

# Telekom Austria Group Acquisition of Mobile Digital Communication-MDC in Belarus

Vienna, October 3, 2007

# 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. These risks and uncertainties are discussed in Telekom Austria's SEC filings, including, but not limited to, certain sections of the Company's Annual Report on Form 20-F.

Although Telekom Austria Group has conducted diligence customary in acquisitions in Central and Eastern Europe, based on the information to which Telekom Austria Group was given access during the acquisition process, Telekom Austria Group has not been involved in the management of MDC. As a result, Telekom Austria Group's assessment of the risks and opportunities presented by the acquisition, as well as the effects of the acquisition on Telekom Austria Group's financial results, may not be accurate and there may be risks of which Telekom Austria Group is not aware. The description of MDC and its financial data contained in this presentation is based solely upon the information provided to Telekom Austria Group during the acquisition process.”

# Rationale & Overview

# Acquisition of MDC is Consistent Execution of Strategy and Provides Profitable Growth



- Telekom Austria Group has agreed to acquire a 70% stake in the holding company of Belarusian mobile operator MDC
- MDC is the #2 operator in Belarus with a market share of 42% and more than 2.7 million subscribers
- Belarus is an attractive market with a penetration of 66% as of June 2007 and strong growth potential
- Acquisition allows to leverage Telekom Austria Group's expertise in emerging markets
- MDC improves the growth profile of the Telekom Austria Group

# Acquisition of 70% Stake in MDC for 5.9x08E EBITDA

- Telekom Austria Group has agreed to acquire a 70% stake in Cypriot SB Telecom Limited, the holding company of the Belarusian mobile operator MDC for a corresponding enterprise value of approximately EUR 730\* million
- Transaction values MDC at approximately 5.9x08E EBITDA
- Call and put option agreement related to the remaining 30% stake of MDC exercisable in 4Q 2010 for approximately EUR 320\* million
- Performance based deferred consideration payable in 4Q 2010 may increase multiple to 6.5x10E EBITDA
- Acquisition is accretive on earnings per share from 2008 on
- MDC generated revenues of EUR 263\*\* million, EBITDA of EUR 159\*\* million and net income of EUR 83\*\* million in 2006

\* The transaction is denominated in USD and MDC also reports in USD. USD have been converted into Euro using an exchange rate of 1:1.42, the prevalent exchange rate on October 1, 2007

\*\* USD amounts for the year 2006 have been converted into Euro using an exchange rate of 1:1.27

# Market Overview

# Belarus Features Strong Economic Growth and Low Unemployment

## Demographics\*

Population	9.7 million
Biggest cities	Minsk (1.7 mn) Homel (0.5 mn)
Urbanization level	71%
Area	207,600 km <sup>2</sup>
Exchange rate	1 EUR = 2,972

## Macroeconomics\*

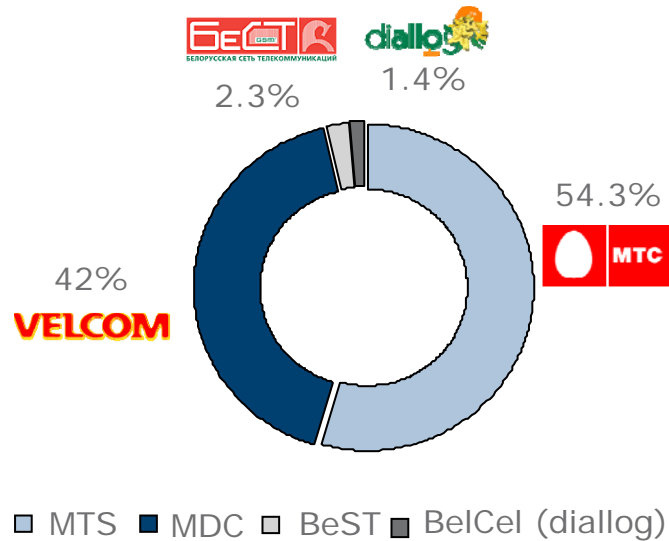
	2006	2005	2004
GDP/capita in USD	3,802	3,097	2,355
GDP real growth in %	9.9%	9.4%	11.4%
Unemployment rate	1.2%	1.5%	1.9%
Corporate tax rate	24%	24%	24%
Inflation rate	7.0%	10.3%	18.1%



