

# Telekom Austria Group Results for the First Quarter 2007

May 16, 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, Telekom Austria's Form 6-K containing the relevant earnings release and certain sections of the Company's Annual Report on Form 20-F.”

# Agenda

- Key Developments
- Fixed Net
- Mobile Communication
- Financial Overview
- Outlook

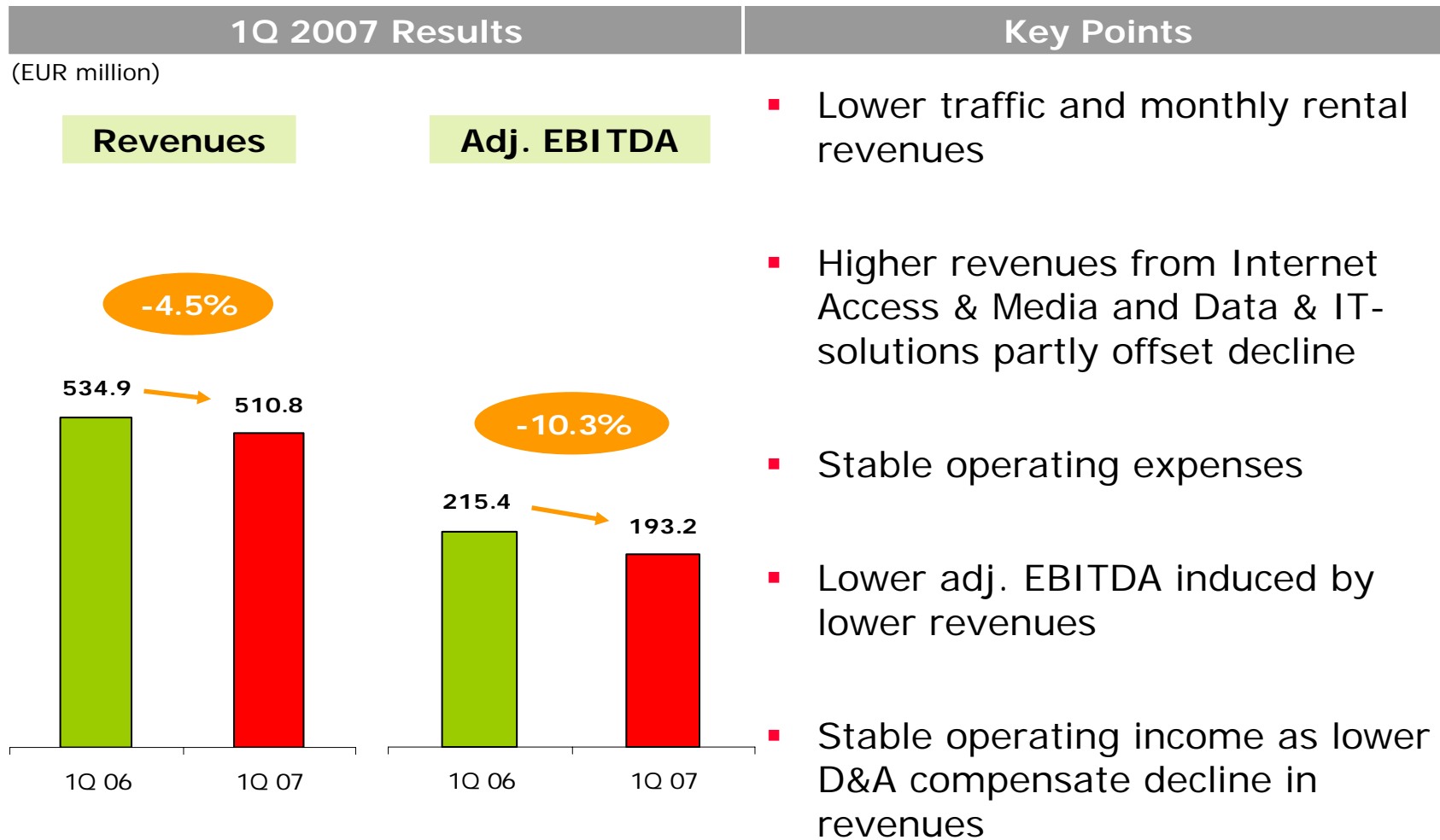
# Key Developments

# EPS Remains Stable as a Result of Increased Share Buybacks in 2006 and 1Q 2007

- Revenues decline by 1.1% to EUR 1,145.8 million as growth in international operations almost offset lower revenues in domestic operations
- EBITDA decreases by 5.8% and is impacted by lower EBITDA in Fixed Net, higher marketing expenses in domestic Mobile Communication and start-up costs in the Republic of Serbia
- EPS remains stable at EUR 0.32, cash flow per share increases by 22.0% to EUR 0.81
- The Company wins the tender for the 3rd GSM license in the Republic of Macedonia for EUR 10 million in February 2007
- Acquisition of eTel approved by Competition Authorities

