



Telekom Austria Group Annual General Meeting 2012

Vienna, 23 May 2012

Agenda

- 01 Report on the fiscal year 2011
- 02 Report on the forensic investigation and measures taken
- 03 Utilization of net profit
- 04 Discharge of the members of the Management Board
- 05 Discharge of the members of the Supervisory Board
- 06 Compensation for the members of the Supervisory Board

Agenda

- 07 Election of the auditors of the financial statements and of the consolidated financial statements for the fiscal year 2012

- 08 Management report on share buyback, number of treasury shares held and use of treasury shares

- 09 Prolongation of authorization of the Management Board to share buyback and the authorization of use in this regard, as well as with entitlement to exclude the general purchase opportunity

- 10 Elections to the Supervisory Board






Overview

1st Quarter 2012

Good start into 2012.




Good start into 2012
Successful 1st Quarter

Revenues
EUR 1,055 mn

EBITDA comparable
EUR 361 mn

Net Income positive
EUR 47 mn



Good start into 2012
Successful 1st Quarter

Customer Growth
+5% Mobile Communication
+7% Fixed Line

Agenda Item 1:

Report on the Fiscal Year 2011



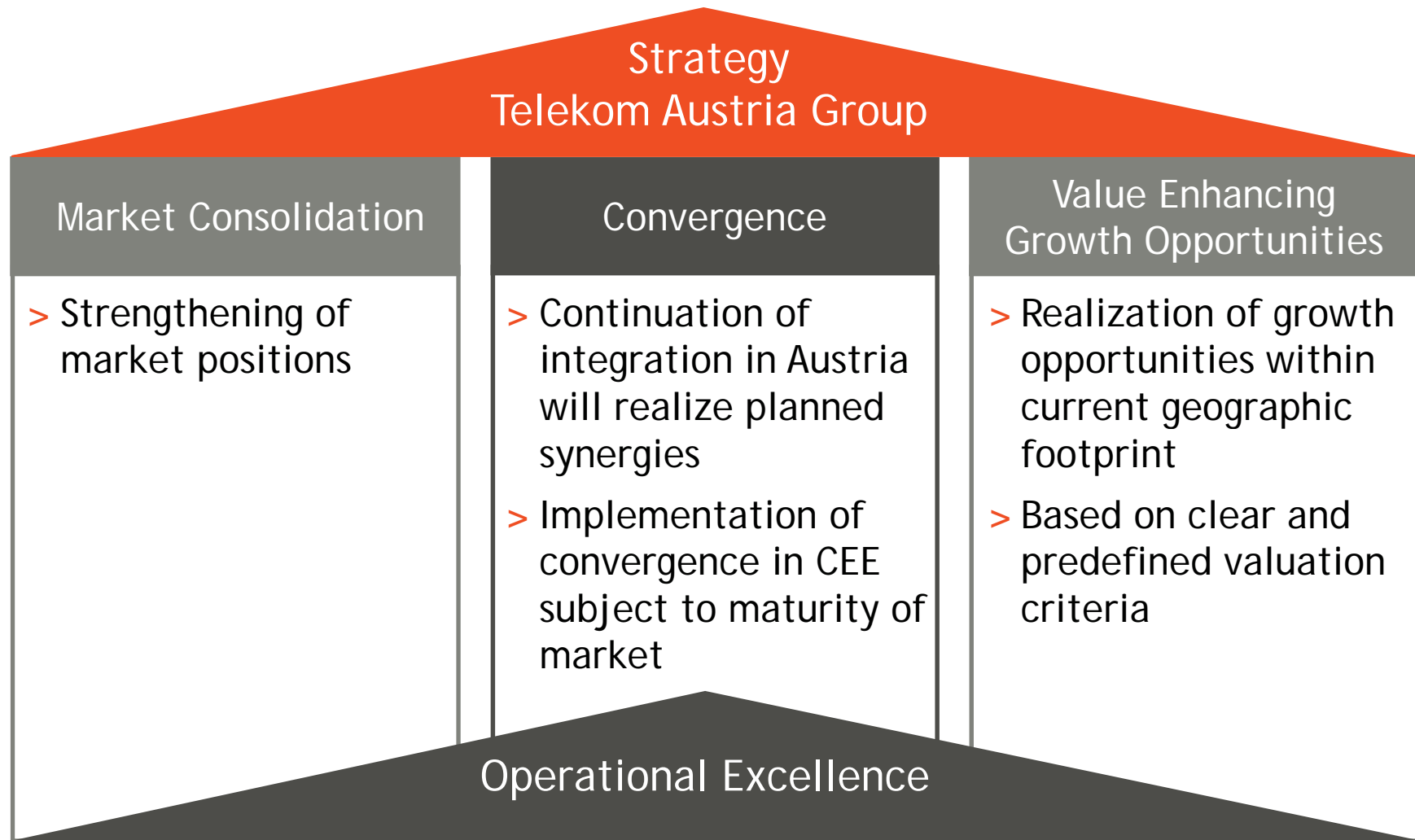
Telekom Austria Group: Market Leader in Austria & Strong Player in Eastern and Southeastern Europe

23 million customers

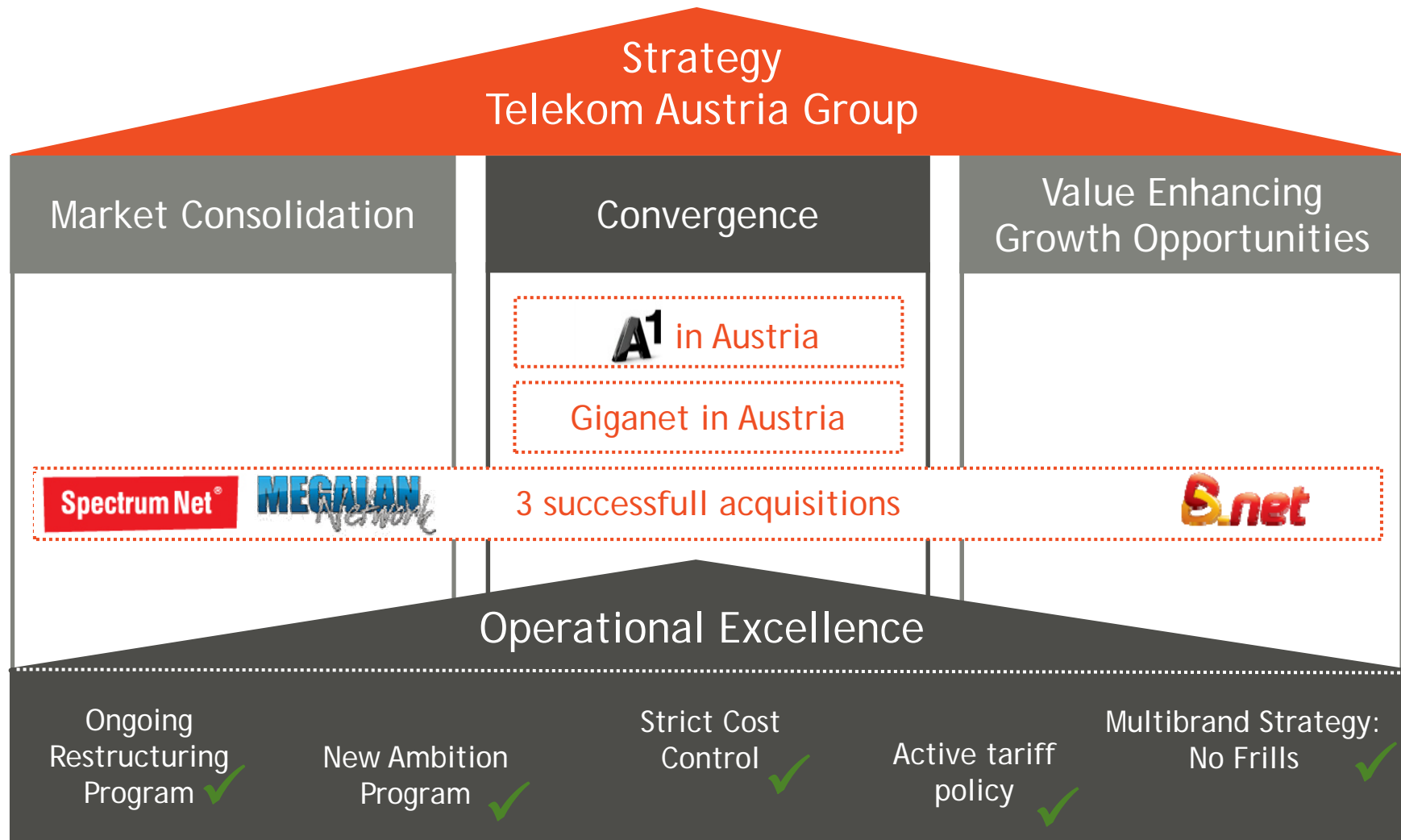


8 countries

Strategy of Telekom Austria Group is Based on Four Core Pillars



Strategy of Telekom Austria Group is Based on Four Core Pillars



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"

maximum amount of EUR 390 mn



Announced Acquisition of Orange Austria Assets in Line With Group Strategy

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! and frequencies are conditional to the approval of the Austrian Competition Authority and the Austrian Regulatory Authority respectively
- > Decisions are expected in the second half of 2012



Challenging Conditions



Challenging Conditions

Strong Competition

- > 55% price decline in mobile communication in Austria since 2006
- > Up to 30% price premium versus no. 3 in Bulgaria
- > Strong trend towards no-frills in Austria, Bulgaria, Croatia and Slovenia



Challenging Conditions

Challenging Macro-Environment

> 63% devaluation of the Belarusian Ruble

> 108% inflation in Belarus

> Slow economic growth

> +1.7% in Bulgaria

> -0.4% in Croatia



Challenging Conditions

Regulatory Cuts

- > EUR 78 mn revenue decline due to regulation
- > Decline in termination rates of up to 54%
- > Decrease in roaming charges of up to 25%
- > Entire industry affected



Challenging Conditions

Personnel Structure in Austria

- > 76% civil servants and employees with extended job protection
- > EUR 234 mn restructuring charges to address 791 employees



2011 - Group Goals Successfully Achieved

CONVERGENCE

A1 Single Brand in Austria
Launch in Bulgaria and Croatia



2011 - Group Goals Successfully Achieved

BROADBAND

Growth in Austria

- + 10% Fixed Broadband
- + 14% Mobile Broadband



2011 - Group Goals Successfully Achieved

EXCELLENT MOBILE NETWORK

Austria, Bulgaria, Croatia, Slovenia
and the Republic of Serbia



2011 - Group Goals Successfully Achieved

GIGANET AUSTRIA

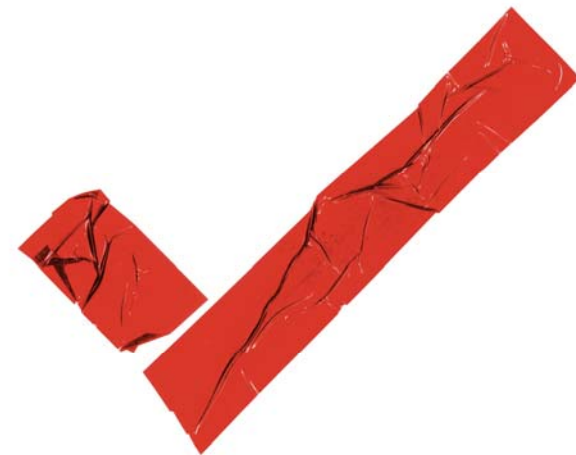
52% Coverage achieved



2011 - Group Goals Successfully Achieved

COST MANAGEMENT

EUR 67 mn saved



Operational Measures and Success in Our Markets





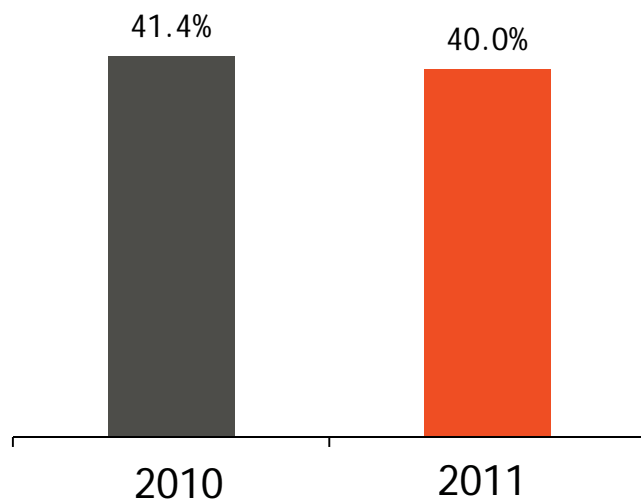
Austria's Supreme No. 1



Supreme No. 1

Market Share

(in %)



Operational Measures 2011

> Successful integration/convergent strategy

> Active tariff policy

> Network rollout



Austria's Supreme No. 1



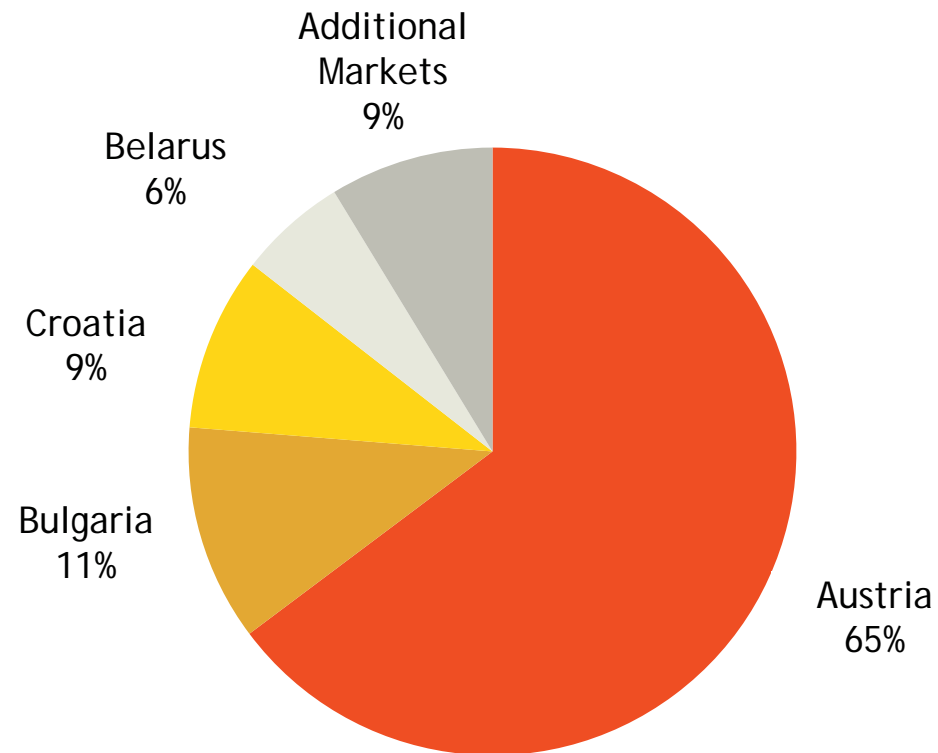
Operational Success 2011

- > Launch of new brand within 6 months
- > Rollout of convergent shop concept with international awareness
- > Most modern network in Europe - Next Generation Voice
- > „Best network“ from technological perspective

Approximately 2/3 of the Revenues and EBITDA Comparable Come From the Austrian Segment

Revenues by Segments*

(in %)