\* Sources: World Bank Group; IMF; EIU; FITA; Ministry of Statistics and Analysis of the Republic of Belarus; bfai

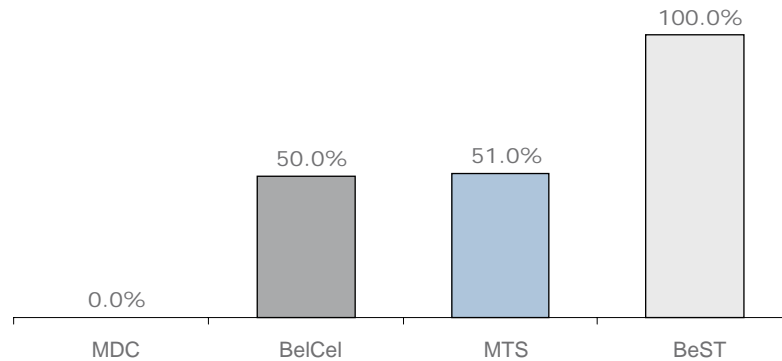
# Belarus is an Attractive Telecommunication Market with Strong Growth Potential

## Market Shares\*



- Growth potential with penetration rate of 66%\*
- MTS and MDC dominate the market, the other 2 operators are small
- State has controlling stake in other 3 operators
- MDC markets its service under the brands of "Velcom" and "Privet"

## Stake of State in Operators\*\*



\* as of June 30, 2007

\*\* as of September 2007

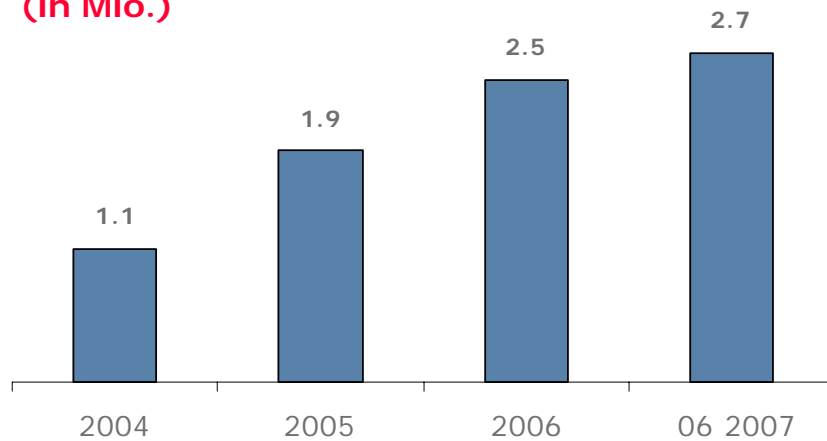
# Regulatory Landscape is Expected to Develop over Next Couple of Years

- Unlike in Europe, no single regulatory authority with comprehensive competence over all telecommunication relevant issues has been established yet in Belarus
- Regulatory competences are shared between the Ministry of Communication and Informatization and the State Inspectorate of Electrical Communication
- The WTO has urged and the government has announced its intention to further liberalize the telecommunications markets
- Mobile termination rates are not regulated, but set on a bilateral basis between operators and the incumbent
- Termination is done via transit by the incumbent
- International roaming traffic is not regulated as Belarus is not part of the European Union