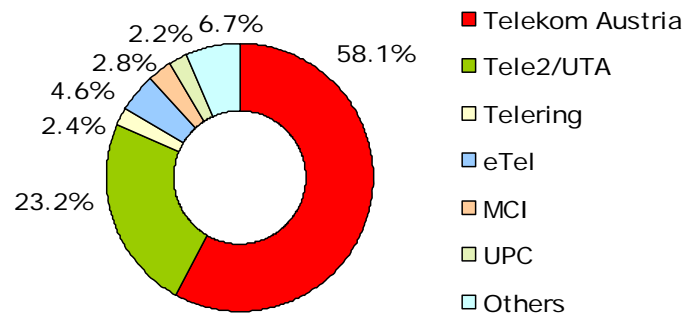
# Fixed Net

# Ongoing Fixed-to-Mobile Substitution and Unbundling Weigh on Revenues



# Voice Market Share Increases to 58% following Successful Retention Measures

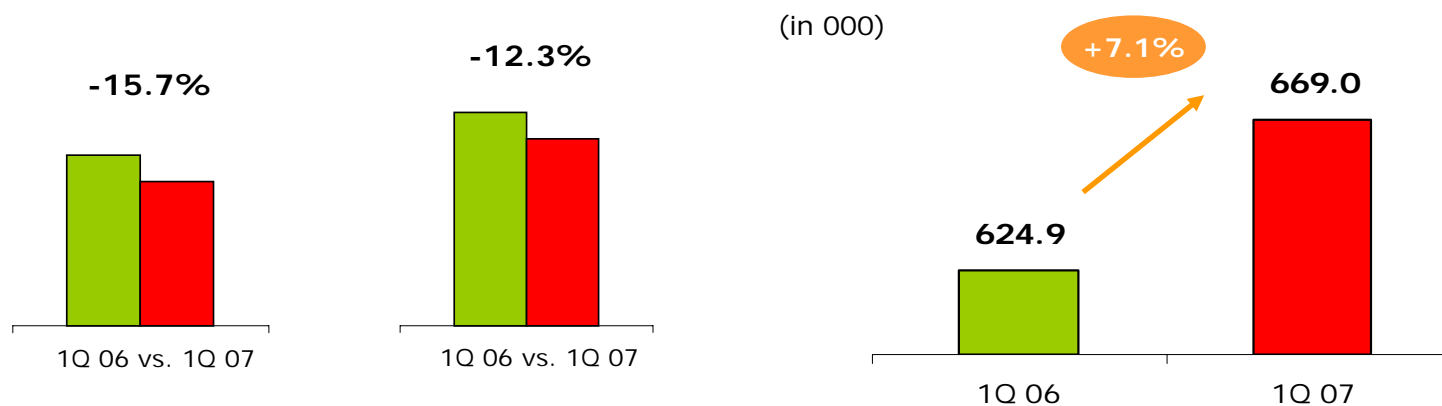
Voice Market Shares*	Key Points
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\* Telekom Austria estimates

- Retention measures help to stem effects of fixed-to-mobile migration
- Better retention demonstrated by Telekom Austria's MoU compared to the total market
- Number of bonus packages increases by 7.1% due to new flat-rate offers

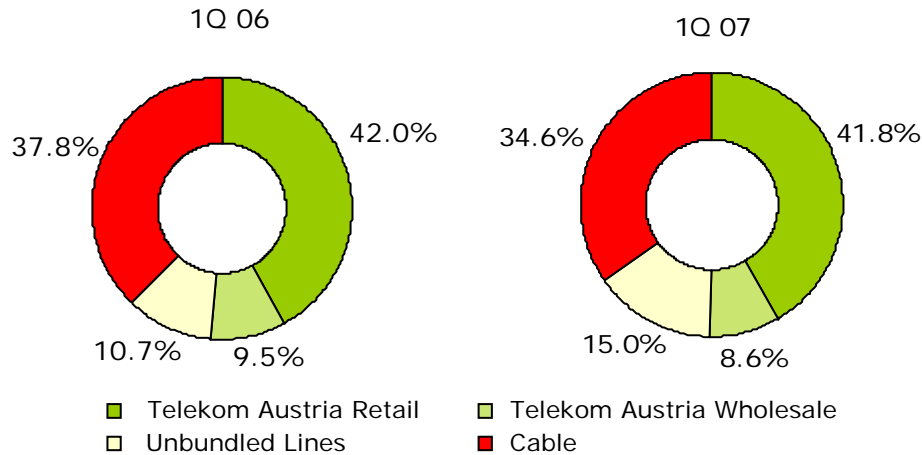
Total Voice Market	TA Voice MoU's	Bonus Packages
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# Further Increase in Total xDSL Lines by 17.1% Despite High Competition

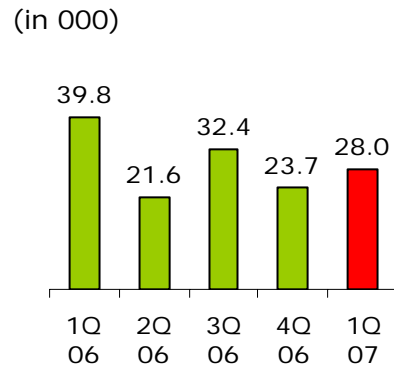
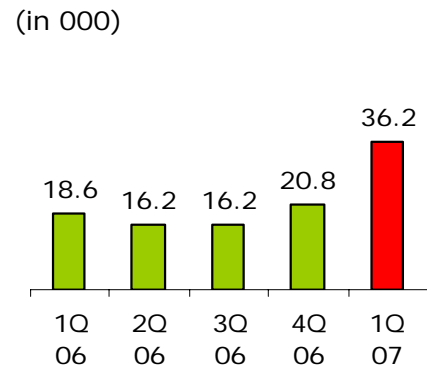
## Broadband Market Shares Year on Year | Key Points



- Telekom Austria's retail market share remains stable

- Further increase in total xDSL lines by 17.1% despite high competition from mobile operators

