



# Capital Increase Roadshow Presentation

November 2014



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# Offering summary

Offering structure	> Rights offering of up to 221,500,000 mn shares, including rump placement of shares not subscribed at the rights offering
Listing	> Vienna Stock Exchange
Offer size	> Net proceeds of up to EUR 1,000 mn plus costs
Subscription price	> EUR 4.57
Subscription ratio	> 2:1 (old shares : new shares)
Use of proceeds	<ul style="list-style-type: none"> <li>&gt; Strengthen financial position</li> <li>&gt; Accelerate smart fibre rollout in 2015-2018</li> <li>&gt; Flexibility for value accretive M&amp;A</li> </ul>
Shareholder structure pre-rights issue	<ul style="list-style-type: none"> <li>&gt; América Móvil (incl. Carso Telecom) 60%</li> <li>&gt; ÖIAG 28%</li> <li>&gt; Free float 12%</li> </ul>
Shareholder commitments	<ul style="list-style-type: none"> <li>&gt; América Móvil (incl. Carso Telecom) has committed to acquire 132,235,065 new shares according to its 264,470,131 subscription rights</li> <li>&gt; ÖIAG has committed to acquire up to 62,958,867 new shares according to its 125,917,735 subscription rights such that its shareholding in the Company after the offering remains as close as possible to the current level of 28.42%</li> </ul>
Lock-ups	<ul style="list-style-type: none"> <li>&gt; 6 months for América Móvil (incl. Carso Telecom) and ÖIAG</li> <li>&gt; 6 months for the Company</li> </ul>
Dividend entitlement	> New shares carry full dividend rights as of 1 January 2014
Syndicate structure	<ul style="list-style-type: none"> <li>&gt; Joint Global Coordinators and Joint Bookrunners: Citigroup, Deutsche Bank</li> <li>&gt; Joint Bookrunners: Erste Group, Raiffeisen Centrobank, Unicredit</li> </ul>

# Offering timetable

Friday, 7-Nov	> Approval of prospectus and record date
Monday, 10-Nov	> Start of subscription period
Wednesday, 12-Nov	> Start of rights trading
Wednesday, 19-Nov	> End of rights trading
Monday, 24-Nov	> End of subscription period
Tuesday, 25-Nov <sup>(a)</sup>	> Potential rump placement <sup>(a)</sup>
Thursday, 27-Nov	> First day of trading and closing

Notes: (a) The Rump Placement Period is expected to begin on November 24, 2014 after market close of the Vienna Stock Exchange and is expected to end on November 25, 2014.

# Telekom Austria Group in brief

# Leading regional communications provider

## The Group in numbers - year to date

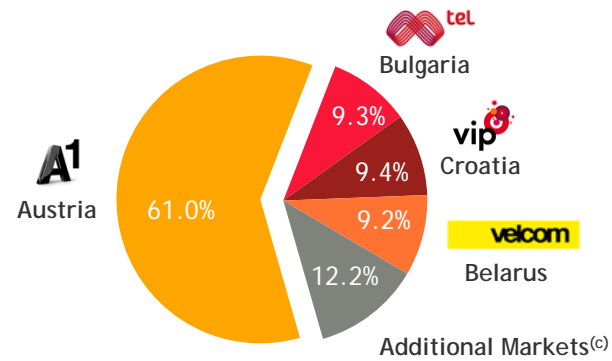
as of 30 September 2014

<b>3.0 billion</b>
Revenue (EUR) <sup>(a)</sup>
<b>1.0 billion</b>
EBITDA Comparable (EUR) <sup>(a)</sup>
<b>7</b>
# of markets
<b>23 million</b>
Customers <sup>(a)</sup>
<b>16,350</b>
Employees <sup>(a)</sup>

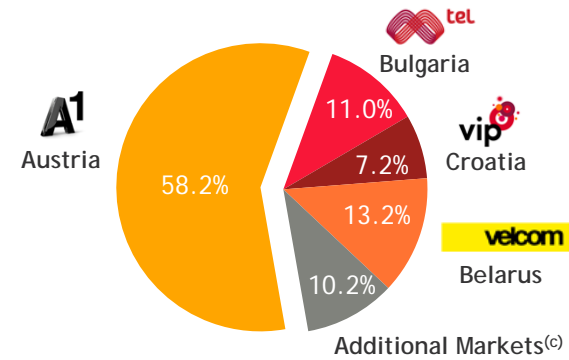
Notes: (a) For / as of 9M 2014.

## Austria represents the Group's largest market

Revenue by segment<sup>(b)</sup>



EBITDA comparable by segment<sup>(b)</sup>



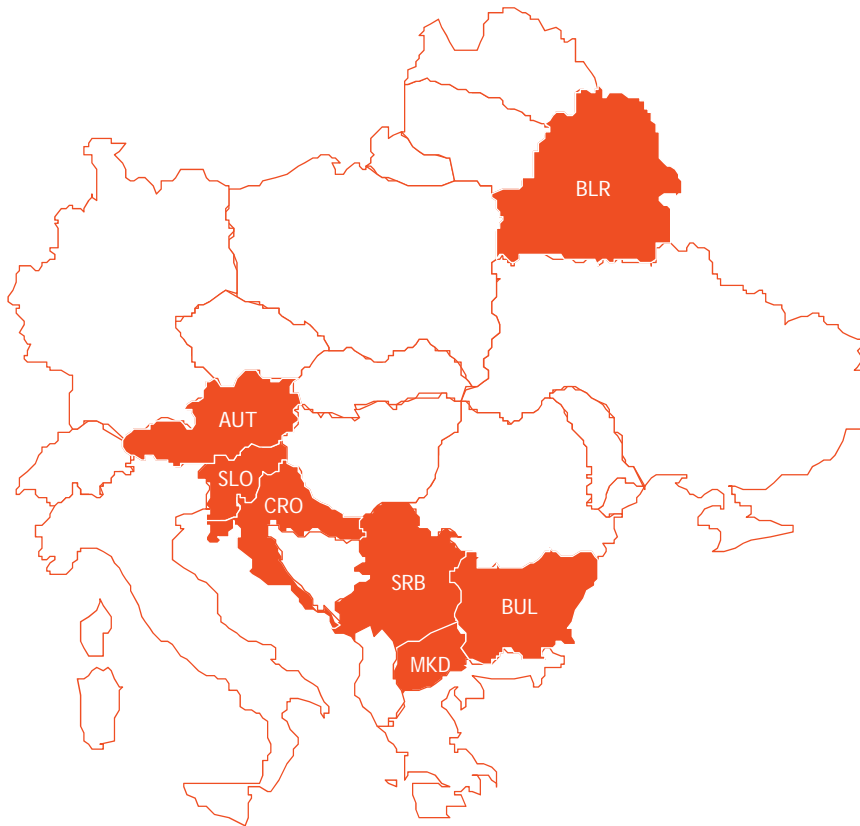
Notes: (b) For 9M 2014. Breakdown does not show corporate, others and eliminations.  
(c) Includes Slovenia, Republic of Macedonia, Republic of Serbia and Liechtenstein.




