

Telekom Austria Group is the Winning Bidder for the 3rd License in Serbia for EUR 320mn (Ad hoc Release)

The license shall be granted for a period of ten years and shall be automatically extended upon expiry for another ten years. mobilkom austria submitted a bid for the license on November 3, 2006 in the amount of EUR 320 million and 1 EURO.

“We are satisfied to have taken one more step towards entering the telecommunications market in Serbia, which we believe offers an attractive opportunity supported by a favorable macroeconomic environment in Serbia,” says Boris Nemsic, Chief Executive Officer of the Telekom Austria Group.

The license conditions include a requirement to launch operations within 6 months following the license grant date and to provide coverage of 20% of the population as well as of the three major highways within 12 months after the grant date. 50% of the population and all highways have to be covered within 24 months and 80% of the population and 90% of the territory of the Republic of Serbia have to be covered within 48 months. Payment of the license fee is expected in 2006.

“We aim to start developing the new mobile license in Serbia without delay and with the utmost efficiency in order to take advantage of the window of opportunity provided by ongoing market dynamics. Furthermore, we intend to make use of all the preparatory work done earlier this year when mobilkom austria planned to enter the Serbian market via the acquisition of the second operator, and to fully exploit synergies from our existing operations in Croatia and Bulgaria,” Boris Nemsic continues.

For the network rollout Telekom Austria expects capital expenditures to amount to approximately EUR 250 million by 2009. The company anticipates positive EBITDA and free cash flow from the new business in 2009. Taxation exemptions granted for investments combined with the possibility to carry forward initial losses are expected to significantly reduce the tax burden and result in only minimal taxes paid over the first ten years.

The acquisition of the license and the planned launch of operations will not cause the Telekom Austria Group to exceed its self-imposed threshold of net debt/EBITDA of 2.0x. Furthermore, market entry into Serbia will not impact the planned share buyback program. Previously announced dividend policy remains unchanged.

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Additional information on Serbia:

	2005	2004	2003
Mobile penetration (in %) 1)	64 %	58 %	44 %
Population Republic of Serbia 1)	7.5 m	7.5 m	7.5 m
GDP (in EUR) (PPP) ²	47,009 bn	43,337 bn	38,714 bn
GDP/capita (in EUR) (PPP)	6,210	5,740	5,140
GDP growth (in %, real)	6.5 %	9.3 %	2.4 %

Inflation (in %)	15 %	11.4 %	9.9 %
Unemployment rate (in %, average)	20 %	18.5 %	14.6 %
Conversion rate CSD/EUR (average)	83.19	73.00	65.05

1) Population and penetration statistics do not include Kosovo

2) Source: Vienna Institute of International Economic Studies (WIIW) Feb. 2006