

Results for the First Quarter 2013

Vienna, 7 May 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.”



Agenda

- > Operational and Financial Highlights for the First Quarter 2013
 - > Key Financial Developments in the First Quarter 2013
 - > Focus Points
 - > Outlook for the Full Year 2013
 - > Appendix
-

Operational and Financial Highlights for the First Quarter 2013

Q1 2013 Developments in Line With Expectations, High Value Strategy on Track

- > Group revenues fell slightly by 0.6% to EUR 1,049.0 mn, benefitting from growth in the Belarusian and Additional Markets segments
- > Declining revenues in the Austrian and Bulgarian segments as a consequence of continuing difficult market conditions and regulatory provisions
- > High-value customer focus in most segments translates into contract subscriber and mobile data product growth
- > The successful convergence strategy continues to support the fixed-line subscriber base in the Austrian, Bulgarian and Croatian segments
- > Group EBITDA comparable declines by 6.8% to EUR 336.9 mn mainly due to regulation and strategic investments in subsidies
- > Austrian segment: YESSS! closing in January 2013; integration ongoing
- > Group guidance 2013 unchanged: revenues of approximately EUR 4.1 bn and CAPEX* of approximately EUR 700 mn

* Does not include investments for licenses and spectrum and acquisitions



Key Financial Developments in the First Quarter 2013

Revenues Almost Stable While EBITDA Comparable Continues to Decline

(in EUR million)	Q1 2013	Q1 2012	% change
Revenues	1,049.0	1,055.0	-0.6%
EBITDA comparable*	336.9	361.4	-6.8%
<i>EBITDA comparable margin*</i>	<i>32.1%</i>	<i>34.3%</i>	
Restructuring	-2.7	-4.4	n.m.
Impairment and reversal of impairment	0.0	0.0	n.a.
Depreciation & amortization	-216.4	-245.0	n.m.
Operating income	117.8	112.0	5.2%
Financial result	-47.9	-51.4	n.m.
Income before income taxes	69.9	60.5	15.5%
Income tax expense	-14.5	-13.7	n.m.
Net income / Net loss	55.5	46.9	18.4%

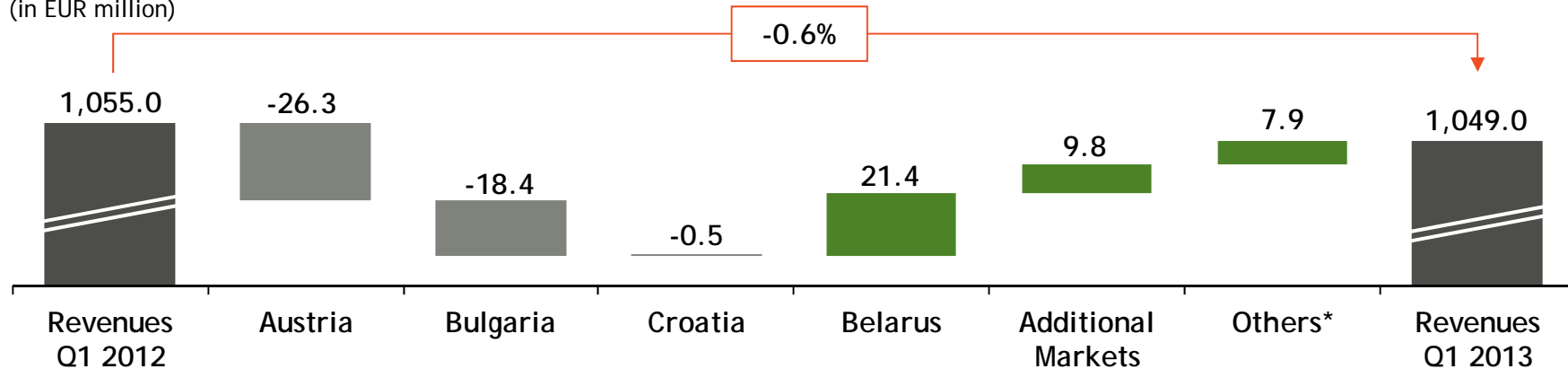
- > EUR 20.9 mn and EUR 11.5 mn regulatory effect on Group revenues and EBITDA comparable respectively
- > 20 FTE addressed result in a restructuring charge of EUR 2.7 mn in the Austrian segment
- > Lower D&A due to full amortisation of acquired customer base in Bulgaria as of June 2012
- > Lower interest rates support financial result mainly through restructuring provisions and financial liabilities

* Excluding effects from restructuring and impairment tests

Revenues: Belarus and Additional Markets Growth Almost Offsets Decline in Austria And Bulgaria

Quarterly Revenue Development

(in EUR million)



Segment Austria

- > Regulatory effect (EUR 8.3 mn roaming) and customer migration to all-in tariffs drive revenue decline of 3.7%
- > EUR 10.1 mn positive interconnection one-off in Q1 2012
- > EUR 11.6 mn positive revenue contribution from YESSS!
- > ARPL: +1.2%; ARPU: -16.2% mostly due to YESSS! consolidation, regulatory effects and tariff migration

International Segments

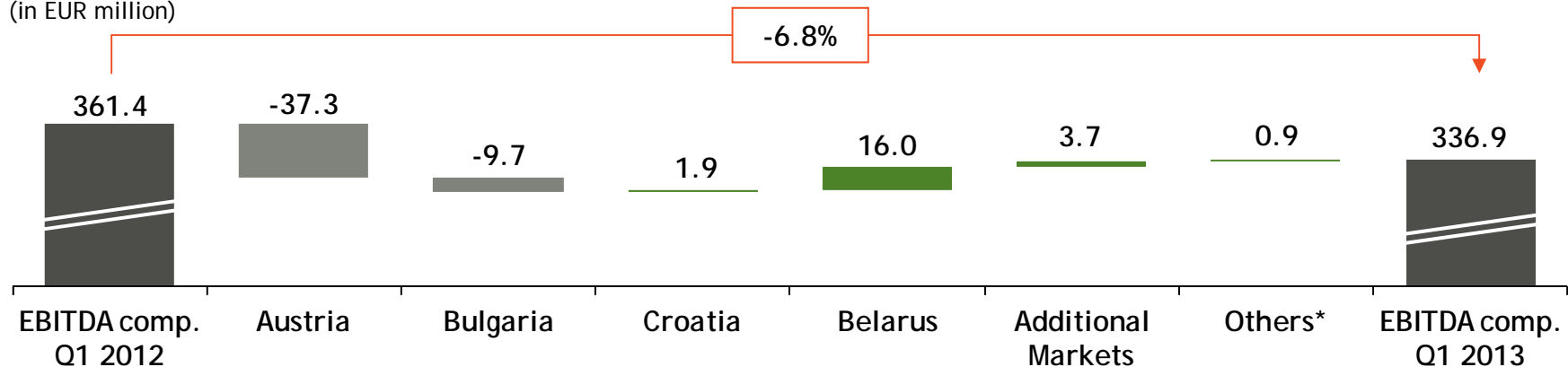
- > Revenue decline in Bulgaria due to MTR cuts, ongoing price pressure and difficult economic environment
- > Croatia: fixed access line growth and higher usage in mobile balanced mobile pricing decline
- > Belarus benefits from inflation-induced price increases as well as higher usage and subscriber base
- > Additional Markets revenue growth driven particularly by Republic of Serbia

* Corporate, Others & Eliminations

Growth in Croatia, Belarus and Additional Markets Limits EBITDA Comparable Decline to 6.8%

Quarterly EBITDA Comparable Development

(in EUR million)



Segment Austria

- > 55.9% increase in SAC/SRC to support high-value customer focus drives material expenses
- > Ongoing cost savings initiatives with a focus on IT, network and customer service costs
- > Collective bargaining agreement results in higher personal costs despite FTE decrease
- > EUR 7.0 mn positive interconnection one-off effect in Q1 2012; EUR 6.4 mn contribution from YESSS!

