerlich abzugsfähig sind, (ii) die durch die Emission eingeworbenen Mittel nicht mehr als Eigenkapital der Emittentin behandelt werden können oder (iii) bestimmte Ratingagenturen die Schuldverschreibungen keiner oder einer geringeren Eigenkapitalanrechnungskategorie zuordnen. Im Fall einer Rückzahlung könnten Anleihegläubiger eine niedrigere als die erwartete Rendite erzielen, nicht in der Lag sein, den Rückzahlungsbetrag zu denselben Konditionen wiederzuveranlagen und einen niedrigeren Rückzahlungsbetrag als den letzten Marktpreis der Schuldverschreibungen erhalten.
- Die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen stellen nicht besicherte, tief nachrangige Verbindlichkeiten der Emittentin dar.
- Die Anleihebedingungen enthalten keine ausdrücklichen Bestimmungen über Events of Default und Cross Default.
- Die Möglichkeiten der Anleihegläubiger, den Ausgang eines Insolvenzverfahrens oder eines Restrukturierungsverfahrens außerhalb eines Insolvenzverfahrens zu beeinflussen, sind beschränkt.
- Anleihegläubiger haben kein Stimmrecht in der



#### Hauptversammlung.

- Anleihegläubiger haben nur begrenzte Rechtsmittel gegen die Emittentin, um fällige Beträge unter den Schuldverschreibungen einzutreiben.
- Es besteht keine Beschränkung hinsichtlich der Ausgabe von Schuldtiteln durch die Emittentin, die den Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen im Rang gleichstehen oder gegenüber ihnen vorrangig sind.
- Die Zulassung der Schuldverschreibungen zum Handel im regulierten Markt der Luxemburger Wertpapierbörse und zur Amtlichen Notierung (*Official List*) ist beantragt worden. Es besteht jedoch keine Gewähr dafür, dass sich ein liquider Sekundärmarkt für die Schuldverschreibungen entwickeln wird. Außerdem kann der Markt für Schuldverschreibungen volatil sein.
- Es besteht das Risiko, dass der Handel mit den Schuldverschreibungen ausgesetzt, unterbrochen oder eingestellt wird.
- In dem Zeitraum ab dem Zinslaufbeginn bis zum Ersten Rückzahlungstermin kann nicht ausgeschlossen werden, dass der Kurs der Schuldverschreibungen infolge von Veränderungen des derzeitigen Zinssatzes auf dem Kapitalmarkt (Marktzins) fällt, da der Marktzins Schwankungen unterliegt.
- Ab dem ersten Rückzahlungstermin sollten Anleihegläubiger berücksichtigen, dass der Zinssatz an jedem Reset-Termin mit Bezug auf den 5-Jahres-Swapsatz für den betreffenden Reset-Zeitraum zuzüglich einer Marge festgesetzt wird. Die Entwicklung des 5-Jahres-Swapsatzes und die Verzinsung der Schuldverschreibungen können nicht antizipiert und eine Rendite kann nicht berechnet werden. Zusätzlich kann in keinem Reset-Zeitraum ausgeschlossen werden, dass der Kurs der Schuldverschreibungen infolge von Veränderungen des derzeitigen Zinssatzes auf dem Kapitalmarkt (Marktzins) fällt, da der Marktzins Schwankungen unterliegt.
- Anleihegläubiger sollten berücksichtigen, dass Zinsen aufgeschoben werden können. Aufgeschobene Zinszahlungen werden nicht verzinst. Ein Zinsaufschub wird vermutlich nachteilige Auswirkungen auf den Marktpreis der Schuldverschreibungen haben.
- Ratings der Emittentin oder der Schuldverschreibungen können sich jederzeit verändern und sind keine Empfehlung zum Kauf, Verkauf oder zum Halten der Schuldverschreibungen.
- Die auf Euro lautenden Schuldverschreibungen könnten ein Währungsrisiko für einen Anleihegläubiger darstellen, wenn der Euro für den betreffenden Anleihegläubiger eine Fremdwährung ist; außerdem könnten Regierungen und

zuständige Behörden künftig Devisenkontrollen verhängen.

- Da die Globalschuldverschreibungen von oder für Euroclear und Clearstream, Luxembourg, gehalten werden, müssen sich Anleihegläubiger auf deren Verfahren zur Übertragung, Zahlung und Kommunikation mit der Emittentin verlassen.
- Für einen Anleihegläubiger besteht das Risiko, dass er überstimmt wird und gegen seinen Willen Rechte gegenüber der Emittentin verliert, falls Anleihegläubiger mit einer Stimmenmehrheit gemäß dem Schuldverschreibungsgesetz ihre Zustimmung zu Änderungen der Anleihebedingungen erteilen. Im Falle der Ernennung eines gemeinsamen Vertreters aller Anleihegläubiger besteht das Risiko, dass ein einzelner Anleihegläubiger ganz oder teilweise die Möglichkeit verliert, seine Rechte gegenüber der Emittentin unabhängig von den anderen Anleihegläubigern durchzusetzen und geltend zu machen.
- Anleihegläubiger übernehmen das Risiko, dass sich der Credit Spread der Emittentin ändert (Credit Spread Risiko).
- Die Rendite einer Veranlagung kann sich aufgrund künftiger Inflation verringern.
- Die steuerlichen Auswirkungen einer Veranlagung in die Schuldverschreibungen sollten genau geprüft werden.
- Wenn der Erwerb der Schuldverschreibungen fremdfinanziert wird, erhöht dies die Höhe des größten möglichen Verlusts wesentlich.
- Nebenkosten, insbesondere in Verbindung mit dem Erwerb oder der Veräußerung der Schuldverschreibungen können wesentliche nachteilige Auswirkungen auf das Ertragspotential haben.
- Änderungen der Richtlinie 2003/48/EG des Rates über die Besteuerung von Zinserträgen könnten nachteilige Auswirkungen auf die Anleger haben

#### **Abschnitt E - Angebot**

E.2b Gründe für das Angebot,  
Zweckbestimmung der  
Erlöse.....

Die Emittentin macht das Angebot und beabsichtigt, den Nettoemissionserlös aus der Ausgabe der Schuldverschreibungen für allgemeine Unternehmenszwecke, insbesondere für die Finanzierung der YESSS!-Übernahme, Frequenz-Auktionen und die Verlängerung bestehender Frequenzverträge zu nutzen.

E.3 Angebotskonditionen .....

Die Schuldverschreibungen werden in Österreich und Deutschland innerhalb eines Angebotszeitraums angeboten, der – vorbehaltlich einer Verkürzung oder Verlängerung des Angebotszeitraums – nicht vor dem 25. Jänner 2013 (frühestens jedoch ab dem Zeitpunkt der Veröffentlichung der Preissmitteilung) beginnt und bis zum Begebungstag dauern

wird.

Der Emissionspreis, der Gesamtnennbetrag der zu begebenden Schuldverschreibungen, der Zinssatz, die Marge, die modifizierte Marge und die zweite modifizierte Marge, der Emissionserlös und die Rendite zum Ersten Rückzahlungstermin werden in der Preismitteilung (*Pricing Notice*) enthalten sein, die auf der Internetseite der Luxemburger Wertpapierbörse ([www.bourse.lu](http://www.bourse.lu)) am oder nach dem Preisfestsetzungstag und vor dem Begebungstag der Schuldverschreibungen veröffentlicht wird.

Das Angebot unterliegt keinen Bedingungen. Anleger können Angebote zum Kauf der Schuldverschreibungen durch Nutzung des Informationssystems Bloomberg oder eines anderen üblicherweise verwendeten Informationssystems übermitteln. Jeder Anleger, der ein Angebot bezüglich der Schuldverschreibungen abgegeben hat und dessen Angebot angenommen wurde, erhält bezüglich der Zuteilung der Schuldverschreibungen eine Bestätigung per E-Mail, Fax oder über ein anderes üblicherweise verwendetes Informationssystem. Bis zum Erhalt dieser Bestätigung kann der Anleger sein Angebot reduzieren oder widerrufen.

Lieferung und Zahlung der Schuldverschreibungen und Bestätigung der Zuteilung an Anleger erfolgen am 1. Februar 2013. Die Lieferung der Schuldverschreibungen erfolgt durch buchmäßige Übertragung über die Clearingsysteme und ihre Depotbanken gegen Zahlung des Emissionspreises.

E.4 Wesentliche Interessen..... Nach Festsetzung der Preisdetails werden sich Citigroup Global Markets Limited, Merrill Lynch International, Morgan Stanley & Co. International plc. und UniCredit Bank Austria AG nach Maßgabe eines Übernahmevertrags, der am oder um den 30. Jänner 2013 unterzeichnet wird, verpflichten, die Schuldverschreibungen zu übernehmen. Die Konsortialführer sind unter bestimmten Voraussetzungen berechtigt, den Übernahmevertrag zu kündigen. In diesem Fall werden keine Schuldverschreibungen an Anleger geliefert. Weiterhin wird die Emittentin sich bereit erklären, die Konsortialführer von bestimmten Haftungsrisiken im Zusammenhang mit dem Angebot und dem Verkauf der Schuldverschreibungen freizustellen. Die Provision, die im Zusammenhang mit dem Angebot, der Platzierung und der Zeichnung der Schuldverschreibungen an die Konsortialführer zu zahlen ist, beträgt bis zu 0,70% des Gesamtnennbetrags der Schuldverschreibungen. Die Konsortialführer oder mit ihnen verbundene Unternehmen haben bisher Investment-Dienstleistungen gegenüber der Emittentin und den mit ihr verbundenen Unternehmen erbracht und werden dies voraussichtlich auch in Zukunft tun. Für diese Dienstleistungen haben die Konsortialführer und ihre verbundenen Unternehmen marktübliche Gebühren und Provisionen erhalten bzw werden solche zukünftig erhalten. Außer den Interessen der Emittentin bestehen keine Interessen (einschließlich Interessenkonflikte) natürlicher oder juristischer Personen die an der Emission

beteiligt sind, die für die Emission wesentlich sind.

E.7 Kosten für den Anleger ..... Entfällt. Die Emittentin wird den Anlegern in Verbindung mit den Schuldverschreibungen keine Kosten, Ausgaben oder Steuern unmittelbar in Rechnung stellen.

## **RISK FACTORS**

*Prospective investors should carefully review the following risk factors in conjunction with the other information contained in this Prospectus before making an investment in the Bonds. If these risks materialize, individually or together with other circumstances, they may have a material adverse effect on Telekom Austria's business, results of operations and financial condition. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to fulfil its obligations under the Bonds for other reasons than those described below, and the Issuer does not represent that the statements below are exhaustive. Additional risks not currently known to Telekom Austria or that it currently believes are immaterial may also adversely affect its business, results of operations and financial condition. Should any of these risks materialize, the trading price of the Bonds could decline, the Issuer may not be able to fulfill its obligations under the Bonds and investors could lose all or a part of their investment. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks.*

*Each prospective purchaser of Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Bonds. A prospective purchaser may not rely on the Issuer, the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Bonds or as to the other matters referred to above.*

### **Macroeconomic risks and market environment**

*An economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending could adversely affect Telekom Austria's customers' purchases of products and services in each of the operating segments, which could have a negative impact on the operating results and financial condition of Telekom Austria.*

Telekom Austria's business is especially influenced by general economic conditions in Austria and in Central, Eastern and South-Eastern Europe (“CESEE”).

During the global financial and economic crisis, refinancing costs of banks increased significantly, and the liquidity available in the interbank markets declined substantially. A number of countries struggle with large budget deficits. Concerns about sovereign risks have intensified and are reflected by a progressive widening of intra-Euro zone government bond and sovereign credit default swap spreads for several Euro zone members with large fiscal imbalances. Against this background, policymakers have publicly acknowledged the need to adopt credible strategies to contain public debt and fiscal deficits and reduce them to more sustainable levels. The implementation of these policies may, however, restrict a swift economic recovery. Despite assistance packages to Greece, Ireland and Portugal and the creation of a European Financial Stability Facility (“EFSF”) and a European Stability Mechanism (“ESM”), uncertainty over the outcome of the EU governments' financial support programs and worries about sovereign finances persist. Risks and ongoing concerns about the sovereign debt crisis in Europe could have a detrimental impact on the global economic recovery. In November 2012, following a downgrade of France Moody's downgraded the bailout funds EFSF and ESM from the best possible credit rating AAA to Aa1.

The sovereign debt crisis could lead to a material downturn of the economy including a decrease in the demand for the products and services offered by Telekom Austria, which would negatively affect Telekom Austria's result of operations and financial condition.

Through its activities in the CESEE region, Telekom Austria operates in certain markets that have been experiencing political and economic change. This circumstance has affected and may continue to affect the activities of enterprises operating in this environment. Consequently, operations in the CESEE

region involve uncertainties, including foreign exchange and tax uncertainties that typically do not exist in other markets.

If the economies in countries where Telekom Austria is active resume the deterioration experienced in the past, or if growth remains at low levels, the level of demand by Telekom Austria's individual customers for its products and services and the willingness of Telekom Austria's business customers to invest in information and communications technology may weaken. This could, in turn, negatively impact Telekom Austria's revenue development, including in the future growth areas on which it plans to focus, and jeopardise the attainment of Telekom Austria's growth targets.

***Recent market developments are characterized by high competition, declining prices and uncertain foreign exchange rates.***

Telekom Austria operates in a highly competitive environment in both, the fixed line and the mobile communication markets with negative pricing trends visible in most of its segments. Regulatory measures, particularly on mobile termination rates and roaming tariffs, impact domestic as well as international activities negatively. In Austria, the telecommunication market remains characterized by fierce competition and ongoing fixed-to-mobile substitution. The competitive environment in the mobile communication market intensified significantly with limited signs for changes for the foreseeable future. This led to a marked decline in pricing levels for package as well as data tariffs throughout 2012. In the fixed line market the ongoing loss of fixed voice minutes, due to the fixed-to-mobile substitution, remains a key challenge.

In CESEE, strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as in Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Particularly in Bulgaria and Croatia, competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal burdens affect operations in the CESEE region. The Bulgarian operation is severely impacted by a new glide path reducing termination rates by more than a half. With respect to foreign exchange markets uncertainty remains. The Belarusian Ruble (“BYR”) lost 5% and the Serbian Dinar (“RSD”) 9% versus the Euro in the first nine months of 2012 (compared to the same period 2011).

For detailed information about the risks in important markets of Telekom Austria see “*Risk Factors – Country risk factors regarding Telekom Austria*” below.

### **Risks relating to Telekom Austria’s business**

***Telekom Austria may realise neither the expected level of demand for its products and services, nor the expected level or timing of revenues generated by those products and services, as a result of technological change and lack of market acceptance, which could adversely affect Telekom Austria's cash flows.***

There is a risk that Telekom Austria will not succeed in making customers sufficiently aware of existing and future services or in creating customer acceptance of these services at the prices Telekom Austria would want to charge. There is also a risk that Telekom Austria will not identify trends correctly, or that Telekom Austria will not be able to bring new services to market as quickly or price-competitively as its competitors. These risks exist, in particular, with respect to Telekom Austria's anticipated future growth drivers in the mobile telecommunications area, such as mobile data services provided via Universal Mobile Telecommunications System (“UMTS”), high speed downlink packet access (“HSDPA”), Long Term Evolution (“LTE”) or other advanced technologies (which are supporting advanced “smartphone” products), and in the fixed-line telecommunications area, such as triple-play services, which include telephone, Internet and television services, provided via Digital Subscriber Line (“DSL”) or fiber optic cables in the local loop technologies. Furthermore additional competition may arise from IT companies which position themselves as full IT and telecommunications providers and compete strongly for the large corporate accounts. A lack of market acceptance of services based on third generation technology or fourth generation technology like LTE could also have a negative impact

on revenues and results of operations, including the possibility that Telekom Austria will not be able to secure its investments in third generation technology.

Further, as a result of rapid technological progress, and the trend towards technological convergence, there is a risk that new and established information and telecommunications technologies or products may not only fail to complement one another, but in some cases may even substitute for one another. One example of this is Voice over IP (“VoIP”), a technology that is already established in the business customer market. VoIP has now reached the consumer market as well and, as a technology that competes directly with traditional telephony services, VoIP has the potential to reduce further Telekom Austria's market share and revenues in its fixed-line and mobile voice business. The introduction of mobile handsets with VoIP functionality may also adversely affect Telekom Austria's pricing structures and market share in its mobile voice telephony business.

The rapid growth in the popularity of audiovisual content streamed through the telecommunications network and insufficient innovation could lead telecoms operators being squeezed out by other content or service providers in customer-relations and to saturating the telecoms network. This could result in stripping operators like Telekom Austria of part of their revenues and margins while simultaneously requiring higher investment.

The development of network usage for added-value services benefits the emergence of new companies, that do not have a network (content and service providers, including aggregators, search engines, handset makers, etc.). Competition to control customer relations with these players is intensifying and could erode the operators' market position. This direct relationship with customers is a source of value for the operators and to lose all or part of it to new entrants could affect the revenue, margins, financial position and outlook.

If Telekom Austria does not appropriately anticipate the demand for new technologies, and adapt its strategies and cost structures accordingly, Telekom Austria may be unable to compete effectively, with the result that Telekom Austria's business activities, financial condition and results may suffer.

***As a result of Telekom Austria's high number of civil servants and protected employees in Austria, it is limited in its ability to adjust its operating expenses according to the changing market environment.***

As of September 30, 2012, 53% of the employees in the Austria segment of Telekom Austria were civil servants who cannot be dismissed without cause. Moreover, another 58% of the non-civil servant employees (27% of the employees) in Austria benefit from an enhanced protection against dismissal.

In the past, Telekom Austria has implemented early voluntary retirement packages for its employees; however, changes in Austrian law no longer allow this. In view of the increasingly competitive environment in which Telekom Austria operates, such restrictions may have an adverse impact on its results of operations and a negative impact on its profitability.

IFRS accounting rules require a provision for redundancy programs (*Sozialpläne*), leaves of absence (*Dienstfreistellungen*) and the program under which civil servants of Telekom Austria change to the public service (*Staatsdienst*) in an amount of approximately EUR 858.6 million as of September 30, 2012. If it is not possible to implement measures to restructure its workforce as required to the extent planned or not at all, this may have significant negative effects on its financial targets and profitability as well as Telekom Austria's reputation.

The realisation of any staff reduction program depends on a range of factors that are beyond Telekom Austria's control, such as general developments in the labor market or the demand for Telekom Austria's retrained labor force. If planned staff reduction targets are not achieved, this would have a negative effect on Telekom Austria's operating expenses and profitability.

***The risk relating to system failures due to natural or human failure and the technological dependency on third parties may have an impact on Telekom Austria's reputation and the rate of customer satisfaction.***

Telekom Austria's technical infrastructure (including the network infrastructure for fixed line network services and mobile telecommunications services) may be damaged or disrupted by fire, lightning, flooding, earthquake and other catastrophes, technological failures, human errors and other similar events. Moreover, Telekom Austria's technological backbone depends on third party software and hardware. Although it has taken measures to safeguard against such problems, Telekom Austria cannot be sure such safeguards will be effective under all circumstances. Damage or disruption to its infrastructure, technology or software may result in reduced user traffic and reduced revenues as well as increased costs, and might damage Telekom Austria's reputation and reduce customer satisfaction.

***Technological change could increase competition, render existing technologies obsolete or require Telekom Austria to make substantial additional investments.***

Telekom Austria's services are technology-intensive, and the development of new technologies could render its services non-competitive and require it to write-down the book values of investments it has made in existing licenses and technologies. Telekom Austria is already making substantial investments, and may have to make substantial additional investments in new technologies in order to remain competitive. New technologies that Telekom Austria chooses to develop or acquire, however, may not prove to be successful. In addition, Telekom Austria may not receive the regulatory or intellectual property licenses needed to provide services based on new technologies in Austria or abroad. As a result, Telekom Austria might lose customers, fail to attract new customers or incur substantial costs to maintain its customer base.

***The migration to next generation networks might lead to substantial investments in the future and might impair the value of existing investments which could have a negative impact on Telekom Austria's profitability.***

Telekom Austria is in the process of evaluating the details and financial implications of a migration to next generation network with particular consideration of existing investments. The costs relating to the expansion of next generation network and its implications on Telekom Austria's business are expected to be substantial. The time frame for its development will depend on various factors including customer needs and competition. At this stage, however, it is too early to quantify the capital expenditure requirements or to give a time horizon for its implementation. As a result this might lead to substantial investments in the future and might impair the value of existing investments which could have a negative impact on Telekom Austria's profitability. If Telekom Austria fails to implement the expansion of next generation network timely this could lead to competitive disadvantages and thus materially negatively affect the revenues of its operations and financial condition.

***Telekom Austria depends on retaining, recruiting and training management staff and skilled employees.***

In addition to its technical staff, Telekom Austria largely depends on the performance of qualified management and executive staff. If Telekom Austria does not succeed to retain such management staff and employees in key positions or to recruit or train a sufficient number of new employees with corresponding qualifications, maintaining its market position as well as future growth would be at risk. This could have a material adverse effect on Telekom Austria's business, results of operations and financial condition.



***Alleged health risks of wireless communications devices could lead to litigation or decreased wireless communications usage or increased difficulty in obtaining sites for base stations and, as a result, adversely affect the financial condition and results of operations of Telekom Austria's wireless services business.***

Media reports have suggested that radio frequency emissions from wireless mobile devices and cell sites may raise various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Research and studies are ongoing. The World Health Organisation has declared that, on the basis of current scientific knowledge, there are no known adverse effects on health from emissions at levels below internationally recognised health and safety standards. However, Telekom Austria cannot provide assurance that research in the future will not establish links between radio frequency emissions and health risks.

Whether or not such research or studies conclude there is a link between radio frequency emissions and health, concerns about radio frequency emissions may discourage the use of wireless devices and may result in significant restrictions on the location and operation of cell sites by Telekom Austria and the usage of its wireless devices, telephones or products using wireless technology. Such restrictions on use could have material adverse effects on Telekom Austria's results of operations.

Telekom Austria cannot exclude that legislators, regulators or private litigants will refrain from taking other actions adverse to Telekom Austria, based on the purported health-related risks associated with radio frequency emissions. Any such litigation, legislation or adverse actions could reduce the growth rate of Telekom Austria's mobile communication business, customer base, or average usage per customer. Environmental objections may also impair Telekom Austria's ability to augment its infrastructure including, primarily, its mobile network, and reduce the willingness of contract partners to renew site contracts for mobile sites in the upcoming years. This may result in additional costs and loss of revenues in Telekom Austria's mobile communications businesses.

***Shortcomings in Telekom Austria's supply and procurement process could negatively affect its product portfolio, revenues and profits.***

Telekom Austria cooperates with a wide range of different suppliers for technical components and assemblies, as well as for software and other goods and information important to the conduct of Telekom Austria's business. Although Telekom Austria does not believe that Telekom Austria is materially dependent on any single supplier, Telekom Austria's contractors may want to extend delivery times, raise prices and limit supply due to their own shortages or changing business and product strategies. Furthermore, Telekom Austria's suppliers may be subject to litigation with respect to technology that is important for the conduct of Telekom Austria's business. Especially in times of economic turmoil, supply chains, credit access and financial stability of Telekom Austria's suppliers may be negatively affected, which could disturb Telekom Austria's commercial relationship with them.

If Telekom Austria's suppliers fail to deliver quality products and services in a timely manner, the ensuing disruptions in Telekom Austria's chain of supply could negatively affect Telekom Austria's product portfolio, cost structure, revenues and profits. Telekom Austria takes a variety of measures to shelter itself from these risks, but it cannot be sure that these measures will be effective under all circumstances.

***The risk relating to the insolvency of major customers or international suppliers may have an impact on Telekom Austria's revenues or profitability.***

In the past some of Telekom Austria's large wholesale customers faced severe liquidity constraints. Insolvencies of these customers might expose Telekom Austria to risks in connection with settlement of Telekom Austria's accounts receivables. Insolvencies of major international suppliers of bandwidth might have an adverse effect on the availability of the connectivity Telekom Austria needs in order to provide services to Telekom Austria's customers.

***Exchange rate and interest rate risks have had, and may continue to have, an adverse effect on Telekom Austria's revenue and cost development.***

Telekom Austria is exposed to currency risks including currency translation risks related to Telekom Austria's international business activities. Generally, Telekom Austria hedges currency risks that may have an impact on its cash flows (known as a transaction risk), although there can be no guarantee that Telekom Austria's hedging strategies will succeed. Currency risks have had a negative impact on Telekom Austria's results of operations when amounts in local currencies are translated into Euros and may have such negative impacts in the future (concerning the Belarus currency devaluation see “*Risk Factors – Country risk factors regarding Telekom Austria– Economic instability in the Operating Region may adversely affect Telekom Austria's business and operations*”).

Telekom Austria is also exposed to Euro-interest rate risks. Interest-rate risks arise as a result of fluctuations in interest rates affecting the level of interest payments due on indebtedness at variable rates. There is the risk that Telekom Austria fails to identify relevant interest rate risks and even if it has identified such risks and taken measures to mitigate them, it cannot be excluded that these measures prove to be inadequate or insufficient in the future.

***Downgrades in the rating or a decline in the credit metrics of the Issuer, its inability to obtain new financing and covenants in existing financing agreements could increase refinancing costs and impair Telekom Austria's liquidity and profitability.***

The Issuer is assigned a long-term issuer rating of Baa1 with negative outlook by Moody's and BBB with stable outlook by Standard & Poor's. Possible future downgrades in the financial rating could impair Telekom Austria's ability to refinance and have a material adverse effect its business, results of operations and financial condition.

A portion of Telekom Austria's cash flow from operations is dedicated to the payment of interest on its indebtedness and will not be available for other purposes. If Telekom Austria's credit metrics were to decline, the interest it pays under some of its credit facilities would increase, leading to an increase in the cost of additional financing that Telekom Austria may need, thereby negatively affecting its business, results of operations and financial condition.

Telekom Austria continues to depend on future financing and refinancing in the credit and capital markets and may not always be successful in securing such financing. Access to financing is dependent on a variety of financial, macroeconomic and other factors, which are beyond Telekom Austria's control. It is possible that its liquid funds and existing undrawn committed lines of credit will not be sufficient to cover Telekom Austria's refinancing and operational needs and that it will not obtain additional financing on favourable terms or at all.

Covenants contained in Telekom Austria's financing arrangements could equally limit its ability to finance its future operations and capital needs. If Telekom Austria breaches such covenants and is unable to cure the breach or obtain a waiver from the lenders, it could be in default under the terms of the respective arrangement. A default under any single financing arrangement could result in a default under other financing arrangements and could cause lenders under such other arrangements to accelerate such financing arrangements, in which case amounts under those arrangements would become due as well. In addition, in an event of default, the lenders under Telekom Austria's credit lines could terminate their commitments to extend credit to it or cease making loans, and Telekom Austria could be forced into bankruptcy or liquidation. This would have an immediate material adverse effect on Telekom Austria's liquidity and may have a material adverse effect on its business, results of operations and financial condition.

***Telekom Austria may acquire or sell assets or companies, or enter into joint ventures which could potentially deliver less revenues, cash flows and earnings than anticipated and may experience difficulties integrating acquired assets or companies in a timely manner; anticipated synergies may not realize as expected.***

Telekom Austria may experience difficulties in integrating newly acquired assets and companies and the anticipated benefits of such acquisitions or joint ventures may not be realized fully (or at all) and may take longer to realize than expected. Upon making significant acquisitions in the future, the performance of Telekom Austria will depend in part on whether it can successfully integrate such acquisitions in an effective and efficient manner. Such integration will be a complex, time consuming and expensive process and involve a number of risks, including the costs and expenses associated with any unexpected difficulties with respect to such assets and companies. Even if Telekom Austria is able to integrate newly acquired assets and companies successfully, this integration may not result in the realization of the full benefits of synergies, cost savings, revenues and cash flow enhancements, growth, operational efficiencies and other benefits as expected.

***Unexpected events may result in the insurance coverage of Telekom Austria being inadequate.***

Telekom Austria has various insurance policies necessary for our ongoing business operations and believes that the current level of coverage is sufficient and customary in the industry to protect against risks associated with its business activities. Telekom Austria regularly reviews its insurance coverage and adjusts it where necessary. However, Telekom Austria may incur damages for which it has no or insufficient coverage, which could have a material adverse effect on Telekom Austria's business, financial position and results of operations.

***The Issuer's principal shareholders may exercise significant influence over Telekom Austria and its interests may not always correspond to the interests of Telekom Austria.***

The main shareholders of the Issuer, OIAG, which holds approximately 28.42% of the shares in the Issuer, and América Móvil S.A.B. de C.V. ("**América Móvil**"), Mexico, which holds directly and indirectly approximately 22.76% of the shares in the Issuer may be able to significantly influence matters requiring shareholder approval, and there can be no assurance that OIAG and/or América Móvil will align their voting behaviour with the interests of Telekom Austria. This may have a material adverse effect on the financial condition and results of Telekom Austria.

***Capital requirements for banks could lead to higher costs of capital for Telekom Austria.***

Due to the rules of the Basel III Accord (International Convergence of Capital Measurement and Capital Standards by the Basel Committee on Banking Supervision), banks will be required to monitor their capital adequacy requirements more closely and to a great extent either raise additional own funds or limit their loan exposures, which in turn would result in higher costs of capital the Telekom Austria because of higher interest rate payments or non-availability of loans. This would have material adverse effects on Telekom Austria's business, results of operations and financial condition.

### **Regulatory, legal and compliance risks**

***Regulatory decisions and changes in the regulatory environment could adversely affect Telekom Austria's business.***

Most of Telekom Austria's fixed net and mobile communications services, as well as its broadband service businesses, its international operations and investments are subject to extensive national and European Union regulatory requirements. Various risks may result from the operations of Telekom Austria in countries that are not EU member states.

Telekom Austria is unable to predict the impact of any proposed or potential changes in the regulatory environment at EU and national level that may affect the business activities of Telekom Austria in the countries in which it operates. Changes in laws, regulations or government policy or adverse court

decisions in any of those countries could adversely affect its business and competitiveness. In all of these countries government agencies regularly intervene in the offerings and pricing of its products and services. In particular, Telekom Austria's ability to compete effectively in existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which Telekom Austria is subject or extend them to new services and markets. Additionally, the regulatory framework as well as the interventions of the government agencies may impede its ability to grow and react to the initiatives of competitors and technological change.

Finally, decisions by regulators regarding the granting, amendment or renewal of licenses and frequencies of Telekom Austria or to third parties could adversely affect its future operations in Austria and in other countries where it operates. In particular, the business of Telekom Austria may be adversely affected if it fails to succeed in the frequency award procedure for the 800, 900 and 1800 MHz frequency bands expected to take place in September 2013 in Austria, should it decide to participate in such auction (for details see "*Regulation – Austria – Spectrum*").

On July 1, 2012, a new European Union roaming regulation entered into force, providing further reductions of the existing price caps (wholesale: voice, SMS, data; retail: voice, SMS) and introduces a retail price cap for data services which will decline until 2014. Additionally, the regulation implements a structural solution from July 2014 onwards which will enable customers to choose an operator for roaming services within the European Union independently from their operator for national services. The implemented reductions and requirements will have an adverse effect on Telekom Austria's net income.

On November 22, 2011, a major amendment of the Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003, BGBl I 70/2003*, the "**TKG**") transposing the EU 2009 Telecommunications Framework (as defined below) entered into force in Austria. The EU 2009 Telecommunications Framework concerns all EU member states in which Telekom Austria operates and may adversely affect the activities of Telekom Austria in various ways. For example, the TKG intends to foster competition, investment and innovation as well as to strengthen the rights of customers. The TKG also seeks to improve the supervisory rights of the regulatory authorities, introduce more flexible provisions for the administration of frequencies and establish stricter provisions on transparency in respect of prices and services as well as stricter data protection and data security provisions.

Moreover, national regulatory authorities are under pressure to follow the EC Recommendation on Termination rates when setting new levels of interconnection fees at mobile ("**MTR**") and fixed (Fixed Termination Rate, "**FTR**") networks in Europe as a new cost calculation model based only on incremental costs (Long Run Incremental Cost, "**pure LRIC**") will be mandatory by December 31, 2012. The application of new cost models will lead to a further decrease in MTR and FTR levels across Europe within the next one to two years. For Austria, the final decision on lower FTRs and MTRs is expected to be effective during the first quarter 2013.

Telekom Austria is exposed to additional regulatory risks deriving from EU legislation which might lead to additional costs. The consequence is a negative effect on Telekom Austria's financial condition.

***Telekom Austria is continuously involved in disputes and litigation with regulators, competition authorities, competitors and other parties. The ultimate outcome of such legal proceedings is generally uncertain. When finally concluded, they may have a material adverse effect on Telekom Austria's results of operations and financial condition.***

Telekom Austria is subject to numerous risks relating to legal and regulatory proceedings, to which Telekom Austria is currently a party or which could develop in the future (in this connection, please see the section "*Litigation and arbitration*"). Proceedings brought against Telekom Austria may result in judgments, settlements, fines, penalties, injunctions, or other results adverse to it, which could materially and negatively affect Telekom Austria's businesses, financial condition or results of operations, require material changes in Telekom Austria's operations, or cause Telekom Austria reputational harm. Litigation and regulatory proceedings, including patent infringement lawsuits, are

inherently unpredictable. Although Telekom Austria establishes accruals for its litigation and regulatory matters according to accounting requirements, the amount of loss ultimately incurred in relation to those matters may be substantially higher or lower than the amounts accrued. In addition, while Telekom Austria seeks to prevent and detect employee misconduct, such as fraud, employee misconduct is not always possible to deter or prevent, and the extensive precautions Telekom Austria takes to prevent and detect this activity may not be effective in all cases, which could subject Telekom Austria to additional liability. Legal or regulatory proceedings in which Telekom Austria is or comes to be involved (or settlements thereof) may have significant adverse effects on Telekom Austria's results of operations or financial condition.

***Potential breaches of compliance requirements or the identification of material weaknesses in Telekom Austria's internal control over financial reporting may have an adverse impact on Telekom Austria's corporate reputation, financial condition and the trading price of its securities.***

Telekom Austria and some of its subsidiaries are presently scrutinized thoroughly by public authorities including the public prosecutor with respect to alleged unlawful behaviour of former directors, employees and persons acting for Telekom Austria in the past. In November 2012, the Prosecution Office Vienna brought charges against three former members of the management and a former authorized signatory (*Prokurist*) of the Issuer as well as a broker for allegedly committing a fraud to the disadvantage of the Issuer by manipulating the price of the shares of the Issuer in 2004, which manipulations allegedly lead to an increase of the share price and triggered bonus payments payable to around hundred executive employees in an amount of at least EUR 10.6 million. In addition, the Prosecution Office Vienna brought charges against a former member of the management of the Issuer, a former advertising agency manager and other people in January 2013 for allegedly committing a breach of trust (*Untreue*) to the disadvantage of the Issuer by arranging for a groundless payment of EUR 600,000 by the Issuer to the advertising agency. Moreover, the Prosecution Office Vienna brought charges against a former employee and three persons of another advertising agency for an alleged breach of trust (*Untreue*) by paying the former employee severance payment of approximately EUR 586,000 to which he was not entitled. There has been continuous and extensive reporting in the media. The Issuer fully supports and cooperates with the public prosecutor, e.g. by sharing information derived from internal investigations, and expects as a result thereof that further charges will be brought against former members of the management, contract partners or employees.

Telekom Austria may fail in remediating identified shortcomings at all or in a timely manner or may fail to identify all shortcomings. Furthermore, the legal steps and remedies which Telekom Austria (intends to) take against persons involved in unlawful behaviour and/or who have violated internal compliance rules could prove to be inadequate at a later point in time. Should any shortcomings be proofed or any further shortcomings be found to have happened, Telekom Austria could, in addition to reputational damage, be found liable for fines, damage or additional tax payments, which could have negative effects on the business, financial and earnings position of Telekom Austria. Currently a tax audit is conducted in Austria in connection with the alleged unlawful behaviour of former directors and employees.

Disclosure of any failures, material weakness or other conditions in Telekom Austria's internal control system over financial reporting may result in a deterioration of Telekom Austria's corporate image and negative market reactions, i.e. reduced market shares. This would have material negative effects on the results of operations or financial condition of Telekom Austria.

***Crime, corruption and money laundering in the countries where Telekom Austria operates may adversely affect Telekom Austria's ability to conduct its business.***

Organised crime, including extortion and fraud, poses a risk to businesses in certain countries where Telekom Austria operates. Certain countries where Telekom Austria operates still face considerable weaknesses in the fight against corruption and organized crime. Property and employees may become targets of theft, violence or extortion. Threats or incidents of crime may force Telekom Austria to cease or alter certain activities or to liquidate certain investments, which may cause losses or have other negative impacts on Telekom Austria. In certain countries where Telekom Austria is operating there is

the risk of higher levels of corruption, including the bribing of officials for the purpose of initiating investigations by government agencies and other purposes. Allegedly, there have also been instances in which government officials have engaged in selective investigations and prosecutions to further the interest of the government and individual officials. Furthermore, in certain countries where Telekom Austria operates, there have been allegations that many members of the media allegedly regularly publish biased articles in return for payment. Telekom Austria's operations could be adversely affected by illegal activities, corruption or claims implicating Telekom Austria in illegal activities. Corruption and theft may also arise within Telekom Austria; for example, through products being stolen. Such activities may cause losses or have other negative impacts on Telekom Austria.

