

A1 Telekom Austria

Capital Market Day, 15 January 2013



Cautionary Statement

“This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Forward-looking information involves risks and uncertainties that could significantly affect expected results.”

A1 Turnaround Strategy



Key Messages

- Mobile pricing pressure and regulation remain key challenge
- Turnaround strategy focuses on convergence and high value mobile customers
- Medium-term focus on margin optimization
- Demand driven rollout of hybrid networks continues
 - Maintain quality leadership
 - Ensure stable CAPEX/Sales ratio
- Operational expenses savings dampen effects of high value customer push



A1 Faces a Highly Competitive Environment

- Intensified competition impacts pricing levels negatively and spurs revenue decline in the mobile business
- Regulatory effects limit EBITDA comparable growth
- Fixed line trends stabilized
- Convergent customer base grows significantly
- Year-on-year cost reduction and restructuring programs with significant impact



Strategy

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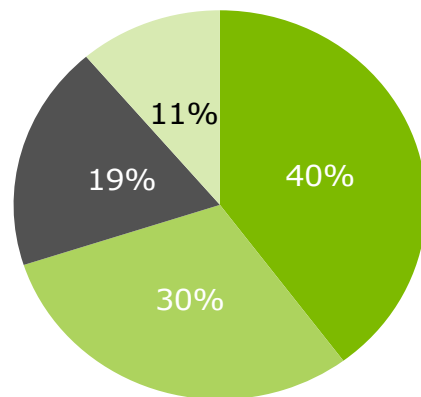
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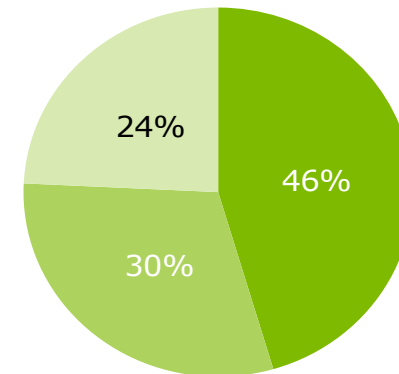
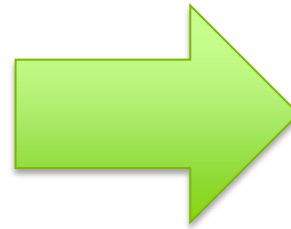
Pressure on EBITDA comparable continues
Turnaround strategy required

Transformation to 3 Operators Market Provides Basis for Return to Growth

Market Transformation*



■ A1 (incl. bob)
■ T-Mobile
■ Orange (incl. YESSS!)
■ Hutchison 3G



■ A1 (incl. bob & YESSS!)
■ T-Mobile
■ Hutchison 3G

Revenue market share of 49%**

Strategy

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Reduction of excess capacity

Economies of scale benefit all 3 operators

Improved visibility ensures necessary infrastructure investments

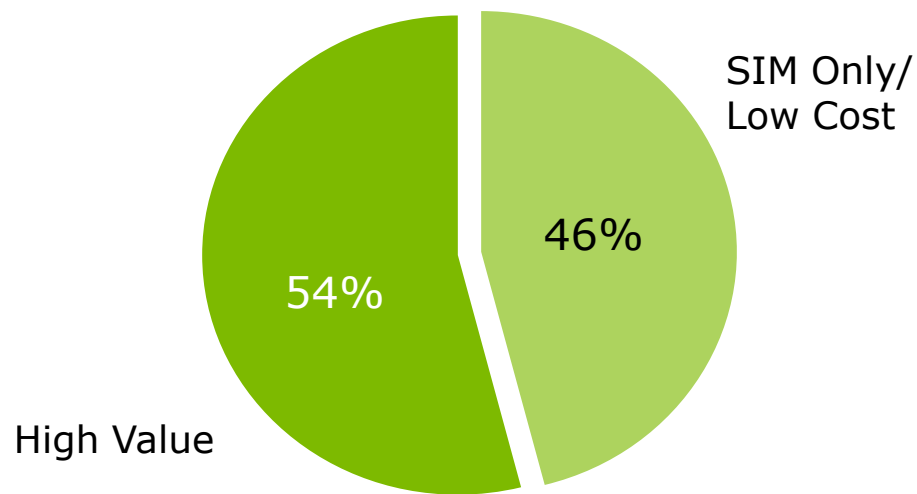
*Does not include MVNOs; MVNO's have a total market share of 2%

**Defined as mobile market share ad fixed business

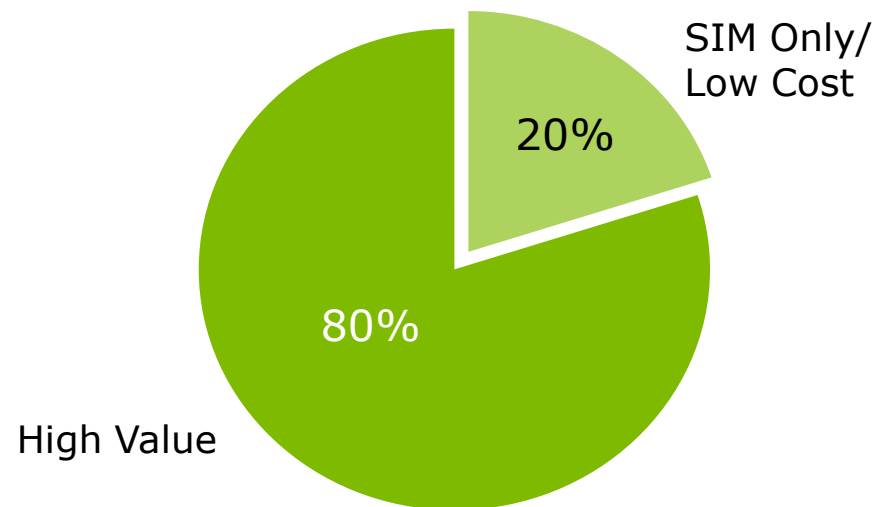
High Value Customer Base Generates 80% of Sales & Customer Margin

Contribution of A1 Mobile Customer Segments

Customers



Sales & Customer Margin *



* Revenues minus direct costs, customer product costs and customer relation costs



A1 Turnaround Based on Telekom Austria Group Strategy

A1 Turnaround Strategy

Strategy

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Revenue Initiatives

- 1 Focus on high-value mobile customers
- 2 Continue fixed line growth via push of bundle penetration
- 3 Monetization of data