International Segments

- > In Bulgaria lower marketing and sales costs as well as efficient bad debt management mitigate pressure on EBITDA comparable despite lower IC margin
- > EUR 1.9 mn positive one-off effect in Croatia
- > Higher OPEX due to inflation induced salary increase and higher international traffic in Belarus

* Corporate, Others & Eliminations

Free Cash Flow Impacted by Lower Gross Cash Flow and Change in Working Capital

(in EUR million)	Q1 2013	Q1 2012	% change
Gross cash flow	297.1	326.9	-9.1%
Change in working capital	-105.4	-134.4	n.m.
Ordinary capital expenditures	-149.0	-145.8	n.m.
Proceeds from sale of equipment	1.1	1.4	-16.8%
Free cash flow	43.9	48.1	-8.5%
Free cash flow per share	0.10	0.11	-8.5%

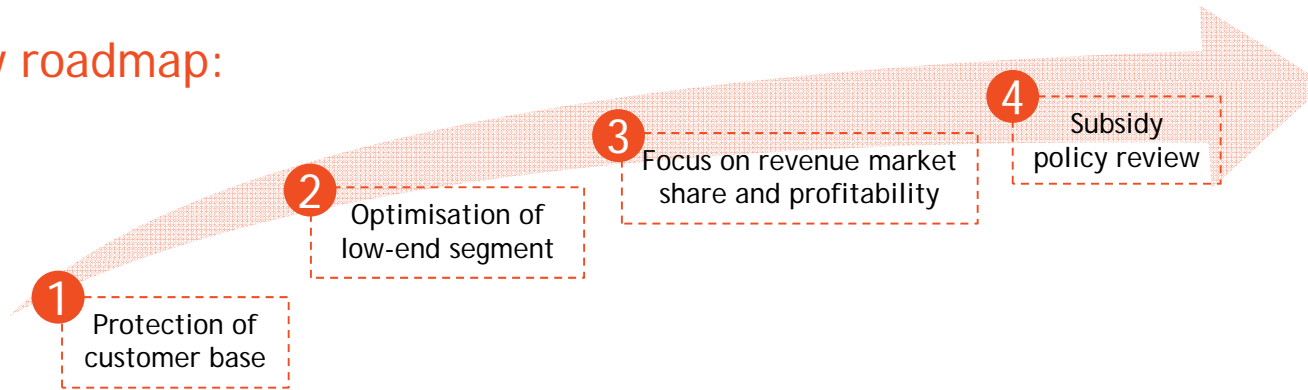
Year-to-Date Analysis

- > Lower gross cash flow reflects operational challenges
- > Cash requirements for working capital during Q1 2013 were driven by reduction in accounts payable, increase in prepaid expenses and in usage of restructuring provisions, as well as increase in other liabilities inter alia due to the introduction of VAT for private customers in Belarus
- > Compared to Q1 2012 cash requirements for working capital declined due to a smaller reduction in accounts payable following fewer investments in Q4 2012
- > Increase in CAPEX driven by acquisition of YESSS! and other assets (EUR 23.0 mn for intangible assets)

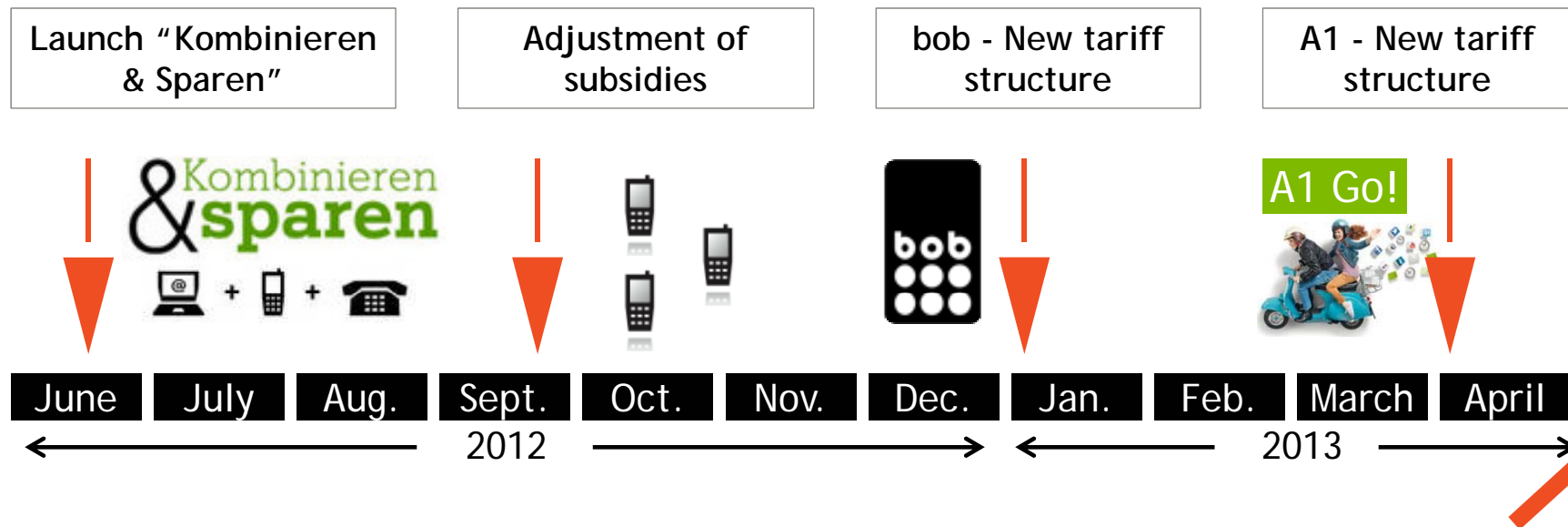
Focus Points

Mobile Austria: High-Value Strategy Successfully Implemented

Strategy roadmap:



Steps taken (1-3) to implement the high-value strategy:



Mobile Market in Austria: Major Uncertainties Remain

H3G Strategy

- > Strategy following integration of Orange remains unknown

Potential new entrant at spectrum auctions

- > Timing: September 2013
- > Auctioned frequencies: 800 MHz, 900 MHz, 1800 MHz



Austria

MVNOs - up to 16 MVNOs possible

- > Condition for Orange acquisition by H3G
- > Regulated voice, SMS and data prices



Execution of Value Focus in International Markets - New Tariff Structures in Bulgaria and Croatia

New tariff structures introduced in March 2013:

Bulgaria:

- > Improved customer segmentation:
 - > High value: M-Tel, smartphone focus
 - > Low costs: M-Tel, voice-only included
 - > Pure no-frills: bob
- > Marketing increasingly focused on handsets vs. tariffs



Croatia:

- > Elimination of low price unlimited offer*
- > New upgrading options to improve upselling
- > Better customer segmentation to improve efficiency of subsidies

