

TELEKOM AUSTRIA GROUP



Telekom Austria Aktiengesellschaft

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

Telekom Finanzmanagement GmbH

(incorporated as a limited liability company (*Gesellschaft mit beschränkter Haftung*) with limited liability under the laws of the Republic of Austria)

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

in respect of Notes (i) issued by Telekom Austria Aktiengesellschaft and (ii) issued by Telekom Finanzmanagement GmbH and unconditionally and irrevocably guaranteed by Telekom Austria Aktiengesellschaft

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

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

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

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

Each Series (as defined herein) of Notes will be in bearer form and represented on issue by a temporary global note in bearer

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

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

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

Arranger

The Royal Bank of Scotland

Dealers

**BAWAG P.S.K.
Erste Group Bank AG**

**BNP PARIBAS
Raiffeisen Bank International AG
UniCredit Bank Austria AG**

**Citigroup
The Royal Bank of Scotland**

The date of this Prospectus is April 9, 2013

IMPORTANT NOTICE

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

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

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

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

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

Neither the Arranger nor any Dealer nor any other person mentioned in this Prospectus, excluding the Responsible Persons, is responsible for the information contained in this Prospectus or any supplement thereto, or any Final Terms or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these

documents.

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

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

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

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

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

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES UNDER THE PROGRAMME, THE DEALER(S) WHO IS/ARE SPECIFIED IN THE RELEVANT FINAL TERMS AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON ITS/THEIR BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT SUCH DEALER(S) (OR ANY PERSON ACTING ON ITS/THEIR BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

ANY SUCH STABILISATION ACTION SO TAKEN WILL BE, IN ALL MATERIAL RESPECTS, PERMITTED BY OR OTHERWISE IN ACCORDANCE WITH ALL RELEVANT REQUIREMENTS APPLICABLE TO SUCH ACTIONS IN THE JURISDICTIONS WHERE SUCH ACTIONS ARE EFFECTED (INCLUDING RULES AND OTHER REGULATORY

REQUIREMENTS GOVERNING ANY STOCK EXCHANGE WHERE SUCH NOTES ARE LISTED). CERTAIN FIGURES INCLUDED IN THIS PROSPECTUS HAVE BEEN SUBJECT TO ROUNDING ADJUSTMENTS; ACCORDINGLY, FIGURES SHOWN FOR THE SAME CATEGORY PRESENTED IN DIFFERENT TABLES MAY VARY SLIGHTLY AND MAY NOT BE AN ARITHMETIC AGGREGATION FOR THE FIGURES THAT PRECEDED THEM.

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

RESPONSIBILITY STATEMENT

Each of Telekom Austria AG and TFG accepts responsibility for the information contained in this Prospectus, provided that TFG is not responsible for the “*DESCRIPTION OF TELEKOM AUSTRIA AG*” and the “*DESCRIPTION OF TELEKOM AUSTRIA*” contained in this Prospectus. To the best of the knowledge of each of Telekom Austria AG and TFG (which have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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SUMMARY OF THE PROGRAMME

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

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

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

Section A – Introduction and warnings

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

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

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

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

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

Each Dealer and/or each financial intermediary (each a “**Financial Intermediary**”) subsequently reselling or finally placing Notes is entitled to use the Prospectus for the subsequent resale or final placement of Notes in Luxembourg, Austria and Germany during the time period for which the offer is open, thus between [●] and [●], provided however, that (i) the Prospectus is still valid in accordance with Article 11 of the Luxembourg Act relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*) which implements Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 (as amended by Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010) and (ii) the Financial Intermediary is a credit institution licensed in accordance with Art 4 number 1 of Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006 to trade securities.

The Issuer may revoke or limit its consent at any time, whereby such revocation or limitation requires a supplement to the

Prospectus.

The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Any supplement to the Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Any Financial Intermediary using the Prospectus must (i) state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto and (ii) ensure that it complies with all applicable laws and regulations in force in the respective jurisdiction.

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

Section B – Telekom Austria AG as [Guarantor] [Issuer]

[B.19]

B.1 Legal and commercial name.. Telekom Austria Aktiengesellschaft, Telekom and A1

[B.19]

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

[B.19]

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

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

In Central, Eastern and South-Eastern Europe (“CESEE”), strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as in Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Particularly in Bulgaria and Croatia, competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal burdens affect operations in the CESEE region. With respect to foreign exchange markets

uncertainty remains.

[B.19]

B.5 Description of the group..... Telekom Austria AG is the ultimate parent company and holding company of Telekom Austria.

The business activities are placed in a large number of subsidiaries including project companies, with a high degree of integration in the management and business activities between the subsidiaries.

[B.19]

B.9 Profit forecast/estimate..... Not applicable. No forecasts or estimates are made public.

[B.19]

B.10 Qualifications in the audit report Not applicable. There are no qualifications in the audited financial reports for Telekom Austria AG.

[B.19]

B.12 Selected key financial information.....

	Year ended December 31,	
	2012	2011
	(audited, consolidated)	
	in million EUR	
Operating revenues.....	4,329.7	4,454.6
EBITDA comparable.....	1,455.4	1,527.3
EBITDA incl. effects from restructuring and impairment tests	1,420.8	1,044.7
Operating result.....	456.8	(7.6)
	As of December 31,	
	2012	2011
	(audited, consolidated)	
	in million EUR	
Total Assets	7,251.5	7,448.8
Current Assets	1,809.3	1,751.4
Non-Current Assets	5,442.3	5,697.4
Total Liabilities And Stockholders' Equity	(7,251.5)	(7,448.8)
Current liabilities.....	(2,322.1)	(2,412.0)
Non-Current liabilities.....	(4,093.3)	(4,153.7)
Stockholders' Equity	(836.1)	(883.1)

No material adverse change/ significant changes in financial or trading position.....

There has been no material adverse change in the prospects of Telekom Austria AG and Telekom Austria since December 31, 2012. There has been no significant change in the financial or trading position of Telekom Austria since December 31, 2012.

[B.19]

B.13 Recent events On February 2, 2012, Telekom Austria reached an agreement to acquire assets owned by Orange Austria comprising base stations, frequencies, the mobile operator YESSS! and certain intangible property rights for a total amount of up to EUR 390.0 million. After the approvals of the Austrian Cartel Court and the Austrian regulator were granted in November and December 2012, respectively, and Hutchison 3G Austria Holding completed its indirect acquisition of Orange Austria, the acquisition of YESSS! and of certain intangible property rights from Orange Austria was completed on January 3, 2013 (closing). The completion of the

acquisition of the other assets mentioned above is expected to follow gradually. Concerning the acquisition of frequencies, T-Mobile, which was not admitted as party in the approval procedure by the regulator, appealed against this decision to the Austrian supreme administrative court. The respective complaint is currently pending. Due to the acquisition, the combined market share of Telekom Austria in Austria rose to 45%.

On September 24, 2012, Telekom Austria AG announced that it will lower its dividend from EUR 0.38 to EUR 0.05 per share for the year 2012 and sets the planned dividend for the year 2013 to EUR 0.05

In February, 2013, Telekom Austria's Croatian subsidiary VIPnet d.o.o. acquired the Croatian satellite TV provider Digi TV, to expand its telephony, internet and cable TV service portfolio to include digital satellite TV solutions and position itself as full service provider on the Croatian TV market.

On April 4, 2013, the Supervisory Board of Telekom Austria AG unanimously agreed for Günther Ottensdorfer as further member of the Management Board. Mr. Ottensdorfer will hold the function of the Chief Technology Officer (CTO). The starting date of his function is not yet clear. The initial term of appointment as member of the Management Board will have a term of three years with an option for extension by another two years.

[B.19]

B.14 Dependency of the Telekom

Austria AG See B.5. Not applicable, as Telekom Austria AG is not dependent upon other entities within Telekom Austria.

[B.19]

B.15 Principal activities

Telekom Austria is a telecommunication provider. Its portfolio of fixed and mobile communication products and services covers many aspects of modern information and communication technologies, i.e. fixed and mobile voice telephony, fixed line and mobile broadband internet, multimedia services, IP- and cable TV, data and IT applications, wholesale and payment services.

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

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

primarily offers mobile voice and data communication services.

[B.19]

B.16 Ownership and Controlling

interest..... The following table shows the shareholder structure of the Telekom Austria AG:

OIAG (Republic of Austria)	28.42%
América Móvil (direct and indirect)	22.76% ⁽²⁾
Free float ⁽¹⁾	48.81%

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

(2) Participation according to the shareholder's notification made to Telekom Austria AG on June 12, 2012. Under Austrian law, the shareholder is obliged to adjust its notification only if a change in the shareholding leads to a participation reaching or exceeding 25% or reaching or going below 20%. According to the published results of the shareholder, it held 23.7% in Telekom Austria AG as of December 31, 2012.

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

[B.19]

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

[In case of a rating of the Notes, include: Rating of the Notes:

Moody's: [●]

Standard & Poor's: [●].]

B.18 Nature and scope of the Guarantee

Telekom Austria AG unconditionally, irrevocably and independently agrees in favour of each holder of Notes issued by TFG to pay amounts due under such Notes in the case of TFG's failure to perform to pay such amounts.

B.19 Summary Information

relating to the Guarantor Please see section B above in relation to Telekom Austria AG as Guarantor.

[Section B – Telekom Finanzmanagement GmbH as Issuer

B.1 Legal and commercial name . Telekom Finanzmanagement GmbH

B.2 Domicile, legal form, legislation, country of incorporation

Vienna, limited liability company (*Gesellschaft mit beschränkter Haftung*), Austrian law, Austria.

- B.4b Known trends Not Applicable. There are no particular trends indicated by the Issuer.
- B.5 Description of the group..... The Issuer is a group company of Telekom Austria. It is indirectly wholly owned by Telekom Austria AG.
- B.9 Profit forecast/estimate..... Not applicable. No forecasts or estimates are made public.
- B.10 Qualifications in the audit report Not applicable. There are no qualifications in the audited financial reports for TFG.
- B.12 Selected key financial information.....
- | | Year ended December 31, | |
|----------------------------------------------------|-------------------------|-------------|
| | 2012 | 2011 |
| (audited, unconsolidated) | | |
| in thousand EUR | | |
| Operating Result (<i>Betriebsergebnis</i>) | (10,537) | (4,562) |
| Total Assets..... | 4,684,935 | 5,188,194 |
| Liabilities | (4,672,968) | (5,179,533) |
| Stockholders' Equity | (2,791) | (1,931) |
- No material adverse change/ significant changes in financial or trading position..... There has been no material adverse change in the prospects of the Issuer since December 31, 2012. There has been no significant change in the financial or trading position of the Issuer since December 31, 2012.
- B.13 Recent events Not applicable. No recent events were to a material extent relevant to evaluate the solvency of the Issuer.
- B.14 Dependency of the Issuer..... See B.5. The Issuer is dependent on the performance of the members of Telekom Austria to which it makes loans.
- B.15 Principal activities..... TFG advises other companies of Telekom Austria in the investment and raising of funds and in the pooling of cash flows.
- B.16 Controlling interest over the Issuer Sole shareholder of the Issuer is Telekom Projektentwicklungs (TPG) GmbH. Shareholders of Telekom Projektentwicklungs (TPG) GmbH are Telekom Austria AG (99%) and A1 Telekom Austria AG, a wholly owned subsidiary of Telekom Austria AG (1%).
- Beneath Telekom Projektentwicklungs (TPG) GmbH as sole shareholder, Telekom Austria AG as the parent company of Telekom Austria may be able to significantly influence matters requiring shareholder approval.
- B.17 Ratings..... Not applicable. Currently there have been no credit ratings assigned to TFG.

[In case of a rating of the Notes, include: Rating of the Notes:

Moody's: [●]

Standard & Poor's: [●].]

B.18 Nature and scope of the Guarantee Not applicable. TFG does not grant a guarantee.

B.19 Summary Information relating to the Guarantor Not applicable. TFG does not grant a guarantee.]

Section C – Securities

C.1 Type and class, identification **Type and Class**

Unsubordinated Notes, issued as Series number [●], Tranche number [●]

Identification

ISIN: [●]

Common Code: [●]

[Other: [●]]

C.2 Currency The Notes are issued in [●].

C.5 Restrictions on free transferability Not applicable. The Notes are freely transferable.

C.8 Rights, ranking and limitations to the rights **Rights attached to the Notes**

Each holder of the Notes has the right to claim payment of interest and nominal from the Issuer when such payments are due as further described in element C.9 and such other rights described in this element C.8 and in element C.9.

Negative Pledge

The Terms and Conditions of the Notes contain a negative pledge provision.

[Guarantee

Telekom Austria AG has given its unconditional and irrevocable guarantee for the due payment of principal of, and interest on, and any other amounts expressed to be payable under the Notes.]

Events of Default

The Terms and Conditions of the Notes provide for events of default entitling Holders to demand immediate redemption of the Notes. Such events are, in particular, certain events of non-payment of principal or interest, breach of other obligations, cross default, insolvency, cessation of business, liquidation, initiation of insolvency proceedings and repudiation of obligations as well as

the case of TFG ceasing to be a (directly or indirectly) wholly owned and controlled subsidiary of Telekom Austria AG.

Cross Default

The Terms and Conditions of the Notes provide for cross default provisions.

[In case of a Change of Control provision insert: Change of Control

If any person or group, acting in concert, gains control over more than 50% of the voting shares of Telekom Austria AG and as a result certain rating downgrades take place within 90 days after such attainment of control (or such longer period as described in the Terms and Conditions), the holder of a Note has the right to require the Issuer to redeem or, at the option the Issuer, to repurchase that note at its principal amount, together with accrued interest.]

Ranking of the Notes (Status)

The obligations under the Notes constitute unsecured [(notwithstanding the guarantee in relation to Notes issued by TFG)] 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.

Limitations to the rights attached to the Notes

There are no limitations to the rights attached to the Notes.

C.9 Interest, due dates and redemption, yield, representation See also C.8.

Interest

[In case of notes with a fixed interest rate, include: The Notes bear interest at a fixed rate of [●]% per annum from and including [●] to but excluding [●]. Interest shall be payable [annually][semi-annually] in arrears on [●] of each year, first on [●].]

[In case of notes with a variable interest rate, include: The Notes bear interest on their principal amount at the Floating Interest Rate from and including [●] (the “**Issue Date**”). Interest will be payable [annually][semi-annually][quarterly] in arrears on each Floating Interest Payment Date, the first such payment to be made on [●] (the “**First Floating Interest Payment Date**”).

“**Floating Interest Payment Date**” means [●] in each year. Each period from and including the Issue Date to but excluding the First Floating Interest Payment Date and thereafter from and

including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a “**Floating Interest Period**”.

“**Floating Interest Rate**” for each Floating Interest Period will be either (i) the offered quotation or (ii) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears on the Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus the margin. If five or more of such offered quotations are available on the Screen Page, the highest and the lowest shall be disregarded for the purpose of determining the arithmetic mean of such offered quotations.

“**Reference Rate**” means [1-year EURIBOR][6-months EURIBOR][3-months EURIBOR][1-year LIBOR][6-months LIBOR][3-months LIBOR].

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

“**Margin**” means [●]% per annum. The margin shall be determined by the Issuer and each relevant dealer at the time of the issue in accordance with then prevailing market conditions.

“**Interest Determination Date**” means the second business day prior to the commencement of the relevant Floating Interest Period.]

[In case of zero coupon notes, include: The Notes do not bear interest.]

Due date

Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed on [●] at their redemption amount.

Redemption

[In case of no early redemption at the option of the Issuer or the Holders insert: The Notes cannot be redeemed prior to their stated maturity (except for taxation reasons or upon the occurrence of an event of default).]

*[In case of an early redemption at the option of the Issuer or the Holders insert: **Early Redemption***

Notes may be redeemed before their stated maturity for taxation reasons, upon the occurrence of an event of default and at the option of [the Issuer] [and] [at the option of the Holders].]

Redemption for Taxation Reasons

[Except as described in “Early Redemption” above,] [E][e]arly redemption will only be permitted if the Issuer [or the Guarantor] has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of Austria [or Germany]].

The redemption amounts shall be determined by the Issuer and each relevant dealer at the time of the issue in accordance with then prevailing market conditions.

Redemption at maturity

[In case of notes with a fixed interest rate or a variable interest rate, include: The Notes are redeemed at their maturity to a redemption amount corresponding to their principal amount.]

[In case of zero coupon notes, include: The amount payable in respect of any zero coupon note shall be the amortised face amount of such zero coupon note.

[In the case of accrued interest being added: The amortised face amount shall be an amount equal to the sum of:

- (a) ***[insert reference price]***, and
- (b) the product of ***[amortisation yield]*** (compounded annually) and the ***[reference price]*** from (and including) issue date to (but excluding) the date fixed for redemption].

[In the case of unaccrued interest being deducted: The amortised face amount of a zero coupon note shall be the principal amount thereof adjusted for interest from (and including) the maturity date to (but excluding) the date of final repayment by ***[amortised yield]%***].]

Repayment procedure

Payment of principal in respect of Notes shall be made through Clearstream Banking société anonyme, Luxembourg or Euroclear Bank S.A./N.V as the clearing systems.

[In case of notes with a fixed interest rate, include: Yield

The yield equals [**●**] % per annum.

Representation

The Terms and Conditions contain no provisions on the representation of the Noteholders. Under certain conditions, a trustee (*Kurator*) may be appointed to represent the Noteholders before the courts in accordance with Austrian Bond Trustee Act Gazette RGBI 1874/49, as amended.

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

The interest rate of Notes with variable interest rates is determined on the reference rate which in turn is calculated on the basis of the EURIBOR or LIBOR. These are daily reference rate based on the averaged interest rates at which leading banks are prepared to lend unsecured funds to other banks. An increase in EURIBOR or LIBOR leads to higher interest rates, a decrease to lower interest rates.

C.11 Admission to trading [Application has been made to admit Notes to be issued under the Programme to trading on [the regulated market of the Luxembourg Stock Exchange] [and] [the Second Regulated Market (*Geregelter Freiverkehr*) of the Vienna Stock Exchange.]

[Not applicable. The Issuer does not intend to make any application for the Notes to be admitted to trading on any stock exchange.]

Section D – Risks

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

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

Risks relating to Telekom Austria's business

- Telekom Austria may realise neither the expected level of demand for its products and services, nor the expected level or timing of revenues generated by those products and services, as a result of technological change and lack of market acceptance, which could adversely affect Telekom Austria's cash flows.
- As a result of Telekom Austria's high number of civil servants and protected employees in Austria, it is limited in its ability to adjust its operating expenses according to the changing market environment.
- The risk relating to system failures due to natural or human failure and the technological dependency on third parties may have an impact on Telekom Austria's reputation and the rate of customer satisfaction.
- Technological change could increase competition, render existing technologies obsolete or require Telekom Austria to

make substantial additional investments.

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

Regulatory, legal and compliance risks

- Regulatory decisions and changes in the regulatory environment could adversely affect Telekom Austria's

business.

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

Country risk factors regarding Telekom Austria

- The legal systems, economies, social and other circumstances in Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia (the "**Operating Region**") are in different stages of the process of transformation towards EU standards.
- Emerging markets in the Operating Region are subject to greater risks than more developed markets.
- Telekom Austria faces intense competition in the telecommunication markets in Austria and the Operating Region, which could lead to reduced prices for its products and services and a decrease in market share in certain service areas, thereby adversely affecting Telekom Austria's revenues and net profit.
- Economic instability in the Operating Region may adversely affect Telekom Austria's business and operations.
- Political instability in the Operating Region may adversely affect Telekom Austria's business and operations.
- Telekom Austria could become subject to the risk of expropriation and nationalization in countries of the Operating Region.
- Instability of Belarusian, Bulgarian, Croatian, Macedonian and Serbian currencies may adversely affect Telekom Austria's earnings.
- Changes in the relationships between countries of the Operating Region and western governments and institutions may affect Telekom Austria's business.
- Relationships upon which countries in the Operating Region depend for their economic growth may deteriorate and thus

affect Telekom Austria's business.

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

[D.2 Key risks specific to TFG.....

- TFG is dependant on Telekom Austria's performance.
- Investors benefit from the Guarantee of Telekom Austria AG for Notes issued by TFG only insofar as provided in and to the extent Telekom Austria AG is able to meet its obligations under the Guarantee.]

D.3 Key risks specific to the Notes

General Risk Factors regarding the Notes

- The Notes may not be a suitable investment for all investors.
- Noteholders are exposed to the risk of partial or total failure of the Issuer to make interest and/or redemption payments under the Notes (and of the Guarantor to make payments under the Guarantee) (Credit Risk).
- Investors in the Notes assume the risk that the credit spread of the Issuer and in case the Issuer is not Telekom Austria AG, the Guarantor also, changes (Credit Spread Risk).

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

investors.

Risk Factors associated with the Structure and/or certain characteristics of the Notes

- A Noteholder of a fixed rate note is exposed to the risk that the price of such note falls as a result of changes in the market interest rate.
- A Noteholder of a floating rate note is exposed to the risk of fluctuating interest rate levels and uncertain interest income.
- Zero coupon notes do not pay current interest but are typically issued at a discount from their nominal value. Prices of zero coupon notes are more volatile than prices of fixed rate notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

Section E – Offer

E.2b Reasons for the offer and use of proceeds.....	The Issuer makes the offer and intends to use the net proceeds of the issue of the Notes for [general corporate purposes/[●]].
E.3 Terms and conditions of the offer	[issue price] [minimum denomination] [The subscription period is from [●] to [●]. [The subscription period may be extended or shortened.]] [method of notification] [other terms and conditions of the offer are [●]]
E.4 Material Interest	[●]
E.7 Costs for holders.....	[Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes.]/[●]

GERMAN TRANSLATION OF THE SUMMARY

ZUSAMMENFASSUNG

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

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

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

Abschnitt A - Einleitung und Warnhinweise

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

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

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

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

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

Jeder Dealer und/oder jeder weitere Finanzintermediär (jeweils ein „**Finanzintermediär**“), der die Schuldverschreibungen nachfolgend weiter verkauft oder endgültig platziert, ist berechtigt, den Prospekt für den späteren Weiterverkauf oder die endgültige Platzierung der Schuldverschreibungen in Luxemburg, Österreich und Deutschland während des Zeitraums in dem das Angebot geöffnet ist, somit zwischen [●] und [●], zu verwenden, vorausgesetzt, dass (i) der Prospekt in Übereinstimmung mit Artikel 11 des Luxemburger Wertpapierprospektgesetzes (*Loi relative aux prospectus pour valeurs mobilières*), welches die Richtlinie 2003/71/EG des Europäischen Parlaments und des Rates vom 4. November 2003 (geändert durch Richtlinie 2010/73/EU des Europäischen Parlaments und des Rates vom 24. November 2010) umsetzt, noch gültig ist und (ii) der

Finanzintermediär ein gemäß Art 4 Nummer 1 der Richtlinie 2006/48/EG des Europäischen Parlaments und des Rates vom 14. Juni 2006 zum Handel mit Wertpapieren zugelassenes Kreditinstitut ist.

Die Emittentin kann die Zustimmung jederzeit einschränken oder widerrufen, wobei der Widerruf oder die Einschränkung der Zustimmung eines Nachtrags zum Prospekt bedarf.

Der Prospekt darf potentiellen Investoren nur zusammen mit sämtlichen bis zur Übergabe veröffentlichten Nachträgen übergeben werden. Jeder Nachtrag zum Prospekt kann in elektronischer Form auf der Internetseite der Wertpapierbörse Luxemburg (www.bourse.lu) eingesehen werden.

Finanzintermediäre können den Prospekt während der Angebotsfrist für die spätere Weiterveräußerung oder endgültige Platzierung der Schuldverschreibungen in Österreich und Deutschland verwenden.

Jeder Finanzintermediär, der diesen Prospekt verwendet, muss (i) auf seiner Website bestätigen, dass er diesen Prospekt in Übereinstimmung mit der Zustimmung und den ihr beigefügten Bedingungen verwendet und (ii) sicherstellen, dass er alle anwendbaren, in den jeweiligen Jurisdiktionen geltenden Gesetze und Rechtsvorschriften beachtet.

Falls ein Angebot durch einen Finanzintermediär erfolgt, wird dieser Finanzintermediär den Anlegern Informationen über die Bedingungen des Angebots zum Zeitpunkt der Vorlage des Angebots zur Verfügung stellen.

