



Telekom Austria Group Bond Investor Presentation

March, 2012

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Agenda

- > Group Overview
 - > Financial Overview
 - > Focus Points
 - > Financial Policy
 - > Appendix
-

Group Overview

Telekom Austria Group Is a Leading Telco Provider in Fixed and Mobile Market

as of Full Year 2011



- > Mobile market share: 41.0%
- > Access lines: 2.3 mn



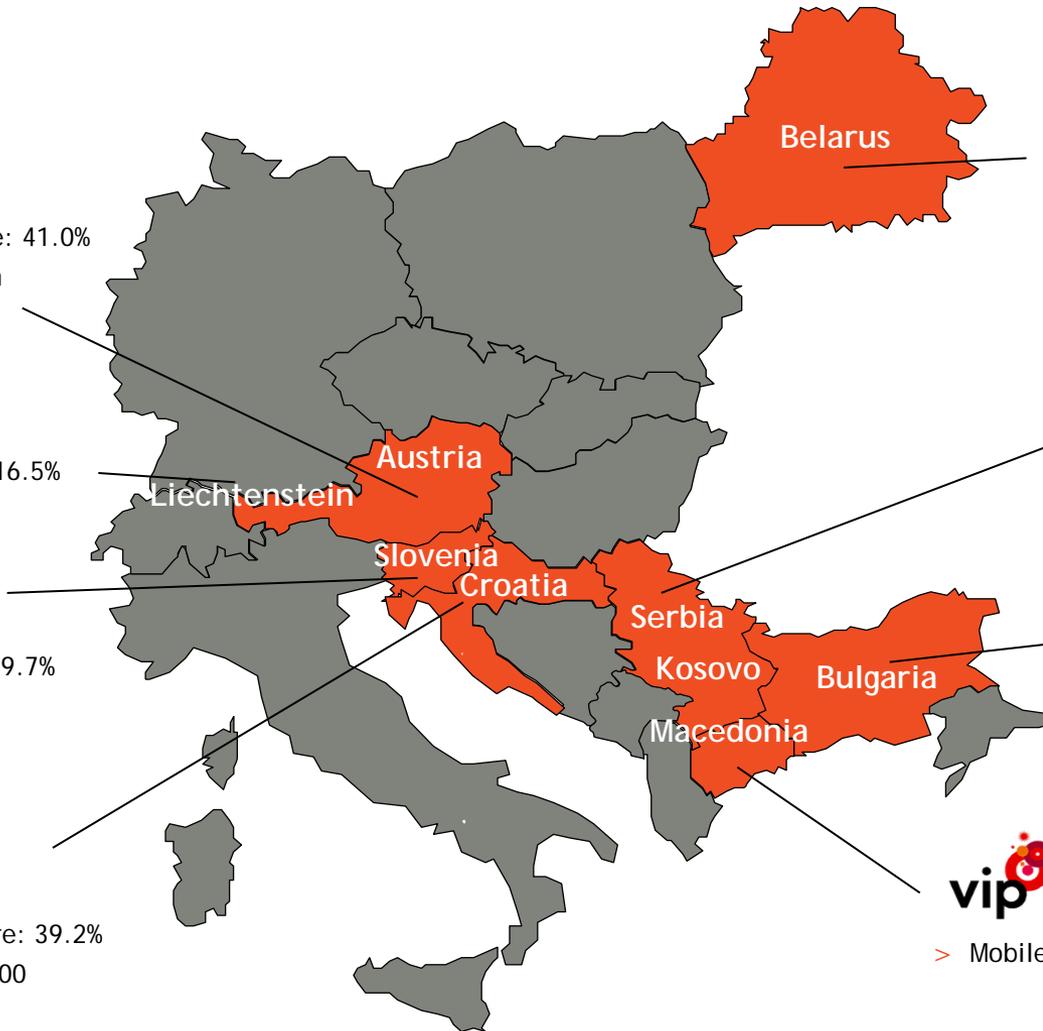
- > Mobile market share: 16.5%



- > Mobile market share: 29.7%



- > Mobile market share: 39.2%
- > Access lines: 143,700



- > Mobile market share: 41.1%



- > Mobile market share: 15.7%

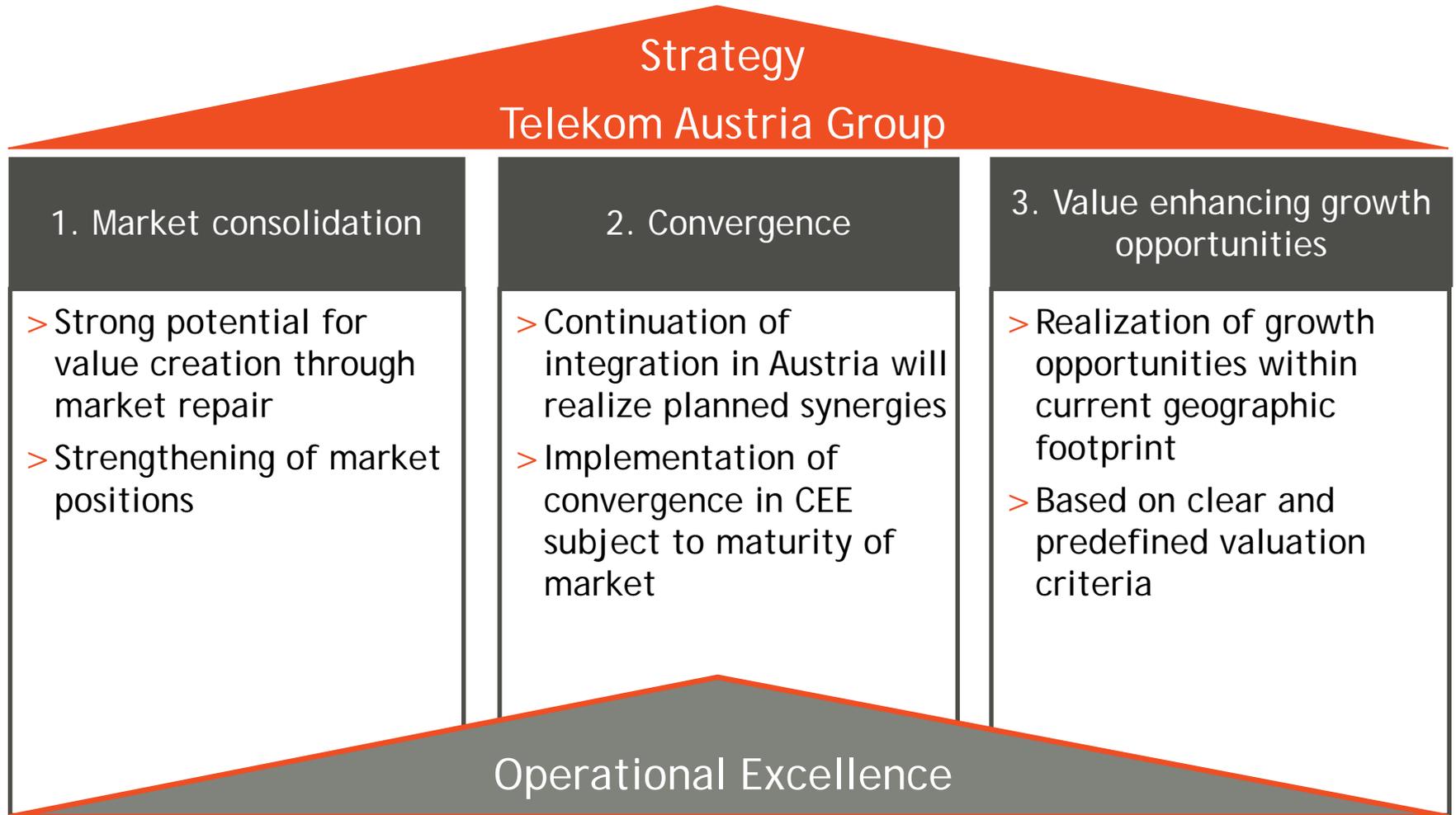


