

Results for the Second Quarter 2011

Erste Group - Investor Conference Handout
Stegersbach, 6. October 2011

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.”



Telekom Austria Group Offers a Sound Domestic Base and Eastern European Growth Potential

as of Full Year 2010



- > Mobile market share: 41.4%
- > Access lines: 2.3 mn



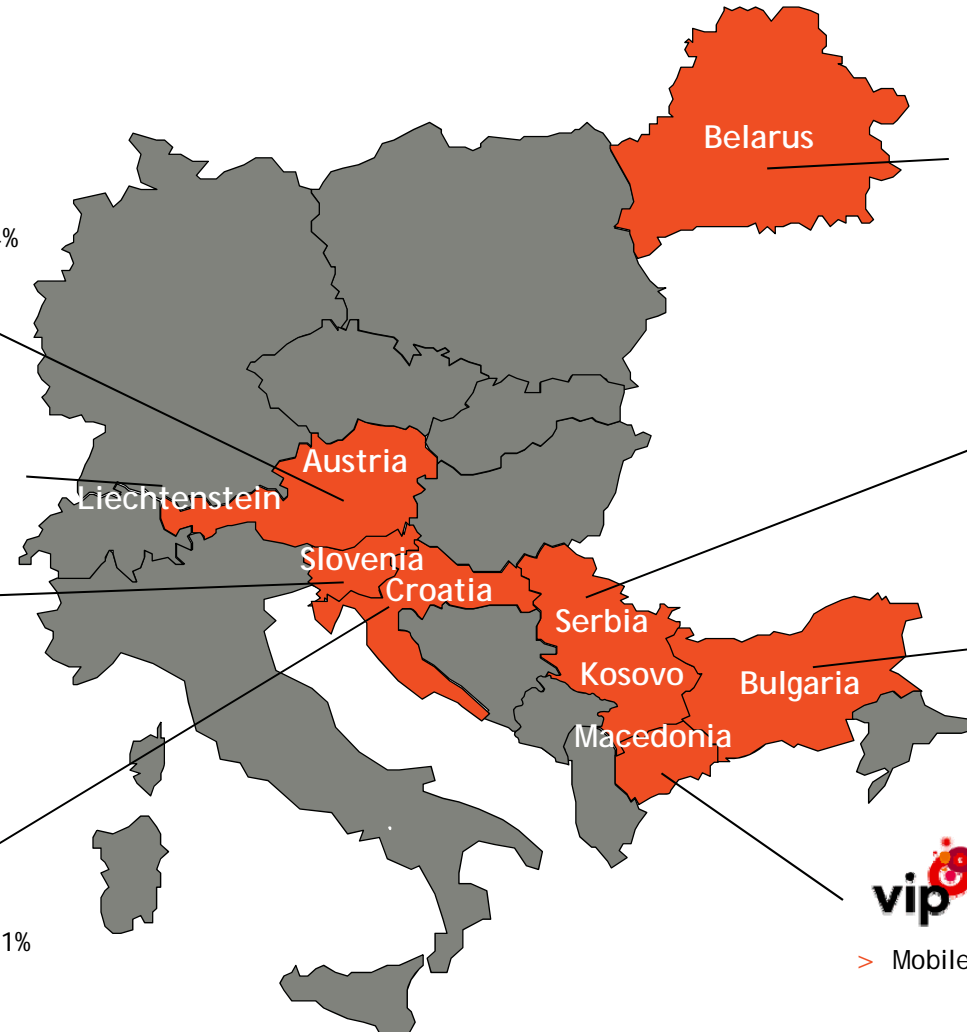
- > Mobile market share: 20.2%



- > Mobile market share: 29.2%



- > Mobile market share: 43.1%



velcom

- > Mobile market share: 41.9%



- > Mobile market share: 13.7%



- > Mobile market share: 49.6%



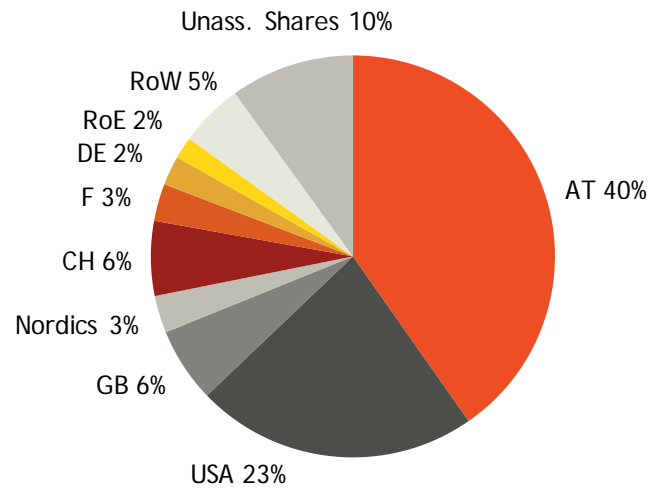
- > Mobile market share: 19.9%



Shareholder Structure of Telekom Austria Group

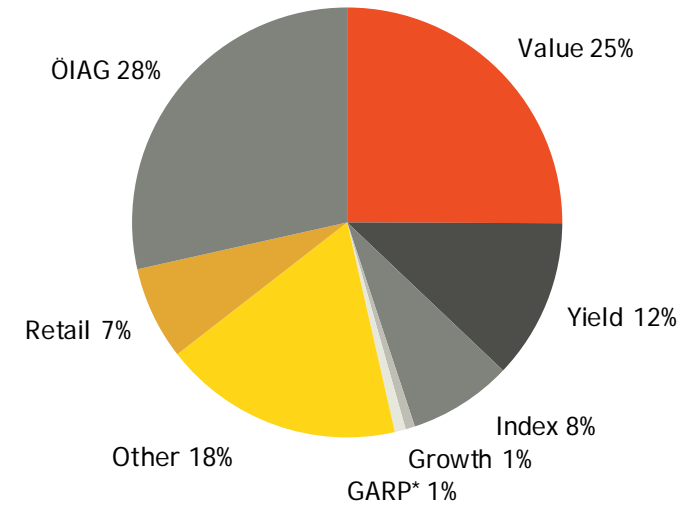
Shareholder Structure - by Geography

% of shares outstanding, as of 30 June 2011

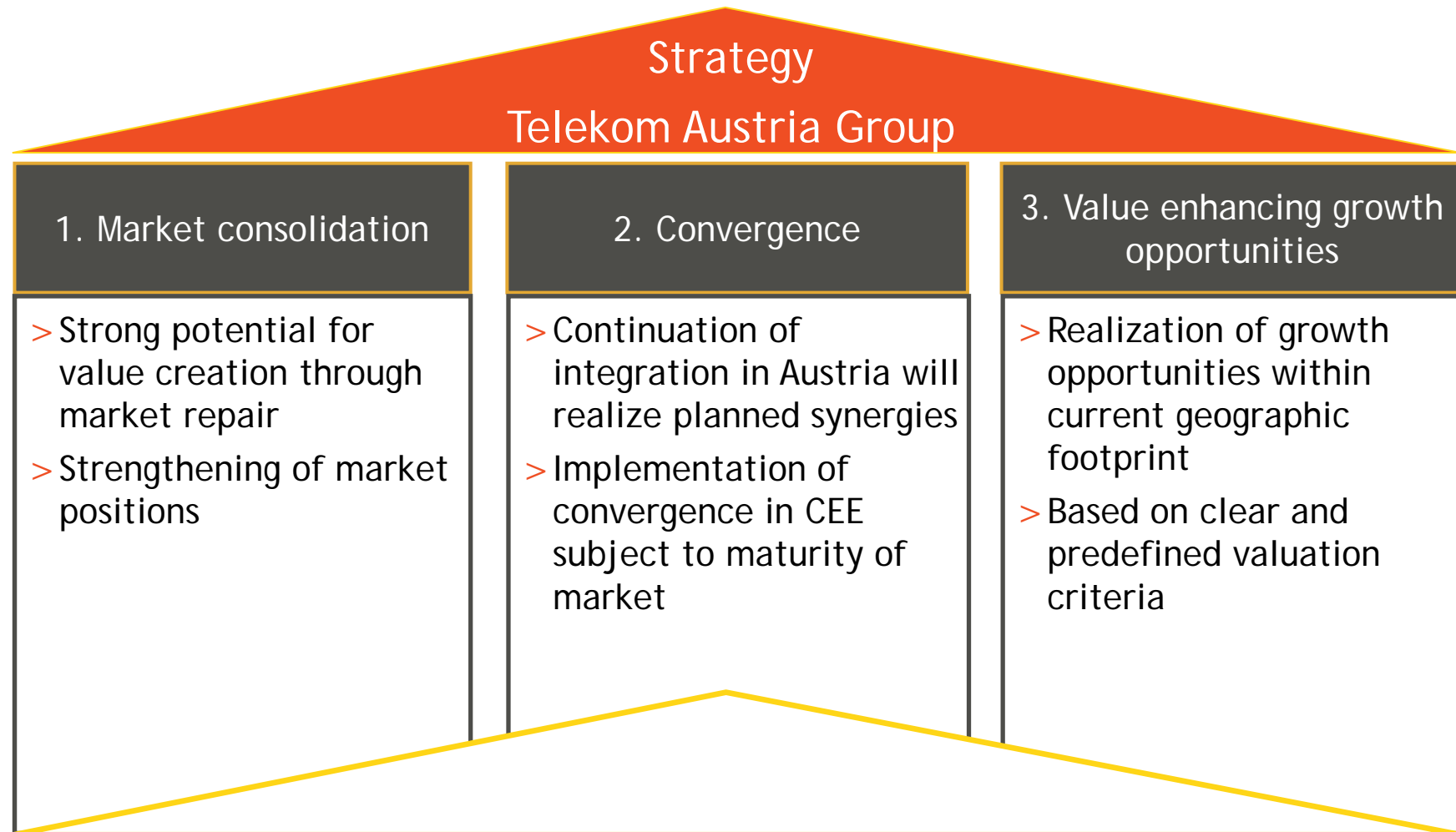


Shareholder Structure - by Type

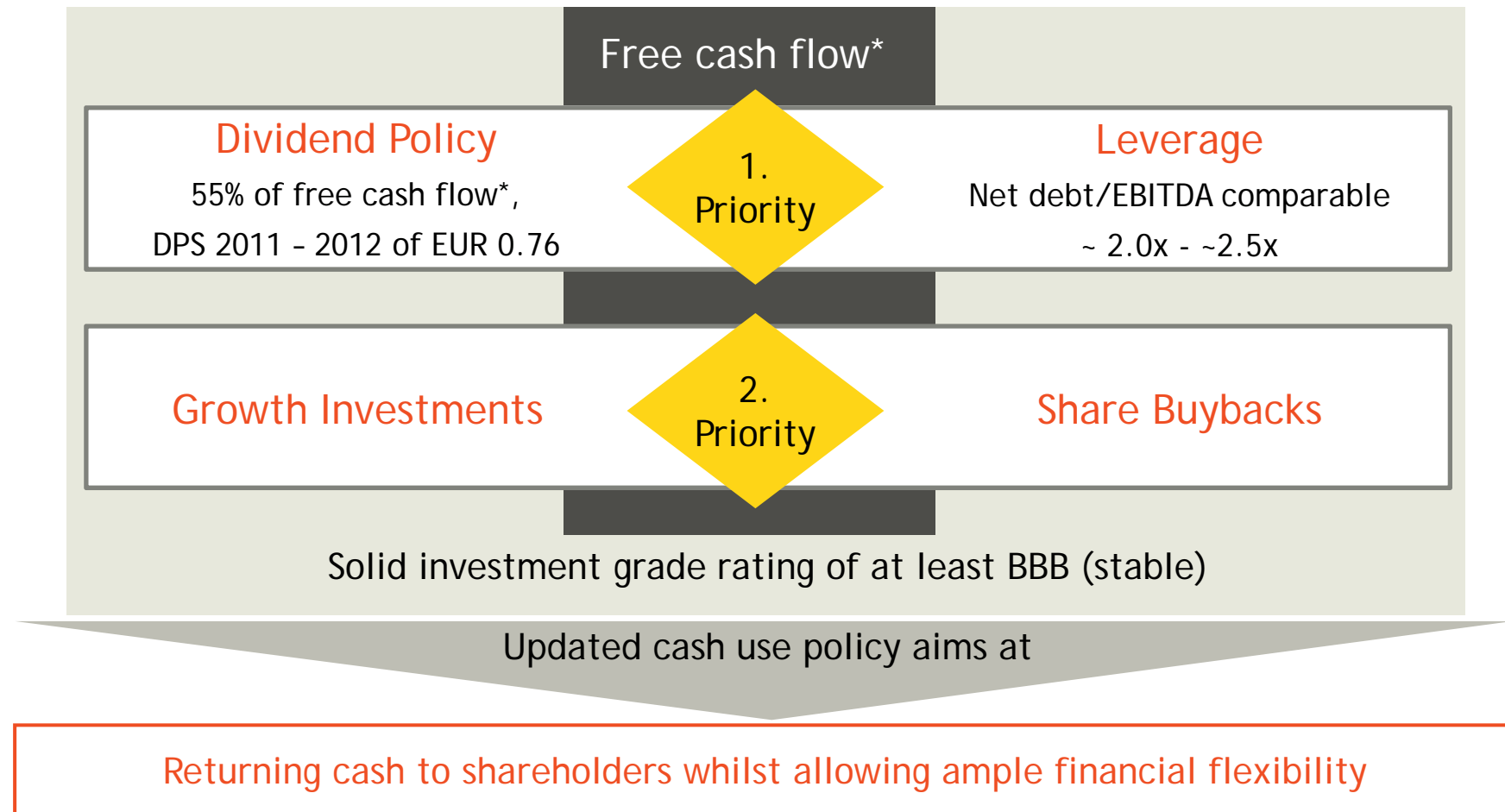
% of shares outstanding, as of 30 June 2011



Operational Excellence and Three Strategic Pillars Meet Future Challenges



New Cash Use Policy Balances Value Creation with Increased Financial Flexibility



* Free cash flow = Cash flow after interest rates, taxes, changes in working capital and capital expenditures in existing business

Agenda

- > Operational and Financial Highlights of the Second Quarter 2011
 - > Key Financial Developments of the Second Quarter 2011
 - > Focus Points
 - > Outlook for Full Year 2011
 - > Appendix
-



Operational and Financial Highlights of the Second Quarter 2011

Operational Development in Line With Management's Expectations

- > Mobile broadband and smartphones drive subscriber numbers in all operations
- > Bundle products strategy proves increasingly successful with continued access line growth and further trend towards ARPL stabilization
