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Telekom Austria AG: Telekom Austria Group Cuts its Dividend for the Years 2011 and 2012

Vienna, Austria (pta037/16.12.2011/17:00) - Vienna, 16 December 2011 - Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces that it lowers its dividend floor for the years 2011 and 2012 from EUR 0.76 per share to a dividend of EUR 0.38 per share. As of 2013, the payout ratio remains at 55% of free cash flow to the extent that the dividend does not lead to a deterioration of Group equity.

This follows as an adverse macro-economic environment as well as highly volatile foreign exchange markets will continue to effect Telekom Austria Group's operations for the foreseeable future. Moreover, anticipated significant investments, such as upcoming spectrum auctions, are expected to lead to pressure on cash flows as well as a material increase of Telekom Austria Group's leverage beyond its target corridor of 2.0x - 2.5x Net debt/EBITDA comparable. Maintaining a stable investment grade rating of BBB (stable) remains the key parameter of Telekom Austria Group's cash use policy.

In addition, the supervisory board today acknowledged a programme proposed by the management which aims at improved operational performance as well as further efficiency gains going forward. Its impact as well as the financial guidance for 2012 will be announced together with FY 2011 results on 23 February 2012.

The financial outlook of Telekom Austria Group for the year 2011, as reiterated on 14 November 2011, remains in place: Revenues of approximately EUR 4.50 bn, EBITDA comparable of up to EUR 1.55 bn, CAPEX of EUR 750 - 800 mn and an Operating Free Cash Flow of up to EUR 800 mn. This outlook was given on a constant currency basis and before any effects of inflation accounting for the Belarusian segment.

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