### **Country risk factors regarding Telekom Austria**

#### ***Risks relating to Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia (the “Operating Region”)***

Telekom Austria has subsidiaries outside Austria, particularly in Central, South-eastern and Eastern Europe. Apart from Austria, Telekom Austria encompasses operations in Operating Region and Liechtenstein.

The legal systems, economies, social and other circumstances in the Operating Region are in different stages of the process of transformation towards EU standards. A large part of Telekom Austria's income is derived from operations in these countries. As a result, Telekom Austria's operations are exposed to risks common to all regions undergoing rapid political, economic and social change including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption and labor unrest. The occurrence of one or more of these events may also affect the ability of Telekom Austria's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations towards Telekom Austria. Political or economic disruptions or changes in laws and their application may harm the companies in which Telekom Austria has invested. This may significantly impair the value of these investments.

#### ***Emerging markets such as those in the Operating Region are subject to greater risks than more developed markets.***

Emerging markets such as the markets in the Operating Region are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should note that such emerging economies are subject to rapid change and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks for Telekom Austria and thus for the investors and must decide for themselves whether, in light of those risks, their investment in Bonds issued by Telekom Austria is appropriate. Generally, an investment in emerging markets and thus, in securities issued by an entity which is significantly invested in emerging markets like Telekom Austria, is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisors before making an investment decision.

#### ***Telekom Austria faces intense competition in the telecommunication markets in Austria and the Operating Region, which could lead to reduced prices for its products and services and a decrease in market share in certain service areas, thereby adversely affecting Telekom Austria's revenues and net profit.***

Telekom Austria's operating segments are based on geographical markets. Telekom Austria reports separately on the five operating segments: Austria, Bulgaria, Croatia, Belarus and Additional Markets.

#### ***Austria***

The segment Austria comprises convergent products for voice telephony, internet access, data and IT solutions, value added services, wholesale services, Internet-TV (“IPTV”), mobile business and

payment solutions in Austria.

## Market

As of September 30, 2012, Telekom Austria generated approximately 64% of its total revenues in the Austrian home market. The Austrian home market remains one of the most fiercely competitive and with among the cheapest tariffs in Europe. Several of Telekom Austria's existing and potential competitors in each of its business segments are affiliated with international telecommunications operators, some of which are incumbents in their own countries of origin, that have substantial financial resources. Competition from existing and new operators, driven by liberalization, may result in losses of market share and further tariff reductions.

Despite the takeover of Orange Austria Telecommunication GmbH ("**Orange Austria**") by Hutchison 3G Austria Holdings GmbH ("**Hutchison 3G Austria Holding**"), the parent company of Hutchison 3G Austria GmbH ("**Hutchison 3G Austria**") it cannot be expected that competition in the mobile telecommunications market in Austria will be less intensive. This takeover significantly raises the market share of Hutchison 3G Austria and may improve its market position in relation to A1 Telekom Austria AG. Moreover, past consolidation, i.e. the merger of T-Mobile Austria GmbH ("**T-Mobile**") with tele.ring Telekom Service GmbH ("**Tele.ring**") does not suggest that competition will be reduced, since the market remained fiercely competitive which lead to further deterioration in service revenue growth.

The regulator (i.e. the *Rundfunk und Telekom Regulierungs-GmbH*, "**RTR**") has announced that both the new the and currently allocated spectrum will, due to the pending takeover described above, not be auctioned before mid 2013. New 800 MHz will be auctioned with 60 MHz of effective bandwidth available, as in other countries. But in addition, operators will have to renew the existing spectrum at 900 MHz and 1800 Mhz for the period of 2015-2030. Refarming (the clearing of frequencies from low-value and reassignment to high-value applications) as well as spectrum trading between operators will be allowed after the auction. The three main operators control both these bands and will have to defend their existing spectrum. This could prove aggressive and may lead to higher costs than expected.

Telekom Austria also competes with mobile virtual network operators ("**MVNO**") and service providers/resellers that offer wireless communications services without maintaining their own networks in Austria. Many of these operators offer low-cost services targeted at a specific market. Examples include offering inexpensive prepaid and contract tariffs or focusing on the immigrant population. The ability of these low-cost providers to attract customers away from traditional service providers such as Telekom Austria may have a negative impact on Telekom Austria's market share. The emergence of new MVNOs and service providers, in particular Hutchison's obligation to allow MVNOs on its infrastructure as part of the merger clearance condition in connection with the takeover of Orange Austria, might also have a negative impact on Telekom Austria's market share and perpetuate downward pressure on tariffs. This could materially negatively affect Telekom Austria's revenues from its operations and its financial condition.

In addition, Telekom Austria expects a further increase in competition from cable network operators and from competitors that have traditionally operated outside the telecommunications sector, such as major consumer electronics companies as well as non-traditional voice and data service providers, what could also materially negatively affect Telekom Austria's revenues from its operations and its financial condition.

## Business

Other factors that may increase competition include new forms of telecommunication that circumvent conventional tariff structures as well as licensing schemes and alternative technologies such as wireless access. VoIP is a technology that has the potential to partially substitute existing technologies and services and reduce Telekom Austria's market share and revenues.

Austria has one of the highest penetration rates of mobile communication in Europe, reaching 161% as

of September 30, 2012. This figure reflects the fact that customers use more than one Subscriber Identification Module (“SIM”) card. This market situation limits subscriber growth to lower Average Revenue Per User (“ARPU”) no-frills brands, which provides a growth opportunity but bears the risk of further declining ARPUs.

As the Austrian market has become increasingly saturated, the focus of competition has been shifting from customer acquisition to customer retention via increasing the quality and value offered to existing customers. Accordingly, if Telekom Austria is unable to identify, retain and leverage high value customers without significantly declining ARPUs, its revenues may not develop as Telekom Austria has anticipated in its plans.

Competition among the various service providers/resellers is based on handset subsidies as well as extremely low tariffs. Telekom Austria's competitors compete increasingly through lower tariffs and by offering free calls in defined destinations with a low level of monthly fixed fees. As customer retention costs increase, a continuation of the low tariffs currently offered by Telekom Austria's competitors would have a material adverse effect on Telekom Austria's profitability.

Part of the challenge for Telekom Austria is to expand its A1 brand reputation to the convergent business without losing reputation, while implementing cost-saving measures. Telekom Austria's line loss trend has shown continuous improvement since the launch of bundled offers, combining telephony, broadband and TV services, in 2008. It will be critical whether Telekom Austria will be able to further successfully promote these bundle offers at a sustainable price level in the Austrian market.

Customer demand, driven by technological improvement, requires Telekom Austria to constantly invest in new technologies and upgrades of its services, such as fiber optic cables or the new LTE technology (the new standard for wireless communication). While state of the art technology is a key element to Telekom Austria's competitive positioning, it also exposes Telekom Austria to the risk of not being able to amortize investments, which risk increased as a result of the highly competitive and highly regulated market environment in Austria.

## Regulatory

The amendment of the Austrian Telecommunication Law of November 21, 2011 provides a significant improvement of consumer protection, such as cost control systems, quality standards for services or maximum contract duration of two years for first time contracts. This may have a negative impact on Telekom Austria's margins. Telekom Austria offers “virtual” access in areas where it rolled out a next generation network to alternative operators via a virtual unbundling access product (“vULL” or “VULA”) at wholesale level. This solution encourages fixed net competition on the Austrian telecom market by making it easier for other operators to offer their high speed broadband services and increases the competitive pressure on Telekom Austria.

Additional envisaged regulation by the European Commission, e.g. lower interconnection and roaming prices, represents a constant risk to Telekom Austria's revenue and margin.

## *Belarus*

The segment Belarus comprises mobile communication and value added services in Belarus. In 2011, hyperinflation accounting (in accordance with IAS 29) was applied for the segment Belarus for the first time, which resulted in the restatement of non monetary assets, liabilities and all items of the statement of comprehensive income due to a change in a general price index and the translation of these items through application of the year-end exchange rate. Telekom Austria's activities in Belarus are dominated by the macro economy and the problem of hyperinflation with the BYR having devalued by around 64% in relation to the Euro over the last three years (as of December 2012). Telekom Austria may suffer free cash flow reductions of its Belarusian Segment, if it fails to further reduce foreign exchange (“FX”) dependencies for operational expenditure (“OPEX”) and capital expenditure (“CAPEX”). Telekom Austria may struggle to further increase prices at close to the inflation rate and if Telekom Austria increases prices there is the risk that the demand for its products and services offered



in Belarus will decrease. This could materially affect the revenues and financial condition of Telekom Austria.

### *Bulgaria*

The segment Bulgaria comprises voice telephony (mobile and fixed line telephone service), internet access, data and IT solutions, value added services, wholesale services, IPTV and payment solutions in Bulgaria. Bulgaria's market environment is currently characterised by a laggard domestic economy as well as fierce competition. Stabilizing contract customers' voice ARPU will be a critical challenge to maintain margins. Competition in the market is expected to remain high in the near-term which may keep Telekom Austria's margin and high premium price positioning under pressure. To leverage competition and to defend against aggressive pricing by competitors, a product where the non-essential features have been removed in order to keep the price low (no-frills) named "bob" was launched with low ARPUs. This puts the high price premium position at risk. The sustainability of the high price premium position also depends on macro economic developments. The Bulgarian operation is severely impacted by a new glide path, effective since July 1, 2012, which led to a cut of 57.5% of national and of 70.6% of international termination rates. While in the past Bulgarian operators were allowed to charge considerably higher MTRs for calls originating outside of Bulgaria, the regulator is now aligning international MTRs with national MTRs on the level outlined above. MTR decline will result in lower revenues from 2012 on. This could affect the results of operations and the financial condition of Telekom Austria.

### *Croatia*

The segment Croatia provides mobile and fixed line telephony, value added services and mobile and fixed line internet access and cable television in Croatia. The Croatian market remains dominated by persistent macro-economic, regulatory and competitive pressures. The strong competitiveness in the market is driven by aggressive voice and data offers and is threatening revenue growth.

With the acquisition of fixed line telephone company B.net Hrvatska d.o.o. ("**B.net**"), Telekom Austria is able to offer convergent products. As the convergent offering is the key element in terms of differentiation versus "mobile only" competition, the sustainability of ARPUs is critical to monetize access line growth. With Croatia's expected entry in the EU, increased competition, driven by liberalization, as well as negative impact from further MTR cuts and EU roaming regulations may reduce margins. A failure of Telekom Austria in meeting growth-expectations by offering convergent products and/or reduced margins in Croatia could have a material negative impact on the revenues of operations and the financial condition of Telekom Austria in Croatia.

In addition, the Croatian antitrust authority pressed charges against all three Croatian operators including Telekom Austria because of an alleged price arrangement which may have affected consumer prices negatively. A negative outcome in those proceedings may result in a reduction of Telekom Austria's margins and might also lead to a substantial fine. This could significantly negatively affect the financial condition of Telekom Austria in Croatia.

### *Additional Markets*

The segment Additional Markets comprises the mobile communication companies in Slovenia, Liechtenstein, Serbia and Macedonia.

If prices for mobile telecommunications services continue to decline through competition and/or regulation more than anticipated and this decline is not compensated for by subscriber growth and higher usage, planned objectives may not be achieved. In addition, mobile network operators' expansion of product offerings into the fixed net sector may result in a competitive disadvantage for Telekom Austria's mobile telecommunications operations in countries in which Telekom Austria offers only mobile communications services. Moreover, technologies such as VoIP could drive voice traffic from mobile networks, which could lead to significant price and revenue reductions.

Demand for telecommunications services in some of the countries of the segment suffers due to unemployment, government austerity packages and tax increases. In particular, economic growth prospects for Serbia are uncertain. Any measures of public budget reorganisation in countries facing recession and burdening additional taxes will decrease Telekom Austria's planned results.

***Economic instability in the Operating Region may adversely affect Telekom Austria's business and operations.***

In common with other transition economies, the economies of the Operating Region have suffered from the impact of the recent global economic crisis. The gross domestic product (“GDP”) for this region as a whole slightly stabilised on a low level after the sharp decline following 2009 which marked the end of nearly a decade of strong or accelerating growth in household incomes and employment. Sharp declines in capital inflows caused reductions in domestic demand to exceed declines in GDP, with commensurately greater impacts on consumption and living standards.

*The Operating Region in general*

The challenging macro-economic conditions in countries in the Operating Region influenced customer usage behaviour above all in Bulgaria and Croatia (increasing their price sensitivity). Any further adverse change in the economic conditions in the Operating Region as outlined in the summaries for each countries of the Operating Region below could have an adverse impact on Telekom Austria's business, results of operations and financial condition. In addition, there is no assurance that the Operating Region will become as receptive to foreign trade and investment as it was prior to the economic crisis or that its foreign direct investment ratio will continue to increase comparable to the situation pre-crisis. Any further deterioration in the climate for foreign trade and investment in the Operating Region could have a material adverse effect on the Operating Region's economy which, in turn, may have a negative impact on Telekom Austria's business, results of operations and financial condition.

Were any of the following factors, which have been characteristic of the economy in some or all countries of the Operating Region at various times during recent years, to recur, this could have a negative influence on the investment climate in the Operating Region and may have a negative impact on Telekom Austria's business, results of operations and financial condition:

- restrictions on transfers of hard currency states within the Operation Region;
- significant declines in the gross domestic product;
- high levels of inflation;
- unstable local currencies;
- high government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and grey market economy;
- pervasive capital flight;
- corruption and extensive penetration of organized crime into the economy;

- significant increases in unemployment and underemployment;
- impoverishment of a large portion of the population; and
- social instability.

The below summarised information on the economic situation of the countries of the Operating Region is sourced from publicly available information, e.g. conclusions of International Monetary Fund's ("IMF") staff visits in the respective countries, from the IMF website. This information is indicative only and neither the Issuer nor any member of Telekom Austria accepts liability for the accurateness, completeness or any other characteristic of this information.

### *Belarus*

According to the Worldbank, the GDP growth in Belarus was 5.8% in 2011. The authorities' tightened the economic policies from late 2011. A swift reduction in the refinancing rate and high real wage growth were contributing to renewed signs of price and exchange rate pressures. In the view of IMF, the Belarus government is expected to start raising policy rates without further delay to ensure that rates remain positive in real terms. Major additional steps are needed. In particular, it is important that a comprehensive and consistent policy effort is coordinated among all major policy makers and that clear priority is given to inflation and stability objectives over the official GDP growth targets, which IMF believes to be incompatible with those objectives. As one element of this effort, lending under government programs needs to be kept under a tight lid. It is also critical that wages are not allowed to grow faster than the output that workers produce because such growth cannot be sustained and will result in additional pressures on prices and the exchange rate. Flexible exchange rate policy should be continued to bolster reserves as a buffer against external shocks. Beyond macroeconomic policies, deep structural reforms (such as price liberalization, strengthening of private property rights, development of a strategy for state-owned enterprise restructuring and privatization, and establishment of targeted social and unemployment benefits to protect the most vulnerable people) remain vital. Russia's recent accession to the World Trade Organization exposes Belarusian companies to greater international competition. Financial sector reform is also critical. If the government in Belarus fails to implement strict limits on lending under government programs, tight monetary policy, continued wage restraint and implement structural and financial sector reform this could lead to a (further) deterioration of the economic situation in Belarus which may affect consumer spending and thus, would have a significant negative impact on the results of operations in Belarus.

### *Bulgaria*

Growth in Bulgaria continues to slow, mostly reflecting external headwinds. Real GDP growth is projected to reach 0.8% in 2012 and rise moderately to 1.5% in 2013, contingent on euro area growth recovering and much stronger EU funds absorption by Bulgaria. Headline inflation is projected at around 2% in 2012. Risks to the outlook, particularly emanating from an intensification of the euro area crisis, remain to the downside. Fiscal buffers need to be raised to safeguard resilience. At this juncture, IMF would deem it prudent to increase the fiscal reserve, and to avoid steps that would reduce it. Realizing the targets for EU funds absorption will be critical to support growth. High unemployment requires greater efforts to expand active labor market programs and social safety nets. Medium-term fiscal pressures related to the health sector will also need to be addressed. As growth slowed in the banking system gross non-performing loans ("NPL") rose in the first quarter of 2012. If the government fails to implement reforms, this could lead to a deterioration of the economic situation in Bulgaria which may affect consumer spending and thus, would have a significant negative impact on Telekom Austria's results of operations in Bulgaria.

### *Croatia*

Economic prospects are weak and risks large in Croatia. After a second year of contraction in 2010, output stagnated in 2011. With unfavorable external conditions and subdued domestic demand amid

high unemployment, low confidence, and weak credit growth, GDP is set to contract further by 1.5% in 2012, only modestly picking up by 0.75% in 2013 on the back of the expected sizable public investments and modest improvement in external demand. Inflation would hover around 3%, affected by rising food and energy prices, while the current account deficit would remain about 1 to 1.25% of GDP. Structural impediments and weak competitiveness hamper medium-term prospects. Debt rollover risks are significant with external, mostly private debt of about 100% of GDP, and an external financing requirement of 30% of GDP in 2012. The budget deficit is high and public debt is rising fast. Large liabilities in foreign currencies expose corporate and household balance sheets to exchange rate shocks. Significant setbacks in Croatia's main external partners in the EU and on the Balkan are a key risk to economic prospects and financial stability. In the medium term, without fundamental policy changes, sluggish growth and elevated vulnerabilities will further weaken the economy's ability to withstand shocks. Slow adjustment to the post-crisis environment has exhausted the government's fiscal space, calling for significant and sustained fiscal consolidation to keep public debt under control. However, this consolidation has to take place amid weak growth and high unemployment, both amplified by incomplete adoption of market-friendly policies to stimulate private investment and employment creation. According to the IMF, a far-reaching structural reform agenda must be carefully designed and rapidly implemented. The ongoing recession is affecting the NPL ratio, which reached 13% in June 2012, with corporate NPLs at 23%. Profitability has started to decline. Growing NPLs, the large exposure of household and corporate borrowers to currency and interest risk, and sizeable dependence of subsidiaries on euro area parent banks for funding create vulnerabilities. If Croatia will not be able to succeed in averting such risks and implement a far-reaching structural reform, this could lead to a deterioration of the economic situation in Croatia which may affect consumer spending and thus, would have a significant negative impact on Telekom Austria's results of operations in Croatia.

#### *Macedonia*

The economic recovery is losing steam due to adverse external developments. Growth was 3% in 2011, but was slowing in the second half of the year, which was visible in softening exports, sales, production, and credit. Growth is expected to slow to 2% in 2012. Inflation peaked at 3.9% on average in 2011 on the back of sharp rises in food and fuel prices. Inflation is expected to decline to 2% in 2012. The account deficit in 2011 was 2.8% of GDP. The account deficit is expected to widen and then level off at around 5% of GDP in the medium term. The 2012 budget called for a deficit of 2.5% of GDP. A slowdown in growth and a higher inflation would negatively affect the revenues of Telekom Austria in Macedonia.

#### *Serbia*

Serbia's economic outlook is clouded by weak economic conditions and sizable domestic and external imbalances. GDP is expected to fall by about 0.5% this year, followed by only a modest recovery in 2013, with downside risks. Inflation is set to accelerate over the next few months, largely reflecting weather-related food price shocks. The external current account deficit is expected to reach double digits this year. Large public spending increases and the resulting high deficit relative to the 2012 budget are set to raise the public debt ratio above 60% of GDP by end-year. The situation has been complicated by deteriorating investor confidence and rating downgrades. In the fiscal area, tangible consolidation is needed. If the economic downturn continues and the Serbian government fails to implement appropriate measures to decrease inflation this could materially negatively affect Telekom Austria's revenues in Serbia due to low consumer spending.

#### *Slovenia*

Slovenia is in the midst of a double-dip recession. The economy is suffering from the negative feedback loops of recession, bank deleveraging, and corporate distress against the background of pre-existing structural weaknesses. IMF expects the economy to contract by 2.2% in 2012 and by some 1% in 2013 on the back of continued deleveraging, sluggish external demand, and fiscal tightening. As a result of weak economic activity, core inflation is low and the current account continues to improve with a moderate surplus expected for this year. Financial conditions have worsened. Repeated rating

downgrades towards the lower end of investment grade range highlighted long-standing issues and concerns on the status of publicly-controlled banks. The failure to implement pension and labor market reforms in mid-2011 and political uncertainties have contributed to markets' concerns. The performance of Slovenian banks deteriorated markedly in recent years as a result of the weak economy and poor governance in some banks. Bank asset quality has worsened substantially, with NPLs climbing to 13% of classified claims by end-July 2012. Of particular concern are claims to the corporate sector, which is over-indebted and facing declining demand. A pension reform is essential for long-term fiscal sustainability in light of adverse demographic dynamics. In addition, a labor market reform is necessary to reduce labor market dualism and to improve competitiveness. A (further) deterioration of the economic condition in Slovenia, particularly due to unemployment and fiscal retrenchment, would affect Telekom Austria's revenues of operations in Slovenia and thus, the financial conditions of Telekom Austria.

***Political instability in the Operating Region may adversely affect Telekom Austria's business and operations.***

Generally, the countries in the Operating Region that are not EU member states (Belarus, Serbia, Croatia and Macedonia) are not yet as stable as the countries in the region that have already joined the EU. The economic development in the Operating Region is subject to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including currency fluctuations, evolving regulatory environments, inflation, economic recession, local market disruption, labor unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth, declines in birth rate and other similar factors. Far-reaching political and economic reforms mean that political and economic tensions could accompany the development of the new democratic and market-oriented systems. If the political situation in one or more of the countries in the Operating Region deteriorates, this could have significant negative effects on Telekom Austria's business, results of operations and financial condition.

***Telekom Austria could become subject to the risk of expropriation and nationalization in countries of the Operating Region.***

Most countries in the Operating Region have in place legislation to protect property against expropriation and nationalization which provides for fair compensation in case of expropriation or nationalization of property. However, there can be no certainty that such protection would be enforced. It is possible that, due to a lack of experience in enforcing these provisions or due to political change, legislative protection may not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of Telekom Austria's assets, potentially with little or no compensation, would have a material adverse effect on Telekom Austria's business, results of operations, financial conditions and prospects.

***Instability of Belarusian, Bulgarian, Croatian, Macedonian and Serbian currencies may adversely affect Telekom Austria's earnings.***

Since 2001, the RSD has (more and more loosely) been allowed to float against the Euro, with occasional interventions by the NBS. Croatia has, already in the 1990s, implemented a tightly managed float (with the Euro as reference) for its Kuna (“**HRK**”). A steady depreciation of HRK against the major currencies is expected on the back of a weak economic outlook and wider risk aversions towards frontier market assets. Given the high degree of external obligations of both, public and private Croatian debtors in Croatia, the stability of the HRK, particularly against the Euro, will remain key for Croatia. The Bulgarian Lev (“**BGN**”) is pegged to the Euro (replacement of the BGN by the Euro is planned, but may be delayed due to inflation problems), as (de facto) is the Macedonian Denar (“**MKN**”). With effect from January 2, 2009, Belarus pegged the BYR to a basket of currencies made up of United States Dollar (“**USD**”), Euro and Russian Rubel (“**RUB**”) in equal proportion. In May 2011, the Belarusian government devalued the nation's currency by approximately 35%. The introduction of a floating exchange rate in September 2011 was followed by a further devaluation of approximately 40%. Furthermore, in December 2011, Belarus was classified as a hyperinflationary economy according to IAS 29 due to its inflation rate in excess of 100% and other facts. The pegging of currencies means that

those currencies are susceptible to changes to the currency to which they are pegged. In addition, should the relevant authorities choose to remove completely or change the level of the pegging of their country's currency, as it was the case with the BYR recently, greater volatility in that currency's exchange rates with other currencies would arise, which in turn may have a negative impact on Telekom Austria's results of operations and financial conditions. Furthermore, as Telekom Austria is preparing its consolidated financial statements in Euro, Telekom Austria is exposed to currency translation risks, i.e. the risk deriving from the effects which currency rate changes between the relevant cut-off dates for the financial statements may have on the valuation of certain assets of Telekom Austria denominated in other currencies than Euro when translated into Euro for Telekom Austria's consolidated financial statements.

***Changes in the relationships between countries of the Operating Region and western governments and institutions may affect Telekom Austria's business.***

The relationships that each of the countries of the Operating Region has with western governments and institutions varies but any change in such relationships could have a negative impact on the economy of the relevant country of the Operating Region and, consequently, an adverse effect on Telekom Austria's business, results of operations and financial condition. Bulgaria and Slovenia, as EU member states, North Atlantic Treaty Organisation (“NATO”) members and World Trade Organization (“WTO”) members, have a relatively close relationship with western governments. Croatia, also a WTO member and expected to join the European Union in 2013, has become another former Yugoslav nation joining the NATO following Slovenia, which joined in 2004: The accession of Croatia to NATO took place in 2009. The Macedonian NATO membership has been rejected by Greece, putting the country behind in its pursuit of achieving a closer relationship with NATO. However, Macedonia was officially admitted to the WTO in 2003, and, in 2007, joined the new Central European Free Trade Agreement (“CEFTA”), together with Serbia and Croatia. Serbia's relationships with western governments and institutions deteriorated following the unilateral declaration of independence of Kosovo in February 2008. Serbia has vowed to take “all legal and diplomatic measures” to preserve its former province of Kosovo as legal part of Serbia. So far, 97 countries, including the United States and 22 of 27 EU countries, have recognized Kosovo's independence. Russia, Serbia's ally on the issue, has used the threat of its Security Council veto to block United Nations membership for Kosovo. After the International Court of Justice ruled in July 2010 that Kosovo's declaration of independence did not contravene international law, the EU pressured Serbia – applying for EU membership – to hold talks with Kosovo. EU brokered talks on technical issues began in March 2011. After having solved a few issues, the talks were interrupted for several months after the election in Serbia in Mai 2012, but started again in October 2012. Although the European Council decided on March 1, 2012 to grant Serbia the status of an official candidate country to the EU, there is no guarantee that Serbia's relationship with western governments and institutions will further ameliorate. Following a dispute with Russia over energy supplies in early 2008, conciliatory efforts have been made by Belarus to improve its relationships with western governments and institutions. This has included the release of persons defined by Western governments as political prisoners. Any deterioration in relationships with Western governments and institutions of countries in the Operating Region could have severe negative effects on such countries' economy and could thus, adversely affect Telekom Austria's business, results of operations and financial condition.

***Relationships upon which countries in the Operating Region depend for their economic growth may deteriorate and thus affect Telekom Austria's business.***

Economic growth in the Operating Region depends upon trade flows with regional neighbours. Belarus, in particular imports a large proportion of its energy requirements from Russia (or from countries that transport energy-related exports through Russia). Similarly Russian investors have taken an interest in investing in Bulgaria, Croatia, Macedonia and Serbia especially in the energy sector. Russia therefore has the ability to influence political stability in certain countries in the Operating Region. By way of example, Russia has introduced an export duty on oil shipped to Belarus. Russia also increased Belarusian natural gas prices, in its sales of gas to Belarus, from \$47 per thousand cubic meters (“tcm”) to \$100 per tcm in 2007. On January 1, 2010, Russia, Kazakhstan and Belarus launched a customs

union, with unified trade regulations and customs codes. An amendment of the 2007 oil supply agreement among Russia and Belarus raised prices for above quota purchases, increasing Belarus' current account deficit. In December 2010, Belarus, Russia and Kazakhstan signed an agreement to form a Common Economic Space and Russia removed all Belarusian oil duties. Any major changes in the Operating Region's relations with regional neighbours, especially Russia, particularly concerning energy investing and supplies, could have negative effects on their respective economies and political stability. These negative effects may, in turn, adversely affect Telekom Austria's business, results of operations, financial condition and prospects.

***Limited financial infrastructure and liquidity problems in the Operating Region may adversely affect Telekom Austria's business, results of operations and financial conditions.***

Countries in the Operating Region have a limited infrastructure to support a market system, with communications, banks and other financial infrastructure being generally less well developed and less well regulated than their counterparts in more developed jurisdictions. Enterprises in the Operating Region frequently face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes, limited lending by the banking sector to the industrial sector and other factors. As in many emerging markets there is often a requirement to pay for goods in advance. Many such enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees. Numerous such companies have also resorted to paying their debts or accepting settlement of accounts receivable through barter arrangements or through the use of promissory notes to the extent such arrangements are at all permissible under local law. Deterioration in the business environment in the Operating Region could have a material adverse effect on Telekom Austria's business, results of operations and financial condition.

***Potential social instability in the Operating Region may affect Telekom Austria's business.***

The failure of the governments in the Operating Region and many private enterprises to pay full salaries on a regular basis and, the failure of salaries and benefits in the Operating Region generally to keep pace with the rapidly increasing cost of living, have led in the past, and may lead in the future, to labour and social unrest, including strikes and political protests and demonstrations. These risks may become considerable higher due to the effects of the current public debt crisis among European countries. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, restrictions on foreign ownership in the Operating Region's economy and possible violence. Any of these events could adversely affect Telekom Austria's business, results of operations and financial condition.

***The Operating Region's evolving legal systems are subject to risks and uncertainties, which may have an adverse effect on Telekom Austria's business.***

Governments of the Operating Region have introduced various recent reforms to their legal systems. However, these legal systems remain in transition and are, therefore, subject to greater risks and uncertainties than more mature legal systems. In particular, risks associated with the Operating Region's legal systems comprise: (i) inconsistencies between and among the countries' constitutions and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of legislation, in the Operating Region due to, amongst other factors, a general inconsistency in the judicial interpretation of such legislation in the same or similar cases; and (iv) the fact that not all resolutions, order and decrees and other similar acts are readily available to the public or are available in an understandably organised form. These and other factors that impact the Operating Region's legal systems make it subject to greater risks and uncertainties.

***The difficulty of enforcing contracts with suppliers, consumers and other counterparties and court decisions and governmental discretion in investigating, joining and enforcing claims could prevent Telekom Austria from obtaining effective redress in court proceedings.***

The court systems of the Operating Region are in many cases understaffed and underfunded and judges and courts remain inexperienced in the area of international transactions. Courts may have a large backlog of unresolved cases, which often causes proceedings to take several years. Furthermore, international agreements are often not executed correctly. Although the constitutions in countries in the Operating Region may provide for an independent judiciary and the government in practice respects this provision, the court system is still developing and sometimes inefficient and slow. Independence may also, to a certain extent, be threatened by budgetary reliance on the national government. A low degree of transparency, as well as long duration and high costs of legal proceedings, may constitute a significant barrier in some countries of the Operating Region.

As the countries of the Operating Region are civil law jurisdictions, judicial decisions under their respective laws have no precedential effect. For the same reason, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of legislation to resolve the same or similar disputes. Not all such legislation is readily available to the public or organised in a manner that facilitates understanding. Furthermore, judicial decisions are not publicly available and, therefore, their role as guidelines in interpreting the applicable legislation is limited.

Enforcement of court orders and judgments in the Operating Region can, in practice, be very difficult. Enforcement procedures in the Operating Region often are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient bank account funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, courts and enforcement bodies have limited authority to enforce court orders and judgments quickly and effectively. They are bound by the method of enforcement envisaged by the relevant court order or judgment and may not independently change such method, even if it proves to be inefficient or unrealisable. Moreover, in practice, the procedures employed in the enforcement of court orders and judgments do not always comply with applicable legal requirements, resulting in delays or failure in enforcement of court orders or judgments.

These uncertainties also extend to certain rights, including investor rights. In the Operating Region, there is no established history of investor rights or responsibility to investors and, in certain cases, the courts may not enforce these rights. In the event that courts take a consistent approach in protecting rights of investors granted under applicable legislation, the legislature of the relevant country may attempt legislatively to overrule any such court decisions by backdating such legislative changes to a previous date.

All of these factors make judicial decisions in the Operating Region difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. Telekom Austria may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties relating to the judicial system could have a negative effect on the Operating Region's economy and thus on Telekom Austria's business, results of operations and financial condition.

***Uncertainties in the tax systems in the Operating Region may adversely affect Telekom Austria's business, financial condition and results of operations.***

Countries in the Operating Region currently have a number of laws related to various taxes imposed by both central and local authorities. Applicable taxes include value-added tax, corporate income tax (profits tax), customs duties, payroll (social) taxes and other taxes. These tax laws have not been in force for significant periods of time, compared to more developed market economies, and often result in unclear or non-existent implementing regulations. Moreover, tax laws in the Operating Region are subject to frequent changes and amendments, which can result in either a friendlier environment or unusual complexities for Telekom Austria and its business generally.



Differing opinions regarding legal interpretations often exist both among and within governmental ministries and organisations, including the tax authorities, creating uncertainties and areas of conflict. Tax declarations/returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorised by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in the Operating Region which are more significant than those typically found in countries with more developed tax systems.

Based on prior tax audits, the authorities have consistently found Telekom Austria to be in compliance in all material respects with tax laws. Nevertheless it might be possible that competent authorities in the Operation Region could take different positions with regard to interpretative issues in the future. This could have a material adverse effect on Telekom Austria's business, results of operations and financial condition.

***Shareholder liability under legislation in the Operating Region could cause a holding company to become liable for the obligations of its subsidiaries.***

Under the law of certain countries in the Operating Region, a holding company can become liable for the obligations of a subsidiary in certain circumstances. A controlling holding company can be liable to the subsidiary and minority shareholders for damages caused breaches of their duty of care, duty of loyalty (avoiding conflicts of interests), non-compete and confidentiality obligations and, in particular, if the controlled subsidiary is given instructions and, specifically, in bankruptcy scenarios.

If a company is defined as a holding company of a subsidiary, then, certain countries in the Operating Region, it incurs secondary liability with respect to the obligations and liabilities of the subsidiary to the latter's creditors in the event that the subsidiary, due to the actions or inactivity of the holding company, becomes insolvent and is adjudged bankrupt. Secondary liability implies that the assets of the holding company may be used to satisfy the subsidiary's liabilities to its creditors to the extent that the subsidiary's own assets are insufficient. If the company is regarded as a holding company in any jurisdiction of the Operating Region, it could be liable in some cases for the debts of its subsidiaries in those jurisdictions. This could have a materially adverse effect on Telekom Austria's business, results of operations and financial condition.

***Courts in the Operating Region may force a legal entity into liquidation on the basis of non-compliance with certain requirements of corporate law.***

Certain provisions of law in the Operating Region may allow a court to order liquidation of a legal entity in that country on the basis of its formal non-compliance with certain requirements during its formation, reorganisation or operation. There have been cases in the past in which formal deficiencies in the establishment process of a legal entity or non-compliance with provisions of law have been used by the courts as a basis for liquidation of a legal entity. To a limited extent, such liquidation could also be ordered by authorities in certain countries of the Operating Region in the case of formal deficiencies in the establishment process. Some courts have also taken into account factors apart from applicable legal requirements, such as the financial standing of the company and its ability to meet its tax obligations, when deciding whether to order a company's liquidation, as well as the economic and social consequences of its liquidation. In certain cases, a legal entity may be liquidated by the registering state authority without any court decision. Furthermore, in cases where the relevant company is subject to specific legal requirements, the company may also be excluded from the state register, which de facto means that the company ceases to exist.

Weaknesses in the legal systems of the Operating Region create an uncertain legal environment, which makes the decisions of a court or a governmental authority difficult, if not impossible, to predict. Therefore, investors should not rely on Telekom Austria's interpretation of the law in the Operating Region. If a court or a governmental authority takes a position unfavourable to Telekom Austria, it may need to restructure its operations, which could have a material adverse effect on Telekom Austria's business, financial condition and results of operations.

***Deterioration of relationships between countries in the Operating Region and their major creditors may adversely affect such country's financing and, their level of money depreciation, which may in turn affect Telekom Austria's business.***

The internal debt market of countries in the Operating Region remains illiquid and underdeveloped as compared to markets in most Western countries. International capital markets and loans from multinational organisations such as the European Bank for Reconstruction and Development (the “EBRD”), the IMF, the World Bank and the EU make up a significant sources of external financing for certain countries in the Operating Region. Failure to raise sufficient funds in the international capital markets or from multinational organisations could put pressure on the budget of certain countries in the Operating Region and foreign exchange reserves and have a material adverse effect on such countries' economy as a whole, and thus on Telekom Austria's business, results of operations and financial condition.

### **Risks relating to the Bonds**

*An investment in the Bonds involves certain risks associated with the characteristics of the Bonds. Such risks could result in principal or interest not being paid on time or at all by the Issuer and/or a material impairment of the market price of the Bonds. The following is a description of risk factors in relation to the Bonds.*

#### ***Bonds may not be a suitable investment for all Investors***

Each potential investor in Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds, and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to and knowledge of appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all risks of an investment in the relevant Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviours of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.
- recognise that it may not be possible to dispose of the Bonds for a substantial period of time or at all.

#### ***Undated securities***

The Bonds are undated securities and holders may not declare the Bonds due and payable. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Bonds for an indefinite period and may not recover their investment in a foreseeable future.