- > Continuation of convergent strategy through A1 single brand relaunch in Austria and B.net acquisition in Croatia
- > Strong operational performance in Belarus overshadowed by 54% Ruble devaluation
- > Sound revenues and earnings trends in Additional Markets benefit from subscriber growth
- > Group revenues and EBITDA comparable decline due to regulatory effects, challenging macroeconomic situation and fierce competition
- > Guidance 2011 adjusted for BYR devaluation: Revenues approximately EUR 4.50 bn, EBITDA comparable up to EUR 1.55 bn
- > Dividend floor of EUR 0.76 reiterated for 2011 and 2012



Key Financial Developments of the Second Quarter 2011

Regulation, Weak Economies and Competition Remain Key Operational Challenges

(EUR million)	Q2 2011	Q2 2010	% change
Revenues	1,109.3	1,168.7	-5.1%
EBITDA comparable*	380.8	416.5	-8.6%
<i>EBITDA comparable margin*</i>	<i>34.3%</i>	<i>35.6%</i>	
Restructuring	-34.6	-12.8	170.6%
Impairment	0.0	0.0	n.a.
EBITDA (incl. Restructuring and Impairment charges)	346.3	403.8	-14.3%
<i>EBITDA (incl. Restructuring and Impairment charges) margin</i>	<i>31.2%</i>	<i>34.6%</i>	
Depreciation & amortization	-261.3	-269.6	-3.1%
Operating income	85.0	134.2	-36.7%
Financial result	-53.6	-46.9	14.4%
Income before income taxes	31.4	87.2	-64.0%
Income tax expense	-11.4	-18.6	-38.5%
Net income / Net loss	20.0	68.7	-70.9%

* Excluding Restructuring and Impairment Charges

- > 5.1% revenue decline and 8.6% lower EBITDA comparable due to regulatory cuts, macro-economic challenges and fierce competition
- > Restructuring charge covers 46 transfers to government and 63 social plans
- > Program on track to reach a total of approx. 700 FTE in 2011
- > Operational adjustments in velcom support asset value and prevent impairment
- > Financial result increases due to FX loss

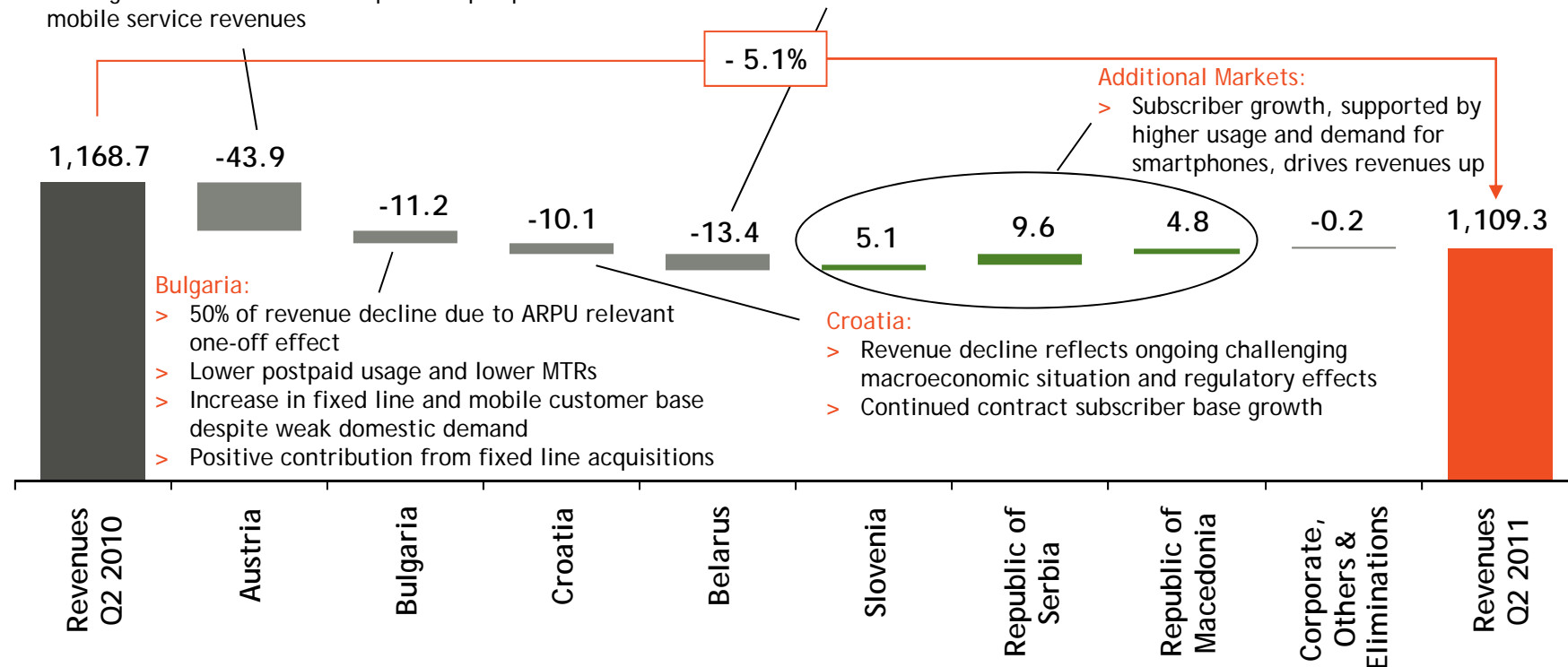
Strong Revenues in Additional Markets Limit Group Revenue Decline to 1.8% Excluding FX Impact