Network Initiatives

- 4 Convergent network quality

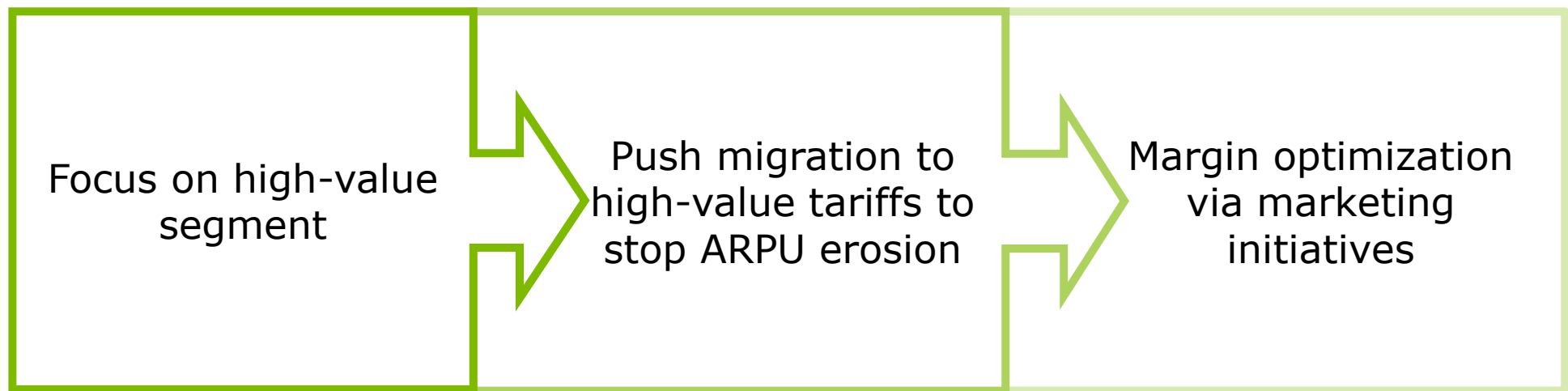
OPEX Initiatives

- 5 Continued cost reduction programs

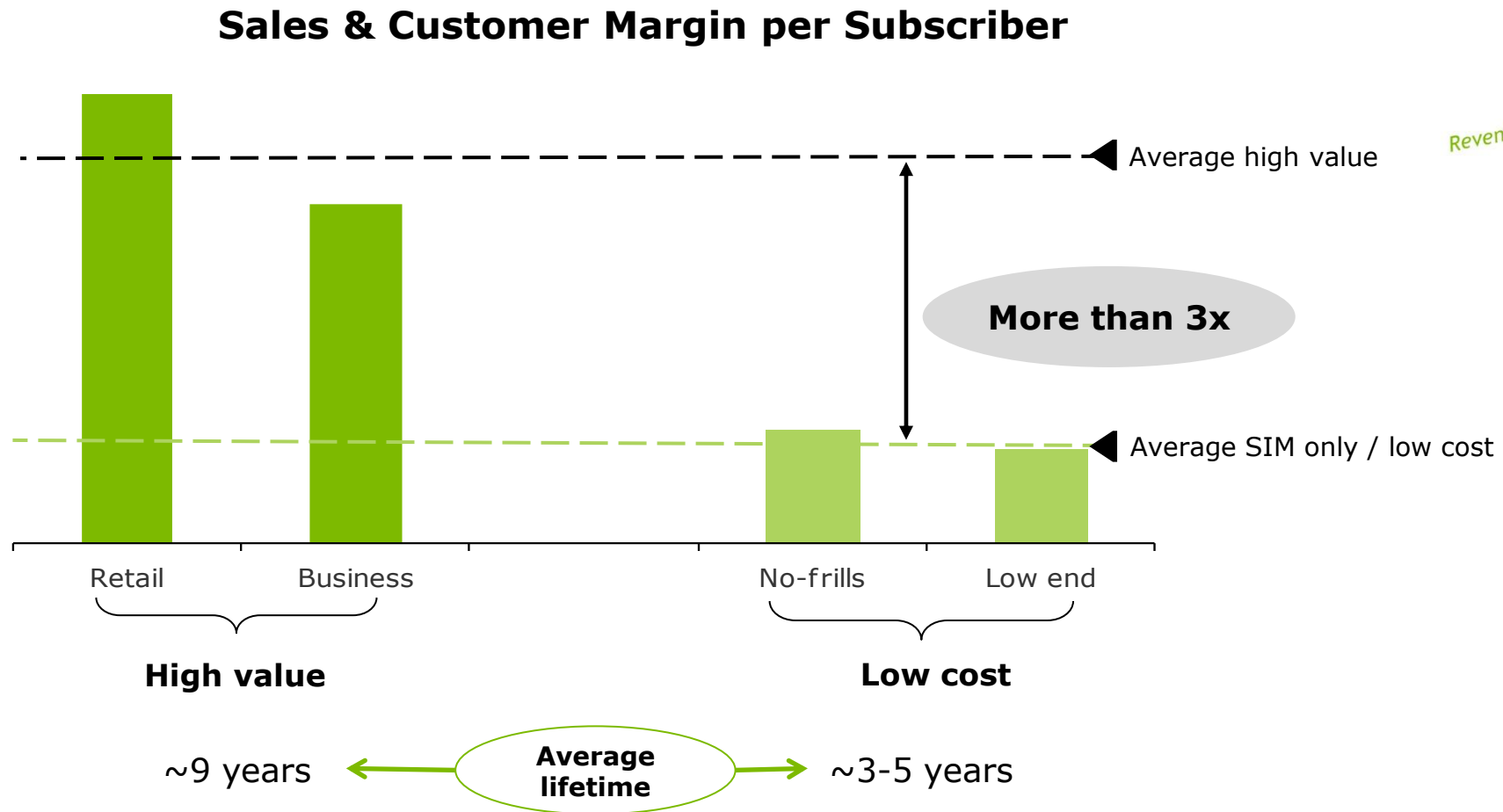
Revenue Initiatives



Target: Stabilization of Mobile Revenues



High-Value Customers Have More Than 3x Higher Margin Than Low Cost Customers



bob – New Price Point Supports ARPU Stabilization

Adoption of new pricing plan as of
15 January 2013

EUR 9.90



EUR 19.90

XL zu XMAS

1500 min.
1500 sms
1500 mb

9,90 €
im monat

verlängert bis
15.01.

smartbob XL

- ohne sim-pauschale
- ohne aktivierungsgebühr
- ohne bindung

bei anmeldung ab 16.01.2013 19,90 € pro monat.
mehr unter www.bob.at oder 0800 680 680

sprich mit
bob

Revenue Initiatives

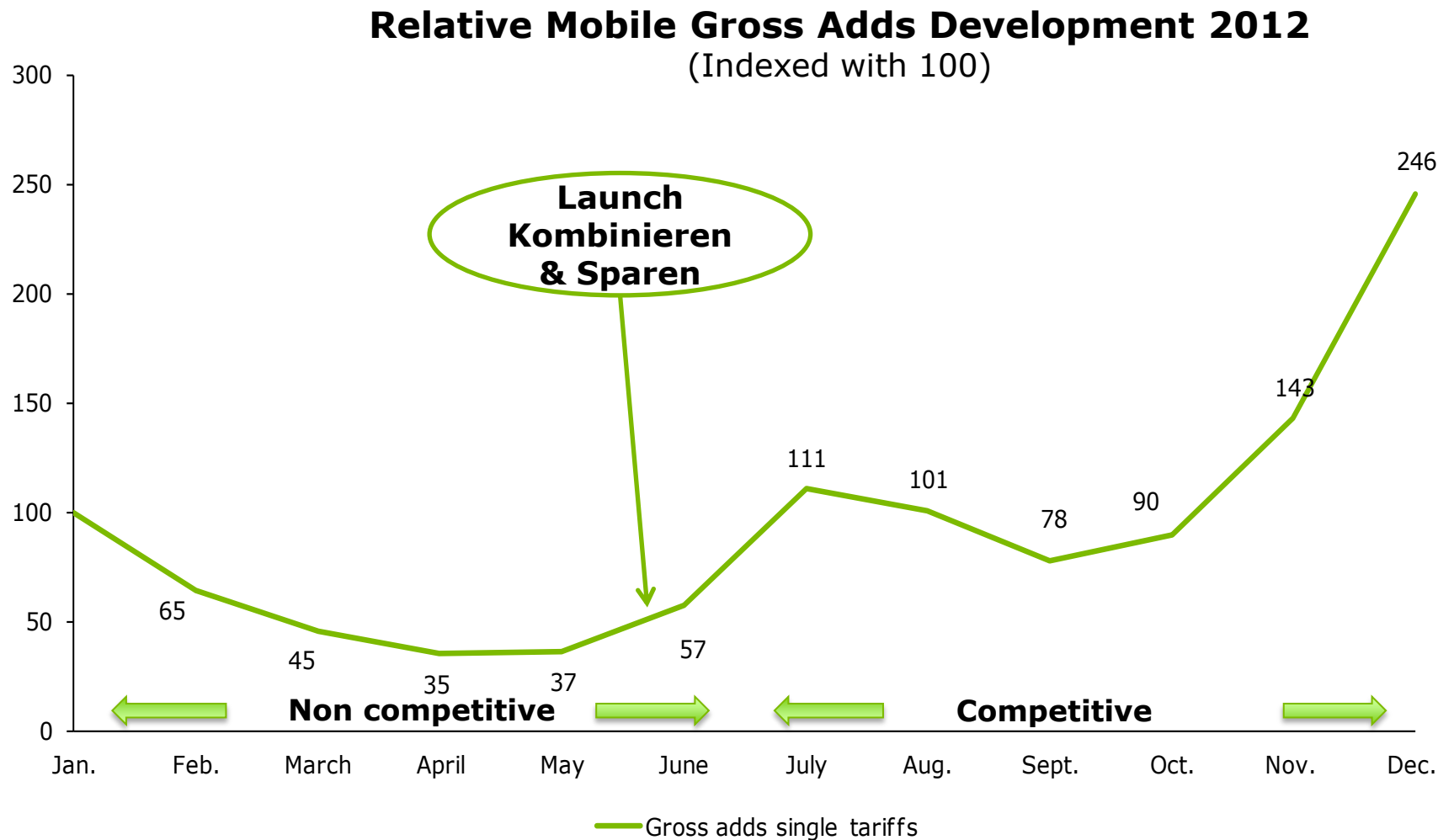
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Subsidies: Effective and Highly Flexible Tools to Remain Competitive in the Market



