



Results for the Second Quarter 2012

Vienna, 16 August 2012

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 Second Quarter 2012
 - > Key Financial Developments in the Second Quarter 2012
 - > Key Challenges and Countermeasures
 - > Outlook for Full Year 2012
 - > Appendix
-

Operational and Financial Highlights for the Second Quarter 2012

Disruptive Competition Drives Decline in Results

- > Second quarter 2012 results markedly impacted by heavy competition in major markets and macro-economic headwinds in CEE
- > Stable Group EBITDA comparable margin reflects effective countermeasures taken in all segments
- > Group Revenues decline by 4.2% to EUR 1,063.2 mn mostly due to lower revenues in the Austrian Segment
- > Intensified focus on cost control limits Group EBITDA comparable decline to 4.2%
- > New Ambition Program: rebalancing of initiatives protects target amount of approximately EUR 40 mn opFCF* target for 2012
- > Revised Group guidance 2012:
 - > Revenues: approximately EUR 4.2 bn,
 - > EBITDA comparable: EUR 1.40 bn to EUR 1.45 bn,
 - > CAPEX**: EUR 0.70 bn to EUR 0.75 bn,
 - > Operating Free Cash Flow*: EUR 0.70 bn - EUR 0.75 bn
- > Dividend per share of EUR 0.38 for 2012***

* Operating Free Cash Flow = EBITDA comparable - CAPEX (excluding investments for licenses and spectrum and acquisitions)

** Does not include investments for licenses and spectrum and acquisitions

*** Intension of proposal at AGM 2013



Key Operational Drivers



- > Revenue growth in three segments mitigates declines in Austria and Bulgaria
- > Successful convergence strategy balances mobile pressure in Austria, Bulgaria and Croatia
- > Strong operational performance offsets foreign exchange effects in Belarus
- > EUR 39.5 mn OPEX savings protect EBITDA comparable margin
- > Ample CAPEX flexibility to protect operating free cash flow target

- > Disruptive competition drives ARPU decline in major markets
- > Regulation impedes fixed line price increases in Austria
- > 59.4% MTR cuts in Bulgaria in the second half of 2012
- > Usage impacted by continued macro-economic headwinds in CEE, particularly in Bulgaria
- > Foreign exchange uncertainty remains in Belarus and Republic of Serbia

Key Financial Developments in the Second Quarter 2012

Continued Focus on Cost Control Protects EBITDA Comparable Margin

(in EUR million)	Q2 2012	Q2 2011	% change
Revenues	1,063.2	1,109.3	-4.2%
EBITDA comparable*	364.8	380.8	-4.2%
<i>EBITDA comparable margin*</i>	<i>34.3%</i>	<i>34.3%</i>	
Restructuring	-6.6	-34.6	-80.8%
Impairment and reversal of impairment	0.0	0.0	n.a.
EBITDA (incl. Effects from Restructuring and Impairment tests)	358.2	346.3	3.4%
<i>EBITDA (incl. Effects from Restructuring and Impairment tests) margin</i>	<i>33.7%</i>	<i>31.2%</i>	
Depreciation & amortization	-259.0	-261.3	-0.9%
Operating income	99.1	85.0	16.6%
Financial result	-55.1	-53.6	2.9%
Income before income taxes	44.0	31.4	40.2%
Income tax expense	-9.9	-11.4	-12.9%
Net income / Net loss	34.0	20.0	70.5%

- > Revenue increase in Croatia, Belarus and Additional Markets limits impact of revenue decline in Austria and Bulgaria
- > Fixed line acquisitions in Bulgaria and Croatia contribute positively
- > EUR 39.5 mn OPEX savings protect EBITDA comparable margin
- > 18 FTE addressed result in restructuring charge of EUR 6.6 mn in Austria
- > Net income rises to EUR 34.0 mn

* Excluding effects from restructuring and impairment tests



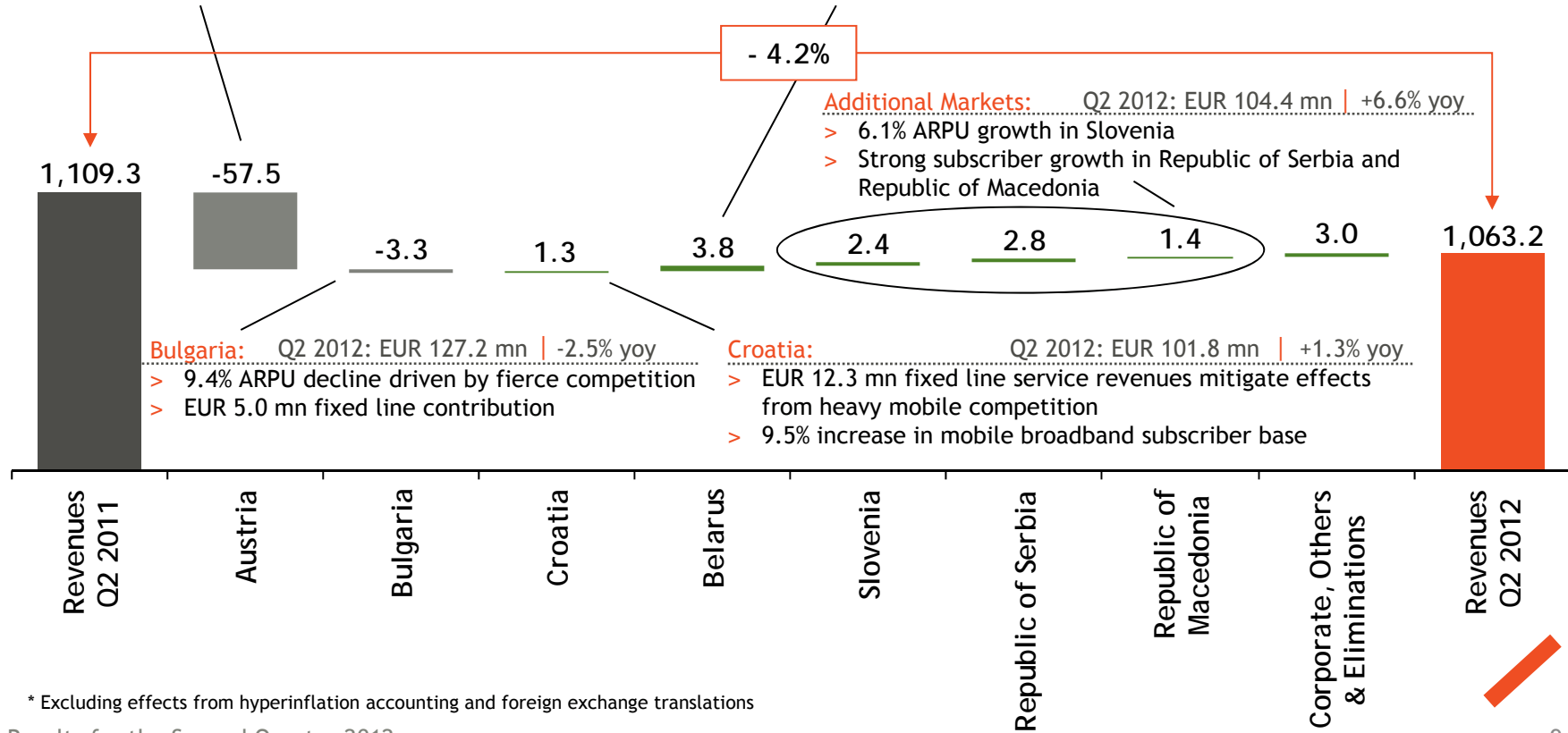
Growth in Three Segments Dampens Revenue Decline in Austria and Bulgaria