### ***Risk of Early Redemption***

At the Issuer's option the Bonds may be redeemed at the Redemption Amount pursuant to the Terms and Conditions of the Bonds, (i) on the First Call Date or any Reset Date thereafter or (ii) if as a consequence of a change in law it has to pay any additional amounts with respect to taxation or (iii) if 90% or more in principal amount of the Bonds initially issued have been redeemed or purchased or (iv) if as a consequence of a change of control the Issuer's credit rating is downgraded or withdrawn (as specified in detail in the Terms and Conditions of the Bonds).

In addition the Issuer may at its option redeem the Bonds at the Early Redemption Amount pursuant to the Terms and Conditions of the Bonds, if (i) interest payable in respect of the Bonds is no longer fully income tax deductible, (ii) the funds raised through the issuance of the Bonds must not or must no longer be recorded as "equity capital" of the Issuer, (iii) certain rating agencies determine to no longer grant the same or higher category of "equity credit" to the Bonds.

In the case of redemption, Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same term. Moreover, the Early Redemption Amount or the Redemption Amount may be lower than the prevailing market price of the Bonds.

### ***Subordination***

The obligations of the Issuer under the Bonds will be unsecured deeply subordinated obligations of the Issuer which in an insolvency or liquidation of the Issuer rank *pari passu* among themselves and with any Parity Securities, subordinated to all present and future unsubordinated and subordinated obligations of the Issuer (other than Parity Securities), and senior only to all present and future Junior Securities. According to the Terms and Conditions of the Bonds, in an insolvency or liquidation of the Issuer, no payments under the Bonds will be made to the holders unless the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Bonds. As long as such condition precedent is not fulfilled, the holders will have no claims under the Bonds and in particular no voting right in a creditor's assembly of the Issuer pursuant to the Austrian Insolvency Act. In a liquidation, insolvency or any other proceeding for the avoidance of insolvency of the Issuer, the holders may recover proportionately less than the holders of unsubordinated or subordinated obligations of the Issuer or may recover nothing at all. Investors should take into consideration that liabilities ranking senior to the Bonds may also arise out of events that are not reflected on the Issuer's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Issuer, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to holders.

### ***No express events of default and no cross default***

The holders should be aware that the Terms and Conditions of the Bonds do not contain any express event of default provisions. There will be no cross default under the Bonds.

### ***The holders have limited ability to influence the outcome of an insolvency proceeding or a restructuring outside insolvency***

As long as the condition precedent described above under "Subordination" is not fulfilled, the holders will have no claims under the Bonds and in particular no voting right in a creditor's assembly of the Issuer pursuant to the Austrian Insolvency Act. Thus, holders of the Bonds will have limited ability to influence the outcome of any insolvency proceeding or a restructuring outside insolvency. In Austria, the following insolvency proceedings according to the Insolvency Act are available: (i) bankruptcy proceedings (*Konkursverfahren*), (ii) restructuring proceedings where a bankruptcy receiver is appointed (*Sanierungsverfahren mit Masseverwalter*), and (iii) restructuring proceedings where the debtor retains the right to self-administration (*Sanierungsverfahren mit Eigenverwaltung*). In the case of each type of insolvency proceeding, holders have a limited ability to influence the outcome of such proceedings.

### ***Holders have no voting rights***

The Bonds are non-voting with respect to general meetings (*Hauptversammlungen*) of the Issuer. Consequently, the holders cannot influence any decisions by the Issuer to defer interest payments or to optionally settle Deferred Interest Payments or any other decisions by the Issuer's shareholders concerning the capital structure or any other matters relating to the Issuer.

### ***Enforcement and limited remedies***

The only remedy against the Issuer available to the holders for recovery of amounts which have become due in respect of the Bonds will be the institution of legal proceedings to enforce payment of the amounts or to file an application for the institution of insolvency proceedings. On an insolvency or liquidation of the Issuer, any holder may only declare its Bonds due and payable and may claim the amounts due and payable under the Bonds, after the Issuer having discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Bonds.

### ***No limitation on issuing further debt ranking senior or pari passu with the Bonds***

There is no restriction on the amount of debt which the Issuer may issue ranking senior or equal to the obligations under or in connection with the Bonds. Such issuance of further debt would reduce the amount recoverable by the holders upon insolvency or liquidation of the Issuer or may increase the likelihood that the Issuer is required or permitted to defer payments of interest under the Bonds.

### ***Liquidity and volatility risk***

There is currently no secondary market for the Bonds. Application has been made for the Bonds to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. There can, however, be no assurance that a liquid secondary market for the Bonds will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Bonds at any time at fair market prices. The ability of holders to sell the Bonds might also be restricted for country-specific reasons.

Moreover, the trading market for Bonds may be volatile and can be adversely impacted by many events. The market for Bonds may be influenced by economic and market conditions in Austria or Luxembourg and, to varying degrees, by market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Luxembourg, Austria, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Bonds or that economic and market conditions will not have other adverse effects.

### ***There is a risk that trading in the Bonds will be suspended, interrupted or terminated***

The listing of the Bonds may be suspended or interrupted by the Luxembourg Stock Exchange or a competent regulatory authority upon the occurrence of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of investors. Furthermore, trading in the Bonds may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Investors should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Bonds is terminated upon the Issuer's decision) and that investors in any event must bear the risks connected therewith. In particular, investors may not be able to sell their Bonds where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Bonds may not adequately reflect the price of such Bonds. Finally, even if trading in Bonds is suspended, interrupted or terminated, investors should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the investors' interests; for example, where trading in Bonds is suspended after price-sensitive information relating to such Bonds has been published, the price of such Bonds may already have been adversely affected. All these risks would, if they materialise, have a

material adverse effect on the investors.

### ***Fixed Interest Rate Bonds***

The Bonds bear interest at a fixed rate to but excluding the First Call Date.

A holder of a fixed interest rate bond is exposed to the risk that the price of such bond may fall because of changes in the market interest rate. While the nominal interest rate of a fixed interest rate bond is fixed during the life of such bond or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate changes, the price of such bond changes in the opposite direction. If the market interest rate increases, the price of such bond typically falls, until the yield of such bond is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed interest rate bond typically increases, until the yield of such bond is approximately equal to the market interest rate. Holders should be aware that movements of the market interest rate can adversely affect the market price of the Bonds and can lead to losses for holders if they sell their Bonds.

### ***Reset of Interest Rate linked to the 5-year Swap Rate***

From and including the First Call Date, the Bonds bear interest at a rate which will be determined on each Reset Date at the 5-year Swap Rate for the relevant Reset Period plus a margin.

Investors should be aware that the performance of the 5-year Swap Rate and the interest income on the Bonds cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of the Bonds at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after Interest Payment Dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Furthermore, during each Reset Period, it cannot be ruled out that the price of the Bonds may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates. During each of these periods, the investor is exposed to the risk as described in the section "Fixed Interest Rate Bonds".

### ***Deferral of interest payments***

Holders should be aware that interest may not be due and payable (*fällig*) on the scheduled Interest Payment Date, and that the payment of the resulting Deferred Interest Payments is subject to certain further conditions. Failure to pay interest as a result of an interest deferral will not constitute a default of the Issuer or a breach of any other obligations under the Bonds or for any other purposes. Interest deferred will constitute Deferred Interest Payments. Holders will not receive any additional interest or compensation for the deferral of payment. In particular, the resulting Deferred Interest Payments will not bear interest.

### ***Ratings of the Issuer or the Bonds may be subject to change at all times***

A rating of the Issuer may not adequately reflect all risks of the investment in Bonds issued by the Issuer. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Bonds. One or more independent credit rating agencies may assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. Rating agencies may also change their methodologies for rating securities with features similar to the Bonds in the future.

If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Bonds were to be subsequently lowered, this may have a negative impact on the trading

price of the Bonds.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***Currency Risk***

The Bonds are denominated in Euro. If such currency represents a foreign currency to a holder, such holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Bonds measured in the holder's currency. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Because the Global Bonds are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Bonds will be represented by one or more Global Bonds. Such Global Bonds will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Investors will not be entitled to receive definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bonds. While the Bonds are represented by one or more Global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bonds must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of beneficial interests in the Global Bonds.

***Risks in connection with the application of the German Act on Issues of Debt Securities (Gesetz über Schuldverschreibungen aus Gesamtemissionen)***

A holder is subject to the risk of being outvoted and of losing rights towards the Issuer against his will in the event that holders agree pursuant to the Terms and Conditions of the Bonds to amendments of the Terms and Conditions of the Bonds by majority vote according to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*). In the event of an appointment of a holders' representative for all holders a particular holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other holders.

***Investors in the Bonds assume the risk that the credit spread of the Issuer changes (Credit Spread Risk)***

A credit spread is the margin payable by the Issuer to the holder of a Bond as a premium for the assumed credit risk of the Issuer. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a positive or negative effect.

Investors are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the

price of the Bonds.

***Due to future money depreciation (inflation), the real yield of an investment may be reduced***

Inflation risk describes the possibility that the value of assets such as the Bonds or income therefrom will decrease as inflation reduces the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on any Bonds the yield on such Bonds will become negative and investors will have to suffer a loss.

***The tax impact of an investment in the Bonds should be carefully considered***

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax overview contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the section "Taxation" of this Prospectus.

***If a loan is used to finance the acquisition of the Bonds, the loan may significantly increase the risk of a loss***

If a loan is used to finance the acquisition of the Bonds by an investor and the Bonds subsequently go into default, or if the trading price diminishes significantly, the investor may not only have to face a potential loss on its investment, but it will also have to repay the loan and pay interest thereon. A loan may significantly increase the risk of a loss. Investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction in the Bonds. Instead, investors should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, repay the loan on demand, and that they may suffer losses instead of realising gains.

***Incidental costs related in particular to the purchase and sale of the Bonds may have a significant impact on the profit potential of the Bonds***

When Bonds are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Bonds. These incidental costs may significantly reduce or eliminate any profit from holding the Bonds. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Bonds (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Bonds before investing in the Bonds.

***Changes in the EU Savings Directive could negatively affect investors***

The EU adopted the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments ("**EU Savings Directive**"), which obliges each member state of the EU ("**Member State**") to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State or to certain limited types of entities established in that other Member State, except that Austria and Luxembourg (and originally also Belgium) have instead imposed a withholding system for a transitional period (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries)

unless during such period they elect otherwise. A number of other non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland). On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes, which if implemented, would broaden the scope of the Directive described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers. Changes in the EU Savings Directive could materially adversely affect the taxation effects for investors in the Bonds.



## TERMS AND CONDITIONS OF THE BONDS

### Anleihebedingungen

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information. Absätze in Kursivschrift sind nicht Bestandteil dieser Anleihebedingungen.

#### § 1

##### (Verbriefung und Nennbetrag)

- (1) Währung, Nennbetrag und Form.

Die Telekom Austria Aktiengesellschaft (die „**Emittentin**“) begibt auf den Inhaber lautende, nachrangige, Schuldverschreibungen (die „**Schuldverschreibungen**“) im Nennbetrag von je EUR 1.000 (der „**Nennbetrag**“) und im Gesamtnennbetrag von **EUR [●]**.

- (2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „**Vorläufige Globalurkunde**“) ohne Zinsscheine verbrieft und am oder um den Tag der Begebung der Schuldverschreibungen bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxemburg und Euroclear Bank SA/NV (beide gemeinsam nachstehend als „**Clearingsystem**“ bezeichnet) hinterlegt. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Tag der Begebung der Schuldverschreibungen gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearingsystems gegen eine endgültige Globalinhaberschuldverschreibung (die „**Dauer-Globalurkunde**“) und, gemeinsam mit der Vorläufigen Globalurkunde, jeweils eine „**Globalurkunde**“) ohne Zinsscheine ausgetauscht. Zahlungen auf eine Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

### Terms and Conditions

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only. Paragraphs in italics do not form part of these Terms and Conditions.

#### § 1

##### (Form and Denomination)

- (1) Currency, Denomination and Form.

Telekom Austria Aktiengesellschaft (the „**Issuer**“) subordinated bearer bonds (the „**Bonds**“) in a denomination of EUR 1,000 each (the „**Principal Amount**“) in the aggregate principal amount of **EUR [●]**.

- (2) Global Bonds and Exchange.

The Bonds will initially be represented by a temporary global bearer bond (the „**Temporary Global Bond**“) without coupons which will be deposited with a common depositary for Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank SA/NV (together hereinafter referred to as the „**Clearing System**“) on or around the date of issue of the Bonds. The Temporary Global Bond will be exchangeable for a permanent global bearer Bond (the „**Permanent Global Bond**“) and, together with the Temporary Global Bond, each a „**Global Bond**“) without coupons not earlier than 40 and not later than 180 days after the date of issue of the Bonds upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Bond will only be made against presentation of such certification. No definitive Bonds or interest coupons will be issued.

- (3) Den Inhabern der Schuldverschreibungen (die „**Anleihegläubiger**“) stehen Miteigentumsanteile bzw. Rechte an der Globalurkunde zu, die nach Maßgabe des anwendbaren Rechts und der Regeln und Bestimmungen des Clearingsystems übertragen werden können.

**§ 2  
(Status)**

- (1) Die Verbindlichkeiten der Emittentin aus den Schuldverschreibungen begründen nicht besicherte Verbindlichkeiten der Emittentin, die im Falle der Insolvenz oder Liquidation der Emittentin
- (a) untereinander und mit Gleichrangigen Wertpapieren gleichrangig sind,
- (b) gegenüber allen gegenwärtigen und zukünftigen nicht nachrangigen und nachrangigen (mit Ausnahme von Gleichrangigen Wertpapieren und Nachrangigen Wertpapieren) Verbindlichkeiten der Emittentin nachrangig sind,
- (c) im Rang nur den Ansprüchen und Rechten von Inhabern von Nachrangigen Wertpapieren vorgehen.

„**Gleichrangiges Wertpapier**“ bezeichnet jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, (i) das von der Emittentin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Emittentin mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen gleichrangig oder als gleichrangig vereinbart sind, oder (ii) das von einer Tochtergesellschaft der Emittentin begeben und von der Emittentin dergestalt garantiert ist, oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die Verbindlichkeiten der Emittentin aus der betreffenden Garantie oder Haftungsübernahme mit den Verbindlichkeiten der Emittentin aus den Schuldverschreibungen gleichrangig oder als gleichrangig vereinbart sind.

„**Nachrangiges Wertpapier**“ bezeichnet (i) die Stammaktien der Emittentin, (ii) jede gegenwärtige oder zukünftige Aktie einer anderen Gattung von Aktien der Emittentin, (iii) jedes andere gegenwärtige oder zukünftige Wertpapier,

- (3) The holders of the Bonds (the “**Holders**”) are entitled to proportional co-ownership interests or rights in the Global Bond, which are transferable in accordance with applicable law and the rules and regulations of the Clearing System.

**§ 2  
(Status)**

- (1) The obligations of the Issuer under the Bonds constitute unsecured obligations of the Issuer that in an insolvency or liquidation of the Issuer rank
- (a) *pari passu* among themselves and with any Parity Securities,
- (b) subordinated to all present and future unsubordinated and subordinated obligations of the Issuer (other than Parity Securities and Junior Securities),
- (c) senior only to the rights and claims of holders of Junior Securities.

“**Parity Security**“ means any present or future security, registered security or other instrument which (i) is issued by the Issuer and the obligations under which rank or are expressed to rank *pari passu* with the Issuer’s obligations under the Bonds, or (ii) is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer’s obligations under the relevant guarantee or other assumption of liability rank or are expressed to be *pari passu* with the Issuer’s obligations under the Bonds.

“**Junior Securities**” means (i) the ordinary shares of the Issuer, (ii) any present or future share of any other class of shares of the Issuer, (iii) any other present or future security registered security or other instrument of the Issuer the Issuer’s

Namenswertpapier oder jedes andere Instrument, das von der Emittentin begeben ist und bei dem die daraus folgenden Verbindlichkeiten der Emittentin mit den Stammaktien der Emittentin gleichrangig oder als gleichrangig vereinbart sind und (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft begeben und von der Emittentin dergestalt garantiert ist oder für das die Emittentin dergestalt die Haftung übernommen hat, dass die betreffenden Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i) und (ii) genannten Instrumenten gleichrangig oder als gleichrangig vereinbart sind.

„**Tochtergesellschaft**“ bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Emittentin direkt oder indirekt insgesamt mehr als 50% des Kapitals oder der Stimmrechte hält.

- (2) Im Falle einer Insolvenz oder Liquidation der Emittentin ist jedwede Zahlung unter den Schuldverschreibungen an die Anleihegläubiger dadurch aufschiebend bedingt, dass zuvor sämtliche Verpflichtungen auf gegenüber den Schuldverschreibungen gemäß § 2(1) vorrangige Verbindlichkeiten zur Gänze (d.h. nicht nur quotenmäßig) bezahlt oder sichergestellt wurden.
- (3) Die Anleihegläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen gegen etwaige Forderungen der Emittentin gegen sie aufzurechnen, und die Emittentin ist nicht berechtigt, etwaige Forderungen, welche sie gegen einen Anleihegläubiger hat, gegen Forderungen dieses Anleihegläubigers aus den Schuldverschreibungen aufzurechnen.

### § 3 (Zinsen)

- (1) Zinslauf.  
Im Zeitraum ab dem 1. Februar 2013 (der **Zinslaufbeginn**) (einschließlich) werden die Schuldverschreibungen bezogen auf den Gesamtnennbetrag in Höhe des Zinssatzes gemäß § 3(2) verzinst.

obligations under which rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer and (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i) and (ii) above.

“**Subsidiary**” means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50% of the capital or the voting rights.

- (2) In an insolvency or liquidation of the Issuer, no payments under the Bonds shall be made to the Holders unless all claims that, pursuant to § 2(1), rank senior to the Bonds (condition precedent) have been discharged or secured in full (i.e. not only with a quota).
- (3) The Holders may not set off any claim arising under the Bonds against any claim that the Issuer may have against any of them. The Issuer may not set off any claims it may have against any Holder against any claims of such Holder under the Bonds.

### § 3 (Interest)

- (1) Interest accrual.  
In the period from and including February 1, 2013 (the “**Interest Commencement Date**”) the Bonds bear interest on their aggregate principal amount at the Rate of Interest as set out in § 3(2). During such

Während dieses Zeitraums sind Zinsen nachträglich am 1. Februar eines jeden Jahres (jeweils ein "**Zahlungstag**") zur Zahlung vorgesehen, erstmals am 1. Februar 2014, und werden nach Maßgabe der in § 4(1) dargelegten Bedingungen fällig.

- (2) Zinssatz.
- (a) Der „**Zinssatz**“ entspricht vorbehaltlich § 3(3)
- (i) für jede Zinsperiode ab dem Zinslaufbeginn (einschließlich) bis zum 1. Februar 2018 (der „**Erste Rückzahlungstermin**“) (ausschließlich) einem Zinssatz in Höhe von jährlich [●]%;
  - (ii) für jede Zinsperiode ab dem Ersten Rückzahlungstermin (einschließlich) bis zum 1. Februar 2023 (der „**Erste Modifizierte Reset-Termin**“) (ausschließlich) dem Ersten Reset-Zinssatz für diesen Reset-Zeitraum;
  - (iii) für jede Zinsperiode ab dem Ersten Modifizierten Reset-Termin (einschließlich) bis zum 1. Februar 2038 (der „**Zweite Modifizierte Reset-Termin**“) (ausschließlich) dem Ersten Modifizierten Reset-Zinssatz für den betreffenden Reset-Zeitraum; und
  - (iv) für jede Zinsperiode ab dem Zweiten Modifizierten Reset-Termin (einschließlich) dem Zweiten Modifizierten Reset-Zinssatz für den betreffenden Reset-Zeitraum.

„**Reset-Termin**“ bezeichnet den Ersten Rückzahlungstermin und jeden Zinszahlungstag, der fünf Jahre auf den vorherigen Reset-Termin folgt.

„**Reset-Zeitraum**“ bezeichnet jeden Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Reset-Termin (ausschließlich) und nachfolgend ab jedem Reset-Termin (einschließlich) bis zu dem jeweils nächstfolgenden Reset-Termin (ausschließlich).

„**Zinsperiode**“ bezeichnet jeden Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und nachfolgend ab jedem Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Zins-

period, interest is scheduled to be paid annually in arrear on February 1 of each year (each an “**Interest Payment Date**”), commencing on February 1, 2014, and will be due and payable (*fällig*) in accordance with the conditions set out in § 4(1).

- (2) Interest rate.
- (a) Subject to § 3(3), the “**Rate of Interest**” will be
- (i) for each Interest Period from and including the Interest Commencement Date to but excluding February 1, 2018 (the “**First Call Date**”) a rate of [●]% per annum;
  - (ii) for each Interest Period from and including the First Call Date to but excluding February 1, 2023 (the “**First Modified Reset Date**”) the First Reset Interest Rate for such Reset Period;
  - (iii) for each Interest Period from and including the First Modified Reset Date to but excluding February 1, 2038 (the “**Second Modified Reset Date**”) the First Modified Reset Interest Rate for the relevant Reset Period; and
  - (iv) for each Interest Period from and including the Second Modified Reset Date the Second Modified Reset Interest Rate for the relevant Reset Period.

“**Reset Date**” means the First Call Date and each Interest Payment Date falling 5 years after the previous Reset Date.

“**Reset Period**” means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

„**Interest Period**” means each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each Interest Payment Date to but excluding the next following Interest

zahlungstag (ausschließlich).

- (b) Der „**Erste Reset-Zinssatz**“ ist der 5-Jahres Swapsatz für den Reset-Zeitraum, der an dem Ersten Rückzahlungstermin (einschließlich) beginnt und an dem Ersten Modifizierten Reset-Termin (ausschließlich) endet, zuzüglich [●]% (die „**Marge**“)<sup>1</sup>, wie von der Berechnungsstelle festgelegt.
- (c) Der „**Erste Modifizierte Reset-Zinssatz**“ ist der 5-Jahres Swapsatz für den betreffenden Reset-Zeitraum zuzüglich [●]% (die „**Modifizierte Marge**“)<sup>3</sup>, wie von der Berechnungsstelle festgelegt.
- (d) Der „**Zweite Modifizierte Reset-Zinssatz**“ ist der 5-Jahres Swapsatz für den betreffenden Reset-Zeitraum zuzüglich [●]% (die „**Zweite Modifizierte Marge**“)<sup>5</sup>, wie von der Berechnungsstelle festgelegt.
- (e) Der „**5-Jahres Swapsatz**“ für einen Reset-Zeitraum wird von der Berechnungsstelle vor dem Reset-Termin, an dem der betreffende Reset-Zeitraum beginnt, (der „**Referenz-Reset-Termin**“) festgelegt und ist
- (i) das rechnerische Mittel der nachgefragten und angebotenen Sätze für den jährlichen Festzahlungstrom (berechnet auf einer 30/360 Tageberechnungsbasis) einer fixed-for-floating Euro Zinsswap-Transaktion, (x) die eine 5-jährige Laufzeit hat und am Referenz-Reset-Termin beginnt, (y) die auf einen Betrag lautet, der dem einer repräsentativen einzelnen Transaktion in dem relevanten Markt zur relevanten Zeit eines anerkannten Händlers mit guter Bonität im Swap-Markt entspricht, und (z) deren variabler Zahlungsstrom auf dem 6-Monats EURIBOR Satz beruht (berechnet auf einer Actual/360 Tage-Berechnungsbasis), wie es am zweiten Geschäftstag vor dem Referenz-Reset-Termin (der „**Reset-**

Payment Date.

- (b) The „**First Reset Interest Rate**“ will be the 5-year Swap Rate for the Reset Period commencing on and including the First Call Date and ending on but excluding the First Modified Reset Date plus [●]% (the „**Margin**“)<sup>2</sup>, as determined by the Calculation Agent.
- (c) The „**First Modified Reset Interest Rate**“ will be the 5-year Swap Rate for the relevant Reset Period plus [●]%, (the „**Modified Margin**“)<sup>4</sup>, as determined by the Calculation Agent.
- (d) The „**Second Modified Reset Interest Rate**“ will be the 5-year Swap Rate for the relevant Reset Period plus [●]% (the „**Second Modified Margin**“)<sup>6</sup>, as determined by the Calculation Agent.
- (e) The „**5-year Swap Rate**“ for a Reset Period will be determined by the Calculation Agent prior to the Reset Date on which the relevant Reset Period commences (the „**Reference Reset Date**“) and will be
- (i) the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which (x) has a term of 5 years and commences on the Reference Reset Date, (y) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (z) has a floating leg based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis), as such arithmetic mean appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and the caption “11:00 AM Frankfurt time” (as such headings and captions may appear from time

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<sup>1</sup> Die Marge wird keinen Step-up beinhalten.

<sup>2</sup> The Margin will not include a step-up.

<sup>3</sup> Die Modifizierte Marge wird einen Step-up von 0,25% beinhalten.

<sup>4</sup> The Modified Margin will include a 0.25%step-up.

<sup>5</sup> Die Zweite Modifizierte Marge wird einen Step-up von weiteren 0,75% beinhalten.

<sup>6</sup> The Second Modified Margin will include a step-up of a further 0.75%.

**Zinsfeststellungstag**“) um 11:00 Uhr (Frankfurter Zeit) auf dem Reuters Bildschirm „ISDAFIX2“ unter der Überschrift „EURIBOR BASIS“ und dem Untertitel „11:00 AM Frankfurt time“ (auf dem solche Überschriften und Untertitel von Zeit zu Zeit erscheinen) (oder eine andere Bildschirmseite von Reuters oder einem anderen Informationsanbieter, die diese Seite zur Anzeige des in diesem Absatz beschriebenen rechnerischen Mittels von Swap-Transaktionen ersetzt) (die „**Reset-Bildschirmseite**“) angezeigt wird; oder

- (ii) falls irgendeine für Alternative (i) benötigte Information am Reset-Zinsfeststellungstag nicht auf der Reset-Bildschirmseite erscheint, der Reset-Referenzbankensatz zum Reset-Zinsfeststellungstag,

wie jeweils von der Berechnungsstelle festgelegt.

- (f) Die Berechnungsstelle wird den Reset-Zinssatz für die Schuldverschreibungen am Reset-Zinsfeststellungstag bestimmen und veranlassen, dass dieser der Emittentin, der Hauptzahlstelle und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Anleihegläubigern gemäß § 11 unverzüglich, aber keinesfalls später als am achten auf dessen Bestimmung folgenden Geschäftstag mitgeteilt wird.
- (g) Sind Zinsen für einen Zeitraum zu berechnen (der „**Zinsberechnungszeitraum**“), der kürzer als eine Zinsperiode ist oder einer Zinsperiode entspricht, so werden sie berechnet auf der Grundlage der tatsächlichen Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (ab dem ersten Tag, an dem Zinsen auflaufen (einschließlich) bis zu dem Tag, an dem die Zinsen fällig werden (ausschließlich)), dividiert durch die Anzahl der Tage in der Zinsperiode, in die der betreffende Zinsberechnungszeitraum fällt (Act/Act (ICMA) (einschließlich des ersten Tages der

to time) as of 11.00 a.m. (Frankfurt time) (or another screen page of Reuters or another information service, which is the successor to such Reuters screen for the purpose of displaying the arithmetic mean of swap transactions as described in this paragraph) (the “**Reset Screen Page**”) on the second Business Day prior to the Reference Reset Date (the “**Reset Interest Determination Date**”); or

- (ii) in the event that any of the information required for the purposes of alternative (i) does not appear on the Reset Screen Page on the Reset Interest Determination Date, the Reset Reference Bank Rate as of the Reset Interest Determination Date,

in each case as determined by the Calculation Agent.

- (f) The Calculation Agent will, on the Reset Interest Determination Date, determine the Reset Rate of Interest and cause the same to be notified to the Issuer, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Bonds are then listed, to such stock exchange, and to the Holders in accordance with § 11 without undue delay, but, in any case, not later than on the eighth Business Day after its determination.
- (g) Where interest is to be calculated in respect of any period of time that is equal to or shorter than a Interest Period (the “**Calculation Period**”), the interest will be calculated on the basis of the actual number of days elapsed in such Calculation Period (from and including the day from which interest begins to accrue to but excluding the day on which it falls due), divided by the number of days in the Interest Period in which the Calculation Period falls (Act/Act (ICMA) (including the first such day of the relevant Interest Period but excluding the last day of the relevant Interest Period).

betreffenden Zinsperiode, aber ausschließlich des letzten Tages der betreffenden Zinsperiode).

- (3) Zinszahlungen bei Eintritt eines Kontrollwechselereignisses.

Sofern die Emittentin die Schuldverschreibungen nicht (insgesamt, jedoch nicht teilweise) gemäß § 5(6)(c) zurückzahlt, erhöht sich der für die Zinszahlung auf die Schuldverschreibungen ansonsten anwendbare Zinssatz ab dem 61. Tag nach dem Eintritt des Kontrollwechselereignisses um zusätzliche 5 % *per annum*. Der Eintritt eines Kontrollwechselereignisses lässt die Rechte der Emittentin gemäß diesen Anleihebedingungen unberührt.

- (4) Zinslaufende.

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem ihr Kapitalbetrag zur Rückzahlung fällig wird. Sollte die Emittentin eine Zahlung von Kapital auf diese Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß § 3(2) und vorbehaltlich § 3(3) bestimmt.

- (5) In diesen Anleihebedingungen gilt Folgendes:

„**Geschäftstag**“ bezeichnet einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) Systems Geschäfte tätigen;

Der „**Reset-Referenzbankensatz**“ ist der Prozentsatz, der auf Basis der 5-Jahres Swapsatz-Quotierungen, die der Berechnungsstelle ungefähr um 11:00 Uhr (Frankfurter Zeit) von fünf führenden Swap-Händlern im Interbankenhandel (die „**Reset-Referenzbanken**“) gestellt werden, am Reset-Zinsfeststellungstag von der Berechnungsstelle festgelegt wird. Wenn mindestens drei Quotierungen genannt werden, wird der 5-Jahres Swapsatz das rechnerische Mittel der Quotierungen unter Ausschluss der höchsten Quotierung (bzw., für den Fall von gleich hohen Quotierungen, einer der höchsten Quotierungen) und der

- (3) Interest Payments following the occurrence of a Change of Control Event.

Unless the Issuer redeems the Bonds (in whole but not in part) in accordance with § 5(6)(c), the interest rate payable on the Bonds will be subject to an additional 5% *per annum* above the otherwise prevailing rate from the 61<sup>st</sup> day after the occurrence of such Change of Control Event, provided however, that the occurrence of a Change of Control Event shall not prejudice any rights of the Issuer under these Terms and Conditions.

- (4) Cessation of interest accrual.

The Bonds will cease to bear interest from the beginning of the day their principal amount is due for repayment. If the Issuer fails to make any payment of principal under the Bonds when due, the Bonds will cease to bear interest from the beginning of the day on which such payment is made. In such case the applicable rate of interest will be determined pursuant to this § 3(2) and subject to § 3(3).

- (5) In these Terms and Conditions the following applies:

„**Business Day**“ means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) system are operational;

„**Reset Reference Bank Rate**“ means the percentage rate determined by the Calculation Agent on the basis of the 5-year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the „**Reset Reference Banks**“) to the Calculation Agent at approximately 11.00 a.m. (Frankfurt time) on the Reset Interest Determination Date. If at least three quotations are provided, the 5-year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the

niedrigsten Quotierung (bzw., für den Fall von gleich hohen Quotierungen, einer der niedrigsten Quotierungen) sein.

**„5-Jahres Swapsatz-Quotierungen“** bezeichnet das rechnerische Mittel der nachgefragten und angebotenen Sätze für den jährlichen Festzinszahlungsstrom (berechnet auf einer 30/360 Tagesberechnungsbasis) einer fixed-for-floating Euro Zinsswap-Transaktion, (x) die eine 5-jährige Laufzeit hat und am Referenz-Reset-Termin beginnt, (y) die auf einen Betrag lautet, der dem einer repräsentativen einzelnen Transaktion in dem relevanten Markt zur relevanten Zeit eines anerkannten Händlers mit guter Bonität im Swap-Markt entspricht, und (z) deren variabler Zahlungsstrom auf dem 6-Monats EURIBOR Satz beruht (berechnet auf einer Actual/360 Tage-Berechnungsbasis).

#### § 4

##### **(Fälligkeit von Zinszahlungen; Aufschub von Zinszahlungen; Zahlung Aufgeschobener Zinszahlungen)**

- (1) Fälligkeit von Zinszahlungen; wahlweiser Zinsaufschub.
- (a) Zinsen, die während einer Zinsperiode auflaufen, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Anleihegläubiger gemäß § 11 innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht teilweise) auszusetzen.

Wenn sich die Emittentin an einem Zinszahlungstag zur Nichtzahlung aufgelaufener Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Eine Nichtzahlung von Zinsen aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund dieser Schuldverschreibungen oder für sonstige Zwecke.

Nach Maßgabe dieses § 4(1)(a) nicht fällig gewordene Zinsen sind aufgeschobene Zinszahlungen („**Aufgeschobene Zinszahlungen**“).

lowest).

**“5-year Swap Rate Quotations”** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which transaction (x) has a term of 5 years and commencing on the Reference Reset Date, (y) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (z) has a floating leg based on the 6-months EURIBOR rate (calculated on an Actual/360 day count basis).

#### § 4

##### **(Due date for interest payments; Deferral of interest payments; Payment of Deferred Interest Payments)**

- (1) Due date for interest payments; optional interest deferral.
- (a) Interest which accrues during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving not less than 10 and not more than 15 Business Days' notice to the Holders prior the relevant Interest Payment Date in accordance with § 11, to defer the relevant payment of interest (in whole but not in part).

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay such interest on such Interest Payment Date. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Bonds or for any other purpose.

Interest not due and payable in accordance with this § 4(1)(a) will constitute deferred interest payments (“**Deferred Interest Payments**”).



- (b) Aufgeschobene Zinszahlungen werden nicht verzinst.
- (2) Freiwillige Zahlung von Aufgeschobenen Zinszahlungen.

Die Emittentin ist berechtigt, ausstehende Aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise nach Bekanntmachung an die Anleihegläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen nachzuzahlen, wobei eine solche Bekanntmachung (i) den Betrag an Aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung festgelegten Termin enthalten muss.

- (3) Pflicht zur Zahlung von Aufgeschobenen Zinszahlungen.

Die Emittentin ist verpflichtet, ausstehende Aufgeschobene Zinszahlungen insgesamt und nicht nur teilweise am nächsten Pflichtnachzahlungstag nach dem Zinszahlungstag, an dem die Zinszahlung aufgeschoben wurde, zu zahlen.

- (4) Definitionen

In diesen Anleihebedingungen gilt Folgendes:

Ein „**Obligatorisches Nachzahlungsereignis**“ bezeichnet, vorbehaltlich des nachstehenden Satzes 2, jedes der folgenden Ereignisse:

- (i) die ordentliche Hauptversammlung der Emittentin beschließt, eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf eine Aktie einer beliebigen Gattung der Emittentin zu leisten (mit Ausnahme einer Dividende, Ausschüttung oder Zahlung in Form von Stammaktien der Emittentin);
- (ii) die Emittentin oder eine Tochtergesellschaft zahlt eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf ein Nachrangiges Wertpapier (mit Ausnahme einer Dividende, Ausschüttung oder Zahlung auf ein Nachrangiges Wertpapier in Form von Stammaktien der Emittentin);

- (b) Deferred Interest Payments will not bear interest.

- (2) Optional Settlement of Deferred Interest Payments.

The Issuer will be entitled to pay outstanding Deferred Interest Payments (in whole but not in part) at any time on giving not less than 10 and not more than 15 Business Days' notice to the Holders in accordance with § 11 which notice will specify (i) the amount of Deferred Interest Payments to be paid and (ii) the date fixed for such payment.

- (3) Mandatory payment of Deferred Interest Payments.

The Issuer must pay outstanding Deferred Interest Payments (in whole but not in part) on the next Mandatory Settlement Date following the Interest Payment Date on which the interest payment was deferred.

- (4) Definitions

For the purposes of these Terms and Conditions:

“**Compulsory Settlement Event**” means any of the following events, subject to the proviso in sentence 2 below:

- (i) the ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Issuer resolves on the payment of any dividend, other distribution or other payment on any share of any class of the Issuer (other than a dividend, distribution or payment which is made in the form of ordinary shares of the Issuer);
- (ii) the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Junior Security (other than a dividend, distribution or payment on any Junior Security which is made in the form of ordinary shares of the Issuer); or

oder

- (iii) die Emittentin oder eine Tochtergesellschaft (jeweils direkt oder indirekt) zahlt oder kauft ein Nachrangiges Wertpapier zurück oder erwirbt ein Nachrangiges Wertpapier anderweitig.

In den vorgenannten Fällen (ii) und (iii) tritt jedoch kein Obligatorisches Nachzahlungsereignis ein, wenn

- (x) die Emittentin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen des betreffenden Nachrangigen Wertpapiers zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist; oder
- (y) die Emittentin eine Aktie einer beliebigen Gattung der Emittentin oder ein Nachrangiges Wertpapier nach Maßgabe eines bestehenden oder zukünftigen Aktienoptions- und/oder Aktienbeteiligungsprogramms und/oder ähnliche Programms für Mitglieder des Vorstands oder des Aufsichtsrats (oder, im Falle verbundener Unternehmen, ähnlicher Gremien) und/oder Mitarbeiter der Emittentin und/oder mit ihr verbundener Unternehmen zurückkauft oder anderweitig erwirbt.

