Telekom Finanzmanagement GmbH

(incorporated with limited liability in Austria)

as Issuer

and

Telekom Austria Aktiengesellschaft

(incorporated with limited liability in Austria)

and

Telekom Austria TA Aktiengesellschaft

(incorporated with limited liability in Austria)

as Guarantors

Public Offering of up to EUR 750,000,000 Guaranteed Bonds due 2016

ISIN XS0409318309

The Issue Price of the Bonds will be determined in accordance with a bookbuilding procedure and is expected to range between 98 % and 102 % of the nominal value of the bonds.

This offering (the "**Offering**") consists of an offering of up to EUR 750,000,000 guaranteed bonds due 2016 with a denomination of EUR 1,000.00 each (the "**Bonds**").

The Bonds will bear interest from and including January 29, 2009 (the "**Closing Date**"). The interest rate will be published together with the Issue Price and is expected to range between 6.25 % and 7.25 % per annum. Interest on the Bonds is payable annually in arrear on January 29 in each year (each an "**Interest Payment Date**"), commencing on January 29, 2010. Unless previously purchased and cancelled or redeemed, the Bonds will be redeemed at 100 per cent. of their principal amount on January 29, 2016 (the "**Maturity Date**").

The Issuer may, at its option, redeem all, but not only some, of the Bonds at any time at par plus accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Bonds - Redemption*". Bondholders may, at their option, require the Issuer to redeem or repurchase the Bonds in the event of a change of control in Telekom Austria (as defined herein) and a rating downgrade occurs within the change of control period as described under "*Terms and conditions of the Bonds - Redemption*".

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

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

Offers to the public in Austria and Germany will only be made following the Commission de Surveillance du Secteur Financier's (the "**CSSF**") delivery to the competent authorities of each of Austria and Germany of, *inter alia*, a certificate of approval pursuant to Article 18 of directive 2003/71/EC (the "**Prospectus Directive**") attesting that this prospectus has been drawn up in accordance with the Prospectus Directive.

Application has been made for admission of the Bonds to the official list of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange.

The Bonds will not be rated on the date of this prospectus.

The bonds will be issued in new global note form and will be held in a Euro-Eligible manner. The Bonds will initially be represented by a temporary global Bond (the "**Temporary Global Bond**"), without interest coupons, which will be deposited on or around the Closing Date with a common safe-keeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global Bond (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, the "**Global Bonds**"), without interest coupons, on or after March 11, 2009 (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. The Bonds are being issued in global bearer form and will not be represented by definitive Bonds.

Joint Bookrunners

BNP PARIBAS **Erste Group** **The Royal Bank of Scotland** **UniCredit (CAIB)**

The date of this prospectus is January 19, 2009

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

This prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This prospectus should be read and construed on the basis that such documents are incorporated and form part of the prospectus.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Bonds offered hereby and does not constitute an offer to sell or a solicitation of an offer to buy any Bonds offered hereby to any person in any jurisdiction in which it is unlawful to make any such offer or solicitation to such person. The delivery of this prospectus shall under no circumstances imply that there has been no change in the affairs of the Telekom Austria Group (as defined below) or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.

BNP Paribas, Erste Group Bank AG, The Royal Bank of Scotland plc, and UniCredit CAIB AG (together, the "**Joint Bookrunners**" or the "**Managers**") expressly do not undertake to review the financial condition or affairs of the Issuer or any of the Guarantors during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

No Manager accepts any liability in relation to the information contained or incorporated by reference in this prospectus or any other information provided by the Issuer or any of the Guarantors in connection with the offering of the Bonds or their distribution.

No person is or has been authorized to give any information or to make any representation in connection with the offer or sale of the Bonds, other than as contained in this prospectus or any other information supplied in connection with the offering of the Bonds, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer or the Managers.

The only persons authorized to use this prospectus in connection with the offering of the Bonds are the Managers.

Any person (an investor) intending to acquire or acquiring any Bonds from any person (an offeror) should be aware that, in the context of an offer to the public as defined in the Prospectus Directive, the issuer may be responsible to the investor for the prospectus only if the issuer is acting in association with that offeror to make the offer to the investor. Each investor should therefore verify with the offeror whether or not the offeror is acting in association with the issuer. If the offeror is not acting in association with the issuer, the investor should check with the offeror whether anyone is responsible for the prospectus for the purposes of article 6 of the Prospectus Directive as implemented by the national legislation of each EEA member state in the context of the offer to the public, and, if so, who that person is. If the investor is in any doubt about whether it can rely on the prospectus and/or who is responsible for its contents it should take legal advice.

An investor intending to acquire or acquiring any of the Bonds from an offeror (other than the Managers) will do so, and offers and sale of the Bonds to an Investor by an offeror (other than the Managers) will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The issuer will not be a party to any such arrangements with investors (other than the Managers) in connection with the offer or sale of the Bonds and, accordingly, this prospectus does not contain such information. The investor must look to the relevant offeror at the time of such offer for the provision of such information. The issuer has no responsibility to an investor in respect of such information.

The delivery of this prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or that the information set out in this prospectus is correct as at any time since its date. The Managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this prospectus or any other information provided by the Issuer or any of the Guarantors in connection with the offering of the Bonds, and nothing in this prospectus is, or shall be relied upon as, a promise or representation by the Managers. No person is or has been authorised by the Issuer or any of the Guarantors to give any information or to make any representation not contained in or not consistent with this prospectus or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors or any of the Managers.

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

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

Reproduction and distribution of this prospectus or disclosure or use of the information contained herein for any purpose other than considering an investment in the Bonds is prohibited. The information contained in this prospectus has been provided by the Issuer and the Guarantors. No representation or warranty, explicit or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein and nothing contained in this prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future.

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

This prospectus comprises a prospectus for the public offering of the Bonds issued by TFG (as defined herein) in Austria, Germany and Luxembourg, and for the admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange. This prospectus constitutes a prospectus in accordance with Article 5(3) of the Prospectus Directive and has been prepared in accordance with Commission Regulation (EC) No 809/2004 of April 29, 2004, as amended, and conforms to the requirements of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the "**Prospectus Law**"). This prospectus has been approved by and filed with the CSSF in accordance with the Prospectus Law. This prospectus will be filed as a listing prospectus (*Börseprospekt*) with the Luxembourg Stock Exchange in accordance with the Prospectus Law in connection with an application for admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and for admission to trading on the regulated market of the Luxembourg Stock Exchange.

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

This prospectus has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") other than offers (the "**Permitted Public Offers**") which are made prior to the starting date of Public Offer Period, which is expected to be on or around January 21, 2008, and which are contemplated in this prospectus in Austria, Germany and Luxembourg once the prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Austria and Germany, will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of Bonds which are the subject of the offering contemplated in this prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Managers have authorised, nor do they authorise, the making of any offer (other than Permitted Public Offers) of Bonds in circumstances in which an obligation arises for the Issuer or the Managers to publish or supplement a prospectus for such offer.

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

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

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

Many factors could cause the actual results, performance or achievements of the Telekom Austria Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under “Risk Factors” below.

Should one or more of these risks or uncertainties described in this prospectus occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this prospectus as anticipated, believed, estimated or expected. The Issuer has no intention to and assumes no responsibility for updating the information contained in this prospectus after the end of the Offering.

This prospectus contains statements regarding the market position of the Telekom Austria Group. Unless specified otherwise, such statements regarding the Telekom Austria Group’s market or competitive position are based on the Telekom Austria Group’s internal market research.

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

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

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SUMMARY

Warning. The following summary should be read as an introduction to this prospectus, and any decision to invest in the Bonds should be based on consideration of the prospectus as a whole by the investor, including the risks of investing in the Bonds as set out in the Risk Factors.

Civil liability will attach to the Issuer and the Guarantors in respect of this summary (including any translation thereof), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus.

Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant member state of the EEA, have to bear the costs of translating this prospectus before legal proceedings are initiated. In the event that such legal proceedings are initiated before a court in a member state of the EEA, a translation of the prospectus may be required, and the costs thereof will have to be borne initially by the plaintiff investor, who will be reimbursed for such costs, or parts thereof, by the other party or parties to the proceedings only if the plaintiff investor is successful in such proceedings.

The following key terms do not purport to be complete and are taken from, and are qualified in their entirety by, the remainder of this prospectus.

Issuer	TFG with its registered office and business address at Lassallestraße 9, A-1020 Vienna. The issuer is registered with the commercial register of the Commercial Court Vienna under FN 155563w.
Guarantors	Telekom Austria Aktiengesellschaft with its registered office and business address at Lassallestraße 9, A-1020 Vienna. Telekom Austria is registered with the commercial register of the Commercial Court Vienna under FN 144477t. Telekom Austria TA Aktiengesellschaft with its registered office and business address at Lassallestraße 9, A-1020 Vienna. TATA is registered with the commercial register of the Commercial Court Vienna under FN 280571f.
Business activity of the Telekom Austria Group	The Telekom Austria Group considers itself to be the market leader in Austria in the fixed net and mobile communication business. In a number of Central Eastern European countries, in particular Belarus, Bulgaria, Croatia, Slovenia, Serbia and Macedonia, the Telekom Austria Group holds significant market shares in the mobile communication segments.
Material risk factors	The Telekom Austria Group is subject to a number of risks which - if they were to materialize - could have a material adverse effect on the Group's business, results of operations and financial condition. It is not even possible to entirely exclude a complete loss of any capital invested by a prospective investor in the Bonds. The risks are described in detail under the Risk Factors. The risks include, *inter alia*, the following: **Factors that may affect TFG's ability to fulfill its obligations under the Bonds or the Guarantors' ability to fulfill their obligations under the respective Guarantee:** ▪ *Recent macroeconomic trends and associated risks.* ▪ *The Telekom Austria Group expects continuing competition in the fixed net and mobile communications markets which may have a negative impact on its revenues and profitability.*

- *Approximately 66 per cent. of the Telekom Austria Group's revenues (as of September 30, 2008) were generated in the Austrian home market. Both the Austrian mobile communications and fixed net markets are saturated, highly competitive and characterised by fierce competition. If this development continues the Group's profitability may decline.*
- *Technical change and lack of market acceptance of services provided by the Telekom Austria Group may have a negative impact on the demand for the Group's products and financial results.*
- *As a result of the Group's high number of civil servants, 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 the Group to make substantial additional investments.*
- *The migration to next generation networks ("NGN") might lead to substantial investments in the future and might impair the value of existing investments which could have a negative impact on the Telekom Austria Group's profitability.*
- *The Telekom Austria Group's acquisition of the third universal mobile telecommunications system ("UMTS") license in Serbia presents the Group with significant challenges.*
- *Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.*
- *Risks relating to disputes and litigation with regulators, competitors and other private parties.*
- *Telekom Austria's principal shareholder may exercise significant influence over the Telekom Austria Group and its interests may not always correspond to the interests of the Telekom Austria.*
- *Capital requirements.*

Factors which are material for the purpose of assessing the market risks associated with the Bonds:

- *Change of law.*
- *Uncertainty as to the price of the Bonds listed on a public market.*
- *Illiquid markets.*
- *Exchange rate risks and exchange controls.*
- *Interest rate risks.*
- *Credit ratings may not reflect all risks.*
- *The TATA guarantee may be significantly limited by applicable*

	Austrian law or subject to certain limitations or defences. ▪ *Premature redemption and reinvestment risk.* ▪ *Legal investment considerations may restrict certain investments.* **Factors which are material for the purpose of assessing the country risks associated with the Bonds:** ▪ *Risks relating to Bulgaria, Belarus, Croatia, Slovenia, Serbia and Macedonia.* ▪ *Risks relating to the Bonds and the Trading Market.*
Reasons for the offer and use of proceeds	The Issuer intends to use the net proceeds of the issue of the Bonds to finance the Group's acquisition activities and for general corporate purposes.
Offered Securities	TFG intends to issue the Bonds in an aggregate principal amount of up to EUR 750,000,000 with a denomination of EUR 1,000 each.
Tenor of the Bonds	7 years, from (and including) January 29, 2009 to (and including) January 28, 2016.
Public Offer	The Bonds may be offered to the public in each of Austria, Germany and Luxembourg. For provisions and restrictions relating to offers of Bonds to the public in the European Economic Area, see "Subscription and Selling Restrictions".
Public Offer Period	One business day after approval, notification and publication of the prospectus, which is expected to be on or around January 21, 2009, up to (and including) January 22, 2009. The right to shorten the public offer and the right to reject subscriptions has been reserved.
Interest	The interest rate will be published together with the Issue Price and is expected to range between 6.25 % and 7.25 % per annum. It will be payable annually in arrears.
Issue price	The issue price of the Bonds will be determined in accordance with the bookbuilding procedure and is expected to range between 98.00% and 102.00% of the nominal value of the Bonds. The issue price of the Bonds will be fixed on or around January 20, 2009 and will be published prior to the start of the Public Offer Period.
Yield	The yield of the Bonds will be published together with the issue price.
Redemption	The Bonds will be redeemed at their principal amount on January 29, 2016 unless previously purchased and cancelled or redeemed pursuant to Condition 4 of the Terms and Conditions of the Bonds.
Early redemption for taxation reasons	Early redemption of the Bonds for reasons of taxation will be permitted if the Issuer or a Guarantor will become obliged to pay additional amounts on the Bonds, all as more fully set out in the Terms and Conditions.
Early redemption for Reasons of Change of	Early redemption of the Bonds for reasons of change of control will be permitted if a Change of Control occurs, followed by the occurrence of a

Control	Rating Downgrade, of Telekom Austria within the Change of Control Period, all as more fully set out in the Terms and Conditions.
Joint Bookrunners	BNP Paribas, Erste Group Bank AG, The Royal Bank of Scotland plc, and UniCredit CAIB AG.
Paying Agent	BNP Paribas Securities Services, Luxembourg Branch.
Listing and admission to trading	Application has been made for admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and admission to trading of the Bonds on the regulated market of the Luxembourg Stock Exchange.
International Securities Identification Number (ISIN) and Common Code	ISIN: XS0409318309 Common Code: 040931830

SUMMARY CONSOLIDATED FINANCIAL DATA

The following information and data has been extracted from, and is only a summary of, the Consolidated Financial Statements of Telekom Austria, which have been incorporated by reference into this prospectus. Potential investors are encouraged to read the entire prospectus including the documents incorporated by reference into the prospectus, including the Consolidated Financial Statements and the other financial information incorporated by reference into the prospectus.

	Telekom Austria at and for the nine months ended September 30, 2008 (unaudited)	**Telekom Austria** at and for the nine months ended September 30, 2007 (unaudited)	**Telekom Austria** at and for the year ended December 31, 2007 (audited)	**Telekom Austria** at and for the year ended December 31, 2006 (audited)
	(in EUR thousands)			
Operating Income	**651,626**	**668,016**	**761,419**	**777,113**
Total Assets	**8,770,024**	**7,559,331**	**9,003,744**	**7,559,689**
Current Assets	**1,319,156**	**1,366,855**	**1,326,231**	**1,160,150**
Long Term Assets	**7,450,868**	**6,192,475**	**7,677,513**	**6,399,539**
Total Liabilities And Stockholders Equity	**(8,770,024)**	**(7,559,331)**	**(9,003,744)**	**(7,559,689)**
Current liabilities	**(1,972,153)**	**(1,763,117)**	**(2,557,222)**	**(1,657,260)**
Long-term Liabilities	**(4,103,517)**	**(3,230,188)**	**(3,881,226)**	**(3,078,913)**
Stockholders Equity	**(2,694,354)**	**(2,566,026)**	**(2,565,296)**	**(2,823,516)**

TRANSLATION OF SUMMARY: GERMAN LANGUAGE VERSION

ZUSAMMENFASSUNG

Warnung. Die folgende Zusammenfassung ist als Einleitung zum Prospekt zu verstehen, und jede Entscheidung über eine Investition in die Anleihen sollte nach Beurteilung des gesamten Prospekts durch den Investor erfolgen, inklusive der Risiken, die mit dem Investment in die Anleihen verbunden sind, wie in den Risikofaktoren beschrieben.

Für den Emittenten und die Garantiegeber besteht hinsichtlich der Zusammenfassung (und jedweder Übersetzung davon) zivilrechtliche Haftung, aber nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird.

Für den Fall, dass vor einem zuständigen Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, hat der Kläger nach den nationalen Gesetzen des Mitgliedstaates des EWR, in dem die Ansprüche vorgebracht werden, möglicherweise vor Prozessbeginn die Kosten für die Übersetzung des Prospekts zu tragen. Für den Fall, dass ein solches Verfahren vor ein Gericht in einem Mitgliedstaat des EWR gebracht wird, könnte eine Übersetzung erforderlich sein, wobei die Kosten dafür im Vorhinein vom Investor getragen werden müssen und ein gänzlicher oder teilweiser Ersatz nur für den Fall des Obsiegens in dem Verfahren durch den klagenden Investor erfolgt.

Die folgenden wesentlichen Angaben erheben keinen Anspruch auf Vollständigkeit und sind vollständig dem gesamten Prospekt entnommen sowie in dessen gesamten Zusammenhang zu verstehen.

Emittent	TFG mit dem eingetragenen Sitz und Geschäftsadresse in Lassallestraße 9, A-1020 Wien. Der Emittent ist unter FN 155563w im Firmenbuch des Handelsgerichts Wien eingetragen.
Garantiegeber	Telekom Austria Aktiengesellschaft mit dem eingetragenen Sitz und Geschäftsadresse in Lassallestraße 9, A-1020 Wien. Telekom Austria ist unter FN 144477t im Firmenbuch des Handelsgerichts Wien eingetragen. Telekom Austria TA Aktiengesellschaft mit dem eingetragenen Sitz und Geschäftsadresse in Lassallestraße 9, A-1020 Wien. TATA ist unter FN 280571f im Firmenbuch des Handelsgerichts Wien eingetragen.
Geschäftsaktivitäten der Telekom Austria Gruppe	Die Telekom Austria Gruppe betrachtet sich als Marktführer in Österreich in den Geschäftsfeldern Festnetz und Mobilkommunikation. In mehreren zentral- und osteuropäischen Ländern, insbesondere in Weißrussland, Bulgarien, Kroatien, Slowenien, Serbien und Mazedonien, hält die Telekom Austria Gruppe signifikante Marktanteile im Geschäftsfeld Mobilkommunikation.
Wesentliche Risikofaktoren	Die Telekom Austria Gruppe ist mehreren Risiken ausgesetzt, die, falls sie eintreten sollten, einen wesentlichen negativen Einfluss auf den Umsatz, das Geschäft und die finanzielle Situation der Gruppe haben könnten. Es ist auch nicht möglich, den Verlust des gesamten von einem potentiellen Investor in die Anleihen investierten Kapitals auszuschließen. Die Risiken sind im Detail im Kapitel Risikofaktoren ausgeführt. Die Risiken beinhalten, unter anderem, die folgenden: **Faktoren, die die Erfüllung der Verpflichtungen der TFG aus den Anleihen oder der Verpflichtungen der Garantiegeber aus der**

jeweiligen Garantie beeinträchtigen könnten:

- *Aktuelle makroökonomische Entwicklungen und damit verbundene Risiken.*
- *Die Telekom Austria Gruppe rechnet weiterhin mit Wettbewerb im Bereich Festnetz und Mobilkommunikation, was einen negativen Einfluss auf die Einnahmen und die Profitabilität haben kann.*
- *Etwa 66 Prozent der Einnahmen der Telekom Austria Gruppe (per 30. September 2008) wurden am heimischen österreichischen Markt erzielt. Sowohl der österreichische Mobilkommunikations- als auch der Festnetzmarkt sind gesättigt, hart umkämpft und von starkem Wettbewerb geprägt. Wenn sich diese Entwicklung fortsetzt, könnte die Profitabilität der Gruppe sinken.*
- *Technische Änderungen sowie mangelnde Akzeptanz des Marktes in Bezug auf von der Telekom Austria Gruppe angebotenen Services könnte einen negativen Einfluss auf die Nachfrage nach Produkten der Gruppe sowie auf ihre finanziellen Ergebnisse haben.*
- *Aufgrund der hohen Anzahl an Beamten in der Gruppe ist die Möglichkeit zur Anpassung der Betriebsausgaben an die Veränderungen des Marktumfeldes eingeschränkt.*
- *Regulatorische Entscheidungen und Veränderungen im Aufsichtsbereich könnten das Geschäft der Gruppe negativ beeinträchtigen.*
- *Das aus Systemversagen, Naturkatastrophen oder menschlichem Versagen resultierende Risiko und die technologische Abhängigkeit von Dritten könnte einen negativen Einfluss auf den Ruf der Telekom Austria Gruppe und den Grad der Kundenzufriedenheit haben.*
- *Technologischer Wandel könnte den Wettbewerb erhöhen und bestehende Technologien obsolet oder wesentliche Investitionen der Gruppe erforderlich machen..*
- *Die Umstellung auf Netzwerke der nächsten Generation („NGN“) könnte in der Zukunft wesentliche Investitionen verursachen und den Wert bestehender Investitionen mindern, was einen negativen Einfluss auf die Profitabilität der Gruppe haben könnte.*
- *Der Erwerb der dritten UMTS Lizenz in Serbien stellt die Telekom Austria Gruppe vor beachtliche Herausforderungen.*
- *Tatsächliche und vermeintliche gesundheitliche Risiken oder sonstige Probleme hinsichtlich Mobiltelefonen oder Übertragungsmasten könnten zu Rechtsstreitigkeiten führen oder den Einsatz mobiler Kommunikation vermindern.*
- *Risiken in Bezug auf Rechtsstreitigkeiten und Verfahren mit Regulatoren, Konkurrenten oder Privatpersonen.*
- *Der Hauptgesellschafter der Telekom Austria könnte wesentlichen Einfluss über die Telekom Austria Gruppe ausüben und seine Interessen entsprechen möglicherweise nicht immer jenen von Telekom Austria.*
- *Eigenkapitalanforderungen.*

	Wesentliche Faktoren zur Beurteilung des Marktrisikos in Zusammenhang mit den Anleihen: ▪ *Gesetzesänderungen.* ▪ *Unsicherheit hinsichtlich des Preises der an einem öffentlichen Markt notierten Anleihen.* ▪ *Illiquide Märkte.* ▪ *Wechselkursrisiken und Devisenkontrolle.* ▪ *Zinsrisiken.* ▪ *Bonitätsbeurteilungen (*Ratings*) spiegeln möglicherweise nicht alle Risiken wider.* ▪ *Die TATA Garantie könnte durch das anwendbare österreichische Recht wesentlich eingeschränkt sein beziehungsweise gewissen Einschränkungen oder Einwendungen unterliegen.* ▪ *Risiko der vorzeitigen Tilgung und Wiederveranlagung.* ▪ *Rechtliche Überlegungen könnten bestimmte Investitionen einschränken.* **Faktoren, die für die Beurteilung der mit den Anleihen verbundenen Länderrisiken wesentlich sind:** ▪ *Risiken betreffend Bulgarien, Weißrussland, Kroatien, Slowenien, Serbien und Mazedonien.* ▪ *Risiken betreffend die Anleihen und den Handelsplatz.*
Gründe für das Angebot und Verwendung der Erträge	Der Emittent beabsichtigt, den Nettoerlös aus der Anleihenemission für die Finanzierung der Akquisitionsaktivitäten der Gruppe sowie für allgemeine betriebliche Zwecke zu verwenden.
Angebotene Wertpapiere	TFG beabsichtigt, Anleihen in einem Gesamtnominale von bis zu EUR 750,000,000 und einer Stückelung von EUR 1,000 zu begeben.
Laufzeit der Anleihen	7 Jahre, beginnend mit (einschließlich) 29. Januar 2009, bis (einschließlich) 28. Januar 2016.
Öffentliches Angebot	Die Anleihen können in Österreich, Deutschland und Luxemburg öffentlich angeboten werden. Regelung und Einschränkungen hinsichtlich öffentlicher Angebote im Europäischen Wirtschaftsraum finden sich unter der Überschrift „*Subscription and Selling Restrictions*“.
Frist für das öffentliche Angebot	Ein Werktag nach Billigung, Notifizierung und Veröffentlichung des Prospekts, erwartet für den oder um den 21. Januar 2009, bis und einschließlich 22.Januar 2009. Das Recht zur Verkürzung des öffentlichen Angebots sowie das Recht, Zeichnungen abzulehnen wurden vorbehalten.
Zinsen	Der Zinssatz der Anleihen wird gemeinsam mit dem Ausgabepreis veröffentlicht. Es wird erwartet, dass der Zinssatz zwischen 6,25 % und 7,25 % des Nominalwertes der Anleihen liegt. Die Zinsen werden jährlich im Nachhinein bezahlt.

Ausgabepreis	Der Ausgabepreis der Anleihen wird nach Maßgabe des Bookbuilding Prozesses ermittelt. Es wird erwartet, dass der Preis zwischen 98,00% und 102,00% des Nominalwertes der Anleihen liegt. Der Ausgabepreis der Anleihen wird am oder um den 20. Januar 2009 festgesetzt und vor dem Beginn der Frist für das öffentliche Angebot veröffentlicht.
Ertrag	Der Ertrag der Anleihen wird gemeinsam mit dem Ausgabepreis veröffentlicht.
Tilgung	Die Anleihen werden am 29. Januar 2016 zum Nominale getilgt, sofern sie nicht vorzeitig zurückgekauft und eingezogen oder gemäß Artikel 4 der Anleihebedingungen getilgt wurden.
Vorzeitige Tilgung aus steuerlichen Gründen	Vorzeitige Tilgung der Anleihen aus steuerlichen Gründen ist zulässig, wenn der Emittent oder einer der Garantiegeber verpflichtet wird, zusätzliche Zahlungen auf die Anleihen zu leisten, wie in den Anleihebedingungen ausführlich beschrieben.
Vorzeitige Tilgung wegen Änderung der Beherrschungsverhältnisse	Vorzeitige Tilgung wegen Änderung der Beherrschungsverhältnisse ist zulässig, wenn eine solche Änderung innerhalb des Beherrschungsveränderungszeitraums bei Telekom Austria auftritt und mit einer darauf folgenden Herabsetzung des Ratings verbunden ist, wie in den Anleihebedingungen ausführlich beschrieben.
Joint Bookrunners	BNP Paribas, Erste Group Bank AG, The Royal Bank of Scotland plc, und UniCredit CAIB AG.
Zahlstelle	BNP Paribas Securities Services, Luxembourg Branch
Listing und Zulassung zum Handel	Es wurde ein Antrag zur Zulassung der Anleihen zum Amtlichen Handel der Börse Luxemburg und zur Zulassung zum Handel an dem geregelten Markt der Börse Luxemburg gestellt.
Internationale Wertpapierkennnummer (ISIN) und Common Code	ISIN: XS0409318309 Common Code: 040931830

ZUSAMMENFASUNG KONSOLIDIERTE FINANZINFORMATIONEN

Nachstehende Informationen und Zahlen wurden aus den per Verweis in den Prospekt aufgenommenen konsolidierten Abschlüssen der Telekom Austria entnommen und stellen lediglich eine Zusammenfassung daraus dar. Potenzielle Investoren werden angehalten, den gesamten Prospekt inklusive der durch Verweis aufgenommenen Dokumente zu lesen, inklusive der konsolidierten Abschlüsse und anderer in den Prospekt per Verweis aufgenommener Finanzinformationen.