Austria Q2 2012: EUR 673.6 mn | -7.9% yoy

- > Price decline and increased churn driven by intensified competition
- > 8.2% of revenue decline attributable to regulatory effects
- > EUR 11.5 mn decrease due to sale of Mass Response Service GmbH in Q3 2011

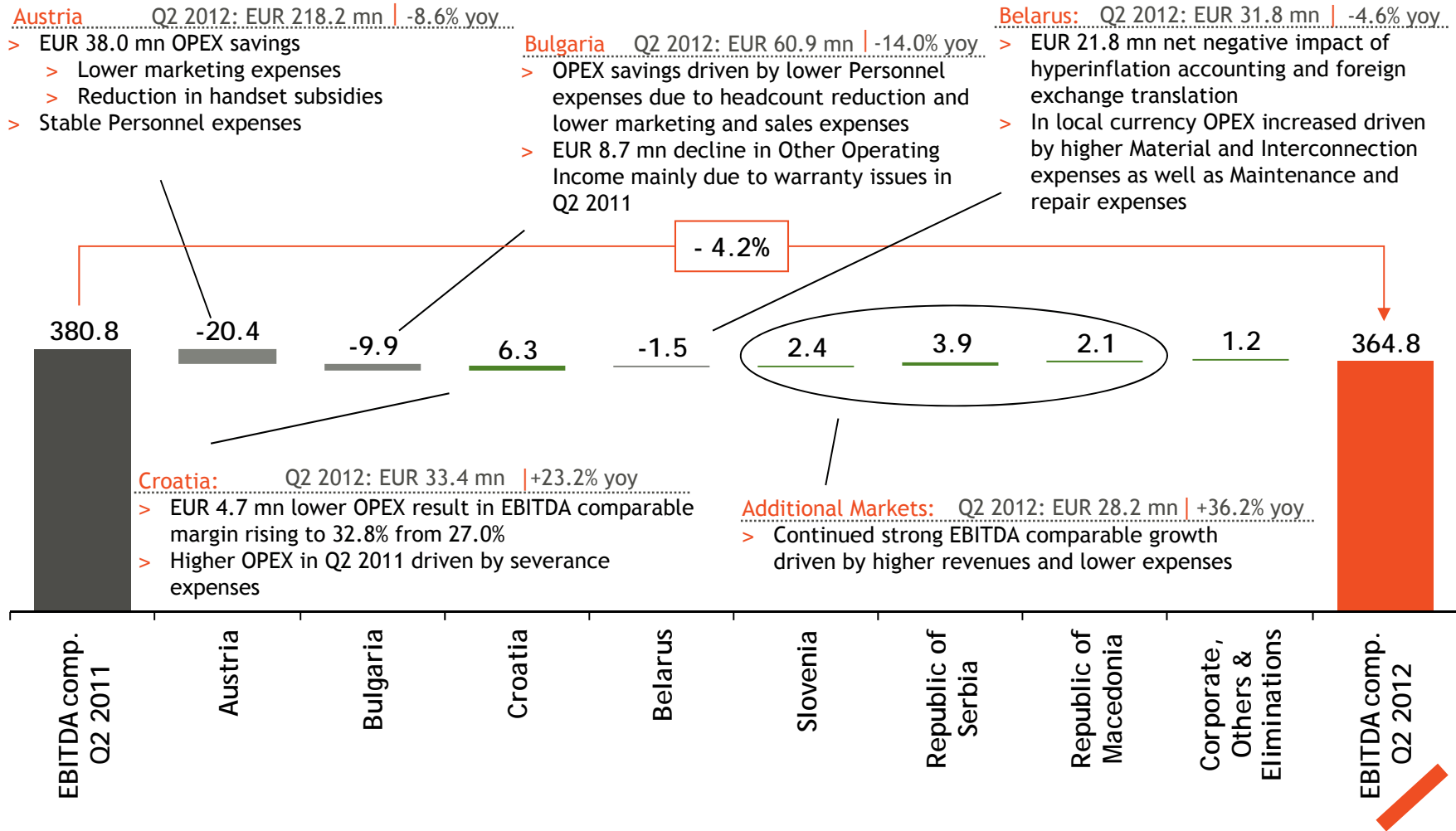
Belarus: Q2 2012: EUR 76.7 mn | +5.2% yoy

- > 5.2% growth despite net negative impact of hyperinflation accounting and foreign exchange translation
- > Price increases, optimization of tariff and handset portfolio and higher usage result in revenue growth of 71.5% on a clean basis*
- > 108.9% rise in mobile broadband subscriber base

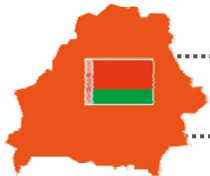


* Excluding effects from hyperinflation accounting and foreign exchange translations

EUR 39.5 mn Group OPEX Savings Protect Profitability

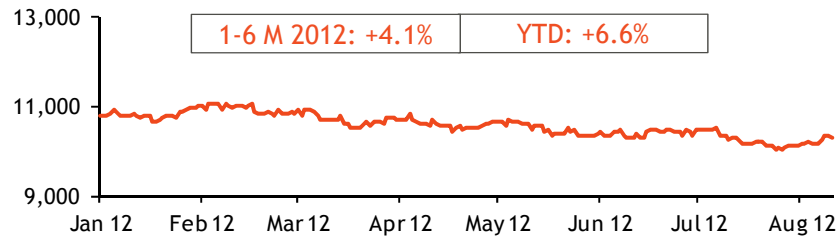


Stable BYR Development Whilst Serbian Dinar Loses 10.9% Year-to-Date



Belarus

EUR-BYR Development



Accumulated Inflation Development in Belarus

	1-3 M	1-6 M	1-9 M	1-12 M
2011	6,1%	36,2%	74,5%	108,7%
2012	5,00%	10,50%		

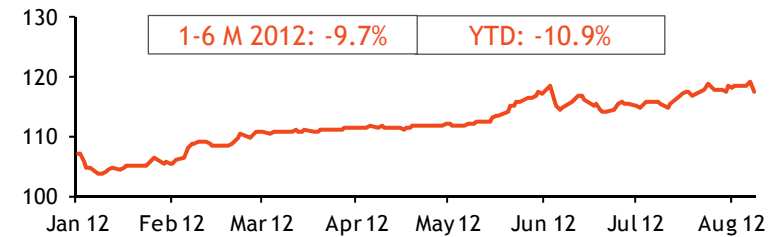
> Approx. 30% expected by the end of 2012*

* Source: Moody's
Results for the Second Quarter 2012



Republic of Serbia

EUR-RSD Development



> Q2 2012: EUR 5.1 mn effect on revenues and EUR 1.4 mn on EBITDA comparable



Working Capital Savings Offset Lower Gross Cash Flow and CAPEX Increase

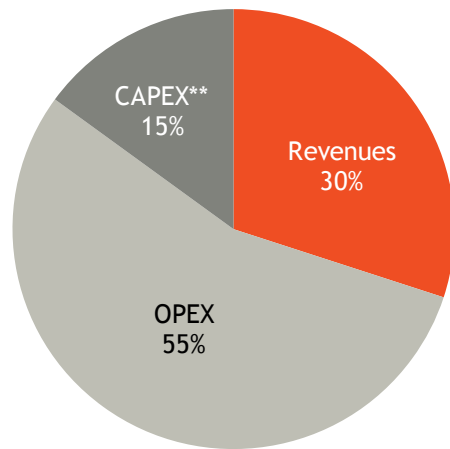
(in EUR million)	Q2 2012	Q2 2011	% change	1-6 M 2012	1-6 M 2011	% change
Gross cash flow	304.1	350.6	-13.3%	631.0	686.4	-8.1%
Change in working capital	-21.3	-38.0	-43.9%	-155.7	-223.3	-30.2%
Ordinary capital expenditures	-185.1	-156.7	18.1%	-330.9	-277.1	19.4%
Proceeds from sale of equipment	0.8	-0.3	n.a.	2.1	1.0	110.3%
Free cash flow	98.4	155.5	-36.7%	146.5	187.0	-21.7%
Free cash flow per share	0.22	0.35	-36.7%	0.33	0.42	-21.7%

