

EANS-Adhoc: Telekom Austria Group Acquires Two Cable Operators in Bulgaria (Ad-hoc Release)

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Shareholder Information

Telekom Austria Group Acquires Two Cable Operators in Bulgaria (Ad-hoc Release)

Vienna, 15 September 2010 - Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced that it has agreed to acquire 100% of Megalan Network AD and 100% of Spectrum Net AD, two cable operators in Bulgaria. The combined debt free value of both entities will amount to a total of EUR 83.0 mn. Telekom Austria Group will acquire both companies through its Bulgarian subsidiary Mobiltel and will pay an amount of EUR 72.0 mn out of existing cash flow, which includes a performance oriented element of a total of EUR 14.5 mn. This portion of the purchase price will be paid by end of 2011 and is subject to the achievement of performance criteria.

The acquisitions are subject to the approval by the Bulgarian competition authority. Local management of Megalan and Spectrum Net will remain in place as both companies will operate as separate entities for approximately 18 months. However, product bundles under the M-Tel brand will already be launched in 2010.

"The convergence of fixed and mobile communication has become a key feature of the telecommunication market. This trend is clearly visible in Telekom Austria Group's home market and now also increasingly shapes the competitive environment in Bulgaria. As such, the planned acquisition of two cable operators will be the natural next step for Mobiltel. It will allow Mobiltel to become a fully integrated operator and to participate in the strong anticipated growth of fixed broadband, IPTV and convergent products. Moreover, this step will further strengthen its leading position and will ensure future growth in an existing market, a continuation of Telekom Austria Group's strategy", says Hannes Ametsreiter, CEO of Telekom Austria Group.

The two companies complement each other through their product offerings and will enable Mobiltel to address both business and residential customers. Megalan is the leading provider of residential broadband in Sofia and offers broadband as well as IPTV services. Spectrum Net focuses with broadband and voice services on business customers in Bulgaria's major cities. Combined the two companies had 85,400 access lines by year end 2009. In 2009, the two companies generated a total of EUR 25.3 mn of revenues and EUR 7.0 mn of EBITDA. For 2010, management expects the two companies to achieve a combined EBITDA of EUR 9.6 mn with further growth being anticipated in the future. Hence, the transaction's EBITDA multiple for 2011 is estimated at approximately 6.8x.

"Both operations will immediately contribute positively to the Group's cash flow. Moreover, the acquisitions are included in the current CAPEX guidance for the Group of EUR 0.75 - 0.80 bn for 2010 and are in line with the Group's stated cash use policy", states Hans Tschuden, CFO of Telekom Austria Group. The planned acquisitions of Megalan and Spectrum Net will have no impact on the dividend floor of EUR 0.75 until 2012.

Financial overview

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|--------------------|---------|---------------|
| Pro forma 2009 | Megalan | Spectrum Net* |
| Revenues (EUR mn) | 6.5 | 18.8 |
| EBITDA (EUR mn) | 3.9 | 3.1 |
| CAPEX (EUR mn) | 1.6 | 1.3 |
| Access lines (000) | 55.6 | 29.8 |

* Consolidated values of Spectrum Net and its fully owned subsidiary Orbitel EAD

Disclaimer: This document contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are usually accompanied by words such as "believe," "intend," "anticipate," "plan," "expect" and similar expressions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to, the following:

- 1) the level of demand for telecommunications services or equipment, particularly with regard to access lines, traffic, bandwidth and new products;
- 2) competitive forces in liberalized markets, including pricing pressures, technological developments, alternative routing developments and new access technologies, and our ability to retain market share in the face of competition from existing and new market entrants;
- 3) the effects of our tariff reduction or other marketing initiatives;
- 4) the regulatory developments and changes, including the levels of tariffs, the terms of interconnection, unbundling of access lines and international settlement arrangements;
- 5) our ability to achieve cost savings and realize productivity improvements;
- 6) the success of new business, operating and financial initiatives, many of which involve start-up costs, and new systems and applications, particularly with regard to the integration of service offerings;
- 7) our ability to secure the licenses we need to offer new services and the cost of these licenses and related network infrastructure build-outs;
- 8) the progress of our domestic and international investments, joint ventures and alliances;
- 9) the impact of our new business strategies and transformation program;
- 10) the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital expenditure;
- 11) the outcome of litigation in which we are involved;
- 12) the level of demand in the market for our shares which can affect our business strategies;
- 13) changes in the law including regulatory, civil servants and social security law, including pensions and tax law; and general economic conditions, government and regulatory policies, and business conditions in the markets we serve.

Through its expansion into the Eastern and South-eastern European region, the company operates in markets that have been experiencing political and economic change. This circumstance has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Eastern and South-eastern European region involve uncertainties, including tax uncertainties and risks related to foreign exchange rates that typically do not exist in other markets.

Due to rounding differences deviations in subtotals and totals may occur.

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