# Strong domestic base and leading player in CEE

as of 30 September 2014







(market share in % / subscribers or access lines in '000)



**1st** Austria<sup>(a)</sup> 

Mobile: 41.0% / 5,448  
Fixed: 58.7%<sup>(b)</sup> / 2,275

## CEE footprint

<b>1st</b> Bulgaria <sup>(c)</sup> 	<b>2nd</b> Croatia 
Mobile: 37.8% / 4,137 Fixed: 10.8% <sup>(b)</sup> / 151	Mobile: 36.1% / 1,823 Fixed: 14.0% <sup>(b)</sup> / 212
<b>2nd</b> Belarus 	<b>2nd</b> Slovenia 
Mobile: 42.5% / 4,949	Mobile: 29.6% / 683
<b>3rd</b> Republic of Serbia 	<b>2nd</b> Republic of Macedonia 
Mobile: 21.9% / 2,064	Mobile: 27.6% / 631 Fixed: NA / 62

Notes: (a) As of Q2 2013 the methodology for counting subscribers has been changed. Previous quarters of 2013 have been adjusted retrospectively.

(b) Based on fixed broadband market share.

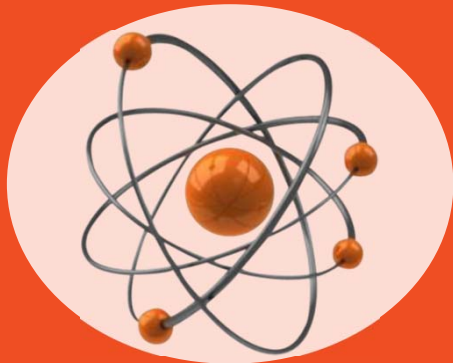
(c) As of Q4 2013 the methodology for counting subscribers has been changed. Previous quarters of 2013 have been adjusted retrospectively.

# Telekom Austria Group strategy



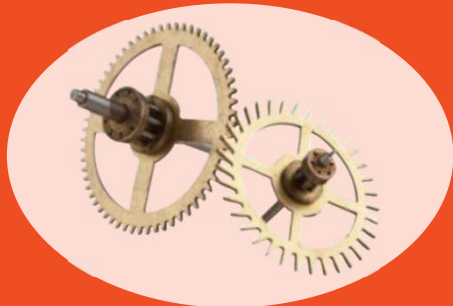
# Four pillar strategy to drive return to growth (1/2)

## Business optimisation



- > Focus on revenue market share and profitability
- > Halt price erosion in mature mobile markets
  - Focus on high value customers
  - Optimisation of no-frills segment
  - Review subsidy policy
- > Continue growth in mobile-only markets
  - Grow business to achieve sustainable market position
  - Leverage on synergies

## Convergence



- > Growth opportunity through cross-selling and up-selling
- > Significant churn reduction
- > Marketing and network-related synergies

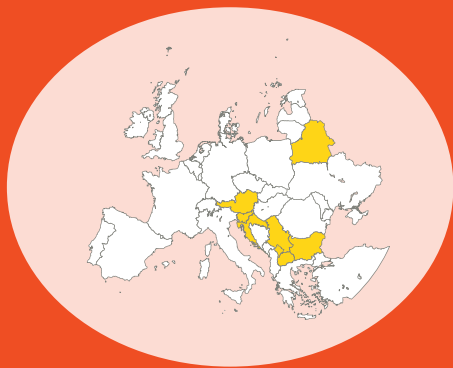
# Four pillar strategy to drive return to growth (2/2)

## Operational excellence



- > OPEX and CAPEX savings through procurement optimisation
- > Improved efficiency through simplification of sales and customer services processes
- > IT transformation

## Strategic opportunities



- > Priorities are:
  - In-market consolidation
  - Convergence
  - Growth in the region
- > While maintaining a conservative financial strategy






