

# Results for the Fourth Quarter and Full Year 2013

Vienna, 26 February 2014



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'This presentation contains forward-looking statements. These forward-looking statements are usually accompanied by words such as 'believe', 'intend', 'anticipate', 'plan', 'expect' and similar expressions. Actual events may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Neither Telekom Austria nor any other person accepts any liability for any such forward-looking statements. Telekom Austria will not update these forward-looking statements, whether due to changed factual circumstances, changes in assumptions or expectations. This presentation does not constitute a recommendation or invitation to purchase or sell securities of Telekom Austria.'



# Agenda

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- > Operational and Financial Highlights for the Full Year 2013
  - > Key Financial Developments in the Fourth Quarter 2013
  - > Focus Points
  - > Outlook for the Full Year 2014
  - > Appendix
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# Operational and Financial Highlights for the Full Year 2013

# FY 2013 -Infrastructure and Market-Orientated Investments to Address Continued Revenue Pressure

- > 3.4% revenue and 11.6% EBITDA comparable decline driven by mature markets Austria, Bulgaria and Croatia, while Belarusian and Additional markets segments see continued growth
- > Regulatory effects contribute EUR 122.1 mn to revenue decline
- > EUR 118.1 mn gross costs savings facilitate investments into the premium mobile customer segment to target ARPU decline in mature markets via higher subsidies
- > Revision of tariff portfolio across entire Austrian mobile brand spectrum to combat ARPU decline in Austria (-14.3% y-o-y)
- > Review of tariff portfolio, strict cost management and management changes to stabilise Bulgaria
- > Convergence strategy yields access line growth of 1,600 lines in Austria, as well as growth of 1.4% and of 18.4% in Bulgaria and Croatia respectively
- > 10.1% and 6.3% revenue growth in Belarus and Additional Markets segment
- > Acquisition of YESSS! and other assets from Orange Austria for approx. EUR 400 mn\*
- > EUR 1.03 bn spectrum acquisition in Austria bolsters strategic network position also for the future
  - > Downgrade to Baa2 (stable) and BBB- (stable) due to resulting higher leverage
  - > A1 wins 'connect' network test
- > Outlook 2014: Group revenue to decline by approx. 3%, CAPEX\*\* stable at approx. EUR 700 mn
- > Proposed Dividend: EUR 0.05/share for the years 2013 and 2014 respectively

\* After purchase price adjustments

\*\* Does not include investments for spectrum and acquisitions



# Full Year 2013 Revenues at Upper End of Guidance; CAPEX in Line with Expectation

	Guidance	Reported	
Revenues	Approx. EUR 4.1 bn	EUR 4.18 bn	✓
CAPEX*	EUR 650 - 700 mn	Reported: EUR 1,779.1 mn Excl. spectrum and acquisitions: EUR 649.6 mn	✓

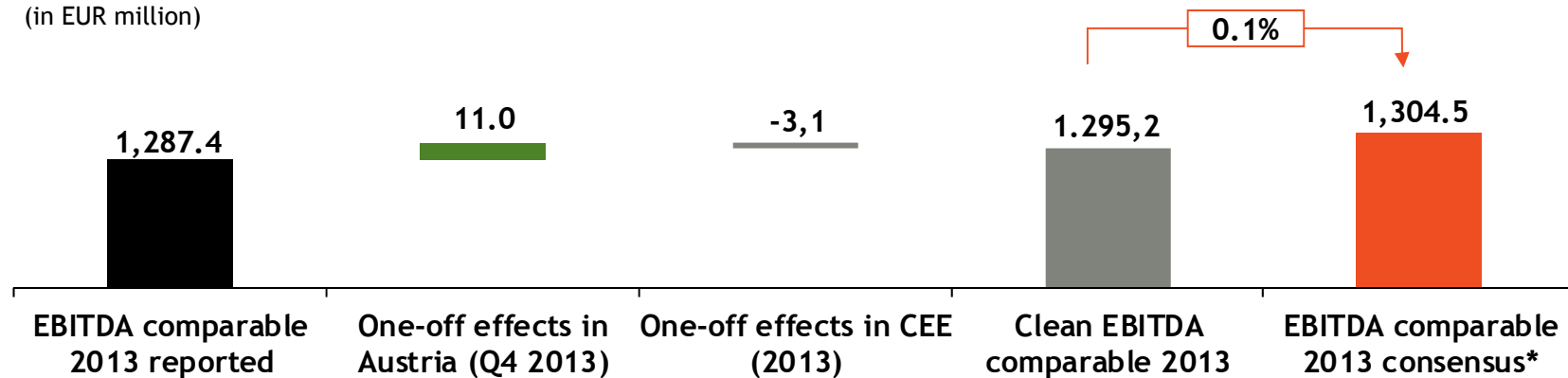
\* Does not include investments for spectrum and acquisitions



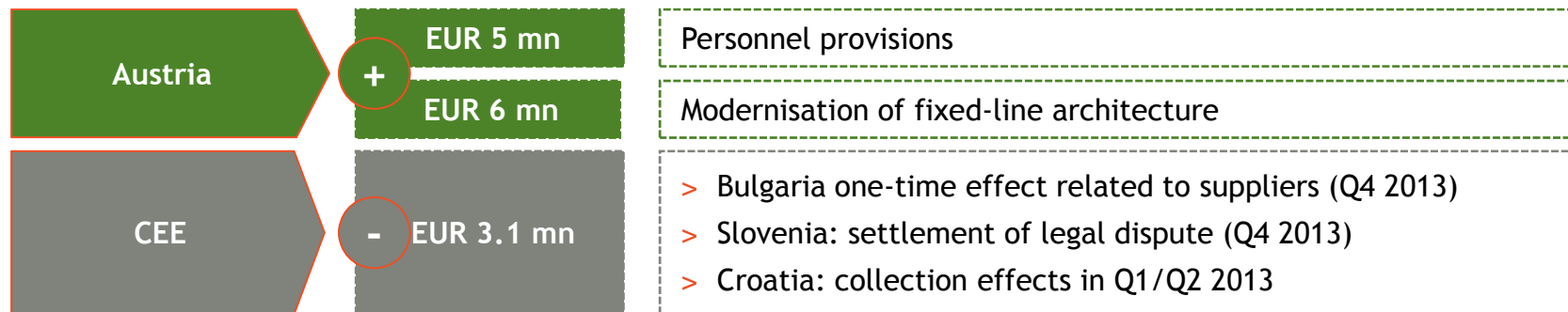
# Group EBITDA Comparable Excl. EUR 11 mn One-Off Effects in Line with Consensus

## Group EBITDA Comparable Development

(in EUR million)



## Adjustments for one-off effects:

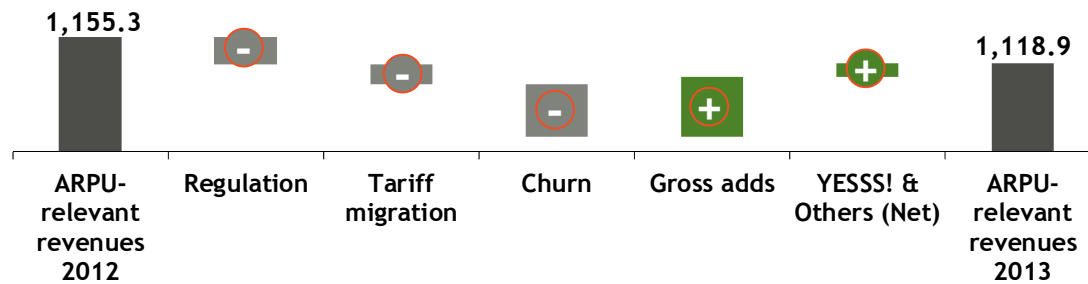


\* Consensus for FY 2013 EBITDA comparable as of 19 February 2014

# Austria: Strong Customer Growth And Historic Low Churn as Result of High-Value Focus

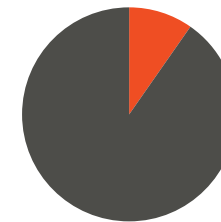
## ARPU-Relevant Revenues in Austria

(in EUR million)



## Churn Split

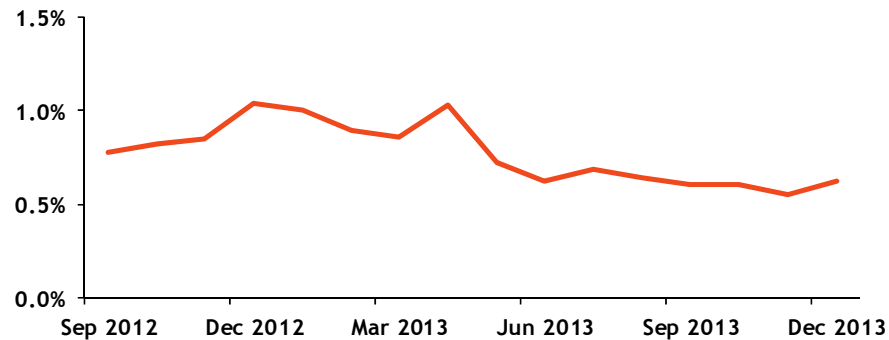
Q4 2013



- A1 premium churn
- No-frills churn

## A1 Premium Monthly Churn Rate at Historic Low

(in %)

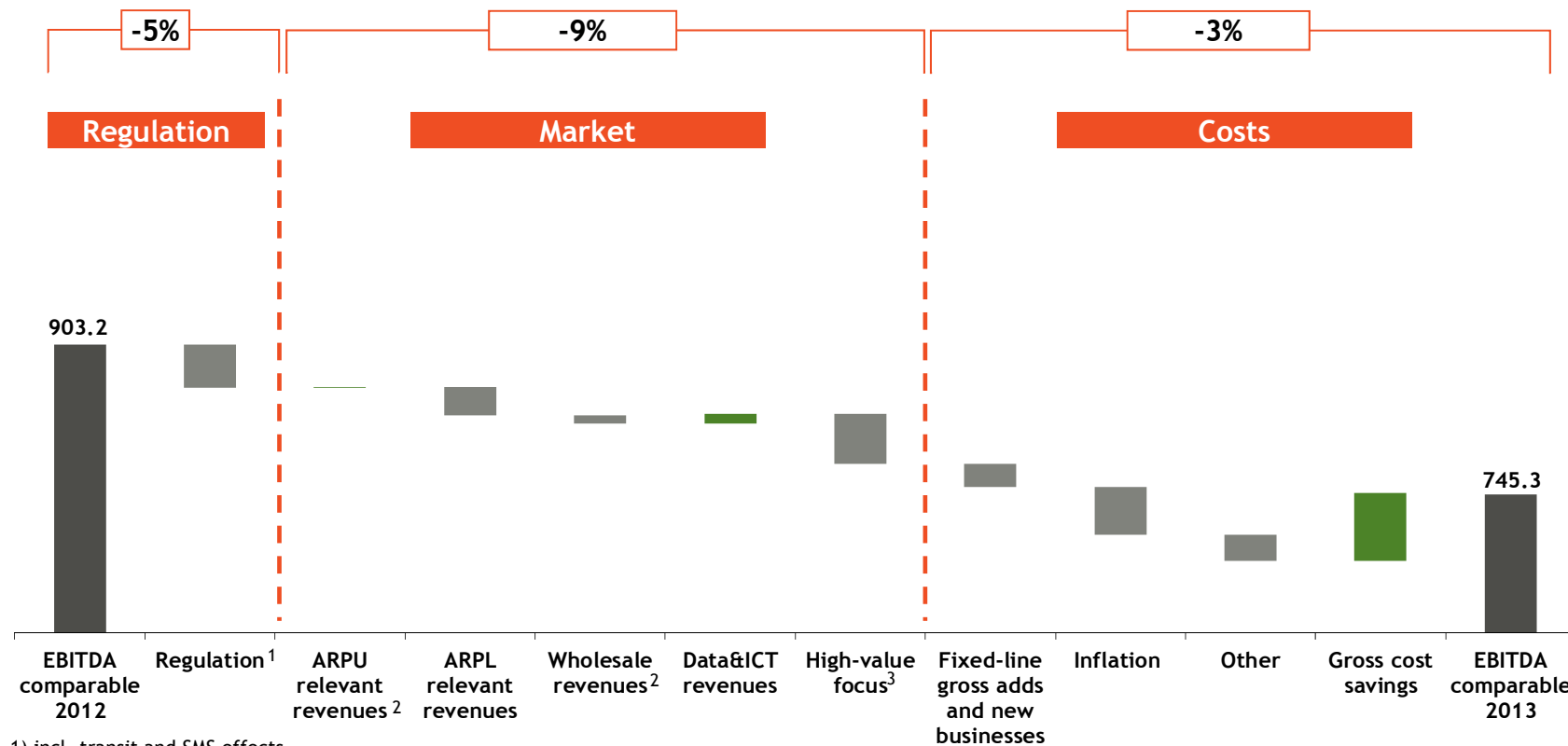




# Austria: Regulation- and Market-Related Costs Offset EUR 71.8 mn Gross Cost Savings (OPEX)

## EBITDA Comparable

(in EUR million)