„**Pflichtnachzahlungstag**“ bezeichnet den frühesten der folgenden Tage:

- (i) der Tag, der fünf Geschäftstage nach dem Tag liegt, an dem ein Obligatorisches Nachzahlungsereignis eingetreten ist;
- (ii) der Tag, an dem die Emittentin das nächste Mal Zinsen auf die Schuldverschreibungen zahlt;
- (iii) der Tag, an dem die Emittentin oder eine Tochtergesellschaft eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf ein Gleichrangiges Wertpapier zahlt;
- (iv) der Tag, an dem die Emittentin oder eine Tochtergesellschaft (jeweils direkt oder indirekt) ein Gleichrangiges Wertpapier zurückzahlt, zurückkauft oder anderweitig

- (iii) the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Junior Security.

The cases (ii) and (iii) above are subject to the proviso that no Compulsory Settlement Event occurs if

- (x) the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Junior Security to make such payment, such redemption, such repurchase or such other acquisition; or
- (y) the Issuer repurchases or otherwise acquires any share of any class of the Issuer or any Junior Security pursuant to the obligations of the Issuer under any existing or future stock option and/or stock ownership programme and/or similar programme for any members of the executive board or supervisory board (or, in the case of affiliates, comparable boards) and/or employees of the Issuer and/or any of its affiliates.

„**Mandatory Settlement Date**“ means the earliest of:

- (i) the date falling five Business Days after the date on which a Compulsory Settlement Event has occurred;
- (ii) the date on which the Issuer next pays interest on the Bonds;
- (iii) the date on which the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Parity Security;
- (iv) the date on which the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Parity

- erwirbt;
- (v) den Tag der Rückzahlung der Schuldverschreibungen gemäß diesen Anleihebedingungen; und
  - (vi) den Tag, an dem eine Anordnung zur Auflösung, Abwicklung oder Liquidation der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. bei der die Emittentin noch zahlungsfähig ist und bei dem bzw. bei der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt),

mit der Maßgabe, dass

- (x) in den vorgenannten Fällen (iii) und (iv) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen des betreffenden Gleichrangigen Wertpapiers zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist; und
- (y) im vorgenannten Fall (iv) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin oder die betreffende Tochtergesellschaft Gleichrangige Wertpapiere nach einem öffentlichen Rückkaufangebot oder öffentlichen Umtauschangebot zu einem unter dem Nennwert je Gleichrangigem Wertpapier liegenden Kaufpreis zurückkauft oder anderweitig erwirbt.

## § 5

### (Rückzahlung und Rückkauf)

- (1) Keine Endfälligkeit.

Die Schuldverschreibungen haben keinen Endfälligkeitstag und werden, außer gemäß den Bestimmungen in diesem § 5, nicht zurückgezahlt.

- (2) Rückkauf.

Die Emittentin oder eine Tochtergesellschaft, soweit gesetzlich zulässig, kann jederzeit Schuldverschreibungen auf

Security;

- (v) the date of redemption of the Bonds in accordance with these Terms and Conditions; and
- (vi) the date on which an order is made for the winding up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer),

provided that

- (x) in the cases (iii) and (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Parity Security to make such payment, such redemption, such repurchase or such other acquisition; and
- (y) in the case (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary repurchases or otherwise acquires any Parity Securities in whole or in part in a public tender offer or public exchange offer at a purchase price per Parity Security below its par value.

## § 5

### (Redemption and Repurchase)

- (1) No scheduled redemption.

The Bonds have no final maturity date and shall not be redeemed except in accordance with the provisions set out in this § 5.

- (2) Repurchase.

Subject to applicable laws, the Issuer or any Subsidiary may at any time purchase Bonds in the open market or otherwise and

dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen. Derartig erworbene Schuldverschreibungen können entwertet, gehalten oder wieder veräußert werden.

(3) Rückzahlung nach Wahl der Emittentin.

Die Emittentin kann die Schuldverschreibungen (insgesamt und nicht nur teilweise) mit Wirkung zum Ersten Rückzahlungstermin oder jedem nachfolgenden Reset-Termin durch Erklärung gemäß § 5(5) kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zum Rückzahlungsbetrag zurückzuzahlen.

„**Rückzahlungsbetrag**“ ist der Nennbetrag zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibungen aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 4(3) zur Nachzahlung fälligen Aufgeschobenen Zinszahlungen.

(4) Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses, eines Rechnungslegungsereignisses oder eines Ratingagenturereignisses oder bei geringem ausstehenden Gesamtnennbetrag

(a) *Rückzahlung nach Eintritt eines Gross-up Ereignisses oder bei geringem ausstehenden Gesamtnennbetrag.*

Wenn

- (i) ein Gross-up Ereignis eintritt; oder
- (ii) die Emittentin oder eine Tochtergesellschaft Schuldverschreibungen im Volumen von 90 % oder mehr des ursprünglich begebenen Gesamtnennbetrages der Schuldverschreibungen erworben oder zurückgezahlt hat,

dann ist die Emittentin berechtigt, durch Erklärung gemäß § 5(5) die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit mit Wirkung zu dem in der Erklärung gemäß § 5(5) für die Rückzahlung festgelegten Tag zu kündigen.

Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zum

at any price. Such acquired Bonds may be cancelled, held or resold.

(3) Redemption at the Option of the Issuer.

The Issuer may, upon giving notice in accordance with § 5(5), call the Bonds for redemption (in whole but not in part) with effect as of the First Call Date or on any Reset Date thereafter. In the case such call notice is given, the Issuer shall redeem the Bonds at the Redemption Amount on the specified redemption date.

“**Redemption Amount**” means the Principal Amount plus any accrued and unpaid interest on the Bonds to but excluding the date of redemption and, for the avoidance of doubt, any Deferred Interest Payments due to be paid pursuant to § 4(3).

(4) Redemption following a Gross-up Event, a Tax Event, an Accounting Event or a Rating Agency Event, or in case of minimal outstanding aggregate principal amount.

(a) *Redemption following the occurrence of a Gross-up Event or in case of minimal outstanding aggregate principal amount.*

If

- (i) a Gross-up Event occurs; or
- (ii) the Issuer or any Subsidiary has purchased or redeemed Bonds equal to or in excess of 90% of the aggregate Principal Amount of the Bonds initially issued,

the Issuer may, upon giving notice in accordance with § 5(5), call the Bonds for redemption (in whole but not in part) at any time with effect as of the date fixed for redemption in the notice pursuant to § 5(5).

In the case such call notice is given, the Issuer shall redeem the remaining Bonds date at the Redemption Amount on the

Rückzahlungsbetrag zurückzuzahlen.

Ein „**Gross-up Ereignis**“ liegt vor, wenn die Emittentin am oder nach dem Tag der Begebung der Schuldverschreibungen durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde oder aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Republik Österreich oder einer ihrer Gebietskörperschaften oder Behörden oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 7 zu zahlen und die Emittentin diese Verpflichtung nicht abwenden kann, indem sie zumutbare Maßnahmen ergreift, die sie nach Treu und Glauben für angemessen hält.

Die Bekanntmachung der vorzeitigen Rückzahlung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 7 zu zahlen.

- (b) *Rückzahlung nach Eintritt eines Steuerereignisses oder eines Rechnungslegungsereignisses oder eines Ratingagenturereignisses.*

Wenn

- (i) ein Ratingagenturereignis eintritt; oder
- (ii) ein Rechnungslegungsereignis eintritt; oder
- (iii) ein Steuerereignis eintritt;

dann ist die Emittentin berechtigt, durch Erklärung gemäß § 5(5) die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit mit Wirkung zu dem in der Erklärung gemäß § 5(5) für die Rückzahlung festgelegten Tag zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin die Schuldverschreibungen am festgelegten Rückzahlungstermin zum Vorzeitigen Rückzahlungsbetrag zurückzuzahlen.

„**Vorzeitiger Rückzahlungsbetrag**“ bezeichnet (i) 101 % des Nennbetrages zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die

specified redemption date.

A “**Gross-up Event**” will occur if on or after the date of issue of the Bonds the Issuer has or will become obliged by a legislative body, a court or any authority to pay Additional Amounts pursuant to § 7 as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any authority of or in the Republic of Austria, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, and that obligation cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

No such notice of early redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 7.

- (b) *Redemption following the occurrence of a Tax Event, an Accounting Event or a Rating Agency Event.*

If

- (i) a Rating Agency Event occurs; or
- (ii) an Accounting Event occurs; or
- (iii) a Tax Event occurs;

the Issuer may, upon giving notice in accordance with § 5(5), call the Bonds for redemption (in whole but not in part) at any time with effect as of the date fixed for redemption in the notice pursuant to § 5(5). In the case such call notice is given, the Issuer shall redeem the remaining Bonds at the Early Redemption Amount on the specified redemption date.

„**Early Redemption Amount**” means (i) 101% of the Principal Amount plus any accrued and unpaid interest on the Bonds to but excluding the date of redemption

Schuldverschreibungen aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 4(3) zur Nachzahlung fälligen Aufgeschobenen Zinszahlungen, falls die Rückzahlung vor dem Ersten Rückzahlungstermin erfolgt, und (ii) den Rückzahlungsbetrag, falls die Rückzahlung an oder nach dem Ersten Rückzahlungstermin erfolgt.

Ein „**Ratingagenturereignis**“ liegt vor, wenn die Emittentin von Moody's und/oder S&P schriftlich benachrichtigt wurde, dass die Schuldverschreibungen aufgrund einer Änderung der Hybridkapital Methodologie oder einer anderen relevanten Methodologie oder deren Auslegung nicht mehr derselben und auch nicht einer höheren Eigenkapitalanrechnungskategorie (oder einer anderen Klassifikation durch Moody's bzw. S&P, die beschreibt, in welchem Umfang der Bedingungen eines Finanzierungsinstruments die Fähigkeit des Emittenten zur Bedienung seiner vorrangigen Verbindlichkeiten stützt) zuzuordnen sind, der sie bei ihrer Begebung oder zu dem Zeitpunkt, an dem Moody's bzw. S&P die Eigenkapitalanrechnung nach Begebung erstmals bestätigt hat, ausweislich entsprechender Veröffentlichungen von Moody's bzw. S&P zugeordnet waren.

„**Moody's**“ bezeichnet Moody's Investors Services Limited oder eine ihrer Nachfolgesellschaften.

„**S&P**“ bezeichnet Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. oder eine ihrer Tochter- oder Nachfolgesellschaften.

Ein „**Rechnungslegungsereignis**“ liegt vor, wenn eine anerkannte Wirtschaftsprüfungsgesellschaft, die im Auftrag der Emittentin handelt, der Hauptzahlstelle ein Gutachten übermittelt, wonach aufgrund einer Änderung der Rechnungslegungsgrundsätze die durch die Ausgabe der Schuldverschreibungen beschafften Gelder nicht oder nicht mehr als „Eigenkapital“ gemäß den International Financial Reporting Standards („**IFRS**“) bzw. anderen Rechnungslegungsstandards, die die Emittentin für die Erstellung ihrer konsolidierten Jahresabschlüsse anstelle

and, for the avoidance of doubt, any Deferred Interest Payments due to be paid pursuant to § 4(3) if the redemption occurs prior to the First Call Date and (ii) the Redemption Amount if the redemption occurs on or after the First Call Date.

A „**Rating Agency Event**“ will occur if the Issuer has received written confirmation from Moody's and/or S&P that the Bonds will no longer be eligible, due to a change in hybrid capital methodology or another relevant methodology or the interpretation thereof, for the same or higher category of “equity credit” or such similar nomenclature used by Moody's and/or S&P, as applicable, from time to time to describe the degree to which the terms of an instrument are supportive of the issuer's senior obligations, attributed to the Bonds at the date of issuance or at the time when Moody's and/or S&P, as applicable, first confirmed the “equity credit” attributed to the Bond following the date of issuance, in each case as published by Moody's and/or S&P, as applicable.

„**Moody's**“ means Moody's Investors Services Limited or any of its successors.

„**S&P**“ means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any of its subsidiaries or successors.

An „**Accounting Event**“ shall occur if a recognised accountancy firm, acting upon instructions of the Issuer, has delivered an opinion to the Principal Paying Agent, stating that as a result of a change in accounting principles the funds raised through the issuance of the Bonds must not or must no longer be recorded as “equity” pursuant to the International Financial Reporting Standards (“**IFRS**”) or any other accounting standards that may replace IFRS for the purposes of the annual consolidated financial statements of the Issuer.

der IFRS anwenden kann, ausgewiesen werden dürfen.

Ein „**Steuerereignis**“ liegt vor, wenn am oder nach dem Tag der Begebung der Schuldverschreibungen aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) der Republik Österreich oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), Zinsen, die von der Emittentin auf die Schuldverschreibungen zu zahlen sind, von der Emittentin nicht mehr für die Zwecke der österreichischen Ertragsteuer voll abzugsfähig sind und die Emittentin dieses Risiko nicht abwenden kann, indem sie zumutbare Maßnahmen ergreift, die sie nach Treu und Glauben für angemessen hält.

(5) Bekanntmachung der Vorzeitigen Rückzahlung.

Die Emittentin kann ein Recht zur vorzeitigen Rückzahlung gemäß § 5(3) oder (4) durch eine Bekanntmachung an die Anleihegläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Tagen ausüben. Die Bekanntmachung soll in den Fällen des § 5(4) diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt, und den festgelegten Rückzahlungstag bezeichnen.

(6) Vorzeitige Rückzahlung nach Eintritt eines Kontrollwechselereignisses.

(a) Wenn ein Kontrollwechsel eintritt, hat die Emittentin unverzüglich den Kontrollwechsel gemäß § 11 anzuzeigen.

(b) Wenn ein Kontrollwechselereignis eintritt, hat die Emittentin unverzüglich den Kontrollwechselereignis-Stichtag zu bestimmen und das Kontrollwechselereignis und den Kontrollwechselereignis-Stichtag gemäß § 11 anzuzeigen (die

A “**Tax Event**” will occur if on or after the date of issue of the Bonds as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Republic of Austria or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), interest payable by the Issuer in respect of the Bonds is no longer fully deductible by the Issuer for Austrian income tax purposes, and that risk cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

(5) Notification of Early Redemption.

The Issuer will give not less than 20 nor more than 40 days’ notice to the Holders in accordance with § 11 of any early redemption pursuant to § 5(3) or (4). In the case of § 5(4) such notices will set forth the underlying facts of the Issuer’s right to early redemption and specify the redemption date.

(6) Early Redemption following a Change of Control Event.

(a) If a Change of Control occurs, the Issuer will give notice in accordance with § 11 of the Change of Control without undue delay.

(b) If a Change of Control Event occurs, the Issuer will fix the Change of Control Event Effective Date give notice in accordance with § 11 of the Change of Control Event and the Change of Control Event Effective Date without undue delay

„**Kontrollwechselereignis-Mitteilung**“).

- (c) Wenn ein Kontrollwechselereignis eintritt, ist die Emittentin berechtigt, die Schuldverschreibungen (insgesamt, jedoch nicht teilweise) durch Erklärung gemäß dem nachstehenden Absatz mit Wirkung zu dem darin für die Rückzahlung festgelegten Tag zu kündigen. Im Falle einer solchen Kündigung hat die Emittentin jede Schuldverschreibung am Kontrollwechselereignis-Stichtag zum Rückzahlungsbetrag zurückzuzahlen.

Die Emittentin kann ihr Recht zur Rückzahlung gemäß diesem § 5(6) durch eine Bekanntmachung an die Anleihegläubiger gemäß § 11 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Tagen ausüben.

- (d) In diesen Anleihebedingungen bezeichnet:  
Ein „**Kontrollwechsel**“ tritt ein, wenn eine Person oder gemeinsam handelnde Personen die Kontrolle über die Emittentin erwerben.

„**Kontrolle**“ bezeichnet direktes oder indirektes rechtliches oder wirtschaftliches Eigentum oder direkte oder indirekte rechtliche oder wirtschaftliche Berechtigung (im Sinne von § 92 Österreichisches Börsegesetz) von insgesamt mehr als 50 % der Stimmrechte der Emittentin.

Ein „**Kontrollwechselereignis**“ tritt ein, wenn nach Eintritt eines Kontrollwechsels innerhalb des Kontrollwechselzeitraums eine Ratingherabstufung eintritt.

Eine „**Ratingherabstufung**“ tritt ein, wenn an dem Maßgeblichen Bekanntgabetag die unbesicherten langfristigen Verbindlichkeiten der Emittentin:

- (A) über ein Investment-Grade-Rating (Baa3/BBB- oder ein entsprechendes oder besseres Kreditrating) einer der Ratingagenturen verfügen und dieses Rating innerhalb des Kontrollwechselzeitraums entweder auf ein Rating unterhalb von Investment Grade (Ba1/BB+ oder ein entsprechendes oder schlechteres Rating) herabgestuft (das „**Nicht-Investment-Grade-Rating**“) oder

(the “**Change of Control Event Notice**”).

- (c) If a Change of Control Event occurs, the Issuer may call the Bonds for redemption (in whole but not in part) with effect as of the Change of Control Event Effective Date upon giving notice in accordance with the following paragraph. In the case such call notice is given, the Issuer shall redeem each Bond at the Redemption Amount on the Change of Control Event Effective Date.

The Issuer will give not less than 20 nor more than 40 days’ notice to the Holders of an early redemption pursuant to this § 5(6).

- (d) In these Terms and Conditions:

A “**Change of Control**” occurs if any person or group, acting in concert, or any person(s) or any group(s) acting on behalf of any such person or group gains Control over the Issuer.

“**Control**” means any direct or indirect legal or beneficial ownership or any direct or indirect legal or beneficial entitlement (within the meaning section 92 of the Austrian Exchange Act (*Börsegesetz*)) of, in the aggregate, more than 50% of the voting shares of the Issuer.

A “**Change of Control Event**” occurs if following the occurrence of a Change of Control a Rating Downgrade in respect of that Change of Control occurs within the Change of Control Period.

A “**Rating Downgrade**” occurs if on the Relevant Announcement Date the Issuer’s long term senior unsecured debt

- (A) carry an investment grade credit rating (Baa3/BBB-, or equivalent, or better) from any Rating Agency, and such rating is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) (a “**Non-Investment Grade Rating**”) or withdrawn and is not within the Change of Control Period reinstated to an investment grade



zurückgenommen wird und nicht innerhalb des Kontrollwechselzeitraums durch diese Ratingagentur wieder auf Investment Grade angehoben wird; oder

- (B) über ein Nicht-Investment-Grade-Rating einer der Ratingagenturen verfügen und dieses Rating innerhalb des Kontrollwechselzeitraums entweder um einen oder mehrere Ratingstufen herabgestuft (beispielsweise wäre eine Herabstufung von Ba1/BB+ auf Ba2/BB eine Herabstufung um eine Ratingstufe) oder zurückgenommen wird und nicht innerhalb des Kontrollwechselzeitraums wieder auf mindestens das Kreditrating angehoben wird, über das die Schuldverschreibungen unmittelbar vor dieser Herabstufung durch die jeweilige Ratingagentur verfügten; oder
- (C) nicht über ein Rating durch eine der Ratingagenturen verfügen, und es der Emittentin nicht möglich ist, bis zum Ende des Kontrollwechselzeitraums ein Rating von mindestens Investment Grade zu erhalten.

Verwenden Moody's oder S&P andere Ratingstufen als die oben unter (A) und (B) genannten, oder wird ein Rating von einer Ersatz-Ratingagentur erhalten, so hat die Emittentin diejenigen Ratingstufen von Moody's oder S&P bzw. dieser Ersatz-Ratingagentur zu ermitteln, die den vorherigen Ratingstufen von Moody's oder S&P am genauesten entsprechen.

**„Kontrollwechselereignis-Stichtag“**

bezeichnet den von der Emittentin in der Kontrollwechselereignis-Mitteilung festgelegten Tag, der

- (i) ein Geschäftstag sein muss;
- (ii) nicht weniger als 62 und nicht mehr als 93 Tage nach Bekanntmachung der Kontrollwechselereignis-Mitteilung liegen darf; und
- (iii) falls zum betreffenden Zeitpunkt Qualifizierte Fremdkapitalwertpapiere ausstehen, mindestens einen Tag nach dem Tag liegen muss, an dem eine Kündigung

credit rating by such Rating Agency; or

- (B) carry a Non-Investment Grade Rating from any Rating Agency and such rating is, within the Change of Control Period, either downgraded by one or more rating categories (by way of example, Ba1/BB+ to Ba2/BB being one rating category) or withdrawn and is not within the Change of Control Period reinstated to at least the same credit rating applied to the Bonds immediately prior to such downgrading by such Rating Agency; or
- (C) carry no rating from any Rating Agency and the Issuer is unable to obtain such a rating of at least investment grade by the end of the Change of Control Period.

If the rating designations employed by any of Moody's or S&P are changed from those which are described in subparagraph (A) and (B) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Moody's or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P.

**“Change of Control Event Effective Date“** means the date fixed by the Issuer in the Change of Control Event Notice, which

- (i) must be a Business Day;
- (ii) must fall not less than 62 and not more than 93 days after publication of the Change of Control Event Notice; and
- (iii) must, if at the relevant time any Qualifying Debt Securities are outstanding, be at least one day after the date on which a put notice of the holders of the Qualifying Debt

der Gläubiger der Qualifizierten Fremdkapitalwertpapiere aufgrund des Kontrollwechsel-Ereignisses (oder eines ähnlichen Konzepts) wirksam wird.

„**Kontrollwechselzeitraum**“ den Zeitraum ab dem Maßgeblichen Bekanntgabetag bis 90 Tage nach dem Kontrollwechsel (oder einen längeren Zeitraum, innerhalb dessen in Bezug auf die Schuldverschreibungen eine Überprüfung des Ratings oder gegebenenfalls die Zuteilung eines Ratings durch eine Ratingagentur erwogen wird (wobei diese Erwägung innerhalb des Zeitraums öffentlich gemacht wurde, der 90 Tage nach dem Kontrollwechsel endet), der jedoch eine Dauer von 60 Tagen nach der öffentlichen Bekanntgabe dieser Erwägung nicht überschreiten darf);

„**Maßgeblicher Bekanntgabetag**“ den früheren der folgenden Tage: (i) den Tag der ersten öffentlichen Bekanntgabe des jeweiligen Kontrollwechsels und (ii) den Tag der frühesten Maßgeblichen Bekanntgabe des Möglichen Kontrollwechsels;

„**Maßgebliche Bekanntgabe des Möglichen Kontrollwechsels**“ eine formelle öffentliche Bekanntgabe oder Erklärung der Emittentin, eines tatsächlichen oder potenziellen Bieters oder eines Beraters, der für einen tatsächlichen oder potenziellen Bieter handelt, in Bezug auf einen möglichen Kontrollwechsel, wenn innerhalb von 180 Tagen nach dem Tag dieser Bekanntgabe oder Erklärung der entsprechende Kontrollwechsel eintritt;

„**Qualifizierte Fremdkapitalwertpapiere**“ bezeichnet jede gegenwärtige oder zukünftige Verbindlichkeit, die

- (i) durch Schuldscheine oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können, verbrieft, verkörpert oder dokumentiert ist, einschließlich Schuldscheine;
- (ii) entweder direkt von der Emittentin

Securities due to the Change of Control (or a similar concept) becomes effective.

“**Change of Control Period**” means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Bonds are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

“**Relevant Announcement Date**” means the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any);

“**Relevant Potential Change of Control Announcement**” means any formal public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, the respective Change of Control occurs;

“**Qualifying Debt Securities**” means any current or future indebtedness that:

- (i) is in the form of, or represented by, a certificate of indebtedness or bonds or other securities which are or are capable of being quoted, listed, dealt in or traded on a stock exchange or other recognised securities market, including Schuldscheine (whether or not initially distributed by way of private placement);
- (ii) is either issued directly by the Issuer

begeben ist oder indirekt von einer anderen Gesellschaft unter der Garantie der Emittentin;

- (iii) nicht nachrangig ist; und
- (iv) ein Solicited Rating aufweist.

„**Ratingagenturen**“ bezeichnet Moody’s und S&P oder ihre jeweiligen Rechtsnachfolger oder jede andere Ratingagentur mit vergleichbarem internationalem Ruf, durch die die Emittentin sie jeweils ersetzt (eine „**Ersatz-Rating-agentur**“).

„**Solicited Rating**“ bezeichnet ein Rating, das von einer externen Ratingagentur erteilt wird, die gemäß EU- oder US-Vorschriften anerkannt wird und mit der die Emittentin in einem Vertragsverhältnis steht, in dessen Rahmen die Ratingagentur ein Rating für die Qualifizierten Fremdkapitalwertpapiere erteilt.

#### **§ 6 (Zahlungen)**

- (1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearingsystem oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearingsystem oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 7 ein.
- (2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag; die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

or indirectly by any other entity and benefitting from a guarantee of the Issuer;

- (iii) is not subordinated; and
- (iv) benefits from a Solicited Rating.

“**Rating Agencies**” means Moody’s and S&P or any of their respective successors or any other rating agency of comparable international standing (a “**Substitute Rating Agency**”) substituted for any of them by the Issuer from time to time.

“**Solicited Rating**” means a rating assigned by an external rating agency recognised by EU or US regulations with whom the Issuer has a contractual relationship under which the Qualifying Debt Securities are assigned a rating.

#### **§ 6 (Payments)**

- (1) The Issuer undertakes to pay, as and when due, principal and interest on the Bonds in euro. Payment of principal and interest on the Bonds will be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order will to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Bonds. Any reference in these Terms and Conditions of the Bonds to principal or interest will be deemed to include any Additional Amounts as set forth in § 7.
- (2) If the due date for any payment of principal and/or interest is not a Business Day, payment will be effected only on the next Business Day. The Holders will have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

**§ 7**  
**(Besteuerung)**

Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Republik Österreich oder für deren Rechnung oder von oder für Rechnung einer dort zur Steuererhebung ermächtigten Gebietskörperschaft oder Behörde in der Republik Österreich auferlegt oder erhoben werden, es sei denn, die Emittentin ist gesetzlich zu einem solchen Einbehalt oder Abzug verpflichtet. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge („**Zusätzlichen Beträge**“) zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Anleihegläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (i) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu entrichten sind; oder
- (ii) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Anleihegläubigers zu der Republik Österreich zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Republik Österreich stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (iii) aufgrund der Richtlinie des Europäischen Rats 2003/48/EG oder jeder anderen Richtlinie, die die Schlussfolgerungen des Treffens des ECOFIN-Rates vom 26.- 27. November 2000 betreffend die Besteuerung von Zinserträgen, umsetzt, oder aufgrund einer gesetzlichen Vorschrift, die diese Richtlinie umsetzt oder befolgt oder erlassen wurde, um der Richtlinie zu entsprechen, von Zahlungen an eine natürliche Person oder eine sonstige Einrichtung im Sinne der Richtlinie des Europäischen Rates 2003/48/EG einzubehalten oder abzuziehen sind; oder
- (iv) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach

**§ 7**  
**(Taxation)**

All payments of principal and interest in respect of the Bonds will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or in or for the account of the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax unless the Issuer required by law to make such withholding or deduction. In such event, the Issuer will pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (i) are payable otherwise than by withholding or deduction from amounts payable; or
- (ii) are payable by reason of the Holder having, or having had, some personal or business connection with the Republic of Austria and not merely by reason of the fact that payments in respect of the Bonds are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Republic of Austria; or
- (iii) are withheld or deducted from a payment to an individual or a residual entity within the meaning of the European Council Directive 2003/48/EC and are required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) are payable by reason of a change in law that becomes effective more than 30 days

Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 11 wirksam wird; oder

- (v) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

**§ 8**  
**(Vorlegungsfrist, Verjährung)**

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert. Die Verjährungsfrist für alle Ansprüche (inklusive Ansprüche auf Zinszahlungen und gegebenenfalls Rückzahlung) aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

**§ 9**  
**(Zahlstellen und Berechnungsstelle)**

- (1) Bestellung.

Die Emittentin hat Citibank, N.A., London Branch als Hauptzahlstelle in Bezug auf die Schuldverschreibungen (die „**Hauptzahlstelle**“ und gemeinsam mit jeder etwaigen von der Emittentin nach § 9(2) bestellten zusätzlichen Zahlstelle, die „**Zahlstellen**“) bestellt.

Die Emittentin hat Citibank, N.A., London Branch als Berechnungsstelle in Bezug auf die Schuldverschreibungen (die „**Berechnungsstelle**“ und, gemeinsam mit den Zahlstellen, die „**Verwaltungsstellen**“) bestellt.

Die Geschäftsräume der Verwaltungsstellen befinden sich unter den folgenden Adressen:

*Hauptzahlstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Vereinigtes Königreich

*Berechnungsstelle:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB

after the relevant payment of principal or interest becomes due, or, if later, is duly provided for and notice thereof is published in accordance with § 11; or

- (v) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding.

**§ 8**  
**(Presentation Period, Prescription)**

The period for presentation of the Bonds will be reduced to 10 years. The period of limitation for all claims (including claims for interest payment and repayment, if any) under the Bonds presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

**§ 9**  
**(Paying and Calculation Agent)**

- (1) Appointment.

The Issuer has appointed Citibank, N.A., London Branch as principal paying agent with respect to the Bonds (the “**Principal Paying Agent**” and, together with any additional paying agent appointed by the Issuer in accordance with § 9(2), the “**Paying Agents**”).

The Issuer has appointed Citibank, N.A., London Branch as calculation agent with respect to the Bonds (the “**Calculation Agent**” and, together with the Paying Agents, the “**Agents**”).

The addresses of the specified offices of the Agents are:

*Principal Paying Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

*Calculation Agent:*

Citibank, N.A., London Branch  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB

Vereinigtes Königreich

- (2) Änderung oder Beendigung der Bestellung.

Die Emittentin behält sich das Recht vor, jederzeit die Benennung einer Zahlstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Den Anleihegläubigern werden Änderungen in Bezug auf die Zahlstellen, deren angegebenen Geschäftsstellen umgehend gemäß § 11 bekannt gemacht.

- (3) Status der beauftragten Stellen.

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet.

**§ 10  
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben und die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Anleihe bilden.

**§ 11  
(Bekanntmachungen)**

- (1) Alle Bekanntmachungen, die die Schuldverschreibungen betreffen, werden (solange die Schuldverschreibungen an der Luxemburger Wertpapierbörse notiert sind) auf der Internet-Seite der Luxemburger Börse unter [www.bourse.lu](http://www.bourse.lu) veröffentlicht. Für das Datum und die Rechtswirksamkeit sämtlicher Bekanntmachungen ist die erste Veröffentlichung maßgeblich.
- (2) Die Emittentin ist ferner berechtigt, alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearingsystem zur Weiterleitung an die Anleihegläubiger zu übermitteln. Eine Nachricht gilt als an die Anleihegläubiger übermittelt, wenn sie an die Clearingsysteme zur Veröffentlichung für die Anleihegläubiger gesendet wurde.

United Kingdom

- (2) Variation or Termination of Appointment.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint successor or additional Paying Agents. Notice of any change in the Paying Agents or in the specified office of any Paying Agent will promptly be given to the Holders pursuant to § 11.

- (3) Status of the Agents.

The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Holders.

**§ 10  
(Further Issues)**

The Issuer may from time to time, without the consent of the Holders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (except for the first payment of interest) so as to form a single series with the Bonds.

**§ 11  
(Notices)**

- (1) All notices regarding the Bonds will be published (so long as the Bonds are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange on [www.bourse.lu](http://www.bourse.lu). Any notice will become effective for all purposes on the date of the first such publication.
- (2) The Issuer will also be entitled to deliver all notices concerning the Bonds to the Clearing System for communication by the Clearing System to the Holders. A notice will have been deemed to have been given to Holders if such notice is sent to the Clearing Systems for publication to Holders.

**§ 12**  
**(Ersetzung)**

(1) Ersetzung.

Die Emittentin (oder die Nachfolgeschuldnerin) ist jederzeit berechtigt, sofern sie sich nicht mit einer fälligen Zahlung von Kapital oder Zinsen oder einer anderen Zahlung aus den Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Anleihegläubiger jede andere Gesellschaft, deren stimm-berechtigte Gesellschaftsanteile zu mehr als 90 % direkt oder indirekt von der Emittentin gehalten werden und deren Geschäftszweck in der Aufnahme von Mitteln für die Refinanzierung von verbundenen Unternehmen besteht und die keine wesentlichen operativen Vermögenswerte hält oder Anteile an operativen Gesellschaften der Emittentin oder deren Tochtergesellschaften hält, an Stelle der Emittentin als Hauptschuldnerin (die „**Nachfolgeschuldnerin**“) für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

- (i) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;
- (ii) die Nachfolgeschuldnerin alle erforderlichen behördlichen Genehmigungen erhalten hat und berechtigt ist, an die Hauptzahlstelle die zur Erfüllung der Zahlungsverpflichtungen auf die Schuldverschreibungen zu zahlenden Beträge in Euro zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;
- (iii) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Anleihegläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Anleihegläubiger infolge der Ersetzung auferlegt werden;

**§ 12**  
**(Substitution)**

(1) Substitution.

The Issuer (or the Substitute Debtor) may, without the consent of the Holders, if the Issuer is not in default with any of principal or of interest or any other amount due in respect of the Bonds, at any time substitute for the Issuer, any other company of which more than 90% of the voting shares or other equity interests are directly or indirectly owned by the Issuer and which has the corporate function of raising financing and passing it on to affiliates and which holds no significant operating assets or has any ownership in the operating companies of the Issuer or its Subsidiaries as principal debtor in respect of all obligations arising from or in connection with the Bonds (the “**Substitute Debtor**”) provided that:

- (i) the Substitute Debtor assumes all obligations of the Issuer in respect of the Bonds;
- (ii) the Substitute Debtor has obtained all necessary governmental authorisations and may transfer to the Principal Paying Agent in Euro and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Bonds;
- (iii) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder as a result of such substitution;

- (iv) die Emittentin unwiderruflich und unbedingt gegenüber den Anleihegläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zu zahlenden Beträge auf nachrangiger Basis garantiert;
- (v) aufgrund der Ersetzung kein Ereignis eintreten würde, welches die Nachfolgeschuldnerin dazu berechtigen würde, die Schuldverschreibung gemäß § 5(4) zu kündigen und zurückzuzahlen; und
- (vi) der Hauptzahlstelle jeweils ein oder mehrere Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt werden, das bestätigt bzw. die bestätigen, dass die Bestimmungen in diesem § 12(1) erfüllt wurden.

(2) Bezugnahmen.

Im Fall einer Schuldnerersetzung gemäß Absatz (1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Nachfolgeschuldnerin und jede Bezugnahme auf die Republik Österreich als eine solche auf den Staat (die Staaten), in welchem die Nachfolgeschuldnerin steuerlich ansässig ist.

(3) Bekanntmachung und Wirksamwerden der Ersetzung.

Die Ersetzung der Emittentin ist gemäß § 11 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die Ersetzung wirksam und die Emittentin und, im Falle einer wiederholten Anwendung dieses § 12, jede frühere Nachfolgeschuldnerin von ihren sämtlichen Verbindlichkeiten aus den Schuldverschreibungen frei.

**§ 13  
Durchsetzung**

- (1) Falls die Emittentin Zinsen oder Kapital auf die Schuldverschreibungen bei Fälligkeit nicht oder nicht rechtzeitig zahlt, ist jeder Anleihegläubiger berechtigt, rechtliche Schritte zur Durchsetzung der fälligen Beträge einzuleiten oder einen Antrag auf Eröffnung eines Insolvenzverfahrens über das Vermögen

- (iv) the Issuer irrevocably and unconditionally guarantees on a subordinated basis in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Bonds;

- (v) no event would occur as a result of the substitution that would give rise to the right of the Substitute Debtor to call the Bonds for redemption pursuant to § 5(4); and

- (vi) there shall have been delivered to the Principal Paying Agent an opinion or opinions with respect to the relevant jurisdictions of lawyers of recognised standing to the effect that the provisions of this § 12(1) above have been satisfied.

(2) References.

In the event of a substitution pursuant to subsection (1), any reference in these Terms and Conditions to the Issuer will be a reference to the Substitute Debtor and any reference to the Republic of Austria will be a reference to the Substitute Debtor's country (countries) of domicile for tax purposes.

(3) Notice and Effectiveness of Substitution.

Notice of any substitution of the Issuer will be given by publication in accordance with § 11. Upon such publication, the substitution will become effective, and the Issuer and in the event of a repeated application of this § 12, any previous Substitute Debtor will be discharged from any and all obligations under the Bonds.

**§ 13  
Enforcement**

- (1) If the Issuer fails to pay any interest or principal on the Bonds when due, each Holder may institute legal proceedings to enforce payment of the amounts due or file an application for the institution of insolvency proceedings for the assets of the Issuer.



der Emittentin zu stellen.