# Key investment highlights

# Key investment highlights



Strong competitive position in the Austrian market

# Leading convergent operator with quad-play capabilities

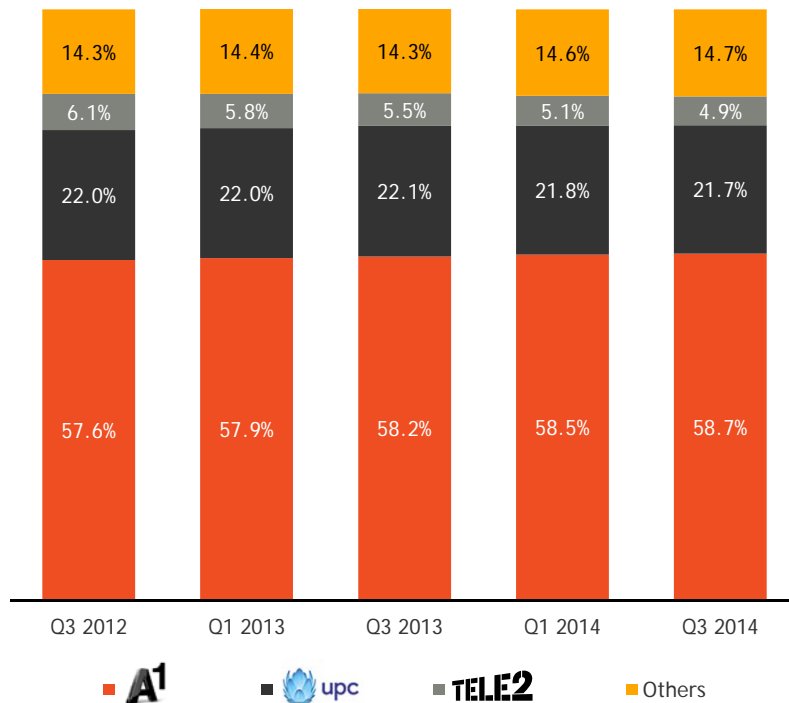
Market position / market share				
	Fixed Voice <sup>(a)</sup>	Fixed BB <sup>(a)</sup>	Mobile <sup>(a)</sup>	Pay TV
	#1 / 60.8%	#1 / 58.7%	#1 / 41.0%	✓
			#2 / 30.9%	
			#3 / 26.3%	
	#2 / 22.3%	#3 / 4.9%		
	#3 / 3.8%	#2 / 21.7%	✓ <sup>(b)</sup>	✓

Note: As of Q3 2014.  
 (a) As per company result.  
 (b) Imminent MVNO launch.



# Fixed line: Stable market with strong upselling potential

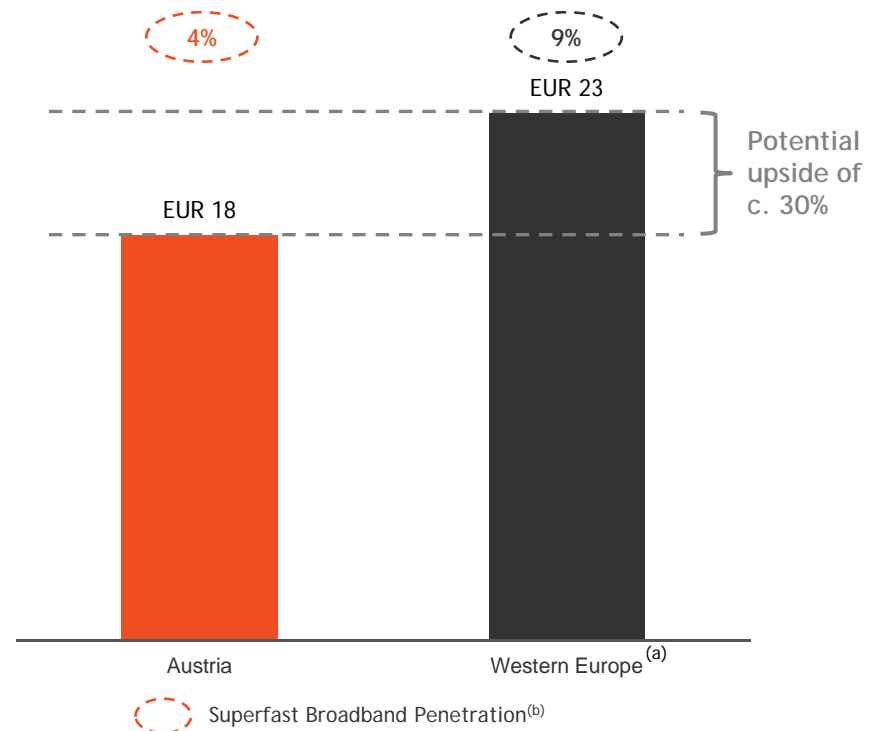
Stable fixed broadband market structure...



Source: Company filings.

...with significant ARPL upside

Fixed residential broadband ARPL  
(EUR per month average, 2013A)