## Lines Unbundled | xDSL Net Adds



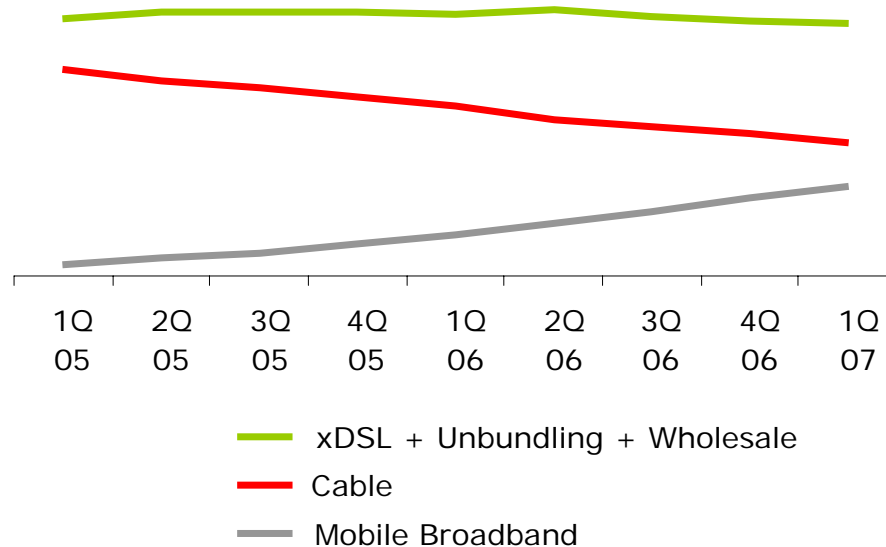
- Growth of xDSL revenues by 11% driven by higher number of xDSL lines and IP-Services

- Total unbundled lines increase to 235,900

# Acceleration of Unbundling Hits Cable and Wholesale Operators

## Domestic Broadband Market

## Key Points



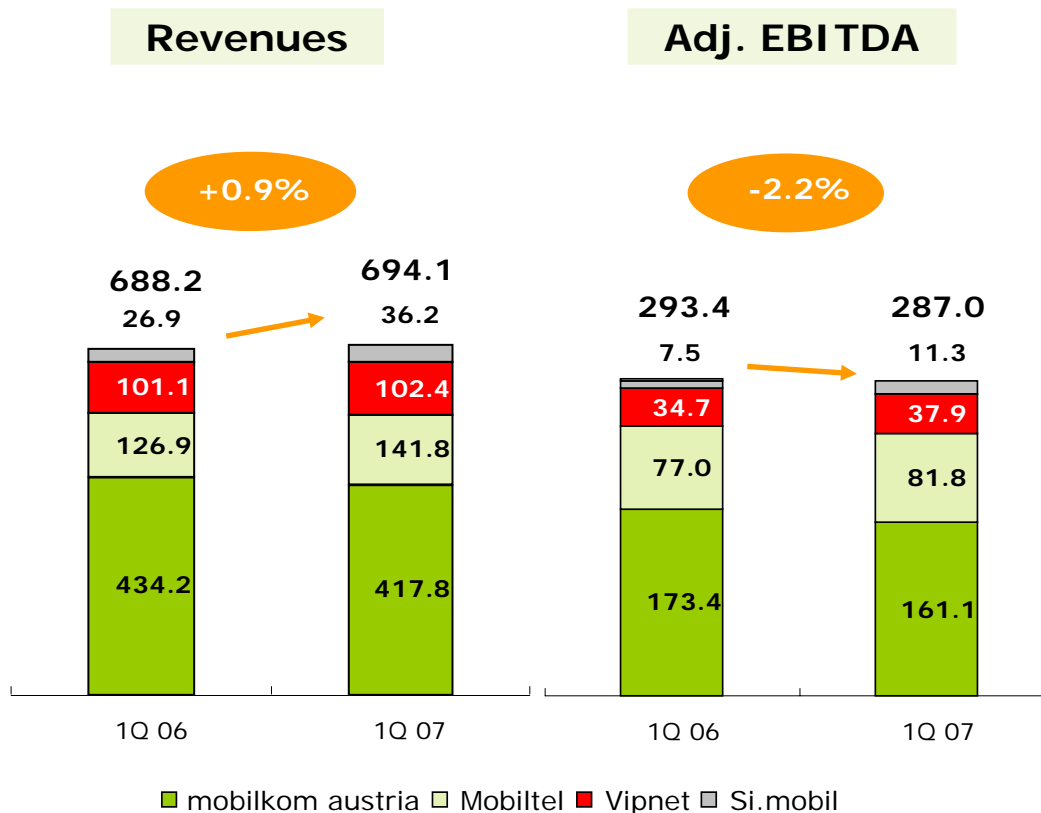
- Acceleration of unbundling over last quarters
- xDSL gross add share normalizes following a period of strong retail xDSL growth
- Unbundling eats into market share of cable and wholesale operators
- Domestic broadband market is characterized by strong mobile broadband growth