- > Mobile market share: 48.6%
- > Access lines: 128,800



- > Mobile market share: 24.9%

Operational Excellence and Three Strategic Pillars Meet Future Challenges



Financial Overview

Full Year 2011 Results in Line with Guidance*

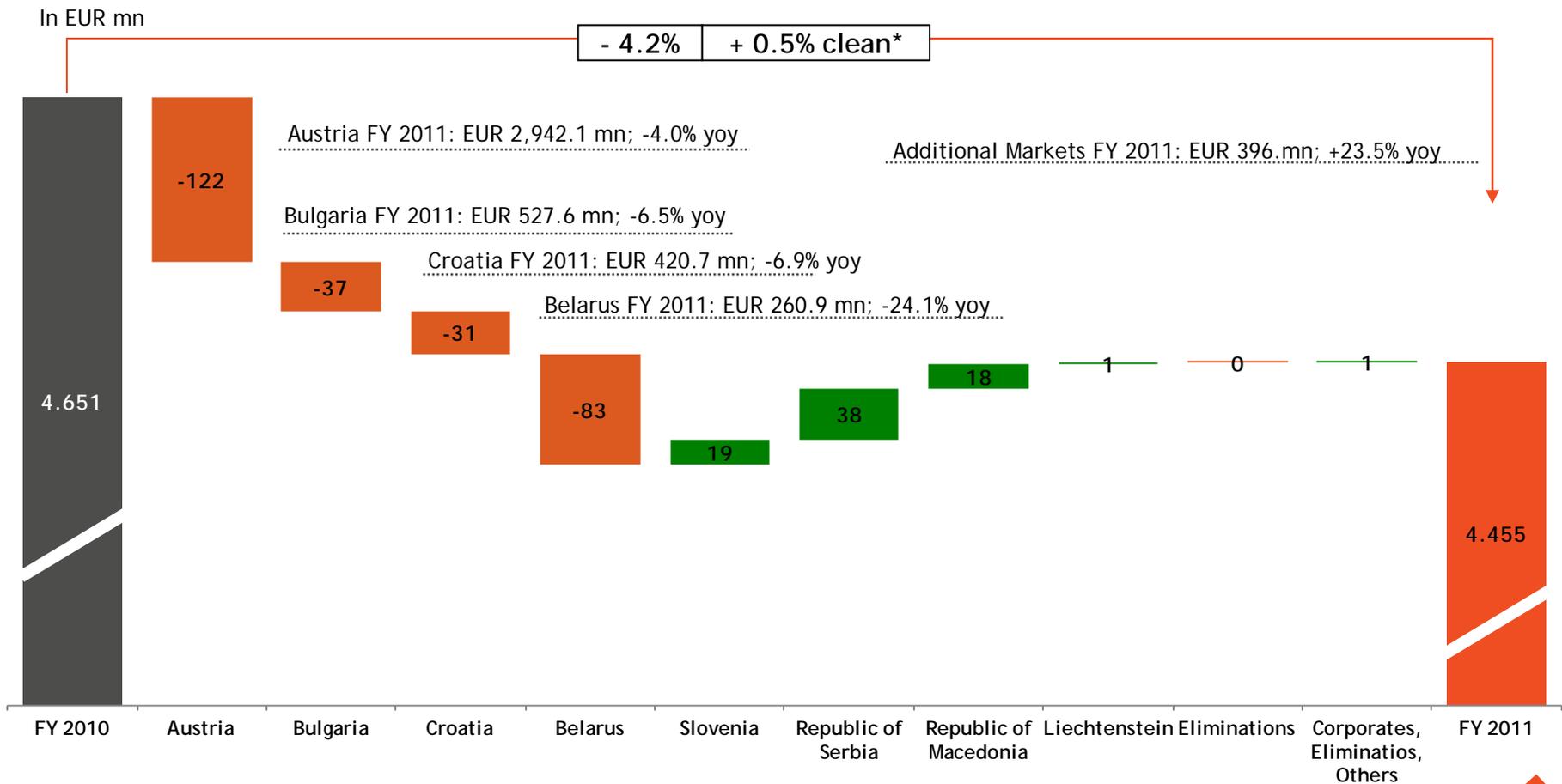
	Guidance	Reported	Hyperinflation and FX in Belarus	Excluding Hyperinflation and FX in Belarus	
Revenues	approx. EUR 4.50 bn	EUR 4.45 bn	EUR 213.6 mn	EUR 4.67 bn	✓
EBITDA comparable	up to EUR 1.55 bn	EUR 1.53 bn	EUR 90.0 mn	EUR 1.62 bn	✓
CAPEX	EUR 0.75 bn - EUR 0.80 bn	EUR 0.74 bn	EUR -9.6 mn**	EUR 0.73 bn	✓
Operating Free Cash Flow***	up to EUR 0.80 bn	EUR 0.79 bn	EUR 99.6 mn	EUR 0.89 bn	✓