1) incl. transit and SMS effects

2) excl. regulatory effects

3) higher SAC&SRC and higher marketing & sales costs

Results for the Fourth Quarter and Full Year 2013

# Key Financial Developments in the Fourth Quarter 2013

# Q4 2013: Regulation, Weak Macro and Competition Remain Key Operational Challenges

(in EUR million)	Q4 2013	Q4 2012*	% change	
<b>Revenues</b>	<b>1,055.7</b>	<b>1,117.8</b>	<b>-5.6%</b>	> Declining revenue trends mainly driven by IC-rate cuts and lower equipment revenues in Austria
<b>EBITDA comparable**</b>	<b>262.3</b>	<b>319.1</b>	<b>-17.8%</b>	> 25.6% Group EBITDA comparable margin clean of one-off effects
<i>EBITDA comparable margin**</i>	<i>24.8%</i>	<i>28.6%</i>		
Restructuring	-9.9	-13.0	n.m.	> Bulgarian and Croatian segment remain impacted by macro headwinds, regulatory intervention and price pressure
Impairment and reversal of impairment	0.0	0.0	n.a.	
Depreciation & amortisation	-219.5	-237.1	n.m.	
<b>Operating income</b>	<b>32.8</b>	<b>69.0</b>	<b>-52.5%</b>	> Continuing EBITDA growth in Belarus and Additional Markets
Financial result	-45.5	-52.0	n.m.	> Total regulatory impact of EUR 33.1 mn on revenues and EUR 19.0 mn on EBITDA comparable
<b>Income before income taxes</b>	<b>-12.7</b>	<b>17.1</b>	<b>n.m.</b>	> EUR 9.9 mn restructuring charge is net effect of 245 FTEs addressed and positive servicekom effects
Income tax expense	-36.9	-93.1	n.m.	
<b>Net income / Net loss</b>	<b>-49.5</b>	<b>-76.0</b>	<b>n.m.</b>	> Lower interest expenses together with lower tax expenses lead to improved net loss

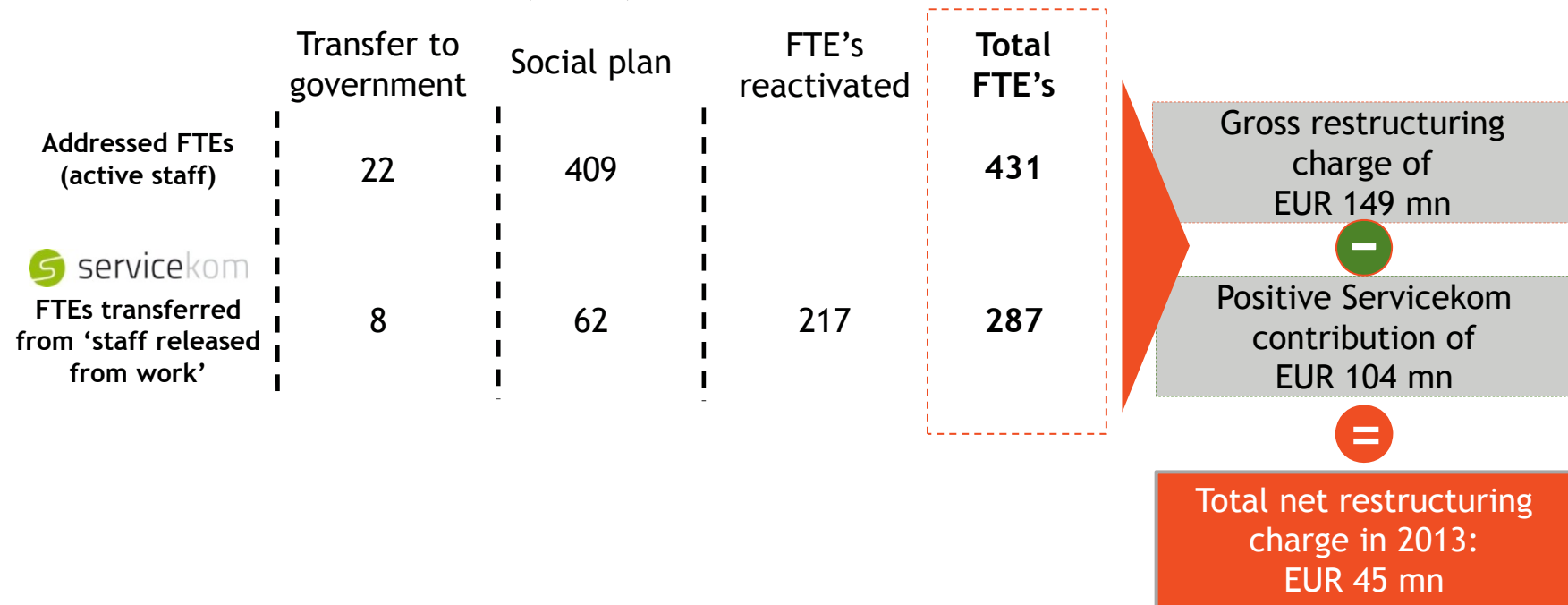
\* As of 1 January 2013 IAS 19 - Employee Benefits (amended) - became effective. Accordingly, the reported results for the interim 2012 were adjusted retrospectively.

\*\* Excluding effects from restructuring and impairment tests

# Full Year 2013: EUR 45 mn Restructuring Charges Include 431 FTEs; EUR 30 mn Expected in 2014

## Measures Taken and Affected Employees

(in 2013)

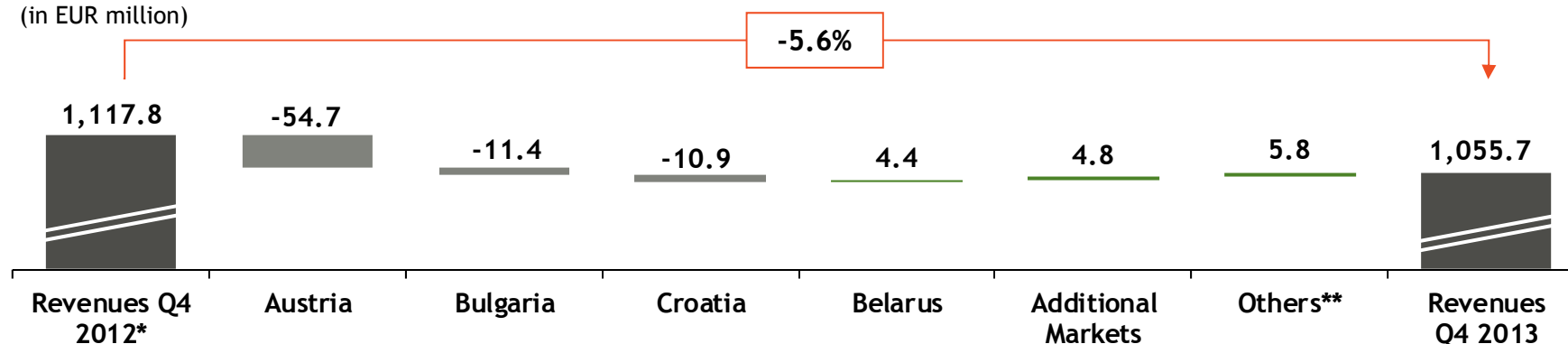


2014: Up to EUR 30 mn of restructuring charge expected

# Further Regulatory Effects in Croatia and BYR Devaluation Put Additional Pressure on Revenues

## Quarterly Revenue Development

(in EUR million)



### Segment Austria

- > EUR 22.5 mn negative regulatory effects from roaming and interconnection
- > EUR 18 mn lower equipment revenues due to lower premium gross adds as market decelerated in Q4 2013 vs. last year
- > 3.3% decline in monthly fee & traffic revenues due to lower ARPL (despite 10,3k fixed line net adds)

### International Segments

- > Bulgaria: macro headwinds suppress demand. Regulation adds to revenue decline
- > Croatia: strong fixed line (broadband/TV) mitigates regulatory cuts and mobile price pressure
- > Belarus: strong data demand and price increases support 28.9% local currency growth; EUR 19.7 mn translation effect
- > Additional Markets growth mainly driven by Republic of Serbia

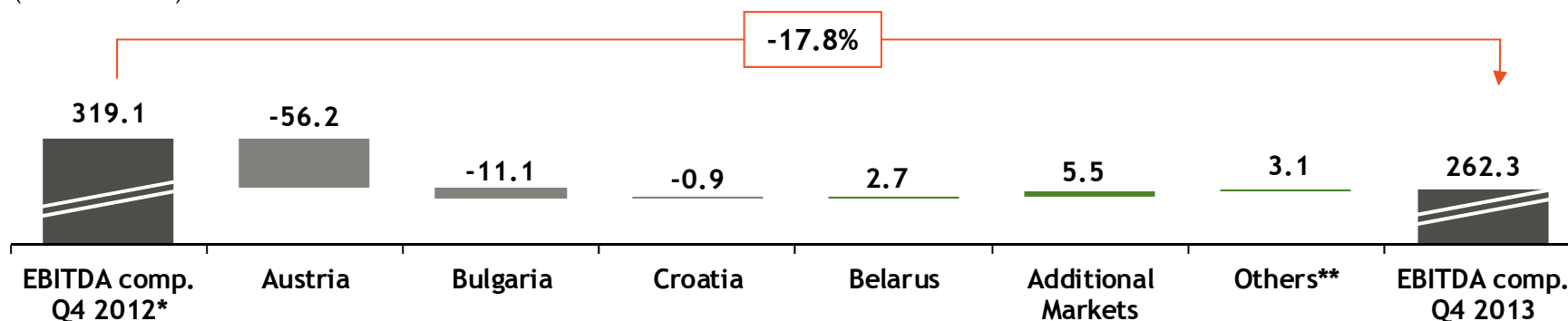
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\*\* Corporate, Others & Eliminations

# Ongoing Focus on Cost Control Limits EBITDA Comparable Decline to 17.8%

## Quarterly EBITDA Comparable Development

(in EUR million)



### Segment Austria

- > 28.1% EBITDA comparable decline as OPEX remain stable (adjusted for one-off in Q4 2013 & Q4 2012)
- > Cost savings offset by higher marketing & sales costs as well as costs for projects addressing future cost savings potential in infrastructure and IT
- > 27.3% SAC decline due to lower premium contract gross additions, while retention focus causes 8.2% rise in SRCs

### International Segments

- > Bulgaria: lower revenues with flat OPEX result in 25.8% EBITDA comparable decline
- > Croatia: lower material as well as marketing & sales costs contribute to EUR 10.0 mn OPEX savings
- > Belarus: 15% higher OPEX in BYR mainly due to higher material expenses and employee costs
- > Add. Markets: OPEX savings in Slovenia and the Republic of Macedonia and higher revenue growth in the Republic of Serbia

\* As of 1 January 2013 IAS 19 - Employee Benefits (amended) - became effective. Accordingly, the reported results for the interim 2012 were adjusted retrospectively.