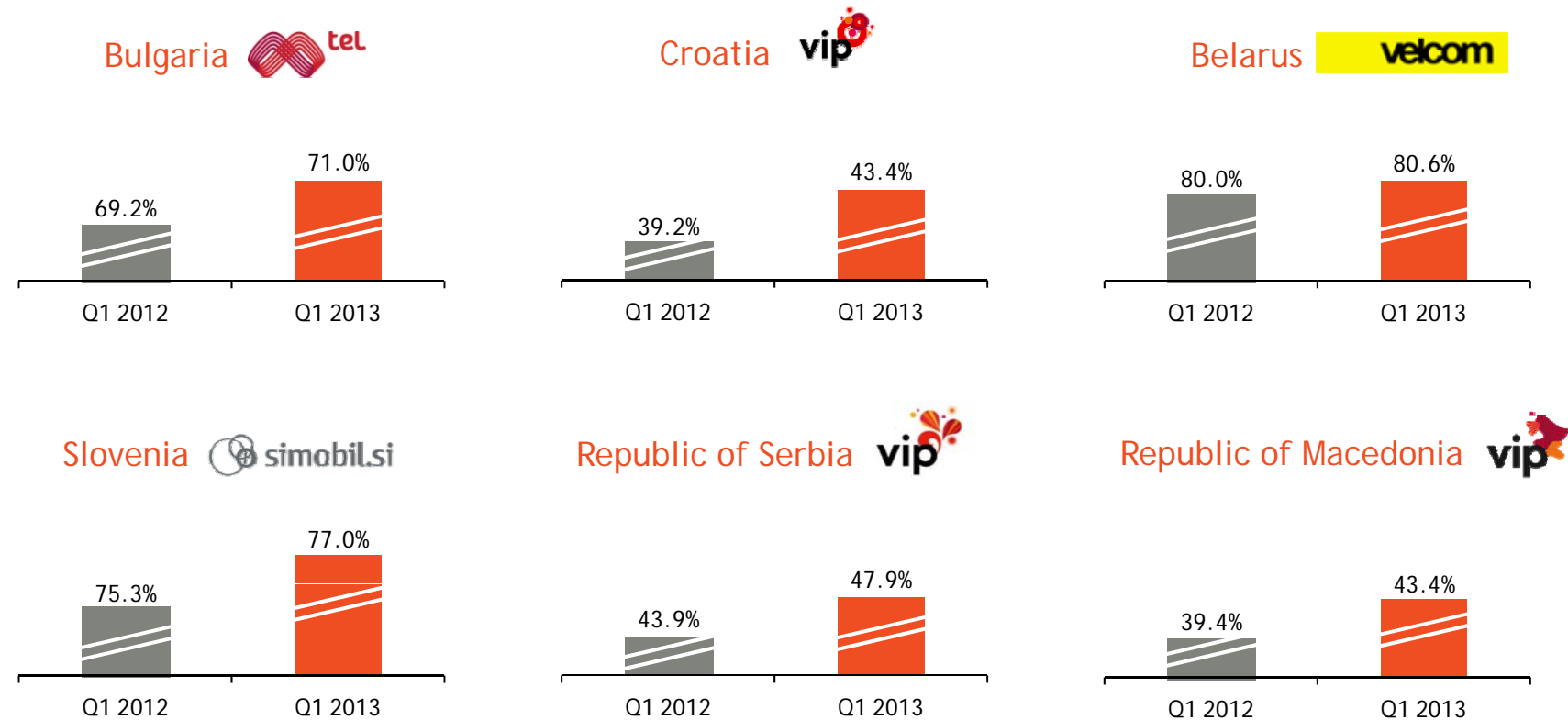


* Unlimited voice, SMS and data (64 kb/s after 1 GB)



Execution of Value Focus in International Markets – Improved Contract Customer Share

Development of contract customer share
(In %)



Outlook for the Full Year 2013

Financial Outlook for Full Year 2013 Unchanged

Financial Outlook for 2013

On a constant currency basis for all markets as well as before any effects of hyperinflation accounting for the Belarusian segment

Revenues	approx. EUR 4.1 bn
CAPEX*	approx. EUR 700 mn
Proposed Dividend	EUR 0.05

* Does not include investments for licenses and spectrum and acquisitions


Results for the First Quarter 2013



Appendix 1

Telekom Austria Group is a Leading Telco Provider in Fixed and Mobile Markets

as of 31 March 2013
(in 000, in %)

Austria 

Mobile (incl. YESSS!):

- > Market share: 43.8% (Q1 2012: 39.5%)
- > Subscriber base: 6,085 (Q1 2012: 5,286)

Fixed Line:

- > Subscriber base: 2,281 (Q1 2012: 2,320)

Croatia 

Mobile:

- > Market share: 37.8% (Q1 2012: 39.0%)
- > Subscriber base: 1,878 (Q1 2012: 1,964)

Fixed Line:

- > Subscriber base: 172 (Q1 2012 149)

Liechtenstein 

Mobile:


- > Market share: 15.9% (Q1 2012: 16.0%)
- > Subscriber base: 6 (Q1 2012: 6)

Slovenia 

Mobile:

- > Market share: 30.0% (Q1 2012 29.6%)
- > Subscriber base: 670 (Q1 2012 643)



Republic of Serbia 

Mobile:

- > Market share: 20.5% (Q1 2012: 16.1%)
- > Subscriber base: 1,904 (Q1 2012: 1,672)

Belarus 

Mobile:

- > Market share: 43.6% (Q1 2012: 41.1%)
- > Subscriber base: 4,818 (Q1 2012: 4,637)

Bulgaria 

Mobile:

- > Market share: 45.9% (Q1 2012: 48.4%)
- > Subscriber base: 5,403 (Q1 2012: 5,486)

Fixed Line:

- > Subscriber base: 162 (Q1 2012: 133)

Republic of Macedonia 

Mobile:

- > Market share: 28.1% (Q1 2012: 26.1%)
- > Subscriber base: 626 (Q1 2012: 581)

Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (in EUR million)	Q1 2013	Q1 2012	% change
Monthly fee and traffic	469.7	486.0	-3.4%
Data and ICT Solutions	53.1	52.6	1.0%
Wholesale (incl. Roaming)	41.8	46.1	-9.3%
Interconnection	68.4	93.3	-26.7%
Equipment	43.5	25.8	68.4%
Other revenues	3.6	2.6	40.2%
Total revenues - Segment Austria	680.0	706.3	-3.7%

Revenue Split - International Operations (in EUR million)	Q1 2013	Q1 2012	% change
Monthly fee and traffic	288.3	277.9	3.7%
Data and ICT Solutions	0.1	0.0	n.m.
Wholesale (incl. Roaming)	5.6	5.9	-5.3%
Interconnection	44.9	51.1	-12.0%
Equipment	37.4	27.7	35.0%
Other revenues	2.9	3.4	-13.0%
Total revenues - int. Operations	379.3	365.9	3.6%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (in EUR million)	Q1 2013	Q1 2012	% change
Material expense	81.2	64.1	26.6%
Employee costs	175.8	172.6	1.8%
Interconnection	67.2	71.8	-6.4%
Maintenance and repairs	23.0	22.1	3.8%
Services received	27.2	28.8	-5.3%
Other support services*	30.9	35.8	-13.8%
Other*	87.4	87.2	0.2%
Total OPEX - Segment Austria	492.6	482.5	2.1%

Operating Expense - International Operations (in EUR million)	Q1 2013	Q1 2012	% change
Material expense	50.1	38.7	29.5%
Employee costs	32.1	33.7	-4.9%
Interconnection	48.0	48.0	0.0%
Maintenance and repairs	15.9	13.8	15.2%
Services received	26.2	26.5	-1.3%
Other support services*	4.2	4.7	-11.4%
Other*	71.7	79.4	-9.7%
Total OPEX - int. Operations	248.2	244.9	1.4%

* In 2012, the structure of other operating expenses was adjusted to take account of changes in internal reporting. Comparative amounts were adjusted accordingly.

Telekom Austria Group - Headcount Development

FTE (Average period)	Q1 2013	Q1 2012	% change
Austria	9,191	9,328	-1.5%
International	7,144	7,721	-7.5%
Telekom Austria Group*	16,495	17,211	-4.2%

FTE (End of period)	Q1 2013	Q1 2012	% change
Austria	9,235	9,335	-1.1%
International	7,105	7,660	-7.2%
Telekom Austria Group*	16,498	17,153	-3.8%

* Including corporate segment

Results for the First Quarter 2013



Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (in EUR million)	Q1 2013	Q1 2012	% change
Segment Austria	102.1	93.7	9.0%
Segment Bulgaria	11.1	23.2	-52.2%
Segment Croatia	14.4	13.3	8.3%
Segment Belarus	4.2	5.1	-18.8%
Segment Additional Markets	17.2	10.7	60.6%
<i>Slovenia</i>	3.6	1.3	170.1%
<i>Republic of Serbia</i>	12.7	7.8	63.5%
<i>Republic of Macedonia</i>	0.9	1.6	-43.7%
<i>Liechtenstein</i>	0.0	0.0	n.a.
<i>Eliminations additional markets</i>	0.0	0.0	n.a.
Corporate, Others & Elimination	0.0	-0.2	n.a.
Total capital expenditures	149.0	145.8	2.2%
Thereof tangible	97.2	112.1	-13.3%
Thereof intangible	51.7	33.7	53.5%

Telekom Austria Group - Net Debt

Net debt (in EUR million)	Mar. 31, 2013	Dec. 31, 2012	% change
Long-term debt	2,830.6	2,832.0	0.0%
Short-term borrowings	1,014.9	1,078.6	-5.9%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-956.1	-715.3	n.m.
<i>Cash and cash equivalents and short-term investments</i>	-927.8	-685.9	n.m.
<i>Long-term investments, finance lease receivables</i>	-28.3	-29.5	n.m.
Derivate financial instruments for hedging purposes	50.4	53.6	-6.0%
Net Debt* of Telekom Austria Group	2,939.8	3,248.9	-9.5%