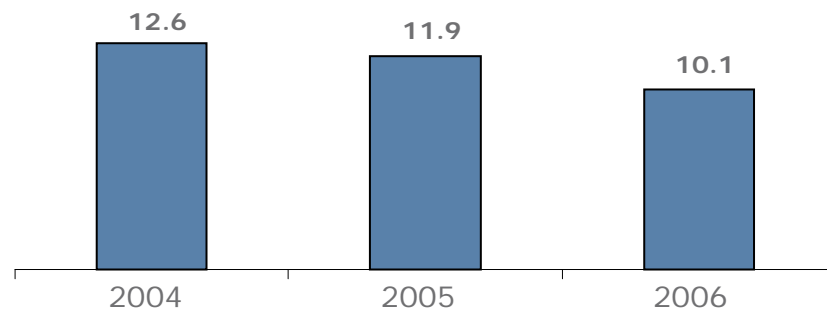
# Overview MDC

# MDC is Positioned as Quality Leader in the Belarusian Market

## Mobile Customers MDC (in Mio.)



## Total ARPU\* (in EUR)



\* The transaction is denominated in USD and MDC also reports in USD. All historical USD amounts have been converted into Euro using the average exchange rates for 2004 of 1:1.25, for 2005 of 1:1.24 and for 2006 of 1:1.27.

- MDC is quality leader with a good network (GSM 900/1800, EDGE) and coverage of 95% of population
- Postpaid brand "Velcom" accounts for 94% of subscriber base, prepaid brand "Privet" established in 2006
- Focus on business subscribers, "Privet" prepaid brand accelerates growth
- Established distribution network with 693 points of sale through partners including 40 own shops
- 242 roaming partners

# MDC Combines Strong Growth and High Profitability

Operationals*	2006	2005	2004
Market Share	42.5%	46.0%	46.6%
Mobile Subscribers (in 000)			
Postpaid	2,361.9	1,882.1	1,135.0
Prepaid	124.3	0.0	0.0
Total Subscribers	2,486.2	1,882.1	1,135.0
Financials* in EUR million	2006**	2005**	2004**
Revenues	262.6	199.4	133.5
EBITDA	158.8	117.2	76.4
<i>EBITDA Margin in %</i>	<i>60.5%</i>	<i>58.8%</i>	<i>57.2%</i>
Depreciation & Amortization	-45.0	-42.3	-36.0
Operating income	113.8	74.9	40.5
Net income	82.8	56.7	30.9
Capex	76.1	75.9	41.7
<i>Capex/Sales in %</i>	<i>29.0%</i>	<i>38.1%</i>	<i>31.2%</i>

\* Source: Company data; financial figures according to IFRS, provided by company

\*\* The transaction is denominated in USD and MDC also reports in USD. All historical USD amounts have been converted into Euro using the average exchange rates for 2004 of 1:1.25, for 2005 of 1:1.24 and for 2006 of 1:1.27.

# Transaction Overview

# Transaction Structure Secures Full Control and Path to Sole Ownership

- Telekom Austria Group acquires a 70% stake in Cypriot SB Telecom Limited, the sole owner of MDC
- Signing of the transaction documentation on October 3, 2007
- Closing of acquisition of a 70% stake of MDC is expected by 4Q 2007
- Former owners Martin Schlaff, Ead Samawi and his partners retain a 30% stake in SB Telecom Limited
- All executive management positions nominated by the Telekom Austria Group
- Call & put option agreement to acquire remaining 30% stake in MDC held by SB Telecom for approximately EUR 320\*\* million in 4Q 2010

\* The transaction is denominated in USD. The enterprise value in USD corresponding to 70% is USD 1.035 million. USD amounts have been converted into EUR using an exchange rate of 1:1.42, the prevalent exchange rate on October 1, 2007

\*\* The enterprise value in USD corresponding to 30% is USD 450 million. USD amounts have been converted into EUR using an exchange rate of 1:1.42, the prevalent exchange rate on October 1, 2007