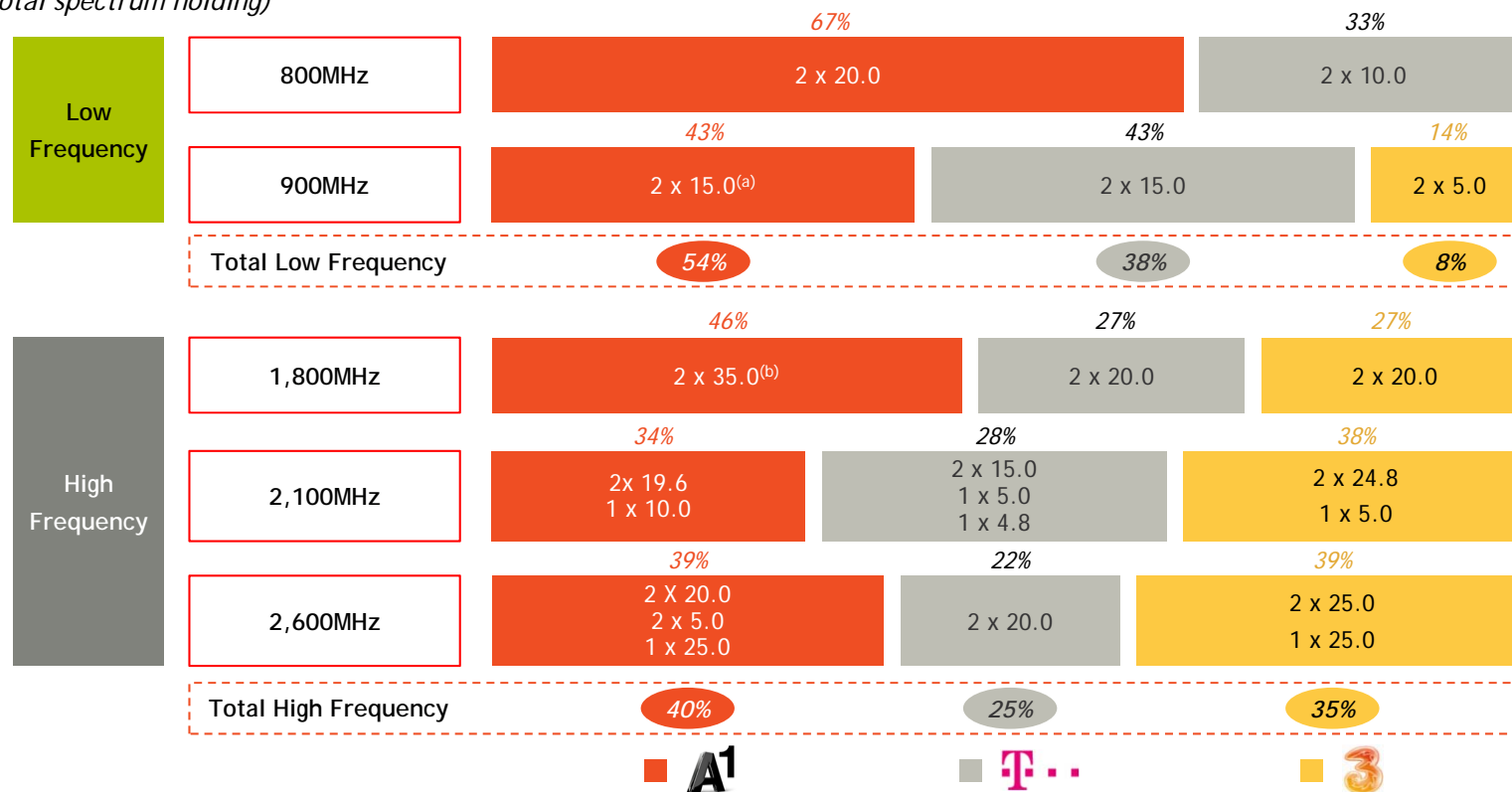
Source: Pyramid Research and Communications Committee.

Note: (a) Median of Belgium, France, Germany, Netherlands and UK.  
(b) Superfast BB defined as speeds equal to or greater than 30Mbit/s. Data as of January 2014A, as % of population. Based on data approximates.



# Superior spectrum holding to enable quality differentiation

Strategic spectrum holding  
(% of total spectrum holding)



- > Spectrum holding likely to have an impact on viability of potential new mass market MVNOs
- > 800MHz holding to enable capex-efficient national LTE roll out

Source: The Austrian Telekom-Control-Commission (TKK), Regulatory Authority for Broadcasting and Telecommunications (RTR).

Note: (a) Beginning 1<sup>st</sup> January 2018. 2 x 20.2 MHz (currently).

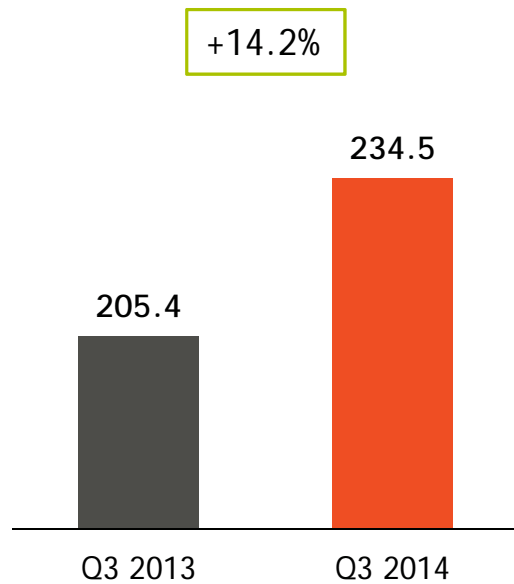
(b) Beginning 1<sup>st</sup> January 2020. 2 x 15 MHz (currently).



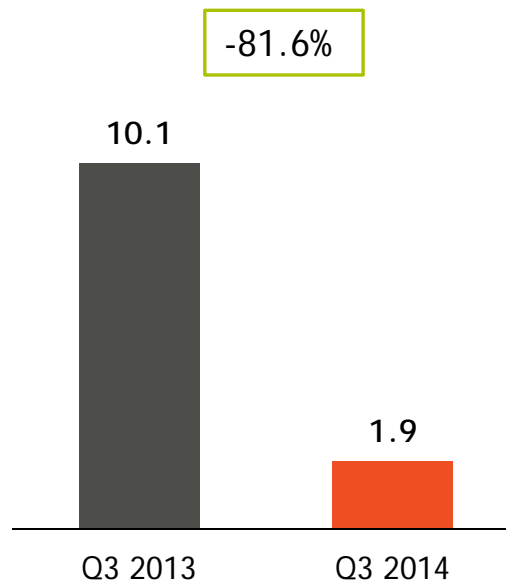


# Lower subsidies and cost savings initiatives lead to EBITDA growth in Austria

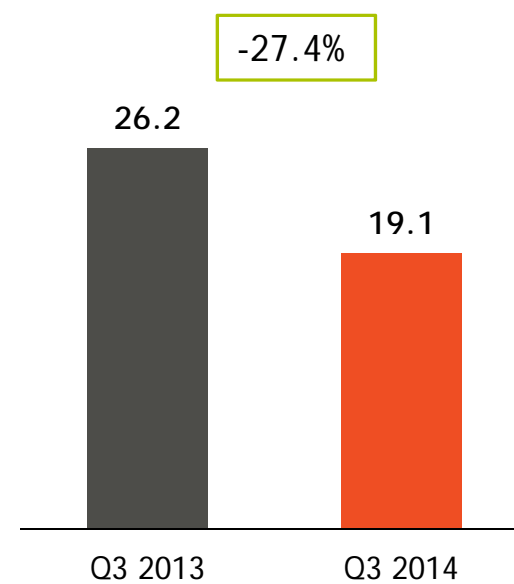
EBITDA comparable  
(in EUR million)