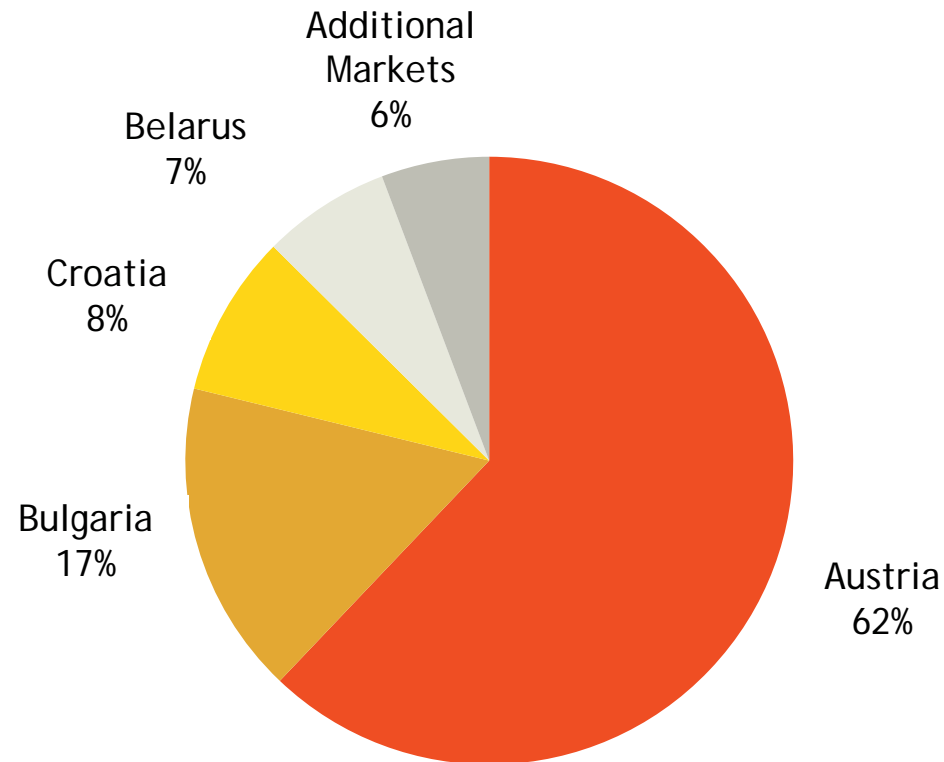
* Excluding Holding & Other, Eliminations: EUR -93.1 mn



Approximately 2/3 of the Revenues and EBITDA Comparable Come From the Austrian Segment

EBITDA Comparable by Segments*

(in %)



* Excluding Holding & Other, Eliminations: EUR -38.6 mn



Operational Trends in Austria

Convergence

- > Customer demand: "Everything out of one hand"
- > Investment and cost efficiency



Competition and Price Pressure

- > Highly competitive mobile market with 4 players leads to price declines
- > Strong competition in the fixed line in highly populated areas



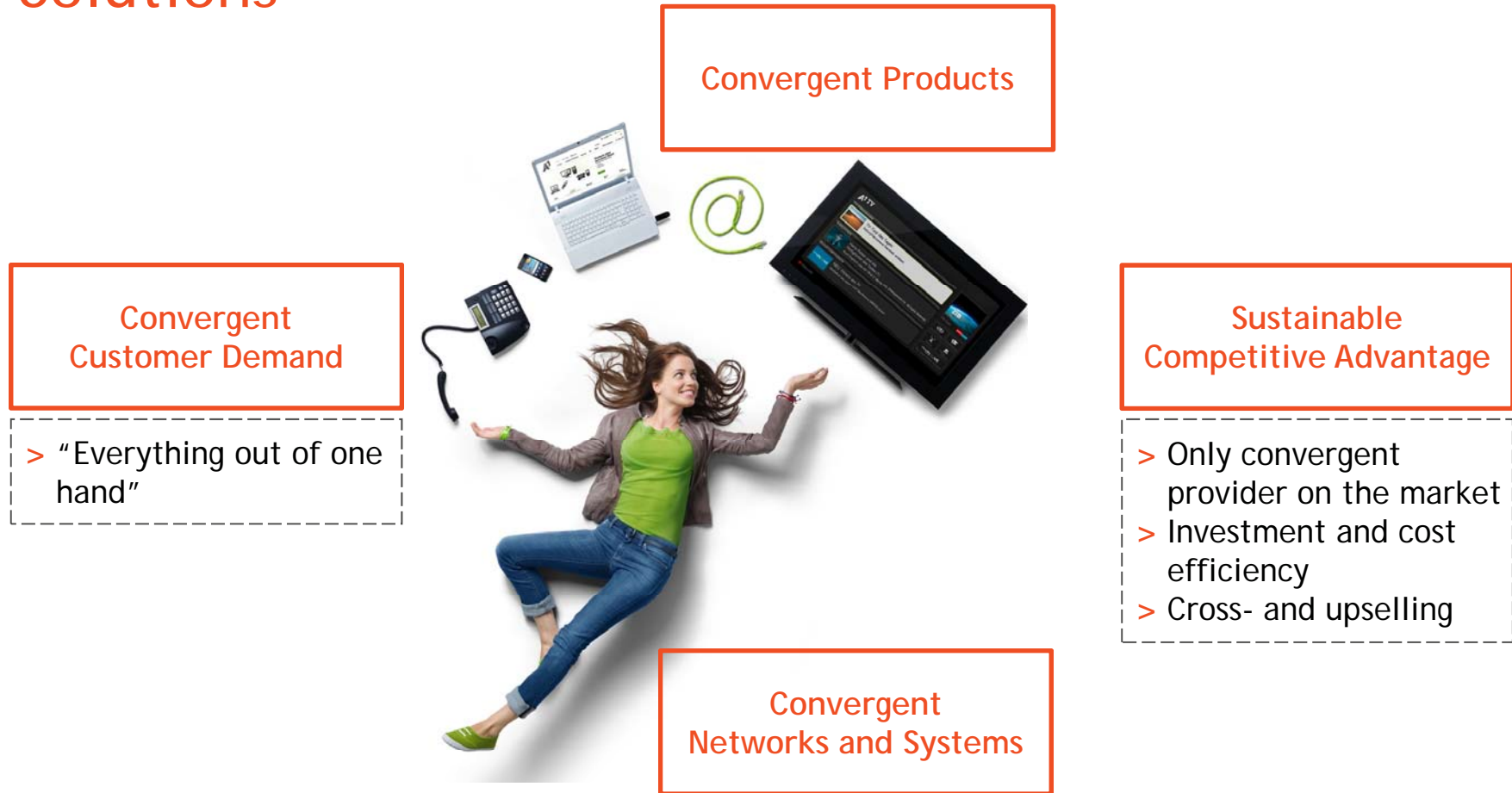
Smartphones

- > Over 70% of all A1 first registrations are smartphones

Data Growth

- > Exponential data growth in mobile and fixed line

A1 - Only Provider of "Everything Out of One Hand" Solutions

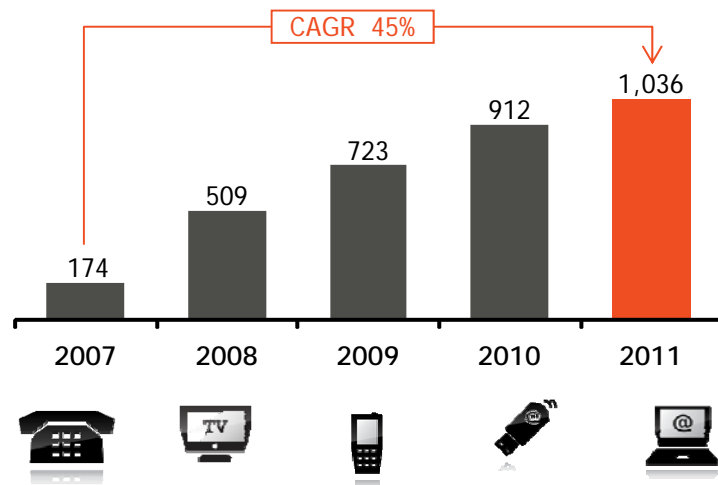


➔ **USP as the Only Convergent Provider in Austria** ←

Convergent Product Bundles Lead to Stabilization of ARPL on a Longterm Perspective

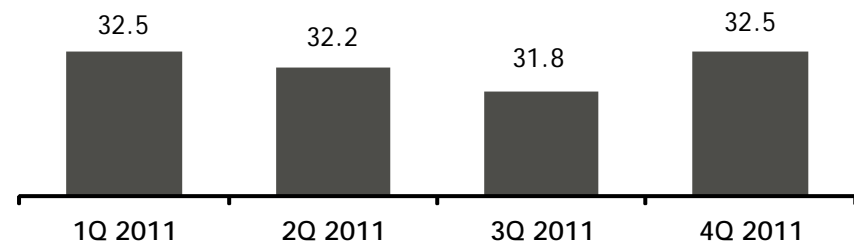
Development of Product Bundles

(in 000)



ARPL Development in 2011

(in EUR)

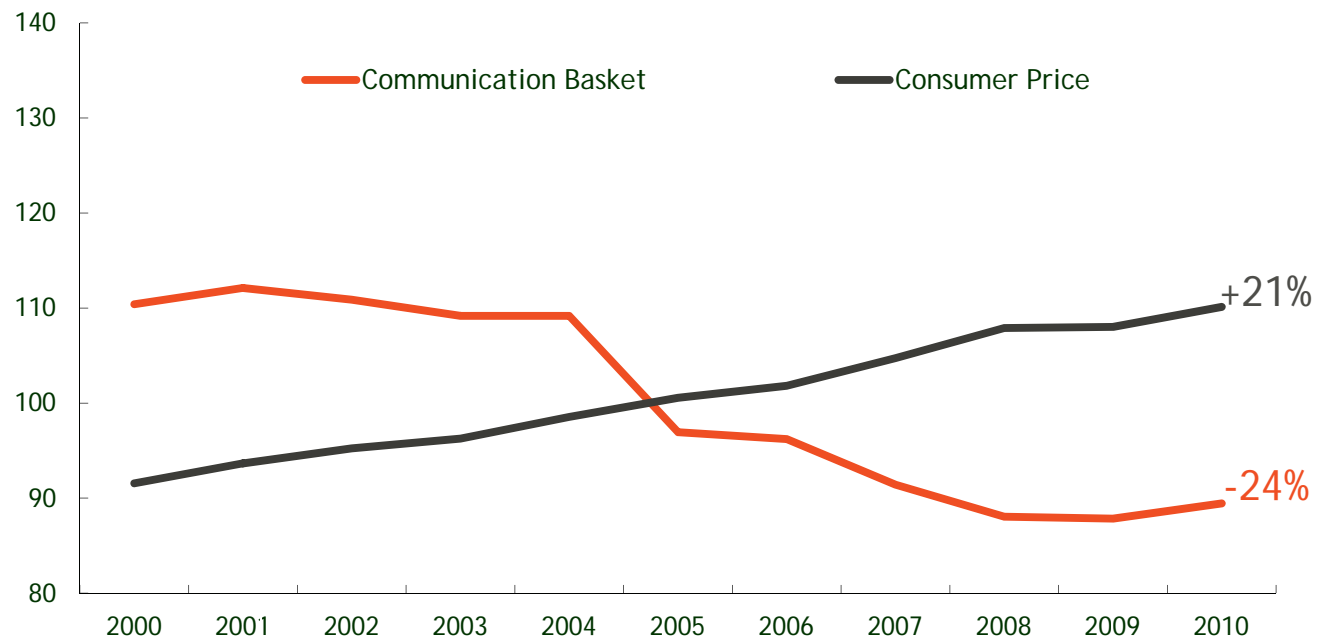


> Broadband growth partially compensates for decline of fixed line minutes and stabilizes average revenue per customer (ARPL)



24% Price Erosion on Austrian Communication Market since 2000

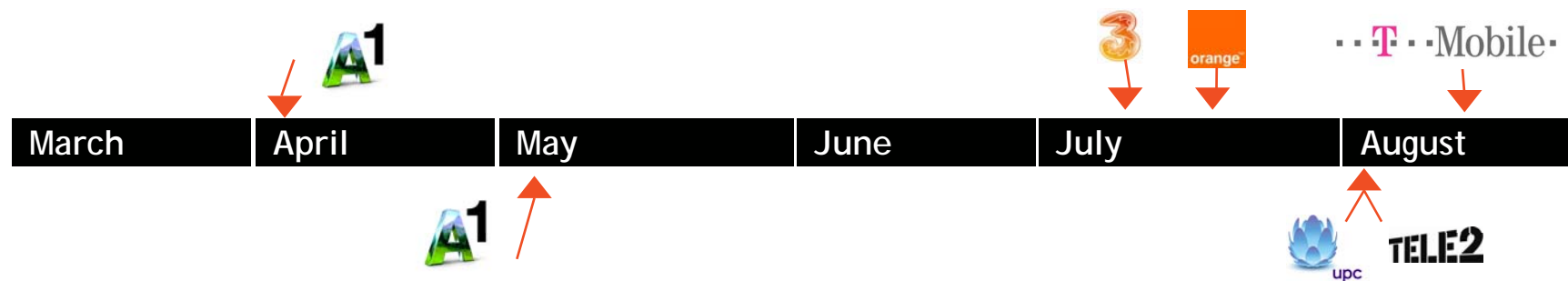
Austria: Consumer Price vs. Communication Basket



Innovative Steps to Counter Price Erosion

Active Tariff Policy 2011 - Securing Network and Service Quality for Customers

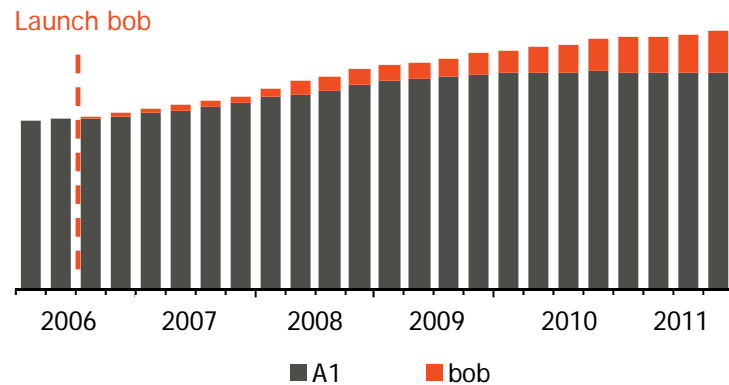
- > SIM charge of EUR 19.90 per year for new customers and those who change tariffs



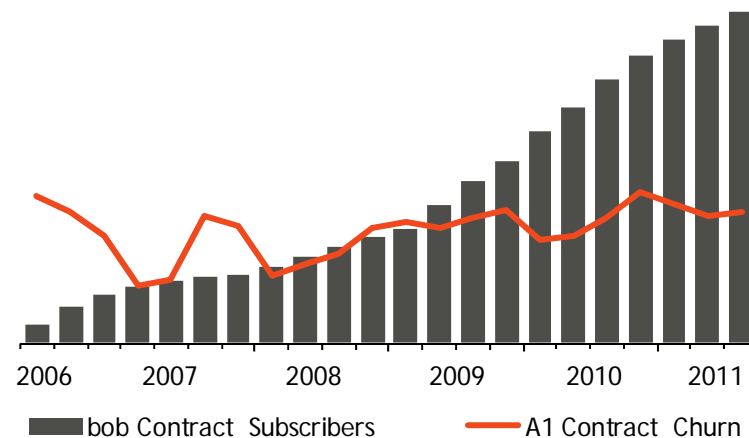
- > Internet service fee of EUR 15 per year for new and existing customers

Efficient Segmentation of the Austrian Mobile Market through Multi-Brand Strategy

Development of A1 and bob Customer Base



A1 Contract Churn vs. bob Customers

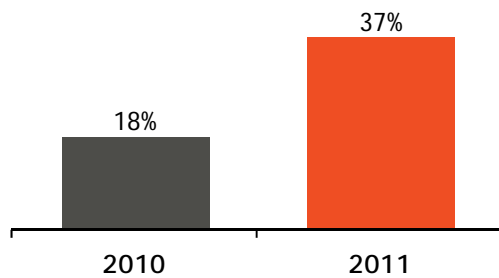


⇒ Segmentation is an Efficient Measure to Protect Premium Brand from Price Decline ←

