

Results for the Third Quarter 2012

Vienna, 14 November 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 Third Quarter 2012
 - > Key Financial Developments in the Third Quarter 2012
 - > Focus Points
 - > Outlook for Full Year 2012
 - > Appendix
-

Operational and Financial Highlights for the Third Quarter 2012

Fixed Line Performance and OPEX Savings Dampen Effects of Mobile Pricing and Regulatory Pressure

- > Strong fixed line performance dampens negative impact of mobile service revenue declines in Austria, Bulgaria and Croatia
 - > 1.3% ARPL growth in Austria
 - > Continued severe mobile pricing pressure
- > OPEX savings and top line growth in Belarus and Additional Markets limits Group EBITDA comparable decline to 0.6%
 - > EBITDA comparable growth in Croatia, Belarus and Additional Markets
 - > Operational performance offsets foreign exchange effects in Belarus
- > Group guidance 2012 reiterated: revenues of approximately EUR 4.2 bn, EBITDA comparable of EUR 1.40 bn to EUR 1.45 bn, CAPEX** of EUR 0.70 bn to EUR 0.75 bn, Operating Free Cash Flow* of EUR 0.70 bn - EUR 0.75 bn
- > Dividend per share***: EUR 0.05 for 2012 and 2013

* 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

*** Intended dividend was cut from EUR 0.38 to EUR 0.05 on 24 September 2012 to protect rating and secure investments

Key Financial Developments in the Third Quarter 2012

EBITDA Comparable Almost Stable Due to Cost Savings and Growth in Belarus and Add. Markets

(in EUR million)	Q3 2012	Q3 2011	% change
Revenues	1,093.7	1,111.4	-1.6%
EBITDA comparable*	410.4	412.9	-0.6%
EBITDA comparable margin*	37.5%	37.2%	
Restructuring	-10.6	-6.1	72.5%
Impairment and reversal of impairment	0.0	0.0	n.a.
EBITDA (incl. Effects from Restructuring and Impairment tests)	399.8	406.8	-1.7%
EBITDA (incl. Effects from Restructuring and Impairment tests) margin	36.6%	36.6%	
Depreciation & amortization	-222.9	-240.7	-7.4%
Operating income	177.0	166.1	6.5%
Financial result	-54.1	-95.8	-43.5%
Income before income taxes	122.8	70.3	74.7%
Income tax expense	-23.7	57.6	n.a.
Net income / Net loss	99.2	127.9	-22.5%

- > Revenue increases in Belarus and Additional Markets partly offset revenue decline in Austria, Bulgaria and Croatia
 - > EUR 28.2 mn regulatory impact on Group revenues
- > EUR 18.1 mn net Group OPEX savings allow a stable Group EBITDA comparable margin
- > Net income mainly driven by tax expense compared to tax benefit due to deferred taxes in Q3 2011

* Excluding effects from restructuring and impairment tests

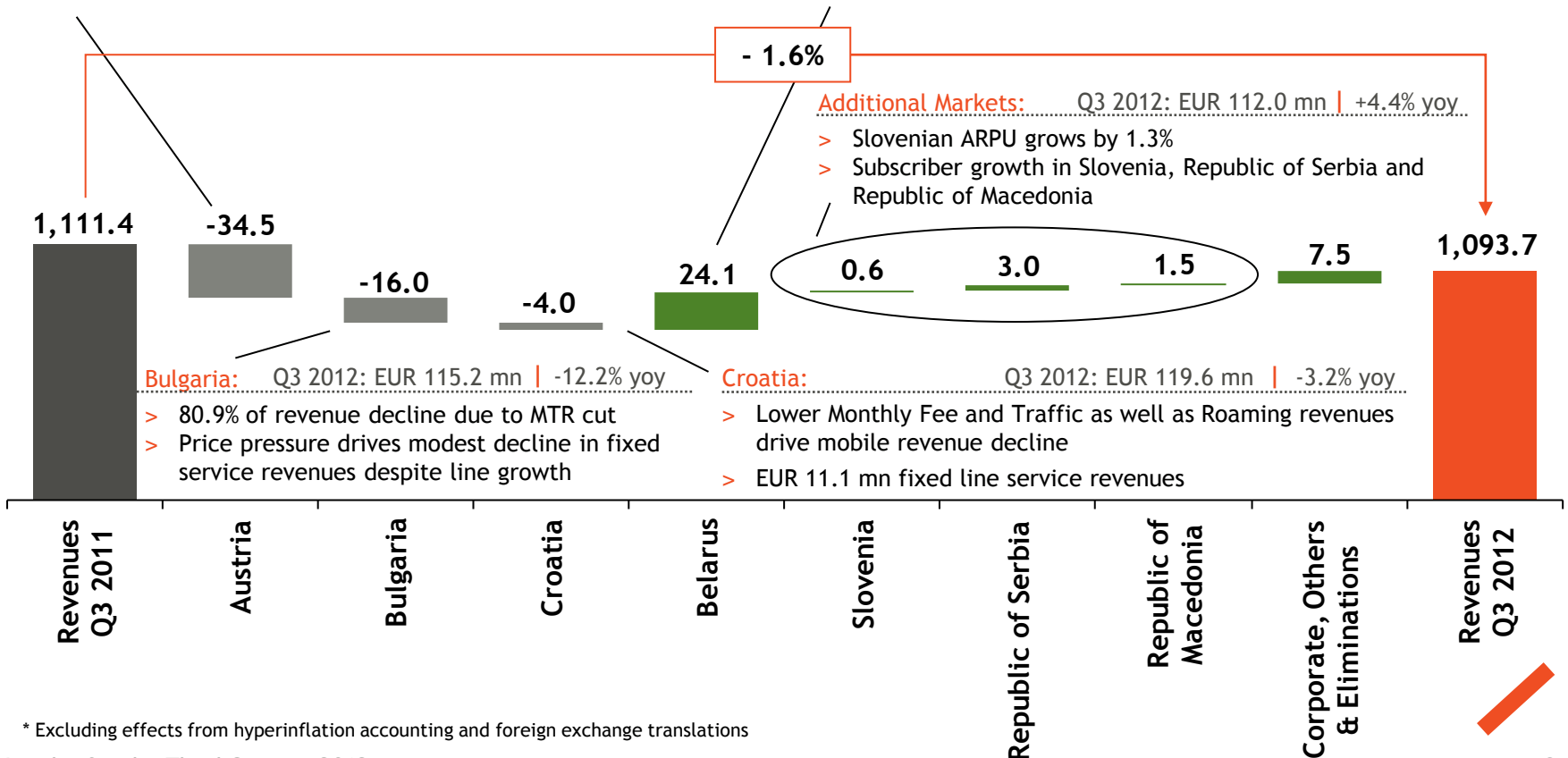
Revenues - Belarus and Additional Markets Partly Offset Declines in Three Major Markets

Austria Q3 2012: EUR 686.2 mn | -4.8% yoy

- > Stable Fixed Line revenues due to increased demand for fixed broadband solutions
- > Regulatory impacts and ongoing price pressure drive 6.8% decline in mobile revenues

