



## Telekom Austria Aktiengesellschaft

(incorporated as a stock corporation under the laws of Austria, registered number FN 144477 t)

**Offering of up to 221,500,000 no-par value ordinary bearer shares**

**Listing of up to 221,500,000 no-par value ordinary bearer shares on the Official Market of the Vienna Stock Exchange**

This supplement (the "**Supplement**") constitutes a prospectus supplement pursuant to article 16 (1) of the Directive 2003/71/EC as amended (the "**Prospectus Directive**") and section 6 paragraph 1 Capital Markets Act and is supplemental to, and should be read in conjunction with, the prospectus dated November 7, 2014 (the "**Original Prospectus**") relating to the offering of up to 221,500,000 no-par value ordinary bearer shares of Telekom Austria (the "**New Shares**") and the listing of the New Shares on the Official Market of the Vienna Stock Exchange.

The Original Prospectus was approved on November 7, 2014 by the FMA.

This Supplement was filed for approval with the FMA in its capacity as competent authority under the Capital Markets Act on November 19, 2014. This Supplement has been filed with the Vienna Stock Exchange, which has admitted the New Shares to the Official Market. This Supplement has been published in electronic form on the website of Telekom Austria under <http://www.telekomaustria.com/en/ir/14887> and under <http://www.telekomaustria.com/de/ir/14887>.

Terms defined in the Original Prospectus shall have the same meaning when used in this Supplement.

To the extent that there is any inconsistency between a) any statement in this Supplement and b) any other statement in the Original Prospectus, the statements in a) above will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information in the Original Prospectus has arisen or been noted, as the case may be, since the publication of the Original Prospectus.

**In accordance with article 16 Prospectus Directive and section 6 Capital Markets Act, investors who have agreed to subscribe for New Shares before the publication of this Supplement have a right to withdraw their acceptances until and including November 21, 2014. Investors who have agreed to subscribe for New Shares before the publication of this Supplement and who wish to exercise their right to withdraw their acceptances shall address their declarations of withdrawal to the depositary bank or the financial institution through which they have exercised their Subscription Rights.**

**This Supplement has been filed with the FMA in its capacity as competent authority under the Capital Markets Act for approval pursuant to section 6 Capital Markets Act. The accuracy of the information contained in this Supplement does not fall within the scope of examination by the FMA under applicable Austrian law and the Prospectus Directive.**

November 19, 2014

*No person has been authorized to give any information or to make any representation other than those contained in this Supplement in connection with the issue or sale of the New Shares and, if given or made, such information or representation must not be relied upon as having been authorized by Telekom Austria or any of the Joint Bookrunners. Neither the delivery of the Original Prospectus and/or this Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of Telekom Austria or Telekom Austria Group since the date hereof or that there has been no adverse change in the financial position of Telekom Austria or Telekom Austria Group since the date hereof or that any other information supplied in connection with the Offering is correct as of 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 Supplement and the offering or sale of the New Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by Telekom Austria and the Joint Bookrunners to inform themselves about and to observe any such restriction.*

*The New Shares have not been and will not be registered under the securities laws of any jurisdiction other than Austria, and, in particular, have not been and will not be registered under the Securities Act. The New Shares will be offered or sold in the United States only to QIBs as defined in Rule 144A and outside the United States in reliance on Regulation S. Prospective investors are hereby notified that sellers of the New Shares may be relying on the exemptions from the provisions of section 5 of the Securities Act provided by Rule 144A. Neither the SEC nor any state securities commission has approved or disapproved these securities or passed upon the adequacy or accuracy of the Original Prospectus and this Supplement. Any representation to the contrary is a criminal offence. The New Shares are transferable only in accordance with the restrictions described under "Transfer and selling restrictions".*

*This Supplement does not constitute an offer of, or an invitation by or on behalf of Telekom Austria and the Joint Bookrunners to subscribe for, or purchase, any New Shares.*

*None of the Joint Bookrunners have independently verified the information contained in this Supplement. None of the Joint Bookrunners makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement. Neither this Supplement nor any financial statements supplied in connection with the New Shares are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Telekom Austria or the Joint Bookrunners that any recipient of this Supplement or any financial statements should purchase the New Shares. Each potential purchaser of the New Shares should determine for itself the relevance of the information contained in this Supplement or any financial statements and its purchase of the New Shares should be based upon any such investigation as it deems necessary. None of the Joint Bookrunners undertakes to review the financial condition or affairs of Telekom Austria or Telekom Austria Group during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the New Shares of any information coming to the attention of any of the Joint Bookrunners.*

Significant new factors (as referred to in article 16 (1) Prospectus Directive and section 6 paragraph 1 Capital Markets Act) have arisen which, in Telekom Austria's perception, are capable of affecting the assessment of the New Shares, and are thus herewith included in the Original Prospectus as follows:

### **1. Summary of the Prospectus**

On page 11 of the Original Prospectus, the following new bullet point text is inserted above the sixth bullet point text reading "System failures due to natural or human failure and the technological dependency on third parties may have an impact on Telekom Austria Group's reputation and the rate of customer satisfaction." in the right column of item D.1:

- "● A recent judgment of the European Court of Justice regarding the remuneration and legal rights of civil servants may require Telekom Austria Group to make additional provisions in the financial year 2014 and may increase expenses for the financial years following the financial year 2014 thereby adversely affecting the Group's financial position and results of operation."