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

** Effect from hyperinflation adjustment only

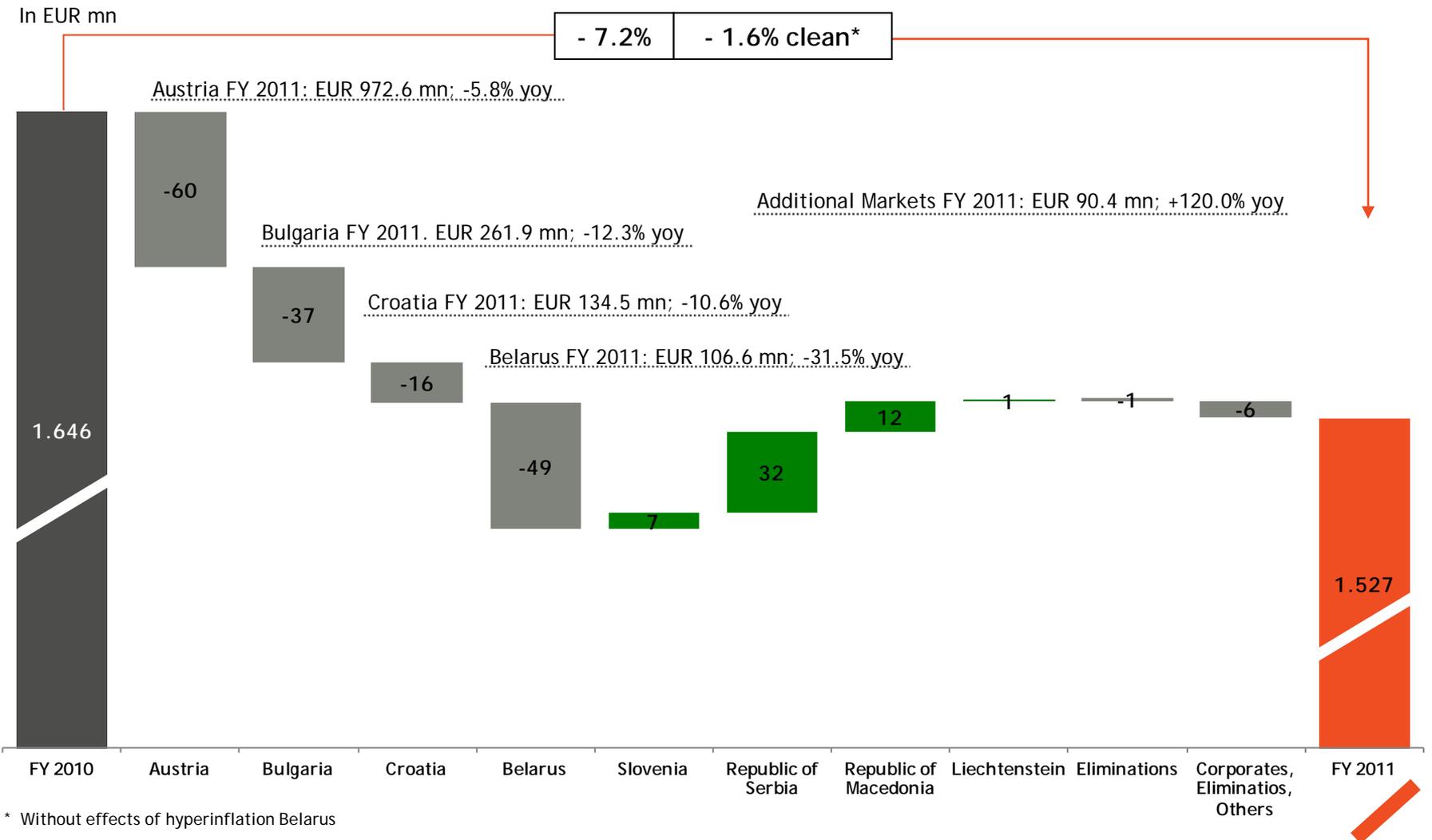
*** Operating Free Cash Flow = EBITDA comparable - CAPEX

Convergence and Contributions from Additional Markets Mitigate Revenue Pressure



* Without effects of hyperinflation Belarus

Favorable EBITDA Comparable Trends Despite Macro-Economic and Foreign Exchange Setbacks



Stable Group EBITDA Margin Despite Competition, FX-Adjustments in Belarus and Regulation

(in EUR mn)	FY 2011	FY 2010	% change
Revenues	4.454,6	4.650,8	-4,2%
EBITDA comparable*	1.527,3	1.645,9	-7,2%
<i>EBITDA comparable margin*</i>	<i>34,3%</i>	<i>35,4%</i>	
Restructuring	-233,7	-124,1	88,4%
Impairment and reversam of impairment	-248,9	-18,3	n.a.
EBITDA (incl. Effects from Restructuring and Impairment tests)	1.044,7	1.503,5	-30,5%
<i>EBITDA (incl. Effects from Restructuring and Impairment tests) margin</i>	<i>23,5%</i>	<i>32,3%</i>	
Depreciation & Amortization	-1.052,4	-1.065,6	-1,2%
Operating income	-7,6	437,9	-101,7%
Financial result	-246,8	-196,3	25,8%
Income before income taxes	-254,5	241,6	-205,3%
Income tax expense	1,7	-46,5	n.a.
Net income / Net loss	-252,8	195,2	-229,5%

* Excluding effects from restructuring and impairment tests

- > On a clean basis revenues increased by 0,5% and EBITDA comparable decreased by 1,6%
- > Margins profit from cost savings in all operations
- > Restructuring for civil servants amounts to EUR 233.7 mn in 1-12 M 2011
- > Impairment consists of goodwill impairment in Belarus, brand name impairment in Bulgaria and reversal of impairment of Serbian license
- > Financial result increased due to devaluation of the Belarusian ruble
- > Income taxes turned to an income tax benefit mainly as a result if write-downs of investments

Free Cash Flow Driven by FX-Adjustments and Lower CAPEX

in EUR mn	FY 2011	FY 2010	% change
Gross cash flow	1,339.6	1,478.6	-9.4%
Change in working capital	-126.4	-81.0	56.0%
Ordinary capital expenditures	-739.0	-763.6	-3.2%
Proceeds from sale of equipment	4.9	11.0	-55.5%
Free cash flow	479.2	645.0	-25.7%

FY 2011

- > Gross cash flow follows lower operating results
- > Rise in working capital due to
 - > Decline in accounts payable due to a reduction of CAPEX at the end of Q4 2011
 - > Higher levels of inventories driven by a trend towards smartphones
- > CAPEX reductions help mitigate decline of free cash flow (thereof EUR 9.6 mn from appreciation of assets due to hyperinflation)

Telekom Austria Group - Net Debt

Net debt (in EUR million)	Dec. 31, 2011	Dec. 31, 2010	% change
Long-term debt	2,960.4	3,146.4	-5.9%
Short-term borrowings	1,052.4	522.6	101.4%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-657.7	-355.0	85.3%
Derivate financial instruments for hedging purposes	25.2	-8.9	n.a.
Net Debt of Telekom Austria Group	3,380.3	3,305.2	2.3%
EBITDA comparable (last 12 months)	1,527.3	1,645.9	-7.2%
Net Debt/ EBITDA comparable (last 12 months)	2.2x	2.0x	n.a.



Focus Points

Announced Acquisition of Orange Austria Assets in Line With Group Strategy

Frequencies	Base stations	YESSS!	ONE
A total of 2 x 13.2 MHz of paired frequencies	Up to 634 base stations	100% of the mobile phone operator YESSS!	Intellectual property rights on the brand "ONE"
Purchase price maximum EUR 390 mn			

Approval process

- > Acquisition of Orange Austria by Hutchison 3G Austria conditional to approval of European Union Competition Authority and Austria Regulatory Authority
- > Acquisition of YESSS!, frequencies and base stations are conditional to the approval of the Austrian Competition Authority and the Austrian Regulatory Authority respectively
- > Decisions are expected by mid 2012

New Ambition Program - Operating Free Cash Flow* Target Achieved Through Operational Excellence

New Ambition Program (NAP)

- > Expanding on existing strategy, targeting operating free cash flow stabilization
- > Addresses revenues, OPEX and CAPEX
- > Measures are to be implemented in 2012 and 2013
- > Part of the business plan and the management targets