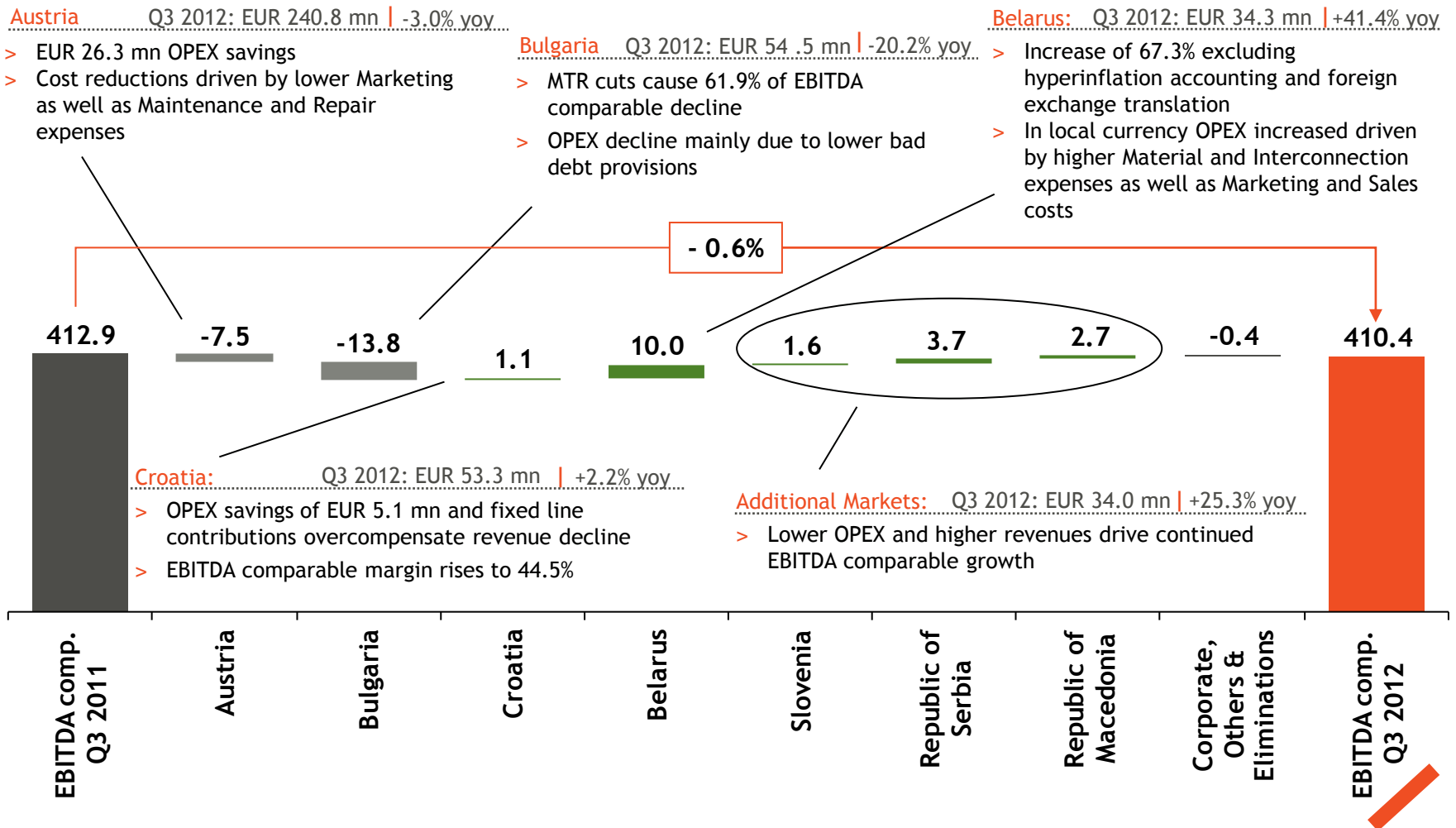
Belarus: Q3 2012: EUR 81.0 mn | +42.5% yoy

- > Price increases, higher usage and a larger subscriber base translate in revenue growth
- > 69.4% increase on a clean basis*
- > 104.2% rise in mobile broadband subscriber base



* Excluding effects from hyperinflation accounting and foreign exchange translations

EBITDA Comparable: Growth in 5 Markets and Stable Group EBITDA Comparable Margin



Working Capital Requirements and CAPEX Drive Free Cash Flow Decline

(in EUR million)	Q3 2012	Q3 2011	% change	1-9 M 2012	1-9 M 2011	% change
Gross cash flow	377.1	351.3	7.3%	1,008.1	1,037.7	-2.9%
Change in working capital	-55.0	20.3	n.a.	-210.7	-203.0	3.8%
Ordinary capital expenditures	-158.4	-177.8	-10.9%	-489.4	-454.9	7.6%
Proceeds from sale of equipment	1.0	1.2	-10.8%	3.2	2.2	45.9%
Free cash flow	164.7	195.0	-15.6%	311.1	382.0	-18.5%
Free cash flow per share	0.37	0.44	-15.6%	0.70	0.86	-18.5%

Year-to-Date Analysis

- > Lower gross cash flow reflects operational performance
- > Higher levels of accounts receivables, rise in the usage of provisions as well as accrued liabilities and declines in inventories drive cash requirements for working capital
- > Higher CAPEX mainly due to integration of fixed line operator B.net in Croatia

Focus Points

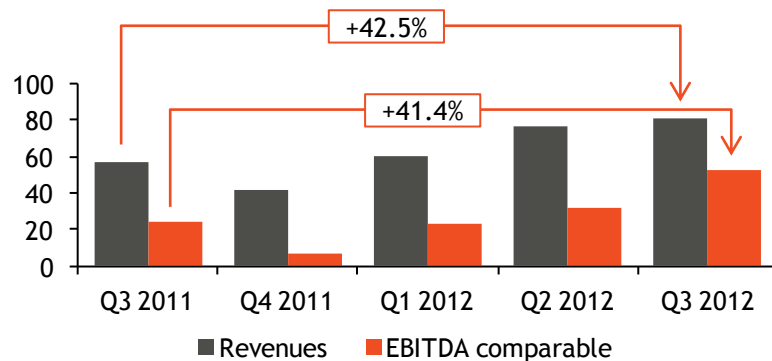
Belarusian Segment - Price Increases Drive Turn-Around After FX Devaluations in 2011

Key Developments

- > Belarusian Ruble comparatively stable (-0.6% 1-9M 2012) compared to -63.2% in 2011
- > Strong demand for mobile data and smartphones drives operating performance
- > Inflation allows for 4 price increases amounting to approx. 40.9% in total since October 2011

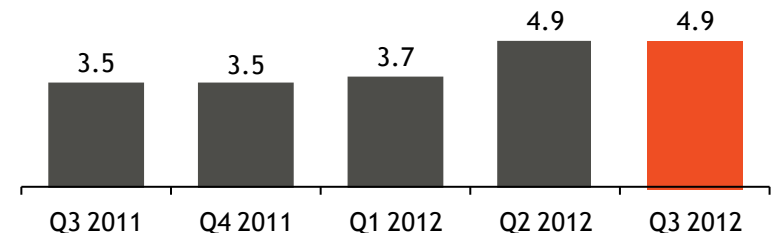
Revenue and EBITDA Development

(in EUR mn)