Revenue Initiatives

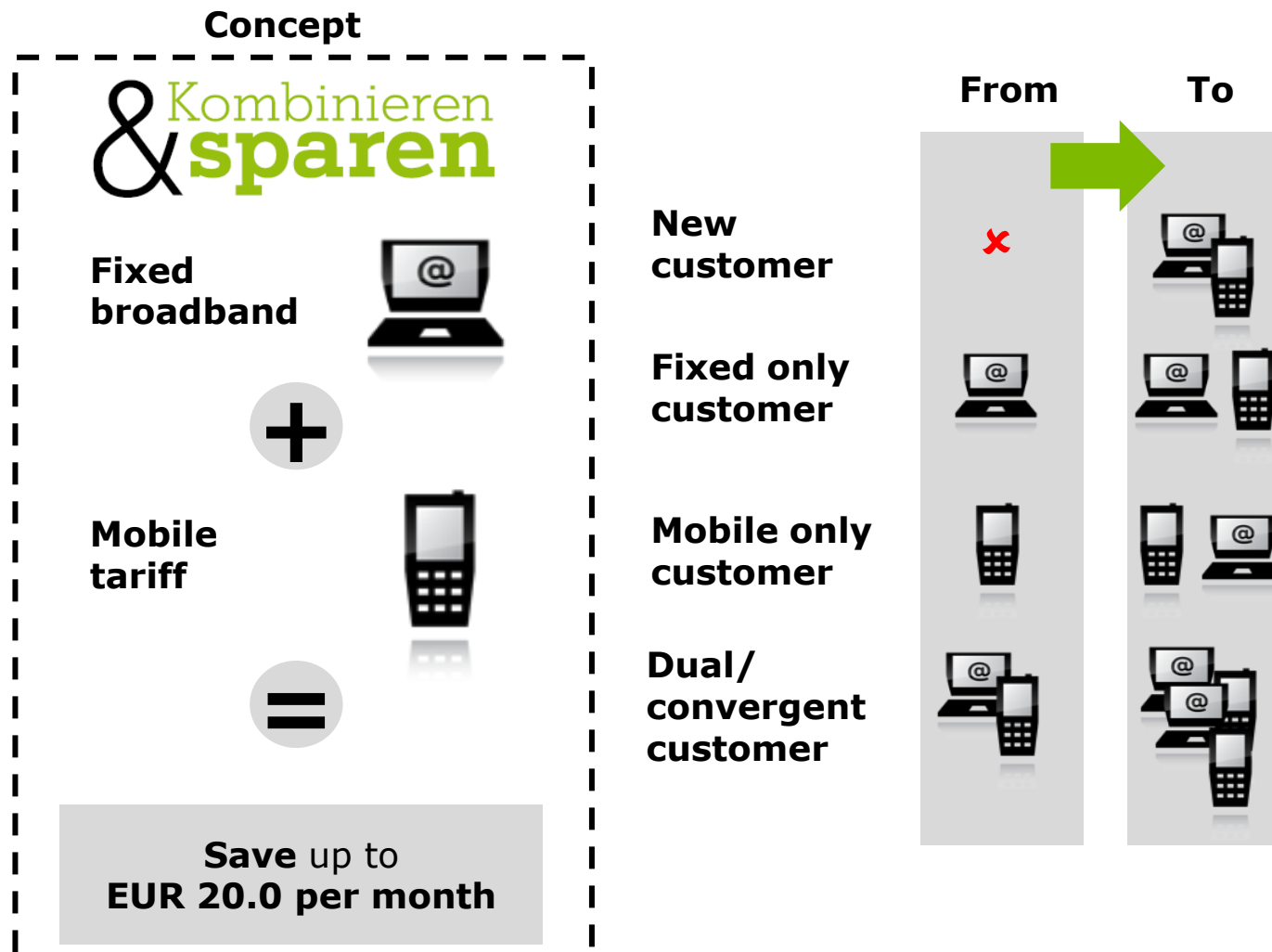
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Tariff Model "Kombinieren & Sparen" Focuses on Upselling Proposition and Convergence



Revenue Initiatives

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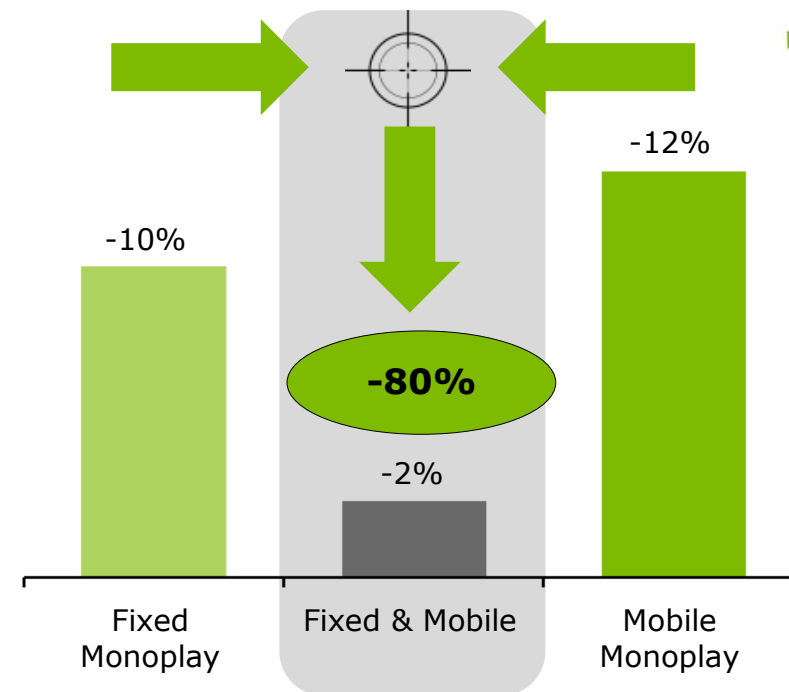
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Multiplay Growth Lowers Churn Approximately 4 Times

- 37% of all fixed customers have mobile
- 28% of all mobile customers have fixed
- Residential customer base having a fixed and mobile product grows by approx 4%* p.a.