# Mobile Communication

# Net Adds Doubled to 326,600 Compared to 1Q 2006

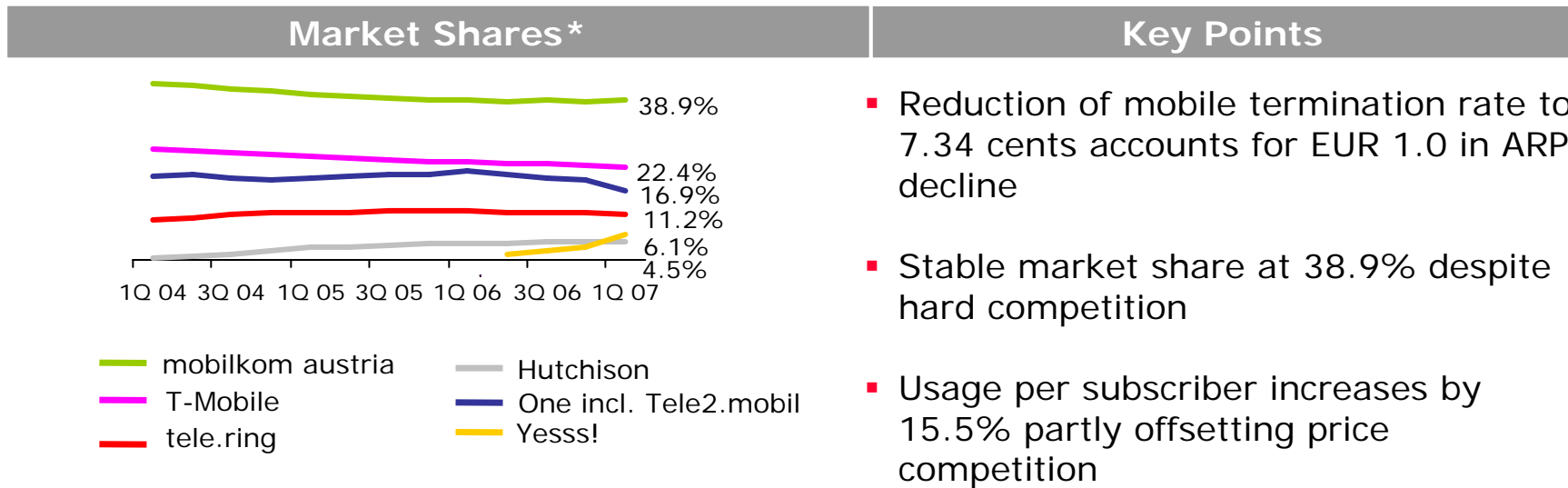
## 1Q 2007 Results | Key Points

(EUR million)

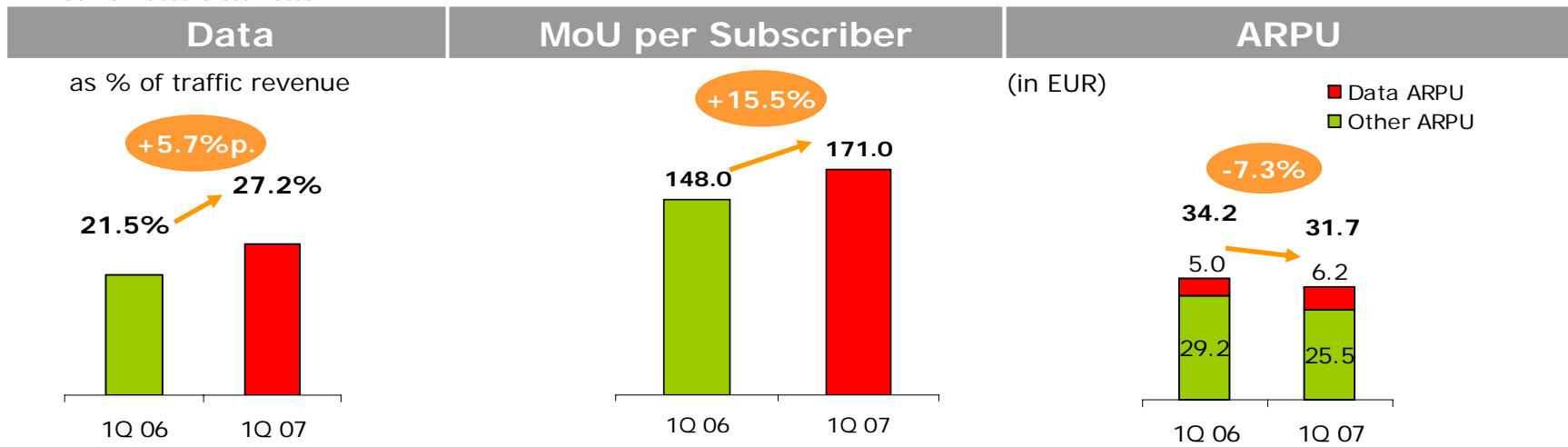


- Number of net adds almost doubled
- Revenue growth from international operations offsets lower domestic revenues
- Int. EBITDA growth compensates for competitive situation in Austria
- Start-up costs for greenfield operations in the Republic of Serbia impact EBITDA

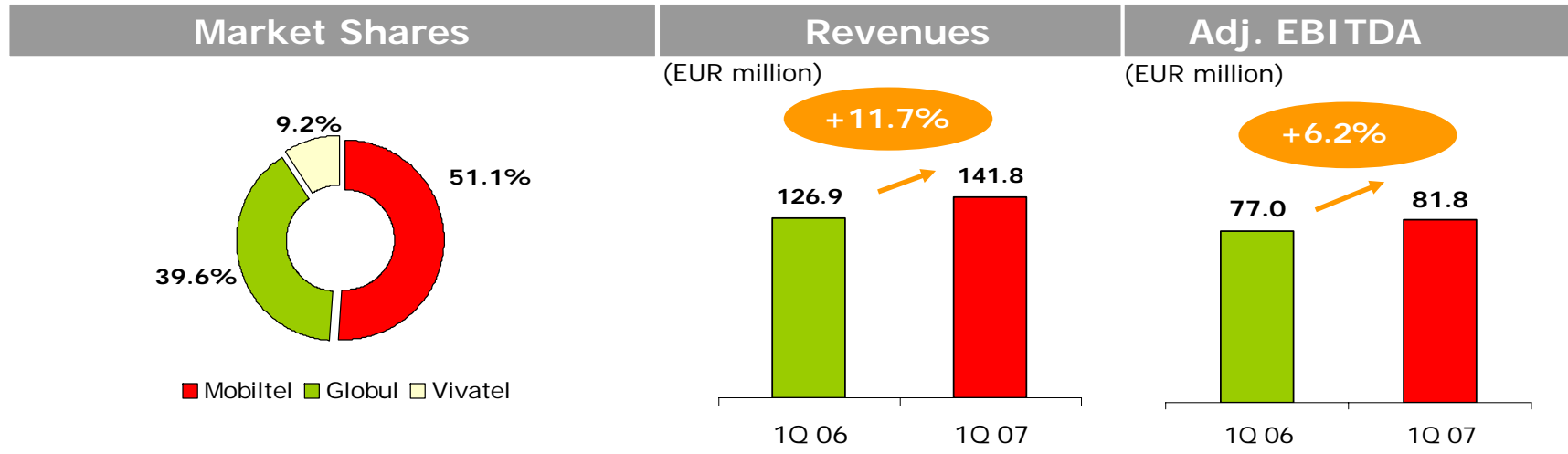
# mobilkom austria Continuous to Perform Well Despite Termination Rate Cuts