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| <p>(2) Jeder Anleihegläubiger ist berechtigt, seine Schuldverschreibungen durch schriftliche Mitteilung gegenüber der Emittentin und der Hauptzahlstelle zur Rückzahlung fällig zu stellen, woraufhin diese Schuldverschreibungen sofort zum Nennbetrag zuzüglich der bis zum Tag der Rückzahlung in Bezug auf die Schuldverschreibungen aufgelaufenen, aber noch nicht bezahlten Zinsen sowie, zur Klarstellung, sämtlicher gemäß § 4(3) zur Nachzahlung fälligen Aufgeschobenen Zinszahlungen ohne weitere Handlungen oder Formalitäten fällig werden (unter der in § 2(2) dargestellten Bedingung, soweit anwendbar), falls eine Anordnung zur Abwicklung, Auflösung oder Liquidation der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. bei der die Emittentin noch zahlungsfähig ist und bei dem bzw. bei der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt).</p> <p>(3) Die Schuldverschreibungen sehen keinen Drittverzug vor.</p> | <p>(2) Any Holder may, by written notice addressed to the Issuer and the Principal Paying Agent, declare its Bonds due and payable, whereupon such Bonds shall become immediately due and payable at their Principal Amount plus any interest accrued on such Bonds to but excluding the date of redemption but yet unpaid and, for the avoidance of doubt, any Deferred Interest Payments due to be paid pursuant to § 4(3) without further action or formality (subject to the condition described in § 2(2), if applicable), if an order is made for the winding up, dissolution or liquidation of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).</p> <p>(3) There is no cross default under the Bonds.</p> |
|---|--|

#### § 14

##### **(Änderung der Anleihebedingungen durch Beschluss der Anleihegläubiger; Gemeinsamer Vertreter)**

- (1) Die Emittentin kann die Anleihebedingungen mit Zustimmung aufgrund Mehrheitsbeschlusses der Anleihegläubiger nach Maßgabe der §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – *SchVG*) in seiner jeweiligen gültigen Fassung (das „**SchVG**“) ändern. Die Anleihegläubiger können insbesondere einer Änderung wesentlicher Inhalte der Anleihebedingungen, einschließlich der in § 5 Absatz 3 *SchVG* vorgesehenen Maßnahmen mit Ausnahme der Ersetzung der Emittentin, die in § 12 abschließend geregelt ist, mit den in dem nachstehenden § 14(2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Anleihegläubiger verbindlich.

#### § 14

##### **(Amendments to the Terms and Conditions by resolution of the Holders; Joint Representative)**

- (1) The Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Holders pursuant to §§ 5 et seq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) (*Schuldverschreibungsgesetz – SchVG*), as amended from time to time (the “**SchVG**”). In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the *SchVG*, but excluding a substitution of the Issuer, which is exclusively subject to the provisions in § 12, by resolutions passed by such majority of the votes of the Holders as stated under § 14(2) below. A duly passed majority resolution will be binding upon all Holders.

- (2) Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Anleihegläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen, insbesondere in den Fällen des § 5 Absatz 3 Nummer 1 bis 9 SchVG, geändert wird, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine „**Qualifizierte Mehrheit**“). Das Stimmrecht ruht, solange die Schuldverschreibungen der Emittentin oder einem mit ihr verbundenen Unternehmen (§ 271 Absatz 2 HGB) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden.
- (3) Beschlüsse der Anleihegläubiger werden entweder in einer Gläubigerversammlung nach § 14(3)(a) oder im Wege der Abstimmung ohne Versammlung nach § 14(3)(b) getroffen, die von der Emittentin oder einem gemeinsamen Vertreter einberufen wird. Gemäß § 9 Absatz 1 S. 2 SchVG können Anleihegläubiger, deren Schuldverschreibungen zusammen 5% des jeweils ausstehenden Gesamtnennbetrags der Schuldverschreibungen erreichen, schriftlich die Durchführung einer Anleihegläubigerversammlung oder Abstimmung ohne Versammlung mit einer gemäß § 9 Absatz 1 S. 2 SchVG zulässigen Begründung verlangen.
- (a) Beschlüsse der Anleihegläubiger im Rahmen einer Gläubigerversammlung werden nach §§ 9 ff. SchVG getroffen. Die Einberufung der Gläubigerversammlung regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Einberufung der Gläubigerversammlung werden in der Tagesordnung die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben. Für die Teilnahme an der Gläubigerversammlung oder die Ausübung der Stimmrechte ist eine Anmeldung der Anleihegläubiger vor der
- (2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3) numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75% of the voting rights participating in the vote (a “**Qualified Majority**”). The voting right is suspended as long as any Bonds are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch*) or are being held for the account of the Issuer or any of its affiliates.
- (3) Resolutions of the Holders will be made either in a Holders’ meeting in accordance with § 14(3)(a) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 14(3)(b), in either case convened by the Issuer or a joint representative, if any. Pursuant to § 9(1) sentence 2 of the SchVG, Holders holding Bonds in the total amount of 5% of the outstanding principal amount of the Bonds may in writing request to convene a Holders’ meeting or vote without a meeting for any of the reasons permitted pursuant to § 9(1) sentence 2 of the SchVG.
- (a) Resolutions of the Holders in a Holders’ meeting will be made in accordance with § 9 et seq. of the SchVG. The convening notice of a Holders’ meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders in the agenda of the meeting. The attendance at the Holders’ meeting or the exercise of voting rights requires a registration of the Holders prior to the meeting. Any such registration must be received at the address stated in the convening notice by no later than the

- Versammlung erforderlich. Die Anmeldung muss unter der in der Einberufung mitgeteilten Adresse spätestens am dritten Kalendertag vor der Gläubigerversammlung zugehen.
- (b) Beschlüsse der Anleihegläubiger im Wege der Abstimmung ohne Versammlung werden nach § 18 SchVG getroffen. Die Aufforderung zur Stimmabgabe durch den Abstimmungsleiter regelt die weiteren Einzelheiten der Beschlussfassung und der Abstimmung. Mit der Aufforderung zur Stimmabgabe werden die Beschlussgegenstände sowie die Vorschläge zur Beschlussfassung den Anleihegläubigern bekannt gegeben.
- (4) Die Stimmrechtsausübung ist von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor dem Beginn des Abstimmungszeitraums unter der in der Aufforderung zur Stimmabgabe angegebenen Anschrift zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis dem Ende des Abstimmungszeitraums (einschließlich) nicht übertragen werden können.
- (5) Wird die Beschlussfähigkeit bei der Abstimmung ohne Versammlung nach § 14(3)(b) nicht festgestellt, kann der Abstimmungsleiter eine Gläubigerversammlung einberufen, welche als zweite Gläubigerversammlung im Sinne des § 15(3) Satz 3 SchVG gilt. Die Teilnahme an der zweiten Gläubigerversammlung und die Stimmrechtsausübung sind von einer vorherigen Anmeldung der Anleihegläubiger abhängig. Die Anmeldung muss bis zum dritten Tag vor der zweiten Gläubigerversammlung unter der in der Einberufung angegebenen Anschrift
- third calendar day preceding the Holders' meeting.
- (b) Resolutions of the Holders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance § 18 of the SchVG. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders together with the request for voting.
- (4) The exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Bonds are not transferable from and including the day such registration has been sent until and including the day the voting period ends.
- (5) If it is ascertained that no quorum exists for the vote without meeting pursuant to § 14(3)(b), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the convening notice no later than the third day preceding the second Holders' meeting. Holders must demonstrate their eligibility to participate

zugehen. Zusammen mit der Anmeldung müssen Anleihegläubiger den Nachweis ihrer Berechtigung zur Teilnahme an der Abstimmung durch eine besondere Bescheinigung seiner Depotbank in Textform und die Vorlage eines Sperrvermerks der Depotbank erbringen, aus dem hervorgeht, dass die relevanten Schuldverschreibungen für den Zeitraum vom Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragen werden können.

- (6) Die Anleihegläubiger können durch Mehrheitsbeschluss die Bestellung und Abberufung eines gemeinsamen Vertreters, die Aufgaben und Befugnisse des gemeinsamen Vertreters, die Übertragung von Rechten der Anleihegläubiger auf den gemeinsamen Vertreter und eine Beschränkung der Haftung des gemeinsamen Vertreters bestimmen. Die Bestellung eines gemeinsamen Vertreters bedarf einer qualifizierten Mehrheit, wenn er ermächtigt wird, wesentlichen Änderungen der Anleihebedingungen gemäß § 14(1) zuzustimmen.
- (7) Bekanntmachungen betreffend diesen § 14 erfolgen gemäß den §§ 5ff. SchVG sowie nach § 11.

#### **§ 15 (Schlussbestimmungen)**

- (1) Anzuwendendes Recht.  
Form und Inhalt der Schuldverschreibungen bestimmen sich nach dem Recht der Bundesrepublik Deutschland.
- (2) Gerichtsstand.  
Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin verzichtet unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichert, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

Für Entscheidungen gemäß § 9 Absatz 2,

in the vote by means of a special confirmation of its custodian bank hereof in text form and by submission of a blocking instruction by the custodian bank stating that the relevant Bonds are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

- (6) The Holders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Holders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 14(1) hereof,
- (7) Any notices concerning this § 14 will be made in accordance with § 5 et seq. of the SchVG and § 11.

#### **§ 15 (Final Provisions)**

- (1) Applicable Law.  
The Bonds are governed by, and construed in accordance with, the laws of the Federal Republic of Germany.
- (2) Place of Jurisdiction.  
To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions will be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

The local court (*Amtsgericht*) of Frankfurt

§ 13 Absatz 3 und § 18 Absatz 2 SchVG ist gemäß § 9 Absatz 3 SchVG das Amtsgericht Frankfurt am Main zuständig. Für Entscheidungen über die Anfechtung von Beschlüssen der Anleihegläubiger ist gemäß § 20 Absatz 3 SchVG das Landgericht Frankfurt am Main ausschließlich zuständig.

(3) Erfüllungsort.

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) Geltendmachung von Rechten.

Jeder Anleihegläubiger ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Anleihegläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen geltend zu machen gegen Vorlage:

- (i) einer Bescheinigung der Depotbank, die (A) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (B) den gesamten Nennbetrag von Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung den bei dieser Depotbank bestehenden Depots dieses Anleihegläubigers gutgeschrieben sind und (C) bestätigt, dass die Depotbank dem Clearingsystem und der Hauptzahlstelle eine schriftliche Mitteilung gemacht hat, die die Angaben gemäß (A) und (B) enthält und Bestätigungsvermerke des Clearingsystems sowie des betroffenen Kontoinhabers bei dem Clearingsystem trägt sowie
- (ii) einer von einem Vertretungsberechtigten des Clearingsystems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde; oder
- (iii) eines anderen, in Rechtsstreitigkeiten in dem Land der Geltendmachung zulässigen Beweismittels.

„**Depotbank**“ bezeichnet ein Bank- oder sonstiges Finanzinstitut, bei dem der Anleihegläubiger Schuldverschreibungen im Depot verwahren lässt und das ein Konto bei dem Clearingsystem hat,

am Main will have jurisdiction for all judgments pursuant to § 9(2), § 13(3) and § 18(2) SchVG in accordance with § 9(3) SchVG. The regional court (*Landgericht*) of Frankfurt am Main will have exclusive jurisdiction for all judgments over contested resolutions by Holders in accordance with § 20(3) SchVG.

(3) Place of Performance.

Place of performance will be Frankfurt am Main, Federal Republic of Germany.

(4) Enforcement of Rights.

Any Holder may in any proceedings against the Issuer or to which the Holder and the Issuer are parties protect and enforce in his own name his rights arising under his Bonds on the basis of:

- (i) a certificate issued by his Custodian (A) stating the full name and address of the Holder, (B) specifying an aggregate Principal Amount of Bonds credited on the date of such statement to such Holder's securities account(s) maintained with his Custodian and (C) confirming that his Custodian has given a written notice to the Clearing System and the Principal Paying Agent containing the information specified in (A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System and
- (ii) a copy of the Global Bond relating to the Bonds, certified as being a true copy by a duly authorised officer of the Clearing System or the Principal Paying Agent; or
- (iii) any other means of evidence permitted in legal proceedings in the country of enforcement.

“**Custodian**” means any bank or other financial institution with which the Holder maintains a securities account in respect of any Bonds and having an account maintained with the Clearing System,

einschließlich des Clearingsystems.

**§ 16**  
**(Sprache)**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

including the Clearing System.

**§ 16**  
**(Language)**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text will be the only legally binding version. The English language translation is provided for convenience only.

## DESCRIPTION OF THE ISSUER

### Introduction

The Issuer, which is listed on the Vienna Stock-Exchange, is the holding company of an Austrian-based full-service telecommunications provider group with a wide range of advanced fixed-line, mobile, data and other communication services, including internet solutions. Telekom Austria Aktiengesellschaft is also known under the commercial name “Telekom”. The Issuer has its principal operative subsidiaries in Austria, Belarus, Bulgaria, Croatia, Liechtenstein, Macedonia, Serbia and Slovenia. Its registered office and principal place of business is at A-1020 Vienna, Lassallestraße 9. The Issuer is registered with the Commercial Court of Vienna under the commercial register number 144477t. The Issuer’s telephone number is +43 50 664 0. An organization chart of Telekom Austria is included in the section “Organisational Structure” in this Prospectus.

The Issuer is a stock corporation established under Austrian law. The stock corporation was founded by virtue of the Austrian Post Restructuring Act of 1996 (*Poststrukturgesetz*) on May 1, 1996, as successor to a department of the Federal Ministry of Science and Transportation. The Issuer has been incorporated for an unlimited duration.

In Austria, Telekom Austria provides telecommunications services under a specific regulatory framework (currently the Austrian Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003*), as amended).

The Issuer has a share capital of EUR 966,183,000 which is divided into 443 million non-par value bearer shares all of which are listed on the Vienna Stock Exchange. With a market capitalization of approximately EUR 2,543 million (Source: Vienna Stock Exchange website - <http://www.wienerborse.at/stocks/atx/> as of December 31, 2012) the Issuer is one of the 10 largest Austrian companies listed on the Vienna Stock Exchange. A second listing of the Issuer shares on the New York Stock Exchange was withdrawn in June 2007. Since then, the Issuer’s American Depository Receipts have traded over-the-counter with a Level 1 ADR program.

Article 2 of the Issuer’s articles of association states that its objects are (i) the investment in other enterprises and corporations as well as the management and administration of such investment (holding company), including the acquisition and the disposal of investments in Austria and abroad; (ii) all activities in connection with the performance of services and the establishment of necessary preconditions for the operation and provision of (tele)communication networks and services (in particular mobile communication and fixed line) and associated services and infrastructure, in Austria and abroad, in particular also the acquisition of necessary licenses and the distribution of end devices; as well as services economically connected with such activities; such activities may either be undertaken directly by the Issuer or through shareholdings.

The Issuer is the parent company (holding company) of Telekom Austria. Its principal operative subsidiaries are A1 Telekom Austria AG (Austria), FE Velcom (Belarus), MobilTel EAD (Bulgaria), VIPnet d.o.o. (Croatia), MOBILKOM (LIECHTENSTEIN) AG (Liechtenstein), Vip Operator DOOEL (Macedonia), Vip mobile d.o.o. (Serbia), si.mobil d.d. (Slovenia). For a more comprehensive chart of the entities of Telekom Austria see “TELEKOM AUSTRIA – Organisational Structure of Telekom Austria”.

### Management

#### *Management Board*

The members of the management board of the Issuer (the “**Management Board**”) are appointed by the Supervisory Board for a maximum period of five years; re-election is possible. The Management Board has two to four members. The Issuer is represented by two members of the Management Board or by one member of the Management Board, together with one proxy holder (*Prokurist*). Currently, the management board consists of the following two members:

<i>Name</i>	<i>Responsibility</i>
<i>Johannes Ametsreiter</i>	<i>Chief Executive Officer Telekom Austria AG, Chairman of the Management Board of Telekom Austria AG and Chief Executive Officer A1 Telekom Austria AG</i>

<i>Johann Tschuden</i>	<i>Chief Financial Officer Telekom Austria AG, Vice-Chairman of the Management Board of Telekom Austria AG</i>
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The Management Board members hold functions predominantly in other entities of Telekom Austria, which may be regarded as activities for Telekom Austria. Other activities performed outside Telekom Austria are not regarded to be significant from the view of Telekom Austria. The members of the Management Board have no potential conflicts of interest between their duties owed to Telekom Austria and their private interests or other duties.

### **Supervisory Board**

The supervisory board of the Issuer (the “**Supervisory Board**”) consists of up to ten members elected by the shareholders’ meeting and those members nominated by the works council. Employee co-determination on the Supervisory Board is a legally regulated aspect of the corporate governance system in Austria. Currently, the Supervisory Board consists of ten members elected by the shareholders’ meeting plus five additional members nominated by the Issuer’s staff council.

The current members of the Supervisory Board are:

<b>Name</b>	<b>Position</b>	<b>Significant activities performed outside Telekom Austria</b>
Rudolf Kemler	Chairman	CEO Österreichische Industrieholding AG, Chairman of the supervisory boards of OMV AG and Österreichische Post AG
Ronny Pecik	1st Vice Chairman	Entrepreneur; Engagement in several companies in Austria, Germany and Switzerland as well as various functions in supervisory and management boards
Edith Hlawati	2nd Vice Chairperson	Partner in the law firm Cerha Hempel Spiegelfeld Hlawati, member of the supervisory board of Österreichische Post AG
Henrietta Egerth-Stadlhuber	Member	Managing Director of Österreichische Forschungsförderungsgesellschaft mbH
Franz Geiger	Member	CEO of Donau Chemie AG
Wolfgang Rutenstorfer	Member	Former CEO of OMV AG, Chairman of the supervisory board of CA Immobilien Anlagen AG and Vienna Insurance AG Wiener Versicherung Gruppe, 2nd Vice Chairman of the supervisory board of Flughafen Wien AG
Harald Stöber	Member	member of the supervisory boards of Vodafone D2 GmbH and Vodafone Holding GmbH
Wilfried Stadler	Member	Business consultant, bank consultant, honorary professor at the Vienna University of Economics and Business; member of supervisory boards of ATP Planungs- u. Beteiligungs AG, East Centro Capital Management AG, Österreichische Staatsdruckerei Holding AG, Bankhaus Denzel AG, Wolfgang Denzel AG, Wolfgang Denzel Auto AG, Wolfgang Denzel Holding AG
Peter J. Oswald	Employee representative	Member of the boards of Mondi plc UK) and Mondi Ltd (South Africa), CEO of Mondi AG (Holding Europe & International Division), chairman of the supervisory board of Mondi Swiecie SA
Oscar Von Hauske Solís	Employee representative	CEO of Telmex Internacional and Chief Fixed-Line Operations Officer of América Móvil, S.A.B. de C.V.
Silvia Bauer	Employee representative	-
Walter Hotz	Employee representative	member of the supervisory boards of Österreichische Industrieholding AG, A1 Telekom Austria AG, Telekom Austria Personalmanagement GmbH, Tele-Post Privatstiftung (Vice Chairman), APK Pensionskasse AG
Alexander Sollak Gottfried Zehetleitner Werner Luksch	Employee representative	Member of the supervisory board of Österreichische Industrieholding AG

Further to the positions mentioned above, some of the Supervisory Board members hold functions in other supervisory boards or similar functions which are not significant with respect to the Issuer and Telekom Austria. The members of the Supervisory Board have no potential conflicts of interest between their duties owed to Telekom Austria and their private interests or other duties. With the exception of Rudolf Kemler and Oscar Von Hauske Solís, who are not independent pursuant to Rule 54 of the



Austrian Corporate Governance Code, all Supervisory Board members are independent pursuant to Rule 53 of the Austrian Corporate Governance Code.

The members of the Management Board and the Supervisory Board may be contacted at the Issuer's registered office at Lassallestraße 9, A-1020 Vienna, Austria

### ***Committees of the Supervisory Board and their responsibilities***

In order to carry out its work effectively and in compliance with legal requirements, the Supervisory Board has set up three committees. The former control committee of the Issuer (members were Markus Beyrer, Franz Geiger and Walter Hotz) established for investigations and the prevention of fraudulent activities at Telekom Austria during the investigation carried out by an external control team set up by the Supervisory Board finished its work in fall 2012.

#### *Audit Committee*

The audit committee of the Issuer (the “**Audit Committee**”) (members are Rudolf Kemler - Chairman; Wilfried Stadler - financial expert; Peter J. Oswald; Ronny Pecik; Wolfgang Ruttenstorfer; Oscar Von Hauske Solís; Silvia Bauer; Walter Hotz; and Alexander Sollak) supports the Supervisory Board in monitoring the integrity of the financial statements, the quality, independence and performance of the auditors, and the effectiveness of internal audit controls. The duties and powers of the Audit Committee are laid down in separate guidelines.

#### *Chairing and Remuneration Committee*

The chairing and remuneration committee of the Issuer (the “**Chairing and Remuneration Committee**”) (members are Rudolf Kemler – Chairman; Ronny Pecik – 1st Vice Chairman; and Edith Hlawati – 2nd Vice Chairperson) is responsible for the contracts and remuneration of members of the Management Board, including the setting of targets and monitoring the achievement of targets for the calculation of performance-related salary bonuses. It is also responsible for the corporate governance process within the Supervisory Board. Furthermore, the Chairing and Remuneration Committee is also authorized to make decisions on matters of urgency.

#### *Personnel and Nomination Committee*

The personnel and nomination committee of the Issuer (the “**Personnel and Nomination Committee**”) (members are Rudolf Kemler – Chairman; Edith Hlawati – Vice Chairperson; Ronny Pecik; Walter Hotz; and Werner Luksch) deals with appointments to the management board.

### ***Compliance with Corporate Governance Code***

The Issuer committed itself to voluntary compliance with the Austrian Code of Corporate Governance as of 2003 (the “**Code**”). The Issuer complies with all the legal requirements laid down in the so-called “L Rules”. As potential deviations from the “C Rules” of the Code must be explained, the Issuer made the following statements with regard to Rules 28 and 28a: “Stock option plans and programs for the beneficial transfer of shares, including the stipulated long-term exercise hurdles, are decided by the Supervisory Board in order to ensure that they are in line with the business plan. At the Annual General Meeting on May 27, 2010 a long term incentive program was introduced, which replaced the previous employee stock option plan which was started by the Issuer in April 2004 as of the financial year 2010. In accordance with Rule 62 of the Austrian Corporate Governance Code, the Issuer's compliance with the provisions of the Code and the correctness of the reporting are externally evaluated on a three-year basis. The most recent evaluation, which was carried out by KPMG in early 2011, discovered no facts that conflicted with the declaration made by the Management Board and the Supervisory Board regarding observance and compliance with the “C” and “R” Rules of the Austrian Corporate Governance Code for the 2010 business year.”

## Selected financial data

The following table presents an overview of consolidated financial and operating data for Telekom Austria. The financial data presented in these tables is derived from the unaudited consolidated financial statements as of and for the nine months ended September 30, 2012 and 2011 as well as from the audited consolidated financial statements for the financial years ended December 31, 2011 and 2010 which were prepared in accordance with IFRS. For more detailed information on the Telekom Austria's financial information, please refer to these Consolidated Financial Statements.

	Nine months ended September 30,		Year ended December 31,	
	2012 (unaudited)	2011	2011 (audited)	2010 (audited)
	in EUR million			
Operating revenues.....	3,212.0	3,338.7	4,454.6	4,650.8
Other operating income.....	60.0	73.9	100.4	89.2
<b>Operating expenses</b>				
Materials.....	(305.4)	(304.2)	(442.0)	(403.6)
Employee expenses, including benefits and taxes.....	(610.5)	(599.5)	(805.0)	(806.8)
Other operating expenses.....	(1,219.5)	(1,318.5)	(1,780.6)	(1,883.7)
<b>EBITDA comparable.....</b>	<b>1,136.6</b>	<b>1,190.4</b>	<b>1,527.3</b>	<b>1,645.9</b>
Restructuring.....	(21.6)	(224.8)	(233.7)	(124.1)
Impairment and reversal of impairment <sup>(1)</sup> .....	0.0	0.0	(248.9)	(18.3)
<b>EBITDA incl. effects from restructuring and impairment tests.....</b>	<b>1,115.0</b>	<b>965.7</b>	<b>1,044.7</b>	<b>1,503.5</b>
Depreciation and amortization.....	(726.9)	(756.9)	(1,052.4)	(1,065.6)
<b>Operating result.....</b>	<b>388.1</b>	<b>208.8</b>	<b>(7.6)</b>	<b>437.9</b>

- (1) "Impairment and reversal of impairment" in 2011 mainly includes an impairment charge on goodwill of velcom amounting to EUR 279.0 million which results from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" for Belarus for 2011. The reversal of impairment amounting to EUR 49.4 million for the license in Serbia is the result of the impairment test performed for the cash-generating unit Vip mobile, reported in the operating segment Other Markets, due to improved future estimated earnings:

	As of September 30,	As of December 31,	
	2012 (unaudited)	2011 (audited)	2010 (audited)
	in EUR million		
<b>Consolidated Balance Sheet Data</b>			
<b>Total Assets.....</b>	<b>7,262.2</b>	<b>7,448.8</b>	<b>7,555.8</b>
<b>Current Assets.....</b>	<b>1,758.7</b>	<b>1,751.4</b>	<b>1,437.7</b>
Cash and cash equivalents.....	506.3	460.0	120.2
Short-term investments.....	127.8	166.0	127.6
Accounts receivable – trade, net of allowances.....	734.6	708.3	772.2
Receivables due from related parties.....	0.0	0.1	0.1
Inventories.....	146.9	157.7	150.2
Prepaid expenses.....	126.3	130.3	128.4
Income taxes receivable.....	31.7	40.6	40.7
Non-current assets held for sale.....	1.0	0.1	0
Other current assets.....	84.0	88.3	98.3
<b>Non Current Assets.....</b>	<b>5,503.4</b>	<b>5,697.4</b>	<b>6,118.1</b>
Investments in associates.....	3.8	3.7	4.3
Financial assets long-term.....	6.1	13.9	90.4
Goodwill.....	1,290.9	1,289.7	1,489.2
Other intangible assets, net.....	1,508.3	1,619.3	1,718.1
Property, plant and equipment, net.....	2,407.9	2,462.2	2,549.0
Other non-current assets.....	31.2	34.5	31.2
Deferred tax assets.....	255.1	273.9	235.8
Receivables due from related parties, long-term finance.....	0.1	0.1	0.1
<b>Total Liabilities And Stockholders' Equity.....</b>	<b>(7,262.2)</b>	<b>(7,448.8)</b>	<b>(7,555.8)</b>
<b>Current liabilities.....</b>	<b>(2,209.1)</b>	<b>(2,412.0)</b>	<b>(1,883.0)</b>
Short-term borrowings.....	(937.6)	(1,014.2)	(506.7)
Accounts payable - trade.....	(526.9)	(642.2)	(678.7)
Current provisions and accrued liabilities.....	(277.7)	(311.6)	(258.0)

	As of September 30,	As of December 31,	
	2012	2011	2010
	(unaudited)	(audited)	
in EUR million			
Payables to related parties .....	(3.9)	(9.8)	(13.1)
Income taxes payable .....	(45.1)	(41.3)	(41.7)
Other current liabilities .....	(250.3)	(226.5)	(221.9)
Deferred income .....	(167.5)	(166.5)	(163.0)
<b>Non-Current liabilities .....</b>	<b>(4,138.3)</b>	<b>(4,153.7)</b>	<b>(4,195.9)</b>
Long-term debt .....	(2,906.7)	(2,935.1)	(3,091.1)
Employee benefit obligations .....	(133.3)	(129.0)	(131.6)
Non-current provisions .....	(899.5)	(888.2)	(761.8)
Deferred tax liabilities .....	(129.1)	(127.3)	(125.4)
Other non-current liabilities and deferred income .....	(69.6)	(74.2)	(86.1)
<b>Stockholders' Equity .....</b>	<b>(914.8)</b>	<b>(883.1)</b>	<b>(1,476.9)</b>
Common stock .....	(966.2)	(966.2)	(966.2)
Treasury shares .....	8.2	8.2	8.2
Additional paid-in capital .....	(582.9)	(582.9)	(582.9)
Retained Earnings .....	146.0	219.8	(346.3)
Available-for-sale reserve .....	0.2	0.8	0.3
Hedging reserve .....	42.6	27.9	7.4
Translation adjustments .....	438.4	410.2	405.1
<b>Equity attributable to equity holders of the parent .....</b>	<b>(913.7)</b>	<b>(882.2)</b>	<b>(1,474.4)</b>
Non-controlling interests .....	(1.0)	(0.9)	(2.5)

The following chart shows Telekom Austria's revenue split by operating segments for the nine months ended September 30, 2012 and 2011 as well as for the financial years ended December 31, 2011 and 2010:

	Nine months ended September 30,			Year ended December 31,		
	2012	% Change	2011	2011	% Change	2010
(in EUR million, except percentages) (unaudited)						
<b>Revenues</b>						
Segment Austria .....	2,066.1	(5.7)	2,190.1	2,942.1	(4.0)	3,064.2
Segment Bulgaria .....	358.3	(9.3)	395.1	527.7	(6.5)	564.5
Segment Croatia .....	313.9	(0.2)	314.4	420.7	(6.9)	451.9
Segment Belarus .....	217.9	(0.8)	219.7	260.9	(24.1)	343.6
Segment Additional Markets .....	315.3	8.4	290.9	396.4	23.5	321.1
Slovenia .....	148.9	5.0	141.9	192.7	10.7	174.0
Serbia .....	117.1	12.4	104.2	143.1	36.7	104.7
Macedonia .....	44.7	13.6	39.4	53.4	49.3	35.8
Liechtenstein .....	4.9	(16)	5.8	7.6	8.9	7.0
Eliminations Additional Markets .....	(0.4)	(7.6)	-0.4	(0.6)	9.6	(0.5)
Corporate, Others & Elimination .....	(59.6)	16.6	(71.5)	(93.1)	(1.3)	(94.4)
<b>Total .....</b>	<b>3,212.0</b>	<b>(3.8)</b>	<b>3,338.7</b>	<b>4,454.6</b>	<b>(4.2)</b>	<b>4,650.8</b>

## Ownership and share capital

### Status

The share capital of the Issuer is fully paid-up and amounts to EUR 966,183,000, divided into 443 million ordinary non-par value bearer shares, each representing a pro rata amount of EUR 2.18 of the share capital. Only this class of shares exists. No convertible debt securities, exchangeable debt securities or warrant instruments have been issued by the Issuer.

### Initial share capital

The initial share capital was raised pursuant to § 10 Austrian Post Restructuring Act by way of a contribution in kind by the Republic of Austria and amounted to 15 billion Austrian Schilling ("ATS") divided into 1.5 million registered shares with a nominal value of ATS 10,000 each. In October 2000, the Issuer's share capital was converted into EUR and split into 500 million shares with non-par value.

### ***Authorised capital (2003)***

In the 2003 Annual General Meeting the Management Board was authorized, as amended by the 2006 Annual General Meeting, to increase the share capital until June 30, 2010 by up to EUR 9,487,350 through issuing up to 4.35 million new bearer or registered non-par value shares in order to serve stock options, which were granted to employees, managers and members of the Management Board of the Issuer or affiliated companies.

### ***Authorised Capital (2006)***

In the 2006 Annual General Meeting, the Management Board was authorized to resolve upon a conditional increase of the share capital by June, 2011, in order to grant stock options of up to EUR 21,810,000, by issuing up to 10 million new bearer or registered non-par value shares, against cash contributions.

### ***Authorisation for share buyback***

At the annual general meeting of May 23, 2012, the above mentioned authorization for share buybacks was revoked and following new authorization was resolved: (i) share buyback of up to 5% of the share capital with a price range of EUR 5 to EUR 15 per share; (ii) duration of authorization by the annual general meeting until November 22, 2013; (iii) shares purchased can be used as consideration for acquisition of enterprises, to serve stock options or to issue shares to employees, or to sell treasury shares any time via the stock exchange or by public offer, for a period of 5 years from the day of this resolution in any way permitted by law, also other than via the stock exchange, whereby the management board is entitled to exclude the general purchase opportunity.

In 2012 and 2011, no share buybacks were effectuated.

### ***Treasury shares***

As of the date of this Prospectus, the Issuer held 436,031 treasury shares, which represent approximately 0.098% of the share capital (or a proportionate amount of EUR 950,983.61), with an average purchase price of EUR 18.80. In accordance with applicable law, the management board is required to report on the status of treasury shares held at the forthcoming Annual General Meeting.

### ***Shareholder structure***

The Issuer's share capital, as of the date of this Prospectus is held as follows (rounded figures):

OIAG (Republic of Austria)	28.42%
América Móvil (direct and indirect)	22.76%
Free Float <sup>(1)</sup>	48.81%

<sup>(1)</sup> Free float includes employee stocks and treasury shares.

The main shareholders of the Issuer, OIAG and América Móvil S.A.B. de C.V. may be able to significantly influence matters requiring shareholder approval.

### ***Transferability, listing, form***

Shares in the Issuer are freely transferable. All of the Issuer's 443 million bearer shares with no par value are currently listed in the "Prime Market" segment of the Vienna Stock Exchange. All shares are represented by one or more global certificates deposited with Oesterreichische Kontrollbank AG, the Austrian central securities depository. The shares can only be transferred in book-entry form. Other than the global certificates, there are no plans to issue separate share certificates in bearer form.

## TELEKOM AUSTRIA

### Business overview

Telekom Austria is a telecommunication provider serving approximately 23 million customers in eight countries across CESEE.

Starting from its domestic market in Austria, Telekom Austria has positioned itself in selected markets in CESEE over the last ten years. As of September 30, 2012, approximately 36% of total revenues of Telekom Austria were generated outside Austria.

Telekom Austria offers to its customers local brand, local sales and service organization on the respective local markets. The business is operated locally with central coordination and guidance. Telekom Austria's portfolio of fixed and mobile communication products and services covers many aspects of modern information and communication technologies, i.e. fixed and mobile voice telephony, fixed line and mobile broadband internet, multimedia services, IPTV and cable TV, data and IT applications, wholesale and payment services.

Telekom Austria's Austrian subsidiary, A1 Telekom Austria AG ("**A1**") is a fully integrated fixed and mobile operator offering the whole product range to consumers and business customers. Its focus is on multi-play convergent product bundles including mobile and fixed line voice, mobile and fixed internet and IPTV.

In Bulgaria, the Telekom Austria's local subsidiary MobilTel EAD ("**M-tel**"), the formerly mobile only operator offers in the market fixed line voice and data services additionally to mobile voice and data services to consumer and business customers. Fixed line with fixed voice, high-speed internet and IPTV is part of the portfolio since the acquisition of two fiber operators in 2010.

VIPnet d.o.o. ("**VIPnet**"), the formerly mobile only operator offers fixed line voice and data services additionally to mobile voice and data services to consumer and business customers in the Croatian market. Fixed line with fixed voice, high-speed internet and cable TV is part of the portfolio since the acquisition of B.Net d.o.o. in 2011.

In Belarus, FE VELCOM ("**velcom**") offers mobile voice and data communication and value added services.

Through its Additional Markets segment, Telekom Austria primarily offers mobile voice and data communication services to customers in Slovenia, Liechtenstein, Serbia and Macedonia.

For Telekom Austria's revenue split by segments see "*Description of Telekom Austria – Selected Financial Data*".

Statements in this Prospectus regarding Telekom Austria's competitive position are, unless specified otherwise, based on Telekom Austria's internal market research.

### History and Development of Telekom Austria

Before the liberalization of the Austrian telecommunications market in 1998, the Post und Telegraphenverwaltung ("**PTV**") and its successor, Post and Telekom Austria AG ("**PTA**"), had the exclusive right to provide telecommunications services in Austria. PTV was an integrated part of the federal property administration of the Republic of Austria and a department of the Federal Ministry of Science and Transportation.

In order to better prepare for, and comply with, the requirements of the liberalization of the telecommunications sector, PTV was transformed into a stock corporation by a certain statutory law. The Austrian Post Restructuring Act of 1996 created PTA as the universal legal successor to PTV in order to continue PTV's activities in telecommunications, postal services and public transportation.

### ***History and development of the mobile communication subsidiary***

In October 1996, PTA transferred its mobile communication business to a wholly owned subsidiary, mobilkom austria AG (“**Mobilkom**”). Mobilkom was a stock corporation established under Austrian law with a share capital of EUR 10,000,000. Between 1997 and 2002, the Telecom Italia Group held a 25%, plus one share, participation in Mobilkom. Between March 2001 and August 2006, Mobilkom was converted into a limited partnership, mobilkom austria AG & Co KG. In August 2006, this partnership was reconverted to a stock corporation. As regards the restructuring in 2010, see “Restructuring 2010” below.

### ***History and development of the Issuer as listed holding company including the fixed line operations***

In July 1998, PTA’s remaining fixed line telecommunications business was spun-off into the Issuer, owned by PTA. In May 2000, the Austrian parliament passed the OIAG Act 2000, as a result of which Oesterreichische Industrie Holding AG (“**OIAG**”), the holding and privatization agency of the Republic of Austria, directly held 75%, minus one share, in the Issuer. In November 2000, OIAG sold 22.4% of the Issuer’s shares as part of the Issuer’s initial public offering in both Austria and the United States of America and as a private placement elsewhere. Between 1998 and 2004, the Telecom Italia group held participations between 14.8% and 29.8% in the Issuer. In January 2004, Telecom Italia sold this residual shareholding in a private placement to institutional investors. In August 2003, OIAG issued EUR 325 million of notes exchangeable into shares of the Issuer. The noteholders exercised their exchange rights until August 2004, reducing OIAG’s participation by a further 5%. In December 2004, OIAG sold 85 million shares in the Issuer in a private placement to institutional investors and internationally, reducing its shareholding to 30.2%. Accordingly, since October 2006 the OIAG stake in the Issuer decreased to approximately 25.2%, which then increased after the Issuer’s cancellation of treasury shares in March 2007 and August 2009, to 28.42%.