Total Customer Churn Residential

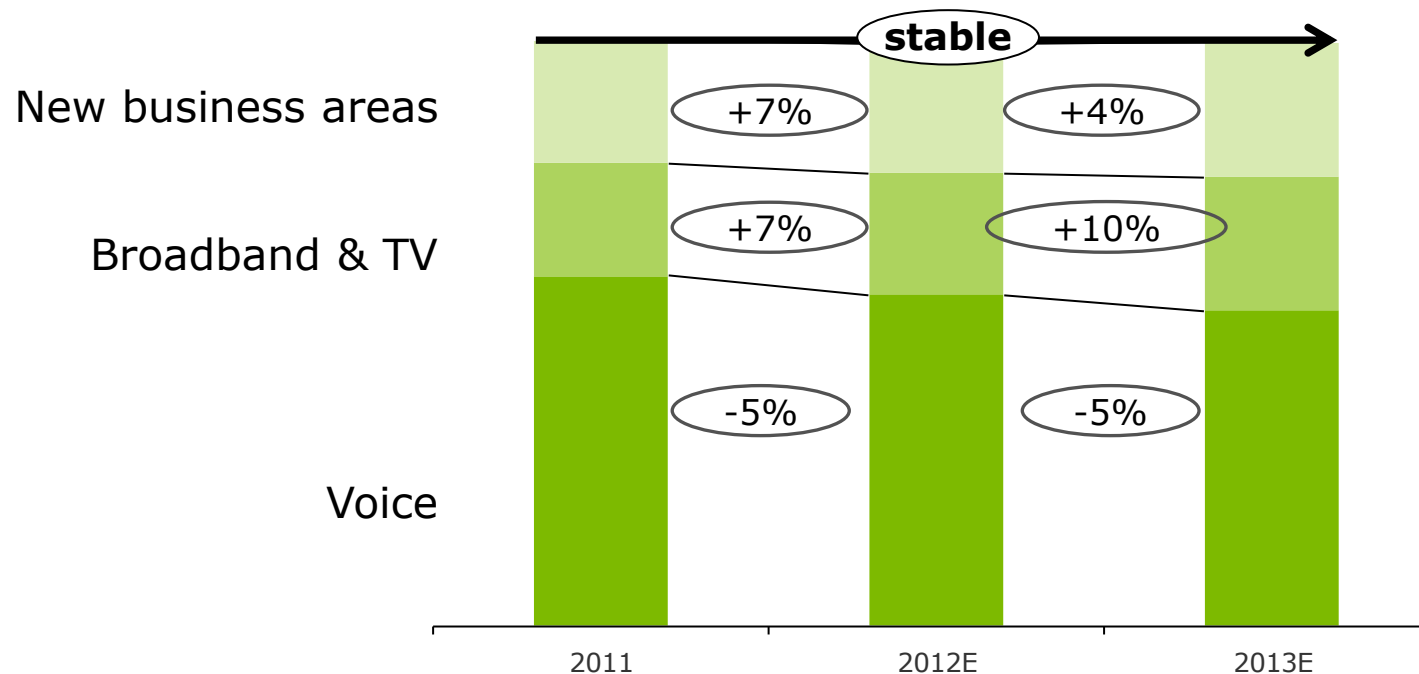


Revenue Initiatives

* As of November 2012

Fixed Broadband and New Business Areas Lead to Stabilization of Fixed Line Revenues

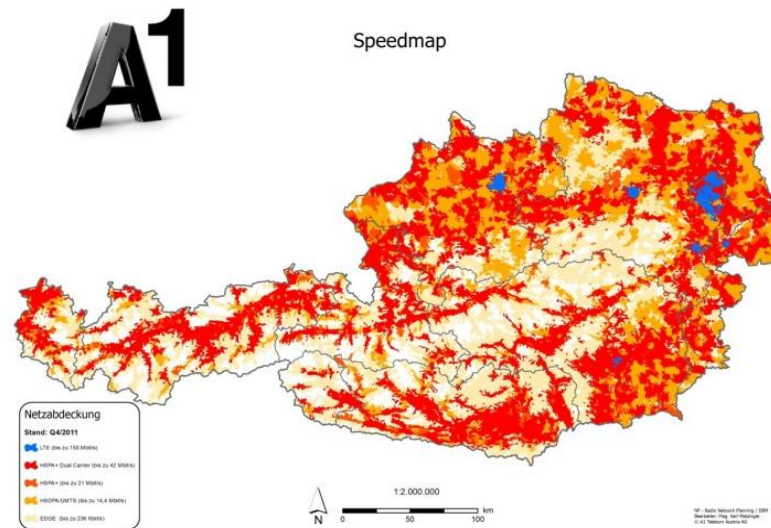
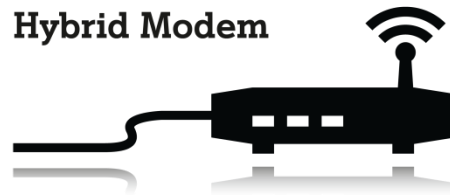
Breakdown A1 Fixed Revenues*



Revenue Initiatives

* Fixed service revenues include APRL relevant revenues and revenues from data & ICT solutions

Hybrid Modems to Cover Future Bandwidth Demand



Revenue Initiatives

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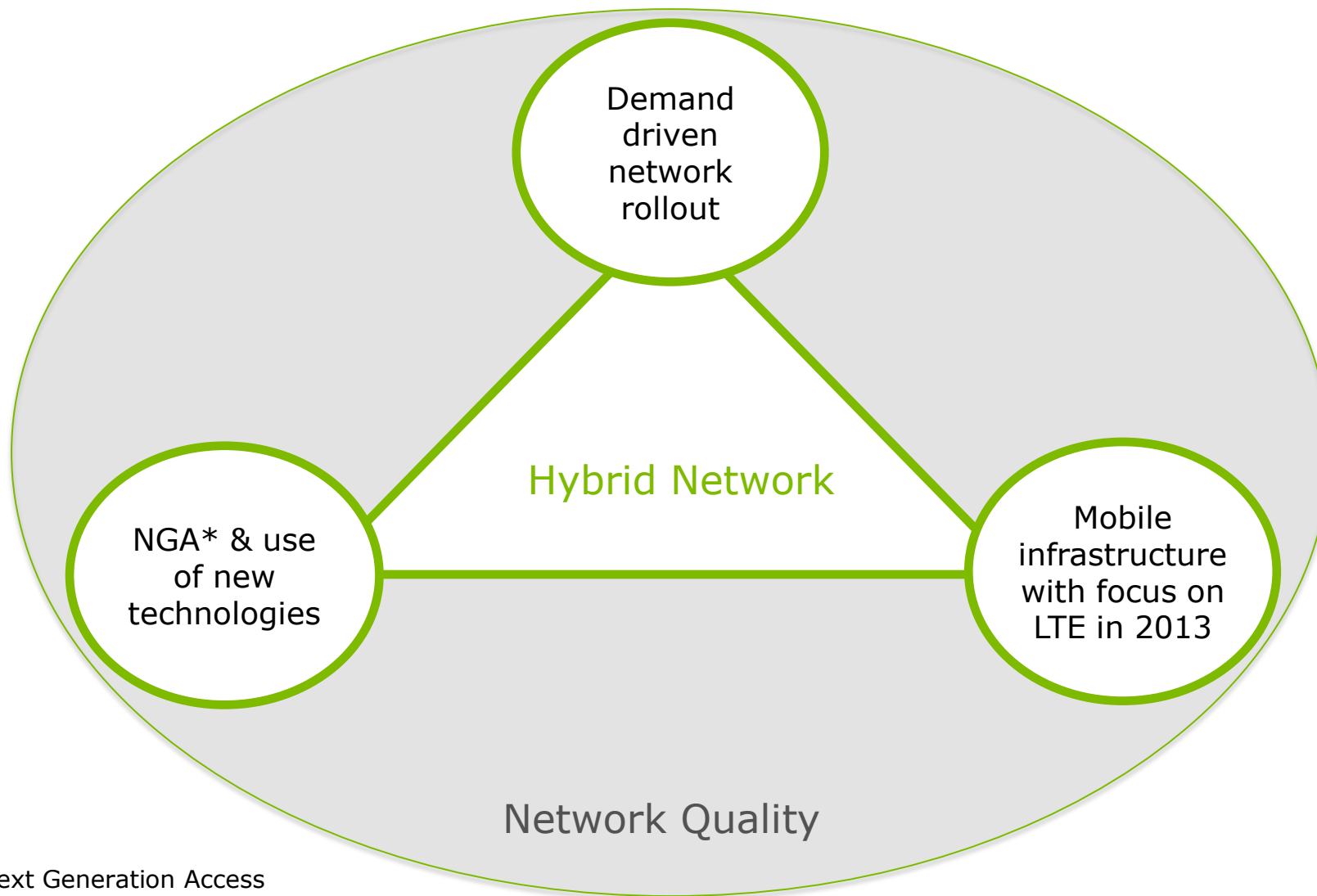
Hybrid Modems allow for

