

Telekom Austria Group outlook for Full Year 2011

The operating environment of Telekom Austria Group remains affected by several negative external factors, such as the unabated fixed-to-mobile substitution and the ongoing price pressure. In addition, regulatory induced lower roaming prices as well as fixed and mobile termination rates will continue to impact the Group's results in 2011. Taxes levied on mobile communication services in Croatia pose an additional burden.

While in the medium term the macro-economic environment is expected to recover, in the short run economic headwinds are anticipated to remain strong in Telekom Austria Group's major markets in the CEE region. The Telekom Austria Group continues to anticipate a delayed positive impact of such improvements on its results by approximately three to four quarters. Belarus, which faces structural, financial and economic challenges, continues to exhibit increased foreign exchange volatility. Moreover, Belarus is classified as a hyperinflation country as of the fourth quarter of 2011.

Nevertheless, the outlook for the full year 2011 reflects the Group's confidence of its ability to mitigate these challenges through clear customer focus, intensified marketing of innovative products and strict cost management.

For the financial year 2011, revenues are expected to amount to approximately EUR 4.50 billion. Focus on cost control will mitigate the impact from lower revenues and is anticipated to result in an EBITDA comparable, which does not include impairment and restructuring charges of up to EUR 1.55 billion. Capital expenditures of the Telekom Austria Group are forecasted to reach EUR 0.75 – 0.80 billion and do not include investments for license or spectrum acquisitions. Operating free cash flow* remains the primary focus of management and is expected to amount to up to EUR 0.80 billion.

The Telekom Austria Group intends to distribute a dividend of EUR 0.38 per share for the years 2011 and 2012. As of 2013, the payout ratio amounts to 55% of free cash flow to the extent that the dividend does not lead to a deterioration of Group equity. Maintaining a stable investment grade rating of at least BBB (stable outlook) remains central to the Group's financial profile.

A leverage corridor of 2.0x – 2.5x Net debt/EBITDA comparable provides increased flexibility to balance share buybacks with growth projects. Hence, the start of share buybacks depends on the volume of potential growth projects. However, cash will always be returned to shareholders via share buybacks if leverage falls below 2.0x Net debt/EBITDA comparable. A stable business and currency environment remains a prerequisite for share buybacks.

This outlook was given on a constant currency basis for all markets of the Telekom Austria Group and before any effects of inflation accounting for the Belarusian segment as of 4Q 2011.

	Outlook 2011 as of November 14, 2011	Outlook 2011 as of December 16, 2011
Telekom Austria Group		
Revenues	approximately EUR 4.50 bn	approximately EUR 4.50 bn
EBITDA comparable	up to EUR 1.55 bn	up to EUR 1.55 bn
Capital Expenditures	EUR 0.75 - 0.80 bn	EUR 0.75 - 0.80 bn
Operating Free Cash Flow*	up to EUR 0.80 bn	up to EUR 0.80 bn
Dividend	55% of Free cash flow**, DPS of EUR 0.76 minimum	DPS of EUR 0.38

* Operating Free cash flow = EBITDA comparable minus capital expenditures in existing business

** Free cash flow = Cash flow from operating activities minus capital expenditures in existing business

Please note that this text contains forward-looking statements. The website contains forward-looking statements that could result in risks and uncertainties. Forward-looking statements usually use expressions such as "believe", "is the aim", "assume", "plan", "expect" and similar wording. Due to a number of factors the actual events can deviate considerably from expected development. Forward-looking statements naturally contain risks and uncertainties. We would like to point out that due to a number of important factors the actual results can deviate considerably from the forward-looking statements.