Austria:

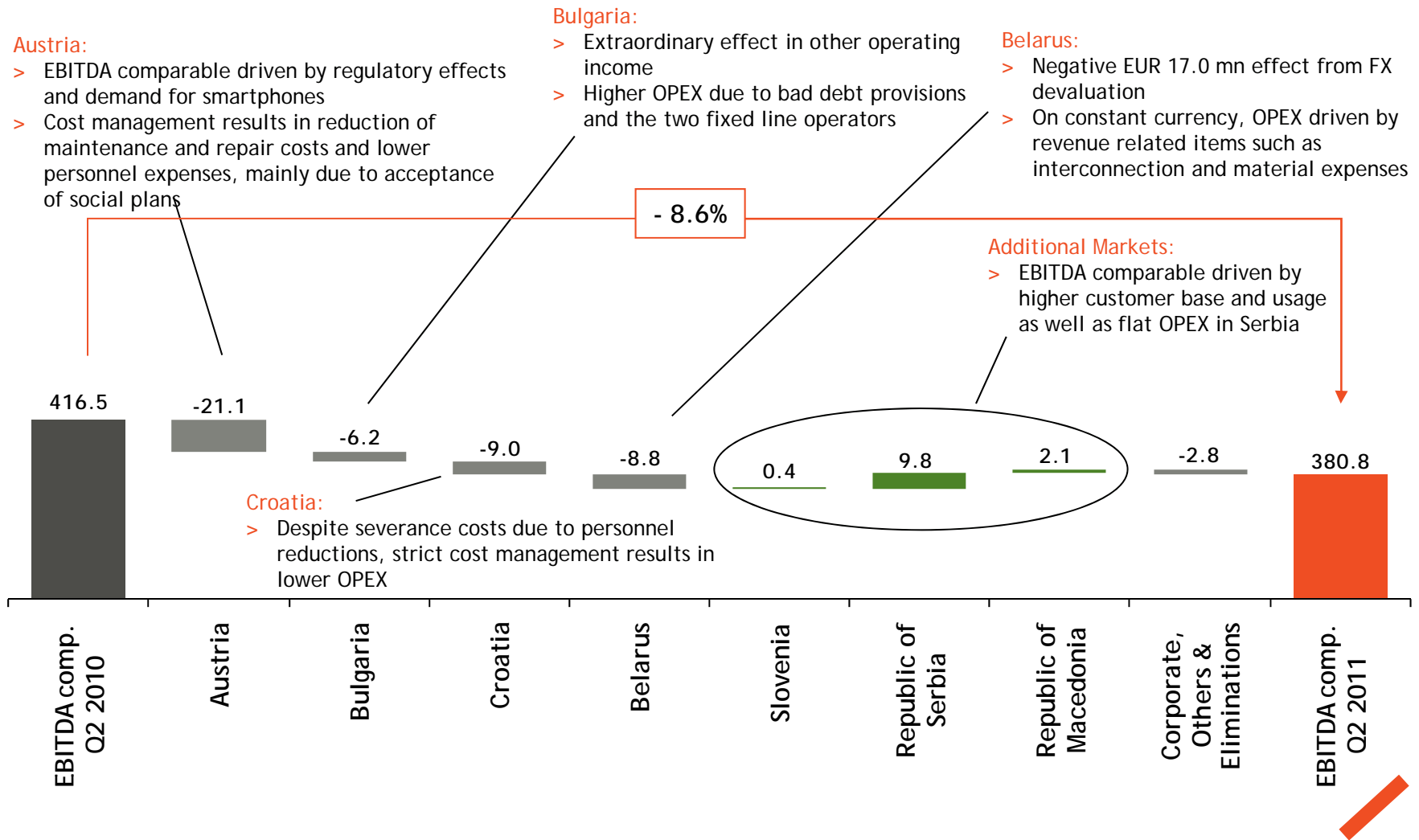
- > Demand for fixed broadband resulting in access line growth dampens impact from fixed voice minute decline
- > Increase in mobile customers driven by no frills
- > Almost 50% of decline due to regulatory effects
- > Package tariffs and fierce competition put pressure on mobile service revenues

Belarus:

- > Strong operational performance limits impact of FX devaluation
- > Subscriber growth driven by demand for mobile broadband offers
- > Increased usage helps to grow ARPU by 15% on constant currency basis (-24% post devaluation)



Ongoing Focus on Cost Control, Results of Restructuring Program in Austria Visible



FCF Expected to Improve as CAPEX Driven Rise in Working Capital Will Even Out During 2H 2011

(EUR million)	Q2 2011	Q2 2010	% change	1H 2011	1H 2010	% change
Cash Flow from operations before working capital adjustments	350.6	383.6	-8.6%	686.4	769.5	-10.8%
Change in working capital	-38.0	-24.0	58.2%	-223.3	-107.8	107.1%
Ordinary capital expenditures	-156.7	-160.0	-2.1%	-277.1	-296.5	-6.5%
Proceeds from sale of equipment	-0.3	0.8	n.a.	1.0	9.9	-89.7%
Free cash flow	155.5	200.3	-22.4%	187.0	375.1	-50.1%
Free cash flow per share	0.35	0.45	-22.4%	0.42	0.85	-50.1%

- > Declining revenue trends are reflected in development of cash flow from operations before working capital adjustments
- > Rise of working capital in 1H 2011 mainly driven by payment of accounts payable after higher CAPEX in Austria at year end 2010
- > CAPEX driven working capital development is anticipated to even out in H2 2011

Focus Points

Customer Focus and Innovation Drive Operational Performance



Austria:

- > Relaunch of A1 as single brand for fixed and mobile business
- > A1 SmartKombi as first convergent product combining fixed broadband with smartphones
- > Continued fixed access line growth helps to develop towards stabilization of ARPL

Slovenia:

- > First operator to launch iPhone and iPad
- > Launch of cloud services
- > Successful focus on youth segment

Croatia:

- > Acquisition of B.net, largest cable operator in Croatia (closing in August 2011)
- > First operator in Croatia to calculate customer base on value approach
- > LTE demo emphasizes best network quality (no frequency acquired)

Belarus:

- > Rise in mobile broadband customer base on the back of attractive and customized tariffs
- > Lower CAPEX after 3G launch in previous year

Bulgaria:

- > HD voice quality for mobile subscribers
- > IPTV via FTTH with speed of up to 100 Mbits
- > Fastest 3G mobile network*

Republic of Macedonia:

- > Fair and transparent proposition to leverage market situation and growth potential

Republic of Serbia:

- > First HSPA+ network launched in Serbia
- > Focus on postpaid segment via smartphones and innovative tariffs portfolio



