

TELEKOM AUSTRIA GROUP

Telekom Austria Aktiengesellschaft

(incorporated with limited liability in Austria) and

Telekom Finanzmanagement GmbH

(incorporated with limited liability in Austria)

€2,500,000,000 Euro Medium Term Note Programme

in respect of Notes issued by Telekom Finanzmanagement GmbH, unconditionally and irrevocably guaranteed by Telekom Austria Aktiengesellschaft

Under this €2,500,000,000 Euro Medium Term Note Programme (the "**Programme**"), Telekom Austria Aktiengesellschaft ("**Telekom Austria**") and Telekom Finanzmanagement GmbH ("**TFG**" and, together with Telekom Austria in its capacity as an issuer, the "**Issuers**" and each an "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). The payments of all amounts due in respect of Notes issued by TFG or any New Issuer will be unconditionally and irrevocably guaranteed by Telekom Austria (in its capacity as such, the "**Guarantor**"). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the relevant Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €2,500,000,000 (or its equivalent in other currencies), subject to increase as described herein.

An investment in Notes issued under the Programme involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Notes, but the Issuer believes that all material risks relating to an investment in the Notes have been described.

This securities base prospectus (the "**Prospectus**") has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") of the Grand-Duchy of Luxembourg ("**Luxembourg**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) (the "**Luxembourg Act**") for the approval of this Prospectus. According to article 7.7 of the Luxembourg Law on prospectuses for securities the CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer.

Application will be made for the Programme and/or the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange. Furthermore, application may be made to list Notes issued under the Programme on the Vienna Stock Exchange and to admit to trading the Programme and/or such Notes on the Second Regulated Market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange (together with the Luxembourg Stock Exchange's regulated market, the "**Markets**"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to trading on any of the Markets, which are regulated markets for the purposes of the EU Directive 2004/39/EC on markets in financial instruments ("**MiFID**"). Unlisted Notes may be issued pursuant to this Programme. The relevant Final Terms (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading on the Market (or any other market and/or stock exchange). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set out in final terms (the "**Final Terms**") which will be filed with the CSSF. The Issuer has requested the CSSF to provide the competent authorities in other host Member States within the European Economic Area including Austria and Germany with a certificate of approval attesting that this Prospectus has been drawn up in accordance with Article 5.4 of Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (the "**Prospectus Directive**") and the Luxembourg Act.

Each Series (as defined herein) of Notes will be in bearer form and represented on issue by a temporary global note in bearer form (a "**Temporary Global Note**") without coupons which will be exchangeable for a permanent global note in a bearer form (a "**Permanent Global Note**") and each of the temporary Global Note and permanent Global Note, a "**Global Note**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**New Global Note**" or "**NGN**") form they may be intended to be eligible collateral for Eurosystem monetary policy and will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Tranches of Notes (as defined in "General Description of the Programme") may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") will be disclosed in the Final Terms.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act).

This Prospectus and any supplement thereto will be published in electronic form on the website of the Luxembourg Stock Exchange under "www.bourse.lu" and will be available free of charge at the specified office of the Issuer.

Arranger

The Royal Bank of Scotland

Dealers

BAWAG P.S.K.
Erste Group Bank AG

BNP PARIBAS
Raiffeisen Bank International AG
UniCredit Bank Austria AG

Citigroup
The Royal Bank of Scotland

The date of this Prospectus is 23 March 2012

IMPORTANT NOTICE

This Prospectus comprises two base prospectuses; a base prospectus for the issuance of Euro Medium Term Notes under the Programme by Telekom Austria and a base prospectus for the issuance of Euro Medium Term Notes under the Programme by TFG. Each base prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by the Directive 2010/73/EU (the "2010 PD Amending Directive") to the extent implemented in the relevant Member State) and the Luxembourg Act, and for the purpose of giving information with regard to Telekom Austria and its subsidiaries and affiliates taken as a whole (the "Group" or the "Telekom Austria Group") and TFG and the Notes which, according to the particular nature of the Issuers and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer.

This Prospectus is to be read in conjunction with any supplement thereto, if any, and with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). Such documents shall be deemed to be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Full information on the Issuer and any tranche of Notes is only available on the basis of the combination of the Prospectus, any supplement thereto, if any, and relevant Final Terms. Copies of the Final Terms will be available from the registered office of the relevant Issuer and the specified office of each of the Paying Agents (as defined below).

Each of Telekom Austria and TFG (the "Responsible Persons") confirms that this Prospectus contains all information with regard to each of the Issuers and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained herein with respect to the Issuers and the Notes is accurate in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held; that there are no other facts with respect to any of the Issuers or the Notes, the omission of which would make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading and that all reasonable enquiries have been made to ascertain all facts material for the purposes aforesaid.

The Responsible Persons have undertaken with the dealers (each a "Dealer" and together the "Dealers") to amend or supplement this Prospectus or, if appropriate in light of the information and/or the changes to be introduced, publish a new Prospectus if and when the information herein should become materially inaccurate or incomplete, and has further agreed with the Dealers to furnish such supplement to the Prospectus or new Prospectus, as the case may be, mentioning every significant new factor, material mistake or inaccuracy to the information included in this Prospectus which is capable of affecting the assessment of the Notes and which arises or is noted between the time when this Prospectus has been approved and the closing of any tranche of Notes offered to the public or, as the case may be, when trading of any tranche of Notes on a regulated market begins, in respect of Notes issued on the basis of this Prospectus.

No person has been authorised to give any information which is not contained in, or not consistent with, this Prospectus or any other document entered into in relation to the Programme or any information supplied by any of the Responsible Persons or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorised by any of the Issuers, the Dealers or any of them.

Neither the Arranger nor any Dealer nor any other person mentioned in this Prospectus,

excluding the Responsible Persons, is responsible for the information contained in this Prospectus or any supplement thereto, or any Final Terms or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

This Prospectus and any supplement thereto as well as any Final Terms reflect the status as of their respective dates of issue. The delivery of this Prospectus, any supplement thereto, or any Final Terms and the offering, sale or delivery of any Notes may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial situation of any of the Issuers since that date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required to inform themselves about and observe any such restrictions. For a description of restrictions applicable in the United States of America, Japan, the European Economic Area and the United Kingdom see "Subscription and Sale". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and are subject to tax law requirements of the United States of America; subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to U.S. persons.

This Prospectus has been drafted in the English language and the English language shall be the prevailing language of this Prospectus.

This Prospectus may only be used for the purpose for which it has been published. This Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by and to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. The relevant Issuer consents to the use of this Prospectus by each financial intermediary listed in the Final Terms of the relevant Notes as having received such consent.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by either Telekom Austria or TFG or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of any Issuer and/or the Guarantor and/or the Group. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of Telekom Austria, TFG or any of the Dealers to any person to subscribe for or to purchase any Notes.

In connection with the issue and distribution of any Tranche of Notes under the Programme, the Dealer(s) who is/are specified in the relevant Final Terms as the stabilising manager(s) (or persons acting on its/their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that such Dealer(s) (or any person acting on its/their behalf) will undertake stabilisation action. Any stabilisation action may begin at any time after the adequate public disclosure of the Final Terms of the offer of Notes and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Any such stabilisation action so taken will be, in all material respects, permitted by or otherwise

in accordance with all relevant requirements applicable to such actions in the jurisdictions where such actions are effected (including rules and other regulatory requirements governing any stock exchange where such Notes are listed). Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and may not be an arithmetic aggregation for the figures that preceded them.

All references in this document to "U.S. dollars", "U.S.\$", "USD" and "\$" refer to United States dollars. In addition, all references to "Sterling", "GBP" and "£" refer to pounds sterling and references to "euro", "EUR" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

RESPONSIBILITY STATEMENT

Each of Telekom Austria and TFG accepts responsibility for the information contained in this Prospectus, provided that Telekom Austria is responsible for the "Description of Telekom Austria" and for the "Description of TFG" and TFG is not responsible for the "Description of Telekom Austria" and the "Description of Telekom Austria Group" contained in this Prospectus.

To the best of the knowledge of each of the Telekom Austria and TFG (which have 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.

With respect to any information included herein and specified to be sourced from a third party (i) each of the Issuers confirms that any such information has been accurately reproduced and as far as the Issuers are aware and are able to ascertain from information available to them from such third party, no facts have been omitted, the omission of which would render the reproduced information inaccurate or misleading and (ii) the Issuers have not independently verified any such information and accept no responsibility for the accuracy thereof.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

- (a) the English language translation of the audited consolidated financial statements of Telekom Austria for the financial years ended 31 December 2011 and 31 December 2010 as contained in the Annual Reports 2011 and 2010 of Telekom Austria which have been drawn up in accordance with IFRS (the "**2011 Financial Statements of Telekom Austria**" and the "**2010 Financial Statements of Telekom Austria**");
- (b) the audited non-consolidated financial statements of TFG for the financial years ended 31 December 2011 and 31 December 2010 which have been drawn up in accordance with the national Austrian accounting standards according to the Austrian Companies Act (*Unternehmensgesetzbuch*, the "**UGB**") (the "**2011 Financial Statements of TFG**" and the "**2010 Financial Statements of TFG**"); and
- (c) the Independent Assurance Report on the Cash Flow Statements of TFG for the years ended 31 December 2011 and 2010 containing the cash flow statements derived from the audited financial statements prepared in accordance with UGB of TFG for the financial years ended 31 December 2011 and 31 December 2010 (the "**TFG Cash Flow Statement**").

The documents listed at (a) to (c) above contain financial information for Telekom Austria and TFG, as described in the table below. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only.

	Telekom Austria Group	TFG
Balance Sheet	2011 Financial Statements of Telekom Austria, page 72	2011 Financial Statements of TFG, page 3
	2010 Financial Statements of Telekom Austria, page 4	2010 Financial Statements of TFG, page 3
Income Statement	2011 Financial Statements of Telekom Austria, page 70-71	2011 Financial Statements of TFG, page 4
	2010 Financial Statements of Telekom Austria, page 2-3	2010 Financial Statements of TFG, page 4
Cash Flow Statement	2011 Financial Statements of Telekom Austria, page 73	TFG Cash Flow Statement, Annex I
	2010 Financial Statements of Telekom Austria, page 5	TFG Cash Flow Statement, Annex I
Accounting Policies and Explanatory Notes	2011 Financial Statements of Telekom Austria, page 76-140	2011 Financial Statements of TFG, page 5-24
	2010 Financial Statements of Telekom Austria, pages 8-73	2010 Financial Statements of TFG, pages 5-24
Audit Reports	2011 Financial Statements of Telekom Austria, page 141	2011 Financial Statements of TFG, page 30-31
	2010 Financial Statements of Telekom Austria, page 74-75	2010 Financial Statements of TFG, page 26-27

SUMMARY OF THE PROGRAMME

Warning: The following summary is a summary of the Prospectus, does not purport to be complete and is taken from, and is qualified by, the remainder of the Prospectus and, in relation to the Terms and Conditions of any particular tranche of Notes (each a "**Tranche**"), the applicable Final Terms.

Words and expressions defined in other parts of this Prospectus and not otherwise defined in this "Summary of the Prospectus" shall have the same meanings in this part of the Prospectus.

The following summary should be read as an introduction to this prospectus (the "**Prospectus**"), and any decision to invest in notes issued under the Prospectus (the "**Notes**") should be based on consideration of the Prospectus as a whole by the investor, including the risks of investing in the Notes as set out in the Risk Factors.

Warning: Prospective purchasers of Notes should base any decision to invest in Notes not only on the following information but on all other information in this Prospectus irrespective of whether it is set out in, or incorporated into, this Prospectus (as may be supplemented from time to time) and the relevant Final Terms.

Warning: Where a claim relating to the information contained in a securities prospectus such as this Prospectus, the documents incorporated by reference, any supplement thereto and the relevant Final Terms is brought before the court of a Member State of the European Union (each a "**EU Member State**" and, together, the "**EU Member States**"), a plaintiff investor might, under the national legislation of any relevant EU Member State, have to bear the costs of translating, to the extent necessary, this Prospectus, the documents incorporated by reference, any supplement thereto and the relevant Final Terms into any relevant language before legal proceedings are initiated.

Each of Telekom Austria and TFG (the "**Responsible Persons**"), and any person who has initiated or caused the translation of this summary, assumes liability for the contents of this section "Summary of the Programme", including any translation thereof, but only to the extent that this summary is misleading, inaccurate or inconsistent when read together with the other parts of, or other information incorporated into, this Prospectus.

The information in this section "Summary of the Prospectus" includes a summary of each of the following parts of this Prospectus:

- the Risk Factors;
- the description of Telekom Austria Aktiengesellschaft ("**Telekom Austria**");
- the description of Telekom Finanzmanagement GmbH ("**TFG**"); and
- the Programme.

SUMMARY OF THE RISK FACTORS

General Risk Factors regarding Telekom Austria

- An economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending could adversely affect Telekom Austria Group'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 Group 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 Group's cash flows.
- As a result of Telekom Austria Group'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.
- Regulatory decisions and changes in the regulatory environment could adversely affect the Group's business.
- The risk relating to system failures due to natural or human failure and the technological dependency on third parties may have an impact on the

Telekom Austria Group's reputation and the rate of customer satisfaction.

- Technological change could increase competition, render existing technologies obsolete or require Telekom Austria Group 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 Group's profitability.
- 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 Group's wireless services business.
- Shortcomings in Telekom Austria Group'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 Group's revenues or profitability.
- Telekom Austria Group 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 Group's results of operations and financial condition.
- Potential breaches of compliance requirements or the identification of material weaknesses in Telekom Austria Group's internal control over financial reporting may have an adverse impact on Telekom Austria Group's corporate reputation, financial condition and the trading price of its securities.
- Exchange-rate, interest-rate and rating risks have had, and may continue to have, an adverse effect on Telekom Austria Group's revenue and cost development.
- Telekom Austria'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.
- Crime, corruption and money laundering in the countries where the Group operates may adversely affect the Group's ability to conduct its business.
- TFG is dependant on the Group performance.
- Investors benefit from the Guarantee of Telekom Austria for Notes issued by TFG only insofar as provided in and to the extent Telekom Austria is able to meet its obligations under the Guarantee.
- Emerging markets such as Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia are subject to greater risks than more developed markets.
- Telekom Austria Group faces intense competition in the

Risk Factors regarding TFG

Country Risk Factors regarding Telekom Austria Group

telecommunication markets in the countries where it operates, 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 Group's revenues and net profit.

- Economic instability in the Operating Region may adversely affect the Group's business and operations.
- Political instability in the Operating Region may adversely affect the Group's business and operations.
- The Group 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 the Group's earnings.
- Changes in Belarus', Bulgaria's, Croatia's, Macedonia's, Serbia's and Slovenia's relationships with western governments and institutions may affect the Group's business.
- Relationships upon which countries in the Operating Region depend for their economic growth may deteriorate and thus affect the Group's business.
- Limited financial infrastructure and liquidity problems in the Operating Region may adversely affect the Group's business, results of operations and financial conditions.
- Potential social instability in the Operating Region may affect the Group's business.
- The Operating Region's evolving legal systems are subject to risks and uncertainties, which may have an adverse effect on the Group's business.
- The difficulty of enforcing contracts and court decisions and governmental discretion in investigating, joining and enforcing claims could prevent the Group from obtaining effective redress in court proceedings.
- Uncertainties in the tax systems in the Operating Region may adversely affect the Group'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 the Group's business.
- Notes may not be a suitable investment for all Investors.
- Noteholders are exposed to the risk of partial or total failure of the Issuer to make interest and/or redemption payments under the Notes (and of the

**General Risk Factors
regarding the Notes**

Guarantor to make payments under the Guarantee) (Credit Risk).

- Investors in the Notes assume the risk that the credit spread of the Issuer and in case the Issuer is not Telekom Austria, the Guarantor changes (Credit Spread Risk).
- Due to future money depreciation (inflation), the real yield of an investment may be reduced.
- Noteholders are exposed to market price risk in any sale of Notes (Market Price Risk).
- A holder of Notes denominated in a currency being a foreign currency to such investor or a Dual Currency Note may be exposed to adverse changes in currency exchange rates which may affect the yield of such Notes (Currency Risk/Dual Currency Notes).
- There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at fair market prices (Liquidity Risk).
- There is a risk that trading in the Notes or underlyings will be suspended, interrupted or terminated.
- Credit ratings of Notes may not adequately reflect all risks of the investment in such Notes and may be suspended, downgraded or withdrawn.
- In the event that any Notes are redeemed prior to their maturity, a holder of such Notes may be exposed to risks, including the risk that his investment will have a lower than expected yield (Risk of Early Redemption).
- There is a risk that Noteholders may not be able to reinvest proceeds from the Notes in such a way that they earn the same rate of return (Reinvestment Risk).
- There is a risk that the purchase of Notes could be illegal.
- The tax impact of an investment in the Notes should be carefully considered.
- The Notes are governed by Austrian law, and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the investors.
- If a loan or credit is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.
- Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.
- Investors have to rely on the functionality of the relevant clearing system.
- An Austrian court can appoint a trustee (*Kurator*) for the Notes to exercise the rights and represent the interests of Holders on their behalf.
- Changes in the EU Savings Directive could negatively affect investors.

Risk Factors associated with the Structure and/or certain characteristics of the Notes The following structures/characteristics of notes bear particular risks and thus, investors should study carefully the Terms and Conditions of the Notes and the Risk Factors:

- Fixed Rate Notes and Step-up/Step-down Notes
- Floating Rate Notes
- Zero Coupon Notes

SUMMARY OF THE DESCRIPTION OF TELEKOM AUSTRIA

General Telekom Austria Aktiengesellschaft ("**Telekom Austria**" or the "**Issuer**"), is an Austrian stock corporation and listed on the Vienna Stock-Exchange. It 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.

Operating region Telekom Austria has its principal operative subsidiaries in Austria, Belarus, Bulgaria, Croatia, Liechtenstein, Macedonia, Serbia and Slovenia.

Management Board The management board of Telekom Austria consists of Johannes Ametsreiter and Johann Tschuden. Members of the management board of Telekom Austria are appointed by the company's supervisory board for a maximum period of five years; re-election is possible.

Supervisory Board The members of the supervisory board of Telekom Austria are Markus Beyrer (Chairman), Edith Hlawati (Vice-Chairperson), Henrietta Egerth-Stadlhuber, Franz Geiger, Wolfgang Rutenstorfer, Harald Stöber, Wilfried Stadler, Peter J. Oswald, Walter Hotz (employee representative), Alexander Sollak (employee representative), Gottfried Zehetleitner (employee representative) and Werner Luksch (employee representative).

Selected Financial Data	Telekom Austria Group as of 31 December 2011 audited	Telekom Austria Group as of 31 December 2010 audited
	(in EUR thousand)	
Operating Income	-7,641	437,903
Total Assets	7,448,804	7,555,820
Current Assets	1,751,446	1,437,707
Non Current Assets	5,697,359	6,118,113
Current liabilities	(2,412,018)	(1,882,965)
Non-Current liabilities	(4,153,675)	(4,195,929)
Stockholders Equity	(883,111)	(1,476,925)

Source: 2011 Financial Statements of Telekom Austria and 2010 Financial Statements of Telekom Austria

Share Capital The share capital of Telekom Austria is fully paid-up and amounts to EUR 966,183,000, divided into 443mn non-par value bearer shares, each representing a pro rata amount of EUR 2.181 of the share capital. Only this class of

shares exists. No convertible debt securities, exchangeable debt securities or warrant instruments have been issued by Telekom Austria.

SUMMARY OF THE DESCRIPTION OF TFG

General Telekom Finanzmanagement GmbH ("**TFG**" or the "**Issuer**") is an indirectly wholly owned subsidiary of Telekom Austria. The object of TFG is to advise the Telekom Austria Group in the investment and raising of funds and in the pooling of cash flows. TFG is dependent on the performance of the members of the Telekom Austria Group to which it makes loans.

Management The management of TFG consists of Johann Tschuden, Martin Mayr and Josef Flandorfer (Holder of statutory general power of attorney, *Prokurist*). Any two of these three representatives, acting jointly, may represent TFG with legally binding effect. No supervisory board or audit committee is appointed for TFG. TFG has no employees, but is operated by staff of other Telekom Austria Group companies.

Selected Financial Data Please note that the national Austrian accounting standards according to the Austrian Companies Act are not comparable with IFRS and hence, the below figures do not compare to the selected financial information of Telekom Austria which derives from the 2011 and 2010 Financial Statements of Telekom Austria and which have been prepared in accordance with IFRS.

	TFG as of 31 December 2011 audited	TFG as of 31 December 2010 audited
	(in EUR thousand)	
Operating Income <i>(Betriebsergebnis)</i>	-4,562	-4,794
Total Assets	5,188,194	4,596,129
Liabilities	(5,179,533)	(4,580,376)
Stockholders Equity	(1,931)	(1,781)

Source: 2011 Financial Statements of TFG and 2010 Financial Statements of TFG.

Share Capital The sole shareholder of TFG is Telekom Projektentwicklungs GmbH ("**TPE**"), a holding company with limited liability and a stated limited share capital of EUR 35,000. 99% of the shares in TPE are held by Telekom Austria. The remaining 1% of the shares in TPE is held by A1 Telekom Austria Aktiengesellschaft, which is a wholly owned subsidiary of Telekom Austria. Under Austrian corporate law, companies with limited liability do not have shares per se, but share quotas (*Geschäftsanteile*) and each registered shareholder holds only one such share quota. The share quotas constitute the only ordinary class of issued capital; no preferred or other classes are permissible. The statutory minimum stated capital stock is EUR 35,000. TPE holds the only share and the whole of the issued capital in TFG, in an amount of EUR 37,000, which is fully paid up.

SUMMARY OF THE PROGRAMME

Issuers Telekom Austria Aktiengesellschaft and
Telekom Finanzmanagement GmbH

Guarantor Telekom Austria Aktiengesellschaft

Arranger The Royal Bank of Scotland plc

Dealers	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG, The Royal Bank of Scotland plc and UniCredit Bank Austria AG.
Principal Paying Agent	BNP Paribas Securities Services
Programme Size	Up to €2,500,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers, the Guarantor and the Dealers may agree on an increase of the amount of the Programme.
Method of Issue	Notes may be issued on a continuing basis to one or more Dealers. Notes may be distributed on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the Final Terms.
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Clearing Systems	Euroclear, Clearstream, Luxembourg and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer.
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer.
Governing Law	The Notes and any rights and obligations in connection with the Notes are governed by the laws of the Republic of Austria excluding its conflict-of-law rules insofar as these would result in the applicability of foreign law.
Place of Jurisdiction	The courts competent in commercial matters for Vienna, Austria, First District (<i>Wien Innere Stadt</i>) shall have jurisdiction to settle any dispute arising out of or in connection with the Notes. The Noteholders, however, may also pursue their claims before any other court of competent jurisdiction in the European Economic Area.
Listing and Admission to Trading	Application will be made to admit the Programme and/or Notes to the Markets or as otherwise specified in the relevant Final Terms.

GERMAN TRANSLATION OF THE SUMMARY

ZUSAMMENFASSUNG

Warnung: Die nachfolgenden Ausführungen stellen eine Zusammenfassung dieses Prospekts (der "**Prospekt**") dar, sind nicht vollständig und stehen unter dem Vorbehalt des restlichen Prospekts sowie, in Bezug auf die Emissionsbedingungen einer bestimmten Tranche von Schuldverschreibungen (jeweils eine "**Tranche**"), der anwendbaren Endgültigen Bedingungen.

Worte und Begriffe, die in den an anderer Stelle in dem Prospekt definiert sind und in dieser Zusammenfassung nicht anders definiert sind, haben in dieser Zusammenfassung dieselbe Bedeutung.

Die nachfolgende Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Jede Entscheidung eines Anlegers zu einer Anlage in die unter diesem Prospekt begebenen Schuldverschreibungen (die "**Schuldverschreibungen**") sollte sich auf die Prüfung des gesamten Prospektes, einschließlich der im Abschnitt "Risikofaktoren" beschriebenen Risiken in Zusammenhang mit einer Veranlagung in die Schuldverschreibungen, stützen.

Warnung: Künftige Käufer der Schuldverschreibungen sollten jede Entscheidung über eine Veranlagung in die Schuldverschreibungen nicht ausschließlich auf die nachfolgenden Informationen, sondern auf die gesamten im Prospekt enthaltenen Informationen stützen, unabhängig davon, ob diese Informationen im Prospekt selbst enthalten, durch Verweis in diesen – durch allfällige Nachträge ergänzten - Prospekt aufgenommen oder in den anwendbaren Endgültigen Bedingungen enthalten sind.

Warnung: Für den Fall, dass ein Anleger vor einem Gericht Ansprüche auf Grund der in diesem Prospekt, in den durch Verweis aufgenommenen Dokumenten, in einem Nachtrag zum Prospekt oder in den anwendbaren Endgültigen Bedingungen enthaltenen Informationen vor einem Gericht in einem Mitgliedsstaat der Europäischen Union (jeweils ein "**EU Mitgliedsstaat**" und zusammen, die "**EU Mitgliedstaaten**") geltend macht, könnte dieser Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der EU Mitgliedstaaten verpflichtet sein, die Kosten für die soweit erforderliche Übersetzung dieses Prospekts, der durch Verweis aufgenommenen Dokumente, allfälliger Nachträge und der anwendbaren Endgültigen Bedingungen vor Prozessbeginn zu tragen.

Telekom Austria und TFG (die "**Verantwortlichen Personen**") sowie jede weitere Person, die diese Zusammenfassung einschließlich ihrer Übersetzung als Verantwortliche vorgelegt und publiziert hat, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird.

Die in diesem Abschnitt enthaltene Zusammenfassung des Prospekts enthält Zusammenfassungen jedes der folgenden Teile dieses Prospekts:

- die Risikofaktoren;
- die Beschreibung der Telekom Austria Aktiengesellschaft ("**Telekom Austria**");
- die Beschreibung der Telekom Finanzmanagement GmbH ("**TFG**");
- das Programm; und
- die Schuldverschreibungen.

ZUSAMMENFASSUNG DER RISIKOFAKTOREN

Allgemeine Risikofaktoren betreffend Telekom Austria

- Ein wirtschaftlicher Abschwung, eine wesentliche Verlangsamung des Wirtschaftswachstums oder eine Verminderung der Verbraucherausgaben könnte den Verkauf von Produkten und Dienstleistungen der Telekom Austria Gruppe (die "**Gruppe**") an Kunden in den operativen Segmenten nachteilig beeinflussen – dies könnte eine negative Auswirkung auf das Betriebsergebnis und die Finanzlage der Telekom Austria haben.
- Aufgrund technologischer Änderungen und mangelnder Marktakzeptanz könnte es der Telekom Austria Gruppe 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 Gruppe nachteilig beeinflussen könnte.

- Aufgrund der großen Anzahl der von der Gruppe in Österreich beschäftigten Beamten und geschützten Mitarbeitern ist die Gruppe in der Möglichkeit, ihre Betriebsausgaben an geänderte Marktverhältnisse anzupassen, beschränkt.
- Aufsichtsrechtliche Entscheidungen und Änderungen im Aufsichtsumfeld könnten das Geschäft der Gruppe nachteilig beeinflussen.
- Das Risiko von Systemausfällen aufgrund menschlichen oder sonstigen Versagens und die technologische Abhängigkeit von Dritten könnten sich auf das Ansehen der Gruppe und die Kundenzufriedenheit auswirken.
- Technologische Veränderungen könnten den Wettbewerb erhöhen, bestehende Technologien überholen und die Gruppe 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 Gruppe hätte.
- 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 Gruppe nachteilig beeinflussen.
- Unzulänglichkeiten im Einkaufs- und Logistikprozess der Gruppe 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 Gruppe auswirken.
- Die Telekom Austria Gruppe 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 Gruppe 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 Gruppe und den Wert ihrer Wertpapiere haben.
- Wechselkurs-, Zinssatz- und Ratingrisiken hatten in der Vergangenheit und könnten auch in der Zukunft nachteilige Auswirkungen auf die Entwicklung der Umsätze und der Kosten der Gruppe haben.
- Die Hauptaktionäre der Telekom Austria 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.

Risikofaktoren betreffend TFG

- Kriminalität, Korruption und Geldwäsche in den Ländern, in denen die Gruppe operiert, könnten die Fähigkeit der Gruppe, ihrem Geschäft nachzugehen, wesentlich erschweren.
- TFG ist von der Entwicklung der Gruppe abhängig.
- Anleger profitieren von der Garantie der Telekom Austria für die von der TFG ausgegebenen Schuldverschreibungen nur soweit als in der Garantie vorgesehen und soweit die Telekom Austria ihre Verpflichtungen zu erfüllen im Stande ist.

Länderrisiken betreffend die Telekom Austria Gruppe

- Neue Märkte wie Weißrußland, Bulgarien, Kroatien, Mazedonien, Serbien und Slowenien (die "**Operative Region**") unterliegen höheren Risiken als entwickelte Märkte.
- Die Telekom Austria Gruppe 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 Gruppe nachteilig beeinflussen könnte.
- Wirtschaftliche Instabilität in der Operativen Region können die Tätigkeiten und das Geschäft der Gruppe nachteilig beeinflussen.
- Politische Instabilität in der Operativen Region können die Tätigkeiten und das Geschäft der Gruppe nachteilig beeinflussen.
- Die Gruppe könnte dem Risiko von Enteignungen und Verstaatlichungen in Ländern der Operativen Region unterliegen.
- Die Instabilität der Währungen in Weißrußland, Bulgarien, Kroatien, Mazedonien und Serbien könnte die Erträge der Gruppe nachteilig beeinflussen.
- Änderungen der Beziehungen zwischen Weißrußland, Bulgarien, Kroatien, Mazedonien, Serbien und Slowenien und den Regierungen westlicher Länder und westlicher Institutionen könnten das Geschäft der Gruppe nachteilig beeinflussen.
- Beziehungen, von denen Länder in der Operativen Region im Hinblick auf ihr Wirtschaftswachstum abhängig sind, könnten sich verschlechtern und so das Geschäft der Gruppe nachteilig beeinflussen.
- Begrenzte Finanzinfrastruktur und Liquiditätsprobleme in der Operativen Region könnten das Geschäft, die Erträge und die Finanzlage der Gruppe nachteilig beeinflussen.
- Mögliche soziale Unruhen in der Operativen Region könnten das Geschäft der Gruppe beeinträchtigen.
- Die sich entwickelnden Rechtssysteme in der Operativen Region unterliegen Risiken und Unsicherheiten, die nachteilige Auswirkungen auf das Geschäft der Gruppe haben können.