	Telekom Austria für die ersten drei Quartale per 30. September 2008 (ungeprüft)	**Telekom Austria** für die ersten drei Quartale per 30. September 2007 (ungeprüft)	**Telekom Austria** für das Geschäftsjahr per 31. Dezember 2007 (geprüft)	**Telekom Austria** für das Geschäftsjahr per 31. Dezember 2006 (geprüft)
	(in EUR tausend)			
Betriebsergebnis	**651,626**	**668,016**	**761,419**	**777,113**
Bilanzsumme	**8,770,024**	**7,559,331**	**9,003,744**	**7,559,689**
Kurzfristige Aktiva Gesamt	**1,319,156**	**1,366,855**	**1,326,231**	**1,160,150**
Langfristige Aktiva Gesamt	**7,450,868**	**6,192,475**	**7,677,513**	**6,399,539**
Verbindlichkeit Gesamt und Eigenkapital Gesamt	**(8,770,024)**	**(7,559,331)**	**(9,003,744)**	**(7,559,689)**
Kurzfristige Verbindlichkeit Gesamt	**(1,972,153)**	**(1,763,117)**	**(2,557,222)**	**(1,657,260)**
Langfristige Verbindlichkeiten Gesamt	**(4,103,517)**	**(3,230,188)**	**(3,881,226)**	**(3,078,913)**
Eigenkapital Gesamt	**(2,694,354)**	**(2,566,026)**	**(2,565,296)**	**(2,823,516)**

DEFINITIONS

In this prospectus, unless the context otherwise requires,

- "**TFG**" or the "**Issuer**" refers to Telekom Finanzmanagement GmbH;
- "**Telekom Austria**" or "**Guarantor 1**" refers to Telekom Austria Aktiengesellschaft;
- "**TATA**" or "**Guarantor 2**" refers to Telekom Austria TA Aktiengesellschaft;
- "**Mobilkom**" refers to mobilkom austria Aktiengesellschaft;
- "**Guarantors**" refers to Telekom Austria Aktiengesellschaft and Telekom Austria TA Aktiengesellschaft, jointly or separately, as the case may be;
- "**Telekom Austria Group**" or "**Group**" refers to Telekom Austria Aktiengesellschaft and all of its subsidiaries;
- "**IFRS**" refers to International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations published by International Accounting Standard Board, as adopted by the EU.

DOCUMENTS INCORPORATED BY REFERENCE

Financial statements, Auditors

The following financial statements are incorporated by reference into this prospectus - see "*Incorporation by Reference*" - and are defined herein as the "**Documents Incorporated by Reference**":

Consolidated Financial statements of Telekom Austria (Guarantor 1)

This prospectus incorporates by reference:

(i) the audited consolidated financial statements of Telekom Austria as of, and for the years ended, December 31, 2007 and 2006, in the English language (including the notes thereto, the "**Audited Annual Consolidated Financial Statements**"), and

(ii) the unaudited interim consolidated financial statements of Telekom Austria as of, and for the nine months ended, September 30, 2008, including comparable figures for 2007, in the English language (including the notes thereto, the "**Interim Consolidated Financial Statements**").

Telekom Austria has prepared the Audited Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements in accordance with IFRS. The Audited Annual Consolidated Financial Statements of Telekom Austria were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The auditors of Telekom Austria are members of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder*) and have no material interest in Telekom Austria.

Financial statements of TFG (Issuer)

This prospectus incorporates by reference:

(iii) the audited financial statements of TFG as of, and for the years ended, December 31, 2007 and 2006, in the German language (including the notes thereto, the "**Audited Annual TFG Financial Statements**"), and

(iv) the cash flow statement of TFG for the financial years 2006 and 2007 in the German language (the “**TFG Cash Flow Statement**”), which have been reported on in accordance with the auditors’ agreed upon procedures.

As an issuer of bonds listed on regulated markets, the Issuer is obliged to prepare and publish, in addition to annual financial statements, half-yearly financial reports in accordance with Article 5 of Directive 2004/109/EC and § 87 of the Austrian Exchange Act (*Börsegesetz)*). According to Austrian law, the Issuer is not obliged to and does not prepare other interim financial statements (such as quarterly reports). Accordingly, this prospectus furthermore incorporates by reference

(v) the unaudited interim financial statements of TFG as of, and for the six months ended, June 30, 2008, including comparable figures for 2007, in the German language (including the notes thereto, the “**Interim TFG Financial Statements**”).

The Issuer has prepared the Audited Annual TFG Financial Statements and the Interim TFG Financial Statements in accordance with Austrian generally accepted accounting standards in accordance with the *Unternehmensgesetzbuch* (“**UGB**”). The Audited Annual TFG Financial Statements were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The auditors of TFG are members of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder*) and have no material interest in TFG.

Financial statements of TATA (Guarantor 2)

Telekom Austria spun off substantially all of its net assets and the business associated therewith into a newly created, wholly-owned subsidiary, TATA. TATA was incorporated on June 28, 2006 for an indefinite time, and is organized as a stock corporation. The fixed line assets to be transferred to TATA were identified in a spin-off-agreement and in a spin-off balance sheet which was published in draft form prior to the shareholders' approval thereof on April 27, 2007. Telekom Austria’s shareholders’ meeting approved the spin-off on May 30, 2007. The spin-off was registered on July 10, 2007 and came into force on January 1, 2007. An organization chart of TATA and its subsidiaries is included on page D-1 of this prospectus.

This prospectus incorporates by reference:

(vi) the audited financial statements of TATA as of, and for the years ended December 31, 2007 and December 31, 2006, in the German language (including the notes thereto, the “**Audited Annual TATA Financial Statements**”),

(vii) the cash flow statement of TATA for the financial year 2007 and of Telekom Austria for the financial year 2006 in the German language (together the “**TATA Cash Flow Statement**”), each of which have been reported on in accordance with the auditors’ agreed upon procedures, and

(viii) the unaudited interim financial statements of TATA as of, and for the nine months ended, September 30, 2008, including comparable figures for 2007, in the German language (including the notes thereto, the “**Interim TATA Financial Statements**”).

TATA has prepared the Audited Annual TATA Financial Statements and the unaudited TATA interim financial statements in accordance with Austrian generally accepted accounting standards in accordance with the UGB. The cash flow statement for the financial year ending on December 31, 2006, relate to unconsolidated unaudited IFRS financial information of Telekom Austria AG and not to TATA because due to the spin off of the fixed net business as of January 1, 2007, the cash flow statement relating to TATA as of December 31, 2006 would not contain comparable information. TATA is not required to and will not prepare consolidated financial statements of it and its subsidiaries under IFRS. The Audited Annual TATA Financial Statements were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The auditors of TATA are members of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder*) and have no material interest in TATA.

The first annual financial statements prepared by TATA as of, and for the year ended, December 31, 2006 do not include the fixed net business, which was spun off by Telekom Austria to TATA only with effect from January 1, 2007, and therefore do not give a true and fair view of TATA as the fixed net operating entity of the Telekom Austria Group. Restated financial statements for TATA as of, and for the year ended December 31, 2006, to include the fixed net business spun off to TATA in 2007, with effect as of January 1, 2007 have not been prepared.

Financial information displayed in this prospectus

All financial information displayed in this prospectus, including, in particular, the information under the headings "Summary Consolidated Financial Data", "Description of TFG-Selected Financial Data", "Description of Telekom Austria-Selected Consolidated Financial Data" and "Description of TATA-Selected Financial Data", is extracted from the Audited Annual Consolidated Financial Statements and the segment information contained in Note (35) for the financial year ending on December 31, 2007 thereto and in Note (31) for the financial year ending on December 31, 2006 thereto, as well as from the Interim Consolidated Financial Statements. All financial information relating to TFG and TATA, as displayed in this prospectus, is derived from consolidation data used to draw up the Audited Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. As such detailed segment information as displayed in this prospectus, is not included in the Audited Annual Consolidated Financial Statements or the Interim Consolidated Financial Statements and should be deemed unaudited.

The prospectus, including the Documents Incorporated by Reference, will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Documents Incorporated by Reference are available at Telekom Austria's registered office during usual business hours for 12 months from the date of this prospectus, see "*Documents Available for Inspection*". Telekom Austria's Audited Annual Consolidated Financial Statements and the unaudited Interim Consolidated Financial Statements may be inspected on Telekom Austria's website (www.telekomaustria.com).

Table of Documents Incorporated by Reference

The following Documents Incorporated by Reference form part of, this prospectus:

1. Financial statements (*Jahresabschluss*) 2007 of TFG (prepared in accordance with UGB), including:
   - income statement, Page 3
   - balance sheet, Page 2
   - notes to the financial statements 2007, Pages 7 – 13
   - auditors' report, Page 20.

2. Financial statements (*Jahresabschluss*) 2006 of TFG (prepared in accordance with UGB), including:
   - income statement, Page 3
   - balance sheet, Page 2
   - notes to the financial statements 2006, Pages 7 – 11
   - auditors' report, Page 18.

3. Interim financial statements (*Zwischenabschluss*) 2008 of TFG: Interim financial statements for the first half year ended 30 June 2008 (prepared in accordance with UGB), including:
   - income statement, Page 5
   - balance sheet, Page 4
   - notes to the interim financial statements 2008, Pages 12 – 16.

4. Cash flow statement of TFG for the financial years 2007 and 2006 which have been reported on in accordance with the auditors' agreed upon procedures.

5. Annual Report 2007 of Telekom Austria: Consolidated financial statements for the year ended 31 December 2007 (prepared in accordance with IFRS), Pages 81 – 149, including:
   - consolidated income statement, Page 83
   - consolidated balance sheet, Pages 82
   - consolidated cash flow statement, Pages 84-85
   - notes to the consolidated financial statements 2007, Pages 88 – 148
   - auditors' report, Page 149.

6. Annual Report 2006 of Telekom Austria: Consolidated financial statements for the year ended 31 December 2006 (prepared in accordance with IFRS), Pages 77 – 137, including:
   - consolidated income statement, Page 79
   - consolidated balance sheet, Page 78
   - consolidated cash flow statement, Page 80 – 81
   - notes to the consolidated financial statements 2006, Pages 84 – 136
   - auditors' report, Page 137.

7. Interim Report 2008 of Telekom Austria: Interim consolidated financial statements for the first nine months ended 30 September 2008 (prepared in accordance with IFRS), Pages 13-26, including:
   - consolidated income statement, Page 14
   - consolidated balance sheet, Page 13
   - consolidated cash flow statement, Page 15
   - selected notes to the interim financial statements 2008, Pages 23 – 26.

8. Financial statements (*Jahresabschluss*) 2007 of TATA (prepared in accordance with UGB), including:
   - income statement, Page 4
   - balance sheet, Page 2 – 3
   - notes to the financial statements 2007, Pages 8 – 24
   - auditors' report, Page 36

9. Financial statements (*Jahresabschluss*) 2006 of TATA (prepared in accordance with UGB), including:
   - income statement, Page 3
   - balance sheet, Page 2
   - notes to the financial statements 2006, Pages 6 – 12
   - auditors' report, Page 18

10. Interim financial statements (*Zwischenabschluss*) 2008 of TATA: Interim financial statements for the first nine months ended 30 September 2008 (prepared in accordance with UGB), including:
    - income statement, Page 29
    - balance sheet, Pages 27– 28
    - notes to the interim financial statements 2008, Pages 3 – 20.

11. Cash flow statement of TATA for the financial year 2007 and of Telekom Austria (unconsolidated) for the financial year 2006, each of which have been reported on in accordance with the auditors' agreed upon procedures.

Any information not listed in this cross reference list but included in the Documents Incorporated by Reference is given for information purposes only.

MARKET AND INDUSTRY DATA

This prospectus includes information regarding market share, market position, growth rates and industry data for the Group's lines of business, which consists of estimates based on data and reports compiled by third parties, on data from other external sources, and on the Group's knowledge of its sales and markets. The Issuer and the Guarantors assume no responsibility for the correctness of any market share or industry data included in this prospectus derived from third party sources. Such third party sources have been accurately reproduced and, as far as the Issuer and the Guarantors are aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, neither the Issuer nor the Guarantors have access to the facts and assumptions underlying the numerical data, market data and other information extracted from publicly available sources, and have not independently verified market data provided by third parties or industry or general publications. In many cases there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring the Issuer and the Guarantors to rely on internally developed estimates. While the Issuer and the Guarantors believe their internal research to be reliable, such research has not been verified by any independent source and neither the Issuer nor the Guarantor can guarantee its accuracy. The Issuer and the Guarantors believe that such data is useful in helping investors understand the industry in which the Group operates and the Group's position within the industry.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Telekom Austria's registered office in Vienna, Austria, and at Telekom Austria's office at Lassallestraße 9, A-1020 Vienna, Austria (Tel: +43 590591 19000), during usual business hours:

- the Articles of Association of TFG;
- the Articles of Association of Telekom Austria;
- the Articles of Association of TATA;
- the Audited Annual Consolidated Financial Statements of Telekom Austria for the financial years ending on December 31, 2007 and December 31, 2006, respectively;
- the Interim Consolidated Financial Statements of Telekom Austria for the nine months ended September 30, 2008, including comparable figures for 2007;
- the Audited Annual TFG Financial Statements for the financial years ending on December 31, 2007 and December 31, 2006, respectively;
- the Interim TFG Financial Statements for the six months ended on June 30, 2008, including comparable figures for 2007;
- the TFG cash flow statement for the financial years ending on December 31, 2007 and December 31, 2006, which have been reported on in accordance with the auditors' agreed upon procedures;
- the Audited Annual TATA Financial Statements for the financial years ending on December 31, 2007 and December 31, 2006, respectively;
- the Interim TATA Financial Statements for the nine months ended on September 30, 2008, including comparable figures for 2007;
- the cash flow statement of TATA for the financial year ending on December 31, 2007 and of Telekom Austria (unconsolidated) for the financial year ending on December 31, 2006, each of which have been reported on in accordance with the auditors' agreed upon procedures; and
- the Guarantees.

RISK FACTORS

Prospective investors should consider carefully the risk factors set forth below before making an investment in the Bonds. The risks described below constitute, in the Telekom Austria Group's opinion, the most significant risks of which it is currently aware, but the list does not purport to be exhaustive and the risks described do not constitute the only risks to which the Telekom Austria Group is exposed. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of the severity or significance of the individual risks. Furthermore, other risks and aspects may be of significance of which the Telekom Austria Group is currently unaware or which it does not currently consider to be material but which may also have a material adverse effect on the Telekom Austria Group's business and business prospects and on its financial condition and results of operations. If these risks materialize, individually or together with other circumstances, they may materially impair the Telekom Austria Group's business and may have a material adverse effect on the Telekom Austria Group's financial condition and results of operations and investors could lose all or part of their investment.

Factors that may affect TFG's ability to fulfill its obligations under the Bonds

TFG's principal purpose is to provide funding, through the international capital and money markets, to the Telekom Austria Group. Therefore, TFG's ability to fulfil its obligations under the Bonds is entirely dependent on the performance of the Group, as a result of which the risk factor analysis set forth below is mostly meaningful for and focused on the Telekom Austria Group as a whole.

Factors that may affect Telekom Austria's or TATA's ability to fulfill its obligations under the Guarantee

Recent macroeconomic trends and associated risks.

Recently global capital markets have been exposed to particular instability influenced by factors such as the deterioration in the sub-prime mortgage market in the United States. The financial crisis that has followed the breakdown of the US sub-prime mortgage market since summer 2007 has lead to a world-wide economic downturn and has had considerable effects on the real economy, in Europe. Economic forecasts signal a continued downward movement in economic growth in the Euro area for 2009 – with a large number of countries being affected by recession – an increase in unemployment and a inflation, leading to a general trend towards monetary tightening. Austria's economy cannot decouple itself from the global economic slowdown, as it heavily depends on exports. Furthermore, there is currently no significant stimuli from private consumption, which is usually the key pillar of economic activity in the mature phase of the economic cycle. A high propensity for saving and steep inflation are both equally responsible for this development.

Overall, potential negative effects in the macro-economic climate, which are entirely beyond the control of the Telekom Austria Group, may have an adverse effect on world-wide, and in particular the European, real economic development as well as on the overall stability of the Central Eastern and South-eastern European region, and subsequently on the assets, financial position and earnings of the Telekom Austria Group. The Group cannot exclude that further negative events may unfold in connection with the ongoing global economic downturn.

The Telekom Austria Group expects continuing competition in the fixed net and mobile communications markets which may have a negative impact on its revenues and profitability.

Several of the 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. In addition, on the basis of the interconnection rates fixed by the regulatory authority and the availability of access to subscriber lines, numerous competitors are able to compete with the Telekom Austria Group in its business with minimal or modest investments in network infrastructure and with prices that undercut the Group's tariffs.

As a result thereof the Group has reduced its tariffs in response to increasing downward pressure on tariffs. Competition from existing and new operators may result in further tariff reductions.

Other factors that may increase competition include movement from fixed net to mobile communications and the liberalization of the market. Competition from existing and new operators may result in losses of market share and further tariff reductions. 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 the Group's market share and revenues.

Consolidation among the Group's competitors in the markets in which it operates may also affect its market position. In April 2006, the merger of two competitors in the Austrian mobile communication market, T-Mobile Austria and tele.ring, was approved by the European Commission and the Austrian regulatory authority. The conditions imposed on T-Mobile with the approval include an obligation to offer for sale redundant infrastructure as well as UMTS frequencies to smaller operators, which may result in a strengthening of the market positions of such purchasers. The takeover significantly raised the market share of T-Mobile and may improve its market position in relation to Mobilkom, which is currently the market leader. A further increase in the competition in the fixed net and mobile communications markets may have a negative impact on the Group's revenues and profitability.

The Group also competes with mobile virtual network operators ("**MVNO**") and service providers 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 the Telekom Austria Group itself may have a negative impact on its market share. The emergence of new MVNO's and service providers might have a negative impact on market share and perpetuate downward pressure on tariffs.

In Austria all mobile service providers have tariff models with 30, 60 or 90 seconds billing. In 2006, Mobilkom, T-Mobile, tele.ring and ONE launched special tariffs with per second billing. With regard to pending legal actions of consumer interest groups regarding the legality of maintaining 30, 60 or 90 second billing, the Austrian Supreme Court ruled in March 2008 that 30, 60 or 90 seconds billing is admissible. However, if any consumer rights regulation were to be enacted in Austria regulating or restricting such billing, it could have a negative impact on the Group's revenues.

Approximately 66 per cent. of the Telekom Austria Group's revenues (as of September 30, 2008) were generated in the Austrian home market. Both the Austrian mobile communications and fixed net markets are saturated, highly competitive and characterised by fierce competition. If this development continues the Group's profitability may decline.

Austria has one of the highest penetration rates of mobile communications in Europe, reaching 122.5% as of September 30, 2008. This figure reflects the fact that customers use more than one SIM ("**Subscriber Identification Module**") card. Since the market has been approaching saturation in terms of customer growth, the Group is focusing on retention of the existing customer base, leading to increased customer retention costs in total due to an ever increasing number of customers. Competition among the various service providers is based on handset subsidies as well as extremely low tariffs. The 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 or even incentive payments for received calls. As customer retention costs increase, a continuation of the low tariffs currently offered by the Group's competitors would have a material adverse effect on the Group's profitability. As of September 30, 2008, approximately 48% of the Group's revenues from the mobile communications segment were generated in Austria. Therefore the Group's success is still dependent on the Austrian market with the markets outside of Austria continuously gaining in importance. However, the increasing saturation of the Austrian fixed net and mobile communications markets may adversely affect the Group's results of operations which might not be compensated by the profitability of the Group's investments in telecommunications companies outside Austria.

Technical change and lack of market acceptance of services provided by the Group may have a negative impact on the demand for the Group's products and financial results.

Through the rapid technological progress and the trend towards technological convergence (where different technologies are combined into a new service), there is a danger that newly established products or services will not only complement, but also substitute each other.

Moreover there is a risk that the Group will not succeed in making customers sufficiently aware of existing and future value added services and creating customer acceptance of these services. This risk exists in particular with respect to its anticipated future growth drivers in the mobile communications area (e.g. mobile data services provided via UMTS, high speed downlink packet access ("**HSDPA**") or other technologies) and in the fixed line communications area (e.g. asymmetric digital subscriber line ("**ADSL**")). Furthermore additional competition may arise from IT companies which position themselves as full IT and telecommunications providers on the Austrian market and compete strongly for the large corporate accounts.

A lack of market acceptance of services based on third generation technology like UMTS or enhanced data rates for global evolution ("**EDGE**") mobile communications systems with high transmission rates conceived for data, video- or internet-telephony use could have a negative impact on revenues and results of operations, including the possibility that the Group will not be able to secure its investments in third generation technology.

As a result of the Group's high number of civil servants, it is limited in its ability to adjust its operating expenses according to the changing market environment.

As of September 30, 2008, 37.5% of all employees of the Group are civil servants who cannot be dismissed without cause. In recent years, the Group has taken measures in order to cut its costs and enhance its competitiveness. One of these measures was to reduce its existing workforce. In the past, the 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 the Group operates, such restrictions may have an adverse impact on its results of operations and a negative impact on its profitability.

On November 10, 2008 the Supervisory Board of Telekom Austria approved a restructuring program of the fixed net segment of its business to cost up to EUR 630 million and covers social plans for employees who will voluntarily leave the Group and labour displacements related to employees who cannot be laid off due to civil servant status. Under the envisaged plan, up to about 1,250 employees, who cannot be laid off due to their civil servant status, will be made redundant from the fixed net operations during the course of 2009. 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 630 million. Although this provision will not have any effect on the operating performance and the cash flow of the Group and will also improve future earnings, it will have an impact on the reported results in the fourth quarter, 2008. The Telekom Austria Group will offer a social plan to eligible employees, who can no longer be employed in the fixed net segment. Under this social plan, the Telekom Austria Group expects approximately 400 employees to voluntarily leave the Group in the forthcoming years (250 such employees to leave by the end of 2009). The total estimated cost for this social plan of about EUR 60 million will be provided for in the financial statements of 2008 as part of the aforementioned provision for the redundant workforce in the amount of EUR 630 million.

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 operations, as well as its broadband services businesses, are subject to extensive regulatory requirements in Austria and its international operations and investments are subject to regulation in their host countries.

The Group is unable to predict the impact of any proposed or potential changes in the regulatory environment in which it operates, both in Austria and internationally. Changes in laws, regulations or government policy or adverse court decisions could adversely affect its business and competitiveness. In particular, its 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. 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.

In July 2006, the European Commission proposed roaming regulations pursuant to which mobile telephone operators throughout the European Union are required to reduce their visitor roaming fees to little above the costs of the service provided, and not to allow customer roaming fees within the European Community to be above a certain threshold (visitor roaming costs plus regulated retail mark-up). In June 2007 the European Commission regulated roaming charges by setting retail charges to a maximum of 46 Eurocents (not including VAT) for active calls, and 22 Eurocents (not including VAT) for passive calls. Wholesale charges are capped at 28 Eurocents (not including VAT). In September 2008,the European Commission adopted a proposal to extend the regulation of voice telephony roaming prices until July, 2013 and to regulate short message service and data roaming prices starting from July, 2009 to further gradually reduce prices for active and passive roaming and to ensure that citizens are kept informed of the charges that apply for data roaming. Both the already implemented as well as the envisaged reductions are likely to have an adverse effect on the Group's net income.

The Group's interconnection rates in the mobile network have been regularly reduced by the regulatory authority in the past, most recently in July 2006. The latest regulatory decision from October 2007 requires all operators to reduce the mobile termination rates ("glide path") to a level of 5.72 Eurocents by the end of 2008. As a result of this decision, the Group's mobile termination rate has already reached the level of 5.72 Eurocents at the beginning of 2008 which may have a negative impact on the Group's profitability.

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

The 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, the 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 the Group's reputation and reduce customer satisfaction.

Technological change could increase competition, render existing technologies obsolete or require the Group to make substantial additional investments.

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

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

The Group is in the process of evaluating the details and financial implications of a migration to NGN with particular consideration of existing investments. The costs relating to the expansion of NGN and its implications on the 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 the Telekom Austria Group's profitability.

The Telekom Austria Group's acquisition of the third UMTS license in Serbia presents the Group with significant challenges.

In November 2006 the Telekom Austria Group was the winning bidder for the GSM 900/1800 and UMTS license for the territory of the Republic of Serbia, offered in a tender. Under the brand name VipMobile, the Group started commercial operations of its GSM services in June 2007 in order to take advantage of the window of opportunity provided by ongoing market dynamics and, at the end of 2007, VipMobile had 508.900 customers and a market share of 5.8%. The Group has, at the date hereof, not yet launched its UMTS services in Serbia. Although the Telekom Austria Group has grown through acquisitions as well as through successful greenfield operations like VIPnet in Croatia, and despite the opportunity to fully exploit synergies from its existing operations in Croatia and Bulgaria, the business in Serbia involves significant risks. In particular, the Group may face obstacles which trigger a delay of the commercial launch of its UMTS services, and expected market share and revenues might not be realized.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to litigation or decreased mobile communications usage.

Concerns have been expressed that the electromagnetic signals from mobile handsets and transmission masts, which serve as antennas for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. Actual or perceived risks of transmitters and receivers, and related publicity, litigation or legislative actions could reduce the growth rate of the Group's mobile communications business, customer base, or average usage per customer. Environmental objections may also impair the 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.

Risks relating to disputes and litigation with regulators, competitors and other private parties.

The Telekom Austria Group is subject to numerous risks relating to legal and regulatory proceedings in which a group company is currently a party or that could develop in the future. As of September 30, 2008 the Group had provisions related to legal risks in the amount of EUR 12.5 million. The Group cannot guarantee that the ultimate outcome of such legal proceedings and any consequential legal proceedings thereafter will not have a material adverse effect on its results of operations or financial condition.

Telekom Austria's principal shareholder may exercise significant influence over the Telekom Austria Group and its interests may not always correspond to the interests of the Telekom Austria.

The main shareholder of Telekom Austria, OIAG, which holds approximately 27.4% 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 it will align its voting behavior with the interests of Telekom Austria. This may have a material adverse effect on the financial condition and results of the Telekom Austria Group.

Capital requirements.