* Certificated by an independent benchmark campaign performed by Net Check GmbH

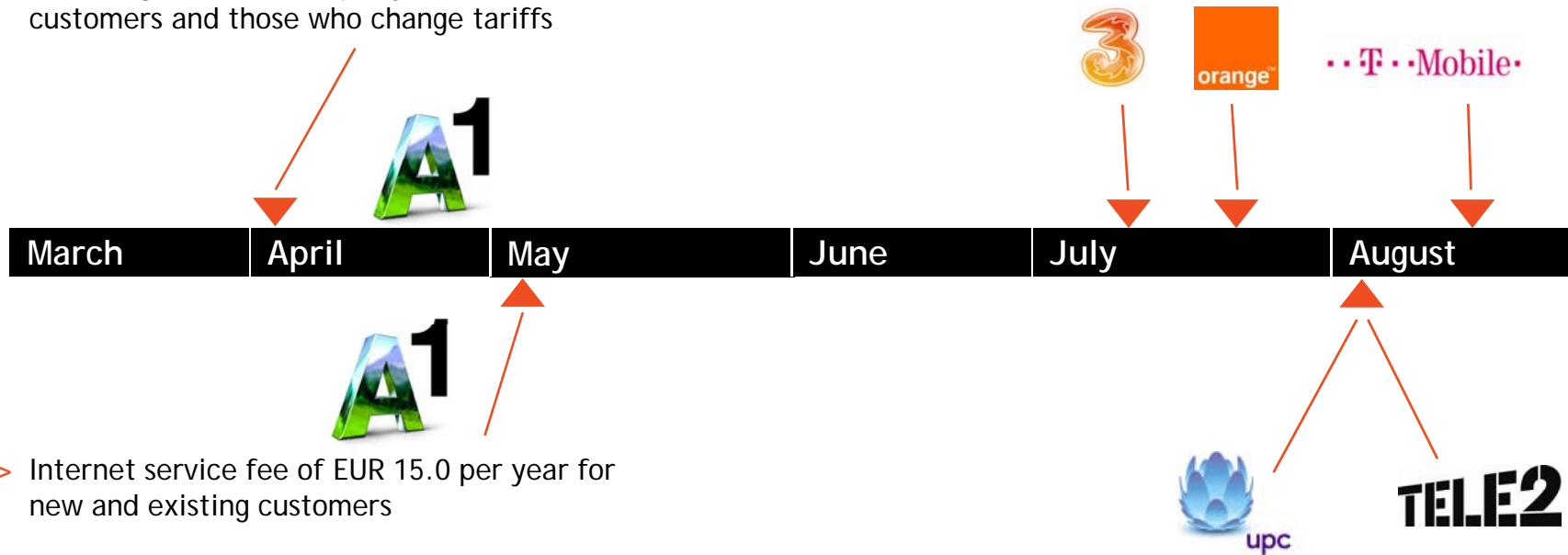


First Operator in Austria to Follow Value Approach via SIM and Fixed Internet Service Fee

First Mover in Austrian Mobile and Fixed Line Market

Other Operators Follow Value Approach

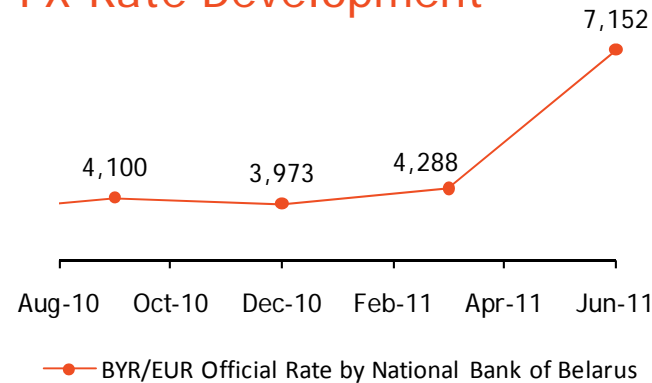
- > SIM charge of EUR 19.9 per year for new customers and those who change tariffs



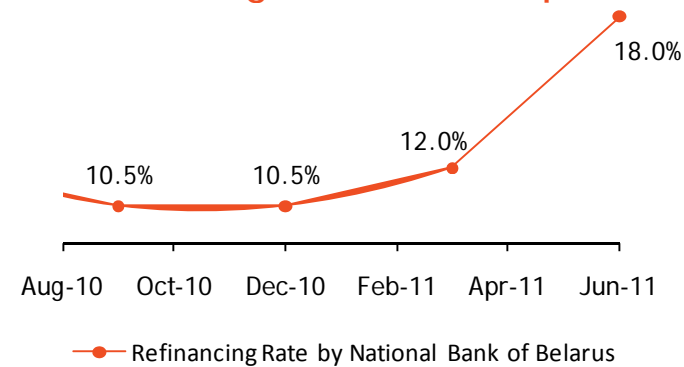
- > Internet service fee of EUR 15.0 per year for new and existing customers

FX Environment and Macro-Economic Indicators in Belarus

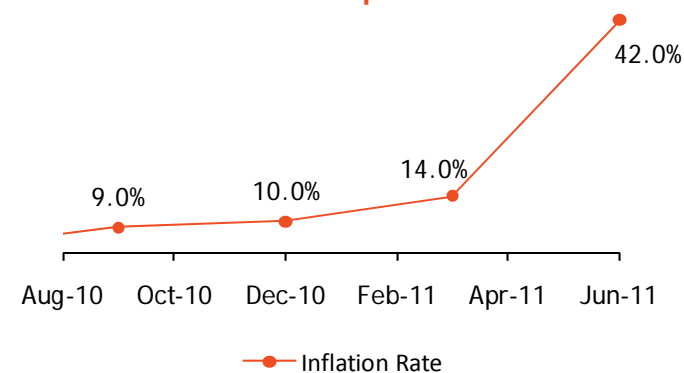
FX-Rate Development



Refinancing Rate Development



Inflation Development YoY



Governmental Mitigation Activities

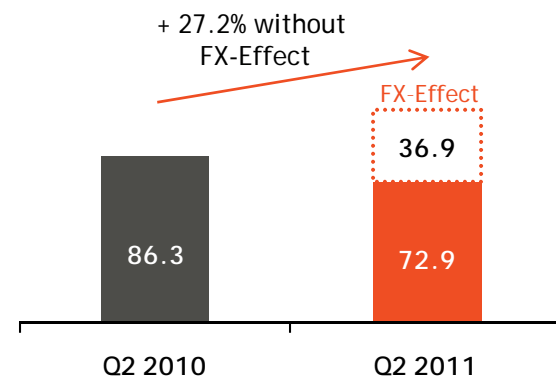
- > USD 3.0 bn loan from EurAsEC to Belarus for USD 7.5 bn privatization
- > No privatization of main targets (Beltransgaz, MTS and Belaruskali) yet
- > Loan from IMF for currency free float
- > Currently no agreement on currency free float

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Future FX Development Remains Uncertain
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Strong Domestic Trends - velcom Takes Measures to Mitigate FX Impact

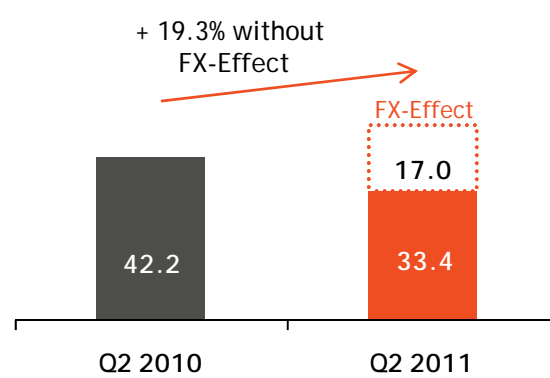
Revenues

(in EUR million)



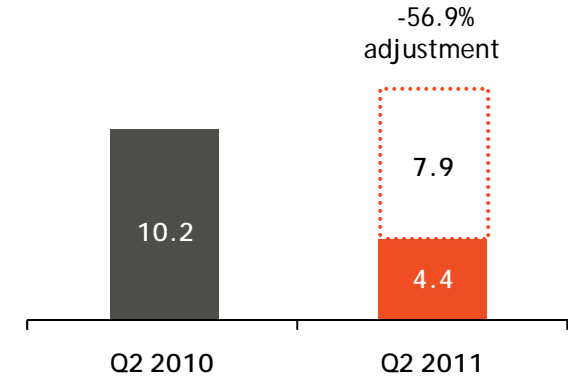
EBITDA comparable

(in EUR million)



CAPEX

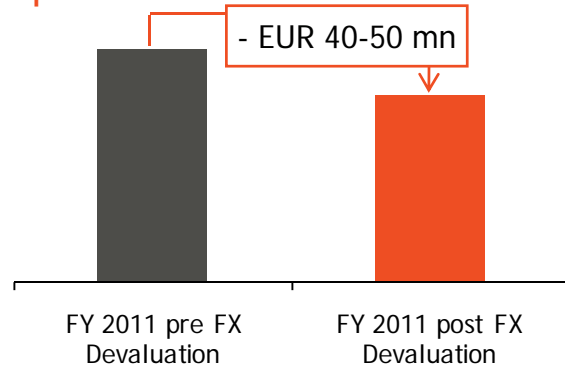
(in EUR million)



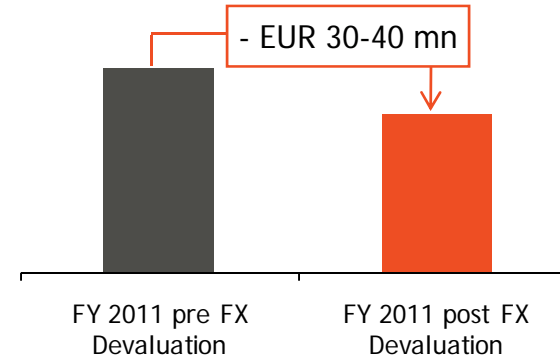
- > velcom increased prices by 10% on average on 24 June 2011
 - > No material elasticity effects on usage so far
- > Continued positive margin on handsets
- > Adjustments to FX portion in OPEX and CAPEX to limit impact of devaluation
- > CAPEX reductions with focus on existing operations and growth segments
- > velcom did not participate in 2.6 GHz LTE tender

Impact on opFCF for Full Year 2011 Expected to Be Limited to EUR 30-40 mn

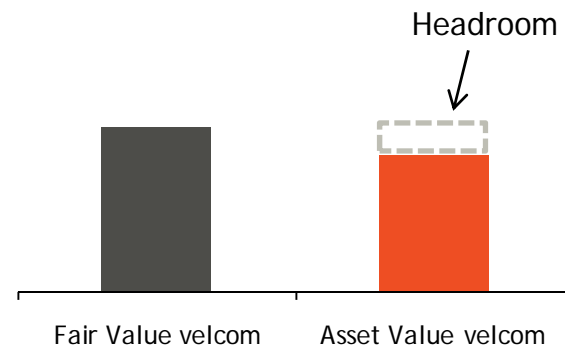
Expectation velcom EBITDA comparable FY 2011