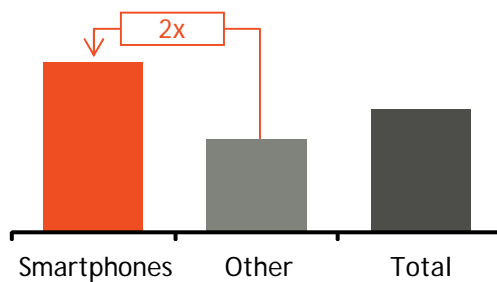
Ideally Positioned for Rising Demand for Smartphones

A1 Smartphone Penetration

(in %)



Average Revenues 2x Higher



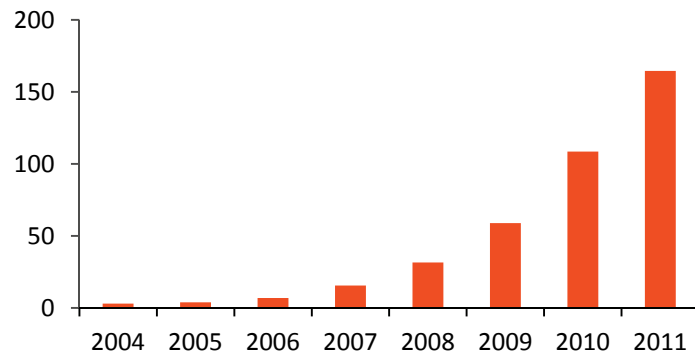
- > Smartphone for every customer requirement
- > Innovation leadership through A1 applications



High-Capacity Convergent Network Secures Market Leadership

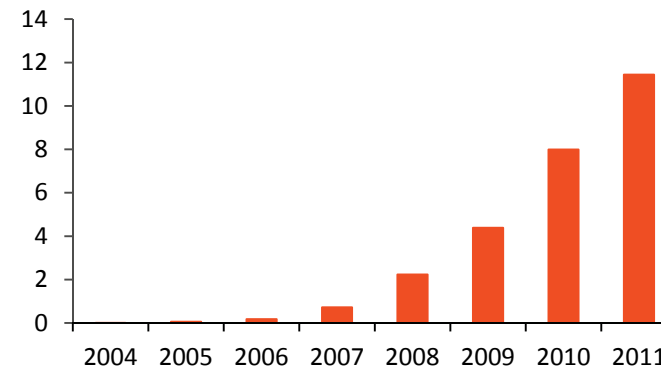
A1 Data Volume Fixed Line

(in Petabyte)



A1 Data Volume Mobile Communication

(in Petabyte)



Efficiency through Convergence

- > 52% of households connected to Giganet
- > 3,100 base stations connected to Giganet and future-proof
- > 50% dual cell (up to 42 Mbit/s) coverage
- > 15% LTE coverage

A1 Invested more than EUR 1.4 bn in Infrastructure Roll-out in Austria from 2009 to 2011

Rollout Criteria

- > Demand potential
- > Competition
- > Population density
- > Technical prerequisites
- > Cooperation

NGA-Rollout 2011

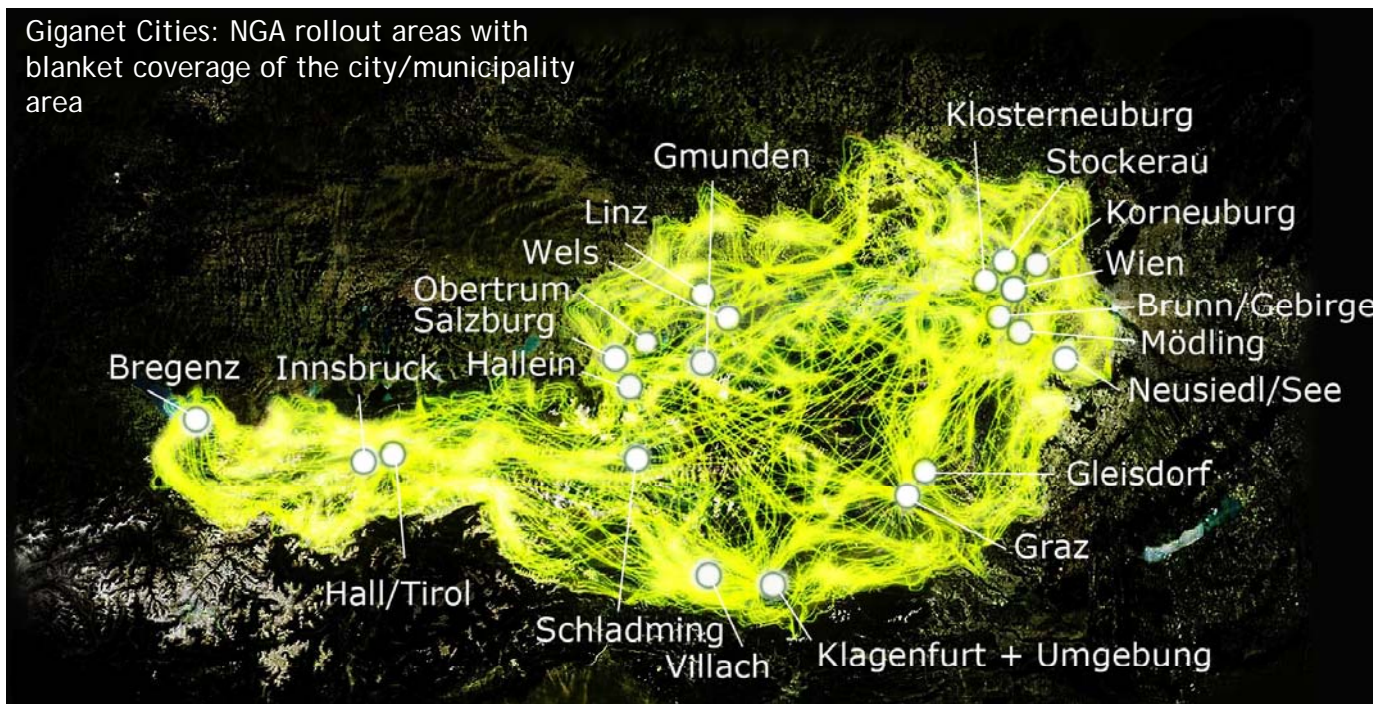
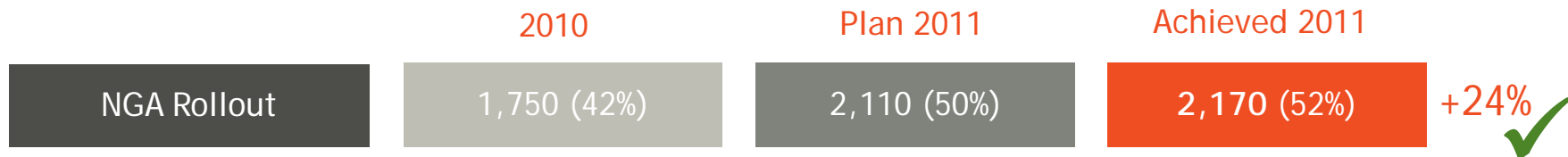
- > FTTH/FTTB rollout in Vienna
- > FTTC rollout in
 - > Vienna and surroundings
 - > Selected provincial capitals
 - > Subsidized rollout in rural regions*
- > FTTEEx rollout Austria-wide

* Subsidies from the EU, federal government and provinces within the scope of ELER 2013 tender

52% of Austrian Households Covered by Giganet in 2011

Total Addressable Market

(in 000, % of households)



2011 Restructuring Program Targets Achieved - New Initiatives for 2012

Target for 2011

approx. 700 FTE
> 75% - 85% Social plans > 15% - 25% Transfer to government
Up to EUR 250 mn Restructuring Charge

Achieved in 2011

791 FTE ✓
> Social plans: 685 FTE (87%) > Transfer to government: 106 FTE (13%)
Restructuring Charge of EUR 234 mn ✓

Initiative for 2012

> Approx. 120 FTE
> Restructuring charge of up to EUR 50 mn

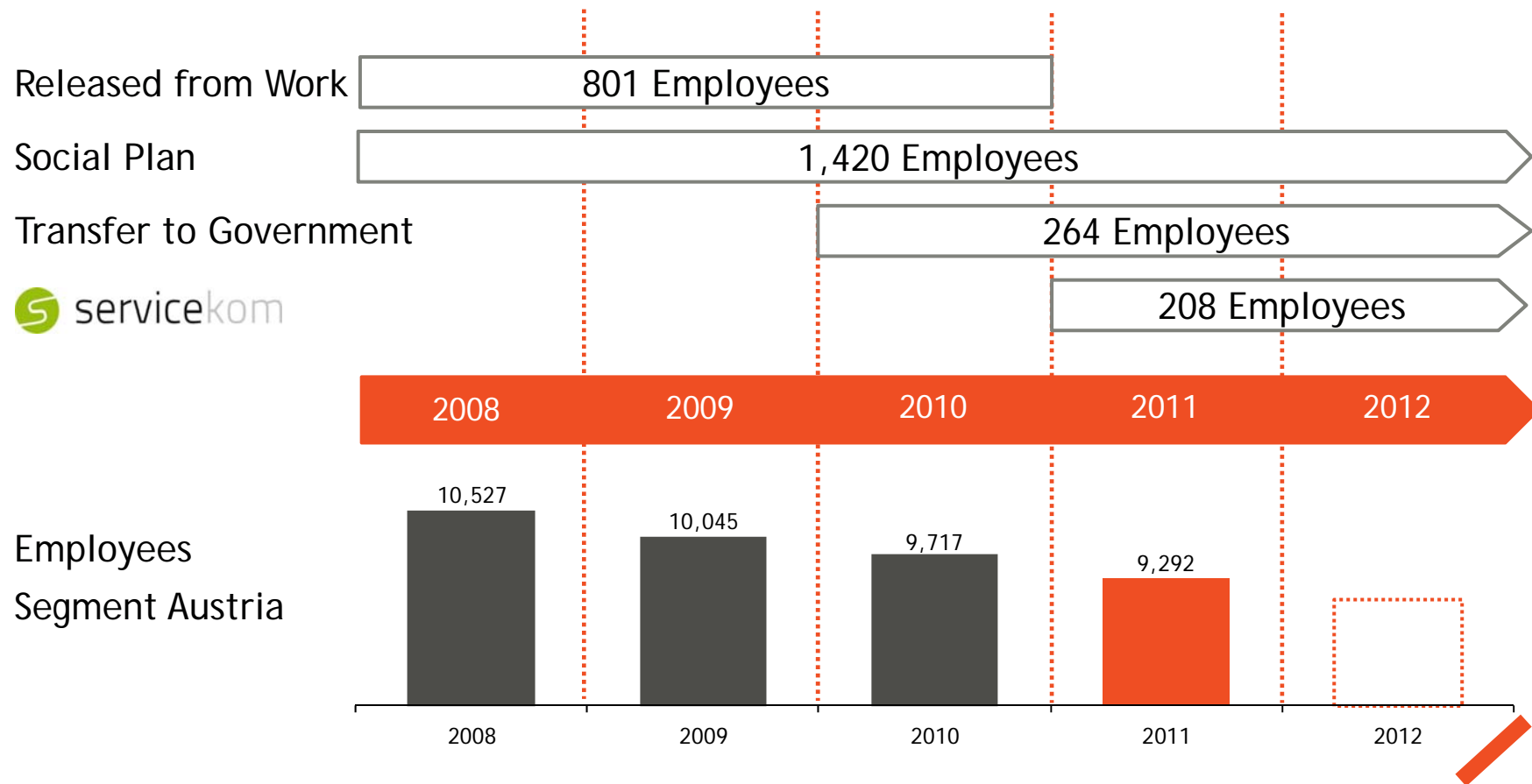
Inflexible Personnel Cost Structure in Austria

- > Approximately 76% of full-time employees are either civil servants or have extended job protection
- > Average age of civil servants is 47 years
- > Biennial incremental increases and raises from the General Bargaining Agreement lead to increases in personnel costs of approximately 5% per year



Restructuring Measures Mitigate Pressure on EBITDA Comparable

Measures and Development Employees



Development of International Subsidiaries in 2011





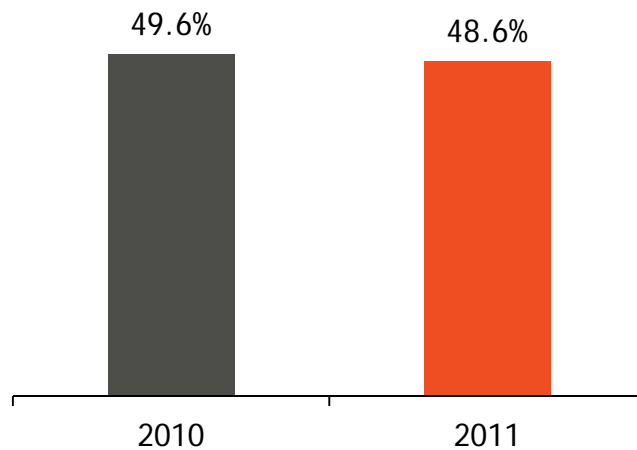
Bulgaria: Convergence Strategy Successfully Implemented



Stable No. 1

Market Share

(in %)



Challenges 2011

> 1.7% GDP growth export-driven

> Declining domestic demand

> Strong competition

> 30% price premium to number 3



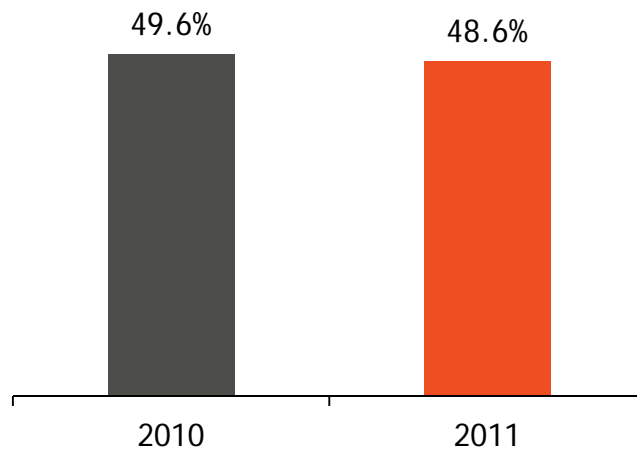
Bulgaria: Convergence Strategy Successfully Implemented



Stable No. 1

Market Share

(in %)



Operational Measures 2011

- > Acquisition of 2 glass fiber operators

Spectrum Net

and

MEGALAN
Network

- > Launch of no-frills brand "bob"





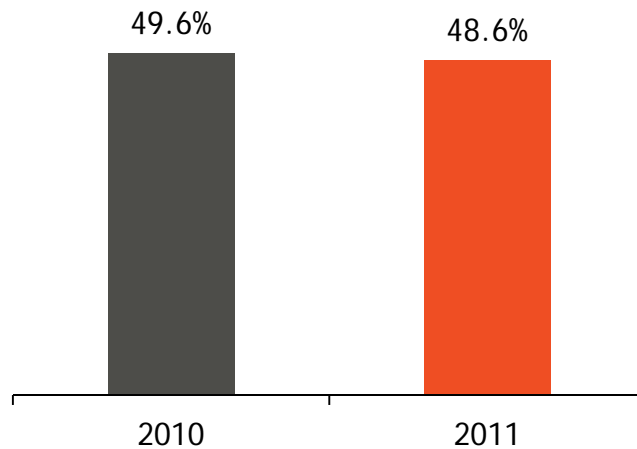
Bulgaria: Convergence Strategy Successfully Implemented



Stable No. 1

Market Share

(in %)