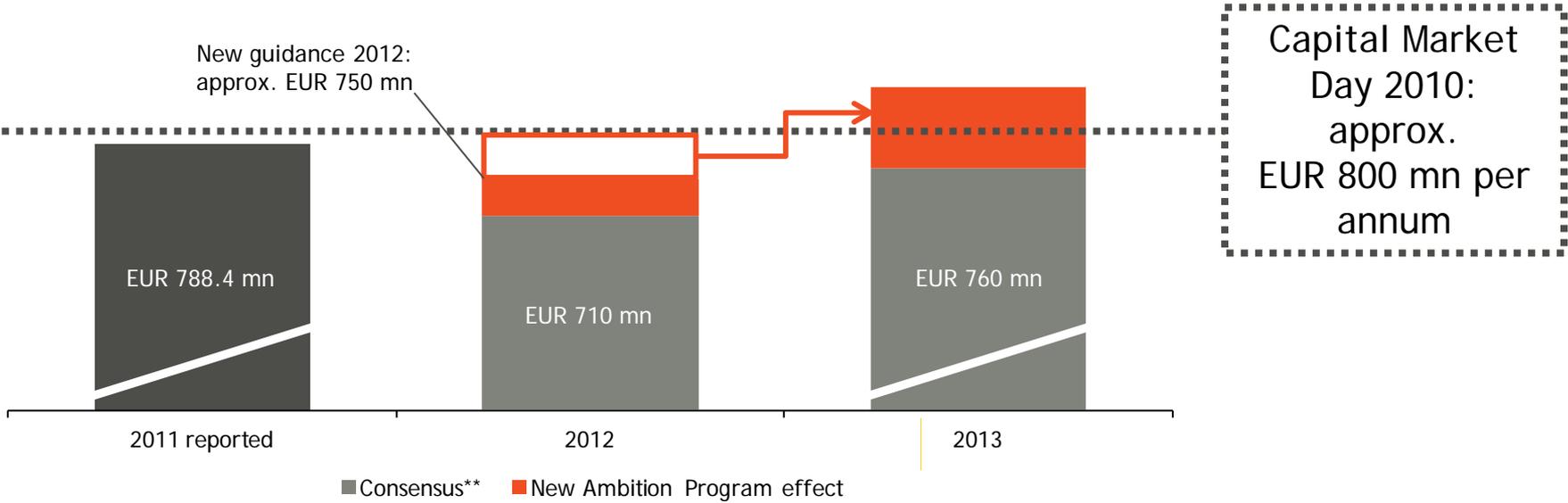
The program has a recurring impact on future cash flows
and will be fully effective as of 2013



* Operating Free Cash Flow = EBITDA comparable - CAPEX



NAP Closes OpFCF* Gap of Approx. EUR 130 mn Between Guidance and Consensus



New Ambition Program ensures operating Free Cash Flows of at least EUR 800 mn per annum until 2013

* Operating Free Cash Flow = EBITDA comparable - CAPEX (excluding investments for licenses and spectrum acquisitions)
 ** Consensus as of 23.02.2012



Telekom Austria Group Outlook for Full Year 2012*

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

Revenues	approx. EUR 4.4 bn
EBITDA comparable	approx. EUR 1.5 bn
CAPEX	approx. EUR 0.75 bn
Operating Free Cash Flow**	approx. EUR 0.75 bn

* Effects of a potential acquisition of YESS!, base stations and spectrum are not included

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



Financing Policy

Telekom Austria Has a Conservative Financial Policy

Financial Targets

- > Commitment to a solid investment grade rating
- > Diversification of debt
 - > Access to international capital markets
 - > Access to various financing instruments (debt) (bonds, credits, asset backed securities, commercial papers, promissory notes)
- > Leverage:
 - > Net debt/EBITDA comparable ~ 2.0x - ~ 2.5x

Liquidity Targets

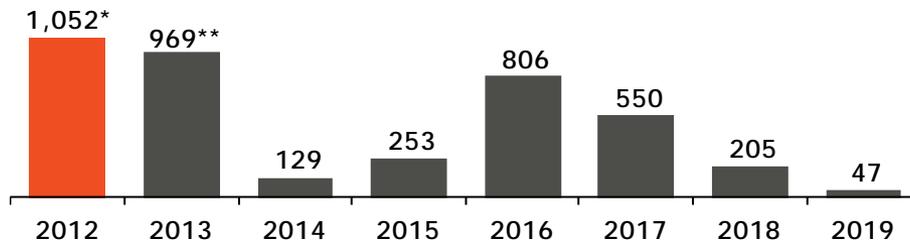
- > Extension of maturity profile
- > Operating free cash flow is the primary focus of management
- > Prudent liquidity reserve in relation to gross debt
- > Broadening investor base
- > Established issuer in the corporate bond market with the potential to tap the market for larger projects
- > EMTN Program of EUR 2.5 bn enhances financial flexibility



Conservative Financial Portfolio Combined with Significant Financial Flexibility

Balanced Debt Maturity Profile

(in EUR million)



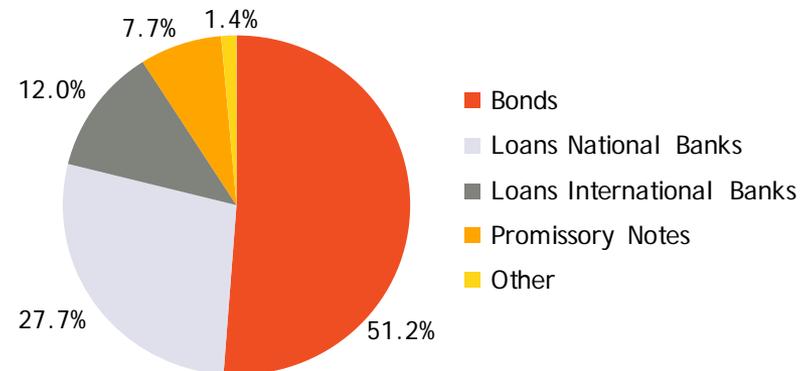
Solid Credit Ratings

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

Significant Financial Flexibility

- > Highly diversified funding base
- > Undrawn committed lines of credit amounting to EUR 1.0 bn
- > Cash positions of EUR 460.0 mn as of 31 December 2011
- > Average cost of debt of approximately 4.5%

Balanced Funding Base



* Includes approx. EUR 32.5 mn related to velcom and EUR 5.7 mn to fixed line acquisitions in Bulgaria, which is reported in Other liabilities

** Includes approx. EUR 25.4 mn related to velcom

Appendix

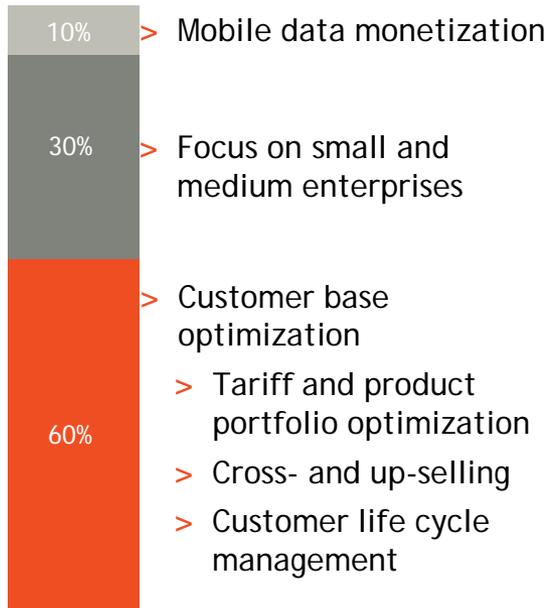
FY 2011 EBITDA - Restructuring and Impairment Charges