\*\* Corporate, Others & Eliminations

# Decline in Gross Cash Flow Fully Offset by Lower Working Capital Needs

(in EUR million)	Q4 2013	Q4 2012	% change	1-12 M 2013	1-12 M 2012	% change
Gross cash flow	227.7	287.8	-20.9%	1,137.2	1,295.9	-12.2%
Change in working capital	34.3	-37.2	n.m.	-85.7	-248.0	n.m.
Cashflow from operating activities	262.0	250.6	4.6%	1,051.6	1,047.9	0.3%
Ordinary capital expenditures	-1,286.1	-238.8	n.m.	-1,779.1	-728.2	n.m.
Proceeds from sale of equipment	3.7	2.5	46.2%	10.8	5.7	89.9%
<b>Free cash flow</b>	<b>-1,020.4</b>	<b>14.3</b>	<b>n.m.</b>	<b>-716.7</b>	<b>325.4</b>	<b>n.m.</b>

## Year-to-Date Analysis

- > Lower operating result led to lower gross cash flow
- > EUR 85.7 mn cash requirements for working capital during 2013 mainly driven by:
  - > EUR 97.6 mn payments for restructuring in Austria
- > Compared to 2012 working capital needs declined due to a smaller reduction in liabilities as well as lower level of inventories in 2013
- > Increase in CAPEX driven by:
  - > Acquisition of YESSS! and other assets from Orange in Austria (only EUR 61.7 mn reflected in CAPEX)
  - > EUR 1.03 bn spectrum costs in Austria
  - > EUR 37.8 spectrum costs in Croatia, Slovenia and Republic of Macedonia

\* EUR 108.0 mn including severance payments in accordance with social plans



# CAPEX 2013 in Line with Guidance



## Spectrum tenders and Acquisitions in 2013

Austria	800, 900 and 1800 MHz bands	EUR 1,030 mn
Croatia	800 MHz band	EUR 23.1 mn
Republic of Macedonia	800 and 1800 MHz	EUR 10.3 mn
Slovenia	900 and 1800 MHz bands	EUR 4.4 mn
<b>Total CAPEX for spectrum</b>		<b>EUR 1,067.8 mn</b>
Austria	Acquisition of assets from Orange**	EUR 61.7 mn
<b>Total CAPEX for spectrum and acquisitions</b>		<b>EUR 1,129.5 mn</b>
<b>Standard CAPEX</b>		<b>EUR 649.6 mn</b>
<b>Total CAPEX 2013</b>		<b>EUR 1,779.1 mn</b>

\* Does not include any investments for licenses and spectrum nor acquisitions

\*\* Acquisitions of separate assets, which are not qualified as a business combination, are included in CAPEX only



# Focus Points

# Bulgaria: New Subscriber Counting Method Ensures Alignment With Competitor's Restatement

<b>Prepaid customers</b>	Inactivity period: 12 months (voucher validity) -> 3 months (active usage)
<b>Box services:</b> Replicated fixed-line connection via 2 numbers	One mobile subscriber instead of two
<b>Integrated Telecom Solutions (ITS):</b> Fixed-line services for business customers (premises connected via fixed line; in-house service via pre-defined set of mobile numbers)	Counted as fixed-line customer instead of mobile subscriber

## Rationale:

- > Increases transparency
- > Better reflects customer behaviour
- > Aligns Mobiltel with its competition
- > Better reflects Mobiltel's position as fully convergent operator

# Changes in Reporting Definitions Led to an Overall Reduction of Mobile Subscribers by Approx. 1 mn

	MTL before restatement	Prepaid customers	Box services	ITS services	MTL after restatement	Total Impact
Mobile subscriber (in 000)	5,208	-498	-215	-313	4,181	-1,026 (-20%)
Mobile market share	44.3%	-2.6%p	-1.1%p	-1.6%p	39.0%	-5.3%p (-12%)
ARPU	5.2 EUR	+0.6 EUR	+0.3 EUR	+0.3 EUR	6,3 EUR	+1,1 EUR (+22%)
ARPL	11.1 EUR			+2.4 EUR	13.5 EUR	+2,4 EUR (+21%)
Access lines (in 000)	158			+2	160	+2 (+1%)

# Spectrum Sales in Bulgaria, Slovenia and Republic of Serbia in 2014

## Slovenia simobil.si

- > Combinatorial clock auction for
  - > New Spectrum in 800-MHz and 2600-MHz band
  - > Existing Spectrum in 900-MHz and 1800-MHz bands
  - > One new block in 2100-MHz and 2600-MHz bands
- > Aggregated demand will be announced during the auction
- > 2 x 5 MHz of 800 MHz band reserved for new entrants (operators with market share below 15% are considered as new entrant)
- > Expected start of the auction: April 2014
- > Outcome expected in H1 2014


## Bulgaria tel

- > Prolongation of 900-MHz and 1800-MHz licenses approved by parliament
- > Fixed price will be set by National Regulation Authority
- > Timing unknown

## Republic of Serbia vip

- > Additional spectrum in existing 900- and 1800-MHz bands
- > Time frame and format unknown

# Austria: High-Bandwidth Fixed and Mobile Rollout Fully Leverages Convergence Potential

Fixed Network				Mobile Network	
<b>NGA Rollout:</b> (Total households coverage in '000; in % of total households)				<b>LTE population coverage:</b>	
	2013		2014		
	Households	in%	in%		
FTTEx (Completed in 2012)	1,879	44.0%	approx. 44%	> Ca. 35% end of 2013***	
FTTC,FTTB & FTTH	543	13.0%	approx. 18%	> Ca. 50% end of 2014	
Thereof Vectoring**	141	3.0%	approx. 12%		
<b>Total</b>	<b>2,422</b>	<b>56%</b>	<b>approx. 62%</b>		
<b>NGN-Voice:</b> > Fully migration of NGN-voice technology (All-IP) in Q4 2013					
 <b>Achievement of targets already included in CAPEX guidance</b>					

\* As communicated at the Capital Market Day 2013 (January 2013)

\*\* Households with vectoring capabilities

\*\*\* approx. 40% per 26.02.

# Infrastructure Leadership Provides Key Differentiation

## LTE services offered in Austria, Slovenia and Croatia

**A1** Austria  
 LTE 40%\* population coverage

**simobil** Slovenia  
 LTE launched in Ljubljana, Maribor and Bled

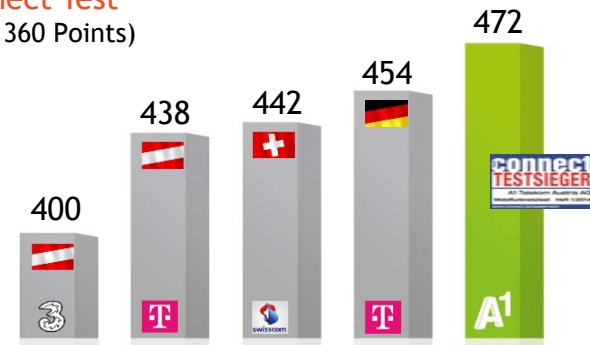
**vip** Croatia  
 LTE launched in 7 biggest cities and additional areas



## Best network quality

### Austria:

'Connect Test'  
 (Basis: 360 Points)

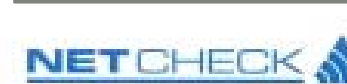


### Best mobile network in German speaking countries

### Other CEE Markets:

**simobil** **tel**  
 Fastest 3G network

**velcom**  
 Best data quality



\* Per 26 February 2014 with LTE 800; 35% per 31 December 2013

# Outlook for the Full Year 2014

# Telekom Austria Group Outlook for the Full Year 2014

## Financial Outlook for 2014

Before any effects of hyperinflation accounting for the Belarusian segment

Revenues	Approx. - 3%
CAPEX*	Approx. EUR 700 mn
Proposed Dividend**	EUR 0.05

\* Does not include investments for spectrum and acquisitions

\*\* Intended proposal for the AGM 2015; proposed dividend for 2013: EUR 0.05/share (AGM 2014)





# Key Expectations 2014

## Austria

- > Continued focus on convergence and high-value customer segment
- > Leverage infrastructure roll-out and network leadership
- > Ongoing revenue pressure from regulation (MTR and roaming)
- > Potential new MVNO's

## International Markets

### Bulgaria

- > Ca. 2% GDP growth
- > Expected population decline to weigh on demand & revenue development
- > MTR cut in January 2014 (13.5%)

### Croatia

- > GDP stabilisation
- > Further growth in convergence to mitigate mobile pressure
- > MTR and roaming cuts

### Belarus

- > At least 20% BYR/EUR decline in line with inflation
- > Growth trends to continue based on mobile data

### Additional Markets

- > Ongoing growth in the Republic of Serbia (market share & penetration)
- > Stable development in Slovenia & the Republic of Macedonia

Approx. EUR 100 mn gross OPEX and CAPEX savings target for 2014

# Operational Efficiency in 2014 - Continuous Saving Initiatives, Focus on Procurement Efficiency

Procurement initiatives targeting approx. EUR 100 mn gross OPEX and CAPEX savings:

- > traditional levers (renegotiate contracts, supplier consolidation) as well as demand- and process-optimisation
- > Initiated in all markets

Selected savings initiatives in major markets:


Austria	Bulgaria	Croatia
<ul style="list-style-type: none"><li>&gt; process optimisation in customer services</li><li>&gt; CAPEX-efficiency, prioritisation based on net present value-maximisation</li><li>&gt; Product portfolio- and platform reduction</li></ul>	<ul style="list-style-type: none"><li>&gt; Restructuring / employee cost reduction</li><li>&gt; Decrease marketing and sponsoring</li><li>&gt; Optimise sales commissions</li></ul>	<ul style="list-style-type: none"><li>&gt; Optimise maintenance and repair</li><li>&gt; Marketing cost reduction</li><li>&gt; Value-based subsidy management</li><li>&gt; Strict bad debt management</li></ul>

Approx. EUR 100 mn gross OPEX and CAPEX savings target for 2014

# Appendix 1

# The Leading Regional Communications Player Providing Convergent Telecommunication Services

as of 31 December 2013  
(in '000, in %)

**Austria\*** 

**Mobile:**

- > Market share: 42.6% (Q4 2012: 37.9%)
- > Subscriber base: 5,715 (Q4 2012: 5,179)

**Fixed Line:**

- > Access Lines: 2,284 (Q4 2012: 2,282)

**Croatia** 

**Mobile:**

- > Market share: 37.3% (Q4 2012: 38.3%)
- > Subscriber base: 1,844 (Q4 2012: 1,921)

**Fixed Line:**

- > Access Lines: 193 (Q4 2012: 163)

**Liechtenstein** 

**Mobile:**

- > Market share: 16.1% (Q4 2012: 15.9%)
- > Subscriber base: 6 (Q4 2012: 6)

**Slovenia** 

**Mobile:**

- > Market share: 30.0% (Q4 2012: 30.3%)
- > Subscriber base: 679 (Q4 2012: 663)



**Republic of Serbia** 

**Mobile:**

- > Market share: 21.1% (Q4 2012: 17.6%)
- > Subscriber base: 2,018 (Q4 2012: 1,860)

**Belarus** 

**Mobile:**

- > Market share: 42.5% (Q4 2012: 43.5%)
- > Subscriber base: 4,947 (Q4 2012: 4,800)

**Bulgaria\*\*** 

**Mobile:**

- > Market share: 39.0% (Q4 2012: 42.1%)
- > Subscriber base: 4,181 (Q4 2012: 4,516)

**Fixed Line:**

- > Access Lines: 160 (Q4 2012: 158)