Due to the rules of the Basel II Accord (International Convergence of Capital Measurement and Capital Standards by the Basel Committee on Banking Supervision), banks are required to monitor their capital adequacy requirements more closely, which in turn may result in higher costs of capital for the Telekom Austria Group because of higher interest rate payments. This could have a material adverse effect on the Group's business, results of operations and financial condition.

Factors which are material for the purpose of assessing the market risks associated with the Bonds.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and

(v) 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.

Change of law.

The conditions of the Bonds are based on Austrian law in effect as at the date of this prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Austrian law or administrative practice after the date of this prospectus.

Uncertainty as to the price of the Bonds listed on a public market.

The Issuer intends to apply for admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange. It cannot be guaranteed that the stock exchange prices at which the Bonds will be quoted in the future will not fall below the nominal value of the Bonds. Downward pressures on the stock exchange price of the Bonds may be caused, in particular, by an unsatisfactory business development, a deterioration of the Group's branch of business or a deterioration in the condition of the economy as a whole, an increase of the general level of interest in the market as well as a general decline of the securities markets. The securities markets have seen material stock exchange price and trading volume fluctuations during the past years and such fluctuations could result in a material adverse effect to the price of investors' Bonds.

Illiquid markets.

Although the Issuer intends to apply for admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange, it cannot be guaranteed that active trading in these securities will develop and that the market for the Bonds will be liquid. Illiquid markets can result in a situation where investors may be forced to sell their securities below a reasonable price, the price they have bought such securities or a price which is appropriate for such securities. This could result in significant losses for investors.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Bonds and the Guarantors will make any payments under the Guarantee in EUR (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds and (3) the Investor's Currency-equivalent market value of the Bonds.

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

Interest rate risks.

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Credit ratings may not reflect all risks.

Moody's Investors Service, Inc. and Standard & Poor's will assign credit ratings to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. 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. Rating downgrades (of Telekom Austria or the Bonds) may have a significant adverse effect on the Group. In particular, rating downgrades may lead to higher financing costs.

The TATA guarantee may be significantly limited by applicable Austrian law or subject to certain limitations or defences.

The obligations of TATA under its guarantee will be limited under Austrian law applicable to TATA and applicable to the granting of such guarantee (including laws relating to corporate benefit, capital preservation, financial assistance or transactions under value) to the maximum amount payable to ensure that such guarantee does not constitute a voidable preference, transaction at an under value or unlawful financial assistance or otherwise cause TATA to be deemed insolvent under applicable law, the guarantee to be void or unenforceable, or the directors of TATA to be held in breach of applicable corporate or commercial law for providing such guarantee. As a result, TATA's liability under its guarantee could be materially reduced or eliminated, depending upon the amounts of its other obligations and upon applicable laws. In particular, a guarantee issued by TATA that is not in TATA's corporate interests or the burden of which exceeds the benefit to TATA, may not be valid and enforceable. It is possible that TATA, a creditor of TATA or a receiver in TATA's bankruptcy, in the case of an insolvency of TATA, may contest the validity and enforceability of the respective guarantee and that the applicable court may determine that the guarantee should be limited or voided. In the event that the TATA guarantee is deemed invalid or unenforceable, in whole or in part, or to the extent that limitations on the guarantee obligation apply, the Bonds would be effectively subordinated to all liabilities of TATA, including trade payables of TATA.

Premature redemption and reinvestment risk.

In the event that the Bonds are being sold during their tenor or in the event of premature redemption of the Bonds, an investor may be subject to the risk that he may not find any reinvestment opportunities at better or on at least the same terms. The same also applies to the reinvestment of coupon payments derived from the investment. This could result in a material loss for investors.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Factors which are material for the purpose of assessing the country risk associated with the Bonds.

Risks relating to Bulgaria, Belarus, Croatia, Slovenia, Serbia and Macedonia.

The value of the Group's international investments in telecommunications companies outside Austria, particularly in Central, South-eastern and Eastern Europe may be adversely affected by political, economic and legal developments in these countries. Apart from Austria, the Telekom Austria Group encompasses operations in Bulgaria, Belarus, Croatia, Slovenia, Serbia, and Macedonia (the

“**Operating Region**”) and Liechtenstein. These countries have political, economic, and legal systems that are in different stages of the process of transformation towards EU standards. Political or economic disruption or changes in laws and their application may harm the companies in which the Telekom Austria Group has invested. This may impair the value of these investments.

Emerging markets such as Bulgaria, Belarus, Croatia, Slovenia, Serbia and Macedonia are subject to greater risks than more developed markets.

Investors in emerging markets such as Bulgaria, Belarus, Croatia, Slovenia, Serbia and Macedonia should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should also 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 involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets 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.

Economic instability in the Operating Region may adversely affect the Group's business and operations.

Although all countries in the Operating Region have made progress in increasing their gross domestic product (the “**GDP**”) in recent years, there is no guarantee that any positive trends will be sustainable. Any adverse change in the economic conditions in the Operating Region 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 remain receptive to foreign trade and investment or that its foreign direct investment ratio (the “**FDI**”) will continue to increase. Any 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 states 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 outside of 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; and
- impoverishment of a large portion of the population.

Political instability in the Operating Region may adversely affect the Group's business and operations.

Croatia, Slovenia, Serbia and Macedonia have undergone a substantial political transformation from constituent republics in a federal socialist state (Yugoslavia) to independent sovereign democracies. Slovenia joined the EU on May 1, 2004. Croatia and Macedonia have been granted EU candidate status. Bulgaria, formerly a people's republic in the Soviet sphere of influence, transitioned to democracy and free-market capitalism in 1990 and has become a member of the EU on January 1, 2007. Belarus gained its independence from the USSR in 1991 but continues to maintain closer political and economic ties to Russia than any of the other former Soviet republics.

The political climate in all countries of the Operating Region can be unstable. Croatia's conservative-led government hopes to finish accession negotiations with the EU by 2009, but efforts to implement politically difficult reforms have to be intensified. Slovenia's political and economic risk profiles are among the most stable in the region. Elections took place in September 2008: the newly formed government is a coalition which only enjoys a narrow majority in parliament. In Macedonia, considerable regional uncertainty stems from disputes with Greece. Bulgaria will face elections in the summer of 2009: with various possible political outcomes, the wider political consequences are uncertain. The political climate in Serbia and Belarus remains unstable and is subject to change. If political instability continues or heightens, it could have negative effects on the economies of the Operating Region and, as a result, materially adversely affect the Group's business, results of operations, financial conditions and prospects.

The Group could become subject to the risk of expropriation and nationalization in Belarus.

The Belarusian government has enacted legislation to protect property against expropriation and nationalization. In the event that property is expropriated or nationalized, legislation provides for fair compensation. However, there can be no certainty that such protection would be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, an independent judiciary or sufficient mechanisms to enforce judgments and corruption among state officials. 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.

Instability of Bulgarian, Belarusian, Croatian, Serbian, and Macedonian 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 National Bank of Serbia. Croatia has, already in the 1990s, implemented a tightly managed float (with the Euro as reference) for its HRK. The Bulgarian BGN is pegged to the Euro (replacement of the BGN by the Euro is planned, but may be delayed by inflation problems), as (de facto) is the Macedonian MKD. With effect from January 2, 2009, Belarus pegged the Belarusian BYR to a basket of currencies made up of United States Dollars ("**USD**"), Euros and Russian Rubles (RUB) in equal proportion. As a consequence, the Central Bank of Belarus had to devaluate the BYR by more than 20 per cent. to the USD, to which it was pegged previously.

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 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.

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

The relationships that each of Bulgaria, Belarus, Croatia, Slovenia, Serbia and Macedonia 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.

Slovenia and Bulgaria, 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, will become the second former Yugoslav nation to join NATO following Slovenia, which joined in 2004: Membership accords have already been signed in 2008 and Croatia will become a full member after ratification by its parliament and those of the 26 current members, which is expected to happen in the first half of 2009. The Macedonian NATO membership, has, on the other hand, 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 on April 4, 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. Many Western countries, including the United States, France, Germany, Japan and the United Kingdom have recognised the independence of Kosovo despite Serbia's opposition. Serbia called back its ambassadors for consultations from all countries that have formally recognised Kosovo. There is no guarantee that Serbia's relationship with Western governments and institutions will not further deteriorate. Any major deterioration in such relationships may have a negative impact on the Serbian economy, which in turn may adversely affect the Group's business, results of operations and financial condition.

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. Such efforts may raise the prospect of improving relations with the West although the isolation (including a visa ban on senior officials and other forms of sanctions), imposed by the European Union after international observers condemned the 2006 presidential elections as unfair, still remains. Any further deterioration in Belarus' relationships with Western governments and institutions may have a negative effect on the Belarusian economy which, in turn, may adversely affect the Group's business, results of operations and financial condition.

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

Economic growth in the Operating Region depends upon trade flows with regional neighbours, especially Russia. In particular, Belarus 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 Serbia, Bulgaria, Macedonia and Croatia, especially in the energy sector.

Any major changes in the Operating Region's relations with 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.

Russia has the ability to influence political stability in Belarus. Russia has introduced an export duty on oil shipped to Belarus, which will increase gradually through 2009, and a requirement that Belarusian duties on re-exported Russian oil be shared with Russia - 80% will go to Russia in 2008 and 85% in 2009. Russia also increased Belarusian natural gas prices, in its sales of gas to Belarus, from USD 47 per thousand cubic meters ("**tcm**") to USD 100 per tcm in 2007, and plans to increase prices gradually to world levels by 2011. Russia's recent policy of bringing energy prices for sales to Belarus to world market levels may result in a slowdown in economic growth in Belarus over the next few years. This in turn may adversely affect the Group’s business, results of operations, financial condition and prospects.

Financial infrastructure in Serbia and Belarus is limited and Serbian and Belarusian enterprises may face liquidity problems.

Some 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 (which is only partly the case in Belarus). 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.

Crime, corruption and money laundering in the Operating Region may adversely affect the Group's ability to conduct its business.

Organised crime, including extortion and fraud, poses a risk to businesses in the Operating Region. Most countries in the Operating Region 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. 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 produce being stolen. Such activities may cause losses or have other negative impacts on the Group.

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. 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.

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 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 include: (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; and (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 in respect of Serbia in particular, 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.

The lack of independence of certain members of the judiciary, the difficulty of enforcing contracts and court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress in court proceedings.

The independence of the judicial systems of the Operating Region and their immunity from economic and political influences remains questionable. The court systems of the Operating Region are understaffed and underfunded and judges and courts remain inexperienced in the area of international financial transactions. Courts, in particular with respect to Croatia, may have a large backlog of unresolved cases, which often causes proceedings to take several years. Furthermore, international agreements are often not executed correctly in Croatia. Although the Macedonian constitution provides for an independent judiciary and the government in practice respects this provision, the court system is still developing and considered inefficient and slow. Independence is also, to a certain extent, threatened by budgetary reliance on the national government. Bulgaria has implemented a large number of judicial reforms. However, a low degree of transparency, as well as the long duration and high costs of legal proceedings, still constitute a significant barrier.

As Bulgaria, Belarus, Croatia, Slovenia, Serbia, Macedonia and Belarus 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 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. In Belarus, the judicial system can operate inconsistently and sometimes with bias towards state owned companies and the state. Legislation changes very rapidly, partly with retroactive effect. Enforcement is very time consuming due to various intrusive bureaucratic procedures. Court claims may be 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.

In addition, the legal systems of the Operating Region may be subject to continuous change and development and this generates concern regarding the difficulties or inability to enforce contracts in the Operating Region. Enterprise in the Operating Region has a limited history of operating in free-market conditions and has had limited experience of entering into and performing contractual obligations compared to companies in more developed jurisdictions.

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.

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. In Slovenia, a comprehensive tax reform, designed to streamline and improve the efficiency of the tax system, took effect as of January 2007.

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 the competent authorities 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.

Shareholder liability under legislation in Serbia and Belarus could cause a holding company to become liable for the obligations of its subsidiaries.

Under Serbian law, 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. Similar rules impose shareholder liability under Belarusian law; 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 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.

Courts in Serbia and Belarus may force a legal entity into liquidation on the basis of non-compliance with certain requirements of corporate law.

Certain provisions of Serbian law 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 Belarusian authorities 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.

Although some of the Group's subsidiaries might have failed from time to time to comply fully with all the applicable legal requirements, the Group believes that none of the subsidiaries should be subject to liquidation on any of the grounds described above. The Group also believes that the financial condition of each of the Company's subsidiaries has been satisfactory at all times and they are capable of meeting their tax and other third-party obligations. However, 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 Serbian and Belarusian law. 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.

Deterioration of relationships between Serbia, Belarus and their major creditors may adversely affect Serbia's and Belarus' financing and, their level of inflation, which may in turn affect the Group's business.

Serbia's internal debt market remains illiquid and underdeveloped as compared to markets in most Western countries. International capital markets and loans from multinational organisations such as the European Bank for Reconstruction and Development (the "**EBRD**"), the IMF, the World Bank and the EU make up a significant sources of external financing for Serbia. Although Belarus can rely also on financing obtained from Russia, it is dependent on above-referenced financing sources and, accordingly, faces similar risks. Failure to raise sufficient funds in the international capital markets or from multinational organisations could put pressure on Serbia's budget and foreign exchange reserves and have a material adverse effect on the Serbian economy as a whole, and thus on the Group's business, results of operations and financial condition.

Risks relating to the Bonds and the Trading Market.

The Offering may not result in an active or liquid trading market for the Bonds, and their price may be highly volatile.

Although the Bonds will be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange, an active, liquid trading market may not develop or be sustained during the life of the Bonds. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If an actual liquid trading market for the Bonds does not develop, the price of the Bonds may be more volatile and it may be difficult to complete a buy or sell order for the Bonds.

The trading prices of the Bonds may be subject to wide fluctuations in response to many factors, including but not limited to:

- variations in the Group's operating results and those of other telecommunication companies;
- variations in national and industry growth rates;
- actual or anticipated announcements of new products or services by the Group or its competitors;

- negative research reports or adverse brokers’ comments;
- changes in governmental legislation or regulation;
- general economic, political or regulatory conditions within the Group’s business sector or in the Operating Region;
- international events;
- technological developments or technical change substituting the Group’s products and services;
- the departure of directors or key management of Group companies; and
- extreme price and volume fluctuations on global market stock exchanges.

In addition, stock markets in general may experience price fluctuations. Fluctuations in the price of the Bonds may not be correlated in a predictable way to the Group's performance or operating results. The Issue Price may not be indicative of prices that will subsequently prevail in the market and an investor may not be able to resell its Bonds at or above the Issue Price.

DESCRIPTION OF TFG

Organization

Telekom Finanzmanagement GmbH ("**TFG**" or the "**Issuer**") is an indirectly wholly owned subsidiary of Telekom Austria. TFG was incorporated for an indefinite duration on March 4, 1997 and is registered with the Commercial Registry (Commercial Court Vienna under registry no. 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 59059 1 19000. As to TFG's position within the Group, please refer to the organization chart included on page D-1 of this prospectus.

TFG's business year coincides with the calendar year and its last annual statements were filed with the Commercial Registry on August 11, 2008. As an issuer of bonds listed on a regulated market, TFG has published its most recent interim financial statements, as regulated information, and filed them 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.

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**
Hans Tschuden	Managing Director	Chief Financial Officer ("**CFO**") Telekom Austria, Vice-Chairman of the Management Board of Telekom Austria
Martin Mayr	Managing Director	Group Finance and Treasury Telekom Austria
Josef Flandorfer	Holder of statutory general power of attorney (*Prokurist*)	Corporate Finance Telekom Austria

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.

The members of the management board of TFG may be contacted at TFG's registered office at Lassallestraße 9, A-1020 Vienna, Austria.

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.

Risk Management

As TFG is not an operative company, its risks are limited to the inability of the other Group companies to satisfy their obligations. Due to the fact that those risks can not be controlled by TFG, no risk monitoring and management systems have been put in place by TFG.

Selected Financial Data

The following table presents a summary of financial and operating data for TFG. The financial data is based on IFRS non-consolidated financial data of TFG, used for the Group financial statements, and thus is also included in the consolidated financial statements of Telekom Austria and the notes thereto, which have been prepared in accordance with IFRS for all periods indicated. As the financial information for the financial years 2007 and 2006, as set forth below, is based on consolidation data of the Audited Annual Consolidated Financial Statements, it has to be considered unaudited, because it is not covered in such detail in the Audited Annual Consolidated Financial Statements. Similarly, financial information as of, and for the nine months ended, September 30, 2008 is extracted from the segment information contained in Telekom Austria's interim consolidated financial statements.

	TFG at and for the nine months ended September 30, 2008 (unaudited)	**TFG** at and for the nine months ended September 30, 2007 (unaudited)	**TFG** at and for the year ended December 31, 2007 (unaudited)	**TFG** at and for the year ended December 31, 2006 (unaudited)
	(in EUR thousands)			
Other operating income	0	0	4,080	14
Other operating expenses	(3,519)	(1,116)	(6,338)	(67)
Operating Income	**(3,519)**	**(1,116)**	**(2,258)**	**(53)**
Total Assets	**4,951,986**	**3,496,156**	**4,687,670**	**2,874,297**
Current Assets	**1,758,072**	**1,017,938**	**1,607,499**	**462,710**
Cash and cash equivalents	2,847	123,917	62,046	11,971
Receivables due from related parties	1,754,668	893,899	1,545,403	450,713
Income taxes receivable	0	4	0	0
Other current assets	557	120	50	26
Long Term Assets	**3,193,913**	**2,478,218**	**3,080,171**	**2,411,587**
Investments in associates	2,818	2,468	2,468	2,118
Other assets long-term	24,845	0	2,865	56
Deferred tax assets	0	0	88	63
Receivable due from related parties	3,166,250	2,475,750	3,074,750	2,409,350
Total Liabilites And Stockholders Equity	**(4,951,986)**	**(3,496,156)**	**(4,687,670)**	**(2,874,297)**
Current liabilities	**(1,330,395)**	**(879,409)**	**(1,571,372)**	**(639,712)**
Short-term borrowings	(1,328,815)	(878,108)	(1,570,849)	(638,810)
Accounts payable - trade	(1)	(131)	(1)	(13)
Accrued liabilities	0	0	(5)	(241)
Payables to related parties	(1,570)	(1,170)	(502)	(602)
Other current liabilities	(10)	0	(15)	(47)
Long-term Liabilities	**(3,610,069)**	**(2,609,739)**	**(3,110,718)**	**(2,230,308)**
Long-term debt, net of current portion	(3,590,113)	(2,588,472)	(3,085,162)	(2,215,867)
Other liabilities and deferred income	(19,922)	(21,180)	(25,556)	(14,441)
Deferred tax liabilities	(34)	(87)	0	0
Stockholders Equity	**(11,521)**	**(7,008)**	**(5,580)**	**(4,277)**
Common stock	(37)	(37)	(37)	(37)
Additional capital	(2,800)	(2,450)	(2,450)	(2,100)
Retained Earnings	(8,998)	(4,521)	(3,093)	(2,140)
Other changes in Equity	314	0	0	0

There has been no material adverse change in the financial or commercial position of TFG since December 31, 2007.

Material Contracts

The material contracts concluded by TFG are basically limited to Telekom Austria Group finance documents, which primarily include three bonds, issued by TFG in 2003 and 2005.

Under a Euro Medium Term Note Programme, the underlying documentation for which was signed on

June 30, 2003, TFG, in July 2003, issued EUR 750,000,000 5% bonds due July 22, 2013, guaranteed by Telekom Austria and TATA. The denominations of the bonds, which trade on the Luxembourg Stock Exchange's and the Vienna Stock Exchange's regulated markets (XS0172844283), are EUR 1,000, EUR 10,000 and EUR 100,000.

Under the Euro Medium Term Note Programme, TFG, in January 2005, issued EUR 500,000,000 3.375% bonds due January 27, 2010 and EUR 500,000,000 4.25% bonds due January 27, 2017, each guaranteed by Telekom Austria and TATA. The denomination of the bonds, all of which trade on the Luxembourg Stock Exchange's and the Vienna Stock Exchange's regulated markets (XS0210629449 and XS0210629522), is EUR 1,000.

Telekom Austria Finance B.V., a wholly owned subsidiary of TFG, with its registered seat in the Netherlands, has entered into a EUR 750 million syndicated committed credit facility in July, 2006, which has not been drawn since then.

In August 2008, Telekom Austria Finance B.V. issued promissory notes with a total volume of EUR 300 million and a maturity of 4 years. The promissory notes consist of a floating tranche of EUR 200 million and a fixed interest (6.08%) tranche of EUR 100 million. The initial coupon of the floating tranche, valid for the first 6 month period, has been set at 6.20%.

In September 2007, TFG entered into a EUR 300 million multi-currency short term and medium term treasury notes programme guaranteed by Telekom Austria. As of December 31, 2008 EUR 117 million of notes were outstanding under this programme.

Shareholder

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 per cent. of the shares in TPE are held by Telekom Austria. The remaining one per cent. of the shares in TPE is held by Telekom Austria TA 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 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.

Principal investments

Since the publication of the latest financial statements of TFG, no material investments have been made. No principal future investments on which the management board has already made firm commitments have been authorised to the date hereof.

DESCRIPTION OF TELEKOM AUSTRIA

Introduction

Telekom Austria Aktiengesellschaft is the holding company of an Austrian-based full-service telecoms provider group with a wide range of advanced fixed-line, mobile, data and other communication services, including internet solutions. Telekom Austria has subsidiaries in Austria, Belarus, Bulgaria, Croatia, Hungary, Liechtenstein, Macedonia, Rumania, Serbia, Slovakia, Slovenia, and stakes in companies in Germany and Cyprus. Its registered office and principal place of business is at A-1020 Vienna, Lassallestraße 9. Telekom Austria's commercial registry number is 144477t (Commercial Court of Vienna). Telekom Austria's telephone number is +43 590591 19000. An organization chart of the Group is included on page D-1 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 May 1, 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).

All 460 million bearer shares with no par value are listed on the Vienna Stock Exchange. With a market capitalization of approximately EUR 4.74 billion as of December 30, 2008, Telekom Austria is one of the 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 Depository 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 participation in companies and corporations as well as the control and management of such participations (Holding), including purchases and sales of such participations in Austria and abroad, and (ii) all activities, either directly or through subsidiaries, in connection with the performance of services and the establishment of the 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 and the investment in other enterprises and corporations, as well as the management and administration of such investments as holding company.

Telekom Austria is the parent company (holding company) of the Group. Telekom Austria's principal operative subsidiaries are Mobilkom (as described below) and Telekom Austria TA Aktiengesellschaft (as described below).

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 special 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**"). Mobilkom is 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 per cent., 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.

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 per cent. of Telekom Austria's shares as part of Telekom Austria's initial public offering ("**IPO**") 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 € 325 million 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 per cent. In December 2004, OIAG sold 85 million Telekom Austria Shares in a private placement to institutional investors and internationally, reducing its shareholding to 30.2 per cent. Accordingly, since October 2006 the OIAG stake in Telekom Austria decreased to approximately 25.2 per cent, which then increased after Telekom Austria's cancellation of treasury shares in March, 2007, to 27.4 per cent.

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 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 July 10, 2007, and became effective on January 1, 2007. Telekom Austria FixNet Aktiengesellschaft was renamed "Telekom Austria TA Aktiengesellschaft" ("**TATA**") in June, 2007.

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 Annual Consolidated Financial Statements and the Interim Consolidated Financial Statements. 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 at and for the nine months ended September 30, 2008 (unaudited)	**Telekom Austria** at and for the nine months ended September 30, 2007 (unaudited)	**Telekom Austria** at and for the year ended December 31, 2007 (audited)	**Telekom Austria** at and for the year ended December 31, 2006 (audited)
	(in EUR thousands)			
Operating revenues	3,863,799	3,630,860	4,918,964	4,759,560
Other operating income	72,575	45,944	85,134	59,412

	Telekom Austria at and for the nine months ended September 30, 2008 (unaudited)	Telekom Austria at and for the nine months ended September 30, 2007 (unaudited)	Telekom Austria at and for the year ended December 31, 2007 (audited)	Telekom Austria at and for the year ended December 31, 2006 (audited)
	(in EUR thousands)			
Material expense	(299,236)	(277,802)	(405,689)	(385,217)
Employee costs, including benefits and taxes	(610,456)	(572,123)	(797,836)	(763,098)
Interconnection costs	(469,210)	(441,924)	(588,149)	(535,791)
Maintenance and repairs	(134,263)	(125,180)	(180,233)	(186,522)
Services received	(224,584)	(207,395)	(288,674)	(264,135)
Other support services	(99,995)	(82,002)	(120,250)	(109,132)
Other operating expenses	(591,044)	(506,811)	(768,370)	(663,553)
Impairment charges	0	0	(498)	(10,480)
Amortization and depreciation	(855,958)	(795,549)	(1,092,980)	(1,123,931)
Operating Income	**651,626**	**668,016**	**761,419**	**777,113**
Total Assets	**8,770,024**	**7,559,331**	**9,003,744**	**7,559,689**
Current Assets	**1,319,156**	**1,366,855**	**1,326,231**	**1,160,150**
Cash and cash equivalents	165,169	282,292	209,126	125,147
Short-term investments	33,561	8,314	19,459	14,530
Accounts receivable – trade	776,451	730,999	751,159	712,434
Receivables due from related parties	2,636	3,032	3,294	3,291
Inventories	132,499	128,340	128,297	111,299
Prepaid expenses	121,849	140,908	124,755	137,061
Income taxes receivable	15,779	31,945	30,856	22,216
Assets held for sale	264	150	254	0
Other current assets	70,948	40,877	59,031	34,172
Long Term Assets	**7,450,868**	**6,192,475**	**7,677,513**	**6,399,539**
Investments in associates	12,777	5,826	5,694	4,399
Financial assets long-term	47,137	70,094	60,024	77,060
Goodwill	1,972,285	1,221,896	1,939,614	1,188,614
Other intangible assets	2,329,303	1,807,478	2,432,963	1,855,094
Property, plant and equipment	3,027,428	3,043,157	3,186,462	3,215,957
Other assets long-term	34,131	4,830	8,518	4,942
Deferred tax assets	25,707	39,095	44,138	53,373
Receivable due from related parties	2,100	100	100	100
Total Liabilites And Stockholders Equity	**(8,770,024)**	**(7,559,331)**	**(9,003,744)**	**(7,559,689)**
Current liabilities	**(1,972,153)**	**(1,763,117)**	**(2,557,222)**	**(1,657,260)**
Short-term borrowings	(784,458)	(718,461)	(1,236,070)	(562,093)
Accounts payable - trade	(525,056)	(435,541)	(637,083)	(508,357)
Accrued liabilities	(216,940)	(192,174)	(229,276)	(202,057)
Payables to related parties	(8,180)	(7,778)	(17,299)	(11,830)
Income taxes payable	(24,268)	(21,363)	(21,766)	(22,076)
Other current liabilities	(248,244)	(201,643)	(237,962)	(167,837)
Deferred income	(165,007)	(186,157)	(177,766)	(183,010)
Long-term Liabilities	**(4,103,517)**	**(3,230,188)**	**(3,881,226)**	**(3,078,913)**
Long-term debt, net of current portion	(2,977,525)	(2,887,205)	(2,793,833)	(2,750,135)
Lease obligations, net of current portion	(28,079)	(50,560)	(49,739)	(57,365)
Employee benefit obligation	(116,933)	(112,329)	(112,998)	(111,572)
Provisions long-term	(107,829)	(77,800)	(89,630)	(72,705)
Other liabilities and deferred income	(663,650)	(46,709)	(639,618)	(42,888)
Deferred tax liabilities	(209,501)	(55,586)	(195,408)	(44,248)
Stockholders Equity	**(2,694,354)**	**(2,566,026)**	**(2,565,296)**	**(2,823,516)**
Minority interests	(56)	(62)	(48)	(41)
Common stock	(1,003,260)	(1,003,260)	(1,003,260)	(1,090,500)
Treasury shares	334,350	335,981	334,350	654,597
Additional capital	(548,902)	(548,880)	(548,902)	(461,640)
Retained Earnings	(1,442,920)	(1,344,644)	(1,385,657)	(1,924,746)
Other changes in equity	(33,566)	(5,161)	38,221	(1,186)

Except the costs of the restructuring of its fixed net operations, as announced on November 10, 2008 (see pages 18 and 67 of this prospectus), there has been no material adverse change in the financial or commercial position of Telekom Austria since December 31, 2007.

