

20 YEAR EUR CMS SPREAD-LINKED NOTE

TRADED TERMS AND CONDITIONS

Issuer:	Republic of Austria
Issuer's Ratings:	Aaa/AAA
Status:	Senior Unsubordinated
Specified Denomination:	EUR 1,000 per Note
Nominal Amount:	EUR [100 – 200] mio
Issue Price:	100.00%
Launch Date:	7 September 2005
Issue Date:	10 October 2005
Maturity Date:	10 October 2025
Interest Rate:	<u>Year 1:</u> 7.00% <u>Year 2:</u> 5.00% <u>Thereafter:</u> If Spread Index for the relevant Interest Period is greater than 6 month Euribor for the relevant Interest Period, then the Interest Rate for that Interest Period shall equal (6 month Euribor for the relevant Interest Period +150 basis points) Otherwise Interest Rate for that Interest Period shall be zero Where: 6 month Euribor for the relevant Interest Period is set according to Telerate Page 248 two Target Business Days prior to the start of the Interest Period
Interest Payment Amount per Specified Denomination	Interest Rate x Day Count x Specified Denomination
Day Count:	semi-annual Actual/Actual (ISMA)
Interest Period:	The periods (a) from and including the Issue Date to but excluding the first Interest Period End Date, and thereafter (b) all subsequent periods from, and including, one Interest Period End Date to, but not including, the following Interest Period End Date.
Spread Index:	In respect of an Interest Period, shall be $5 \times (\text{CMS10} - \text{CMS2})$ as observed from the Rate Source on the day that is 2 (two) TARGET Business Days prior to the first day of the Interest Period.
Additional Interest Amount:	An Additional Interest Amount per Specified Denomination shall be payable on the Maturity Date equal to: $\text{Max}(0, (\text{Aggregate Interest Floor} - \text{Aggregate Interest Amount}))$ Where: Aggregate Interest Floor is $40\% \times \text{Specified Denomination}$ Aggregate Interest Amount is the sum of all the Interest Payment Amounts per Specified Denomination for all Interest Payment Dates prior to and including the Maturity Date

Rate Source:

Rate	Rate Source
CMS2	means the mid-market annual swap rate expressed as a percentage for a EURIBOR interest rate swap transaction with a term equal to two years which appears on the Reuters Page ISDAFIX2 Page at 11.00 a.m., (Frankfurt time)
CMS10	means the mid-market annual swap rate expressed as a percentage for a EURIBOR interest rate swap transaction with a term equal to ten years which appears on the Reuters Page ISDAFIX2 Page at 11.00 a.m., (Frankfurt time)

If either CMS2 or CMS10 does not appear on the Reuters Page ISDAFIX2 on a Valuation Date, for the relevant Interest Payment Date the Index will be a percentage determined on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11.00 a.m. (Frankfurt time) on that Valuation Date.

The Calculation Agent will request the principal London office of each of the Reference Banks to provide a quotation and will take the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest (or, in the event of equality, one of the lowest). If three or less than three quotations are provided, the arithmetic average will be calculated using all quotations available.

For this purpose, the “mid-market annual swap rate” means the arithmetic mean of the bid and offered rate quotations for the annual fixed leg, calculated on 30/360 day count basis, of a fixed-for-floating Euro denominated interest rate swap transaction with a designated maturity of two years or of ten years for CMS2 and CMS10, respectively, commencing on the Reset Date for the relevant Calculation Period for a representative amount of EUR 50,000,000 with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis is equivalent to EUR-EURIBOR-Telorate (as defined in the Annex to the 2000 ISDA Definitions published by the International Swap and Derivatives Association (June 2000 version)), with a designated maturity of six months.

“Reference Banks” means five leading swap dealers in the interbank market as chosen by the Calculation Agent.