EBITDA comparable	FY Effect	Comment
Restructuring Austria	EUR -233.7 mn personnel restructuring	> Net effect from restructuring provision of EUR 274.4 mn and a reduction of restructuring charge via servicekom EUR -40.7 mn
Impairment Belarus	EUR -279.0 mn hyperinflation accounting	> No cash flow impact > EUR 155.8 mn positive net impact on Group equity*
Impairment Bulgaria	EUR -19.3 mn for its brand name	> Increased competition > Macro-economic slowdown
Reversal Serbia	EUR +49.4 mn reversal of impairment for licenses	> Reflects positive outlook for Serbian operations > Fully reverses impairment from 2009
EBITDA (incl. effects from restructuring and impairment tests)		

* Net effect of asset appreciation of EUR 434.8 mn and impairment of EUR 279.0 mn

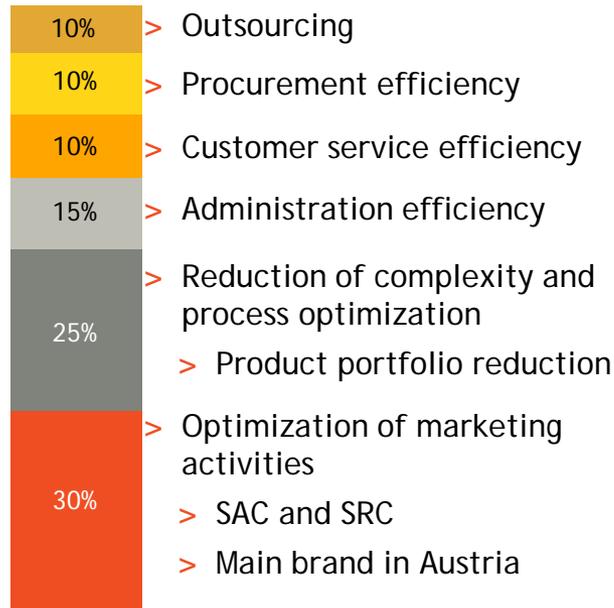
75 Defined Activities Ensure Success of New Ambition Program

Revenue Contribution



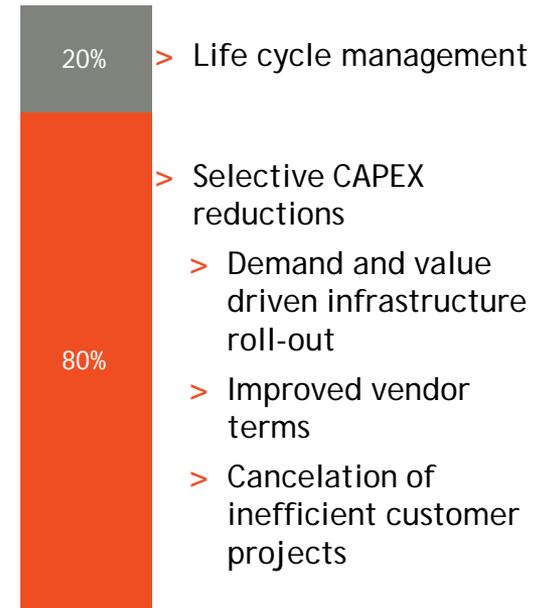
~30% of total NAP effects

OPEX Contribution



~55% of total NAP effects

CAPEX Contribution



~15% of total NAP effects



Telekom Austria Group - Mobile Communication Subscriber Base

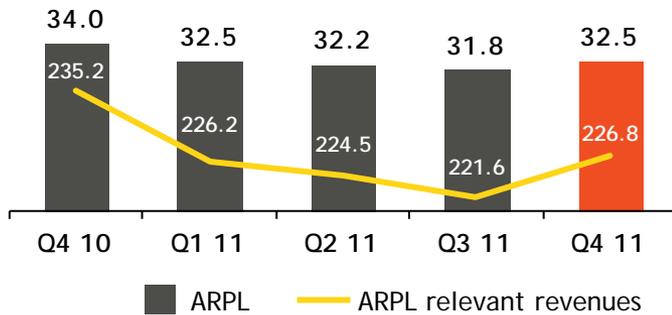
Mobile Subscribers (in 000)		Q4 2011	Q4 2010	% change
	Austria	5,271	5,105	3.3%
	Market share	40.0%	41.4%	
	Bulgaria	5,501	5,249	4.8%
	Market share	48.6%	49.6%	
	Croatia*	2,018	2,028	-0.5%
	Market share*	39.2%	39.0%	
	Belarus	4,620	4,354	6.1%
	Market share	41.1%	41.9%	
	Slovenia	640	619	3.4%
	Market share	29.7%	29.2%	
	Republic of Serbia	1,643	1,360	20.8%
	Market share	15.7%	13.7%	
	Republic of Macedonia	567	442	28.1%
	Market share	24.9%	19.9%	
	Liechtenstein	6	6	-3.5%
	Market share	16.5%	20.2%	

*Adjusted mobile subscriber number starting from Q1 2010 due to new calculation method

Segment Austria - Fixed Line Key Performance Indicators

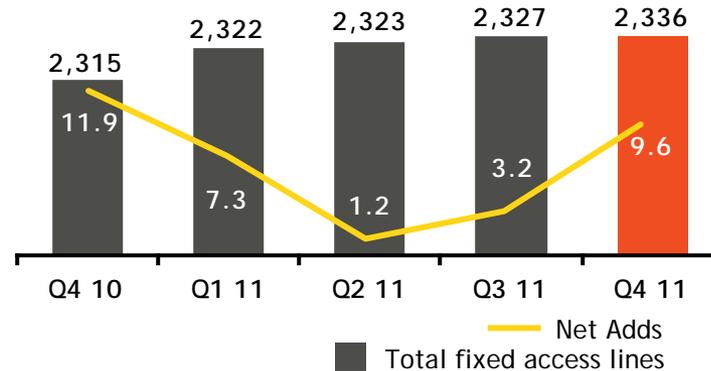
ARPL & ARPL Relevant Revenues

(in EUR)



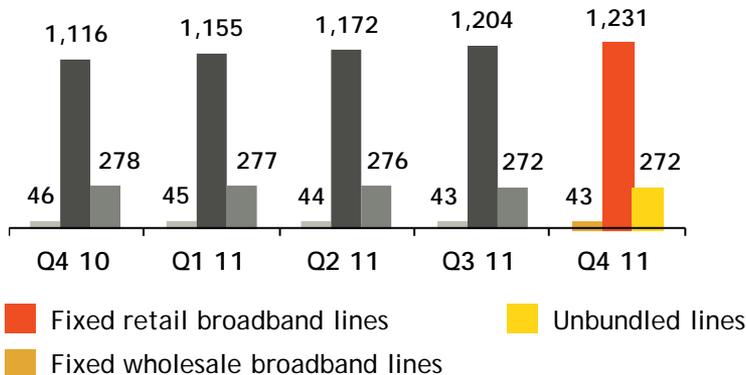
Total Fixed Access Lines & Net Adds

(in 000)



