

Results of the Austrian Spectrum Auction

Vienna, 21 October 2013



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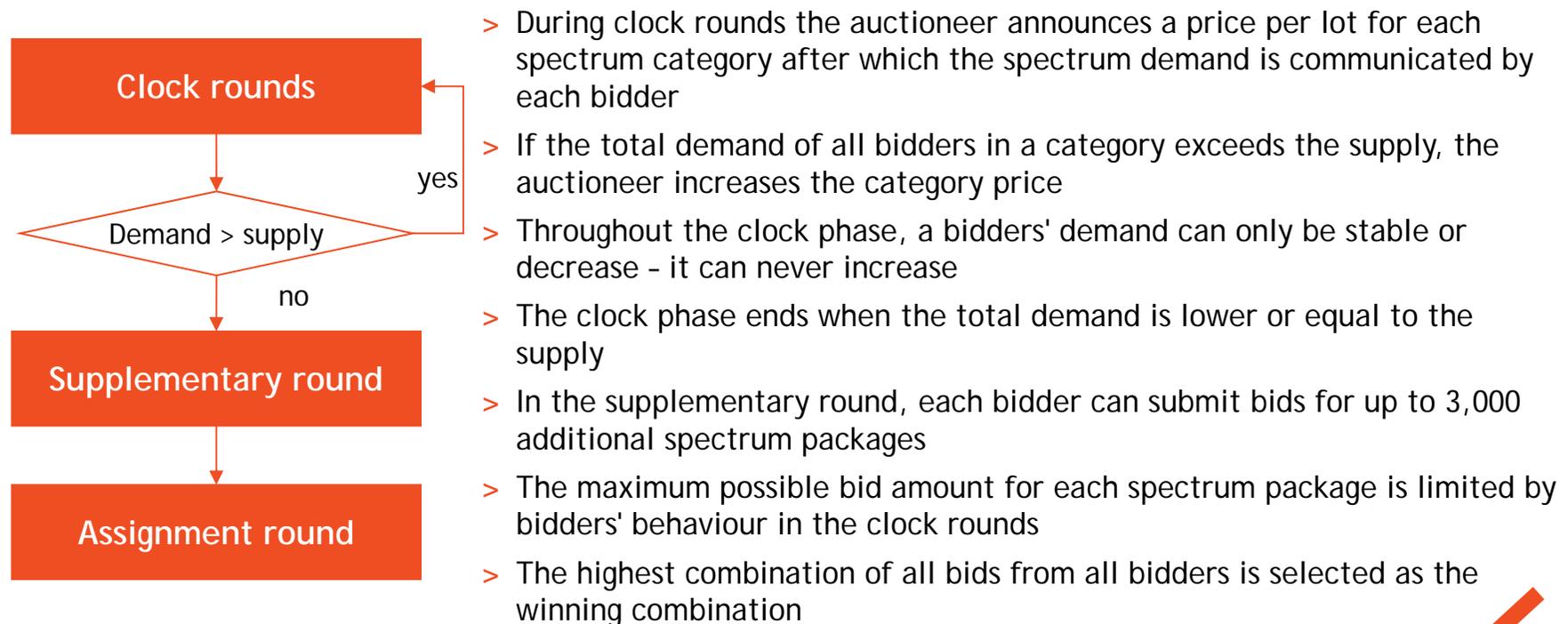
Telekom Austria Group Acquires 50% of Spectrum for EUR 1,030 Million

- > 2 x 30 MHz of the new 800 MHz spectrum as well as 2 x 35 MHz and 2 x 75 MHz of the existing 900 MHz and 1800 MHz spectrum was auctioned via a combinatorial clock auction
- > No new entrant was present at the auction thus all reserved spectrum (2 x 10 MHz of the 800 MHz band) was available to the existing operators
- > Internationally unique intransparency paired with high reserve prices and increments lead to EUR 2,014 mn total exposure
- > Telekom Austria Group acquires 50% of spectrum for EUR 1,030 mn
- > New spectrum distribution significantly strengthens Telekom Austria Group's competitive position and network leadership
- > Financing via cash and debt - deleveraging via operational cash flows to support target rating



A Combinatorial Clock Auction Format Was Chosen for the Austrian Multiband Auction

- > All new 800 MHz spectrum as well as existing 900 MHz and 1800 MHz spectrum was auctioned
- > No new entrant was present at the auction, thus all reserved spectrum was available to the existing operators
- > Licenses will be valid until 2029 (800 MHz band) and 2034 (900 MHz and 1800 MHz bands)



The Combinatorial Clock Auction Format is Highly Complex and Creates Partly Undesired Incentives

Selected Characteristics of the Combinatorial Clock Auction (CCA)

"Second price" payments

- > A bidder does not pay what he bids
- > Instead, a bidder's price is determined by the bids of its rival bidders
- > The potential price a bidder will pay develops therefore from a wide band, ranging from reserve prices up to a maximum exposure
- > Each bidder has a high incentive to bid on much more spectrum than its real demand and thus to reduce its demand late to influence the price of rivals

"Penalties" for unsold spectrum

- > If spectrum remains unsold in the last clock round the exposure of each bidder increases by the difference between its clock round price and its reserve price
- > In that case, a bidder would have to pay this difference without getting the spectrum
- > Spectrum which remains unsold during clock round potentially reshuffles spectrum allocation in supplementary round



Austria - Internationally Unique Intransparency Paired with High Reserve Prices and Increments