### **2. German translation of the summary of the Prospectus – Zusammenfassung des Prospekts**

*The following translation of the original summary of the Original Prospectus has not been approved by the FMA. Further, the FMA has not reviewed and will not review its consistency with the original summary.*

*Die folgende Übersetzung der Originalzusammenfassung des Originalprospekts wurde nicht von der FMA gebilligt. Auch die Übereinstimmung mit der Originalzusammenfassung wurde und wird nicht von der FMA geprüft.*

On page 30 of the Original Prospectus, the following new bullet point text is inserted above the sixth bullet point text reading "Systemausfälle aufgrund natürlichen oder menschlichen Versagens und die technologische Abhängigkeit von Dritten können sich möglicherweise auf den Ruf der Telekom Austria Group und die Kundenzufriedenheit auswirken." in the right column of item D.1:

Auf Seite 30 des Originalprospekts wird der folgende Aufzählungstext über dem sechsten Aufzählungstext, der "Systemausfälle aufgrund natürlichen oder menschlichen Versagens und die technologische Abhängigkeit von Dritten können sich möglicherweise auf den Ruf der Telekom Austria Group und die Kundenzufriedenheit auswirken." lautet, in der rechten Spalte des Punktes D.1 eingefügt:

- "● Ein jüngst ergangenes Urteil des Europäischen Gerichtshofs betreffend die Entlohnung und sonstigen Rechte von Beamten könnte es erfordern, dass Telekom Austria Group zusätzliche Rückstellungen im Geschäftsjahr 2014 dotiert und die Aufwendungen für die auf das Geschäftsjahr 2014 folgenden Geschäftsjahre erhöht, was sich nachteilig auf die Finanz- und Ertragslage der Gruppe auswirken könnte."

### **3. Risk factors—Risks relating to Telekom Austria Group's business**

On page 45 of the Original Prospectus, the following new paragraphs are inserted above the heading "System failures due to natural or human failure and the technological dependency on third parties may have an impact on Telekom Austria Group's reputation and the rate of customer satisfaction.":

*"A recent judgment of the European Court of Justice regarding the remuneration and legal rights of civil servants may require Telekom Austria Group to make additional provisions in the financial year 2014 and may increase expenses for the financial years following the financial year 2014 thereby adversely affecting the Group's financial position and results of operation.*

On November 11, 2014, in the case C-530/13 (*Leopold Schmitzer vs. Austrian Federal Ministry of the Interior*), based on a request for a preliminary ruling under article 267 of the Treaty on the functioning of the European Union from the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*), the European Court of Justice ruled that article 2(1) and (2)(a) and article 6(1) of Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation must be interpreted as precluding national legislation which, with a view to ending age-based discrimination, takes into account periods of training and service prior to the age of 18 but which, at

the same time, introduces — only for civil servants who suffered that discrimination — a three-year extension of the period required in order to progress from the first to the second incremental step in each job category and each salary group. The European Court of Justice further ruled that articles 9 and 16 of Directive 2000/78 must be interpreted as meaning that a civil servant who has suffered age-based discrimination — resulting from the method by which the reference date taken into account for the calculation of his advancement was fixed — must be able to rely on article 2 of that directive in order to challenge the discriminatory effects of the extension of the period for advancement, even though, at his request, that reference date has been revised.

While Telekom Austria Group will need to evaluate on an individual basis the effects of the judgment by the European Court of Justice on every single civil servant (including also on already retired civil servants) allocated to Telekom Austria Group by law, it is to be expected that broader groups of such civil servants allocated to Telekom Austria Group may (i) need to be promoted to higher salary groups and thereby increasing their actual salary (and ancillary salary costs) for the present and the future and (ii) may claim lost salary for at least 3 years of the past. Telekom Austria currently estimates that this may lead to additional provisions for the past in the financial year 2014 in the amount of approximately EUR 30 to 40 million and additional expenses for the financial years following the financial year 2014 in the amount of approximately EUR 10 to 15 million per year, thereby adversely affecting the Group's financial position and results of operation. In addition, the contributions to be paid by the Group to the pension system for civil servants working for or having worked for the Group may also need to be increased which may also adversely affect the Group's financial position and results of operation."

#### **4. Management's discussion and analysis of financial condition and results of operations—Recent developments and outlook**

On page 108 of the Original Prospectus, the following new paragraphs are inserted after the last existing paragraph under the heading "RECENT DEVELOPMENTS AND OUTLOOK":

- "● On November 11, 2014, in the case C-530/13 (*Leopold Schmitzer vs. Austrian Federal Ministry of the Interior*), based on a request for a preliminary ruling under article 267 of the Treaty on the functioning of the European Union from the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*), the European Court of Justice ruled that article 2(1) and (2)(a) and article 6(1) of Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation must be interpreted as precluding national legislation which, with a view to ending age-based discrimination, takes into account periods of training and service prior to the age of 18 but which, at the same time, introduces — only for civil servants who suffered that discrimination — a three-year extension of the period required in order to progress from the first to the second incremental step in each job category and each salary group. The European Court of Justice further ruled that articles 9 and 16 of Directive 2000/78 must be interpreted as meaning that a civil servant who has suffered age-based discrimination — resulting from the method by which the reference date taken into account for the calculation of his advancement was fixed — must be able to rely on article 2 of that directive in order to challenge the discriminatory effects of the extension of the period for advancement, even though, at his request, that reference date has been revised.