Abschnitt B – Telekom Austria AG als [Emittentin] [Garantin]

[B.19]

B.1 Gesetzliche und kommerzielle Bezeichnung... Telekom Austria Aktiengesellschaft, Telekom und A1

[B.19]

B.2 Sitz, Rechtsform, Recht, Land der Gründung Wien, Aktiengesellschaft, österreichisches Recht, Österreich.

[B.19]

B.4b Bekannte Trends..... Die Telekom Austria befindet sich sowohl im Festnetz- als auch im Mobilkommunikationsmarkt in einem stark vom Wettbewerb geprägten Umfeld, wobei sich in fast allen Segmenten der Telekom Austria negative Preisentwicklungen abzeichnen. Sowohl die heimischen als auch die internationalen Geschäftstätigkeiten werden durch Regulierungsmaßnahmen – insbesondere in Bezug auf mobile Terminierungsentgelte und Roaming-Tarife – negativ beeinflusst.

Der Telekommunikationsmarkt in Österreich ist weiterhin durch einen intensiven Wettbewerb und die anhaltende Substitution der Festnetz-Sprachtelefonie durch die Mobilkommunikation gekennzeichnet. Das Wettbewerbsumfeld auf dem Mobilfunkmarkt verschärfte sich deutlich und es liegen für die absehbare

Zukunft kaum Anzeichen einer Veränderung vor. Dies führte im gesamten Jahr 2012 zu einem deutlichen Rückgang des Preisniveaus sowohl für Paket- als auch Datentarife. Auf dem Festnetzmarkt liegt eine wesentliche Herausforderung weiterhin im anhaltenden Rückgang von Festnetz-Sprachminuten aufgrund der Substitution der Festnetz-Sprachtelefonie durch die Mobilkommunikation.

In Zentral-, Ost- und Südosteuropa („CESEE“) wirken sich die starken makroökonomischen Gegenwinde und ein intensiver Wettbewerb nach wie vor auf die Geschäfte in Bulgarien und in Kroatien aus und beeinflussen zunehmend die Märkte in Slowenien, der Republik Serbien und der Republik Mazedonien. Vor allem in Bulgarien und Kroatien ist der Wettbewerb im Hinblick auf die Preisgestaltung und Komplettpakete auf den Mobilfunkmärkten sowie bei konvergenten Produktbündeln weiterhin intensiv. Darüber hinaus werden die Geschäfte in CESEE durch regulatorische und steuerliche Belastungen beeinträchtigt. Auf den Devisenmärkten hält die Unsicherheit weiterhin an.

[B.19]

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

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

[B.19]

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

[B.19]

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

[B.19]

B.12 Ausgewählte wesentliche Finanzinformationen

	Geschäftsjahr	
	2012	2011
	(geprüft, konsolidiert)	
	in Millionen EUR	
Umsatzerlöse	4.329,7	4.454,6
EBITDA bereinigt	1.455,4	1.527,3
EBITDA inkl. Effekte aus Restrukturierung und Werthaltigkeitsprüfung.....	1.420,8	1.044,7
Betriebsergebnis	456,8	(7,6)
	Geschäftsjahr zum 31. Dezember	
	2012	2011
	(geprüft, konsolidiert)	
	in Millionen EUR	
Aktiva	7.251,5	7.448,8
Kurzfristige Aktiva.....	1.809,3	1.751,4
Langfristige Aktiva.....	5.442,3	5.697,4
Passiva	(7.251,5)	(7.448,8)

Kurzfristige Verbindlichkeiten	(2.322,1)	(2.412,0)
Langfristige Verbindlichkeiten.....	(4.093,3)	(4.153,7)
Eigenkapital.....	(836,1)	(883,1)

Keine wesentliche Verschlechterung der Aussichten/ Wesentliche Veränderungen der Finanzlage oder Handelsposition.....

Seit 31. Dezember 2012 haben sich die Aussichten der Telekom Austria AG und Telekom Austria nicht wesentlich verschlechtert. Es gab seit 31. Dezember 2012 keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der Telekom Austria.

[B.19]

B.13 Jüngste Ereignisse Am 2. Februar 2012 hat die Telekom Austria eine Vereinbarung über den Kauf von Vermögen von Orange Austria zu einem Gesamtkaufpreis von bis zu EUR 390.0 Millionen erzielt, darunter Basisstationen, Frequenzen, der Mobilfunkanbieter YESSS! und bestimmte immaterielle Vermögensgegenstände. Nachdem die Genehmigung durch das österreichische Kartellgericht und den österreichischen Regulator im November bzw. Dezember 2012 erteilt worden sind, und Hutchison 3G Austria Holding ihren indirekten Kauf von Orange Austria abgeschlossen hat, wurden der Kauf von YESSS! und verschiedener immaterieller Vermögensgegenständen von Orange Austria am 3. Jänner 2013 abgeschlossen (Closing). Es wird erwartet, dass das Closing des Kaufs der anderen, oben beschriebenen Gegenstände schrittweise folgt. Betreffend den Kauf von Frequenzen hat T-Mobile, welche vom Regulator nicht als Partei im Genehmigungsverfahren zugelassen wurde, gegen dessen Entscheidung vor dem Verwaltungsgerichtshof Beschwerde eingelegt. Die diesbezüglich Beschwerde ist derzeit anhängig. Durch den Kauf ist der kombinierte Marktanteil der Telekom Austria in Österreich auf 45% gestiegen.

Am 24. September 2012 hat die Telekom Austria AG bekannt gegeben, dass sie ihre Dividende für das Jahr 2012 von EUR 0,38 auf 0,05 pro Aktie senken will und für 2013 eine Dividende von 0,05 pro Aktie in Aussicht gestellt.

Im Februar 2013 hat die kroatische Tochtergesellschaft der Telekom Austria, VIPnet d.o.o. den kroatischen SAT-TV-Betreiber Digi TV zur Erweiterung der bestehenden Telefon-, Internet- und Kabel-TV-Dienste mit digitalen SAT-TV-Lösungen übernommen, um Komplettanbieter am kroatischen Fernsehmarkt zu werden.

Am 4. April 2013 hat sich der Aufsichtsrat der Telekom Austria AG einstimmig auf Günther Ottensdorfer als weiteres Mitglied des Vorstands geeinigt. Herr Ottensdorfer wird die Position des Chief Technology Officer (CTO) innehaben; der genaue Tag des Beginns seiner Funktion ist noch nicht klar. Die erstmalige Bestellung zum Vorstandsmitglied wird für die Dauer von drei

Jahre mit Option auf Verlängerung um zwei Jahre erfolgen.

[B.19]

B.14 Abhängigkeit der Telekom

Austria AG Siehe B.5

Entfällt, weil die Telekom Austria AG nicht von anderen Unternehmen der Telekom Austria abhängig ist.

[B.19]

B.15 Haupttätigkeiten Die Telekom Austria ist ein Telekommunikationsanbieter. Das Produktportfolio der Telekom Austria an Festnetz- und Mobilkommunikationsprodukten und -dienstleistungen umfasst viele Aspekte moderner Informations- und Kommunikationstechnologien, das heißt Festnetz-Sprachtelefonie und Mobilkommunikation, Breitband-Internet in Festnetz und Mobilfunk, Multimedia-Dienste, IPTV und Kabelfernsehen, Daten- und IT-Anwendungen, Großkunden-Angebote und elektronische Zahlungsdienste.

Als Telekom Austria AG als Tochtergesellschaft der Telekom Austria ist ein voll integrierter Festnetz- und Mobilfunkanbieter, der Privat- und Firmenkunden die gesamte Produktpalette anbietet. Der Fokus liegt bei konvergenten Produktbündeln, inklusive mobilen und Festnetzsprachminuten, mobilem und Festnetz-Internet sowie IPTV.

Die lokale Konzerngesellschaft der Telekom Austria in Bulgarien, MobilTel EAD, bietet Festnetz- und Mobilfunk-Sprach- und Datenkommunikationsdienste für Privat- und Geschäftskunden, high-speed Internet und IPTV an. Die lokale Konzerngesellschaft der Telekom Austria in Kroatien, VIPnet d.o.o. bietet Festnetz- und Mobilfunk-Sprach- und Datenkommunikationsdienste für Privat- und Geschäftskunden, high-speed Internet und Kabel-TV an. Die lokale Konzerngesellschaft der Telekom Austria in Weißrussland, FE VELCOM bietet Mobilfunk- und Datenkommunikationsdienste sowie Mehrwertdienste an. In Slowenien, Serbien, Mazedonien und Liechtenstein bietet die Telekom Austria überwiegend Mobilfunk- und Datenkommunikationsdienste an.

[B.19]

B.16 Beteiligungen und

Beherrschungsverhältnisse.... Die folgende Tabelle zeigt die Aktionärsstruktur der Telekom Austria AG:

ÖIAG (Republik Österreich)	28,42%
América Móvil (direkt und indirekt)	22,76% ⁽²⁾
Streubesitz ⁽¹⁾	48,81%

(1) Der Streubesitz enthält Mitarbeiteraktien und eigene Aktien.

(2) Beteiligung entsprechend der Beteiligungsmeldung des Aktionärs an die Telekom Austria AG vom 12. Juni 2012. Nach österreichischem Recht ist ein Aktionär nur dann zur Änderung seiner Beteiligungsmeldung verpflichtet, wenn eine Änderung seines Aktienbesitzes zu einer Beteiligung von 25% oder mehr

oder von 20% oder weniger führt. Nach den vom Aktionär veröffentlichten Ergebnissen hat er zum 31. Dezember 2012 23,7% an der Telekom Austria AG gehalten.

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

[B.19]

B.17 Ratings..... Die Telekom Austria AG hält von Moody's ein langfristiges Emittenten-Rating von Baa1 mit negativem Ausblick und von Standard & Poor's von BBB mit stabilem Ausblick.

[Falls die Schuldverschreibungen über ein Rating verfügen, einfügen: Rating der Schuldverschreibungen:

Moody's: [●]

Standard & Poor's: [●.]

B.18 Art und Umfang der Garantie.....

Für den Fall, dass TFG es verabsäumt, Beträge die unter von dieser emittierten Schuldverschreibungen fällig sind, zu bezahlen, sichert Telekom Austria AG unbedingt, unwiderruflich und unabhängig zugunsten der Schuldverschreibungsinhaber zu, ihnen solche Beträge zu bezahlen.

B.19 Zusammenfassende Angaben zum

Garantiegeber Betreffend Angaben zur Telekom Austria AG als Garantin siehe vorstehende Angaben unter B.

[Abschnitt B – Telekom Finanzmanagement GmbH als Emittentin

B.1 Gesetzliche und kommerzielle Bezeichnung... Telekom Finanzmanagement GmbH

B.2 Sitz, Rechtsform, Recht, Land der Gründung Wien, Gesellschaft mit beschränkter Haftung, österreichisches Recht, Österreich.

B.4b Bekannte Trends..... Nicht anwendbar. Die Emittentin gibt keine besonderen Trends bekannt.

B.5 Beschreibung der Gruppe..... Die Emittentin ist eine Konzerngesellschaft der Telekom Austria. Sie steht im indirekten Alleineigentum der Telekom Austria AG.

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

B.10 Beschränkungen im Bestätigungsvermerk..... Entfällt. Für die geprüften Jahresabschlüsse der Telekom Finanzmanagement GmbH wurden uneingeschränkte

Bestätigungsvermerke erteilt.

B.12 Ausgewählte wesentliche
Finanzinformationen

	Geschäftsjahr	
	2012	2011
	(geprüft, unkonsolidiert)	
	in tausend EUR	
Betriebsergebnis.....	(10.537)	(4.562)
Bilanzsumme.....	4.684.935	5.188.194
Verbindlichkeiten.....	(4.672.968)	(5.179.533)
Eigenkapital.....	(2.791)	(1.931)

Keine wesentliche
Verschlechterung der
Aussichten/ Wesentliche
Veränderungen der
Finanzlage oder

Handelsposition..... Seit 31. Dezember 2012 haben sich die Aussichten der Emittentin nicht wesentlich verschlechtert. Es gab seit 31. Dezember 2012 keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der Emittentin.

B.13 Jüngste Ereignisse Entfällt. Keine jüngsten Ereignisse waren für die Zahlungsfähigkeit der Emittentin in wesentlichem Maße relevant.

B.14 Abhängigkeit der
Emittentin Siehe B.5

Die Emittentin ist von der Performance der Mitglieder der Telekom Austria abhängig, denen sie Darlehen gewährt.

B.15 Haupttätigkeiten TFG berät andere Unternehmen der Telekom Austria bei Investments und Aufnahme von Geldmittel und beim Cash-Pooling.

B.16 Beteiligungen und
Beherrschungsverhältnisse Alleingesellschafterin der Emittentin ist die Telekom Projektentwicklungs (TPG) GmbH. Gesellschafterinnen der Telekom Projektentwicklungs (TPG) GmbH sind Telekom Austria AG (99%) und A1 Telekom Austria AG, eine in deren Alleineigentum stehende Tochtergesellschaft der Telekom Austria AG (1%).

Neben der Telekom Projektentwicklungs (TPG) GmbH als Alleingesellschafterin könnte die Telekom Austria AG als Konzernobergesellschaft der Telekom Austria wesentlichen Einfluss auf Angelegenheiten ausüben, die der Zustimmung der Gesellschafter bedürfen.

B.17 Ratings..... Nicht anwendbar. Die Emittentin hat keine Ratings erhalten.

[Falls die Schuldverschreibungen über ein Rating verfügen, einfügen: Rating der Schuldverschreibungen:

Moody's: [●]

Standard & Poor's: [●].]

B.18 Art und Umfang der

Garantie..... Nicht anwendbar. Die Emittentin gewährt keine Garantie.

B.19 Zusammenfassende
Angaben zum
Garantiegeber Nicht anwendbar. Die Emittentin gewährt keine Garantie.]

Abschnitt C – Wertpapiere

C.1 Gattung und Art,
Wertpapierkennung **Gattung und Art**

Nicht nachrangige Schuldverschreibungen, emittiert als Serie
Nummer [●], Tranche Nummer [●]

Wertpapierkennung

ISIN: [●]

Common Code: [●]

[Sonstige: [●]]

C.2 Währung..... Die Schuldverschreibungen sind in [●] begeben.

C.5 Beschränkungen der freien
Übertragbarkeit..... Entfällt. Die Schuldverschreibungen sind frei übertragbar.

C.8 Rechte, Rangordnung,
Einschränkung der Rechte.... **Rechte, die mit den Schuldverschreibungen verbunden sind**

Jeder Inhaber von Schuldverschreibungen hat aus ihnen das
Recht, Zahlungen von Zinsen und Kapital von der Emittentin zu
verlangen, wenn diese Zahlungen fällig sind, wie in Element C.9
näher beschrieben, und solche anderen Rechte wie in diesem
Element C.8 und Element C.9 beschrieben.

Negativklärung

Die Bedingungen der Schuldverschreibungen enthalten eine
Negativverpflichtung.

[Garantie

Die Telekom Austria AG garantiert pünktliche Zahlung von
Zinsen und Nennbetrag sowie von etwaigen zusätzlichen
Beträgen, die unter den Schuldverschreibungen zu zahlen sind.]

Kündigungsgründe

Die Anleihebedingungen der Schuldverschreibungen sehen
Kündigungsgründe vor, die die Gläubiger berechtigen, die
unverzügliche Rückzahlung der Schuldverschreibungen zu
verlangen. Solche Gründe sind insbesondere bestimmte Fälle von
Nichtzahlung von Rückzahlungsbeträgen oder Zinsen, Verletzung
sonstiger Verpflichtungen, Cross-Default, Insolvenz, Einstellung
des Geschäftsbetriebs, Liquidation, Eröffnung von Insolvenz-

verfahren und Nichtanerkennung von Verpflichtungen sowie der Fall, dass die TFG nicht länger im (direkten oder indirekten) Alleineigentum der Telekom Austria AG ist.

Cross-Default

Die Anleihebedingungen der Schuldverschreibungen enthalten eine Cross-Default-Bestimmung.

[Im Falle einer Bestimmung zu Kontrollwechseln, einfügen: Kontrollwechsel]

Wenn eine Person oder eine gemeinsam vorgehende Gruppe die Kontrolle über mehr als 50% der stimmberechtigten Aktien der Telekom Austria AG erlangt und als Ergebnis binnen 90 Tagen nach dieser Kontrollerlangung (oder einer längeren, in den Anleihebedingungen beschriebenen Periode) bestimmte Rating-Herabstufungen erfolgen, hat der Inhaber einer jeden Schuldverschreibung das Recht, von der Emittentin die Rückzahlung oder, nach Wahl der Emittentin, den Rückkauf dieser Schuldverschreibung zum Nennwert zuzüglich aufgelaufener Zinsen zu verlangen.]

Rang der Schuldverschreibungen (Status)

Die Schuldverschreibungen stellen [(unbeschadet der Garantie für von der TFG begebene Schuldverschreibungen)] ungesicherte, nicht nachrangige Verbindlichkeiten der Emittentin dar, die untereinander und mit allen anderen ungesicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende Bestimmungen ein Vorrang eingeräumt wird.

Einschränkung der Rechte

Die mit den Schuldverschreibungen verbundenen Rechte unterliegen keinen Einschränkungen.

C.9 Zinssatz, Fälligkeitstermine und Rückzahlung, Rendite, Vertretung See also C.8.

Zinsen

[Falls festverzinsliche Schuldverschreibungen, einfügen:

Die Schuldverschreibungen berechtigen von [●] (einschließlich) bis [●] (ausschließlich) zu Zinszahlungen zu einem fixen Zinssatz von [●]% pro Jahr. Die Zinsen sind [jährlich][halbjährlich] im Nachhinein am [●] eines jeden Jahres zahlbar, erstmals am [●].

[Falls variabel verzinsliche Schuldverschreibungen, einfügen:

Die Schuldverschreibungen berechtigen zu Zinszahlungen von ihrem Nennwert in Höhe des Variablen Zinssatzes von [●] (der „Ausgabebetag“). Die Zinsen sind

[jährlich][halbjährlich][vierteljährlich] im Nachhinein an jedem Variablen Zinszahlungstag zahlbar, wobei die erste solche Zahlung am [●] zu leisten ist (der „**Erste Variable Zinszahlungstag**“).

„**Variabler Zinszahlungstag**“ bedeutet [●] jeden Jahres. Jeder Zeitraum vom Ausgabetag (einschließlich) bis zum Ersten Variablen Zinszahlungstag (ausschließlich) and danach von jedem Variablen Zinszahlungstag (einschließlich) bis zum folgenden Variablen Zinszahlungstag (ausschließlich) eine „**Variable Zinsperiode**“.

„**Variabler Zinssatz**“ für jede Zinsperiode wird entweder (i) der Angebotssatz oder (ii) das arithmetische Mittel der Angebotssätze (ausgedrückt als Prozentsatz pro Jahr) für den Referenzzinssatz, der am jeweiligen Zinsfestlegungstag um 11:00 Uhr (Londoner Zeit im Falle des LIBOR oder Brüsseler Zeit im Falle des EURIBOR) auf der Bildschirmseite angezeigt wird, zuzüglich der Marge. Wenn mehr als fünf Angebotssätze auf der Bildschirmseite verfügbar sind, werden der höchste und der niedrigste für die Berechnung des arithmetischen Mittels der Angebotssätze nicht berücksichtigt.

„**Referenzzinssatz**“ bedeutet [1-Jahres EURIBOR][6-Monats EURIBOR][3-Monats EURIBOR][1-Jahr LIBOR][6-Monats LIBOR][3-Monats LIBOR].

„**Bildschirmseite**“ bedeutet [●] am Reuters-Bildschirm oder eine solche andere Bildschirmseite von Reuters oder eines solchen anderen Informationsservices, welches zum Zweck der Anzeige derartiger Zinssätze als Nachfolger der Bildschirmseite festgelegt wurde.

„**Marge**“ bedeutet [●]% pro Jahr. Die Marge wird von der Emittentin und dem jeweiligen Dealer zur Zeit der Emission entsprechend den dann bestehenden Marktbedingungen festgelegt.

„**Zinsfestlegungstag**“ bedeutet der zweite Geschäftstag vor Beginn der jeweiligen Variablen Zinsperiode.]

[Falls Nullkupon-Schuldverschreibungen, einfügen: Die Schuldverschreibungen sind zinsfrei.]

Fälligkeitstag

Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am [●] zurückgezahlt.

Rückzahlung

[Falls keine vorzeitige Rückzahlung nach Wahl der Emittentin oder der Gläubiger, einfügen: Die Schuldverschreibungen sind nicht vor Ablauf ihrer festgelegten Laufzeit (außer aus steuerlichen Gründen oder bei Eintritt eines

Kündigungsereignisses) rückzahlbar.]

[Falls eine vorzeitige Rückzahlung nach Wahl der Emittentin oder der Gläubiger, einfügen: Vorzeitige Rückzahlung

Die Schuldverschreibungen sind vor Ablauf ihrer festgelegten Laufzeit nach Wahl [der Emittentin] [und] [der Gläubiger] aus steuerlichen Gründen oder bei Eintritt eines Kündigungsereignisses rückzahlbar.]

Rückzahlung aus Steuergründen

[Außer in dem oben beschriebenen Fall der „Vorzeitigen Rückzahlung“] ist eine vorzeitige Rückzahlung der Schuldverschreibungen aus steuerlichen Gründen nur zulässig, falls die Emittentin [oder die Garantin] zur Zahlung zusätzlicher Beträge auf die Schuldverschreibungen als Folge einer Änderung der österreichischen [oder deutschen] Steuergesetze verpflichtet ist.

Die Rückzahlungsbeträge werden von der Emittentin und dem jeweiligen Dealer zur Zeit der Emission entsprechend den dann bestehenden Marktbedingungen festgelegt.

Rückzahlung bei Fälligkeit

[Falls festverzinsliche oder variabel verzinsliche Schuldverschreibungen, einfügen: Die Schuldverschreibungen werden bei ihrer Fälligkeit zu einem ihrem Nennwert entsprechenden Rückzahlungsbetrag zurückgezahlt.]

[Falls Nullkupon-Schuldverschreibungen, einfügen: Der im Hinblick auf Nullkupon-Schuldverschreibungen zahlbare Betrag ist der amortisierte Nennbetrag dieser Nullkupon-Schuldverschreibung.

[Falls aufgelaufene Zinsen addiert werden: Der amortisierte Nennbetrag ist ein Betrag, welcher der folgenden Summe entspricht:

- (a) **[Referenzpreis einfügen]**, plus
- (b) das Produkt von **[Amortisierungsertrag]** (jährlich errechnet) und der **[Referenzpreis]** vom Ausgabetag (einschließlich) bis zum für die Rückzahlung festgelegten Tag (ausschließlich)].

[Falls nicht aufgelaufene Zinsen abgezogen werden: Der amortisierte Rückzahlungsbetrag einer Nullkupon-Schuldverschreibung ist deren Nennwert, angepasst um Zinsen vom Fälligkeitstag (einschließlich) bis zum endgültigen Rückzahlungstag (ausschließlich) von **[Amortisierungsertrag].]%**

Rückzahlungsprozedere

Rückzahlungen in Bezug auf die Schuldverschreibungen werden über Clearstream Banking société anonyme, Luxemburg, oder

Euroclear Bank S.A./N.V als die Clearing-Systeme getätigt.

**[Falls fest verzinsliche Schuldverschreibungen, einfügen:
Rendite**

Die Rendite entspricht [●]% per annum.

Vertretung:

Die Anleihebedingungen enthalten keine Bestimmungen zur Vertretung von Anleihegläubigern. Unter bestimmten Umständen könnte jedoch ein gemeinsamer Vertreter (*Kurator*) nach dem Kuratorengesetz RGBI 1874/49, in der geltenden Fassung, zur Vertretung von Anleihegläubigern vor Gericht bestellt werden.

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

Der Zinssatz von Schuldverschreibungen mit variabler Verzinsung wird anhand des Referenzzinssatzes bestimmt, der wiederum auf dem EURIBOR oder dem LIBOR basiert. Diese sind tägliche Referenzzinssätze, die auf dem durchschnittlichen Zinssatz beruhen, zu dem führende Banken bereit sind, anderen Banken unbesichert Gelder zu leihen. Ein Anstieg des EURIBOR oder des LIBOR führt zu höheren Zinssätzen, ein Rückgang zu niedrigeren Zinssätzen.