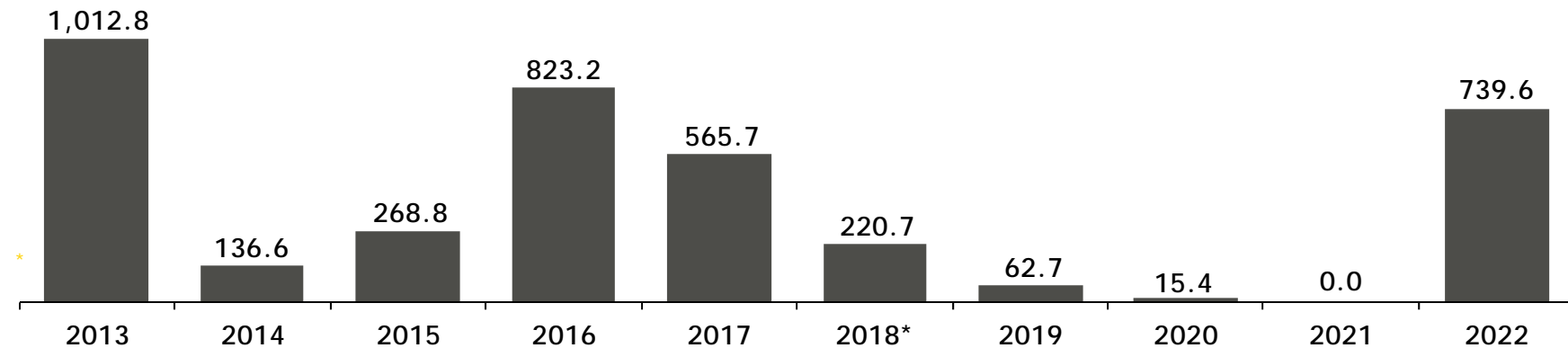
EUR 600 mn non-call 5 years hybrid bond treated as 100% equity under IFRS

* The remaining performance-based consideration related to the acquisition of SBT, which was paid in Q1 2013, has been included in short-term borrowings as of 31 December 2012.

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile (including accrued interest)*

(in EUR million)



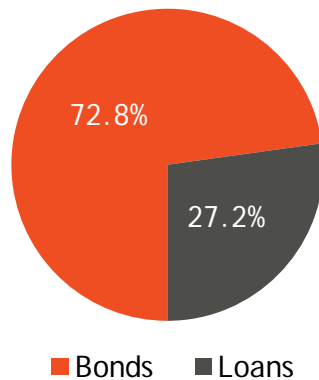
- > EUR 3,845.5 mn of short- and long-term borrowings as of 31 March 2013
- > Average cost of debt of approximately 4.2%
- > Cash and cash equivalents and short-term investments of EUR 927.8 mn

* EUR 600 mn non-call 5 years hybrid bond treated as 100% equity under IFRS

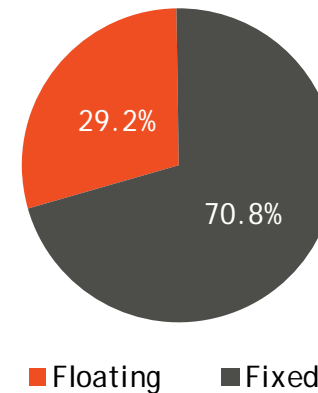


Telekom Austria Group - Debt Profile

Overview Debt Instruments



Fixed-Floating Mix



Lines of Credit

- > Undrawn committed credit lines amounting to EUR 1,060.0 mn
- > Average term to maturity of approximately 3.6 years

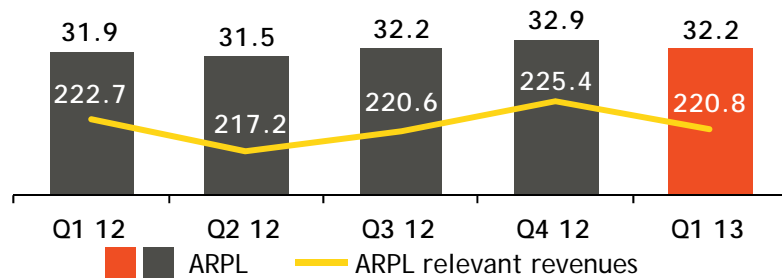
Ratings

- > S&P: BBB (stable outlook)
- > Moody's: Baa1 (negative outlook)

Segment Austria - Fixed Line Key Performance Indicators

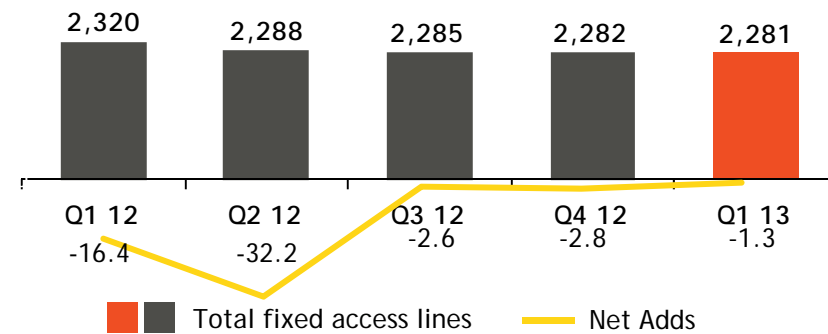
ARPL & ARPL Relevant Revenues

(in EUR, in EUR million)



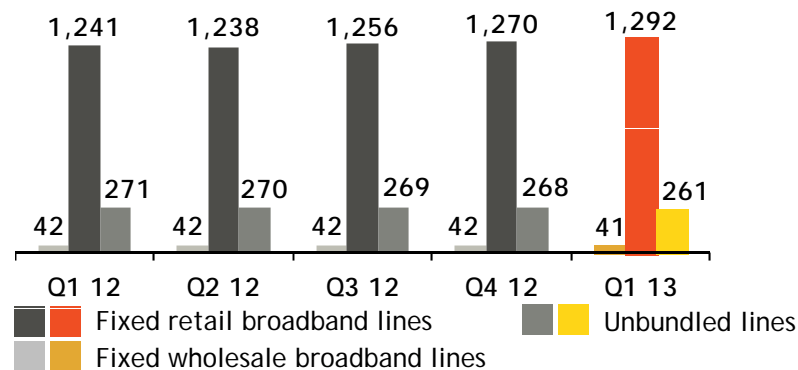
Total Fixed Access Lines & Net Adds

(in 000)



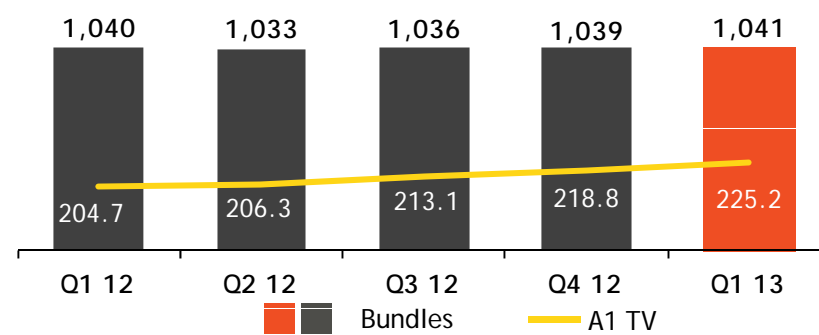
Fixed Broadband Access Lines

(in 000)



Bundle Subscriber Growth

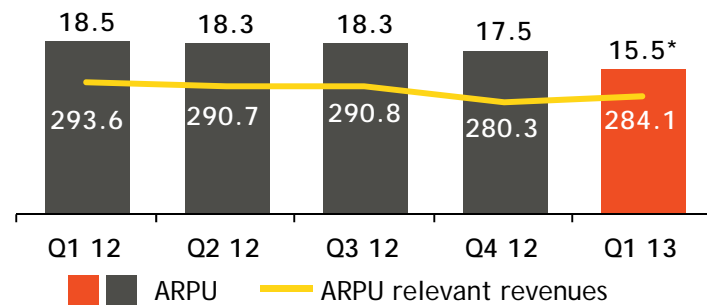
(in 000)