- > Lower gross cash flow reflects operational challenges
 - > Key non-cash adjustment being lower expenses for provisions for restructuring
- > Lower cash requirements for working capital mainly due to increase in accounts payable and other liabilities
- > Increase in CAPEX remains driven by planned mobile access investments and Gigaset rollout in Austria

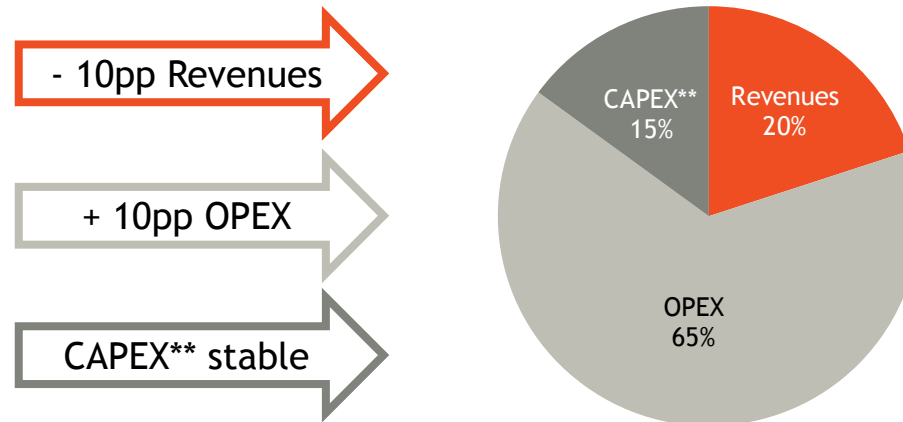
Key Challenges and Countermeasures

Rebalancing of New Ambition Program Ensures that EUR 40 mn opFCF* Target for 2012 is Met

Initial NAP



Rebalanced NAP



Further OPEX savings to offset pressure on revenue initiatives

* Operating Free Cash Flow = EBITDA comparable - CAPEX (excluding investments for licenses and spectrum and acquisitions)

** Does not include investments for licenses and spectrum and acquisitions

Austrian Segment: Convergence and Cost Countermeasures to Meet Aggressive Competition

Challenges

- > Accelerated ARPU decline due to price decline and migration to mobile package tariffs
- > Bundle price increases impeded due to competition law*
- > Fierce competition prohibits mobile price increases*
- > Compulsory data bill shock prevention





Key Countermeasures for the Second Half 2012

Convergence	Focus on up-/cross selling of convergent bundles
Marketing and Sales expenses	45% of service revenue decline compensated by additional cost saving measures: <ul style="list-style-type: none">> Marketing and sales expenses> Technical and overhead costs
CAPEX**	Project portfolio screening, adjusted rollout and vendor negotiations

* Included in NAP

** Does not include investments for licenses and spectrum and acquisitions

Central and Eastern Europe: Competition and Macro-Economy Remain Key Challenges

Bulgaria	Croatia	Additional Markets
<ul style="list-style-type: none">> ARPU pressure> Price aggression> Migration to lower tariffs> Approx. 60% MTR cuts in H2	<ul style="list-style-type: none">> Accelerated ARPU decrease from aggressive All-In tariffs> Fierce price competition in business segment	<ul style="list-style-type: none">> FX pressure on Serbian results> Market potential for data products lagging behind 
Countermeasures		
<ul style="list-style-type: none">> Additional roaming price increases in Slovenia > New installation fee and 60/60 charging in Bulgaria > Marketing and sales expenses savings in all markets> Reduction of Personnel expenses in Bulgaria> Focus on cost reduction with immediate impact (e.g. administration or project related costs) > Slowdown of RAN modernization> Reduced 2G rollout in Republic of Serbia due to prolongation of national roaming in peripheral regions		

 Included in NAP

Outlook

Telekom Austria Group Outlook for Full Year 2012 Adapted to Second Quarter 2012 Results

Telekom Austria Group - Full Year 2012

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

	As of 10 May 2012	As of 16 August 2012
Revenues	approx. EUR 4.4 bn	approx. EUR 4.2 bn
EBITDA comparable	approx. EUR 1.5 bn	EUR 1.40 bn - EUR 1.45 bn
CAPEX*	approx. EUR 0.75 bn	EUR 0.70 bn - EUR 0.75 bn
Operating Free Cash Flow**	approx. EUR 0.75 bn	EUR 0.70 bn - EUR 0.75 bn
Dividend***	DPS of EUR 0.38 for 2012	DPS of EUR 0.38 for 2012

* Does not include investments for licenses and spectrum and acquisitions

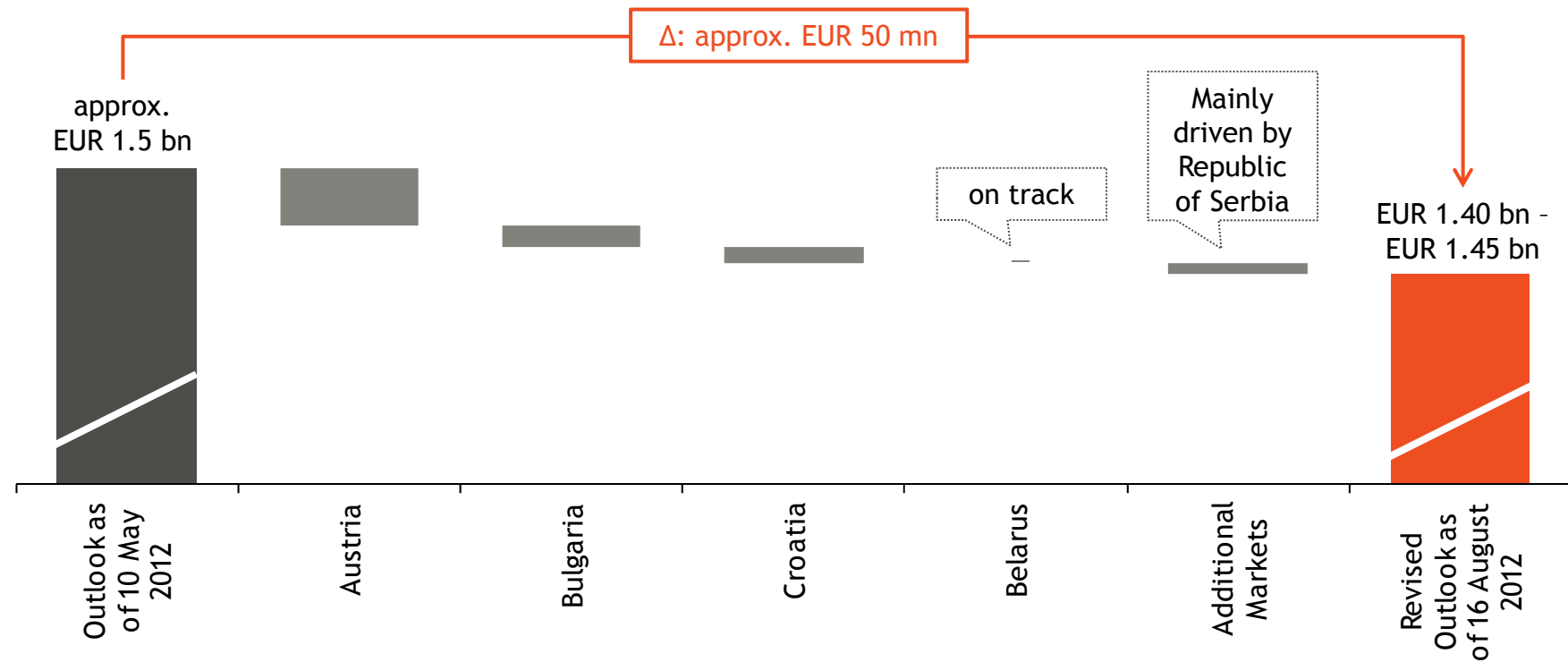
** Operating Free Cash Flow = EBITDA comparable - CAPEX (excluding investments for licenses and spectrum and acquisitions)

