

EANS-Adhoc: Telekom Austria Group Submits a Conditional EUR 800-950 Million Bid for a 51% Stake in Telekom Srbija (Ad-hoc Release)

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Vienna, 21 March 2011 - Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced that it has submitted a conditional bid in the tender process conducted by the Ministry of Finance of the Republic of Serbia for the sale of a 51% stake in Telekom Srbija a.d., the incumbent telecommunication operator of the Republic of Serbia.

Following a detailed due diligence and evaluation process, the Telekom Austria Group has offered to pay an equity value in the amount of EUR 800-950 million for a 51 % stake in Telekom Srbija a.d.. This offer is, amongst others, conditional to merger control clearance in Serbia resulting in a market consolidation. In addition, this offer is subject to negotiations with the government about certain value creating conditions that will result in an expected enterprise value/adjusted EBITDA 2011 multiple of approximately 4.8x. Moreover, the Telekom Austria Group committed to capital expenditures of EUR 450 million within a three year horizon. These investments are part of the business plan which forms the basis of the above mentioned valuation. This offer does not comply with the requested unconditional minimum price of EUR 1.4 billion for a 51% stake.

The submitted conditional offer compares favorably to a share buyback with respect to cash flow generation per share. The bid value will allow the Telekom Austria Group to remain within the targeted leverage range of Net Debt/EBITDA comparable of 2.0x to 2.5x. Thus, the submitted conditional offer is in line with the Group's existing cash use policy.

Telekom Srbija is the incumbent telecommunication operator of the Republic of Serbia with operations in Montenegro as well as Bosnia Herzegovina, where Telekom Srbija owns a 65% stake in Telekom Srpske. In the Republic of Serbia, the company offers both fixed and mobile services with a 100% market share in the fixed line and 58% market share in mobile communications. In Montenegro, the mobile market shares of Telekom Srbija amounts to 25% while it has a 2% share of the fixed line market. In Bosnia Herzegovina fixed line market share amounts to 35% and mobile communication market share to 39%. In 2010, Telekom Srbija is estimated to have generated revenues of EUR 1,157 million and an EBITDA of EUR 483 million.

Financial overview Telekom Srbija

2010 (estimates)
Revenues (in EUR mn) 1,157
EBITDA (in EUR mn) 483
CAPEX (in EUR mn) 191
Free Cash Flow (in EUR mn) 292
Net Debt (in EUR mn) 609
Mobile Subscribers (in 000) 7,258
Fixed Access Lines (in 000) 3,352

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.

Operational figures are based on publicly available sources. 2010 financials of Telekom Srbija Group are estimates. Financials have been converted into EUR using average exchange rate of 102.97 RSD/EUR. Year end net debt for 2010 converted into EUR using 106.04 RSD/EUR. Due to rounding differences deviations in subtotals and totals may occur.

Further inquiry note:

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