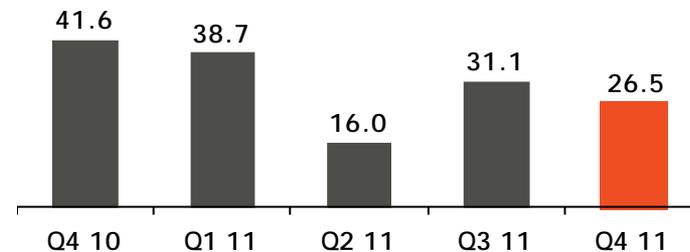
Fixed Broadband Access Lines

(in 000)



Fixed Broadband Net Adds incl. Wholesale

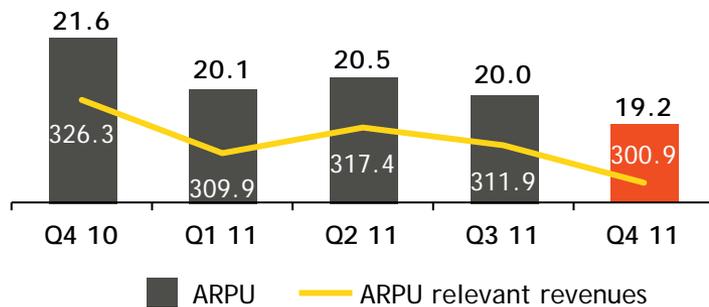
(in 000)



Segment Austria - Mobile Key Performance Indicators

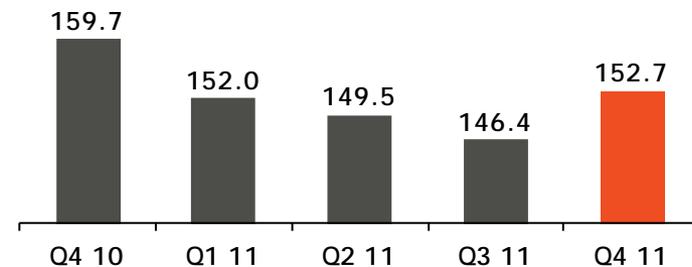
ARPU & ARPU Relevant Revenues

(in EUR)



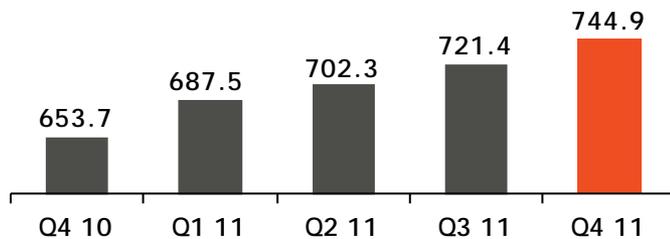
MoU per Subscriber

(in min)



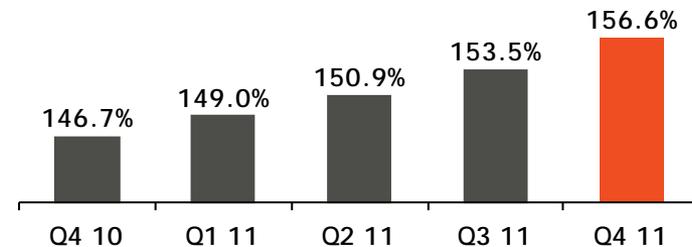
Mobile Broadband Customers

(in 000)



Mobile Penetration

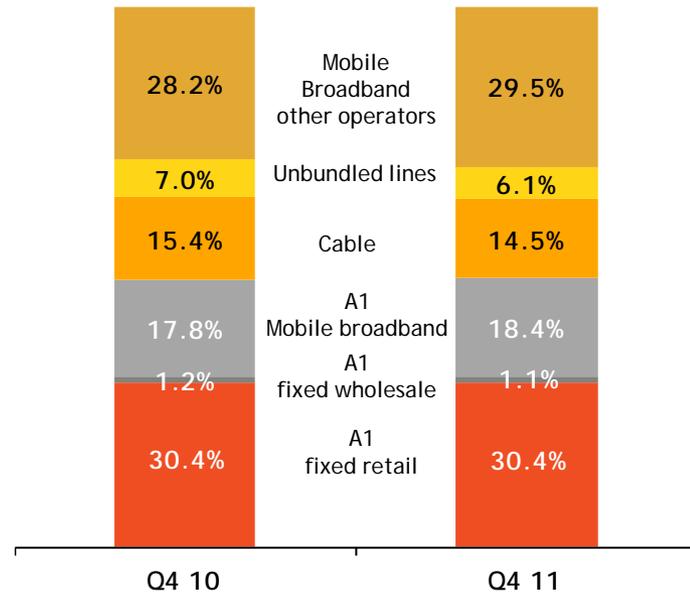
(in %)



Segment Austria - Broadband Market Split

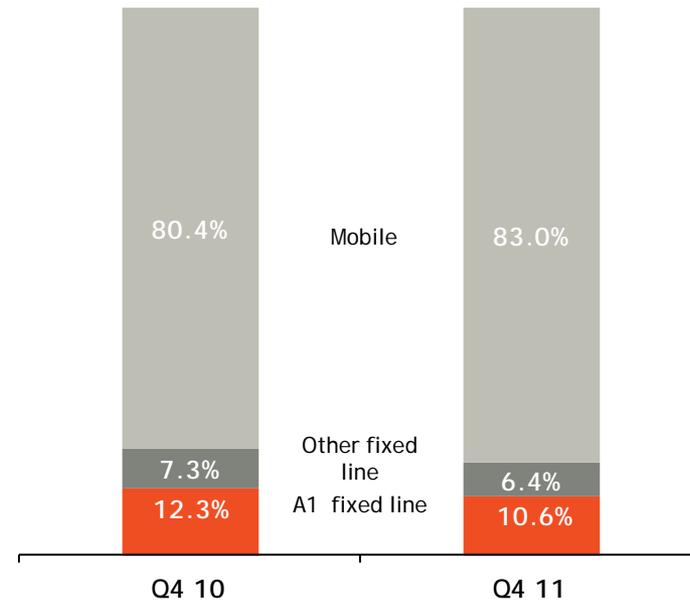
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

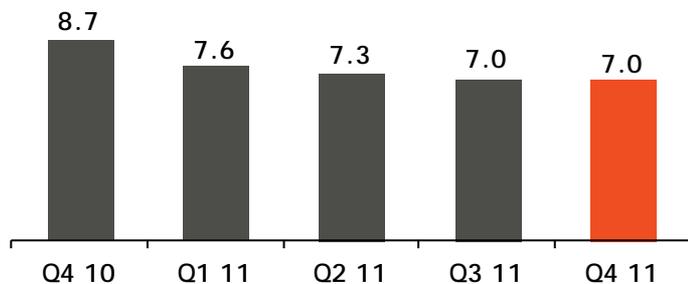
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

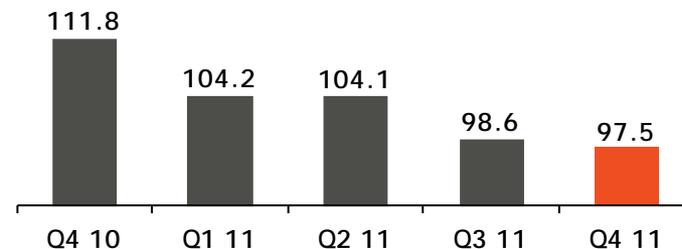
ARPU

(in EUR)