*** Intension of proposal at AGM 2013

Results for the Second Quarter 2012

Intensified Cost Control Mitigates Effects from Revenue Pressure on EBITDA Comparable

Revised EBITDA Comparable Outlook



Appendix 1

Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (in EUR million)	Q2 2012	Q2 2011	% change
Monthly fee and traffic	476.5	511.5	-6.8%
Data and ICT Solutions	50.9	49.5	2.8%
Wholesale (incl. Roaming)	38.0	44.3	-14.3%
Interconnection	81.4	86.7	-6.1%
Equipment	23.2	24.1	-3.6%
Other revenues	3.6	15.0	-76.0%
Total revenues - Segment Austria	673.6	731.1	-7.9%









Revenue Split - International Operations (in EUR million)	Q2 2012	Q2 2011	% change
Monthly fee and traffic	302.3	294.3	2.7%
Data and ICT Solutions	0.0	0.1	-73.7%
Wholesale (incl. Roaming)	10.5	13.1	-19.9%
Interconnection	63.5	62.8	1.2%
Equipment	29.0	25.7	12.9%
Other revenues	3.2	3.5	-8.9%
Total revenues - int. Operations	408.6	399.5	2.3%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (in EUR million)	Q2 2012	Q2 2011	% change
Material expense	55.0	62.3	-11.6%
Employee costs	167.6	169.2	-0.9%
Interconnection	75.4	81.3	-7.2%
Maintenance and repairs	28.3	29.6	-4.1%
Services received	28.9	40.9	-29.2%
Other support services	36.5	34.3	6.2%
Other	86.3	98.7	-12.6%
Total OPEX - Segment Austria	478.0	516.1	-7.4%

Operating Expense - International Operations (in EUR million)	Q2 2012	Q2 2011	% change
Material expense	39.6	37.4	5.8%
Employee costs	33.0	37.9	-13.0%
Interconnection	54.4	53.6	1.4%
Maintenance and repairs	16.2	13.5	19.6%
Services received	27.6	25.1	10.0%
Other support services	4.1	3.5	15.8%
Other	83.9	90.1	-6.9%
Total OPEX - int. Operations	258.7	261.2	-1.0%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q2 2012	Q2 2011	% change
	Austria	5,288	5,176	2.2%
	Market share	39.3%	40.8%	
	Bulgaria	5,532	5,295	4.5%
	Market share	47.7%	49.3%	
	Croatia	1,977	2,039	-3.0%
	Market share	38.6%	38.8%	
	Belarus	4,679	4,461	4.9%
	Market share	43.0%	40.8%	
	Slovenia	646	633	2.1%
	Market share	29.9%	29.9%	
	Republic of Serbia	1,687	1,506	12.0%
	Market share	16.5%	14.7%	
	Republic of Macedonia	601	505	19.0%
	Market share	26.0%	22.7%	
	Liechtenstein	6	7	-7.2%
	Market share	15.9%	20.5%	

Telekom Austria Group - Headcount Development

FTE (Average period)	Q2 2012	Q2 2011	% change
Austria	9,308	9,506	-2.1%
International	7,443	7,439	0.1%
Telekom Austria Group*	16,908	17,106	-1.2%

FTE (End of period)	Q2 2012	Q2 2011	% change
Austria	9,300	9,372	-0.8%
International	7,340	7,502	-2.1%
Telekom Austria Group*	16,797	17,032	-1.4%

*Including corporate segment

Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (in EUR million)	Q2 2012	Q2 2011	% change
Segment Austria	121.2	114.6	5.8%
Segment Bulgaria	16.2	16.7	-3.1%
Segment Croatia	16.8	8.8	91.0%
Segment Belarus	7.4	4.4	68.1%
Segment Additional Markets	23.5	12.3	91.4%
<i>Slovenia</i>	4.1	2.1	93.5%
<i>Republic of Serbia</i>	17.6	8.9	98.1%
<i>Republic of Macedonia</i>	1.7	1.1	59.6%
<i>Liechtenstein</i>	0.1	0.2	-56.1%
<i>Eliminations additional markets</i>	0.0	0.0	n.a.
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	185.1	156.7	18.1%
Thereof tangible	154.0	124.3	23.9%
Thereof intangible	31.2	32.5	-4.0%

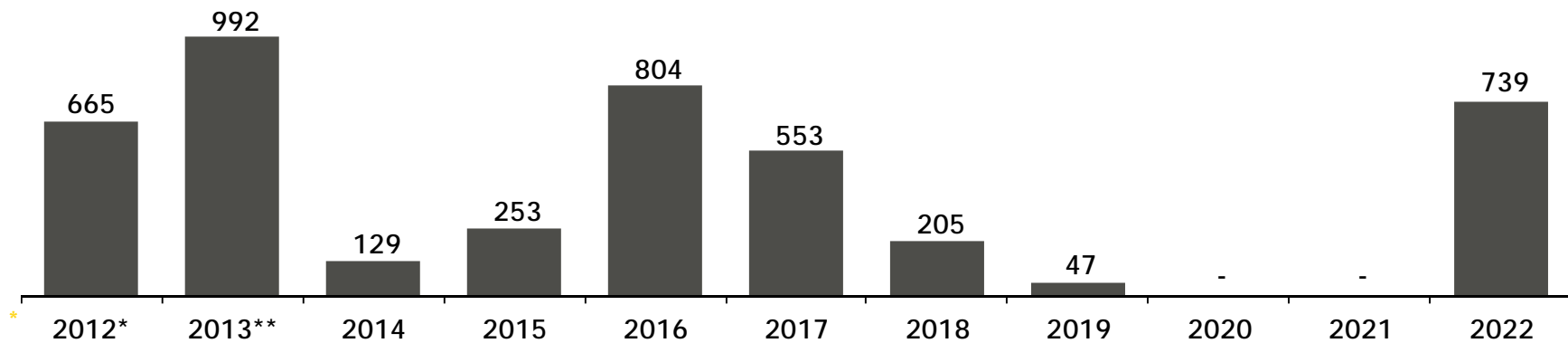
Telekom Austria Group - Net Debt

Net debt (in EUR million)	Jun. 30, 2012	Dez. 31, 2011	% change
Long-term debt	3,668.2	2,960.4	23.9%
Short-term borrowings	718.7	1,052.4	-31.7%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-1,008.4	-657.7	53.3%
Derivate financial instruments for hedging purposes	39.0	25.2	54.9%
Net Debt of Telekom Austria Group	3,417.4	3,380.3	1.1%
EBITDA comparable (last 12 months)	1,476.0	1,527.3	-3.4%
Net Debt/ EBITDA comparable (last 12 months)	2.3x	2.2x	n.a.