Operational Success 2011

> 5% mobile customer growth

> 52% customer growth in mobile broadband

> Fixed line costs compensated





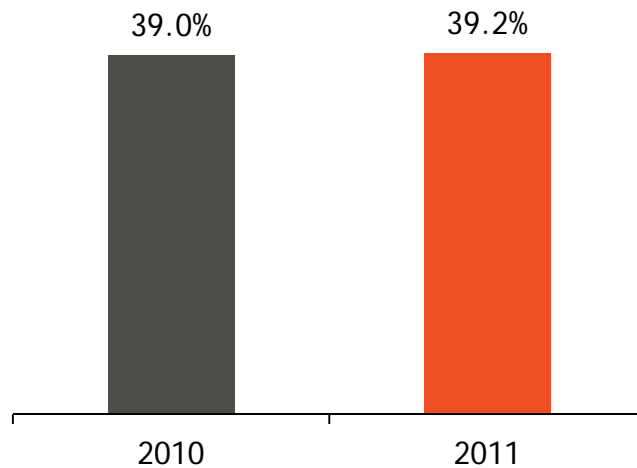
Croatia: Successful Acquisition Enables Transition to a Convergent Provider



Stable No. 2

Market Share

(in %)



Challenges 2011

> Negative GDP growth of -0.4%

> Intensive competition

> Intensive regulation of mobile phone business

> Mobile revenues tax



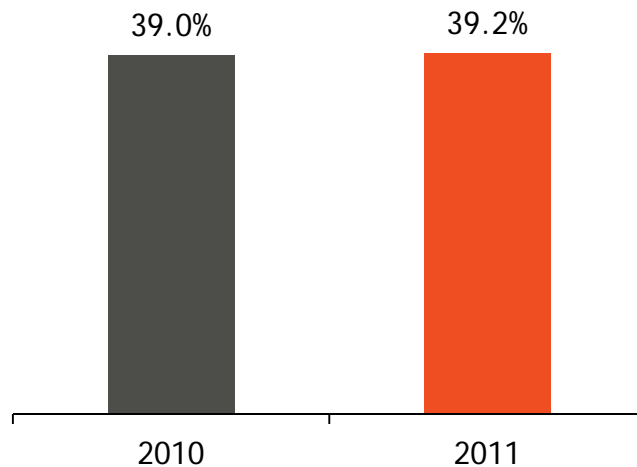
Croatia: Successful Acquisition Enables Transition to a Convergent Provider



Stable No. 2

Market Share

(in %)



Operational Measures 2011

- > Acquisition of largest cable provider B.net
- > Implementation of convergent strategy
- > Rollout of M2M
- > 10% head count reduction



Croatia: Successful Acquisition Enables Transition to a Convergent Provider

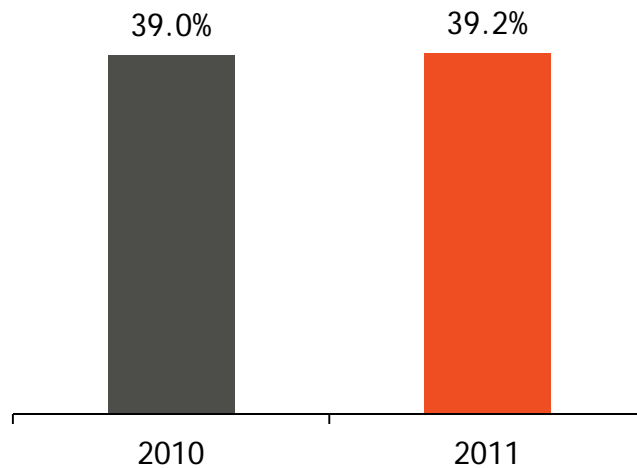


Stable No. 2

Operational Success 2011

Market Share

(in %)



> 9% contract customer growth

> 18% growth in mobile broadband





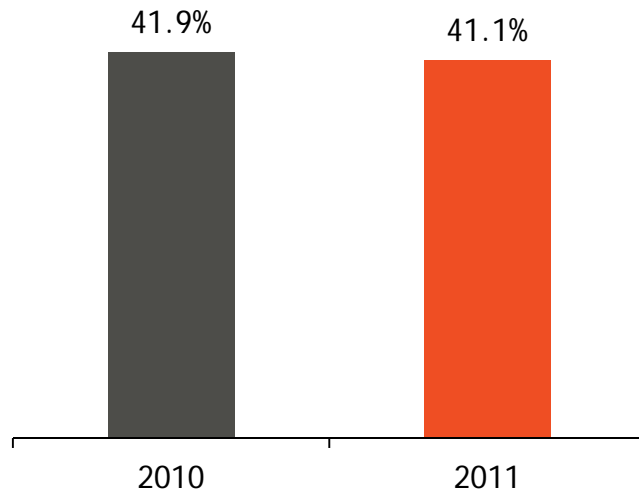
Belarus: 2011 Driven by Inflation and Currency Devaluation



Stable No. 2

Market Share

(in %)



Challenges 2011

> Currency devaluation of 63%

> Inflation rate of 108%

> Introduction of hyperinflation accounting





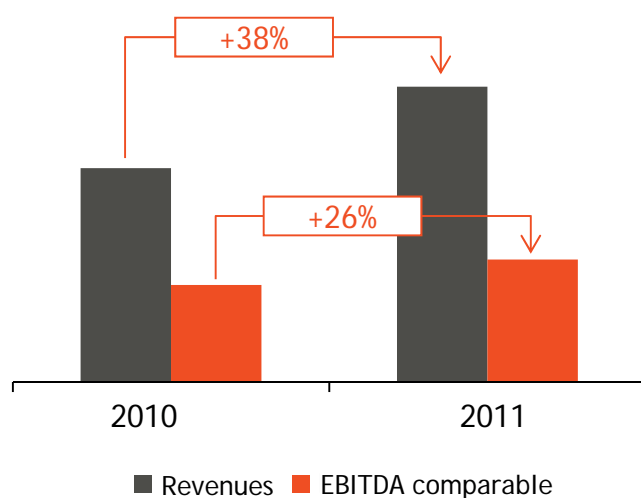
Belarus: 2011 Driven by Inflation and Currency Devaluation

velcom

Development Financial KPI's

Development of Revenues and EBITDA Comparable

(excluding effects of hyperinflation accounting and foreign currency translation)



Operational Measures 2011

> 35% price increases

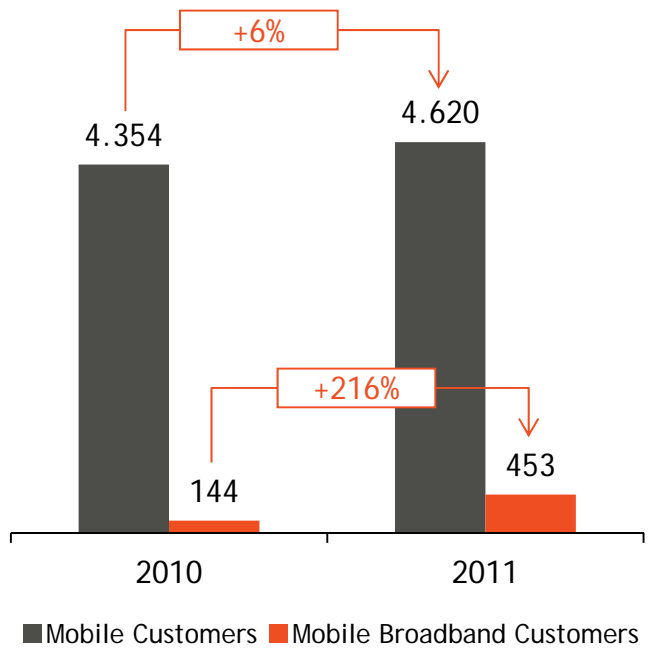
> Reduction of costs denominated in Euro



Belarus: 2011 Driven by Inflation and Currency Devaluation



Development Customer Base



Operational Success 2011

> 6% mobile customer growth

> 216% growth in mobile broadband

> 38% increase in revenues in local currency





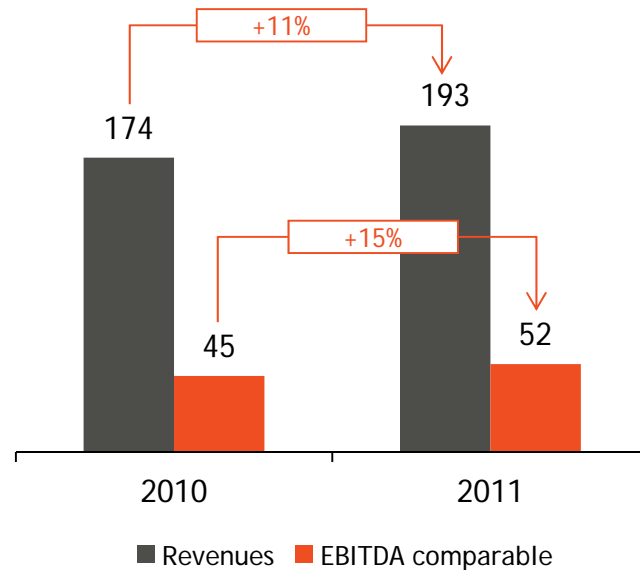
Slovenia: Strong Revenue and EBITDA Growth



Stable No. 2 Strengthened

Development of Revenues and EBITDA Comparable

(in EUR mn)



Operational Success 2011

> Launch no-frills brand "bob"



> iPhone exclusivity



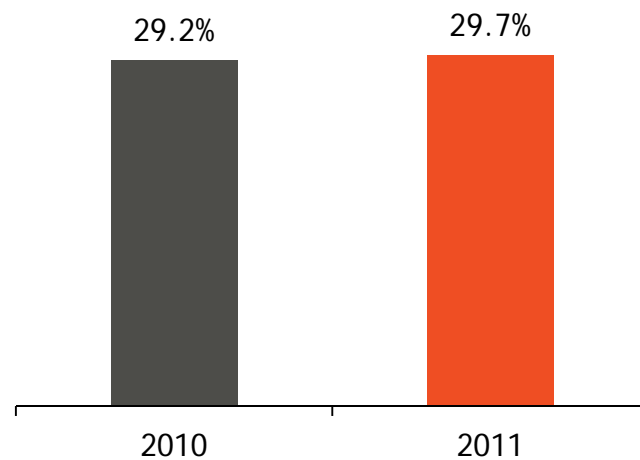
Slovenia: Strong Revenue and EBITDA Growth



Stable No. 2 Strengthened

Market Share

(in %)



Operational Success 2011

> 3% mobile customer growth

> 9% growth in mobile broadband



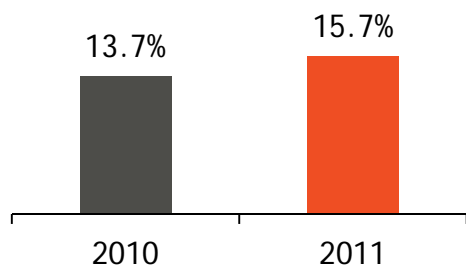
Republic of Serbia: Continued Growth in 2011



Distance to No. 2 reduced

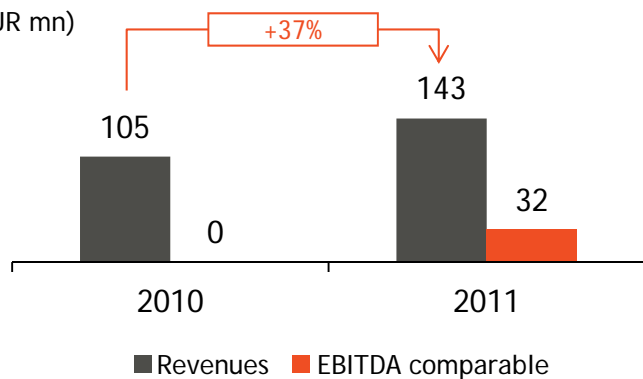
Market Share

(in %)



Development of Revenues and EBITDA Comparable

(in EUR mn)



Operational Success 2011

> Launch of 3G

> 21% mobile customer growth

> Strongest EBITDA growth in the Group

> Connect award for the best network



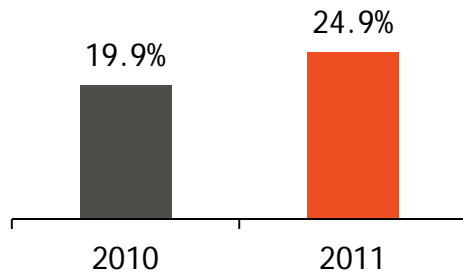
Republic of Macedonia: Achieves Break Even in 2011



Advanced to Number 2

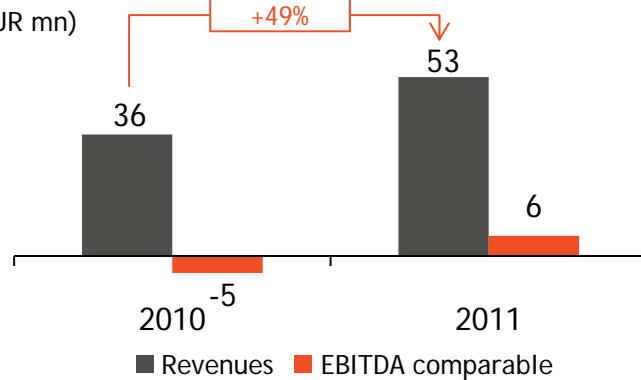
Market Share

(in %)



Development of Revenues and EBITDA Comparable

(in EUR mn)



Operational Success 2011

> 28% mobile customer growth

> EBITDA break-even achieved

> Advanced to No. 2 on the market

Key Financial Figures Telekom Austria Group

Results for 2011 in Line with Expectations

	Outlook*	Reported	Without Extraordinary Effects**
Revenues	Approx. EUR 4.50 bn	EUR 4.45 bn	EUR 4.67 bn ✓
EBITDA comparable	Up to EUR 1.55 bn	EUR 1.53 bn	EUR 1.62 bn ✓
Capital Expenditures	EUR 0.75 bn -EUR 0.80 bn	EUR 0.74 bn	EUR 0.73 bn ✓
Operating Free Cash Flow***	Up to EUR 0.80 bn	EUR 0.79 bn	EUR 0.89 bn ✓

* On constant currency basis for all countries as well as before adjustment for hyperinflation accounting in the Belarusian segment

** Net impact from hyperinflation accounting and foreign currency translations in Belarus

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

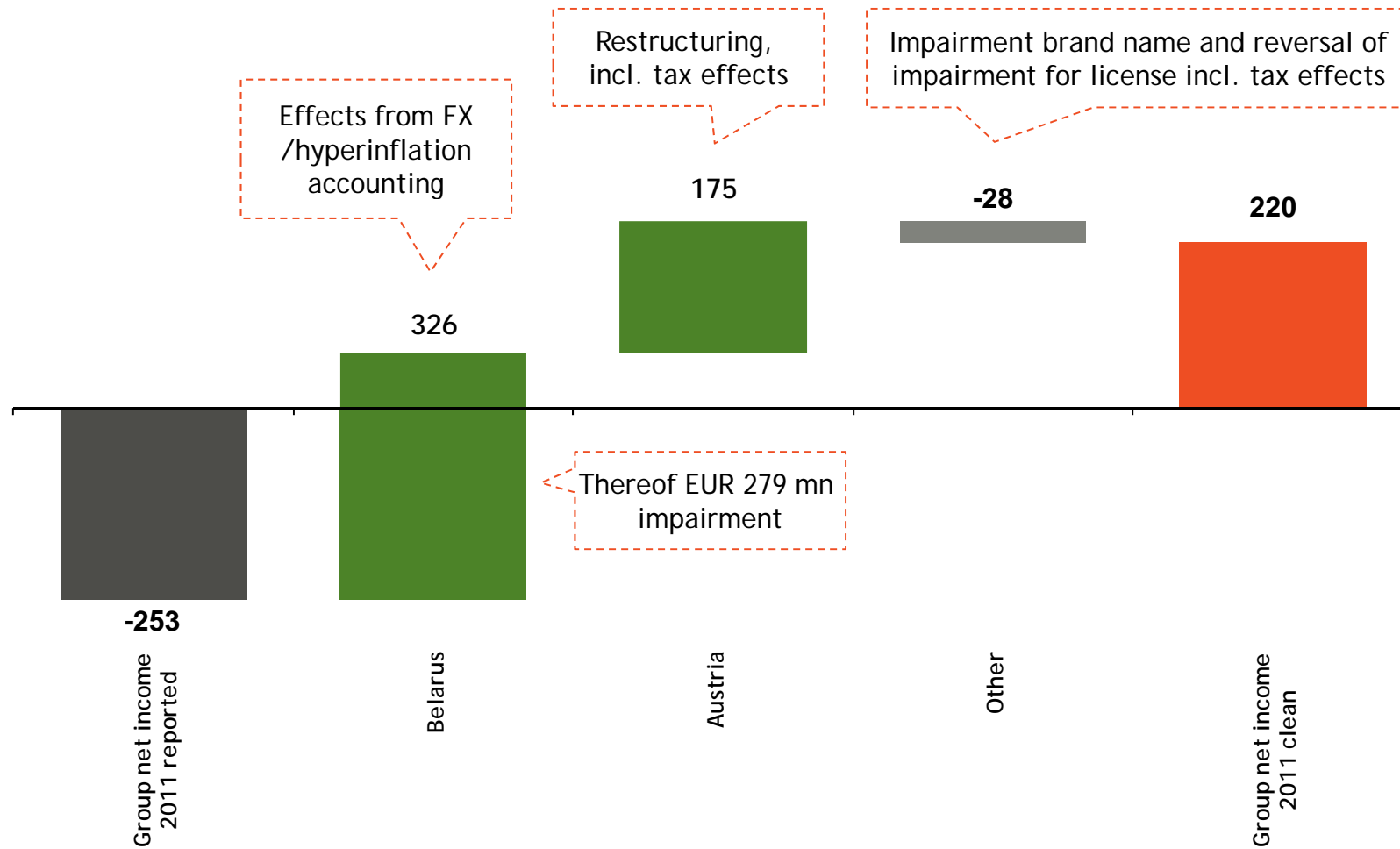
Group Results Burdened by Non-Operative Extraordinary Effects