Segment Austria* - Mobile Key Performance Indicators

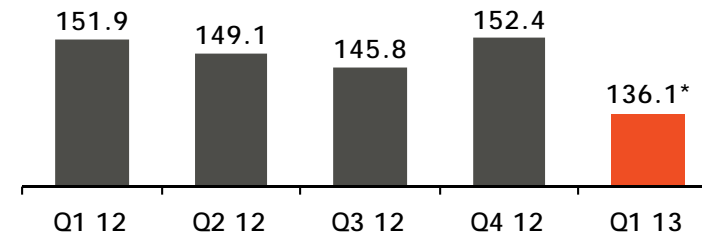
ARPU & ARPU Relevant Revenues

(in EUR)



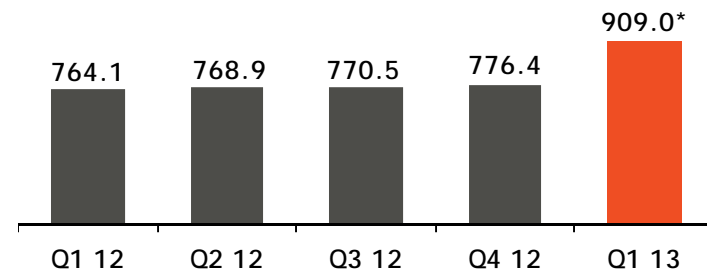
MoU per Subscriber

(in min)



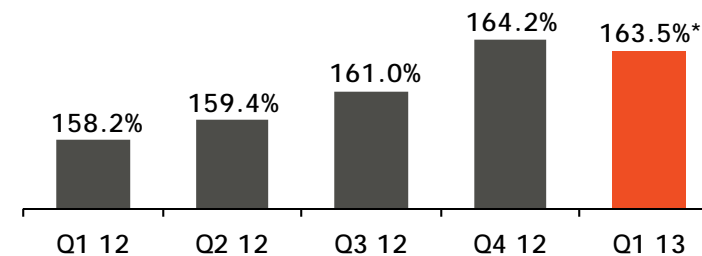
Mobile Broadband Customers

(in 000)



Mobile Penetration

(in %)



* incl. YESS!

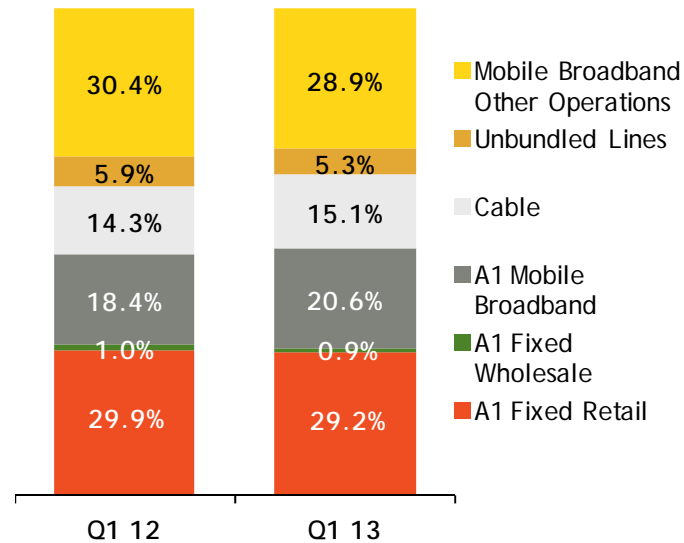
Results for the First Quarter 2013



Segment Austria - Broadband Market Split

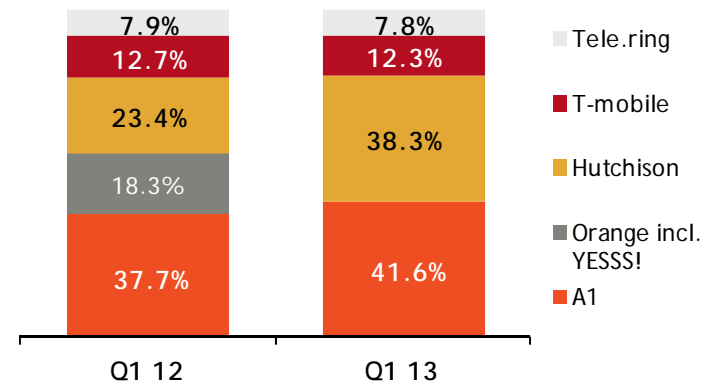
Market Share Total Broadband*

(in %)



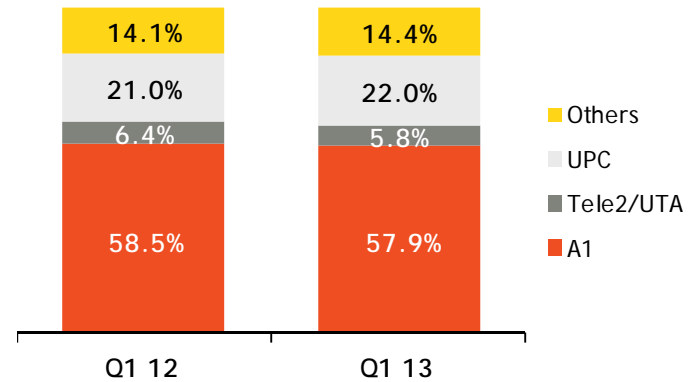
Market Share Mobile Broadband*

(in %)



Market Share Fixed-Line Broadband

(in %)



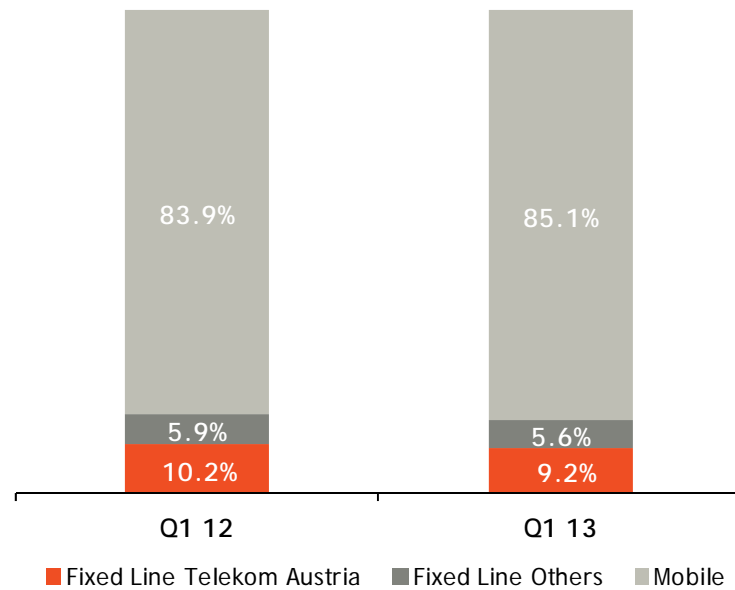
* Q1 2013 market share after acquisition of YESSS! by A1 and Orange Austria by Hutchison



Segment Austria - Voice Market Split

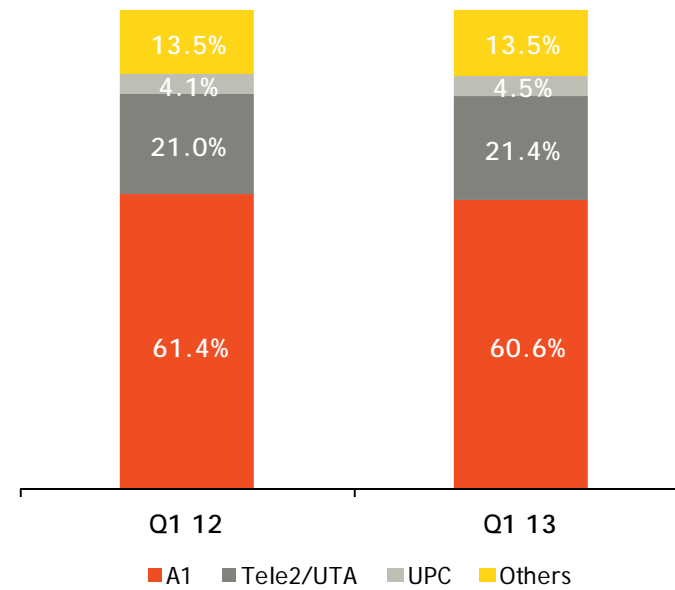
Market Share Total Minutes

(in %)