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile

(in EUR million)



* Includes EUR 1.8 mn related to fixed line acquisitions in Bulgaria, which is reported in Other liabilities

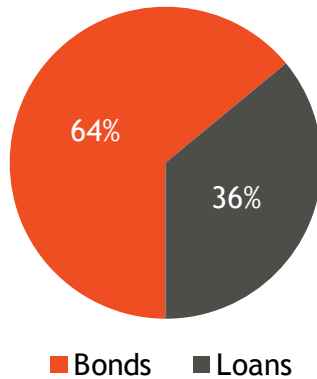
** Includes approx. EUR 30.0 mn related to velcom, which is reported in Other liabilities

- > EUR 4,386.8 mn of short- and long-term borrowings as of 30 June 2012
- > Average cost of debt of approximately 4.4%
- > Cash and cash equivalents of EUR 306.6 mn

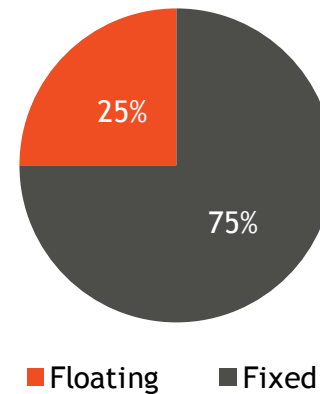


Telekom Austria Group - Debt Profile

Overview Debt Instruments



Fixed-Floating Mix



Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 935.0 mn*
- > Average term to maturity of approximately 4.5 years*

Ratings

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

* As of 31 July 2012



Belarus: Impact of Hyperinflation Accounting and FX Translations in Second Quarter 2012

Belarus Profit and Loss Statement for the Second Quarter 2012

(in EUR million)	Excluding Hyperinflation and FX in Belarus	Hyperinflation and FX Effects in Belarus	Impairment	Reported
Revenues	125.1	-48.4	0.0	76.7
Other operating income	2.1	-0.9	0.0	1.2
Operating expenses	-73.6	27.4	0.0	-46.1
Impairment	0.0	0.0	0.0	0.0
Depreciation and amortization	-14.0	-11.7	0.0	-25.7
Financial result	1.9	0.4	0.0	2.3
Income taxes	-3.9	2.9	0.0	-1.0
Net income	37.7	-30.3	0.0	7.4

Belarus Balance Sheet as of 30.06.2012

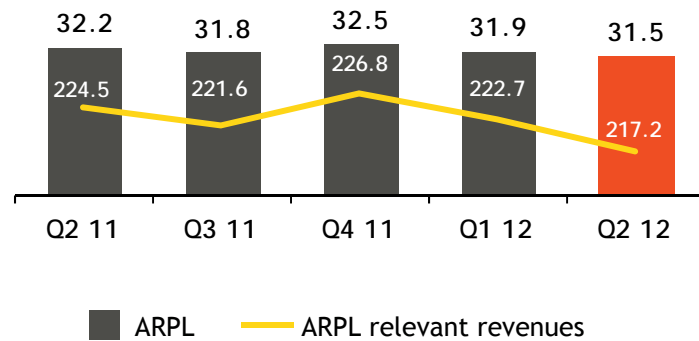
(in EUR million)	Excluding Hyperinflation	Hyperinflation	Impairment*	Reported
Goodwill	97.5	181.5	-279.0	0
Current and other non-current assets	261.4	345.2	0.0	606.6
Current and non-current liabilities	-63.5	-62.1	0.0	-125.7
Stockholders' Equity	295.4	464.6	-279.0	480.9

* Cumulated hyperinflation effects as of first application of IAS 29 in fourth quarter 2011

Segment Austria - Fixed Line Key Performance Indicators

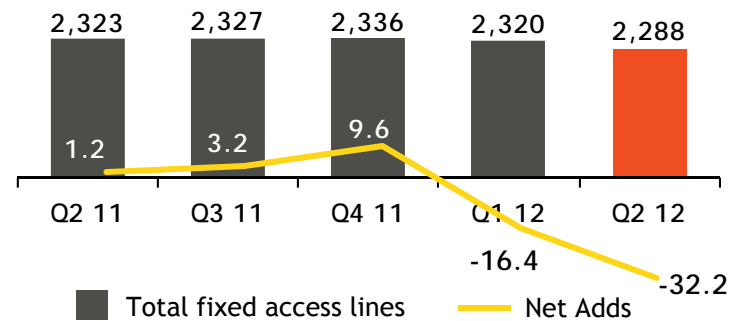
ARPL & ARPL Relevant Revenues

(in EUR)



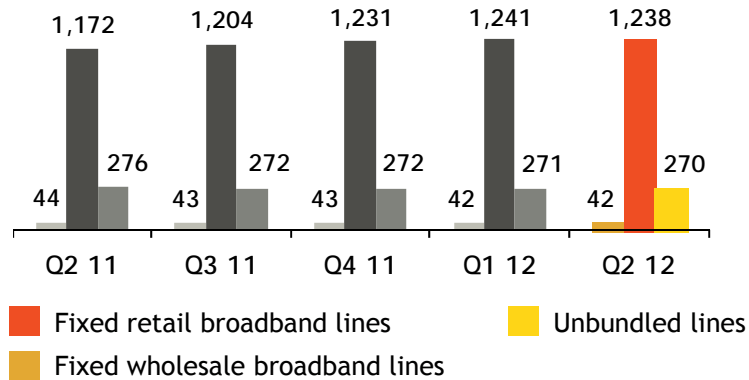
Total Fixed Access Lines & Net Adds

(in 000)



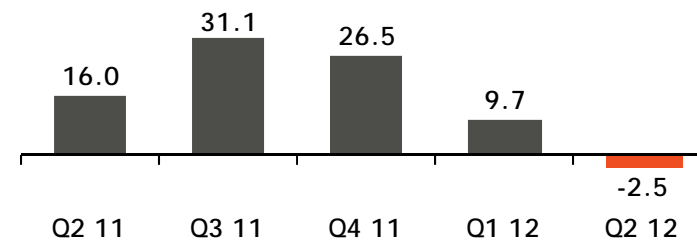
Fixed Broadband Access Lines

(in 000)



Fixed Broadband Net Adds incl. Wholesale

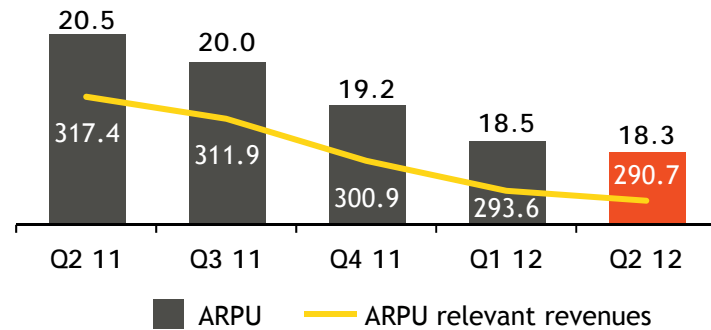
(in 000)



Segment Austria - Mobile Key Performance Indicators

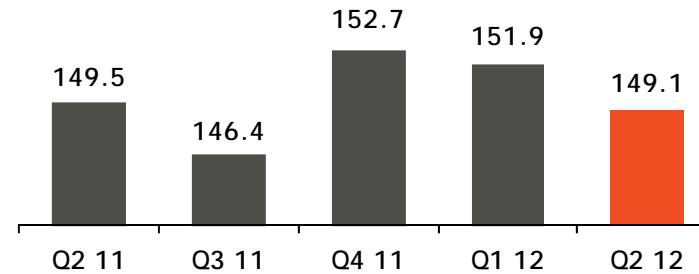
ARPU & ARPU Relevant Revenues

(in EUR)