**Republic of Macedonia** 

**Mobile:**

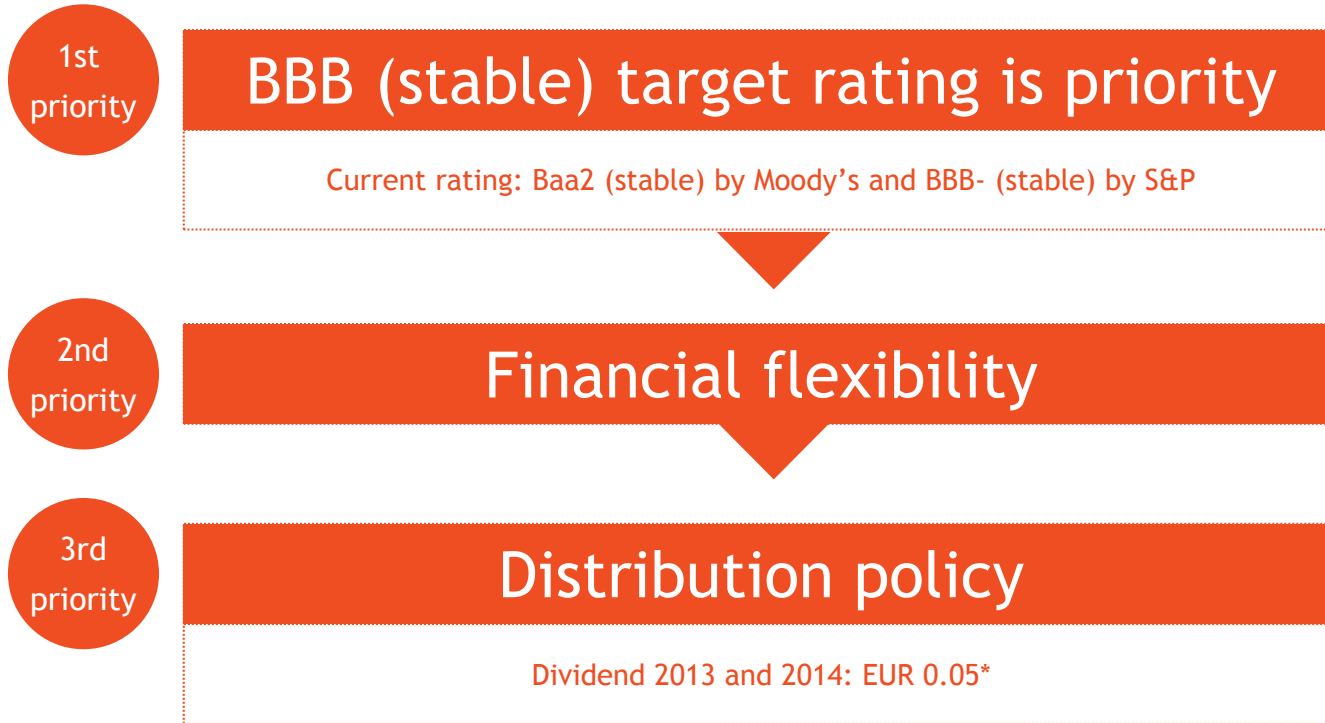
- > Market share: 28.0% (Q4 2012: 27.3%)
- > Subscriber base: 630 (Q4 2012: 632)

\* As of Q1 2013 including YESSS!

As of Q2 2013 the methodology for counting subscribers was changed. Previous quarters of 2012 and 2013 were adjusted retrospectively.

\*\* As of Q4 2013 the methodology for counting subscribers was changed. Previous quarters of 2012 and 2013 were adjusted retrospectively.

# Cash Use Policy - Focus Remains on Deleveraging Via Cash Flow



\* Intended proposal to the Annual General Meeting 2014 and 2015

Results for the Fourth Quarter and Full Year 2013



# Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (in EUR million)	Q4 2013	Q4 2012	% change
Monthly fee and traffic	456.4	472.2	-3.3%
Data and ICT solutions	63.9	62.2	2.7%
Wholesale (incl. Roaming)	33.9	38.2	-11.2%
Interconnection	55.9	74.9	-25.4%
Equipment	50.6	68.7	-26.4%
Other revenues	5.6	4.8	16.3%
<b>Total revenues - Segment Austria</b>	<b>666.3</b>	<b>721.0</b>	<b>-7.6%</b>

Revenue Split - International Operations (in EUR million)	Q4 2013	Q4 2012	% change
Monthly fee and traffic	291.8	301.3	-3.2%
Data and ICT solutions	0.4	0.1	208.9%
Wholesale (incl. Roaming)	6.2	9.3	-33.6%
Interconnection	44.2	51.6	-14.5%
Equipment	52.4	44.3	18.2%
Other revenues	3.2	3.7	-11.6%
<b>Total revenues - int. Operations</b>	<b>398.2</b>	<b>410.4</b>	<b>-3.0%</b>

# Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (in EUR million)	Q4 2013	Q4 2012	% change
Material expense	107.2	104.5	2.5%
Employee costs	180.0	182.4	-1.3%
Interconnection	48.2	69.3	-30.4%
Maintenance and repairs	35.4	33.1	6.7%
Services received	29.0	26.1	11.1%
Other support services*	39.1	37.4	4.5%
Other*	107.6	91.5	17.6%
<b>Total OPEX - Segment Austria</b>	<b>546.4</b>	<b>544.4</b>	<b>0.4%</b>

Operating Expense - International Operations (in EUR million)	Q4 2013	Q4 2012	% change
Material expense	64.5	64.8	-0.5%
Employee costs	41.0	34.5	19.0%
Interconnection	46.3	52.9	-12.4%
Maintenance and repairs	14.9	15.4	-3.6%
Services received	26.5	27.5	-3.7%
Other support services*	6.8	4.6	47.5%
Other*	86.8	86.0	0.9%
<b>Total OPEX - int. Operations</b>	<b>286.8</b>	<b>285.7</b>	<b>0.4%</b>

\* In 2012 the structure of other operating expenses was adjusted to take account of changes in internal reporting. Comparative amounts were adjusted accordingly.

# Telekom Austria Group - Headcount Development

FTE (Average period)	Q4 2013	Q4 2012	% change
Austria	9,019	9,254	-2.5%
International	7,022	7,192	-2.4%
Telekom Austria Group*	16,203	16,610	-2.5%

FTE (End of period)	Q4 2013	Q4 2012	% change
Austria	8,804	9,077	-3.0%
International	7,076	7,205	-1.8%
Telekom Austria Group*	16,045	16,446	-2.4%

\* Including corporate segment.



# Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (in EUR million)	Q4 2013	Q4 2012	% change
Segment Austria	1,177.9	126.7	<i>n.m.</i>
<i>excl. CAPEX for Spectrum Auction</i>	147.9	126.7	16.7%
Segment Bulgaria	26.0	19.9	30.7%
Segment Croatia	41.4	38.0	9.0%
Segment Belarus	16.4	25.5	-35.8%
Segment Additional Markets	24.5	28.9	-15.2%
<i>Slovenia</i>	10.4	9.7	6.9%
<i>Republic of Serbia</i>	11.1	16.5	-32.4%
<i>Republic of Macedonia</i>	2.4	2.7	-10.8%
<i>Liechtenstein</i>	0.4	0.1	<i>n.m.</i>
<i>Eliminations additional markets</i>	0.3	0.0	<i>n.a.</i>
Corporate, Others & Elimination	0.0	0.0	<i>n.a.</i>
<b>Total capital expenditures</b>	<b>1,286.1</b>	<b>238.8</b>	<i>n.m.</i>
<i>excl. CAPEX for Spectrum Auction in Austria</i>	256.1	238.8	7.2%
Thereof tangible	151.2	157.8	-4.2%
Thereof intangible	1,134.9	81.0	<i>n.m.</i>
<i>excl. CAPEX for Spectrum Auction in Austria</i>	104.9	81.0	29.5%

# Telekom Austria Group - Net Debt

Net debt (in EUR million)	31 December 2013	31 December 2012	% change
Long-term debt	3,737.7	2,832.0	32.0%
Short-term borrowings	232.2	1,078.6	-78.5%
Cash and cash equivalents, short-term and long term investments, installment sales, finance lease receivables	-274.1	-715.3	n.m.
<i>Cash and cash equivalents and short-term investments</i>	-211.2	-685.9	n.m.
<i>Long-term investments, installment sales, finance lease receivables</i>	-62.9	-29.5	n.m.
Derivate financial instruments for hedging purposes	0.0	53.6	n.a.
<b>Net Debt* of Telekom Austria Group</b>	<b>3,695.8</b>	<b>3,248.9</b>	<b>13.8%</b>

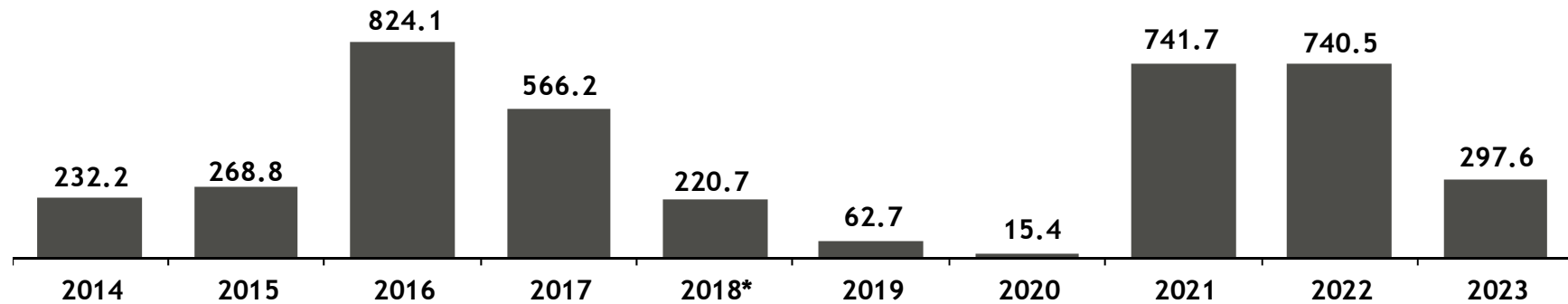
EUR 600 mn non-call 5 years hybrid bond qualified as 100% equity under IFRS

\* As of 31 December 2013 the purchase price not yet paid related to the acquisition of SOBS, the acquisition vehicle for the Orange Austria sites, is included in short-term borrowings. The remaining performance based consideration related to the acquisition of SBT which was paid in Q1 2013 was included in short-term borrowings as of 31 December 2012.

# Telekom Austria Group - Debt Maturity Profile

## Debt Maturity Profile (Including Accrued Interest)\*

(in EUR million)



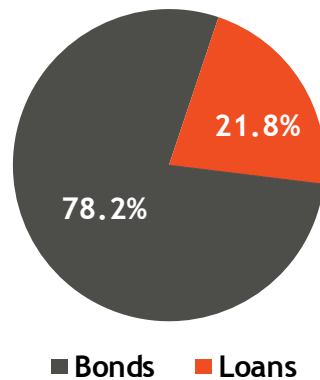
- > EUR 3,969.9 mn of short- and long-term borrowings as of 31 December 2013
- > Average cost of debt of approximately 4.13%
- > Cash and cash equivalents and short-term investments of EUR 211.2 mn

\* EUR 600 mn non-call 5 years hybrid bond qualified as 100% equity under IFRS

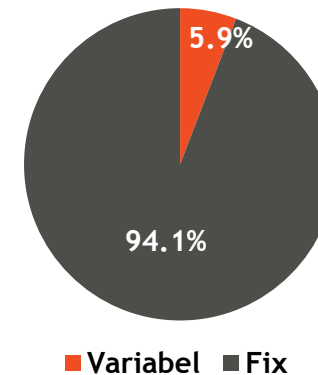


# Telekom Austria Group - Debt Profile

## Overview Debt Instruments



## Fixed-Floating Mix



## Lines of Credit

- > Undrawn committed credit lines amounting to EUR 1,060 mn
- > Average term to maturity of approx. 3.5 years

## Ratings

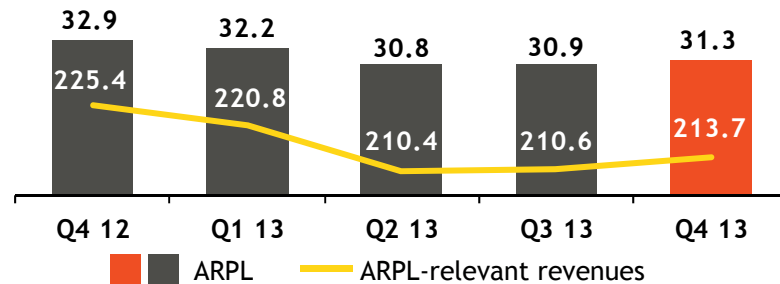
- > S&P: BBB- (stable outlook)
- > Moody's: Baa2 (stable outlook)