Market Share Fixed-Line Minutes

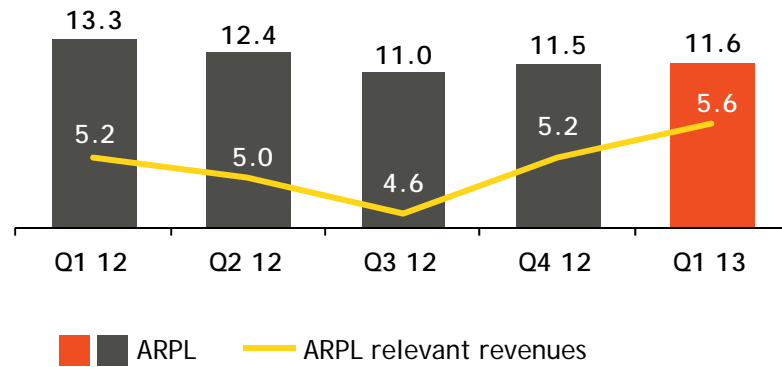
(in %)



Segment Bulgaria - Fixed-Line Key Performance Indicators

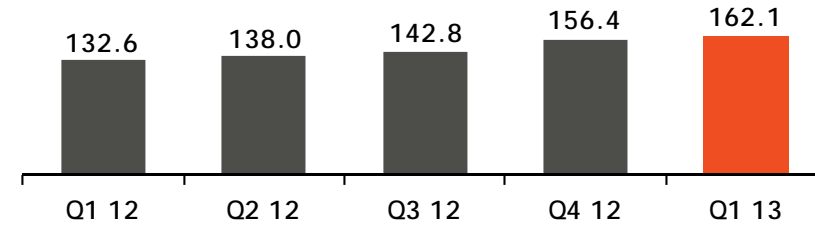
ARPL & ARPL Relevant Revenues

(in EUR, in EUR million)



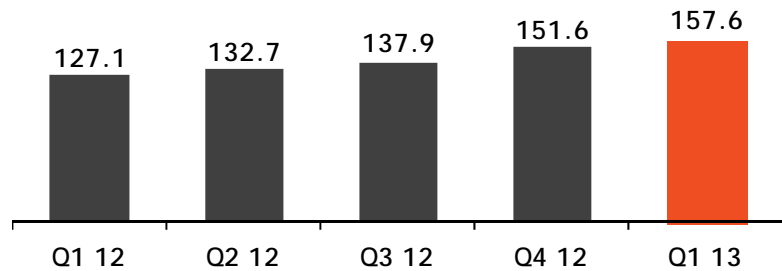
Total Fixed Access Lines

(in 000)



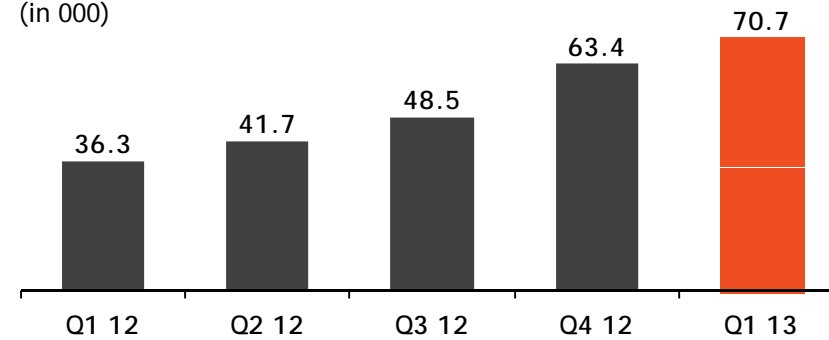
Fixed Broadband Retail Access Lines

(in 000)



TV Subscribers

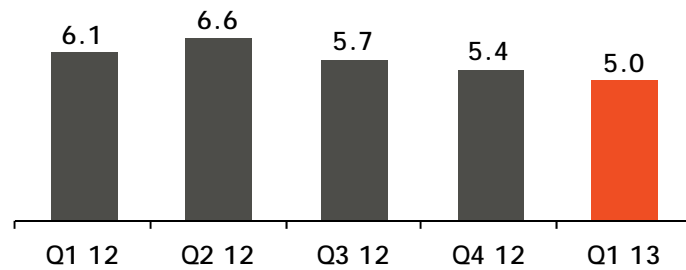
(in 000)



Segment Bulgaria - Mobile Key Performance Indicators

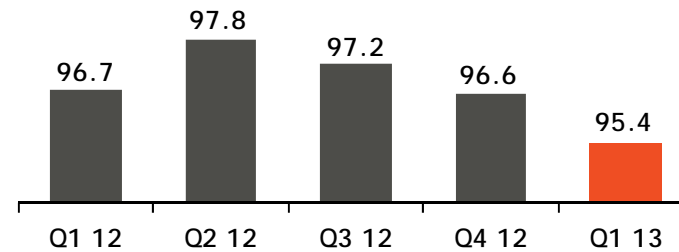
ARPU

(in EUR)



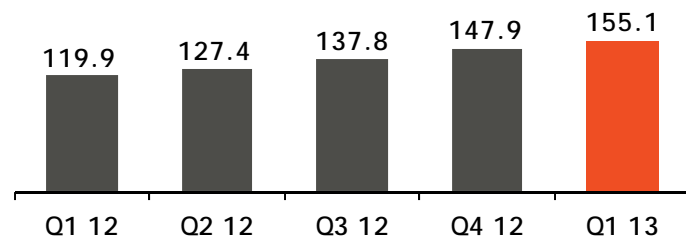
MoU per Subscriber

(in min)



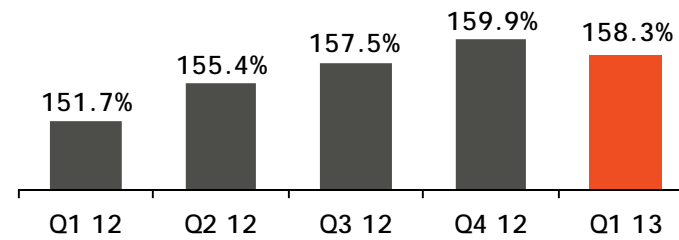
Mobile Broadband Customers*

(in 000)



Mobile Penetration

(in %)



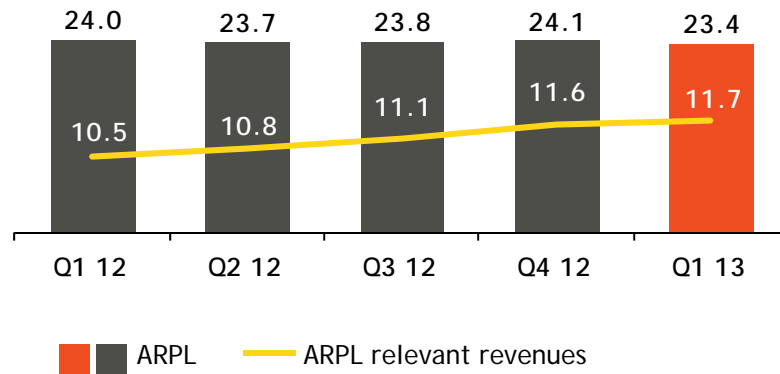
* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs. Previous quarters were adjusted retrospectively.



