



EANS-Adhoc: Telekom Austria Group Creates New Structure for its Austrian Operations (Ad-hoc)

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Vienna, February 23, 2010: Telekom Austria Group (VSE: TKA, OTC US: TKAGY) today announced that it will restructure its Fixed Net and Mobile Communication operations in Austria. At today's meeting, the Supervisory Board of Telekom Austria AG approved the Management Board's proposals to merge the two domestic subsidiaries.

"With the merger of the Fixed Net and Mobile Communication segments we are creating considerable advantages for our customers, who in the future will be able to receive all communications services from one trusted provider. This step also reflects the evolution of the Austrian market, where customers increasingly demand convergent products and, at the same time, it enables us to combine the innovative strengths of both business segments," said Hannes Ametsreiter, CEO of the Telekom Austria Group.

The merger of the Fixed Net and Mobile Communication business activities within one single operating company should first and foremost provide the basis to meet increasing customer demand for integrated telecommunications solutions and convergent products in Austria. Moreover, the joint steering of sales activities will generate additional revenue potential through cross-selling opportunities. This merger will also enhance the Group's innovative strength, enabling the effective rollout of joint future-proof network infrastructure and the full leverage of synergies across all internal processes. The organizational merger will take place in 2010. However, optimization of processes and the convergence of technological systems will require more time.

Against this backdrop of changed customer needs, a new industry rationale has already prompted almost all telecom peers in Europe to take this step.

Following this merger, the present finance holding will be changed into a management holding. For this reason, the Management Board of the Telekom Austria Group will be supported by four Group Officers for the areas HR, Technology, Marketing and Finance. Their main task will be to identify and leverage any group-wide synergies.

Based on preliminary forecasts, the Telekom Austria Group expects this merger to generate a positive contribution to earnings by 2012 and subsequently an annual increase in cash flow of approximately EUR 100 million after further 2-3 years. This growth will result from additional revenues and lower expenses. In addition, cash flow will also benefit from lower capital expenditures. Initial costs will impact results over the next few years and a negative cash flow effect of approximately EUR 80 million is expected for the 2010 financial year.

Apart from the above mentioned merger, the company's expectations for the operating business for the current financial year, as announced on December 9, 2009, remain unchanged.

"Market developments over the past few years have demonstrated that this step is imperative. We are convinced that through this merger the Telekom Austria Group will be best equipped to address future challenges, while at the same time it considerably strengthens the Group's earning power. Thus, we once again reiterate our intention to distribute a dividend of EUR 0.75 per share," added Hans Tschuden, CFO of the Telekom Austria Group.

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