Material Contracts

The Telekom Austria Group has not entered into contracts outside the ordinary course of its business which could result in any group member being under an obligation or entitlement that is material to the

Issuer's ability to meet its obligation to bondholders in respect of the Bonds being issued.

No principal future investments on which the management board has already made firm commitments have been authorised to the date hereof.

Management

Management Board

The members of the management board are appointed by the supervisory board for a maximum period of five years; re-election is possible. The management board of Telekom Austria has two to four members. An appointment as member of the management board is permissible up to the age of 65. Telekom Austria is represented by two members of the management board or by one member of the management board, together with one proxy (*Prokurist*) or, within the context of a power of attorney, by two proxies acting jointly. Currently, the management board consists of the following three members:

Name	Position
Boris Nemsic …………………………….	Chief Executive Officer ("**CEO**") Telekom Austria, Chairman of the Management Board of Telekom Austria
Hans Tschuden …………………………..	Chief Financial Officer ("**CFO**") Telekom Austria, Vice-Chairman of the Management Board of Telekom Austria
Hannes Ametsreiter ……………………...	Head of the fixed net segment and Chief Executive Officer ("**CEO**") of TATA

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.

Supervisory Board

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 works council. A member of the supervisory board may be elected up to the age of 65.

The current members of the supervisory board are:

Name	Position	Significant activities performed outside the Telekom Austria Group
Peter Michaelis..........	Chairman	CEO of OIAG, member of the supervisory board of OMV AG, Austrian Airlines AG, Österreichische Post AG, APK-Pensionskassen AG
Edith Hlawati............	Vice-Chairperson	Attorney, member of the supervisory board of Österreichische Post AG
Stephan Koren..........	Member	Deputy CEO BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG, member of the supervisory board of Wiener

Name	Position	Significant activities performed outside the Telekom Austria Group
		Stadtwerke Holding AG, Bawag PSK Leasing GmbH, Bawag PSK Versicherung AG, BWA Beteiligungs- und Verwaltungs-AG, Österreichische Kontrollbank AG, Allianz Pensionskasse AG, Omnimedia Werbegesellschaft mbH, SPARDA Bank AG, Bausparkasse Wüstenrot AG, Austria Wirtschaftsservice GmbH
Rainer Wieltsch	Member	Former member of the management board of OIAG, member of the supervisory board of Österreichische Postsparkasse AG, Austrian Airlines AG, Bundesrechenzentrum GmbH, OMV AG
Harald Stöber.............	Member	Former CEO Arcor AG & Co., Chairman of the supervisory board of Deutsche Messe AG Hannover, Vocafone Deutschland
Wilfried Stadler	Member	CEO Investkredit Bank AG, Director Österreichische Volksbanken AG, Director Jubiläumsstiftung der Wirtschaftsuniversität Wien, Director Schweighofer Privatstiftung,member of the supervisory board of ATP Planungs- und Beteiligungs-AG, Die Furche Zeitschriften Betriebsgesellschaft m.b.H., TRODAT Holding GmbH, WIENSTROM GmbH, Investkredit Investmentbank, Walter Just VerwaltungsgmbH, Academia Scientiarum et Artium Europaea Privatstiftung
Henrietta Egerth-Stadlhuber..................	Member	Managing Director Österreichische Forschungsförderungsgesellschaft mbH, member of the supervisory board of Austria Wirtschaftsservice Ges.m.b.H.
Peter J. Oswald..........	Member	CEO Mondi AG and Mondi Services AG
Werner Luksch	Employee representative	
Michael Kolek	Employee representative	Member of the supervisory board of APK Pensionskassen AG, OIAG
Wilhelm Eidenberger	Employee representative	
Markus Hinker...........	Employee representative	

Further to the positions illustrated 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 (Mr. Michaelis is not independent, pursuant to Rule 54 of the Austrian Corporate Governance Code).

The members of the management board and supervisory board may be contacted at Telekom Austria's registered office at Lassallestraße 9, A-1020 Vienna, Austria.

Committees of the Supervisory Board and their Responsibilities

In order to carry out its work effectively and in compliance with legal requirements, the supervisory board has set up three committees, as provided for by the Articles of Association. The **Audit Committee** (members are Peter Michaelis (Chairman), Wilfried Stadler, Peter J. Oswald, Rainer Wieltsch, Michael Kolek and Wilhelm Eidenberger) 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. The **Chairing and Remuneration Committee** (members are Peter Michaelis (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 goals for the calculation of performance-related salary bonuses. It is also responsible for the corporate governance process within the supervisory board. Furthermore, the Chairing Committee is also authorized to make decisions on matters of urgency. The **Personnel and Nomination Committee** (members are Peter Michaelis (Chairman), Edith Hlawati, Michael Kolek) deals with appointments to the management board. The average attendance at the committee meetings in 2007 was 100%, and at the meetings of the supervisory board 90%. No member of the supervisory board attended fewer than 50% of supervisory board meetings.

Compliance with Corporate Governance Code

Starting from the 2003 Annual Report, Telekom Austria has voluntarily committed to comply with the Austrian corporate governance code (the "**Code**"). The amendments to the Code published in June 2007 have all been implemented by Telekom Austria. An evaluation carried out by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft confirms the correctness of Telekom Austria's published statements regarding compliance with the Code. The Code currently in place lays down 82 rules, of which 33 are based on existing mandatory requirements ("L Rules" – legal requirements) such as stock exchange or stock corporation law. Any deviation from the 45 "C Rules" (comply or explain) must be explained. Non-compliance with the remaining five rules ("R Rules" – Recommendations) must neither be disclosed nor explained.

By making the following statements, Telekom Austria is deemed to comply with the following "C Rules." Rule 4: Countermotions are not published on the Telekom Austria's website because the Annual General Meeting is the forum for such proposals. Rule 28: Stock option plans for the management board are voted on by the supervisory board. The parameters of the stock option program were presented to the Annual General Meeting on June 4, 2003 and May 23, 2006.

Ownership and Structure of Share Capital

The share capital of Telekom Austria is fully paid-up and amounts to EUR 1,003,260,000, divided into 460 million bearer shares with no par value, 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.

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 divided into 1.5 million registered shares with a nominal value of 10,000 Austrian Schilling each. In October 2000, the Telekom Austria's share capital was converted into EUR and split into 500 million shares with no par value.

Currently, Telekom Austria is endowed with two sets of authorized conditional capital. In the 2003 Annual General Meeting, as amended by the 2006 Annual General Meeting, the management board was authorized to increase the share capital up to June 30, 2010 by up to EUR 9,487,350 by issuing up to 4.35 million new bearer or registered shares with no par value in order to serve stock options, which were granted to employees, managers and members of the management board of Telekom Austria or of an affiliated company. Similarly, in the 2006 Annual General Meeting, the management board was authorized to resolve upon a conditional increase of the share capital by June, 2011, in order to grant stock options of up to EUR 21,810,000, by issuing up to 10 million new bearer or registered shares with no par value, against cash contributions.

After Telekom Austria’s 2000 IPO, a stock option program was settled in shares in 2004. In April 2004 the Group started an employee stock option plan (“**ESOP**”) spanning several years: Three independent tranches were issued between 2004 and 2006. In December 2006, ESOP was extended for another three years from 2007 to 2009. Out of the stock options issued in 2004, 2005 and 2006 to employees and managers of Telekom Austria and of affiliated companies, as of September 30, 2007 3,825,721 stock options were still to be exercised. Prior to the beginning of the execution period of each of the ESOP programs, the management board decided to serve the stock options, within the scope of each program, with cash compensation. Therefore, no treasury shares were used to serve the tranches ESOP 2004, ESOP 2005 and ESOP 2006.

On January 8, 2007, 4,047,472 options were issued to the eligible employees under the most recent ESOP 2007 program approved in 2006, with an option life of up to May 2011 and an exercise price of EUR 20.34. The exercise price of EUR 20.34 was based on the average quoted closing price of Telekom Austria stock during a period of twenty trading days ending two days before the granting of options. The options can be settled either in cash or in shares, at Telekom Austria’s choice. Vesting of the stock options is based on the performance of basic earnings per share, adjusted for certain effects. The options have a vesting period of about 12 months from the grant day and an exercise period of approximately three years. On May 26, 2008, the management board decided to provide holders of ESOP 2007 with cash compensation instead of treasury shares. On January 14, 2009 the tranche ESOP 2009 was allocated to the eligible employees.

At the annual general meeting on May 20, 2008, the management board was authorized to acquire treasury bearer or registered treasury shares up to the maximum extent legally permitted, during a period of 18 months from the day of this resolution at a minimum price of Euro 9 and a maximum price of Euro 30 per share. This authorization replaced the pre-existing 2007 share buyback program. The management board was also empowered to use treasury shares (i) to serve stock options granted to employees, directors and members of the management board of Telekom Austria and/or for issuance of treasury shares to employees of Telekom Austria or of an affiliated company with or without consideration, (ii) to serve convertible bonds, (iii) as consideration for the acquisition, domestically and internationally, of enterprises, businesses or parts thereof, or shares of one or more companies. Furthermore the management board was authorized to decrease the share capital of Telekom Austria by up to Euro 100,326,000 by withdrawing up to 46 million bearer or registered treasury shares with no par value, without further shareholders’ resolution. The supervisory board is authorized to resolve upon amendments to the Articles of Association required by the withdrawal of shares, and to sell treasury shares (i) at anytime via the stock exchange or via a public offer, as well as (ii) for a period of 5 years from the resolution in any other way permitted by law, also other than via the stock exchange, whereas the management board is also entitled to exclude the general purchase opportunity (i.e. to exclude subscription rights).

Based on share buyback programs of previous years, Telekom Austria held 40 million treasury shares as of March 19, 2007. The management board of Telekom Austria, on that day, resolved to cancel 40 million treasury shares or 8% of the share capital of Telekom Austria. The number of shares has been reduced to 460 million, as of March 19, 2007, which corresponds to a common stock of EUR 1,003,260,000. After cancelling the shares, the management board again made use of its authorization to acquire shares. On September 30, 2008 Telekom Austria held 17,788,258 treasury shares, which represent approximately 3.87% of the share capital (or a proportionate amount of EUR 38,796,191), with an average purchase price of EUR 18.78. 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.

On June 3, 2004, Telekom Austria's shareholders authorized the Company to increase the share capital by up to EUR 109,050,000 by issuing up to 50 million new ordinary bearer shares with no par value in order to service holders of convertible bonds. The capital increase shall only be effected to the extent that holders of convertible bonds exercise their conversion rights with respect to shares of Telekom Austria. Telekom Austria's Articles of Association were amended accordingly. In addition, the management board was authorized to issue, during a period of five years, from the day of this resolution, convertible bonds which grant the right of subscription and/or conversion of up to 90 million Shares of Telekom Austria. So far the management board has not made use of its authorization.

Telekom Austria's share capital, as of December 31, 2008, is held as follows (rounded figures):

OIAG (Republic of Austria):	27.4%
Free Float [(1)]:	72.6%

(1) Free float includes employee stocks and treasury shares. As of December 13, 2007, Capital Research & Management (California) announced its shareholding to be 5.02%.

Shares in Telekom Austria are freely transferable. All of the Telekom Austria's 460 million bearer shares with no par value are currently listed in the top trading segment of the Vienna Stock Exchange, i.e. in the "Prime Market". All shares are represented by one or more global certificates deposited with Oesterreichische Kontrollbank AG, the Austrian central securities depositary. 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.

DESCRIPTION OF TATA

Overview

With effect from 2007, the fixed net telecommunications business, which was previously a part of Telekom Austria, was spun off into a newly created, wholly-owned subsidiary of Telekom Austria, Telekom Austria TA Aktiengesellschaft (see "*Description of Telekom Austria-History and Development of the Group*"). TATA is a stock corporation established under Austrian law. It was incorporated for an indefinite duration on July 7, 2006, initially as Telekom Austria FixNet Aktiengesellschaft. After the spin off in 2007, it was renamed Telekom Austria TA Aktiengesellschaft. TATA has its registered seat in Vienna and is registered with the Commercial Registry of the Commercial Court Vienna under registry no. FN 280571f. Its business address is Lassallestraße 9, A-1020 Vienna, Austria (Tel: +43 590591 19000). An organization chart of TATA and its subsidiaries is included on page D-1 of this prospectus. TATA is wholly owned by Telekom Austria. The share capital of TATA amounts to EUR 10,000,000, divided into 10,000,000 bearer shares without a par value. The capital of TATA is fully paid up. According to Article 2 para 1 of TATA's articles of association, the nature and purpose of the business is the rendering of comprehensive services in the information and communication technology sector, particularly (i) the provision of services in the telecommunication services sector pursuant to § 2 para 1 No 2 of the Austrian *Poststrukturgesetz*, (ii) the provision of communication networks and services, including the pertaining facilities, pursuant to the Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003*) and (iii) the continuation of the fixed line business segment of Telekom Austria.

Selected Financial Data

TATA prepares its annual financial statements in accordance with Austrian generally accepted accounting standards in accordance with the UGB. The first annual financial statements prepared by TATA as of, and for the year ended, December 31, 2006 do not include the fixed net business, which was spun off by Telekom Austria to TATA in 2007 and, therefore do not present a true and fair view of TATA as the fixed net operating entity of the Telekom Austria Group. TATA is not required to and will not prepare consolidated financial statements of it and its subsidiaries under IFRS. The financial information as of, and for the years ended, December 31, 2007 is extracted from the segment information contained in Telekom Austria's consolidated financial statements (see in particular Note (35) of the Audited Annual Consolidated Financial Statements for the financial year ending on December 31, 2007). Similarly, financial information as of, and for the nine months ended, September 30, 2008 is extracted from the segment information contained in Telekom Austria's interim consolidated financial statements. As the financial information for the financial years 2007, as set forth below, is based on consolidation data of the Audited Annual Consolidated Financial Statements, it has to be considered unaudited, because it is not covered in such detail in the Audited Annual Consolidated Financial Statements. The figures reported in the column for the financial year ending on December 31, 2006, relate to unconsolidated unaudited IFRS financial information of Telekom Austria AG and not to TATA because due to the spin off of the fixed net business as of January 1, 2007, the financial information relating to TATA as of December 31, 2006 would not contain comparable information. The financial information of Telekom Austria AG is in general the best comparable financial information for TATA (except for investments in affiliates, debts, intercompany financing receivables and treasury shares, because these items were not spun off, but remained in Telekom Austria.)

	TATA	**TATA**	**TATA**	**Telekom Austria** (unconsolidated)
	at and for the nine months ended September 30, 2008 (unaudited)	at and for the nine months ended September 30, 2007 (unaudited)	at and for the year ended December 31, 2007 (unaudited)	at and for the year ended December 31, 2006 (unaudited)
	(in EUR thousands)			
Operating revenues	1,493,976	1,535,421	2,045,854	2,097,375
Other operating income	43,736	42,637	61,779	57,817

	TATA	TATA	TATA	Telekom Austria (unconsolidated)
	at and for the nine months ended September 30, 2008 (unaudited)	at and for the nine months ended September 30, 2007 (unaudited)	at and for the year ended December 31, 2007 (unaudited)	at and for the year ended December 31, 2006 (unaudited)
		(in EUR thousands)		
Material expense	(67,037)	(54,721)	(78,723)	(77,337)
Employee costs, including benefits and taxes	(134,722)	(129,781)	(183,160)	(192,126)
Interconnection costs	(246,534)	(252,902)	(325,461)	(341,878)
Maintenance and repairs	(76,977)	(73,436)	(107,226)	(116,716)
Services received	(52,207)	(42,984)	(60,289)	(52,075)
Other support services	(358,246)	(331,761)	(460,551)	(425,367)
Other operating expenses	(129,631)	(130,261)	(195,512)	(198,597)
Impairment charges	0	0	(498)	(7,938)
Amortization and depreciation	(371,846)	(404,802)	(543,225)	(625,047)
Operating Income	**100,512**	**157,411**	**152,987**	**118,111**
Total Assets	**2,410,138**	**2,734,043**	**2,775,452**	**4,463,131**
Current Assets	**471,825**	**591,609**	**631,296**	**559,350**
Cash and cash equivalents	1,418	639	928	465
Short-term investments	24,512	5,221	12,445	6,527
Accounts receivable – trade	353,037	335,352	346,284	370,228
Receivables due from related parties	13,097	170,672	197,678	76,358
Inventories	57,576	54,595	51,839	50,409
Prepaid expenses	8,188	13,592	9,001	9,033
Income taxes receivable	5,259	155	3,050	21,733
Other current assets	8,737	11,383	10,071	24,598
Long Term Assets	**1,938,313**	**2,142,434**	**2,144,156**	**3,903,780**
Investments in associates	97,560	121,277	141,277	1,639,877
Financial assets long-term	37,370	59,751	49,918	65,799
Goodwill	24,985	15,104	15,104	15,104
Other intangible assets	159,169	57,366	127,290	50,542
Property, plant and equipment	1,606,414	1,880,218	1,799,704	2,116,158
Other assets long-term	1,201	721	1,288	599
Deferred tax assets	6,474	5,206	5,184	13,241
Receivable due from related parties	5,141	2,791	4,391	2,501
Total Liabilites And Stockholders Equity	**(2,410,138)**	**(2,734,043)**	**(2,775,452)**	**(4,463,131)**
Current liabilities	**(660,877)**	**(883,030)**	**(917,249)**	**(1,114,740)**
Short-term borrowings	(261,442)	(469,285)	(443,845)	(576,242)
Accounts payable - trade	(191,996)	(186,742)	(250,548)	(244,638)
Accrued liabilities	(64,859)	(59,706)	(70,326)	(70,157)
Payables to related parties	(37,037)	(44,031)	(40,672)	(101,919)
Income taxes payable	(14)	(1,745)	0	0
Other current liabilities	(48,019)	(49,293)	(48,145)	(54,813)
Deferred income	(57,510)	(72,229)	(63,713)	(66,971)
Long-term Liabilities	**(175,248)**	**(200,132)**	**(193,523)**	**(1,553,559)**
Long-term debt, net of current portion	(65,114)	(74,171)	(70,685)	(1,418,075)
Lease obligations, net of current portion	(27,860)	(49,613)	(48,700)	(57,328)
Employee benefit obligation	(37,829)	(34,929)	(35,104)	(33,741)
Provisions long-term	(31,289)	(23,470)	(23,619)	(22,532)
Other liabilities and deferred income	(11,722)	(17,948)	(15,415)	(21,883)
Deferred tax liabilities	(1,434)	0	0	0
Stockholders Equity	**(1,574,013)**	**(1,650,881)**	**(1,664,679)**	**(1,794,831)**
Common stock	(10,000)	(10,000)	(10,000)	(1,090,500)
Treasury shares	0	0	0	654,597
Additional capital	(1,530,385)	(1,491,327)	(1,507,327)	(461,566)
Retained Earnings	(33,841)	(149,169)	(147,138)	(897,066)
Other changes in equity	212	(385)	(214)	(319)

Except the costs of the restructuring of its fixed net operations, as announced on November 10, 2008, (see pages 18 and 67 of this prospectus), there has been no material adverse change in the financial or commercial position of TATA since December 31, 2007.

Management

Management Board

The members of the management board are appointed by the supervisory board for a maximum period of five years; re-election is possible. The management board of TATA has two to four members. TATA is represented by two members of the management board or by one member of the management board, together with one proxy (*Prokurist*) or, within the context of powers of attorney, by two proxies acting jointly. Currently, the management board consists of the following three members:

Name	Position
Johannes Ametsreiter	Chairman of the management board, Chief Executive Officer (CEO)
Gernot Schieszler	Vice Chairman, Chief Financial Officer (CFO)
Walter Goldenits..	Chief Technical Officer (CTO)

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 as significant by the Group.

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

Supervisory Board

The supervisory board consists of at least three members elected by the shareholders' meeting and those members delegated by the works council. Currently, the supervisory board consists of three members elected by the shareholders' meeting and two additional members have been nominated by TATA's works council.

The current members of the supervisory board are:

Name	**Position**	**Significant activities performed**
Johann Tschuden	Chairman	CFO of Telekom Austria
Alfred Gattringer	Vice-Chairperson	CFO of Mobilkom
Christina Hattinger	Member	General Counsel of Mobilkom
Michael Kolek	Employee representative	APK Pensionskasse AG, ÖIAG
Ing. Walter Hotz	Employee representative	

There are no potential conflicts of interest between the duties to TATA of the persons listed in this section and their private interests or other duties. The members of the management board and supervisory board may be contacted at TATA’s registered office at Lassallestraße 9, A-1020 Vienna, Austria.

Material Contracts

TATA has not entered into contracts outside the ordinary course of its business which could result in any group member being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligation to bondholders in respect of the Bonds being issued.

Principal investments

Since the publication of the last financial statements, no material investments have been made. No principal future investments on which the management board has already made firm commitments have been authorised to the date hereof.

TELEKOM AUSTRIA GROUP

Business Overview

The Telekom Austria Group reports its business in the following three segments:

- fixed net;
- mobile communication; and
- other activities (financing and other activities of the Group).

According to the Group's internal market research, the Telekom Austria Group is the market leader in Austria in both the fixed net and mobile communication business segments.

Apart from the two distinct operating segments highlighted above, the third segment "other activities" primarily includes various centralized financial services that are provided by TFG (TAF) to both business segments, fixed net and mobile communication. These two business segments also conduct business with each other which is eliminated in the consolidation process. In order to give shareholders a clear view of the Group's external performance as a company, the Telekom Austria Group separately discloses these internal transactions when presenting its results.

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

Fixed net

As at September 30, 2008, the Group's fixed net segment generated revenues of EUR 1,540.7 million before intersegmental eliminations. Switched voice telephony services, in particular, continue to be the Telekom Austria Group's most significant revenue contributor, representing approximately 38.0% of total fixed net revenues as at September 30, 2008.

Market position

The management of Telekom Austria believes that it is the leading provider of fixed net telecommunication services in Austria. In 2007, the Group was able to retain its market position in the fixed net segment. According to internal market research, as at September 30, the fixed net segment increased its share of the Austrian fixed line voice telephony market to 61.2% from 60.5% as at September 2007. Mainly as a result of the acquisition of eTel. Including Internet dial-up traffic, market share grew by 6.6 percentage points to 66.9%. The Telekom Austria Group serviced 2.3 million access lines in Austria, 15.0% of which operate on its integrated services digital networks ("**ISDN**"). ISDN allows simultaneous, fully digital transmission of voice and data at higher speeds than through normal access lines. The Telekom Austria Group's network infrastructure covers all of Austria.

The Group's market research shows that it is the overall market leader in data communications and corporate network-solutions in the Austrian telecommunications market. In particular, the Telekom Austria Group believes that it is the market leader in its core service areas of switched and routed data networks. In order to provide its customers with one-stop-solutions and to stabilize its revenues, the Group extended its business into a wide range of IT-services supplementing the provision of data communications services.

With approximately 1,650,900 internet customers as of September 30, 2008, the Telekom Austria Group estimates itself to be the largest internet service provider in Austria in terms of customers. At December 31, 2008, the Group's internet customers included approximately 885,700 ADSL customers, compared to 750,700 at December 31, 2007, which constitutes an increase of 18%. ADSL is one of the XDSL technologies which include all types of digital subscriber line technologies via copper lines that permit the transmission of data at very high speeds using a standard copper access line. Telkom

Austria's market research shows that, at the end of 2007, the Group's market share in the residential internet market had increased to 45.0% (including 7.0% contributed by Mobilkom's mobile internet customers) compared to 43% at the end of 2006. According to the "Austrian Internet Monitor" survey, Austria had an internet user penetration rate of 69% at the end of 2007, based on a population of 6.87 million people aged 14 and older which means that approximately 4.75 million Austrians aged 14 and older use the Internet.

The fixed net segment includes: switched voice telephony; payphones and value-added services ("**VAS**"); data and IT-solutions including wholesale; internet access & media; wholesale voice and internet, and others (customer premises equipment and directory services).

As the main network operator and provider of electronic (tele-) communications services, the Group is required by law to grant other operators access to its subscriber lines. As the Telekom Austria Group is market leader in two of the leased lines markets, the regulatory authority requires the Telekom Austria Group to give other operators access to its leased lines network. The Austrian universal service obligation also requires the Group to provide the following services throughout Austria: access to public voice telephony via a fixed line (including fax, modem and functional access to internet, excluding broadband); free and unrestricted access to emergency services; access to comprehensive directory enquiry services; access to a comprehensive telephone directory; and nationwide provision of public payphone services at accessible locations.

Switched voice telephony

The Telekom Austria Group provides traditional telephone line access, also called public switched telephone network ("**PSTN**") access, and ISDN basic and multi access. The Group offers a variety of calling services to residential and business customers throughout Austria. These services include local, long distance, fixed-to-mobile calls and internet dial-up at different tariffs. 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.

Due to the continuing fixed-to-mobile migration the number of voice minutes of Telekom Austria declined by 8.0% as at September 30, 2008 to 2,903 minutes compared to 3,156 at September 30, 2007. Total switched voice telephony traffic amounted to 4,332 million minutes in 2007, as opposed to 4,696 million in 2006.

As at September 30, 2008, the Telekom Austria Group's customers generated 307 million minutes of outgoing international traffic through its fixed line network, compared to 399 million minutes in at September 30, 2007 and 412 million minutes as at September 30, 2006. This equals a decrease of 1.6% as at September 30, 2008, compared to a decrease of 3.3% at September 30, 2007. The Group's principal outgoing international traffic routes are to Germany, Switzerland and Italy and accounted for approximately 50% of its total outgoing international traffic during 2007.