Expectation velcom opFCF FY 2011



Impairment Test



> Measures taken allow for sufficient headroom between asset and fair value of velcom

No impairment required

Outlook

Outlook for Full Year 2011 Refined and Adjusted for FX Impact

Telekom Austria Group - Full Year 2011

On a constant currency basis, except Belarus*

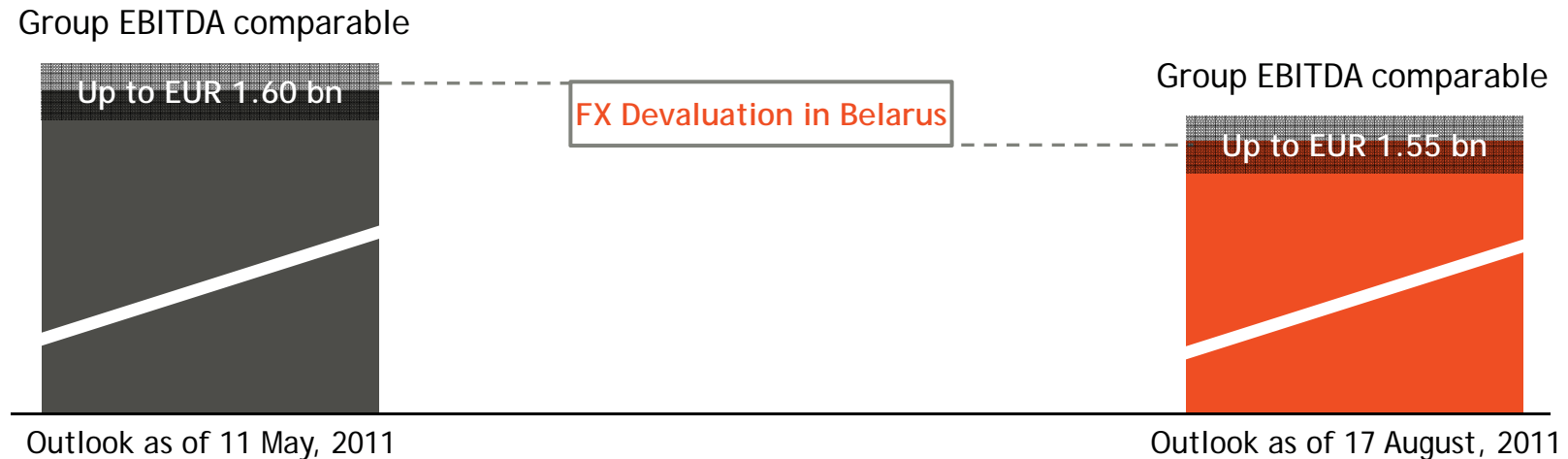
	As of 11 May, 2011	As of 17 August, 2011
Revenues	up to EUR 4.60 bn	approx. EUR 4.50 bn
EBITDA comparable	up to EUR 1.60 bn	up to EUR 1.55 bn
CAPEX	up to EUR 0.80 bn	EUR 0.75 bn - EUR 0.80 bn
Operating Free Cash Flow**	approx. EUR 0.80 bn	up to EUR 0.80 bn
Dividend	55% of free cash flow, DPS of EUR 0.76 minimum for 2011 and 2012	55% of free cash flow, DPS of EUR 0.76 minimum for 2011 and 2012

* Expected EUR/BYR exchange rate for 2011 of 8,700, source: RCB

**Operating Free Cash Flow = EBITDA comparable - CAPEX



Telekom Austria Group Outlook Full Year 2011 Reflects FX-Impact in Belarus



> Group operational performance within range of initial expectations

FX Devaluation in Belarus leads to adjustment of outlook for full year 2011

Appendix 1

Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (EUR million)	Q2 2011	Q2 2010	% change
Monthly fee and traffic	511.5	515.9	-0.9%
Data and ICT Solutions	49.5	51.9	-4.6%
Wholesale (incl. Roaming)	44.3	59.1	-25.0%
Interconnection	86.7	104.9	-17.4%
Equipment	24.1	25.6	-5.9%
Other revenues	15.0	17.5	-14.5%
Total revenues - Segment Austria	731.1	775.0	-5.7%









Revenue Split - International Operations (EUR million)	Q2 2011	Q2 2010	% change
Monthly fee and traffic	294.3	305.3	-3.6%
Data and ICT Solutions	0.1	0.0	n.a.
Wholesale (incl. Roaming)	13.1	13.0	0.6%
Interconnection	62.8	68.0	-7.6%
Equipment	25.7	24.2	6.0%
Other revenues	3.5	3.7	-6.3%
Total revenues - int. Operations	399.5	414.3	-3.6%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (EUR million)	Q2 2011	Q2 2010	% change
Material expense	62.3	56.7	9.8%
Employee costs	169.2	172.4	-1.9%
Interconnection	81.3	97.2	-16.4%
Maintenance and repairs	29.6	32.8	-10.0%
Services received	40.9	53.9	-24.2%
Other support services	34.3	29.0	18.5%
Other	98.7	97.1	1.6%
Total OPEX - Segment Austria	516.1	539.1	-4.3%

Operating Expense - International Operations (EUR million)	Q2 2011	Q2 2010	% change
Material expense	37.4	38.0	-1.6%
Employee costs	37.9	31.3	21.2%
Interconnection	53.6	57.3	-6.5%
Maintenance and repairs	13.5	13.8	-2.1%
Services received	25.1	26.8	-6.2%
Other support services	3.5	3.3	4.6%
Other	90.1	83.6	7.8%
Total OPEX - int. Operations	261.2	254.1	2.8%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q2 2011	Q2 2010	% change
 Austria		5,176	4,967	4.2%
	Market share	40.8%	42.1%	
 Bulgaria		5,295	5,241	1.0%
	Market share	49.3%	50.2%	
 Croatia*		2,066	2,045	1.0%
	Market share*	39.2%	40.0%	
 Belarus		4,461	4,145	7.6%
	Market share	40.8%	41.1%	
 Slovenia		633	592	6.9%
	Market share	29.9%	28.2%	
 Republic of Serbia		1,506	1,265	19.1%
	Market share	14.7%	13.0%	
 Republic of Macedonia		505	353	42.9%
	Market share	22.7%	17.1%	
 Liechtenstein		7	6	5.9%
	Market share	20.5%	19.7%	

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



Telekom Austria Group - Headcount Development

FTE (Average period)	Q2 2011	Q2 2010	% change
Austria	9,506	10,090	-5.8%
International	7,439	6,485	14.7%
Telekom Austria Group*	17,106	16,569	3.2%

FTE (End of period)	Q2 2011	Q2 2010	% change
Austria	9,372	10,040	-6.7%
International	7,502	6,481	15.7%
Telekom Austria Group*	17,032	16,530	3.0%

*Including corporate segment



Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (EUR million)	Q2 2011	Q2 2010	% change
Segment Austria	114.6	105.6	8.5%
Segment Bulgaria	16.7	17.6	-4.8%
Segment Croatia	8.8	17.1	-48.3%
Segment Belarus	4.4	10.2	-57.2%
Segment Additional Markets	12.3	9.6	27.7%
<i>Slovenia</i>	2.1	1.4	49.9%
<i>Republic of Serbia</i>	8.9	7.1	24.9%
<i>Republic of Macedonia</i>	1.1	1.0	2.4%
<i>Liechtenstein</i>	0.2	0.1	279.1%
<i>Eliminations additional markets</i>	0.0	0.0	n.a.
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	156.7	160.0	-2.1%
Thereof tangible	124.3	131.4	-5.4%
Thereof intangible	32.5	28.7	13.3%

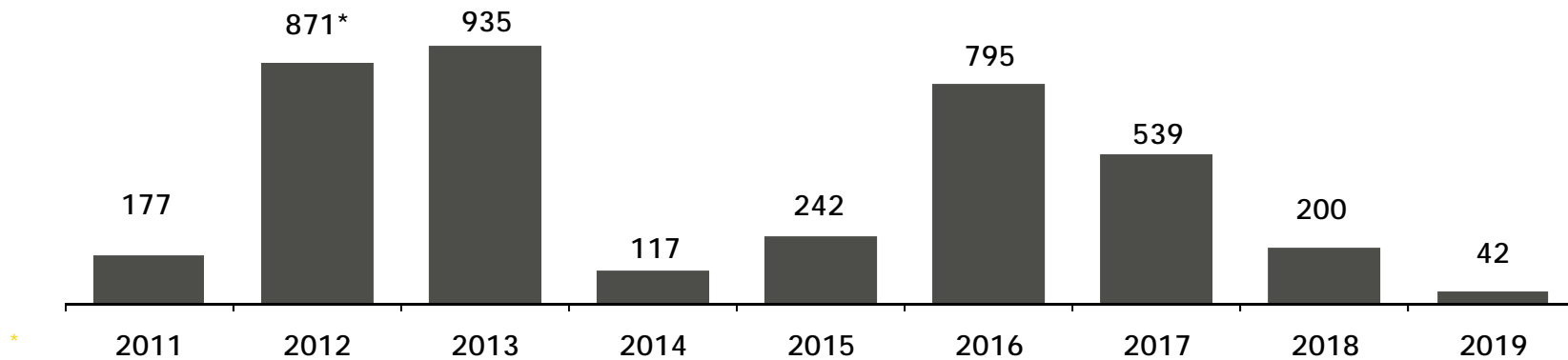
Telekom Austria Group - Net Debt

Net debt (EUR million)	June 30, 2011	Dec. 31, 2010	% change
Long-term debt	3,333.4	3,146.4	5.9%
Short-term borrowings	585.5	522.6	12.0%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-356.3	-355.0	0.4%
Derivate financial instruments for hedging purposes	-8.8	-8.9	-0.6%
Net Debt of Telekom Austria Group	3,553.8	3,305.2	7.5%
EBITDA comparable (last 12 months)	1,580.1	1,645.9	-4.0%
Net Debt/ EBITDA comparable (last 12 months)	2.2x	2.0x	n.a.