(in EUR mn)	2011	2010	%Change
Group revenues	4,455	4,651	-4%
<i>Operating Expenses</i>	-3,028	-3,094	-2%
EBITDA comparable	1,527	1,646	-7%
<i>Restructuring</i>	-234	-124	+88%
<i>Impairment and reversal of impairment</i>	-249	-18	-
EBITDA incl. effects from restructuring and impairment test	1,045	1,504	-31%
Operating Income	-8	438	-
Net income	-253	195	-
Capital expenditures	739	764	-3%

- > Restructuring charges of EUR 234 mn for 791 civil servants
- > EUR 279 mn impairment in Belarus due to hyperinflation accounting
- > EUR 19 mn impairment for brand name in Bulgaria
- > EUR 49 mn reversal of impairment in the Republic of Serbia for mobile license

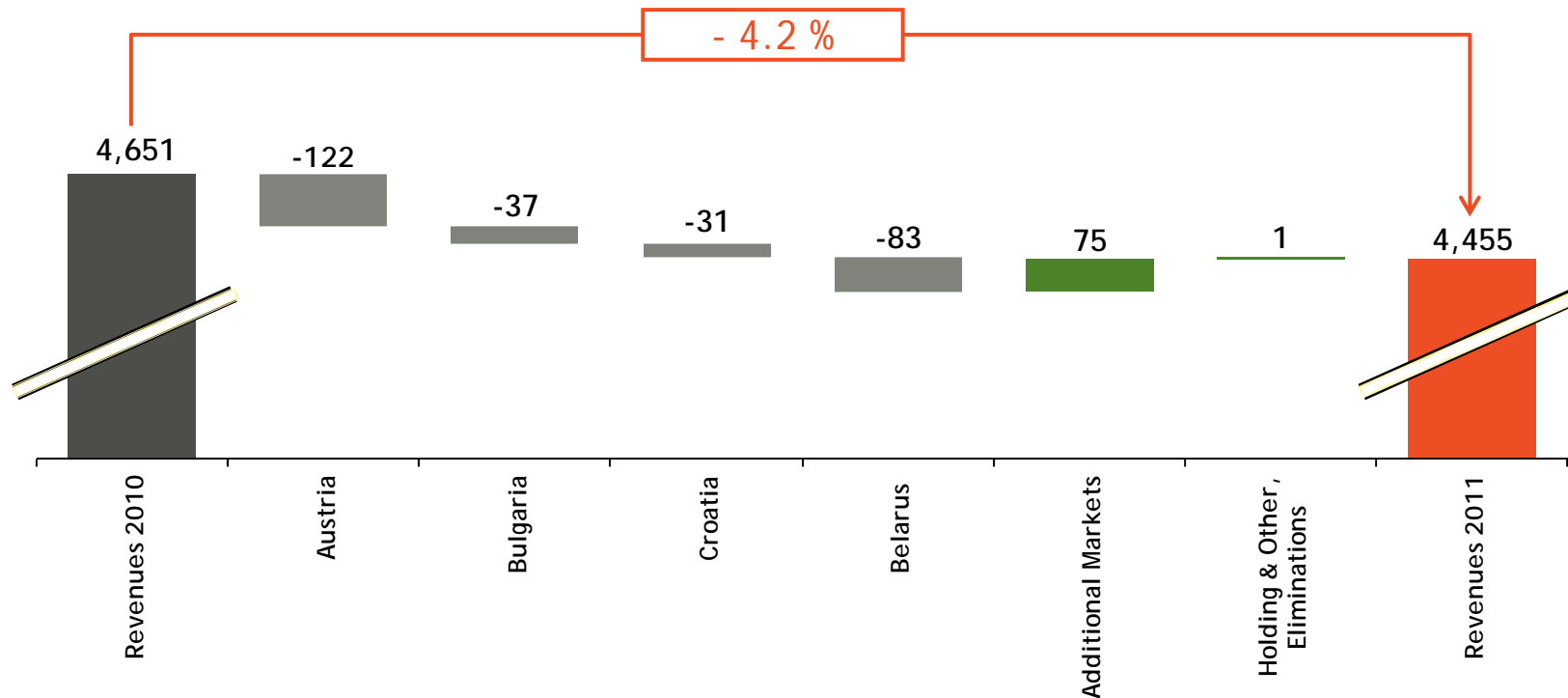
Group Results Burdened by Non-Operative Extraordinary Effects

(in EUR mn)



Competition, Regulation and Economic Trends Drive in Revenues Decline

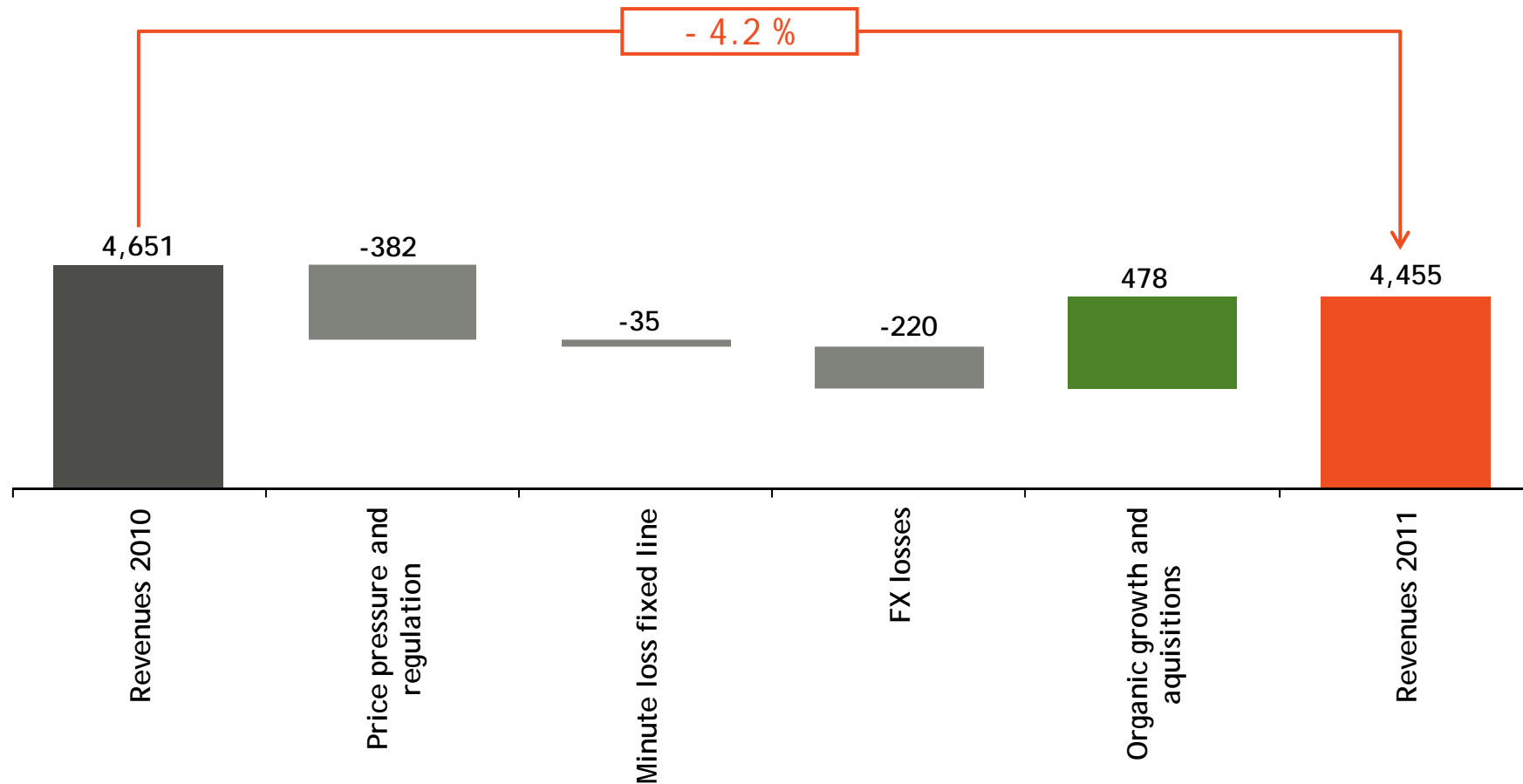
(in EUR mn)



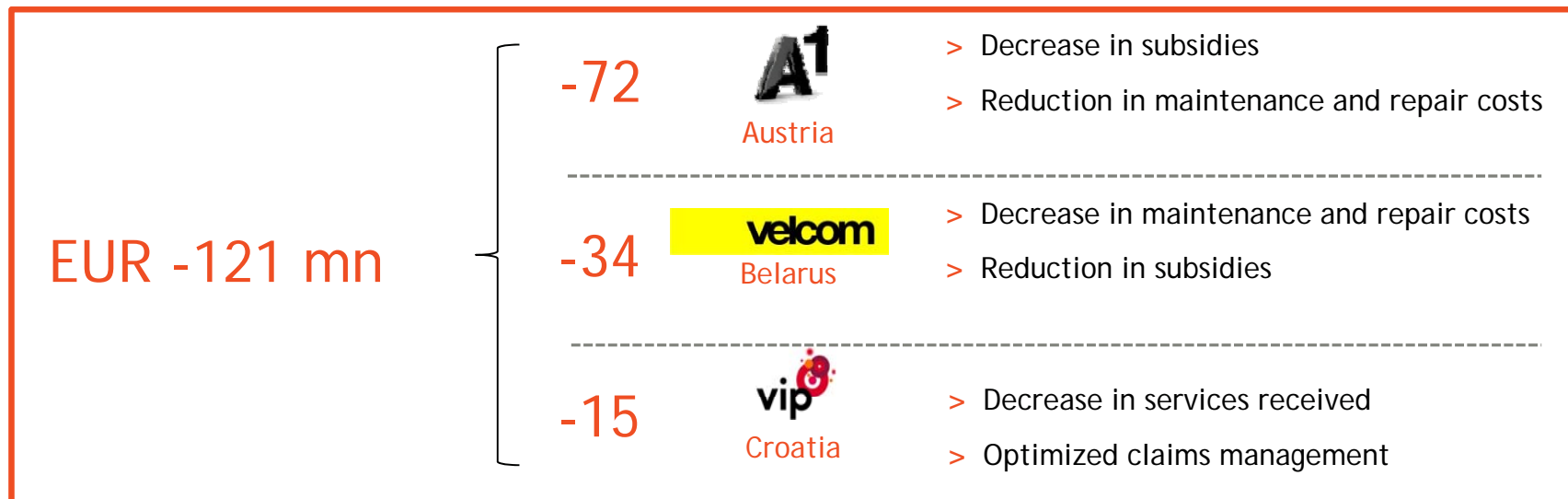
- > The Austrian, Bulgarian and Croatian segments were faced with intense competition, regulatory pressure and a challenging macro-economic environment
- > The Additional Markets segment showed revenue growth driven by a strong increase in subscriber base

Competition, Regulation and Economic Trends Drive in Revenues Decline

(in EUR mn)



Strict Group-Wide Savings Program Resulted in EUR 121 mn Cost Reduction

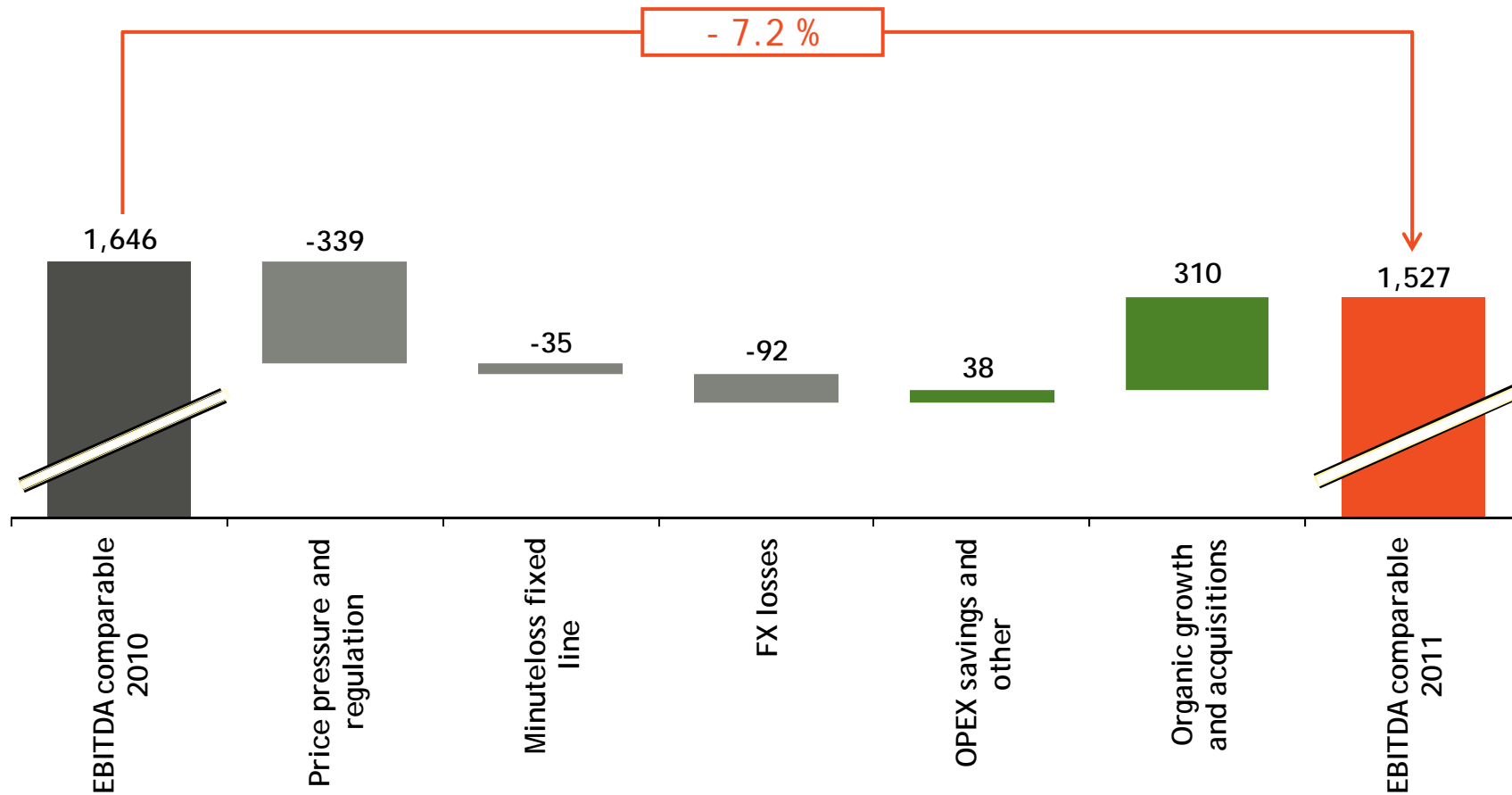


EUR 67 mn Reduction in Operating Expenses in 2011

* Holding & other, eliminations: EUR -14 mn
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Cost Reduction to Stem Decline in EBITDA Comparable