- Up and cross selling (incl. HDTV proposition) to existing customers
- Product portfolio optimizations via speed differentiation

Network Initiatives



A1's Convergent Network Strategy



Network Initiatives

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* Next Generation Access

Current Status of A1's Hybrid Network

Status Fiber Network

Total household coverage

(in 000; in % of total households)

Homes passed	Households	%
FTTEx	1,858	43%
FTTC,FTTB & FTTH	435	10%
Total	2,293	53%

Homes connected	Households
Gigaspeed	170

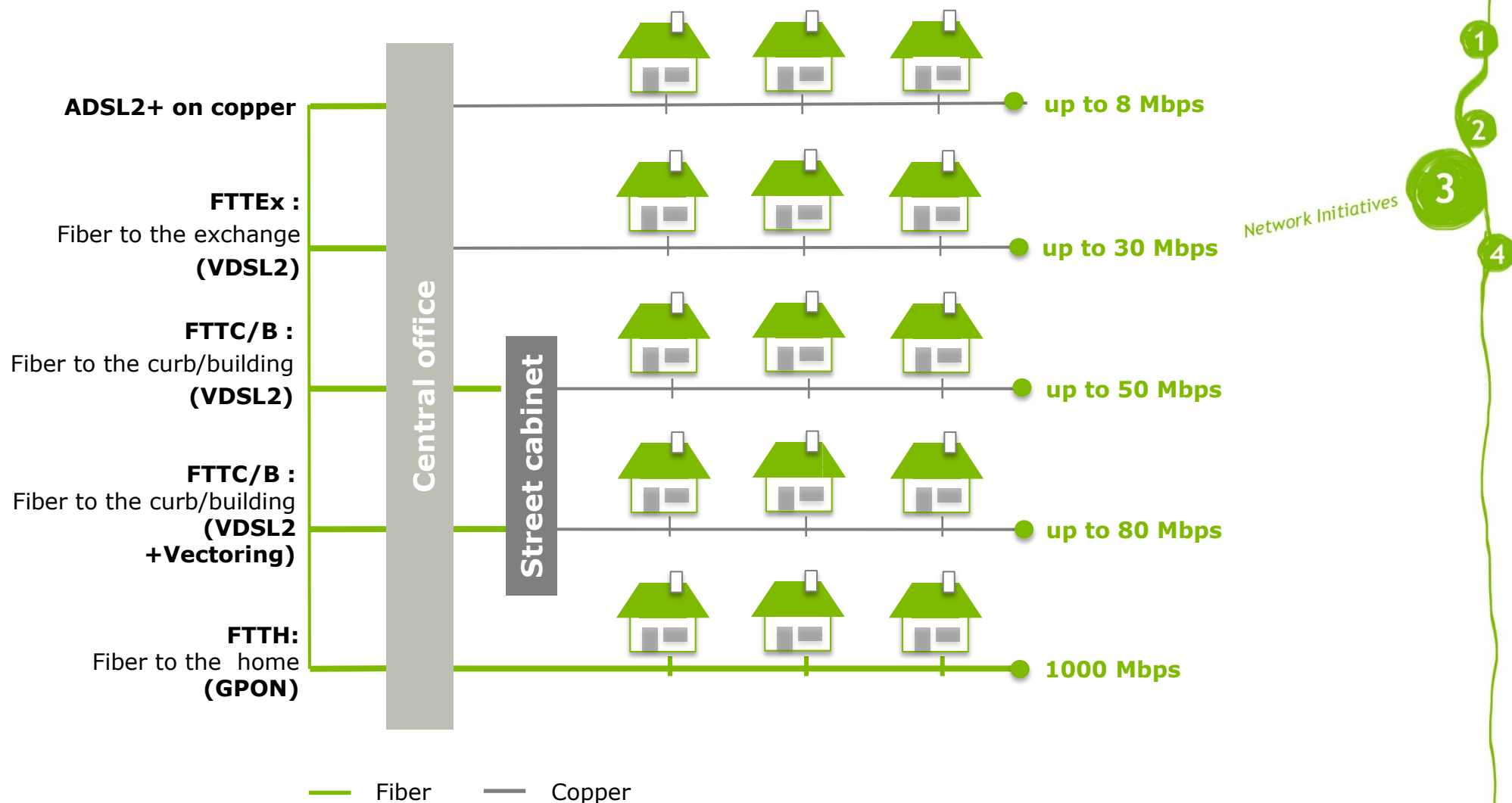
Status Mobile Network

- High speed backhauling for more than 4,000 base stations
- LTE coverage of 27.5%
- Dual cell-42 Mbit/s population coverage for more than 71%

Network Initiatives



Bandwidth Speed in A1 's Fixed Broadband Infrastructure



NGA Strategy Focuses on Demand-Driven Rollout

Cornerstones

- Focus on FTTC-Rollout with „Vectoring-Ready“ hardware-equipment
 - Giganet cities and areas
 - State-aided FTTC-Rollout in rural areas (ELER*) 2013 - 2014
 - Demand-driven activation of vectoring software
- Selected FTTH-Rollout in urban and suburban areas