ARPU

(in EUR)



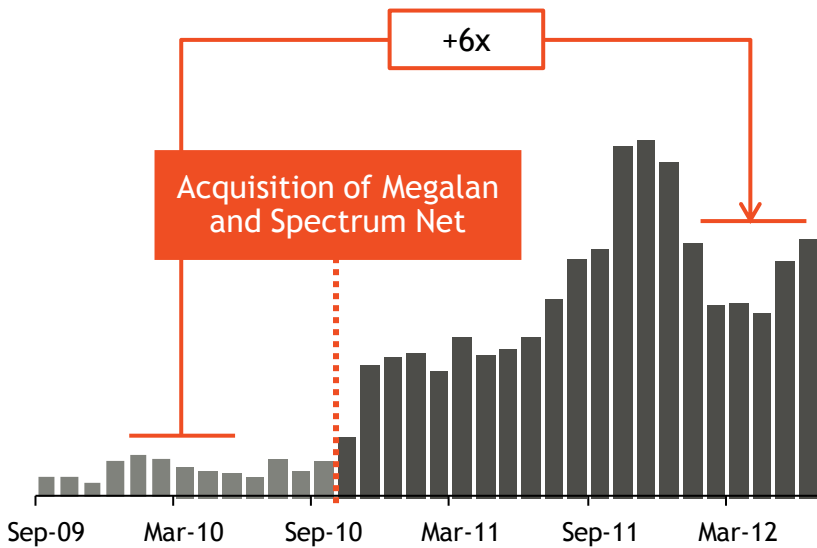
Convergent Products Accelerate Stabilization of Fixed Service Revenues

	Mobile Service Revenue Q3 Growth Y-o-Y	Fixed Service Revenue Q3 Growth Y-o-Y	Major Drivers
Austria 	-6.8%	-0.4%	<ul style="list-style-type: none"> > Strong demand for fixed broadband solutions offsets loss of fixed voice minutes and drives fixed service revenue stabilization > ARPL increase by 1.3% y-o-y
Bulgaria 	-14.9%	-1.5%	<ul style="list-style-type: none"> > Almost stable fixed service revenues due to strong demand for fixed broadband solutions and convergent bundles
Croatia 	-7.9%	+28.3%*	<ul style="list-style-type: none"> > Integration of cable operator B.net in August 2011 > Y-o-y ARPL increased to EUR 23.8 from EUR 21.5

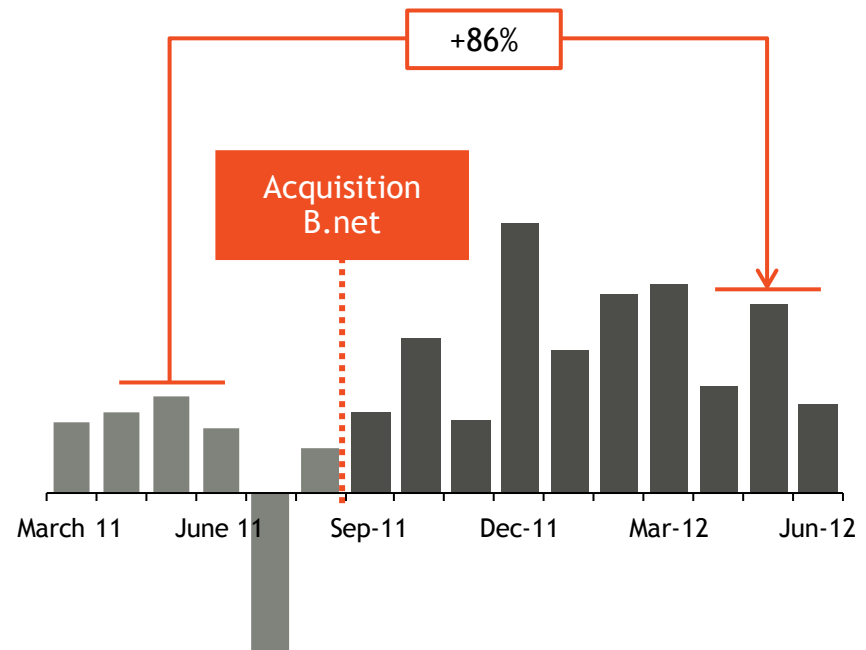
* 91.4% y-o-y; 28.3% since B.net acquisition (08/09)

Convergence - Strong Growth in Bundle Gross-Adds in Bulgaria and Croatia

Bulgaria - Bundle Products Gross-Adds

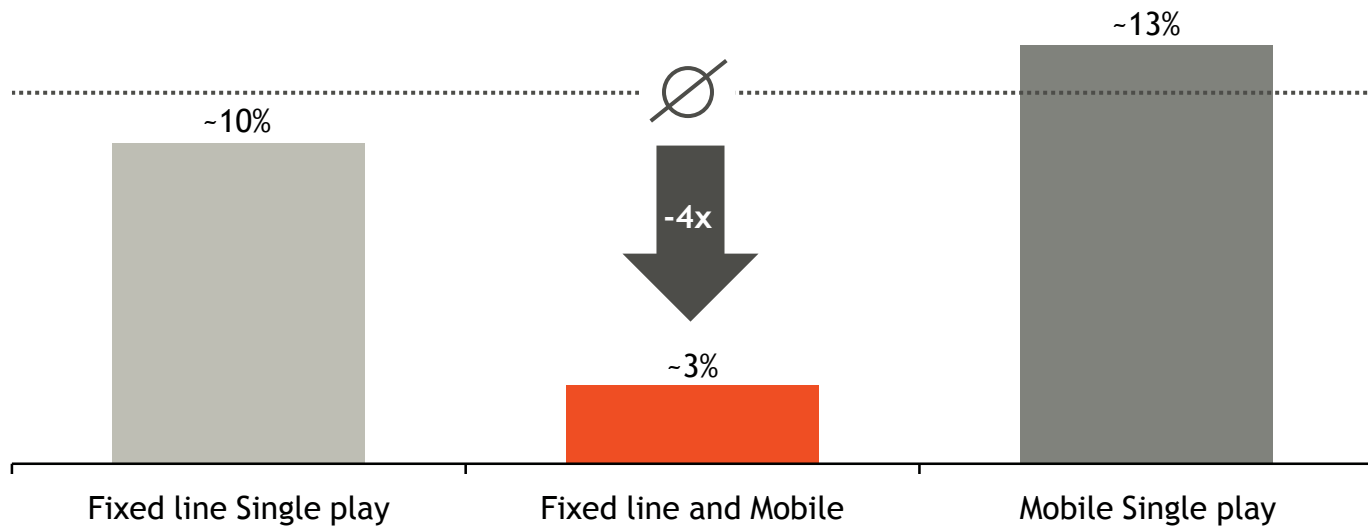


Croatia - Bundle Products Net-Adds



Convergence - In Austria Multi-Play Churn Approx. 4 Times Lower Than Single-Play Churn