# Segment Austria - Fixed-Line Key Performance Indicators

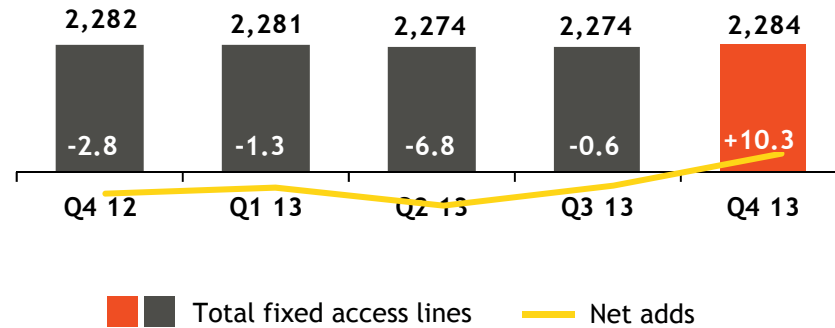
## ARPL & ARPL-Relevant Revenues

(in EUR, in EUR million)



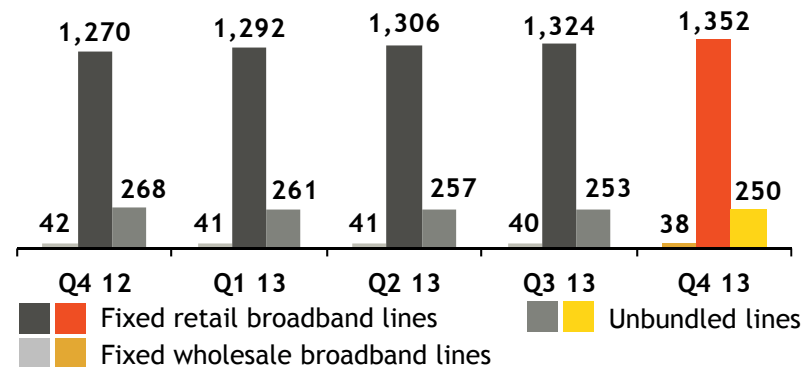
## Total Fixed Access Lines & Net Adds

(in '000)



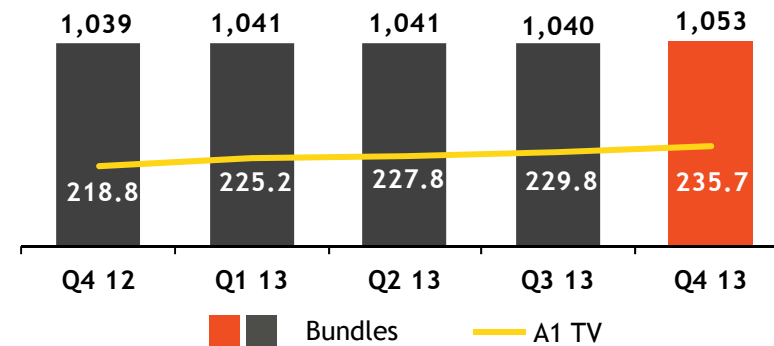
## Fixed Broadband Access Lines

(in 000)



## Bundle Subscriber Growth

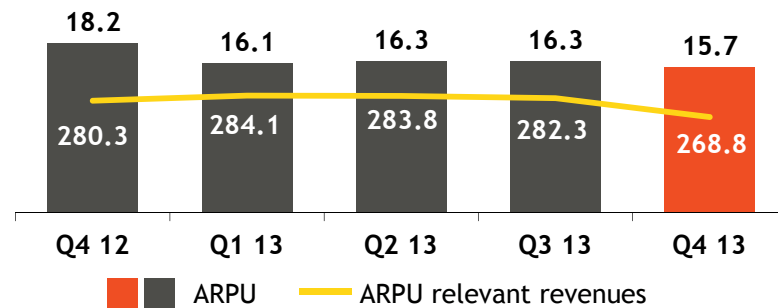
(in '000)



# Segment Austria\* - Mobile Key Performance Indicators

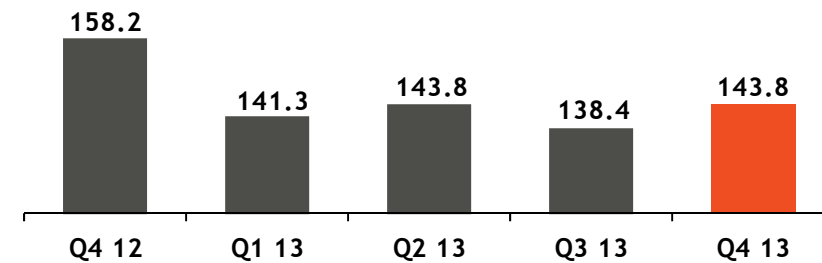
## ARPU & ARPU-Relevant Revenues\*

(in EUR)



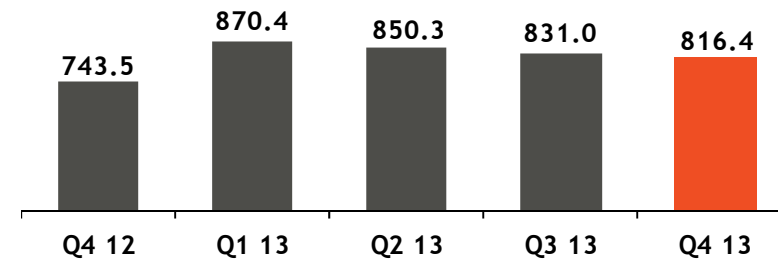
## MoU per Subscriber\*

(in min)



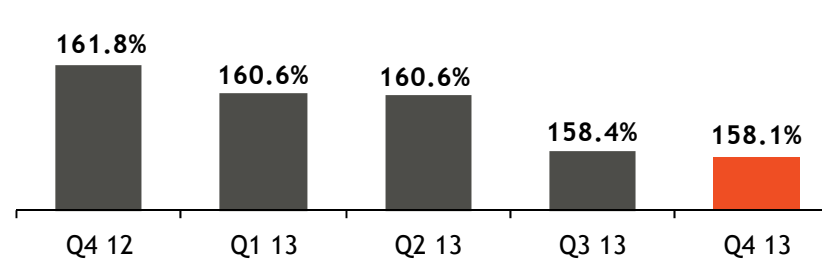
## Mobile Broadband Customers\*

(in '000)



## Mobile Penetration\*

(in %)



\* As of Q1 2013 A1 including YESSS!

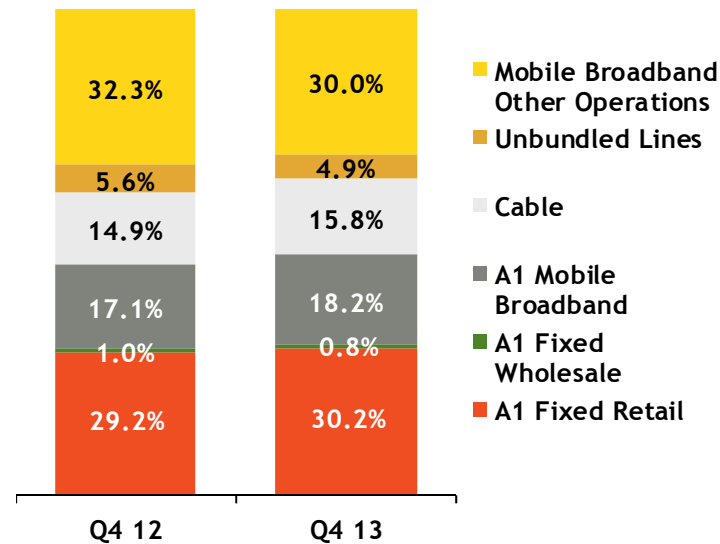
As of Q2 2013 Telekom Austria Group's methodology for counting subscribers was changed in the Austrian Segment. Previous quarters of 2012 and 2013 were adjusted retrospectively.



# Segment Austria - Broadband Market Split

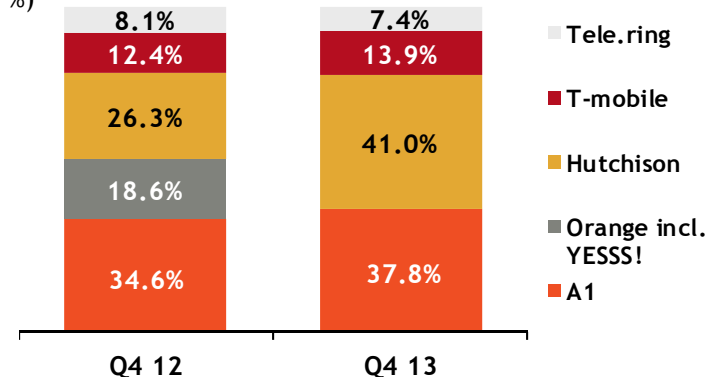
## Market Share Total Broadband\*

(in %)



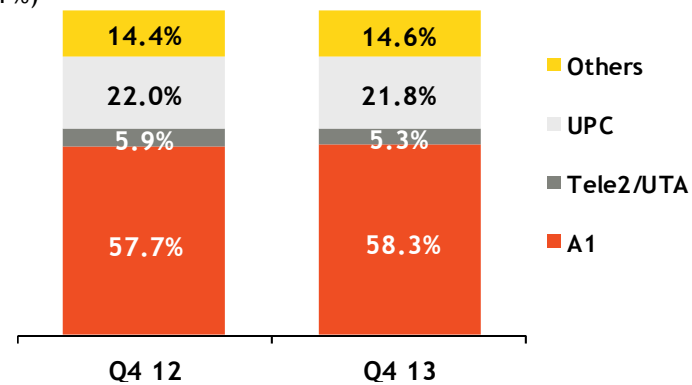
## Market Share Mobile Broadband\*

(in %)



## Market Share Fixed-Line Broadband

(in %)



\* As of Q1 2013 A1 including YESSS!.

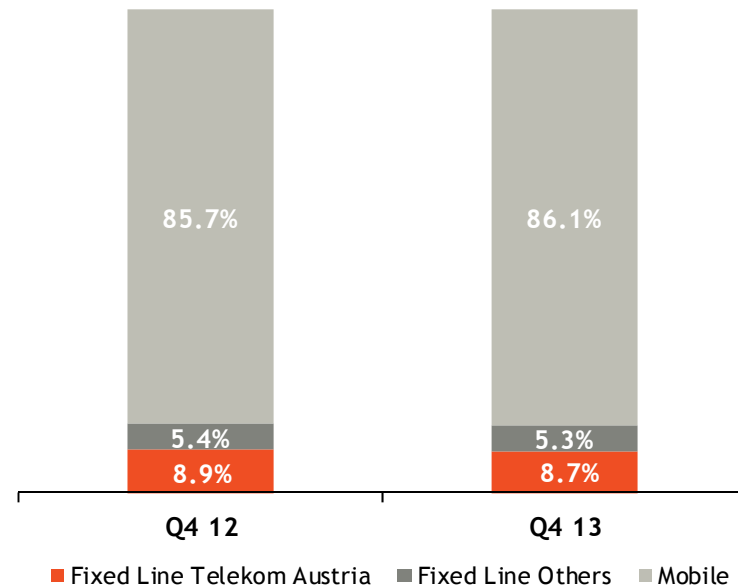
As of Q2 2013 Telekom Austria Group's methodology for counting subscribers was changed in the Austrian Segment. Previous quarters of 2012 and 2013 were adjusted retrospectively.