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile

(EUR million)



*

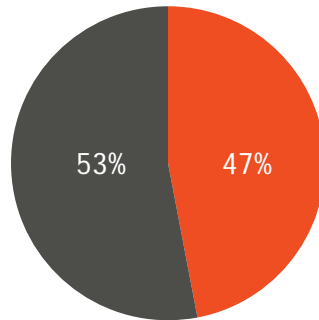
*Includes approx. EUR 51.3 mn in 2012 related to velcom

- > EUR 3,918.6 mn of short- and long-term borrowings as of June 30, 2011
- > Average cost of debt of approximately 4.4%



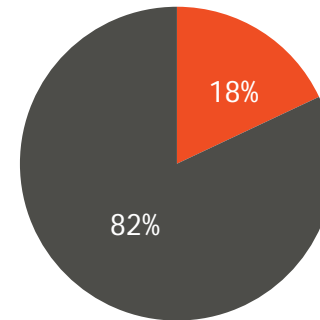
Telekom Austria Group - Debt Profile

Overview Debt Instruments



■ Bonds ■ Loans

Fixed-Floating Mix



■ Floating ■ Fixed

Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 1.0 bn
- > Average term to maturity of approximately 2.0 years

Ratings

- > S&P: BBB (stable outlook)*
- > Moody's: A3 (negative outlook)

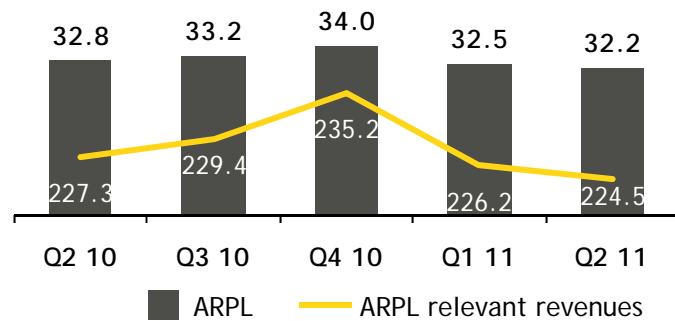
*Outlook reiterated on 14 June 2011



Segment Austria - Fixed Line Key Performance Indicators

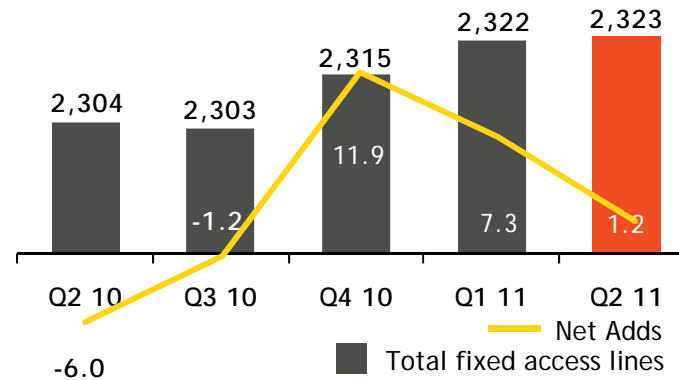
ARPL & ARPL Relevant Revenues

(in EUR)



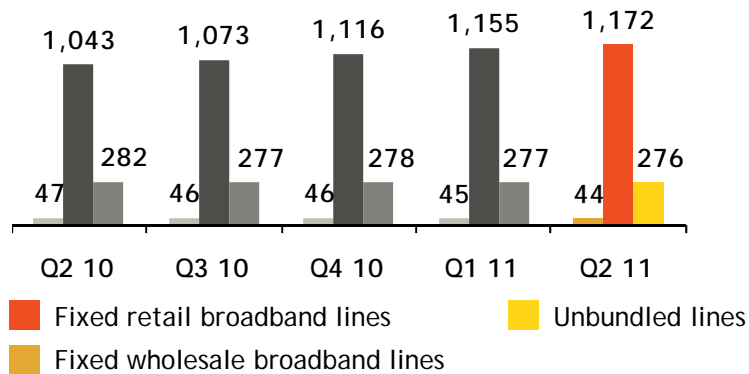
Total Fixed Access Lines & Net Adds

(in 000)



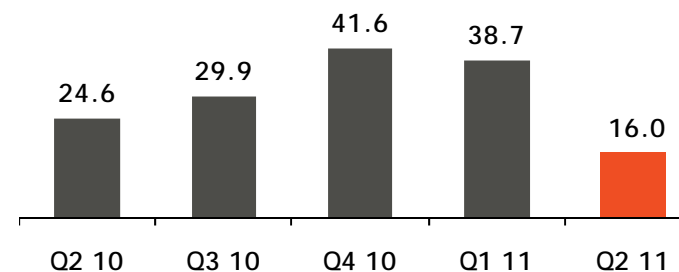
Fixed Broadband Access Lines

(in 000)



Fixed Broadband Net Adds incl. Wholesale

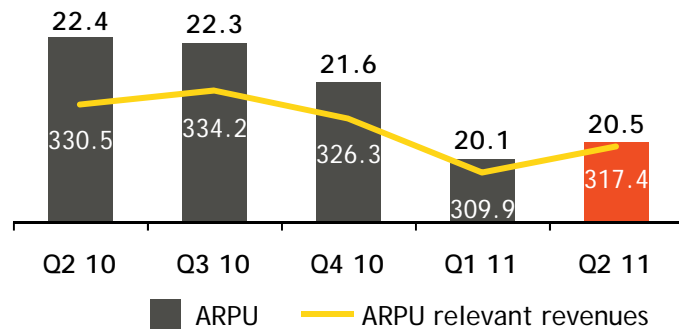
(in 000)



Segment Austria - Mobile Key Performance Indicators

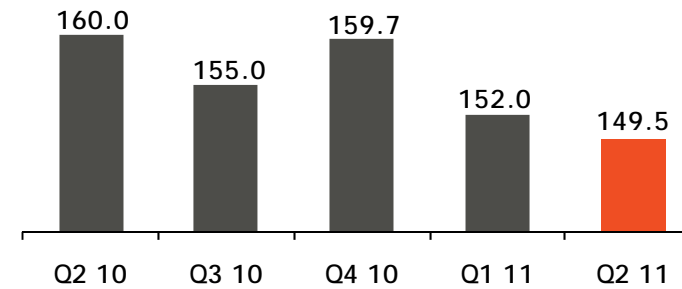
ARPU & ARPU Relevant Revenues

(in EUR)



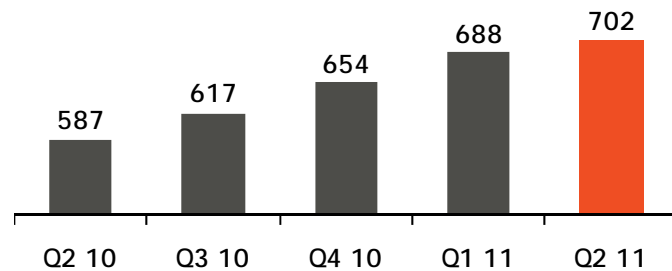
MoU per Subscriber

(in min)



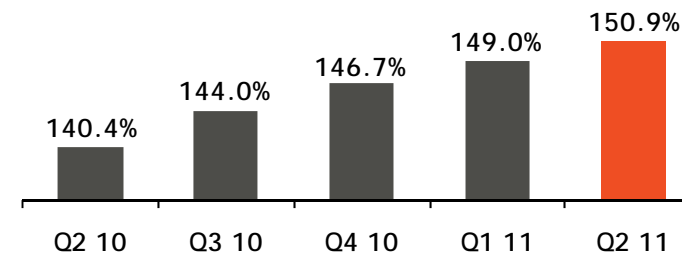
Mobile Broadband Customers

(in 000)



Mobile Penetration

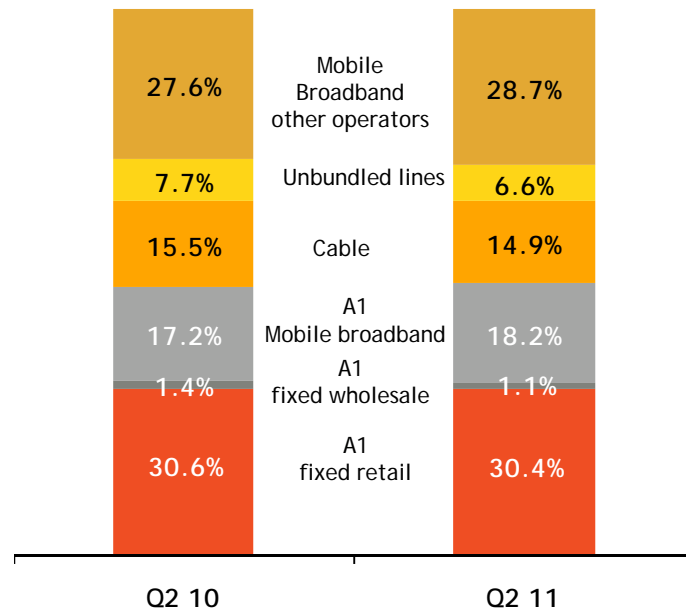
(in %)