The Telekom Austria Group currently has two tariff schemes. One of the tariff schemes is based on "pulses" and the other one is based on "pay-per-second", reflected in its "TikTak" tariffs. With regards to the tariff scheme based on pulses, the number of pulses per minute determines the exact charges; however the number of pulses per minute varies depending upon the calling time, day and destination. At December 31, 2006, the Group had about 1.0 million customers using tariff schemes based on pulses.

According to market research conducted by the Group, it managed to increase its voice market share (excluding internet dial-up) to 62.1% as at September 30, 2008, up from 59.9% at December 31, 2007. At the end of 2007, the TikTak tariff scheme accounted for 66.0% of the Group's traffic volume. At December 31, 2007, almost 1.6 million customers had opted for one of the TikTak tariffs.

Pay phones and value-added services

Internal market research shows that the Telekom Austria Group is the principal provider of public pay phones in Austria. As at September 30, 2008 revenues from public payphones and value-added services declined by 7.6% to EUR 31.7 million as a result of lower payphone revenues and lower revenues from interactive TV-gaming services. Generally, charged minutes have declined and have been replaced by calling card services. Since November 2006, the Group has been entitled by ordinance to charge a payphone access charge from operators that offer calling card services.

The Telekom Austria Group's current portfolio of value-added services includes:

- Toll-free services, which enable users to call a telephone number free of charge;
- shared cost service, which allows callers and call recipients to share call charges;
- premium rate services, which charge the callers a higher than standard telephone rate in exchange for services provided, a portion of which is passed on to the service provider called;
- event-based premium rate services, where each call is charged regardless of the duration. A portion of the charge is passed on to the service provider;
- interactive voice response solutions usually used as a an element of value added services in order to automate the interaction between caller and service provider;
- voice virtual private network ("**VPN**"); VPNs are network services that form a virtual network designed for the exclusive use of a corporate or governmental entity using the infrastructure of one or more carriers; and
- calling cards.

The Group is subject to regulated tariffs for toll-free numbers, shared cost and premium rate services. The Group's prepaid calling cards allow customers to make calls from both fixed-line and mobile telephones from Austria to about 200 countries and from about 40 countries to Austria at various prepaid price models.

Data and IT-solutions

The Telekom Austria Group offers customers a full range of 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; safety and security solutions; IT-solution services and business applications.

Leased lines and related services. The Group is the principal provider of national and international leased lines in Austria and operates a centrally managed national leased line network. The leased line business generates revenues by leasing fixed lines to customers for their exclusive and dedicated use as a permanent connection between two geographically separate points or between one point and several other points, those being within Austria and abroad. The Telekom Austria Group offers its leased lines in combination with a service package such as security and network management. The Group's leased line customers pay an initial installation charge and a recurring fee based on the type, length and capacity of the leased line. As the Group is Austria's leader in the leased lines market, the regulatory authority requires the Telekom Austria Group to give other operators access to its leased line network.

Data services. The Group offers a range of data services on its network, including asynchronous transfer mode ("**ATM**"), media broadcast and multi-protocol label switching technology based on the Internet protocol standard ("**IP-MPLS**") services.

ATM service. The Telekom Austria Group provides a high-performance, cell-oriented and multiplexing technology that utilizes fixed-length packets to carry different types of traffic. the Group has developed products which help to counteract system failure and increase resilience.

Media Broadcast services. The Group's focus includes the terrestrial transmission of high-quality video and audio signals, as well as satellite communication. Its portfolio ranges from stationary networks through public access points to professional event solutions.

IP-MPLS services. These services are based on a stand alone business IP-MPLS backbone, with different classes of service, enhanced security and performance features. This IP backbone of this business is the foundation network for the Group's IP products and solutions business. It offers substantial growth opportunity since it allows new features and applications, such as data prioritization, high class video and voice applications or integration of home and mobile users.

Corporate network services. These services include corporate network wide-area networks solutions, corporate network LAN solutions, network management solutions, international corporate network services and VoIP services. Planning, installation, network management and maintenance of corporate-wide communications networks are also offered. Corporate network customers pay a flat rate for services, depending on the level of service selected in the service level agreement.

The Telekom Austria Group provides corporate network services, together with IT-solution and business applications, enabling customers to use the provided network for non-public (private) communication within the organization of a customer by establishing an own virtual corporate network for voice and data exchange.

Electronic payment solutions. Datacash is a solution which enables cashless payment systems with online verification and meets the increasing demand for secure electronic payment. Aircash is the mobile communication equivalent to Datacash. Aircash is a joint product of the Group's fixed net and mobile communication segments.

Safety and Security Solutions. The Group offers a range of solutions to install and improve safety and security for its business customers, including consulting, installation, maintenance and the operation of alarm systems as well as video management, access control and building automation control.

IT-solution services. IT-solution services generate additional value for the Group's customers beyond traditional data services and range from consulting to design and implementation of IT-solutions according to customers' needs. Several IT-service modules can be combined to a homogenous IT outsourcing solution, with defined service level agreements. The leading products are housing (providing accommodation of IT equipment) and hosting services (providing managed hardware and software), desktop services (providing local services at the customer site), application services, e-mail services, dedicated central messaging and collaborating services, dedicated web space, IT security services (including firewall, VPN, anti-virus and spam services) and intrusion prevention services, securing online transactions.

Business applications. These applications mainly consist of the Telekom Austria Group's well established "eBusiness" services and "Branch applications" where the Group focuses on vertical products, directly customized for important branches, such as health care, public authorities (communities, schools), legal and notary businesses.

The Telekom Austria Group also offers products which help build customer relationships, such as "dataweb", an online-information-service (platform) which offers official, authentic content from public authorities e.g. the Ministry of Justice or the Ministry of Economics, such as the Austrian business register (*Firmenbuch*) or the land/cadastral register (*Grundbuch*).

Internet access & media

Austria. Internet access & media includes access services (dial-up access, broadband DSL access) and portal business-paid services and multimedia services. The Group offers fixed network internet access, through dial-up services and xDSL technology. As at December 31, 2008 the Group's fixed net broadband retail lines increased by 23.1% to 818,900, compared to 665,200 at December 31, 2007. At the same time, the number of the Group's fixed net broadband wholesale lines decreased by 21,9% to 66,800. In total, the fixed net broadband lines of the Group increased by 18% to 885,700 as at December 31, 2008 compared to 750,700 as at December 31, 2007. The Telekom Austria Group derives revenues for its access services primarily from subscriber fees paid by customers for the Group's dial-up and xDSL services

Broadband Internet. The strong growth of mobile broadband services has slowed the growth of fixed net broadband. In response to this development, the fixed net segment has taken several steps: In July 2007 the download limit for business Internet products for small and medium-sized enterprises was abolished. Subsequently, almost the entire aonSpeed portfolio was switched to flat rate tariffs and the data transfer speed increased. These adjustments to the product portfolio have enabled this segment to respond more specifically to customer needs and market developments in order to safeguard competitiveness.

For all products (except ISDN), residential customers can choose between self-installation or installation by its technical customer service. Customers can also choose an additional package offering mobile communication connectivity in connection with several of the Group's fixed net broadband products.

aonTV. Since October 2007 a basic aonTV package has been offered featuring more than 60 channels at the price of EUR 4.90 for the duration of the subscription. In December 2007 aonTV coverage was extended to include all district capitals in addition to Vienna and the provincial capitals. By the end of 2007 20,900 customers had subscribed to the service. Moreover, aonTV is also the only digital cable network operator to offer video-on-demand: customers can choose from a range of current films, popular television series and classic films whenever they wish.

AonAlarmServices. On April 1, 2006, the Group launched the new product aonAlarmServices which offers non-IT-security services for residential and small offices/home offices and small and medium enterprise customers. aonAlarmServices is an individually and modularly expandable alarm system which is connected via the Group's fixed net network to a security center which informs the police in case of an alarm at the customer's premises.

aonKombi. In October 2008, the Group launched "aonKombi", a product package featuring fixed line voice services, broadband Internet access and mobile telephony for a monthly rate of EUR 19.90. The product package "aonSuperKombi" comprises all of the above features and additionally includes cable TV for a monthly rate of EUR 24.90. These offers will be available on a promotional basis until January 20, 2009. Both product packages offer unlimited broadband Internet access with a speed of up to 8 Mbit/s (downstream). Customers can make mobile communication voice calls with aonMobile for 5 Eurocents per minute for calls to all Austrian networks and SMS messages being charged at 15 Eurocents. "aonSuperKombi" in addition includes aonTV, the cable TV offer from Telekom Austria which offers up to 86 channels and video-on-demand with approximately 300 movies.

Telekom Austria Czech Republic. Until December 2008, the Telekom Austria Group was present in the Czech Internet market through its Czech subsidiary, Telekom Austria Czech Republic ("**TACR**"), formerly Czech On Line a.s.. TACR operates under the brand "volny". Telekom Austria disposed of 100% of its subsidiary in the Czech Republic on December 1, 2008 to the telecommunication group Dial Telecom.

Wholesale voice & Internet

The Group provides wholesale services for national and international mobile and fixed network operators and internet service providers ("**ISP**"). National wholesale services include call origination and termination; transit and access to other services; toll-free and premium rate services; unbundling of local loop and collocation; signalling services for mobile applications (roaming, short message services); wholesale terminating segments of leased lines in rural areas; broadband solutions for ISP and other telecommunications providers; and emergency and directory inquiry services. International wholesale services include call termination; voice transit services; signaling for international roaming; bandwidth transit services; international internet access; satellite services; International VPNs and Telekom Austria Jetstream.

In order to increase the volume of voice and data traffic in Eastern and Southeastern Europe, the international multi-service network Telekom Austria JetStream was expanded in 2007 to include Bulgaria in addition to existing connections to Germany, the Czech Republic, Hungary, Italy, Slovakia, Romania and Croatia. The Telekom Austria Group's incoming and outgoing international traffic includes calls to and from its customers and customers of other network operators routed through its network. The Group processed in 2007 approximately 4.2 billion traffic minutes through their international voice gateways.

Other services (customer premises equipment and directory services)

The Telekom Austria Group is a leading provider of telecommunications equipment, systems, related post-sales maintenance and service for residential and business customers in Austria. The market in Austria for such equipment and systems is characterized by high competition and low profit margins. The Group believes, however, that the supply and servicing of customer premises equipment is an essential element of providing full service to its customers. The Group's range of customer premises equipment includes ISDN and IP (Internet Protocol) based telephone systems, private automatic branch exchange LAN and networks based on standardized ISDN-telephony or based on VoIP telephony, voice communication based on ISDN and VoIP telephony, PC software applications, telephones and accessories, fax machines and mobile products. The Group also provides installation and maintenance services for these products.

Directory services mainly include directory assistance services, directory data selling, directory publications and information-services. The number of directory inquiries and related services decreased further during 2007 due to the availability of electronic inquiry devices via the Internet, which are mostly free of charge, as well as electronic devices such as personal digital assistants and mobile phones that include applications for directory management.

Directory assistance services & information services. The Group provides national and international operator-supported directory services through value added numbers. Furthermore, the Group provides directory assistance for other carriers and also hosts directory service numbers for other service providers.

Directory publications & directory data selling. According to the Austrian Universal Service Ordinance, the Group collects and maintains a database of subscriber data and other fixed-net and mobile service providers which is the basis for the Austrian telephone directory published by Herold Business Data.

Networks. The management of the Group estimates that the Group is the largest telecommunications operator for fixed and mobile network services in Austria. All customer services are based on advanced, high quality technology networks with proven reliability.

Switched network. The Group operates a fully digital voice switching network serving 2.0 million PSTN access lines, about 336,000 ISDN basic access lines, 6,400 ISDN multi access lines and 43,700 broadband access lines excl. voice telephony at September 30, 2008. The Group's network combines reliable technology with efficient network design. To assure network reliability, the Group's voice switching network operates on a double-tracked basis and the Group has an adequate administration and maintenance system. Its call success rate and exchange availability for 2000 through 2007 was 99.99%. The call success rate is the percentage of originating calls resulting in successful connections (ringing tone) with the intended destinations.

At December 31, 2007, more than 97% of the voice switches and remote units were connected to the

Group's transmission network by optical fiber cables, the highest capacity medium available.

The Telekom Austria Group has continued the process of optimizing the switching network. This program reduces operational costs, lowers capital expenditures and accelerates service rollouts. Through its network the Group offers, among other services, toll-free value added services and number portability. The demand for new network services is driven by customer needs for communication within a predetermined user group and by regulatory requirements, such as number portability. The Telekom Austria Group has started to adopt new network technologies that will facilitate the offer of convergent services, such as using the same handheld phone for fixed and mobile calls.

Data networks. Technological innovations and advances in standardization allow the Group to provide a set of new telecommunications and multimedia services in connection with its large established network infrastructure. These innovations have occurred in three different areas: backbone network infrastructure, access infrastructure and advanced services.

Backbone network infrastructure is based on optical signal transmission. The Telekom Austria Group predominantly uses optical fiber as the transport medium for high-speed digital transmission. The Group's core network was based on approximately 22,367 kilometers of optical fiber cables at December 31, 2007. In addition, the Group provides radio links in specific areas upon customer demand. The Group runs a state-of-the-art multiservice network which is based on ATM and IP technology. Through the deployment of MPLS networking technologies, the Group is able to integrate the synchronous digital hierarchy, ATM and IP network, in order to offer the required quality of service for the whole service portfolio of the Group, i.e. fixed net broadband access services and business customer services derived from fiber and SDSL access technology.

The Telekom Austria Group's access infrastructure is the means by which its customers connect to its networks. The access network plays a key role in its business, as it supports the entire range of services. Broadband technologies, such as XDSL, permit high-speed Internet access and digital video transmission on normal telephone lines. Across Austria, the Group has installed 1,543 XDSL relay stations covering more than 98% of Austrian households. The Telekom Austria Group had 750,700 XDSL lines installed at the end of December 2007, up from 693,300 at the end of 2006, and the Group continues its expansion. In addition, the Group provides multimedia and other data services with high capacity requirements using direct access via optical fiber for large business customers. As the demand for broadband services increases, the Group anticipates a deeper penetration of optical fiber in the access network. XDSL covers all types of broadband network based on traditional copper lines. The most important XDSL technologies are ADSL (asymmetric), SDSL (symmetric), HDSL (high data rate) and VDSL (very high) digital subscriber line.

Advanced services. These services are driven partly by technological developments and partly by the demands of customers for more sophisticated services. New information and communication technologies, such as digital mass storage and techniques for video compression and software platforms enable the Group to offer internet content services, unified messaging services and commercial services such as digital signatures.

International network. The Telekom Austria Group's international voice traffic is routed through two international gateways. Telekom Austria Group has connections to 249 destinations (including global satellite networks) and direct links to 148 international operators in 74 countries. The Group partially owns or controls irrevocable rights of use for undersea cables, in addition to satellite capacities, provided by Intelsat and Eutelsat. Through the installation of Telekom Austria's JetStream, Telekom Austria expanded its broadband activities abroad. This fiber-optics network, which can be expanded to multiples of 10 Gbit/s, depending on the fiber used, currently covers Prague, Frankfurt, Munich, Bratislava, Budapest, Milan, Bucharest, Sofia, Zagreb and Ljubljana, thus allowing the Telekom Austria Group to expand the capacity and required locations step-by-step to meet the growing demand. The expansion of The Group's Jetstream enables the connection of members of the Telekom Austria Group, as well as its wholesale and retail customers to its network, and to act as a provider for voice and data services in Eastern and South-Eastern Europe.

Next generation network. Similar to the way in which the entire telecommunications network had to be renewed through digitalization at the beginning of the 1980's, new technology is still being developed to enable a gradual transition from the digital networks to a packet oriented network, commonly referred to as next generation network ("**NGN**").

A packet oriented network is expected to enable a more efficient simultaneous transmission of multimedia services, data services and voice telephony services. NGN is expected to give the Telekom Austria Group more flexibility to satisfy customer wishes and to offer the services that are needed at the moment. Easier access and the opportunity to offer new services like IPTV, Next Generation Voice services, high quality audio/video streaming services and Unified Messaging services will generate additional business opportunities.

The Telekom Austria Group has started a multiyear program aimed at a migration to NGN allowing for the development of new services, while optimizing network costs by using existing infrastructure. The Group has optimized its operations support systems/business support systems strategy in relation to its platform architecture, giving scope for the automation of processes, replacement of legacy systems and implementation of end2end modules. Furthermore the Group has begun to establish switched ethernet as a universal aggregation network, which is used, for example, for the aggregation of the traffic of the next generation of DSL systems. This constitutes an important step towards a simple but powerful integrated network for all applications ("all-IP").

Mobile Communication

Telekom Austria Group's mobile communication segment consists of Mobilkom, MobilTel EAD in Bulgaria, FE Velcom in Belarus, VIPnet d.o.o. in Croatia, Si.mobil d.d. in Slovenia, mobilkom liechtenstein AG in Liechtenstein,VIP mobile d.o.o. in Serbia and Nov Operator DOOEL in Macedonia.

The mobile communication segment generated revenues of EUR 2,506.5 million as at September 30, 2008 compared to EUR 2,238.9 million as at September 30, 2007 .

The mobile communication customer base reached approximately 17.8 million at December 31, 2008, representing a 15.2% increase compared to December 31, 2007, with all mobile operations contributing to this subscriber growth. Mobile communication market penetration ranges from 85.1% in Belarus, 102.7% in Slovenia and 133.6% in Croatia, to 126.6% in Austria.

In January 2003, an exclusive partnership agreement was entered into with Vodafone to co-operate in the Austrian, Croatian and Slovenian markets and it was extended in 2006. In addition, MobilTel signed a partnership agreement with Vodafone in February 2006. Starting in 2004, numerous joint products were launched, especially in the area of data services and roaming. The cooperation has extended the range of existing products and services in the mobile communication segment and improved the product portfolio. The companies cooperate in the field of roaming, purchasing, development of new products and services, technical platforms, global account management and joint marketing initiatives. Products successfully introduced in all countries have included Vodafone Live!, Vodafone Mobile Connect Card and Blackberry.

Austria

Internal market research shows that Mobilkom is the leading provider of mobile communications services in Austria with more than 4.4 million customers at December 31, 2008, which represented a market share of 42.5% of the Austrian mobile communications market, in comparison to 40.3% at December 31, 2007. Mobilkom's mobile business has experienced rapid growth in recent years as, according to Mobilkom's assessment of the market, the mobile penetration rate in Austria increased from 14.4% as at December 31, 1997 to 126.6% as at December 31, 2008. A penetration rate of above 100% shows the trend for individuals to own a second SIM-card. The penetration rate increased by 3.6 per cent. compared to 2006. As a result of the market saturation, Mobilkom has focused its efforts on retaining customers to protect its market share.

In the medium-term, growth expectations will be driven by new data services as well as the expansion of mobile technology to new products and services, which will support Mobilkom's position as alleged market leader. As a result of customer-focused services, Mobilkom faces a strong market position with three well recognized brands, "A1" and "bob", as the product brands and "mobilkom austria" as the company brand and its customer service.

Mobilkom's outstanding market position is partially built on technology, innovation and service leadership, marked by the first worldwide GPRS launch in August 2000, one of Europe's first commercial UMTS network launches in Austria in April 2003 and the HSDPA launch in January 2006. With the introduction of "mobile TV", Mobilkom was the first operator in Austria to offer this service. Through the intelligent combination of the carrier technologies of GSM/GPRS, EDGE, UMTS and HSDPA, Mobilkom offers its customers a full-coverage, nationwide, high-speed, multimedia network in Austria, which is the basis for intensive use of data services. The service leadership is marked by increasing customer satisfaction in all segments and by service offers, such as special VIP treatments, dedicated sales persons or emergency assistance.

Customers. The customer base in the mobile communication segment can be divided into three customer groups:

- Business customers: individual business solutions are offered to this group of sole proprietorships and larger corporations and organizations;

- Residential contract customers: residential contract customers, having, typically, medium to high usage of mobile communications services, are included in this group; and

- Prepaid customers: customers, having, typically, low usage of mobile communications services, without fixed contracts are included in this group.

The customer base of Mobilkom increased to more than 4.4 million customers in 2008, winning 537,000 new subscribers in this highly competive market. Mobilkom's contract customer base experienced strong growth due to its focus on contract customers.

The Austrian market has experienced an increase in churn rate as a result of aggressive pricing policies. Nevertheless, Mobilkom's internal market research shows that it has the lowest average churn rate among the established Austrian providers, which is approximately 14.7%, compared to 16.8% in 2006. As at September 30, 2008, Mobilkom's contract churn rate was 4.5% and the prepaid churn rate was 23.5%, compared to 4.3% and 22.2% at September 30, 2007. The introduction of mobile number portability in October 2004 has not significantly affected the churn rate of Mobilkom.

Products and Services. Mobilkom offers a wide range of mobile communications products and services, including VAS, such as voicemail, information services, m-commerce, mobile Internet access, mobile office solutions, telematics (a combination of location-based services, global-positioning system (GPS) localization and remote control), services allowing the use of up to three mobile phones under the same number, short message services ("**SMS**") and multimedia messaging services (MMS and video telephony). Location-based services encompass all services where information about the location of the consumer is needed, such as finding the closest hospital, restaurant, post office or grocery store and other location-based information.

Mobilkom's corporate customers additionally benefit from a wide range of virtual private network functionalities such as user profiling, short code dialing, call transfer, an integrated network attendant and uniform voice mail greetings. In addition, customers have the possibility to administer their own voice and data tariffs in real time through the Internet. Furthermore they can choose from a large portfolio of data tariffs.

Vodafone live! is a product portfolio which is predominantly used by residential customers and which offers a variety of services, such as ring-tones, wallpapers, games, mobile TV, videos, news and other information via the mobile phone. Parts of Vodafone live! are continuously re-launched in order to achieve the best user experience and technical performance. Since the fourth quarter of 2005, Vodafone live! users have been able to choose TV programmes from national broadcast channels where Mobilkom acts as a cable network operator and re-transmits original TV broadcast signals. Since the first quarter of 2006 Vodafone live! users can additionally choose from commercial broadcast channels.

On October 1, 2008, a joint venture with Red Bull GmbH was launched, offering a selection of four types of mobile devices and special tariffs. A custom-tailored mobile portal offers latest news, event pictures and pictures of Red Bull "world heroes". Action, sports and lifestyle content on the Red Bull MOBILE portal is complemented by the current news, sports and weather information, and ring tones, wallpapers and games are available for download.

Networks. The mobile networks in Austria are based on digital GSM, GPRS, EDGE, UMTS and HSDPA technologies as further described below.

In the GSM network, Mobilkom provides dual band services (GSM900 and GSM1800) to accommodate the expanding customer base with necessary capacities at the best quality.

In December 1999, Mobilkom introduced wireless application protocol ("**WAP**"). Since March 2000, Mobilkom has offered a personalized WAP-portal with an integrated search engine. In 2004, the popularity of WAP was increased by launching Vodafone live!, the common portal of Vodafone companies and partner networks.

In August 2000, Mobilkom became one of the first mobile communications operators worldwide to launch a nationwide and commercially operated network based on the general packet radio service ("**GPRS**"). GPRS is a data service enhancement for global system for mobile communication ("**GSM**"). GPRS is available over the entire network. Maximum data rates are further achieved by optimizing data compression. Based on this GPRS data transport capability, MMS was introduced in 2002.

Implemented upon the existing network, enhanced data service for global evolution ("**EDGE**") was launched by Mobilkom in January 2005 to complement third generation coverage, reaching 98% of the Austrian population with mobile broadband (UMTS plus EDGE). Mobilkom successfully bid for a universal mobile telecommunications system ("**UMTS**") license in Austria in November 2000. As the first operator in Austria, Mobilkom commercially launched the service on April 25, 2003, covering about 50% of the Austrian population by year-end 2003. At the end of 2007, the UMTS(network covered about 85% of the Austrian population. The takeover of 3G Mobile in December 2003 increased the available frequency spectrum for Mobilkom from 2x10 MHz to 2x14.8 MHz, which gives ample capacity to efficiently handle potential growth of mobile services in the future.

As the first operator in Austria and one of the first in Europe, Mobilkom commercially launched HSDPA in January 2006. HSDPA is now available over the whole of Mobilkom's UMTS network with downlink data-rates of up to 3.6Mbit/s.

Within Mobilkom's highspeed uplink package access ("**HSUPA**")-test in December 2006, the uplink data-rates could be enhanced from 384kbit/s to 1.4Mbit/s. Commercialization of HSUPA in the Mobilkom UMTS network has been introduced in 2007.

The digital transmission network of Mobilkom includes the standard components of a mobile telecommunications network, such as digital cross-connects, radio links and other transmission devices. Mobilkom uses the fixed line corporate network services for transmission between mobile network elements and PSTN interconnection points, in particular for high capacity and high availability transmission requirements. UMTS rollout focused on enhanced population coverage and additional capacity for densely populated areas. Synergies of the base station infrastructure are utilized by combining GSM and UMTS equipment on-site.

Mobilkom continuously monitors the quality of its networks and those of its Austrian competitors on a monthly basis. By benchmarking the major key performance indicators of the networks within the

Vodafone cooperation, Mobilkom is able to further compare and enhance network performance. Based on recurring tests carried out under the supervision of the Technical University of Vienna, Institute of Broadband Communications, the voice connection quality of Mobilkom's networks were found to be consistently higher than those of Mobilkom's competitors.

In November 2008, Mobilkom started the first femto router pilot project with customers in Central Europe, offering a simple solution to both Austrian residential and business customers with special requirements for indoor coverage. In addition, Mobilkom is providing quick and secure network indoor coverage to Austrian buildings that mobile technology can not effectively reach due to their particular architecture.

A femto router creates an individual indoor 3G network based on the Group's fixed line infrastructure – the individual 3G network is connected to Mobilkom's 3G network via the Group's fixed net broadband network for voice and data transfer. This guarantees seamless indoor mobile coverage for both voice telephony and data transfer within buildings that have not had satisfactory network coverage to date. A small, high-performance femtocell router allows high-quality UMTS voice telephony and mobile broadband internet via a simple connection with the Group's fixed net broadband network.

All components of the femto router are centrally managed, easy to operate and extremely user-friendly with no additional maintenance requirements for the customers. For mobile data cards, no changes in configuration are necessary. The femto router is characterised by a high degree of reliability and immediate availability. Mobilkom's pilot-project will run until the second quarter, 2009, to provide data for the product offering, which will be launched in the market in the first half of 2009.

As in previous years, in September 2008 the Mobilkom network was rated by an independent study by the Technical University of Vienna, Institute of Broadband Communications, as having the highest data throughput in Austria.