C.11 Zulassung zum Handel [Für die unter dem Programm begebenen Schuldverschreibungen ist ein Antrag auf Zulassung zum Börsenhandel [im regulierten Markt der Luxemburger Wertpapierbörse] [und] [im Reglementierten Freiverkehr der Wiener Börse] gestellt worden.]

[Entfällt. Die Emittentin beabsichtigt nicht einen Antrag auf Handel der Schuldverschreibungen an einer Börse zu stellen.]

Abschnitt D – Risiken

D.2 Wesentliche Risiken der
Emittentin **Makroökonomische Risiken und Marktumfeld**

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

Risiken aus der Geschäftstätigkeit der Telekom Austria

- Aufgrund technologischer Änderungen und mangelnder Marktakzeptanz könnte es der Telekom Austria nicht

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

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

bestehenden Finanzierungsverträgen enthalten sind, könnten ihre Refinanzierungskosten erhöhen und ihre Liquidität und Rentabilität beeinträchtigen.

- Die Telekom Austria könnte Vermögenswerte oder Unternehmen erwerben oder verkaufen oder Joint Ventures eingehen, die möglicherweise weniger Umsatzerlöse, Cashflows und Erträge generieren als angenommen und könnte Schwierigkeiten ausgesetzt sein, diese Vermögenswerte oder Unternehmen zeitgerecht zu integrieren; erwartete Synergien könnten sich nicht realisieren.
- Die Telekom Austria unterliegt Risiken im Zusammenhang mit unzureichender Versicherung.
- Die Hauptaktionäre der Telekom Austria AG könnten wesentlichen Einfluss auf die Telekom Austria ausüben und ihre Interessen müssen nicht immer mit den Interessen der Telekom Austria übereinstimmen.
- Die Eigenmittelanforderungen für Banken könnten zu höheren Kapitalkosten für die Telekom Austria führen.

Regulatorische, rechtliche und Compliance Risiken

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

Länderrisiken betreffend die Telekom Austria

- Die Rechtssysteme sowie die wirtschaftlichen und sozialen Rahmenbedingungen in Weißrussland, Bulgarien, Kroatien, Mazedonien, Serbien und Slowenien (die „**Tätigkeitsregion**“) sind in verschiedenen Stadien am Weg Richtung EU Standards.

- Neue Märkte in der Tätigkeitsregion unterliegen höheren Risiken als entwickelte Märkte.
- Die Telekom Austria ist am Telekommunikationsmarkt in den Ländern, in denen sie tätig ist intensivem Wettbewerb ausgesetzt, was zu niedrigen Preisen für ihre Produkte und Dienstleistungen und Marktanteilsverlusten führen und dadurch die Erträge und Nettogewinne der Telekom Austria nachteilig beeinflussen könnte.
- Wirtschaftliche Instabilität in der Tätigkeitsregion könnte die Tätigkeiten und das Geschäft der Telekom Austria nachteilig beeinflussen.
- Politische Instabilität in der Tätigkeitsregion könnte die Tätigkeiten und das Geschäft der Telekom Austria nachteilig beeinflussen.
- Die Telekom Austria könnte in der Tätigkeitsregion dem Risiko von Enteignungen und Verstaatlichungen unterliegen.
- Die Instabilität der Währungen in Weißrussland, Bulgarien, Kroatien, Mazedonien und Serbien könnte die Erträge der Telekom Austria nachteilig beeinflussen.
- Änderungen der Beziehungen zwischen Ländern der Tätigkeitsregion und den Regierungen westlicher Länder und westlicher Institutionen könnten das Geschäft der Telekom Austria nachteilig beeinflussen.
- Beziehungen, von denen Länder der Tätigkeitsregion im Hinblick auf ihr Wirtschaftswachstum abhängig sind, könnten sich verschlechtern und so das Geschäft der Telekom Austria nachteilig beeinflussen.
- Begrenzte Finanzinfrastruktur und Liquiditätsprobleme in der Tätigkeitsregion könnten das Geschäft, die Erträge und die Finanzlage der Telekom Austria nachteilig beeinflussen.
- Mögliche soziale Unruhen in der Tätigkeitsregion könnten das Geschäft der Telekom Austria beeinträchtigen.
- Die sich entwickelnden Rechtssysteme in der Tätigkeitsregion unterliegen Risiken und Unsicherheiten, die nachteilige Auswirkungen auf das Geschäft der Telekom Austria haben können.
- Schwierigkeiten bei der Durchsetzung von Verträgen und Gerichtsentscheidungen und das Ermessen von Regierungen bei Untersuchungen und der Durchsetzung von Ansprüchen könnten die Telekom Austria daran hindern, wirksame Entschädigungen in Gerichtsverfahren zu erhalten.
- Ungewissheiten der Steuersysteme in der Tätigkeitsregion könnten das Geschäft, die Finanz- und die Ertragslage der Telekom Austria nachteilig beeinflussen.

- Die Gesellschafterhaftungsregime nach der in der Tätigkeitsregion anwendbaren Gesetzgebung könnten zu einer Haftung der Holdinggesellschaft für ihre Tochtergesellschaften führen.
- Gerichte in der Tätigkeitsregion könnten Gesellschaften aufgrund von Complianceverstößen in die Liquidation zwingen.
- Verschlechterungen der Beziehungen zwischen Ländern in der Tätigkeitsregion und ihren wichtigsten Gläubigern könnten die Finanzierung dieser Länder und damit das Inflationsniveau beeinträchtigen, was in der Folge das Geschäft der Telekom Austria beeinträchtigen würde.

D.2 Wesentliche Risiken der TFG

- TFG ist von der Entwicklung der Gruppe abhängig.
- Anleger profitieren von der Garantie der Telekom Austria AG für die von der TFG ausgegebenen Schuldverschreibungen nur soweit als in der Garantie vorgesehen und soweit die Telekom Austria AG ihre Verpflichtungen zu erfüllen im Stande ist.]

D.3 Wesentliche Risiken der Schuldverschreibungen

Allgemeine Risiken betreffend die Schuldverschreibungen

- Die Schuldverschreibungen sind nicht für alle Anleger geeignet.
- Die Anleihegläubiger sind dem Risiko ausgesetzt, dass es der Emittentin gänzlich oder teilweise unmöglich wird, Zins- oder Kapitalzahlungen auf die Schuldverschreibungen zu leisten (oder der Garantin, Zahlungen gemäß der Garantie zu leisten) (Kreditrisiko).
- Anleihegläubiger übernehmen das Risiko, dass sich der Credit Spread der Emittentin, und wenn die Emittentin nicht die Telekom Austria ist, jener der Emittentin und das der Garantin, ändert (Credit Spread Risiko).
- Die Rendite einer Veranlagung kann sich aufgrund künftiger Inflation verringern.
- Anleihegläubiger sind bei jedem Verkauf der Schuldverschreibungen dem Marktpreisrisiko ausgesetzt (Marktpreisrisiko).
- Inhaber von Schuldverschreibungen, die in einer für diesen Anleger fremden Währung ausgegeben werden, sind nachteiligen Änderungen des Wechselkurses ausgesetzt, die die Rendite dieser Schuldverschreibungen verringern können (Fremdwährungsrisiko).
- Es gibt keine Gewissheit, dass sich ein liquider Sekundärmarkt für die Schuldverschreibungen entwickelt und dass er – falls er sich entwickelt – bestehen bleibt. In

einem illiquiden Markt könnte ein Anleger nicht in der Lage sein, seine Schuldverschreibungen zu fairen Marktpreisen zu verkaufen (Liquiditätsrisiko).

- Es besteht das Risiko, dass der Handel mit den Schuldverschreibungen ausgesetzt, unterbrochen oder eingestellt wird.
- Kreditratings von Schuldverschreibungen stellen möglicherweise nicht alle Risiken eines Investments in die Schuldverschreibungen dar und können ausgesetzt, verringert (Downgrading) oder zurückgezogen werden.
- Falls Schuldverschreibungen vor dem Ende ihrer Laufzeit zurückgezahlt werden, sind Inhaber solcher Schuldverschreibungen Risiken ausgesetzt, einschließlich dem Risiko, dass ihre Veranlagung eine niedrigere Rendite als erwartet hat (Risiko vorzeitiger Rückzahlung).
- Es besteht das Risiko, dass Anleihegläubiger nicht in der Lage sind, die Erträge aus den Schuldverschreibungen so wiederzuinvestieren, dass sie dieselbe Rendite erzielen (Reinvestitionsrisiko).
- Es besteht das Risiko der Unrechtmäßigkeit des Erwerbs der Schuldverschreibungen.
- Die steuerlichen Auswirkungen einer Veranlagung in die Schuldverschreibungen sollten genau geprüft werden.
- Die Schuldverschreibungen unterliegen österreichischem Recht und Änderungen des anwendbaren Rechts, von Verordnungen oder der Gerichts- und Verwaltungspraxis können negative Auswirkungen auf die Emittentin, die Schuldverschreibungen und die Anleihegläubiger haben.
- Wenn der Erwerb der Schuldverschreibungen fremdfinanziert wird, erhöht dies die Höhe des größten möglichen Verlusts wesentlich.
- Nebenkosten, insbesondere in Verbindung mit dem Erwerb oder der Veräußerung der Schuldverschreibungen können wesentliche nachteilige Auswirkungen auf das Ertragspotential haben.
- Anleger müssen sich auf das Funktionieren des maßgeblichen Clearingsystems verlassen.
- Ein österreichisches Gericht kann einen Kurator für die Schuldverschreibungen bestellen, der die Rechte der Anleihegläubiger in deren Namen ausübt und diese vertritt.
- Änderungen der Richtlinie 2003/48/EG des Rates über die Besteuerung von Zinserträgen könnten nachteilige Auswirkungen auf die Anleger haben.

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

- Inhaber von fixverzinslichen Schuldverschreibungen tragen das Risiko, dass der Preis solcher Schuldverschreibungen aufgrund von Änderungen des Marktzinssatzes fällt.
- Inhaber von variabel verzinsten Schuldverschreibungen tragen das Risiko sich ändernder Zinsniveaus und unsicheren Einkommens.
- Nullkupon-Schuldverschreibungen zahlen keine laufenden Zinsen sondern werden typischerweise mit einem Abschlag auf ihren Nominalwert ausgegeben. Preise von Nullkupon-Schuldverschreibungen sind volatiler als jene von fixverzinslichen Schuldverschreibungen und reagieren wahrscheinlich in größerem Ausmaß auf Änderungen des Marktzinssatzes als zinstragende Schuldverschreibungen mit ähnlicher Fälligkeit.

Abschnitt E – Angebot

E.2b	Gründe für das Angebot, Zweckbestimmung der Erlöse.....	Die Emittentin macht das Angebot und beabsichtigt, den Nettoemissionserlös aus der Ausgabe der Schuldverschreibungen für [allgemeine Unternehmenszwecke /[●]] heranzuziehen.
E.3	Angebotskonditionen	[Ausgabepreis] [Mindeststückelung] [Die Zeichnungsfrist ist vom [●] bis [●].] [Die Zeichnungsfrist kann verlängert oder verkürzt werden.] [Art der Bekanntmachung] [Weitere Angebotskonditionen sind [●].]
E.4	Wesentliche Interessen.....	[●]
E.7	Kosten für den Anleger	[Nicht anwendbar. Die Emittentin wird in Zusammenhang mit den Schuldverschreibungen keine Kosten, Aufwendungen oder Steuern direkt an die Investoren verrechnen.]/[●]

RISK FACTORS

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

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

Macroeconomic risks and market environment

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

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

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

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

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

the activities of enterprises operating in this environment. Consequently, operations in the CESEE region involve uncertainties, including foreign exchange and tax uncertainties that typically do not exist in other markets.

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

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

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

In CESEE, strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as in Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Particularly in Bulgaria and Croatia, competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal burdens affect operations in the CESEE region. The Bulgarian operation is severely impacted by a new glide path reducing termination rates by more than a half. With respect to foreign exchange markets uncertainty remains. The Belarusian Ruble ("BYR") lost around 4% and the Serbian Dinar ("RSD") around 6% versus the Euro in 2012 (compared to the same period 2011).

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

Risks relating to Telekom Austria's business

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

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

third generation technology or fourth generation technology like LTE could also have a negative impact on revenues and results of operations, including the possibility that Telekom Austria will not be able to secure its investments in third generation technology.

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

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

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

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

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

As of December 31, 2012, 53% of the employees in the Austria segment of Telekom Austria were civil servants who cannot be dismissed without cause. Moreover, another 58% of the non-civil servant employees (27% of the employees) in Austria benefit from an enhanced protection against dismissal.

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

IFRS accounting rules require a provision for redundancy programs (*Sozialpläne*), leaves of absence (*Dienstfreistellungen*) and the program under which civil servants of Telekom Austria change to the public service (*Staatsdienst*) in an amount of approximately EUR 837.7 million as of December 31, 2012. If it is not possible to implement measures to restructure its workforce as required to the extent planned or not at all, this may have significant negative effects on its financial targets and profitability as well as Telekom Austria’s reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regulatory, legal and compliance risks

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

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

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

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

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

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

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

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

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

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

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

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

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

Public authorities including the public prosecutor have been investigating Telekom Austria AG and some of its subsidiaries with respect to alleged unlawful behavior of former directors and employees in the past. In a first trial held in February, 2013, three of the four accused former management members were sentenced to imprisonment for breach of trust to the disadvantage of Telekom Austria AG by manipulating the share price in 2004, which triggered bonus payments payable to around hundred executive employees. Telekom Austria AG was awarded damages in an amount of EUR 9.9 million. The sentences are subject to appeal. In addition, the Prosecution Office Vienna brought charges against a former member of the management of Telekom Austria AG, a former advertising agency manager and other people in January 2013 for allegedly committing a breach of trust (*Untreue*) to the disadvantage of Telekom Austria AG by arranging for a groundless payment of EUR 600,000 by Telekom Austria AG to the advertising agency. Moreover, the Prosecution Office Vienna brought charges against a former employee and three persons of another advertising agency for an alleged breach of trust (*Untreue*) by paying the former employee severance payment of approximately EUR 586,000 to which he was not entitled. There has been continuous and extensive reporting in the media. Telekom Austria AG fully supports and cooperates with the public prosecutor. It is likely that further charges will be brought against former members of the management, contract partners or employees.

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

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

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

Organised crime, including extortion and fraud, poses a risk to businesses in certain countries where Telekom Austria operates. Certain countries where Telekom Austria operates still face considerable weaknesses in the fight against corruption and organized crime. Property and employees may become targets of theft, violence or extortion. Threats or incidents of crime may force Telekom Austria to cease or alter certain activities or to liquidate certain investments, which may cause losses or have other negative impacts on Telekom Austria. In certain countries where Telekom Austria is operating there is the risk of higher levels of corruption, including the bribing of officials for the purpose of initiating investigations by government agencies and other purposes. Allegedly, there have also been instances in which government officials have engaged in selective investigations and prosecutions to further the interest of the government and individual officials. Furthermore, in certain countries where Telekom Austria operates, there have been allegations that many members of the media allegedly regularly publish biased articles in return for payment. Telekom Austria's operations could be adversely affected by illegal activities, corruption or claims implicating Telekom Austria in illegal activities. Corruption and theft may also arise within Telekom Austria; for example, through products being stolen. Such activities may cause losses or have other negative impacts on Telekom Austria.

Country risk factors regarding Telekom Austria

The legal systems, economies, social and other circumstances in Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia (the "Operating Region") are in different stages of the process of transformation towards EU standards.

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

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

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

Emerging markets such as the markets in the Operating Region are subject to greater risk than more developed markets, including in some cases significant political, economic and legal risks. Investors should note that such emerging economies are subject to rapid change and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks for Telekom Austria and thus for the investors and must decide for themselves whether, in light of those risks, their investment in Notes issued by TFG or Telekom Austria AG is appropriate. Generally, an investment in emerging markets and thus, in securities issued by an entity which is significantly invested 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.

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

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

Austria

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

Market

As of December 31, 2012, Telekom Austria generated approximately 64% of its total revenues in the Austrian home market. The Austrian home market remains one of the most fiercely competitive and with among the cheapest tariffs in Europe. Several of Telekom Austria's existing and potential competitors in each of its business segments are affiliated with international telecommunications operators, some of which are incumbents in their own countries of origin, that have substantial financial resources. Competition from existing and new operators, driven by liberalization, may result in losses of market share and further tariff reductions.

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

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

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

In addition, Telekom Austria expects a further increase in competition from cable network operators and from competitors that have traditionally operated outside the telecommunications sector, such as

major consumer electronics companies as well as non-traditional voice and data service providers, what could also materially negatively affect Telekom Austria's revenues from its operations and its financial condition.

Business

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

Austria has one of the highest penetration rates of mobile communication in Europe, reaching 164.2% as of December 31, 2012. This figure reflects the fact that customers use more than one Subscriber Identification Module ("SIM") card. This market situation limits subscriber growth to lower Average Revenue Per User ("ARPU") no-frills brands, which provides a growth opportunity but bears the risk of further declining ARPUs.

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

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

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

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

Regulatory

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

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

Belarus

The segment Belarus comprises mobile communication and value added services in Belarus. In 2011, hyperinflation accounting (in accordance with IAS 29) was applied for the segment Belarus for the first time, which resulted in the restatement of non monetary assets, liabilities and all items of the statement of comprehensive income due to a change in a general price index and the translation of these items through application of the year-end exchange rate. Telekom Austria's activities in Belarus are dominated by the macro economy and the problem of hyperinflation with the BYR having devalued by around 65% in relation to the Euro over the last three years (as of March 2013). Telekom Austria may suffer free cash flow reductions of its Belarusian Segment, if it fails to further reduce foreign exchange ("FX") dependencies for operational expenditure ("OPEX") and capital expenditure ("CAPEX"). Telekom Austria may struggle to further increase prices at close to the inflation rate and if Telekom Austria increases prices there is the risk that the demand for its products and services offered in Belarus will decrease. This could materially affect the revenues and financial condition of Telekom Austria.

Bulgaria

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

Croatia

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

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

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

Additional Markets

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

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

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

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

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

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

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

- restrictions on transfers of hard currency states within the Operation Region;
- significant declines in the gross domestic product;
- high levels of inflation;
- unstable local currencies;
- high government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- significant use of barter transactions and illiquid promissory notes to settle commercial

transactions;

- widespread tax evasion;
- growth of a black and grey market economy;
- pervasive capital flight;
- corruption and extensive penetration of organized crime into the economy;
- significant increases in unemployment and underemployment;
- impoverishment of a large portion of the population; and
- social instability.

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

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

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

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

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

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

floating exchange rate in September 2011 was followed by a further devaluation of approximately 40%. Furthermore, in December 2011, Belarus was classified as a hyperinflationary economy according to IAS 29 due to its inflation rate in excess of 100% and other facts. The pegging of currencies means that those currencies are susceptible to changes to the currency to which they are pegged. In addition, should the relevant authorities choose to remove completely or change the level of the pegging of their country's currency, as it was the case with the BYR recently, greater volatility in that currency's exchange rates with other currencies would arise, which in turn may have a negative impact on Telekom Austria's results of operations and financial conditions. Furthermore, as Telekom Austria is preparing its consolidated financial statements in Euro, Telekom Austria is exposed to currency translation risks, i.e. the risk deriving from the effects which currency rate changes between the relevant cut-off dates for the financial statements may have on the valuation of certain assets of Telekom Austria denominated in other currencies than Euro when translated into Euro for Telekom Austria's consolidated financial statements.

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

The relationships that each of the countries of the Operating Region has with western governments and institutions varies but any change in such relationships could have a negative impact on the economy of the relevant country of the Operating Region and, consequently, an adverse effect on Telekom Austria's business, results of operations and financial condition. Bulgaria and Slovenia, as EU member states, North Atlantic Treaty Organization ("NATO") members and World Trade Organization ("WTO") members, have a relatively close relationship with western governments. Croatia, also a WTO member and expected to join the European Union in 2013, has become another former Yugoslav nation joining the NATO following Slovenia, which joined in 2004: The accession of Croatia to NATO took place in 2009. The Macedonian NATO membership has been rejected by Greece, putting the country behind in its pursuit of achieving a closer relationship with NATO. However, Macedonia was officially admitted to the WTO in 2003, and, in 2007, joined the new Central European Free Trade Agreement, together with Serbia and Croatia. Serbia's relationships with western governments and institutions deteriorated following the unilateral declaration of independence of Kosovo in February 2008. Serbia has vowed to take "all legal and diplomatic measures" to preserve its former province of Kosovo as legal part of Serbia. So far, 98 countries, including the United States and most of the EU countries, have recognized Kosovo's independence. Russia, Serbia's ally on the issue, has used the threat of its Security Council veto to block United Nations membership for Kosovo. After the International Court of Justice ruled in July 2010 that Kosovo's declaration of independence did not contravene international law, the EU pressured Serbia – applying for EU membership – to hold talks with Kosovo. EU brokered talks on technical issues began in March 2011. After having solved a few issues, the talks were interrupted for several months after the election in Serbia in May 2012, but started again in October 2012. Although the European Council decided on March 1, 2012 to grant Serbia the status of an official candidate country to the EU, there is no guarantee that Serbia's relationship with western governments and institutions will further ameliorate. Following a dispute with Russia over energy supplies in early 2008, conciliatory efforts have been made by Belarus to improve its relationships with western governments and institutions. This has included the release of persons defined by Western governments as political prisoners. Any deterioration in relationships with Western governments and institutions of countries in the Operating Region could have severe negative effects on such countries' economy and could thus adversely affect Telekom Austria's business, results of operations and financial condition.

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

Economic growth in the Operating Region depends upon trade flows with regional neighbours. Belarus in particular imports a large proportion of its energy requirements from Russia (or from countries that transport energy-related exports through Russia). Similarly Russian investors have taken an interest in investing in Bulgaria, Croatia, Macedonia and Serbia especially in the energy sector. Russia therefore has the ability to influence political stability in certain countries in the Operating Region. By way of example, Russia has introduced an export duty on oil shipped to Belarus. Russia also increased

Belarusian natural gas prices, in its sales of gas to Belarus, from \$47 per thousand cubic meters (“tcm”) to \$100 per tcm in 2007. On January 1, 2010, Russia, Kazakhstan and Belarus launched a customs union, with unified trade regulations and customs codes. An amendment of the 2007 oil supply agreement among Russia and Belarus raised prices for above quota purchases, increasing Belarus’ current account deficit. In December 2010, Belarus, Russia and Kazakhstan signed an agreement to form a Common Economic Space and Russia removed all Belarusian oil duties. Any major changes in the Operating Region’s relations with regional neighbours, especially Russia, particularly concerning energy investing and supplies, could have negative effects on their respective economies and political stability. These negative effects may, in turn, adversely affect Telekom Austria’s business, results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Factors regarding TFG

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

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

TFG is dependant on Telekom Austria's performance.

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

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

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

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

General Risk Factors regarding the Notes

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

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

The purchase of certain Notes issued under the Programme may involve substantial risks and may only be suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate such risks and the merits of an investment in such Notes.

Notes may not be a suitable investment for all Investors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain, which may adversely affect the liquidity of the Notes. In an illiquid market, an investor might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

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

If the Notes are listed on one (or more) markets (which may be regulated or unregulated), the listing of

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

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

A rating of Notes, if any, may not adequately reflect all risks of the investment in such Notes. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

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

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

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

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

Legality of Purchase.

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

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

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial instruments such as the Notes. Potential investors are advised not to rely upon the tax overview contained in this document but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the section "Taxation" of this Prospectus.

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

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

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

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

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

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

parties (third party costs).

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

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

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

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

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

Changes in the EU Savings Directive could negatively affect investors.

The EU adopted the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (“**EU Savings Directive**”), which obliges each EU member state to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State or to certain limited types of entities established in that other Member State, except that Austria and Luxembourg (and originally also Belgium) have instead imposed a withholding system for a transitional period (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries) unless during such period they elect otherwise. A number of other non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland). On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes, which if implemented, would broaden the scope of the Directive described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers. Changes in the EU Savings Directive could materially adversely affect the taxation effects for investors in the Notes.