**Allgemeine Risiken
betreffend die
Schuldverschreibungen**

- Schwierigkeiten bei der Durchsetzung von Verträgen und Gerichtsentscheidungen und das Ermessen von Regierungen bei Untersuchungen und der Durchsetzung von Ansprüchen könnten die Gruppe daran hindern, wirksame Entschädigungen in Gerichtsverfahren zu erhalten.
- Ungewißheiten der Steuersysteme in der Operativen Region könnten das Geschäft, die Finanz- und die Ertragslage der Gruppe nachteilig beeinflussen.
- Die Gesellschafterhaftungsregime nach der in der Operativen Region anwendbaren Gesetzgebung könnten zu einer Haftung der Holdinggesellschaft für ihre Tochtergesellschaften führen.
- Gerichte in der Operativen Region könnten Gesellschaften aufgrund von Complianceverstößen in die Liquidation zwingen.
- Verschlechterungen der Beziehungen zwischen Ländern in der Operativen Region und ihren wichtigsten Gläubigern könnten die Finanzierung dieser Länder und damit das Inflationsniveau beeinträchtigen, was in der Folge das Geschäft der Gruppe beeinträchtigen würde.
- Die Schuldverschreibungen sind nicht für alle Anleger geeignet.
- Die Anleihegläubiger sind dem Risiko ausgesetzt, dass es der Emittentin gänzlich oder teilweise unmöglich wird, Zins- oder Kapitalzahlungen auf die Schuldverschreibungen zu leisten (oder der Garantin, Zahlungen gemäß der Garantie zu leisten) (Kreditrisiko).
- Anleihegläubiger übernehmen das Risiko, dass sich der Credit Spread der Emittentin, und wenn die Emittentin nicht die Telekom Austria ist, jener der Emittentin und das der Garantin, ändert (Credit Spread Risiko).
- Die Rendite einer Veranlagung kann sich aufgrund künftiger Inflation verringern.
- Anleihegläubiger sind bei jedem Verkauf der Schuldverschreibungen dem Marktpreisrisiko ausgesetzt (Marktpreisrisiko).
- Inhaber von Schuldverschreibungen, die in einer für diesen Anleger fremden Währung ausgegeben werden, sind nachteiligen Änderungen des Wechselkurses ausgesetzt, die die Rendite dieser Schuldverschreibungen verringern können (Fremdwährungsrisiko).
- Es gibt keine Gewißheit, dass sich ein liquider Sekundärmarkt für die Schuldverschreibungen entwickelt und dass er – falls er sich entwickelt – bestehen bleibt. In einem illiquiden Markt könnte ein Anleger nicht in der Lage sein, seine Schuldverschreibungen zu fairen Marktpreisen zu verkaufen (Liquiditätsrisiko).
- Es besteht das Risiko, dass der Handel mit den Schuldverschreibungen ausgesetzt, unterbrochen oder eingestellt wird.
- Kreditratings von Schuldverschreibungen stellen möglicherweise nicht alle Risiken eines Investments in die Schuldverschreibungen dar und können ausgesetzt, verringert (Downgrading) oder zurückgezogen werden.

- Falls Schuldverschreibungen vor dem Ende ihrer Laufzeit zurückgezahlt werden, sind Inhaber solcher Schuldverschreibungen Risiken ausgesetzt, einschließlich dem Risiko, dass ihre Veranlagung eine niedrigere Rendite als erwartet hat (Risiko vorzeitiger Rückzahlung).
- Es besteht das Risiko, dass Anleihegläubiger nicht in der Lage sind, die Erträge aus den Schuldverschreibungen so wiederzuinvestieren, dass sie dieselbe Rendite erzielen (Reinvestitionsrisiko).
- Es besteht das Risiko der Unrechtmäßigkeit des Erwerbs der Schuldverschreibungen.
- Die steuerlichen Auswirkungen einer Veranlagung in die Schuldverschreibungen sollten genau geprüft werden.
- Die Schuldverschreibungen unterliegen österreichischem Recht und Änderungen des anwendbaren Rechts, von Verordnungen oder der Gerichts- und Verwaltungspraxis können negative Auswirkungen auf die Emittentin, die Schuldverschreibungen und die Anleihegläubiger haben.
- 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.
- Anleger müssen sich auf das Funktionieren des maßgeblichen Clearingsystems verlassen.
- Ein österreichisches Gericht kann einen Kurator für die Schuldverschreibungen bestellen, der die Rechte der Anleihegläubiger in deren Namen ausübt und diese vertritt.
- Änderungen der Richtlinie 2003/48/EG des Rates über die Besteuerung von Zinserträgen könnten nachteilige Auswirkungen auf die Anleger haben.

Risikofaktoren im Zusammenhang mit der Struktur und/oder bestimmten Ausstattungsmerkmalen von Schuldverschreibungen

Die folgenden Strukturen/ Ausstattungsmkmale von Schuldverschreibungen weisen besondere Risiken auf und Anleger sollten deshalb die Bedingungen der Schuldverschreibungen und die maßgeblichen Risikofaktoren genau studieren:

- Fixverzinsliche Schuldverschreibungen und Step-up/Step-down Schuldverschreibungen
- Variabel verzinsliche Schuldverschreibungen
- Nullkupon-Schuldverschreibungen

ZUSAMMENFASSUNG DER BESCHREIBUNG DER TELEKOM AUSTRIA

Allgemeines

Die Telekom Austria Aktiengesellschaft ("**Telekom Austria**" oder die "**Emittentin**") ist eine österreichische Aktiengesellschaft, deren Aktien an der Wiener Börse notieren. Sie ist die Holdinggesellschaft einer aus Österreich stammenden Full-Service Telekommunikationsanbieter-Gruppe, die ein weites

	Spektrum an fortschrittlichen Festnetz-, Mobil-, Daten- und anderen Kommunikationsdienstleistungen, einschließlich Internetlösungen, anbietet.	
Operative Region	Die wesentlichen operativen Tochterunternehmen der Telekom Austria liegen in Österreich, Weißrußland, Bulgarien, Kroatien, Liechtenstein, Mazedonien, Serbien und Slowenien.	
Vorstand	Der Vorstand der Telekom Austria besteht aus Johannes Ametsreiter und Johann Tschuden. Die Mitglieder des Vorstands der Telekom Austria werden vom Aufsichtsrat der Gesellschaft für einen Zeitraum von längstens fünf Jahren bestellt, wobei eine Wiederwahl zulässig ist.	
Aufsichtsrat	Die Mitglieder des Aufsichtsrats der Telekom Austria sind Markus Beyrer (Vorsitzender), Edith Hlawati (Stellvertreterin des Vorsitzenden), Henrietta Egerth-Stadlhuber, Franz Geiger, Wolfgang Ruttenstorfer, Harald Stöber, Wilfried Stadler, Peter J. Oswald, Walter Hotz (Arbeitnehmervertreter), Alexander Sollak (Arbeitnehmervertreter), Gottfried Zehetleitner (Arbeitnehmervertreter) und Werner Luksch (Arbeitnehmervertreter).	
Ausgewählte Finanzdaten	Telekom Austria Gruppe zum 31.12.2011 geprüft (in EUR tausend)	Telekom Austria Gruppe zum 31.12.2010 geprüft
	Betriebliche Erträge	437.903
	Bilanzsumme	7.555.820
	Kurzfristige Aktiva	1.437.707
	Langfristige Vermögenswerte	6.118.113
	Kurzfristige Verbindlichkeiten	(1.882.965)
	Langfristige Verbindlichkeiten	(4.195.929)
	Eigenkapital	(1.476.925)
	Quelle: Geprüfte konsolidierte Jahresabschlüsse der Telekom Austria für die Geschäftsjahre endend am 31.12.2011 und am 31.12.2010 nach IFRS	
Aktienkapital	Das Aktienkapital der Telekom Austria ist voll einbezahlt und beträgt EUR 966.183.000, aufgeteilt in 443 Mio nennbetragslose Inhaberaktien, die jeweils anteilig einen Betrag von EUR 2,181 am Aktienkapital vertreten. Es besteht nur diese Aktiegattung. Wandelschuldverschreibungen, Umtauschanleihen oder Optionsscheine wurden von der Telekom Austria nicht ausgegeben.	
ZUSAMMENFASSUNG DER BESCHREIBUNG DER TFG		
Allgemein	Telekom Finanzmanagement GmbH ("TFG" oder die "Emittentin") ist eine indirekt zur Gänze im Eigentum der Telekom Austria stehende Tochtergesellschaft. Die Aufgabe der TFG ist die Beratung der Telekom Austria Gruppe in Investitions- und Finanzierungsfragen und bei der Bündelung von Zahlungsströmen. TFG ist von der Entwicklung der Mitglieder der Telekom Austria Group, an die sie Finanzierungen vergibt, abhängig.	
Geschäftsführung	Die Geschäftsführung der TFG besteht aus Johann Tschuden, Martin Mayr und Josef Flandorfer (Prokurist). Jeweils zwei dieser drei Personen zusammen können	

die TFG rechtswirksam vertreten. Bei der TFG besteht weder ein Aufsichtsrat noch ein Audit-Ausschuß. TFG hat keine eigenen Angestellten, sondern wird von Mitarbeitern anderer Unternehmen der Telekom Austria Gruppe betreut.

**Ausgewählte
Finanzinformationen**

	TFG zum 31.12.2011 geprüft (in EUR tausend)	TFG zum 31.12.2010 geprüft
Betriebsergebnis	-4.562	-4.794
Bilanzsumme	5.188.194	4.596.129
Verbindlichkeiten	(5.179.533)	(4.580.376)
Eigenkapital	(1.931)	(1.781)

Quelle: Geprüfte nicht-konsolidierte Jahresabschlüsse der TFG für die Geschäftsjahre endend am 31.12.2011 und am 31.12.2010 nach UGB

Geschäftsanteile

Der einzige Gesellschafter der TFG ist die Telekom Projektentwicklungs GmbH ("TPE"), eine Holdinggesellschaft mit beschränkter Haftung und einer Stammeinlage von EUR 35.000. 99% der Geschäftsanteile der TPE werden von der Telekom Austria gehalten. Die restlichen 1% Geschäftsanteile der TPE werden von der A1 Telekom Austria Aktiengesellschaft gehalten, die eine 100% Tochter der Telekom Austria ist. Nach österreichischem Recht haben Gesellschaften mit beschränkter Haftung keine Aktien sondern Geschäftsanteile und jeder eingetragene Gesellschafter hält nur einen solchen Geschäftsanteil. Die Geschäftsanteile stellen die einzige Gattung von eingezahltem Kapital dar; bevorzugte oder andere Gattungen sind nicht möglich. Das gesetzliche Mindestkapital sind EUR 35.000. TPE hält den einzigen ausgegebenen Geschäftsanteil an der TFG; dieser beträgt EUR 37.000 und ist voll einbezahlt.

ZUSAMMENFASSUNG DES PROGRAMMS

Emittenten	Telekom Austria Aktiengesellschaft und Telekom Finanzmanagement GmbH
Garantin	Telekom Austria Aktiengesellschaft
Arranger	The Royal Bank of Scotland plc
Dealers	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG, The Royal Bank of Scotland plc und UniCredit Bank Austria AG.
Principal Paying Agent	BNP Paribas Securities Services
Volumen	Bis zu EUR 2.500.000.000 (oder den Gegenwert in Fremdwährungen) an ausstehendem Volumen. Die Emittenten und die Dealer können gemeinsam eine Erhöhung des Volumens des Programms beschließen.
Ausgabemodalität	Die Schuldverschreibungen können laufend an einen oder mehrere Dealer ausgegeben werden. Die Schuldverschreibungen können auf syndizierter oder auf nicht-syndizierter Basis vertrieben werden. Die für eine Tranche maßgebliche Vertriebsmethode wird in den Endgültigen Bedingungen angegeben.
Ausgabekurs	Schuldverschreibungen können zu ihrem Nominale oder mit einem Auf- oder Abschlag auf das Nominale gegeben werden.

Clearingsysteme	Euroclear, Clearstream, Luxembourg und, in Bezug auf jede Tranche, jedes andere Clearingsystem, das zwischen der Emittentin, dem Principal Paying Agent und dem maßgeblichen Dealer vereinbart wurde.
Rang	Die Schuldverschreibungen stellen direkte, unbedingte, nicht-nachrangige und unbesicherte Verbindlichkeiten der Emittentin dar.
Anwendbares Recht	Die Schuldverschreibungen sowie sämtliche Rechte und Pflichten daraus unterliegen österreichischem Recht unter Ausschluss seiner Kollisionsnormen, soweit diese in der Anwendung ausländischen Rechts resultieren würden.
Gerichtsstand	Für sämtliche Rechtsstreitigkeiten, die aus oder im Zusammenhang mit den Schuldverschreibungen entstehen, ist das für Handelssachen zuständige Gericht für Wien, Innere Stadt, ausschließlich zuständig. Die Gerichtsstandsvereinbarung beschränkt nicht das Recht der Anleihegläubiger, Verfahren vor einem anderen gesetzlich zuständigen Gericht im EWR anzustrengen.
Börsenotierung und Zulassung zum Handel	Die Zulassung des Programms und/oder der Schuldverschreibungen zum Regelmärkten Markt an der Luxemburger Börse und zum Regelmärkten Freiverkehr an der Wiener Börse oder zu einem anderen in den Endgültigen Bedingungen angegebenen Markt wird beantragt werden.

RISK FACTORS

Warning: Should one or several of the following risks materialise, this could lead to a material decline in the price of the Notes or, in the worst-case scenario, to a total loss of interest and the amount invested by investors.

Warning: Each prospective purchaser of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes 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 Notes.

Warning: A prospective purchaser may not rely on the Issuer, the Dealer(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

Each of Telekom Austria and TFG believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither Telekom Austria nor TFG is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of Telekom Austria and TFG believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the relevant Issuer or the Guarantor (if the Issuer is other than Telekom Austria) to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons or as a result of risks not considered significant by Telekom Austria and TFG based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

This section "Risk Factors" comprises the following parts:

- I. General Risk Factors regarding Telekom Austria;
- II. Risk Factors regarding TFG;
- III. Country Risk Factors regarding the Telekom Austria Group;
- IV. Risk Factors regarding the Notes; and
- V. Risk Factors associated with the Structure and/or certain characteristics of the Notes.

I. GENERAL RISK FACTORS REGARDING TELEKOM AUSTRIA AND THE GROUP

The following is a disclosure of risk factors that may affect Telekom Austria's ability to fulfil its obligations under the Notes. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme.

The following risks are not exhaustive. Prospective investors should consider all information provided in this Prospectus, the documents incorporated by reference, any supplement thereto and the relevant Final Terms and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and

thus modify one another.

I.1 An economic downturn, a substantial slowdown in economic growth or a deterioration in consumer spending could adversely affect Telekom Austria Group'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 Group'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 and capital 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 joint EU-IMF European financial stability facility in May 2010, 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, together with the announcement on 16 January 2012 by Standard & Poor's that it lowered the long-term ratings of France and Austria by one notch (both losing their AAA ratings to AA+), and on Italy, Portugal and Spain by two notches, could have a detrimental impact on the global economic recovery. Furthermore, Moody's has on 13 February 2012 adjusted the sovereign debt ratings of certain EU countries in order to reflect their susceptibility to the growing financial and macroeconomic risks emanating from the euro area crisis and how these risks exacerbate the affected countries' own specific challenges. 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 Group negatively affecting Telekom Austria Group's result of operations and financial condition.

Through its activities in the CESEE region, the Telekom Austria Group 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 the Group is active resume the deterioration experienced in the past, or if growth remains at low levels, the level of demand by Telekom Austria Group's individual customers for its products and services and the willingness of Telekom Austria Group's business customers to invest in information and communications technology may weaken. This could, in turn, negatively impact Telekom Austria Group'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.

I.2 Telekom Austria Group 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 Group's cash flows.

There is a risk that Telekom Austria Group 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 Group would want to charge. There is also a risk that Telekom Austria Group will not identify trends correctly, or that Telekom Austria Group 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 Group's anticipated future growth drivers in the mobile telecommunications area, such as mobile data services provided via 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 (FTTx) 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 Group 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 Group'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 Group's pricing structures and market share in its mobile voice telephony business. If Telekom Austria Group does not appropriately anticipate the demand for new technologies, and adapt its strategies and cost structures accordingly, Telekom Austria Group may be unable to compete effectively, with the result that Telekom Austria Group's business activities, financial condition and results may suffer.

I.3 As a result of Telekom Austria Group'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 31 December 2011, 53% of the employees in the Austria segment of Telekom Austria Group are civil servants who cannot be dismissed without cause. Moreover another 59% of the non-civil servant employees (28% of the employees) in Austria benefit from an enhanced protection against dismissal.

In the past, Telekom Austria Group 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 Group 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 the present value of the estimated future personnel expenses of the redundant employees up to their retirement for a total amount of approximately EUR 875mn as of 31 December 2011. 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 Group's reputation.

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

I.4 Regulatory decisions and changes in the regulatory environment could adversely affect the Group's business.

Most of the Group's fixed net and mobile communications services, as well as its broadband service businesses, are subject to extensive regulatory requirements in Austria. Its international

operations and investments are subject to strict regulation in their host countries. Various risks may result from the operation of the Group in countries that are not EU member states.

The Group 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 the Group 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, the Group'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 the Group 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, to the Group or to third parties, could adversely affect its future operations in Austria and in other countries where it operates.

The European legislative bodies are currently working on a new roaming regulation which has to enter into force by beginning of July 2012. The draft proposal foresees further reductions of the existing price caps (wholesale: voice, SMS, data; retail: voice, SMS) until 2014 and introduces a retail price cap for data services which will decline until 2014 as well. Additionally the draft regulation proposes the implementation of 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 are likely to have an adverse effect on the Group's net income.

On 22 November 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 the Group operates and may adversely affect the activities of the Group 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 31 December 2012. Therefore national regulators in European Union member states are expected to introduce aggressive cost modelling which will lead to a further decrease in MTRs and FTRs in late 2012.

Telekom Austria is exposed to the risk that the EU 2009 Telecommunications Framework will increase the regulatory burden on the Group leading to additional costs which would negatively affect the financial condition of the Group.

I.5 The risk relating to system failures due to natural or human failure and the technological dependency on third parties may have an impact on the Telekom Austria Group's reputation and the rate of customer satisfaction.

Telekom Austria Group'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, the Telekom Austria Group's technological backbone depends on third party software and hardware. Although it has taken measures to safeguard against such problems, Telekom Austria Group 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 Group's reputation and reduce customer satisfaction.

I.6 Technological change could increase competition, render existing technologies obsolete or require Telekom Austria Group to make substantial additional investments.

Telekom Austria Group'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 Group 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 Group chooses to develop or acquire, however, may not prove to be successful. In addition, Telekom Austria Group 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 Group might lose customers, fail to attract new customers or incur substantial costs to maintain its customer base.

I.7 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 Group's profitability.

Telekom Austria Group 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 Group'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 Group's profitability. If Telekom Austria Group 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.

I.8 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 Group'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 Group 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 Group 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 Group's results of operations.

Telekom Austria Group cannot exclude that legislators, regulators or private litigants will refrain from taking other actions adverse to Telekom Austria Group, 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 Group's mobile communication business, customer base, or average usage per customer. Environmental objections may also impair Telekom Austria Group'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 Group's mobile communications businesses.

I.9 Shortcomings in Telekom Austria Group's supply and procurement process could negatively affect its product portfolio, revenues and profits.

Telekom Austria Group 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 Group's business. Although Telekom Austria Group does not believe that Telekom Austria Group is materially dependent on any single supplier, Telekom Austria Group'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 Group's vendors may be subject to litigation with respect to technology that is important for the conduct of Telekom Austria Group's business. Especially in times of economic turmoil, supply chains, credit access and financial stability of Telekom Austria Group's vendors may be negatively affected, which could disturb Telekom Austria Group's commercial relationship with them.

If Telekom Austria Group's commercial partners fail to deliver quality products and services in a timely manner, the ensuing disruptions in Telekom Austria Group's chain of supply could negatively affect Telekom Austria Group's product portfolio, cost structure, revenues and profits. Telekom Austria Group 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.

I.10 The risk relating to the insolvency of major customers or international suppliers may have an impact on Telekom Austria Group's revenues or profitability

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

I.11 Telekom Austria Group 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 Group's results of operations and financial condition.

Telekom Austria Group is subject to numerous risks relating to legal and regulatory proceedings, to which Telekom Austria Group is currently a party or which could develop in the future (in this connection, please see the section "Litigation and Arbitration" commencing on page 112 of this Prospectus). Proceedings brought against Telekom Austria Group may result in judgments, settlements, fines, penalties, injunctions, or other results adverse to it, which could materially and negatively affect Telekom Austria Group's businesses, financial condition or results of operations, require material changes in Telekom Austria Group's operations, or cause Telekom Austria Group reputational harm. Litigation and regulatory proceedings, including patent infringement lawsuits, are inherently unpredictable. Although Telekom Austria Group 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 Group 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 Group takes to prevent and detect this activity may not be effective in all cases, which could subject Telekom Austria Group to additional liability. Legal or regulatory proceedings in which Telekom Austria Group is or comes to be involved (or settlements thereof) may have significant adverse effects on Telekom Austria Group's results of operations or financial condition.

I.12 Potential breaches of compliance requirements or the identification of material weaknesses in Telekom Austria Group's internal control over financial reporting may have an adverse impact on Telekom Austria Group'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, and certain governments in the Operating Region have announced plans to do the same. Telekom Austria Group 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 found to have happened, Telekom Austria could, in addition to reputational damage, be found liable for fines and damage payments, which could have negative effects on the business, financial and earnings position of the Telekom Austria Group.

The supervisory board of Telekom Austria has initiated investigations by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg in order to detect possible violations in the past, including investigations regarding the acquisition of certain foreign subsidiaries of Telekom Austria. Those investigations by BDO are still ongoing and the results will be available only at a later stage. It cannot be excluded that the findings of such investigations by BDO would lead to negative effects on the reputation and financial standing of Telekom Austria and/or the Telekom Austria Group.

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 Group'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 the Telekom Austria Group.

I.13 Exchange rate, interest rate and rating risks have had, and may continue to have, an adverse effect on Telekom Austria Group's revenue and cost development.

Telekom Austria Group is exposed to currency risks including currency translation risks related to Telekom Austria Group's international business activities. Generally, Telekom Austria Group 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 Group's hedging strategies will succeed. Currency risks have had a negative impact on Telekom Austria Group's results of operations when amounts in local currencies are translated into euros and may have such negative impacts in the future. With respect to the Belarus currency devaluation please refer to the "Belarus" section of the risk factor "Economic instability in the Operating Region may adversely affect the Group's business and operations" in part III.2(b) of this risk factors chapter.

Telekom Austria Group 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 Group 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.

A decrease in Telekom Austria Group's credit ratings would raise the costs of Telekom Austria Group's debt refinancing activities and thus, materially affect the financial condition of the Telekom Austria Group.

I.14 Telekom Austria'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 shareholder of Telekom Austria, OIAG, which holds approximately 28.42 % of the shares in Telekom Austria as of the date of this Prospectus may be able to significantly influence matters requiring shareholder approval, and there can be no assurance that OIAG will align its voting behaviour with the interests of Telekom Austria. This may have a material adverse effect on the financial condition and results of Telekom Austria.

On 19 January 2012 it was announced that RPR Privatstiftung, Vienna directly and indirectly holds 20.118% of the shares in Telekom Austria AG. According to information recently published by the media, RPR Privatstiftung intends to acquire at least 25% of the shares in Telekom Austria. If this would happen, RPR Privatstiftung would have significant rights in the shareholder's meeting of Telekom Austria and may be able to exercise a material influence on the decisions of such shareholders' meeting. This may result in a material adverse effect on the financial condition and results of Telekom Austria given that there can be no assurance that RPR Privatstiftung will align its voting behaviour with the interests of Telekom Austria.

According to recently published media information, it is likely that (upon the initiative of RPR Privatstiftung) two additional members will be elected to the Supervisory Board of Telekom Austria (which would then consist of 10 members) in the upcoming annual shareholders' meeting of Telekom Austria on 23 May 2012. It cannot be excluded that such changes in the boards of Telekom Austria will have negative effects on the Telekom Austria Group.

I.15 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 for the Telekom Austria Group because of higher interest rate payments or non-availability of loans. This would have material adverse effects on Telekom Austria Group's business, results of operations and financial condition.

I.16 Crime, corruption and money laundering in the countries where the Group operates may adversely affect the Group's ability to conduct its business.

Organised crime, including extortion and fraud, poses a risk to businesses in certain countries where the Group operates. Certain countries where the Group 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 the Group to cease or alter certain activities or to liquidate certain investments, which may cause losses or have other negative impacts on the Group. In certain countries where the Group 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 the Group operates, there have been allegations that many members of the media allegedly regularly publish biased articles in return for payment. The Group's operations could be adversely affected by illegal activities, corruption or claims implicating the Group in illegal activities. Corruption and theft may also arise within

the Group; for example, through products being stolen. Such activities may cause losses or have other negative impacts on the Group.

II. RISK FACTORS REGARDING TFG

The following is a disclosure of risk factors that may affect TFG's ability to fulfil its obligations under the Notes. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme.

The following risks are not exhaustive. Prospective investors should consider all information provided in this Prospectus, the documents incorporated by reference, any supplement thereto and the relevant Final Terms and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus modify one another.

II.1 TFG is dependant on the Group performance

TFG's principal purpose is to provide funding, through the international capital and money markets, to the Telekom Austria Group. It has no revenue-producing assets of its own and is thus entirely dependent on the revenues of other Group companies. Therefore, TFG's ability to fulfil its obligations under the Notes is dependent on the performance of the Group as a whole.

II.2 Investors benefit from the Guarantee of Telekom Austria for Notes issued by TFG only insofar as provided in and to the extent Telekom Austria is able to meet its obligations under the Guarantee

Notes issued by TFG have the benefit of a guarantee of Telekom Austria. Although such Guarantee of Telekom Austria is unconditional and irrevocable, Noteholders should bear in mind that Telekom Austria may not be able to meet its obligations vis-à-vis the investors under the Guarantee. Therefore, despite the Guarantee, the investors may nevertheless be unable to collect all amounts owed to them under the Notes.

Furthermore, the obligations of Telekom Austria vis-à-vis the investors under the Guarantee are such as set forth in the Guarantee and Noteholders should not believe to have any other benefits from Telekom Austria as Guarantor than those stipulated in the Guarantee. Noteholders are asked to carefully study the provisions of the Guarantee (see chapter "Guarantee" commencing on page 114 of this Prospectus).

III. COUNTRY RISK FACTORS REGARDING TELEKOM AUSTRIA GROUP

- RISKS RELATING TO BELARUS, BULGARIA, CROATIA, MACEDONIA, SERBIA AND SLOVENIA

Telekom Austria has subsidiaries outside Austria, particularly in Central, South-eastern and Eastern Europe. Apart from Austria, the Telekom Austria Group encompasses operations in Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia (the "**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 Group's income is derived from operations in these countries. As a result, Telekom Austria Group'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 Group's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations towards

the Telekom Austria Group. Political or economic disruptions or changes in laws and their application may harm the companies in which the Telekom Austria Group has invested. This may significantly impair the value of these investments.

III.1 Emerging markets such as Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia 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 Group and thus for the investors and must decide for themselves whether, in light of those risks, their investment in Notes 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 the Telekom Austria Group, 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.

III.2 Telekom Austria Group faces intense competition in the telecommunication markets in 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 Group's revenues and net profit.

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

(a) Austria

The segment Austria comprises convergent products for voice telephony, internet access, data and IT solutions, value added services, wholesale services, IP television, mobile business and payment solutions in Austria.

Market

As of 31 December 2011, Telekom Austria Group generated approximately 66% of its total revenues and approximately 50% of its mobile communication 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 Group'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 proposed takeover of Orange Austria Telecommunication GmbH ("**Orange Austria**") by 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 will significantly raise the market share of Hutchison 3G Austria and may improve its market position in relation to A1 Telekom Austria AG. In addition, the sale of YESSS! Telekommunikation GmbH ("**Yesss!**") and other assets to Telekom Austria Group may face regulatory hurdles and could thus weaken the position of A1 Telekom Austria AG even further. 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 Austrian spectrum auction has been confirmed for September 2012 and the regulator (i.e. the *Rundfunk und Telekom Regulierungs-GmbH*, "**RTR**") has announced that both new and

currently allocated spectrum will be auctioned. 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. Moreover, a late approval or even a negative decision by the competition authorities regarding the above mentioned takeover of Orange Austria by Hutchison 3G Austria may delay the spectrum auction until early 2013.

Telekom Austria Group 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 Group may have a negative impact on the Group's market share. The emergence of new MVNO's and service providers might also have a negative impact on the Group's market share and perpetuate downward pressure on tariffs. This could materially negatively affect the Group'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. Voice over internet protocol ("**VoIP**") is a technology that has the potential to partially substitute existing technologies and services and reduce Telekom Austria Group's market share and revenues.

Austria has one of the highest penetration rates of mobile communication in Europe, reaching 156.6% as of 31 December 2011. 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 ARPU's.

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 Group is unable to identify, retain and leverage high value customers without significantly declining ARPUs, its revenues may not grow as Telekom Austria Group 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 Group'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 Group's competitors would have a material adverse effect on Telekom Austria Group's profitability.

Part of the challenge for Telekom Austria Group is to expand its A1 brand reputation to the convergent business without losing reputation, while implementing cost-saving measures. Telekom Austria Group'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 Group 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 Group to constantly invest in new technologies and upgrades of its services, such as fiber optic cables or the new LTE technology ("Long Term Evolution" – the new standard for wireless communication). While state of the art technology is a key element to Telekom Austria Group's competitive positioning, it also exposes Telekom Austria Group 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 21 November 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 Group's margins. The European Commission has decided to accept a proposal of the Austrian telecoms regulator, RTR, to oblige Telekom Austria to provide "virtual" access to its network to alternative operators via a virtual unbundling access product ("vULL"). This solution will, in the short term, encourage competition on the Austrian telecoms market by making it easier for other companies to offer their high speed broadband services. This may increase the competitive pressure on the Telekom Austria Group.