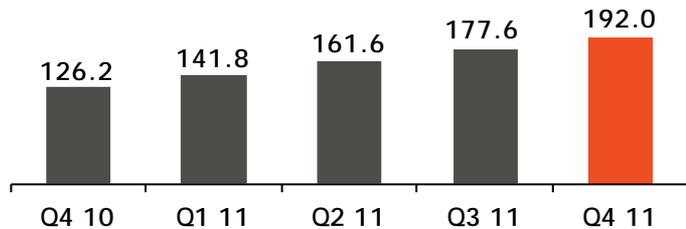
MoU per Subscriber

(in min)



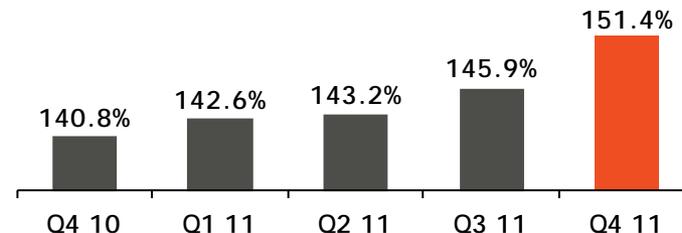
Mobile Broadband Customers

(in 000)



Mobile Penetration

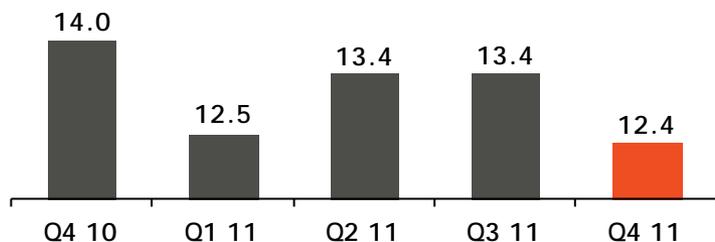
(in %)



Segment Croatia - Mobile Key Performance Indicators

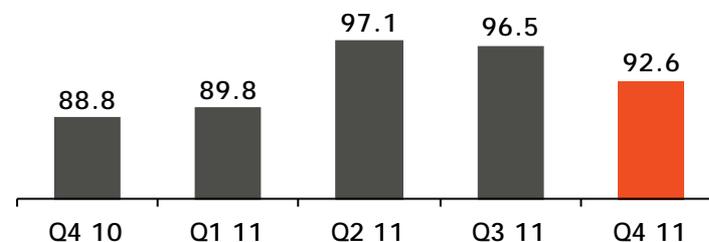
ARPU*

(in EUR)



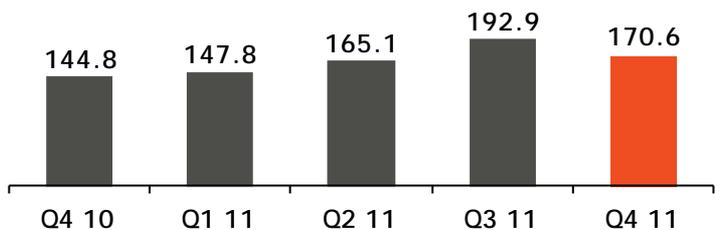
MoU per Subscriber*

(in min)



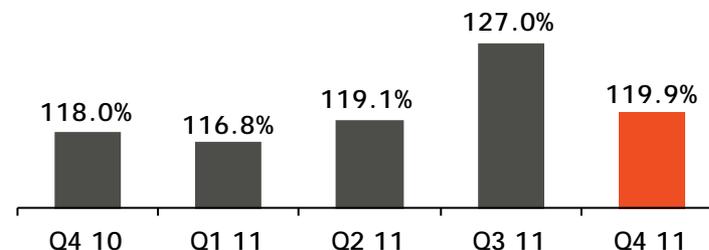
Mobile Broadband Customers*

(in 000)



Mobile Penetration*

(in %)

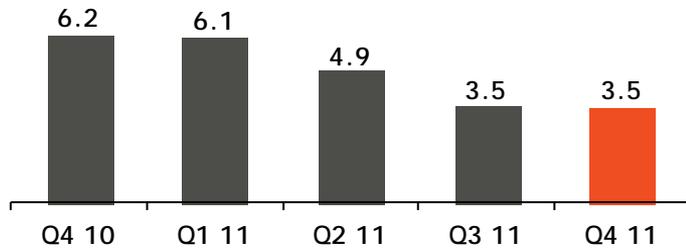


* Due to a new definition on prepaid subscribers, the counting method of active prepaid SIM cards was changed from a 15-month rolling average to a 90 day active methodology. Following this implementation historic KPI's have been restated as of Q1 2010. As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011.

Segment Belarus - Mobile Key Performance Indicators

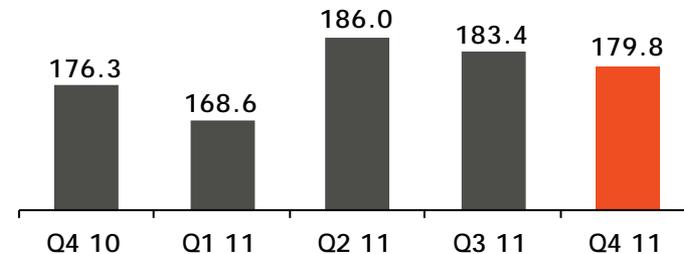
ARPU

(in EUR)



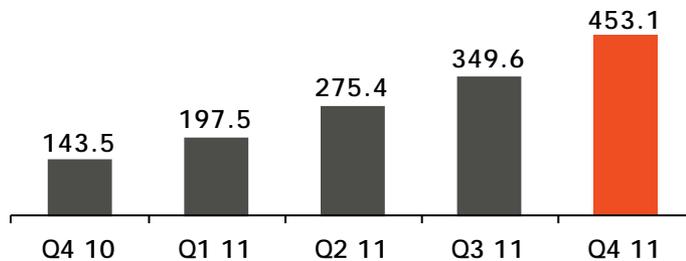
MoU per Subscriber

(in min)



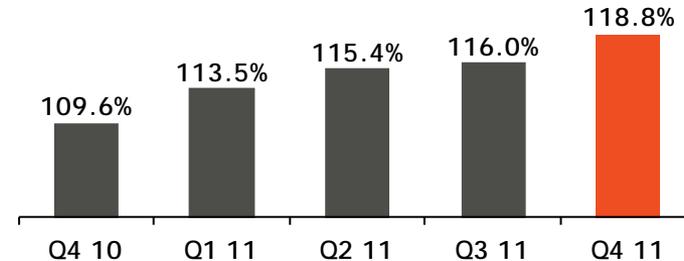
Mobile Broadband Customers

(in 000)



Mobile Penetration

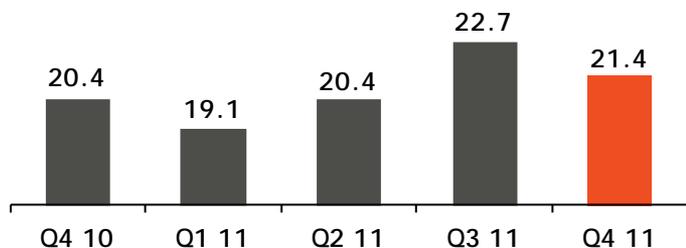
(in %)