Risk Factors associated with the Structure and/or certain characteristics of the Notes

Fixed Rate Notes and Step-up/Step-down Notes

A Noteholder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the current interest rate on the capital market (“market interest rate”) typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the

Noteholder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such Noteholder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note. The same risks apply to Step-up and Step-down Notes if the market interest rates in respect of comparable Notes are higher than the rates applicable to such Notes.

Floating Rate Notes

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

Zero Coupon Notes

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

GENERAL DESCRIPTION OF THE PROGRAMME

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

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

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

Principal Paying Agent	BNP Paribas Securities Services
Programme Size	Up to EUR 2,500,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers, the Guarantor and the Dealers may agree on an increase of the amount of the Programme, which would require a supplement to the Prospectus.
Method of Issue	Notes may be issued on a continuing basis to one or more Dealers. Notes may be distributed on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the Final Terms.

The Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The

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

Consolidation

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

Issue Price

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

Categories of investors

Notes under the Programme may be issued to institutional investors or retail investors.

Clearing Systems

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

Initial Delivery of Notes

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

Currencies

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

Maturities

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

Denomination

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

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or

dates in each year specified in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. These are daily reference rates based on the average interest rates at which leading banks are prepared to lend unsecured funds to other banks and which are published by a designated distributor (currently Thomson Reuters). An increase in EURIBOR or LIBOR leads to higher interest rates, a decrease to lower interest rates. Information on the past and future performance of EURIBOR and LIBOR and their volatility can be obtained from the designated distributor.

Interest periods will be specified in the relevant Final Terms.

Calculation of yield

ICMA method: The ICMA method computes the effective interest rate of Notes on the basis of daily interest.

Zero Coupon Notes

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

Interest Periods and Interest Rates

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

Redemption

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

Optional Redemption

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

Early Redemption

Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity for tax reasons and, at the option of the Noteholders, only in certain defined circumstances including in case of a Change of Control, in each case as defined in the Terms and Conditions. See “*TERMS AND CONDITIONS OF THE NOTES—Maturity and Redemption*”.

Status of the Notes

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer,

all as described in “*TERMS AND CONDITIONS OF THE NOTES—Status of the Notes*”. Notes issued by TFG will have the benefit of a Guarantee issued by Telekom Austria AG.

Cross Default

See “*TERMS AND CONDITIONS OF THE NOTES—Events of Default*”.

Negative Pledge

See “*TERMS AND CONDITIONS OF THE NOTES—Negative Pledge*”.

Withholding Tax

All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Austria, subject to customary exceptions as described in “*TERMS AND CONDITIONS OF THE NOTES—Taxation*”.

Governing Law

Austrian law

Place of Jurisdiction

The competent Austrian courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, to the extent permissible according to applicable mandatory consumer protection legislation.

Representation

Pursuant to the Austrian Notes Trustee Act (*Gesetz betreffend die gemeinsame Vertretung der Rechte der Besitzer von auf den Inhaber lautenden oder durch Indossament übertragbaren Teilschuldverschreibungen und die bürgerliche Behandlung der für solche Teilschuldverschreibungen eingeräumten Hypothekrechte, RGBI 49/1874 of 24 April 1874; Kuratorenengesetz*), a trustee (*Kurator*) can be appointed by an Austrian court, upon the request of any interested party (e.g., a Noteholder) or upon the initiative of the competent court, for the purposes of representing the common interests of the Noteholders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Noteholders and will be entitled to make statements on their behalf which shall be binding on all Noteholders.

Listing and Admission to Trading

Application will be made to admit the Programme and/or Notes to the Markets or as otherwise defined in the Terms and Conditions and completed in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series may, but need not be, listed on the Markets or any other market or stock exchange.

Ratings

As of the publication date of the Prospectus, the ratings assigned by the rating agencies to the Programme

are as follows:

by Moody's (as defined below):

long-term Baa1
rating:

short-term P-2
rating:

by S&P (as defined below):

long-term BBB
rating:

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 as amended by Regulation (EU) No 513/2011 (the "**CRA Regulation**") will be disclosed in the Final Terms.

Selling Restrictions

United States, the European Economic Area, United Kingdom, Japan and such other restrictions as may be required in connection with a particular issue. See also "SELLING RESTRICTIONS" below.

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

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

INTRODUCTION TO THE TERMS AND CONDITIONS OF THE NOTES

General

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

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

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

Issue Procedure

- The relevant Issuer and the relevant Dealer(s) will agree on the terms and conditions applicable to each particular Tranche of Notes (the “**Conditions**”). The Conditions will be constituted by the Terms and Conditions of the Notes set forth below (the “**Terms and Conditions**”) as completed by the provisions of the Final Terms (the “**Final Terms**”).

The provisions of the applicable Final Terms and the Terms and Conditions, taken together, shall constitute the Conditions. Such Conditions will be constituted as follows:

- the blanks in the provisions of the Terms and Conditions which are applicable to the Notes will be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions;
- the Terms and Conditions will be completed by the text of any provisions of the Final Terms;
- alternative or optional provisions of the Terms and Conditions as to which the corresponding provisions of the Final Terms are not selected or completed will be deemed to be not applicable and shall be marked as “not applicable”; and
- all instructions and explanatory notes set out in square brackets in the Terms and Conditions and any footnotes and explanatory text in the Final Terms will be deemed to be deleted from the Terms and Conditions.

Each Global Note representing the Notes of the relevant Series will have the Final Terms and the Terms and Conditions attached.

TERMS AND CONDITIONS OF THE NOTES

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

§1

Currency, Denomination, Form, Clearing System and Noteholder

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

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

- (5) *Records of the ICSDs.* The nominal amount of the Notes represented by the Temporary Global Note and the Permanent Global Note shall be the aggregate amount from time to time entered in

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

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

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

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

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

§2

Status of the Notes, Negative Pledge [and Guarantee]

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

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

Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer, the Guarantor or any Material Subsidiary of the Issuer or the Guarantor).

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

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

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

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

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

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

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

**§3
Interest**

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

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

divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, or

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

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

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

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

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

“Floating Interest Rate” for each Floating Interest Period will be either:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears on the Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus the Margin, all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Screen

Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

“Margin” means *[insert margin]*% per annum.

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

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

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

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

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

- (1) *No Periodic Payments of Interest.* There will be no periodic payments of interest in relation to zero coupon Notes (“**Zero Coupon Notes**”).]
- (2) “**Day Count Fraction**”, in respect of the calculation of an amount for any Floating Interest Period means:
 - (a) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 365 (or, if any portion of that Floating Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Floating Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Floating Interest Period falling in a non-leap year divided by 365);
 - (b) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 365;
 - (c) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Floating Interest Period divided by 360;
 - (d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Floating Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

“ Y_1 ” is the year expressed as a number, in which the first day of the Floating Interest Period falls;

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

“ M_1 ” is the calendar month, expressed as a number, in which the first day of the Floating Interest Period falls;

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

“ D_1 ” is the first calendar day, expressed as a number, of the Floating Interest Period, unless such number would be 31, in which case D_1 will be 30;

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Floating Interest Period, unless such number would be 31, in which case D_2 will be 30; and

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

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

where:

“ Y_1 ” is the year expressed as a number, in which the first day of the Floating Interest Period falls;

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

“ M_1 ” is the calendar month, expressed as a number, in which the first day of the Floating Interest Period falls;

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Floating Interest Period falls;

“ D_1 ” is the first calendar day, expressed as a number, of the Floating Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in the Floating Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.]

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

§4 Maturity and Redemption

- (1) *Final Redemption.* The Notes shall be redeemed at their Final Redemption Amount on [*insert Maturity Date*] (the “**Maturity Date**”).
- (2) *Early Redemption for Reasons of Taxation.* The Notes shall be redeemed at their Early Redemption Amount together with interest accrued to the date fixed for redemption at the option of the Issuer in whole, but not in part, on any [Fixed Interest Payment Date] [Floating Interest Payment Date] upon giving not less than 30 days’ notice to the Noteholders (which notice shall be irrevocable) by settlement in cash in accordance with §5 if; (i) on the occasion of the next payment or delivery due under the Notes, the Issuer [or the Guarantor] has or will become obliged to pay additional amounts as provided or referred to in §6 as a result of any change in, or amendment to, the laws or regulations of the Republic of Austria (“**Austria**”) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by the Issuer [or the Guarantor] taking reasonable measures (but not including Substitution of the Issuer pursuant to §10) available to it. Before the publication of any notice of

redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent a certificate signed by an executive director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer [or the Guarantor] has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

[In case of Minimum Redemption Amount, include:

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

In case Higher Redemption Amount, include:

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

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

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

- [(3b)][(4b)] In order to exercise such option, the Noteholder must, not less than ***[insert minimum Business Days of notice to the Issuer (not less than 5 Business Days)]*** (the “**Minimum Business Days of Notice to the Issuer**”) nor more than ***[insert maximum Business Days of***

notice to the Issuer] (the “**Maximum Business Days of Notice to the Issuer**”) days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Notice, send to the specified office of the Paying Agent an early redemption notice in written form (the “**Put Notice**”). In the event a Put Notice is received after 5:00 p.m. Vienna time on the last day of the notice period before the Put Redemption Date, the option shall not have been validly exercised. The Put Notice must be in the form available from the specified offices of the Principal Paying Agent in the German and English language. No option so exercised may be revoked or withdrawn. The Issuer shall only be required to redeem Notes in respect of which such option is exercised against delivery of such Notes to the Issuer or to its order.]

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

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

In this §[(3a)][(4a)][(5a)]:

A “**Change of Control**” occurs if any person or group, acting in concert, or any person(s) or any group(s) acting on behalf of any such person or group gains Control over Telekom Austria Aktiengesellschaft. “**Control**” means any direct or indirect legal or beneficial ownership or any direct or indirect legal or beneficial entitlement (as described in section 92¹ of the Austrian Exchange Act (*Börsengesetz*)) of, in the aggregate, more than 50% of the voting shares of Telekom Austria Aktiengesellschaft.

“**Change of Control Period**” means the period commencing on the earlier of (a) the date of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 90 days after the Change of Control (or such longer period for which the ratings assigned to Telekom Austria Aktiengesellschaft or the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a rating agency, such period not to exceed 60 days after the public announcement of such consideration).

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

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

A “**Rating Downgrade**” shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period (i) any rating previously assigned to Telekom Austria Aktiengesellschaft or the Notes by any Rating Agency is (x) withdrawn or (y) changed from an

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.

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

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

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

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

If 95% or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this §[(3a)][(4a)][(5a)], the Issuer may, having given not less than 30 days’ notice to the Noteholders in accordance with §12, such notice to be given within 30 days after the Optional Redemption Date, redeem or, at the Issuer’s option, purchase (or procure the purchase of) all but not some only of, the Notes then outstanding at their principal amount, together with interest accrued to but excluding the date of such redemption. The notice referred to in the preceding sentence shall be irrevocable and shall specify the date fixed for redemption (which shall not be more than 60 days after the date of the notice). Upon expiry of such notice, the Issuer will redeem, purchase (or procure the purchase of) the Notes].

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

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

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

[In case of Zero Coupon Notes, include:

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

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

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

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

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

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

§5 Payments

- (1)
 - (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made through the ICSDs, subject to applicable fiscal and other laws and regulations, in the Currency and to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Agent outside the United States.
 - (b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to applicable fiscal and other laws and regulations, in the Currency and to the Clearing System or to its order for credit to the relevant account holders of the Clearing System upon presentation of the Global Note at the specified office of any Agent outside the United States and upon delivery of certifications to the effect that the beneficial owners or owners of the Notes represented by the Temporary Global Note are not U.S. persons as defined by the U.S. Securities Act of 1933.
- (2) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Business Day, the Noteholder thereof shall not be entitled to payment until the next following Payment Business Day, and shall not be entitled to further interest or other payment in respect of such delay.
- (3) *United States.* “**United States**” means the United States of America including the States thereof and the District of Columbia and its possessions (including Puerto Rico, the U.S. Virgin

Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

- (4) *Discharge.* The Issuer or, as the case may be, the Guarantor, shall be discharged by payment to, or to the order of, the Clearing System.
- (5) *References to Principal and Interest.* References to “principal” shall be deemed to include, as applicable the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; and any premium and any other amounts which may be payable under or in respect of the Notes. References to “**interest**” shall be deemed to include, as applicable, any Additional Amounts which may be payable under §6.

§6 Taxation

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

- (a) these are to be paid otherwise than by withholding or deduction at the source of payments under the Notes or the Guarantee; or
- (b) a Noteholder has a relationship to Austria other than the mere holding of the Notes, and as a result of this is liable to pay duties and taxes; or
- (c) these are being withheld in the Republic of Austria pursuant to §93 Austrian Income Tax Act (*Einkommensteuergesetz*); or
- (d) such deduction would not be required if the holder or any person acting on his behalf had presented the requested form or certificate or had made the requested declaration of non-residence or similar claim for exemption upon the presentation or making of which that holder would have been able to avoid such deduction; or
- (e) these are to be paid because of a change of law which will enter into force (i) later than 30 days after the applicable payment date under the Notes or the Guarantee, or (ii) to the extent that payment is made late by the Issuer, later than 30 days after the Issuer effects payment in full of all due and payable amounts and notifies Noteholders of such payment pursuant to §12; or
- (f) these are withheld or deducted by an agent or any other person located outside of Austria after payment by the Issuer in the course of the transfer of such amounts to the Noteholder; or
- (g) these could be reclaimed pursuant to a double taxation treaty or the fiscal laws of Austria or be dischargeable at the source due to community law (EU) provisions; or
- (h) these are imposed or levied pursuant to or as a consequence of an international treaty to which Austria is a party or a regulation or a directive on the basis of or as a consequence of such international treaty; or
- (i) these were withheld or deducted pursuant to Council Directive 2003/48/EC of 3 June 2003, as amended, on the taxation of savings income in the form of interest

payments or due to statutory or administrative provisions enacted for the implementation of this directive, in particular §1 Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*); or

- (j) these are withheld or deducted, if such payment could have been effected by another Agent without such withholding or deduction; or
- (k) these would not have to be paid by a Noteholder if it could have obtained tax exemption, tax restitution or tax rebate in a reasonable way; or
- (l) any combination of items (a)-(k);

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

§7 Prescription

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

§8 Events of Default

- (1) *Events of Default.* If any of the following events (each an “**Event of Default**”) occurs, the holder of any Note may by written notice to the Issuer at the specified office of the Paying Agent declare such Note to be forthwith due and payable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Issuer:
 - (a) *Non-Payment:* if a default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
 - (b) *Breach of Other Obligations:* if the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Notes or the Guarantee and the failure continues for the period of 30 days following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
 - (c) *Cross-Default:* (i) if any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any Principal Subsidiary of the Issuer or the Guarantor, amounting in aggregate to not less than EUR 50,000,000 or its equivalent in other currencies, becomes due and payable prematurely by reason of an event of default (however described) and remains unpaid; or (ii) if default is made by the Issuer, the Guarantor or any Principal Subsidiary of the Issuer or the Guarantor in making any payment due, amounting in aggregate to not less than EUR 50,000,000 or its equivalent in other currencies, in respect of Indebtedness for Borrowed Money on the due date for that payment (as extended by any originally provided applicable grace period); or

- (d) *Insolvency*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all the obligations of the Issuer or the Guarantor, as the case may be, and, in the case of a liquidation, winding-up or dissolution of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee; or
- (e) *Cessation of Business Operations*: if the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor (i) ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all of the obligations of the Issuer or the Guarantor, as the case may be, and, in the case of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee, or (ii) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is adjudicated or found bankrupt or insolvent; or
- (f) *Liquidation*: if (i) proceedings are initiated against the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor, as the case may be, under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (g) *Initiation of Proceedings*: if the Issuer, the Guarantor or any of the Principal Subsidiaries of the Issuer or the Guarantor (i) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, save for the purposes of, or pursuant to, an amalgamation, restructuring or reorganisation where solvent and, in the case of the Issuer or the Guarantor, pursuant to which the surviving or resulting entity expressly assumes all the obligations of the Issuer or that Guarantor, as the case may be, and, in the case of the Issuer, such obligations are unconditionally and irrevocably guaranteed by the Guarantor on terms substantially the same as those of the Guarantee or (ii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (h) *Repudiation of Obligations*: if (i) the Issuer or the Guarantor repudiates its obligations in respect of the Notes or the Guarantee or the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect or (ii) any of the obligations of the Issuer or the Guarantor under or in respect of the Notes or the Guarantee are not or cease to be legal, valid and binding; or
- (i) Telekom Finanzmanagement GmbH ceases to be a subsidiary wholly owned and

controlled, directly or indirectly, by Telekom Austria AG.

- (2) **“Indebtedness for Borrowed Money”** means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit, or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.
- (3) **“Principal Subsidiary”** at any time shall mean a Subsidiary of the Issuer or of the Guarantor, as applicable:
- (a) whose gross revenues attributable to the Issuer or the Guarantor, as applicable, (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10% of the consolidated gross revenues attributable to the shareholders of the Issuer or the Guarantor, as applicable, or, as the case may be, consolidated total assets, of the Issuer or the Guarantor, as applicable, and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer or the Guarantor, as applicable, and its Subsidiaries; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer or the Guarantor, as applicable, which immediately before the transfer is a Principal Subsidiary.

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

§9

Paying Agent [and Calculation Agent]

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

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

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

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

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Agent [or Calculation Agent] and to appoint another Paying Agent [or Calculation Agent] or additional or other Agents [or Calculation Agents], also a Paying Agent, or Agent, [or Calculation Agent, respectively,] provided that the Issuer shall at all times maintain (i) a Paying Agent [and Calculation Agent], (ii) so long as the Notes are listed on a regulated market of a stock exchange, a Paying Agent [and Calculation Agent] with a specified office in such place as may be required by the rules of such stock exchange[, and (iii) if a Directive of the European Union regarding the taxation of interest income or any law implementing such Directive is introduced, ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law, to the extent this is possible in a Member State of the European Union.] Any variation, termination, appointment or change shall only take effect

(other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with §12.

- (3) *Agent of the Issuer.* Any Agent acts solely as the agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for any Noteholder.
- (4) *Responsibility.* Any Agent shall not have any responsibility in respect of any error or omission or subsequent correcting made in the calculation or publication of any amount in relation to the Notes, whether caused by negligence or otherwise (other than gross negligence or willful misconduct).

§10 Substitution of the Issuer

- (1) (*Substitution of Debtor.* The Issuer (reference to which shall always include any previous substitute debtor) may and the Noteholders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Noteholder at any time, substitute for the Issuer any Affiliate of the Guarantor as the principal debtor in respect of the Notes or undertake its obligations in respect of the Notes through any of its branches (any such company or branch, the "**Substitute Debtor**"), provided that:
 - (a) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the "**Documents**") and pursuant to which the Substitute Debtor shall undertake in favour of each Noteholder to be bound by these Terms and Conditions of the Notes and the provisions of the applicable agency agreement as fully as if the Substitute Debtor had been named in the Notes and such agency agreement as the principal debtor in respect of the Notes in place of the Issuer and pursuant to which the Issuer and the Guarantor (if the Guarantor is not the Substituted Debtor) shall irrevocably and unconditionally guarantee in favour of each Noteholder the payment of all sums payable by the Substitute Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the "**Substitution Guarantee**");
 - (b) the Documents shall contain a warranty and representation by the Substitute Debtor and the Issuer that the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Substitution Guarantee in respect of the obligations of the Substitute Debtor, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Issuer are each valid and binding in accordance with their respective terms and enforceable by each Noteholder and that, in the case of the Substitute Debtor undertaking its obligations with respect to the Notes through a branch, the Notes remain the valid and binding obligations of such Substitute Debtor;
 - (c) §8 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Substitution Guarantee shall cease to be valid or binding on or enforceable against the Issuer; and
 - (d) there shall have been delivered to the Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that sub-paragraphs (a), (b) and (c) above have been satisfied.
 - (e) For purposes of this §10, "**Affiliate**" shall mean any enterprise which has its seat within the European Union and of which more than 90% of the voting stock is held directly or

indirectly by the Guarantor (either separately or together).

- (2) Upon the Documents becoming valid and binding obligations of the Substitute Debtor and the Issuer and subject to notice having been given in accordance with sub-paragraph (4) below, the Substitute Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution including that the relevant jurisdiction in §6 shall be the jurisdiction of incorporation of the Substitute Debtor. The execution of the Documents together with the notice referred to in sub-paragraph (4) below shall, in the case of the substitution of any other company as principal debtor, operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes.
- (3) The Documents shall be deposited with and held by the Paying Agent for so long as any Notes remain outstanding and for so long as any claim made against the Substitute Debtor or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substitute Debtor and the Issuer acknowledge the right of every Noteholder to the production of the Documents for the enforcement of any of the Notes or the Documents.
- (4) Not later than 15 Business Days after the execution of the Documents, the Substitute Debtor shall give notice thereof to the Noteholders and, if any Notes are listed on any stock exchange, to such stock exchange in accordance with §13 and to any other person or authority as required by applicable laws or regulations.

§11

Further Issues, Purchases and Cancellation

- (1) *Further Issues.* The Issuer may – in addition to the issuance of notes which do not form a single Series with the Notes – from time to time without the consent of the Noteholders create and issue further Notes having the same terms and conditions as the Notes (except for the issue price of the Notes, the Issue Date and the [First Fixed Interest Payment Date][First Floating Interest Payment Date] and so that the same shall be consolidated and form a single Series with such Notes, and references to “Notes” shall be construed accordingly.
- (2) *Purchases.* The Issuer may at any time purchase Notes at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or cancelled, all at the option of the Issuer.
- (3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§12

Notices

- (1) *Publication.* All notices concerning the Notes shall, subject to subparagraphs (2) and (3), be published through the ICSDs and on the website of the Luxembourg Stock Exchange (www.bourse.lu) and may in addition be published in a newspaper. Any notice will be deemed to have been validly given on the fifth day following the date of such publication (or, if published more than once, on the fifth day following the first such publication).
- (2) *Notification to Clearing System.* The Issuer may, instead of a publication pursuant to subparagraph (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Noteholders, provided that, so long as any Notes are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the fifth day after the day on which the said notice was given to the Clearing System.

- (3) *Notice via Electronic Means.* If the Notes are admitted for trading on any stock exchange, notices to the Noteholders will be valid if published through electronic means having general circulation within the European Union and in the jurisdiction of any stock exchange on which the Notes may be listed from time to time, for so long as the Notes are listed on the respective exchange and the rules of any such exchange so require. Any such notice shall be deemed to have been given on the date of the first publication or, when required to be published by more than one electronic means, on the date on which the notice has first been published by all required electronic means.

§13

Governing Law, Jurisdiction and Enforcement

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

§14

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

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

[If intended to be listed on a stock exchange, include: It is intended to apply for listing of the Notes in the [include segment] of the [include stock exchange]. The Issuer estimates the costs for the admission to trading of the Notes to be EUR [●].]

[If intended to be listed on a multilateral trading facility, include: It is intended to list the Notes on the multilateral trading facility of [include stock exchange]. The Issuer estimates the costs for the admission to trading of the Notes to be EUR [●].]

FORM OF FINAL TERMS

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

Form of Final Terms

[Date]

Final Terms

[Title of relevant Series of Notes]

issued by

[Telekom Austria Aktiengesellschaft] [Telekom Finanzmanagement GmbH]

pursuant to the

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

of Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH

Issue Price: [●]%

Issue Date: [●]

ISIN: [●]

These Final Terms are prepared in accordance with article 5 (4) of the Prospectus Directive. The Final Terms contain information regarding the issuance of Notes under the EUR 2,500,000,000 Euro Medium Term Note Programme of Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH (the "**Programme**"). Full information on Telekom Austria Aktiengesellschaft and Telekom Finanzmanagement GmbH and the offer of the Notes are only available on the basis of the combination of these Final Terms and the Prospectus dated April 9, 2013 [as amended by the supplements thereto dated [●] on the Programme (the "**Prospectus**"), which is a base prospectus pursuant to the Prospectus Directive (Directive 2003/71/EC (the "**Prospectus Directive**"). Copies of the Prospectus and supplements thereto, if any, can be obtained at the registered office of Telekom Austria Aktiengesellschaft's registered office at Lassallestraße 9, A-1020 Vienna, Austria and are published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

[In case of an issuance which comprises a public offer to retail investors, include: The summary as contained in the Prospectus and completed by these Final Terms is attached to the Final Terms.]