**Internationally
unique
intransparency**

- > The aggregated demand of all bidders between clock rounds was not communicated - this is a unique rule change to the CCA system
- > Only once the total exposure reached EUR 1.5 bn the regulator changed the parameters and communicated the aggregate demand

**High bid
increments**

- > A high incremental increase per round of 5% was applied during the clock rounds
- > Only once the total exposure reached EUR 1.8 billion the regulator reduced the incremental increase per round to 2%

**High reserve
prices**

- > At the same time reserve prices were set above European average and higher than in any prior multiband combinatorial clock auction
- > Consequently, the high price increments started from an already high base

2 x 20 MHz of spectrum remained unsold after the clock rounds due to the intransparent auction design

EUR 2 Billion Total Exposure After Clock Phase - TAG Defensive With Only 2 x 50 MHz

Exposure Development Clock Phase

in EUR million

Category	Reserve price	Final price	Increase
800 MHz	32	89.7	280%
900 MHz	28	95.3	340%
1800 MHz	10.4	57.8	553%

Result after the last clock round*

Category	A1	Unsold
800 MHz	4 blocks	0 blocks
900 MHz	2 blocks	2 blocks
1800 MHz	4 blocks	2 blocks

- > In an attempt to reduce price aggressiveness Telekom Austria Group targeted a 2 x 50 MHz - 2 x 60 MHz spectrum range during the clock round
 - > In total 2 x 140 MHz were available for auction
- > Biggest price increases were in the 900 MHz and the 1800 MHz bands
- > In the supplementary round Telekom Austria Group acquired additional 2 x 20 MHz due to spectrum that remained unsold in the clock round

Supplementary round: 40% more spectrum at only 3% incremental costs for Telekom Austria Group

* 2 x 5 MHz per block

Telekom Austria Group - 50% of Total Spectrum and 54% of Low Frequency Spectrum

Auction Result

				
Spectrum	Package*	4-3-7	2-3-4	0-1-4
	MHz	2 x 70	2 x 45	2 x 25
	Total spectrum	50%	32%	18%
	Low frequency	54%	38%	8%
	High frequency	46%	27%	27%
Price	Final price [m€]	1,030	654	330
	Price/MHz [m€]	14.7	14,5	13,2
	Price/Reserve Price	356%	359%	453%

* x-y-z corresponds to the number of lots in 800, 900 and 1800 MHz bands



Significant Increase of Spectrum for Telekom Austria Group Compared to Before the Auction

Band									
	Before	After		Before	After		Before	After	
		abs.	in %		abs.	in %		abs.	in %
800 MHz	-	2 x 20	67%	-	2 x 10	33%	-	-	0%
900 MHz	2 x 20.2 (until 2015/2017)	2 x 15	43%	2 x 12.8 (until 2015)	2 x 15	43%	2 x 0.8 (until 2017)	2 x 5	14%
1800 MHz	2 x 15 (until 2015)	2 x 35	46%	2 x 25.4 (until 2015/2019)	2 x 20	27%	2 x 29 (until 2017)	2 x 20	27%
Total MHz	2 x 35.2	2 x 70	50%	2 x 38.2	2 x 45	32%	2 x 29.8	2 x 25	18%
Market share			43%			~30%			~26%



Network Strategy and Competitive Position Significantly Strengthened

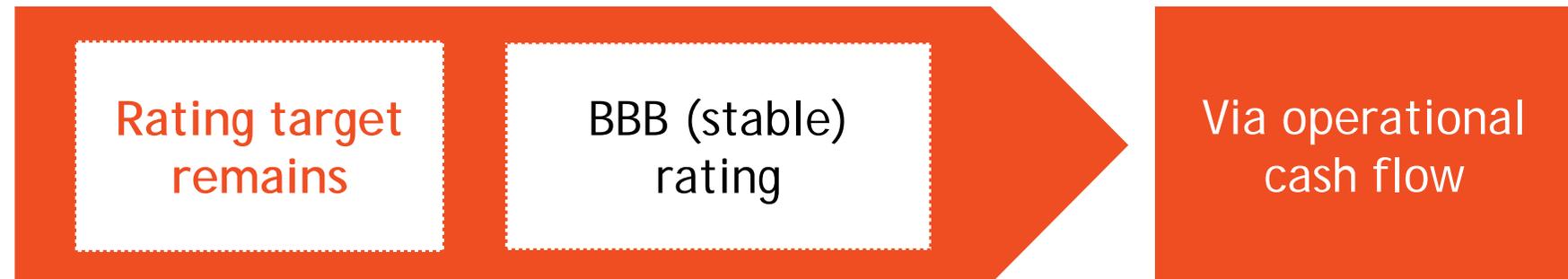
- > Premium provider position via the fastest network with the highest capacity secured for 20 years
- > 67% share of the particularly valuable 800 MHz low frequency spectrum (immediately available)
- > Viability of a mass market mobile virtual network operators (MVNO) substantially reduced
- > No additional unplanned CAPEX required for mobile network roll-out
- > Strong ability to safeguard fixed-line against potential attacks from mobile competitors
- > Continuation of convergence strategy with fast and cost efficient broadband deployment with LTE in rural areas
- > Independent from competitors' willingness to defragment 1800 MHz band



Financing via Cash and Debt – Deleveraging via Operational Cash Flows to Support Target Rating

- > Total cost for acquired spectrum: EUR 1,030 mn
 - > Financing: cash* and additional debt

Approx. 3.0x net debt/EBITDA comparable expected per year-end 2013



*cash and cash equivalents as of 30 June 2013: EUR 530.8 mn