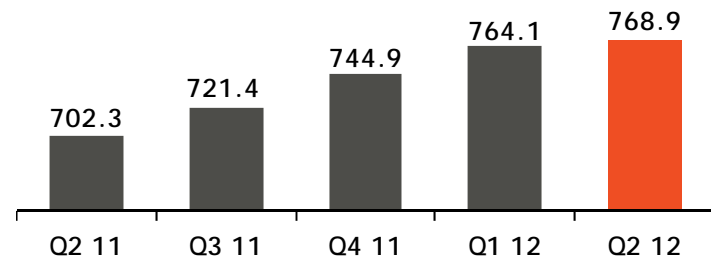
MoU per Subscriber

(in min)



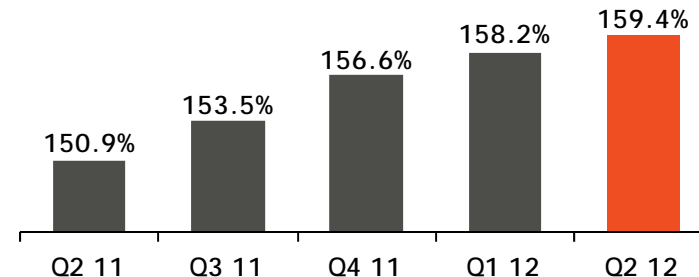
Mobile Broadband Customers

(in 000)



Mobile Penetration

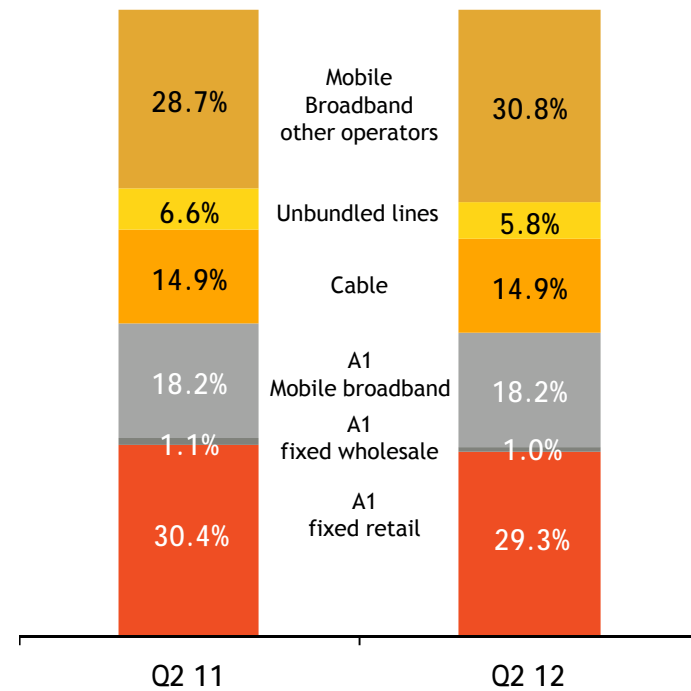
(in %)



Segment Austria - Broadband Market Split

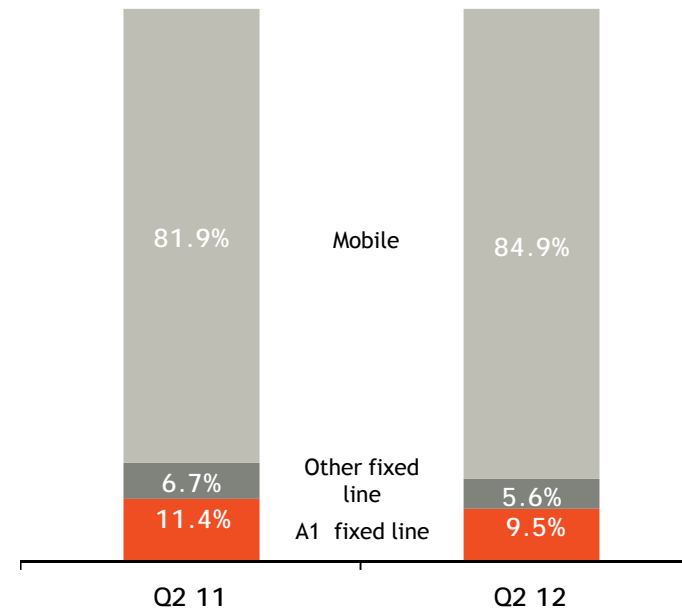
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

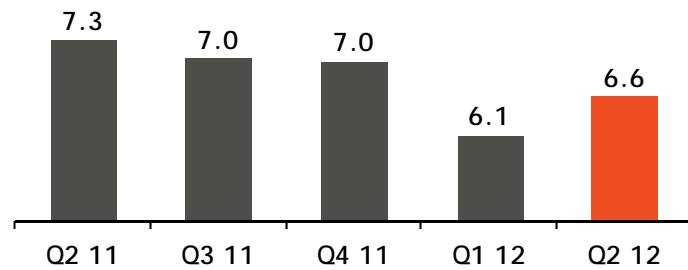
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

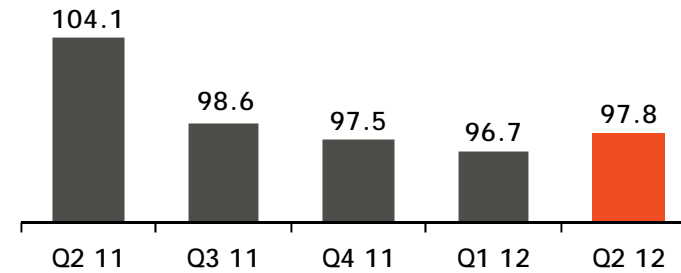
ARPU

(in EUR)



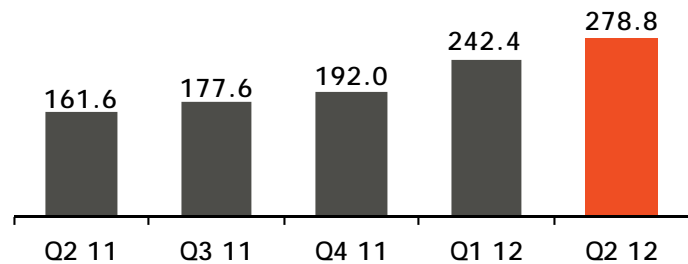
MoU per Subscriber

(in min)



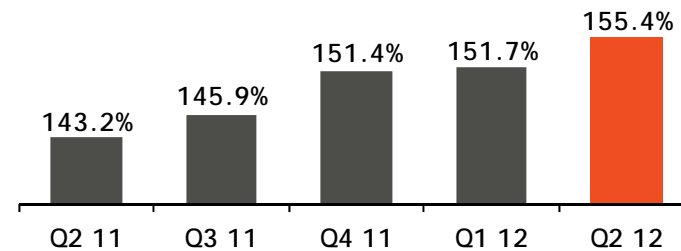
Mobile Broadband Customers

(in 000)



Mobile Penetration

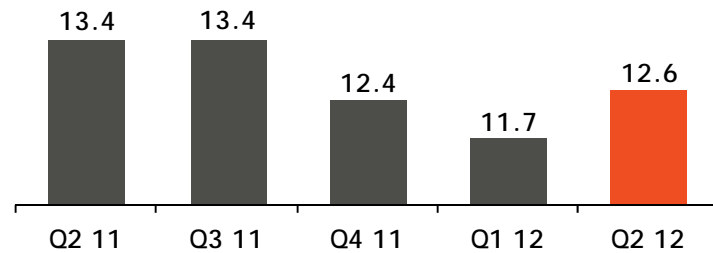
(in %)