Part I: Terms and Conditions

This part I of the Final Terms in accordance with Article 5.4 of the Prospectus Directive is to be read in conjunction with the Terms and Conditions of the Notes (the “**Terms and Conditions**”) set forth in the Prospectus pertaining to the Programme dated April 9, 2013. Capitalised Terms used in these Final Terms and not otherwise defined in these Final Terms shall have the meaning specified in the Terms and Conditions.

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

All provisions in the Terms and Conditions corresponding to items in these Final Terms which are either not selected or completed or which are not applicable shall be marked as “not applicable”.

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

1. Series Number: [●]
2. Tranche Number: [●]
3. Specified Currency: EUR
 USD
[●]
4. Aggregate Principal Amount: [●]
5. Aggregate Principal Amount in Words: [●]
6. Issue Price: [●] % of the Aggregate Principal Amount
7. Denomination:² [●]
8. Number of Notes: [●]
9. The Notes are initially represented by a temporary global note which will be exchangeable for a permanent global note and shall have the following form: [NGN]
[CGN]
10. ISIN: [●]
11. Rating of the Notes:
 Moody's [None] [Include details]
 Standard & Poor's [None] [Include details]

Interest (§3)

12. Fixed Rate Notes

² The minimum denomination amounts to EUR 1,000.

- | | | |
|-----|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Issue Date: | [•] |
| | Fixed Interest Rate: | [•]% per annum |
| | Fixed Interest Period: | [annually]
[semi-annually] |
| | Fixed Interest Payment Date(s): | [•] |
| | First Fixed Interest Payment Date: | [•] |
| | Day Count Fraction: | [Actual/Actual (ICMA)]
[30/360] |
| | Determination Dates: | [•] in each year |
| 13. | <input type="checkbox"/> Floating Rate Notes | |
| | Issue Date: | [•] |
| | Floating Interest Period: | [annually]
[semi-annually]
[quarterly] |
| | First Floating Interest Payment Date: | [•] |
| | Floating Interest Payment Date(s): | [•] |
| | Reference Rate: | [1-year EURIBOR]
[6-month EURIBOR]
[3-month EURIBOR]
[1-year LIBOR]
[6-month LIBOR]
[3-month LIBOR] |
| | Screen Page: | [•] |
| | Margin: | [•] |
| 14. | <input type="checkbox"/> Zero Coupon Notes | |
| | Amortisation Yield | [•] |
| 15. | Day Count Fraction: | [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/360]
[30/360, 360/360, Bond Basis]
[30E/360, Eurobond Basis]
[30E/360 (ISDA)] |
| 16. | Business Day Convention: | [Following Business Day Convention]
[Modified following Business Day Convention]
[Preceding Business Day Convention]
[FRN Convention]
[months/other – specify] |
| 17. | Business Day: | [relevant financial center]
[TARGET2] |

Maturity and Redemption (§4)

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

Paying Agent [and Calculation Agent] (§9)

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

Stock Exchange Listing and Admission to Trading, Costs (§14)

25. Stock exchange
- Luxembourg Stock Exchange
- Vienna Stock Exchange
26. Estimated costs of the admission[s] to trading: EUR [●]

Part II: Other information

27. Interest of natural and legal persons involved in the issue/offer [Include details]
28. Reasons for the offer / Use of proceeds [General corporate purposes/[●]]
29. Estimated net proceeds [●]

30. Estimated total expenses of the issue	[●]
31. Costs for holders	[Not applicable. The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes.]/[●]
32. Common Code	
Securities Code	[●]
Other securities code	[●]
33. Yield	[●]
34. Information regarding the resolutions, approvals and authorizations on the basis of which the Notes were or are to be created and/or issued.	[●]
35. Expected date of issuance	[●]
36. Information regarding	
- income tax on securities withheld at the source	[None] [Include details]
- whether the Issuer assumes responsibility for deduction of taxes at the source	[None] [Include details]
the home country of the Issuer and the country or countries in which the offer will be made or the admission to trading will be applied for. ³	[●]
37. Restrictions of transferability of securities	[None] [Include details]
38. Conditions to which the offer is subject ⁴	
39. Aggregate amount of the issuance/the offer. If the amount is not fixed, description of agreements and date for publication of the final offered amount to the public	[●]
40. Time period, including any possible amendments, during which the offer will be open	[●]
41. Description of the application process	[●]
42. A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants	[●]

³ Only applicable in relation to Notes with a denomination of less than EUR 100,000.

⁴ Details concerning the following items are only applicable and only need to be included in case of a public offer of the Notes.

- | | | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 43. | Details of the minimum and/or maximum amount of application, (whether in number of Notes or aggregate amount to invest) | [●] |
| 44. | Method and time limits for paying up the Notes and for delivery of the Notes | [●] |
| 45. | Complete description of the manner and date in which results of the offer are to be made public | [●] |
| 46. | The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised. | [●] |
| 47. | Process for notifying applicants of the amount allotted and indication whether dealing may begin before notification is made | [●] |
| 48. | Name and details of the coordinator(s) of the offer or individual parts of the offer and – to the extent known to the Issuer – information of the dealers in the individual countries of the offer | [●] |
| | not syndicated | [●] |
| | syndicated | [●] |
| 49. | Date of Subscription Agreement ⁵ | [●] |
| 50. | Management details and method of subscription ⁶ | [●] |
| 51. | Dealer/Managers (insert name(s) and address(es)) | [●] |
| | firm commitment | [●] |
| | no firm commitment/at market conditions | [●] |
| 52. | Information regarding main provisions of agreements, including subscribed amounts | [●] |
| 53. | (If issuance is not subscribed in full) information regarding the amount not subscribed | [●] |
| 54. | Fees ⁷ | |
| | Management/Underwriting Commission (specify) | [●] |

⁵ Only applicable in relation to Notes with a denomination of less than EUR 100,000.

⁶ Only applicable in relation to Notes with a denomination of less than EUR 100,000.

⁷ Only applicable in relation to Notes with a denomination of less than EUR 100,000.

- Selling Concession (specify) [●]
55. Expected date of admission to trading⁸ [●]
56. Name and address of the banks which operate as market makers and provide liquidity through bid and ask prices and description of the main conditions of such agreement⁹

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

[Telekom Austria Aktiengesellschaft] [Telekom Finanzmanagement GmbH]

as Issuer

[*Name and title in CAPS*]

[*Name and title in CAPS*]

[*In case of an issuance which comprises a public offer to retail investors, include: Annex 1: Summary*]

⁸ Only to be completed if information available.

⁹ Only applicable in relation to Notes with a denomination of less than EUR 100,000.

USE OF PROCEEDS

The Issuer will make the offer and intends to use the net proceeds of the issue of the Notes for general corporate purposes or such other purpose stated in the applicable Final Terms.

DESCRIPTION OF TFG

Introduction

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

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

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

Management

The following are the names and functions of TFG’s representatives:

<i>Name</i>	<i>Responsibility</i>
Johann Tschuden	Managing Director
Martin Mayr	Managing Director
Josef Flandorfer	Holder of statutory general power of attorney (<i>Prokurist</i>)

The members of the management of TFG hold functions predominantly in other entities of Telekom Austria, which may be regarded as activities for Telekom Austria. Other activities performed outside Telekom Austria are not regarded to be significant from the view of Telekom Austria. The members of the management of TFG have no potential conflicts of interest between their duties owed to TFG and their private interests or other duties.

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 companies. The business address of the persons listed above is Lassallestraße 9, A-1020 Vienna.

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.

Selected Financial Data

The following table presents a summary of financial and operating data for TFG. The financial data presented is based on the audited non-consolidated financial statements of TFG for the financial years ended December 31, 2012 and December 31, 2011 which have been drawn up in accordance with the

national Austrian accounting standards according to UGB and are incorporated into this Prospectus by reference. The financial data presented below should be read in conjunction with such financial statements and the notes thereto. The fiscal year of TFG coincides with the calendar year.

Totals in the following tables may differ from the sum of their components as a result of rounding effects. Please note that the national Austrian accounting standards according to the Austrian Companies Act are not comparable with IFRS.

	As of or for the year ended December 31,	
	2012	2011
in EUR thousand (audited, unconsolidated)		
Other operating income	6,970	1,930
Other operating expenses.....	(17,507)	(6,493)
Operating Result (Betriebsergebnis).....	(10,537)	(4,562)
Total Assets	4,684,935	5,188,194
Liabilities.....	(4,672,968)	(5,179,533)
Bonds	(2,852,728)	(2,080,336)
Liabilities vis-à-vis credit institutions.....	(1,036,779)	(1,571,049)
Accounts payable – trade.....	0	0
Payables to subsidiaries.....	(783,455)	(1,528,140)
Other liabilities.....	(6)	(7)
Stockholders' Equity	(2,791)	(1,931)
Common stock.....	(37)	(37)
Additional capital	(2,754)	(1,894)

There has been no material adverse change in the prospects of TFG since December 31, 2012. There has been no significant change in the financial or trading position of TFG since December 31, 2012.

Ownership and share capital

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

Beneath Telekom Projektentwicklungs (TPG) GmbH as sole shareholder, Telekom Austria AG as the parent company of Telekom Austria may be able to significantly influence matters requiring shareholder approval.

DESCRIPTION OF TELEKOM AUSTRIA AG

Introduction

Telekom Austria Aktiengesellschaft (“**Telekom Austria AG**” or an “**Issuer**”) is the holding company of an Austrian-based full-service telecommunications provider group with a wide range of advanced fixed-line, mobile, data and other communication services, including internet solutions. Telekom Austria AG is also known under the commercial names “Telekom” and “A1” and has its principal operative subsidiaries in Austria, Belarus, Bulgaria, Croatia, Liechtenstein, Macedonia, Serbia and Slovenia. Its registered office and principal place of business is at A-1020 Vienna, Lassallestraße 9. Telekom Austria AG is registered with the Commercial Court of Vienna under the commercial register number 144477t, its telephone number is +43 50 664 0.

Telekom Austria AG is a joint stock corporation established under Austrian law. The joint 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 AG has been incorporated for an unlimited duration.

Telekom Austria AG’s shares are listed on the Vienna Stock Exchange. With a market capitalization of approximately EUR 2.24 billion (Source: Vienna Stock Exchange website - <http://www.wienerborse.at/stocks/atx/> as of March 1, 2013) Telekom Austria AG is one of the ten largest Austrian companies listed on the Vienna Stock Exchange. A second listing of the shares of Telekom Austria AG on the New York Stock Exchange was withdrawn in June 2007. Since then, Telekom Austria AG’s American Depository Receipts have been traded over-the-counter with a Level 1 ADR program.

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

Management Board

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

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

The Management Board members hold functions predominantly in other entities of Telekom Austria, which may be regarded as activities for Telekom Austria. Other activities performed outside Telekom Austria are not regarded to be significant from the view of Telekom Austria AG. The members of the Management Board have no potential conflicts of interest between their duties owed to Telekom Austria AG and their private interests or other duties.

Supervisory Board

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

The current members of the Supervisory Board are:

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

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

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

The members of the Management Board and the Supervisory Board may be contacted at Telekom Austria AG'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:

Audit Committee

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

Chairing and Remuneration Committee

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

Personnel and Nomination Committee

The personnel and nomination committee of Telekom Austria AG (the "**Personnel and Nomination Committee**") (members Rudolf Kemler, Chairman; Edith Hlawati, Vice Chairperson; Ronny Pecik; Walter Hotz; and Werner Luksch) deals with appointments to the management board.

Compliance with Corporate Governance Code

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

Selected financial data

As Telekom Austria AG is the holding company of Telekom Austria, the historical financial information incorporated to this Prospectus for Telekom Austria AG are the consolidated historical

financial information for Telekom Austria. Selected financial data for Telekom Austria are presented under “*TELEKOM AUSTRIA – Selected financial data*”.

Ownership and share capital

Status

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

Share capital

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

In the 2003 Annual General Meeting the Management Board was authorized, as amended by the 2006 Annual General Meeting, to increase the share capital until June 30, 2010 by up to EUR 9,487,350 through issuing up to 4.35 million new bearer or registered non-par value shares in order to serve stock options, which were granted to employees, managers and members of the Management Board of Telekom Austria AG or affiliated companies. In the 2006 Annual General Meeting, the Management Board was authorized to resolve upon a conditional increase of the share capital by June, 2011, in order to grant stock options of up to EUR 21,810,000, by issuing up to 10 million new bearer or registered non-par value shares, against cash contributions.

Authorisation for share buyback

At the annual general meeting of May 23, 2012, the above mentioned authorization for share buybacks was revoked and following new authorization was resolved: (i) share buyback of up to 5% of the share capital with a price range of EUR 5 to EUR 15 per share; (ii) duration of authorization by the annual general meeting until November 22, 2013; (iii) shares purchased can be used as consideration for acquisition of enterprises, to serve stock options or to issue shares to employees, or to sell treasury shares any time via the stock exchange or by public offer, for a period of 5 years from the day of this resolution in any way permitted by law, also other than via the stock exchange, whereby the management board is entitled to exclude the general purchase opportunity. Since 2011, no share buybacks have been effectuated.

Treasury shares

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

Shareholder structure

Telekom Austria AG's share capital, as of the date of this Prospectus is held as follows (rounded figures):

OIAG (Republic of Austria)	28.42%
América Móvil (direct and indirect)	22.76% ⁽²⁾
Free Float ⁽¹⁾	48.81%

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

(2) Participation according to the shareholder's notification made to Telekom Austria AG on June 12, 2012. Under Austrian law, the shareholder is obliged to adjust its notification only if a change in the shareholding leads to a participation reaching or exceeding 25% or reaching or going below 20%. According to the published results of the shareholder, it held 23.7% in Telekom Austria AG as of December 31, 2012.

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

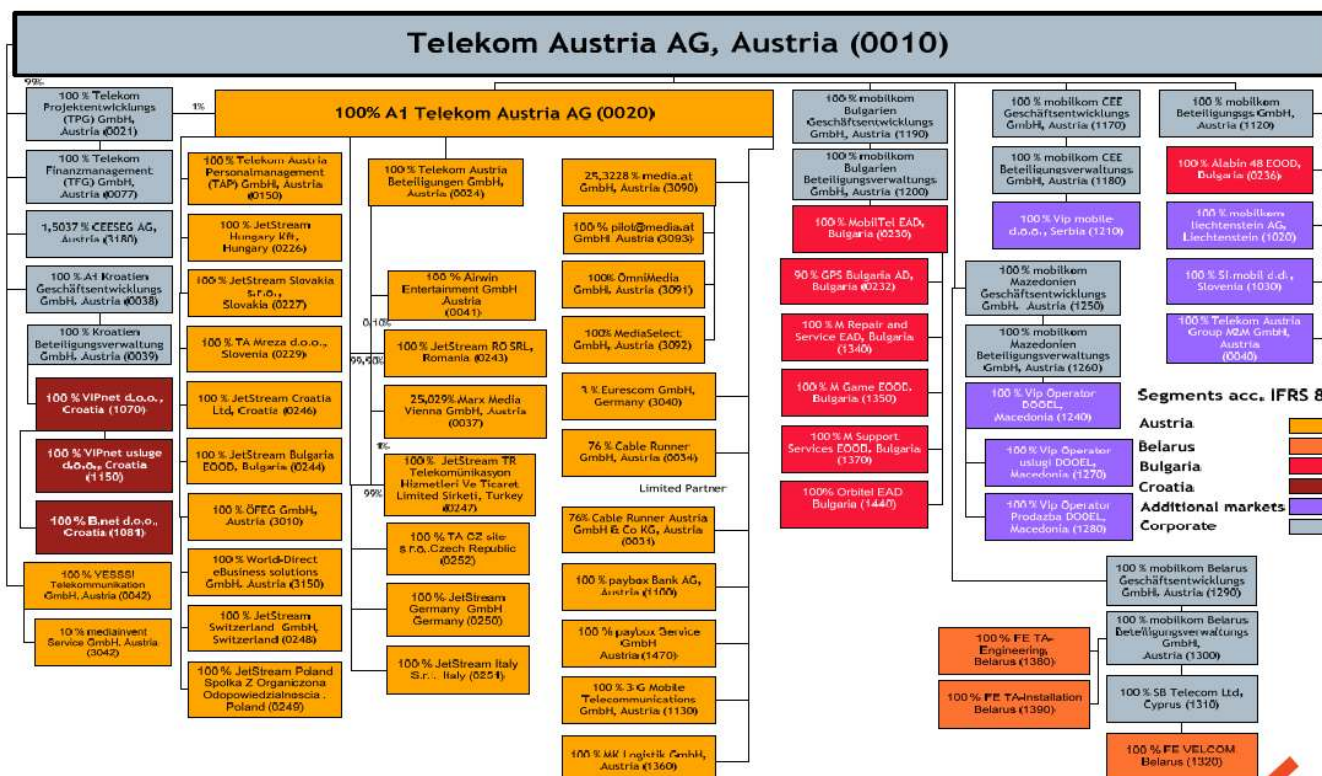
Transferability, listing, form

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

DESCRIPTION OF TELEKOM AUSTRIA

Introduction

TFG and Telekom Austria AG are companies of Telekom Austria, a full-service telecommunications provider group with a wide range of advanced fixed-line, mobile, data and other communication services, including internet solutions. Within Telekom Austria, Telekom Austria AG is the parent company and TFG is a sub-subsidiary of Telekom Austria AG. Telekom Austria's principal operative subsidiaries are A1 Telekom Austria AG (Austria), FE Velcom (Belarus), MobilTel EAD (Bulgaria), VIPnet d.o.o. (Croatia), MOBILKOM (LIECHTENSTEIN) AG (Liechtenstein), Vip Operator DOOEL (Macedonia), Vip mobile d.o.o. (Serbia) and si.mobil d.d. (Slovenia). The chart below shows, in simplified form, the main entities of Telekom Austria as of the date of this Prospectus.



Business overview

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

Starting from its domestic market in Austria, Telekom Austria has positioned itself in selected markets in CESEE over the last ten years. As of December 31, 2012, approximately 36% of total revenues of Telekom Austria were generated outside Austria.

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

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

and IPTV.

In Bulgaria, Telekom Austria's local subsidiary MobilTel EAD ("**M-tel**"), the formerly mobile only operator offers in the market fixed line voice and data services additionally to mobile voice and data services to consumer and business customers. Fixed line with fixed voice, high-speed internet and IPTV is part of the portfolio since the acquisition of two fiber operators in 2011.

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

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

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

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

Products and services offered by Telekom Austria

Main products and services

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

Fixed line voice services

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

Fixed data services

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

Mobile services

Telekom Austria's principal services in all its operating segments are mobile voice services based on the Global System For Mobile Communications ("**GSM**"), the General Packet Radio Service, the Universal Mobile Telecommunications System ("**UMTS**"), Enhanced Data Rates For GSM Evolution and High Speed Download Packet Access plus. Furthermore, Telekom Austria offers value added services, mobile data and internet services including Short Message Service ("**SMS**"), Multimedia Messaging Services ("**MMS**"), mobile broadband and internet access. For the future, Telekom Austria

anticipates technology drivers in the mobile telecommunications area such as Long Term Evolution (“LTE”) and application developments to boost usage and growth of telecommunication services.

Wholesale

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

Machine to Machine communication (“M2M”)

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

New products

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

Selected financial data

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

	Year ended December 31,	
	2012	2011
	in EUR million	
	(audited, consolidated)	
Operating revenues.....	4,329.7	4,454.6
Other operating income	82.1	100.4
Operating expenses		
Materials.....	(474.7)	(442.0)
Employee expenses, including benefits and taxes.....	(833.6)	(805.0)
Other operating expenses.....	(1,648.1)	(1,780.6)
EBITDA comparable.....	1,455.4	1,527.3
Restructuring.....	(34.7)	(233.7)
Impairment and reversal of impairment ⁽¹⁾	0.0	(248.9)
EBITDA incl. effects from restructuring and impairment tests.....	1,420.8	1,044.7
Depreciation and amortization.....	(964.0)	(1,052.4)
Operating result.....	456.8	(7.6)

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

	As of December 31,	
	2012	2011
	in EUR million	
	(audited, consolidated)	
Consolidated Balance Sheet Data		
Total Assets	7,251.5	7,448.8
Current Assets	1,809.3	1,751.4
Cash and cash equivalents	600.8	460.0
Short-term investments.....	85.1	166.0
Accounts receivable – trade, net of allowances	746.9	737.6
Receivables due from related parties	0.0	0.1
Inventories	152.9	157.7
Prepaid expenses	106.7	101.0
Income tax receivable.....	21.1	40.6
Non-current assets held for sale.....	0.9	0.1
Other current assets	94.8	88.3
Non Current Assets	5,442.3	5,697.4
Investments in associates.....	3.7	3.7
Financial assets long-term	7.9	13.9
Goodwill.....	1,289.5	1,289.7
Other intangible assets, net.....	1,522.6	1,619.3
Property, plant and equipment, net	2,426.4	2,462.2
Other non-current assets	30.8	34.5
Deferred tax assets.....	161.5	273.9
Receivables due from related parties, finance.....	0.0	0.1
Total Liabilities And Stockholders' Equity	(7,251.5)	(7,448.8)
Current liabilities	(2,322.1)	(2,412.0)
Short-term borrowings.....	(1,049.4)	(1,014.2)
Accounts payable - trade	(567.1)	(642.2)
Current provisions and accrued liabilities.....	(301.8)	(311.6)
Payables to related parties	(7.8)	(9.8)
Income tax payable.....	(37.2)	(41.3)
Other current liabilities.....	(195.1)	(226.5)
Deferred income	(163.7)	(166.5)
Non-Current liabilities	(4,093.3)	(4,153.7)
Long-term debt.....	(2,832.0)	(2,935.1)
Employee benefit obligations	(139.0)	(129.0)
Non-current provisions.....	(923.1)	(888.2)
Deferred tax liabilities	(115.2)	(127.3)
Other non-current liabilities and deferred income	(84.0)	(74.2)
Stockholders' Equity	(836.1)	(883.1)
Common stock.....	(966.2)	(966.2)
Treasury shares.....	8.2	8.2
Additional paid-in capital	(582.9)	(582.9)
Retained Earnings.....	219.1	219.8
Available-for-sale reserve.....	0.2	0.8
Hedging reserve.....	48.5	27.9
Translation adjustments.....	438.1	410.2
Equity attributable to equity holders of the parent	(835.1)	(882.2)
Non-controlling interests	(1.1)	(0.9)

Operating segments

Telekom Austria reports in the following operating segments:

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

Financial key figures per segment

Revenues	Year ended December 31,	
	2012	2011
	in EUR million (audited, consolidated)	
Austria.....	2,787.1	2,942.1
Bulgaria.....	469.1	527.7
Croatia.....	420.4	420.7
Belarus.....	301.2	260.9
Additional Markets.....	426.6	396.4

Source: Telekom Austria Annual Report 2012

EBITDA comparable	Year ended December 31,	
	2012	2011
	in EUR million (audited, consolidated)	
Austria.....	902.9	972.6
Bulgaria.....	207.4	261.9
Croatia.....	136.6	134.5
Belarus.....	124.4	106.6
Additional Markets.....	117.3	90.4

Source: Telekom Austria Annual Report 2012

EBITDA including effects from restructuring and impairment tests	Year ended December 31,	
	2012	2011
	in EUR million (audited, consolidated)	
Austria.....	868.2	738.9
Bulgaria.....	207.4	242.6
Croatia.....	136.6	134.5
Belarus.....	124.4	(172.4)
Additional Markets.....	117.3	139.8

Source: Telekom Austria Annual Report 2012

Operating income	Year ended December 31,	
	2012	2011
	in EUR million (audited, consolidated)	
Austria.....	313.6	129.7
Bulgaria.....	55.2	42.3
Croatia.....	69.4	67.9
Belarus.....	29.5	(255.2)
Additional Markets.....	17.0	43.4

Source: Telekom Austria Annual Report 2012

Austria

In the Austrian segment a highly competitive environment, particularly in the mobile market, led to severe pricing pressure and to a 5.3% decline in revenues in 2012 (compared to 2011). Competition is focused on smartphone offerings and attractive mobile package tariffs, which, combined with the continuing trend toward no-frills brands, led to decreasing price levels. Beneath that, key factors for declining revenues were, amongst others, the continued shift to package tariffs impacting monthly fee and traffic revenues the ongoing fixed-to-mobile substitution, far-reaching regulatory measures (such as, e.g., reductions of mobile termination rates) and regulatory cuts on roaming. The introduction of charges for SIM cards and internet services was able to partly offset this trend.