Segment Austria - Broadband Market Split

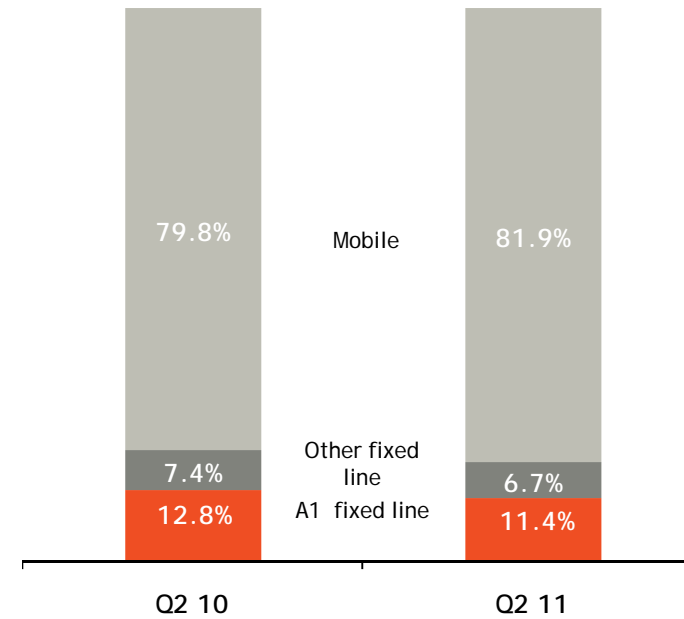
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

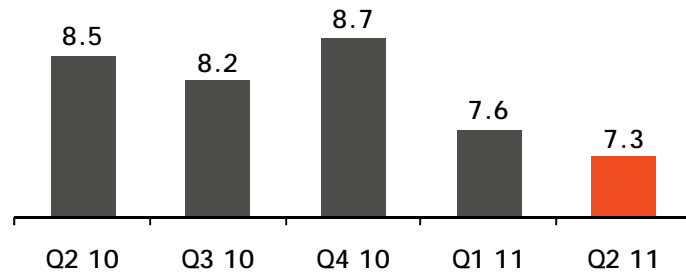
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

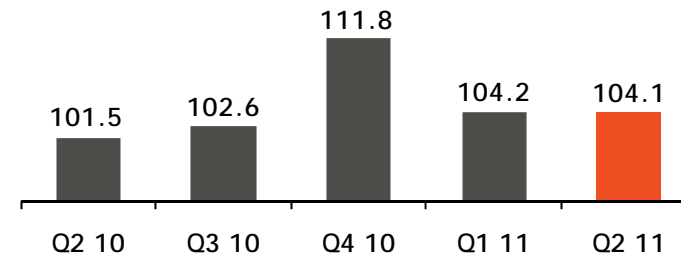
ARPU

(in EUR)



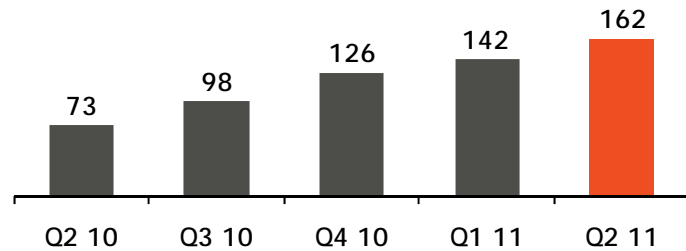
MoU per Subscriber

(in min)



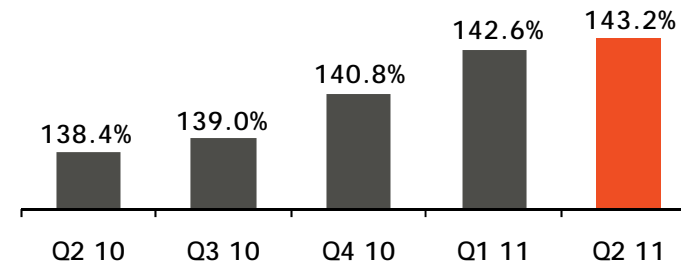
Mobile Broadband Customers

(in 000)



Mobile Penetration

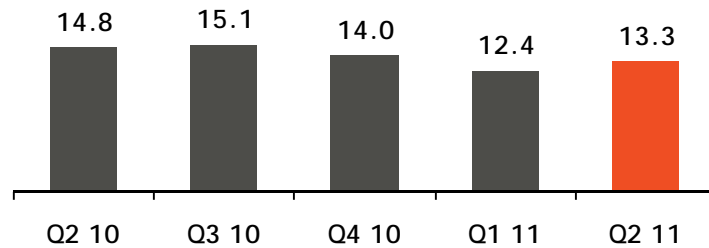
(in %)



Segment Croatia - Mobile Key Performance Indicators

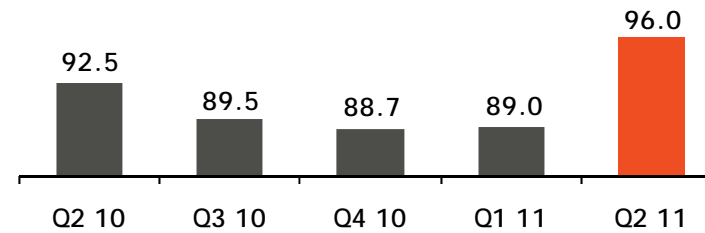
ARPU*

(in EUR)



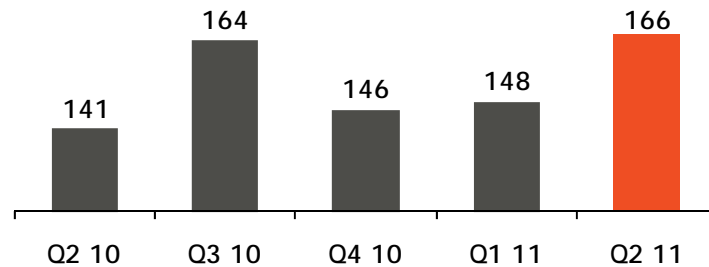
MoU per Subscriber*

(in min)



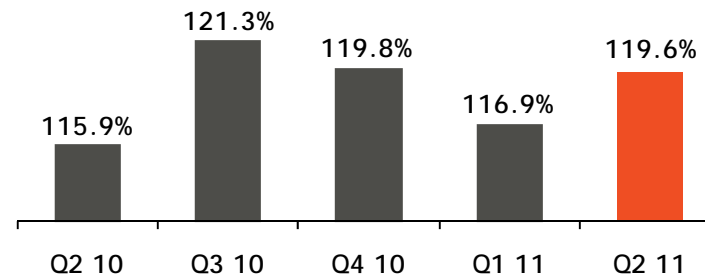
Mobile Broadband Customers*

(in 000)



Mobile Penetration*

(in %)



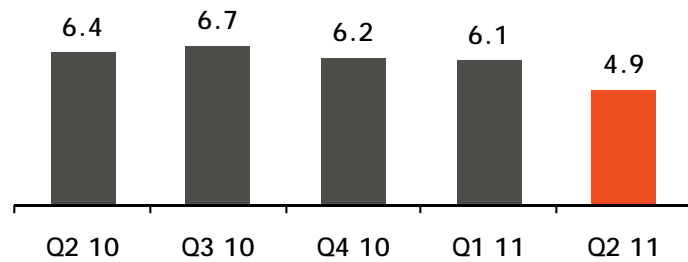
* Due to a new definition on prepaid subscribers, the counting method of active prepaid SIM cards was changed from a 15-month rolling average to a 90 day active methodology. Following this implementation historic KPI's have been restated as of Q1 2010.



Segment Belarus – Mobile Key Performance Indicators

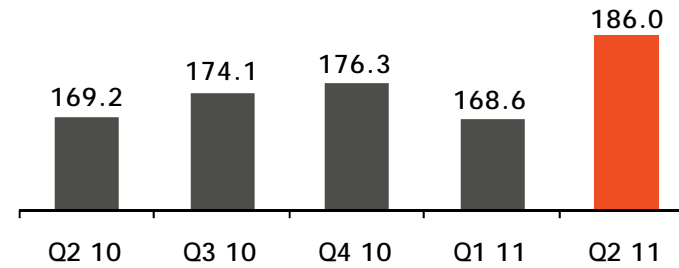
ARPU

(in EUR)



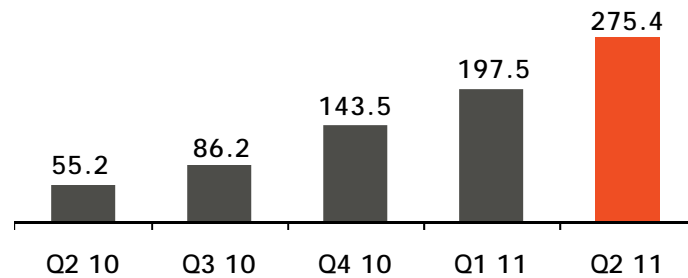
MoU per Subscriber

(in min)



