

## **Telekom Austria Group Decides to Merge Its Austrian Operations**

"With the merger of the Fixed and Mobile operations we are creating considerable advantages for our customers, who in the future will be offered all communications services from one source. This step also reflects the evolution of the Austrian market, where customers increasingly demand convergent products. At the same time this enables us to combine the innovative strengths of these two business operations," said Hannes Ametsreiter, CEO of the Telekom Austria Group.

### **A1 Telekom Austria – The New Integrated Communications Company In Austria**

After the legal merger of mobilkom austria AG and Telekom Austria TA AG, which will take place later in 2010, the new company will be named A1 Telekom Austria. The future Management Board of A1 Telekom Austria will consist of Hannes Ametsreiter (CEO/CCO Chief Executive Officer/Chief Commercial Officer, currently CEO mobilkom austria and CEO Telekom Austria TA AG), Dino Dogan (CIO - Chief Integration Officer until the finalization of the integration process, currently CFO mobilkom austria), Walter Goldenits (CTO - Chief Technology Officer, currently CTO Telekom Austria TA AG) and Siegfried Mayrhofer (CFO - Chief Financial Officer, currently CFO Telekom Austria TA AG).

Following this merger, the present financial holding will be merged with mobilkom austria group services (the current mobile communication service company for leveraging group synergies) to form an integrated management holding for both Fixed and Mobile operations. Hannes Ametsreiter (Group CEO) and Hans Tschuden (Group CFO) will remain on the Management Board of Telekom Austria AG, the Group holding company. Johann Pichler, current member of mobilkom austria's Management Board, will support the Group Board acting as Group CTO. In addition, the Management Board of the Telekom Austria Group will be supported by Group Officers in the areas of HR, Marketing and Finance. The main task of the four Group officers will be to identify and leverage group-wide synergies.

Within this new corporate structure of the Telekom Austria Group, A1 Telekom Austria and the international operating companies will become sister companies.

### **Changed Customer Needs Require This New Corporate Structure**

The main objective of A1 Telekom Austria, will be to meet increasing customer demand for integrated telecommunications solutions and convergent products in Austria. Moreover, the joint management of marketing, sales and customer service activities will generate additional cross- and upselling opportunities. Integrated technical platforms will enable the provision of new, innovative and convergent products and services.

This merger will also enhance the Group's innovative strengths, enabling the effective rollout of joint future-proof network infrastructure and the improvement of internal processes.

Against this backdrop of changed customer needs, a new industry rationale has already prompted almost all telecom peers in Europe to take this step.

"Based on preliminary forecasts, the Telekom Austria Group expects this merger to generate a positive contribution to earnings by 2012 and subsequently an annual increase in cash flow of approximately EUR 100 million p.a. in the mid-term after two to three years," said Hans Tschuden, CFO of the Telekom Austria Group

This growth will result from additional revenues and lower expenses. In addition, cash flow will also benefit from lower capital expenditures. Initial costs will impact results over the next few years and a negative cash flow effect of approximately EUR 80 million is expected for the 2010 financial year.

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