# Segment Austria - Voice Market Split

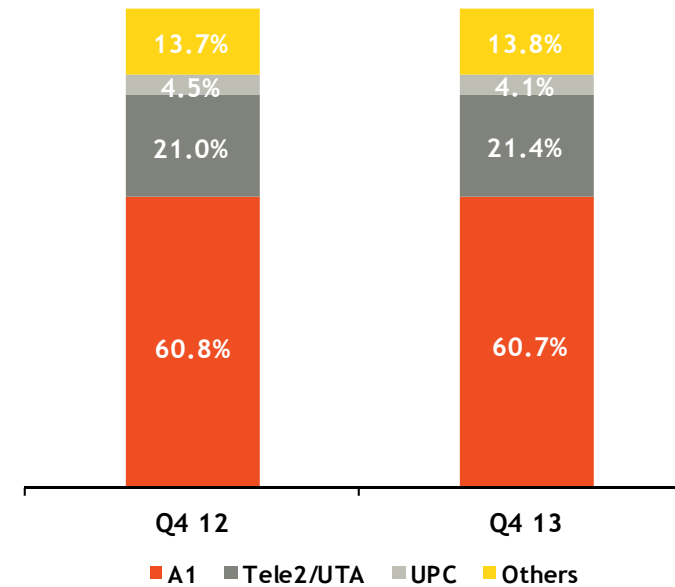
## Market Share Total Minutes

(in %)



## Market Share Fixed-Line Minutes

(in %)

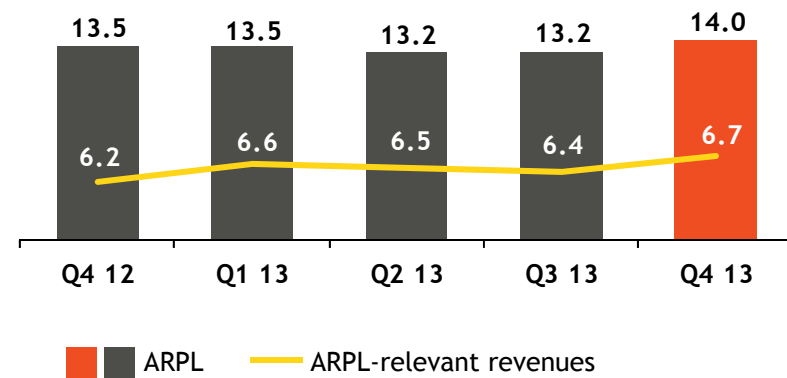




# Segment Bulgaria\* - Fixed-Line Key Performance Indicators

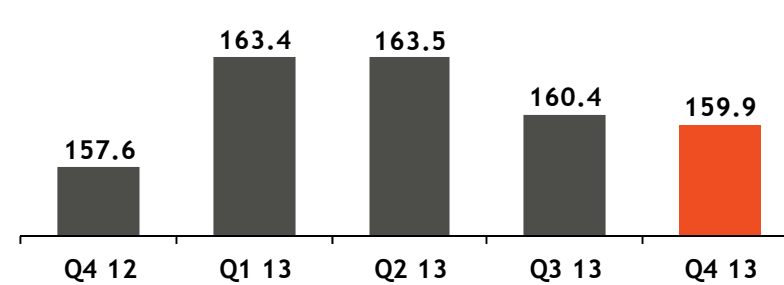
## ARPL & ARPL-Relevant Revenues

(in EUR, in EUR million)



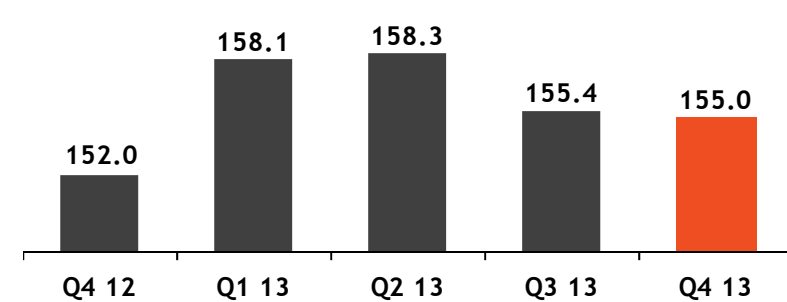
## Total Fixed Access Lines

(in '000)



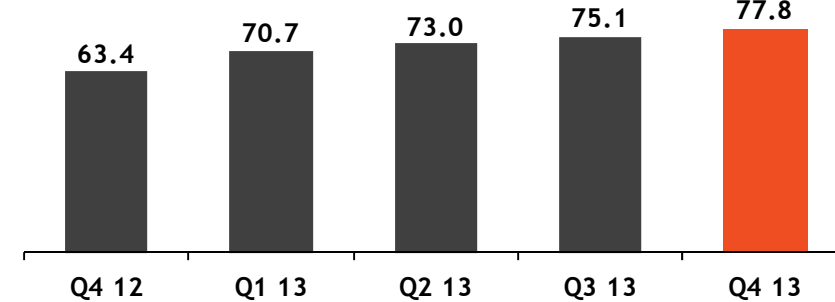
## Fixed Broadband Retail Access Lines

(in '000)



## TV Subscribers

(in '000)

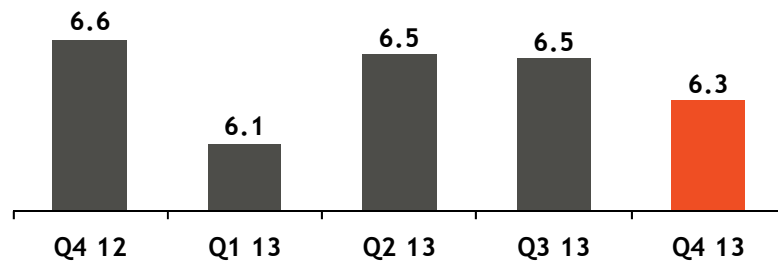


\* As of Q1 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs.  
As of Q4 2013 the methodology for counting subscribers was changed in Bulgaria. Previous quarters of 2012 and 2013 were adjusted retrospectively.

# Segment Bulgaria\* - Mobile Key Performance Indicators

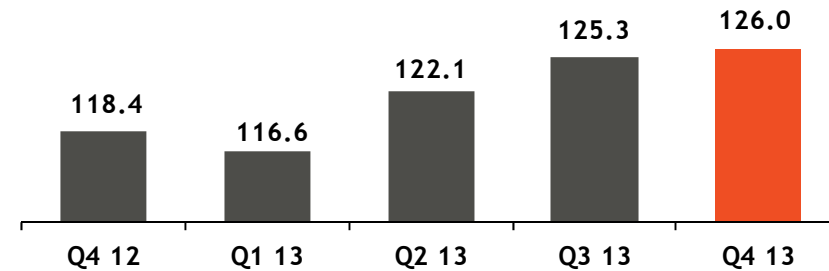
## ARPU

(in EUR)



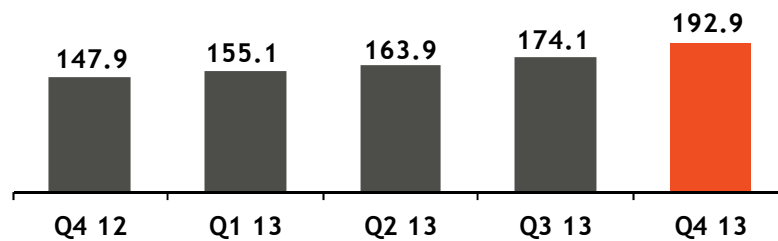
## MoU per Subscriber

(in min)



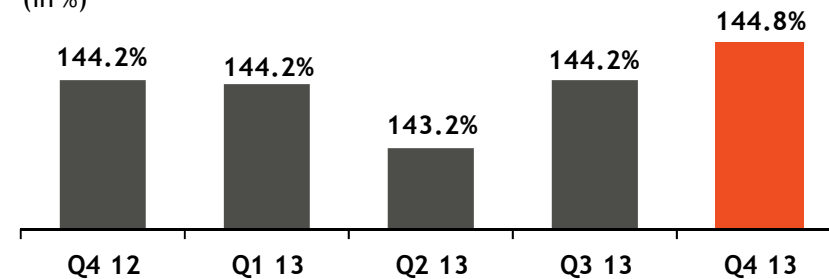
## Mobile Broadband Customers

(in '000)



## Mobile Penetration

(in %)



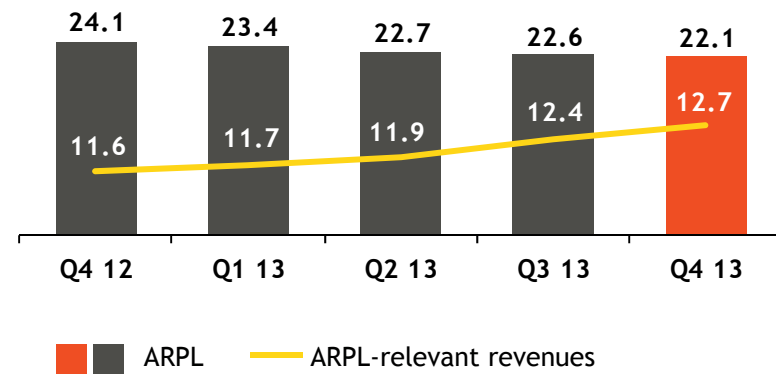
\* As of Q1 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs.  
As of Q4 2013 the methodology for counting subscribers was changed in Bulgaria. Previous quarters of 2012 and 2013 were adjusted retrospectively.



# Segment Croatia - Fixed-Line Key Performance Indicators

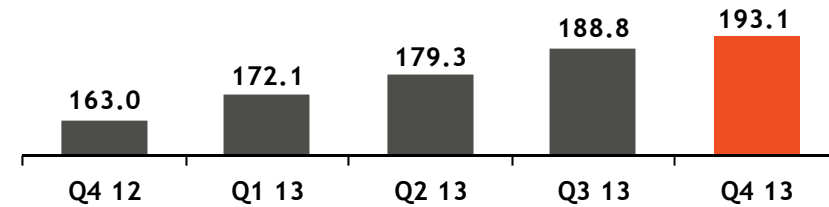
## ARPL & ARPL-Relevant Revenues

(in EUR, in EUR million)



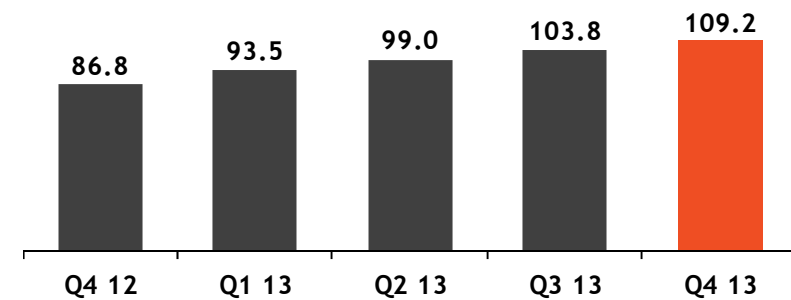
## Total Fixed Access Lines

(in '000)



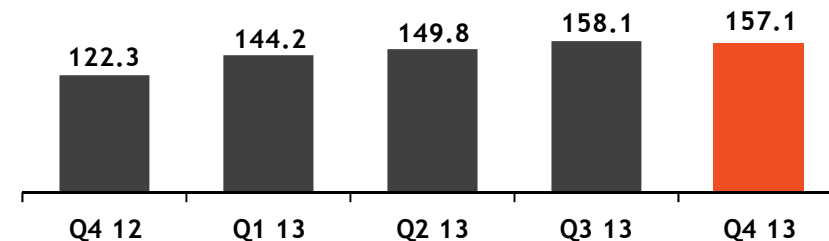
## Fixed Broadband Retail Access Lines

(in '000)



## TV Subscribers

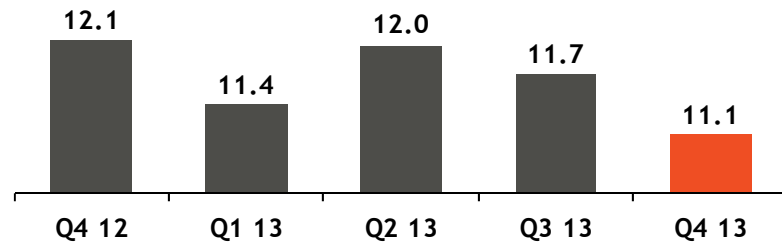
(in '000)



# Segment Croatia - Mobile Key Performance Indicators

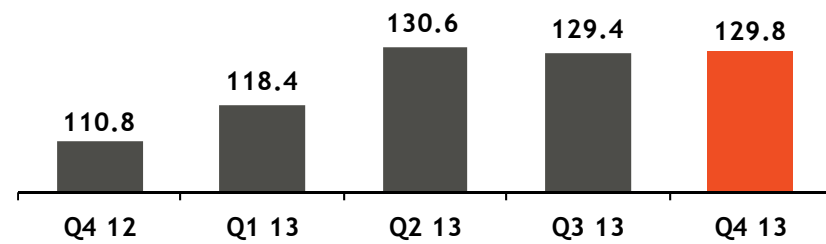
## ARPU

(in EUR)