EBITDA comparable fell by 7.2% in 2012 (compared to 2011) to EUR 902.9 million. The EBITDA comparable margin decreased from 33.1% to 32.4% in 2012 (compared to 2011). EBITDA including

effects from restructuring and impairment tests rose by 17.5% in 2012 (compared to 2011) to EUR 868.2 million, after a 17.0% decline to EUR 738.9 million in 2011 (compared to 2010), which was mainly caused by restructuring expenses of EUR 233.7 million relating to the transfer of employees with civil servant status to government agencies, expenses in connection with social plans and an adjustment to the provision for the restructuring program. Correspondingly, the operating result in the Austrian segment rose by 141.8% to EUR 313.6 million in 2012 (compared to 2011), after a decline by 42.3% to EUR 129.7 million in 2011 (compared to 2010).

In 2012, total cost reductions amounted to EUR 91.0 million and were primarily a result of lower costs for services received (due to the sale of A1 subsidiary Mass Response Service GmbH) and other costs (primarily driven by a reduction of marketing expenses) as well as lower interconnection costs. Interconnection costs included a negative one-off effect of EUR 3.1 million in the first quarter of 2012 compared to a positive one-off effect of EUR 7.6 million in 2011. On an unadjusted basis, interconnection costs declined by EUR 41.3 million in 2012 (compared to 2011) due to lower tariffs and a decline in volumes. In the same period, material expenses increased due to a continued trend of high value handsets and personnel expenses increased by 4.1%.

Telekom Austria took the next step toward integration when it relaunched the single “A1” brand on June 14, 2011, following the legal merger of its domestic fixed line and mobile communication operations in 2010. Attractive product and pricing structures increased the demand for fixed broadband lines. The number of A1TV customers grew and mobile customer base rose in 2012. However, at the same time, severe competition in the mobile communication business led to a decline in market share. This is due to the reason that the market is growing faster than Telekom Austria’s share in such market.

Bulgaria

The market environment in Bulgaria is characterized by a weak domestic economy, fierce competition and regulatory burdens. Consequently revenues declined by 11.1% in 2012 (compared to 2011) primarily due to lower monthly fee and traffic revenues as a result of a lower usage and a decline in prices. Wholesale (including roaming) revenues declined as a result of lower roaming tariffs. A new glide path for national and international termination rates was introduced as of July 1, 2012 and spurred the decline of interconnection revenues.

EBITDA comparable declined by 20.8% to EUR 207.4 million in 2012 (compared to 2011) as a result of the negative impact of revenue pressure on EBITDA comparable and, consequently, the EBITDA comparable margin decreased from 49.6% to 44.2% in the same time. Material expenses and personnel expenses increased, but other costs declined primarily as a result of lower marketing and sales costs as well as lower bad debt provisions. Interconnection expenses declined due to regulatory cuts. The operating result rose by 30.7% in 2012 (compared to 2011) to EUR 55.2 million.

The trend towards convergent products and integrated telecommunication solutions continued in Bulgaria. Accordingly, M-tel acquired two Bulgarian fiber-optic providers. Both companies have been consolidated in the Bulgarian segment since February 2011.

Croatia

The Croatian market is characterized by a weak economic backdrop, regulatory burdens as well as fierce competition. VIPnet d.o.o. (“**VIPnet**”), the (indirect) Croatian subsidiary of Telekom Austria, acquired B.net d.o.o. (“**B.net**”), Croatia’s biggest cable operator, in August 2011 to benefit from the strong demand for convergent products. B.net was consolidated in the Croatian segment as of August 2011. Due to this acquisition, revenues remained almost stable in 2012 (EUR 420.4 million compared to EUR 420.7 million in 2011). Monthly fee and traffic revenues as well as interconnection revenues increased as the fixed line business compensated for lower mobile prices and the decline in termination rates. Wholesale (including roaming) revenues declined due to lower inter-operator tariffs. In the period covered by the historical financial information, business development was affected by intense price

pressure and lower roaming and interconnection revenues, which were only partly offset by higher monthly fees, as a result of the increased number of contract customers, and for the first-time contribution to revenues from B.net.

EBITDA comparable increased by 1.5% in 2012 (compared to 2011) due to a strict focus on costs control, and, consequently, the EBITDA comparable margin increased from 32.0% to 32.5% in the same time. Material expenses declined slightly following lower subscriber acquisition and retention costs. A restructuring program resulted in declining personnel expenses. The integration of B.net in September 2011 resulted in higher interconnection costs as well as costs for services received. The abolition of the mobile tax had a positive effect of EUR 7.9 million on operating expenses. In 2012, a negative effect of EUR 1.5 million from foreign exchange translations was recorded in EBITDA. The operating result rose by 2.2% in 2012 (compared to 2011) to EUR 69.4 million.

Belarus

The Belarusian market continued to face difficult macroeconomic conditions, which resulted in two devaluations of the BYR against the Euro in 2011. After a first devaluation in May 2011, the introduction of a floating exchange rate in September 2011 triggered a second devaluation. Since the fourth quarter 2011, hyperinflation accounting has been applicable for the Belarusian segment. Financial figures were adjusted with indexes according to inflation rate and were converted from the BYR into Euro with the period end exchange rate (at the end of 2012, the exchange rate was 11,340 BYR/1 EUR).

Revenues in Belarus rose by 15.5% to EUR 301.2 million in 2012 (compared to 2011), including a negative net amount of EUR 15.1 million from hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting, revenues rose, as a result of inflation driven price increases, continued subscriber growth and strong demand for mobile broadband solutions, by 21.2% in 2012 (compared to 2011).

EBITDA comparable rose by 16.7% in 2012 (compared to 2011) to EUR 124.4 million, whereof a negative net amount of EUR 6.2 million resulted from hyperinflation accounting and foreign exchange translations. On a local currency basis and before any hyperinflation accounting adjustments, EBITDA comparable increased by 22.5% in the same period. In local currency operating expenses increased in 2012 mainly due to revenue related expenses such as material expenses, interconnection expenses and higher costs for services received. Personnel expenses increased due to higher salaries. Furthermore, continued efforts to reduce foreign exchange denominated costs mitigated the negative impacts from the currency devaluation in 2012. As a result of inflation-related adjustment of segment assets, an impairment charge of EUR 279.0 million was recorded in 2011. In 2012 the operating income amounted EUR 29.5 million compared to an operating loss of EUR 255.2 million in 2011 which was effected by the above mentioned impairment charge.

Additional Markets

The additional markets segment comprises Slovenia, Serbia, Macedonia and Liechtenstein. The revenues in this segment grew by 7.6% to EUR 426.6 million in 2012 (compared to 2011) primarily as a result of a higher subscriber base. A negative effect from foreign exchange translations in the amount of EUR 17.2 million was recorded in this period, stemming predominantly from a 8% decline of the Serbian Dinar versus the Euro.

EBITDA comparable increased by 29.7% to EUR 117.3 million in 2012 (compared to 2011). While personnel expenses increased due to a higher number of full time employees, interconnection expenses declined as higher volumes were offset by lower termination rates. The operating result declined by 60.8% in 2012 (compared to 2011) to EUR 17.0 million.

Slovenia

In Slovenia, attractive smartphone offerings and a focus on the high-value customer segment led to higher monthly fee and traffic as well as equipment revenues in 2012. Revenues rose by 3.6% in this period (compared to 2011) and amounted to EUR 199.6 million. In the period covered by the historical financial information, Si.mobil d.d. (“**Si.mobil**”), Telekom Austria’s subsidiary in Slovenia, focused on high-value market segments with smartphone offers and all-inclusive packages.

Operating expenses increased in 2012 in Slovenia, as higher revenues led to higher revenue related expenses and the strong demand for smartphones led to a rise of material expenses. EBITDA comparable for this period rose by 12.3% (compared to 2011) to EUR 58.0 million. The operating result rose by 20.0% in 2012 (compared to 2011) to EUR 36.3 million.

Serbia

In the Republic of Serbia a rise in contract share and higher usage led to revenue growth in 2012. Revenues rose by 12.1% in this period (compared to 2011) and amounted to EUR 160.4 million. In the period covered by the historical financial information, Vip mobile d.o.o. (“**Vip mobile**”), Telekom Austria’s subsidiary in Serbia, continued its growth, increasing the number of mobile customers and expanding the proportion of contract customers. As a result, the market share grew..

Operating expenses increased in the Republic of Serbia as higher revenues led to higher revenue related expenses. EBITDA comparable for this period rose by 55.6% (compared to 2011) to EUR 49.0 million. Operating loss amounted to EUR 18.4 million in 2012 compared to an operating income of EUR 21.1 million in 2011. This development was primarily driven by a reversal of impairments in the amount of EUR 49.4 million for the Serbian mobile license in 2011.

Macedonia

In the Republic of Macedonia a rise in contract share and higher usage led to revenue growth in 2012. Revenues rose by 12.9% in this period (compared to 2011) and amounted to EUR 60.3 million. Vip Operator DOOEL (“**Vip operator**”), Telekom Austria’s (indirect) subsidiary in Macedonia, expanded its subscriber base and increased its market share in Macedonia in the period covered by the historical financial information. The growing subscriber base and higher traffic volumes led to higher monthly fees and traffic revenues. Stronger usage also resulted in an increase in interconnection revenues and related interconnection expenses.

EBITDA comparable amounted to EUR 12.1 million in 2012. The operating result turned from a negative amount of EUR 10.3 million in 2011 to a positive amount of EUR 0.4 million in 2012.

Liechtenstein

Revenues in Liechtenstein declined by 11.3% in 2012 (compared to 2011) and amounted to EUR 6.8 million.

EBITDA comparable declined by 33.6% to EUR 1.2 million in 2012 (compared to 2011). The operating result declined by 74.2 in 2012 (compared to 2011) and totaled EUR 0.3 million.

Regulation

Austria

The Regulatory Authorities

The Telecommunications Act of 2003 (*Telekommunikationsgesetz 2003, BGBl I 70/2003*, the “**TKG**”)

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

Telekom-Control-Commission

The Telekom-Control-Commission is an independent three-member committee that constitutes a tribunal within the meaning of the European Convention on Human Rights¹⁰. The Telekom-Control-Commission is *inter alia* responsible for competition regulation, frequency assignment procedures, the approval of general terms and conditions of business, as well as monitoring the fees charged by telecommunications companies. Another duty assigned to the Telekom-Control-Commission is its role as the supervisory authority for electronic signatures. Within its field of responsibility, the Telekom-Control-Commission has far reaching competences; these include the following: ordering the joint use of telecommunication infrastructure; issuing decisions in proceedings concerning data of subscriber directories; determining whether in a respective relevant market one or more operators have significant market power and imposing specific obligations; issuing decisions in proceedings concerning specific obligations (e.g. obligation of non-discrimination, access to network equipment and network features, interconnection, number portability and Carrier Selection); approving conditions of business and charges and exercising the right to object; issuing decisions on the licensing and allocation of frequencies as well as the change and revocation of frequency allocations; issuing decisions on the right to provide communications networks or services, including the right to revoke these rights; issuing decisions on preliminary injunctions; identifying and filing applications concerning unjust enrichment by providers through excessive pricing and filing applications with the Cartel Court. Telekom-Control-Commission decisions can be contested by means of complaints filed with the Austrian Administrative Court (*Verwaltungsgerichtshof*) and/or the Austrian Constitutional Court (*Verfassungsgerichtshof*).

Communications Authority

The Communications Authority is the regulatory authority for electronic audio media and electronic audiovisual media. Since 2010, the Communications Authority is an independent panel authority which is not subject to instructions from any other authority. The Communications Authority is responsible for issuing licenses to private television and radio stations, managing broadcasting frequencies, handling the legal supervision of private broadcasters, as well as preparing and launching digital broadcasting in Austria. Since 2004, the Communications Authority is also in charge of administering the Austrian federal government's press and journalism subsidies. In the same year, it also assumed responsibility for monitoring compliance with Austrian advertising regulations in broadcasts of the Austrian Broadcasting Corporation (*Österreichischer Rundfunk*, the “**ORF**”) and private broadcasters. The Communications Authority is also responsible for the legal supervision of ORF and its subsidiaries, for the legal supervision of private providers of audiovisual media services on the Internet, and for certain

¹⁰ Convention for the Protection of Human Rights and Fundamental Freedoms dated 4 November 1950, as amended.

tasks under the Austrian Act on Exclusive Television Rights (*Fernseh-Exklusivrechtgesetz*). The Austrian Federal Minister of Transport, Innovation and Technology does not have the power to issue instructions to the Communications Authority. However, the Federal Minister is authorized to gather and request relevant information on all matters handled by the Communications Authority. Appeals against Communications Authority decisions can be submitted to the Federal Communications Senate (*Bundeskommunikationssenat*, the “**BKS**”) in the second instance. Further appeals against BKS decisions may be submitted to the Austrian Administrative Court (*Verwaltungsgerichtshof*) and the Austrian Constitutional Court (*Verfassungsgerichtshof*).

Regulatory Authority for Broadcasting and Telecommunications

The Austrian Regulatory Authority for Broadcasting and Telecommunications (*Rundfunk und Telekom Regulierungs GmbH*, “**RTR**”) provides operational support for the Communications Authority and the Telekom-Control Commission. RTR is organised as a company with limited liability (*Gesellschaft mit beschränkter Haftung*) led by two managing directors. For the Communications Authority, RTR manages working groups, perform tasks in the fields of broadcasting frequency management, legal supervision and advertising monitoring, and supports the authority in procedures carried out under broadcasting law. In providing operational support for the Telekom-Control Commission, RTR’s activities are related to approvals of general terms and conditions of business, electronic signatures, frequency allocation procedures and competition regulation. RTR also provides operational support for the Postal Service Regulation Commission (*Post-Control-Kommission*), specifically in the field of post office regulation, general terms and conditions of business, competition regulation and supervisory measures. Additional activities at RTR include alternative dispute resolution between end-users and operators and dispute resolution among operators, the administration of the Austrian Digitization Fund (*Digitalisierungsfonds*), Television Fund (*Fernsehfonds Austria*), Private Broadcasting Fund (*Privatrundfunkfonds*) and Non-Commercial Fund (*Nichtkommerziellen Rundfunkfonds*), dispute settlement for retail customers, the administration of communications parameters (e.g., numbering) and the definition of relevant markets. The activities of RTR are supervised by the Minister for Transport, Innovation and Technology (the “**Federal Minister**”). RTR together with the Telekom-Control-Commission and the Communications Authority is required to publish a common yearly report about their activities in the Communications Report (*Kommunikationsbericht*), which will be forwarded to the Federal Chancellor and the competent federal minister as well as to the Parliament.

Other regulatory bodies

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

BEREC

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

Spectrum

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

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

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

Telecom-Control-Commission has approved A1's acquisition of frequencies currently owned by Orange Austria. The spectrum to be acquired amounts to a total of 2 x 13.2 MHz of paired frequencies in the frequency bands 900 MHz, 2,100 MHz and the 2,600 MHz band. The acquisition of the frequencies will increase the network quality of Telekom Austria. However, T-Mobile, which was not admitted as party in the approval procedure by the regulator, appealed against this decision to the Austrian supreme administrative court. The respective complaint is currently pending.

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

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

Market Consolidation

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

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

Market Analysis

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

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

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

Unbundling

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

Interconnection

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

Concerning interconnection fees national regulatory authorities need to follow the EC Recommendation on Termination rates when setting new levels for MTR or FTR in Europe, because a pure LRIC cost model is mandatory since January 1, 2013. The Austrian NRA has already applied the new cost model by calculating FTRs and MTRs in current 4th round of market analysis proceedings and has published draft decisions on new FTR and MTR in December, 2012: The symmetric MTR level will decrease from currently EUR 0.0201 to EUR 0.008049 per minute and FTRs will decrease from so far the highest level in Europe EUR 0.007 to EUR 0.00122 on average per minute.

To compensate effects of lowered FTRs, fixed net origination tariffs are proposed to be increased from EUR 0.007 to EUR 0.01815 in average per minute. Draft decisions regarding the three interconnection markets have been published in December 2012, but all draft decisions will need to be run through a national consultation process as well as an international consultation process with the European Commission. Final decisions are therefore expected in the second quarter 2013.

Regulation in other Markets

Belarus

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

Since February 2012, the mobile termination rate of the smallest operator Turkcell was unilaterally increased so that the mobile termination rates between Velcom and Turkcell are now asymmetric. It is expected that this asymmetry will continue until 2015. The asymmetry will be reduced every year and is expected to finally disappear in 2015. On February 1, 2012 mobile number portability was introduced. So far the service has not been successful: Not more than 5.000 out of 10.5 million customers used it.

VAT for telecom services to residential customers was implemented since January 1, 2013. The tariffs will be increased by 20% due to VAT implementation.

Bulgaria

Amendments to the existing Electronic Communications Act implementing the revised EU Telecom Framework 2009 were adopted in December 2011 and became effective in December, 2011. Also in 2011 the national telecom regulator amended the technical requirements for operation of mobile terrestrial networks and their related equipment and introduced technical conditions allowing LTE and WiMax technologies into the 900 MHz and 1800 MHz bands. The revision of the requirements followed the European Commission's initiatives on the harmonisation of the 900 MHz and 1800 MHz frequency bands in the national legislation.

The national telecom regulator adopted a second round analysis of the market of Voice call termination on mobile networks and the markets of call origination and call termination on fixed networks after a threefold consultation process. In May 2012, an extended price control obligation for voice call termination in mobile networks for calls originating from outside the territory of Bulgaria was introduced.

In August 2010 the national regulatory authority introduced a one-stop-shop procedure for mobile and fixed number portability. The switch to one-stop-shop was introduced in order to simplify porting process and to reduce the porting period. In 2012 amendments were introduced including shorter terms for portability and abolishment of most reject reasons.

Croatia

In line with the EU Commission's timeline, in August 2011 a new Electronic Communications law entered into force which fully aligns Croatian law with the EU Telekom Framework. The mobile tax of 6% of gross revenues on mobile electronic communication services initially introduced in August 2009 was abolished in December 2011 and reintroduced in January 2012 by the newly elected Croatian government. Finally it was abolished in July 2012. In March 2012 the Croatian regulatory authority ("HAKOM") introduced the regulation on retail fixed broadband market (including voice-broadband-IPTV 2D/3D bundles) and imposed strict retail regulations on T-Hrvatski Telekom ("HT") as an incumbent and its subsidiary Iskon.

In May 2012, all three mobile network operators increased international MTR previously set at HRK 0.90/min (EUR 0.12/min) to HRK 1.28/min (EUR 0.17/min). In May 2012, the Croatian Government (Ministry of maritime affairs, transport and infrastructure) initiated public consultations on the proposed draft bylaw on amendments to the bylaw on fees for the right to use radiofrequency spectrum, numbers and addresses, proposing the rapid increase of the annual fee for the right to use the radio spectrum from 0.5% to 5% of gross revenues. On August 9, 2012 the Ministry of maritime affairs, transport and infrastructure published the final amendments to the bylaw; 0.5% gross revenues fee remained unchanged, a one-time fee for new spectrum licences (e.g. digital dividend) was set to HRK 150 million (ca EUR 20 million), existing licences prolongation or extension is set without one-time fee payment, monthly fee transferrable to postpaid mobile users reduced by January 1, 2013 from 10kn to 5kn/month.

In October 2012, a digital dividend spectrum (800 MHz) was allocated by HAKOM through a public call procedure (instead of an auction), and 2x10 MHz blocks were allocated to Vipnet and HT, as a third application was not received. The price for one 2x10 MHz block was set to HRK 150 million (EUR 20 million). In December 2012, HAKOM decided to reduce annual spectrum fees for mobile services (800/900/1800/2100 MHz) from HRK 180.000/MHz to HRK 144.000/MHz with effect as of January 1, 2013.

In 2010 all three mobile operators were accused by the Croatian competition agency of possible cartel law offenses, because of retail price increases (rounding units) upon the introduction of a mobile tax in mid 2009; these claims were disputed by all mobile operators. The competition agency claimed that all three operators were exchanging business information on rounding units changes in order to minimize the customer churn risk, based on a mutual press announcement by the mobile operators' association which stated that operators were considering countermeasures to soften the negative effect of the mobile tax. In October 2012 the competition agency found all 3 mobile operators not guilty on the

cartel accusations.

Macedonia

In 2012, the regulatory framework became more restrictive as the agency for electronic communications (“AEC”) focused on consumer protection issues. AEC imposed detailed service quality targets as a basis for the improvement of network availability and general service quality parameters. Also, a new prepaid registration process was regulated by selling locked SIMs only, which could be unlocked via self-registration or at point of sale.

The MTR regulation continued via an imposition of a new glide path by AEC. As of September, 2012, MTRs of Vip operator and One were equalized at the level of EUR 0.065/min and T-Mobile’s at the level of EUR 0.049/min. By this, Vip operator continued to get favourable asymmetrical interconnection treatment of 33% towards the biggest market player until September 2013, when the pure LRIC based regulation will commence and all MTRs converge at symmetrical level of EUR 0.0195/min. The glide path will finish as of September 2014, when all MTRs will be set to EUR 0.015/min.

The national regulatory authority continued to charge significantly higher frequency fees than the EU average also in 2012 so that the authority’s revenues by far exceeded its costs. After the electronic communication law changes of 2011, the commission of AEC in mid 2012 reallocated around 35% from the collected revenues to other non-telecommunication-related projects in the State’s interests. In the meantime AEC failed to sell 2x10 MHz within division duplex bandwidth for LTE in two occasions, because as no bidder applied. The initial price was set to EUR 25 million at the first stage (auction) and to EUR 15 million at the second stage (beauty contest). A third round is expected to be conducted soon.

Serbia

In March 2012, Serbia obtained the EU candidacy status. In May 2012, presidential and parliament elections were organized. After the new government was formed, telecommunications became a part of the Ministry for External, Internal Trade and Telecommunications. Furthermore it was planned for the Serbian regulator, the Republic agency for electronic communications (“RATEL”) to be merged with the Agency for Postal Services. As an anti-crisis measure, VAT was increased from 18% to 20% as of October 2012. The Serbian government adopted a new radio frequency allocation plan (effective as of October 2012).

The first round of market analysis had been done in 2011 in Serbia, and results were published in November 2011. RATEL defined in total nine submarkets and determined SMP operators on each specific market and their remedies. Regarding the wholesale mobile termination market, RATEL decided to keep symmetric MTRs at the same level as it was before the market analysis and only abolished the interconnection call set up fees. RATEL decided not to change the MTRs in 2013.

After the liberalization of the fixed net telephony in January 2012 one more fixed net player entered the Serbian market, and started with commercial activities in September 2012. Mobile number portability was successfully launched in July 2011.

Slovenia

In July 2010, the national regulatory authority (“NRA”) issued supplementary radio frequency decisions to all operators already holding GSM 900 or DCS 1800 frequencies, thus allowing them to use UMTS in assigned radio bands as well. It is, however, uncertain what will happen to the 800 MHz frequencies.

In June 2012, NRA published its intentions how it will approach digital dividend band, unused frequencies, frequencies expiring in 2016 and other frequencies. An expert project team was formed to prepare the expert basis for a national strategy and for awarding 4G networks. Recently the “Basis for

Conducting a Public Tender for the Allocation of Radio Frequencies” was sent out for public consultation. When the strategy is passed in the parliament, NRA’s intention is to prepare the auction until end of 2013 or beginning of 2014. The auction will be prepared presumably for following frequency band: 800 MHz, 900 MHz, 1800 MHz and 2600 MHz.

International Roaming

The European Commission directly regulates international roaming tariffs by setting maximum charges for voice mail, Euro-SMS and data roaming. The regulation also requires that citizens have to be informed about the charges.

The third European Union Roaming Regulation of July 2012, introduces the obligation to implement a structural solution. This will enable customers to choose an operator for roaming services within the European Union independently from their operator for national services. This should incentivize roaming providers to start competing on roaming services, eventually rendering the continuation of price cap regulation unnecessary.