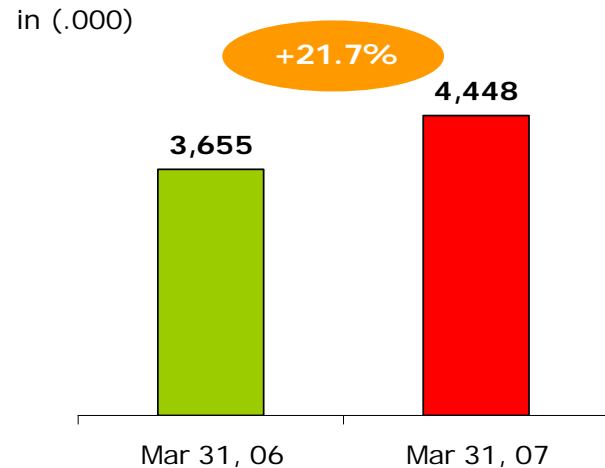
\* mobilkom austria estimates



# Mobiltel's Strong Subscriber Growth Increases Revenues by 11.7%



Subscriber Development	Key Points
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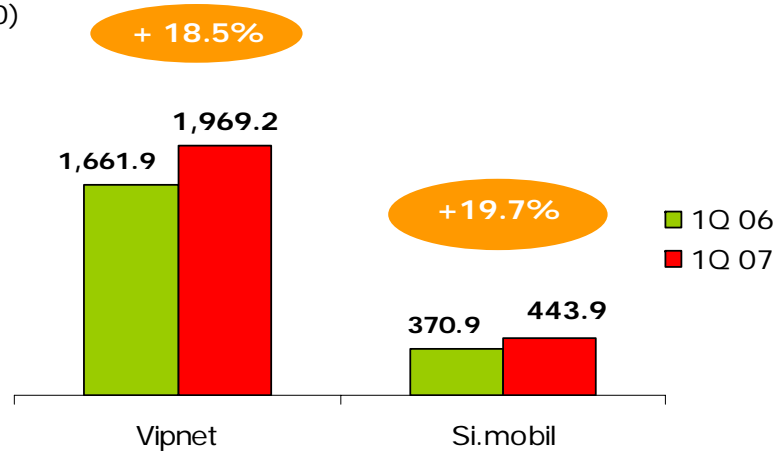


- 21.7% growth of subscriber base despite penetration of 113.5%
- Higher voice, data and interconnection revenues lead to an 11.7% increase in revenues
- Adj. EBITDA increases by 6.2% with margin of 57.7%

# Excellent Performance in Slovenia, Higher EBITDA and Operating Income in Croatia

Subscribers (EoP)	Key Points
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(in 000)

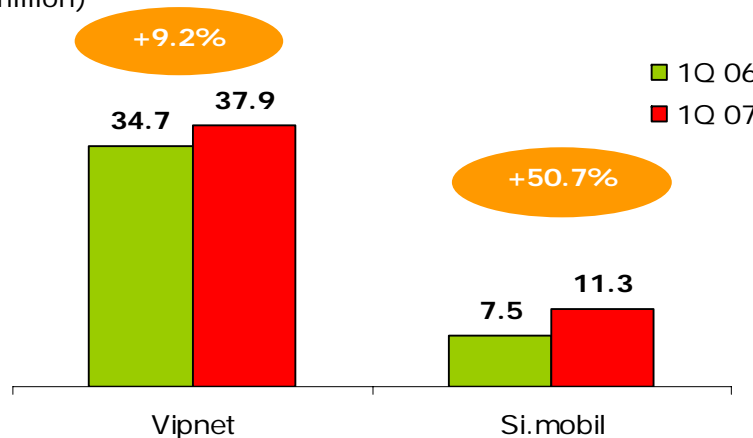


## Vipnet (Croatia)

- Strong contract subscriber growth by 34.1%
- Adj. EBITDA increases by 9.2%, operating income by 32.9%
- Data share increases by 4.1%p.

Adj. EBITDA
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(EUR million)