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

(b) 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 Group's activities in Belarus are dominated by the macro economy and the problem of hyperinflation with the BYR having devalued by 325% in relation to the Euro over the last three years. Telekom Austria Group 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 Group may struggle to increase prices at close to the inflation rate and if Telekom Austria Group 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 Group.

(c) Bulgaria

The segment Bulgaria comprises voice telephony (mobile and fixed line telephone service), internet access, data and IT solutions, value added services, wholesale services, IP television 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 Group'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. This provides an opportunity to gain market share, albeit with low ARPUs thereby putting the high price premium position further at risk. The sustainability of the high price premium position also depends on macro economic developments. The Bulgarian regulator has announced that from April 2012 on, the mobile termination rate ("MTR") will fall by 50% to EUR 0.0306 a minute. The next decrease to EUR 0.0208 will start from July 2012 and the maximum allowed termination charge will reach EUR 0.0235 from January 2013. 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. With MTRs contributing around approximately 15% of service revenues, the MTR decline may result in lower revenues from 2012 on. This could affect the results of operations and the financial condition of Telekom Austria Group.

(d) 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, 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 Group may be able to offer convergent product bundles. 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, may reduce margins. A failure of Telekom Austria Group in offering convergent product bundles successfully and/or reduced margins in Croatia could have a material negative impact on the revenues of operations and the financial condition of the Telekom Austria Group in Croatia.

The decision by the government to reintroduce 6% tax on mobile service revenue overriding its earlier announcement to abolish the tax as of January 2012 ends any hopes of margin improvements in the near term. Its abolishment with Croatia entering the EU is likely to be negatively compensated by increased EU regulation for termination rates and roaming prices, which could further increase pressure on margins.

In addition, the Croatian antitrust authority pressed charges against all 3 Croatian operators including the Telekom Austria Group 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 Group's margins and might also lead to a substantial fine. This could significantly negatively affect the financial condition of the Telekom Austria Group in Croatia.

(e) 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 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 Group's mobile telecommunications operations in countries in which Telekom Austria Group 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 Group's planned results.

III.3 Economic instability in the Operating Region may adversely affect the Group'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.

(a) The Operating Region in general

The challenging macro-economic conditions in countries in the Operating Region influenced customer usage behaviour above all in Bulgaria, Croatia and Belarus (increasing their price sensitivity). Any further adverse change in the economic conditions in the Operating Region as outlined in the summaries for the countries of the Operating Region in (b) to (g) below could have an adverse impact on the Group'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 the Group'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 the Group'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 Telekom Austria nor any member of the Telekom Austria Group accept liability for the accurateness, completeness or any other characteristic of this information.

(b) Belarus

According to the Worldbank, the GDP growth in Belarus was 7.6% in 2010. There is an urgent need to bring down inflation which is eroding living standards and feeding depreciation expectations. Inflation picked up in the second half of 2010 and exceeded 30% year-on-year in January-August 2011, on the back of currency devaluation and hikes in food prices and utility tariffs; the pressure from producer prices was also high, with the producer price index increasing 43% year-on-year in January-August 2011. Over the last three years, the BYR has devalued by 325% in relation to the Euro. According to the IMF, additional efforts are urgently needed in Belarus. Measures to contain spending need to be continued and lending under

government programs frozen, which have contributed to excessive credit increases and inflation. Wage restraint is also crucial. The role of the November 2010 wage increase in contributing to the crisis of March 2011 is widely recognized. For 2012 the government and the National Bank of Belarus intend according to the IMF to pursue policies which are geared towards achieving external sustainability and domestic stability: building foreign reserves, reducing the current account deficit, and reducing inflation. This would be a significant departure from past policies. The government intends a balanced budget. If the government in Belarus fails to implement strict limits on lending under government programs, tight monetary policy, and continued wage restraint 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.

(c) **Bulgaria**

The recovery in Bulgaria was negatively effected by the economic slowdown and ongoing uncertainty in Europe. The near-term economic outlook for Bulgaria has weakened. The IMF is projecting real GDP growth at 1.9% in 2011 and 1.3% in 2012, despite increased absorption of EU funds that is helping cushion the external headwinds. The IMF projects a small current account surplus for 2011, which will move to balance in 2012. Inflation is expected to fall below 3% in 2012. However, risks are tilted to the downside, especially if the global outlook deteriorates further. The 2012 budget deficit target of 1.3% of GDP is prudent in the view of the IMF. Ensuring that the fiscal reserve remains above its legislated floor during 2012 and securing the possibility for additional external market funding may help preserve confidence and enhance fiscal buffers to counter a sharper downturn. However, additional fiscal measures seem warranted, given the less optimistic growth forecasts. Early adoption of contingency measures that strive to protect capital expenditures and increased absorption of EU funds remain crucial to boost growth prospects. If the government fails to implement advancing structural reforms that improve spending efficiency, 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 Group's results of operations in Bulgaria.

(d) **Croatia**

After two years of recession, Croatia's growth remained stagnant in 2011. Private sector deleveraging and high unemployment continued to weigh on domestic demand, while exports were subdued due to weak competitiveness and a slender export base. Nevertheless, a marked import contraction resulted in a small current account surplus. The IMF estimates GDP growth in 2011 at 0.25%, with Croatia's growth performance lagging behind new member states of the EU. Under unchanged policies, economic prospects for 2012 and the medium term are weak according to the IMF. With current policies, the IMF projects a GDP decline of about 1% in 2012, reflecting continued weakness of domestic demand due to corporate deleveraging and household debt overhang. Recovery in external demand is likely to stall as the euro area enters a recession. Over the medium term, weak competitiveness could constrain growth in the absence of structural reforms. Domestic-demand driven growth fuelled by large capital inflows during the pre-crisis years is no longer a viable option, as foreign financing will likely remain subdued. Rebalancing of the economy towards external demand is needed to return to a sustainable growth path. The outlook is subject to significant downside risks. Direct financial and trade linkages to the euro area imply that Croatia is highly exposed to further spillover risks, particularly lower rollover rates, higher cost of funding, and weaker exports. The ensuing weaker GDP growth and revenues would exacerbate fiscal financing pressures. The impact would be substantially magnified by the high vulnerabilities arising from external debt of about 100% of GDP, sizable external financing needs, and large foreign currency indebtedness. If Croatia will not be able to succeed in averting such risks, 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 Group's results of operations in Croatia.

(e) **Macedonia**

The economy in Macedonia has strengthened over the year 2011, but now faces a worsening external environment that has created new risks and headwinds to growth. The IMF expects growth to be 3% in 2011, based largely on the strong performance in the first half year. Weak growth in trading partners and heightened financial stress in the euro area are expected to weigh on prospects for growth in 2012. These factors are expected to reduce demand for Macedonia's exports and contribute to tighter domestic financial conditions. The IMF expects growth to be 2% in 2012, with risks tilted clearly to the downside. Inflation is expected to decline to 2% in 2012, as the effects of higher food and commodity prices fade and in response to slowing domestic demand. The current account deficit is expected to be around 5.5% of GDP in 2011 and 6 to 6.5% of GDP in 2012. This reflects a slowing of both exports and imports in 2012 in response to weaker growth externally and in Macedonia. Foreign direct investment and external borrowing by the government are expected to provide adequate financing, allowing a modest accumulation of international reserves. Over the medium term the current account is expected to stabilize at levels that can be financed largely by foreign direct investment. The possibility of an accelerated economic downturn and intensification of financial stress in the euro area poses significant risks for Macedonia. In such circumstances, demand for Macedonian exports would contract sharply and external financing for the public and private sectors, including foreign direct investment, could become more scarce. The inflow of private transfers, which are an important source of support to the economy, could also be affected. In such a scenario, economic growth could fall considerably below the IMF's baseline projections, and balance of payments pressures could arise. This would negatively affect the revenues of Telekom Austria Group in Macedonia.

(f) **Serbia**

The Serbian authorities' policy response to the slowing growth and falling inflation in 2011 was according to the IMF broadly appropriate. Amid faltering euro area economic activity, Serbia's GDP is projected to grow by 0.5% this year, with high and rising unemployment being a key concern. The GDP projection is in line with the National Bank of Serbia ("NBS") forecast. On the positive side, inflation has been slowing down and is expected to return within the NBS's tolerance band in early 2012. Performance against the end-2011 targets was broadly in line with the IMF stand-by-arrangement ("SBA") with Serbia, although the target on the general government deficit was missed by a small amount, as additional spending restraint did not fully compensate for revenue shortfalls. Completion of the first review under the SBA has been postponed as the 2012 budget deviated from the agreed fiscal program, in particular with regard to higher planned issuance of public debt (including government guarantees) and domestically-financed projects. If the Serbian government fails to implement appropriate measures to decrease unemployment and/or inflation this could materially negatively affect the Group's revenues in Serbia due to low consumer spending.

(g) **Slovenia**

As of May 2011, Slovenia's economy was gradually recovering following one of the sharpest GDP declines in the euro area during the crisis. Real GDP declined over 10% from peak to trough owing to: a sharp decline in external demand; a significant tightening in external credit conditions forcing banks to curtail domestic credit supply; and an abrupt end of a construction and housing price boom. Real GDP growth reached 1.2% in 2010, led by rising exports. Weak domestic demand led to negative core inflation and greatly reduced the current account deficit. The current account deficit shrank from 6.7% of GDP in 2008 to 1.2% in 2010, reflecting mainly the end of the construction boom. Average consumer price index ("CPI") inflation was 1.8% in 2010, mainly because of rising fuel and energy prices. The average unemployment rate increased to 7.2% in 2010 up from 4.8% at end 2008. GDP growth is projected at 2% in 2011. The pick-up in growth reflects mainly a recovery in the manufacturing sector and inventory rebuilding. However, investment will likely be low due to deleveraging in the highly indebted corporate sector. High unemployment and fiscal retrenchment will weigh on consumption growth. Average inflation is projected to gradually pick up on the back of high commodity

prices. The current account deficit is expected to widen again as the economy recovers, but not as much as in pre-crisis times. The main risks to the outlook are the near-term dependence of the recovery on external demand and significant contingent public liabilities from entitlement spending and banks. The postponement of pension and labor market reforms could also lead to further deterioration in competitiveness and potential output growth. The general government fiscal deficit narrowed in 2010. After widening considerably during the crisis, the general government deficit declined to 5.2% in 2010. The main factors were one-off revenue gains, cuts in capital transfers, and containment of the wage bill. The deficit is expected to continue narrowing in 2011 primarily through further wage bill rationalizations, reduced indexation of pensions and other entitlements, and capital expenditure and capital transfer cuts. The authorities aim to reduce the fiscal deficit to below 3% by 2013. In the long term, pension expenditure poses a challenge to fiscal sustainability. Slovenia is projected to have one of the largest pension expenditures in the EU by 2050 if no reform is implemented. The authorities started addressing the challenge with the pension reform that will increase the effective retirement age and lower the replacement rate. A (further) deterioration of the economic condition in Slovenia, particularly due to unemployment and fiscal retrenchment, would affect the Group's revenues of operations in Slovenia and thus, the financial conditions of the Group.

III.4 Political instability in the Operating Region may adversely affect the Group'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 the Group's business, results of operations and financial condition.

III.5 The Group 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 the Group's assets, potentially with little or no compensation, would have a material adverse effect on the Group's business, results of operations, financial conditions and prospects.

III.6 Instability of Belarusian, Bulgarian, Croatian, Macedonian and Serbian currencies may adversely affect the Group's earnings.

Since 2001, the Serbian RSD has (more and more loosely) been allowed to float against the EUR, with occasional interventions by the NBS. Croatia has, already in the 1990s, implemented a tightly managed float (with the Euro as reference) for its 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 EUR, will remain key for Croatia. The Bulgarian 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 MKD. With effect from 2 January 2009, Belarus pegged the Belarusian BYR to a basket of currencies made up of USD, EUR and 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 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 the Group's results of operations and financial conditions. Furthermore, as Telekom Austria Group is preparing its consolidated financial statements in EUR, the Group 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 the Group denominated in other currencies than EUR when translated into EUR for the Group's consolidated financial statements.

III.7 Changes in Belarus', Bulgaria's, Croatia's, Macedonia's, Serbia's and Slovenia's relationships with western governments and institutions may affect the Group's business.

The relationships that each of Belarus, Bulgaria, Croatia, Macedonia, Slovenia and Serbia have 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 the Group'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, 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, 76 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, but have so far not produced any agreements. Although the European Council decided on 1 March 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 could thus, adversely affect the Group's business, results of operations and financial condition.

III.8 Relationships upon which countries in the Operating Region depend for their economic growth may deteriorate and thus affect the Group'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 1 January 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 the Group's business, results of operations, financial condition and prospects.

III.9 Limited financial infrastructure and liquidity problems in the Operating Region may adversely affect the Group'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 the Group's business, results of operations and financial condition.

III.10 Potential social instability in the Operating Region may affect the Group'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 the Group's business, results of operations and financial condition.

III.11 The Operating Region's evolving legal systems are subject to risks and uncertainties, which may have an adverse effect on the Group'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, orders 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.

III.12 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 the Group 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 Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia 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. The Group 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 the Group's business, results of operations and financial condition.

III.13 Uncertainties in the tax systems in the Operating Region may adversely affect the Group'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 the Group 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 the Group to be in compliance in all material respects with tax laws. Nevertheless it might be possible that competent authorities in the Operating Region could take different positions with regard to interpretative issues in the future. This could have a material adverse effect on the Group's business, results of operations and financial condition.

III.14 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 the Group's business, results of operations and financial condition.

III.15 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 the Group's interpretation of the law in the Operating Region. If a court or a governmental authority takes a position unfavourable to the Group, it may need to restructure its operations, which could have a material adverse effect on the Group's business, financial condition and results of operations.

III.16 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 the Group's business.

The internal debt market of countries in the Operating Region remain 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 the Group's business, results of operations and financial condition.

IV. GENERAL RISK FACTORS REGARDING THE NOTES

The following is a disclosure of risk factors that are material to the Notes issued under the Programme in order to assess the market risk associated with these Notes. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme.

The following statements are not exhaustive. Prospective investors should consider all information provided in this Prospectus, the documents incorporated by reference, any supplement thereto and the relevant Final Terms and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

In respect of Notes which require, in view of their specific structure, a special description of risk factors, risk factors in addition to, or in substitution for those mentioned below, the applicable risk factors will be described in the Final Terms relating to such Notes.

The purchase of certain Notes issued under the Programme may involve substantial risks and may only be suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate such risks and the merits of an investment in such Notes. Certain Notes issued under the Programme may not be principal protected and accordingly, there is no guarantee that Noteholders will be entitled to the return at maturity of the principal amount invested.

IV.1 Notes may not be a suitable investment for all Investors

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes, and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) 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 Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all risks of an investment in the relevant Notes, 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;
- (d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviours of any relevant indices and financial markets;
- (e) 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; and
- (f) recognise that it may not be possible to dispose of the Notes for a substantial period of time, if at all, before maturity.

IV.2 Noteholders are exposed to the risk of partial or total failure of the Issuer to make interest and/or redemption payments under the Notes (and of the Guarantor to make payments under the Guarantee) (Credit Risk)

Investors are subject to the risk of a partial or total failure of the respective Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Notes and the Guarantor (where the Issuer is other than Telekom Austria) (the Issuer and the Guarantor together, the "**Obligors**") to make any payments under the Guarantee. The worse the creditworthiness of any Obligor, the higher the risk of loss (see also the risk factors regarding the Obligors above). A materialisation of the credit risk may result in partial or total failure of the relevant Issuer to make interest and/or redemption payments and of the Guarantor to make any payments under the Guarantee.

IV.3 Investors in the Notes assume the risk that the credit spread of the Issuer and in case the Issuer is not Telekom Austria, the Guarantor also, changes (Credit Spread Risk)

A credit spread is the margin payable by the Issuer to the holder of a Note as a premium for the assumed credit risk of the Issuer and/or the Guarantor. 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 the Note and 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 Notes.

IV.4 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 Notes 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 Notes the yield on such Notes will become negative and investors will have to suffer a loss.

IV.5 Noteholders are exposed to market price risk in any sale of Notes (Market Price Risk)

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes. If the holder decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the relevant Final Terms.

Certain Notes may contain, or be combined with, an option, the price of which may be subject to change and may thus influence the market price of such Notes. The option price (the option premium) is primarily affected by the difference between the price of the underlying asset and the strike price, the time remaining for the option to be exercised, and the volatility of the underlying asset. Affecting the option price to a lesser degree are factors such as interest rates, market conditions, and the dividend rate of the underlying asset. Changes in the price and volatility of the underlying asset strongly influence the option price. The value of an option tends to decrease as its expiration date approaches and the option becomes worthless after that date. The holder of such Notes is therefore exposed to the risk of an unfavourable development of the price of the option contained in, or combined with, such Notes.

IV.6 A holder of Notes denominated in a currency being a foreign currency to such investor or a Dual Currency Note may be exposed to adverse changes in currency exchange rates which may affect the yield of such Notes (Currency Risk/Dual Currency Notes)

A holder of Notes denominated in a in a currency being a foreign currency to such investor and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments. A change in the value of any foreign currency against the euro, for example, will result in a corresponding change in the euro value of Notes denominated in a currency other than euro and a corresponding change in the euro value of interest and principal payments made in a currency other than in euro in accordance with the terms of such Notes. If the underlying exchange rate falls and the value of the euro correspondingly rises, the price of the Notes and the value of interest and principal payments made thereunder expressed in euro falls.

Furthermore, there is a risk that authorities with jurisdiction over the currency in which an investor's financial activities are denominated principally, may impose or modify exchange controls. Such exchange controls could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

IV.7 There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at fair market prices (Liquidity Risk)

Application has been made to admit the Programme to the Markets, each of which appears on the list of regulated markets issued by the European Commission. In addition, the Programme provides that Notes may be listed on an alternative market or stock exchange or may not be listed at all.

Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact

that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain, which may adversely affect the liquidity of the Notes. In an illiquid market, an investor might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

IV.8 There is a risk that trading in the Notes or underlyings will be suspended, interrupted or terminated

If the Notes are listed on one (or more) markets (which may be regulated or unregulated), the listing of such Notes may – depending on the rules applicable to such stock exchange – be suspended or interrupted by the respective 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 Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Where trading in an underlying of the Notes is suspended, interrupted or terminated, trading in the respective Notes will usually also be suspended, interrupted or terminated and existing orders for the sale or purchase of such Notes will usually be cancelled. Investors should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes 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 Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the price of such Notes. Furthermore, a trading suspension, interruption or termination of underlyings of the Notes may cause a suspension, interruption or termination of trading in the Notes and may as well result in an artificial or wrong valuation of the Notes. Finally, even if trading in Notes or underlyings 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 Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialise, have a material adverse effect on the investors.

IV.9 Credit ratings of Notes may not adequately reflect all risks of the investment in such Notes and may be suspended, downgraded or withdrawn

A rating of Notes, if any, may not adequately reflect all risks of the investment in such Notes. 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 Notes. 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.

IV.10 In the event that any Notes are redeemed prior to their maturity, a holder of such Notes may be exposed to risks, including the risk that his investment will have a lower than expected yield (Risk of Early Redemption)

The applicable Final Terms will indicate whether an Issuer may have the right to call the Notes prior to maturity (an optional call right) if any or whether the Notes will be subject to early redemption upon the occurrence of an event specified in the applicable Final Terms (an early

redemption event). The Issuer will always have the right to redeem the Notes if the Issuer is required to make additional (gross-up) payments for reasons of taxation. If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a holder of such Notes is exposed to the risk that, due to early redemption, its investment will have a lower than expected yield. The Issuer might exercise its optional call right if the yield on comparable Notes in the capital markets falls, which means that the investor may only be able to reinvest the redemption proceeds in Notes with a lower yield.

Investors should note that where the Terms and Conditions of the Notes provide for a right of early redemption by the Issuer only, Noteholders usually receive a higher yield on their Notes than they would if they were also granted a right to early redeem the Notes. Excluding the Noteholders' right to redeem Notes prior to their maturity is often a precondition for the Issuer being able to hedge its exposure under the Notes. Thus, without early redemption by Noteholders being excluded, the Issuer would not be able to issue Notes at all, or the Issuer would factor the potential hedging break costs into the redemption amount of the Notes, thus reducing the yield investors receive from the Notes. Investors should therefore carefully consider whether they think that a right of early redemption only for the Issuer would be to their detriment, and should, if they think that this is the case, not invest in the Notes.

IV.11 There is a risk that Noteholders may not be able to reinvest proceeds from the Notes in such a way that they earn the same rate of return (Reinvestment Risk)

Noteholders may be subject to the risk that interest or dividends earned from an investment in the Notes may not in the event of an early redemption of any Notes be able to be reinvested in such a way that they earn the same rate of return as the redeemed Notes.

IV.12 Legality of Purchase

Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different) or for compliance by that prospective purchaser with any laws, regulation or regulatory policy applicable to it. A prospective purchaser may not rely on the Issuer, the Dealers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

IV.13 The tax impact of an investment in the Notes should be carefully considered

Potential purchasers and sellers of the Notes 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 Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial instruments such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this document and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. 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.

IV.14 The Notes are governed by Austrian law, and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the investors

The Terms and Conditions of the Notes will be governed by Austrian law in effect as at the date of this Prospectus. Investors should thus note that the governing law may not be the law of their own home jurisdiction and that the law applicable to the Notes may not provide them with similar protection as their own law. Furthermore, no assurance can be given as to the impact of any possible judicial decision or change to Austrian law (or law applicable in Austria), or

administrative practice after the date of this Prospectus.

IV.15 If a loan or credit is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss

If a loan is used to finance the acquisition of the Notes by an investor and the Notes 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 Notes. 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.

IV.16 Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes

When Notes 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 Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. 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 Notes (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 Notes before investing in the Notes.

IV.17 Investors have to rely on the functionality of the relevant clearing system

The Notes are purchased and sold through certain clearing systems, such as Clearstream Banking S.A. or Euroclear Bank S.A./N.V. The Issuer does not assume any responsibility as to whether the Notes are actually transferred to the securities portfolio of the relevant investor. Investors have to rely on the functionality of the relevant clearing system.

IV.18 An Austrian court can appoint a trustee (Kurator) for the Notes to exercise the rights and represent the interests of Holders on their behalf

Pursuant to the Austrian Notes Trustee Act (*Kuratorenengesetz*¹), a trustee (*Kurator*) can be appointed by an Austrian court, upon the request of any interested party (e.g., a Noteholder) or upon the initiative of the competent court, for the purposes of representing the common interests of the Noteholders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Noteholders and will be entitled to make statements on their behalf which shall be binding on all Noteholders. Where a trustee represents the interests and exercises the rights of Noteholders, this may conflict with or otherwise adversely affect the interests of individual or all Noteholders.

¹ *Gesetz betreffend die gemeinsame Vertretung der Rechte der Besitzer von auf den Inhaber lautenden oder durch Indossament übertragbaren Teilschuldverschreibungen und die bürgerliche Behandlung der für solche Teilschuldverschreibungen eingeräumten Hypothekarrechte (RGBl 49/1874 of 24 April 1874).*

IV.19 Changes in the EU Savings Directive could negatively affect investors

The EU adopted the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments ("**EU Savings Directive**"), which obliges each 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 13 November 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 Notes.

V. RISK FACTORS ASSOCIATED WITH THE STRUCTURE AND/OR CERTAIN CHARACTERISTICS OF THE NOTES

V.1 Fixed Rate Notes and Step-up/Step-down Notes

A Noteholder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the current interest rate on the capital market ("market interest rate") typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the Noteholder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such Noteholder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note. The same risks apply to Step-up and Step-down Notes if the market interest rates in respect of comparable Notes are higher than the rates applicable to such Notes.

V.2 Floating Rate Notes

A Noteholder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance.

V.3 Zero Coupon Notes

Zero Coupon Notes do not pay current interest but are typically issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A Noteholder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

V.4 Dual Currency Notes

As regards the Risks of Dual Currency Notes, please see Risk Factor IV.6.

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined or used in "Terms and Conditions of the Notes" below shall have the same meanings in this overview. The Issuer may agree with any Dealer that Notes may be issued in a form other than that contemplated in "Terms and Conditions of the Notes" herein, in which event (in the case of listed or publicly offered Notes only) a supplement to the Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Issuers	Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH
Guarantor	Telekom Austria Aktiengesellschaft
Arranger	The Royal Bank of Scotland plc
Dealers	BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG, The Royal Bank of Scotland plc and UniCredit Bank Austria AG.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to Dealers are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Principal Paying Agent	BNP Paribas Securities Services
Programme Size	Up to €2,500,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers, the Guarantor and the Dealers may agree on an increase of the amount of the Programme.

Method of Issue	Notes may be issued on a continuing basis to one or more Dealers. Notes may be distributed on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the Final Terms.
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The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a

"**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental Terms and Conditions of the Notes and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a final terms to this Prospectus (the "**Final Terms**").

Consolidation

Notes of one Series may be consolidated with Notes of another Series and provisions in respect of such consolidation will be contained in the relevant Final Terms.

Issue Price

Notes may be issued at their principal amount or at a discount or premium to their principal amount.

Clearing Systems

Euroclear, Clearstream, Luxembourg and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer.

Initial Delivery of Notes

On or before the issue date for each Tranche, if the Global Note is in New Global Note ("**NGN**") form, it will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the Global Note is in Classic Global Note ("**CGN**") form, the Global Note representing Bearer Notes or Exchangeable Bearer Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a depositary on behalf of the Issuer. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent and the relevant Dealer.

Currencies

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency if the Issuer and the relevant Dealers so agree.

Maturities

Subject to compliance with all relevant laws, the Notes will have maturities as specified in the relevant Final Terms.

Denomination

Notes will be issued in such denominations as may be agreed by the relevant Issuer and the relevant Dealer(s) and specified in the relevant Final Terms, save that the minimum denomination of the Notes will be Euro 1,000 or, if any currency other than Euro, in an amount in such other currency equal to or exceeding the equivalent of Euro 1,000 at the time of the issue of the Notes.

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes will bear interest set separately for each Series:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions (as defined in the Terms and Conditions of the Notes); or

(ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes

Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permit the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as will be specified in the relevant Final Terms.

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed (either in whole or in part) prior to their stated maturity (if any) at the option of the Issuer and/or the holders, and if so the terms applicable to such redemption.

Early Redemption

Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons and, at the option of the Noteholders, only in certain defined circumstances including in case of a Change of Control, in each case as specified in the Final Terms. See "Terms and Conditions of the Notes – Maturity and Redemption".

Status of the Notes

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, all as described in "Terms and Conditions of the Notes - Status of the Notes". Notes issued by TFG will have the benefit of a Guarantee issued by Telekom Austria Aktiengesellschaft.

Cross Default

See "Terms and Conditions of the Notes – Events of Default".

Negative Pledge	See "Terms and Conditions of the Notes - Negative Pledge".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Austria, subject to customary exceptions as described in "Terms and Conditions of the Notes - Taxation".
Governing Law	Austrian law
Place of Jurisdiction	The competent Austrian courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, to the extent permissible according to applicable mandatory consumer protection legislation.
Representation	Pursuant to the Austrian Notes Trustee Act (<i>Kuratoren-gesetz</i>), a trustee (<i>Kurator</i>) can be appointed by an Austrian court, upon the request of any interested party (e.g., a Noteholder) or upon the initiative of the competent court, for the purposes of representing the common interests of the Noteholders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Noteholders and will be entitled to make statements on their behalf which shall be binding on all Noteholders.
Listing and Admission to Trading	Application will be made to admit the Programme and/or Notes to the Markets or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series may, but need not be, listed on the Markets or any other market or stock exchange.
Ratings	<p>As of the publication date of the Prospectus, the rating assigned by the rating agency to the Programme is as follows:</p> <p>by S&P (as defined below): BBB</p> <p>Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms.</p> <p><i>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</i></p> <p>Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 as</p>

amended by Regulation (EU) No 513/2011 (the "**CRA Regulation**") will be disclosed in the Final Terms.

Selling Restrictions

United States, the European Economic Area, United Kingdom, Japan and such other restrictions as may be required in connection with a particular issue. See "Selling Restrictions" commencing on page 130 of this Prospectus.

The Notes to be offered and sold will be subject to the restrictions of Category 2 for the purposes of Regulation S under the Securities Act.

Notes having a maturity of more than one year will be subject to the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"). Notes will be issued in compliance with US Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**").

INTRODUCTION TO THE TERMS AND CONDITIONS OF THE NOTES

General

Under this Programme, the Issuers may from time to time issue Notes to one or more of the Dealer(s) (as defined herein) in any currency agreed between the Issuer and the Dealer(s). The maximum aggregate principal amount of the Notes from time to time outstanding under the Programme will not exceed EUR €2,500,000,000 (or nearly equivalent in another currency). The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement from time to time.

Notes may be issued on a continuing basis to one or more Dealers. Notes may be distributed by way of public offers or private placements and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the Final Terms.

The Notes will be issued in series (each a "**Series**"). Each Series may be issued in tranches (each a "**Tranche**") being intended to be interchangeable with all other Notes of the same Series issued on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms to this Prospectus (the "**Final Terms**"). The Final Terms will be displayed on the website of the Luxembourg Stock Exchange (www.bourse.lu) if the Programme is listed on the official list of the Luxembourg Stock Exchange and the respective Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Issue Procedure

General

The relevant Issuer and the relevant Dealer(s) will agree on the terms and conditions applicable to each particular Tranche of Notes (the "**Conditions**"). The Conditions will be constituted by the Terms and Conditions of the Notes set forth below (the "**Terms and Conditions**") as completed, modified, replenished or replaced by the provisions of the Final Terms (the "**Final Terms**"). The Final Terms relating to each Tranche of Notes will specify whether the Conditions are to be Long-Form Conditions or Integrated Conditions (each as described and defined below).

As to whether Long-Form Conditions or Integrated Conditions will apply, the Issuer anticipates that:

- Long-Form Conditions will generally be used for Notes sold on a non-syndicated basis and not publicly offered.
- Integrated Conditions will generally be used for Notes sold and distributed on a syndicated basis. Integrated Conditions will be required where the Notes are to be publicly offered, in whole or in part, or are to be distributed, in whole or in part, to non-professional investors.