SAC  
(in EUR million)



SRC  
(in EUR million)



# Attractive international footprint

# Balanced portfolio of international assets geared towards macro recovery in CEE

	Mobile position/ (market share)	Real GDP growth CAGR 14E-16E	Strategy/initiatives
<b>Bulgaria</b>	# 1 of 3 (37.8%)	↑ 2.9%	<ul style="list-style-type: none"> <li>&gt; Leverage on strong mobile position</li> <li>&gt; Sharpen brand perception</li> <li>&gt; Strengthen fixed line</li> </ul>
<b>Croatia</b>	# 2 of 3 (36.1%)	↑ 1.8%	<ul style="list-style-type: none"> <li>&gt; Grow fixed line to reduce mobile pressure</li> <li>&gt; Convergence to increase cross-selling and up-selling</li> <li>&gt; Simplification of product portfolio to reduce costs</li> </ul>
<b>Belarus</b>	# 2 of 3 (42.5%)	↑ 2.7%	<ul style="list-style-type: none"> <li>&gt; Focus on data growth</li> <li>&gt; Sustain high opex and capex efficiency</li> <li>&gt; Inflation-based price increases to offset FX</li> </ul>
<b>Slovenia</b>	# 2 of 4 (29.6%)	↑ 1.3%	<ul style="list-style-type: none"> <li>&gt; Leverage very strong brand perception / customer experience</li> <li>&gt; Focus on data growth</li> </ul>
<b>Serbia</b>	# 3 of 3 (21.9%)	↑ 2.7%	<ul style="list-style-type: none"> <li>&gt; Leverage on transition from challenger to established operator</li> <li>&gt; Device / Smartphone leadership</li> </ul>
<b>Macedonia</b>	# 2 of 3 (27.6%)	↑ 3.5%	<ul style="list-style-type: none"> <li>&gt; Integrate cable operator blizoo</li> <li>&gt; Convergence to increase cross-selling and up-selling</li> </ul>

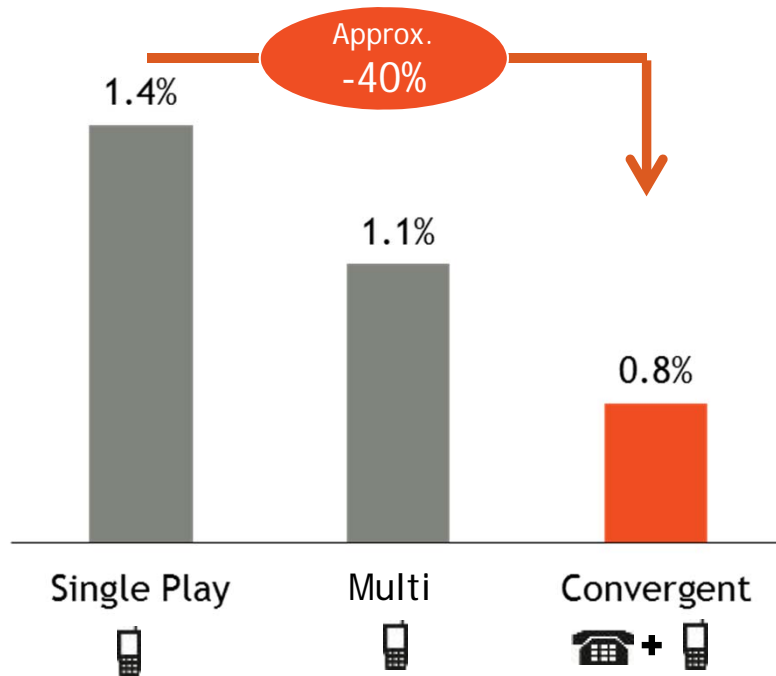
■ Converged      ■ Mobile only

Source: Internal data for market share, Global Insights for GDP growth.

Delivering on convergence, operational  
excellence and value creative M&A strategy