### ***Development of the fixed line subsidiary***

In 2007, the Issuer was reorganized as a holding company, allowing the operation of the Issuer as a listed holding company with a lean management and a focus on the capital markets, representing and meeting the financial targets of the Issuer, and holding 100% of the existing mobile communications company, Mobilkom, and newly-established fixed net company Telekom Austria TA Aktiengesellschaft (“**TATA**”). The Issuer’s shareholders resolved to spin off the whole fixed line business of Telekom Austria into Telekom Austria FixNet Aktiengesellschaft, a stock corporation established under Austrian law with a share capital of EUR 10,000,000, wholly owned by the Issuer and incorporated specifically for this purpose, in accordance with § 17 of the Spin-off Act (*Abspaltung zur Aufnahme*). The spin off was registered on July 10, 2007, and became effective on January 1, 2007. Telekom Austria FixNet Aktiengesellschaft was renamed “Telekom Austria TA Aktiengesellschaft“ in June 2007.

### ***Restructuring 2010***

Telekom Austria was restructured in 2010 by merging Mobilkom into TATA, thereafter renamed “A1 Telekom Austria AG”. This legal merger became effective as of July 8, 2010. The Issuer is acting as management holding company, and A1 Telekom Austria AG is acting as operating unit of the fixed net- and the mobile communications business in Austria.

### **Products and services offered by Telekom Austria**

#### ***Main products and services***

Telekom Austria offers a wide variety of mobile, fixed and related services to consumer and business customers. Although the services and products vary from country to country, the following are the principle services and products of Telekom Austria:

### *Fixed line voice services*

Telekom Austria fixed line services include fixed line voice services based on Public Switched Telephone Network (“PSTN”) and Integrated Services Digital Network (“ISDN”); public telephone services, corporate communication services, value added services and telephony information services. Telekom Austria provides international fixed line voice services to destinations worldwide. It also offers a range of call management services comprising digital voicemail, call waiting, call forwarding, three-way conference calls and caller identification.

### *Fixed data services*

Telekom Austria offers a full range of internet and broadband services based on Digital Subscriber Line (“DSL”), fiber and cable; value-added services; television services including Internet Protocol Television (“IPTV”) and cable TV with advanced services such as high definition television (“HDTV”) channels, video-on-demand (“VoD”) services and Electronic Program Guide (“EPG”). Moreover Telekom Austria offers customers a integrated services, bundling data, internet and IT-services into customized solutions and a wide range of national and international data communications and IT-solutions, including: leased lines and related services; business data services; corporate network services; electronic payment solutions; IT-solution services and business applications.

### *Mobile services*

Telekom Austria’s principal service in all its operating segments is mobile voice services based on the Global System For Mobile Communications (“GSM”), the General Packet Radio Service (“GPRS”), the Universal Mobile Telecommunications System (“UMTS”), Enhanced Data Rates For GSM Evolution (“EDGE”) and High Speed Download Packet Access plus (“HSDPA+”). Furthermore, Telekom Austria offers value added services, mobile data and internet services including Short Message Service (“SMS”), Multimedia Messaging Services (“MMS”), mobile broadband and internet access. For the future, Telekom Austria anticipates technology drivers in the mobile telecommunications area such as Long Term Evolution (“LTE”) and application developments to boost usage and growth of telecommunication services.

### *Wholesale*

The Wholesale unit of Telekom Austria offers communication products and services in the areas of voice solutions, mobile solutions, data & IP services and satellite solutions designed for wholesale customers.

### *Machine to Machine communication (“M2M”)*

In M2M, Telekom Austria offers products and services for the communication of individuals and machines as well as the communication between machines. M2M is designed to allow smart devices to directly exchange data with each other without human interaction. This interaction provides opportunities for transparency, security, optimization of processes and costs, and new business models. The use-cases for M2M connectivity are diverse. In certain industries wireless connectivity may enrich products and services and enable more efficient processes. The M2M business is performed by Telekom Austria M2M GmbH, a subsidiary of Telekom Austria.

### *New products*

Being an international telecommunication services group, Telekom Austria is using and developing new technologies constantly and in many fields of business where it operates. M2M as described above constitutes a significant new product which has been introduced by Telekom Austria.

## Operating segments

Telekom Austria reports in the following operating segments:

- Austria;
- Bulgaria;
- Croatia;
- Belarus; and
- Additional Markets (comprising Slovenia, Serbia, Macedonia and Liechtenstein).

### *Austria*

In the Austrian segment a highly competitive environment, particularly in the mobile market, led to severe pricing pressure and to a 5.7% decline in revenues in the first nine months of 2012 (compared to the first nine months 2011), after a 4.0% decline in 2011 (compared to 2010). Competition is focused on smartphone offerings and attractive mobile package tariffs, which, combined with the continuing trend toward no-frills brands, led to decreasing price levels. Beneath that, key factors for declining revenues were, amongst others, the continued shift to package tariffs impacting monthly fee and traffic revenues, the ongoing fixed-to-mobile substitution, which led to a decline in fixed line voice minutes of 10.7% in the first nine months of 2012 (compared to the first nine months 2011) and of 12.3% in 2011 (compared to 2010), far-reaching regulatory measures, in particular a reduction of mobile termination rates by more than 30% in 2011 and regulatory cuts on roaming. The introduction of charges for SIM cards and internet services was able to partly offset this trend.

The EBITDA comparable fell by 5.8% in the first nine months 2012 (compared to the first nine months 2011) to EUR 703.1 million and also by 5.8% to EUR 972.6 million in 2011 (compared to 2010). The EBITDA comparable margin decreased from 34.1% to 34.0% in the first nine months 2012 (compared to the first nine months 2011) and from 33.7% to 33.1% in 2011 (compared to 2010). EBITDA including effects from restructuring and impairment tests rose by 30.7% in the first nine months 2012 (compared to the first nine months 2011) to EUR 681.4, after a 17.0% decline to EUR 738.9 million in 2011 (compared to 2010), which was mainly caused by restructuring expenses of EUR 233.7 million relating to the transfer of employees with civil servant status to government agencies, expenses in connection with social plans and an adjustment to the provision for the restructuring program. Correspondingly, the operating result in the Austrian segment rose by 298.1% to EUR 272.6 million in the first nine months 2012 (compared to the first nine months 2011), after a decline by 42.3% to EUR 129.7 million in 2011 (compared to 2010).

In the first nine months 2012, total cost reductions amounted to EUR 82.7 million and were primarily a result of lower costs for services received (due to the sale of A1 subsidiary Mass Response Service GmbH) and other costs (primarily driven by a reduction of marketing expenses) as well as lower interconnection costs. Interconnection costs included a negative one-off effect of EUR 3.1 million and a positive one-off effect of EUR 6.3 million recorded during the first quarter of 2012. On an unadjusted basis, interconnection costs declined by EUR 28.6 million in the first nine months 2012 (compared to the first nine months 2011) due to lower tariffs and a decline in volumes. In the same period, material expenses declined due to a lower number of handsets sold and personnel expenses increased by 2.0%.

Total depreciation and amortization declined by 9.7% to EUR 408.9 million for the first nine months 2012 (compared to the first nine months 2011) and by 8.4% to EUR 609.2 million in 2011 (compared to 2010).

Telekom Austria took the next step toward integration when it relaunched the single “A1” brand on June 14, 2011, following the legal merger of its domestic fixed line and mobile communication operations in 2010. Attractive product and pricing structures increased the demand for fixed broadband lines. The number of A1TV customers grew by 14.6% in the first nine months 2012 (compared to the first nine months 2011) to 213.100 and by 31.2% to almost 200,000 subscribers in 2011 (compared to



2010). The mobile customer base rose slightly by 1.9% in the first nine months 2012 (compared to the first nine months 2011) to approximately 5.31 million and by 3.3% to approximately 5.3 million in 2011 (compared to 2010). However, at the same time, severe competition in the mobile communication business led to a decline in market share. This is due to the reason that the market is growing faster than Telekom Austria's share in such market.

The below table shows certain performance indicators for Austria:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	2,066.1	2,190.1	2,942.1	3,064.2
of which Monthly Fee and Traffic	1,443.5	1,524.6	2,027.4	2,085.7
of which Data and ICT Solutions	152.6	147.0	202.3	215.8
of which Wholesale (incl. Roaming)	126.3	142.8	203.6	200.4
of which Interconnection	252.3	256.5	341.7	397.6
of which Equipment	80.0	80.7	126.1	107.2
of which Other	11.5	38.5	41.0	57.4
EBITDA comparable <sup>1</sup>	703.1	746.1	972.6	1,032.4
EBITDA comparable – margin	34.0%	34.1%	33.1%	33.7%
EBITDA incl. effects from restructuring and impairment tests	681.4	521.4	738.9	890.0
Operating result	272.6	68.5	129.7	225.0
Capital expenditures	321.5	318.6	485.1	515.8
<b>Fixed Line</b>				
Total access lines (in thousand)	2,285.1	2,326.7	2,336.2	2,315.0
of which fixed broadband lines (in thousand)	1,298.6	1,246.9	1,273.4	1,161.0
Unbundled lines (in thousand)	269.2	272.1	271.5	278.1
Fixed line voice traffic (in million minutes)	1,760.0	1,971.7	2,612.2	2,972.7
Broadband penetration in Austria in % of households	117.3%	108.7%	111.7%	102.9%
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	5,311.7	5,211.8	5,271.2	5,105.2
Share of contract customers	77.5%	77.5%	77.6%	76.0%
Market share	39.0%	40.3%	40.0%	41.4%
Penetration	161.0%	153.5%	156.6%	146.7%
Mobile broadband customers (in thousand)	770.5	721.4	744.9	653.7
Human resources (full-time employees)	9,287	9,282	9,292	9,717

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

1) Defined as EBITDA, excluding effects from restructuring and impairment tests.

## Bulgaria

The market environment in Bulgaria is characterized by a weak domestic economy, fierce competition and regulatory burdens. Consequently revenues declined by 9.3% in the first nine months 2012 (compared to the first nine months 2011) primarily due to lower monthly fee and traffic revenues as a result of a lower usage and a decline in prices. Wholesale (including roaming) revenues declined as a result of lower roaming tariffs. A new glide path for national and international termination rates was introduced as of July 1, 2012 and spurred the decline of interconnection revenues. Fixed line service revenues amounted to EUR 14.9 million in the first nine months of 2012 compared to EUR 12.7 million during the same period in 2011. In 2011, the competition-driven decline in prices for voice telephony, which were reflected in lower monthly fees and traffic charges, together with lower mobile termination rates led to a 6.5% drop in revenues (compared to 2010) to EUR 527.7 million.

EBITDA comparable declined by 19.3% to EUR 164.5 million in the first nine months of 2012 (compared to the first nine months 2011) as a result of the negative impact of revenue pressure on EBITDA comparable and, consequently, the EBITDA comparable margin decreased from 51.6% to 45.9% in the same time. Material expenses and personnel expenses increased, but other costs declined primarily as a result of lower marketing and sales costs as well as lower bad debt provisions. Interconnection expenses declined due to regulatory cuts. In 2011, higher operating expenses incurred in connection with the acquisitions of the fiber-optic providers resulted in a reduction in EBITDA

comparable of 12.3% (compared to 2010) to EUR 261.9 million and, consequently, in a decrease of the EBITDA comparable margin from 52.9% to 49.6% in the same time. In combination with an impairment charge for the corporate brand amounting to EUR 19.3 million, the developments described above led to a 66.0% drop in operating result to EUR 42.3 million in 2011 (compared to 2010). Operating result declined by 27.6% in the first nine months of 2012 (compared to the first nine months 2011) to EUR 40.6 million due to an exceptional warranty payment in the first nine months of 2011.

In 2011, Telekom Austria's Bulgarian subsidiary MobilTel EAD ("M-tel") expanded its subscriber base by 4.8% to over 5.5 million customers and increased its mobile broadband subscriber base by 52.1% to more than 192,000 customers. In the same year, the trend towards convergent products and integrated telecommunication solutions continued. Accordingly, M-tel acquired two Bulgarian fiber-optic providers. Both companies have been consolidated in the Bulgarian segment since February 2011.

The below table shows certain performance indicators for Bulgaria:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	358.3	395.1	527.7	564.5
EBITDA comparable	164.5	203.8	261.9	298.6
EBITDA comparable – margin	45.9%	51.6%	49.6%	52.9%
EBITDA incl. effects from restructuring and impairment tests	164.5	203.8	242.6	298.6
Operating result	40.6	56.1	42.3	124.1
Capital expenditures	49.0	48.4	70.5	66.3
<b>Fixed Line</b>				
Total access lines (in thousand)	142.8	109.5	128.8	-
of which fixed broadband lines (in thousand)	137.9	103.8	123.1	-
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	5,534.9	5,291.3	5,501.4	5,248.7
Share of contract customers	68.7	67.6	67.4%	64.2%
Market share	47.2%	48.4%	48.6%	49.6%
Penetration	157.5%	145.9%	151.4%	140.8%
Mobile broadband customers (in thousand)	324.7	177.6	192.0	126.2
Human resources (full-time employees)	2,930	3,249	3,380	2,453

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

## Croatia

The Croatian market is characterized by a weak economic backdrop, regulatory burdens as well as fierce competition. VIPnet d.o.o. ("VIPnet"), the (indirect) Croatian subsidiary of Telekom Austria, acquired B.net d.o.o. ("B.net"), Croatia's biggest cable operator, in August 2011 to benefit from the strong demand for convergent products. B.net was consolidated in the Croatian segment as of August 2011. Due to this acquisition, revenues remained almost stable in the first nine months of 2012 (EUR 313.9 million compared to EUR 314.4 million during the first nine months 2011). Monthly fee and traffic revenues as well as interconnection revenues increased as the fixed line business compensated for lower mobile prices and the decline in termination rates. Wholesale (including roaming) revenues declined due to lower inter-operator tariffs. In the first nine months 2012 fixed line service revenues amounted to EUR 32.4 million and negative foreign exchange translations amounted to EUR 4.2 million. In 2011, business development was affected by intense price pressure and lower roaming and interconnection revenues, which were only partly offset by higher monthly fees, as a result of the increased number of contract customers, and for the first-time contribution to revenues from B.net. Revenues declined by 6.9% to EUR 420.7 million in 2011 (compared to 2010). This includes a negative effect from foreign currency translations amounting to EUR 8.6 million.

The EBITDA comparable increased by 9.5% in the first nine months 2012 (compared to the first nine months 2011) due to a strict focus on costs control, and, consequently, the EBITDA comparable margin

increased from 33.1% to 36.3% in the same time. Operating expenses declined by 4.9%, primarily driven by lower material expenses due to lower subscriber acquisition and retention costs, lower personnel expenses due to headcount reductions in the second quarter of 2011 and lower other costs. While interconnection expenses remained almost stable in the first nine months of 2012, costs for services received increased primarily due to the integration of the fixed line operator B.net. Lower marketing and sales costs and a reduction of overhead costs led to a decline of other costs. In the first nine months of 2012, a negative effect of EUR 1.5 million from foreign exchange translations was recorded.

In 2011, operating expenses were cut by 4.8% (compared to 2010) to EUR 289.0 million, largely due to savings in other operating expenses and a reduction of interconnection costs. The increase in employee expenses in 2011 was attributable to the acquisition of B.net and expenses incurred in connection with the headcount reduction. EBITDA comparable fell by 10.6% to EUR 134.5 million in 2011 (compared to 2010) and the EBITDA comparable margin declined from 33.3% to 32.0% in the same time. The negative effect from foreign currency translations on EBITDA comparable amounted to EUR 2.8 million. Due to the aforementioned effects, operating result dropped by 18.0% to EUR 67.9 million in 2011.

The below table shows certain performance indicators for Croatia:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	313.9	314.4	420.7	451.9
EBITDA comparable	114.1	104.2	134.5	150.5
EBITDA comparable – margin	36.3%	33.1%	32.0%	33.3%
EBITDA incl. effects from restructuring and impairment tests	114.1	104.2	134.5	150.5
Operating result	63.7	54.9	67.9	82.9
Capital expenditures	40.9	25.9	50.5	48.3
<b>Fixed Line</b>				
Total access lines (in thousand)	158.5	132.4	143.7	-
of which fixed broadband lines (in thousand)	81.2	63.1	68.6	-
<b>Mobile Communication<sup>1</sup></b>				
Mobile communication subscribers (in thousand)	2,054.7	2,137.0	2,018.0	2,028.1
Share of contract customers	38.4%	34.8%	37.8%	34.6%
Market share	38.7%	39.2%	39.2%	39.0%
Penetration	123.7%	127.0%	119.9%	118.0%
Mobile broadband customers (in thousand)	206.5	192.9	170.6	144.8
Human resources (full-time employees)	1,101	1,145	1,144	1,059

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

1) Due to a new definition of prepaid subscribers, the method of counting active prepaid subscribers was changed from a 15-month rolling average to a 90-day active method. Following the implementation of this new counting method, the historic key performance indicators in the 2011 Financial Statements of Telekom Austria were adjusted retrospectively as of the first quarter of 2010.

## **Belarus**

The Belarusian market continued to face difficult macroeconomic conditions, which resulted in two devaluations of the BYR against the Euro in 2011. After a first devaluation in May 2011, the introduction of a floating exchange rate in September 2011 triggered a second devaluation. Since the fourth quarter 2011, hyperinflation accounting has been applicable for the Belarusian segment. Financial figures were adjusted with indexes according to inflation rate and were converted from the BYR into Euro with the period end exchange rate (at the end of the third quarter 2012, the exchange rate was 10.870 BYR/1 EUR).

Revenues remained almost stable and declined only by 0.8% to EUR 217.9 million in first nine months of 2012 (compared to the first nine months 2011), including a negative net amount of EUR 156.6

million from hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting, revenues rose, as a result of inflation driven price increases, continued subscriber growth and strong demand for mobile broadband solutions, by 70.5% in first nine months of 2012 (compared to the first nine months 2011). In 2011, revenues totalled to EUR 260.9 million, down 24.1% compared to 2010.

EBITDA comparable declined by 10.1% in the first nine months of 2012 (compared to the first nine months 2011) to EUR 89.6 million, whereof a negative net amount of EUR 68.9 million resulted from hyperinflation accounting and foreign exchange translations. On a local currency basis and before any hyperinflation accounting adjustments, EBITDA comparable increased by 59.0% in the same period. In local currency operating expenses increased in the first nine months of 2012 mainly due to revenue related expenses such as material expenses, interconnection expenses and higher costs for services received. Personnel expenses increased due to higher salaries. Furthermore, continued efforts to reduce foreign exchange denominated costs mitigated the negative impacts from the currency devaluation in the first nine months of 2012. In 2011, operating expenses totalled EUR 159.5 million, a decline of EUR 33.8 million compared to the previous year. Operating expenses denominated in local currency increased, driven by higher material expenses and expenses for services received. EBITDA comparable declined from EUR 155.6 million in 2010 to EUR 106.6 million in 2011, mainly due to the currency translation effects described above. As a result of inflation-related adjustment of segment assets, an impairment charge of EUR 279.0 million was recorded in 2011. This was largely responsible for the Belarusian segment's operating loss of EUR 255.2 million in 2011 compared to an operating result of EUR 73.4 million in 2010.

The below table shows certain performance indicators for Belarus:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	217.9	219.7	260.9	343.5
EBITDA comparable	89.6	99.7	106.6	155.6
EBITDA comparable – margin	41.1%	45.4%	40.9%	45.3%
EBITDA incl. effects from restructuring and impairment tests	89.6	99.7	(172.4)	155.6
Operating result	18.0	57.7	(255.2)	73.4
Capital expenditures	18.3	14.4	44.9	62.9
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	4,749.5	4,532.8	4,620.4	4,353.7
Share of contract customers	80.0%	79.5%	79.7%	78.2%
Market share	43.9%	41.3%	41.1%	41.9%
Penetration	114.3%	116.0%	118.8%	109.6%
Mobile broadband customers (in thousand)	713.7	349.6	453.1	143.5
Human resources (full-time employees)	1,701	1,792	1,784	1,770

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

### **Additional Markets**

The additional markets segment comprises Slovenia, Serbia, Macedonia and Liechtenstein. The revenues in this segment grew by 8.4% to EUR 315.3 million in the first nine months of 2012 (compared to the first nine months 2011) primarily as a result of a higher subscriber base. A negative effect from foreign exchange translations in the amount of EUR 12.5 million was recorded in this period, stemming predominantly from a 12% decline of the Serbian Dinar versus the Euro. In 2011, revenues in the Additional Markets grew by 23.5% (compared to 2010) to 396.4 million.

EBITDA comparable increased by 38.5% to EUR 87.5 million in the first nine months in 2012 (compared to the first nine months 2011). While personnel expenses increased due to a higher number of full time employees, interconnection expenses declined as higher volumes were offset by lower termination rates. A negative effect of EUR 3.7 million from foreign exchange translations was

recorded in the first nine months of 2012 in the Additional Markets segment. In 2011, EBITDA comparable rose by 120% (compared to 2010) from EUR 41.1 million to EUR 90.4 million due to a reversal of impairment losses of EUR 49.4 million for a mobile license.

### Slovenia

In Slovenia, attractive smartphone offerings and a focus on the high-value customer segment led to higher monthly fee and traffic as well as equipment revenues in the first nine months 2012. Revenues rose by 5.0% in this period (compared to the first nine months 2011) and amounted to EUR 148.9 million. In 2011, Si.mobil d.d. (“**Si.mobil**”), Telekom Austria’s subsidiary in Slovenia, focused on high-value market segments with smartphone offers and all-inclusive packages. Si.mobil grew its subscriber base in this year to almost 640,000 customers, increasing both the proportion of contract customers and market share.

Operating expenses increased in the first nine months 2012 in Slovenia, as higher revenues led to higher revenue related expenses and the strong demand for smartphones led to a rise of material expenses. EBITDA comparable for this period rose by 13.1% (compared to the first nine months 2011) to EUR 44.2 million. In 2011, EBITDA comparable rose by 14.6% (compared to 2010) to EUR 51.7 million, improving the EBITDA comparable margin from 25.9% to 26.8%.

The below table shows certain performance indicators for Slovenia:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	148.9	141.9	192.7	174.0
EBITDA comparable	44.2	39.1	51.7	45.1
EBITDA comparable – margin	29.7%	27.6%	26.8%	25.9%
EBITDA incl. effects from restructuring and impairment tests	44.2	39.1	51.7	45.1
Operating result	28.8	22.9	30.2	24.0
Capital expenditures	8.9	9.3	19.5	15.1
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	653.5	631.0	639.7	618.9
Share of contract customers	76.1%	72.9%	74.5%	71.2%
Market share	30.0%	29.7%	29.7%	29.2%
Penetration	106.6%	104.1%	105.6%	102.7%
Mobile broadband customers	17,793	15,248	15,935	14,559
Human resources (full-time employees)	365	340	347	331

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

### Serbia

In the Republic of Serbia a rise in contract share and higher usage led to revenue growth in the first nine months 2012. Revenues rose by 12.4% in this period (compared to the first nine months 2011) and amounted to EUR 117.1 million. In 2011, Vip mobile d.o.o. (“**Vip mobile**”), Telekom Austria’s subsidiary in Serbia, continued its growth, increasing the number of mobile customers to more than 1.6 million and expanding the proportion of contract customers. As a result, market share grew from 13.7% to 15.7% in this year (compared to 2010). Higher usage also led to an increase in interconnection revenues. Overall revenues grew by approximately 36.7% to EUR 143.1 million in 2011 (compared to 2010). Foreign currency translations had a positive impact of EUR 1.4 million on revenues.

Operating expenses increased in the Republic of Serbia as higher revenues led to higher revenue related expenses. The strong demand for smartphones led to a rise of material expenses in the first nine months 2012. EBITDA comparable for this period rose by 62.6% (compared to the first nine months 2011) to EUR 35.1 million. In 2011, the increase in operating expenses by 7.5% (compared to 2010) to EUR 116.9 million was largely attributable to higher interconnection expenses. Vip mobile reported an

EBITDA comparable of EUR 31.5 million in 2011, after reaching the break-even point in the previous year. The EBITDA comparable margin in 2011 was 22.0%. After depreciation and amortization charges in the amount of EUR 59.8 million and the reversal of impairment losses in the amount of EUR 49.4 million for the mobile license, operating result totalled EUR 21.1 million in 2011, after an operating loss of EUR 47.1 million in the previous year.

The below table shows certain performance indicators for Serbia:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	117.1	104.2	143.1	104.7
EBITDA comparable	35.1	21.6	31.5	0.0
EBITDA comparable – margin	29.9%	20.7%	22.0%	-
EBITDA incl. effects from restructuring and impairment tests	35.1	21.6	80.9	0.0
Operating result	(14.9)	(22.2)	21.1	(47.1)
Capital expenditures	40.5	34.1	55.9	47.5
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	1,819.0	1,588.8	1,642.7	1,359.7
Market share	17.4%	15.3%	15.7%	13.7%
Penetration	141.9%	140.6%	141.3%	134.1%
Human resources (full-time employees)	895	881	889	811

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

### Macedonia

In the Republic of Macedonia a rise in contract share and higher usage led to revenue growth in the first nine months 2012. Revenues rose by 13.6% in this period (compared to the first nine months 2011) and amounted to EUR 44.7 million. After expanding its subscriber base by 28.1% to more than 566,600 mobile customers in 2011, Vip Operator DOOEL (“**Vip operator**”), Telekom’s (indirect) subsidiary in Macedonia, increased its market share in Macedonia from 19.9% to 24.9% in this year. Revenues rose by 49.3% (compared to 2010) to EUR 53.4 million. The growing subscriber base and higher traffic volumes led to higher monthly fees and traffic revenues. Stronger usage also resulted in an increase in interconnection revenues and related interconnection expenses.

EBITDA comparable amounted to EUR 9.3 million for the first nine months 2012. In 2011, operating expenses showed an increase of 15.6% compared to the previous year. After a negative EBITDA comparable of EUR 5.2 million in 2010, Vip operator recorded a positive EBITDA comparable of EUR 6.3 million for the first time in 2011. Operating loss was reduced from EUR 14.3 million in 2010 to EUR 10.3 million.

The below table shows certain performance indicators for Macedonia:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	44.7	39.4	53.4	35.8
EBITDA comparable	9.3	1.1	6.3	(5.2)
EBITDA comparable – margin	20.9%	2.8%	11.8%	-
EBITDA incl. effects from restructuring and impairment tests	9.3	1.1	6.3	(5.2)
Operating result	0.0	(6.8)	(10.3)	(14.3)
Capital expenditures	10.3	3.7	11.8	7.6
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	626.3	548.5	566.6	442.2
Market share	27.2%	24.6%	24.9%	19.9%
Penetration	112.3%	108.7%	111.0%	108.2%
Human resources (full-time employees)	205	202	203	196

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data

### Liechtenstein

Revenues declined by 16.0% in the first nine months 2012 (compared to the first nine months 2011) and amounted to EUR 4.9 million. In 2011, MOBILKOM (LIECHTENSTEIN) AG (“**mobilkom Liechtenstein**”), Telekom Austria’s subsidiary in Liechtenstein, had approximately 6,200 customers, a decline of 3.5% compared to 2010. Revenues in 2011 rose by 8.9% to EUR 7.6 million (compared to 2010).

EBITDA comparable declined by 29.6% to EUR 1.1 million in the first nine months 2012 (compared to the first nine months 2011). In 2011, rising revenues led to an increase in EBITDA comparable from EUR 1.3 million (in 2010) to EUR 1.9 million. After EUR 0.5 million in 2010, operating result in 2011 totalled EUR 1.0 million.

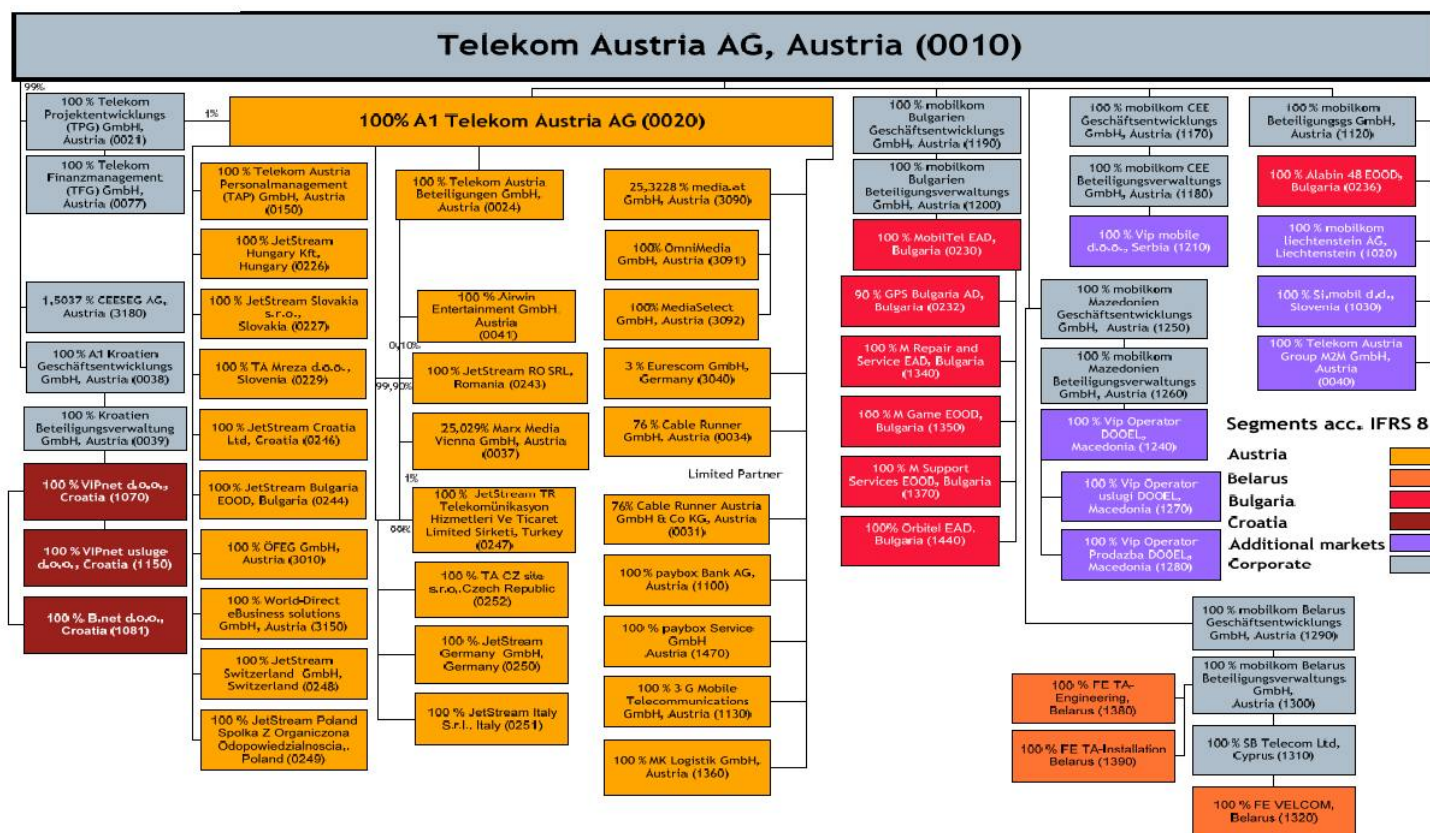
The below table shows certain performance indicators for Liechtenstein:

Key Financials (in million EUR if not indicated otherwise)	Nine months ended September 30,		Year ended December 31,	
	2012	2011	2011	2010
	(unaudited)		(unaudited)	
	in EUR million			
Revenues	4.9	5.8	7.6	7.0
EBITDA comparable	1.1	1.5	1.9	1.3
EBITDA comparable – margin	21.8%	26.0%	24.4%	18.0%
EBITDA incl. effects from restructuring and impairment tests	1.1	1.5	1.9	1.3
Operating result	0.4	0.9	1.0	0.5
Capital expenditures	0.1	0.6	0.7	0.4
<b>Mobile Communication</b>				
Mobile communication subscribers (in thousand)	6.1	6.6	6.2	6.4
Market share	15.9	20.4	16.5%	20.2%
Penetration	105.7	92.5	102.8%	91.5%
Human resources (full-time employees)	16	13	13	15

Source: Telekom Austria Third Quarter Report 2012, Telekom Austria Annual Report 2011, internal data.

## Organisational Structure of Telekom Austria

The Issuer has various subsidiaries. The chart below shows, in simplified form, the main entities of Telekom Austria as of December 31, 2012.



## Regulation

### Austria

#### The Regulatory Authorities

The Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003, BGBl I 70/2003*, the “TKG”) was amended in November 2011, transposing into Austrian law the European Union Telecommunications Directive No 2009/140/EC on a common regulatory framework for electronic communications networks and services and the European Union Telecommunications Directive 2009/136/EC on universal service and users' rights and on issues relating to the processing of personal data and the protection of privacy. Together with these two Directives EU legislators introduced the European Union Regulation no. 1211/2009 (the “EU 2009 Telecommunications Framework”) which established a Body of European Regulators for Electronic Communications (the “BEREC”) as well as its office. The amendment of the TKG intends to foster competition, investment and innovation as well as aims to strengthen the rights of customers. The new legal framework improves supervisory rights of the regulatory authorities, introduces more flexible provisions for the administration of frequencies, establishes stricter provisions on transparency in respect of prices and services as well as stricter data protection and data security provisions. The TKG and the Austrian Communications Authority Act (*Bundesgesetz über die Einrichtung einer Kommunikationsbehörde Austria und eines Bundeskommunikationssenates, BGBl I 32/2001, KommAustria-Gesetz*) establish the legal basis for the existing regulatory bodies in the telecommunications (i.e. the *Telekom-Kontroll-Kommission*, the “Telekom-Control-Commission”) and the broadcasting media sectors (i.e. the *Kommunikationsbehörde Austria*, the “Communications Authority”).



## Telekom-Control-Commission

The Telekom-Control-Commission is an independent three-member committee that constitutes a tribunal within the meaning of the European Convention on Human Rights<sup>7</sup>. The Telekom-Control-Commission is *inter alia* responsible for competition regulation, frequency assignment procedures, the approval of general terms and conditions of business, as well as monitoring the fees charged by telecommunications companies. Another duty assigned to the Telekom-Control-Commission is its role as the supervisory authority for electronic signatures. Within its field of responsibility, the Telekom-Control-Commission has far reaching competences; these include the following: ordering the joint use of telecommunication infrastructure; issuing decisions in proceedings concerning data of subscriber directories; determining whether in a respective relevant market one or more operators have significant market power and imposing specific obligations; issuing decisions in proceedings concerning specific obligations (e.g. obligation of non-discrimination, access to network equipment and network features, interconnection, number portability and Carrier Selection); approving conditions of business and charges and exercising the right to object; issuing decisions on the licensing and allocation of frequencies as well as the change and revocation of frequency allocations; issuing decisions on the right to provide communications networks or services, including the right to revoke these rights; issuing decisions on preliminary injunctions; identifying and filing applications concerning unjust enrichment by providers through excessive pricing and filing applications with the Cartel Court. Telekom-Control-Commission decisions can be contested by means of complaints filed with the Austrian Administrative Court (*Verwaltungsgerichtshof*) and/or the Austrian Constitutional Court (*Verfassungsgerichtshof*).

## Communications Authority

The Communications Authority is the regulatory authority for electronic audio media and electronic audiovisual media. Since 2010 the Communications Authority is an independent panel authority which is not subject to instructions from any other authority. The Communications Authority is responsible for issuing licenses to private television and radio stations, managing broadcasting frequencies, handling the legal supervision of private broadcasters, as well as preparing and launching digital broadcasting in Austria. Since 2004, the Communications Authority is also in charge of administering the Austrian federal government's press and journalism subsidies. In the same year, it also assumed responsibility for monitoring compliance with Austrian advertising regulations in broadcasts of the Austrian Broadcasting Corporation (*Österreichischer Rundfunk*, the “**ORF**”) and private broadcasters. The Communications Authority is also responsible for the legal supervision of ORF and its subsidiaries, for the legal supervision of private providers of audiovisual media services on the Internet, and for certain tasks under the Austrian Act on Exclusive Television Rights (*Fernseh-Exklusivrechtgesetz*). The Austrian Federal Minister of Transport, Innovation and Technology does not have the power to issue instructions to the Communications Authority. However, the Federal Minister is authorized to gather and request relevant information on all matters handled by the Communications Authority. Appeals against Communications Authority decisions can be submitted to the Federal Communications Senate (*Bundeskommunikationssenat*, the “**BKS**”) in the second instance. Further appeals against BKS decisions may be submitted to the Austrian Administrative Court (*Verwaltungsgerichtshof*) and the Austrian Constitutional Court (*Verfassungsgerichtshof*).