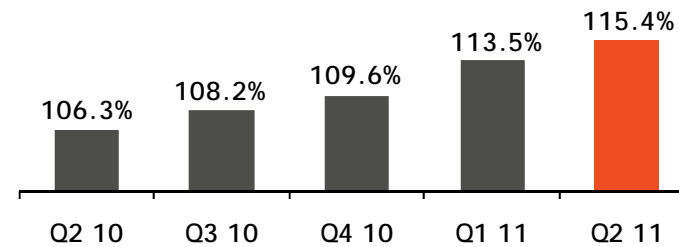
Mobile Broadband Customers

(in 000)



Mobile Penetration

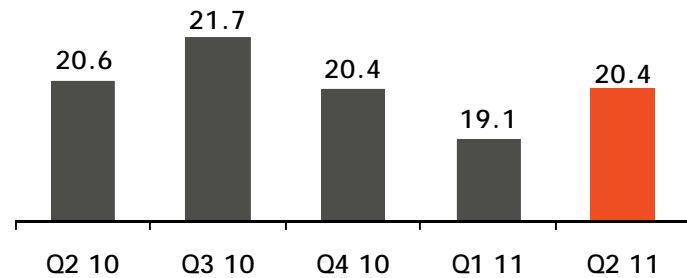
(in %)



Segment Additional Markets - Mobile Key Performance Indicators

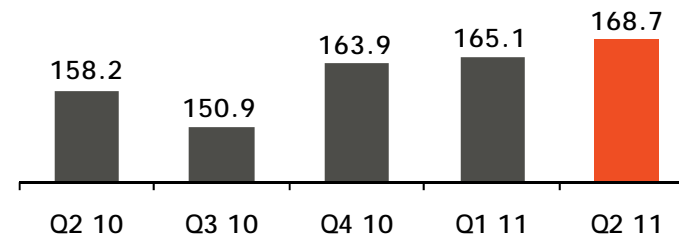
Slovenia - ARPU

(in EUR)



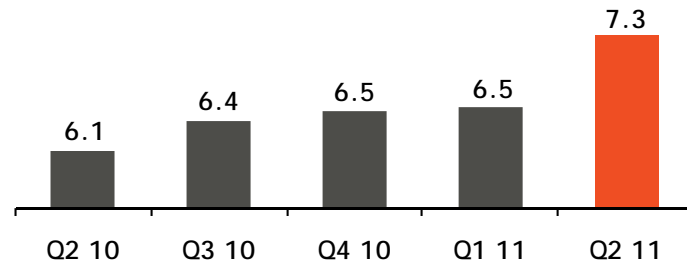
Slovenia - MoU per Subscriber

(in min)



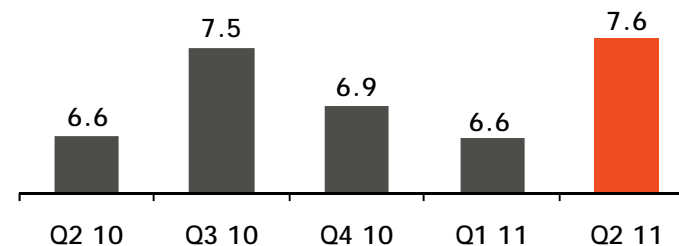
Serbia - ARPU

(in EUR)



Macedonia - ARPU

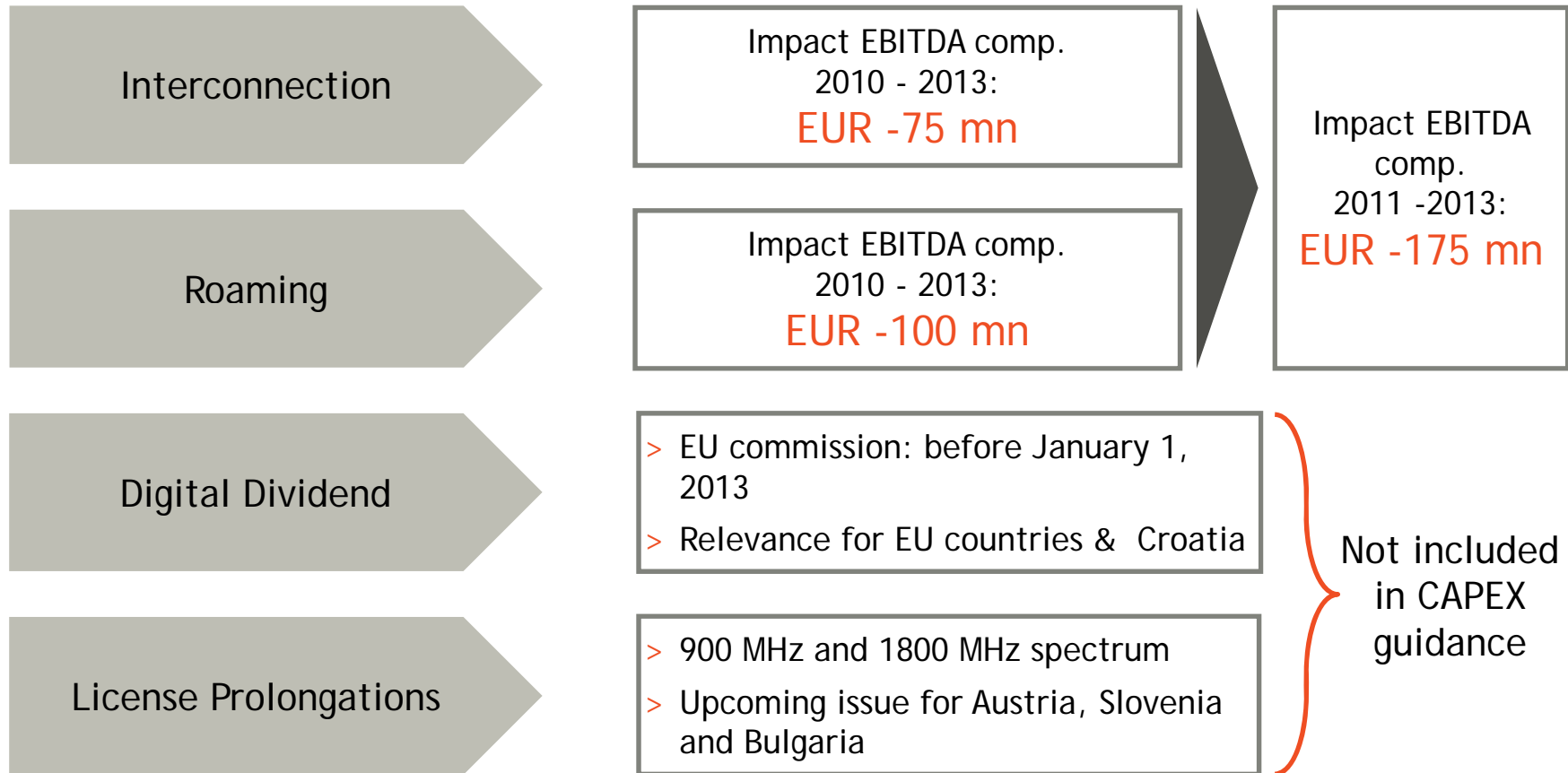
(in EUR)



Appendix 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

In EUR cents	July 2009	January 2010	July 2010	August 2010	January 2011	June 2011	July 2011	August 2011	January 2012	July 2012	August 2012
Austria	4.00	3.50	3.01		2.51	2.01	market analysis during 2011				
Bulgaria	11.76	10.48	6.65 (until next price cap)		market analysis started in Q1 2011-> decision expected in September 2011						
Croatia	9.10	7.60	7.60		5.30						
Slovenia	5.23	4.95	4.66		4.38	4.38	4.09		3.81	3.52	
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						

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)

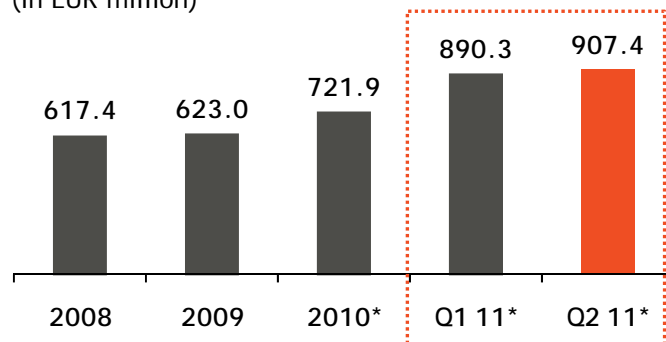
	2008	2009	2010	Q1 2011	Q2 2011
FTE Effect	632.1	-10.0	76.9	184.1	34.6
Interest rate adjustments	0.0	27.5	47.2	0.0	0.0
Total	632.1	17.5	124.1	184.1	34.6

FTEs Addressed

	2008	2009	2010	Q1 2011	Q2 2011
Transfer to government	0	0	158	24	46
Social plans	256	451	28	514	63
Staff released from work	968	-194	27	0	0
Total	1,224	257	213	538	109

Overview Restructuring Provision

(in EUR million)



Provisioned FTEs

	2008	2009	2010	Q1 2011	Q2 2011
Transfer to government	0	0	158	182	228
Social plans	14	273	299	781	820
Staff released from work	968	789	763	724	694
Total	982	1,062	1,220	1,687	1,742

*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
Q1 2011	21.5
Q2 2011	22.9

- > Total cash flow impact comprises old as well as new programs
- > Total expected cash flow impact for 2011 of EUR 100-110 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 transfer to government as well as 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