Demand-driven rollout is based
on two principles

Sell first - build later

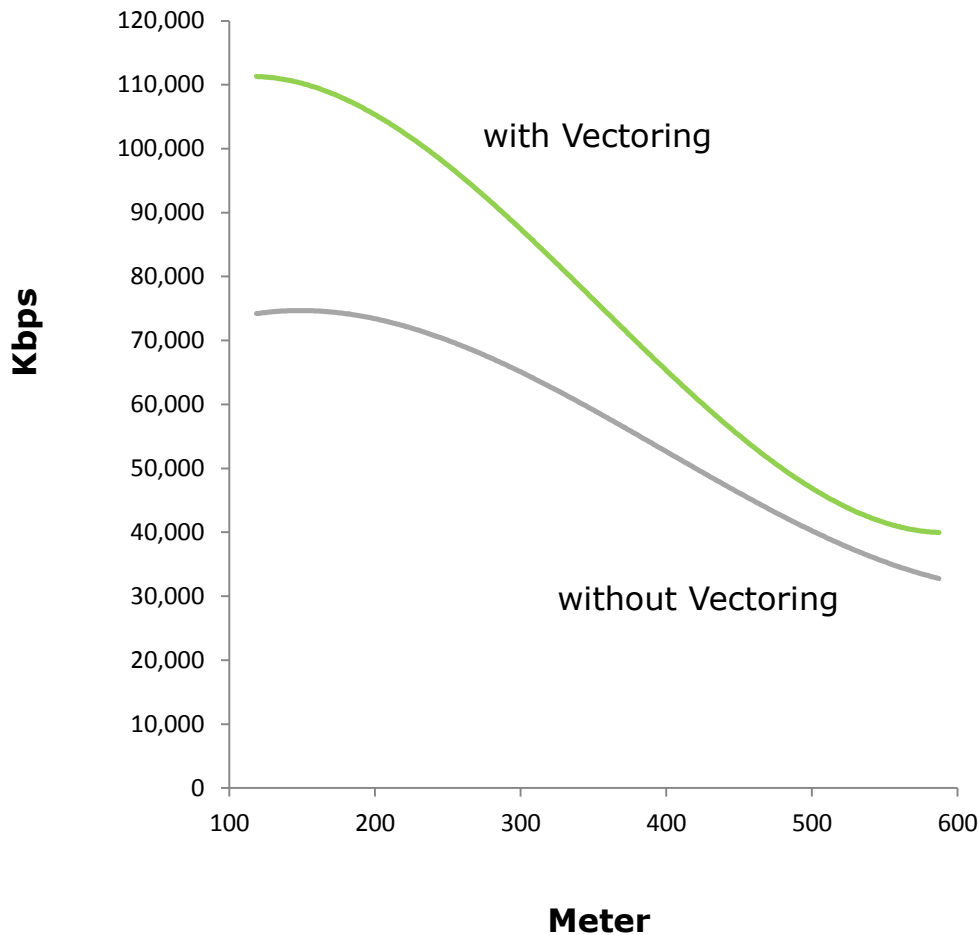
Pre-wiring for self-installation

*ELER = European agriculture fund for the development of rural areas



Vectoring: Successful Trials Confirm Positive VDSL Bandwidths Uplifts

- Vectoring recovers lost bandwidth speed due to noise and a higher number of customers using the same binder
- Trial rollout in Korneuburg completed
- Field trial confirms increase of min. +34% bandwidth speed on average



Network Initiatives

NGA Infrastructure Will Cover 60% of Households by 2016

Total Household Coverage

(in 000; in % of total households)

	2013		2016	
	Households	%	Households	%
FTTEx (completed 2012)	1,820	43%	1,806	42%*
FTTC, FTTB & FTTH	530	12%	740	17%
<i>thereof Vectoring</i>	80	2%	375	9%
Total	2,350	55%	2,550	60%

Network Initiatives

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Giganet rollout included in CAPEX Outlook

*Declines due to technological upgrades

A1 Targets LTE Coverage of 60% -70%* by 2016

LTE Rollout 2013+

- Continued LTE rollout on 2,6 GHz in urban and suburban areas
- Preparation for the license allocation of the 800, 900 and 1800 Mhz spectrum, expected in H2 2013
- 2016: LTE population coverage of 60-70%*

Network Initiatives



* Depending on regulatory requirements and the outcome of the license allocation in 2013

Measures to Maintain Quality Leadership

Mobile Network

- Country-wide tests (100,000 km driven per quarter, 120,000 calls, 160,000 data transfers/month)
- Tests focus on bigger cities such as Vienna, Linz and Graz
- Radio Network Controller error alarm based on real time RAN counters
- 50 stationary voice and mobile broadband stations for static reference measurements and quality checks

Fixed Network

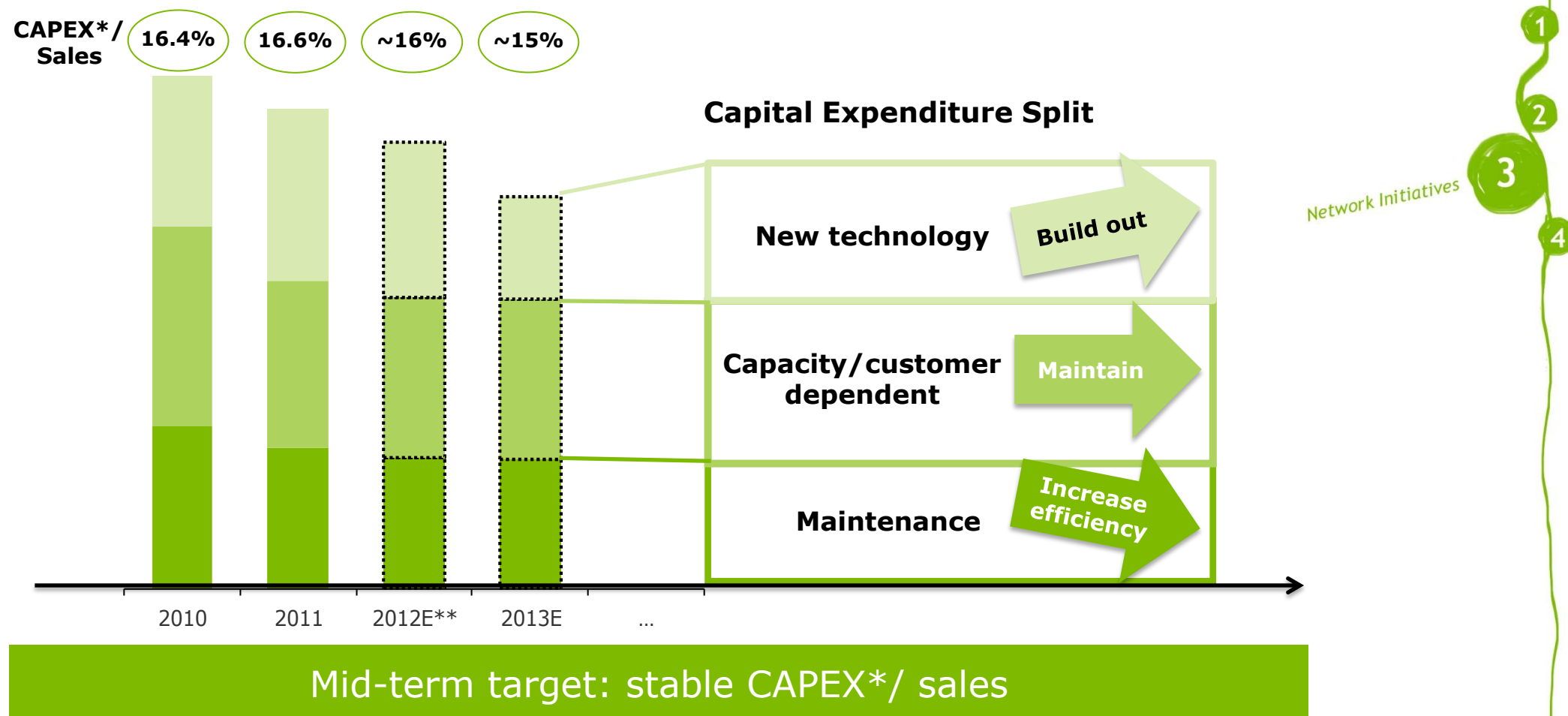
- Country wide performance analysis and active testing on dedicated A1 lines
- Line (E2E) performance tracking of more than 300 households in Austria
- Continuous A1TV quality assessment via Service Monitoring of A1TV Set-top Box (AGAMA Tool) and benchmarking (Telecommunication Research Center Vienna)
- A1 VoIP quality monitoring by Zafaco and benchmarking to German VoIP operators

