

EANS-Adhoc: Telekom Austria AG / Telekom Austria Group acquires spectrum for a total of EUR 1,030 million in Austria (Ad-Hoc)

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Vienna, 21 October 2013: The Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces that the Austrian spectrum auction for the new 800 MHz band (6 blocks auctioned) as well as the existing 900 MHz (7 blocks auctioned) and 1800 MHz (15 blocks auctioned) bands has been concluded today. No new operator entered the spectrum auctions. Thus all spectrum (28 blocks of 2 x 5 MHz each) was available to the existing operators. Telekom Austria Group's domestic subsidiary A1 Telekom Austria acquired 4 blocks of the 800 MHz spectrum, 3 blocks of the 900 MHz spectrum and 7 blocks of the 1800 MHz spectrum for a total consideration of EUR 1,030 million. Thus Telekom Austria Group acquired 2 x 70 MHz of spectrum out of a total available spectrum of 2 x 140 MHz.

Bidding strategy

In light of Telekom Austria's existing spectrum as well as the spectrum held by its competitors (significant positions in the 1800 MHz frequency band) prior to the auction, Telekom Austria Group's bidding strategy was focused on the 800 MHz spectrum as well as retaining its vital position in the 900 MHz band during the main round (so called "clock round"). The comparatively high number in the 1800 MHz band (7 blocks in total) was a result of the "supplementary round" where Telekom Austria Group acquired 2 x 20 MHz of additional spectrum as 4 blocks of spectrum remained unsold in the "clock round". This 40% increase in spectrum only lead to a 3% increase in total costs.

Spectrum distribution

Subsequent to the auction the new spectrum distribution for the auctioned frequency bands in Austria will be the following:

		800 MHz	900 MHz	1800 MHz
A1 Telekom Austria	before	n.a.	2 x 20.2 MHz (until 2015/17)	2 x 15 MHz (until 2015)
	after	2 x 20 MHz (until 2029)	2 x 15 MHz (until 2034)	2 x 35 MHz (until 2034)
Hutchison 3G Austria	before	n.a.	2 x 0.8 MHz (until 2017)	2 x 29 MHz (until 2017)
	after	0 MHz (until 2029)	2 x 5 MHz (until 2034)	2 x 20 MHz (until 2034)
T-Mobile Austria	before	n.a.	2 x 12.8 MHz (until 2015)	2 x 25.4 MHz (until 2015/19)
	after	2 x 10 MHz (until 2029)	2 x 15 MHz (until 2034)	2 x 20 MHz (until 2034)

The maturity date for the 800 MHz spectrum band, which is available immediately, is 31 December 2029. The start of the licensing period for all auctioned blocks in the 900 MHz and the 1800 MHz band depends on the existing frequency licences, while the new licences will now have a common maturity date of 31 December 2034 for all operators.

Strong strategic position

This new spectrum offers Telekom Austria unique strategic advantages. Having acquired 67% of the immediately available low frequency 800 MHz spectrum, Telekom Austria Group is in an unparalleled position to roll out a leading LTE network across Austria. This fully supports Telekom Austria Group's high value strategy and network quality leadership and allows Telekom Austria Group to protect its fixed-line as well as its mobile customer base, in particular in rural areas. Moreover, the spectrum distribution has significantly reduced the

viability of a potential new mass market mobile virtual network operator (MVNO).

Financial implications and funding

The purchase price of the spectrum will be payable in full within approximately 8 weeks. The Telekom Austria Group will finance the spectrum acquisition via existing cash as well as additional debt. In light of the resulting impact on its balance sheet the Telekom Austria Group intends to achieve deleveraging via operational cash flow generation to support the Group's BBB (stable) target rating.

Broadband investments

On 22 March 2013, the Federal Ministry for Transport, Innovation and Technology announced that EUR 250 million of the proceeds from the Austrian spectrum auctions will be dedicated to broadband investments & research and development grants.

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