## Regulatory Authority for Broadcasting and Telecommunications

The Austrian Regulatory Authority for Broadcasting and Telecommunications (*Rundfunk und Telekom Regulierungs GmbH*, “**RTR**”) provides operational support for the Communications Authority and the Telekom-Control Commission. RTR is organised as a company with limited liability (*Gesellschaft mit beschränkter Haftung*) led by two managing directors. For the Communications Authority, RTR manages working groups, perform tasks in the fields of broadcasting frequency management, legal supervision and advertising monitoring, and supports the authority in procedures carried out under

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<sup>7</sup> Convention for the Protection of Human Rights and Fundamental Freedoms dated 4 November 1950, as amended.

broadcasting law. In providing operational support for the Telekom-Control Commission, RTR's activities are related to approvals of general terms and conditions of business, electronic signatures, frequency allocation procedures and competition regulation. RTR also provides operational support for the Postal Service Regulation Commission (*Post-Control-Kommission*), specifically in the field of post office regulation, general terms and conditions of business, competition regulation and supervisory measures. Additional activities at RTR include alternative dispute resolution between end-users and operators and dispute resolution among operators, the administration of the Austrian Digitization Fund (*Digitalisierungsfonds*), Television Fund (*Fernsehfonds Austria*), Private Broadcasting Fund (*Privatrundfunkfonds*) and Non-Commercial Fund (*Nichtkommerziellen Rundfunkfonds*), dispute settlement for retail customers, the administration of communications parameters (e.g., numbering) and the definition of relevant markets. The activities of RTR are supervised by the Minister for Transport, Innovation and Technology (the “**Federal Minister**”). RTR together with the Telekom-Control-Commission and the Communications Authority is required to publish a common yearly report about their activities in the Communications Report (*Kommunikationsbericht*), which will be forwarded to the Federal Chancellor and the competent federal minister as well as to the Parliament.

#### Other regulatory bodies

The Federal Minister is the highest telecommunications authority. In this respect, the Federal Minister assumes the following functions: (i) to lay down fundamental guidelines for the activities of the regulatory authority; (ii) to enact and administer regulations required for the implementation of international agreements, in particular on the usage of the frequency spectrum; and (iii) to decide on appeals against notices by the Telecommunications Offices (*Fernmeldebüros*) and the Office for Radio Systems and Telecommunications Terminal Equipment (*Büro für Funkanlagen und Telekommunikationsendeinrichtungen*), unless an independent administrative tribunal has jurisdiction. The Federal Minister, the Telecommunications Offices and the Office for Radio Systems and Telecommunications Terminal Equipment are administrative authorities that are empowered to take all measures requiring the exercise of administrative power in the area of telecommunications with regard to Austrian telecommunications law. Furthermore, an advisory board advises the Federal Minister and the regulatory authorities regarding telecommunications matters.

#### BEREC

This body is the regulating agency of the telecommunication market in the EU. It was created through the Regulation (EU) No 1211/2009 in 2009. It includes national regulatory authorities on its board as well as an administrative staff including EU officials. BEREC issues opinions on market definitions and contributes to the development and enhanced operation of the European telecommunications market.

#### *Spectrum*

The Telecom-Control-Commission is currently preparing the allocation of a small band (4.44 MHz) in the frequency range of 450 MHz, following the closure of the corresponding public consultation in November, 2012. The frequency award procedure for the 800, 900 and 1800 MHz frequency bands which was originally scheduled for September 2012 will be delayed due to the merger between Orange Austria and H3G. Currently the auction is expected to take place in September 2013 (publication of tender in April 2013). Currently it is expected that a small spectrum of 10 MHz will be allocated to a potential new entrant on a preferential basis if such entrant timely indicates its intention to participate in the auction.

However, the Telecom-Control-Commission has already decided that the auction format will be the same as in the procedure for the 2.6 GHz frequency band, a combinatorial clock auction (CCA).

On refarming of the GSM spectrum, Telecom-Control-Commission has stated that it will not support such refarming before the frequency auction has taken place; however refarming might become permissible afterwards.

Telecom-Control-Commission has approved A1's acquisition of frequencies currently owned by

Orange Austria. The spectrum to be acquired amounts to a total of 2 x 13.2 MHz of paired frequencies in the frequency bands 900 MHz, 2,100 MHz and the 2,600 MHz band. The acquisition of the frequencies will increase the network quality of Telekom Austria. However, T-Mobile, which was not admitted as party in the approval procedure by the regulator, appealed against this decision to the Austrian supreme administrative court. The respective complaint is currently pending.

At European level conditions to allow for refarming of the 2.1 GHz band have been defined on November 5, 2012 (as of the date of the Prospectus only UMTS).

The remaining license duration in the 900/1800 MHz ranges (2015-2019) will not be concerned.

#### *Market Consolidation*

The above mentioned (see “*Austria – Market*”) acquisition of Orange Austria by Hutchison 3G Austria Holding was approved by the European Commission and the Austrian regulator in December 2012. A1’s acquisition of YESSS! from Orange was approved by the national competition authority. The consolidation of mobile operators in Austria will change the competitive environment and possibly intensify competition even more.

These new market developments influence the current market analysis process and the assessment and evaluation of competition in Austria by the national regulatory authority.

#### *Market Analysis*

After the review of the European regulatory framework in 2009 an amendment of national telecommunications law of 2003 became necessary. The amended Austrian Telecommunications Act was published November 21, 2011 and entails among other adaptations (consumer rights, e.g. further transparency & information requirements, cost control, shorter duration of contract; harmonisation of provisions for spectrum allocation, promotion of new infrastructure) a further scope for the European Commission to veto remedies imposed (or not imposed) on SMP operators by the national regulator.

Remedies are instruments of the regulation of operators with significant market power and are imposed in the course of market analysis proceedings. These proceedings are conducted on a regular basis as part of the EU regulatory framework in order to assess competition and market development in the sector.

Austria is among those countries most advanced with its market analysis. As of the date of this Prospectus, already the 4th round of market analysis is being conducted by the Austrian regulatory authority which is still ongoing and expected to be finalized by mid 2013.

#### *Unbundling*

A1 published VULA for the first time in late 2011 and meanwhile amended it in 2012. The VULA-offer does not involve direct sharing of physical infrastructure, but needs to be as similar as possible to physical unbundling, especially with regard to the product design and pricing possibilities on the part of the wholesale customers. Virtual Unbundling is an instrument which renders A1’s NGA roll out possible.

#### *Interconnection*

Another area of regulatory activity is interconnection. In the context of interconnection A1 is subject to regulation concerning origination and termination services (both at local level), where the main obligations are strict cost orientation of interconnection fees, non-discrimination and the publication of an actual reference interconnection offer. Origination and termination fees are in general applied symmetrically.

Concerning interconnection fees national regulatory authorities need to follow the EC Recommendation on Termination rates when setting new levels for MTR or FTR in Europe, because a pure LRIC cost

model is mandatory since January 1, 2013. The Austrian NRA has already applied the new cost model by calculating FTRs and MTRs in current 4th round of market analysis proceedings and has published draft decisions on new FTR and MTR in December, 2012: The symmetric MTR level will decrease from currently EUR 0.0201 to EUR 0.008049 per minute and FTRs will decrease from so far the highest level in Europe EUR 0.007 to EUR 0.00122 on average per minute.

To compensate effects of lowered FTRs, fixed net origination tariffs are proposed to be increased from EUR 0.007 to EUR 0.01815 in average per minute. The draft decision was expected to be published before the end of 2012, but all draft decisions will need to be run through a national consultation process as well as an international consultation process with the European Commission. Final decisions are therefore expected in the first quarter 2013.

### ***Regulation in other Markets***

#### *Belarus*

In February, 2010, a presidential decree terminated the monopoly of the national incumbent regarding international interconnection and granted the President a right to define a list of international providers. In September 2010, the President was entrusted to create a telecom provider under Presidential administration supervision; the entity so created, the national centre for traffic exchange (“NCTE”) was endowed with a right of international interconnection. NCTE was supposed to start operations in 2012 but so far did not; the starting date was rescheduled to the second quarter 2013.

Since February 2012, the mobile termination rate of the smallest operator Turkcell was unilaterally increased so that the mobile termination rates between Velcom and Turkcell are now asymmetric. It is expected that this asymmetry will continue until 2015. The asymmetry will be reduced every year and is expected to finally disappear in 2015. On February 1, 2012 mobile number portability was introduced. So far the service has not been successful: Not more than 5.000 out of 10.5 million customers used it.

VAT for telecom services to residential customers was implemented since January 1, 2013. The tariffs will be increased by 20% due to VAT implementation.

#### *Bulgaria*

Amendments to the existing Electronic Communications Act implementing the revised EU Telecom Framework 2009 were adopted in December 2011 and became effective in December, 2011. Also in 2011 the national telecom regulator amended the technical requirements for operation of mobile terrestrial networks and their related equipment and introduced technical conditions allowing LTE and WiMax technologies into the 900 MHz and 1800 MHz bands. The revision of the requirements followed the European Commission's initiatives on the harmonisation of the 900 MHz and 1800 MHz frequency bands in the national legislation.

The national telecom regulator adopted a second round analysis of the market of Voice call termination on mobile networks and the markets of call origination and call termination on fixed networks after a threefold consultation process. In August 2010 the national regulatory authority introduced a one-stop-shop procedure for mobile and fixed number portability. The switch to one-stop-shop was introduced in order to simplify porting process and to reduce the porting period. In 2012 amendments were introduced including shorter terms for portability and abolishment of most reject reasons.

#### *Croatia*

In line with the EU Commission's timeline, in August 2011 a new Electronic Communications law entered into force which fully aligns Croatian law with the EU Telekom Framework. The mobile tax of 6% of gross revenues on mobile electronic communication services initially introduced in August 2009 was abolished in December 2011 and reintroduced in January 2012 by the newly elected Croatian government. Finally it was abolished in July 2012. In March 2012 the Croatian regulatory authority (“HAKOM”) introduced the regulation on retail fixed broadband market (including voice-broadband-IPTV 2D/3D bundles) and imposed strict retail regulations on T-Hrvatski Telekom (“HT”) as an incumbent and its subsidiary Iskon.

In May 2012, all three mobile network operators increased International MTR previously set at HRK 0.90/min (EUR 0.12/min) to HRK 1.28/min (EUR 0.17/min). In May 2012, the Croatian Government (Ministry of maritime affairs, transport and infrastructure) initiated public consultations on the proposed draft bylaw on amendments to the bylaw on fees for the right to use radiofrequency spectrum, numbers and addresses, proposing the rapid increase of the annual fee for the right to use the radio spectrum from 0.5% to 5% of gross revenues. On August 9, 2012 the Ministry of maritime affairs, transport and infrastructure published the final amendments to the bylaw; 0.5% gross revenues fee remained unchanged, a one-time fee for new spectrum licences (e.g. digital dividend) was set to HRK 150 million (ca EUR 20 million), existing licences prolongation or extension is set without one time fee payment, monthly fee transferrable to postpaid mobile users reduced by January 1, 2013 from 10kn to 5kn/month.

In October 2012, a digital dividend spectrum (800 MHz) was allocated by HAKOM through a public call procedure (instead of an auction), and 2x10 MHz blocks were allocated to Vipnet and HT, as a third application was not received. The price for one 2x10 MHz block was set to HRK 150 million (EUR 20 million). In December 2012, HAKOM decided to reduce annual spectrum fees for mobile services (800/900/1800/2100 MHz) from HRK 180.000/MHz to HRK 144.000/MHz, which will become effective in 2013.

In 2010 all three mobile operators were in accused by the Croatian competition agency of possible cartel law offenses, because of retail price increases (rounding units) upon the introduction of a mobile tax in mid 2009; these claims were disputed by all mobile operators. The competition agency claimed that all three operators were exchanging business information on rounding units changes in order to minimize the customer churn risk, based on a mutual press announcement by the mobile operators' association which stated that operators were considering countermeasures to soften the negative effect of the mobile tax. In October 2012 the competition agency found all 3 mobile operators not guilty on the cartel accusations.

#### *Macedonia*

In 2012, the regulatory framework became more restrictive as the agency for electronic communications ("AEC") focused on consumer protection issues. AEC imposed detailed service quality targets as a basis for the improvement of network availability and general service quality parameters. Also, a new prepaid registration process was regulated by selling locked SIMs only, which could be unlocked via self-registration or at point of sale.

The MTR regulation continued via an imposition of a new glide path by AEC. As of September, 2012, MTRs of Vip operator and One were equalized at the level of EUR 0.065/min and T-Mobile's at the level of EUR 0.049/min. By this, Vip operator continued to get favourable asymmetrical interconnection treatment of 33% towards the biggest market player until September 2013, when the pure LRIC based regulation will commence and all MTRs converge at symmetrical level of EUR 0.0195/min. The glide path will finish as of September 2014, when all MTRs will be set to EUR 0.015/min.

The national regulatory authority continued to charge significantly higher frequency fees than the EU average also in 2012 so that the authority's revenues by far exceeded its costs. After the electronic communication law changes of 2011, the commission of AEC in mid 2012 reallocated around 35% from the collected revenues to other non-telecommunication-related projects in the State's interests. In the meantime AEC failed to sell 2x10 MHz within division duplex bandwidth for LTE in two occasions, because as no bidder applied. The initial price was set to EUR 25 million at the first stage (auction) and to EUR 15 million at the second stage (beauty contest).

#### *Serbia*

In March 2012, Serbia got the EU candidacy status. In May 2012, presidential and parliament elections were organized. After the new government was formed, telecommunications became a part of the Ministry for External, Internal Trade and Telecommunications. Furthermore it was planned for the

Serbian regulator, the Republic agency for electronic communications (“**RATEL**”) to be merged with the Agency for Postal Services. As an anti-crisis measure, VAT was increased from 18% to 20% as of October 2012. The Serbian government adopted a new radio frequency allocation plan (effective as of October 2012).

The first round of market analysis had been done in 2011 in Serbia, and results were published in November 2011. RATEL defined in total nine submarkets and determined SMP operators on each specific market and their remedies. Regarding the wholesale mobile termination market, RATEL decided to keep symmetric MTRs at the same level as it was before the market analysis and only abolished the interconnection call set up fees. In July 2012, RATEL announced the proposal of gradual decreasing of MTRs until the end of 2012. Despite that, RATEL so far has not yet decided not to change the MTRs in 2013.

After the liberalization of the fixed net telephony in January 2012 one more fixed net player entered the Serbian market, and started with the commercial activities in September 2012. Mobile number portability was successfully launched in July 2011.

### *Slovenia*

In July 2010 the national regulatory authority (“**NRA**”) issued supplementary radio frequency decisions to all operators already holding GSM 900 or DCS 1800 frequencies, thus allowing them to use UMTS in assigned radio bands as well. It is, however, uncertain what will happen to the 800 MHz frequencies.

In June 2012, NRA published its intentions how it will approach digital dividend band, unused frequencies, frequencies expiring in 2016 and other frequencies. An expert project team was formed to prepare the expert basis for a national strategy and for awarding 4G networks which allow mobile broadband. The document is intended to be prepared in the beginning of 2013 and expected to be sent out for public consultation. This document will be the basis for spectrum strategy. When the strategy is passed in the parliament, NRA’s intention is to prepare the auction until end of 2013 or beginning of 2014. The auction will be prepared presumably for following frequency band: 800 MHz, 900 MHz, 1800 MHz and 2600 MHz.

### ***International Roaming***

The European Commission directly regulates international roaming tariffs by setting maximum charges for voice mail, Euro-SMS and data roaming. The regulation also requires that citizens have to be informed about the charges.

According to the third European Union Roaming Regulation of July, 2011, the implementation of a structural solution is possible. This would enable customers to choose an operator for roaming services within the European Union independently from their operator for national services. This should incentivize roaming providers to start competing on roaming services, eventually rendering the continuation of price cap regulation unnecessary.

The European Commission is currently implementing the regulation on the separate sale of mobile roaming services. The regulation sets out the technical implementation of the separate sale of regulated roaming services, which operators have to provide by July 1, 2014: Decoupling – separate sale of regulated roaming services (the bundle of voice, SMS and data roaming) from domestic mobile services: single IMSI. Access to local mobile data services: local break-out (LBO). BEREC has prepared a (non-binding) guidance in addition to the Commission’s binding implementing regulation. An industry group, involving stakeholders such as mobile operators and equipment vendors, is working on specifying the technical details during the implementation phase. This work could be completed by summer 2013.

## ***GSM***

The Telecommunications Act of 2003 set up a notification regime for mobile operators using the GSM technology. However, the provision of mobile telecommunication services continues to be limited by the allocation of the frequency spectrum. There are currently three GSM network operators, which are:

- A1 Telekom Austria AG;
- T-Mobile Austria GmbH, (formerly max.mobil Gesellschaft für Telekommunikation GmbH which took over tele.ring Telekom Service GmbH & Co KG in 2006); and
- Orange Austria Telecommunication GmbH.

Barablu (under the brand name Vectone) is active in the market as MVNO, as well as a number of service providers – e.g. YESSS!

## ***UMTS***

All Austrian GSM operators operate a UMTS network in addition to a GSM network. Only Hutchison 3G operates a UMTS network solely, and uses national roaming in areas where Hutchison 3G has no UMTS coverage.

## **Risk management**

Risk management at Telekom Austria focuses on market and competitive risks, interventions by regulators and uncertain legal situations, which could influence Telekom Austria's success. Maintaining availability and security of the products and services offered is also a key aspect of risk management. Risks and opportunities are regularly analysed at group level and measures are implemented in order to reduce or identify them. The effects of deviation from plan are evaluated using, among other things, scenario and probability calculations. Telekom Austria's overall risk situation is calculated on the basis of the sum of individual risks.

In addition to the Austrian telecommunication markets, Telekom Austria is also operating in seven other international telecommunication markets, which should ensure sectoral and geographical diversity. As the individual markets of Telekom Austria are exposed to risks of a diverse nature, risk management is not a centrally steered process but falls under the responsibility of the respective operating units. Telekom Austria-wide monitoring and coordination is performed by a central risk manager. In structured interviews and workshop with top management, risks are identified, assessed and then compiled in a risk report, on the basis of which measures are drawn up and put in place to reduce risks. Their effectiveness is then monitored in a second step.

Risk management at Telekom Austria is monitored by the Audit Committee on the basis of a risk catalogue. After the risks have been assessed and categorized, measures designed to deal with them are drawn up and implemented. A regular status report is sent to management as a controlling instrument. The most important risk categories and individual risks, which could have a significant impact on the financial, assets and earnings position of Telekom Austria, are explained below. Since 2011, Telekom Austria has a Telekom Austria-wide compliance risk management process.

### ***Market and competitive risks***

A high level of competition, a trend, which is also increasingly affecting Telekom Austria's foreign markets, is leading to sharp price cuts in both voice telephony and data traffic. There is therefore a risk that growth in traffic volumes will not be able to offset these price declines. Falling prices for mobile communication are also accelerating fixed-to-mobile substitution.

The economic and financial crisis created a volatile macroeconomic environment on Telekom Austria's operating markets. The monitoring of key macro-economic indicators to evaluate potential changes in customer behavior is therefore an important aspect of risk management, strategic pricing and product

design.

### ***Regulatory and legal risks***

Telecommunication services offered by a provider with significant market power are subject to extensive network access and price regulation. In Austria, Telekom Austria is considered to fall into this category in several sub-markets; its foreign subsidiaries are also subject to the regulatory frameworks of their own countries. Regulation at both the retail and wholesale levels restricts operational flexibility for both pure fixed line and bundled products as does the obligation to open up access to fixed line network infrastructure and services. Furthermore, regulatory decisions to reduce termination rates can also negatively impact Telekom Austria's result development. In 2007, the European Parliament and the European Council decided to introduce comprehensive regulation of intra-Community roaming tariffs, which in 2009 was extended to cover SMS roaming and data services (the Roaming Regulation as defined above). These regulations affect Telekom Austria's mobile communication companies in the EU member states Austria, Slovenia and Bulgaria, and will become effective in Croatia as soon as the country joins the EU.

Telekom Austria constantly monitors ongoing or threatening legal and regulatory proceedings (in and out of court) resulting in respective provisions to the extent deemed necessary. Telekom Austria is in a permanent dialogue with stakeholders in order to identify possible threats (eg due to changes in law or regulations or the application thereof) and to counteract at an early stage.

### ***Financial and economic risks***

Telekom Austria is inter alia exposed to liquidity, counterparty, foreign exchange and interest rate risks. In order to safeguard the liquidity and financial flexibility of Telekom Austria, TFG holds liquidity reserves in form of lines of credit and liquid funds.

TFG uses financial derivatives to mitigate sustainable fluctuations in interest and foreign exchange rates. TFG has in place control environment comprising guidelines and procedures for the assessment of risks, approvals, reporting and the evaluation of the application of financial derivatives.

### ***Credit risks***

Telekom Austria continuously monitors its exposure to credit risk and the risk of default in payment by its counterparties. It has established a credit policy that requires each new customer to be analyzed individually for creditworthiness (resulting e.g. in credit limits or requests for deposits). Credit evaluations of the key customers are also undertaken on an ongoing basis.

### ***Safeguarding the value of assets***

Telekom Austria tests assets, in particular equity stakes in other companies, for impairment on an annual basis (at least). In the course of the impairment tests each company is subjected to detailed scrutiny on the basis of the business plan.

### ***Personnel***

Almost 53% of the workforce in the Austrian segment has civil servant status. To address the structure of personnel costs, the Austrian segment has in cooperation with workforce representatives drawn up a number of social plans and developed models to enable employees with civil servant status to transfer to government service (Ministry of the Interior, Ministry of Finance and the Ministry of Justice).

### ***Technical and geographical Risks***

Maintaining availability and reliability for the services and products offered by Telekom Austria is a key aspect of risk management, as a host of risk factors, such as natural disasters, major disruptions, third-party construction work, hidden faults or criminal activities, can all negatively affect their quality.



Long-term planning takes technological developments into account, while redundancy of critical components is aimed at ensuring fault tolerance, and efficient operating and security processes are designed to safeguarding quality standards.

Due to its expansion into CESEE, Telekom Austria operates in markets that are undergoing political and economic changes, which could affect the business activities of Telekom Austria.

### ***Internal control system for financial reporting***

After the delisting of the Issuer from the New York Stock Exchange, Telekom Austria has retained its Internal Control System for financial reporting (the “ICS”). The ICS should ensure adequate certainty regarding the reliability and correctness of external financial reporting in compliance with international and national standards. Regular internal reporting to management and internal audits of the ICS also ensure that weaknesses are identified and reported. The most important contents and principles apply to all subsidiaries of Telekom Austria. Each important financial transaction has a risk and control matrix behind it to ensure that financial reporting is correct and complete. The effectiveness of this system is surveyed, analyzed and evaluated at regular intervals. The management evaluates the companies under scrutiny in consultation with the business departments annually.

### **Material contracts**

In the ordinary course of its respective business, subsidiaries of Telekom Austria enter into numerous contracts with various entities.

Save as described below members of Telekom Austria have not entered into contracts outside the ordinary course of their respective businesses which could result in any entity of Telekom Austria being under an obligation or entitlement that is material to Telekom Austria’s ability to meet its respective obligations vis-à-vis Holders in respect of the Bonds.

On February 3, 2012, Telekom Austria agreed with Orange Austria Telecommunication GmbH to acquire base stations, frequencies, the mobile telecommunication provider YESSS! Telekommunikation GmbH and specific intellectual property rights amounting to a total of EUR 390 million (for details see “Recent Events” below).

Under a Euro Medium Term Note Programme, the underlying documentation for which was signed on June 30, 2003, TFG, in July 2003, issued EUR 750 million 5% bonds due July 22, 2013.

In January 2005, TFG issued EUR 500 million 4.25% bonds due January 27, 2017.

In September 2007, TFG entered into a EUR 300 million multi-currency short term and medium term treasury notes programme which has not been drawn as of the date of the Prospectus.

In January 2009, TFG issued EUR 750 million 6.375% bonds due 2016.

In January 2011, TFG entered into a syndicated loan facility in the total amount of EUR 445 million, of which EUR 89 million have been repaid in June 2012, EUR 178 million are due in December 2015 and EUR 178 million are due in November 2018.

In March 2011, TFG entered into three forward starting interest rate swaps with an overall volume of EUR 300 million in order to hedge the interest change risk related to the planned financial transaction of refinancing the bonds due July 2013 with a nominal amount of EUR 750 million.

Under a Euro Medium Term Note Program, the underlying documentation for which was signed on March 23, 2012, TFG, in April 2012, issued EUR 750 million 4% bonds due April 4, 2022.

On July 27, 2012, TFG entered into a EUR 735 million syndicated Revolving Facility Agreement, which has not been drawn since then.

On August 21, 2012, A1 Telekom Austria AG entered into a EUR 225 million asset backed securitization program which has not been drawn since then.

On December 10, 2012, TFG entered into a finance agreement with European Investment Bank concerning a loan in the amount of EUR 100 million, which was guaranteed by the Issuer in a separate guarantee agreement. The loan was granted for a project to upgrade the capacity and geographical extension of A1 Telekom Austria's 3G/UMTS mobile broadband telecommunication network as well as the roll-out of an LTE (Long Term Evaluation) based network in Austria and shall be repaid in semi-annual instalments between December 17, 2014 and December 17, 2020.

### **Principal investments**

Safe as described below, since the publication of the latest financial statements of Telekom Austria, no material investments have been made and no principal future investments of Telekom Austria on which the management has already made firm commitments have been authorised to the date hereof.

On February 3, 2012 Telekom Austria agreed with Orange Austria Telecommunication GmbH to acquire certain assets amounting to a total of EUR 390,000,000 (see "Material Contracts" above and "Recent Events" below).

Telekom Austria considers participating in the Austrian award procedure for frequency spectrum in the 800, 900 and 1800 MHz bands in 2013 (see "Regulation" above). The frequency award procedure which was originally scheduled for September 2012 will be delayed due to the takeover of Orange Austria by Hutchison 3G Austria Holding. Currently the auction is forecasted to take place in September 2013.

On August 6, 2012 the Macedonian subsidiary Vip Operator DOOEL won a tender for a 1800 Mhz frequency band for a price of EUR 5.1 million in the Republic of Macedonia.

On October 29, 2012, VIPnet d.o.o. ("**VIPnet**"), the subsidiary in Croatia, has obtained a 10 MHz paired frequency block (in total 20 MHz) of the 800 MHz frequency spectrum for a total purchase price of HRK 150 million (approximately EUR 20 million). The regulatory requirement for these frequencies is to achieve a coverage of at least 50% of the Croatian territory within five years, whereas the starting date has not yet been defined by the Croatian regulatory authority "HAKOM". The licenses of the acquired frequencies will expire on October 18, 2024. The acquired frequency block will allow Vipnet to offer broadband services based on 4th generation mobile technology, so called Long Term Evolution (LTE).

Telekom Austria financed or intends to finance, respectively, the above mentioned investments via free cash flows, third party financing and any other possible financing measures depending on market and other conditions.

### **Litigation and arbitration**

The Issuer and its subsidiaries are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business involving various contractual, labor, cartel, tax and other matters as well as proceedings under laws and regulations related to interconnection. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty.

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or Telekom Austria, except as described herein.

A tax audit performed in Austria resulted in a potential additional payment of EUR 17 million for prior periods. This potential payment relates to the years 2003 – 2009 and is subject to an appeal. A further

tax audit is performed in Austria in connection with the alleged unlawful behaviour of former directors and employees in the past. Respective provisions have been made. In addition, regular tax audits in Austria (Telekom Austria AG) and Bulgaria (M-tel) have started recently.

In March 2011, the Commission for Regulation of Communication (“**CRC**”) in Bulgaria imposed an adjustment of the international termination rates for incoming calls into individual mobile networks to the level of the national rates, effective as of April 1, 2011. On March 31, 2011, M-tel filed an action against CRC’s decision. The Supreme Administrative Court in Bulgaria overruled this decision of the CRC. The Court ruling is final, which means the contingent liability as of December 31, 2011 does not exist anymore.

In 2011, Si.mobil d.d. (“**Si.mobil**”) filed a law suit against Telekom Slovenia for the abuse of its monopoly position. The damage claimed by Si.mobil in this case up to the end of 2011 could amount to approximately EUR 127 million.

The Issuer and some of its subsidiaries are presently scrutinized thoroughly by public authorities including the public prosecutor with respect to alleged unlawful behaviour of former directors and employees in the past. In the course of these investigations, the Prosecution Office Vienna brought charges against three former members of the management and a former authorized signatory (*Prokurist*) of the Issuer as well as a broker in November 2012. The accused are suspect of committing a fraud to the disadvantage of the Issuer by manipulating the price of its shares in 2004, which manipulations allegedly lead to an increase of the share price and triggered bonus payments payable to around hundred executive employees. The possible damage suffered by the Issuer is called to be at least EUR 10.6 million. In addition, the Prosecution Office Vienna brought charges against a former member of the management of the Issuer, a former advertising agency manager and other people in January 2013. The accused are, beneath giving wrong proof statements (*falsche Beweisaussage*), suspect of committing a breach of trust (*Untreue*) to the disadvantage of the Issuer by arranging for a groundless payment by the Issuer to the advertising agency. The possible damage suffered by the Issuer is called to be EUR 600,000. Moreover, the Prosecution Office Vienna brought charges against a former employee and three persons of another advertising agency for an alleged breach of trust (*Untreue*) by paying the former employee severance payment of around EUR 586,000 to which he was not entitled. There has been continuous and extensive reporting in the media. In addition, extensive internal investigations (also supported by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg) have been undertaken by the Issuer. The findings of such investigations were also shared with the public prosecutor. The Issuer fully supports and cooperates with the public prosecutor and the continuing investigations by public authorities and expects as a result thereof that further charges will be brought against former members of the management, contract partners or employees.

Should alleged shortcomings be proofed or further shortcomings be found to have happened, Telekom Austria could, in addition to reputational damage, be found liable for fines and damage payments. Telekom Austria takes adequate legal steps and remedies against persons involved in unlawful behaviour (e.g. joining the criminal proceedings as civil claimant, filing civil lawsuits for damages or unjust enrichment).

### **Recent events**

On January 30, 2012 the Croatian government announced the reintroduction of the 6% tax on revenues from mobile network services as of January 26, 2012. However, on July 10, 2012 the Croatian Parliament decided to abolish the 6% tax on mobile network service revenues as of July 9, 2012. In the first half 2012 EUR 4.1 million tax was recorded in other operating expenses.

On February 2, 2012, Telekom Austria reached an agreement to acquire assets owned by Orange Austria comprising base stations, frequencies, the mobile operator YESSS! and certain intangible property rights for a total amount of up to EUR 390.0 million. After the approvals of the Austrian Cartel Court and the Austrian regulator were granted in November and December 2012, respectively, and Hutchison 3G Austria Holding completed its indirect acquisition of Orange Austria, the acquisition of YESSS! and of certain intangible property rights from Orange Austria was completed on January 3,

2013 (closing). The completion of the acquisition of the other assets mentioned above is expected to follow gradually. Concerning the acquisition of frequencies, T-Mobile, which was not admitted as party in the approval procedure by the regulator, appealed against this decision to the Austrian supreme administrative court. The respective complaint is currently pending. Due to the acquisition, the combined market share of Telekom Austria in Austria rose to 45%.

On July 1, 2012, the mobile termination rates in Bulgaria were more than halved and amount to EUR 2.7. This renewed glide path is valid until January 2013.

On September 24, 2012, the Issuer announced that it lowers its dividend from EUR 0.38 to EUR 0.05 per share for the year 2012 and sets the planned dividend for the year 2013 to EUR 0.05.

## TAXATION

### Taxation in Austria

The following is a general overview of certain Austrian tax aspects in connection with the Bonds and contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. It does not claim to fully describe all Austrian tax consequences of the acquisition, ownership, disposition or redemption of the Bonds nor does it take into account the Holders' individual circumstances or any special tax treatment applicable to the Holder. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors should consult their own professional advisors as to the particular tax consequences of the acquisition, ownership, disposition or redemption of the Bonds.

This overview is based on Austrian law as in force when drawing up this Prospectus. The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect. It cannot be ruled out that the Austrian tax authorities adopt a view different from that outlined below. This overview is based on the assumption that the Bonds are offered to the public.

#### *Austrian residents*

Income from the Bonds derived by individuals, whose domicile or habitual abode is in Austria, is subject to Austrian income tax pursuant to the provisions of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Interest income from the Bonds is subject to a special income tax rate of 25%. If the interest is paid out to the Holder by an Austrian paying agent (Austrian bank or branch of foreign bank or investment firm), the interest income from the Bonds is subject to Austrian withholding tax (*Kapitalertragssteuer*) at a rate of 25%, which is withheld by the paying agent (*auszahlende Stelle*). The income tax for interest income generally constitutes a final taxation (*Endbesteuerung*) for individuals, irrespectively whether the Bonds are held as private assets or as business assets. If the interest income is not subject to Austrian withholding tax because there is no domestic paying agent, the taxpayer will have to include the interest income derived from the Bonds in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Furthermore, any realized capital gain (*Einkünfte aus realisierten Wertsteigerungen*) from the Bonds is subject to Austrian income tax at a rate of 25%. Realized capital gain means any income derived from the sale or redemption of the Bonds. The tax base is, in general, the difference between the sale proceeds or the redemption amount and the acquisition costs, in each case including accrued interest. Expenses which are directly connected with income subject to the special tax rate of 25% are not deductible. For Bonds held as private assets, the acquisition costs shall not include incidental acquisition costs. For the calculation of the acquisition costs of Bonds held within the same securities account and having the same securities identification number but which are acquired at different points in time, an average price shall apply.

Where an Austrian securities depository (*depotführende Stelle*) or paying agent is involved and pays out or settles the capital gain, also any realized capital gain from the Bonds is subject to a 25% withholding tax. The 25% withholding tax deduction will result in final income taxation for private investors (holding the Bonds as private assets) provided that the investor has evidenced the factual acquisition costs of the Bonds to the securities depository. If the realized capital gain is not subject to Austrian withholding tax because there is no domestic securities depository or paying agent, the taxpayer will also have to include the realized capital gain derived from the Bonds in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Withdrawals (*Entnahmen*) and other transfers of Bonds from the securities account will be treated as disposals (sales), unless specified exemptions will be fulfilled like the transfer of the Bonds to a securities account owned by the same taxpayer (i) with the same Austrian securities depository (bank), (ii) with another Austrian bank if the account holder has instructed the transferring bank to disclose the

acquisition costs to the receiving bank or (iii) with a non-Austrian bank, if the account holder has instructed the transferring bank to transmit the pertaining information to the competent tax office or has, in the case of transfers from a foreign account, himself notified the competent Austrian tax office within a month; or like the transfer without consideration to a securities account held by another taxpayer, if the fact that the transfer has been made without consideration has been evidenced to the bank or the bank has been instructed to inform the Austrian tax office thereof or if the taxpayer has himself notified the competent Austrian tax office within a month. Special rules apply if a taxpayer transfers his residence outside of Austria or Austria loses for other reasons its taxation right in respect of the Bonds to other countries (which gives rise to a deemed capital gain and exit taxation with the option for deferred taxation in the case of a transfer to an EU member state or certain member states of the European Economic Area).

Taxpayers, whose regular personal income tax is lower than 25% may opt for taxation of the income derived from the Bonds at the regular personal income tax rate. Any tax withheld will then be credited against the income tax. Such application for opting into taxation at the regular personal income tax rate must, however, include all income subject to the special 25% tax rate. Expenses in direct economical connection with such income are also not deductible if the option for taxation at the regular personal income tax rate is made.

Income from Bonds which are not offered to the public within the meaning of the Austrian Income Tax Act would not be subject to withholding tax and final taxation but subject to normal progressive personal income tax rates.

Losses from Bonds held as private assets may only be set off with other investment income subject to the special 25% tax rate (excluding, *inter alia*, interest income from bank deposits and other claims against banks) and must not be set off with any other income. The Austrian Budget Implementation Act 2012 provides for a mandatory set-off of losses applied as of January 1, 2013 by the Austrian securities depository to investment income from securities accounts at the same securities depository (subject to certain exemptions). Also losses incurred between April 1, 2012 and December 31, 2012 will be set off by April 30, 2013 by the Austrian securities depository. However, a carry-forward of such losses is not permitted.

Income including capital gain derived from the Bonds which are held as business assets are also subject to the special income tax rate of 25% deducted by way of the withholding tax. However, realized capital gains, contrary to interest income, have to be included in the tax return and must not be a main focus of the taxpayer's business activity. Write-downs and losses derived from the sale or redemption of Bonds held as business assets must primarily be set off against positive income from realized capital gains of financial instruments and only half of the remaining loss may be set off or carried forward against any other income.

Income including capital gains from the Bonds derived by corporate Holders, whose seat or place of management is based in Austria, is subject to Austrian corporate income tax pursuant to the provisions of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*). Corporate Holders deriving business income from the Bonds may avoid the application of Austrian withholding tax by filing a declaration of exemption (*Befreiungserklärung*). There is, *inter alia*, a special tax regime for private foundations established under Austrian law (*Privatstiftungen*) (interim tax, no withholding tax).

The Issuer does not assume responsibility for Austrian withholding tax (*Kapitalertragsteuer*) at source and is not obliged to make additional payments in case of withholding tax deductions at source.