Long-Form Conditions

If the Final Terms specify that Long-Form Conditions are to apply to the Notes, the provisions of the applicable Final Terms and the Terms and Conditions, taken together, shall constitute the Conditions (the "**Long-Form Conditions**"). Such Conditions will be constituted as follows:

- the blanks in the provisions of the Terms and Conditions which are applicable to the Notes will be deemed to be completed by the information contained in the Final Terms as if such

information were inserted in the blanks of such provisions;

- the Terms and Conditions will be modified, replenished or replaced by the text of any provisions of the Final Terms modifying, replenishing or replacing, in whole or in part, the provisions of the Terms and Conditions;
- alternative or optional provisions of the Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted will be deemed to be deleted from the Terms and Conditions; and
- all instructions and explanatory notes set out in square brackets in the Terms and Conditions and any footnotes and explanatory text in the Final Terms will be deemed to be deleted from the Terms and Conditions.

Where Long-Form Conditions apply, each Global Note representing the Notes of the relevant Series will have the Final Terms and the Terms and Conditions attached.

Integrated Conditions

If the Final Terms specify that Integrated Conditions are to apply to the Notes, the Conditions in respect of such Notes will be constituted as follows:

- all of the blanks in all applicable provisions of the Terms and Conditions will be completed according to the information contained in the Final Terms and all non-applicable provisions of the Terms and Conditions (including the instructions and explanatory notes set out in square brackets) will be deleted; and/or
- the Terms and Conditions will be otherwise modified, replenished or replaced, in whole or in part, according to the information set forth in the Final Terms (the "**Integrated Conditions**").

Where Integrated Conditions apply, the Integrated Conditions alone will constitute the Conditions. The Integrated Conditions will be attached to each Global Note representing Notes of the relevant Series.

TERMS AND CONDITIONS OF THE NOTES

Notes issued by Telekom Finanzmanagement GmbH under this Programme will have the benefit of a guarantee issued by Telekom Austria AG. If the Notes have the benefit of a Guarantee, as specified in the applicable Final Terms, references in these Terms and Conditions to the Guarantee and the Guarantor shall apply.

§1

Currency, Denomination, Form, Clearing System and Noteholder

- (1) *Currency, Denomination and Form.* This Series of notes (the "Notes"; this term includes any further Notes issued pursuant to §11 that form a single series with the Notes) of [Telekom Finanzmanagement GmbH] [Telekom Austria AG] (the "Issuer") are issued in [*insert currency*] (the "Currency") in an aggregate principal amount of [*insert aggregate principal amount*] (in words: [*insert aggregate principal amount in words*]) and are divided into (up to) [*insert number of Notes*] Notes payable to the bearer, with a principal amount of [*insert denomination*] each (the "Specified Denomination"). The Notes are issued in bearer form only.
- (2) *Temporary Global Note – Exchange.*
 - (a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons which will be exchangeable for a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**" and each a "**Global Note**") without coupons. Each Global Note shall be signed manually by two directors of the Issuer and shall each be authenticated by or on behalf of the Paying Agent. The right to have definitive Notes or coupons issued is excluded.
 - (b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days and not later than 180 days after the Issue Date. Such exchange and any payment of interest on Notes represented by a Temporary Global Note shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is or are not (a) U.S. person(s) as defined by the U.S. Securities Act of 1933. A separate certification shall be required in respect of each such payment of interest. Any such certification received by the Paying Agent (as defined in the Final Terms) on or after the 40th day after the Issue Date will be treated as a request to exchange such Temporary Global Note as described above. Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States.
- (3) *Clearing System.* Each Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means each of the following: Clearstream Banking société anonyme, Luxembourg ("**Clearstream Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") (together, the "**ICSDs**" and each an "**ICSD**") or any successor in this capacity. Notes issued in "new global note" ("**NGN**") form will be kept in custody by a common safekeeper on behalf of the ICSDs and Notes issued in "classical global note" ("**CGN**") form will be kept in custody by a common depository.
- (4) *Noteholder.* "**Noteholder**" means any holder of a proportionate co-ownership or other similar right in the Global Notes, which are transferable exclusively pursuant to the conditions of the Clearing System and applicable law.

[In case of Global Notes in the form of NGN, include:

- (5) *Records of the ICSDs.* The nominal amount of the Notes represented by the Temporary Global Note and the Permanent Global Note shall be the aggregate amount from time to time entered in the records of the ICSDs. The records of the ICSDs (which expression means the records that the ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the aggregate nominal amount of the Notes represented by the Temporary Global Note and the Permanent Global Note and, for these purposes, a statement issued by a ICSD stating the nominal amount of the Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Temporary Global Note and the Permanent Global Note, the Issuer shall procure that details of such redemption, payment or purchase and cancellation (as the case may be) in respect of the Temporary Global Note and the Permanent Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the aggregate nominal amount of the Notes recorded in the records of the ICSDs and represented by the Temporary Global Note and the Permanent Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.]

- [(5)][(6)] *ISIN.* The ISIN Code (International Securities Identification Number or ISIN) is [*insert ISIN*].

Any references in these Terms and Conditions or the relevant Final Terms to "EUR" or "euro" means the official currency unit of the member countries of the European Union who have adopted monetary union.

§2

Status of the Notes, Negative Pledge [and Guarantee]

- (1) *Status of the Notes.* The obligations under the Notes constitute unsecured [(notwithstanding the Guarantee in relation to Notes issued by Telekom Finanzmanagement)] and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.
- (2) *Negative Pledge.* Each of the Issuer and the Guarantor undertakes, as long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Agent, not to, and shall procure that no Material Subsidiary of the Issuer or the Guarantor will, create or permit to subsist any mortgage, charge, pledge, lien (other than solely by operation of law) or other encumbrance upon any or all of its present or future assets (including any uncalled capital) to secure any Public Debt of any Person or any obligation of any Person under any guarantee of or indemnity in respect of any Public Debt of any other Person, without at the same time having the Noteholders' share equally and ratably in such security or such other security as shall be approved by an independent accounting firm of internationally recognised standing as being equivalent security.

Nothing in this §2 shall prevent the Issuer, the Guarantor or any Material Subsidiary of the Issuer or the Guarantor, as the case may be, from creating or permitting to subsist a mortgage, lien, pledge or other charge upon a defined or definable pool of its assets including, but not limited to, receivables (not representing all of the assets of the Issuer, the Guarantor or any Material Subsidiary of the Issuer or the Guarantor, as the case may be) (the "**Secured Assets**") which is or was created pursuant to any securitisation or like arrangement in accordance with established market practice (whether or not involving itself as the issuer of any issue of asset

backed securities) and whereby all payment obligations in respect of the Public Debt of any Person or under any guarantee of or indemnity in respect of the Public Debt of any other Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer, the Guarantor or any Material Subsidiary of the Issuer or the Guarantor).

- (3) "**Material Subsidiary**" at any time shall mean a Subsidiary of the Issuer or the Guarantor, as applicable:
- (a) whose gross revenues attributable to the Issuer or the Guarantor, as applicable, (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenues attributable to the shareholders of the Issuer or the Guarantor, as applicable, or, as the case may be, consolidated total assets, of the Issuer or the Guarantor, as applicable, and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer or the Guarantor, as applicable, and its Subsidiaries; or
 - (b) to which the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer or the Guarantor, as applicable, is transferred which immediately before the transfer is a Material Subsidiary; or
 - (c) whose gross revenues and/or total assets represent less than the 10 per cent. threshold in (a) above, but, when aggregated with the gross revenues and/or total assets of one or more Non-Material Subsidiaries, would represent more than such threshold percentage.

A report of independent auditors appointed by the Issuer or the Guarantor, as applicable, stating that in their opinion a Subsidiary of the Issuer or the Guarantor, as applicable, is or is not or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

- (4) "**Non-Material Subsidiary**" at any time shall mean any Subsidiary of the Issuer or the Guarantor, as applicable, which:
- (a) has created or has outstanding any mortgage, charge, pledge, lien (other than solely by operation of law), or other encumbrance upon any or all of its present or future assets (including any uncalled capital) to secure (i) any Public Debt of any Person or (ii) any obligation of any Person under any guarantee of or indemnity in respect of any Public Debt of any other Person; and
 - (b) whose gross revenues and/or total assets represent less than the 10 per cent. threshold in (a) of the definition of Material Subsidiary.
- (5) "**Public Debt**" means indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange, over-the-counter or other regulated or unregulated markets. For the avoidance of doubt, certificates of indebtedness (*Schuldscheindarlehen*) do not constitute Public Debt.
- (6) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having separate legal personality.
- (7) A company is a "**Subsidiary**" of another company, its "**holding company**", if that other

company:

- (a) holds a majority of the voting rights in it; or
- (b) is a member of it and has the right to appoint or remove a majority of (i) its board of directors and/or (ii) its supervisory board (if applicable); or
- (c) is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it,

or if it is a subsidiary of a company which is itself a subsidiary of that other company.

[In case of Notes issued by Telekom Finanzmanagement GmbH, include:]

- (8) *Guarantee.* Telekom Austria AG (the "**Guarantor**") has given its unconditional and irrevocable guarantee (the "**Guarantee**") for the due payment of principal of, and interest on, and any other amounts expressed to be payable under the Notes. Under the Guarantee, each Noteholder may require performance of the Guarantee directly from the Guarantor and may enforce the Guarantee directly against the Guarantor. The Guarantee constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Guarantor which ranks and will at all times rank at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by mandatory provisions of law. Copies of the Guarantee may be obtained free of charge at the office of the Paying Agent set forth in §9. The Guarantee is meant to be and shall be interpreted as *abstrakter Garantievertrag* pursuant to §880a of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch*), and not as surety (*Bürgschaft*) or as a joint obligation as a borrower (*Mitschuldner*).]

**§3
Interest**

[In case of an issuance of Notes with a fixed interest rate, include:]

- (1a) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their then outstanding principal amount at the rate of [*insert interest rate*] per cent. per annum (the "**Fixed Interest Rate**") from and including [*insert Issue Date*] (the "**Issue Date**") to but excluding the Maturity Date (as defined in §4(1)). Interest shall be payable [annually][semi-annually] in arrears on [*insert Fixed Interest Payment Date*] of each year (each such date, an "**Fixed Interest Payment Date**"). The first payment of interest shall be made on [*insert First Fixed Interest Payment Date*] (the "**First Fixed Interest Payment Date**").
- (1b) *Calculation of Interest.* Each period from and including the Issue Date to, but excluding, the First Fixed Interest Payment Date and any subsequent period from and including a Fixed Interest Payment Date to, but excluding, the next Fixed Interest Payment Date is an "**Fixed Interest Period**". The amount of interest payable on the Notes (the "**Fixed Interest Amount**") for each Fixed Interest Period shall be calculated by multiplying the Fixed Interest Rate and the Day Count Fraction with the principal amount of each Note and rounding the resulting figure to the nearest cent, with 0.5 or more of a cent being rounded upwards.
- (1c) *Day Count Fraction.* "**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time:
 - (a) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Payment Date (or, if non, the First Fixed Interest Payment Date) to (but excluding) the relevant payment date (the

"**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Periods and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
 - (i) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Fixed Interest Payment Date (or, if none, the First Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Issue Date or the final Fixed Interest Payment Date is not a Determination Date, the period commencing on the first Determination date prior to, and ending on the first Determination Date falling after, such date).]

[In case of an issuance of Notes with a variable interest rate, include:

- (1a) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their then outstanding principal amount at the Floating Interest Rate calculated by the Calculation Agent from and including [*insert Issue Date*] (the "**Issue Date**"). Interest will be payable [annually][semi-annually][quarterly] in arrears on each Floating Interest Payment Date, the first such payment to be made on [*insert First Floating Interest Payment Date*] (the "**First Floating Interest Payment Date**").

"**Floating Interest Payment Date**" means [*insert variable interest payment date(s)*] in each year. Each period from and including the Issue Date to but excluding the First Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a "**Floating Interest Period**".

"**Floating Interest Rate**" for each Floating Interest Period will be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards and, in case of EURIBOR, 0.0005) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of

EURIBOR) on the Interest Determination Date in question plus the Margin, all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

"**Reference Rate**" means the [*insert applicable EURIBOR or LIBOR reference rate*].

"**Screen Page**" means page [*insert screen page*] on the Reuters Monitor or such other screen page of Reuters or such other information service as has been designated the successor to the Screen Page for the purpose of displaying such rates.

"**Margin**" means [*insert margin*] per cent. per annum.

"**Interest Determination Date**" means the second Business Day prior to the commencement of the relevant Floating Interest Period.

If the Screen Page is not available, the Calculation Agent shall request the five Reference Banks selected by it to provide the Calculation Agent with an offered quotation (expressed as a percentage rate per annum) for a period equal to the relevant Floating Interest Period to leading banks in the interbank market at approximately 11.00 a.m. on the Interest Determination Date. If two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Floating Interest Rate for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards and, in case of EURIBOR, 0.0005) plus the Margin. If the Floating Interest Rate cannot be determined in accordance with the foregoing provisions, the Floating Interest Rate shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were offered, plus the Margin.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of five major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of five major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent.

- (1b) The Calculation Agent shall, on or as soon as practicable after each time at which the Floating Interest Rate is to be determined, determine the Floating Interest Rate and calculate the amount of interest (the "**Interest Amount**") payable on the Notes for the relevant Floating Interest Period. The Interest Amount shall be calculated by multiplying the Floating Interest Rate and the Day Count Fraction with the principal amount of each Note and rounding the resulting figure to the nearest cent, with 0.5 or more of a cent being rounded upwards.
- (1c) The Calculation Agent will cause the Floating Interest Rate, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and the Guarantor and, if required by the rules of any stock exchange on which the Notes are from time to time listed, to such stock exchange, and to the Noteholders by notice in accordance with §12 as soon as possible after their determination, but in no event later than at the beginning of the immediately following Floating Interest Period. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Notes are then listed and to the Noteholders in accordance with §12.
- (1d) All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3(1) by

the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agent and the Noteholders.

[In case of an issuance of Zero Coupon Notes, include:

- (1) *No Periodic Payments of Interest.* There will be no periodic payments of interest in relation to zero coupon Notes ("**Zero Coupon Notes**").]

[In case of an issuance of Dual Currency Notes, include:

- (1) *Rate of Interest.* In case of dual currency Notes ("**Dual Currency Notes**"), the rate or amount of interest shall be determined by reference to a rate of exchange or a method of calculating the rate of exchange as specified in the applicable Final Terms.]

- (2) "**Day Count Fraction**", in respect of the calculation of an amount for any Floating Interest Period means:

- (a) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 365 (or, if any portion of that Floating Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Floating Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Floating Interest Period falling in a non-leap year divided by 365);
- (b) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 365;
- (c) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 360;
- (d) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Floating Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year expressed as a number, in which the first day of the Floating Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Floating Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Floating Interest Period, unless such number would be 31, in which case **D₁** will be 30;

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Floating Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (e) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Floating Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year expressed as a number, in which the first day of the Floating Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Floating Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Floating Interest Period, unless such number would be 31, in which case D₁ will be 30;

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Floating Interest Period, unless such number would be 31, in which case D₂ will be 30; and

- (f) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Floating Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year expressed as a number, in which the first day of the Floating Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Floating Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Floating Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Floating Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.]

- (3) *Business Day Convention.* If the date for payment of any interest in respect of any Note is not a Business Day, it shall be
- (a) if "**Following Business Day Convention**" is specified in the applicable Final Terms: postponed to the next day which is a Business Day.
 - (b) if "**Modified Following Business Day Convention**" is specified in the applicable Final Terms: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar months, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day.
 - (c) if "**Preceding Business Day Convention**" is specified in the applicable Final Terms: the immediately preceding Business Day.
 - (d) if "**FRN Convention**" is specified in the applicable Final Terms: postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) the Floating Interest Payment Date shall be the immediately preceding Business Day and (ii) each subsequent Floating Interest Payment Date shall be the last Business Day in the month which fall [number][month][other specified periods] after the preceding applicable Floating Interest Payment Date.]
- (4) If the Issuer for any reason fails to render any payment in respect of the Notes when due, interest shall continue to accrue at the default rate established by statutory law on the outstanding amount from (including) the due date to (excluding) the day on which such payment is received by or on behalf of the Noteholders.
- (5) *Business Day.* For the purposes of these Terms and Conditions, "**Business Day**" means a day which is either
- (a) in relation to any sum payable in a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center of the country of the relevant currency; or
 - (b) in relation to any sum payable in euro, a day (other than a Saturday or a Sunday) on which all relevant parts of the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET2) and the relevant Clearing System are operational to forward the relevant payment.

§4 Maturity and Redemption

- (1) *Final Redemption.* The Notes shall be redeemed at their Final Redemption Amount on [*insert Maturity Date*] (the "**Maturity Date**").

- (2) *Early Redemption for Reasons of Taxation.* The Notes shall be redeemed at their Early Redemption Amount together with interest accrued to the date fixed for redemption at the option of the Issuer in whole, but not in part, on any [Fixed Interest Payment Date] [Floating Interest Payment Date] upon giving not less than 30 days' notice to the Noteholders (which notice shall be irrevocable) by settlement in cash in accordance with §5 if: (i) on the occasion of the next payment or delivery due under the Notes, the Issuer [or the Guarantor] has or will become obliged to pay additional amounts as provided or referred to in §6 as a result of any change in, or amendment to, the laws or regulations of the Republic of Austria ("**Austria**") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by the Issuer [or the Guarantor] taking reasonable measures (but not including Substitution of the Issuer pursuant to §10) available to it. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent a certificate signed by an executive director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer [or the Guarantor] has or will become obliged to pay such additional amounts as a result of such change or amendment.

[In case the Notes are subject to Early Redemption at the Option of the Issuer, include:

- (3a) *Early Redemption at the Option of the Issuer.* The Issuer may, upon notice given in accordance with subparagraph (3)(c), redeem all or some only of the Notes on the [*insert call redemption date*] (the "**Call Redemption Date**") at the [*insert call redemption amount(s)*] (the "**Call Redemption Amount(s)**") together with accrued interest, if any, to (but excluding) the Call Redemption Date. The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Noteholder of its option to require the redemption of such Note under this Condition. In the case of a partial redemption of Notes issued in NGN form, the relevant Notes will be redeemed in accordance with the rules of the ICSDs (to be reflected in their records in the respective nominal amount).

[In case of Minimum Redemption Amount, include:

- (3b) Any redemption pursuant to §3(a) above must be of a principal amount equal to at least [*insert minimum redemption amount*] (the "**Minimum Redemption Amount**").

In case Higher Redemption Amount, include:

- (3b) Any redemption pursuant to §3(a) above must be of a principal amount equal to [*insert higher redemption amount*] (the "**Higher Redemption Amount**").]
- (3c) Notice of redemption shall be given by the Issuer to the Noteholders in accordance with §12. Such notice shall specify:
- (i) the Series of Notes subject to redemption;
 - (ii) whether such Series is to be redeemed in part only, and, if in part only, the aggregate principal amount of the Notes which are to be redeemed;
 - (iii) the Call Redemption Date, which shall be not less than [*insert minimum Business Days of notice to Noteholders (not less than 5 Business Days)*] (the "**Minimum Business Days of Notice**") nor more than [*insert maximum Business Days of notice to Noteholders*] (the "**Maximum Business Days of Notice**") after the date on which notice is given by the Issuer to the Holders; and
 - (iv) the Call Redemption Amount at which such Notes are to be redeemed.]

[In case the Notes are subject to Early Redemption at the Option of a Noteholder, include:

[(3a)][(4a)] *Early Redemption at the Option of the Noteholder.* The Issuer shall, at the option of the Noteholder, redeem such Note on [*insert put redemption date(s)*] (the "**Put Redemption Date(s)**") at the [*insert the put redemption amount(s)*] (the "**Put Redemption Amount(s)**") together with accrued interest, if any, to (but excluding) the Put Redemption Date. The Noteholder may not exercise such option in respect of any Note which is the subject to the prior exercise by the Issuer of its option to redeem such Note under this §4.

[(3b)][(4b)] In order to exercise such option, the Noteholder must, not less than [*insert minimum Business Days of notice to the Issuer (not less than 5 Business Days)*] (the "**Minimum Business Days of Notice to the Issuer**") nor more than [*insert maximum Business Days of notice to the Issuer*] (the "**Maximum Business Days of Notice to the Issuer**") days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Notice, send to the specified office of the Paying Agent an early redemption notice in written form (the "**Put Notice**"). In the event a Put Notice is received after 5:00 p.m Vienna time on the last day of the notice period before the Put Redemption Date, the option shall not have been validly exercised. The Put Notice must be in the form available from the specified offices of the Principal Paying Agent in the German and English language. No option so exercised may be revoked or withdrawn. The Issuer shall only be required to redeem Notes in respect of which such option is exercised against delivery of such Notes to the Issuer or to its order.]

[In case of a redemption of Notes upon a Change of Control, include:

[(3a)][(4a)][(5a)] *Change of Control.* If there occurs a Change of Control and within the Change of Control Period a Rating Downgrade in respect of that Change of Control occurs (together, a "**Put Event**"), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under §[(3a)][(4a)][(5a)]) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date.

In this §[(3a)][(4a)][(5a)]:

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 Telekom Austria Aktiengesellschaft. "**Control**" means any direct or indirect legal or beneficial ownership or any direct or indirect legal or beneficial entitlement (as described in section 92² of the Austrian Exchange Act (*Börsegesetz*)) of, in the aggregate, more than 50% of the voting shares of Telekom Austria Aktiengesellschaft.

"**Change of Control Period**" means the period commencing on the earlier of (a) the date of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 90 days after the Change of Control (or such longer period for which the ratings assigned to Telekom Austria Aktiengesellschaft or the Notes 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

² For descriptive and information purposes only: Section 92 of the Austrian Exchange Act provides for certain situations in which voting rights of different persons are added together as if such voting rights were held by one person alone. Section 92 refers to, inter alia, (i) voting rights held by other persons in their own name but for the account of another person, (ii) voting rights held by companies controlled by another person, (iii) voting rights a person can exercise without being the owner of the respective shares and (iv) voting rights a person can exercise due to the issuance of a power of attorney by the respective shareholder when lacking specific instructions as to how to exercise voting rights.

agency, such period not to exceed 60 days after the public announcement of such consideration).

The "**Optional Redemption Date**" is the fifteenth day after the last day of the Put Period.

"**Rating Agency**" means Moody's Investor Service Limited or Standard and Poor's Rating Services, a division of McGraw-Hill Companies, Inc. and their respective successors or any other rating agency of equivalent international standing specified from time to time by Telekom Austria Aktiengesellschaft.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period (i) any rating previously assigned to Telekom Austria Aktiengesellschaft or the Notes by any Rating Agency is (x) withdrawn or (y) changed from an investment grade rating (for example, BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (for example, BB+/Ba1, or their respective equivalents for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB or such similar lower or equivalent rating), or (ii) if at the time of the Change of Control there is no rating assigned to the Notes or Telekom Austria Aktiengesellschaft and no Rating Agency assigns during the Change of Control Period an investment grade credit rating (as described above) to the Notes (unless Telekom Austria Aktiengesellschaft is unable to obtain such a rating within such period having used all reasonable endeavours to do so and such failure is unconnected with the occurrence of the Change of Control) provided, in each case, that a Rating Downgrade otherwise arising by virtue of a particular change in rating or failure to obtain an investment grade rating (as described above) shall be deemed to have not occurred in respect of a particular Change of Control if the Rating Agency making the change in or withdrawing the rating or failing to award an investment grade rating (as described above), to which this definition would otherwise apply, does not confirm that the withdrawal, reduction or such failure was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control or Relevant Potential Change of Control Announcement.

"**Relevant Potential Change of Control Announcement**" means any formal public announcement or statement by or on behalf of Telekom Austria Aktiengesellschaft or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 120 days of the date of such announcement or statement, a Change of Control occurs.

On the occurrence of a Put Event, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with §12 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this §[(3a)][(4a)][(5a)].

To exercise the option to require redemption or, as the case may be, purchase of a Noteholder's interest in the Notes under this § [(3a)][(4a)][(5a)] in relation to a Change of Control, the relevant Noteholder must deliver to the Paying Agent through the ICSDs a duly completed and signed option exercise notice (an "**Exercise Notice**"), in the form obtainable (for the current time being) from the specified office of the Paying Agent, on any Business Day in the city of the specified office of the Paying Agent falling within the period (the "**Put Period**") of 45 days after a Put Event Notice is given. No option so exercised may be revoked or withdrawn without the prior consent of the Issuer.

If 95 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this §[(3a)][(4a)][(5a)], the Issuer may, having given not less than 30 days' notice to the Noteholders in accordance with §12, such notice to be given within 30 days after the Optional Redemption Date, redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of, the Notes then outstanding at their principal amount,

together with interest accrued to but excluding the date of such redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption (which shall not be more than 60 days after the date of the notice). Upon expiry of such notice, the Issuer will redeem, purchase (or procure the purchase of) the Notes].

[(3)][(4)][(5)][(6)] *Redemption Amounts.* For the **purposes** of this §4 and §8 (Events of Default) the following applies:

The "**Final Redemption Amount**" in respect of each Note (other than Zero Coupon Notes) shall be its principal amount.

The "**Early Redemption Amount**" in respect of each Note (other than Zero Coupon Notes) shall be its principal amount.

In case of Zero Coupon Notes, include:

[(4a)][(5a)][(6a)][(7a)] *Redemption Amount.* The amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to this §4 or upon its becoming due and repayable as provided in §8, shall be the Amortised Face Amount (calculated as provided below) of such Zero Coupon Note.

[(4b)][(5b)][(6b)][(7b)] *In the case of accrued interest being added:* The amortised face amount (the "**Amortised Face Amount**") of a Zero Coupon Note shall be an amount equal to the sum of:

- (a) *[insert reference price]* (the "**Reference Price**"), and
- (b) the product of *[Amortisation Yield]* (compounded annually) and the Reference Price from (and including) Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Zero Coupon Notes become due and payable].

In the case of unaccrued interest being deducted: The amortised face amount (the "**Amortised Face Amount**") of a Zero Coupon Note shall be the principal amount thereof adjusted for interest from (and including) the Maturity Date to (but excluding) the date of final repayment by the Amortised Yield as specified in the applicable Final Terms.]

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction.

[(4c)][(5c)][(6c)][(7c)] If the Issuer fails to pay an Early Redemption Amount when due, the Amortised Face Amount of Zero Coupon Note shall be calculated as provided herein, except that references in subparagraph (b)(ii) above to the date fixed **for** redemption or the date on which such Note becomes due and repayable shall refer to the earlier of (i) the date on which payment is made, and (ii) the **fourteenth** day after notice has been given by the Paying Agent in accordance with §12 that the funds required for redemption have been provided to the Paying Agent.]

In case of Dual Currency Notes, include:

[(5)][(6)][(7)][(8)] *Redemption Amount.* Dual Currency Notes will be redeemed at the amount calculated by reference to the rate of exchange specified in the applicable Final Terms together (if appropriate) with interest accrued to the date fixed for redemption, subject as otherwise provided by this §4 or §8, as applicable.]

§5
Payments

- (1) (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made through the ICSDs, subject to applicable fiscal and other laws and regulations, in the Currency and to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to applicable fiscal and other laws and regulations, in the Currency and to the Clearing System or to its order for credit to the relevant account holders of the Clearing System upon presentation of the Global Note at the specified office of any Agent outside the United States and upon delivery of certifications to the effect that the beneficial owners or owners of the Notes represented by the Temporary Global Note are not U.S. persons as defined by the U.S. Securities Act of 1933.
- (2) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Business Day, the Noteholder thereof shall not be entitled to payment until the next following Payment Business Day, and shall not be entitled to further interest or other payment in respect of such delay.
- (3) *United States.* "**United States**" means the United States of America including the States thereof and the District of Columbia and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).
- (4) *Discharge.* The Issuer or, as the case may be, the Guarantor, shall be discharged by payment to, or to the order of, the Clearing System.
- (5) *References to Principal and Interest.* References to "principal" shall be deemed to include, as applicable the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; and any premium and any other amounts which may be payable under or in respect of the Notes. References to "**interest**" shall be deemed to include, as applicable, any Additional Amounts which may be payable under §6.

§6
Taxation

All payments of principal and interest in respect of the Notes and any payments under the Guarantee to the Noteholders shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Austria or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to any Note or under the Guarantee if:

- (a) these are to be paid otherwise than by withholding or deduction at the source of payments under the Notes or the Guarantee; or
- (b) a Noteholder has a relationship to Austria other than the mere holding of the Notes, and as a result of this is liable to pay duties and taxes; or
- (c) these are being withheld in the Republic of Austria pursuant to §93 Austrian Income Tax Act (*Einkommensteuergesetz*); or
- (d) such deduction would not be required if the holder or any person acting on his behalf

had presented the requested form or certificate or had made the requested declaration of non-residence or similar claim for exemption upon the presentation or making of which that holder would have been able to avoid such deduction; or

- (e) these are to be paid because of a change of law which will enter into force (i) later than 30 days after the applicable payment date under the Notes or the Guarantee, or (ii) to the extent that payment is made late by the Issuer, later than 30 days after the Issuer effects payment in full of all due and payable amounts and notifies Noteholders of such payment pursuant to §12; or
- (f) these are withheld or deducted by an agent or any other person located outside of Austria after payment by the Issuer in the course of the transfer of such amounts to the Noteholder; or
- (g) these could be reclaimed pursuant to a double taxation treaty or the fiscal laws of Austria or be dischargeable at the source due to community law (EU) provisions; or
- (h) these are imposed or levied pursuant to or as a consequence of an international treaty to which Austria is a party or a regulation or a directive on the basis of or as a consequence of such international treaty; or
- (i) these were withheld or deducted pursuant to Council Directive 2003/48/EC of 3 June 2003, as amended, on the taxation of savings income in the form of interest payments or due to statutory or administrative provisions enacted for the implementation of this directive, in particular §1 Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*); or
- (j) these are withheld or deducted, if such payment could have been effected by another Agent without such withholding or deduction; or
- (k) these would not have to be paid by a Noteholder if it could have obtained tax exemption, tax restitution or tax rebate in a reasonable way; or
- (l) any combination of items (a)-(k);

nor shall any Additional Amounts be paid with respect to any payment on a Note to a Noteholder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of Austria to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Noteholder of the Note.

§7 Prescription

Claims for payment of interest shall expire within three years after maturity. The prescription period of claims for payment of principal under the Notes shall be reduced to ten years and therefore the claims for payment of principal under the Notes shall expire ten years after maturity.