The regulation sets out the technical implementation of the separate sale of regulated roaming services, which operators have to provide by July 1, 2014: Decoupling – separate sale of regulated roaming services (the bundle of voice, SMS and data roaming) from domestic mobile services: single IMSI. Access to local mobile data services: local break-out (LBO). BEREC has prepared a (non-binding) guidance in addition to the Commission’s binding implementing regulation. An industry group, involving stakeholders such as mobile operators and equipment vendors, is working on specifying the technical details during the implementation phase. This work should be completed by summer 2013. GSM

GSM

The Telecommunications Act of 2003 set up a notification regime for mobile operators using the GSM technology. However, the provision of mobile telecommunication services continues to be limited by the allocation of the frequency spectrum. There are currently three GSM network operators, which are:

- A1 Telekom Austria AG;
- T-Mobile Austria GmbH, (formerly max.mobil Gesellschaft für Telekommunikation GmbH which took over tele.ring Telekom Service GmbH & Co KG in 2006); and
- Orange Austria Telecommunication GmbH.

Barablu (under the brand name Vectone) is active in the market as MVNO, as well as a number of service providers – e.g. YESSS!

UMTS

All Austrian GSM operators operate a UMTS network in addition to a GSM network. Only Hutchison 3G operates a UMTS network solely, and uses national roaming in areas where Hutchison 3G has no UMTS coverage.

Risk management

Risk management at Telekom Austria focuses on market and competitive risks, regulatory interventions and uncertain legal situations, which could influence Telekom Austria’s success, as well as on maintaining a high level of availability and reliability of the services and products offered. Risks and opportunities are regularly analysed at group level and effective measures implemented to reduce or identify them. The effects of deviations from plan, for example, are evaluated using, inter alia, scenario and probability calculations. Telekom Austria’s overall risk situation is calculated on the basis of the sum of individual risks.

In addition to the Austrian fixed line and mobile communication markets, Telekom Austria also has a leading position in seven other international telecommunication markets, which ensures both sectoral and broad geographical diversification. As the individual markets of Telekom Austria are exposed to diverse risk sets, risk is not centrally managed but falls under the responsibility of the respective operating units. A central risk manager is responsible for group-wide monitoring and coordination. By way of structured interviews and workshops with top management risks are identified, assessed and summarised in a risk report. On the basis of this report processes are drawn up, put in place and evaluated to reduce and avoid risks. The close integration of business planning and risk management ensures appropriate risk control.

Risk management at Telekom Austria is monitored by the Audit Committee of the Supervisory Board on the basis of a risk catalogue. After risks have been assessed and categorised according to their threat potential, measures designed to deal with them are drawn up and implemented. Management receives a regular status report as a controlling instrument. The most important risk categories and individual risks, which could have a significant impact on the financial, assets and earnings position of Telekom Austria are explained below. Furthermore, a compliance officer is responsible for monitoring compliance risks at Telekom Austria.

Market and competitive risks

A high level of competition – a trend also increasingly affecting Telekom Austria’s foreign markets – is leading to sharp price cuts in both mobile communication and data traffic. There is therefore a risk that growth in traffic volumes will not be able to offset these price declines. Falling prices for mobile communication are also accelerating fixed-to-mobile substitution. However, Telekom Austria is successfully addressing this risk by means of attractive product bundles and by expanding its convergent business strategy to include foreign markets. The trend towards the smartphone is being exploited to make higher-value tariffs more attractive and to consequently increase customer value in the medium term. The “Combine and Save” campaign in Austria is also helping to stabilise existing customer value and optimise customer loyalty.

The economic and financial crisis created a volatile macroeconomic environment in Telekom Austria’s operating markets. The monitoring of key macro-economic indicators in order to evaluate potential changes in customer behaviour is therefore an important aspect of risk management, as well as strategic pricing and product design.

Regulatory and legal risks

Telecommunication services offered by a provider with significant market power are subject to extensive network access and price regulations. In Austria Telekom Austria falls into this category in several sub-markets and its foreign subsidiaries are also subject to equivalent regulatory frameworks. Regulation at both retail and wholesale levels restricts operational flexibility with regard to products and product bundles. There is also an obligation to provide access to infrastructure and fixed line services for alternative providers. Additional regulatory decisions and a possible reduction in mobile and fixed termination rates could negatively impact Telekom Austria’s earnings performance.

In 2011, the European Union decided to introduce additional comprehensive regulatory measures for intra-communal roaming tariffs as part of its third roaming regulation, which came into effect on July 1, 2012. In comparison with the previous regime, a structural solution is now envisaged, which aims to allow customers a choice of provider for roaming services, independent of the national operator. This stipulation fosters additional competition between operators in Europe from 2014. Price regulation continues also for voice, messaging and data services. These regulations affect Telekom Austria’s mobile communication companies in the EU member states Austria, Slovenia and Bulgaria, and will also become effective in Croatia as soon as the country joins the EU.

Telekom Austria AG and its subsidiaries are parties to a number of legal proceedings both in and out of court with authorities, competitors and other parties. An ongoing dialogue with stakeholders and a regular exchange of information on controversial issues, which could pose a threat to companies of Telekom Austria, enable Telekom Austria to identify problems early on and develop measures to counteract them. In the interests of clearing up compliance violations from the past, an independent panel of experts has been commissioned to carry out forensic investigations. The results of these investigations will be considered within the framework of Telekom Austria's compliance risk management.

Financial and economic risks

Telekom Austria is exposed to liquidity, default, currency, transfer and interest-rate risks. Medium and short-term financing instruments in a variety of currencies and with different legal frameworks can only limit these risks. A liquidity reserve is held in the form of available credit lines and cash in order to safeguard solvency and financial flexibility. Telekom Austria's financing company TFG employs derivative financial instruments to manage sustained fluctuations in interest rates and minimise the risk of currency translation effects. A control environment was created for this purpose, which includes guidelines and procedures for the assessment of risks, approval processes, reporting standards and the monitoring of applied derivative financial instruments. The guidelines in question prohibit the holding or issuing of financial instruments for speculative purposes. The value-at-risk models used serve to quantify the market risk of long-term debt and derivative instruments. In 2003 and 2011 TFG entered into interest rate swaps. Due to business activities in Belarus, which has been classified as a hyper-inflationary economy since 2011, as well as in Bulgaria, Croatia, the Republic of Serbia and the Republic of Macedonia, foreign exchange losses cannot be ruled out in the future either.

Credit risks

Telekom Austria regularly monitors its exposure to credit risk. No business partner or individual financial instrument poses a significant credit risk. To reduce the non-performance risk relating to contractual obligations from derivatives, swap contracts are subject to swap dealer agreements.

Safeguarding the value of assets

Telekom Austria tests assets for impairment, in particular equity stakes in other companies. In the course of impairment tests, which are carried out at least once a year, but also whenever internal or external events make it necessary, each company of Telekom Austria is subjected to a detailed examination on the basis of the business plan.

Personnel

Almost 53% of the workforce in the Austrian segment has civil servant status. To address the structure of personnel costs, in the Austrian segment not only a number of social plans were drawn up in cooperation with workforce representatives, but also models have been developed which enable employees with civil servant status to transfer to government ministries.

Technical and geographical risks

Maintaining a high level of availability and reliability of services and products offered is a key aspect of risk management, as a host of threats such as natural disasters, major technical disruptions, third-party construction work, hidden faults or criminal activities can all impact their quality. Long-term planning takes technological developments into account, while the multiple effectuations of critical components ensure fault tolerance, and efficient operating and security processes safeguard high quality standards. In December 2012, the Management Board issued a directive which ensures that a uniform methodology is used in recognising and managing the most important risks to operating processes.

Internal control system for financial reporting

After the delisting of Telekom Austria AG from the New York Stock Exchange, Telekom Austria has retained its Internal Control System for financial reporting (the “ICS”). The ICS should ensure adequate certainty regarding the reliability and correctness of external financial reporting in compliance with international and national standards. Regular internal reporting to management and internal audits of the ICS also ensure that weaknesses are identified and reported. The most important contents and principles apply to all subsidiaries of Telekom Austria. Each important financial transaction has a risk and control matrix behind it to ensure that financial reporting is correct and complete. The effectiveness of this system is surveyed, analyzed and evaluated at regular intervals. The management evaluates the companies under scrutiny in consultation with the business departments annually.

Material contracts

In the ordinary course of its respective businesses, subsidiaries of Telekom Austria enter into numerous contracts with various entities. Safe as described below members of Telekom Austria have not entered into contracts outside the ordinary course of their respective businesses which could result in any entity of Telekom Austria being under an obligation or entitlement that is material to Telekom Austria’s ability to meet its respective obligations vis-à-vis holders in respect of the Bonds.

On February 3, 2012, Telekom Austria agreed with Orange Austria Telecommunication GmbH to acquire base stations, frequencies, the mobile telecommunication provider YESSS! Telekommunikation GmbH and specific intellectual property rights amounting to a total of EUR 390 million (for details see “Recent Events” below).

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

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

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

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

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

In March 2011, TFG entered into three forward starting interest rate swaps with an overall volume of EUR 300 million in order to hedge the interest change risk related to the planned financial transaction of refinancing the bonds due July 2013 with a nominal amount of EUR 750 million.

Under a Euro Medium Term Note Programme, the underlying documentation for which was signed on March 23, 2012, in April 2012 TFG issued EUR 750 million 4% bonds due April 4, 2022.

On July 27, 2012, TFG entered into a EUR 735 million syndicated Revolving Facility Agreement, which has not been drawn since then.

On August 21, 2012, A1 Telekom Austria AG entered into a EUR 225 million asset backed securitization program which has not been drawn since then.

On December 10, 2012, TFG entered into a finance agreement with European Investment Bank concerning a loan in the amount of EUR 100 million, which was guaranteed by Telekom Austria AG in a separate guarantee agreement. The loan was granted for a project to upgrade the capacity and geographical extension of A1 Telekom Austria’s 3G/UMTS mobile broadband telecommunication network as well as the roll-out of an LTE (Long Term Evaluation) based network in Austria and shall

be repaid in semi-annual installments between December 17, 2014 and December 17, 2020.

In January 2013, Telekom Austria AG issued EUR 600 million 5.625% subordinated fixed rate bonds with indefinite term and subject to interest rate reset. It can be redeemed at the earliest after a period of five years.

Principal investments

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

On February 3, 2012 Telekom Austria agreed with Orange Austria Telecommunication GmbH to acquire certain assets amounting to a total of EUR 390,000,000 (see “Material Contracts” above and “Recent Events” below).

Telekom Austria considers participating in the Austrian award procedure for frequency spectrum in the 800, 900 and 1800 MHz bands in 2013 (see “Regulation” above). The frequency award procedure which was originally scheduled for September 2012 will be delayed due to the takeover of Orange Austria by Hutchison 3G Austria Holding. Currently the auction is forecasted to take place in September 2013.

On August 6, 2012 the Macedonian subsidiary Vip Operator DOOEL won a tender for a 1800 MHz frequency band for a price of EUR 5.1 million in the Republic of Macedonia.

On October 29, 2012, VIPnet d.o.o. (“VIPnet”), the subsidiary in Croatia, has obtained a 10 MHz paired frequency block (in total 20 MHz) of the 800 MHz frequency spectrum for a total purchase price of HRK 150 million (approximately EUR 20 million). The regulatory requirement for these frequencies is to achieve at least 50% coverage of the Croatian territory within five years, whereas the starting date has not yet been defined by the Croatian regulatory authority “HAKOM”. The licenses of the acquired frequencies will expire on October 18, 2024. The acquired frequency block will allow Vipnet to offer broadband services based on 4th generation mobile technology, so called Long Term Evolution (LTE).

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

Litigation and arbitration

TFG, Telekom Austria AG and its subsidiaries are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business involving various contractual, labor, cartel, tax and other matters as well as proceedings under laws and regulations related to interconnection. Such matters are subject to many uncertainties, and the outcomes are not predictable with certainty.

Except as described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers are aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of TFG, Telekom Austria AG or Telekom Austria, except as described herein.

A tax audit performed in Austria resulted in a potential additional payment of EUR 17 million for prior periods. This potential payment relates to the years 2003 – 2009 and is subject to appeal. A further tax audit is performed in Austria in connection with the alleged unlawful behavior of former directors and employees in the past. Respective provisions have been made. In addition, regular tax audits in Austria and Bulgaria have started recently and an audit with respect to stamp duties has been initiated in Austria.

In 2011, Si.mobil d.d. (“**Si.mobil**”) filed a lawsuit against Telekom Slovenia for the abuse of its monopoly position. Internationally recognized experts in the field of competition regulation estimated that the damage in case up to the reporting date amounts to approximately EUR 191 million.

Public authorities including the public prosecutor have been investigating Telekom Austria AG and some of its subsidiaries with respect to alleged unlawful behavior of former directors and employees in the past.

In a first trial held in February, 2013, three of the four accused former management members were sentenced to imprisonment for breach of trust to the disadvantage of Telekom Austria AG by manipulating the share price in 2004, which triggered bonus payments payable to around hundred executive employees. Telekom Austria AG was awarded damages in an amount of EUR 9.9 million. The sentences are subject to appeal.

The Prosecution Office Vienna brought charges against a former member of the management of Telekom Austria AG, a former advertising agency manager and other individuals in January 2013. The accused are, beneath giving wrong proof statements (*falsche Beweisaussage*), suspect of committing a breach of trust (*Untreue*) to the disadvantage of Telekom Austria AG by arranging for a groundless payment by Telekom Austria AG to the advertising agency. The possible damage suffered by Telekom Austria AG is called to be EUR 600,000. In addition, the Prosecution Office Vienna brought charges against a former employee and three persons of another advertising agency for an alleged breach of trust (*Untreue*) by paying the former employee severance payment of around EUR 586,000 to which he was not entitled. Moreover, the Prosecution Office Vienna brought another charge against a former member of the management of the Issuer, certain politicians and a lobbyist. They are suspect of committing a breach of trust (*Untreue*) to the disadvantage of the Issuer by arranging for a groundless payment by the Issuer. The possible damage suffered by the Issuer is called to be EUR 960,000. There has been continuous and extensive reporting in the media.

Telekom Austria AG fully supports and cooperates with the public prosecutor. The findings of extensive internal investigations (also supported by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg) were also shared with the public prosecutor. It is likely that further charges will be brought against former members of the management, contract partners or employees.

Should alleged shortcomings be proofed or further shortcomings be found to have happened, Telekom Austria could, in addition to reputational damage, be found liable for fines and damage payments. Telekom Austria takes adequate legal steps and remedies against persons involved in unlawful behavior (e.g. joining the criminal proceedings as civil claimant, filing civil lawsuits for damages or unjust enrichment).

Recent events

On February 2, 2012, Telekom Austria reached an agreement to acquire assets owned by Orange Austria comprising base stations, frequencies, the mobile operator YESSS! and certain intangible property rights for a total amount of up to EUR 390.0 million. After the approvals of the Austrian Cartel Court and the Austrian regulator were granted in November and December 2012, respectively, and Hutchison 3G Austria Holding completed its indirect acquisition of Orange Austria, the acquisition of YESSS! and of certain intangible property rights from Orange Austria was completed on January 3, 2013 (closing). The completion of the acquisition of the other assets mentioned above is expected to follow gradually. Concerning the acquisition of frequencies, T-Mobile, which was not admitted as party in the approval procedure by the regulator, appealed against this decision to the Austrian supreme administrative court. The respective complaint is currently pending. Due to the acquisition, the combined market share of Telekom Austria in Austria rose to 45%.

On September 24, 2012, Telekom Austria AG announced that it will lower its dividend from EUR 0.38 to EUR 0.05 per share for the year 2012 and set the planned dividend for the year 2013 to EUR 0.05.

In February 2013, Telekom Austria’s Croatian subsidiary VIPnet acquired the Croatian satellite TV

provider Digi TV to expand its current telephony, internet and cable TV service portfolio to include digital satellite TV solutions and position itself as full service provider on the Croatian TV market.

On April 4, 2013, the Supervisory Board of Telekom Austria AG unanimously agreed for Günther Ottensdorfer as further member of the Management Board. Mr. Ottensdorfer will hold the function of the Chief Technology Officer (CTO); the precise starting date of his function is not yet clear. The initial term of appointment as member of the Management Board will have a term of three years with an option for extension by another two years.

THE GUARANTEE

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

THIS GUARANTEE is given on April 9, 2013 by Telekom Austria Aktiengesellschaft (the “**Guarantor**”).

WHEREAS:

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

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

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

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

solely by operation of law) or other encumbrance upon any or all of its present or future assets (including any uncalled capital) to secure any Public Debt (as defined in the Terms and Conditions) of any Person or any obligation of any Person under any guarantee of or indemnity in respect of any Public Debt of any other Person, without at the same time having the Noteholders' share equally and rateably in such security or such other security as shall be approved by an independent accounting firm of internationally recognised standing as being equivalent security.

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

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

every Noteholder without delay for any such Austrian taxes, including transfer taxes, stamp duties, and costs and expenses incurred in connection with the defence against the payment of taxes and stamp duties in connection with this Guarantee.

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

Vienna, April 9, 2013

TELEKOM AUSTRIA AKTIENGESELLSCHAFT

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

Vienna, April 9, 2013

TELEKOM FINANZMANAGEMENT GMBH

TAXATION

Taxation in Austria

The following is a general overview of certain Austrian tax aspects in connection with the Notes and contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. It does not claim to fully describe all Austrian tax consequences of the acquisition, ownership, disposition or redemption of the Notes nor does it take into account the Noteholders' individual circumstances or any special tax treatment applicable to the Noteholder. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors should consult their own professional advisors as to the particular tax consequences of the acquisition, ownership, disposition or redemption of the Notes.

This overview is based on Austrian law as in force when drawing up this Prospectus. The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect. It cannot be ruled out that the Austrian tax authorities adopt a view different from that outlined below. This overview is based on the assumption that the Notes are offered to the public.

Austrian residents

Income from the Notes derived by individuals, whose domicile or habitual abode is in Austria, is subject to Austrian income tax pursuant to the provisions of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Interest income from the Notes is subject to a special income tax rate of 25%. If the interest is paid out to the Noteholder by an Austrian paying agent (Austrian bank or branch of foreign bank or investment firm), the interest income from the Notes is subject to Austrian withholding tax (*Kapitalertragssteuer*) at a rate of 25%, which is withheld by the paying agent (*auszahlende Stelle*). The income tax for interest income generally constitutes a final taxation (*Endbesteuerung*) for individuals, irrespectively whether the Notes are held as private assets or as business assets. If the interest income is not subject to Austrian withholding tax because there is no domestic paying agent, the taxpayer will have to include the interest income derived from the Notes in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Furthermore, any realized capital gain (*Einkünfte aus realisierten Wertsteigerungen*) from the Notes is subject to Austrian income tax at a rate of 25%. Realized capital gain means any income derived from the sale or redemption of the Notes. The tax base is, in general, the difference between the sale proceeds or the redemption amount and the acquisition costs, in each case including accrued interest. Expenses which are directly connected with income subject to the special tax rate of 25% are not deductible. For Notes held as private assets, the acquisition costs shall not include incidental acquisition costs. For the calculation of the acquisition costs of Notes held within the same securities account and having the same securities identification number but which are acquired at different points in time, an average price shall apply.

Where an Austrian securities depository (*depotführende Stelle*) or paying agent (provided the non-Austrian depository is a non-Austrian branch or group company of such paying agent and processes the payment in cooperation with the paying agent) is involved and pays out or settles the capital gain, also any realized capital gain from the Notes is subject to a 25% withholding tax. The 25% withholding tax deduction will result in final income taxation for private investors (holding the Notes as private assets) provided that the investor has evidenced the factual acquisition costs of the Notes to the securities depository. If the realized capital gain is not subject to Austrian withholding tax because there is no domestic securities depository or paying agent, the taxpayer will have to include the realized capital gain derived from the Notes in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Withdrawals (*Entnahmen*) and other transfers of Notes from the securities account will be treated as disposals (sales), unless specified exemptions will be fulfilled like the transfer of the Notes to a

securities account owned by the same taxpayer (i) with the same Austrian securities depository (bank), (ii) with another Austrian bank if the account holder has instructed the transferring bank to disclose the acquisition costs to the receiving bank or (iii) with a non-Austrian bank, if the account holder has instructed the transferring bank to transmit the pertaining information to the competent tax office or has, in the case of transfers from a foreign account, himself notified the competent Austrian tax office within a month; or like the transfer without consideration to a securities account held by another taxpayer, if the fact that the transfer has been made without consideration has been evidenced to the bank or the bank has been instructed to inform the Austrian tax office thereof or if the taxpayer has himself notified the competent Austrian tax office within a month. Special rules apply if a taxpayer transfers his residence outside of Austria or Austria loses for other reasons its taxation right in respect of the Notes to other countries (which gives rise to a deemed capital gain and exit taxation with the option for deferred taxation in the case of a transfer to an EU member state or certain member states of the European Economic Area).

Taxpayers, whose regular personal income tax is lower than 25% may opt for taxation of the income derived from the Notes at the regular personal income tax rate. Any tax withheld will then be credited against the income tax. Such application for opting into taxation at the regular personal income tax rate must, however, include all income subject to the special 25% tax rate. Expenses in direct economical connection with such income are also not deductible if the option for taxation at the regular personal income tax rate is exercised.

Income from Notes which are not offered to the public within the meaning of the Austrian Income Tax Act would not be subject to withholding tax and final taxation but subject to normal progressive personal income tax rates.

Losses from Notes held as private assets may only be set off with other investment income subject to the special 25% tax rate (excluding, inter alia, interest income from bank deposits and other claims against banks) and must not be set off with any other income. As of January 1, 2013, a mandatory set-off of losses has to be applied by the Austrian securities depository to investment income from securities accounts at the same securities depository (subject to certain exemptions). However, a carry-forward of such losses is not permitted.

Income including capital gain derived from the Notes which are held as business assets are also subject to the special income tax rate of 25% deducted by way of the withholding tax. However, realized capital gains, contrary to interest income, have to be included in the tax return and must not be a main focus of the taxpayer's business activity. Write-downs and losses derived from the sale or redemption of Notes held as business assets must primarily be set off against positive income from realized capital gains of financial instruments of the same business and only half of the remaining loss may be set off or carried forward against any other income.

Income including capital gains from the Notes derived by corporate Noteholders, whose seat or place of management is based in Austria, is subject to Austrian corporate income tax pursuant to the provisions of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*). Corporate Noteholders deriving business income from the Notes may avoid the application of Austrian withholding tax by filing a declaration of exemption (*Befreiungserklärung*). There is, *inter alia*, a special tax regime for private foundations established under Austrian law (*Privatstiftungen*) (interim tax, no withholding tax).

The Issuer does not assume responsibility for Austrian withholding tax (*Kapitalertragsteuer*) at source and is not obliged to make additional payments in case of withholding tax deductions at source.

Non-residents

Income including capital gains derived from the Notes by individuals who do not have a domicile or their habitual abode in Austria or by corporate investors who do not have their corporate seat or their place of management in Austria (“**non-residents**”) is not taxable in Austria provided that the income is not attributable to an Austrian permanent establishment (for withholding tax under the EU Savings Directive see below).

Thus, non-resident Noteholders – in case they receive income or capital gains from the Notes through a securities depository or paying agent located in Austria – may avoid the application of Austrian withholding tax if they evidence their non resident-status vis-à-vis the paying agent by disclosing their identity and address. The provision of evidence that the Noteholder is not subject to Austrian withholding tax is the responsibility of the Noteholder.

If any Austrian withholding tax is deducted by the securities depository or paying agent, the tax withheld shall be refunded to the non-resident Noteholder upon his application which has to be filed with the competent Austrian tax authority within five calendar years following the date of the imposition of the withholding tax.

Where non-residents receive income from the Notes as part of business income taxable in Austria (e.g. permanent establishment), they will, in general, be subject to the same tax treatment as resident investors.

EU Savings Directive

The EU Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (“**Savings Directive**”) provides for an exchange of information between the authorities of EU member states regarding interest payments made in one member state to beneficial owners who are individuals and resident for tax purposes in another member state.

Austria has implemented the Savings Directive by way of the EU Withholding Tax Act (*EU-Quellensteuergesetz*) which provides for a withholding tax rather than for an exchange of information. Such EU withholding tax is levied on interest payments within the meaning of the EU Withholding Tax Act made by a paying agent located in Austria to an individual resident for tax purposes in another member state of the European Union or certain dependent and associated territories. The EU withholding tax currently amounts to 35%.