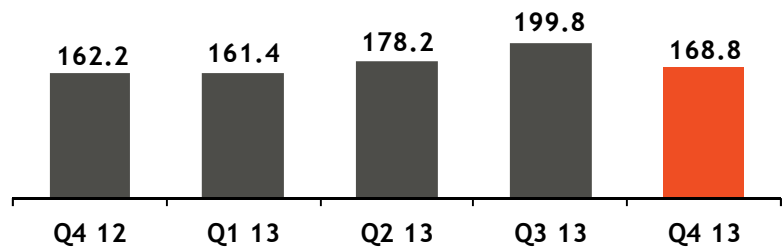
## MoU per Subscriber

(in min)



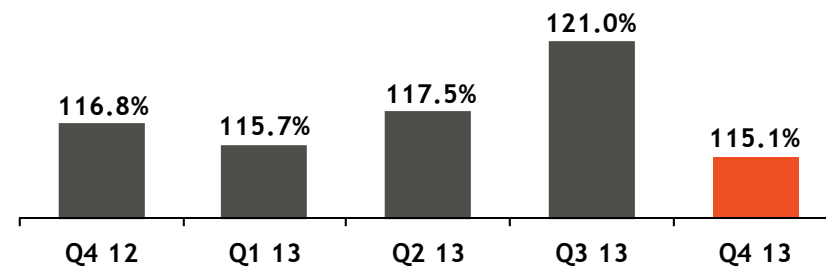
## Mobile Broadband Customers\*

(in '000)



## Mobile Penetration

(in %)

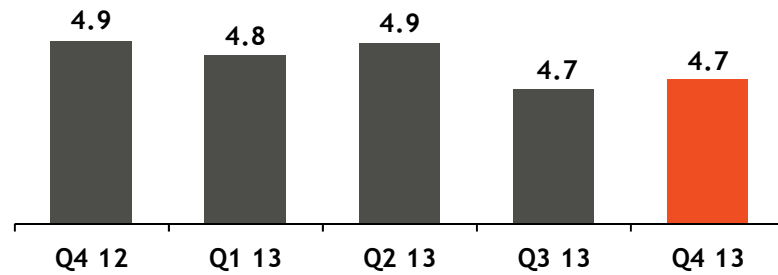


\* As of Q1 2013 the definition for the calculation of mobile broadband customers was changed to exclude M2M customers. Previous quarters were adjusted retrospectively.

# Segment Belarus - Mobile Key Performance Indicators

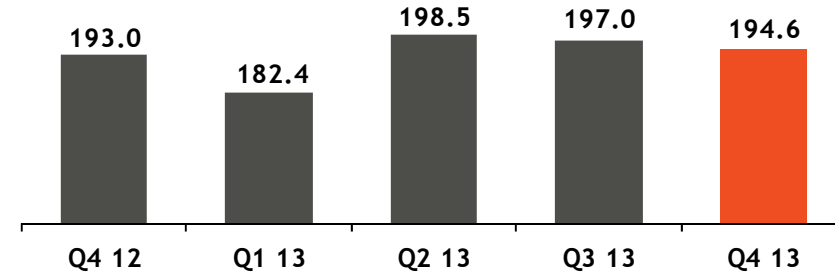
## ARPU

(in EUR)



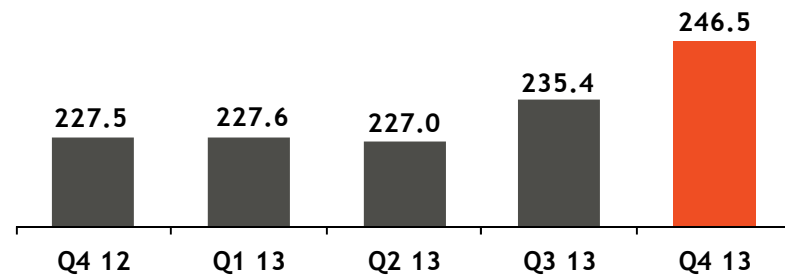
## MoU per Subscriber

(in min)



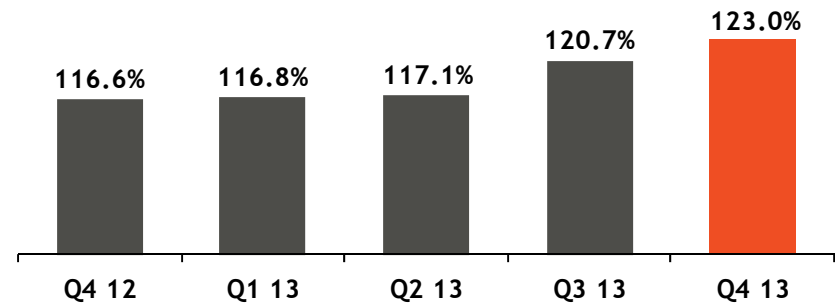
## Mobile Broadband Customers\*

(in '000)



## Mobile Penetration

(in %)

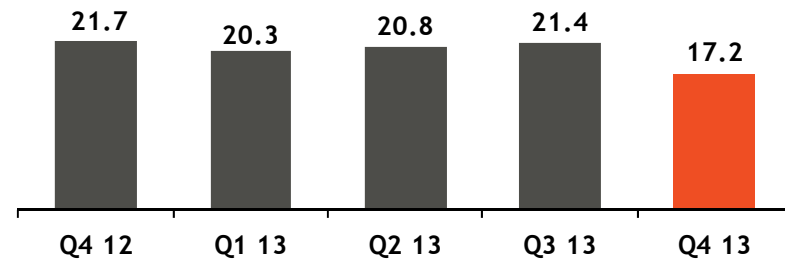


\* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs. Previous quarters were adjusted retrospectively.

# Segment Additional Markets - Mobile Key Performance Indicators

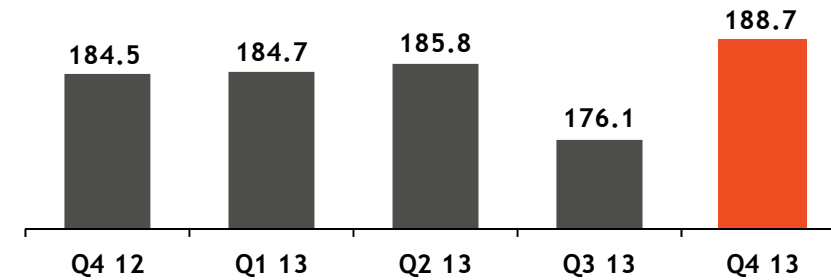
## Slovenia - ARPU

(in EUR)



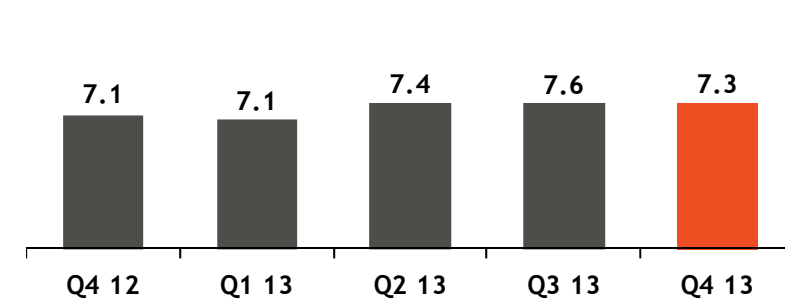
## Slovenia - MoU per Subscriber

(in min)



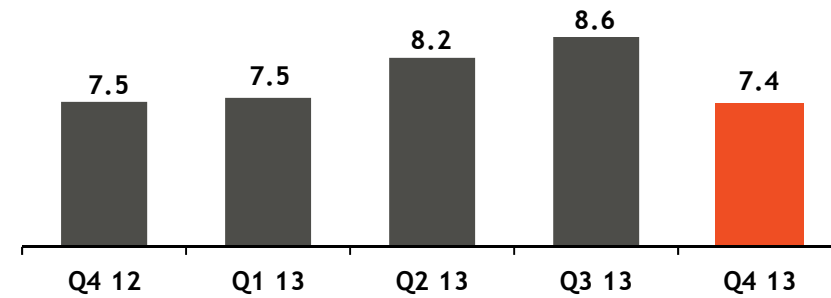
## Republic of Serbia - ARPU

(in EUR)



## Republic of Macedonia - ARPU

(in EUR)



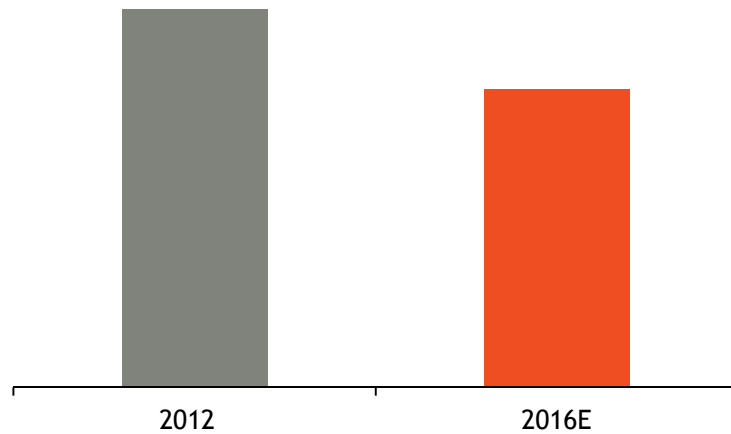
# Appendix 2 – Regulatory Topics

# Negative Impact from Regulation in 2013 - 2016

## Telekom Austria Group Roaming Revenues

(in EUR million)

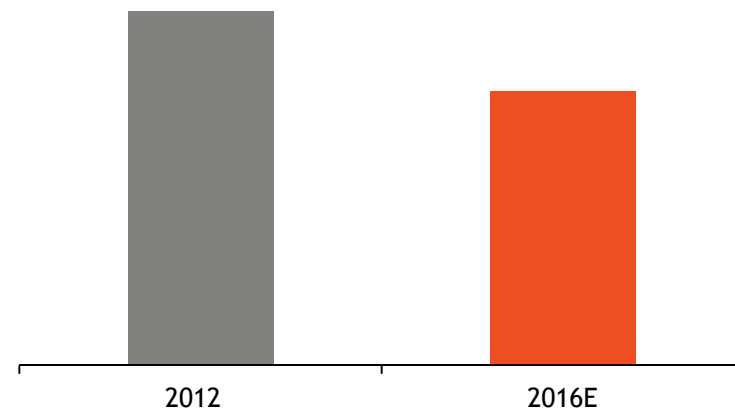
Approx. EUR -130 mn\*



## Telekom Austria Group Interconnection Revenues

(in EUR million)

Approx. EUR -160 mn\*\*



**Negative regulatory impact for 2013 is included in outlook for 2014**

\* Total roaming revenue effect in 2013 - 2016

\*\* Total interconnection revenue effect in 2013 - 2016



# Upcoming Spectrum Tenders

	Tender planned	Comments
Austria	2019 (2100 MHz)	
Bulgaria	2014 (900 MHz & 1800 MHz) 2015 (800 MHz, 1800 MHz & 2600 MHz)	900 MHz & 1800 MHz: Prolongation of spectrum holdings in 2014 800 MHz: Tender in 2015 LTE spectrum tender in 2015 (1800 MHz & 2600 MHz)
Coratia	2015 (2100 MHz) 2016 (2600 MHz)	2100 MHz: 1x 5 MHz 2600 MHz: Tender foreseen in 2016
Belarus	No official information	900 & 1800 MHz: Spectrum holdings in Belarus are automatically prolonged without additional costs
Slovenia	2014 (800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz)	
Republic of Serbia	2014 (900 MHz & 1800 MHz) 2015 (800 MHz)	800 MHz: Spectrum tender expected in 2015 900 & 1800 MHz: Tender for additional spectrum in 2014
Republic of Macedonia	2018 (900 MHz & 1800 MHz)	900 & 1800 MHz: Prolongation of licences foreseen in 2018

# Glide Path of Mobile Termination Rates

## EU Pressure on National Regulatory Authorities to Further Decrease Rates

(in EURc)