Single vs. Multi-Play Churn



Approximately 63% of Austrian customers prefer “All out of one hand”*

* Austrian representative Survey of Austrian mobile phone users, 2011

Strategic Focus Austria 2013ff

> Price pressure and high subsidies in mobile market expected to continue

Strategic focus:
Convergence and high value customer segment

Limits impact on ARPU erosion

Near-term pressure on EBITDA
comparable margin

Optimal platform for potential future stabilization

> Increased short-term margin pressure to enable mid-term stabilization

Outlook

Telekom Austria Group Outlook for Full Year 2012 Results Reiterated

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 16 August 2012	As of 14 November 2012
Revenues	approx. EUR 4.2 bn	approx. EUR 4.2 bn
EBITDA comparable	EUR 1.40 bn - EUR 1.45 bn	EUR 1.40 bn - EUR 1.45 bn
CAPEX*	EUR 0.70 bn - EUR 0.75 bn	EUR 0.70 bn - EUR 0.75 bn
Operating Free Cash Flow**	EUR 0.70 bn - EUR 0.75 bn	EUR 0.70 bn - EUR 0.75 bn
Dividend***	DPS of EUR 0.38 for 2012	DPS of EUR 0.05 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)

*** Intended dividend was cut from EUR 0.38 to EUR 0.05 on 24 September 2012

Appendix 1

Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (in EUR million)	Q3 2012	Q3 2011	% change
Monthly fee and traffic	480.9	507.4	-5.2%
Data and ICT Solutions	49.1	48.1	2.0%
Wholesale (incl. Roaming)	42.3	47.1	-10.2%
Interconnection	77.6	82.4	-5.8%
Equipment	31.0	25.3	22.2%
Other revenues	5.3	10.3	-48.2%
Total revenues - Segment Austria	686.2	720.7	-4.8%









Revenue Split - International Operations (in EUR million)	Q3 2012	Q3 2011	% change
Monthly fee and traffic	310.7	293.5	5.9%
Data and ICT Solutions	0.1	0.1	-26.9%
Wholesale (incl. Roaming)	21.3	24.7	-13.7%
Interconnection	55.3	67.0	-17.4%
Equipment	35.1	27.1	29.8%
Other revenues	3.5	3.9	-12.4%
Total revenues - int. Operations	426.0	416.3	2.3%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (in EUR million)	Q3 2012	Q3 2011	% change
Material expense	64.3	62.5	2.9%
Employee costs	157.0	146.3	7.3%
Interconnection	70.3	80.3	-12.5%
Maintenance and repairs	28.1	31.2	-10.0%
Services received	34.8	38.1	-8.7%
Other support services	34.2	37.2	-8.1%
Other	80.5	99.8	-19.3%
Total OPEX - Segment Austria	469.2	495.5	-5.3%

Operating Expense - International Operations (in EUR million)	Q3 2012	Q3 2011	% change
Material expense	45.4	37.9	19.7%
Employee costs	31.7	27.5	15.2%
Interconnection	53.0	56.0	-5.3%
Maintenance and repairs	14.7	9.5	55.1%
Services received	28.2	26.5	6.4%
Other support services	3.9	3.5	11.5%
Other	78.2	92.4	-15.4%
Total OPEX - int. Operations	255.1	253.3	0.7%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q3 2012	Q3 2011	% change
 Austria		5,312	5,212	1.9%
	Market share	39.0%	40.3%	
 Bulgaria		5,535	5,291	4.6%
	Market share	47.2%	48.4%	
 Croatia		2,055	2,137	-3.9%
	Market share	38.7%	39.2%	
 Belarus		4,750	4,533	4.8%
	Market share	43.9%	41.3%	
 Slovenia		653	631	3.6%
	Market share	30.0%	29.7%	
 Republic of Serbia		1,819	1,589	14.5%
	Market share	17.4%	15.3%	
 Republic of Macedonia		626	549	14.2%
	Market share	27.2%	24.6%	
 Liechtenstein		6	7	-6.6%
	Market share	15.9%	20.4%	

Telekom Austria Group - Headcount Development

FTE (Average period)	Q3 2012	Q3 2011	% change
Austria	9,287	9,319	-0.3%
International	7,276	7,457	-2.4%
Telekom Austria Group*	16,724	16,937	-1.3%

FTE (End of period)	Q3 2012	Q3 2011	% change
Austria	9,287	9,282	0.1%
International	7,213	7,621	-5.4%
Telekom Austria Group*	16,666	17,063	-2.3%

*Including corporate segment



Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (in EUR million)	Q3 2012	Q3 2011	% change
Segment Austria	106.6	125.6	-15.1%
Segment Bulgaria	9.6	17.7	-46.0%
Segment Croatia	10.7	8.4	27.3%
Segment Belarus	5.8	6.9	-16.5%
Segment Additional Markets	25.7	19.0	35.1%
<i>Slovenia</i>	3.5	6.2	-43.9%
<i>Republic of Serbia</i>	15.2	11.3	35.1%
<i>Republic of Macedonia</i>	7.0	1.3	n.m.
<i>Liechtenstein</i>	0.0	0.3	-92.2%
<i>Eliminations additional markets</i>	0.0	0.0	n.a.
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	158.4	177.8	-10.9%
Thereof tangible	126.8	148.1	-14.4%
Thereof intangible	31.7	29.7	6.7%

Telekom Austria Group - Net Debt

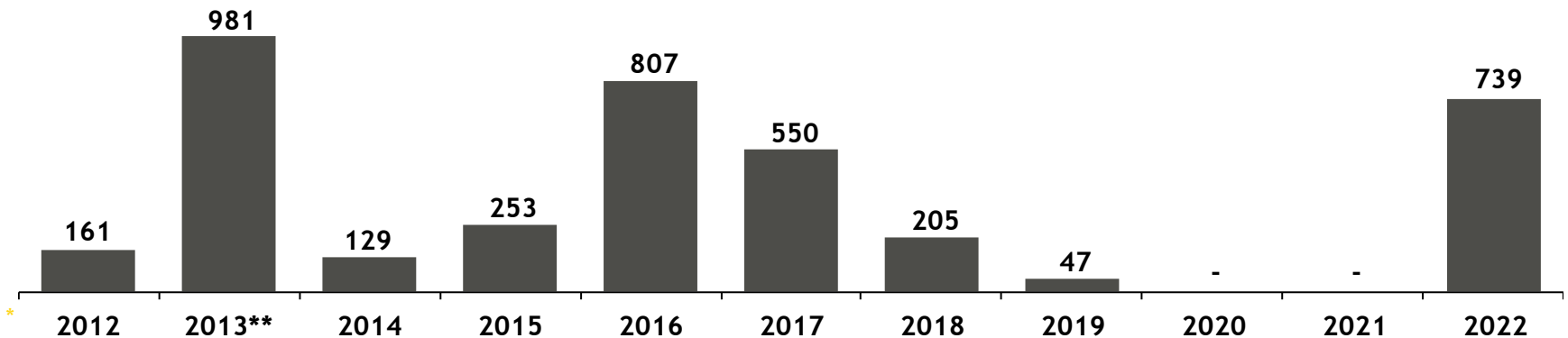
Net debt (in EUR million)	Sep. 30, 2012	Dez. 31, 2011	% change
Long-term debt	2,906.7	2,960.4	-1.8%
Short-term borrowings	966.9	1,052.4	-8.1%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-658.7	-657.7	0.2%
<i>Cash and cash equivalents and short-term investments</i>	-634.1	-625.9	1.3%
<i>Long-term investments, finance lease receivables</i>	-24.6	-31.8	-22.4%
Derivate financial instruments for hedging purposes	46.6	25.2	85.1%
Net Debt of Telekom Austria Group*	3,261.5	3,380.3	-3.5%
EBITDA comparable (last 12 months)	2.2	2.2	0.0%
Net Debt/ EBITDA comparable (last 12 months)	3,261.5x	3,380.3x	n.a.