The Company did not expect such judgment of the European Court of Justice, because the Austrian legislator had already amended the respective legal provisions in order to prevent age-based discrimination. The Company was therefore convinced that the current legal provisions on the remuneration of civil servants were in compliance with European law.

While Telekom Austria Group will need to evaluate on an individual basis the effects of the judgment by the European Court of Justice on every single civil servant (including also on already retired civil servants) allocated to Telekom Austria Group by law, it is to be expected that broader groups of such civil servants allocated to Telekom Austria Group may (i) need to be promoted to higher salary groups and thereby increasing their actual salary (and ancillary salary costs) for the present and the future and (ii) may claim lost salary for at least 3 years of the past. Telekom Austria's management estimates that this may lead to provisions for personnel expenses for the past in the financial year 2014 in the amount of approximately EUR 30 to 40 million and additional personnel expenses for the financial years following the financial year 2014 in the amount of approximately EUR 10 to 15 million per year, thereby adversely affecting the Group's financial position and results of operation.

The above consequences will, however, also depend on the reaction of the Austrian legislator as the Austrian legislator may decide to amend the respective legal provisions again in order to prevent age-based discrimination, which may also have an adverse effect on the financial position and net profit of the Group. In addition, it is unclear in light of the above decision whether the contributions to be paid by the Group to the pension system for civil servants working for or having worked for the Group may also need to be increased which may also adversely affect the Group's financial position and results of operation."

## **5. Business—Employees—Austrian particularities**

On page 124 of the Original Prospectus, the following new paragraphs are inserted before the subheading "Passive employees":

"On November 11, 2014, in the case C-530/13 (*Leopold Schmitzer vs. Austrian Federal Ministry of the Interior*), based on a request for a preliminary ruling under article 267 of the Treaty on the functioning of the European Union from the Austrian Supreme Administrative Court (*Verwaltungsgerichtshof*), the European Court of Justice ruled that article 2(1) and (2)(a) and article 6(1) of Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation must be interpreted as precluding national legislation which, with a view to ending age-based discrimination, takes into account periods of training and service prior to the age of 18 but which, at the same time, introduces — only for civil servants who suffered that discrimination — a three-year extension of the period required in order to progress from the first to the second incremental step in each job category and each salary group. The European Court of Justice further ruled that articles 9 and 16 of Directive 2000/78 must be interpreted as meaning that a civil servant who has suffered age-based discrimination — resulting from the method by which the reference date taken into account for the calculation of his advancement was fixed — must be able to rely on article 2 of that directive in order to challenge the discriminatory effects of the extension of the period for advancement, even though, at his request, that reference date has been revised.

The Company did not expect such judgment of the European Court of Justice, because the Austrian legislator had already amended the respective legal provisions in order to prevent age-based discrimination. The Company was therefore convinced that the current legal provisions on the remuneration of civil servants were in compliance with European law.

While Telekom Austria Group will need to evaluate on an individual basis the effects of the judgment by the European Court of Justice on every single civil servant (including also on already retired civil servants) allocated to Telekom Austria Group by law, it is to be expected that broader groups of such civil servants allocated to Telekom Austria Group may (i) need to be promoted to higher salary groups and thereby increasing their actual salary (and ancillary salary costs) for the present and the future and (ii) may claim lost salary for at least 3 years of the past. Telekom Austria's management estimates that this may lead to provisions for personnel expenses for the past in the financial year 2014 in the amount of approximately EUR 30 to 40 million and additional personnel expenses for the financial years following the financial year 2014 in the amount of approximately EUR 10 to 15 million per year, thereby adversely affecting the Group's financial position and results of operation.

The above consequences will, however, also depend on the reaction of the Austrian legislator as the Austrian legislator may decide to amend the respective legal provisions again in order to prevent age-based discrimination, which may also have an adverse effect on the financial position and net profit of the Group. In addition, it is unclear in light of the above decision whether the contributions to be paid by the Group to the pension system for civil servants working for or having worked for the Group may also need to be increased which may also adversely affect the Group's financial position and results of operation."

## **RESPONSIBILITY STATEMENT OF TELEKOM AUSTRIA AKTIENGESELLSCHAFT**

Telekom Austria Aktiengesellschaft, with its registered office at Lassallestraße 9, A-1020 Vienna, Austria, is responsible for the information given in this Supplement.

Telekom Austria Aktiengesellschaft hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of the knowledge of Telekom Austria Aktiengesellschaft, in accordance with the facts and contains no omission likely to affect its import.

Vienna, November 19, 2014

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Telekom Austria Aktiengesellschaft  
as Issuer