Calculation Agent:	UBS AG, London Branch
Interest Period End Dates:	10 April and 10 October in each year commencing on 10 April 2006
Interest Payment Dates:	Interest Period End Dates, adjusted as per the Business Day Convention.
Business Day Convention:	Following Unadjusted
Redemption Amount:	100%
Tax Redemption:	Applicable, as detailed in the Pricing Supplement
Listing:	Luxembourg, MOT Italian Stock Exchange listings shall be applied for
Business Days:	TARGET

Settlement:	Standard EMTN via Euroclear / Clearstream Banking
Documentation:	Issued off the Issuer's Debt Issuance Programme. Purchase of the Notes is subject to and should be read in conjunction with the terms and conditions of the Notes, the Offering Circular for the Programme and the Pricing Supplement relating to this issue of Notes.
ISIN:	TBA
Product Risk Disclosure:	If prior to the start of an Interest Period, the Spread between the EUR 10y Swap rate and the EUR 2y Swap rate is less than the 6 month Euribor rate for the same period divided by 5, then the Interest Payment Amount for that Interest Period may be zero.
Selling Restrictions :	<p>Any Notes purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes in such jurisdiction.</p> <p>Noteholders are advised to read the selling restrictions described more fully in the Offering Memorandum regarding the Issuer's Euro Medium Term Note Programme. The restrictions listed below must not be taken as definitive guidance as to whether this note can be sold in a jurisdiction. Noteholders should seek specific advice before onselling a Note.</p> <p>Europe - For EEA jurisdictions that have not implemented the EU Prospectus Directive, sales must be in compliance with the law of that jurisdiction.</p> <p>USA - The Notes may not be sold or offered within the United States or to U.S. persons.</p> <p>Hong Kong - The Notes have not been offered and sold, and each purchaser represents and agrees that it will not offer and sell the Notes in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy and sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance. In relation to the issue of the Notes, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.</p> <p>Singapore - This Term Sheet and the Final Terms and Information Memorandum relating to the Notes have not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act (Cap. 289) of Singapore (the "Securities and Futures Act"). Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Terms Sheet, the Final Terms and Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a sophisticated</p>

investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act."

Luxembourg - The Certificate has not been approved by and will not be submitted for approval to the competent authorities in Luxembourg (Luxembourg Stock Exchange and/or Commission de Surveillance du Secteur Financier) and consequently is not authorised for public offerings in Luxembourg. The certificate might be sold on a private placement basis to sophisticated/ institutional investors and/ or a limited number of existing clients. As a guide, this certificate should not be sold with a consideration of less than 40.000 EUR or equivalent.

UK – The Notes should not be sold with a consideration of less than 40,000 EUR or equivalent.

Others - As detailed in the Information Memorandum for the Programme

This information is communicated by UBS AG and/or its affiliates ("UBS"). * (see below) UBS may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying the transaction to which the termsheet relates. UBS may provide investment banking and other services to and/or have officers who serve as directors of the companies referred to in this term sheet. UBS's trading and/or hedging activities related to this transaction may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

In certain circumstances UBS sells these notes to dealers and other financial institutions at a discount to the issue price or rebates to them for their own account some proportion of the issue price. Further information is available on request.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in any transaction.

This document is for information purposes only and should not be construed as an offer, recommendation or solicitation to conclude a transaction and should not be treated as giving investment advice. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the Information Memorandum, Prospectus or other issuer documentation for the issue of the Notes (the "Prospectus").

UBS makes no representation or warranty relating to any information herein which is derived from independent sources. This term sheet shall not be copied or reproduced without UBS's prior written permission.

No action has been or will be taken in any jurisdiction that would permit a public offering of the securities described herein, save where explicitly stated in the Prospectus. The securities must be sold in accordance with all applicable selling restrictions in the jurisdictions in which they are sold.

* [For US only] This material is distributed to US persons by UBS Securities LLC, a subsidiary of UBS AG. All transactions by a US person in the securities described herein must be effected through UBS Securities LLC.