* Finance lease obligations and the remaining performance based consideration related to the acquisition of SBT are included in long-term debt and short-term borrowings. As of 31 Dec. 2011 the remaining performance based consideration related to the acquisition of Megalan/Spectrumnet is included in short-term borrowings.

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile*

(in EUR million)



- > EUR 3,873.8 mn of short- and long-term borrowings as of 30 September 2012
- > Average cost of debt of approximately 4.3%
- > Cash and cash equivalents and short-term investments of EUR 634.1 mn

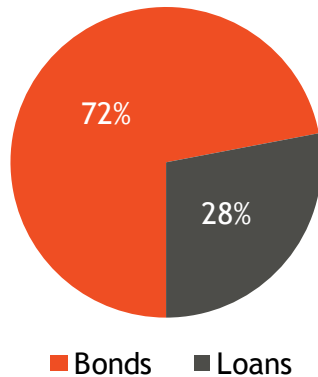
* Including accrued interest

** Includes approx. EUR 29.4 mn related to velcom, which is reported in Other liabilities

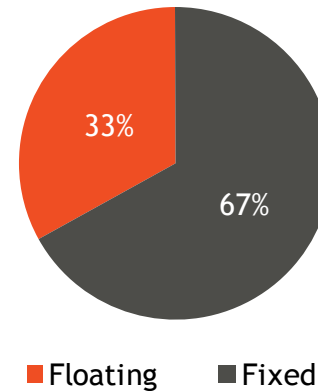


Telekom Austria Group - Debt Profile

Overview Debt Instruments



Fixed-Floating Mix



Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 1,060.0 mn
- > Average term to maturity of approximately 4.1 years

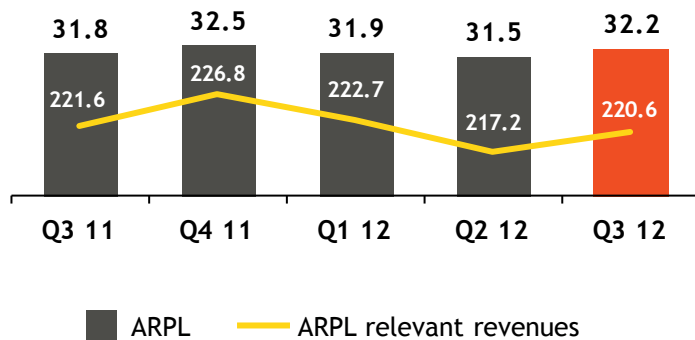
Ratings

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

Segment Austria - Fixed Line Key Performance Indicators

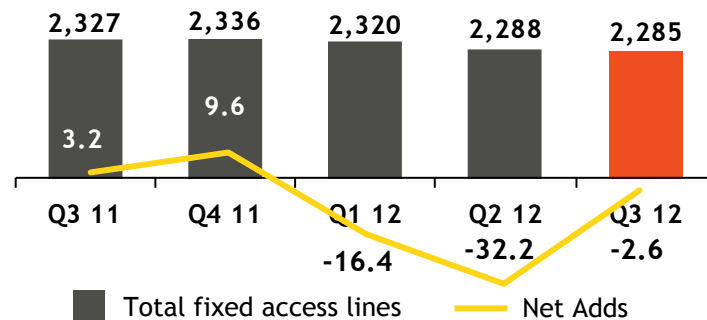
ARPL & ARPL Relevant Revenues

(in EUR)



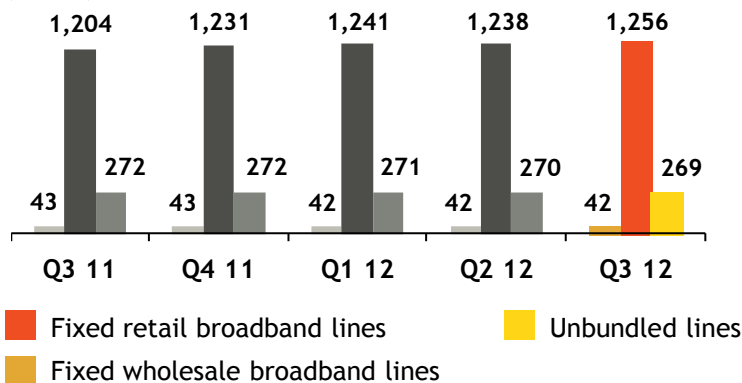
Total Fixed Access Lines & Net Adds

(in 000)



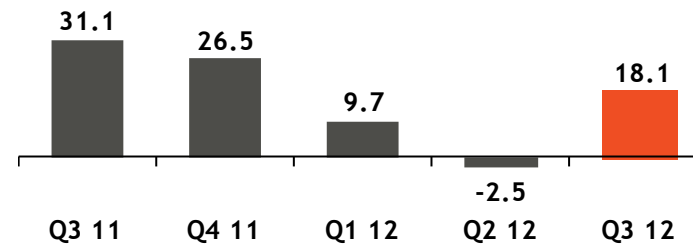
Fixed Broadband Access Lines

(in 000)



Fixed Broadband Net Adds incl. Wholesale

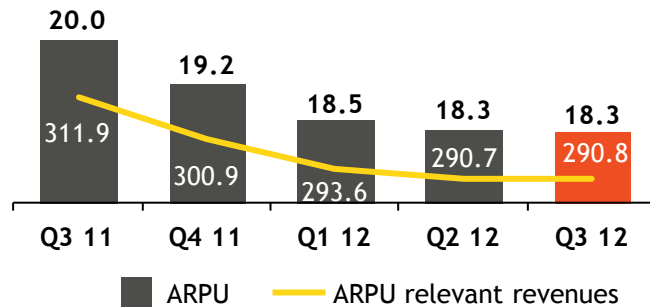
(in 000)



Segment Austria - Mobile Key Performance Indicators

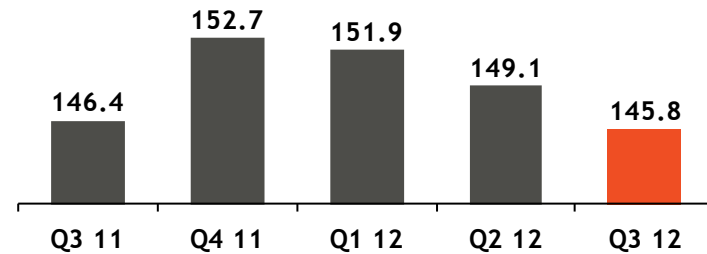
ARPU & ARPU Relevant Revenues

(in EUR)