(in EUR) mn



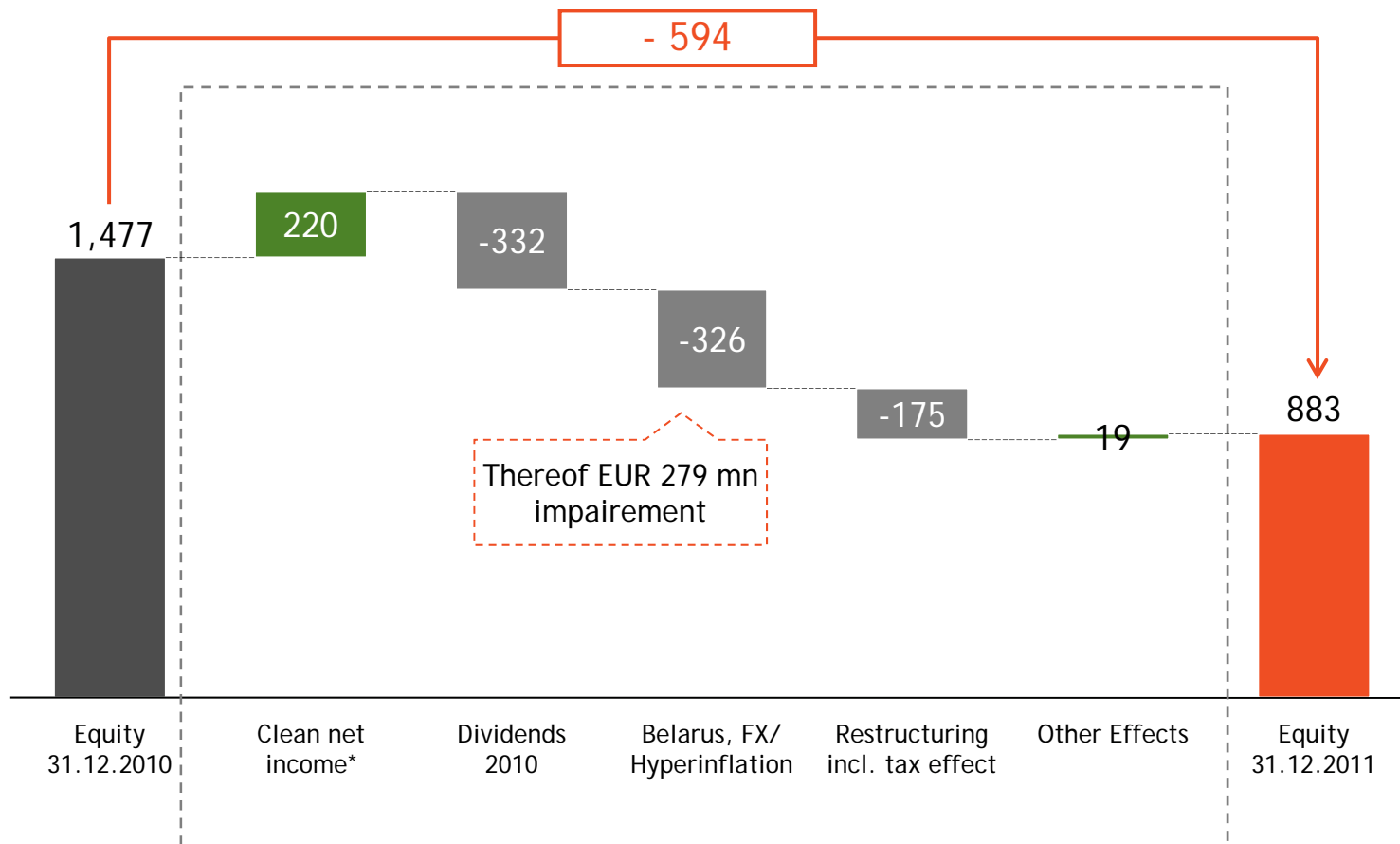
Key Balance Sheet Items in Year-on-Year Comparison

(in EUR mn)	2011	2010	% Change
Current assets	1,751	1,437	+22%
Non-current assets	5,697	6,118	-7%
Total assets	7,449	7,556	-1%
Current liabilities	2,412	1,883	+28%
Non-current liabilities	4,154	4,196	-1%
Stockholders' Equity	883	1,477	-40%
Net Debt	3,380	3,305	+2%
Net Debt/ EBITDA comparable	2.2x	2.0x	-
Free Cash Flow	479	645	-26%
Free Cash Flow per share	1.08	1.46	-26%

> Net debt increased slightly due to 3 acquisitions in Bulgaria and Croatia

Group Equity Impacted by Non-Operative Extraordinary Effects

Change in Stockholders' Equity 2010 - 2011 accord. to IFRS
(in EUR mn)



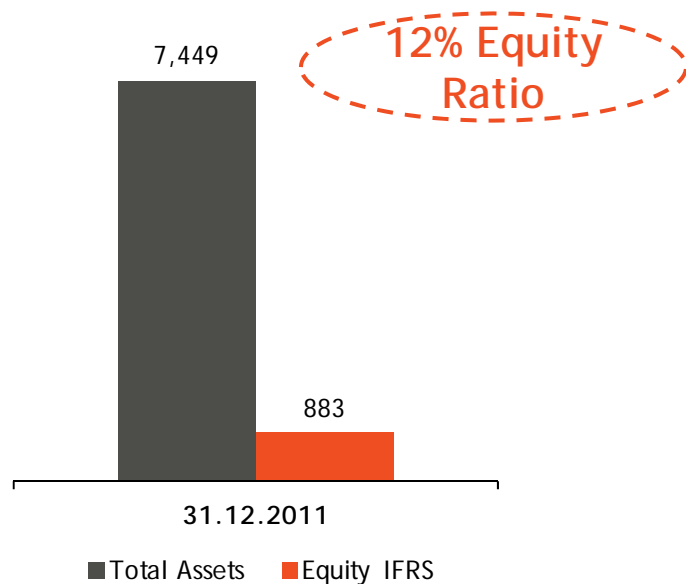
*Clean net income by restructuring, impairment and effects from hyperinflation accounting and foreign currency translations
Annual General Meeting 2012



Despite Reduction Comfortable Equity Ratio

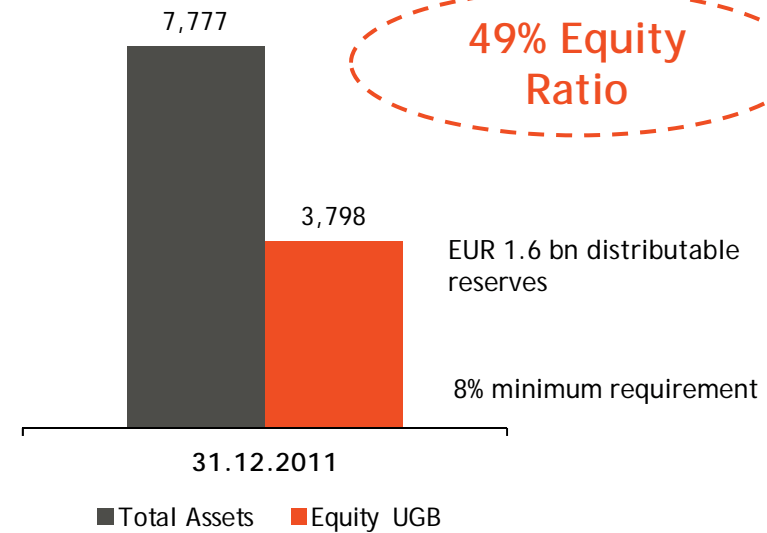
Consolidated Accounts according to IFRS

(in EUR mn)



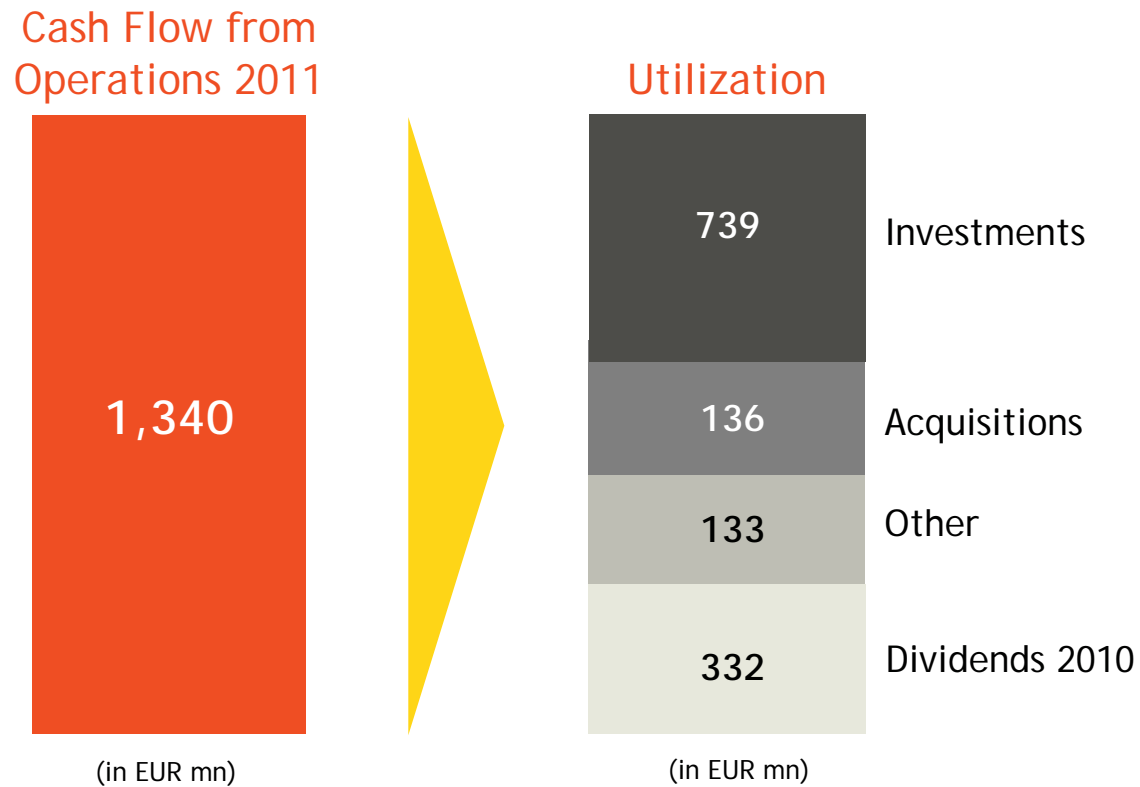
Single Statement according to UGB

(in EUR mn)



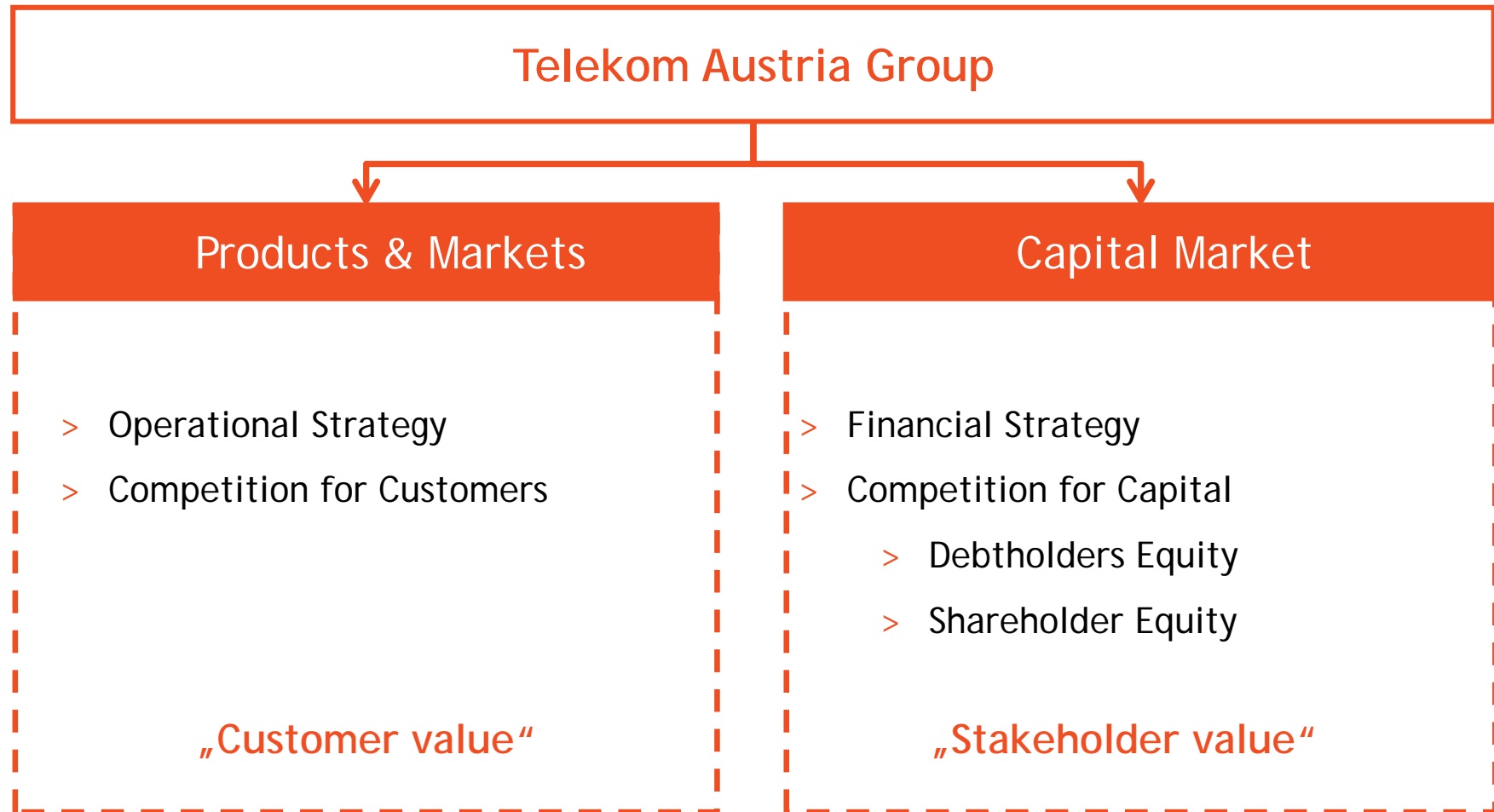
- > Net profit according to UGB provides basis for
 - > Dividend distribution
 - > Equity capitalization