§8 Events of Default

- (1) *Events of Default*. If any of the following events (each an "**Event of Default**") occurs, the holder of any Note may by written notice to the Issuer at the specified office of the Paying Agent declare such Note to be forthwith due and payable, whereupon the Early Redemption

Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Issuer:

- (a) *Non-Payment*: if a default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of Other Obligations*: if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Guarantee and the failure continues for the period of 30 days following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) *Cross-Default*: (i) if any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary of the Issuer or the Guarantor, amounting in aggregate to not less than EUR 50,000,000 or its equivalent in other currencies, becomes due and payable prematurely by reason of an event of default (however described) and remains unpaid; or (ii) if default is made by the Issuer, the Guarantor or any Principal Subsidiary of the Issuer or the Guarantor in making any payment due, amounting in aggregate to not less than EUR 50,000,000 or its equivalent in other currencies, in respect of Indebtedness for Borrowed Money on the due date for that payment (as extended by any originally provided applicable grace period); or
- (d) *Insolvency*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all the obligations of the Issuer or the Guarantor, as the case may be, and, in the case of a liquidation, winding-up or dissolution of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee; or
- (e) *Cessation of Business Operations*: if the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor (i) ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all of the obligations of the Issuer or the Guarantor, as the case may be, and, in the case of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee, or (ii) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is adjudicated or found bankrupt or insolvent; or
- (f) *Liquidation*: if (i) proceedings are initiated against the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor, as the case may be, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any

case (other than the appointment of an administrator) is not discharged within 30 days; or

- (g) *Initiation of Proceedings*: if the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor (i) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all the obligations of the Issuer or that Guarantor, as the case may be, and, in the case of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee or (ii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
 - (h) *Repudiation of Obligations*: if (i) the Issuer or the Guarantor repudiates its obligations in respect of the Notes or the Guarantee or the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect or (ii) any of the obligations of the Issuer or the Guarantor under or in respect of the Notes or the Guarantee are not or cease to be legal, valid and binding; or
 - (i) Telekom Finanzmanagement GmbH ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by Telekom Austria AG.
- (2) **"Indebtedness for Borrowed Money"** means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit, or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.
- (3) **"Principal Subsidiary"** at any time shall mean a Subsidiary of the Issuer or of the Guarantor, as applicable,:
- (a) whose gross revenues attributable to the Issuer or the Guarantor, as applicable, (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenues attributable to the shareholders of the Issuer or the Guarantor, as applicable, or, as the case may be, consolidated total assets, of the Issuer or the Guarantor, as applicable, and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer or the Guarantor, as applicable, and its Subsidiaries; or
 - (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer or the Guarantor, as applicable, which immediately before the transfer is a Principal Subsidiary.

A report of independent auditors appointed by the Issuer or the Guarantor, as applicable, that in their opinion a Subsidiary of the Issuer or the Guarantor, as applicable, is or is not or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

§9

Paying Agent [and Calculation Agent]

- (1) *Appointment.* The Paying Agent ("**Agent**") and its office (which can be substituted with other offices in the same city) is:

Paying Agent: [insert name and address of Paying Agent]

[The Calculation Agent ("**Calculation Agent**") and its office (which can be substituted with other offices in the same city) is:

Calculation Agent: [insert name and address of Calculation Agent]]

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Agent [or Calculation Agent] and to appoint another Paying Agent [or Calculation Agent] or additional or other Agents [or Calculation Agents], also a Paying Agent, or Agent, [or Calculation Agent, respectively,] provided that the Issuer shall at all times maintain (i) a Paying Agent [and Calculation Agent], (ii) so long as the Notes are listed on a regulated market of a stock exchange, a Paying Agent [and Calculation Agent] with a specified office in such place as may be required by the rules of such stock exchange[, and (iii) if a Directive of the European Union regarding the taxation of interest income or any law implementing such Directive is introduced, ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law, to the extent this is possible in a Member State of the European Union.] Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with §12.
- (3) *Agent of the Issuer.* Any Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Noteholder.
- (4) *Responsibility.* Any Agent shall not have any responsibility in respect of any error or omission or subsequent correcting made in the calculation or publication of any amount in relation to the Notes, whether caused by negligence or otherwise (other than gross negligence or willful misconduct).

§10

Substitution of the Issuer

- (1) (*Substitution of Debtor.* The Issuer (reference to which shall always include any previous substitute debtor) may and the Noteholders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Noteholder at any time, substitute for the Issuer any Affiliate of the Guarantor as the principal debtor in respect of the Notes or undertake its obligations in respect of the Notes through any of its branches (any such company or branch, the "**Substitute Debtor**"), provided that:
- (a) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the "**Documents**") and pursuant to which the Substitute Debtor shall undertake in favour of each Noteholder to be bound by these Terms and Conditions of the Notes and the provisions of the applicable agency agreement as fully as if the Substitute Debtor had been named in the Notes and such agency agreement as the principal debtor in respect of the Notes in place of the Issuer and pursuant to which the Issuer and the Guarantor (if the Guarantor is not the Substituted Debtor) shall irrevocably and unconditionally guarantee in favour of each Noteholder the payment of all sums payable by the Substitute Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the "**Substitution**

Guarantee");

- (b) the Documents shall contain a warranty and representation by the Substitute Debtor and the Issuer that the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Substitution Guarantee in respect of the obligations of the Substitute Debtor, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Issuer are each valid and binding in accordance with their respective terms and enforceable by each Noteholder and that, in the case of the Substitute Debtor undertaking its obligations with respect to the Notes through a branch, the Notes remain the valid and binding obligations of such Substitute Debtor;
 - (c) §8 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Substitution Guarantee shall cease to be valid or binding on or enforceable against the Issuer; and
 - (d) there shall have been delivered to the Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that sub-paragraphs (a), (b) and (c) above have been satisfied.
 - (e) For purposes of this §10, "**Affiliate**" shall mean any enterprise which has its seat within the European Union and of which more than 90 per cent. of the voting stock is held directly or indirectly by the Guarantor (either separately or together).
- (2) Upon the Documents becoming valid and binding obligations of the Substitute Debtor and the Issuer and subject to notice having been given in accordance with sub-paragraph (4) below, the Substitute Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution including that the relevant jurisdiction in §6 shall be the jurisdiction of incorporation of the Substitute Debtor. The execution of the Documents together with the notice referred to in sub-paragraph (4) below shall, in the case of the substitution of any other company as principal debtor, operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes.
- (3) The Documents shall be deposited with and held by the Paying Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substitute Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substitute Debtor and the Issuer acknowledge the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (4) Not later than 15 Business Days after the execution of the Documents, the Substitute Debtor shall give notice thereof to the Noteholders and, if any Notes are listed on any stock exchange, to such stock exchange in accordance with §13 and to any other person or authority as required by applicable laws or regulations.

§11

Further Issues, Purchases and Cancellation

- (1) *Further Issues.* The Issuer may – in addition to the issuance of notes which do not form a single Series with the Notes – from time to time without the consent of the Noteholders create and issue further Notes having the same terms and conditions as the Notes (except for the issue price of the Notes, the Issue Date and the [First Fixed Interest Payment Date][First Floating Interest Payment Date] and so that the same shall be consolidated and form a single Series with

such Notes, and references to "Notes" shall be construed accordingly.

- (2) *Purchases.* The Issuer may at any time purchase Notes at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or cancelled, all at the option of the Issuer.
- (3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§12 Notices

- (1) *Publication.* All notices concerning the Notes shall, subject to subparagraphs (2) and (3), be published through the ICSDs and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may in addition be published in a newspaper. Any notice will be deemed to have been validly given on the fifth day following the date of such publication (or, if published more than once, on the fifth day following the first such publication).
- (2) *Notification to Clearing System.* The Issuer may, instead of a publication pursuant to subparagraph (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Noteholders, provided that, so long as any Notes are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the fifth day after the day on which the said notice was given to the Clearing System.
- (3) *Notice via Electronic Means.* If the Notes are admitted for trading on any stock exchange, notices to the Noteholders will be valid if published through electronic means having general circulation within the European Union and in the jurisdiction of any stock exchange on which the Notes may be listed from time to time, for so long as the Notes are listed on the respective exchange and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of the first publication or, when required to be published by more than one electronic means, on the date on which the notice has first been published by all required electronic means.

[In the case of applicability of Additional or Alternative Notice Provisions, insert:][Text pursuant to Final Terms]

§13 Governing Law, Jurisdiction and Enforcement

- (1) *Governing Law.* The Notes and any contractual and non-contractual obligations thereunder shall be governed by Austrian law, excluding its conflict of law rules insofar as such rules would lead to the applicability of foreign law.
- (2) *Place of Jurisdiction.* The courts competent in commercial matters for Vienna, Austria, First District (*Wien Innere Stadt*) shall have jurisdiction to settle any dispute arising out of or in connection with the Notes ("**Proceedings**"). The Noteholders, however, may also pursue their claims before any other court of competent jurisdiction in the European Economic Area.
- (3) *Partial Invalidity.* If a provision in these Terms and Conditions becomes legally invalid, in whole or in part, the remaining provisions shall remain in effect. Invalid provisions shall pursuant to the purpose of these Terms and Conditions be replaced by valid provisions that form an economic point of view come as close as legally possible to the invalid provision.

§14

[[If no listing, insert: No] Stock Exchange Listing and Admission to Trading)

[If not intended to be listed on a stock exchange, include: It is not intended to apply for listing of the Notes on a stock exchange.]

[If intended to be listed on a stock exchange, include: It is intended to apply for listing of the Notes in the [*include segment*] of the [*include stock exchange*].

[If intended to be listed on a multilateral trading facility, include: It is intended to list the Notes on the multilateral trading facility of [*include stock exchange*].

FORM OF FINAL TERMS

If Notes, which are issued by Telekom Austria Aktiengesellschaft or Telekom Finanzmanagement GmbH under this €2,500,000,000 Euro Medium Term Note Programme, are admitted to trading on a regulated market or offered to the public in one or more member states of the European Economic Area, the relevant Final Terms will be made available at Telekom Austria Aktiengesellschaft's registered office at Lassallestraße 9, A-1020 Vienna, Austria.

Form of Final Terms

[Date]

Final Terms

[Title of relevant Series of Notes]

issued pursuant to the

€2,500,000,000 Euro Medium Term Note Programme

of

Telekom Austria Aktiengesellschaft

and

Telekom Finanzmanagement GmbH

Issue Price: [●]%

Issue Date: [●]

ISIN: [●]

These Final Terms contain information regarding the issuance of Notes under the €2,500,000,000 Euro Medium Term Note Programme of Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH (the "**Programme**"). Full information on Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH and the offer of the Notes are only available on the basis of the combination of these Final Terms and the Prospectus dated 23 March 2012 [as amended by the supplements thereto dated ●] on the Programme (the "**Prospectus**"), which is a base prospectus pursuant to the Prospectus Directive (Directive 2003/71/EC (the "**Prospectus Directive**"). Copies of the Prospectus and supplements thereto, if any, can be obtained at the registered office of Telekom Austria Aktiengesellschaft's registered office at Lassallestraße 9, A-1020 Vienna, Austria.

[In case of an issuance which is not a public offer of securities pursuant to Article 2, paragraph 1 (d) of the Prospectus Directive, include: This Series of Notes is not subject to a public offer of securities pursuant to Article 2, paragraph 1 (d) of the Prospectus Directive.]

Part I: Terms and Conditions

[Insert in case of Long-Form Conditions:

This part I of the Final Terms in accordance with Article 5.4 of the Prospectus Directive is to be read in conjunction with the Terms and Conditions of the Notes (the "**Terms and Conditions**") set forth in the Prospectus pertaining to the Programme dated 23 March 2012. Capitalised Terms used in these Final Terms and not otherwise defined in these Final Terms shall have the meaning specified in the Terms and Conditions.

All references in these Final Terms to numbered sections and sub-paragraphs are to sections and subparagraphs of the Terms and Conditions.

All provisions in the Terms and Conditions corresponding to items in these Final Terms which are either not selected or completed or which are deleted shall be deemed to be deleted from the terms and conditions applicable to the Notes.]

Currency, Denomination, Form, Clearing System and Noteholder (§1)

- | | |
|---|---|
| 1. Issuer: | [Telekom Finanzmanagement GmbH]

[Telekom Austria Aktiengesellschaft] |
| 2. Series Number: | [●] |
| 3. Tranche Number: | [●] |
| 4. Form of Terms and Conditions: ³ | <input type="checkbox"/> Long-Form
<input type="checkbox"/> Integrated |
| 5. Specified Currency: | <input type="checkbox"/> EUR
<input type="checkbox"/> USD
[●] |
| 6. Aggregate Principal Amount: | [●] |
| 7. Aggregate Principal Amount in Words: | [●] |
| 8. Issue Price: | [●] per cent of the Aggregate Principal Amount |
| 9. Denomination: ⁴ | [●] |
| 10. Number of Notes: | [●] |

³ To be determined in consultation with the Issuer. It is anticipated that Long-Form Conditions will generally be used for Notes in bearer form sold on a non-syndicated basis and which are not publicly offered. Integrated Conditions will generally be used for Notes in bearer form sold and distributed on a syndicated basis. Integrated Conditions will be required where the Notes are to be distributed, in whole or in part, to non-professional investors.

⁴ The minimum denomination amounts to EUR 1,000.

11. Form of Note: [NGN]
 [CGN]
 Intended to be held in a manner which would [Not Applicable][Yes][No]
 allow Eurosystem eligibility:

[NB: The designation “yes” only means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

12. ISIN: [●]

Status, Negative pledge and guarantee (§2)

13. Guarantee

Interest (§3)

14. Fixed Rate Notes

- Issue Date: [●]
 Fixed Interest Rate: [●]% per annum
 Fixed Interest Period: [annually]
 [semi-annually]
 Fixed Interest Payment Date(s): [●]
 First Fixed Interest Payment Date: [●]
 Day Count Fraction: [Actual/Actual (ICMA)
 [30/360]
 Determination Dates: [●] in each year

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of long or short first or last coupon.]

NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)]

15. Floating Rate Notes

	Issue Date:	[●]
	Floating Interest Period:	[annually] [semi-annually] [quarterly]
	First Floating Interest Payment Date:	[●]
	Floating Interest Payment Date(s):	[●]
	Reference Rate:	[1-year EURIBOR] [6-month EURIBOR] [3-month EURIBOR] [1-year LIBOR] [6-month LIBOR] [3-month LIBOR]
	Screen Page:	[●]
	Margin:	[●]
16.	<input type="checkbox"/> Zero Coupon Notes	
	Amortisation Yield	[●]
17.	<input type="checkbox"/> Dual Currency Notes	
	Rate of exchange/method of calculating rate of exchange:	[●]
	Calculation Agent, if any, responsible for calculating the principal and/or interest (if not the Paying Agent) due:	[●]
	Provisions applicable where calculation by reference to rate of exchange impossible or impracticable:	[●]
18.	Day Count Fraction:	[Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360, 360/360, Bond Basis] [30E/360, Eurobond Basis] [30E/360 (ISDA)]
19.	Business Day Convention:	[Following Business Day Convention] [Modified following Business Day Convention] [Preceding Business Day Convention] [FRN Convention] [months/other – specify]
20.	Business Day:	[relevant financial center] [TARGET2]

Maturity and Redemption (§4)

21. Maturity Date: [●]
22. Early Redemption at the option of the Issuer [Yes][No]
- Minimum Redemption Amount [●]
 - Higher Redemption Amount [●]
 - Call Redemption Date(s) [●]
 - Call Redemption Amount(s) [●]
 - Minimum Business Days of Notice [●]
 - Maximum Business Days of Notice [●]
23. Early Redemption at the option of a Noteholder [Yes][No]
- Put Redemption Date(s) [●]
 - Put Redemption Amount(s) [●]
 - Minimum Business Days of Notice to the Issuer [●]
 - Maximum Business Days of Notice to the Issuer [●]
24. Change of Control [Yes][No]
25. Zero Coupon Notes
- Addition of accrued interest [Yes][No]
 - Reference Price [●]
 - Deduction of unaccrued interest [Yes][No]

Paying Agent [and Calculation Agent] (§9)

26. Paying Agent / specified office: [●]
27. *(if applicable)* Calculation Agent / specified office: [●]

Notices (§12)

28. Additional or Alternative Notice Provisions
- not applicable
 - applicable [●]

Stock Exchange Listing and Admission to Trading (§14)

29. Stock exchange
- Luxembourg Stock Exchange
 - Vienna Stock Exchange
 - Other [●]

Part II: Other information

30. Interest of natural and legal persons involved in the issue/offer [Include details]

31. Reasons for the offer / Use of proceeds ⁵	[Include details]
32. Estimated net proceeds	[•]
33. Estimated total expenses of the issue	[•]
34. Common Code	
Securities Code	[•]
Other securities code	[•]
35. Yield	[•]
36. Method of calculation of yield ⁶	
ICMA method: The ICMA method computes the effective interest rate of Notes on the basis of daily interest.	[•]
Other methods (insert)	[•]
37. Information regarding the resolutions, approvals and authorizations on the basis of which the Notes were or are to be created and/or issued.	[•]
38. Expected date of issuance	[•]
39. Selling restrictions	
The Selling Restrictions set out in the Prospectus shall apply	[•]
Additional selling restrictions (insert)	[None] [Include details]
40. Taxation	[•]
41. Information regarding	
- income tax on securities withheld at the source	[None] [Include details]
- whether the Issuer assumes responsibility for deduction of taxes at the source	[None] [Include details]
the home country of the Issuer and the country or countries in which the offer will be made or the admission to trading will be applied for. ⁷	[•]

⁵ See also "Use of Proceeds" on page 83 of the Prospectus.

⁶ Not required for Notes with a denomination of at least EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

⁷ Unless described in the Prospectus. Only applicable in relation to Notes with a denomination of less than EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

- | | |
|--|--------------------------|
| 42. Restrictions of transferability of securities | [None] [Include details] |
| 43. Conditions to which the offer is subject ⁸ | |
| 44. Aggregate amount of the issuance/the offer. If the amount is not fixed, description of agreements and date for publication of the final offered amount to the public | [●] |
| 45. Time period, including any possible amendments, during which the offer will be open | [●] |
| 46. Description of the application process | [●] |
| 47. A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants | [●] |
| 48. Details of the minimum and/or maximum amount of application, (whether in number of Notes or aggregate amount to invest) | [●] |
| 49. Method and time limits for paying up the Notes and for delivery of the Notes | [●] |
| 50. Complete description of the manner and date in which results of the offer are to be made public | [●] |
| 51. The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised. | [●] |
| 52. Information regarding different categories of potential investors to whom the Notes are offered. If the offer is made simultaneously on markets in two or more countries and a particular tranche is allotted any of these markets, information regarding the tranche. | [●] |
| 53. Process for notifying applicants of the amount allotted and indication whether dealing may begin before notification is made | [●] |
| 54. Issue price of the Notes / method pursuant to which the issue price will be fixed and information regarding the publication of the costs and taxes which are in particular charged to the subscriber | [●] |
| 55. Name and details of the coordinator(s) of the offer or individual parts of the offer and – to the extent known to the Issuer – information of the dealers in the individual countries of the offer | [●] |

⁸ Details concerning the following items are only applicable and only need to be included in case of a public offer of the Notes.

- | | |
|--|-----|
| not syndicated | [●] |
| syndicated | [●] |
| 56. Date of Subscription Agreement ⁹ | [●] |
| 57. Management details and method of subscription ¹⁰ | [●] |
| 58. Dealer/Managers (insert name(s) and address(es)) | [●] |
| firm commitment | [●] |
| no firm commitment/at market conditions | [●] |
| 59. Information regarding main provisions of agreements, including subscribed amounts | [●] |
| 60. (If issuance is not subscribed in full) information regarding the amount not subscribed | [●] |
| 61. Fees ¹¹ | |
| Management/Underwriting Commission (specify) | [●] |
| Selling Concession (specify) | [●] |
| 62. Expected date of admission to trading ¹² | [●] |
| 63. Estimated aggregate costs for admission to trading | [●] |
| 64. Name and address of the banks which operate as market makers and provide liquidity through bid and ask prices and description of the main conditions of such agreement ¹³ | |
| 65. Other relevant conditions (include) | [●] |

⁹ Only required in relation with syndicated issuances and Notes with a denomination of less than EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

¹⁰ Not required in relation with Notes with a denomination of at least EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

¹¹ Not required in relation with Notes with a denomination of at least EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

¹² Only to be completed if information available.

¹³ Not required in relation with Notes with a denomination of at least EUR 50,000 (or EUR 100,000, respectively, after implementation of Directive 2010/73/EU and corresponding amendment of the disclosure regime under Regulation 2004/809/EC).

- | | |
|---|--|
| 66. Reference to information contained in the description of the Notes which was partly or in whole audited by the statutory auditors and regarding which the auditors have issued an audit report. | [not applicable]/ [include details] ¹⁴ |
| 67. List of financial intermediaries who have received the consent of the Issuer to use the Prospectus in connection with the offer and sale of the Notes: | [not applicable]/ [include details] |
| 68. Ratings | <p>The Notes to be issued have [not] been rated[.][:]
 [S & P: [●]]
 [Moody's: [●]]
 [[Other]: [●]]
 <i>[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]</i>
 <i>(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)</i></p> |

The above Final Terms comprise the details required to list this issue dated **[insert date of issuance]**.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms as set out on page v of the Prospectus, provided that, with respect to any information included herein and specified to be sourced from a third party (i) the Issuer confirms that any such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information available to it from such third party, no facts have been omitted, the omission of which would render the reproduced information inaccurate or misleading and (ii) the Issuer has not independently verified any such information and accepts no responsibility for the accuracy thereof.

[Telekom Austria Aktiengesellschaft] [Telekom Finanzmanagement GmbH]

as Issuer

[Name and title in CAPS]	[Name and title in CAPS]
--------------------------	--------------------------

¹⁴ Reproduction of the report or, with the consent of the competent financial market authorities, summary of the report.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF TFG

I. INTRODUCTION

Telekom Finanzmanagement GmbH ("**TFG**" or an "**Issuer**") is an indirectly wholly owned subsidiary of Telekom Austria. TFG was incorporated for an indefinite duration on 4 March 1997 and is registered with the commercial register at the Commercial Court Vienna under FN 155563w. TFG operates under the Austrian Act on Companies with Limited Liability (*Gesetz über Gesellschaften mit beschränkter Haftung*). TFG's registered office and principal place of business is located at A-1020 Vienna, Lassallestraße 9. TFG's telephone number is +43 50 664 0. As to TFG's position within the Group, please refer to the chart included on page 101 of this Prospectus.

TFG's business year coincides with the calendar year and its last annual statements were filed with the commercial register. As an issuer of bonds listed on a regulated market, TFG has published its annual financial statements, as regulated information, and filed them at the Issuer Information Center operated by the OeKB in accordance with the officially appointed mechanism for the central storage of regulated information pursuant to article 21(2) of directive 2004/109/EC of the European Parliament and of the Council in Austria. TFG has a stated limited share capital of EUR 37,000 which is fully paid up and is incorporated as a limited liability company at the registered office of Telekom Austria.

The object of TFG, according to Article 3 of its declaration of establishment as a company with limited liability, is to advise the Telekom Austria Group in the investment and raising of funds, in the pooling of cash flows and the preparation of the Group's accounts. TFG is dependent on the performance of the members of the Telekom Austria Group to which it makes loans.

II. MANAGEMENT

The following are the names and functions of TFG's management and their principal business activities performed outside TFG with respect to potential conflicts of interest:

Name	Function	Principal business activities performed outside TFG
Johann Tschuden	Managing Director	Chief Financial Officer Telekom Austria, Vice-Chairman of the Management Board of Telekom Austria
Martin Mayr	Managing Director	Director Group Treasury, Head of Treasury and Risk Management of A1 Telekom Austria AG
Josef Flandorfer	Holder of statutory general power of attorney (<i>Prokurist</i>)	Head of Corporate Finance Group

Source: Internal information of the TFG.

Any two of the three representatives, acting jointly, may bind TFG. No supervisory board or audit committee is appointed for TFG. TFG has no employees, but is operated by staff of other Telekom Austria Group companies. The business address of the persons listed above is Lassallestraße 9, A-1020 Vienna. There are no potential conflicts of interest between the duties of the persons listed above to TFG and their private interests or other duties.

Austrian corporate governance rules apply only to companies with listed share capital who elect to voluntarily comply with such rules. As TFG does not have listed share capital, the Austrian corporate governance rules do not apply to it.

III. SELECTED FINANCIAL DATA

The following table presents a summary of financial and operating data for TFG. The financial data presented is based on the audited non-consolidated financial statements of TFG for the financial years ended 31 December 2011 and 31 December 2010 which have been drawn up in accordance with the national Austrian accounting standards according to UGB and are incorporated into this Prospectus by reference. The financial data presented below should be read in conjunction with such financial statements and the notes thereto. The fiscal year of TFG coincides with the calendar year.

Totals in the following tables may differ from the sum of their components as a result of rounding effects. Please note that the national Austrian accounting standards according to the Austrian Companies Act are not comparable with IFRS and hence, the below figures do not compare to the selected financial information of Telekom Austria on page 90 which derives from the 2011 and 2010 Financial Statements of Telekom Austria which have been prepared in accordance with IFRS.

	TFG as of 31 December 2011 audited	TFG as of 31 December 2010 audited
	(in EUR thousand)	
Other operating income	1,930	1,243
Other operating expenses	(6,493)	(6,037)
Operating Income (Betriebsergebnis)	-4,562	-4,794
Total Assets	5,188,194	4,596,129
Liabilities	(5,179,533)	(4,580,376)
Bonds	(2,080,336)	(2,170,494)
Liabilities vis-à-vis credit institutions	(1,571,049)	(1,093,391)
Accounts payable – trade	0	0
Payables to subsidiaries	(1,528,140)	(1,316,482)
Other liabilities	(7)	(9)
Stockholders Equity	(1,931)	(1,781)
Common stock	(37)	(37)
Additional capital	(1,894)	(1,744)

Source: 2011 Financial Statements of TFG and 2010 Financial Statements of TFG.

IV. OWNERSHIP AND SHARE CAPITAL

The sole shareholder of TFG is Telekom Projektentwicklungs GmbH ("**TPE**"), a holding company with limited liability and a stated limited share capital of EUR 35,000. 99% of the shares in TPE are held by Telekom Austria. The remaining 1% of the shares in TPE is held by A1 Telekom Austria Aktiengesellschaft, which is a wholly owned subsidiary of Telekom Austria. Under Austrian corporate law, companies with limited liability do not have shares *per se*, but share quotas (*Geschäftsanteile*) and each registered shareholder holds only one such share quota. The share quotas constitute the only ordinary class of issued capital; no preferred or other classes are permissible. The statutory minimum stated capital stock is EUR 35,000. TPE holds the only share and the whole of the issued capital in TFG, in an amount of EUR 37,000, which is fully paid up.

DESCRIPTION OF TELEKOM AUSTRIA

I. INTRODUCTION

Telekom Austria Aktiengesellschaft ("**Telekom Austria**" or an "**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. It is also known under the commercial name "Telekom". Telekom Austria 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. Telekom Austria is registered with the Commercial Court of Vienna under the commercial register number 144477t. Telekom Austria's telephone number is +43 50 664 0. An organization chart of the Group is included in the section "Organisational Structure" commencing on page 101 of this Prospectus.

Telekom Austria 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 1 May 1996, as successor to a department of the Federal Ministry of Science and Transportation. Telekom Austria has been incorporated for an unlimited duration.

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

Telekom Austria has a share capital of EUR 966.183.000 which is divided into 443mn non-par value bearer shares all of which are listed on the Vienna Stock Exchange. With a market capitalization of approximately EUR 3.892,20mn (Source: Vienna Stock Exchange website - <http://en.wienerborse.at/marketsearch/?SEARCHVALUE=telekom> as of 2 March 2012) Telekom Austria is one of the 10 largest Austrian companies listed on the Vienna Stock Exchange. A second listing of the Telekom Austria shares on the New York Stock Exchange was withdrawn in June 2007. Since then, Telekom Austria's American Depositary Receipts have traded over-the-counter with a Level 1 ADR program.

Article 2 of Telekom Austria'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 Company or through shareholdings.

Telekom Austria is the parent company (holding company) of the Telekom Austria Group. Telekom Austria's 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.mobile (Slovenia).

I.A HISTORY AND DEVELOPMENT OF THE GROUP

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 listed holding company including the fixed line operations. In July 1998, PTA's remaining fixed line telecommunications business was spun-off into Telekom Austria, 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 Telekom Austria. In November 2000, OIAG sold 22.4% of Telekom Austria's shares as part of Telekom Austria'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 Telekom Austria. In January 2004, Telecom Italia sold this residual shareholding in a private placement to institutional investors. In August 2003, OIAG issued EUR 325mn of notes exchangeable into shares of Telekom Austria. The noteholders exercised their exchange rights until August, 2004, reducing OIAG's participation by a further 5%. In December 2004, OIAG sold 85mn Telekom Austria shares in a private placement to institutional investors and internationally, reducing its shareholding to 30.2%. Accordingly, since October 2006 the OIAG stake in Telekom Austria decreased to approximately 25.2%, which then increased after Telekom Austria's cancellation of treasury shares in March 2007 and August 2009, to 28.42%.

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

Restructuring 2010. The Group was restructured in 2010 by merging the Mobilkom into TATA, thereafter renamed "A1 Telekom Austria AG". This legal merger became effective as of 8 July 2010. Telekom Austria 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.

II. MANAGEMENT

II.1 Management Board

The members of the management board of Telekom Austria (the "**Management Board**") are

appointed by the company's supervisory board for a maximum period of five years; re-election is possible. The Management Board has two to four members. Telekom Austria 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:

Name	Position
Johannes Ametsreiter	Chief Executive Officer Telekom Austria, Chairman of the Management Board of Telekom Austria and Chief Executive Officer A1 Telekom Austria AG
Johann Tschuden	Chief Financial Officer Telekom Austria, Vice-Chairman of the Management Board of Telekom Austria

The Management Board members hold functions predominantly in other Group entities, which may be regarded as activities for the Group. Other activities performed outside the Group are not regarded to be significant from the view of the Group.

II.2 Supervisory Board

The supervisory board of Telekom Austria (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 eight members elected by the shareholders' meeting plus four additional members nominated by Telekom Austria's staff council.