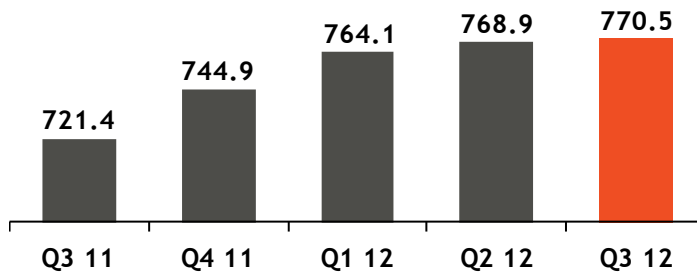
MoU per Subscriber

(in min)



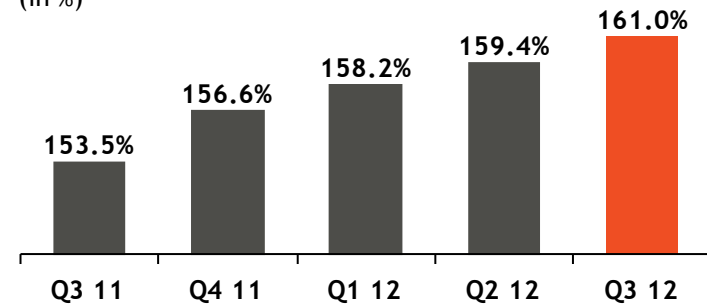
Mobile Broadband Customers

(in 000)



Mobile Penetration

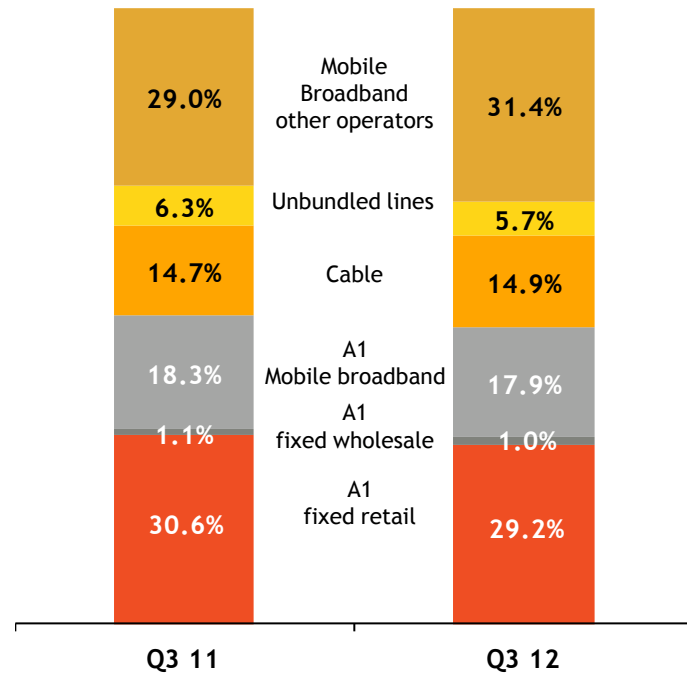
(in %)



Segment Austria - Broadband Market Split

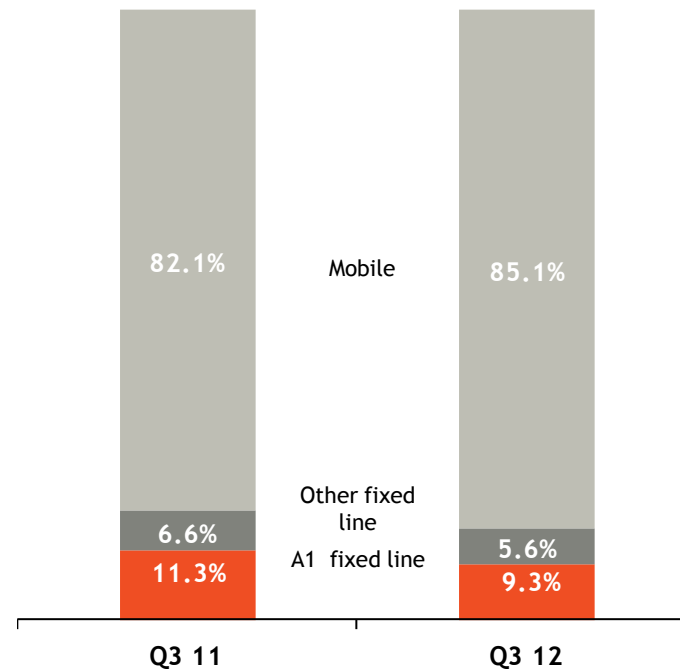
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

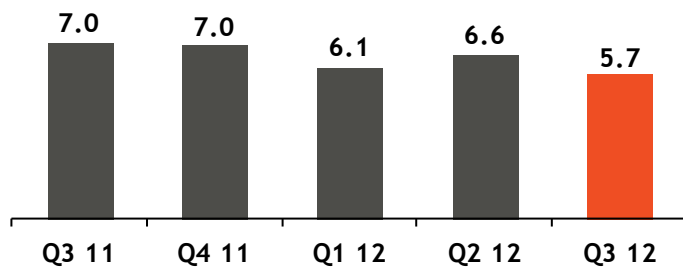
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

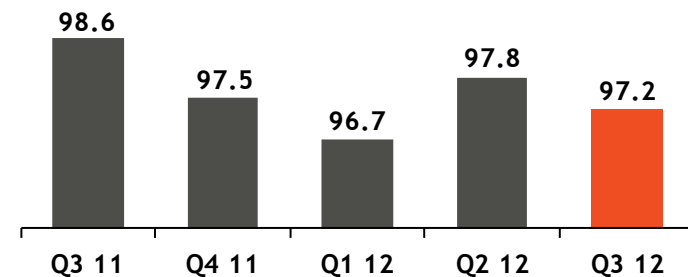
ARPU

(in EUR)



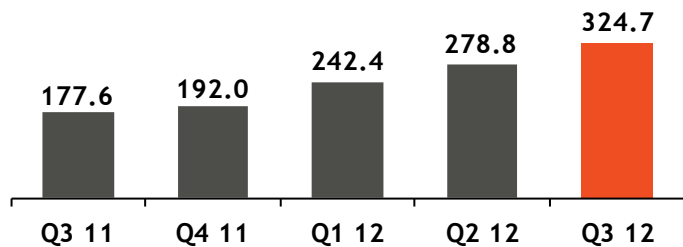
MoU per Subscriber

(in min)



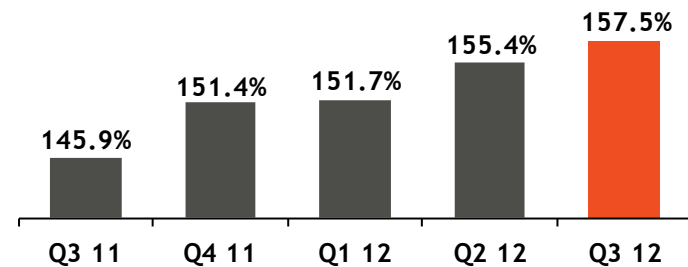
Mobile Broadband Customers

(in 000)