	Jul 2012	Jan 2013	Jul 2013	Nov 2013	Jan 2014	Jul 2014	Sep 2014	Jan 2015	Jul 2015
Austria	2.01	2.01	2.01	0.8049	0.8049	0.8049	0.8049	0.8049	0.8049
Bulgaria	2.70	2.35	1.18	1.18	1.02	1.02	1.02	0.97	0.97
Croatia	4.00	2.61	2.54*	2.54*	1.69*	1.69*	1.69*	0.83	0.83
Belarus	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Slovenia	3.52	3.24	3.24	3.24	1.05**	1.05**	1.05**	1.05**	1.05**
Serbia	4.68	4.20	4.20	3.72	3.46	3.46	3.46	3.01	3.01
Macedonia	6.50	6.50	6.50	1.95	1.95	1.95	1.46	1.46	1.46

\* National MTRs stated. International MTRs differ

\*\* Final decision pending

# EU Roaming Price Regulation

RETAIL (in EURc)	Before	July 2012	July 2013	July 2014
Data (per MB)	none	70	45	20
Voice-calls made (per minute)	35	29	24	19
Voice-calls received (per minute)	11	8	7	5
SMS (per SMS)	11	9	8	6

WHOLESALE (in EURc)	Before	July 2012	July 2013	July 2014
Data (per MB)	50	25	15	5
Voice (per minute)	18	14	10	5
SMS (per SMS)	4	3	2	2

# Appendix 3 – Personnel Restructuring in Austria

# Quarterly Overview - Restructuring Charges and Provision vs. FTE

## Overview Restructuring Charges

(in EUR million)

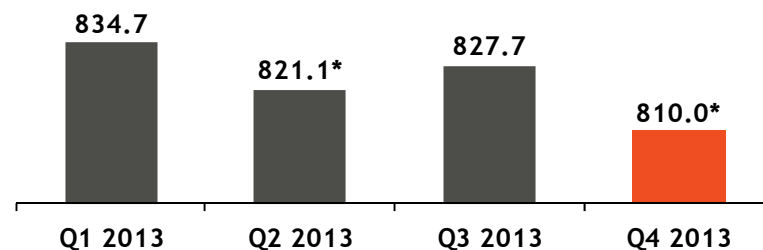
	2013			
	Q1	Q2	Q3	Q4
FTE effect	2.7	25.5	27.4	93.4
Servicekom	0.0	-20.6*	0.3	-83.5*
Interest rate adjustments	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2.7</b>	<b>4.9</b>	<b>27.7</b>	<b>9.9</b>

## FTEs Addressed

	2013			
	Q1	Q2	Q3	Q4
Transfer to government	7	2	6	7
Social plans	13	66	92	238
Staff released from work	0	0	0	0
<b>Total</b>	<b>20</b>	<b>68</b>	<b>98</b>	<b>245</b>

## Overview Restructuring Provision\*\*

(in EUR million)



## Provisioned FTEs

	2013			
	Q1	Q2	Q3	Q4
Transfer to government	315	317	323	330
Social plans	1,015	1,115	1,154	1,315
Staff released from work	502	433*	422	410*
<b>Total</b>	<b>1,832</b>	<b>1,865</b>	<b>1,899</b>	<b>2,055</b>

\* Impacted by 62 FTEs transferred from 'staff released from work' to 'social plans' and 8 transfers to government

\*\* Including liabilities for transfer of civil servants to government bodies since 2010.

# Full Year Overview - Restructuring Charges and Provision vs. FTE

## Overview Restructuring Charges

(in EUR million)

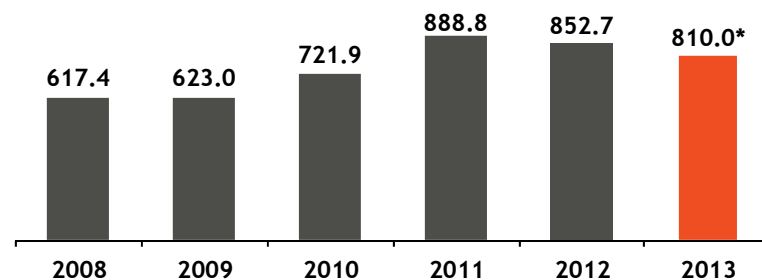
	2008	2009	2010	2011	2012	2013
FTE effect	632.1	-10.0	76.9	274.3	49.9	149.0
Servicekom	0.0	0.0	0.0	-40.6	-76.7	-103.8*
Interest rate adjustments	0.0	27.5	47.2	0.0	61.4	0
<b>Total</b>	<b>632.1</b>	<b>17.5</b>	<b>124.1</b>	<b>233.7</b>	<b>34.7</b>	<b>45.2</b>

## FTEs Addressed

	2008	2009	2010	2011	2012	2013
Transfer to government	0	0	158	106	44	22
Social plans	256	451	28	685	94	409
Staff released from work	968	-194	27	0	0	0
<b>Total</b>	<b>1,224</b>	<b>257</b>	<b>213</b>	<b>791</b>	<b>138</b>	<b>431</b>

## Overview Restructuring Provision\*\*

(in EUR million)



## Provisioned FTEs

	2008	2009	2010	2011	2012	2013
Transfer to government	0	0	158	264	308	330
Social plans	14	273	299	922	1,030	1,315
Staff released from work	968	789	763	649	510	410*
<b>Total</b>	<b>982</b>	<b>1,062</b>	<b>1,220</b>	<b>1,835</b>	<b>1,848</b>	<b>2,055</b>

\* Impacted by 62 FTEs transferred from 'staff released from work' to 'social plans' and 8 transfers to government

\*\* Including liabilities for transfer of civil servants to government bodies since 2010.

# 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
2011	93.4
2012	104.0
<i>Q1 2013</i>	<i>26.3</i>
<i>Q2 2013</i>	<i>23.9</i>
<i>Q3 2013</i>	<i>25.5</i>
<i>Q4 2013</i>	<i>32.3</i>
<b>FY 2013</b>	<b>108.0</b>

- > Total cash-flow impact comprises old and new programmes
- > Total cash-flow impact for 2013 of EUR 108 mn
- > Total expected cash flow impact for 2014 of approximately EUR 110 mn

\* Historical numbers have been restated since 2011 to fully reflect all payments from the transfer of civil servants to government bodies.

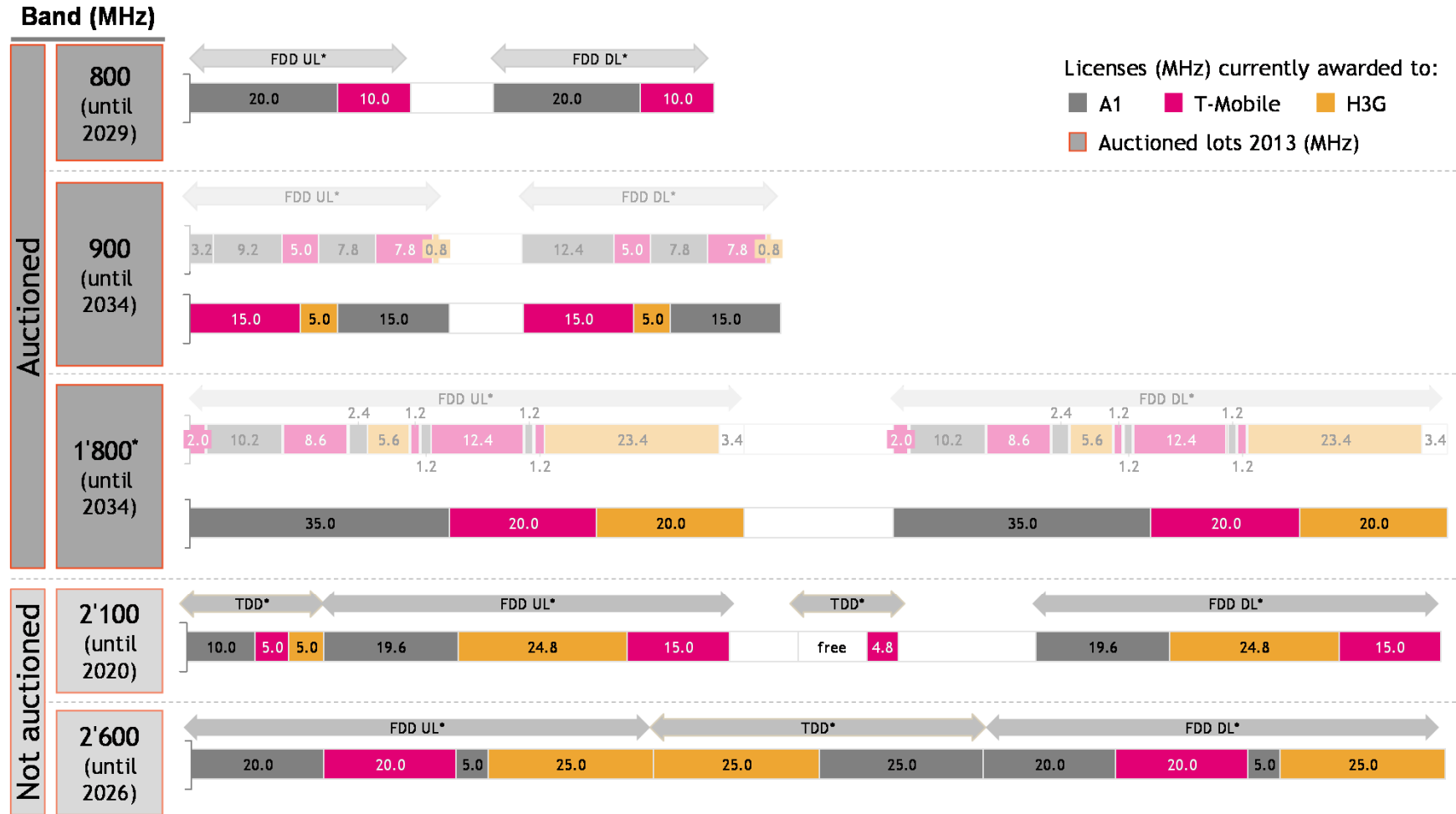
Results for the Fourth Quarter and Full Year 2013



# Appendix 4 – Spectrum Portfolio Austria



# Spectrum Portfolio After Austrian Multiband Auction



\* FDD UL/DL = Frequency Division Duplex Uplink/Downlink, TDD = Time Division Duplex  
 \*\* Concrete position of spectrum within band is still to be assigned, Source: TKK, RTR



# Appendix 5 – Corporate Sustainability

# Alignment With Core Business and Materiality Analysis Define Sustainability Strategy

**Products**  
Providing Responsible Products



Develop Products in a Future-Oriented and Responsible Way

- Powerful Network Infrastructure
- Highest Data Protection and Safety Standards
- Products with Added Value

**Environment**  
Living Green



Manage Resources in an Efficient and Sustainable Way

- Energy-Efficient Infrastructures
- Increased Use of Renewable Energy
- Active Climate Protection Through CO<sub>2</sub> Reduction



**Employees**  
Empowering People



Systematically Promote Employees' Skills and Utilising Them

- Sound Education and Trainings
- Promotion of Internal Career Paths
- Increase the Proportion of Female Employees – Including Management Posts

**Society**  
Creating Equal Opportunities



Creating Equal Opportunities in the Digital Society

- Focused Trainings on Media Literacy
- Increase the Safe Use of Digital Media
- Social Cooperations Based on Local Needs

**22** Firm and Measurable Targets



Reporting Follows the Global Reporting Initiative Guidelines



ISO 14001  
ISO 50001  
ISO 27001



# Key Figures

## Selected Group-wide KPIs

<b>Products: Providing Responsible Products</b>		2012
Customer contacts in customer service ('000)		45.569
E-billing share (in %)		29
Collected old mobile phones (in pcs)		73.877
<b>Environment: Living Green*</b>		2012
Total CO2 Emissions (Scope 1+2 in tonnes)		218.296
Energy efficiency index (in Mwh/terabyte)		2,1
Paper consumption (in tonnes)		1.890
<b>Employees: Empowering People</b>		2012
Share of femal employees (in %)		38
Share of femal executives (in %)		32
Internally hired positions		666
<b>Society: Creating Equal Opportunities</b>		2012
Participants in trainings on media literacy		24.292

\* Mobilkom liechtenstein is not included due to size of the operating company

Results for the Fourth Quarter and Full Year 2013

## Ratings



> Classification: C  
(74 points out of 100)



> Classification: C+



## Indices



FTSE4Good

## Memberships