Belarus

In October 2007, the Telekom Austria Group agreed to purchase a 70% stake in the Cypriot company SB Telecom Limited for a corresponding enterprise value of EUR 724.2 million. SB Telecom Limited is the sole owner of the Belarusian mobile operator FE Velcom. FE Velcom also entered into a call and put option agreement relating to the remaining 30% stake, exercisable in the fourth quarter of 2010 for approximately EUR 313.9 million. A performance-based deferred consideration was also agreed. This will be payable in Q4 2010 and will be directly linked to the future financial performance of FE Velcom.

Since the beginning of October 2007, FE Velcom has been fully consolidated in the Mobile Communication segment. FE Velcom's contribution to revenues the first three months of 2008 amounted to EUR 218.0 million. In the same period, FE Velcom generated EBITDA of EUR 108.9 million and an EBITDA margin of 50.0%. FE Velcom is the second largest operator in Belarus with a market share of approximately 43.4% and markets its services under the brand names "Velcom" for postpaid customers and "Privet" for prepaid customers.

In a country with a total population of almost 10 million inhabitants, FE Velcom had more than 3.6 million customers at the end of 2008. At year-end 2008, the penetration rate in Belarus stood at 85.1%. FE Velcom's customer base includes 77.8% contract customers and 21.2% prepaid customers. In order to minimize the risk of nonpayment, contract customers (with the exception of business customers) must always have a positive call credit. FE Velcom's well-developed GSM network covers approximately 96% of the population. FE Velcom became the first operator to introduce GPRS (May 2003), EDGE (December 2005) and prepaid roaming (September 2007) in Belarus.

In 2008, the main operational focus was upon the integration of FE Velcom into the Telekom Austria Group. The aim is to further improve process efficiency and to fully leverage synergies with other companies of the Telekom Austria Group.

Bulgaria

In 2007, the Electronic Communications Act passed by the Bulgarian parliament came into force, implementing the regulatory framework required by the European Union. Agreement was also reached between the regulatory authority and the Bulgarian mobile communication operators regarding the conditions for number portability.

Following the exercise of a purchase option for the complete takeover of the Bulgarian mobile operator in December 2004, MobilTel was acquired in its entirety by the Group in July 2005. Market research conducted by MobilTel shows that it is the leading local brand and provider of mobile communication services in Bulgaria. MobilTel provides its products and services to over 5.3 million subscribers at December 31, 2008, compared to 5.0 million at the end of 2007. Due to continuous mobile business growth, according to internal market research, the penetration rate increased from 132.8% in 2007 to 142.1 % at the end of 2008. Due to the increasing customer base, the management of MobilTel estimates that it had a market share of 50% in 2008, compared to 50.3% as of December 2007 and held its position as the largest mobile telecommunications operator in Bulgaria. MobilTel increased its customer base by 5.8% to more than 5.3 Million in 2008.

Competition. MobilTel competes on the Bulgarian mobile communications market with Globul (100% owned by Cosmote, a Greek mobile operator), the third GSM operator Vivatel (owned by the Bulgarian Telecommunications Company), which officially launched its services in November 2005 and Mobikom - the only analogous mobile operator holding 0.1% market share and which is expected to leave the mobile market.

Products and Services. In 2006, MobilTel focused on expanding the variety of services offered on the Bulgarian market. A long term partnership agreement was signed with Vodafone, by which international Vodafone products and services were introduced successfully. In April 2006 Vodafone Mobile Connect Card was the first Vodafone product introduced in Bulgaria. Competitive roaming tariffs such as Vodafone World and Vodafone EUROCALL and Blackberry service were also introduced to MobilTel's customers. The Blackberry allows secure, permanent and instantaneous mobile access to an E-Mail account directly from the customer's handheld. In October 2006, Vodafone live!, mobile Internet portal and branded low cost handsets were launched. Vodafone live! offers a variety of services such as ring-tones, wallpapers, games, mobile TV, videos, news and other information via mobile phone. Since November 18, 2008, M-Tel offers its clients the unique mobile service - EXTRA SIM. This provides for simultaneous use of up to three mobile devices with one and the same number by using additional SIM cards.

MobilTel offers retention programs, such as a loyalty program which is a point-based program. Points are awarded on the basis of fees paid. Customers can exchange these points for various benefits, such as free minutes, discounts on handsets and accessories. Regular contract binding campaigns offer discounts on monthly fees for migration to new tariff plans and long-term agreements. In terms of handset subsidies, during 2006, all three mobile operators were subsidizing handsets, mainly focusing on low-end handsets. Subsidies are expected to remain on a low level compared to other European mobile markets. MobilTel demonstrated its innovative strength in 2007 when it became the first operator to launch HSDPA 7.2 and HSUPA on the Bulgarian market.

Postpaid Business. Despite severe competition, in 2008 MobilTel managed to retain its high market share in the business segment by introducing new tariff plans and various promotions. New "M-Tel Business Class" tariff plans were launched in April which offered free minutes for calls between M-Tel's business subscribers. Along with the offers to business customers, an upgrade of the tariff plans for M-Class & Government employees was introduced, offering more calls within the group and free SMS. Due to the EU roaming regulations and the aggressive price levels for roaming calls offered by the competition. MobilTel introduced various bundles (for both voice & data) to the market, thus providing flexibility while negotiating with various customers. A special roaming tariff plan called "M-Tel Business Traveler" was also available for Sales Representatives in response to competitors' offers.

Postpaid Residential. In 2008 MobilTel continued to acquire new postpaid residential customers by offering attractive handset, and tariff promotions. A further step in this direction was the launch of a new tariff concept `MobilTel FIT´ that aimed at customers with higher and diverse mobile usage. The idea behind this concept was to allow subscribers to personalize their usage of minutes and services in order to meet their own needs. With M-Tel FIT tariffs customers pay a monthly fee and get a fixed amount of credit for use on different mobile services of their own choice. Furthermore, for the postpaid youth segment LOOP Mobiltel introduced LOOP UP2U tariff which enables younger customers to take control of their mobile costs by setting a maximum limit for their monthly bill and restricting their outgoing traffic once the threshold is reached.

Prepaid. In the prepaid segment in 2008, Mobiltel introduced numerous successful prepaid promotions predominantly consisting of promotion bundles and extra minutes. The number of gift promotions was significantly reduced from 7 in 2007 to only 2 in 2008 – with Adidas match ball in June and Victorinox knife for Christmas. In addition, for the first time in Bulgaria, M-Tel offered all postpaid subscribers a prepaid service for their children – Disney Magic Box - which allows cheap calls between parents and their children (Stotinki 1/min) and requires the prepaid card to be recharged automatically every month by the postpaid subscriber in order to maintain the preferential Disney Magic Box tariff. Two new prepaid products, PETROL MOBILE and NEWS mobile, have been launched in the Bulgarian market by non-mobile companies. The service of both products is running on the Mobiltel network giving their customers the same excellent service in terms of coverage and network quality. Both products are considered "No Frills", with main focus on the basic services. Customers of "PETROL mobile" shall benefit from an attractive loyalty program that grants discount in their own premises. "NEWS mobile" customers have free of charge access to the infotainment WAP portal powered by the latest news of the two leading newspapers in Bulgaria – 24 hours and Trud.

Network and Technology. MobilTel operates a high quality dual band network which covers over 99% of the Bulgarian population and more than 98% of the territory of Bulgaria. GPRS and EDGE technology were introduced at the beginning of 2004 and 2005 respectively. In the following years network wide EDGE coverage was achieved. Extending the capacity, R4 core network and additional spectrum on E-GSM were introduced in 2008. In the first quarter of 2006, MobilTel started to provide third generation services, after a UMTS license was acquired in 2005. In March 2006, MobilTel commercially launched it's UMTS-HSDPA network and was the first company in its country to offer third generation services such as Video call, Mobile TV and faster data transfers. The HSDPA network supported speeds up to 1.8 Mbps and placed MobilTel fifth in the world to launch such a technology to serve end customers. In 2007 and 2008 HSDPA 3.6Mbps network wide upgrade was made and 7.2Mbps was introduced in 2 cities. This technology currently covers more than 64% of the population and is available in 107 cities, towns, Black Sea holiday resorts, and skiing areas. In December 2005, MobilTel acquired a WIMAX license for EUR 3.1 million. Broadband customers in 14 cities can use services based on WIMAX technology and therewith be provided with broadband Internet access, VoIP and fast data transfers. The end users will benefit from a speed of up to 5 Mbit/s when exchanging data in a highly encrypted and secured mobile communication surrounding, even in places without fixed line dependence. For transport service, MobilTel owns optical and microwave networks. These primarily consist of almost 2,500 kilometers of optical fibers which connect 30 large cities within the country. Based on its double-ring topology, all main station controllers, base station controllers (BSCs) and some of Mobiltel's shops are connected via the protected transport services. Next generation synchronous digital hierarchy, dense wavelength division multiplexing and multiprotocol label switching technologies allow automatic transfer to a back-up route in case of failure and guarantees high reliability and transport security. This enables MobilTel to offer its clients the highest quality in transport services related to the transfer of large amounts of secured data. Additionally, the fiber optic connections have been deployed towards the international border crossings of Serbia, Macedonia, Greece, Turkey and Romania, which support Telekom Austria "Jet Stream" business opportunities. Being operational from the beginning of 2006, the fiber optic network was presented to the public in December 2006. Mobiltel operates a very powerful microwave network covering the whole territory of the country and connecting a large number of base transceiver stations (BTSs), BSCs and NBs. The transport network considerably reduces dependency on leased lines and related costs.

Croatia

In September 1998, Croatia awarded its second GSM license to VIPnet, a consortium in which Mobilkom held an interest. Mobilkom increased its stake in VIPnet through December 31, 2004, bringing the total interest in VIPnet to 100%. As of December 31, 2008 VIPnet served over 2.4 million customers and increased its customer base in 2008 by 14.1%, compared to December 31, 2007. According to internal market research, VIPnet has a 42.2% share in the Croatian mobile communications market. Croatia's mobile communications penetration rate was 133.6% as of December 31, 2008. Due to an improved product portfolio, the share of contract customers rose by 2.27% to 22.77%. In a market with a total population of roughly 4.4 million, VIPnet had more than 2.4 million customers at year-end 2008. This constitutes an increase of 14.1% compared to the previous year.

In order to re-position itself in the Croatian telecommunications market, in January 2006 VIPnet took another innovative step by presenting a new visual identity. In 2005, VIPnet established a subsidiary, VIPnet services, which began commercial activities in May 2006, to support VIPnet's business activities and to provide hosting services to members of Mobilkom.

Competition. VIPnet competes in the Croatian mobile communications market with the incumbent operator T-Mobile, a subsidiary of T-HT (Hrvatske telekomunikacije d.d.), with Deutsche Telekom as its main shareholder and, since October 2005, also competes with tele2. In 2004, the Swedish operator tele2 received a combined GSM/UMTS license, which is valid for 20 years. VIPnet and tele2 signed a contract on national roaming in June 2005 and, in April 2006, a contract allowing tele2 customers to connect to the VIPnet network throughout Croatia, except for the Zagreb area. Under the agreement, VIPnet offered tele2 national roaming services for voice, data and billing services. The contract was valid until June 14, 2008 and has not been extended.

Products and Services. In 2006, VIPnet offered promotional tariffs and packages in order to retain current and attract new customers. VIPnet offered different usage options for all segments, allowing benefits such as flat rates for all destinations, free on-net calls for "friends" numbers, discounts on calls to national fixed lines and reduced monthly fees. The launch of new tariffs was followed by special handset promotions. Furthermore, VIPnet's customer base migrated partly from prepaid to contract.

As a major tourist destination, Croatia has a high number of visitor roamers in the summer season. Visitors generated 12% of VIPnet's total revenues. The strategic partnership with Vodafone resulted in a successful launch of Vodafone live! 3G mobile portal which enabled the first video streaming service in Croatia, Vodafone's World Roaming tariff and Mobile Connect card.

During 2006, Blackberry and Business e-mail services were introduced for primarily small and medium-sized companies. These products offer a complete solution which is accessible from different devices and places without any additional investment. In order to enable customers to use their data products abroad as well as at home, VIPnet developed data roaming products such as the Blackberry roaming bundle and Mobile Connect card roaming bundles, which were introduced in the last quarter of 2006.

In February 2006, VIPnet became the first company in Croatia to launch integrated telecommunications solutions which makes VIPnet the first "one-stop-shop" provider for mobile, fixed and ISP services. This new package includes the following services for large businesses: fixed and mobile VPN, Internet and IP VPN, as well as the Voice&Internet bundles.

In June 2006, VIPnet launched a prepaid no-frills brand called "tomato" comprising only voice and SMS services with the lowest flat rate to all destinations in the Croatian market.

In September 2006, VIPnet launched Vodafone Homebox service to private customers and to small and medium-sized companies as a substitute for the fixed telephone line for calls and access to the Internet. Users can keep their existing fixed line telephone number under this service.

In 2007, VIPnet became the first Croatian operator to offer mobile broadband services on the basis of HSDPA 7.2 for both contract and prepaid customers. First - time customers were also offered "Vip over IP", which combines mobile and Internet telephony, and the Vip Navigator, a mobile navigation system with GPS support. In order to target different customer segments, VIPnet also introduced a two-brand strategy, becoming the price leader with "tomato."

Networks. In April 2004, VIPnet began the introduction of EDGE technology, covering 90% of Croatia's population by the end of 2006. After placing the first UMTS test call in Croatia in May 2003, VIPnet was granted a UMTS license for 20 years in October 2004. VIPnet launched its commercial UMTS services in January 2005, making VIPnet one of the first operators in Europe to operate a combined EDGE and UMTS technology, offering high volume data products to a broader customer base. VIPnet obtained a fixed-net license in July 2005 and, in November 2005, the Croatian Agency for telecommunication decided to grant VIPnet the concession for WIMAX for the city of Zagreb. Furthermore, in April 2006, VIPnet was the first operator in Croatia to launch a HSDPA network. In October 2006, VIPnet began offering mobile number portability. WIMAX commenced in the City of Zagreb in December 2006.

Slovenia

In February 2001, Mobilkom acquired the majority ownership of Si.mobil, which began operating in March 1999 as Slovenia's first private mobile service provider. In May 2006, Mobilkom became the 100% owner of Si.mobil.

According to internal market research, with a penetration rate of 102.7% in Slovenia and a market share of 27.7%, Si.mobil is the second-largest mobile communications provider in the country, serving 570,600 subscribers as at the end of 2008, which represents an increase in the customer base of 14.7%, compared to the end of 2007. The contract customer base accounts for 65.8% of the total customer base.

Competition. In Slovenia, there are currently three competing mobile operators and one MVNO. Market research conducted by the Group shows that Mobitel is the incumbent, with a market share of 60.6%, Si.mobil is second in place with a market share of 27.5% and Debitel is third with a market share of 5.2% (market shares are provided as at September 30, 2008). In 2006, an additional MVNO provider, Volja Mobil, offered prepaid services under the brand name izi mobil, using Mobitel infrastructure. At the end of 2007, a UMTS license was awarded to a further operator.

Western Mobile communication International ("**WWI**"), the owner of Vega, decided to exit the Slovenian market in May 2006. Si.mobil reached an agreement with WWI to acquire selected base stations and related sites. These sites and equipment will be used to enhance the existing network of Si.mobil in capacity and quality. In May 2006, Tusmobil, a new operator, formed by the large Slovenian retailer Tuš, bought the DCS 1800 frequencies and core network of Vega, and gained approval to launch network services from telecoms regulator APEK shortly after the purchase.

Products and Services. Si.mobil offers the lowest SMS tariffs on the Slovenian prepaid market and has also successfully positioned itself as the price leader in the postpaid segment. In 2007, the user-friendliness of the Vodafone live! portal was optimized, as was Internet access via the mobile web browser Si.web.

September 2007 also saw the introduction of another innovative product, the Si.asisstent, which supports payment transactions and provides access to customers' accounts.

In addition, Si.mobil customers may benefit from the Group's Vodafone products. At the beginning of 2006, Si.mobil lowered prices of some content on Vodafone live!. Si.mobil offers Blackberry services on a wide range of devices to its customers. New products and services were offered to business customers, including a Business Smart package and Vodafone Mobile Connect Card. Si.mobil attempted to attract former Vega users with special offers, including free connection fees and a 50% discount on the monthly fixed fee for a period of one year. In July 2006, Si.mobil introduced an updated Si.Navigator (a GPS navigation system for mobile phones) with modernized high quality maps, enabling more precise directions in Slovenia and in more than 30 countries throughout the world. In October 2006, Si.mobil and iTIVI (a company that operates DVD rental and TV channels) introduced the first mobile DVD rental services via Vodafone.

Networks. In September 2006, a UMTS license was granted, after a public tender, to Si.mobil for EUR 6.5 million. Si.mobil started operating the UMTS network and now reaches some 25% of the Slovenian population. Si.mobil also implemented HSDPA technology in 2007. In December 2003, Si.mobil entered the third generation of mobile communications with the implementation of EDGE and covers more than 80% of the population as at the date of this prospectus.

Liechtenstein

In 1999, the Principality of Liechtenstein granted a GSM license to mobilkom liechtenstein, a wholly owned subsidiary of Mobilkom. Mobilkom liechtenstein launched services on September 13, 2000. In addition, mobilkom liechtenstein started premium-rate services and services for mobile virtual network operators, which are interconnecting margin-businesses that account for a substantial part of its financial results. The premium-rate services were outsourced in 2006.

The penetration rate in Liechtenstein is considered to have reached 87.4% as of December 31, 2008. The customer base of mobilkom liechtenstein amounts to about 5,900 (all of them contract customers), thus accounting for a 19.6% share of the mobile communications market in Liechtenstein. Mobilkom liechtenstein extended its position as the largest local mobile operator in this highly competitive market.

Serbia

In November 2006, the Telekom Austria Group was the successful bidder in a tender offer for the GSM 900/1800 and UMTS license for the territory of the Republic of Serbia for its newly founded subsidiary Vip mobile d.o.o. The license is granted for a period of ten years and will be automatically extended upon expiry for another ten years. Commercial operations were launched only a few months later in July 2007. Offers for contract customers became available in the fall of 2007, followed by products for business customers in December 2007.

The market entry in the Republic of Serbia closed the gap in mobile communications between Bulgaria and Croatia and opens up further growth potential in an attractive market.

Following Vip mobile d.o.o.'s entry into the market, there are now three mobile communication operators in the Republic of Serbia, which has approximately 7.5 million inhabitants. The penetration rate reached 132.9% at the end of December 31, 2008. With 907,900 customers as at December 31, 2008, compared to 508,900 at December 31, 2007, Vip mobile increased its customer base by 78.4% during 2008. Vip mobile, at the end of 2008, holds a 9.1% share of the market. The Serbian telecommunications market has not yet been fully deregulated and, therefore, has almost no mechanisms to protect newcomers to the market. However, the recently established Ministry for Telecommunications and Information Technology indicated in 2007 that complete implementation of the EU regulatory framework resulting in stronger regulation of competition, could be expected in the near future.

Macedonia

In February 2007, the Telekom Austria Group won the tender for a GSM license in the Republic of Macedonia. The license is granted for a period of ten years which, after expiration, will be automatically extended for another ten years.

In September 2007, the Telekom Austria Group, under the brand name Vip operator, started business in the Republic of Macedonia as the third mobile communications provider in the country. With a start-up time of six months, Vip operator has set high standards in start-up times because the industry average globally is 11 months. Customers of Vip operator can benefit from the lowest tariffs for mobile communications services in Macedonia and nationwide network coverage.

The first products were targeted at prepaid customers and offers for contract customers followed a few weeks later. This rapid market entry was made possible by a national roaming agreement and crossborder cooperation within the Mobile Communication segment. Vip operator has an efficient organizational structure and by the end of 2008 had a customer base of 242,200 customers, compared to 141,200 at the end of 2007. This constitutes an increase of 71.4% during 2008. Vip operator holds a 10.7% market share in the Republic of Macedonia which has approximately 2.5 million inhabitants.

In 2008, the penetration rate in the mobile communications market in the Republic of Macedonia was 112.3%. The Macedonian Agency for Telecommunications has established that the two providers that are active in the Macedonian market in addition to Vip operator, have significant market power, thus obliging them to draw up a reference offer for interconnection charges based on actual costs.

Regulation

Development of Regulation in Austria

In August 2003, the newly amended Austrian Telecommunications Act (the "**Act**") implemented the European Union telecommunications directives adopted in 2002, which are currently under review, thereby moving regulation of the Austrian communications market from sector specific regulation to the principles of competition law. The Act was also expected to lead to further harmonization of market conditions through an obligatory European Union-wide consultation process among national regulatory authorities, as well as by keeping national regulations technologically neutral. The Act empowers the Austrian Federal Minister for Transportation, Innovation and Technology ("the **Minister**") and the national Regulatory Authority to issue ordinances containing detailed provisions relating to the Austrian telecommunications market.

The Act allows unrestricted market access to all entrants who qualify under the Act and replaced the former licensing regime with a general notification requirement. One of the principal objectives of the Act is the promotion of competition within the Austrian communications sector and the provision of reliable, high-quality and innovative telecommunications services at a reasonable price. Additional objectives include the provision of universal services throughout Austria, the protection of customers and operators against the distortion of competition, access to information regarding prices and general terms of service, data protection, avoidance of significant market power ("**SMP**") and efficient and interference-free use of frequencies. Operators having SMP in communications markets are subject to a special regulatory regime. In general, sector specific regulatory measures are applicable only in the absence of effective competition. Regulatory measures are to be kept technologically neutral and may not restrict the introduction of innovative products and services (generally referred to as "emerging markets").

Under the Act, retail markets should only be subject to regulation if regulatory measures applied to the wholesale markets fail to ensure effective competition. In accordance with the principles of general competition law, markets which may be subject to sector-specific regulation are generally identified by the European Commission at European level ("recommendation list of markets") and accordingly defined by the Austrian regulatory authorities at national level as subjects of market analysis. According to the Act, market delineation and market analysis must be carried out by the Regulatory Authority on a national level at least every two years and the Regulatory Authority must take specific account of the European Commission's market recommendations. The European Commission can veto market delineation and market analysis decisions proposed by the national Regulatory Authority. For measures with material effect on the Austrian telecommunications markets, a national consultation and a coordination process with the European Commission is required. Furthermore, the Cartel Court has been vested with sole jurisdiction over matters concerning abuse of SMP.

The Telecommunications Act of 2003 abolished the former licensing regime for entry into the market by new participants. Entry into the market by a new participant only requires notification to the Regulatory Authority and the payment of a processing fee.

The Act also generally deals with protection of data, technical infrastructure, numbering, rights of way and consumer protection. The next adaptation of the Austrian telecommunications law is expected to take place in 2010, as currently the regulatory framework for telecommunications is under review at a European level which will be finalized by the end of 2009.

Additionally, several important ordinances under the Telecommunications Act of 2003 have been issued by the Austrian authorities, among them the Telecommunications Market Ordinance (TKMVO) and the Universal Services Ordinance.

Actual results of the regulation of operators with significant market power

From the end of 2006 until July 2008 the second round of the market analysis process in Austria was carried out.

The remedies that the Regulatory Authority has imposed on the Telekom Austria Group as a fixed line operator are more detailed than under the old regime, but in certain markets where competition has intensified the Group has seen the first steps toward deregulation

The market analyses have confirmed the previous conclusion that the Group is no longer viewed as having SMP in the following markets relevant for the fixed line business:

- In the retail market of international telephone services (voice) for residential customers;
- In the wholesale market of "wholesale trunk segments of leased lines";
- In the wholesale market of "transit services" (interconnection)

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 more freedom in pricing and selecting the product mix.

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

- In the retail voice markets of national telephone services for residential customers and national and international telephone services for business customers (move to quasi ex-post regulation)
- In the wholesale market for terminating segments of leased lines (deregulation of high bandwiths)
- In the wholesale broadband access market (bitstreaming) – deregulation in large city areas

For the remaining markets it has been determined that the Telekom Austria Group has SMP and the same set of remedies have been imposed on the Group as before.

Mobile markets. *Recent Regulatory Decisions in Austria.* In the market for "access and call origination on public mobile telephone networks" no operator has SMP. The Austrian Regulatory Authority decided in an interconnection proceeding between Mobilkom and Hutchison 3G that reasonable mobile origination rates are reciprocal and should amount to 9.5 Eurocent per minute.

The Regulatory Authority decided in one similar proceeding that reasonable SMS termination rates are reciprocal and should amount to 3.88 Eurocent per message.

In October 2007, the Regulatory Authority filed decisions that each operator has SMP on the market for "voice call termination on individual mobile networks". The decision was made in respect of the period between October 2004 until Mid 2009. The Regulatory Authority applied the same remedies for all operators. In particular these remedies are non-discrimination regarding quality and price, cost-oriented termination fees on the basis of long run average incremental cost, and publication of a reference interconnection offer. In respect to the termination rates, separate glidepathes for each operator were determined, with the aim that the rate of each operator should reach a level of 5.72 Eurocent by, at the latest, the beginning of2009. All operators have appealed their SMP decision. In July 2008, the Administrative Court rescinded all SMP decisions, and stated that SMP decisions should not have retroactive effect .

As a consequence, all SMP current proceedings were ceased. Proceedings for the future have commenced and are still pending. In respect to termination rates for past periods, many contractual agreements could be reached. Where this is not the case, interconnection proceedings are pending. the Group does not expect significant deviations from the old glidepath in the final ruling. For the future, Mobilkom expects termination rates to be reciprocal, whereas further reductions will apply.

International Roaming. For the "wholesale national market for international roaming on public mobile networks", the market analysis procedure was formally started at the end of 2005. In September 2006, the Regulatory Authority found that no mobile operator had SMP in the national market for international roaming. Nevertheless, the European Commission regulated roaming charges by setting retail charges to a current maximum of 46 Eurocents (excl. VAT) for active calls, and 22 Eurocents (excl. VAT) for passive calls. Wholesale charges are capped at 28 Eurocents (excl. VAT). Further reductions of these rates are expected in 2009. In September 2008, the European Commission adopted a proposal to extend the regulation of voice telephony roaming prices until July 2013 and to regulate SMS and data roaming prices starting from July 2009. However, this proposal is not yet finally determined and may be subject to changes.

Regulation in other markets.

Bulgaria. As of February 1, 2008 the Bulgarian Communication Regulations Commission ("**CRC**") imposed the following glidepath scheme for the decrease of fixed to mobile termination rates of Mobiltel and Globul in four consecutive steps:

- as of February 1, 2008 - 17.8 Eurocents for peak and 16.6 Eurocents for off - peak traffic;
- as of July 1, 2008 - 16.3 Eurocents for peak and 14.8 Eurocents for off - peak traffic;
- as of January 1, 2009 - 14.8 Eurocents for peak and 12.7 Eurocents for off - peak traffic;
- as of July 1, 2009 - 12.7 Eurocents for peak and 9.7 Eurocents for off - peak traffic.