Mobile Penetration

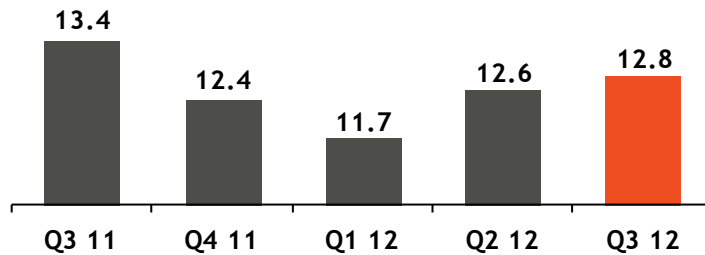
(in %)



Segment Croatia - Mobile Key Performance Indicators

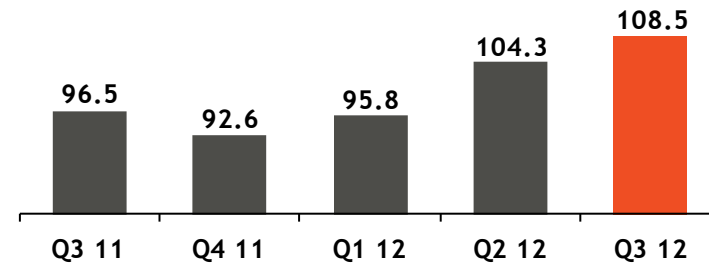
ARPU

(in EUR)



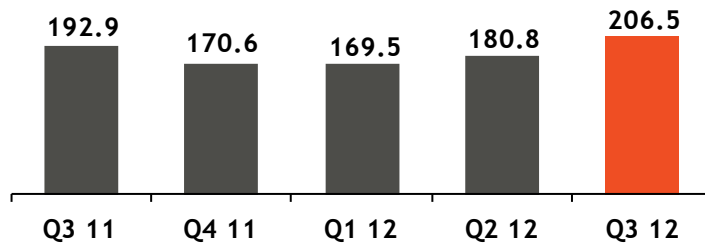
MoU per Subscriber

(in min)



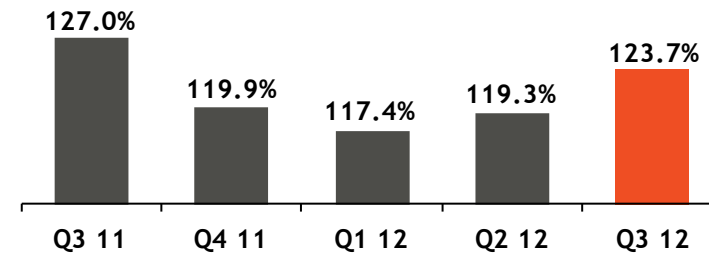
Mobile Broadband Customers

(in 000)



Mobile Penetration

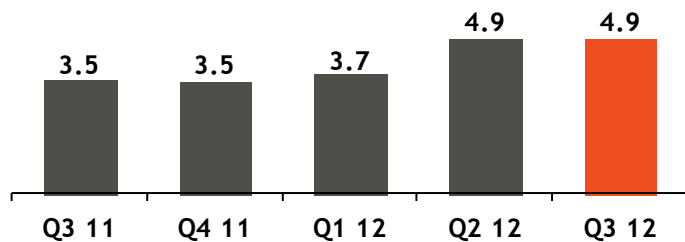
(in %)



Segment Belarus - Mobile Key Performance Indicators

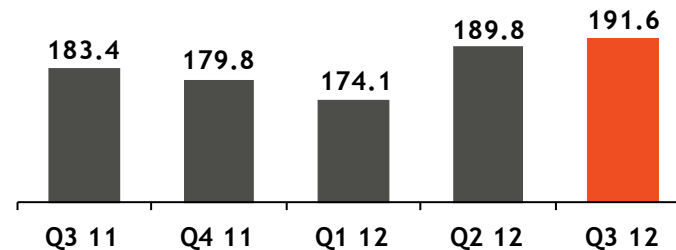
ARPU

(in EUR)



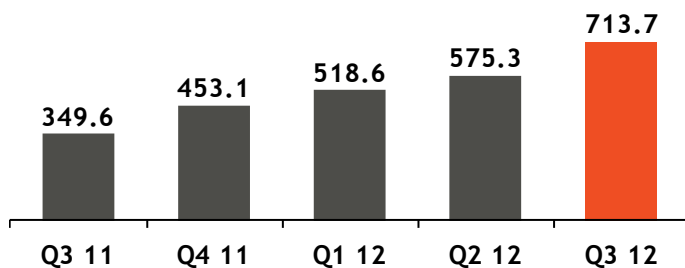
MoU per Subscriber

(in min)



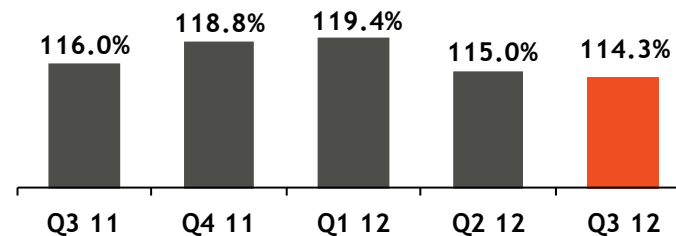
Mobile Broadband Customers

(in 000)



Mobile Penetration

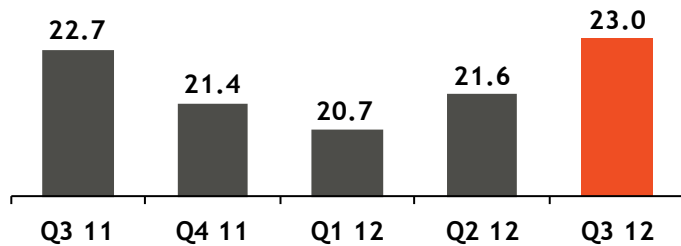
(in %)



Segment Additional Markets - Mobile Key Performance Indicators

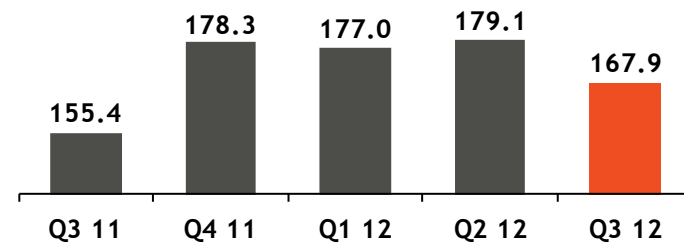
Slovenia - ARPU

(in EUR)



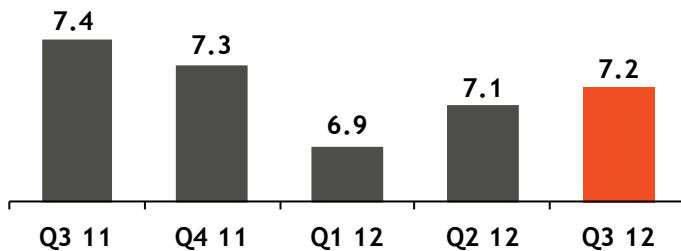
Slovenia - MoU per Subscriber

(in min)



