

EANS-Adhoc: Telekom Austria Group Submits a Revised Conditional Bid of up to EUR 1.1 billion for a 51% Stake in Telekom Srbija (Ad-hoc Release)

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Vienna, May 4, 2011 - Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced that it has submitted a revised 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 telecommunications operator of the Republic of Serbia.

On 21 March 2011, an initial conditional offer was submitted for the 51% stake in Telekom Srbija, which included the payment of an equity value of EUR 800 - 950 million plus a EUR 450 million CAPEX commitment. Key conditions of this conditional bid were merger control clearance in Serbia resulting in a market consolidation as well as an agreement to address Telekom Srbija's costs structure within a pre-agreed time period. These conditions remain in place.

In the course of the ongoing negotiations with the Ministry of Finance of the Republic of Serbia additional value-enhancing elements were identified. The primary elements consist of spectrum agreements and the prolongation of licences, which remain subject to agreement with the relevant authorities.

On the basis of these conditions and waiving the initial CAPEX commitment, a revised conditional offer for a 51% stake in Telekom Srbija was submitted. This conditional offer consists of the following parameters:

- EUR 800 million cash payment due at closing of the transaction
- Deferred annual cash payments over a period of nine years after closing

Subject to further negotiations on the submitted conditions, this bid is expected to result in a maximum net present value of the equity value of up to EUR 1.1 billion. The expected enterprise value/adjusted EBITDA 2012 multiple is anticipated to remain in the range of approximately 4.8 - 5.3x.

The final terms of the transaction are subject to approval of the Supervisory Board of Telekom Austria AG.

The revised conditional bid compares favourably 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 bid 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 56% market share in mobile communications. In Montenegro, the mobile market shares of Telekom Srbija amounts to 23% 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 39.7%. In 2010, Telekom Srbija reported revenues of EUR 1,141 million and an EBITDA of EUR 483 million.

Financial overview Telekom Srbija

2010 (reported)
Revenues (in EUR mn) 1,141
EBITDA (in EUR mn) 483
CAPEX (in EUR mn) 191
Operating Free Cash Flow (in EUR mn) 292

Net Debt (in EUR mn) 610
Mobile Subscribers (in mn) 7.3
Fixed Access Lines (in mn) 3.4

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