Segment Croatia - Mobile Key Performance Indicators

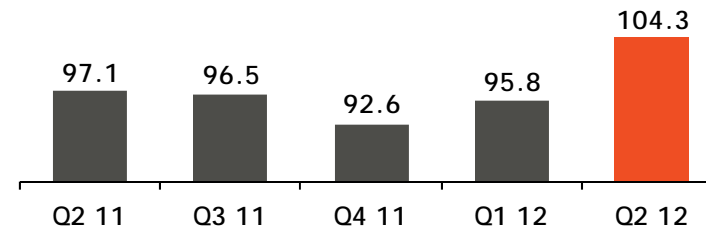
ARPU*

(in EUR)



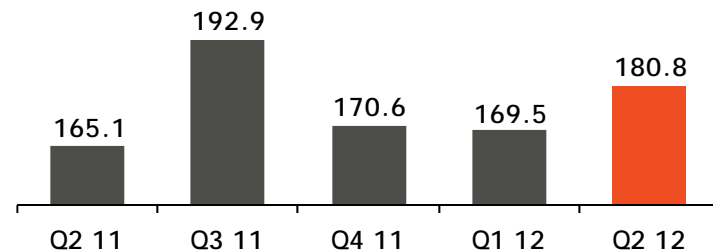
MoU per Subscriber*

(in min)



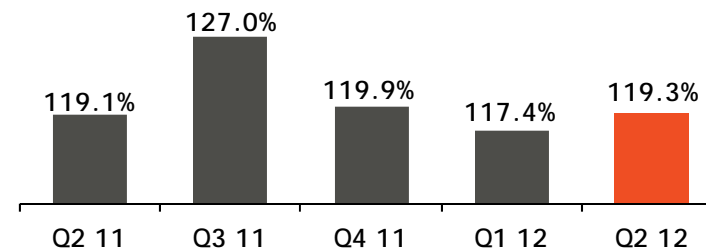
Mobile Broadband Customers*

(in 000)



Mobile Penetration*

(in %)



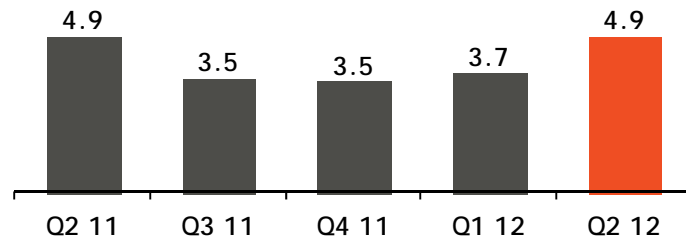
* As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011. The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.



Segment Belarus - Mobile Key Performance Indicators

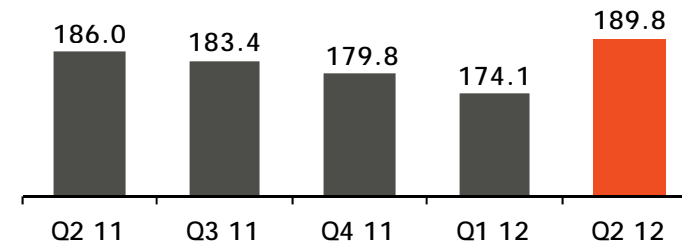
ARPU

(in EUR)



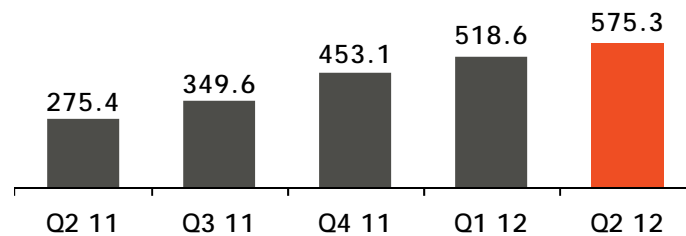
MoU per Subscriber

(in min)



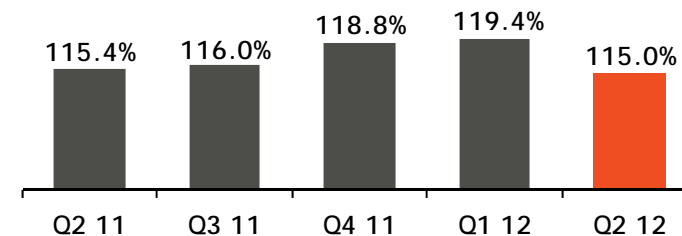
Mobile Broadband Customers

(in 000)



Mobile Penetration

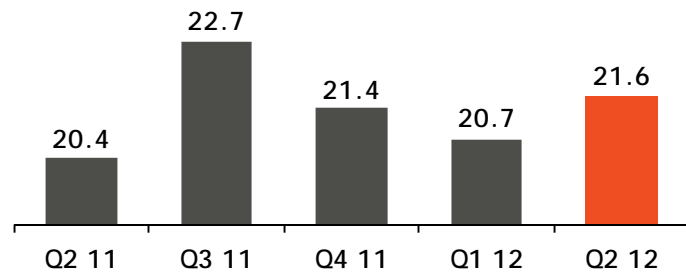
(in %)



Segment Additional Markets - Mobile Key Performance Indicators

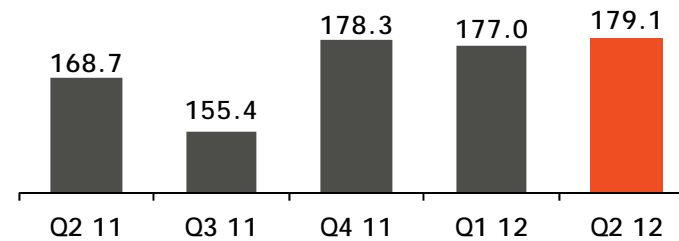
Slovenia - ARPU

(in EUR)



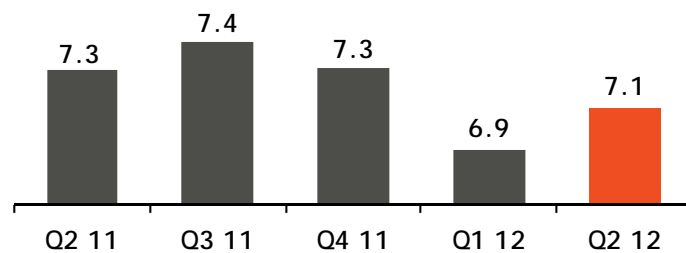
Slovenia - MoU per Subscriber

(in min)



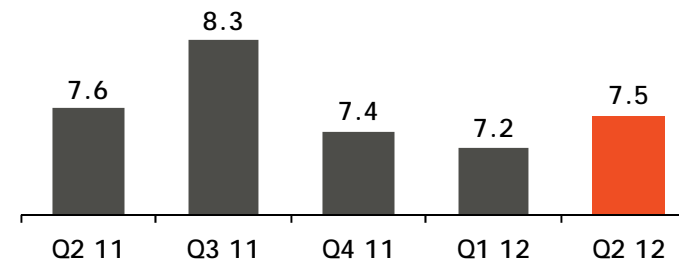
Republic of Serbia - ARPU

(in EUR)