## Si.mobil (Slovenia)

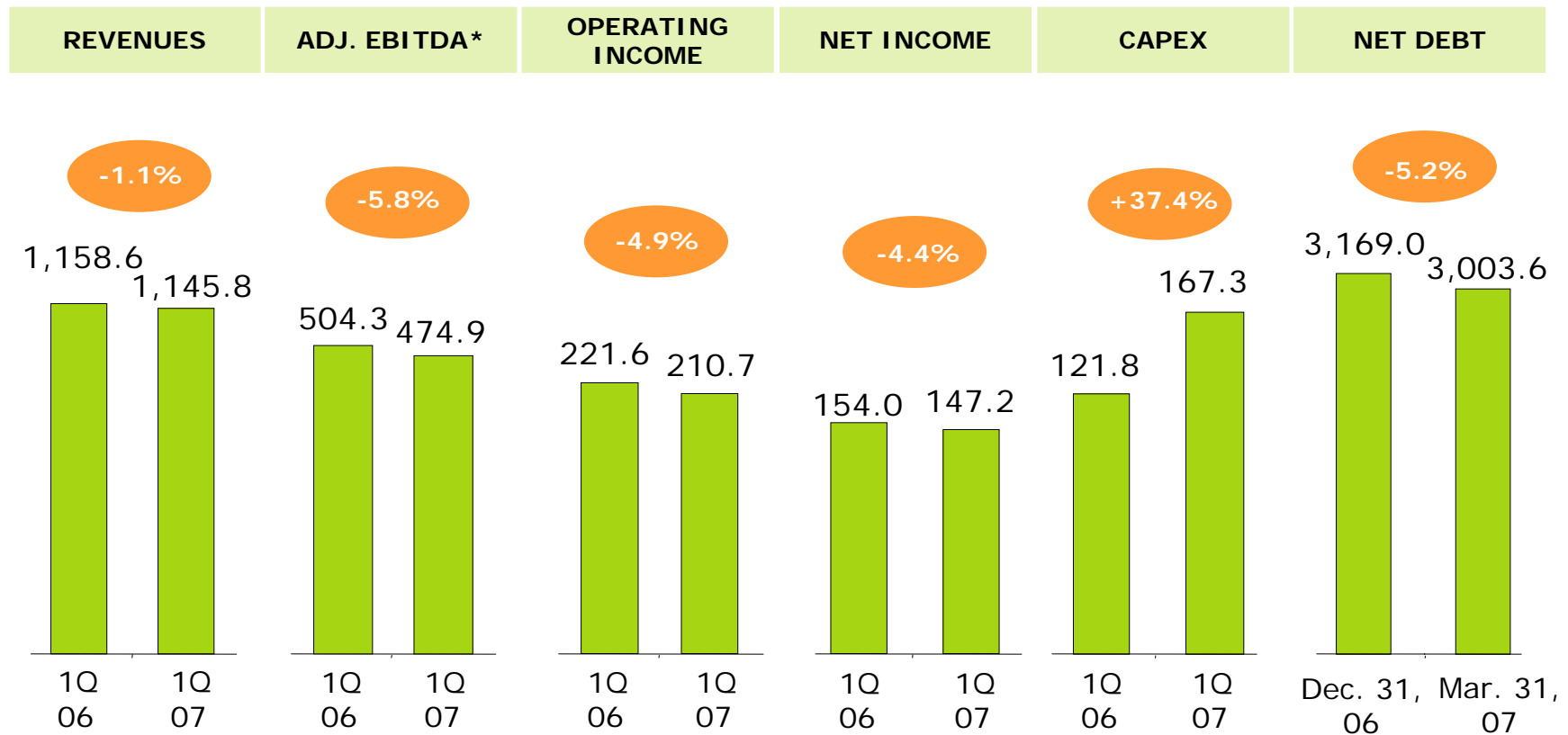
- Increase in contract subscriber base by 38.6%
- ARPU increase of 16.6% driven by higher number of contract subscribers and higher MoU
- Adj. EBITDA grows by 50.7%, operating income almost tripled

# Financial Overview



# Telekom Austria Group – 1Q 2007 Results Impacted by Domestic Business

(EUR million)



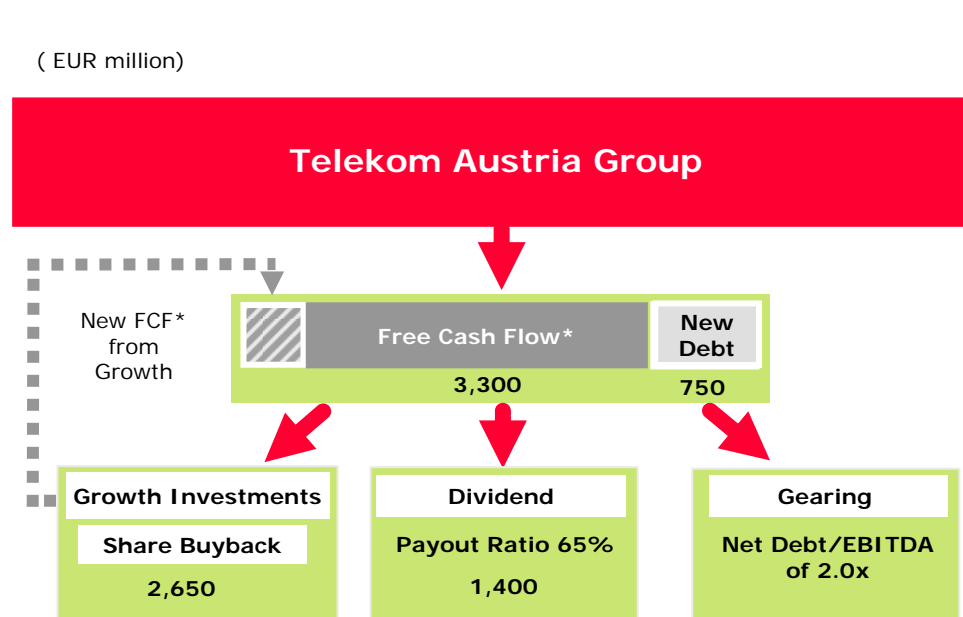
\* Adjusted EBITDA is defined as net income before interest, income tax expense, depreciation and amortization, impairment charges, equity in earnings of affiliates, income/loss from investments and foreign exchange differences.