MNP officially launched in Bulgaria on April 11, 2008. The regulatory authority granted usage rights for the free spectrum in the 900 MHz band to the existing MNOs on an equal basis. CRC intended to organize tenders for the issuance of GSM licenses in the 1800 MHz band with national coverage. Both tender procedures were terminated on the grounds that there were no interested parties. Mobiltel concluded a new interconnection agreement with the fixed line incumbent. The most significant clause in the new agreement was the decrease of the mobile to fixed termination rate by approximately 36%. The Council of Ministers approved amendment drafts of the Electronic Communications Act. The final draft is still under discussion. CRC approved the transfer of BTC Mobile's (Vivatel) GSM license to BTC (the incumbent fixed operator). The transfer is part of BTC's initiative to merge the activities of the mobile and fixed markets into a single legal entity. CRC announced public consultation on market analysis of wholesale voice call termination on individual mobile networks and for call origination, call termination and transit services on the fixed network. Final decisions are pending. CRC has adopted draft market analysis of the retail electronic communications markets. The analysis covers a total of six markets under the "Recommendation on Relevant Markets 2003". The Parliament approved a new Competition Protection Act. The legislation implements the rules of the merger regulation and council regulation 1/2003 and foresees increased penalties for breach of competition rules (up to 10% of annual turnover). A new member of CRC was appointed by the President of the Republic of Bulgaria.

Croatia. The Croatian Parliament adopted a new Electronic Communications law which is in line with the existing regulatory framework of the EU. The adoption of secondary legislative acts and related market analyses are still taking place. The new bylaws and table on radiospectrum allocation have been delivered. The Croatian NRA initiated the subsidies assignment for the new broadband connections in the areas of special state interest. VIPnet launched the first commercial offering of MVNO services in Croatia.

Belarus. A new telecommunication law was reversed by the presidential administration, therefore MNOs in Belarus are not getting direct interconnection which had previously been widely expected. There are no official comments by the government on this matter, although the planned adoption of this law was announced in various media by very high government officials. The third operator BeST which has a market share of less than 3% was acquired by Turkcell in July. Belarusian authorities have yet to decide on a course of action for the 3G implementation in Belarus. The associated tender has been postponed repeatedly, with the current deadline set for September 2009. Turkcell initiated MNP and asymmetrical MTRs in Belarus. The ministry has put together a workshop in order to consider this proposal. The ministry is committed to provide 100% coverage in Belarus. MTS, which is a 51% state owned company was obliged to provide this level of coverage, and now the government wishes Velcom to join this project.

Slovenia. The third MNO Tušmobil was granted favourable regulatory treatment by receipt of GSM, DCS and UMTS frequencies without tender and free of charge. Tušmobil is authorized to selectively build an own radio network in profitable urban areas and rely on cheap national roaming in rural areas, whilst at the same time being allowed to charge asymmetric termination rates.

Serbia. The new government in Serbia was formed in June 2008, the new Minister of the Telecommunications and Information Society is Ms. Jasna Matic. Relations between the Ministry and RATEL have since started to improve and a set of regulations, such as Numbering Plan, International Connectivity bylaw, VoIP bylaw and Cost Accounting bylaw, has been adopted. All mobile operators in Serbia have received additional NDCs. The Ministry has changed the action plan in order to realize the strategy for the development of telecommunications in the Republic of Serbia from 2006 until 2010 and has defined clear deadlines for its implementation. With regard to the fixed telephony sector, the IPO of Telekom Srbija, as well as the increase of fixed retail prices, has been postponed due to the financial crisis. There are currently no alternative fixed line providers in Serbia.

Macedonia. T-Mobile and Cosmofon were designated as SMP operators for the market on June 16, 2008. Their mobile termination rate was decreased to 35%, in comparison to Vip operator’s termination rate. Number Portability was introduced in the country on September 1, 2008. Vip operator successfully launched its Mobile Number Portability service on the same date. Based on the gained license and obligations, Cosmofon began to offer 3G mobile services in August 2008. Cosmofon has an obligation to offer wholesale 3G mobile services to interested parties. After the announcement by the NRA of a second tender for a 3G/UMTS licenses, T-Mobile, as the single bidder, gained the license for offering 3G mobile services in December of 2008. T-Mobile is required to start its commercial operations by June 2009. T-Mobile also has an obligation to offer wholesale 3G mobile services to interested parties.

The Regulatory Authority

The Telecommunications Act of 2003 and the Communications Authority Act establish the legal basis for the existing regulatory bodies in the telecommunications (*Telekom-Control-Kommission*) and the broadcasting media sectors (Communications Authority).

Telekom-Control-Kommission. The *Telekom-Control-Kommission* is an independent three-member committee that meets the requirements of a Tribunal under the European Convention on Human Rights. The competencies of the *Telekom-Control-Kommission* include ordering joint use in a dispute concerning rights of way; issuing decisions in proceedings concerning data of subscriber directories; determining financial compensation to be paid from the universal service fund; determining the amount to be paid to the universal service fund; determining whether in a respective relevant market one or more operators have SMP 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.

Rundfunk und Telekom Regulierungs-GmbH. Generally, the *Rundfunk und Telekom Regulierungs-GmbH*, a non-profit company with limited liability, is responsible for all issues, which are outside the responsibility of the *Telekom-Control-Kommission*. Its primary activities are, in particular, numbering and dispute resolution between end-users and operators and dispute resolution among operators. Pursuant to a modification of the Telecommunications Act of 2003, the *Rundfunk und Telekom Regulierungs-GmbH* can enact ordinances (such as those concerning numbering, value added services or relevant markets for regulation) and must resolve certain disputes ("alternative dispute resolution") concerning the Telekom-Control-Kommission. Amendments in the Telecommunications Act in 2005 laid the basis for changes in the funding of the Regulatory Authority. Therefore, the Republic of Austria is now obliged to contribute 25% of the financing, whereas the remaining 75% must be contributed by the service operators. The amendment became effective on January 1, 2005. The Minister supervises the *Rundfunk und Telekom Regulierungs-GmbH's* activities. Rundfunk und Telekom Regulierungs-GmbH is required to publish a yearly report about the activities of the Regulatory Authority and is also obliged to report annually in writing to the Minister and to the Parliament on the implementation of the targets set by the regulation.

Communications Authority. Pursuant to the Communications Authority Act, the Communications Authority is responsible for the broadcasting media sector. In some cases, the Communications Authority may serve as the Regulatory Authority under the Telecommunications Act of 2003 or may at least be a party in proceedings.

Other regulatory bodies. The Minister, the Telecommunications Offices and the Office for Radio Installations and Telecommunications Facilities 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. The Advisory Board will advise the Minister and the Regulatory Authority regarding telecommunications matters. Decisions of the Regulatory Authority may be appealed to the Supreme Administrative Court and in limited circumstances to the Constitutional Court.

GSM. The Telecommunications Act of 2003 also replaced the former licensing regime for mobile operators using the GSM technology with a notification regime. 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:

- Mobilkom;
- 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 (formerly ONE 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! and eety.

UMTS. All Austrian GSM operators operate a UMTS network in addition to a GSM network. Hutchison 3G also operates a UMTS network, and uses national roaming on Mobilkom's GSM network in areas where Hutchison 3G has no UMTS coverage.

Regulatory framework in Austria – major decisions affecting the Telekom Austria Group

Interconnection in Austria

At December 31, 2008, the Group as a fixed line operator had entered into interconnection agreements with 23 fixed-line and six mobile (GSM, UMTS) registered operators in Austria. Separate fixed line and mobile agreements were entered into with all five mobile operators. The most important services between operators are voice interconnection services, such as call termination, carrier selection, call origination to services (e.g. value-added services) and number portability. Transit services are also provided by the Group, but these services are not subject to regulation since a market analysis decision by the Austrian regulator in March 2007.

The Telekom Austria Group 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.

Access to local loops in Austria

Since 1999, access to the Group's local loops is regulated as an "unbundling obligation" at the wholesale level. The Group has to grant access to its local loops where feasible and, to regularly update and publish a Reference Unbundling Offer (RUO). Unbundling fees are subject to ex-ante price control. The Telekom Austria Group receives a flat monthly fee from the operators, irrespective of the bandwidth transmitted, which is actually EUR 9.33 for a full unbundled local loop per month. The Regulatory Authority's decisions in this case are not restricted to voice telephony or a certain bandwidth. The Group has always adapted the RUO to these decisions and currently offers not only full unbundling, but also shared access, sub loop unbundling and collocation space/services.

Universal service obligation

The Telecommunications Act of 2003 sets forth the framework for universal service in Austria. Universal service is defined as the minimum public services that all users must have access to, at an affordable price and at a specific quality level, independent of their place of residence or business. The scope of universal service comprises access to public voice telephony via fixed line including fax, modem and functional access to Internet (excluding broadband), access to a comprehensive telephone directory and the full area coverage of public payphones at accessible locations. Since March 2006 the Group is no longer obliged to provide directory inquiry services as these services are offered in a competitive environment.

The detailed technical quality criteria are further defined by the Universal Service Ordinance which also provides criteria for the quality of voice transmission, the reaction time for operator services, the percentage of public payphones in use and billing accuracy. The operator responsible for the provision of universal service has to report to the Regulatory Authority about the quality parameters once a year.

In case the provision of a universal service should result in a deficit the Regulatory Authority may create and manage a Universal Service Fund. All operators of telecommunications services who generate revenues of more than EUR 5 million per year will contribute according to their revenues. The amount of the contribution will be fixed by the Regulatory Authority.

Recent Developments

On March 28, 2008 the Group acquired the Austrian mobile operation of Tele2, MobilNet, for a purchase price of EUR 2.1 million. MobilNet previously operated as a mobile virtual network operator on a competitor's network and merged with Mobilkom after the execution of the purchase. On April 24, 2008 the Group acquired 37.47% of Infotech Holding GmbH in the fixed net segment for a purchase price of EUR 7.2 million. InfoTech Holding GmbH is targeting to bundle companies in Austria and in the CEE region to become a comprehensive ICT service provider for business customers.

In February 2008, the Telekom Austria Group sold its stake in eTel Polska for a selling price of EUR 3.2 million, of which EUR 0.8 million is still outstanding. The Group also sold eTel Hungary Kft. Telekom Austria Czech Republic a.s. and eTel Slovensko s.r.o. were sold prior to December 1, 2008. The Group decided to sell the 37.47% of Infotech Holding GmbH via a put option for an agreed strike price which covers the total investment. The put option is exercisable in February 2009.

On November 10, 2008 the Supervisory Board of Telekom Austria approved a restructuring program of the fixed net segment of its business to cost up to EUR 630 million and covers social plans for employees who will voluntarily leave the Group and labour displacements related to employees who cannot be laid off due to civil servant status. Under the envisaged plan, up to about 1,250 employees, who cannot be laid off due to their civil servant status, will be made redundant from the Fixed Net operations during the course of 2009. 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 630 million. Although this provision will not have any effect on the operating performance and the cash flow of the Group and will also improve future earnings, it will have an impact on the reported results in the fourth quarter, 2008. The Telekom Austria Group will offer a social plan to eligible employees, who can no longer be employed in the Fixed Net segment. Under this social plan the Telekom Austria Group expects approximately 400 employees to voluntarily leave the Group in the forthcoming years (250 such employees to leave by the end of 2009). The total estimated cost for this social plan of about EUR 60 million will be provided for in the financial statements of 2008 as part of the aforementioned provision for the redundant workforce in the amount of EUR 630 million.

THE GUARANTEES

Before the spin off of the Group's fixed net business into TATA (see "*Description of Telekom Austria-History and Development of the Group*"), bonds issued by TFG were supported by Telekom Austria (as the Group's holding company) which also conducted the operative fixed net business of the Group, given that TFG, as the Group's financial services entity, is not sufficiently endowed with assets or liquidity to pay the Group's debts when they become due. Accordingly, bonds issued by TFG in 2003 and 2005 under its EUR 5 billion Euro Medium Term Note Programme were unconditionally and irrevocably guaranteed by Telekom Austria (see "*Description of TFG-Material Contracts*"). The obligations of the Guarantor under such guarantee in respect of senior bonds are direct, unconditional and (subject to certain exemptions) unsecured obligations of the Guarantor and rank *pari passu* and (save for certain obligations required to be preferred by mandatory provisions of law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

Upon creation of TATA, Telekom Austria spun off substantially all of its net assets and the business associated therewith into TATA, with the effect that all such assets, liabilities and obligations of Telekom Austria have been transferred to TATA by way of universal succession (*Gesamtrechtsnachfolge*) pursuant to § 1/2/2 of the Austrian Spin-off Act. Telekom Austria, by operation of law, remained jointly liable for all liabilities involved in connection with such assets accrued prior to the date of the registration of the spin-off, up to the net asset value allocated to such assets.

The existing Telekom Austria AG guarantee remained in place. After having been set up as a separate subsidiary, TATA issued an additional guarantee on identical terms to those of the Telekom Austria guarantee, giving Bondholders direct access to the assets of TATA. Both guarantees are of direct, primary recourse. Under Austrian capital maintenance rules, payments under TATA's guarantee are limited to the amount that it has received in the form of direct or indirect benefits under the bonds that have been issued. A structure of internal indemnities from both TFG and Mobilkom thus compensated for the limitation in the value of TATA's guarantee, which was also supported by internal guarantees granted to TATA by Telekom Austria and Mobilkom - the Bonds will be issued on the same terms, i.e. guaranteed by Telekom Austria AG and guaranteed by TATA and further backed by indemnities intra-group and internal guarantees.

The Guarantees will be dated on or around January 29, 2009 and executed by the Guarantors. The originals of the Guarantees are held by the Paying Agent on behalf of the Bondholders at its specified office.

Under the Guarantees, the Guarantors, as primary obligors, unconditionally (except as specifically set out), irrevocably and independently, as indirect shareholding companies of the Issuer, (i) undertake to the Bondholders to exert any influence and/or to use their voting rights in the Issuer to ensure that the Issuer will at all times perform and comply with its obligations under the Bonds (including the payment (if required) of any premium or additional amount which may become payable under the foregoing) in any and all respects; and (ii) agree in favor of the Bondholders to pay to the relevant Bondholder the amount set out in any confirmation by a Bondholder upon first written demand by such Bondholder, including a written confirmation by such Bondholder of the failure of the Issuer to perform its obligations in respect of the Bonds and the amount due in respect thereof. In so agreeing, the Guarantors waive all rights of objection and defense arising from and irrespective of the validity and the legal effects of the Issuer's obligations in respect of the Bonds and irrespective of any matter or thing 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*). The guarantees given by the Guarantors are 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 a surety (*Bürgschaft*) or as a joint obligation of a borrower

(*Mitschuldner*).

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds which will, as to the Issue Price, Interest Rate and aggregate principal amount of Bonds to be issued, be completed following the pricing of the Bonds and, thereafter, annexed to the Temporary Global Bond and the Permanent Global Bond on the Issue Date.

§ 1
(Currency. Denomination. Form. Clearing System. Bondholder.)

(1) Currency. Denomination. Form. The bonds (the "**Bonds**") of Telekom Finanzmanagement GmbH (the "**Issuer**") are issued in Euro (the "**Currency**") in an aggregate principal amount of Euro [●] (in words: [●]) on January 29, 2009 (the "**Issue Date**") and are divided in denominations of Euro 1,000 (the "**Specified Denomination**"). The Bonds are being issued on the basis of an agency agreement to be concluded on or around the Issue Date (the "**Agency Agreement**") in bearer form and will not be represented by definitive Bonds.

(2) *Temporary Global Bond – Exchange.*

(a) The Bonds are initially represented by a temporary global bond (the "**Temporary Global Bond**") without coupons which will be exchangeable for a permanent global bond (the "Permanent Global Bond" and, together with the Temporary Global Bond, each a "**Global Bond**") without coupons. Each Global Bond shall be signed manually by two directors of the Issuer and shall each be authenticated by or on behalf of the Paying Agent.

(b) The Temporary Global Bond shall be exchanged for the Permanent Global Bond 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 Bonds represented by a Temporary Global Bond shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Bonds represented by the Temporary Global Bond is not a U.S. person as defined by the U.S. Securities Act of 1933. Any such certification received by the Paying Agent on or after the 40th day after the Issue Date will be treated as a request to exchange such Temporary Global Bond as described above. Any securities delivered in exchange for the Temporary Global Bond shall be delivered only outside of the United States.

(3) *Clearing System.* Each Global Bond will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Bonds 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**" and, together with Clearstream Luxembourg, the "**ICSDs**" and each an "**ICSD**") or any successor in this capacity. The Bonds are issued in "new global note" form and are kept in custody by a common safekeeper on behalf of both ICSDs.

(4) *Bondholder.* "**Bondholder**" means any holder of a proportionate co-ownership or other similar right in the Bonds.

(5) *Records of the ICSDs.* The nominal amount of the Bonds represented by the Temporary Global Bond and the Permanent Global Bond shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Bonds) shall be conclusive evidence of the nominal amount of the Bonds represented by the Temporary Global Bond and the Permanent Global Bond and, for these purposes, a statement issued by a ICSD stating the nominal amount of the Bonds 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 Bonds represented by the Temporary Global Bond and the Permanent Global Bond 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 Bond and the Permanent Global Bond shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Bonds recorded in the records of the ICSDs and represented by the Temporary Global Bond and the Permanent Global Bond shall be reduced by the aggregate nominal amount of the Bonds 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 Bonds represented by a Temporary Global Bond, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

§ 2
(Status. Negative Pledge. Guarantee)

(1) *Status.* The obligations under the Bonds constitute unsecured 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) The Issuer and each of the Guarantors undertakes, as long as any Bonds 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 any of the Guarantors 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 Bondholders' 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 § 2 shall prevent the Issuer, any of the Guarantors or any Material Subsidiary of the Issuer or any of the Guarantors, 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 relevant Guarantor or any Material Subsidiary of the Issuer or the relevant 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 relevant Guarantor or any Material Subsidiary of the Issuer or the relevant Guarantor).

(3) "**Material Subsidiary**" at any time shall mean a Subsidiary of the Issuer or the relevant Guarantor, as applicable, inter alia:

(a) whose gross revenues attributable to the Issuer or the relevant 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 relevant Guarantor, as applicable, or, as the case may be, consolidated total assets, of the Issuer or the relevant 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 relevant 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 relevant Guarantor, as applicable, 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 relevant Guarantor, as applicable, stating that in their opinion a Subsidiary of the Issuer or the relevant 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 relevant 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 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; 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 established securities market.

(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.

(8) *Guarantee.* Each of Telekom Austria Aktiengesellschaft and Telekom Austria TA Aktiengesellschaft (each a "**Guarantor**" and together the "**Guarantors**") has given its unconditional and irrevocable guarantee (the "**Guarantees**") for the due payment of principal of, and interest on, and any other amounts expressed to be payable under the Bonds. Under each Guarantee, each Bondholder may require performance of the relevant Guarantee directly from

the relevant Guarantor and may enforce each Guarantee directly against the relevant Guarantor. Each Guarantee constitutes a direct, unconditional, unsubordinated and unsecured obligation of the relevant 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 relevant 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 Guarantees are 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)

(1) *Rate of Interest and Interest Payment Dates.* The Bonds shall bear interest on their principal amount at the rate of [●] per cent. per annum from and including January [29], 2009 (the "**Interest Commencement Date**") to but excluding the Maturity Date (as defined in § 4(1)). Interest shall be payable in arrear on January [29] in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on January [29], 2010 (the "**First Interest Payment Date**").

(2) "**Interest Period**" means the period from and including the Interest Commencement Date to, but excluding, the First Interest Payment Date and any subsequent period from and including an Interest Payment Date to, but excluding, the next Interest Payment Date.

(3) "**Day Count Fraction**", in respect of the calculation of an amount for any period of time (the "**Calculation Period**") means:

(a) where the Calculation Period is equal to or shorter than the Interest Period during which it falls, the actual number of days in the Calculation Period divided by the product of (i) the actual number of days in such Interest Period and (ii) the number of Interest Periods in any calendar year; and

(b) where the Calculation Period is longer than one Interest Period, the sum of: (i) the actual number of days in such Calculation Period falling in the Interest Period in which it begins divided by the product of (x) the actual number of days in such Interest Period and (y) the number of Interest Periods in any year; and (ii) the actual number of days in such Calculation Period falling in the next Interest Period divided by the product of (x) the actual number of days in such Interest Period and (y) the number of Interest Periods in any year.

(4) If the Issuer for any reason fails to render any payment in respect of the Bonds 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 Bondholders.

§ 4
(Redemption)

(1) *Final Redemption.* The Bonds shall be redeemed at their Final Redemption Amount on January 29, 2016 (the "**Maturity Date**").

(2) *Tax Call.* The Bonds 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 Interest Payment Date upon giving not less than 30 days' notice to the Bondholders (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 Bonds, the Issuer or a 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 relevant 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 relevant Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment.

(3) *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 Bond will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Bonds under § 4(2)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond 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 § 4(3):

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.

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 or the Bonds 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 Bonds 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 Bonds or Telekom Austria and no Rating Agency assigns during the Change of Control Period an investment grade credit rating (as described above) to the Bonds (unless Telekom Austria 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.

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. **Control** means any direct or indirect legal or beneficial ownership or any direct or indirect legal or beneficial entitlement (as described in section 92[1] the Austrian Exchange Act (*Börsegesetz)*) of, in the aggregate, more than 50% of the voting shares of Telekom Austria.

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 or the Bonds are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a rating agency, such period not to exceed 60 days after the public announcement of such consideration).

Relevant Potential Change of Control Announcement means any formal public announcement or statement by or on behalf of Telekom Austria 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.

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

On the occurrence of a Put Event, the Issuer shall give notice (a **Put Event Notice**) to the Bondholders 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 § 4(3).

To exercise the option to require redemption or, as the case may be, purchase of a Bondholder's interest in the Bonds under this § 4(3) in relation to a Change of Control, the relevant Bondholder must deliver to the Paying Agent through the ICSDs (Clearstream and Euroclear) a duly completed and signed option exercise notice (an **Exercise Notice**), in the form (for the time being current) obtainable from the specified office of the Paying Agent, on any Business Day (as defined in § 5(2)) 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 Bonds then outstanding have been redeemed or purchased pursuant to this § 4(3), the Issuer may, having given not less than 30 days' notice to the Bondholders 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 Bonds 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 Bonds.

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

The "**Final Redemption Amount**" in respect of each Bond shall be its principal amount.

The "**Early Redemption Amount**" in respect of each Bond shall be its principal amount.

[1] 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.*

§ 5
(Payments)

(1) (a) *Payment of Principal.* Payment of principal in respect of Bonds 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 Bond at the specified office of any Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Bonds 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 Bond 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 Bonds represented by the Temporary Global Bond are not U.S. persons as defined by the U.S. Securities Act of 1933.

(2) *Business Day.* If the date for payment of any amount in respect of any Bond is not a Business Day then the Bondholder shall not be entitled to payment until the next Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

"**Business Day**" means a day on which (other than Saturday and Sunday) (a) banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Luxembourg and (b) all relevant parts of the Trans-European Automated Real-Time Gross Settlement Express Transfer System ("**TARGET 2**") are operating to effect payments in Euro.

(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, each 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 Bonds; the Early Redemption Amount of the Bonds; and any premium and any other amounts which may be payable under or in respect of the Bonds. 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 Bonds to the Bondholders 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 Bondholders 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 Bond if:

(a) these are to be paid otherwise than by withholding or deduction at the source of payments under the Bonds; or

(b) a Bondholder has a relationship to Austria other than the mere holding of the Bonds, 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 § 95 Austrian Income Tax Act (*Einkommensteuergesetz*); or

(d) these are to be paid because of a change of law which will enter into force later than (i) later than 30 days after the applicable payment date under the Bonds, 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 Bondholders of such payment pursuant to § 12; or

(e) 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 Bondholder; or

(f) 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

(g) 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

(h) these were withheld or deducted pursuant to Council Directive 2003/48/EC of June 3, 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; or

(i) these are withheld or deducted, if such payment could have been effected by another Agent without such withholding or deduction; or

(j) these would not have to be paid by a Bondholder if it could have obtained tax exemption, tax restitution or tax rebate in a reasonable way; or

(k) any combination of items (a)-(j);

nor shall any Additional Amounts be paid with respect to any payment on a Bond to a Bondholder 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 Bondholder of the Bond.

§ 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 Bonds shall be reduced to ten years and therefore the claims for payment of principal under the Bonds shall expire ten years after maturity.

§ 8
(Events of Default)

(1) If any of the following events (each an "**Event of Default**") occurs, the holder of any Bond may by written notice to the Issuer at the specified office of the Paying Agent declare such Bond to be forthwith due and payable, whereupon the Early Redemption Amount of such Bond 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) if default is made in the payment of any principal or interest due in respect of the Bonds 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) if the Issuer or any of the Guarantors fails to perform or observe any of its other obligations under the Bonds or the Guarantees and the failure continues for the period of 30 days next following the service by a Bondholder on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) (i) if any Indebtedness for Borrowed Money of the Issuer, any of the Guarantors or any Principal Subsidiary of the Issuer or any of the Guarantors, 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, any of the Guarantors or any Principal Subsidiary of the Issuer or any of the Guarantors 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) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, any of the Guarantors or any of the Principal Subsidiaries of the Issuer or any of the Guarantors, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or any of the Guarantors, pursuant to which the surviving or resulting entity expressly assumes all the obligations of the Issuer or the relevant 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 each of the Guarantors on terms substantially the same as those of the Guarantee; or

(e) if the Issuer, any of the Guarantors or any of the Principal Subsidiaries of the Issuer or any of the Guarantors (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 any of the Guarantors, pursuant to which the surviving or resulting entity expressly assumes all of the obligations of the Issuer or the relevant Guarantor, as the case may be, and, in the case of the Issuer, such obligations are unconditionally and irrevocably guaranteed by each of the Guarantors on terms substantially the same as those of the relevant Guarantee, provided that it shall not constitute an Event of Default under this subparagraph (e)(1) if the obligations of Telekom Austria TA Aktiengesellschaft under its Guarantee are, pursuant to an amalgamation, restructuring, reorganisation or other corporate transaction, transferred to Telekom Austria or any of its subsidiaries and assets equalling or exceeding the principal amount of Bonds outstanding at the time of such corporate transaction are transferred simultaneously to the same entity, 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) if (i) proceedings are initiated against the Issuer, any of the Guarantors or any of the Principal Subsidiaries of the Issuer or any of the Guarantors, 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, any of the Guarantors or any of the Principal Subsidiaries of the Issuer or any of the Guarantors 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) if the Issuer, any of the Guarantors or any of the Principal Subsidiaries of the Issuer or any of the Guarantors (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 relevant 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 each of the Guarantors 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) if (i) the Issuer or any of the Guarantors repudiates its obligations in respect of the Bonds or the Guarantees or a Guarantee ceases to be, or is claimed by any of the Guarantors not to be, in full force and effect or (ii) any of the obligations of the Issuer or any of the Guarantors under or in respect of the Bonds or the Guarantees are not or cease to be legal, valid and binding; or

(i) the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by Telekom Austria.