The current members of the Supervisory Board are:

Name	Position	Significant activities performed outside the Telekom Austria Group
Markus Beyrer	Chairman	Chairman of the management board of Österreichische Industrieholding AG, Chairman of the supervisory boards of OMV AG, Österreichische Post AG and APK Pensionskasse AG
Edith Hlawati	Vice-Chairperson	Attorney, 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, member of the supervisory board of Hoffmann La Roche Ltd

Name	Position	Significant activities performed outside the Telekom Austria Group
Harald Stöber	Member	Former CEO of Arcor AG & Co KG, Chairman of the supervisory board of Arcor AG & Co KG, member of the supervisory boards of Deutsche Messe Hannover, Vodafone D2 GmbH and Vodafone Holding GmbH
Wilfried Stadler	Member	Former CEO of Investkredit Bank AG, management consultant, bank advisor, honorary professor of the Vienna University of Economics and Business, member of the supervisory board of ATP Planungs- und Beteiligungs-AG, Vice Chairman of the supervisory board of Österreichische Staatsdruckerei Holding AG
Peter J. Oswald	Member	Executive Director of Mondi plc and Mondi Ltd., CEO Mondi AG (Holding Europe & International Division)
Walter Hotz	Employee representative	Vice Chairman of Tele-Post Privatstiftung, member of the supervisory boards of Österreichische Industrieholding AG, A1 Telekom Austria AG, Telekom Austria Personalmanagement GmbH, APK Pensionskasse AG
Alexander Sollak	Employee representative	
Gottfried Zehetleitner	Employee representative	
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 the Group. There are no potential conflicts of interest between the duties to Telekom Austria of the persons listed in this section and their private interests or other duties. 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 Telekom Austria's registered office at Lassallestraße 9, A-1020 Vienna, Austria

II.3 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, as provided for by the Articles of Association.

Audit Committee. The audit committee of Telekom Austria (the "**Audit Committee**") (members are Markus Beyrer - Chairman; Wilfried Stadler - financial expert; Peter J. Oswald; Wolfgang Rutenstorfer; 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 Telekom Austria (the "**Chairing and Remuneration Committee**") (members are Markus Beyrer– Chairman; and Edith Hlawati) 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 Telekom Austria (the "**Personnel and Nomination Committee**") (members are Markus Beyrer – Chairman; Edith Hlawati; and Werner Luksch) deals with appointments to the management board.

Control Committee. The control committee of Telekom Austria (the "**Control Committee**") (members are Markus Beyrer, Franz Geiger and Walter Hotz) is tasked with investigation and preventing fraudulent activities at Telekom Austria until the investigation carried out by the external control team set up by the Supervisory Board has been completed.

II.4 Compliance with Corporate Governance Code

Telekom Austria Group committed itself to voluntary compliance with the Austrian Code of Corporate Governance as of 2003 (the "**Code**"). The Group 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 Telekom Austria Group 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 27 May 2010 a Long Term Incentive Program was introduced, which replaced the previous employee stock option plan which was started by the Group in April 2004 as of the financial year 2010. In accordance with Rule 62 of the Austrian Corporate Governance Code, the Telekom Austria Group'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."

III. SELECTED FINANCIAL DATA

The following table presents a summary of consolidated financial and operating data for Telekom Austria. The financial data presented in these tables is derived from the audited consolidated financial statements of Telekom Austria for the business year ended 31 December 2011 and the audited consolidated financial statements of Telekom Austria for the business year ended 31 December 2010 which were prepared in accordance with IFRS. The financial data presented below should be read in conjunction with such Financial Statements and the notes thereto. The fiscal year of the Group coincides with the calendar year.

Totals in the following tables may differ from the sum of their components as a result of rounding effects.

	Telekom Austria Group as of 31 December 2011 audited	Telekom Austria Group as of 31 December 2010 audited
	(in EUR thousand)	
Operating revenues	4,454,626	4,650,843
Other operating income	100,379	89,161
Operating expenses		
Materials	(442,044)	(403,617)
Employee costs, including benefits and taxes	(805,042)	(806,836)

Other operating expenses	(1,780,575)	(1,883,659)
EBITDA comparable	1,527,343	1,645,892
Restructuring	(233,703)	(124,061)
Impairment and reversal of impairment ¹⁾	(248,906)	(18,342)
EBITDA incl. effects from restructuring and impairment tests	1,044,735	1,503,489
Depreciation and amortization	(1,052,376)	(1,065,585)
Operating Income	-7,641	437,903
Total Assets	7,448,804	7,555,820
Current Assets	1,751,446	1,437,707
Cash and cash equivalents	459,952	120,196
Short-term investments	165,972	127,555
Accounts receivable – trade, net of allowances	708,297	772,236
Receivables due from related parties	85	82
Inventories	157,706	150,238
Prepaid expenses	130,334	128,358
Income taxes receivable	40,633	40,718
Non-current assets held for sale	134	0
Other current assets	88,333	98,324
Non Current Assets	5,697,359	6,118,113
Investments in associates	3,699	4,298
Financial assets long-term	13,897	90,374
Goodwill	1,289,714	1,489,219
Other intangible assets, net	1,619,339	1,718,085
Property, plant and equipment, net	2,462,174	2,548,970
Other non-current assets	34,521	31,199
Deferred tax assets	273,908	235,841
Receivable due from related parties, long-term finance	106	127
Total Liabilities And Stockholders' Equity	(7,448,804)	(7,555,820)
Current liabilities	(2,412,018)	(1,882,965)
Short-term borrowings	(1,014,185)	(506,653)
Accounts payable - trade	(642,177)	(678,705)
Current provisions and accrued liabilities	(311,573)	(258,014)
Payables to related parties	(9,816)	(13,057)
Income taxes payable	(41,259)	(41,720)
Other current liabilities	(226,490)	(221,851)
Deferred income	(166,517)	(162,966)
Non-Current liabilities	(4,153,675)	(4,195,929)
Long-term debt	(2,934,929)	(3,077,240)
Lease obligations and Cross Border Lease	(124)	(13,879)
Employee benefit obligations	(128,976)	(131,576)
Non-current provisions	(888,208)	(761,771)
Deferred tax liabilities	(127,260)	(125,402)
Other non-current liabilities and deferred income	(74,178)	(86,063)
Stockholders Equity	(883,111)	(1,476,925)
Common stock	(966,183)	(966,183)
Treasury shares	8,196	8,196
Additional paid-in capital	(582,896)	(582,896)
Retained Earnings	219,772	(346,341)
Available-for-sale reserve	805	335
Hedging reserve	27,887	7,363
Translation adjustments	410,243	405,146
Equity attributable to equity holders of the parent	(882,177)	(1,474,379)
Non-controlling interests	(934)	(2,546)

Source: 2011 Financial Statements of Telekom Austria and 2010 Financial Statements of Telekom Austria.

- ¹⁾ "Impairment and reversal of impairment" mainly includes an impairment charge on goodwill of velcom amounting to TEUR 278,985 which results from the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" for Belarus for 2011. The reversal of impairment amounting to TEUR 49,379 for the license in Serbia is the result of the impairment test performed for the cash-generating unit Vip mobile, reported in the segment Other Markets, due to improved future estimated earnings

IV. OWNERSHIP AND SHARE CAPITAL

Status. The share capital of Telekom Austria is fully paid-up and amounts to EUR 966,183,000, divided into 443mn non-par value bearer shares, each representing a pro rata amount of EUR 2.181 of the share capital. Only this class of shares exists. No convertible debt

securities, exchangeable debt securities or warrant instruments have been issued by Telekom Austria.

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 1.5mn registered shares with a nominal value of ATS 10,000 each. In October 2000, Telekom Austria's share capital was converted into EUR and split into 500mn 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 30 June 2010 by up to EUR 9,487,350 through issuing up to 4.35mn 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 Telekom Austria 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 10mn new bearer or registered non-par value shares, against cash contributions.

Authorisation for share buyback. At the annual general meeting, which took place on 19 May 2011, a previous authorization for the share buyback in 2009 was revoked and the following new authorization was resolved: (i) share buyback of up to 5% of the share capital with a price range of EUR 1 to EUR 30 per share; (ii) duration of authorization by the annual general meeting until 18 November 2012; (iii) shares purchased can be used as consideration for acquisition of enterprises to serve stock options or to issue shares to employees, or to decrease the share capital of the company by up to EUR 48,309,150 by withdrawing up to 22,150,000mn treasury registered or bearer shares without further resolution by the Annual General Meeting, 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 2011, there was no share buyback.

Treasury shares. On 31 December 2011 Telekom Austria 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.

Telekom Austria's share capital, as of 29 February 2012, is held as follows (rounded figures):

OIAG (Republic of Austria):	28.42%
Free Float ⁽¹⁾ :	51.46%
RPR Privatstiftung	20.12%

⁽¹⁾ Free float includes employee stocks and treasury shares.

Transferability, listing, form. Shares in Telekom Austria are freely transferable. All of the Telekom Austria's 443mn 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 GROUP

I. BUSINESS OVERVIEW

Telekom Austria Group is a telecommunication provider serving almost approximately 23mn customers in eight countries across Central, Eastern and South-Eastern Europe ("CESEE").

Starting from its domestic market in Austria, the Group has positioned itself in selected markets in CESEE over the last ten years. As of 31 December 2011, approximately 35% of total revenues of the Group were generated outside Austria.

Telekom Austria Group 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. The Group'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, IP- and cable TV, data and IT applications, wholesale and payment services.

Telekom Austria Group's Austrian subsidiary, A1 Telekom Austria AG ("A1") is a fully integrated fixed and mobile operator offering 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 addition, the Group runs a mobile payment business in Austria under the commercial name "Paybox".

In Bulgaria, the Group's local subsidiary MobiTel 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 in the Croatian 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 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 Group primarily offers mobile voice and data communication services to customers in Slovenia, Liechtenstein, Serbia and Macedonia.

The following chart shows the Telekom Austria Group's revenue split by segments in 2011 and 2010.

Revenues (in EURmn if not indicated otherwise)	Telekom Austria Group as of 31 December 2011 (unaudited)	Telekom Austria Group as of 31 December 2010 (unaudited)	Change in %
Segment Austria	2,942.1	3,064.2	-4.0
Segment Bulgaria	527.7	564.5	-6.5
Segment Croatia	420.7	451.9	-6.9
Segment Belarus	260.9	343.6	-24.1
Segment Additional Markets	396.4	321.1	23.5
Slovenia	192.7	174.0	10.7
Serbia	143.1	104.7	36.7
Macedonia	53.4	35.8	49.3
Liechtenstein	7.6	7.0	8.9
Eliminations Additional Markets	-0.6	-0.5	9.6
Corporate, Others & Elimination	-93.1	-94.4	-1.3
Total	4,454.6	4,650.8	-4.2

Source: Internal Reporting of Telekom Austria

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

II. PRODUCTS AND SERVICES OFFERED BY THE GROUP

II.1 Main products and services

Telekom Austria Group 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 service and products of Telekom Austria Group:

(a) Fixed line voice services

Telekom Austria Group 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. The Group 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.

(b) Fixed data services

The Group 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 Group 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.

(c) Mobile services

Telekom Austria Group'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, the Group 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 Group 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.

(d) Wholesale

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

(e) M2M

In the Machine to Machine communication ("M2M"), the Group 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 Group M2M GmbH, a subsidiary of Telekom Austria.

II.2 New products

Being an international telecommunication services group, Telekom Group 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 Group.

III. BUSINESS SEGMENTS

Telekom Austria Group reports its business in the following segments:

- Segment Austria;
- Segment Bulgaria;
- Segment Croatia;
- Segment Belarus; and
- Segment Additional Markets which comprises Slovenia, Serbia, Macedonia and Liechtenstein.

Below is certain information and economic data on the segments (and sub-segments) of the Telekom Austria Group. Except if expressly stated otherwise, all of this information is sourced from the 2011 Annual Report of Telekom Austria

III.1 Austria

The Austrian market is characterized by further intensification of competition, far-reaching regulatory measures, in particular a reduction of mobile termination rates by more than 30% in 2011, and continued fixed-to-mobile substitution. 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. The introduction of charges for SIM cards and Internet services was able to partly offset this trend.

Telekom Austria Group took the next step toward integration when it relaunched the single "A1" brand on 14 June 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.

Telekom Austria believes that the success of product bundles helped to increase the number of fixed access lines. However, fixed-to-mobile substitution led to a 12.3% decline in fixed line voice minutes in 2011. The number of A1TV customers grew by 31.2% to almost 200,000 subscribers in 2011. In the same period the mobile customer base rose by 3.3% to approximately 5.3mn. 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. As growth in the number of fixed line and mobile customers was unable to compensate for the negative effects (e.g. regulation, competition-driven price reductions) revenues in the Austrian segment declined by 4.0% to EUR 2,942.1mn in 2011.

Monthly fee and traffic revenues decreased by 2.8% to EUR 2,027.4mn in 2011 due to the migration of existing customers to cheaper tariffs and declining fixed line voice minutes. Revenues from data and information and communication technology ("ICT") Solution declined by 6.3% to EUR 202.3mn at the same time due to weaker demand for data cash solutions, while wholesale revenues (including roaming) increased by 1.6% to EUR 203.6mn. A reduction in national and international mobile termination rates was a major driver for the 14.1% decline in interconnection revenues to EUR 341.7mn. Equipment revenues rose by 17.7% to EUR 126.1mn in 2011 as a result of the demand for higher-value handsets.

Other revenues dropped by 28.6% to EUR 41.0mn, in 2011.

In 2011, average revenues per fixed access line ("ARPL") declined by 3.3% to EUR 32.2 due to fixed-to-mobile substitution effects. Average revenues per mobile communication customer ("ARPU") fell by 9.3% to EUR 20.0 due to competition-driven price reductions and lower interconnection charges. This trend is attributable to customers switching to lower-priced package tariffs and the higher proportion of no-frills customers.

The below table shows certain performance indicators for Segment Austria.

Key Financials (in EURmn if not indicated otherwise)	Segment Austria as of 31 December 2011 (unaudited)	Segment Austria as of 31 December 2010 (unaudited)	Change in %
Revenues	2,942.1	3,064.2	-4.0
of which Monthly Fee and Traffic	2,027.4	2,085.7	-2.8
of which Data and ICT Solutions	202.3	215.8	-6.3
of which Wholesale (incl. Roaming)	203.6	200.4	1.6
of which Interconnection	341.7	397.6	-14.1
of which Equipment	126.1	107.2	17.7
of which Other	41.0	57.4	-28.6
EBITDA comparable ¹⁵	972.6	1,032.4	-5.8
EBITDA comparable – margin	33.1%	33.7%	-
EBITDA incl. effects from restructuring and impairment tests	738.9	890.0	-17.0
Operating Income	129.7	225.0	-42.3
Capital expenditures	485.1	515.8	-5.9
Fixed Line			
ARPL in EUR	32.2	33.3	-3.3
Average voice telephony tariff in EUR/minute	0.080	0.082	-2.4
Total access lines (in thousand)	2,336.2	2,315.0	0.9
of which fixed broadband lines (in thousand)	1,273.4	1,161.0	9.7
Unbundled lines (in thousand)	271.5	278.1	-2.4
Fixed line voice traffic (in million minutes)	2,612.2	2,972.7	-12.1
Broadband penetration in Austria in % of households	111.7%	102.9%	-
Mobile Communication			
Mobile communication subscribers (in thousand)	5,271.2	5,105.2	3.3
Share of contract customers	77.6%	76.0%	-
Market share	40.0%	41.4%	-
Penetration	156.6%	146.7%	-
Mobile broadband customers	744,941	653,748	13.9
ARPU in EUR	20.0	22.0	-9.3
Human resources (full-time employees)	9,292	9,717	-4.4

Source: 2011 Annual Report of Telekom Austria

Operating expenses in 2011 decreased by 3.4% to EUR 2,065.3mn. While material expenses rose by 10.9% to EUR 272.0mn in Austria due to strong demand for smartphones, other expenses declined. Headcount was reduced by 4.4% to 9,292 employees in Austria at the as per 31 December 2011 resulting in a decrease in employee costs by 2.6% to EUR 653.1mn despite adjustments to the collective bargaining agreement.

In 2011, EBITDA comparable fell by 5.8% to EUR 972.6mn compared to 2010. Combined with a 4.0% decline in revenues, the EBITDA comparable margin decreased from 33.7% to 33.1%.

Restructuring expenses of EUR 233.7mn were recorded in the Austrian segment for the 2011 business year and comprised expenses 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. EBITDA including effects from restructuring and impairment tests thus amounted to EUR 738.9mn in the year under review, a 17.0% decline

¹⁵ Defined as EBITDA, excluding effects from restructuring and impairment tests.

compared to the previous year.

Total depreciation and amortization declined by 8.4% to EUR 609.2mn in 2011. Overall, the developments described above resulted in a 42.3% decline in operating income in the Austrian segment to EUR 129.7mn.

The below table shows certain operating expenses for Austria.

Operating expenses in Austria	Segment Austria as of 31 December 2011 (unaudited) (in EUR million unless indicated otherwise)	Segment Austria as of 31 December 2010 (unaudited)	Change in %
Material expenses	272.0	245.4	10.9
Employee costs	653.1	670.5	-2.6
Other operating expenses	1,140.1	1,221.7	-6.7
Restructuring	233.7	124.1	88.4
Impairments and reversals of impairment losses	0.0	18.3	-
Depreciation and amortization	609.2	665.0	-8.4

Source: 2011 Annual Report of Telekom Austria

III.2 Bulgaria

The market environment in Bulgaria is characterized by a weak domestic economy and fierce competition. In 2011, Telekom Austria's (indirect) Bulgarian subsidiary MobilTel EAD ("M-tel"), expanded its subscriber base by 4.8% to over 5.5mn customers and increased its mobile broadband subscriber base by 52.1% to more than 192,000 customers.

The trend towards convergent products and integrated telecommunication solutions continued in 2011. Accordingly, M-tel acquired two Bulgarian fiber-optic providers. Both companies have been consolidated in the Bulgarian segment since February 2011. The number of fixed access lines rose from 99,100 to more than 128,800 lines after the companies were fully consolidated.

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 to EUR 527.7mn 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% to EUR 261.9mn 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 19.3mn, the developments described above led to a 66.0% drop in operating income to EUR 42.3mn in the 2011 business year.

The below table shows certain performance indicators for Bulgaria.

Key Financials (in EURmn if not indicated otherwise)	Segment Bulgaria as of 31 December 2011 (unaudited)	Segment Bulgaria as of 31 December 2010 (unaudited)	Change in %
Revenues	527.7	564.5	-6.5
EBITDA comparable	261.9	298.6	-12.3
EBITDA comparable – margin	49.6%	52.9%	-
EBITDA incl. effects from restructuring and impairment tests	242.6	298.6	-18.8
Operating Income	42.3	124.1	-66.0
Capital expenditures	70.5	66.3	6.4
Fixed Line			
ARPL in EUR	15.4	-	-
Total access lines (in thousand)	128.8	-	-
of which fixed broadband lines (in thousand)	123.1	-	-
Mobile Communication			
Mobile communication subscribers (in thousand)	5,501.4	5,248.7	4.8
Share of contract customers	67.4%	64.2%	-
Market share	48.6%	49.6%	-
Penetration	151.4%	140.8%	-
Mobile broadband customers	192,012	126,217	52.1
ARPU in EUR	7.2	8.3	-13.1

Human resources (full-time employees)	3,380	2,453	37.8
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Source: 2011 Annual Report of Telekom Austria

III.3 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.

Business development in 2011 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 the first-time contribution to revenues from B.net. Revenues declined by 6.9% to EUR 420.7mn in the 2011 business year. This includes a negative effect from foreign currency translations amounting to EUR 8.6mn.

Operating expenses were cut by 4.8% to EUR 289.0mn, largely due to savings in other operating expenses and a reduction of interconnection costs. The increase in employee costs 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 134.5mn in 2011 and the EBITDA comparable margin decline from 33.3% to 32.0%. The negative effect from foreign currency translations on EBITDA comparable amounted to EUR 2.8mn. Due to the aforementioned effects, operating income dropped by 18.0% to EUR 67.9mn in the year under review.

The below table shows certain performance indicators for Croatia.

Key Financials (in EURmn if not indicated otherwise)	Segment Croatia as of 31 December 2011 (unaudited)	Segment Croatia as of 31 December 2010 (unaudited)	Change in %
Revenues	420.7	451.9	-6.9
EBITDA comparable	134.5	150.5	-10.6
EBITDA comparable – margin	32.0%	33.3%	-
EBITDA incl. effects from restructuring and impairment tests	134.5	150.5	-10.6
Operating Income	67.9	82.9	-18.0
Capital expenditures	50.5	48.3	4.6
Fixed Line			
ARPL in EUR	27.9	-	-
Total access lines (in thousand)	143.7	-	-
of which fixed broadband lines (in thousand)	68.6	-	-
Mobile Communication ¹⁾			
Mobile communication subscribers (in thousand)	2,018.0	2,028.1	-0.5
Share of contract customers	37.8%	34.6%	-
Market share	39.2%	39.0%	-
Penetration	119.9%	118.0%	-
Mobile broadband customers	170,617	144,753	17.9
ARPU in EUR	12.9	14.5	-10.9
Human resources (full-time employees)	1,144	1,059	8.0

Source: 2011 Annual Report of Telekom Austria

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 KPIs in the 2011 Financial Statements of Telekom Austria were adjusted retrospectively as of the first quarter of 2010.

III.3 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.

Furthermore, a decision was taken to apply the financial reporting standard for hyperinflationary economies to the Belarusian segment's results for the full year 2011 as of the fourth quarter.

Revenues in 2011 totalled EUR 260.9mn, down 24.1% compared to the previous year.

Operating expenses in 2011 totalled EUR 159.5mn, a decline of EUR 33.8mn on 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 155.6mn to EUR 106.6mn in the recent business year, mainly due to the currency translation effects described above.

As a result of inflation-related adjustment of segment assets, an impairment charge of EUR 279.0mn was recorded in 2011. This was largely responsible for the Belarusian segment's operating loss of EUR 255.2mn in 2011 compared to an operating income of EUR 73.4mn in 2010.

The below table shows certain performance indicators for Belarus.

Key Financials (in EURmn if not indicated otherwise)	Segment Belarus as of 31 December 2011 (unaudited)	Segment Belarus as of 31 December 2010 (unaudited)	Change in %
Revenues	260.9	343.6	-24.1
EBITDA comparable	106.6	155.6	-31.5
EBITDA comparable – margin	40.9%	45.3%	-
EBITDA incl. effects from restructuring and impairment tests	-172.4	155.6	-
Operating income/loss	-255.2	73.4	-
Capital expenditures	44.9	62.9	-28.5
Mobile Communication			
Mobile communication subscribers (in thousand)	4,620.4	4,353.7	6.1
Share of contract customers	79.7%	78.2%	-
Market share	41.1%	41.9%	-
Penetration	118.8%	109.6%	-
Mobile broadband customers	453,054	143,532	215.6
ARPU in EUR	4.2	6.2	-31.8
Human resources (full-time employees)	1,784	1,770	0.8

Source: 2011 Annual Report of Telekom Austria

III.4 Additional Markets

(a) Slovenia

Si.mobil d.d. ("**Si.mobil**"), Telekom Austria's (indirect) subsidiary in Slovenia, focused on high-value market segments with smartphone offers and all-inclusive packages. Si.mobil grew its subscriber base in 2011 to almost 640,000 customers, increasing both the proportion of contract customers and market share.

On the back of this operational development, monthly fee and traffic revenues grew, contributing to a 10.7% increase in total revenues to EUR 192.7mn. Due to a disproportionately small increase in operating expenses, EBITDA comparable rose by 14.6% to EUR 51.7mn, improving the EBITDA comparable margin from 25.9% in the previous year to 26.8% in 2011. After depreciation and amortization charges, which amounted to EUR 21.4mn, Si.mobil reported an operating income of EUR 30.2mn for 2011 compared to EUR 24.0mn in the previous year.

The below table shows certain performance indicators for Slovenia.

Key Financials (in EURmn if not indicated otherwise)	Sub-segment Slovenia as of 31 December 2011 (unaudited)	Sub-segment Slovenia as of 31 December 2010 (unaudited)	Change in %
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Revenues	192.7	174.0	10.7
EBITDA comparable	51.7	45.1	14.6
EBITDA comparable – margin	26.8%	25.9%	-
EBITDA incl. effects from restructuring and impairment tests	51.7	45.1	14.6
Operating Income	30.2	24.0	26.2
Capital expenditures	19.5	15.1	29.2
Mobile Communication			
Mobile communication subscribers (in thousand)	639.7	618.9	3.4
Share of contract customers	74.5%	71.2%	-
Market share	29.7%	29.2%	-
Penetration	105.6%	102.7%	-
Mobile broadband customers	15,935	14,559	9.5
ARPU in EUR	20.9	20.5	2.0
Human resources (full-time employees)	347	331	4.8

Source: 2011 Annual Report of Telekom Austria

(b) Serbia

Vip mobile d.o.o. ("**Vip mobile**"), Telekom Austria's (indirect) subsidiary in Serbia, continued its growth increasing the number of mobile customers to more than 1.6mn and expanding the proportion of contract customers in 2011. As a result, market share grew from 13.7% to 15.7% and average monthly revenues per user (ARPU) from EUR 6.2 to EUR 7.2. Higher usage also led to an increase in interconnection revenues. Revenues grew by approximately 36.7% to EUR 143.1mn. Foreign currency translations had a positive impact of EUR 1.4mn on revenues.

The increase in operating expenses in 2011 by 7.5% to EUR 116.9mn was largely attributable to higher interconnection expenses. In the last business year, Vip mobile reported an EBITDA comparable of EUR 31.5mn, 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 59.8mn and the reversal of impairment losses in the amount of EUR 49.4mn for the mobile license, operating income totalled EUR 21.1mn after an operating loss of EUR 47.1mn in the previous year.

The below table shows certain performance indicators for Serbia.

Key Financials (in EURmn if not indicated otherwise)	Sub-segment Serbia as of 31 December 2011 (unaudited)	Sub-segment Serbia as of 31 December 2010 (unaudited)	Change in %
Revenues	143.1	104.7	36.7
EBITDA comparable	31.5	0.0	-
EBITDA comparable – margin	22.0%	-	-
EBITDA incl. effects from restructuring and impairment tests	80.9	0.0	-
Operating Income	21.1	-47.1	-
Capital expenditures	55.9	47.5	17.6%
Mobile Communication			
Mobile communication subscribers (in thousand)	1,642.7	1,359.7	20.8
Market share	15.7%	13.7%	-
Penetration	141.3%	134.1%	-
ARPU in EUR	7.2	6.2	15.5
Human resources (full-time employees)	889	811	9.6

Source: 2011 Annual Report of Telekom Austria

(c) Macedonia

After expanding its subscriber base by 28.1% to more than 566,600 mobile customers, Vip Operator DOOEL ("**Vip operator**"), Telekom's (indirect) subsidiary in Macedonia, increased its market share in Macedonia from 19.9% to 24.9% at year-end 2011.

Revenues rose by 49.3% to EUR 53.4mn in a year-on-year comparison. 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. At EUR 47.9mn, operating expenses showed an increase of 15.6% compared to the previous year. After a negative EBITDA comparable of EUR 5.2mn in 2010, Vip operator recorded a positive EBITDA comparable of EUR 6.3mn for the first time in 2011. Operating loss was reduced from EUR 14.3mn in 2010 to EUR 10.3mn.

The below table shows certain performance indicators for Macedonia.

Key Financials (in EURmn if not indicated otherwise)	Sub-segment Macedonia as of 31 December 2011 (unaudited)	Sub-segment Macedonia as of 31 December 2010 (unaudited)	Change in %
Revenues	53.4	35.8	49.3
EBITDA comparable	6.3	-5.2	-
EBITDA comparable – margin	11.8%	-	-
EBITDA incl. effects from restructuring and impairment tests	6.3	-5.2	-
Operating Income	-10.3	-14.3	-28.0
Capital expenditures	11.8	7.6	55.9
Mobile Communication			
Mobile communication subscribers (in thousand)	566.6	442.2	28.1
Market share	24.9%	19.9%	-
Penetration	111.0%	108.2%	-
ARPU in EUR	7.5	6.8	10.0
Human resources (full-time employees)	203	196	3.6

Source: 2011 Annual Report of Telekom Austria

(d) Liechtenstein

Mobilkom liechtenstein AG ("**mobikom liechtenstein**"), Telekom Austria's (indirect) subsidiary in Liechtenstein has approximately 6,200 customers, a decline of 3.5% compared to 2010. Revenues in the last business year rose by 8.9% to EUR 7.6mn. Rising revenues led to an increase in EBITDA comparable from EUR 1.3mn to EUR 1.9mn. After EUR 0.5mn in the previous year, operating income in 2011 totalled EUR 1.0mn.

The below table shows certain performance indicators for Liechtenstein.