Republic of Macedonia - ARPU

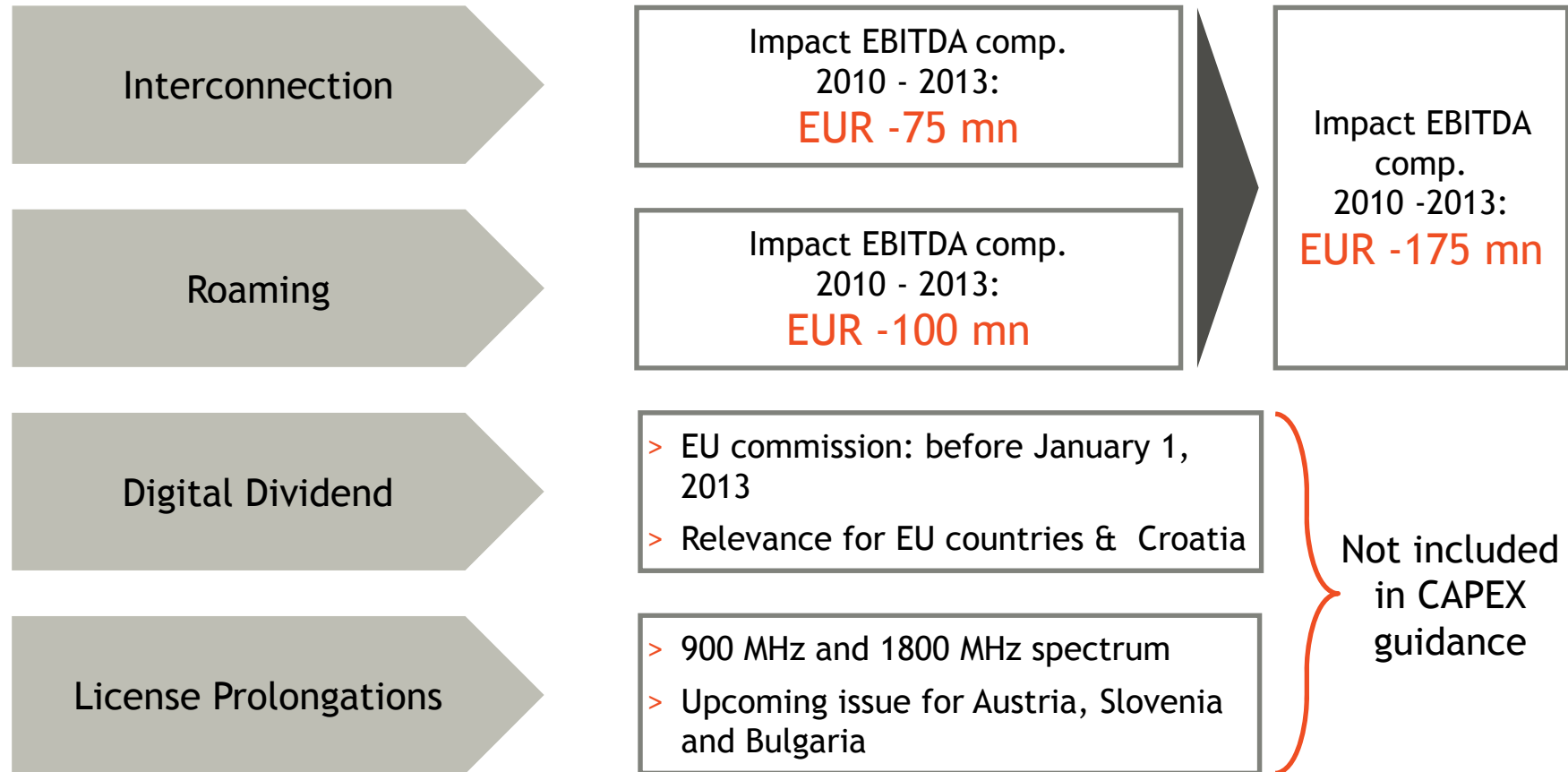
(in EUR)



Appendix 2 – Regulatory Topics

Negative Impact of Approx. EUR 175 mn on EBITDA Comparable Expected until 2013*

Key Points



*as of December 2010

Glide Path of Mobile Termination Rates

	July 2009	January 2010	July 2010	August 2010	January 2011	June 2011	July 2011	August 2011	January 2012	April 2012	July 2012	August 2012	January 2013
Austria	4.00	3.50	3.01		2.51	2.01	market analysis during 2012						
Bulgaria	11.76	10.48	6.65								2.70		2.30*
Croatia	9.10	7.60	7.60		5.30				4.00				
Slovenia	5.23	4.95	4.66		4.38	4.38	4.09		3.81		3.52		3.24
Macedonia	9.50	9.50		8.80				7.50				6.00	
Serbia	5.15	4.82	4.68 (until next price cap)		not clear when next regulatory decision will take place								

*According to CRC's glide path proposal which is currently pending the notification to the European Commission (numbers are given for peak hours)

EU-Roaming Glide Path

	July 2009	July 2010	July 2011
Voice			
Wholesale	0.26	0.22	0.18
Retail active	0.43	0.39	0.35
Retail passive	0.19	0.15	0.11
SMS			
Wholesale	0.04	0.04	0.04
Retail	0.11	0.11	0.11
Data			
Wholesale	1.00	0.80	0.50

Appendix 3 – Personnel Restructuring in Austria

Overview - Restructuring Charges and Provision vs. FTE

Overview Restructuring Charges

(in EUR million)

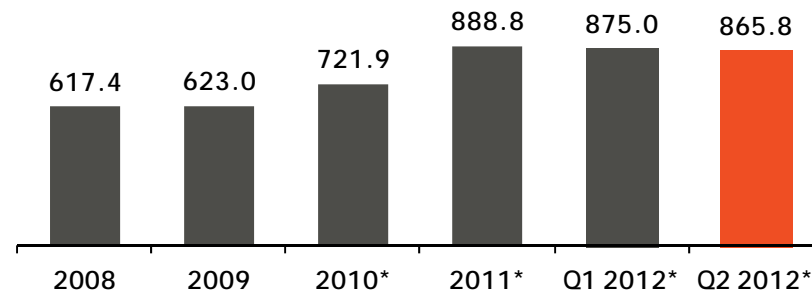
	2008	2009	2010	2011	Q1 2012	Q2 2012
FTE Effect	632.1	-10.0	76.9	233.7	4.4	6.6
Interest rate adjustments	0.0	27.5	47.2	0.0	0.0	0.0
Total	632.1	17.5	124.1	233.7	4.4	6.6

FTEs Addressed

	2008	2009	2010	2011	Q1 2012	Q2 2012
Transfer to government	0	0	158	106	9	18
Social plans	256	451	28	685	0	0
Staff released from work	968	-194	27	0	0	0
Total	1,224	257	213	791	9	18

Overview Restructuring Provision

(in EUR million)



Provisioned FTEs

	2008	2009	2010	2011	Q1 2012	Q2 2012
Transfer to government	0	0	158	264	273	291
Social plans	14	273	299	922	916	908
Staff released from work	968	789	763	649	644	634
Total	982	1,062	1,220	1,835	1,833	1,833

* Including liabilities for transfer of civil servants to government bodies

Overview - Cash Flow Impact of Restructuring

Overview Cash Flow Impact

(in EUR million)

	<u>Total cash flow impact</u>
2008	14.7
2009	62.0
2010	57.9
2011	89.0
Q1 2012	24.3
Q2 2012	21.5

- > Total cash flow impact comprises old as well as new programs
- > Total expected cash flow impact for 2012 of approximately EUR 100 mn

Restructuring - Explanatory Information

- > The following factors have to be taken in account when comparing “FTEs Addressed” to “Provisioned FTEs”:
 - > FTEs of social plans may include receivers of one-time payments such as golden handshakes and can fluctuate due to retirement
 - > Number of staff released from work may fluctuate due to permanent reactivation, acceptance of social plans, transfer to government or retirement
- > In 2009, the following effects were noticeable:
 - > “FTE Effect” of EUR -10.0 mn as income from a reduction of staff released from work outweighed expense for number of new social plans
 - > This was overcompensated by interest rate adjustments and resulted in a total restructuring charge of EUR 17.5 mn
 - > Social plans included a significant number of FTEs accepting one-time payments
- > Previously communicated FTE numbers for 2008 and 2009 were adapted to a unified accounting view