Special A1 quality task-forces trace, analyse and eliminate failures and guarantee a continuous quality improvement

Network Initiatives



Capital Expenditure Strategy Provides Flexibility to Stabilize CAPEX*/Sales Ratio



* Excluding investments for licences and spectrum acquisitions

** Final numbers will be published on 28 February 2013

OPEX Initiatives

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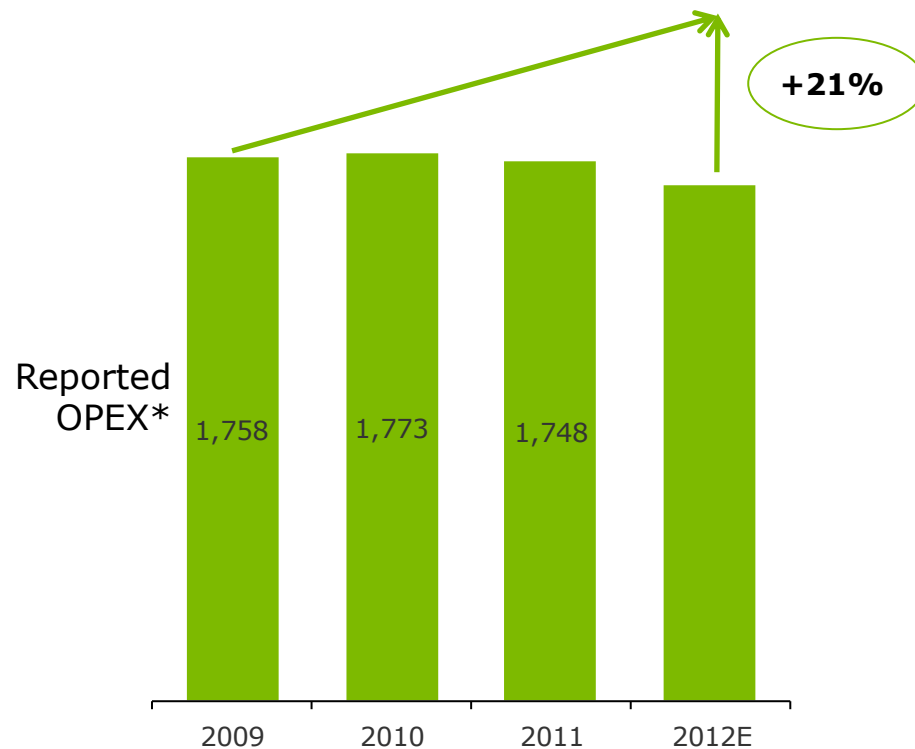
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Cost Savings of Approximately EUR 370 mn Have Helped to Stabilize OPEX since 2009

OPEX* Development 2009-2012



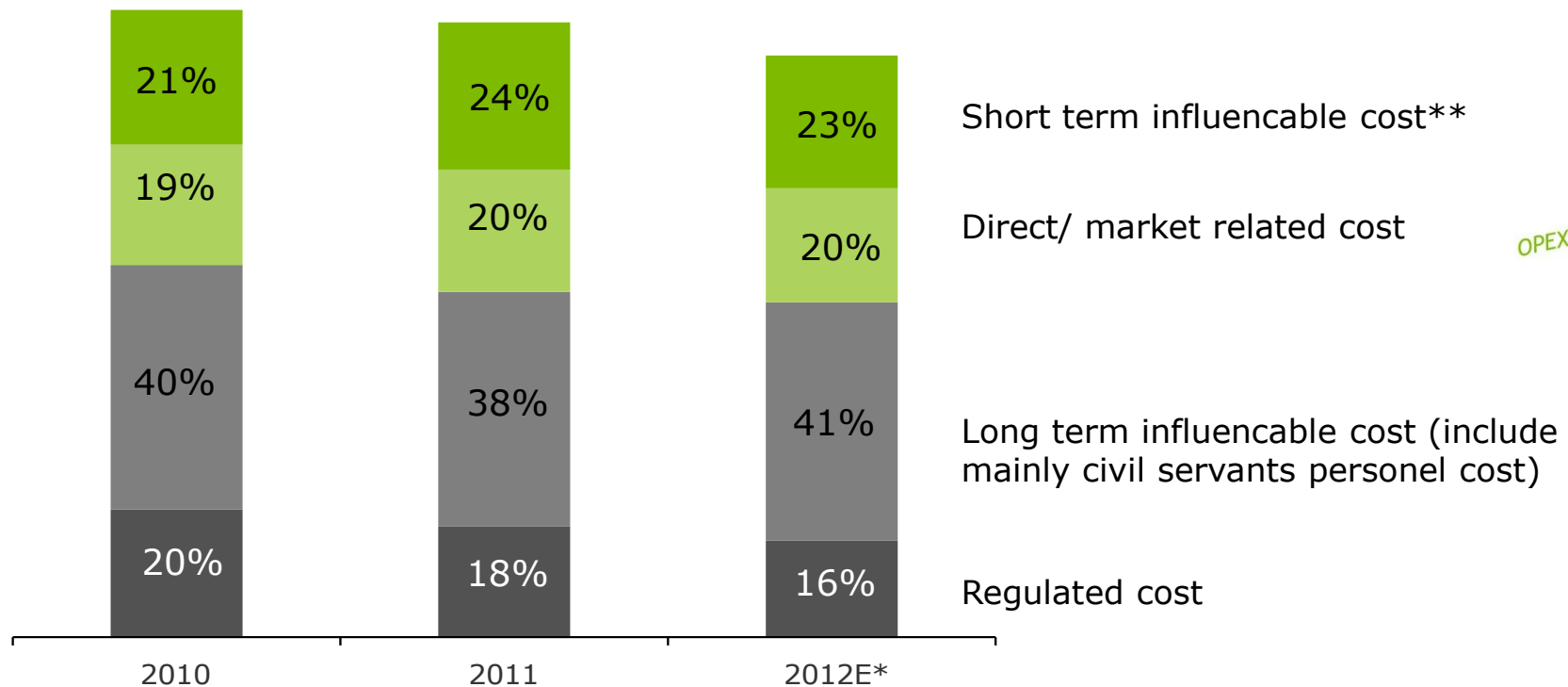
- Without cost initiatives, costs would have been 21% higher in 2012
- Main cost driver are personnel costs and indexed cost increases (such as energy, rental costs)
- Major cost optimization:
 - Marketing efficiency
 - Maintenance costs
 - Procurement
 - Field service efficiency
 - IT efficiency