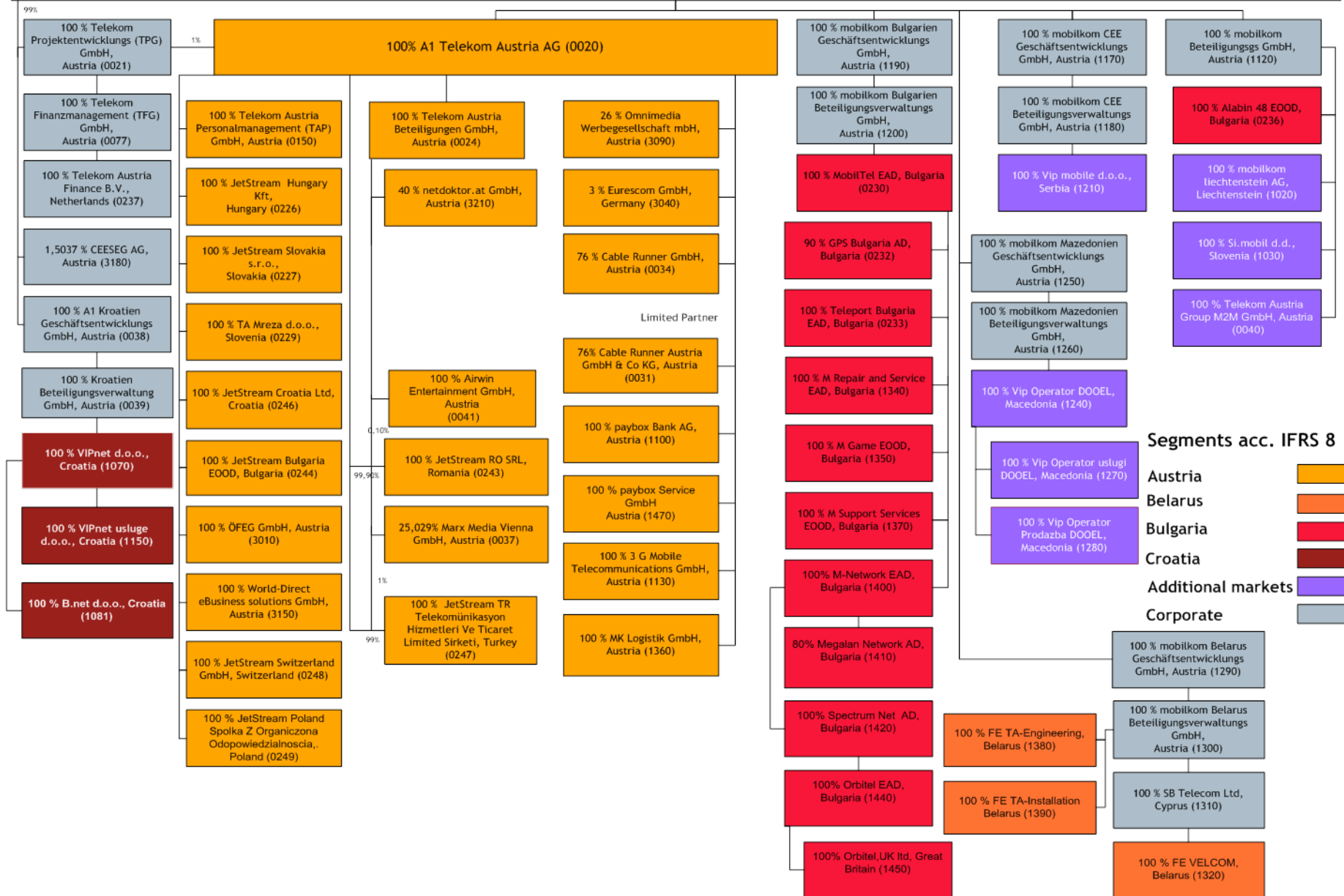
Key Financials (in EURmn if not indicated otherwise)	Sub-segment Liechtenstein as of 31 December 2011 (unaudited)	Sub-segment Liechtenstein as of 31 December 2010 (unaudited)	Change in %
Revenues	7.6	7.0	8.9
EBITDA comparable	1.9	1.3	47.0
EBITDA comparable – margin	24.4%	18.0%	-
EBITDA incl. effects from restructuring and impairment tests	1.9	1.3	47.0
Operating Income	1.0	0.5	108.0
Capital expenditures	0.7	0.4	75.7
Mobile Communication			
Mobile communication subscribers (in thousand)	6.2	6.4	-3.5
Market share	16.5%	20.2%	-
Penetration	102.8%	91.5%	-
ARPU in EUR	54.9	56.2	-2.2
Human resources (full-time employees)	13	15	-12.7

Source: 2011 Annual Report of Telekom Austria

IV. ORGANISATIONAL STRUCTURE

Telekom Austria has various subsidiaries. The chart on the following page shows, in simplified form, main participations of Telekom Austria as of 29 February 2012.

Telekom Austria AG, Austria



V. REGULATION

V.1 Austria

(a) The Regulatory Authorities

The Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003, BGBl I 70/2003*, the "TKG") has been recently amended in November 2011, transposing into the 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 Rights¹⁶. 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

¹⁶ Convention for the Protection of Human Rights and Fundamental Freedoms dated 4 November 1950, as amended.

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 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.

(b) Spectrum

The Telecom-Control-Commission has started award procedure for frequency spectrum in the 800, 900 and 1800 MHz bands in 2012. The following information on the procedure is sourced from the website of RTR (http://www.rtr.at/en/tk/FRQ_Auction2012_Info) as of 2 March 2012.

800/900/1800MHz Auction-Timetable. After a national consultation, on 19 September 2011 the Telecom-Control-Commission published its decision on the timeline and award procedure: The Telecom-Control-Commission has decided the following preliminary schedule for the procedure¹⁷. The Telecom-Control-Commission expects the following timetable:

April 2012	Publication of tender (after approval by the Federal Ministry for Transport, Innovation and Technology)
July 2012	Deadline for applications
July 2012	Admittance to auction
September 2012	Start of auction
within 4 weeks after end of auction	Decision

800/900/1800MHz Auction-Tender Documents. The Telecom-Control-Commission is currently preparing the tender documents according to article 55 TKG 2003 and the decision is likely to be taken in February/March 2012. According to section 55 paragraph 3 and 4 TKG 2003 the tender documents has to cover inter alia frequency spectrum, intended use, usage conditions, the principles of the procedure (auction format, spectrum caps). Furthermore, the tender document stipulates the reserve price (minimum bid), the coverage obligations and the requirements for participation in the procedure.

800/900/1800MHz Auction-Auction format. On 19 September 2011 the Telecom-Control-Commission has also made a decision on the auction format. As in the procedure for the 2,6 GHz frequency band, the combinatorial clock auction (CCA) will be used. The Telecom-Control-Commission also stated that refarming of the GSM spectrum before the auction will not be supported, however depending on the Telecom-Control-Commission's approval this will be possible afterwards. The remaining license duration in 900/1800 (until 2015-2019) will not be touched.

(c) Market Consolidation

The above mentioned (see section "Austria – Market" on page 26 of this Prospectus) acquisition of Orange Austria by Hutchison 3G is subject to approval of both competition authorities at national and EU level and the national regulator which is awaited by mid 2012. The consolidation of mobile operators in Austria will change the competitive environment and possibly intensify competition even more.

As a consequence A1 Telekom Austria AG wants to acquire the no frills brand YESSS! from

¹⁷ Please note that the timetable is non-binding and a number of factors (such as international coordination processes regarding usage conditions) might require changes or cause delays.

Orange but this deal is also subject to approval of the national competition authority and the RTR.

Moreover in 2011 Tele2 Austria has acquired the ISP Silverserver who was specialized on SME business customers which will lead to intensified competition in the business segment in fixed telecommunication markets.

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

(d) Market Analysis

Due to the review of the European regulatory framework in 2009, an amendment of national telecommunications law of 2003 was necessary. This newly amended Austrian Telecommunications Act was published 21. November 2011 and entails among other adaptations (consumer rights: e.g. further transparency & information requirements, cost control, shorter duration of contract, or e.g. harmonisation of provisions for spectrum allocation, promotion of new infrastructure) 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 within the context 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. At present, already the 4th round of market analysis is being conducted by the Austrian regulatory authority.

Deregulation. Deregulation has taken place on some of the fixed voice retail markets with the exception of access markets: As a result, retail voice markets of national and international telephone services for residential customers move to ex-post regulation. The absence of regulatory action in these markets leads to a better ability to respond quickly to customers' needs ("time to market") as well as to more freedom in pricing and selecting the product mix.

In the following telecommunication markets A1 is deemed to have SMP but due to growing competition and further fixed-mobile substitution effects the regulatory obligations have been lifted partly:

- In the wholesale market for terminating segments of leased lines (deregulation of high bandwidths and within some major cities)
- In the wholesale broadband access market (bitstreaming) – deregulation of residential customers

Unbundling. For the remaining markets it has been determined that the same set of remedies have been imposed as before with the exception of the wholesale market for unbundling: On this market, A1 has published a wholesale offer for virtual unbundling since October 2011, that – although it does not involve direct sharing of physical infrastructure - must 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 TA's NGA roll out possible.

Interconnection. Another area of regulatory activity is interconnection. Within that context 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. In Austria, current tariffs remain stable until finalisation of the current round of market analysis.

Concerning interconnection fees national regulatory authorities are under pressure to follow the EC Recommendation on Termination rates when setting new MTR/FTR levels in Europe as a pure LRIC cost model will be mandatory by December 31, 2012. Therefore national regulators

in European Member States are expected to introduce aggressive cost modeling which will lead to a further decrease in MTRs and FTRs in late 2012.

V.2 Regulation in other Markets

(a) Belarus

A Presidential decree of February 2010 legally cancelled the monopoly of the national incumbent regarding international interconnection and grants to the President a right to define a list of international providers. In September 2010 the Presidents entrusted to create a telecom provider under Presidential administration supervision and entitles this company (national centre for traffic exchange – NCTE) with a right of international interconnection. NCTE was supposed to begin operations on first of January 2012 but so far did not. The rescheduled starting date is now Q3/2012.

Since February 2012 the mobile termination rate of the smallest operator Turkcell were 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. Also on first of February mobile number portability was introduced.

(b) Bulgaria

The amendments to the existing Electronic Communications Act implementing the revised EU Telecom Framework 2009 were adopted in December 2011 and entered into force on 29 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 document followed the European Commission's initiatives on the harmonisation of the 900 MHz and 1800 MHz frequency bands in the national legislation.

The second round analyses of the market of Voice call termination on mobile networks and the markets of call origination and call termination on fixed networks were notified to the European Commission in January 2012 after a twofold consultation process. However, the national regulatory authority withdrew its notification and a third consultation procedure is on the way.

A one-stop-shop procedure for mobile and fixed number portability was introduced in August 2010 by the national regulatory authority. The switch to one-stop-shop was operated in order to simplify porting process and to reduce the porting period.

(c) 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 already introduced in August 2009 was abolished on January first 2012 but was reintroduced again 26 days later by the newly elected Croatian government.

(d) Macedonia

The new Mobile Number Portability ("MNP") framework entered into force in September 2011, fully in favour of Vip operator as leader of providing the service including "one-stop shop" porting process, approval by donor side within 3 hours and excluding harmful reasons for request denial, retention activities and suspension requests for the ported users.

The regulator continued to set asymmetric mobile termination rates so that Vip operator enjoyed significant higher rates than its competitors. Nevertheless, the regulator announced its willingness to introduce a stricter cost model in line with the EU Commission's recommendation on termination rates.

The national regulatory authority continued to charge significantly higher frequency fees than

the EU average also in 2011 so that the authorities revenues exceed its costs by far. In addition the latest amendments of the Electronic Communications Law further reinforces this policy although it is in contradiction with the relevant EU directive.

(e) **Serbia**

In January 2011 the 10% tax on mobile communication services was abolished. The tax was introduced by the Serbian Government in June 2009 in order to reduce the budget deficit during the financial crises.

In August 2010 the new Law on Electronic Communications entered into force. This law brought along some major changes for Serbian telecommunications operators: the fees which are paid the national regulatory authority were reduced, new services such as Mobile Number Portability and the general authorization regime were introduced and the market analysis procedure as practiced in the European Union was established and carried out for the first time on the market for mobile termination.

(f) **Slovenia**

In July 2010 the National Regulatory Authority 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, still unclear what will happen with the 800 MHz frequencies from the Digital Dividend

V.3 **International Roaming**

In 2009, the European Union Roaming Regulation (Regulation (EU) No 544/2009, the "**Roaming Regulation**") went into force under which retail charges are set to a current maximum of 35 Eurocents (excl. VAT) for active calls, and 11 Eurocents (excl. VAT) for passive calls. The Roaming Regulation also includes maximum charges for voice mail, Euro-SMS and data roaming. The regulation also requires that citizens have to be informed of the charges.

As both the European Commission and the European Parliament continue to consider the regulation of roaming services necessary, the EU Commission published a draft proposal for a third Roaming Regulation in July 2011. This proposal differs from the first and second Regulation in so far as it proposes the implementation of a structural solution. This enables customers to choose an operator for roaming services within the European Union independently from their operator for national services. It is presumed that this will incentivize roaming providers to start competing on roaming services, eventually rendering the continuation of price cap regulation unnecessary. The legislative process, however, has not been finalized yet and might be subject to changes as the proposed regulation has to be passed by Parliament and Council until 30.6.2012.

V.4 **GSM**

The Telecommunications Act of 2003 sets 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!.

V.5 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.

VI. RISK MANAGEMENT

VI.1 Risk management at Telekom Austria Group

Risk management at the Telekom Austria Group focuses on market and competitive risks, interventions by regulators and uncertain legal situations, which could influence the Group'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. The Telekom Austria Group's overall risk situation is calculated on the basis of the sum of individual risks.

In addition to the Austrian fixed line and mobile communication markets, Telekom Austria Group is also operating in seven other international telecommunication markets, which should ensure sectoral and geographical diversity. As the individual markets of Telekom Austria Group 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. Group-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 the Telekom Austria Group 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 the Telekom Austria Group, are explained below. In 2011, Telekom Austria Group also implemented a group-wide compliance risk management process.

(a) Market and Competitive Risks

A high level of competition, a trend, which is also increasingly affecting the Group'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 the Telekom Austria Group'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.

(b) 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 Group 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 Group'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 Group'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 Group 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 Group 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.

(c) Financial and Economic Risks

Financial and economic risks are managed by Telekom Austria Group's financing company, TFG. Please see "Risk Management at TFG" below.

(d) Credit Risks

Telekom Austria Group 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 eg in credit limits or requests for deposits). Credit evaluations of the key customers are also undertaken on an ongoing basis.

(e) Safeguarding the Value of Assets

Telekom Austria Group 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.

(f) 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).

(g) Technical and Geographical Risks

Maintaining availability and reliability for the services and products offered by the Telekom Austria Group 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, the Group operates in markets that are undergoing political and economic changes, which could affect the business activities of the Telekom Austria Group.

(h) Internal Control System for Financial Reporting

After delisting from the New York Stock Exchange, Telekom Austria Group 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 Telekom Austria Group companies. 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.

VI.2 Risk Management at TFG

Telekom Austria Group is *inter alia* exposed to liquidity, counterparty, foreign exchange and interest rate risks. In order to safeguard the liquidity and financial flexibility of the Group, 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.

VII. MATERIAL CONTRACTS

In the ordinary course of its respective business, Telekom Austria Group companies enter into numerous contracts with various entities.

Save as described below members of Telekom Austria Group have not entered into contracts outside the ordinary course of their respective businesses which could result in any group member being under an obligation or entitlement that is material to Telekom Austria's or TFG's ability to meet their respective obligations vis-à-vis Noteholders in respect of the Notes.

On 3 February 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 390mn. The agreement is subject to the approval of the competent regulation and competition authorities.

Under a Euro Medium Term Note Programme, the underlying documentation for which was signed on 30 June 2003, TFG, in July 2003, issued EUR 750mn 5% bonds due 22 July 2013.

In January 2005, TFG issued EUR 500mn 4.25% bonds due 27 January 2017.

Telekom Austria Finance B.V., a wholly owned subsidiary of TFG, with its registered seat in the Netherlands, has in place a EUR 713mn syndicated committed credit facility, established in 2006, which has not been drawn since then.

In September 2007, TFG entered into a EUR 300mn multi-currency short term and medium term treasury notes programme which has not been drawn as of the date of the Prospectus.

In August 2008, Telekom Austria Finance B.V. issued promissory notes with a total volume of EUR 300mn and a maturity of 4 years. The promissory notes consist of a floating tranche of EUR 200mn and a fixed interest (6.08%) tranche of EUR 100mn.

In January 2009 TFG issued EUR 750mn 6.375 % bonds due 2016.

In January 2011, TFG entered into a syndicated loan facility in the total amount of EUR 445mn, of which EUR 89mn are due in June 2012, EUR 178mn are due in December 2015 and EUR 178mn are due in November 2018.

In March 2011, TFG entered into three forward starting interest rate swaps with an overall volume of EUR 300mn 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 750mn.

VIII. PRINCIPAL INVESTMENTS

Save as described below, since the publication of the latest financial statements of Telekom Austria and TFG, no material investments have been made and no principal future investments of Telekom Austria and/or TFG on which the management has already made firm commitments have been authorised to the date hereof.

- On 3 February 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).
- Telekom Austria will participate in the Austrian award procedure for frequency spectrum in the 800, 900 and 1800 MHz bands in 2012 (see "Regulation" above; as this is an auction, the amount to be invested cannot be disclosed).

Telekom Austria intends to finance the above mentioned investments via free cash flows, third party financing and any other possible financing measures depending on market and other conditions.

IX. LITIGATION AND ARBITRATION

TFG, Telekom Austria and its subsidiaries are party 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.

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 TFG, Telekom Austria or the Group, except as described herein.

A tax audit performed in Austria resulted in a potential additional payment of EUR 17mn for prior periods. This potential payment relates to the years 2003 – 2009 and is subject to an appeal.

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 1 April 2011. On 31 March 2011, Mobiltel filed an action against CRC's decision. In addition, on 25 November 2011, Mobiltel has requested a clarification whether the decision of CRC has immediate effect. Beginning in January 2012, the first instance has declared that the decision of CRC has an immediate effect. Mobiltel has appealed against this decision and the ruling of the second (final) instance is expected in the near future.

In 2011, Si.mobil filed a law suit against Telekom Slovenia for the abuse of its monopoly position. The damage in this case up to the end of 2011 could amount to approximately EUR 127mn.

In the normal course of business, Telekom Austria Group is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to interconnection. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty.

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 and employees in the past. There has been continuous and extensive reporting in the media. The supervisory board of Telekom Austria has initiated investigations by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, which are still ongoing in order to detect possible violations in the past.

Should any 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).

X. RECENT EVENTS

On 19 January 2012 the rating agency Moody's downgraded the long-term rating of Telekom Austria from A3 to Baa1 (stable outlook). Telekom Austria AG's short-term issuer rating of P-2 was confirmed by Moody's.

On 19 January 2012 RPR Privatstiftung, Vienna, reported that it directly and indirectly held 20.118% of the shares in Telekom Austria.

On 30 January 2012 the Croatian government announced the reintroduction of the 6% tax on revenues from mobile network services as of 26 January 2012. The tax is expected to remain in force until Croatia joins the European Union.

On 3 February 2012 the Telekom Austria reached an agreement with Orange Austria Telecommunication GmbH to acquire assets comprising base stations, frequencies, the mobile operator YESSS! Telekommunikation GmbH and certain intangible property rights for a total amount of up to EUR 390.0mn. The transaction is contingent upon the approval of the regulator and competition authority.

According to recent news paper articles, it is likely that (upon the initiative of RPR Privatstiftung) two additional members will be elected to the Supervisory Board of Telekom Austria (which would then consist of 10 members) in the upcoming annual shareholders' meeting of Telekom Austria on 23 May 2012.

THE GUARANTEE

Set out below is the text of the Guarantee given by the Guarantor in respect of the Notes issued by TFG under the Programme:

THIS GUARANTEE is given on 23 March 2012 by Telekom Austria Aktiengesellschaft (the "**Guarantor**").

WHEREAS:

- (A) The Guarantor has agreed to guarantee the obligations of Telekom Finanzmanagement GmbH (the "**Issuer**") in respect of the notes (the "**Notes**") issued by it from time to time under the €2,500,000,000 Euro Medium Term Note Programme established by the Issuer and the Guarantor (the "**Programme**").
- (B) Terms defined in the Terms and Conditions of the Notes (the "**Terms and Conditions**") and not otherwise defined in this Guarantee shall have the same meaning when used in this Guarantee.

NOW, THEREFORE, the Guarantor executes and delivers this Guarantee for the benefit of the Noteholders as follows:

- (1) The Guarantor as primary obligor unconditionally (except as specifically set out herein), irrevocably and independently:
 - (a) as holding company of the Issuer, undertakes to any Noteholder from time to time to exert any influence and/or to use its voting rights attached to the share quotas (*Geschäftsanteile*) held in the Issuer to ensure that it will at all times perform and comply with its obligations under the Notes in any and all respects; and
 - (b) agrees in favour of each Noteholder to pay to the relevant Noteholder the amount set out in the confirmation (referred to below) by such Noteholder upon first written demand by such Noteholder including a written confirmation by such Noteholder of the failure of the Issuer to perform its obligations in respect of the Notes and the amount due in respect thereof. In so agreeing, and notwithstanding any provision of this Guarantee, the Guarantor waives all rights of objection and defence arising from and irrespective of the validity, legality, bindingness, enforceability or the legal effects of the Issuer's obligations in respect of the Notes and irrespective of any matter, event or circumstances of whatever nature which might operate to affect the obligations of the Guarantor, including, without limitation any time or indulgence granted to or composition with the Issuer or any other person, the taking, variation, renewal or release of remedies or securities against the Issuer or any other person, or any unenforceability, invalidity or irregularity (*unbedingt, unwiderruflich, über erste Anforderung und unter Verzicht auf alle Einwendungen*). This Guarantee given by the Guarantor is meant to be and shall be interpreted as an "*abstrakter Garantievertrag*" pursuant to section 880a 2nd alternative of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch*), and not as surety (*Bürgschaft*) or as a joint obligation as a borrower (*Mitschuldner*).
- (2) All payments by the Guarantor under this Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or within Austria or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no

Additional Amounts shall be payable with respect to any Note if:

- (a) these are to be paid otherwise than by withholding or deduction at the source of payments under the Notes or the Guarantee; or
 - (b) a Noteholder has a relationship to Austria other than the mere holding of the Notes, and as a result of this is liable to pay duties and taxes; or
 - (c) these are being withheld in the Republic of Austria pursuant to § 93 Austrian Income Tax Act (*Einkommensteuergesetz*); or
 - (d) such deduction would not be required if the holder or any person acting on his behalf had presented the requested form or certificate or had made the requested declaration of non-residence or similar claim for exemption upon the presentation or making of which that holder would have been able to avoid such deduction; or
 - (e) these are to be paid because of a change of law which will enter into force (i) later than 30 days after the applicable payment date under the Notes or the Guarantee, or (ii) to the extent that payment is made late by the Issuer or the Guarantor, later than 30 days after the Issuer or the Guarantor effects payment in full of all due and payable amounts and notifies Noteholders of such payment pursuant to § 12 of the Terms and Conditions; or
 - (f) these are withheld or deducted by an agent or any other person located outside of Austria after payment by the Issuer or the Guarantor in the course of the transfer of such amounts to the Noteholder; or
 - (g) these could be reclaimed pursuant to a double taxation treaty or the fiscal laws of Austria or be dischargeable at the source due to community law (EU) provisions; or
 - (h) these are imposed or levied pursuant to or as a consequence of an international treaty to which Austria is a party or a regulation or a directive on the basis of or as a consequence of such international treaty; or
 - (i) these were withheld or deducted pursuant to Council Directive 2003/48/EC of 3 June 2003, as amended, on the taxation of savings income in the form of interest payments or due to statutory or administrative provisions enacted for the implementation of this directive, in particular § 1 Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*); or
 - (j) these are withheld or deducted, if such payment could have been effected by another Agent without such withholding or deduction; or
 - (k) these would not have to be paid by a Noteholder if it could have obtained tax exemption, tax restitution or tax rebate in a reasonable way; or
 - (l) any combination of items (a)-(k);
- (3) Where any discharge (whether in respect of the obligations of the Issuer or any security for the obligations of the Issuer or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be repaid on bankruptcy, liquidation or otherwise without limitation, the liability of the Guarantor under this Guarantee shall continue as if there had been no discharge or arrangement. The holder of any Note shall be entitled to concede or compromise any claim that any payment, security or other disposition is liable to avoidance or repayment.
- (4) So long as any of the Notes remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Agent, the Guarantor undertakes

not to and shall procure that no Material Subsidiary (as defined in the Terms and Conditions) of the Guarantor will, create or permit to subsist any mortgage, charge, pledge, lien (other than solely by operation of law) or other encumbrance upon any or all of its present or future assets (including any uncalled capital) to secure any Public Debt (as defined in the Terms and Conditions) of any Person or any obligation of any Person under any guarantee of or indemnity in respect of any Public Debt of any other Person, without at the same time having the Noteholders' share equally and rateably in such security or such other security as shall be approved by an independent accounting firm of internationally recognised standing as being equivalent security.

Nothing in this Clause (4) shall prevent the Guarantor or any Material Subsidiary of the Guarantor from creating or permitting to subsist a mortgage, lien, pledge or other charge upon a defined or definable pool of its assets including, but not limited to, receivables (not representing all of the assets of the Guarantor or any Material Subsidiary of the Guarantor) (the "**Secured Assets**") which is or was created pursuant to any securitisation or like arrangement in accordance with established market practice (whether or not involving itself as the issuer of any issue of asset backed securities) and whereby all payment obligations in respect of the Public Debt of any Person or under any guarantee of or indemnity in respect of the Public Debt of any other Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer, the Guarantor or any Material Subsidiary of the Issuer or the Guarantor).

- (5) The Guarantor represents and warrants that the obligations of the Guarantor under this Guarantee constitute the direct, unconditional, unsubordinated and (subject to the provisions of Clause (4)) unsecured obligations of the Guarantor and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Guarantor, including, for the avoidance of doubt, any guarantee provided by the Guarantor, from time to time outstanding and that all necessary consents, approvals and authorisations for giving and implementing the Guarantee have been obtained.
- (6) Until all amounts which may be or become payable under the Notes have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Noteholder or claim in competition with the Noteholders against the Issuer.
- (7) This Guarantee shall ensure for the benefit of and the obligations contained herein are owed to each and every Noteholder. The Guarantee shall be deposited with and held by the Agent. Subject to mandatory provisions of Austrian law, each and every Noteholder shall be entitled severally to enforce the said obligations against the Guarantor.
- (8) This Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor. The Guarantor shall not transfer, which shall, for the avoidance of doubt, also encompass any transfer in the course of a corporate restructuring including by merger or spin-off, its obligations hereunder in any circumstances without the explicit prior written approval of the Noteholders.
- (9) Each of the provisions contained in this Guarantee shall be severable and distinct from one another and if at any time one or more of such provisions is or becomes invalid, illegal or unenforceable, this shall not affect, prejudice or impair the validity, legality and enforceability of the remaining provisions hereof. The invalid, illegal or unenforceable provision shall be replaced by a provision which best meets the intent of the replaced provision. Changes, supplements and amendments of this Guarantee including this subsection shall be made in writing and require the explicit consent of the Noteholders.
- (10) Subject to compliance by the relevant Noteholder with Clause (11) below, any Austrian tax, including transfer taxes, stamp duties, and costs and expenses incurred in connection with the

defence against the payment of taxes and stamp duties by a Noteholder in connection with this Guarantee are borne directly by the Guarantor. The Guarantor agrees to indemnify each and every Noteholder without delay for any such Austrian taxes, including transfer taxes, stamp duties, and costs and expenses incurred in connection with the defence against the payment of taxes and stamp duties in connection with this Guarantee.

- (11) Each Noteholder undertakes not to rely on this Guarantee and not to bring the original, or a certified copy, of this Guarantee into Austria, unless an Austrian court of competent jurisdiction requires the presentation of such original or certified copy to enable the Noteholder to enforce any claim in relation to this Guarantee.
- (12) This Guarantee and all undertakings contained herein constitute a contract for the benefit of the Noteholders as third party beneficiaries pursuant to § 881(2), second sentence, of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch*). They shall give rise to the right of each Noteholder to claim performance of the obligations undertaken herein directly from the Guarantor, and to enforce such obligations directly against the Guarantor. Any Noteholder may take action directly against the Guarantor to pursue his claims pursuant to this Guarantee, without being required to bring first an action against the Issuer.
- (13) This Guarantee and any non-contractual obligations arising out of or in connection with this Guarantee shall be governed by Austrian law, excluding its conflict of law rules insofar as such rules would lead to the applicability of foreign law.
- (13) The courts competent in commercial matters for Vienna, Austria, First District (*Wien Innere Stadt*) shall have jurisdiction to settle any dispute arising out of or in connection with this Guarantee. The Noteholders, however, may also pursue their claims before any other court of competent jurisdiction in the European Economic Area.

Vienna, 23 March 2012

TELEKOM AUSTRIA AKTIENGESELLSCHAFT

We accept the conditions of the above Guarantee without recourse, warranty or liability and without acting as agent, fiduciary or in any similar capacity for any Noteholders.

Vienna, 23 March 2012

TELEKOM FINANZMANAGEMENT GMBH

TAXATION

Warning: THIS SECTION ON TAXATION CONTAINS A BRIEF SUMMARY OF THE ISSUER'S UNDERSTANDING WITH REGARD TO CERTAIN IMPORTANT PRINCIPLES WHICH ARE OF SIGNIFICANCE IN CONNECTION WITH THE PURCHASE, HOLDING OR SALE OF THE NOTES. THIS SUMMARY DOES NOT PURPORT TO EXHAUSTIVELY DESCRIBE ALL POSSIBLE TAX ASPECTS AND DOES NOT DEAL WITH SPECIFIC SITUATIONS WHICH MAY BE OF RELEVANCE FOR CERTAIN POTENTIAL INVESTORS. IT IS BASED ON THE CURRENTLY VALID TAX LEGISLATION, CASE LAW AND REGULATIONS OF THE TAX AUTHORITIES, AS WELL AS THEIR RESPECTIVE INTERPRETATION, ALL OF WHICH MAY BE AMENDED FROM TIME TO TIME. SUCH AMENDMENTS MAY POSSIBLY ALSO BE EFFECTED WITH RETROACTIVE EFFECT AND MAY NEGATIVELY IMPACT ON THE TAX CONSEQUENCES DESCRIBED. IT IS RECOMMENDED THAT POTENTIAL PURCHASERS OF THE NOTES CONSULT WITH THEIR LEGAL AND TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, HOLDING OR SALE OF THE NOTES. TAX RISKS RESULTING FROM THE NOTES SHALL IN ANY CASE BE BORNE BY THE PURCHASER.

I. TAXATION IN AUSTRIA

This summary only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

I.1 General remarks

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

As of 1 January 2011 the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*; BBG 2011), which will lead to significant changes in the taxation of financial instruments, entered into force. Since the Austrian Constitutional Court (*Verfassungsgerichtshof*) decided that the primary implementation date of 1 October 2011 is unconstitutional, the Tax Amendments Act of 2011 (*Abgabenänderungsgesetz 2011*) postponed it by six months until 1 April 2012. By way of the Budget Accompanying Act of 2012 (*Budgetbegleitgesetz 2012*) further changes in the new taxation regime of investment income were made. It is expected that guidelines of the Austrian Ministry of Finance will be published shortly, in which the views of the tax authorities on disputed questions in connection with the new taxation regime of financial instruments will be presented.

I.2 Income taxation of Notes purchased after 30 September 2011 and before 1 April 2012

In general, the Notes qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*) prior to the BBG 2011 entering into force.