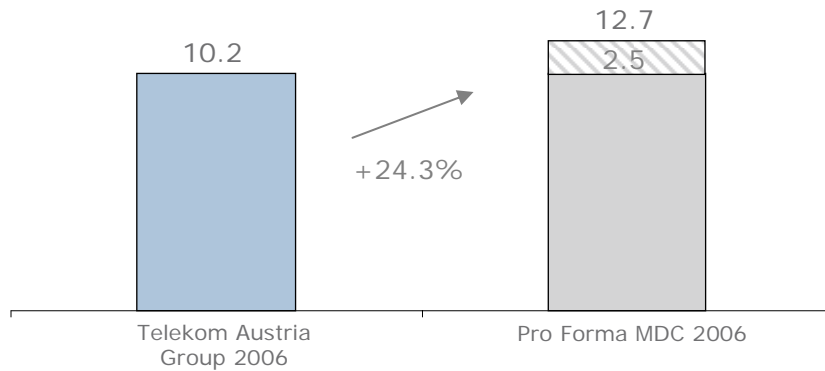
# Deferred Consideration Ensures Support of Former Owners

- Deferred consideration agreed upon
- Amount of deferred consideration including accrued interest is payable in 4Q 2010 and depends on financial performance of MDC
- Deferred consideration can cause the multiple to increase to 6.5x10E EBITDA
- Telekom Austria Group has full access to the free cash flow and dividend distributed
- Minority share holders waive access to the free cash flow and dividend distribution in return for deferred consideration

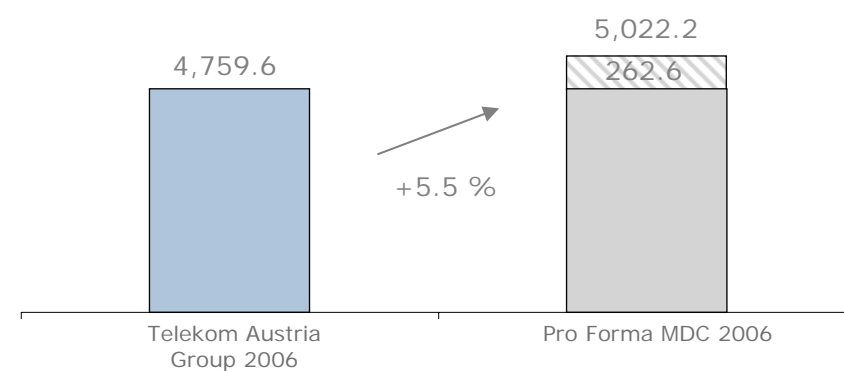
# Impact on the Telekom Austria Group

# Acquisition Improves Financial Performance of Telekom Austria Group

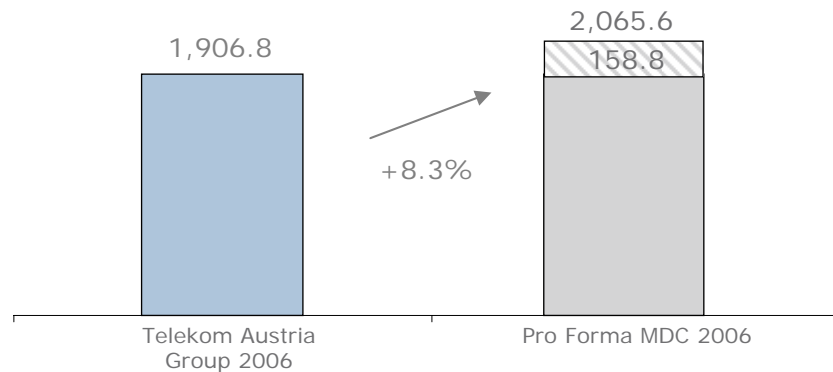
## Pro Forma Mobile Subscribers (in Mio)



## Pro Forma Revenues (in EUR Mio)



## Pro Forma EBITDA (in EUR Mio)



# Acquisition of 70% Stake will be Financed through Existing Credit Facilities

- Acquisition of 70% stake will be financed using existing credit facilities. Take-out by long term debt-financing depending on market conditions
- Net debt/EBITDA expected to remain below 2.5x
- No impact on current rating expected
- No impact on stated dividend policy of distribution of 65% of net income
- Strong free cash flow allows rapid deleveraging to 2.0x net debt/EBITDA
- Share buyback will be resumed at net debt/EBITDA level of 2.0x to keep balance sheet at efficient level

**End**