OPEX Initiatives

* Excluding interconnection expenses

23% of A1 Cost Base are Controllable in the Short Run

OPEX Development 2010-2012



OPEX Initiatives

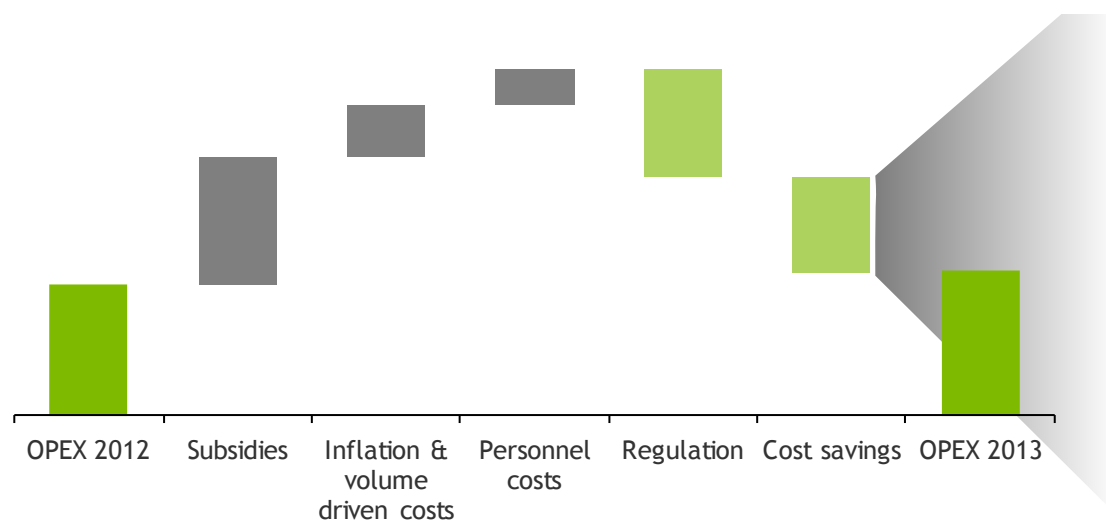
High-value strategy defines flexibility of direct/market related cost

* Final numbers will be published on 28 February 2013

** Includes personnel cost for employees

2013: OPEX Savings Offset Costs of High-Value Customer Push

OPEX Drivers 2013



Cost Reduction Measures for 2013

- Process optimization
- General & administration efficiency
- Customer driven costs
- Demand management
- Technical costs optimization

OPEX Initiatives

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Mid- and Long-term Cost Saving Initiatives

Sales2Activation Redesign

- Focus on clean order
- Simplification of customer communication
- Increase automatization
- Simplification of IT-landscape

Demand Management

- Volume, functionalities and quality review
- Drive catalogue spend by harmonizing specifications

NAP Reloaded

- >100 measures defined
- Main clusters:
 - Technical costs optimization
 - General and administrative cost reduction
 - Customer driven costs optimization

OPEX Initiatives

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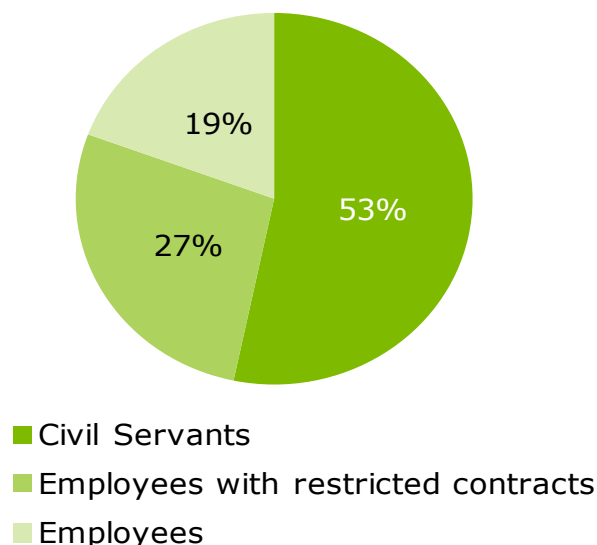
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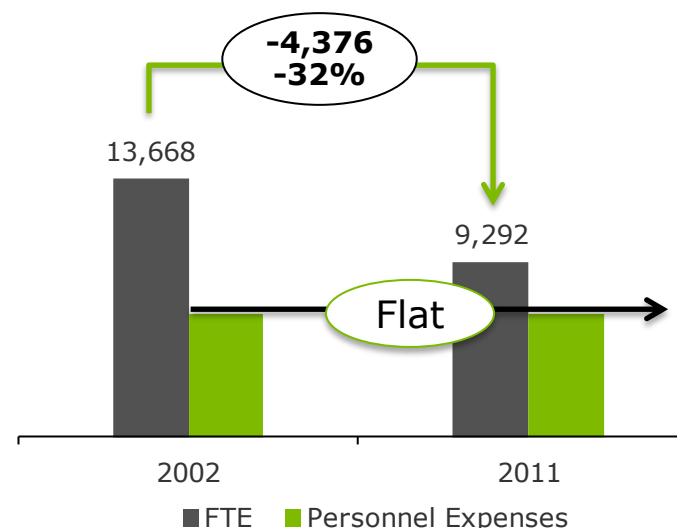
Personnel Expenses Flat since 2002 Despite Average Annual Salary Increase of Approx. 4%

FTE Structure



- Average age
 - Civil servant: 47 years
 - Employee: 37 years

Development FTE and Personnel Expenses

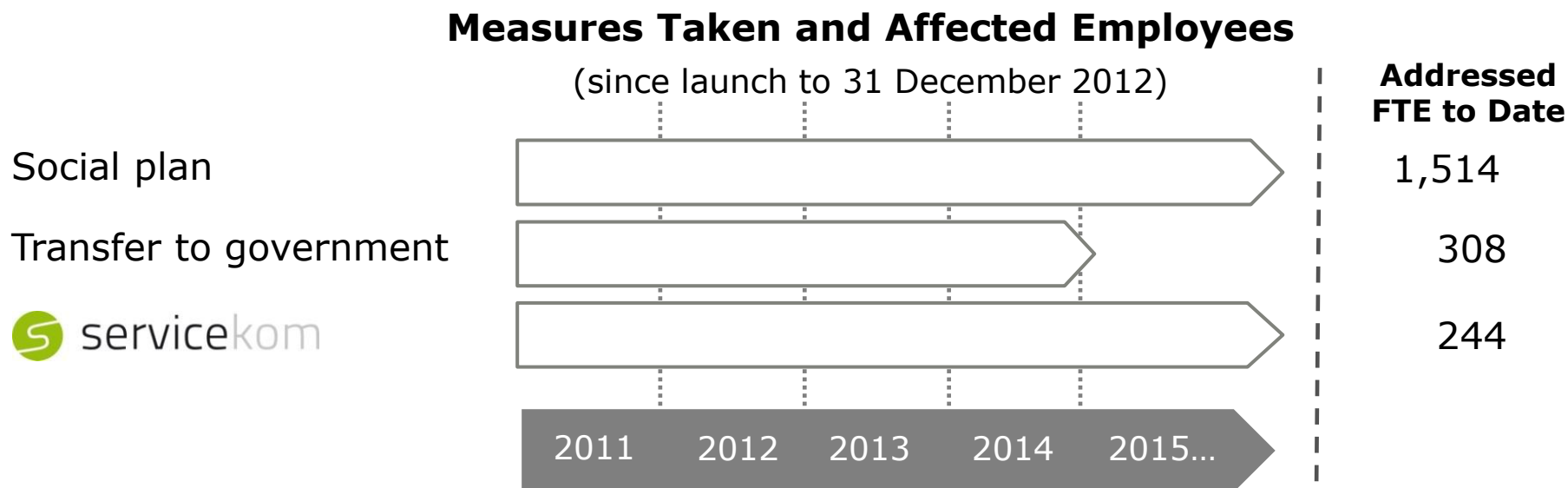


Average Salary Increases

	Employees	Civil Servants
Salary increase		
Collective contract	2.63%	2.63%
Biannual adjustment (every 2nd year)	-	5.0%
	2.63%	5.13%

OPEX Initiatives

Restructuring Program will Continue – New Initiatives for 2013



OPEX Initiatives

New initiatives for 2013

- Up to EUR 20 mn of restructuring charge
- Restructuring cost per FTE remain stable at approx. 350,000

Thank you!