Strong Cash Flow as Basis for Investments, Acquisitions and Dividend

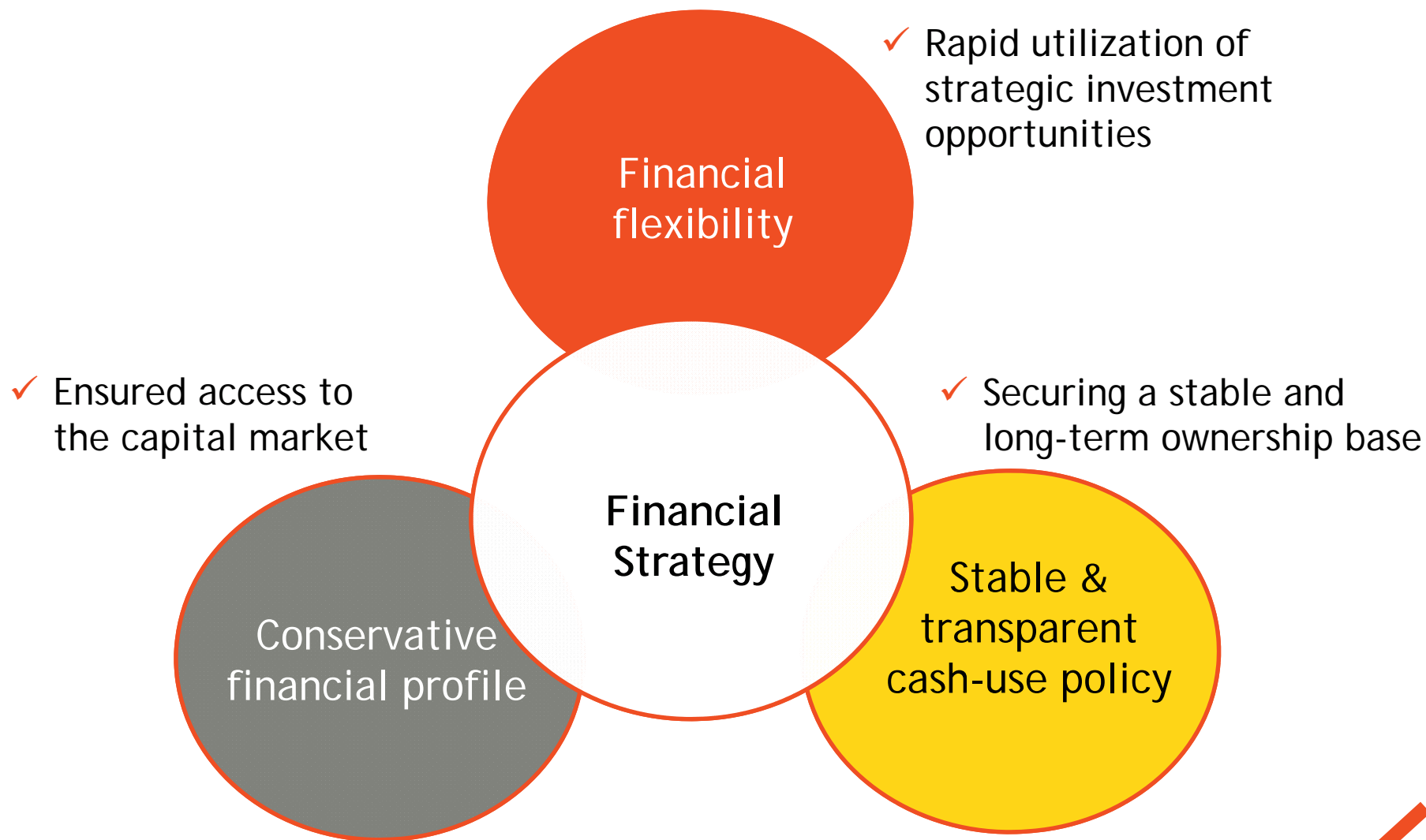


Financial Strategy

Stakeholder Value Maximized Through Balanced Financial Strategy



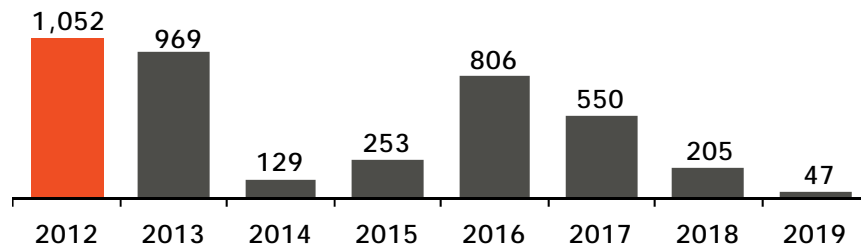
Three Pillars of Financial Strategy



Conservative Financial Profile Ensures Access to Capital Markets

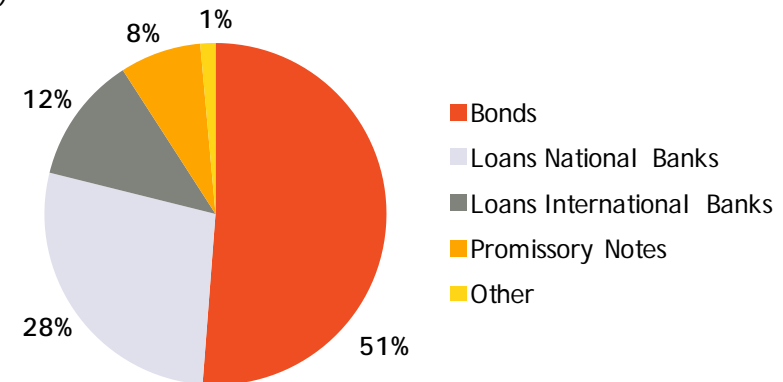
Debt Maturity Profile

(in EUR mn)



Balanced Funding Base

(in %)



Significant Financial Flexibility

- > 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% below sector average
- > Financing policy is defined in internal financing framework (f.eg. bank limits, Fixed vs. floating interest rate, net debt / EBITDA comparable, EBITDA/ interest expense)

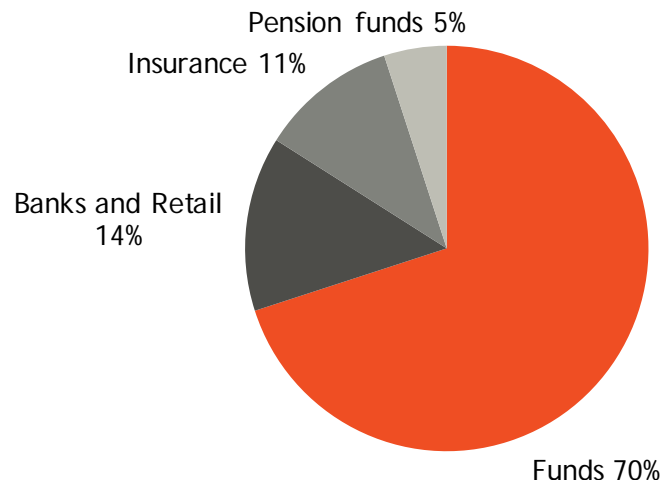
EUR 750 mn Bond Successfully Placed in 2012

Key Data

Volume	EUR 750 mn
Coupon	4%
Maturity	10 years

- > Favorable new issue conditions utilized
- > Funding lies clearly below the average cost of debt

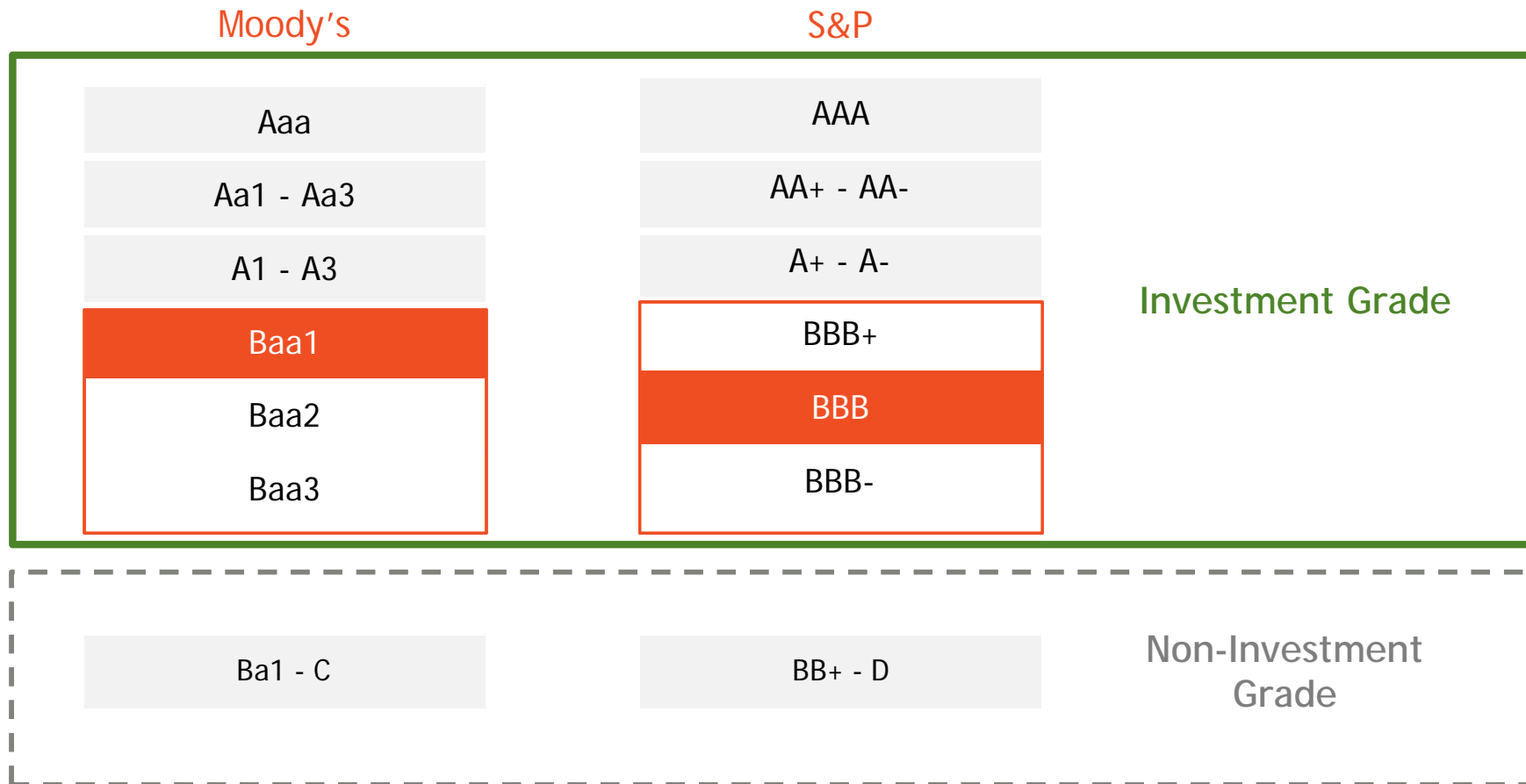
Bond Placement



- > Underlines broad diversification of the funding base of the Telekom Austria Group
- > Covers majority of 2012 funding requirements



Stable Investment Grade Rating Ensures Access to Broad Funding Base



Adapting the Dividend to Planned Investments and Economic Environment

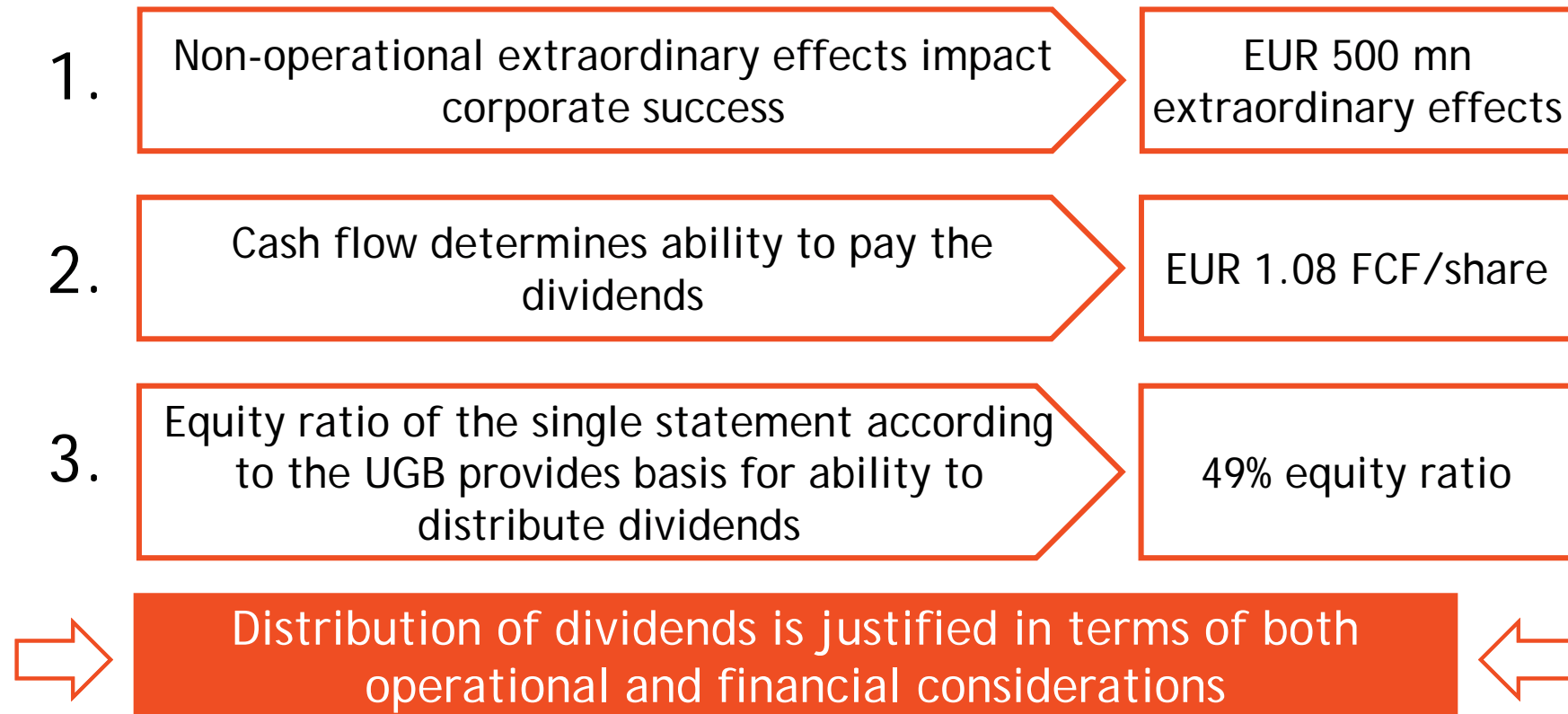
Expectations for 2012

- > Anticipated Investments
 - > Acquisition of yess!, base stations and frequencies, intellectual property rights on the brand ONE
 - > Spectrum auctions
- > Volatile foreign currency markets
- > Difficult macro-economic environment