(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 either of the Guarantors, as applicable, inter alia:

(a) whose gross revenues attributable to the Issuer or the relevant 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 relevant Guarantor, as applicable, or, as the case may be, consolidated total assets, of the Issuer or the relevant 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 relevant 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 relevant Guarantor, as applicable, which immediately before the transfer is a Principal Subsidiary.

A report of independent auditors appointed by the Issuer or the relevant Guarantor, as applicable, that in their opinion a Subsidiary of the Issuer or the relevant 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)

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

Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch 33, rue de Gasperich, Howald - Hesperange L-2085 Luxembourg

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Agent and to appoint another Paying Agent or additional or other Agents, also a "**Paying Agent**", or "**Agent**", provided that the Issuer shall at all times maintain (i) a Paying Agent, (ii) so long as the Bonds are listed on a regulated market of a stock exchange, a Paying 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 Bondholders 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 Bondholder.

(4) 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 Bonds, whether caused by negligence or otherwise (other than gross negligence or willful misconduct).

§ 10
(Substitution of the Issuer)

(1) The Issuer (reference to which shall always include any previous substitute debtor) may and the Bondholders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Bondholder at any time, substitute for the Issuer any Affiliate (as defined below) of a Guarantor as the principal debtor in respect of the Bonds or undertake its obligations in respect of the Bonds 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 Bondholder to be bound by these Terms and Conditions of the Bonds and the provisions of the Agency Agreement as fully as if the Substitute Debtor had been named in the Bonds and the Agency Agreement as the principal debtor in respect of the Bonds in place of the Issuer and pursuant to which the Issuer and each Guarantor (if the relevant Guarantor is not the Substituted Debtor) shall irrevocably and unconditionally guarantee in favour of each Bondholder 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 Bondholder and that, in the case of the Substitute Debtor undertaking its obligations with respect to the Bonds through a branch, the Bonds 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.

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 Guarantors (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 Bonds as the principal debtor in place of the Issuer as issuer and the Bonds 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 Bonds.

(3) The Documents shall be deposited with and held by the Paying Agent for so long as any Bonds remain outstanding and for so long as any claim made against the Substitute Debtor or the Issuer by any Bondholder in relation to the Bonds or the Documents shall not have been finally adjudicated, settled or discharged. The Substitute Debtor and the Issuer acknowledge the right of every Bondholder to the production of the Documents for the enforcement of any of the Bonds 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 Bondholders and, if any Bonds 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. Cancellation)

(1) *Further Issues.* The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds having the same terms and conditions as the Bonds (except for the issue price of the Bonds, the Issue Date, the Interest Commencement Date and the first Interest Payment Date) and so that the same shall be consolidated and form a single Series with such Bonds, and references to "**Bonds**" shall be construed accordingly.

(2) *Purchases.* The Issuer may at any time purchase Bonds at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Bondholders alike.

Such Bonds may be held, reissued, resold or cancelled, all at the option of the Issuer.

(3) *Cancellation.* All Bonds redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12
(Notices)

(1) *Publication.* All notices concerning the Bonds shall, subject to subparagraphs (2) and (3), be published through 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 Bondholders, provided that, so long as any Bonds 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 Bondholders 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 Bonds are admitted for trading on any stock exchange, notices to the Holders 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 Bonds may be listed from time to time, for so long as the Bonds 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.

§ 13
(Governing Law, Jurisdiction and Enforcement)

(1) *Governing Law.* The Bonds shall be governed by Austrian law.

(2) *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 Bonds ("**Proceedings**"). The Bondholders, however, may also pursue their claims before any other court of competent jurisdiction. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

(3) *Enforcement.* Any holder of Bonds may in any proceedings against the Issuer or any Guarantor, or to which such Bondholder and the Issuer or any Guarantor are parties, protect and enforce in his own name his rights arising under such Bonds on the basis of (i) a statement issued by the Custodian with whom such Bondholder maintains a securities account in respect of the Bonds (a) stating the full name and address of the Bondholder, (b) specifying the aggregate principal amount of Bonds credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Bond in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global bond representing the Bonds. "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Bonds and includes the Clearing System. Each Bondholder may, without prejudice to the foregoing, protect and enforce his rights under these Bonds also in any other manner permitted in the country of the proceedings.

TAXATION

General

On 3 June 2003, the EU adopted the European Council Directive 2003/48/EG regarding the taxation of savings income (the "**Savings Directive**"). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period (the ending of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) unless during such period they elect otherwise (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). A number of third countries and territories including Switzerland have adopted similar measures to the Savings Directive.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

By Federal Law Gazette I 2004/33 published on 27 April 2004, the Austrian parliament enacted the provisions for implementing the EU Savings Tax Directive into Austrian law by the "EU Withholding Tax Act". The entry into force of the legislation was linked to the relevant provisions of the EU Directive becoming operative. Both statutory provisions became effective on July 1, 2005.

By legislative regulations dated January 26, 2004 the German Federal Government enacted provisions implementing the Savings Directive into German law. These provisions apply from July 1, 2005.

The Saving Directive and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union were implemented in Luxembourg by two laws dated June 21, 2005 (the "**Laws**"). Under the Savings Directive and the Laws, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since July 1, 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, for the benefit of) an individual resident in another Member Sate or in certain EU dependent or associated territories, unless the beneficiary of the interest payments opts for the "procedure of exchange of information" or for the "tax certificate procedure". The same treatment will apply to payments of interest and other similar income made to certain "residual entities" within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories i.e. entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for business taxation, that are not UCITS recognised in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC.

The withholding tax rate is 20% increasing to 35% (as from July 1, 2011). The withholding tax system will only apply during the transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

The issuer does not assume responsibility for the withholding of taxes at the source.

Taxation in Austria

Individuals resident in Austria are subject to income tax (*Einkommensteuer*) on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals are considered resident if they have a permanent residence (*Wohnsitz*) in Austria and/or if they have their habitual abode (*gewöhnlicher Aufenthalt*) in Austria; otherwise they are non-resident. Non-resident individuals are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations resident in Austria are subject to corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations are considered resident if their place of effective management (*Ort der Geschäftsleitung*) is in Austria and/or if they have their registered seat (*Sitz*) in Austria, otherwise they are non-resident. Non-resident companies 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 tax liability, Austria's right to tax may be restricted or reduced by double taxation treaties.

Austrian (corporate) income tax

Individuals (holding bonds as a non-business asset)

Individuals subject to unlimited income tax liability in Austria (*unbeschränkt steuerpflichtige natürliche Personen*) holding bonds (*Forderungswertpapiere*) in the sense of § 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*) as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments pursuant to § 27 para 1 No 4 and § 27 para 2 No 2 of the Austrian Income Tax Act. If interest is paid out by an Austrian paying agent (*kuponauszahlende Stelle*), then such payments are subject to a withholding tax of 25% pursuant to § 95 Austrian Income Tax Act; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97 para 1 of the Austrian Income Tax Act; *Endbesteuerung*) if the bonds are in addition legally and factually offered to an indefinite number of persons. If interest is not paid out by an Austrian paying agent, then such payments must be included in the income tax return; in this case they are subject to a flat income tax rate of 25%, provided that the bonds are in addition legally and factually offered to an indefinite number of persons. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments must be included in the income tax return; in this case they are subject to income tax at a marginal rate of up to 50%, any withholding tax being creditable against the income tax liability. Capital gains (i.e. the difference between the sales price and the acquisition cost of the bonds) realized upon sale of the bonds within one year after acquisition are subject to income tax at a marginal rate of up to 50% pursuant to § 30 of the Austrian Income Tax Act; other capital gains are tax-free.

Individuals (holding bonds as a business asset)

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. If interest is paid out by an Austrian paying agent, then such payments are subject to a withholding tax of 25% pursuant to § 95 Austrian Income Tax Act; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to § 97 para 1 of the Austrian Income Tax Act) if the bonds are in addition legally and factually offered to an indefinite number of persons. If interest is not paid out by an Austrian paying agent, then such payments must be included in the income tax return; in this case they are subject to a flat income tax rate of 25%, provided that the bonds are in addition legally and factually offered to an indefinite number of persons. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments must be included in the income tax return; in this case they are subject to income tax at a marginal rate of up to 50%, any withholding tax being creditable against the income tax liability. Capital gains (i.e. the difference between the sales price and the acquisition cost of the bonds) realized upon sale of the bonds are always subject to income tax at a marginal rate of up to 50%.

Individuals (non-resident in Austria)

Interest income derived from the bonds by non-residents which is not attributable to a domestic permanent establishment is not taxable in Austria. Therefore, if Austrian withholding tax on investment income has been deducted by the coupon paying agent, the non-resident bondholder may claim a refund of the withholding tax within five calendar years following the date of the deduction of the withholding tax. According to section 8018 of the Austrian Income Tax Guidelines, non-resident investors may avoid the deduction of the Austrian withholding tax, if the bonds are deposited with an Austrian bank and evidence in writing is given to the bank, confirming that the investor neither has his tax residence nor his habitual place of abode in Austria.

Corporations

Corporations subject in Austria to unlimited corporate income tax liability (*unbeschränkt steuerpflichtige Körperschaften*) are subject to corporate income tax on all interest payments resulting from bonds at a rate of 25%. Under the conditions set forth in § 94 No 5 of the Austrian Income Tax Act, no withholding tax is levied. Capital gains (i.e. the difference between the sales price and the acquisition cost of the bonds) realized upon sale of the bonds are subject to corporate income tax at a rate of 25%.

Private foundations

Private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13 para 1 of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to corporate income tax (interim taxation; *Zwischenbesteuerung*) on all resulting interest payments pursuant to § 13 para 3 No 1 of the Austrian Corporate Income Tax Act at a rate of 12.5%, provided that the bonds are, in addition, legally and factually offered to an indefinite number of persons. If the bonds are not legally and factually offered to an indefinite number of persons, then interest payments on the bonds are subject to corporate income tax at a rate of 25%. Under the conditions set forth in § 94 No 11 of the Austrian Income Tax Act, no withholding tax is levied. Capital gains (i.e. the difference between the sales price and the acquisition cost of the bonds) realized upon sale of the bonds within one year after acquisition are subject to corporate income tax at a rate of 25%; other capital gains are tax-free.

EU withholding tax

§ 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which implements into national law the provisions of Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments – provides that interest payments on bonds paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State are subject to a withholding tax if no exception from such withholding applies. Currently, the withholding tax amounts to 20%.

Austrian inheritance and gift tax

Currently, inheritance and gifts are not subject to any deduction of tax.

On March 7, 2007 the Austrian Constitutional Court (Verfassungsgerichtshof) decided that the Austrian inheritance tax was unconstitutional and repealed it with effect from August 1, 2008. Furthermore, on June 15, 2007, the Austrian Constitutional Court (Verfassungsgerichtshof) decided that also the Austrian gift tax was also unconstitutional and repealed it with effect from August 1, 2008. Since then, *inter alia* transfers of assets both *inter vivos* and *mortis causae* after July 31, 2008 are neither subject to inheritance tax nor to gift tax (except in the case of transfers to certain foundations). Instead of the earlier inheritance and gift tax laws, a notification obligation has been introduced for certain gifts *inter vivos*.

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 Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Bonds

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

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 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 is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in 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. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1 July 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Bonds coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

(ii) Resident holders of Bonds

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

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. 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. Payments of interest under the Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Taxation in Germany

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Bonds. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase Bonds, 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.

Prospective purchasers of Bonds are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Bonds, including the effect of any state, local or church taxes, under the tax laws of Germany and each country of which they are residents.

Tax Residents

The section "Tax Residents" refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual Bondholder will be subject to German withholding tax if the Bonds are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a **Disbursing Agent**, *auszahlende Stelle*). The tax rate is 25 per cent. (plus a solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual Bondholder is subject to church tax, upon application a church tax surcharge will also be withheld.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal after deduction of expenses directly related to the disposal and the cost of acquisition) derived by an individual Bondholder, provided the Bonds have been held in a custodial account with the same Disbursing Agent since the time of their acquisition.

To the extent the Bonds have not been kept in a custodial account with the same Disbursing Agent since the time of acquisition, upon the disposal, redemption, repayment or assignment, withholding tax applies at a rate of between 26.375 per cent. (including solidarity surcharge) and 30 per cent. of the disposal proceeds, unless the current Disbursing Agent has been notified of the actual acquisition costs of the Bonds by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the EC Council Directive 2003/48/EC (*e.g.* Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may - subject to certain requirements and restrictions - deduct from the basis of the withholding tax negative investment income realised by the individual Bondholder via the Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct interest accrued on the Bonds or other securities (**Accrued Interest**, *Stückzinsen*) paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on capital income in a given year regarding securities held in the custodial account with the Disbursing Agent, to the extent such foreign withholding taxes cannot be reclaimed in the respective foreign country.

In addition, an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing jointly) applies to all investment income received in a given year. Upon the individual Bondholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the

Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Bondholder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal of Bonds held by a corporation as Bondholder while ongoing payments, such as interest payments under a coupon, are subject to withholding tax. The same exemption for capital gains applies where the Bonds form part of a trade or business, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual Bondholder deriving income from capital investments under the Bonds is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Bonds kept in custody abroad, the individual Bondholder must report his or her income and capital gains derived from the Bonds on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual Bondholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is disallowed.

Where Bonds form part of a trade or business or the income from the Bonds qualifies as income from the letting and leasing of property, the withholding tax, if any, will not settle personal or corporate income tax liability. Where Bonds form part of the property of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount (if such amount is fixed at the time of the acquisition) attributable to such year, as well as interest accrued, must be taken into account as interest income. The respective Bondholder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Bondholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Bondholder. Where Bonds form part of the property of a German trade or business, the income and proceeds from the disposal, redemption, repayment or assignment of the Bonds may also be subject to German trade tax.

Non-residents

Interest, including accrued interest, and capital gains are not subject to German taxation, unless (i) the Bonds form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Bondholder; or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation, as set forth in the preceding paragraph, and the Bonds are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. The withholding tax may be refunded, based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Bonds will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany, and such Bond is 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.

Other Taxes

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

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 BONDS. 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 BONDS CONSULT WITH THEIR LEGAL AND TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, HOLDING OR SALE OF THE BONDS. TAX RISKS RESULTING FROM THE BONDS SHALL IN ANY CASE BE BORNE BY THE PURCHASER.

SUBSCRIPTION AND SELLING RESTRICTIONS

The Managers will, subject to the terms of a Subscription Agreement (the "**Subscription Agreement**"), to be dated on or around January 20, 2009, agree severally, and not jointly, to subscribe or procure subscribers for the Bonds on a joint and several basis. The Issuer has agreed to reimburse the Managers in respect of certain of their costs and expenses. In addition, the Issuer has agreed to pay the Managers fees in an amount equal to 0.30 per cent. of the principal amount of the Bond and to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

United States

The Bonds have not been and will not be registered under 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 certain transactions exempt from the registration requirements of the Securities Act.

The Bonds are 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 of 1986 and regulations thereunder.

Each Manager has agreed that it will not offer, sell or deliver the Bonds (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

European Economic Area

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than the offers contemplated in this prospectus in Austria, Germany and Luxembourg, from the date falling one business day after the prospectus has been approved by the competent authority in Luxembourg, notified to the relevant competent authorities and published in accordance with the Prospectus Directive as implemented in Austria and Germany until the end of the Public Offer Period, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000; and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the

Prospectus Directive) subject to obtaining the prior consent of the Managers; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated 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 Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or any of the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Italy

The offering of the Bonds has not been registered with the Commissione Nazionale per le società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation. Accordingly, each Manager has represented and agreed that no Bonds may be offered, sold or delivered, nor may copies of the prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy in an offer to the public of financial products under the meaning of Article 1, paragraph 1, letter t) of Legislative Decree no. 58 of 24 February 1998 (the "**Consolidated Financial Services Act**"), unless an exemption applies. Accordingly, the Bonds shall only be offered, sold or delivered in the Republic of Italy:

(i) to qualified investors (investitori qualificati), pursuant to Article 100 of the Consolidated Financial Services Act and the implementing CONSOB regulation, as amended and restated from time to time; or

(ii) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover and subject to the foregoing, each Manager has represented and agreed that any offer, sale or delivery of the Bonds or distribution of copies of the prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Financial Services Act, CONSOB Regulation No. 16190 of 29th October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the "**Banking Act**"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

The prospectus and the information contained therein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in the Republic Italy for any reason. No person resident or located in the Republic of Italy other than the original recipients of the prospectus may rely on it or its contents.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on offers to the public applies under (i) and (ii) above, the subsequent distribution of the Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

General

Each Manager has agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes the prospectus and has undertaken that it will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries.

None of the Issuer, any of the Guarantors and any of the Managers has represented that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or has assumed any responsibility for facilitating any such sale.

TERMS AND CONDITIONS OF THE OFFER

The issue price for the Bonds is not yet fixed and is expected to range between 98.00% and 102.00% of the nominal value of the Bonds. The issue price of the Bonds will be calculated on basis of the interest rate, the tenor of the Bonds, the yield and the demand by institutional investors in the course of the book building process on or around January 20, 2009 and will then be filed with CSSF and published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The bookbuilding process serves the purpose of recording the demand for the Bonds of institutional investors. In the course of the bookbuilding process, the syndicate banks will accept within a limited period of time binding subscription orders from institutional investors, including yields, usually within a predetermined yield range. Subsequently, the syndicate banks will determine, in consultation with the Issuer, the interest rate (coupon) and the issue price at which the Bonds are issued. The interest rate will be calculated on the 7-year interest rate swap rate plus a premium, and is expected to range between 6.25 % and 7.25 % p.a.

The Offer is not subject to any conditions. The Issuer issues the Bonds in the total principal amount of up to EUR 750,000,000.00. The final total principal amount will be determined by the Issuer in the course of the book building procedure on or around January 20, 2009 and will then be filed with CSSF and published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Bonds will be offered by the Joint Bookrunners in the period starting from one business day after approval, notification and publication of the prospectus, which is expected to be on or around January 21, 2009, up to (and including) January 22, 2009 (the right to shorten such Public Offer Period has been reserved by the Joint Bookrunners). The Joint Bookrunners intend to re-offer the Bonds during the Public Offer Period to non-institutional investors at the issue price. In consideration for subscribing for the Bonds, the Joint Bookrunners will receive customary commissions. A public offer is intended to be made in

Austria, Germany and Luxembourg. Potential investors may place orders with the Joint Bookrunners or, in Austria only, other suitable banks or securities dealers. Each Joint Bookrunner reserves the right to reject orders from investors. The minimum order amount by investors corresponds to the minimum denomination of the Bonds which is EUR 1,000. For the Bonds no maximum order amount has been set. The Bonds will be delivered to investors who have been allocated Bonds and who have provided the respective funds required on the value date (which is expected to be the fifth banking day after the date on which the interest rate and the issue price have been determined). Delivery of the Bonds will be made by crediting the Bonds to the respective investors' accounts (such investors holding their bonds either directly or by means of a custodial relationship with an account holder of Euroclear and/or Clearstream, Luxembourg).

The results of the Offer will be filed with the CSSF and published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Investors will be informed about the number of Bonds allocated to them by the entities with which they have placed their orders. There are no pre-emption or subscription rights. Trading in the Bonds will commence after an approval for listing of the Bonds on the official list and to trading on the regulated market of the Luxembourg Stock Exchange is granted.

BNP Paribas Securities Services, Luxembourg Branch is appointed as Paying Agent for the Bonds.The terms of the offer do not provide for pre-emption or subscription rights.

Trading will commence on or around January 29, 2009, if an approval for listing of the Bonds on the official list and to trading on the regulated market of the Luxembourg Stock Exchange is granted.

GENERAL INFORMATION

Authorisation

The issue of the Bonds was duly authorised by a resolution of the Managing Directors of the Issuer dated January 19, 2009 and the issuing of the Guarantees will be duly authorised by a resolution of the Board of Directors of Telekom Austria dated on or around January 20, 2009 and TATA dated on or around January 20, 2009, respectively.

Listing and admission to trading

Application has been made for admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and admission of the Bonds to trading on the regulated market of the Luxembourg Stock Exchange. It is expected that the Bonds will be listed on the official list of the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange on or around January 29, 2009. The regulated market on the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Other bonds of the issuer are already admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0409318309 and the Common Code is 040931830.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

Save as disclosed on pages 36 and 43 of this prospectus, there has been no significant change in the financial or trading position of the Issuer, Telekom Austria, the Telekom Austria Group and TATA since September 30, 2008 and there has been no material adverse change in the financial position or prospects of the Issuer, Telekom Austria, the Telekom Austria Group and TATA since December 31, 2007.

Litigation

No legal or arbitration proceedings (including any such proceedings which are pending or threatened and of which the Group is aware), have, with regard to TFG, Telekom Austria or TATA, occurred during the previous 12 months which may have, or have had in the recent past, significant effects on TFG's, Telekom Austria's or TATA's financial position or profitability.

U.S. Tax

The Bonds and Coupons will contain 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 Sections 165(j) and 1287(a) of the Internal Revenue Code."

Managers transacting with the Issuer and each of the Guarantors

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantors and their affiliates in the ordinary course of business.

Costs of the offering and use of proceeds

The Issuer expects to incur total costs related to the offering of the Bonds in the amount of roughly EUR 2.6 million (based on a principal amount of EUR 750,000,000). The Issuer intends to use the net proceeds of the issue of the Bonds, being approximately EUR 747,400,000, (based on a principal amount of EUR 750,000,000) to finance the Group's acquisition activities and for general corporate purposes.

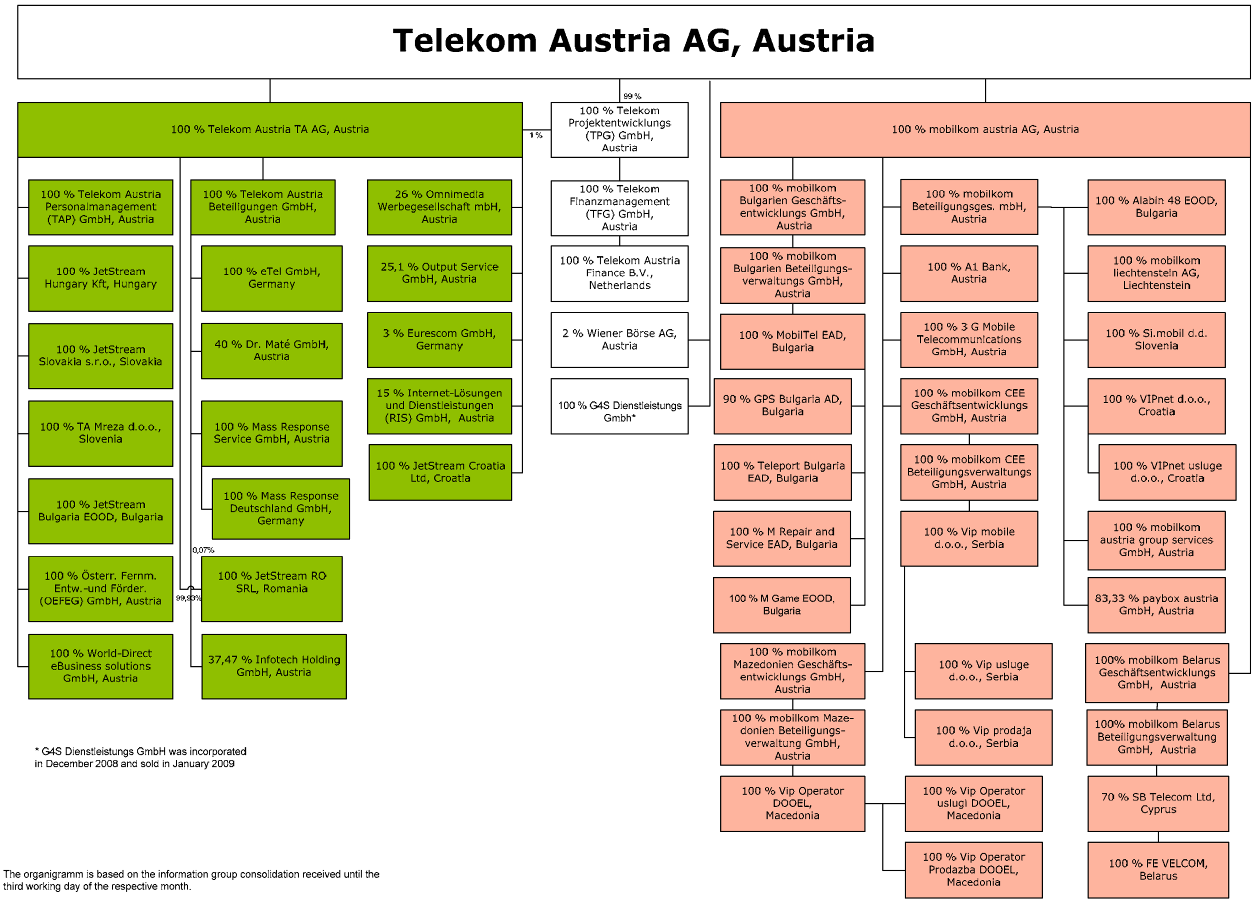
Yield of the Bonds

The yield of the Bonds will be published together with the issue price. The yield is calculated at the issue date of the Bonds on the basis of the issue price thereof. It is not an indication of future yield.

Intermediaries

Upon request, BNP Paribas, Erste Group Bank AG, The Royal Bank of Scotland plc, and UniCredit CAIB AG will quote bid and ask rates for the Bonds. There is no written agreement to this understanding.

THE TELEKOM AUSTRIA GROUP



* G4S Dienstleistungs GmbH was incorporated in December 2008 and sold in January 2009

The organigramm is based on the information group consolidation received until the third working day of the respective month.

As of December 31, 2008

TELEKOM AUSTRIA GROUP

STATEMENTS PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF APRIL 29, 2004

Telekom Finanzmanagement GmbH, as Issuer under this prospectus is responsible for the correctness of the information contained in this prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Telekom Finanzmanagement GmbH (as Issuer)

Telekom Austria Aktiengesellschaft is responsible for the correctness of the information contained in this prospectus to the extent that such information relates to it or the Bonds and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus and relating to it or the Bonds is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Telekom Austria Aktiengesellschaft (as Guarantor)

Telekom Austria TA Aktiengesellschaft is responsible for the correctness of the information contained in this prospectus to the extent that such information relates to it or the Bonds and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus and relating to it or the Bonds is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Telekom Austria TA Aktiengesellschaft (as Guarantor)

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