

HETA: HETA creditors reject tender offer

- **The tender offer challenges the concept of risk-free gilt-edged investments**
- **Carinthia's insolvency would negatively impact all of Austria**
- **Carinthia is able to pay**
- **Fair and transparent discussions with the creditors required**

A group of HETA creditors holding more than EUR 5 bn of the risk-free, gilt-edged (so-called mündelsichere) bonds of HETA ASSET RESOLUTION AG subject to the tender offer, reject the offer made by the Carinthian Compensation Payment Fund (Kärntner Ausgleichszahlungsfonds). The group, which entered into a binding lock-up agreement in December 2015, is contractually obligated only to accept a tender offer which pays its claims in full. This is not the case of the offer that was launched today and provides for a price of 75% for senior unsecured bonds and 30% for subordinated bonds.

Any offer that does not provide for a full repayment of the creditors' claims is inconsistent with the statutory concept of risk-free gilt-edged investments. Any impairment of such gilt-edged claims of the HETA creditors would be unconstitutional and discriminatory in so far as other unsecured obligations of Carinthia are not impaired, such as debt owed by Carinthia to the Federal Republic of Austria.

Carinthia's insolvency would negatively impact all of Austria

The creditor group believes continuation of the current discussion regarding an insolvency of Carinthia is irresponsible. Continued discussion would have a material and prejudicial impact not only on Carinthia but on all of Austria: The increase in borrowing costs imposed by the debt capital markets following an insolvency would be substantially larger than the total amount needed to repay Carinthia's HETA guarantee obligations. Carinthia's insolvency would represent an unprecedented case of a member of the European Union not supporting one of its provinces to ensure it repays its debts.

Carinthia is able to pay

Carinthia is clearly able to pay its HETA guarantee obligations in full. Carinthia's current offer to contribute only €1.2 bn is substantially less than its debt service capacity and the value of its assets. Carinthia has - with support from the Republic - not only the fiscal and economic capacity to honour its HETA guarantee obligations in full, but also the legal obligation to do so.

Fair and transparent discussions with the creditors required

The group is interested in a constructive solution and continues to be available for fair and transparent discussions with Carinthia and the Republic. The aim is to develop a long-term payment plan for the guarantee obligations of Carinthia in cooperation with Carinthia and the Republic in accordance with international standards.

Prompt and constructive discussions with the HETA creditors regarding alternative solutions can therefore prevent further damage to the Republic and its provinces. The creditor group has been requesting such discussions for a long time.

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