# Successful convergence strategy key for turnaround target

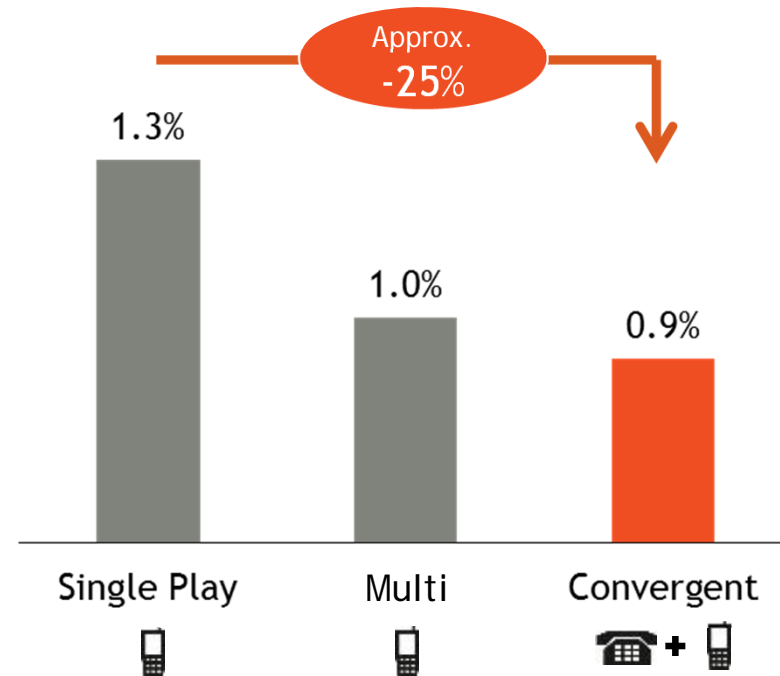
RGU Churn Mobile Voice Austria



Av. monthly RGU Churn Mobile Voice Residential Austria

Jan-Jun 2014

RGU Churn Mobile Voice Croatia



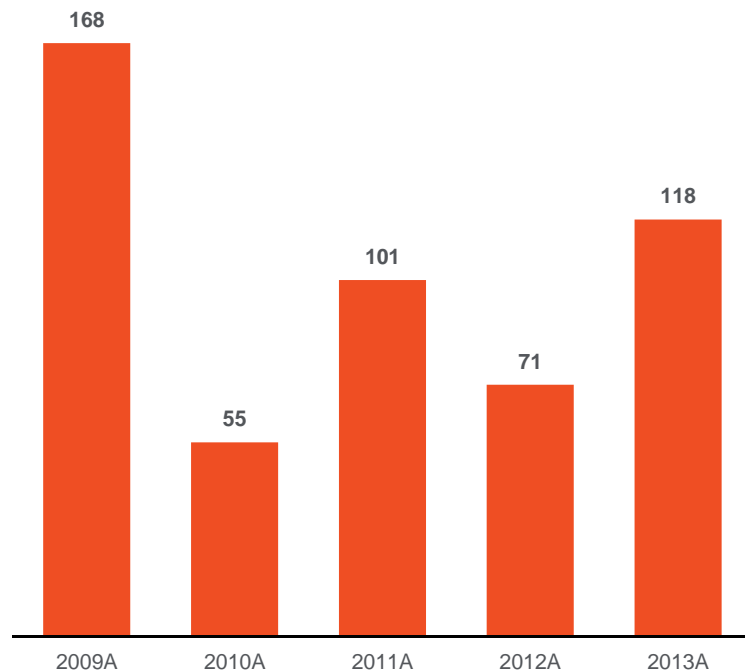
Av. monthly RGU Churn Mobile Voice Residential Croatia

Jan-Jun 2014



# Continue to pursue operational excellence through strict management of cost base

Over EUR 500 mn of gross cost savings achieved since 2009



Ongoing OPEX and CAPEX savings initiatives

- > Restructuring and employee cost savings
- > Centralizing procurement to benefit from savings in support services, other costs and maintenance
- > Improvement of demand specifications and initiative like Network Function Virtualisation (NFV)
- > Process optimisation in customer services
- > Value-based subsidy management and marketing cost reduction

*2014E target OPEX and CAPEX savings: EUR 100 mn*

# Proven M&A track record focused on convergence and in-market consolidation

## M&A strategy

Convergence

Market consolidation

Regional expansion



A1



B.net



yesss



Spectrum Net



MEGALAN  
Network



blizoo



one\*

\* subject to confirmatory due diligence and regulatory approval



# Shareholder considerations

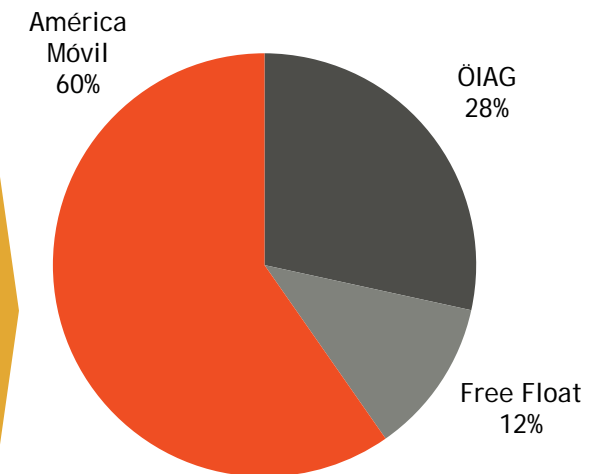


# Shareholder structure - Strong commitment from core-shareholders to transaction

- > Strategic support from core shareholders
  - > Funding cost advantages following rating upgrade by S&P
  - > Sharing of marketing and innovation skills and best-in-class business practices
- > Core shareholders to support that the Group devotes reasonable financing measures towards investment and research & development
- > Core Shareholders have committed to participate in the offering
  - > América Móvil to subscribe to its full 59.70% subscription rights
  - > ÖIAG to subscribe to its subscription rights to the extent that its shareholding in the Company after the offering remains as close as possible to the current level of 28.42%

**1** Commitment from core-shareholders to keep free float to at least 24%<sup>(a)</sup>

**2** The Group to remain listed in Vienna



(a) Based on ÖIAG maximum shareholding of 25% plus one share. The minimum Free Float threshold may be established within a specified period after the offering. As long as ÖIAG holds more, the minimum free float threshold is lowered accordingly  
Source: Regulatory filings.

# Use of proceeds, capital structure and dividend policy

# Use of proceeds and financial framework

Maintain BBB (stable) rating and financial flexibility

A

Accelerate smart fibre rollout in 2015-2018

B

Flexibility for value accretive M&A



# Maintain BBB rating and financial flexibility

- > We aim to retain a BBB (stable) or better rating to maintain financial flexibility in the long-term

## Current rating:

- > S&P: BBB (stable)
- > Moody's: Baa2 (stable)

## S&P upgrade on August 11, 2014 on the basis of:

- > Impact on financial profile following EUR 1 bn rights issue:
  - > Leverage below 3.0x
  - > FFO to debt above 30%
- > Telekom Austria importance for AMX
- > Rating of AMX