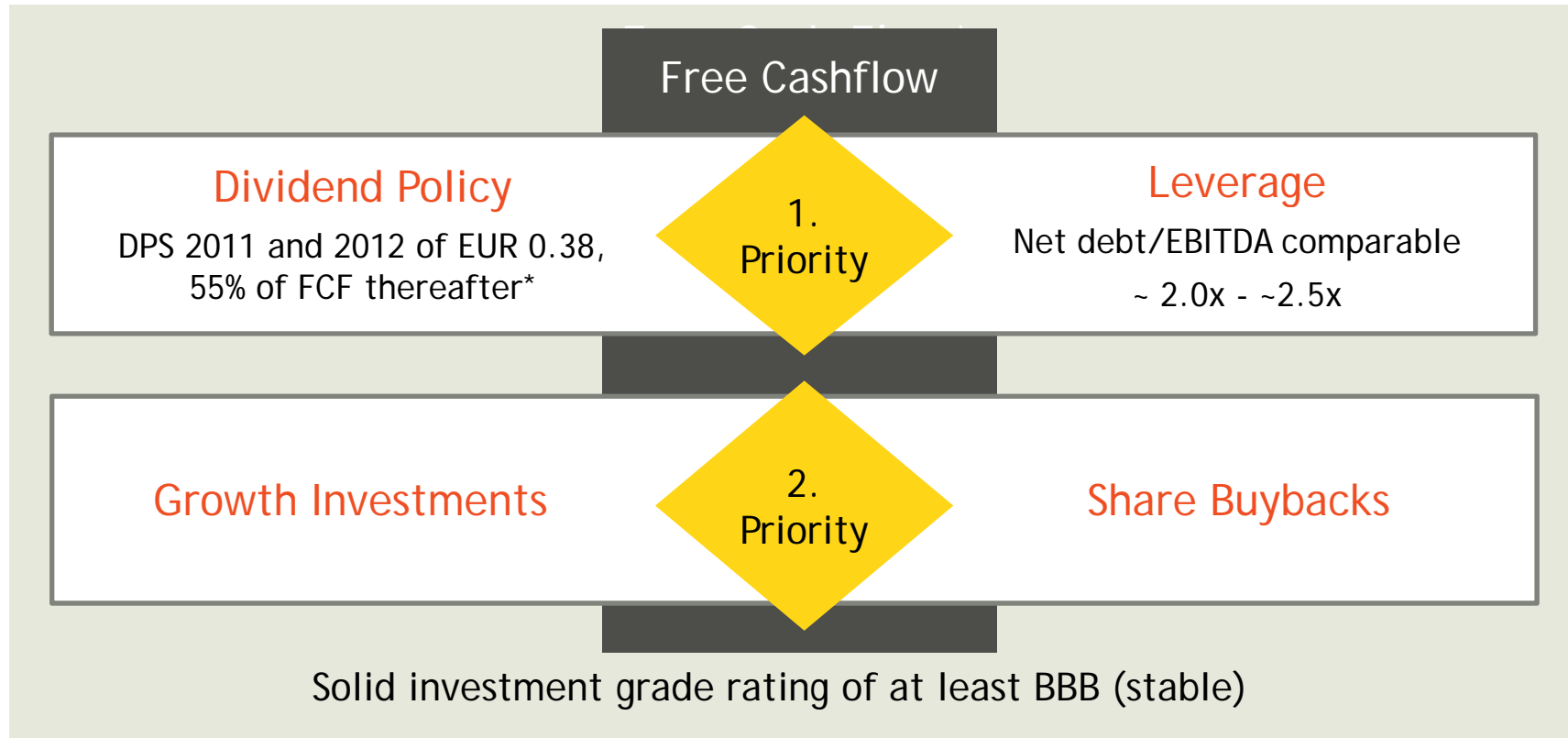
> 2011 and 2012: EUR 0.38 Dividend per Share

> 2013: 55% of the free cash flow,
as long as it does not lead to a reduction in equity

Why has a Dividend Been Proposed Despite the Net Loss in 2011?



Cash Use Policy Balances Value Creation with Increased Financial Flexibility



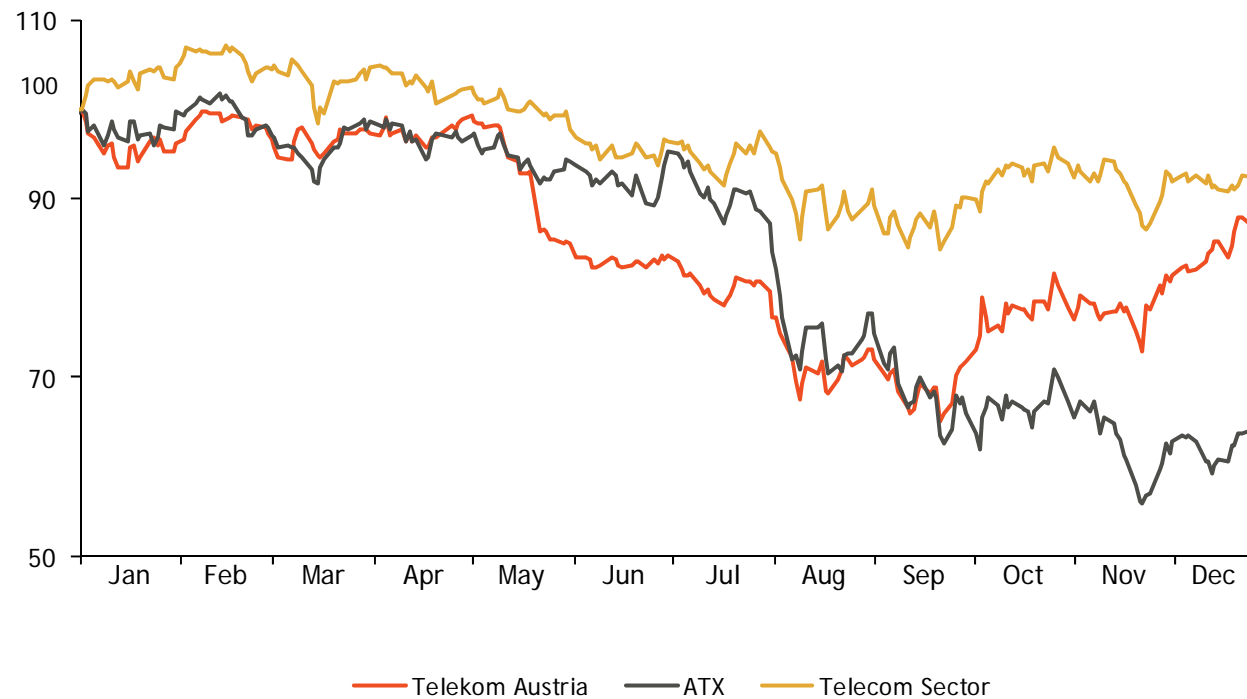
* To the extent that the dividend does not lead to a deterioration of Group equity

Volatile Markets Impact Share Price Performance of Telekom Austria Group

Relative Share Price Performance 2011

(in %)

- > Telekom Austria shares clearly outperform ATX
- > BYR devaluation in May and September
- > Telecom sector loses appeal



NAP - New Ambition Program

Revenue and Efficiency
Growth

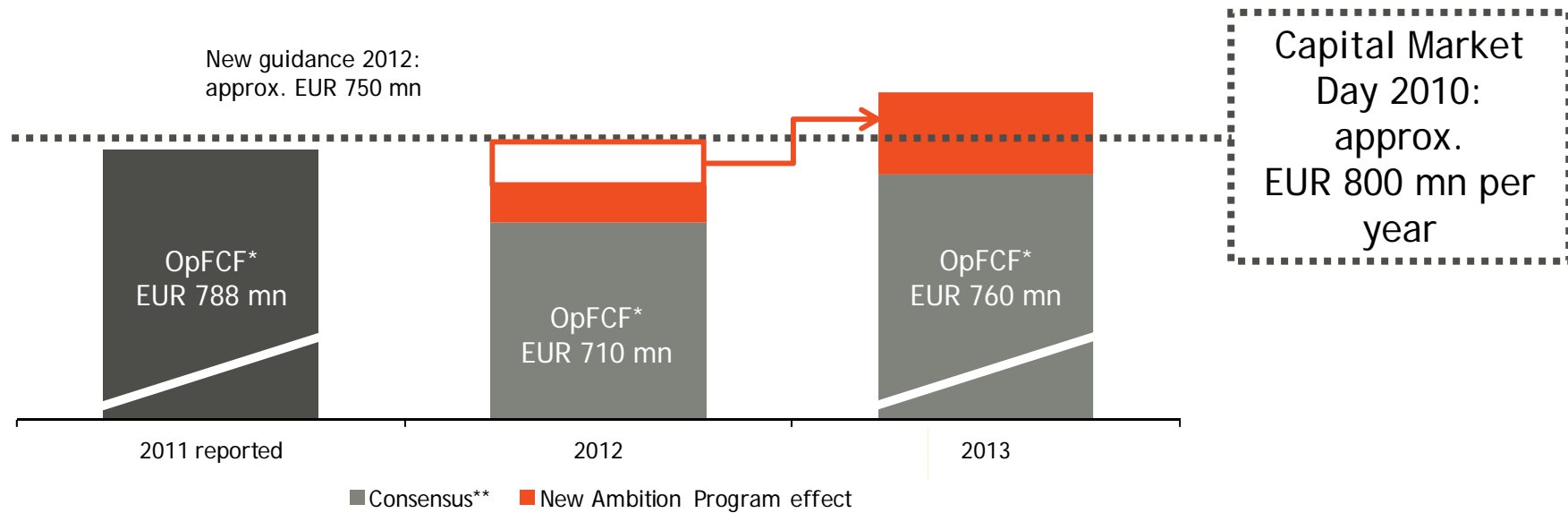
New Ambition Program with 75 Defined Activities



- > Program launched to increase revenues and efficiency
- > The goal is to stabilize operating free cash flow
- > Measures will be introduced in 2012 and 2013

⇒ NAP will provide sustainable contribution to the operating free cash flow of approx. EUR 130 mn until 2013 ←

New Ambition Program Ensures OpFCF* of Approx. EUR 800 mn per Year until 2013



Approximately EUR 130 mn Operating FCF contribution will be achieved by 2013

* Operating Free Cash Flow = EBITDA comparable - CAPEX (without licenses and spectrum acquisitions)

** Consensus as of 23.02.2012

Outlook 2012*

Telekom Austria Group - Outlook 2012

Based on a constant currency for all countries as well as before any effects of potential inflation 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
Dividends	EUR 0.38 per share

* Effects of a planned acquisition of yess!, base stations and spectrum frequencies are not included

** Operating Free Cash Flow = EBITDA comparable - Capex (without licenses and spectrum acquisitions)

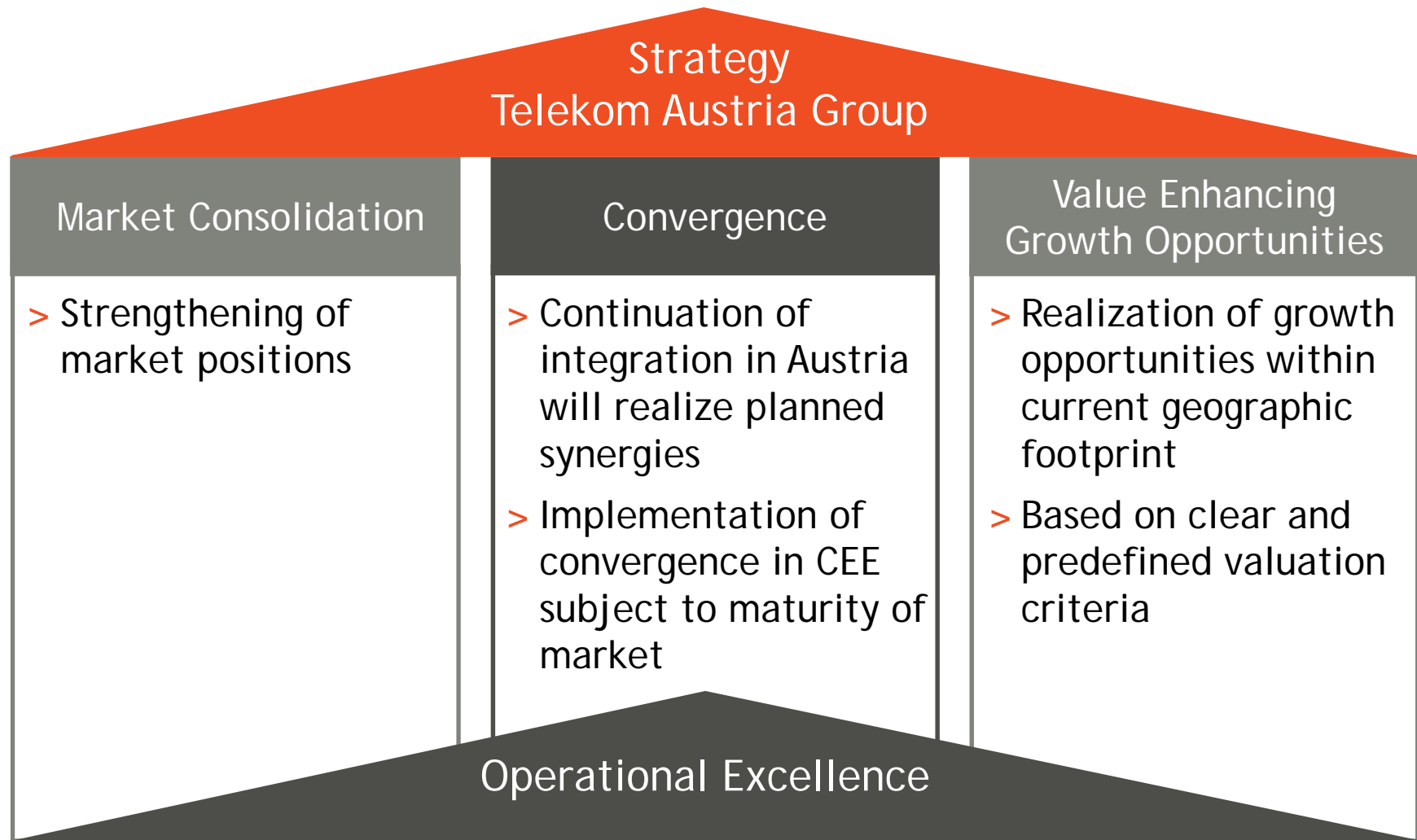


With entrepreneurial skill
and vision into the future

Our Vision

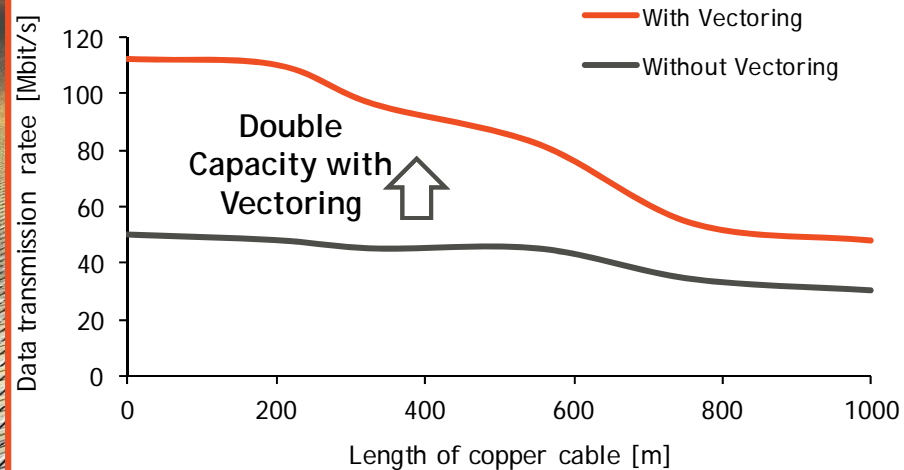
The most efficient and innovative communication company in Central and Eastern Europe

Strategy of Telekom Austria Group is based on Four Core Pillars



A1 is First Vectoring Provider Worldwide

Vectoring



- > Copper-based technology
- > Increases transmission capacity by filtering out negative effects between parallel running lines

- > First trial worldwide of vectoring technology in Korneuburg
- > Vectoring enables an increase of data transmission speed over VDSL in FTTC areas of up to 100%
- > First results anticipated in mid 2012

Machine to Machine – the Internet of Things

- > Automated information exchange between remote machines
- > Innovation leadership of A1

Paybox NFC

- > Cooperation between A1 Telekom Austria and paybox Bank
- > Enables customers to make cashless payments conveniently for small amounts of up to EUR 25 via data transfer within a short distance
- > Pilot phase with McDonald's and Merkur (up to 5,000 customers)

„The web is more a social creation than a technical one.“

Sir Tim Berners-Lee, Founder World Wide Web.



Our Vision

Everyone - regardless of age, level of education and social origins should have access to the Internet and be able to use it competently.

Our Initiative

We facilitate entry into the digital world, raise digital media literacy and thereby also increase personal opportunities for the future.

A1 Internet for All - Equal Opportunities in the Digital Age



Internet für Alle.

Our Result, After 6 Months

- > 9,188 participants throughout Austria
- > 645 free Internet training sessions
- > 300 supporting staff members
- > 15 partners from the education and social sectors

Hauptversammlung 2012



Thank you for your attention!

Further information of
Telekom Austria Group is available under
www.telekomaustria.com