Segment Croatia - Fixed-Line Key Performance Indicators

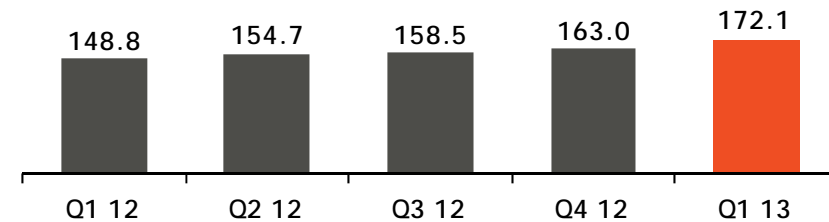
ARPL & ARPL Relevant Revenues

(in EUR, in EUR million)



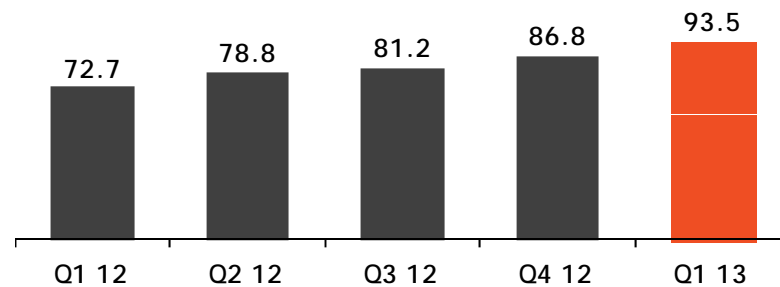
Total Fixed Access Lines

(in 000)



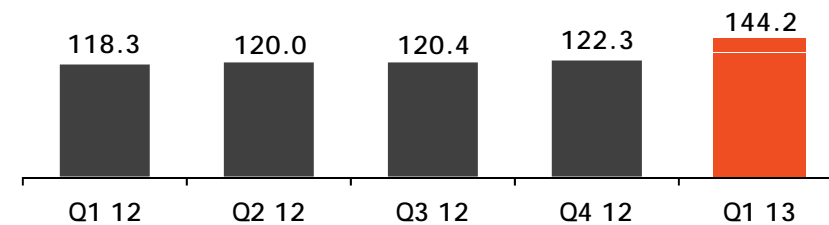
Fixed Broadband Retail Access Lines

(in 000)



TV Subscribers

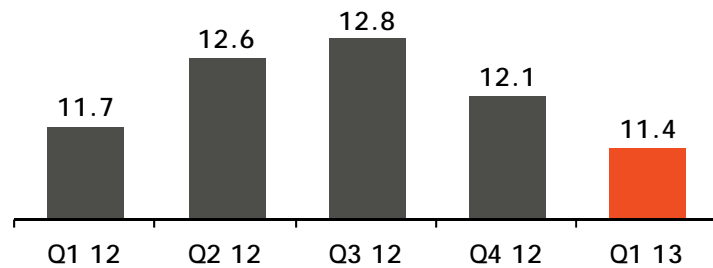
(in 000)



Segment Croatia - Mobile Key Performance Indicators

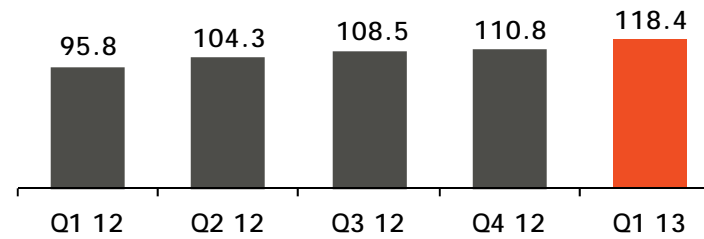
ARPU

(in EUR)



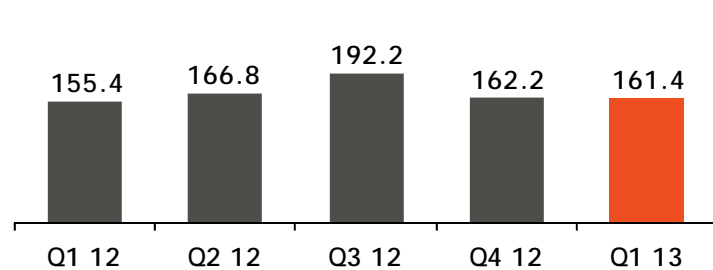
MoU per Subscriber

(in min)



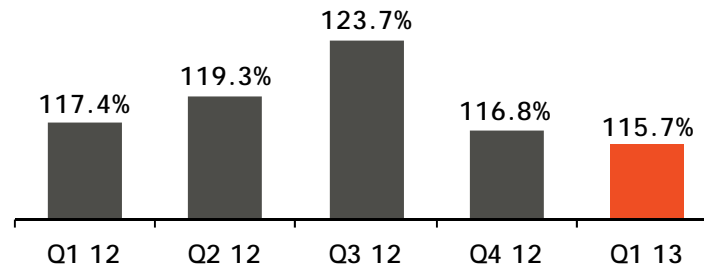
Mobile Broadband Customers*

(in 000)



Mobile Penetration

(in %)



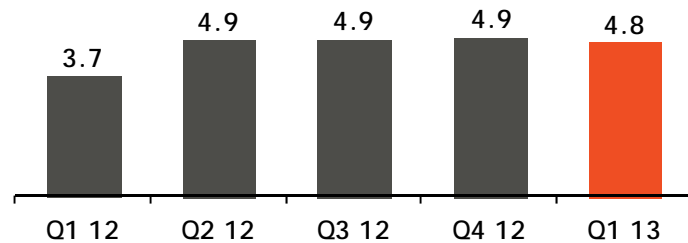
* As of Q1 2013 the definition for the calculation of mobile broadband customers was changed to exclude M2M customers. Previous quarters were adjusted retrospectively



Segment Belarus – Mobile Key Performance Indicators

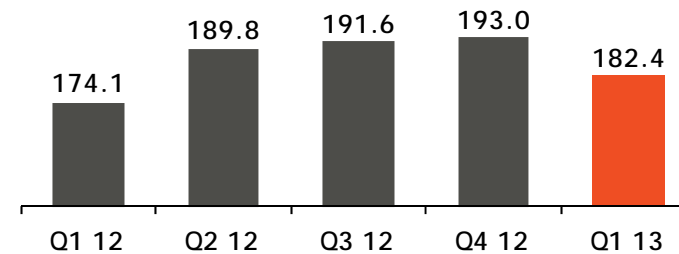
ARPU

(in EUR)



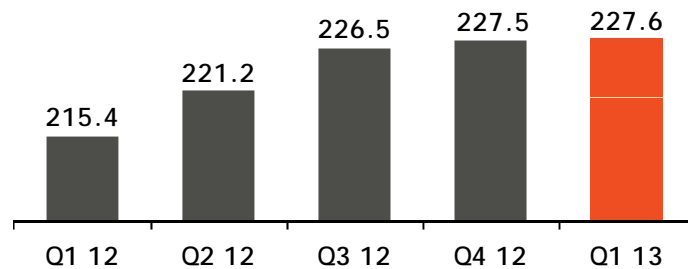
MoU per Subscriber

(in min)



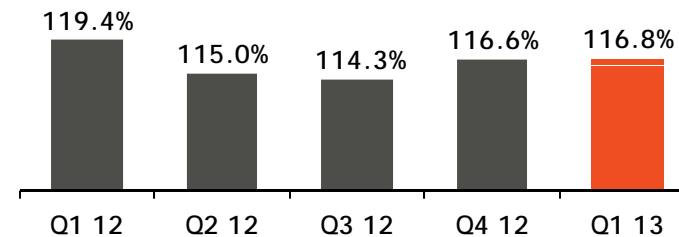
Mobile Broadband Customers*

(in 000)



Mobile Penetration

(in %)



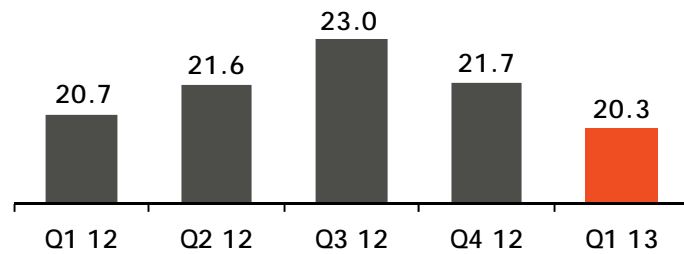
* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs. Previous quarters were adjusted retrospectively.