Individuals subject to unlimited income tax liability in Austria holding bonds in the sense of sec. 93(3) of the Austrian Income Tax Act prior to the BBG 2011 entering into force as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act prior to the BBG 2011 entering into force. If such interest is paid out by an Austrian paying agent (*kuponauszahlende Stelle*) then the payments are subject to a withholding tax of 25%. No additional income tax is levied over and above the amount of tax withheld (final taxation; *Endbesteuerung*). If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25% applies. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. In both cases, an option exists to apply for taxation of all income subject to the flat tax rate of 25% at the lower progressive income tax rate. Income from the sale of the Notes before 1 April 2012 is taxable as income from speculative transactions (*Einkünfte aus Spekulationsgeschäften*) at the progressive income tax rate of up to 50%. Negative income from speculative transactions can basically only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free. Income from the sale of the Notes after 31 March 2012 is considered to be income from speculative transactions irrespective of the holding period, but is subject to the flat tax rate of 25%.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25% in case they are paid out by an Austrian paying agent. No additional income tax is levied over and above the amount of tax withheld (final taxation). If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25% applies. Since in this case no withholding tax is levied, these interest payments must be included in the income tax return of the investor. In both cases, an option exists to apply for taxation of all income subject to the flat tax rate of 25% at the lower progressive income tax rate. Income from the sale of the Notes before 1 April 2012 is subject to taxation at the progressive income tax rate of up to 50%. Losses from the sale of the Notes before 1 April 2012 can be offset against other income. Income from the sale of the Notes after 31 March 2012 is already subject to the flat tax rate of 25%. Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the flat tax rate of 25%, are primarily to be offset against income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments (which term also encompasses the difference between the redemption price and the issue price) resulting from bonds at a rate of 25%. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied. Income from the sale of the Notes is subject to corporate income tax of 25%. Losses from the sale of the Notes can be offset against other income.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to interim taxation (*Zwischenbesteuerung*) on all resulting interest payments

received (which term also encompasses the difference between the redemption price and the issue price) at a rate of 25%. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act prior to the BBG 2011 entering into force no withholding tax is levied. Income from the sale of the Notes before 1 April 2012 is taxable as income from speculative transactions at the corporate income tax rate of 25%. Negative income from speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free. Income from the sale of the Notes after 31 March 2012 is subject to interim taxation of 25%.

I.3 Income taxation of Notes purchased after 31 March 2012

With the passing of the BBG 2011, the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of Notes from a bank deposit (*Depotentnahme*) is considered as a sale (except if the transfer to another bank deposit does not result in Austria losing its right to tax vis-à-vis other countries and if specific notifications as mentioned in sec. 27(6)(1)(a) of the Austrian Income Tax Act are effected).

Individuals subject to unlimited income tax liability in Austria holding Notes as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25% may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding Notes as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the

effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from Notes at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Notes is subject to corporate income tax of 25%. Losses from the sale of the Notes can be offset against other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding Notes as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). Negative income is primarily to be offset against positive income which is earned at the same or a later point in time of a calendar year. If this is not possible, withholding tax on positive income withheld at an earlier point in time has to be credited. Losses may not be offset across bank deposits by the custodian agent, inter alia, in case of bank deposits held as business assets or in trust. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

I.4 EU withholding tax

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependent or associated territories) is subject to a withholding tax if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years. As of 1 July 2011, the withholding rate has been raised to 35%.

I.5 Austrian inheritance and gift tax

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and portfolio shares (i.e., less than 1%). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that pursuant to sec. 27(6)(1)(a) of the Austrian Income Tax Act the withdrawal of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act is considered a sale. Thus, also gratuitous transfers of Notes can trigger income tax on the level of the transferor. Under the circumstances mentioned in sec. 27(6)(1)(a)(4) and (5) of the Austrian Income Tax Act, no income tax is triggered.

II. TAXATION IN GERMANY

The following is a general discussion of certain German tax consequences of the acquisition, the ownership and the sale, assignment or redemption of Notes. It does not purport to be a comprehensive description of all tax considerations, which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Notes may be subject to a different tax treatment due to the specific terms of such Series or Tranche, the following discussion only provides some very generic information on the possible tax treatment and has to be read in conjunction with the more specific information on the taxation of each Series of Notes as provided in the relevant Final Terms.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the acquisition, the ownership and the sale, assignment or redemption of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.

II.1 Tax Residents

(a) Private Investors

Interest and Capital Gains

Interest payable on the Notes to persons holding the Notes as private assets ("Private

Investors") who are tax residents of Germany (i.e. persons whose residence or habitual abode is located in Germany) qualifies as investment income (*Einkünfte aus Kapitalvermögen*) according to Sec. 20 para. 1 German Income Tax Act (*Einkommensteuergesetz*) and is generally taxed at a separate tax rate of 25% (*Abgeltungsteuer*, in the following also referred to as "**flat tax**"), plus 5.5% solidarity surcharge thereon and, if applicable, church tax. Capital gains from the sale, assignment or redemption of the Notes, including interest having accrued up to the disposition of a Note and credited separately ("**Accrued Interest**", *Stückzinsen*), if any, qualify – irrespective of any holding period – as investment income pursuant to Sec. 20 para. 2 German Income Tax Act and are also taxed at the flat tax rate of 25%, plus 5.5% solidarity surcharge thereon and, if applicable, church tax.

Capital gains are determined by taking the difference between the sale, assignment or redemption price (after the deduction of expenses directly and factually related to the sale, assignment or redemption) and the issue or acquisition price of the Notes. Where the Notes are issued in a currency other than Euro the sale, assignment or redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the acquisition date and the sale, assignment or redemption date respectively.

Expenses (other than such expenses directly and factually related to the sale, assignment or redemption) related to interest payments or capital gains under the Notes are – except for a standard lump sum (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing jointly) – not deductible.

According to the flat tax regime losses from the sale, assignment or redemption of the Notes can only be set-off against other investment income including capital gains. If the set-off 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 set-off against investment income including capital gains generated in these future assessment periods. Losses from so called private disposal transactions (*private Veräußerungsgeschäfte*) according to Sec. 23 German Income Tax Act as applicable until 31 December 2008 can only be set-off against capital gains under the flat tax regime until 31 December 2013.

In its decree dated 22 December 2009 (IV C 1 – S 2252/08/10004) the German Federal Ministry of Finance (*Bundesfinanzministerium*) has taken the position that a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*) shall, in general, not be treated as a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be deductible for tax purposes. Furthermore, restrictions with respect to the claiming of losses may also apply if the certain types of Notes would have to be qualified as derivative transactions and expire worthless.

Withholding

If the Notes are held in a custody with or administrated by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (the "**Disbursing Agent**"), the flat tax at a rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) will be withheld by the Disbursing Agent on interest payments and the excess of the proceeds from the sale, assignment or redemption (after the deduction of expenses directly and factually related to the sale, assignment or redemption) over the acquisition costs for the Notes (if applicable converted into Euro terms on the basis of the foreign exchange rates as of the acquisition date and the sale, assignment or redemption date respectively).

The Disbursing Agent will provide for the set-off of losses with current investment income including capital gains from other securities. If, in the absence of sufficient current investment income derived through the same Disbursing Agent, a set-off is not possible, the holder of the Notes may – instead of having a loss carried forward into the following year – file an application with the Disbursing Agent until 15 December of the current fiscal year for a certification of losses in order to set-off such losses with investment income derived through other institutions in the holder's personal income tax return. If custody has changed since the

acquisition and the acquisition data is not proved as required by Sec. 43a para. 2 German Income Tax Act or not relevant, the tax rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale, assignment or redemption of the Notes. In the course of the tax withholding provided for by the Disbursing Agent withholding tax levied on the basis of the EU Savings Tax Directive (for further details see below "EU Savings Tax Directive") and foreign taxes may be credited in accordance with the German Income Tax Act.

If the Notes are not kept in a custodial account with a Disbursing Agent, the flat tax will – by way of withholding – apply on interest paid by a Disbursing Agent upon presentation of a coupon (whether or not presented with the Note to which it appertains) to a holder of such coupon (other than a non-German bank or financial services institution) (*Tafelgeschäft*), if any. In this case proceeds from the sale, assignment or redemption of the Notes will also be subject to the withholding of the flat tax.

In general, no flat tax will be levied if the holder of a Note filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent (in the maximum amount of the standard lump sum of EUR 801 (EUR 1,602 for married couples filing jointly)) to the extent the income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a valid certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

For Private Investors the withheld flat tax is, in general, definitive. Exceptions apply, if and to the extent the actual investment income exceeds the amount which was determined as the basis for the withholding of the flat tax by the Disbursing Agent. In such case, the exceeding amount of investment income must be included in the Private Investor's income tax return and will be subject to the flat tax in the course of the assessment procedure. According to the decree of the German Federal Ministry of Finance dated 22 December 2009 (IV C 1 – S 2252/08/10004), however, any exceeding amount of not more than Euro 500 per assessment period will not be claimed on grounds of equity, provided that no other reasons for an assessment according to Sec. 32d para. 3 German Income Tax Act exist. Further, Private Investors may request that their total investment income, together with their other income, be subject to taxation at their personal, progressive tax rate rather than the flat tax rate, if this results in a lower tax liability. In order to prove such capital investment income and the withheld flat tax thereon the investor may request a respective certificate in officially required form from the Disbursing Agent.

Investment income not subject to the withholding of the flat tax (e.g. since there is no Disbursing Agent) must be included into the personal income tax return and will be subject to the flat tax rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax), unless the investor requests the investment income to be subject to taxation at lower personal, progressive income tax rate. In the course of the assessment procedure foreign taxes and taxes withheld on the basis of the EU Savings Tax Directive (for further details see below "EU Savings Tax Directive") and foreign taxes on investment income may be credited in accordance with the German Income Tax Act.

(b) Business Investors

Interest payable on the Notes to persons holding the Notes as business assets ("**Business Investors**") who are tax residents of Germany (i.e. Business Investors whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany) and capital gains, including Accrued Interest, if any, from the sale, assignment or redemption of the Notes are subject to income tax at the applicable personal, progressive income tax rate or, in case of corporate entities, to corporate income tax at a uniform 15% tax rate (in each case plus solidarity surcharge at a rate of 5.5% on the tax payable; and in case where payments of interest on the Notes to Business Investors are subject to income tax plus church tax, if applicable). Such interest payments and capital gains may also be subject to trade tax if the Notes form part of the property of a German trade or business. Losses from the sale, assignment or redemption of the Notes, are generally recognized for tax purposes; this may be

different if certain (e.g. index linked) Notes would have to be qualified as derivative transactions.

Withholding tax, if any, including solidarity surcharge thereon is credited as a prepayment against the Business Investor's corporate or personal, progressive income tax liability and the solidarity surcharge in the course of the tax assessment procedure, i.e. the withholding tax is not definitive. Any potential surplus will be refunded. However, in general and subject to further requirements no withholding deduction will apply on capital gains from the sale, assignment or redemption of the Notes and certain other income if (i) the Notes are held by a corporation, association or estate in terms of Sec. 43 para. 2 sentence 3 no. 1 German Income Tax Act or (ii) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the Disbursing Agent by use of the required official form according to Sec. 43 para. 2 sentence 3 no. 2 German Income Tax Act (*Erklärung zur Freistellung vom Kapitalertragsteuerabzug*).

Foreign taxes and taxes withheld on the basis of the EU Savings Tax Directive (for further details see below "EU Savings Tax Directive") on investment income may be credited in accordance with the German Income Tax Act. Such taxes may also be deducted from the tax base for German income tax purposes.

II.2 Non-residents

Interest payable on the Notes and capital gains, including Accrued Interest, if any, are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder; (ii) the interest income otherwise constitutes German-source income; or (iii) the Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the sale, assignment or redemption of the Notes are paid by a Disbursing Agent upon presentation of a coupon to a holder of such coupon (other than a non-German bank or financial services institution) (*Tafelgeschäft*), if any. In the cases (i), (ii) and (iii) a tax regime similar to that explained above under "Tax Residents" applies.

Non-residents of Germany are, subject to certain exceptions, exempt from German withholding tax and the solidarity surcharge thereon, even if the Notes are held in custody with a Disbursing Agent. However, where the investment income is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above under "Tax Residents". The withholding flat tax may be refunded based upon German national tax law or an applicable tax treaty.

II.3 Inheritance and Gift Tax

No inheritance or gift taxes with respect to the Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Notes are not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

II.4 Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery, execution or conversion of the Notes. Currently, net assets tax is not levied in Germany.

II.5 EU Residents

Germany has implemented the EU Savings Tax Directive (for further details see below "EU Savings Tax Directive") into national legislation by means of an Interest Information Regulation (*Zinsinformationsverordnung, ZIV*) in 2004. Starting on 1 July 2005, Germany has therefore begun to communicate all payments of interest on the Notes and similar income with

respect to the Notes to the beneficial owners Member State of residence if the Notes have been kept in a custodial account with a Disbursing Agent.

EU Saving Tax Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Tax Directive"), each Member State is required, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Tax Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a transitional period during which the withholding tax rate has raised over time to 35% (20% from 1 July 2008 to 30 June 2011 and 35% as from 1 July 2011). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non EU countries to the exchange of information relating to such payments.

Also, a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Tax Directive, which included the Commission's advice on the need for changes to the EU Savings Tax Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Tax Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

III. TAXATION IN LUXEMBOURG

The following summary is of a general nature and 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 Notes 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.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain

circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

III.1 Withholding Tax

(a) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the "**Savings Laws**"), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Savings Laws implementing the EU Savings Directive on taxation of savings income in the form of interest payments 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 are 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 the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Savings Laws will be subject to a withholding tax of 35%.

(b) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg 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 private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

III.2 Income Taxation

(a) Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(b) Resident holders of Notes

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(i) Luxembourg resident corporate holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, or by the law of 17 December 2010 on undertakings for collective investment, or by the law of 13 February 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

(ii) Luxembourg resident individual holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 10% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the EU Savings Directive. A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

III.3 Net Wealth Taxation

A corporate holder of Notes, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, or by the law of 17 December 2010 on undertakings for collective investment, or by the law of 13 February 2007 on specialised investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

III.4 Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a nominal registration duty may be due upon the registration of the Notes in

Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Notes must be produced before an official Luxembourg authority, or in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

SELLING RESTRICTIONS

Subject to the terms and conditions contained in a dealer agreement dated 23 March 2012 (the "**Dealer Agreement**") between Telekom Austria (in its capacity as Issuer and Guarantor) and TFG (in its capacity as Issuer) and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG, The Royal Bank of Scotland plc and UniCredit Bank Austria AG (together with any further financial institution appointed as a dealer under the Dealer Agreement, the "**Dealers**"), the Notes may be sold by the Issuer to the Dealers, who shall act as principals in relation to such sales. However, the Issuers have reserved the right to issue Notes directly on their own behalf to subscribers who are not Dealers and which agree to be bound by the restrictions set out below. The Dealer Agreement also provides for Notes to be issued in Tranches which are jointly and severally underwritten by two or more Dealers or such subscribers.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement may be terminated in relation to all the Dealers or any of them by the Issuer or, in relation to itself and the Issuer only, by any Dealer, at any time on giving not less than 30 days' written notice.

I. UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold the Notes of any Tranche, and will offer and sell the Notes of any Tranche (i) as part of their distribution at any time and (ii) otherwise until 40 days after completion of the distribution of such tranche as determined, and such completion is notified to each relevant Dealer, by the Fiscal Agent or, in the case of a Syndicated Issue, the lead manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed to notify the Fiscal Agent or, in the case of a Syndicated Issue, the lead manager when it has completed the distribution of its portion of the Notes of any Tranche so that the Fiscal Agent or, in the case of a Syndicated Issue, the lead manager may determine the completion of the distribution of all Notes of that Tranche and notify the other Relevant Dealers (if any) of the end of the restricted period. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of this tranche of Securities as determined, and notified to [Relevant Dealer], by the [Principal Paying Agent/Lead Manager], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are in bearer form and thus, subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States

person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

[Each issuance of index- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.]

The Issuer may agree with one or more Dealers for such Dealers to arrange for the sale of Notes under procedures and restrictions designed to allow such sales to be exempt from the registration requirements of the Securities Act.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material.

II. EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) to (d) above shall require any Issuer or any Dealer 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 Notes to the public**" in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

III. UNITED KINGDOM

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to any Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

IV. JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**FIEL**") and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. For purposes of this paragraph, "**resident of Japan**" shall have the meaning as defined under the FIEL.

V. GENERAL

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has represented and agreed that it will comply to the best of its knowledge and belief with all relevant laws and directives in each jurisdiction in which it purchases, offers, sells, or delivers Notes or has in its possession or distributes the Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by

it of the Notes under the laws and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, in all cases at its own expense, and neither the Issuer nor any other Dealer shall have responsibility herefor.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers, inter alia, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

GENERAL INFORMATION

I. LISTING AND ADMISSION TO TRADING

Application will be made to list Notes issued under the Programme on the Official List of the Luxembourg Stock Exchange and to admit to trading such Notes and/or the Programme on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). Furthermore, application may be made to list Notes issued under the Programme on the Vienna Stock Exchange and to admit to trading such Notes (including an admission of the entire Programme) on the Regulated Market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange (together with the Regulated Market of the Luxembourg Stock Exchange, the "**Markets**"). The Markets are regulated markets for the purposes of the Market and Financial Instruments Directive 2004/39/EC. The Programme provides that Notes may be listed on other or further stock exchanges, as may be agreed between the Issuers and the relevant Dealer(s) in relation to each Series, as specified in the relevant Final Terms. Notes may further be issued under the Programme without being listed on any stock exchange.

At the date of this Prospectus, notes of the Issuer are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and on the Regulated Market of the Vienna Stock Exchange.

II. AUTHORISATIONS

The establishment of the Programme was authorised by a resolution of the Management Board (*Vorstand*) of Telekom Austria dated 9 March 2012 and by a resolution of the managing directors (*Geschäftsführer*) of the TFG dated 9 March 2012. Tranches of Notes will be issued in accordance with internal approvals by the relevant Issuer, as in force from time to time.

III. STATUTORY AUDITORS

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, a member of the Kammer der Wirtschaftstreuhandler Österreich and independent auditors of the Issuer, have audited, and rendered unqualified audit reports on, the annual consolidated financial statements of Telekom Austria and the annual financial statements TFG for the financial years ended 31 December 2011 and 31 December 2010 prepared by the management of Telekom Austria and TFG 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.

IV. RATINGS

IV.1 Telekom Austria Credit Ratings

As of the publication date of the Prospectus, the ratings assigned to Telekom Austria were as follows:

by Moody's (as defined below):

long-term rating: Baa1

short-term rating: P-2

by S&P (as defined below):

long-term rating: BBB

short-term rating: A-2

IV.2 Programme Ratings

As of the publication date of the Prospectus, the rating assigned by the rating agency to the Programme is as follows:

by S&P (as defined below): BBB

IV.3 Important Notice

Detailed information on the rating can be found on the Telekom Austria'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) and S&P's (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 (www.esma.europa.eu) 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.

V. SIGNIFICANT CHANGES AND MATERIAL ADVERSE CHANGES

Save as described under "Recent Events" on page 113 above, there have been no significant changes in the financial or trading position of any of the Issuers or of the Group and no material adverse changes in the prospects of any of the Issuers since 31 December 2011.

VI. US LEGEND

Each Bearer Note in relation to issues with a maturity of more than one year, Receipt, Coupon and Talon 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".

VII. CLEARANCE

The Notes have been accepted for clearance through Euroclear and CBL. The Common Code and the International Securities Identification Number (ISIN) for each Series of Notes will be set out in the relevant Final Terms.

VIII. NOTIFICATION

In order to be able to conduct a public offer in relation to certain issues of Notes and/or to list Notes on the Vienna Stock Exchange, the Issuers have applied for notifications pursuant to Article 19 of the Luxembourg Act for an offer of such Notes and/or a listing of such Notes on the Vienna Stock Exchange in Austria and Germany. The Issuer may from time to time arrange for a notification into other jurisdictions under Article 19 of the Luxembourg Act.

IX. POST ISSUANCE INFORMATION

The Issuer will not provide any post issuance information, except if required by any applicable laws and regulations.

X. DOCUMENTS ON DISPLAY

X.1 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 specified office of the Issuer.

X.2 Final Terms

In relation to Notes which are publicly offered, the final terms relating to the relevant Series of Notes (the "**Final Terms**") will be available, during normal business hours, at the specified office of the Issuer. Furthermore, in relation to Notes which are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*), the relevant Final Terms will also be available on the website of the Luxembourg Stock Exchange at "www.bourse.lu".

X.3 Other Documents

Copies of the documents specified below will be available for inspection at the specified office of the Issuer and at the specified office of the Paying Agent, during normal business hours, as long as any of the Notes are outstanding:

- (a) the Articles of Association of any Issuer; and
- (b) the audited annual financial statements of TFG in respect of the financial years ended 31 December 2011 and 31 December 2010 and the Annual Report 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 31 December 2011 and 31 December 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; TFG currently prepares audited non-consolidated accounts on an annual basis and does not prepare any consolidated accounts.

GLOSSARY AND TABLE OF ABBREVIATIONS

2010 Annual Report of Telekom Austria	The 2010 Annual Report of Telekom Austria as published on the website of Telekom Austria
2010 Financial Statements of Telekom Austria	The English language translations of the audited consolidated financial statements of Telekom Austria for the financial year ended 31 December 2010 as contained in the published 2010 Annual Report of Telekom Austria
2010 Financial Statements of TFG	The audited non-consolidated financial statements of TFG for the financial year ended 31 December 2010
2010 PD Amending Directive	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
2011 Financial Statements of Telekom Austria	The English language translations of the audited consolidated financial statements of Telekom Austria for the financial year ended 31 December 2011 as contained in the published 2011 Annual Report of Telekom Austria
2011 Annual Report of Telekom Austria	The 2011 Annual Report of Telekom Austria as published on the website of Telekom Austria
2011 Financial Statements of TFG	The audited non-consolidated financial statements of TFG for the financial year ended 31 December 2011
A1	A1 Telekom Austria AG
ADSL	Asymmetric Digital Subscriber Line
ARPL	Average Revenues per Fixed Access Line
APRU	Average Revenue Per User
Audit Committee	The audit committee of Telekom Austria
BKS	Federal Communications Senate (<i>Bundeskommunikationssenat</i>)
B.net	B.net d.o.o. (Croatia)
BYR	Belarusian Ruble
CEFTA	Central European Free Trade Agreement
CESEE	Central, Eastern and South-Eastern Europe
Chairing and Remuneration	The chairing and remuneration committee of Telekom

Committee	Austria
Clearstream, Luxembourg	Clearstream Banking, société anonyme
Code	Austrian Code of Corporate Governance as of 2003
Common Safekeeper	A common safekeeper for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.
Communications Authority	<i>Kommunikationsbehörde Austria</i>
Control Committee	The control committee of Telekom Austria
CPI	Consumer Price Index
CRA Regulation	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
CSSF	Commission de Surveillance du Secteur Financier
Dealer	The Arranger and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG and UniCredit Bank Austria AG
Dealer Agreement	Dealer agreement dated 23 March 2012 between Telekom Austria (in its capacity as Issuer and Guarantor) and TFG (in its capacity as Issuer) and the Dealers
D Rules	US Treas. Reg. §1.163-5(c)(2)(i)(D), as amended
DSL	Digital Subscriber Line
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
EDGE	Enhanced Data Rates For GSM Evolution
EPG	Electronic Program Guide
EU Member State	A member state of the European Union
EU Savings Directive	Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments
EURIBOR	Euro Interbank Offered Rate
Euroclear	Euroclear Bank S.A./N.V.
velcom	FE Velcom (Belarus)

FIEL	Financial Instruments and Exchange Law of Japan
Final Terms	Final terms being applicable to each Tranche of the Notes issued under the Programme
FSMA	Financial Services and Markets Act 2000, as amended
FTR	Fixed Termination Rate, i.e. interconnection fees in fixed line networks
FTTEx	Fiber To The Exchange
GDP	Gross Domestic Product
Global Note	Each of the temporary Global Note and permanent Global Note
GPRS	General Packet Radio Service
GPS	Global-Positioning System
Group	Telekom Austria and its subsidiaries and affiliates taken as a whole
GSM	Global System For Mobile Communications
Guarantor	Telekom Austria
HDTV	High Definition Television
HSDPA+	High Speed Download Packet Access plus
Hutchison 3G Austria	Hutchison 3G Austria GmbH
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IP	Internet Protocol
IPTV	Internet Protocol Television
ISDA	International Swaps and Derivatives Association
ISDN	Integrated Services Digital Networks
ISP	Internet Service Providers
Issuer	Each of Telekom Austria and TFG
IT	Information Technology
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate

LTE	Long Term Evolution (Technology)
Luxembourg	The Grand-Duchy of Luxembourg
Luxembourg Act	The Luxembourg Act dated 10th July, 2005 on prospectuses for securities
Management Board	The management board of Telekom Austria
Marktes	the Vienna Stock Exchange's and the Luxembourg Stock Exchange's regulated market
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, as amended
MHz	Megahertz
MMS	Multimedia Messaging Services
mn	million
MNP	Mobile Number Portability
Mobilkom	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".
mobilkom liechtenstein	mobilkom liechtenstein AG (Liechtenstein)
MobilTel EAD	MobilTel EAD (Bulgaria)
Moody's	Moody's Investors Service, Inc.
MTR	Mobile Termination Rates, i.e. interconnection fees in mobile networks
MVNO	Mobile Virtual Network Operator
M2M	Machine to Machine communication
M-tel	MobiTel EAD (Bulgaria)
NATO	North Atlantic Treaty Organisation
NBS	National Bank of Serbia
New Global Note	Each of the Globe Notes being issued in new global note
Non-exempt Offer	An offer of Notes which may be made other than pursuant to Article 3(2) of the Prospectus Directive in a Relevant Member State

Notes	Notes issued under the Programme
Obligors	The Issuer and the Guarantor together
offer of Notes to the public	the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State
OIAG	Oesterreichische Industrie Holding AG
Operating Region	Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia
Orange Austria	Orange Austria Telecommunication GmbH
ORF	<i>Österreichischer Rundfunk</i>
Permanent Global Note	Global note in bearer form permanently representing each series of the Notes
Personnel and Nomination Committee	The personnel and nomination committee of Telekom Austria
Programme	The €2,500,000,000 Euro Medium Term Note Programme established by this Prospectus
Prospectus	The securities base prospectus at hand
Prospectus Directive	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
PSTN	Public Switched Telephone Network
PTA	Post and Telekom Austria AG
PTV	Post und Telegraphenverwaltung
pure LRIC	Long Run Incremental Cost (cost calculation model based only on incremental costs)
relevant Dealer	In the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, all Dealers agreeing to subscribe such Notes
Relevant Implementation Date	The date on which the Prospectus Directive is implemented in a Relevant Member State
Relevant Member State	Member State of the European Economic Area which has implemented the Prospectus Directive

resident of Japan	A resident of Japan as defined under the FIEL
Responsible Persons	Each of Telekom Austria and TFG
RSD	Serbian Dinar
RTR	The Austrian Regulatory Authority for Broadcasting and Telecommunications (<i>Rundfunk und Telekom Regulierungs GmbH</i>)
SBA	IMF stand-by-arrangement
Securities Act	U.S. Securities Act of 1933, as amended
Series	The notes being issued in series
Si.mobil	Si.mobil d.d. (Slovenia)
SIM	Subscriber Identity Module
SMP	Significant Market Power
SMS	Short Message Service
S&P	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.
Supervisory Board	The supervisory board of Telekom Austria
TATA	Telekom Austria TA Aktiengesellschaft
TEFRA	The United States Tax Equity and Fiscal Responsibility Act of 1982
Telekom Austria	Telekom Austria Aktiengesellschaft
Telekom Austria Group or Group	Telekom Austria and its subsidiaries and affiliates taken as a whole
Telekom-Control-Commission	The Austrian <i>Telekom-Kontroll-Kommission</i>
temporary Global Note	Global note in bearer form temporarily representing each series of the Notes
Terms and Conditions of the Notes	Terms and conditions being applicable to each Tranche of the Notes issued under the Programme
TFG	Telekom Finanzmangement GmbH
TFG Cash Flow Statement	the Independent Assurance Report on the Cash Flow Statements of TFG for the years ended 31 December 2011 and 2010 containing the cash flow statements derived from the audited financial statements prepared in accordance with UGB of TFG for the financial years ended 31 December 2011 and 31 December 2010

TKG	The Telecommunications Act of 2003 (<i>Telekommunikationsgesetz 2003, BGBl I 70/2003</i>)
TPE	Telekom Projektentwicklungs GmbH
Tranche	Any particular tranche of the Notes
TV	Television
T-Mobile	T-Mobile Austria GmbH
UGB	Austrian Companies Act (<i>Unternehmensgesetzbuch</i>)
UMTS	Universal Mobile Telecommunications System
VIP mobile	VIP mobile d.o.o. (Serbia)
Vip operator	Vip Operator DOOEL (Macedonia)
VIPnet	VIPnet d.o.o. (Croatia)
VoIP	Voice over IP
VoD	Video-on-demand
WIMAX	Worldwide Interoperability for Microwave Access
WTO	World Trade Organization
YESSS!	YESSS! Telekommunikation GmbH

ISSUERS

Telekom Austria Aktiengesellschaft

Lassallestraße 9
A-1020 Vienna
Austria

Telekom Finanzmanagement GmbH

Lassallestraße 9
A-1020 Vienna
Austria

GUARANTOR

Telekom Austria Aktiengesellschaft

Lassallestraße 9
A-1020 Vienna
Austria

ARRANGER

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

DEALERS

BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse

Aktiengesellschaft
Georg-Coch-Platz 2
1018 Vienna
Austria

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Erste Group Bank AG

Graben 21
1010 Vienna
Austria

Raiffeisen Bank International AG

Am Stadtpark 9
1030 Vienna
Austria

UniCredit Bank Austria AG

Schottengasse 6-8
1010 Vienna
Austria

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

PRINCIPAL PAYING AGENT

BNP PARIBAS SECURITIES SERVICES

33, rue de Gasperich
L-5826 Hesperange
Luxembourg

LEGAL ADVISERS

To the Issuers as to Austrian law

Wolf Theiss Rechtsanwälte GmbH

Schubertring 6
A-1010 Vienna
Austria

To the Arranger as to Austrian law

Freshfields Bruckhaus Deringer LLP

Seilergasse 16
A-1010 Vienna
Austria

INDEPENDENT AUDITORS

To the Issuers

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Porzellangasse 51
A-1090 Vienna
Austria