# Dividend distribution policy

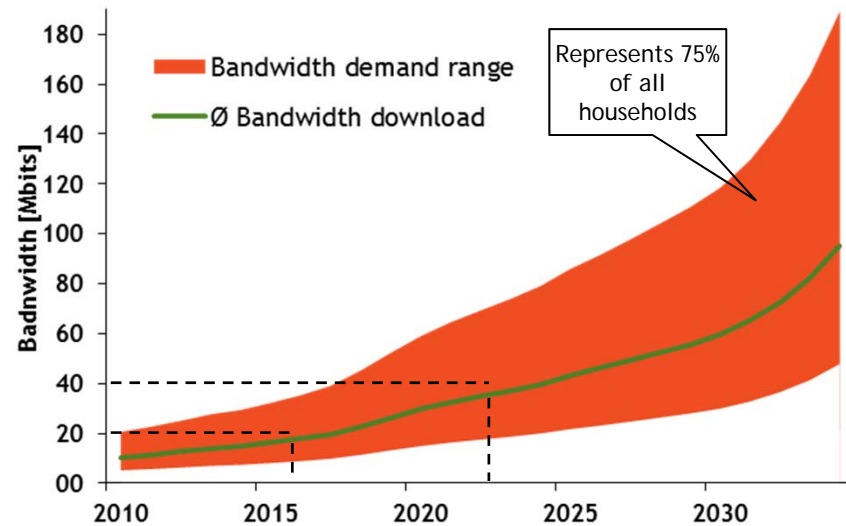
- > The Company's dividend policy is based on a floor of EUR 0.05 per share
- > We target a sustainable pay-out level
  - > Our dividend has the capacity to grow over time
- > For the financial years 2014 and 2015, we intend to pay a dividend of EUR 0.05 per share
  - > Including new shares



# Rising demand: Build now to capture future ARPL potential

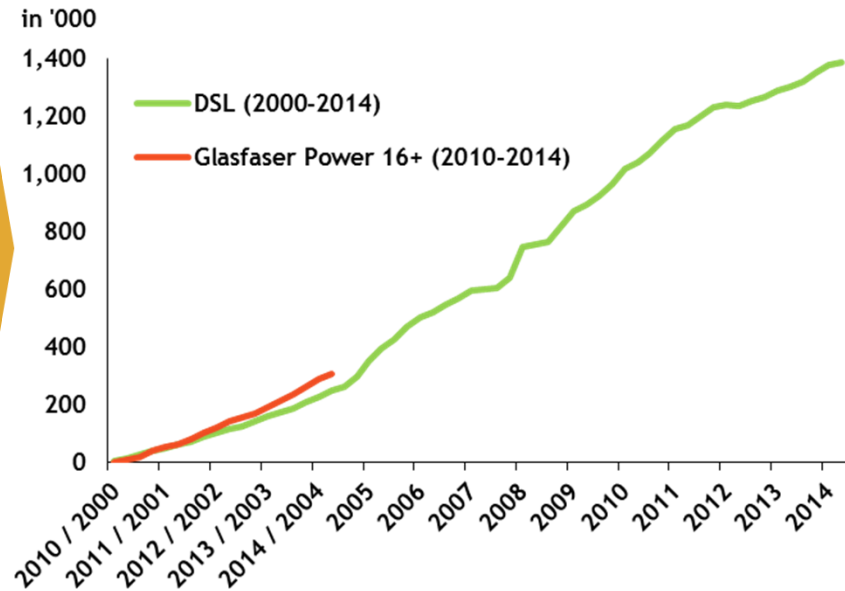
Average bandwidth demand (actual and expected)

Per fixed network household



Increasing bandwidth demand...