# 1Q 2007 Characterized by Start-Up Costs, Lower D&A and Lower Income Tax

(EUR million)

	1Q 07	1Q 06	
<b>Total revenues</b>	<b>1,145.8</b>	<b>1,158.6</b>	International operations compensate for domestic business
<b>Adjusted EBITDA</b>	<b>474.9</b>	<b>504.3</b>	
Depreciation & amortization	-264.2	-280.2	Lower revenues in Fixed Net, higher marketing and start-up costs in Mobile Communication
Impairment charges	0.0	-2.5	
<b>Operating income</b>	<b>210.7</b>	<b>221.6</b>	
Interest income/expenses	-28.8	-25.8	
Foreign exchange differences	0.4	-0.3	
Income from investments	0.1	-0.9	
Equity in earnings of affiliates	-0.1	0.3	
Income tax expense	-35.1	-40.9	Decrease in income tax expense due to lower taxable income and lower tax rates in Bulgaria and Slovenia
<b>Net income</b>	<b>147.2</b>	<b>154.0</b>	

# Announced Cash Use Policy Balances Share Buyback with Growth Investments



- EUR 3,300 million of Free Cash Flow\* from 2007 – 2010
- EUR 1,400 million earmarked for dividends
- EUR 2,650 million available for growth projects or share buyback
- Cash not used for growth projects will be returned to shareholders
- Commitment to buy up to 10% of shares within 24 months if attractive growth projects are not sufficiently available

\* Cash flow after interest, taxes, changes in working capital and capex in existing business

# Establishment of Greenfield Operations in the Republic of Serbia and Macedonia in 2007



- New operations will complement the Group's footprint across Eastern and South-Eastern Europe
- EUR 7.5 million capex spent in the Republic of Serbia in 1Q 07
- Total EBITDA impact of EUR 50 million in the Republic of Serbia in 2007 expected
- Depreciation and amortization will start after launch of operations

# Outlook

# Outlook for FY 2007 Reiterated Despite Challenging Environment

## Group

- Stable revenues due to competitive impact on wholesale roaming prices; impact of the EU roaming regulation to be defined
- Adjusted EBITDA margin compression by 1.5 percentage points due to lower wholesale roaming prices and start-up operations
- Stable net income on comparable basis excluding one-off tax effects in 2006
- Capex increase of approximately 18% due to start-up operations

## Fixed Net

- Continued fixed-to-mobile migration is expected to result in slightly lower revenues and adjusted EBITDA
- Further growth of operating income

## Mobile Comm.

- Continued customer and mobile data growth
- Slight revenue growth supported by international operations
- Adjusted EBITDA and operating income lower due to launch of operations in Serbia and Macedonia

# Appendix

# Regulatory Issues – Fixed Net

## Key Aspects

- **RTR has to evaluate stage of competition on regulated markets** every two years – Austria is ahead of other EU member states with the market analysis process – the second round for most markets was finalized and results were published. Telekom Austria was no longer considered to have SMP in the markets for international telephone services for residential customers, for wholesale trunk segments for leased lines and for transit services.
- **Transit market:** According to the new market analysis for transit services all regulatory obligations for Telekom Austria on the transit market will be lifted by mid 2007.
- **Approval of additional new tariff packages** by the Regulatory Authority in February 2007.
- **Extension of the contract on tariffs for special services** (free access and one hour of free calls during peak-time) through February 2010.
- **Acquisition of eTel approved** – Telekom Austria has to comply with requirements concerning infrastructure and brand affiliation.



# Regulatory Issues – Mobile Communication (1)

## Key Aspects

- **Analysis of wholesale market for mobile termination:** As in the previous market analysis, mobilkom austria was confirmed to have SMP-status and consequently the following remedies were applied: non-discriminatory obligation (also for the fixed net offering of mobilkom austria), standard offer for mobile termination and cost-oriented termination rates based on LRAIC.
- **Analysis of fixed networks wholesale and retail markets:** As Telekom Austria has SMP-status on the wholesale and retail market for fixed telephony services, the Austrian Regulatory Authority decided that the same remedies will be applied to mobilkom austria as an affiliate of Telekom Austria. Furthermore the NRA implied a specific ex-ante obligation on fixed/mobile convergence services, which states an ex-ante cost control for these services.
- **Decision of the administrative court:** Decision of the administrative court: In March 2006 the Austrian administrative court revoked the market analysis decision from 2004 as well as the decision on mobile termination rates from December 2005. The court based its decision on the finding that the Regulatory Authority did not specify the LRIC obligation sufficiently. Currently the Austrian Regulatory Authority is working on a renewal of its decision which takes into account the court's opinion. The gliding path model as such was not criticized by the Court. Therefore, we expect the renewal of the decision to be in line with the original gliding path.

