

Telekom Austria AG

EANS-Adhoc: Telekom Austria Reaches Agreement for Voluntary Transfer of up to 500 Civil Servants to the Police Force (Ad hoc)

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C.E.O.

Interviews

26.11.2009

Vienna, November 26, 2009: The Telekom Austria Group (VSE: TKA, OTC US: TKAGY) today signed an agreement with the Austrian government for the voluntary transfer of up to 500 civil servants of its Fixed Net division, who cannot be laid off due to their civil servant status but have to be made redundant due to changes in technology, to the Austrian police force. The agreement is effective immediately.

"This agreement is ground breaking as it is the first of its kind and creates a win-win situation for all parties: It addresses one of the key issues for a sustainable development of Telekom Austria Group and offers our civil servants a positive perspective for their future careers. Plus, it supports the Austrian police force to make Austria more secure", says Hannes Ametsreiter, CEO Telekom Austria Group.

According to this agreement up to 500 out of 6,100 civil servants employed by the Fixed Net division may apply to the police force to take on administrative tasks. After six months and provided a positive assessment the civil servants may apply for a permanent transfer to the police force and cease the right to return to Telekom Austria Group.

Telekom Austria Group will pay the salaries of the civil servants transferred to the police force until June 30, 2014 and will compensate the civil servants until retirement for a potential shortfall of salary and pension contribution including an extra allowance of EUR 6,000 per year for transferring to the police.

"This agreement constitutes a major milestone in the ongoing restructuring of the Fixed Net in a socially responsible way. It will have a positive impact on cash flow from mid 2014 on as each civil servant transferred to the police force will lead to a significant cash saving over his remaining average 17 years of work life," adds Hans Tschuden, CFO Telekom Austria Group.

The agreement will not impact the financial results 2009 and the net debt position of the company. The impact on the financial results of Telekom Austria Group in 2010 and beyond depends on a number of factors, including age, salary, time of transfer to the police, but most importantly assignment to the Fixed Net operations or the idle work force and can only be assessed upon the final transfer of the civil servant.

Each civil servant assigned to the Fixed Net, who voluntarily transfers to the police force, requires an accrual equivalent to the net present value of the future expenses born by Telekom Austria.

Each civil servant assigned to the idle work force under last years restructuring program, who voluntarily transfers to the police force, will result in a release of part of the restructuring provision accrued last year, however without recurring impact on EBITDA in subsequent years.

Telekom Austria will provide an update on the uptake of the program in due time.

end of announcement

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inquiry note:

Further

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