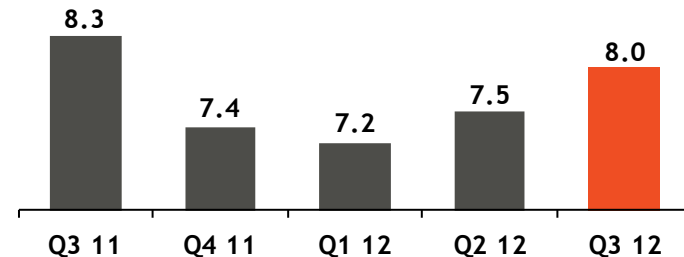
Republic of Serbia - ARPU

(in EUR)



Republic of Macedonia - ARPU

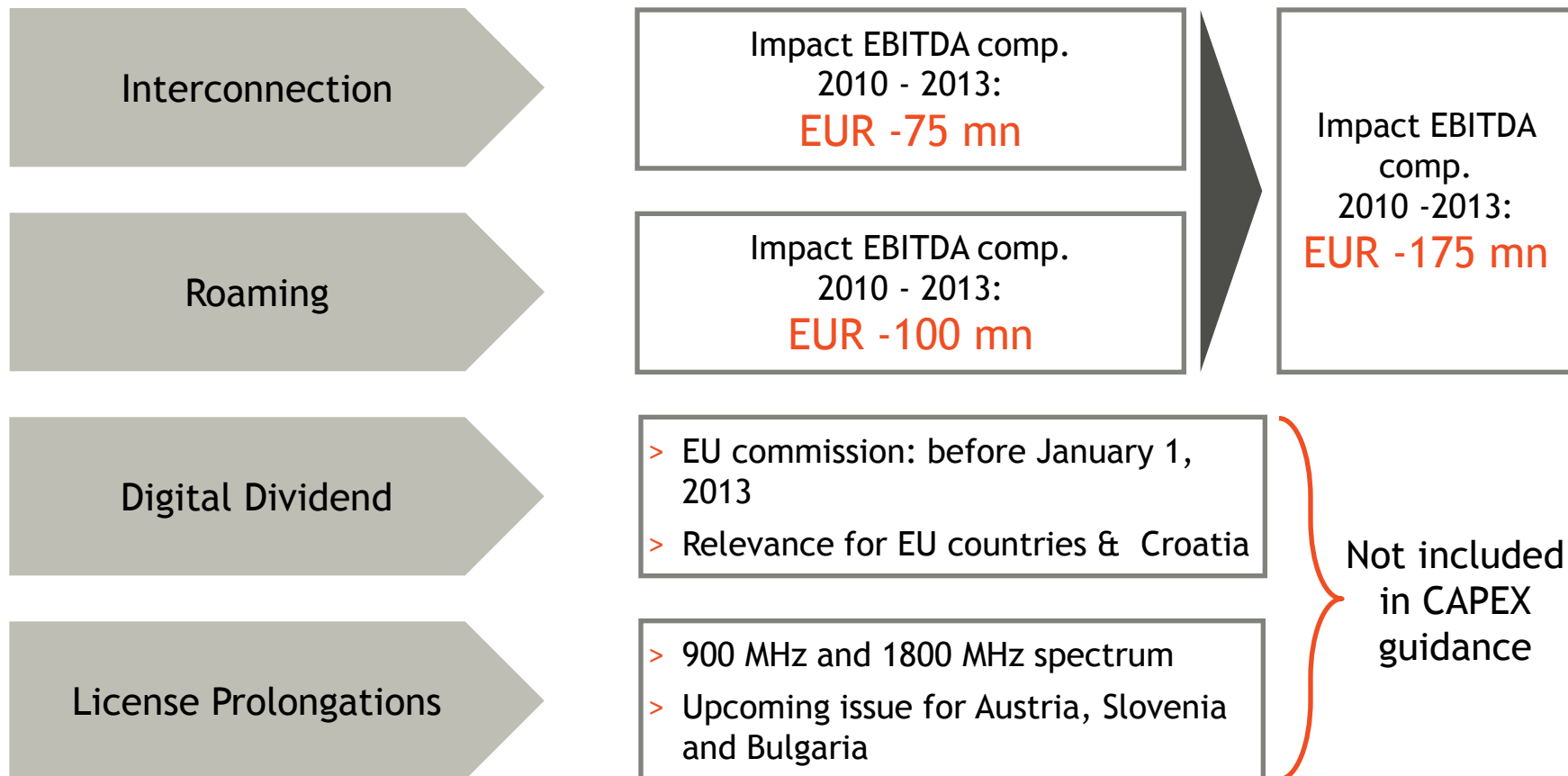
(in EUR)



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	July 2012	July 2013	July 2014
Voice						
Wholesale	0.26	0.22	0.18	0.14	0.10	0.05
Retail active	0.43	0.39	0.35	0.29	0.24	0.19
Retail passive	0.19	0.15	0.11	0.08	0.07	0.05
SMS						
Wholesale	0.04	0.04	0.04	0.03	0.02	0.02
Retail	0.11	0.11	0.11	0.09	0.08	0.06
Data						
Wholesale	1.00	0.80	0.50	0.25	0.15	0.05
Retail	-	-	-	0.70	0.45	0.20



Appendix 3 – Personnel Restructuring in Austria

Overview - Restructuring Charges and Provision vs. FTE

Overview Restructuring Charges

(in EUR million)

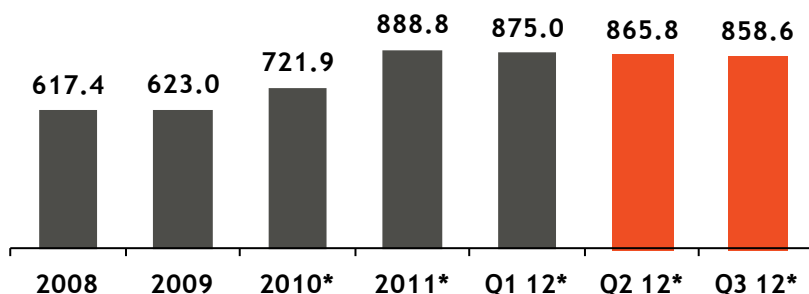
	2008	2009	2010	2011	Q1 12	Q2 12	Q3 12
FTE Effect	632.1	-10.0	76.9	233.7	4.4	6.6	10.6
Interest rate adjustments	0.0	27.5	47.2	0.0	0.0	0.0	0.0
Total	632.1	17.5	124.1	233.7	4.4	6.6	10.6

FTEs Addressed

	2008	2009	2010	2011	Q1 12	Q2 12	Q3 12
Transfer to government	0	0	158	106	9	18	3
Social plans	256	451	28	685	0	0	17
Staff released from work	968	-194	27	0	0	0	0
Total	1,224	257	213	791	9	18	20

Overview Restructuring Provision

(in EUR million)



* Including liabilities for transfer of civil servants to government bodies

Provisioned FTEs

	2008	2009	2010	2011	Q1 12	Q2 12	Q3 12
Transfer to government	0	0	158	264	273	291	294
Social plans	14	273	299	922	916	908	973
Staff released from work	968	789	763	649	644	634	563
Total	982	1,062	1,220	1,835	1,833	1,833	1,830

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
Q3 2012	23.1

- > 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