Segment Additional Markets - Mobile Key Performance Indicators

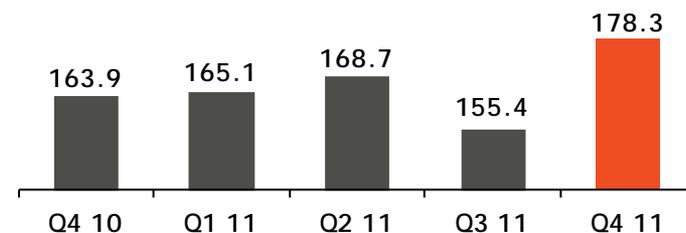
Slovenia - ARPU

(in EUR)



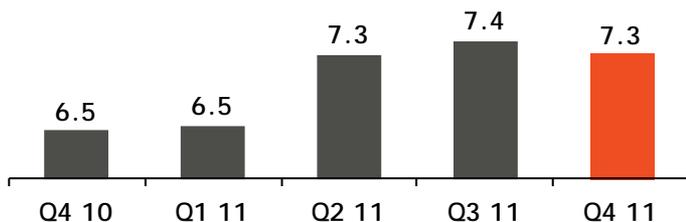
Slovenia - MoU per Subscriber

(in min)



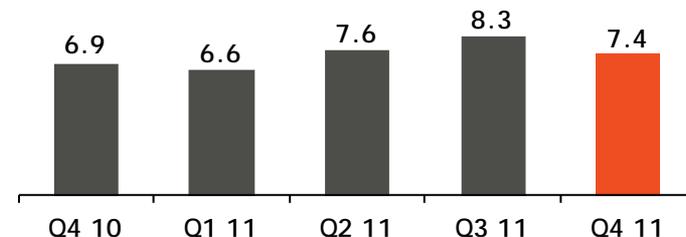
Serbia - ARPU

(in EUR)



Macedonia - ARPU

(in EUR)



Appendix – Personnel Restructuring in Austria

2011 Restructuring Program Targets Achieved - New Initiatives for 2012

Target as of 23 February 2011

approx. 700 FTE

- > 75% - 85% to Social Plans
- > 15% - 25% Transfer to Government

Up to EUR 250.0 mn Restructuring Charge

Reported as of 31 December 2011

791 FTE ✓

- > Social plans: 685 FTE (87%)
- > Transfer to the government: 106 FTE (13%)

EUR 233.7 mn ✓

- > EUR 237.2 mn for social plans
- > EUR 37.2 mn for transfer to government
- > EUR -40.7 mn via servicekom

New initiatives for 2012

> Approx. 120 FTE predominantly via transfer to government

> up to EUR 50 mn of restructuring charge

Overview - Restructuring Charges and Provision vs. FTE

Overview Restructuring Charges

(in EUR million)

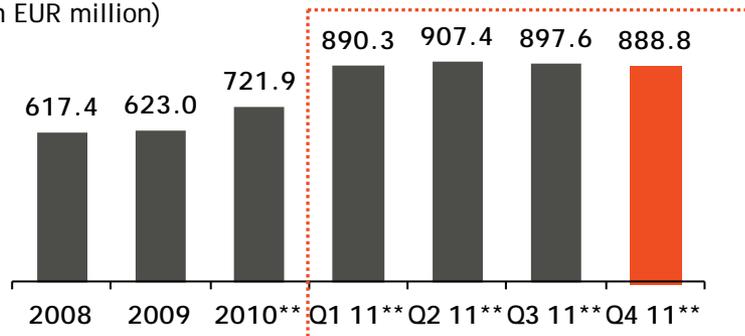
	2009	2010	2011				FY
			Q1	Q2	Q3	Q4	
FTE Effect	-10.0	76.9	184.1	34.6	6.1	8.9	233.7
Interest rate adjustments	27.5	47.2	0.0	0.0	0.0	0.0	0.0
Total	17.5	124.1	184.1	34.6	6.1	8.9*	233.7

FTEs Addressed

	2009	2010	2011				FY
			Q1	Q2	Q3	Q4	
Transfer to government	0	158	24	46	10	26	106
Social plans	451	28	514	63	10	98	685
Staff released from work	-194	27	0	0	0	0	0
Total	257	213	538	109	20	124	791

Overview Restructuring Provision

(in EUR million)



Provisioned FTEs

	2009	2010	2011			
			Q1 2011	Q2 2011	Q3 2011	Q4 2011
Transfer to government	0	158	182	228	238	264
Social plans	273	299	781	820	826	922
Staff released from work	789	763	724	694	671	649
Total	1,062	1,220	1,687	1,742	1,735	1,835

* Net effect of EUR 49.6 mn restructuring provision and EUR 40.7 mn reduction of restructuring charge via 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
Q1 2011	21.5
Q2 2011	22.9
Q3 2011	21.8
Q4 2011	22.8

- > Total cash flow impact comprises old as well as new programs
- > Total cash flow impact for 2011 of EUR 89.0 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

Appendix – Hyperinflation Accounting

Impact on Telekom Austria Group Cash Flow and P&L

Group Cash Flow

- > Cash flow will reflect inflated items of Belarus
- > Monetary Gain/Loss resulting from hyperinflation accounting will be eliminated as non-cash item in gross cash flow and will be allocated to monetary items, such as accounts receivables/ payables, in working capital
- > CAPEX will include inflationary adjustments, as shown in segment assets
- > Inflation effect of cash will be shown as a separate line
- > Cash flow from financing activities will not be affected as all financing is managed via a special financing company on a Group level and not by the Belarusian entity

Group P&L

- > Reflects inflation adjustment as stated in segment P&L
- > For conversion to EUR the period-end FX-rate will be applied
- > Financial results includes the net monetary gain/loss of the period
- > Deferred taxes are recalculated with adjusted IFRS book values and will lead to an adjustment of taxes

Belarus: Impact of Hyperinflation Accounting and Foreign Exchange Translations in Full Year 2011

Belarus Profit and Loss Statement for Full Year 2011

(in EUR million)	Excluding Hyperinflation and FX in Belarus	Hyperinflation and FX Effects in Belarus	Impairment	Reported
Revenues	474.5	-213.6	0.0	260.9
Other operating income	9.6	-4.3	0.0	5.3
Operating expenses	-287.4	127.9	0.0	-159.5
Impairment	0.0	0.0	-279.0	-279.0
Depreciation and amortization	-81.7	-1.1	0.0	-82.8
Financial result	-68.1	61.3	0.0	-6.8
Income taxes	19.7	-17.1	0.0	2.6
Net income	66.7	-47.0	-279.0	-259.3

Belarus Balance Sheet as of 31.12.2011

(in EUR million)	Excluding Hyperinflation	Hyperinflation	Impairment	Reported
Goodwill	97.5	181.5	-279.0	0
Current and other non-current assets	256.3	308.8	0.0	565.2
Current and non-current liabilities	-100.4	-55.6	0.0	-156.0
Stockholders' Equity	253.4	434.8	-279.0	409.2