Segment Additional Markets - Mobile Key Performance Indicators

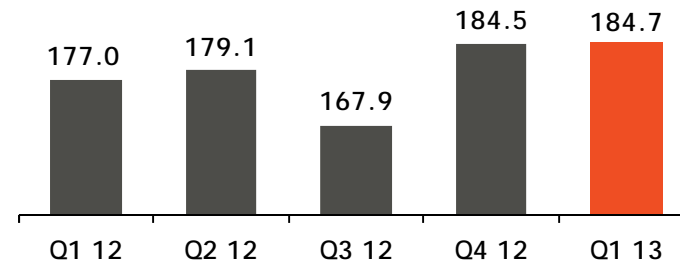
Slovenia - ARPU

(in EUR)



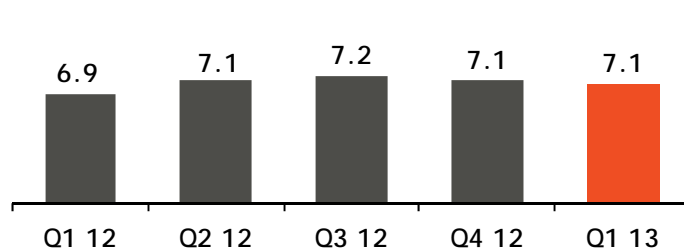
Slovenia - MoU per Subscriber

(in min)



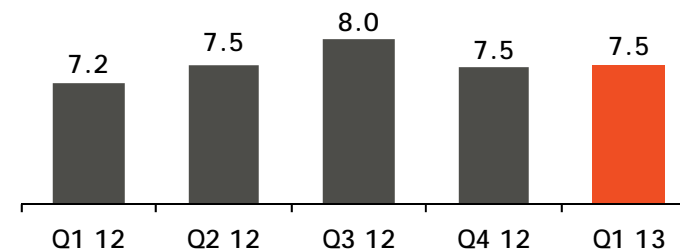
Republic of Serbia - ARPU

(in EUR)



Republic of Macedonia - ARPU

(in EUR)



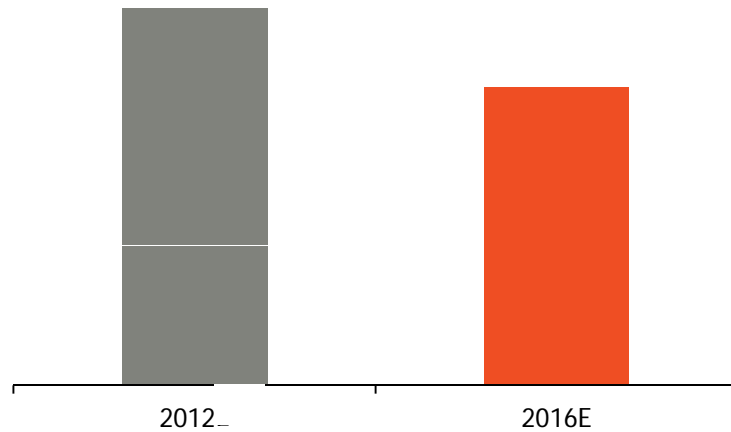
Appendix 2 – Regulatory Topics

Negative Impact from Regulation in 2013 - 2016

Telekom Austria Group Roaming Revenues

(in EUR million)

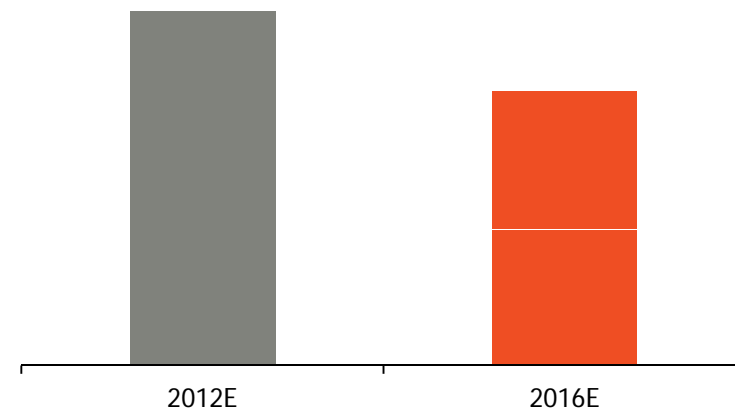
Approx. EUR -130 mn*



Telekom Austria Group Interconnection Revenues

(in EUR million)

Approx. EUR -160 mn**



Negative regulatory impact for 2013 is included in outlook for 2013

* Total roaming revenue effect between 2012 - 2016

** Total interconnection revenue effect between 2012 - 2016

Glide Path of Mobile Termination Rates

EU Pressure on National Regulatory Authorities to Further Decrease Rates

(in EURc)

	Jan 2012	Jun 2012	Jul 2012	Jan 2013	Jul 2013	Aug 2013	Sep 2013	Jan 2014
Austria	2.01	2.01	2.01	2.01	0.80*	0.80*	0.80*	0.80*
Bulgaria	6.39	6.39	2.70	2.35	1.18	1.18	1.18	1.02
Croatia	4.00	4.00	4.00	2.61	2.54	2.54	2.54	1.97
Belarus	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Slovenia	3.81	3.81	3.52	3.24	3.24	1.05*	1.05*	1.05*
Serbia	4.68	4.68	4.68	3.70	3.70	3.70	3.70	2.85
Macedonia	7.50	6.50	6.50	6.50	6.50	6.50	1.95	1.95

* Final decision pending

Results for the First Quarter 2013



EU Roaming Price Regulation

RETAIL (in EURc)	Before	July 2012	July 2013	July 2014
Data (per MB)	none	70	45	20
Voice-calls made (per minute)	35	29	24	19
Voice-calls received (per minute)	11	8	7	5
SMS (per SMS)	11	9	8	6

WHOLESALE (in EURc)	Before	July 2012	July 2013	July 2014
Data (per MB)	50	25	15	5
Voice (per minute)	18	14	10	5
SMS (per SMS)	4	3	2	2



Appendix 3 – Personnel Restructuring in Austria

Full Year Overview - Restructuring Charges and Provision vs. FTE

Overview Restructuring Charges

(in EUR million)

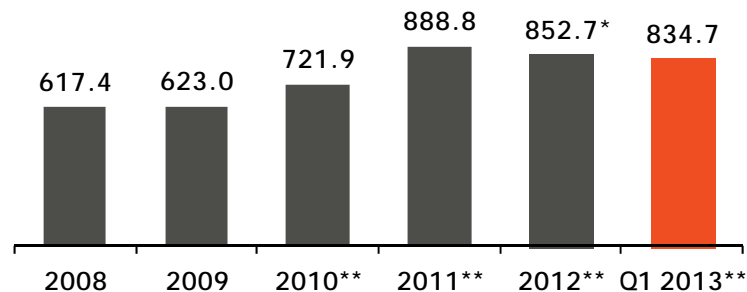
	2008	2009	2010	2011	2012	Q1 2013
FTE effect	632.1	-10.0	76.9	274.3	49.9	2.7
Servicekom	0.0	0.0	0.0	-40.6	-76.7*	0.0
Interest rate adjustments	0.0	27.5	47.2	0.0	61.4	0.0
Total	632.1	17.5	124.1	233.7	34.7	2.7

FTEs Addressed

	2008	2009	2010	2011	2012	Q1 2013
Transfer to government	0	0	158	106	44	7
Social plans	256	451	28	685	94	13
Staff released from work	968	-194	27	0	0	0
Total	1,224	257	213	791	138	20

Overview Restructuring Provision

(in EUR million)



Provisioned FTEs

	2008	2009	2010	2011	2012	Q1 2013
Transfer to government	0	0	158	264	308	315
Social plans	14	273	299	922	1,030	1,015
Staff released from work	968	789	763	649	510*	502
Total	982	1,062	1,220	1,835	1,848	1,832

* Impacted by 105 FTEs transferring from Staff released from work to Social plans through servicekom

** Including liabilities for transfer of civil servants to government bodies

Overview - Cash Flow Impact of Restructuring

Overview Cash Flow Impact*

(in EUR million)

	Total cash flow impact
2008	14.7
2009	62.0
2010	57.9
2011	93.4
2012	104.0
Q1 2013	26.3

- > Total cash flow impact comprises old as well as new programmes
- > Total cash flow impact for 2012 of EUR 104.0 mn
- > Total expected cash flow impact for 2013 of approximately EUR 100.0 mn

* Historical numbers have been restated since 2011 to fully reflect all payments from the transfer of civil servants to government bodies.