DSL versus "fibre" service customers

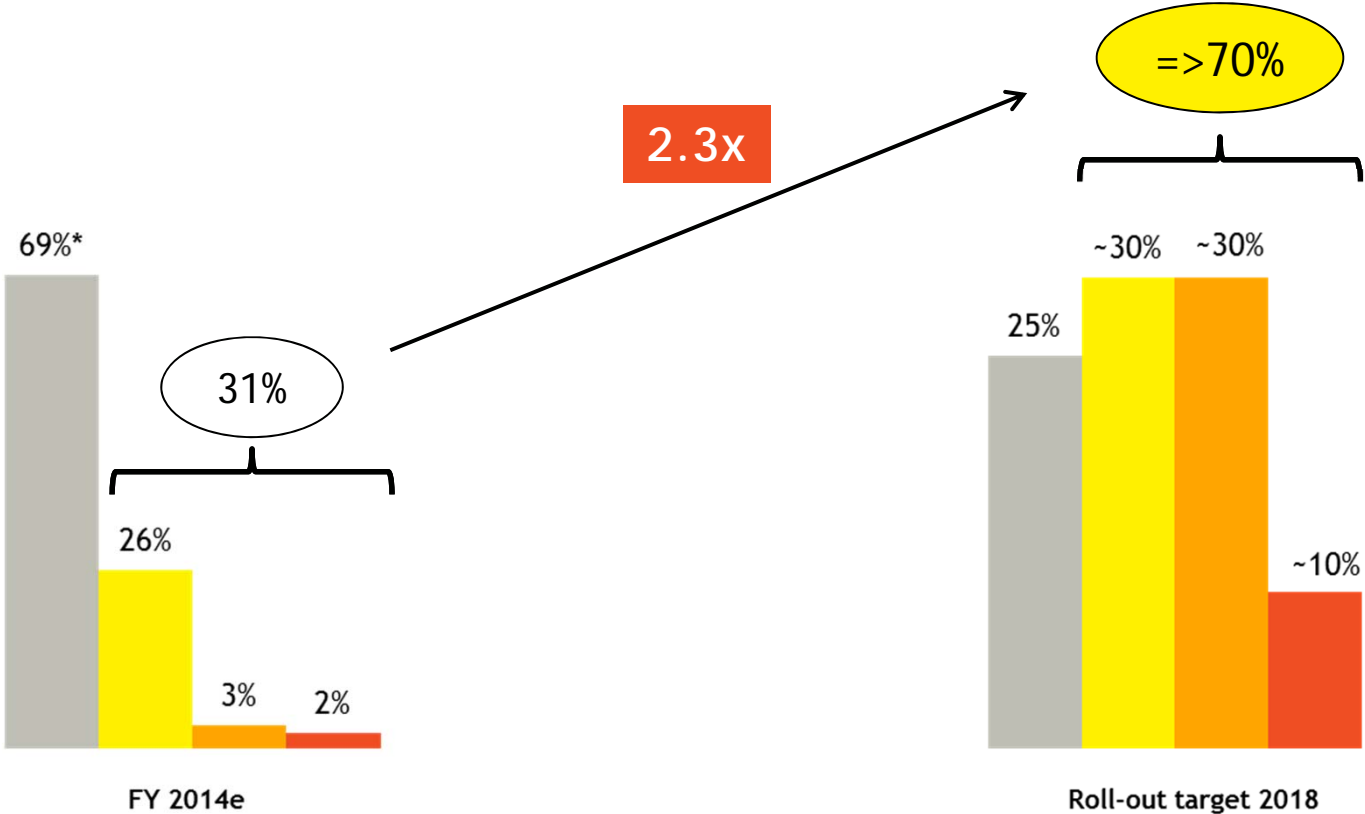


...is resulting in strong fibre take-up

# Roll-out target: Establish 30 Mbit/s as standard offer

Household coverage (% of all households and businesses)

Product view



\* Current split: 32% 16 Mbps; 37% 8 Mbps.  
 \*\*Product view.

- <= 16 Mbps\*\*
- 30 Mbps\*\*
- 50 Mbps\*\*
- 100 Mbps\*\*



# Roll-out strategy: Fibre closer to customers and efficient deployment of technologies

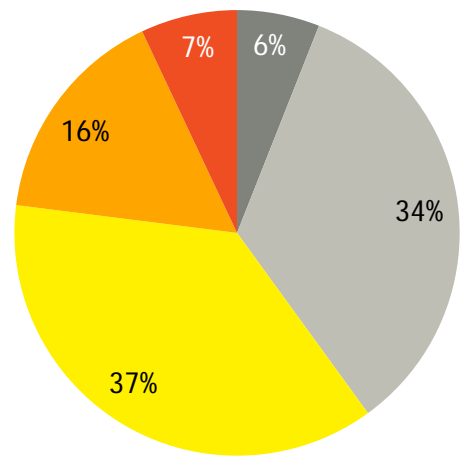
## High bandwidth strategy

**Dense-Urban**

- > Opportunistic FTTB/H-Rollout
- > 17% penetration

**Urban - City Center**

- > Opportunistic FTTB/H-Rollout
- > Otherwise FTTC-Rollout
- > 20% penetration



Household distribution in Austria

**Highly remote**

- > No fibre Rollout
- > LTE
- > SAT
- > 43% penetration

**Rural Areas**

- > FTTC-Rollout Push with subsidies
- > 42% penetration

**Suburban - Periphery**

- > FTTC-Rollout Push
- > Then, further concentration with FTTC
- > 30% penetration

FTTC...Fibre to the Curb  
 FTTB...Fibre to the Building  
 FTTH...Fibre to the Home  
 Penetration refers to % of households with Telekom Austria's broadband service  
 Source: Telekom Austria





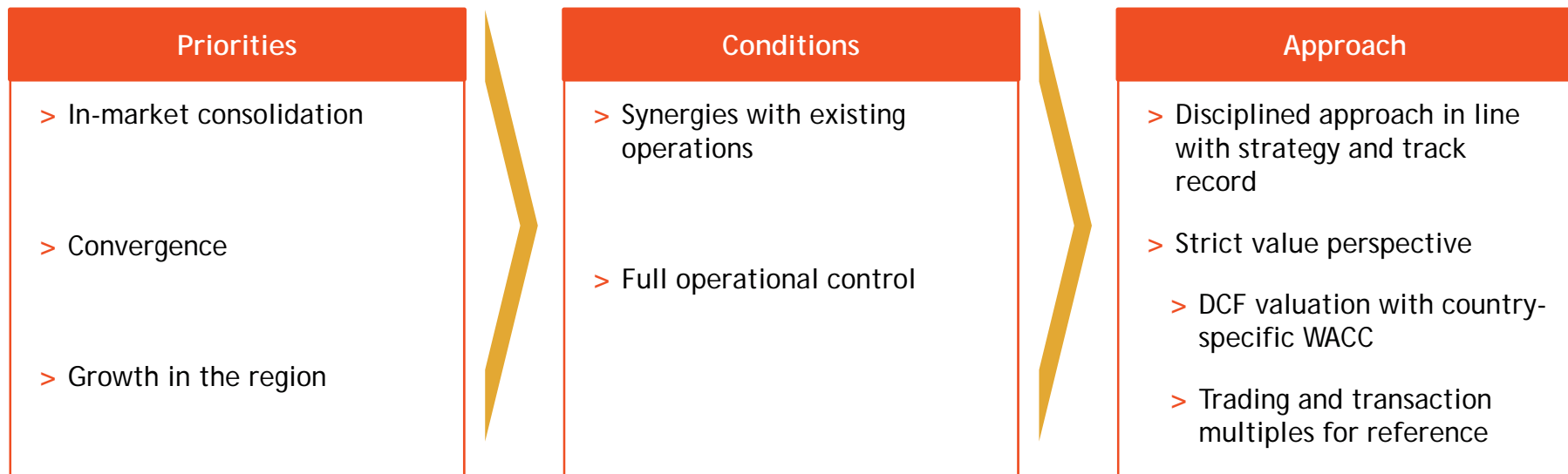
## Accelerated fibre roll-out 2015 - 2018

- > Total CAPEX budget for accelerated fibre roll-out: approx. EUR 400 mn
- > Time horizon of accelerated roll-out: 2015 - 2018
  - > Ramp-up period: 2015 - 2016
- > Necessary conditions:
  - > Continuation of favourable demand development
  - > No adverse market development
  - > Availability of necessary planning and building permits
  - > Government implementing announced broadband subsidy program of EUR 300 mn for 2016
  - > Annual budget approval



# Continuation of existing M&A strategy

- > We evaluate strategic opportunities in line with our stated strategy and with the overall aim to maintain current investment-grade rating



# Q&A