

**EANS-Adhoc: Telekom Austria AG / Telekom Austria Group announces EUR 400 million impairment of its Bulgarian subsidiary Mobiltel (Ad-hoc)**

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other

Dear Sir or Madam,

Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces that it will book an impairment of approx. EUR 400 mn for its Bulgarian asset Mobiltel as a result of the company's ongoing regular sensitivity analyses. This impairment is primarily due to an increase in the cost of capital of the Bulgarian segment and changed expectations with regard to medium-term macroeconomic developments in Bulgaria, as well as related market effects which affect the valuation of Telekom Austria Group's business plan for the Bulgarian segment.

Approximately half of the total impairment is due to a change in the weighted average cost of capital (WACC) of the Bulgarian segment as well as changed medium-term expectations as regards macroeconomic risks for Bulgaria, inter alia due to the crisis in the Ukraine.

As of May 2014 Mobiltel's WACC increased by over 20% versus the last impairment test in the fourth quarter of 2013. This is mainly the result of an increase in the volatility of the Telekom Austria Group's share price in the first half of 2014. This volatility caused a rise in the beta\* used for discounted cash flow valuation of Telekom Austria Group's business plan. The Bulgarian segment was the only Group segment where the increase in WACC resulted in the need for an impairment as according to IFRS rules.

In addition, changed medium-term macroeconomic expectations also result in changed expectations for the entire Bulgarian telecoms market and the development of the Bulgarian subsidiary Mobiltel. On 13 June 2014 rating agency Standard & Poor's cut its sovereign credit rating for Bulgaria from BBB to BBB-, expecting economic growth to remain mediocre unless there are meaningful political and structural reforms. While the management expected a mid-term recovery of the region, this expectation appears no longer sustainable. The resulting effects on the valuation of the business plan for the Bulgarian segment drive the remainder of the impairment.

The impairment will be reflected in the consolidated financial statements of Telekom Austria Group for the first half of 2014 and will negatively impact net income and equity. As changes to the business plan primarily impact medium-term expectations for the Bulgarian segment, the management of Telekom Austria Group reiterates its outlook for 2014 despite the impairment: Group revenue decline of approx. 3%, CAPEX of approx. EUR 700 mn and a proposed dividend of EUR 0.05.

\* Measure of correlation between the performance of a security and the market

For further information please see the following link:  
[www.telekomaustria.com/en/ir/ir-news](http://www.telekomaustria.com/en/ir/ir-news)

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