No EU withholding tax is deducted if the EU-resident Noteholder provides the paying agent with a certificate drawn up in his name by the tax office of his member state of residence. Such certificate has to indicate, among other things, the name and address of the paying agent as well as the bank account number of the Noteholder or the identification of the Notes (section 10 EU Withholding Tax Act).

The Issuer does not assume responsibility for EU withholding tax at source and is not obliged to make additional payments in case of withholding tax deductions at source.

Other taxes

There should be no transfer tax, registration tax or similar tax payable in Austria by Noteholders as a consequence of the acquisition, ownership, disposition or redemption of the Notes. The Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) was abolished with effect as of August 1, 2008. However, gifts from or to Austrian residents have to be notified to the tax authorities within a three-month notification period. There are certain exemptions from such notification obligation, e.g. for gifts among relatives that do not exceed an aggregate amount of EUR 50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount of EUR 15,000 within five years.

Further, pursuant to a Proposal of the European Commission for a Council Directive implementing enhanced cooperation in the area of financial transaction tax, it is envisaged that as from January 1, 2014 Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (i.e. the participating Member States) introduce a tax on the transfer of securities, on the condition that at least one party to the transaction is established in the territory of a participating Member State and that a financial institution established in the territory of a participating Member State is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction. The tax rate shall amount to at least 0.01% of the notional amount in case of financial transactions related to derivatives contracts and at least 0.1% of the

consideration or market price in all other cases of financial transactions to be deducted in the moment of the transfer.

Taxation in Germany

The following general discussion of the tax consequences of an investment in the Notes is based on the laws in force in the Federal Republic of Germany (“**Germany**”) on the date of this Prospectus and contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. The Issuer emphasizes that the tax implications can be subject to change due to future law changes, even with retroactive effect.

Although this general discussion of the tax implications of an investment in the Notes reflects the Issuer’s opinion, it should not be construed as tax advice or misunderstood as a guarantee in an area of law which is not free from doubt. Further, this discussion is not intended as the sole basis for an investment in the Notes as the individual tax position of the investor needs to be investigated. Therefore, this statement is confined to a general discussion of certain German tax consequences. Members of a church may – in addition to the taxes discussed below – also be subject to church tax. **Prospective holders should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Notes, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.**

Investors resident in Germany

Private investors

Any current interest payments from the Notes qualify as investment income pursuant to section 20 paragraph 1 no. 7 of the German Income Tax Act (*Einkommensteuergesetz, EStG*) and are subject to flat income tax (*Abgeltungsteuer*) plus solidarity surcharge thereon (and eventually church tax, if applicable) provided that the investor is an individual tax resident in Germany holding the Notes as private investment assets. Accrued interest paid upon purchase of the Notes qualifies as negative investment income.

If the Notes are held in custody with or administered by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (altogether a “**German Disbursing Agent**”), current interest payments are subject to a tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon). The Issuer of the Notes is not obliged under German law to withhold any withholding tax (*Quellensteuer*) from the interest payments. The withholding tax is definitive (flat tax; *Abgeltungsteuer*). Investors having a lower personal annual income tax rate may include the capital investment income in their personal income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax (e.g. since there is no German Disbursing Agent) will be subject to the flat tax rate of 25% (plus solidarity surcharge of 5.5% thereon) upon assessment.

Capital gains from the sale or redemption of the Notes (including accrued interest, i.e. interest accrued up to the sale of the Notes) qualify as investment income pursuant to section 20 paragraph 2 no. 7 EStG and are subject to flat income tax at a rate of 25% plus solidarity surcharge of 5.5% thereon (and eventually church tax, if applicable). Losses from the sale or redemption of the Notes can only be off-set against other investment income. In the event that an off-set is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be off-set against investment income generated in future assessment periods.

If the Investor has acquired Notes at different points in time, the Notes acquired first are deemed to be disposed of first.

If the Notes are held in custody with or administered by a German Disbursing Agent, a tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon) is withheld by such institution upon sale or redemption

of the Notes. The withholding tax is imposed on the excess of the proceeds from the sale or redemption over the purchase price paid for the Notes, if the Notes were held in custody by such institution since their acquisition. If custody has changed since the acquisition and the acquisition data is not proved, the tax at a rate of 25% (plus solidarity surcharge of 5.5% thereon) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes. The withholding tax is definitive (flat tax; *Abgeltungssteuer*). Investors having a lower personal income tax rate may include the capital investment income in their personal annual income tax return to achieve a lower tax rate. Income not subject to a definitive withholding tax (e.g. since there is no German Disbursing Agent) will be subject to a special tax rate of 25% (plus solidarity surcharge of 5.5% thereon) upon assessment.

Business investors

If the Notes are held as business assets any current interest payments from the Notes qualify as business income and are subject to personal or corporate income tax plus solidarity surcharge thereon. Further, such interest payments are recognized for trade tax purposes.

The procedure of the withholding tax deduction on interest payments is similar to the procedure outlined above for private investors and the Issuer of the Notes is not obliged under German law to withhold any withholding tax (*Quellensteuer*) from the interest payments. Any withholding tax withheld is credited against the investor's personal or corporate income tax liability in the course of the tax assessment procedure. Any potential surplus for the benefit of the investor will be refunded to the investor.

If the Notes are held as business assets capital gains and losses from the sale or redemption of the Notes qualify as business income and are subject to personal or corporate income tax plus solidarity surcharge. Losses are fully deductible when realized or, as the case may be, when a write-down to the lower fair value (*Teilwertabschreibung*) is made as a result of a permanent decrease in value. Further, such gains and losses are recognized for trade tax purposes.

No withholding tax deduction applies for capital gains from the sale or redemption of the Notes where the Notes are held by a corporation or, upon application, where the capital gains constitute domestic business income provided the investor satisfies certain procedural requirements with the German Disbursing Agent.

Investors not resident in Germany

Investors not resident in Germany are generally not taxable in Germany and no withholding tax on interest is withheld (even if the Notes are held in custody with a German Disbursing Agent). Exceptions apply e.g. when the Notes are held as business assets in a German permanent establishment or by a German permanent representative of the investor.

EU Directive on the Taxation of Savings Income

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (2003/48/EG). The directive has been implemented in Germany by the decree on the taxation of interest income (*Zinsinformationsverordnung*) which applies from July 1, 2005 on. Under the directive, each Member State is required to provide the tax authorities of another Member State with details of interest payments paid by a person within its jurisdiction to an individual resident in that other Member State. Austria and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%.

Inheritance tax / gift tax

The transfer of Notes to another person by way of gift or inheritance may be subject to German gift or inheritance tax, respectively, if *inter alia* (i) the testator, the donor, the heir, the donee or any other acquirer has his residence, habitual abode or, in case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), has its seat or place of management in Germany at

the time of the transfer of property, (ii) except as provided under (i), the testator's or donor's Notes belong to a business asset attributable to a permanent establishment or a permanent representative in Germany.

Special regulations may apply to certain German expatriates. Prospective Noteholders are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

Other taxes

The purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Notes to other entrepreneurs which would otherwise be tax exempt. Net wealth tax (*Vermögenssteuer*) is, at present, not levied in Germany.

Taxation in Luxembourg

The following overview is of a general nature. It contains the information required on taxation by the Commission Regulation (EC) No 809/2004 of April 29, 2004. Information exceeding this information requirement is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding tax

Non-resident holders of Notes

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

Under the Laws implementing the Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU member states (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU member state (other than Luxembourg) or certain Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in case of an individual beneficiary, has provided a tax certificate issued by the fiscal authorities of his/her/its country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 35%. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 35%.

The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

The EU Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Resident holders of Notes

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

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg or a residual entity that secures interest payments on behalf of such individuals (unless such entity has opted to be treated as UCITS recognized in accordance with the EU Council Directive 85/611/EEC, as replaced by the EU Council Directive 2009/65/EC, or for the exchange of information regime) will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the framework of the management of his/her/its private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10%.

SELLING RESTRICTIONS

Subject to the terms and conditions contained in a dealer agreement dated March 22, 2012 and amended and restated on April 9, 2013 (the "**Dealer Agreement**") between Telekom Austria (in its capacity as Issuer and Guarantor) and TFG (in its capacity as Issuer) and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG, The Royal Bank of Scotland plc and UniCredit Bank Austria AG (together with any further financial institution appointed as a dealer under the Dealer Agreement, the "**Dealers**"), the Notes may be sold by the Issuer to the Dealers, who shall act as principals in relation to such sales. However, the Issuers have reserved the right to issue Notes directly on their own behalf to subscribers who are not Dealers and which agree to be bound by the restrictions set out below. The Dealer Agreement also provides for Notes to be issued in Tranches which are jointly and severally underwritten by two or more Dealers or such subscribers.

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

United States of America

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

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

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

The Notes are in bearer form and thus, subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Issuer may agree with one or more Dealers for such Dealers to arrange for the sale of Notes under

procedures and restrictions designed to allow such sales to be exempt from the registration requirements of the Securities Act.

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

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (b) and (c) above shall require any Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose

ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to any Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

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

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has represented and agreed that it will comply to the best of its knowledge and belief with all relevant laws and directives in each jurisdiction in which it purchases, offers, sells, or delivers Notes or has in its possession or distributes the Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, in all cases at its own expense, and neither the Issuer nor any other Dealer shall have responsibility here for.

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

Consent to use the Prospectus

Each Dealer and/or each financial intermediary (each a “**Financial Intermediary**”) subsequently reselling or finally placing Notes is entitled to use the Prospectus for the subsequent resale or final placement of Notes in Luxembourg, Austria and Germany during the time period for which the offer is open (as indicated in the Final Terms), provided however, that (i) the Prospectus is still valid in accordance with Article 11 of the Luxembourg Act relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*) which implements Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 (as amended by Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010) and (ii) the Financial Intermediary is a

credit institution licensed in accordance with Art 4 number 1 of Directive 2006/48/EC of the European Parliament and of the Council of June 14, 2006 to trade securities.

The Issuer may revoke or limit its consent at any time, whereby such revocation or limitation requires a supplement to the Prospectus.

The Issuer accepts responsibility for the content of the Prospectus also with respect to subsequent resale or final placement of the Notes by any Financial Intermediary which was given consent to use the Prospectus; an exceeding liability of the Issuer is excluded.

The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Any supplement to the Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Any Financial Intermediary using the Prospectus must (i) state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto and (ii) ensure that it complies with all applicable laws and regulations in force in the respective jurisdiction.

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

GENERAL INFORMATION

Listing and Admission to Trading

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

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

Authorisations

The establishment of the Programme was authorised by a resolution of the Management Board (*Vorstand*) of Telekom Austria dated April 9, 2013 and by a resolution of the managing directors (*Geschäftsführer*) of the TFG dated April 9, 2013. Tranches of Notes will be issued in accordance with internal approvals by the relevant Issuer, as in force from time to time.

Statutory Auditors

KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, a member of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder Österreich*) and independent auditors of the Issuer, have audited, and rendered unqualified audit reports on, the annual consolidated financial statements of Telekom Austria AG and the annual financial statements of TFG for the financial years ended December 31, 2012 and December 31, 2011 prepared by the management of Telekom Austria AG and TFG in accordance with IFRS and UGB respectively. In the period covered by these financial statements, no auditors of any of the Issuers have resigned, been removed or not re-appointed.

Conditions for Determining Issue Price, Margin and Redemption Amounts

The issue price and the number of Notes to be issued, the Margin, the Call Redemption Amount(s), the Minimum Redemption Amount, the Higher Redemption Amount and the Put Redemption Amount(s) under the Programme will be determined by the Issuer and each relevant Dealer at the time of the issue in accordance with then prevailing market conditions (there is no special calculation method).

Ratings

Telekom Austria Credit Ratings

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

by Moody's (as defined below):

long-term rating: Baa1

short-term rating: P-2

by S&P (as defined below):

long-term rating: BBB

short-term rating: A-2

The outlook for the long-term issuer rating assigned by Moody's is negative and the outlook for the long-term issuer rating assigned by Standard & Poor's is stable.

Programme Ratings

As of the publication date of the Prospectus, the ratings assigned by the rating agencies to the Programme are as follows:

by Moody's (as defined below):

long-term rating: Baa1

short-term rating: P-2

by S&P (as defined below):

long-term rating: BBB

Important Notice

Detailed information on the rating can be found on Telekom Austria's website (<http://www.telekom-austria.com/ir/rating.php>). General information regarding the meaning of the rating and the qualifications which have to be observed in connection therewith can be found on Moody's (www.moody.com) and S&P's (www.standardandpoors.com) websites.

Moody's Investors Services Ltd. ("**Moody's**") has its registered office at One Canada Square, Canary Wharf, London E14 5FA, United Kingdom and is registered at Companies House in England.

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**") has its registered office at 20 Canada Square, Canary Wharf, London E14 5LH, United Kingdom and is registered at Companies House in England.

Moody's and S&P are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of Council of 16 September 2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (credit rating agency regulation, the "**CRA Regulation**") as a registered rating agency. The European Securities and Markets Authority publishes on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) a list of credit rating agencies registered in accordance with the CRA Regulation.

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

Significant Changes and Material Adverse Changes

Save as described under "**TELEKOM AUSTRIA—Recent Events**" above, there have been no significant changes in the financial or trading position of any of the Issuers or of the Group and no material adverse changes in the prospects of any of the Issuers since December 31, 2012.

US Legend

Each Bearer Note in relation to issues with a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sec. 165(j) and 1287(a) of the Internal Revenue Code”.

Clearance

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

Notification

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

Documents Incorporated by Reference

The following documents which have previously been published or are published simultaneously with this Prospectus on the website of the Luxembourg Stock Exchange (www.bourse.lu) and have been filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

- (a) the English language translation of the audited consolidated financial statements of Telekom Austria for the financial years ended December 31, 2012 and December 31, 2011 as contained in the Annual Reports 2012 and 2011 of Telekom Austria which have been drawn up in accordance with IFRS (the “**2012 Financial Statements of Telekom Austria**” and the “**2011 Financial Statements of Telekom Austria**”);
- (b) the audited non-consolidated financial statements of TFG for the financial years ended December 31, 2012 and December 31, 2011 which have been drawn up in accordance with the national Austrian accounting standards according to the Austrian Companies Act (*Unternehmensgesetzbuch*, the “**UGB**”) (the “**2012 Financial Statements of TFG**” and the “**2011 Financial Statements of TFG**”); and
- (c) the Independent Assurance Report on the Cash Flow Statements of TFG for the years ended December 31, 2012 and 2011 containing the cash flow statements derived from the audited financial statements prepared in accordance with UGB of TFG for the financial years ended December 31, 2012 and December 31, 2011 (the “**TFG Cash Flow Statement**”).

The documents listed at (a) to (c) above contain financial information for Telekom Austria and TFG, as described in the table below. The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 of 29 April 2004 as amended (the “**Prospectus Regulation**”).

	Telekom Austria AG	TFG
Balance Sheet	2012 Financial Statements of Telekom Austria, page 76 2011 Financial Statements of Telekom Austria, page 72	2012 Financial Statements of TFG, page 3 2011 Financial Statements of TFG, page 3
Income Statement	2012 Financial Statements of	2012 Financial Statements of

	Telekom Austria, page 74-75	TFG, page 4
	2011 Financial Statements of Telekom Austria, page 70-71	2011 Financial Statements of TFG, page 4
Cash Flow Statement	2012 Financial Statements of Telekom Austria, page 77	TFG Cash Flow Statement, Annex I, page 6
	2011 Financial Statements of Telekom Austria, page 73	TFG Cash Flow Statement, Annex I, page 6
Accounting Policies and Explanatory Notes	2012 Financial Statements of Telekom Austria, page 80-139	2012 Financial Statements of TFG, page 5-22
	2011 Financial Statements of Telekom Austria, pages 76-140	2011 Financial Statements of TFG, pages 5-24
Audit Reports	2012 Financial Statements of Telekom Austria, page 140-141	2012 Financial Statements of TFG, page 28-29
	2011 Financial Statements of Telekom Austria, page 141	2011 Financial Statements of TFG, page 30-31

Documents on Display

Prospectus

This Prospectus, any supplement thereto, if any, and any documents incorporated by reference into this Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange under "www.bourse.lu" and will be available, during normal business hours, free of charge at the specified office of the Issuer.

Final Terms

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

Other Documents

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

- (a) the Articles of Association of any Issuer;
- (b) the audited annual financial statements of TFG in respect of the financial years ended December 31, 2012 and December 31, 2011 and the Annual Report 2012 and 2011 of Telekom Austria containing English language translations of the consolidated audited annual financial statements of Telekom Austria AG in respect of the financial years ended December 31, 2012 and December 31, 2011, in each case together with the audit reports prepared in connection therewith. Telekom Austria AG currently prepares audited consolidated and audited non-consolidated accounts on an annual basis; TFG currently prepares audited non-consolidated accounts on an annual basis and does not prepare any consolidated accounts; and
- (c) any guarantee granted by the Guarantor including material contracts and other documents relating to such guarantee.

GLOSSARY AND TABLE OF ABBREVIATIONS

2010 PD Amending Directive	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended
2011 Annual Report of Telekom Austria AG	The 2011 Annual Report of Telekom Austria AG as published on the website of Telekom Austria AG
2011 Financial Statements of Telekom Austria AG	The English language translations of the audited consolidated financial statements of Telekom Austria AG for the financial year ended December 31, 2011 as contained in the published 2011 Annual Report of Telekom Austria AG
2011 Financial Statements of TFG	The audited non-consolidated financial statements of TFG for the financial year ended December 31, 2011
2012 Annual Report of Telekom Austria AG	The 2012 Annual Report of Telekom Austria AG as published on the website of Telekom Austria AG
2012 Financial Statements of Telekom Austria AG	The English language translations of the audited consolidated financial statements of Telekom Austria AG for the financial year ended December 31, 2012 as contained in the published 2012 Annual Report of Telekom Austria AG
2012 Financial Statements of TFG	The audited non-consolidated financial statements of TFG for the financial year ended December 31, 2012
A1	A1 Telekom Austria AG
ADSL	Asymmetric Digital Subscriber Line
Audit Committee	The audit committee of Telekom Austria
BKS	Federal Communications Senate (<i>Bundeskommunikationssenat</i>)
B.net	B.net d.o.o. (Croatia)
BYR	Belarusian Ruble
CESEE	Central, Eastern and South-Eastern Europe
Chairing and Remuneration Committee	The chairing and remuneration committee of Telekom Austria
Clearstream, Luxembourg	Clearstream Banking, société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg
Code	Austrian Code of Corporate Governance as of 2003
Common Safekeeper	A common safekeeper for Euroclear Bank S.A./N.V. and Clearstream

	Banking, société anonyme.
Communications Authority	<i>Kommunikationsbehörde Austria</i>
CRA Regulation	Regulation (EC) No 1060/2009 of the European parliament and the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011
CSSF	Commission de Surveillance du Secteur Financier
Dealer	The Arranger and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, BNP PARIBAS, Citigroup Global Markets Limited, Erste Group Bank AG, Raiffeisen Bank International AG and UniCredit Bank Austria AG
Dealer Agreement	Amended and restated dealer agreement dated April 9, 2013 between Telekom Austria AG (in its capacity as Issuer and Guarantor) and TFG (in its capacity as Issuer) and the Dealers
D Rules	US Treas. Reg. §1.163-5(c)(2)(i)(D), as amended
DSL	Digital Subscriber Line
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EU Savings Directive	Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments
EURIBOR	Euro Interbank Offered Rate
Euroclear	Euroclear Bank S.A./N.V., Koning Albert II laan 1 1210 Saint-Josse-ten-Noode, Belgium
velcom	FE Velcom (Belarus)
FIEL	Financial Instruments and Exchange Law of Japan
Final Terms	Final terms being applicable to each Tranche of the Notes issued under the Programme
FSMA	Financial Services and Markets Act 2000, as amended
FTR	Fixed Termination Rate, i.e. interconnection fees in fixed line networks
GDP	Gross Domestic Product
Global Note	Each of the temporary Global Note and permanent Global Note
GSM	Global System For Mobile Communications
Guarantor	Telekom Austria AG
Hutchison 3G Austria	Hutchison 3G Austria GmbH
IFRS	International Financial Reporting Standards as adopted by the EU

IMF	International Monetary Fund
IP	Internet Protocol
IPTV	Internet Protocol Television
ISDA	International Swaps and Derivatives Association
Issuer	Each of Telekom Austria AG and TFG
LIBOR	London Interbank Offered Rate
LTE	Long Term Evolution (Technology)
Luxembourg Act	The Luxembourg Act dated 10th July, 2005 on prospectuses for securities
Management Board	The management board of Telekom Austria
Marktes	The Vienna Stock Exchange's and the Luxembourg Stock Exchange's regulated market
MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, as amended
MHz	Megahertz
MMS	Multimedia Messaging Services
mobikom liechtenstein	mobikom liechtenstein AG (Liechtenstein)
MobilTel EAD	MobilTel EAD (Bulgaria)
Moody's	Moody's Investors Service, Inc.
MVNO	Mobile Virtual Network Operator
M2M	Machine to Machine communication
M-tel	MobiTel EAD (Bulgaria)
NBS	National Bank of Serbia
New Global Note	Each of the Globe Notes being issued in new global note
Non-exempt Offer	An offer of Notes which may be made other than pursuant to Article 3(2) of the Prospectus Directive in a Relevant Member State
Notes	Notes issued under the Programme
Obligors	The Issuer and the Guarantor together
offer of Notes to the	the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to

public	decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State
OIAG	Oesterreichische Industrie Holding AG
Operating Region	Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia
Orange Austria	Orange Austria Telecommunication GmbH
Permanent Global Note	Global note in bearer form permanently representing each series of the Notes
Personnel and Nomination Committee	The personnel and nomination committee of Telekom Austria
Programme	The EUR 2,500,000,000 Euro Medium Term Note Programme established by this Prospectus
Prospectus	The securities base prospectus at hand
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended
pure LRIC	Long Run Incremental Cost (cost calculation model based only on incremental costs)
relevant Dealer	In the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, all Dealers agreeing to subscribe such Notes
Relevant Implementation Date	The date on which the Prospectus Directive is implemented in a Relevant Member State
Relevant Member State	Member State of the European Economic Area which has implemented the Prospectus Directive
resident of Japan	A resident of Japan as defined under the FIEL
Responsible Persons	Each of Telekom Austria AG and TFG
RSD	Serbian Dinar
RTR	The Austrian Regulatory Authority for Broadcasting and Telecommunications (<i>Rundfunk und Telekom Regulierungs GmbH</i>)
Securities Act	U.S. Securities Act of 1933, as amended
Series	The notes being issued in series
Si.mobil	Si.mobil d.d. (Slovenia)
SIM	Subscriber Identity Module

SMP	Significant Market Power
S&P	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.
Supervisory Board	The supervisory board of Telekom Austria
TEFRA	The United States Tax Equity and Fiscal Responsibility Act of 1982
Telekom Austria	Telekom Austria AG and its subsidiaries and affiliates taken as a whole
Telekom Austria AG	Telekom Austria Aktiengesellschaft
Telekom-Control-Commission	The Austrian <i>Telekom-Kontroll-Kommission</i>
temporary Global Note	Global note in bearer form temporarily representing each series of the Notes
Terms and Conditions of the Notes	Terms and conditions being applicable to each Tranche of the Notes issued under the Programme
TFG	Telekom Finanzmangement GmbH
TFG Cash Flow Statement	the Independent Assurance Report on the Cash Flow Statements of TFG for the years ended December 31, 2012 and 2011 containing the cash flow statements derived from the audited financial statements prepared in accordance with UGB of TFG for the financial years ended December 31, 2012 and December 31, 2011
TKG	The Telecommunications Act of 2003 (<i>Telekommunikationsgesetz 2003, BGBl I 70/2003</i>)
Tranche	Any particular tranche of the Notes
T-Mobile	T-Mobile Austria GmbH
UGB	Austrian Companies Act (<i>Unternehmensgesetzbuch</i>)
UMTS	Universal Mobile Telecommunications System
VIP mobile	VIP mobile d.o.o. (Serbia)
Vip operator	Vip Operator DOOEL (Macedonia)
VIPnet	VIPnet d.o.o. (Croatia)
VoIP	Voice over IP
WIMAX	Worldwide Interoperability for Microwave Access
YESSS!	YESSS! Telekommunikation GmbH

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