### ***Non-residents***

Income including capital gains derived from the Bonds by individuals who do not have a domicile or their habitual abode in Austria or by corporate investors who do not have their corporate seat or their place of management in Austria ("**non-residents**") is not taxable in Austria provided that the income is not attributable to an Austrian permanent establishment (for withholding tax under the EU Savings Directive see below).

Thus, non-resident Holders – in case they receive income or capital gains from the Bonds through a securities depository or paying agent located in Austria – may avoid the application of Austrian withholding tax if they evidence their non resident-status vis-à-vis the paying agent by disclosing their identity and address pursuant to the provisions of the Austrian income tax guidelines. The provision of evidence that the Holder is not subject to Austrian withholding tax is the responsibility of the Holder.

If any Austrian withholding tax is deducted by the securities depository or paying agent, the tax withheld shall be refunded to the non-resident Holder upon his application which has to be filed with the competent Austrian tax authority within five calendar years following the date of the imposition of the withholding tax.

Where non-residents receive income from the Bonds as part of business income taxable in Austria (e.g. permanent establishment), they will, in general, be subject to the same tax treatment as resident investors.

### ***EU Savings Directive***

The EU Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (“**Savings Directive**”) provides for an exchange of information between the authorities of EU member states regarding interest payments made in one member state to beneficial owners who are individuals and resident for tax purposes in another member state.

Austria has implemented the Savings Directive by way of the EU Withholding Tax Act (*EU-Quellensteuergesetz*) which provides for a withholding tax rather than for an exchange of information. Such EU withholding tax is levied on interest payments within the meaning of the EU Withholding Tax Act made by a paying agent located in Austria to an individual resident for tax purposes in another member state of the European Union or certain dependent and associated territories. The EU withholding tax currently amounts to 35%.

No EU withholding tax is deducted if the EU-resident Holder provides the paying agent with a certificate drawn up in his name by the tax office of his member state of residence. Such certificate has to indicate, among other things, the name and address of the paying agent as well as the bank account number of the Holder or the identification of the Bonds (section 10 EU Withholding Tax Act).

The Issuer does not assume responsibility for EU withholding tax at source and is not obliged to make additional payments in case of withholding tax deductions at source.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### ***Other taxes***

There should be no transfer tax, registration tax or similar tax payable in Austria by Holders as a consequence of the acquisition, ownership, disposition or redemption of the Bonds. The Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) was abolished with effect as of August 1, 2008. However, gifts from or to Austrian residents have to be notified to the tax authorities within a three-month notification period. There are certain exemptions from such notification obligation, e.g. for gifts among relatives that do not exceed an aggregate amount of EUR 50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount of EUR 15,000 within five years.

### **Taxation in Luxembourg**

The following overview is of a general nature. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice.

Prospective investors in the Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

### ***Withholding tax and self-applied tax***

#### *Non-resident Holders of Bonds*

Under Luxembourg general tax laws currently in force and subject to the laws of June 21, 2005 (the “**Laws**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident Holders of Bonds, nor on accrued but unpaid interest in respect of the Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Bonds held by non-resident Holders of Bonds.

Under the Laws implementing the Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU member states (the “**Territories**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU member state (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in case of an individual beneficiary, has provided a tax certificate issued by the fiscal authorities of his/her/its country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Bonds coming within the scope of the Laws would at present be subject to withholding tax of 35%.

The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

#### *Resident Holders of Bonds*

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the “**Law**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Holders of Bonds, nor on accrued but unpaid interest in respect of Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Bonds held by Luxembourg resident Holders of Bonds.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg or a residual entity that secures interest payments on behalf of such individuals (unless such entity has opted to be treated as UCITS recognized in accordance with the Council Directive 85/611/EEC, as replaced by the European Council Directive 2009/65/EC, or for the exchange of information regime) will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her/its private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Bonds coming within the scope of the Law would be subject to withholding tax of 10%.

Pursuant to the Luxembourg law of December 23, 2005 as amended by the law of July 17, 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10% tax on interest payments made after December 31, 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU member state other than Luxembourg, a member state of the European Economic Area other than an EU member state or in one of the



Territories.

## **Taxation in Germany**

The following general discussion of the tax consequences of an investment in the Bonds is based on the laws in force in the Federal Republic of Germany (“**Germany**”) on the date of this Prospectus and contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. The Issuer emphasizes that the tax implications can be subject to change due to future law changes, even with retroactive effect.

Although this general discussion of the tax implications of an investment in the Bonds reflects the Issuer’s opinion, it should not be construed as tax advice or misunderstood as a guarantee in an area of law which is not free from doubt. Further, this discussion is not intended as the sole basis for an investment in the Bonds as the individual tax position of the investor needs to be investigated. Therefore, this statement is confined to a general discussion of certain German tax consequences. Members of a church may – in addition to the taxes discussed below – also be subject to church tax. **Prospective Holders should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Bonds, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.**

### **Investors resident in Germany**

#### *Private investors*

Any current interest payments from the Bonds qualify as investment income pursuant to section 20 paragraph 1 no. 7 of the German Income Tax Act (*Einkommensteuergesetz, EStG*) and are subject to flat income tax (*Abgeltungsteuer*) plus solidarity surcharge thereon (and eventually church tax, if applicable) provided that the investor is an individual tax resident in Germany holding the Bonds as private investment assets. Accrued interest paid upon purchase of the Bonds qualifies as negative investment income.

If the Bonds are held in custody with or administered by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (altogether a “**German Disbursing Agent**”), current interest payments are subject to a tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon). The Issuer of the Bonds is not obliged under German law to withhold any withholding tax (*Quellensteuer*) from the interest payments. The withholding tax is definitive (flat tax; *Abgeltungsteuer*). Investors having a lower personal annual income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax (e.g. since there is no German Disbursing Agent) will be subject to the flat tax rate of 25% (plus solidarity surcharge of 5.5% thereon) upon assessment.

Capital gains from the sale or redemption of the Bonds (including accrued interest, i.e. interest accrued up to the sale of the Bonds) qualify as investment income pursuant to section 20 paragraph 2 no. 7 EStG and are subject to flat income tax at a rate of 25% plus solidarity surcharge of 5.5% thereon. Losses from the sale or redemption of the Bonds can only be off-set against other investment income (and eventually church tax, if applicable). In the event that an off-set is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be off-set against investment income generated in future assessment periods.

If the Investor has acquired Bonds at different points in time, the Bonds acquired first are deemed to be disposed of first.

If the Bonds are held in custody with or administered by a German Disbursing Agent, a tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon) is withheld by such institution upon sale or redemption of the Bonds. The withholding tax is imposed on the excess of the proceeds from the sale or redemption

over the purchase price paid for the Bonds, if the Bonds were held in custody by such institution since their acquisition. If custody has changed since the acquisition and the acquisition data is not proved, the tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Bonds. The withholding tax is definitive (flat tax; *Abgeltungsteuer*). Investors having a lower personal income tax rate may include the capital investment income in their personal annual income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax (e.g. since there is no German Disbursing Agent) will be subject to a special tax rate of 25% (plus solidarity surcharge of 5.5% thereon) upon assessment.

#### *Business investors*

If the Bonds are held as business assets any current interest payments from the Bonds qualify as business income and are subject to personal or corporate income tax plus solidarity surcharge thereon. Further, such interest payments are recognized for trade tax purposes.

The procedure of the withholding tax deduction on interest payments is similar to the procedure outlined above for private investors and the Issuer of the Bonds is not obliged under German law to withhold any withholding tax (*Quellensteuer*) from the interest payments. Any withholding tax withheld is credited against the investor's personal or corporate income tax liability in the course of the tax assessment procedure. Any potential surplus for the benefit of the investor will be refunded to the investor.

If the Bonds are held as business assets capital gains and losses from the sale or redemption of the Bonds qualify as business income and are subject to personal or corporate income tax plus solidarity surcharge. Losses are fully deductible when realized or, as the case may be, when a write-down to the lower fair value (*Teilwertabschreibung*) is made as a result of a permanent decrease in value. Further, such gains and losses are recognized for trade tax purposes.

No withholding tax deduction applies for capital gains from the sale or redemption of the Bonds where the Bonds are held by a corporation or, upon application, where the capital gains constitute domestic business income provided the investor satisfies certain procedural requirements with the German Disbursing Agent.

#### **Investors not resident in Germany**

Investors not resident in Germany are generally not taxable in Germany and no withholding tax on interest is withheld (even if the Bonds are held in custody with a German Disbursing Agent). Exceptions apply e.g. when the Bonds are held as business assets in a German permanent establishment or by a German permanent representative of the investor.

#### **EU Directive on the Taxation of Savings Income**

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (2003/48/EG). The directive has been implemented in Germany by the decree on the taxation of interest income (*Zinsinformationsverordnung*) which applies from July 1, 2005 on. Under the directive, each Member State is required to provide the tax authorities of another Member State with details of interest payments paid by a person within its jurisdiction to an individual resident in that other Member State. Austria and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%.

#### **Inheritance tax / gift tax**

The transfer of Bonds to another person by way of gift or inheritance may be subject to German gift or inheritance tax, respectively, if *inter alia* (i) the testator, the donor, the heir, the donee or any other acquirer has his residence, habitual abode or, in case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), has its seat or place of management in Germany at the time of the transfer of property, (ii) except as provided under (i), the testator's or donor's Bonds belong to a business asset

attributable to a permanent establishment or a permanent representative in Germany.

Special regulations may apply to certain German expatriates. Prospective Holders are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

### **Other taxes**

The purchase, sale or other disposal of Bonds does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Bonds to other entrepreneurs which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

## OFFER, SALE AND SUBSCRIPTION OF THE BONDS

### Offer of the Bonds

The offer will be coordinated and the Bonds will be offered to investors by Citigroup Global Markets Limited, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, Merrill Lynch International, 2 King Edward Street, London EC1A 1HQ, United Kingdom, Morgan Stanley & Co International plc, 25 Cabot Square, Canary Wharf, London E14 4 QA, United Kingdom, and UniCredit Bank Austria AG, Schottengasse 6-8, 1010 Vienna, Austria (together, the “**Joint Lead Manager**” or, the “**Managers**”) during an offer period which will commence on the later of January 25, 2013 and the date of the publication of the Pricing Notice and will be open until the Issue Date subject to a shortening or extension agreed by the Issuer and the Managers. Should the Issuer and the Managers determine any shortening or extension of the offer period (e.g. due to changing market conditions), such changes will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Bonds will be offered to institutional investors and retail investors in compliance with applicable public offer restrictions. The Bonds may be offered to the public in each of Austria and Germany following the effectiveness of the notification of the Prospectus by the CSSF according to article 18 of the Prospectus Directive.

The Issue Price, the aggregate principal amount of Bonds to be issued, the interest rate (i.e. the Fixed Interest Rate and the Pricing Credit Spread (as defined below) as well as the Margin, the Modified Margin and the Second Modified Margin), the issue proceeds and the yield to the First Call Date (together, the “**Pricing Details**”) will be determined as described in “Method of determination of the Pricing Details” below on the pricing date which is expected to be on or about January 25, 2013 (the “**Pricing Date**”). Upon determination, the Pricing Details will be set out in a notice (the “**Pricing Notice**”) which will be filed with the CSSF and published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) on or after the Pricing Date and prior to the Issue Date.

### Conditions and details of the offer

There are no conditions to which the offer is subject. In particular, there is no minimum or maximum amount of Bonds required to be purchased. Investors may place offers to purchase Bonds in any amount. However, there is no obligation for the Issuer to issue the Bonds and the Issuer may withdraw the offer. Subscription rights for the Bonds will not be issued. Therefore, there are no procedures in place for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised. Any offer of Bonds to investors will be made through the information system Bloomberg or any other commonly used information systems.

### Offers to purchase Bonds by the investors

During the offer period (including prior to the Pricing Date) investors may submit offers to purchase Bonds to the Managers using the information system Bloomberg or any other commonly used information systems. In the case of an order prior to the determination of the Pricing Details, the investors shall specify at which price they would be prepared to purchase which amount of Bonds. Following determination and notification of the Pricing Details, any order placed by investors with respect to the Bonds will be deemed to have been made at the Issue Price and the rate of interest determined.

### Method of determination of the Pricing Details

The Pricing Details will be determined on the Pricing Date which is expected to be on or about January 25, 2013. The Pricing Details will be determined by the Issuer and the Managers on the basis of the price indications and orders received by the Managers from the investors by the time of pricing. The Issue Price for, and the interest rate (including the Margin, the Modified Margin and the Second Modified Margin) of, the Bonds will be fixed on the basis of a yield which is determined by adding a credit spread (the “**Pricing Credit Spread**”) to the level of the Midswaps at the time of pricing. The

level of the Midswaps will be determined as the average yield of the bid and ask prices of Interest-Swap Transactions (Midswaps) with a maturity similar to the maturity of the Bonds shown on the Reuters page ICAPEURO or on any other screen page which is conventionally used to price Eurobond transactions at the time of pricing. The Pricing Credit Spread will be fixed on the basis of the orders received and confirmed by the Managers. The resulting yield will be used to determine the Issue Price (which is expected to be less than par) and the rate of interest (which is expected to be a percentage figure which can be evenly divided by 1/8 of a full per cent. and which will be correspondingly higher if a higher Issue Price is determined and which will be correspondingly lower if a lower Issue Price is determined), all to correspond to the yield which reflects the level of the Midswaps and the Pricing Credit Spread. In the event that the figures for the relevant Midswaps will not be shown as set out above, the yield, the Issue Price and the rate of interest will be determined in a manner which banks and other institutional market participants apply at that time.

### **Costs of and reasons for the offer; use of proceeds**

In connection with the offering of the Bonds, the Issuer will receive net proceeds of approximately EUR [●] after deducting total expenses of approximately EUR 200,000. The Issuer intends to use the net proceeds for general corporate purposes, in particular for the financing of the YESSS!-acquisition, frequency auctions and the extension of existing frequency agreements.

### **Derivative component**

The fixed interest rate applicable to the Bonds for each Interest Period shall be reset on each Reset Date. The new fixed interest rate applicable to the Bonds for the period from and including each Reset Date to but excluding the next following Reset Date shall be calculated on the basis of the 5-year Swap Rate determined by the Calculation Agent prior to the relevant Reset Date plus the applicable margin. As described under C.9, the 5-year Swap Rate is based in parts on the 6-months EURIBOR rate. EURIBOR is a daily reference rate based on the averaged interest rates at which approximately 40 Eurozone banks notify to ThomsonReuters to be prepared to lend unsecured funds to other banks in the euro wholesale money market (adjusted by eliminating the 15% highest and the 15% lowest interest rates so notified) and published on Reuters on a daily basis. The relevant 5-year swap rate will therefore in part depend on the level of the EURIBOR at the time of the Reset Dates, as a result of which an increase in EURIBOR may lead to a higher modified reset interest rate, a decrease to a lower modified reset interest rate.

### **Subscription and allotment of the Bonds**

#### *Subscription by the Managers*

Following the determination of the Pricing Details, the Citigroup Global Markets Limited, Merrill Lynch International and UniCredit Bank Austria AG, Morgan Stanley & Co. International plc. will, pursuant to a subscription agreement to be signed on or about January 30, 2013 (the “**Subscription Agreement**”), agree to subscribe or procure subscribers for the Bonds. The Managers will be entitled, under certain circumstances, to terminate the agreement reached with the Issuer. In such event, no Bonds will be delivered to investors. Furthermore, the Issuer will agree to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The commission payable to the Managers in connection with the offering, placement and subscription of the Bonds will be up to 0.70% of the aggregate principal amount of the Bonds. The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their

affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds. Any such short positions could adversely affect future trading prices of the Bonds. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. There are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

***Confirmation of offers placed by, and allotments to, investors***

Any investor who has submitted an order in relation to the Bonds and whose order is accepted by the Managers will receive a confirmation by electronic mail, fax or through commonly used information systems setting out its respective allotment of Bonds. Before an investor receives a confirmation from the Managers that its offer to purchase Bonds has been accepted, the investor may reduce or withdraw its purchase order.

***Delivery of the Bonds to investors***

Following the determination of the Pricing Details and confirmation of which orders have been accepted and which amounts have been allotted to particular investors, delivery and payment of the Bonds will be made on the Issue Date, which is expected to be February 1, 2013. The Bonds so purchased will be delivered via book-entry through the Clearing Systems and their depository banks against payment of the Issue Price therefor.

***Costs and expenses relating to the offer***

The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Bonds. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Bonds which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

## SELLING RESTRICTIONS

### General

Each Manager has acknowledged that other than explicitly mentioned in this Prospectus no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

Each Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes any offering material relating to them.

### European Economic Area

In relation to each Member State of the European Union, Iceland, Norway and Liechtenstein (together the “**European Economic Area**”) which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in this Prospectus in Germany and Austria from the time this Prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Luxembourg, Germany and Austria, until the Issue Date, and provided that the Issuer has consented in writing to the use of this Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 (or 100 if the Relevant Member State has not yet implemented the relevant provision of the 2010 Prospectus Directive Amending Directive) natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Managers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Bonds shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Bonds to the public**” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

### United States of America and its territories

The Bonds have not been and will not be registered under the Securities Act, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons. Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Bonds within the United States or to U.S.

persons, except as permitted by the Subscription Agreement.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom of Great Britain and Northern Ireland**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

The offering of the Bonds has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Manager represents and agrees that, save as set out below, it has not offered, sold or distributed, and will not offer, sell or distribute any Bonds or any copy of the Prospectus or any other offer document in the Republic of Italy (“**Italy**”) except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Consolidated Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**CONSOB Regulation**”), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Bonds or distribution of copies of the Prospectus or any other document relating to the Bonds in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, inter alia, by CONSOB or the Bank of Italy.

### ***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of the Bonds in the Republic of Italy, Article 100-bis of the Consolidated Financial Services Act may require compliance with the law relating to public offers of securities. Article 100-bis of the Consolidated Financial Services Act affects



the transferability of the Bonds in Italy to the extent that any placing of the Bonds is made solely with qualified investors and such Bonds are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, if has not been published a prospectus compliant with the Prospectus Directive, purchasers of Bonds who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorised person at whose premises the Bonds were purchased, unless an exemption provided for under the Consolidated Financial Services Act applies.

This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

### **Consent to use the Prospectus**

The Issuer consents to the use of the Prospectus by all credit institutions licensed in accordance with Art 4 number 1 of Directive 2006/48/EC to trade securities in Austria and/or Germany (each a “**Financial Intermediary**”) (general consent) and accepts responsibility for the content of the Prospectus also with respect to subsequent resale or final placement of the Bonds by any Financial Intermediary which was given consent to use the Prospectus; an exceeding liability of the Issuer is excluded.

The subsequent resale or final placement of Bonds by Financial Intermediaries can be made during the Offer Period which is expected to commence on the later of January 25, 2013 and the date of the publication of the Pricing Notice and will be open until the Issue Date (the “**Offer Period**”).

Financial Intermediaries may use the Prospectus for subsequent resale or final placement of the Bonds in Austria and Germany during the Offer Period. However, the Issuer may revoke or limit its consent at any time, whereby such revocation requires a supplement to the Prospectus.

**Any Financial Intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto.**

**In the event of an offer being made by a Financial Intermediary, this Financial Intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.**

## GENERAL INFORMATION

### Listing and admission to trading

Application has been made to list the Bonds on the Official List of the Luxembourg Stock Exchange and to admit the Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

At the date of this Prospectus, bonds of Telekom Austria are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and on the Regulated Market of the Vienna Stock Exchange.

### Authorisations

The Bonds will be issued by virtue of resolutions by the Issuer's Managing Board dated January 16, 2013 and by a framework authorization by the Supervisory Board dated December 3, 2012.

### Statutory auditors

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, a member of the Kammer der Wirtschaftstreuhänder Österreich and independent auditors of the Issuer, have audited, and rendered unqualified audit reports on, the annual consolidated financial statements of Telekom Austria for the financial years ended December 31, 2011 and December 31, 2010 prepared by the management of the Issuer in accordance with IFRS and UGB respectively. In the period covered by these financial statements, no auditors of any of the Issuers have resigned, been removed or not re-appointed. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft has been transformed into an AG in April 2011.

### Ratings

Detailed information on the rating can be found on the Issuer's website (<http://www.telekomaustria.com/ir/rating.php>). General information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on Moody's ([www.moody.com](http://www.moody.com)) and S&P's ([www.standardandpoors.com](http://www.standardandpoors.com)) websites.

Moody's Investors Services Ltd. ("**Moody's**") has its registered office at One Canada Square, Canary Wharf, London E14 5FA, United Kingdom and is registered at Companies House in England.

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**") has its registered office at 20 Canada Square, Canary Wharf, London E14 5LH, United Kingdom and is registered at Companies House in England.

Moody's and S&P are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (credit rating agency regulation, the "**CRA Regulation**") as a registered rating agency. The European Securities and Markets Authority publishes on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) a list of credit rating agencies registered in accordance with the CRA Regulation. That list shall be updated within five working days following the adoption of a decision under Articles 16, 17 or 20 of the CRA Regulation. The European Commission publishes that updated list in the Official Journal of the European Union within 30 days following the updates.

***A rating is not a recommendation to buy, sell or hold securities and may be suspended, changed or withdrawn at any time by the assigning rating agency.***

### ***Credit Ratings of the Issuer***

As of the publication date of the Prospectus, the ratings assigned to the Issuer were as follows:

by Moody's:

long-term rating: Baa1

short-term rating: P-2

by S&P:

long-term rating: BBB

short-term rating: A-2

The outlook for the long-term issuer rating assigned by Moody's is negative and the outlook for the long-term issuer rating assigned by Standard & Poor's is stable.

### ***Ratings assigned to the Bonds***

The issuer has ordered ratings to be assigned to the Bonds by S&P and Moody's. As of the date of the Prospectus, no ratings were assigned yet by the rating agencies.

### **Significant changes and material adverse changes**

There has been no material adverse change in the prospects of the Issuer and Telekom Austria since December 31, 2011. There were no significant changes in the financial or trading position of Telekom Austria since September 30, 2012.

### **US legend**

Each Bond and each coupon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sec. 165(j) and 1287(a) of the Internal Revenue Code".

### **Clearance**

The Bonds have been accepted for clearance through Euroclear and Clearstream. The Common Code is 087772098 and the International Securities Identification Number (ISIN) XS0877720986.

### **Notification**

In order to be able to conduct a public offer in relation to the Bonds in Austria and Germany, the Issuer has applied for notifications pursuant to Article 19 of the Luxembourg Act into Austria and Germany. The Issuer may from time to time arrange for a notification into other jurisdictions under Article 19 of the Luxembourg Act.

### **Post issuance information**

The Issuer will not provide any post issuance information, except if required by any applicable laws and regulations.

### **Documents Incorporated by Reference**

#### ***Financial statements, Auditors***

The following financial statements are incorporated by reference into this Prospectus (see

“*Incorporation by Reference*”) and are defined herein as the “**Documents Incorporated by Reference**”:

### ***Consolidated Financial statements of Telekom Austria***

This Prospectus incorporates by reference:

- (i) the audited consolidated financial statements of Telekom Austria as of, and for the years ended, December 31, 2011 and 2010, in the English language (including the notes thereto, the “**Audited Annual Consolidated Financial Statements**”), and
- (ii) the unaudited interim consolidated financial statements of Telekom Austria as of, and for the nine months ended, September 30, 2012, including comparable figures for 2011, in the English language (including the notes thereto, the “**Interim Consolidated Financial Statements**”).

Telekom Austria has prepared the Audited Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements (together the “**Consolidated Financial Statements**”) in accordance with IFRS. The German language Audited Annual Consolidated Financial Statements of Telekom Austria were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (“**KPMG**”) in accordance with Austrian Generally Accepted Auditing Standards and International Standards on Auditing as published by the International Federation of Accountants and unqualified auditor’s opinions were issued dated February 13, 2012 and February 14, 2011. The auditors of Telekom Austria are members of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder*) and have no material interest in Telekom Austria.

### ***Financial information displayed in this Prospectus***

All financial information displayed in this Prospectus, including, in particular, the information under the headings “Summary Consolidated Financial Data”, “Description of the Issuer-Selected Consolidated Financial Data”, is extracted from the Consolidated Financial Statements. The Prospectus, including the Documents Incorporated by Reference, will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Documents Incorporated by Reference are available at the Issuer’s registered office during usual business hours for 12 months from the date of this Prospectus, see “*Documents on display*”. The Consolidated Financial Statements may be inspected on the Issuer’s website ([www.telekomaustria.com](http://www.telekomaustria.com)).

### ***Table of Documents Incorporated by Reference***

The following Documents Incorporated by Reference form part of this Prospectus:

1. Telekom Austria Annual Report 2011: Consolidated financial statements for the year ended December 31, 2011 (prepared in accordance with IFRS), Pages 69 – 141, including:
  - Consolidated Statement of Operations, Page 70
  - Consolidated Statement of Comprehensive Income, Page 71
  - Consolidated Statement of Financial Position, Page 72
  - Consolidated Statement of Cash Flows, Page 73
  - Consolidated Statement of Changes in Stockholders’ Equity, Pages 74-75
  - Notes to the Consolidated Financial Statements, Pages 76 – 140
  - Auditors’ report, Page 141.
2. Telekom Austria Annual Report 2010: Consolidated financial statements for the year ended December 31, 2010 (prepared in accordance with IFRS), Pages 22 – 95, including:
  - Consolidated Statement of Operations, Page 23
  - Consolidated Statement of Comprehensive Income, Page 24
  - Consolidated Statement of Financial Position, Page 25
  - Consolidated Statement of Cash Flows, Page 26

- Consolidated Statement of Changes in Stockholders' Equity, Pages 27-28
  - Notes to the Consolidated Financial Statements, Pages 29-94
  - Auditors' report, Page 95.
3. Telekom Austria Results for the First Nine Months 2012: Interim Consolidated financial statements for the first nine months ended September 30, 2012 (prepared in accordance with IFRS), Pages 19-33, including:
- Condensed Consolidated Statement of Operations, Page 19
  - Condensed Statement of Comprehensive Income, Page 20
  - Condensed Consolidated Statement of Financial Position, Page 21
  - Condensed Consolidated Statement of Cash Flows, Page 22
  - Condensed Consolidated Statement of Changes in Stockholders' Equity, Page 23
  - Selected Explanatory Notes to the Consolidated Interim Financial Statements (unaudited), Pages 31–33.

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004 of April 29, 2004. The Issuer assumes responsibility for the correctness of the English translations of the auditors' reports.

### **Documents on display**

#### ***Prospectus***

This Prospectus, any supplement thereto, if any, and any documents incorporated by reference into this Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange under "www.bourse.lu" and will be available, during normal business hours, free of charge at the office of the Issuer.

#### ***Other documents***

Copies of the following documents will be available at the Issuer's registered office during usual business hours for 12 months from the date of this Prospectus:

- (a) the Articles of Association of the Issuer;
- (b) the Telekom Austria Annual Reports 2011 and 2010 of Telekom Austria containing English language translations of the consolidated audited annual financial statements of Telekom Austria in respect of the financial years ended December 31, 2011 and December 31, 2010, in each case together with the audit reports prepared in connection therewith. Telekom Austria currently prepares audited consolidated and audited non-consolidated accounts on an annual basis;
- (c) the Telekom Austria Third Quarter Reports 2011 and 2010 of Telekom Austria containing English language translations of the consolidated unaudited financial statements of Telekom Austria in respect of the nine months ended September 30, 2012 and September 30, 2011.

The following paragraphs in italics do not form part of the Terms and Conditions of the Bonds to be issued under this Prospectus:

***Restrictions regarding redemption and repurchase of the Bonds***

*Unless the rating assigned by S&P to the Issuer is at least BBB (or such similar nomenclature then used by S&P) and the Issuer is comfortable that such rating would not fall below this level as a result of such redemption or repurchase the Issuer intends (without thereby assuming a legal obligation), during the period from and including the issue date of the Bonds to but excluding the Second Modified Reset Date, in the event of*

- (x) an early redemption of the Bonds pursuant to § 5(3), § 5(4)(b)(i) and § 5(4)(b)(ii) of the Terms and Conditions, or*
- (y) a repurchase of Bonds pursuant to § 5(2) of the Terms and Conditions of more than (i) 10% of the aggregate principal amount of the Bonds originally issued in any period of 12 consecutive months or (ii) 25% of the aggregate principal amount of the Bonds originally issued in any period of 10 consecutive years,*

*if the Bonds are assigned an "equity credit" (or such similar nomenclature then used by S&P) by S&P at the time of such redemption or repurchase, to redeem or repurchase Bonds only to the extent the aggregate principal amount of the Bonds to be redeemed or repurchased does not exceed the net proceeds received by the Issuer or any Subsidiary during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P, at the time of sale or issuance, an "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the equity credit assigned to the Bonds to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Bonds).*

*For so long as the Bonds remain outstanding, if (i) a Change of Control occurs and (ii) the Issuer elects to redeem the Bonds, the Issuer will launch a tender offer (the Tender Offer) for all outstanding unsubordinated debt securities (which do not already contain a contractual right of the holders of such debt securities for such securities to be redeemed or repurchased as a result of the events giving rise to the Change of Control) at a price equal to not less than their aggregate principal amount plus accrued and unpaid interest as soon as reasonably practicable following such event. The Issuer also will launch such tender offer in such a way as to ensure that the repurchase of any unsubordinated debt securities tendered to it will be effected prior to any redemption of the Bonds.*

*Terms used but not defined in the preceding sentences shall have the meaning set out in the Terms and Conditions.*

## GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

<b>2010 PD Amending Directive</b>	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended
<b>5-year Swap Rate</b>	The 5-year swap rate determined by the Calculation Agent according to § 3(2)(e) of the Terms and Conditions.
<b>A1</b>	A1 Telekom Austria AG
<b>ADSL</b>	Asymmetric Digital Subscriber Line
<b>ARPU</b>	Average Revenue Per User
<b>Audit Committee</b>	The audit committee of the Issuer
<b>BKS</b>	Federal Communications Senate ( <i>Bundeskommunikationssenat</i> )
<b>B.net</b>	B.net d.o.o. (Croatia)
<b>BYR</b>	Belarusian Ruble
<b>CEFTA</b>	Central European Free Trade Agreement
<b>CESEE</b>	Central, Eastern and South-Eastern Europe
<b>Chairing and Remuneration Committee</b>	The chairing and remuneration committee of the Issuer
<b>Clearstream, Luxembourg</b>	Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg.
<b>Code</b>	Austrian Code of Corporate Governance as of 2003
<b>Communications Authority</b>	<i>Kommunikationsbehörde Austria</i>
<b>Control Committee</b>	The control committee of the Issuer
<b>CPI</b>	Consumer Price Index
<b>CRA Regulation</b>	Regulation (EC) No 1060/2009 of the European parliament and the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011
<b>CSSF</b>	Commission de Surveillance du Secteur Financier
<b>D Rules</b>	US Treas. Reg. §1.163-5(c)(2)(i)(D), as amended
<b>DSL</b>	Digital Subscriber Line
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EDGE</b>	Enhanced Data Rates For GSM Evolution
<b>EPG</b>	Electronic Program Guide
<b>EU Member State</b>	A member state of the European Union
<b>EU Savings Directive</b>	Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments
<b>EURIBOR</b>	Euro Interbank Offered Rate

<b>Euroclear</b>	Euroclear Bank S.A./N.V., Koning Albert II laan 1 1210 Saint-Josseten-Noode, Belgium.
<b>velcom</b>	FE Velcom (Belarus)
<b>FIEL</b>	Financial Instruments and Exchange Law of Japan
<b>FSMA</b>	Financial Services and Markets Act 2000, as amended
<b>FTR</b>	Fixed Termination Rate, i.e. interconnection fees in fixed line networks
<b>FTTEx</b>	Fiber To The Exchange
<b>GDP</b>	Gross Domestic Product
<b>GPRS</b>	General Packet Radio Service
<b>GPS</b>	Global-Positioning System
<b>GSM</b>	Global System For Mobile Communications
<b>HDTV</b>	High Definition Television
<b>HSDPA+</b>	High Speed Download Packet Access plus
<b>Hutchison 3G Austria</b>	Hutchison 3G Austria GmbH
<b>ICT</b>	Information and Communication Technology
<b>IFRS</b>	refers to International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations published by International Accounting Standard Board, as adopted by the EU.
<b>IMF</b>	International Monetary Fund
<b>IP</b>	Internet Protocol
<b>IPTV</b>	Internet Protocol Television
<b>ISDN</b>	Integrated Services Digital Networks
<b>ISP</b>	Internet Service Providers
<b>IT</b>	Information Technology
<b>KPI</b>	Key Performance Indicator
<b>LTE</b>	Long Term Evolution (Technology)
<b>Luxembourg</b>	The Grand-Duchy of Luxembourg
<b>Luxembourg Act</b>	The Luxembourg Act dated 10th July, 2005 on prospectuses for securities
<b>Management Board</b>	The management board of the Issuer
<b>MHz</b>	Megahertz
<b>MMS</b>	Multimedia Messaging Services
<b>MNP</b>	Mobile Number Portability
<b>Mobilkom</b>	Former stock corporation established under Austrian law. In 2010 Mobilkom has been merged into TATA which thereafter has been renamed to "A1 Telekom Austria AG".
<b>mobilkom liechtenstein</b>	mobilkom liechtenstein AG (Liechtenstein)
<b>Moody's</b>	Moody's Investors Service, Inc.
<b>MTR</b>	Mobile Termination Rates, i.e. interconnection fees in mobile networks
<b>MVNO</b>	Mobile Virtual Network Operator



<b>M2M</b>	Machine to Machine communication
<b>M-tel</b>	MobilTel EAD (Bulgaria)
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NBS</b>	National Bank of Serbia
<b>OIAG</b>	Oesterreichische Industrie Holding AG
<b>Operating Region</b>	Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia
<b>Orange Austria</b>	Orange Austria Telecommunication GmbH
<b>ORF</b>	<i>Österreichischer Rundfunk</i>
<b>Personnel and Nomination Committee</b>	The personnel and nomination committee of the Issuer
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended
<b>PSTN</b>	Public Switched Telephone Network
<b>PTA</b>	Post and Telekom Austria AG
<b>PTV</b>	Post und Telegraphenverwaltung
<b>pure LRIC</b>	Long Run Incremental Cost (cost calculation model based only on incremental costs)
<b>RSD</b>	Serbian Dinar
<b>RTR</b>	The Austrian Regulatory Authority for Broadcasting and Telecommunications ( <i>Rundfunk und Telekom Regulierungs GmbH</i> )
<b>SBA</b>	IMF stand-by-arrangement
<b>Securities Act</b>	U.S. Securities Act of 1933, as amended
<b>Si.mobil</b>	Si.mobil d.d. (Slovenia)
<b>SIM</b>	Subscriber Identity Module
<b>SMP</b>	Significant Market Power
<b>SMS</b>	Short Message Service
<b>S&amp;P</b>	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.
<b>Supervisory Board</b>	The supervisory board of the Issuer
<b>TATA</b>	Telekom Austria TA Aktiengesellschaft
<b>TEFRA</b>	The United States Tax Equity and Fiscal Responsibility Act of 1982
<b>Telekom Austria Annual Report 2011</b>	The Annual Report of Telekom Austria for the business year 2011 as published on the website of the Issuer
<b>Telekom Austria Annual Report 2010</b>	The Annual Report of Telekom Austria for the business year 2010 as published on the website of the Issuer
<b>Telekom Austria Third Quarter Report 2012</b>	The Third Quarter Report of Telekom Austria for the first nine months 2012 as published on the website of the Issuer

<b>Telekom-Control-Commission</b>	The Austrian Telekom-Kontroll-Kommission
<b>TKG</b>	The Telecommunications Act of 2003 ( <i>Telekommunikationsgesetz 2003, BGBl I 70/2003</i> )
<b>T-Mobile</b>	T-Mobile Austria GmbH
<b>UGB</b>	Austrian Companies Act ( <i>Unternehmensgesetzbuch</i> )
<b>UMTS</b>	Universal Mobile Telecommunications System
<b>VIP mobile</b>	VIP mobile d.o.o. (Serbia)
<b>Vip operator</b>	Vip Operator DOOEL (Macedonia)
<b>VIPnet</b>	VIPnet d.o.o. (Croatia)
<b>VoIP</b>	Voice over IP
<b>VoD</b>	Video-on-demand
<b>WIMAX</b>	Worldwide Interoperability for Microwave Access
<b>WTO</b>	World Trade Organization
<b>YESSS!</b>	YESSS! Telekommunikation GmbH

**STATEMENTS PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF  
APRIL 29, 2004**

Telekom Austria Aktiengesellschaft as Issuer under this Prospectus is responsible for the correctness of the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

**Telekom Austria Aktiengesellschaft** (as Issuer)

## ISSUER

**Telekom Austria Aktiengesellschaft**  
Lassallestraße 9  
A-1020 Vienna  
Austria

## JOINT BOOKRUNNERS

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom  
*(Joint Structuring Adviser)*

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom  
*(Joint Structuring Adviser)*

**Merrill Lynch International**  
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United Kingdom

**UniCredit Bank Austria AG**  
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1010 Vienna  
Austria

## PAYING AGENT

**Citibank, N.A., London Branch**  
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## COUNSEL TO THE ISSUER

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## COUNSEL TO THE JOINT BOOKRUNNERS

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## AUDITORS

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Austria