# Regulatory Issues – Mobile Communication (2)

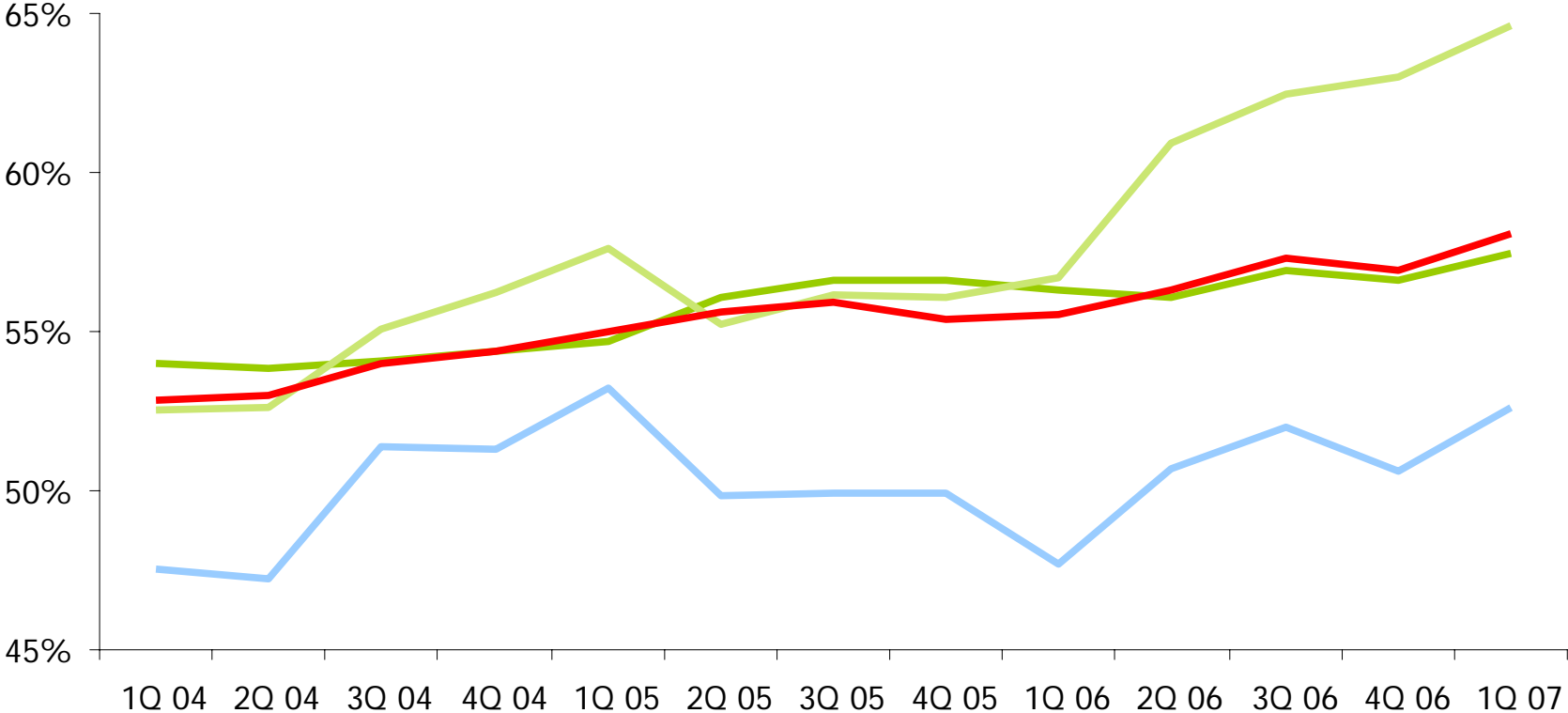
## Key Aspects

- **Mobile termination rates:** In July 2006 mobilkom austria initiated a regulatory proceeding against T-Mobile Austria requesting to lower its termination rates due to the merger with tele.ring. A proceeding against mobilkom austria was initiated by Hutchison 3G. In January 2007 the NRA finalized their experts opinion on the network costs for mobile termination. Currently these proceedings are – more or less – on hold because of the latest decisions of the administrative court and the lack of a market analysis decision. A new decision on mobile termination rates will be taken in autumn 2007 at the earliest.
- **International roaming charges:** On May 15th, following an extended discussion, a delegation of the parliament and the EU presidency agreed on a common position on roaming regulation. All members of the parliament and member states have yet to agree. The agreement foresees of a price cap of 30 Cent for wholesale charges, which will decrease to 28 Cent in the second year and to 26 Cent in the third year after adoption of the regulation. Furthermore, the mandatory introduction of a Consumer Protection Tariff (CPT) with prices capped at 49 Cent for calls made and 24 Cent for calls received was agreed upon. The cap will decrease to 46 Cent in the second year and to 43 Cent in the third year for calls made, and to 22 Cent and 19 Cent for calls received, respectively (tariff excl. VAT). The parliament may vote in favor of this agreement on May 24th, and the Telecom Council may finally decide on 7th and 8th of June 2007.

# Fixed Net - Access Lines

(in 000)	1Q 07	1Q 06	% change
PSTN access lines	2,186.2	2,350.0	-7.0%
Basic ISDN access lines	382.2	412.9	-7.4%
Multi ISDN access lines	7.0	7.3	-4.2%
<b>Total access lines in service</b>	<b>2,575.5</b>	<b>2,770.2</b>	<b>-7.0%</b>
of these ADSL access lines	721.6	616.0	17.1%
thereof ADSL wholesale lines	124.0	114.1	8.7%
	<b>1Q 07</b>	<b>1Q 06</b>	<b>% change</b>
<b>Total access channels in service</b>	<b>3,161.6</b>	<b>3,395.9</b>	<b>-6.9%</b>
	<b>1Q 07</b>	<b>1Q 06</b>	<b>% change</b>
<b>ADSL net adds</b>	<b>28.0</b>	<b>39.8</b>	<b>-29.7%</b>
<b>Unbundled lines</b>	<b>235.9</b>	<b>146.5</b>	<b>61.0%</b>

# Fixed Net - Market Shares

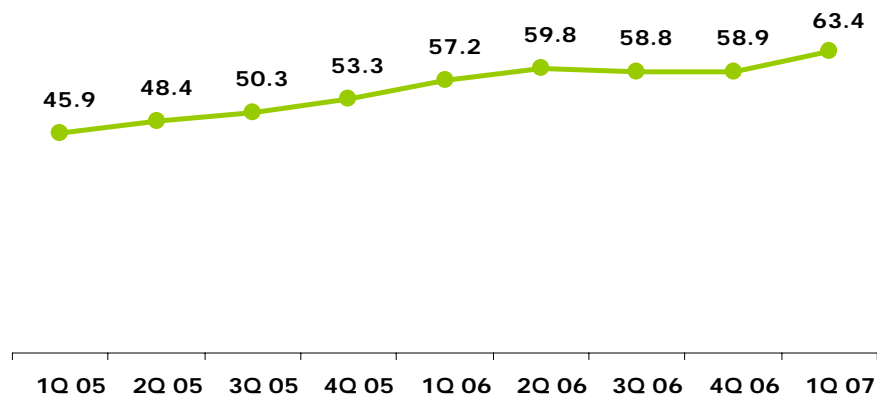


- Local + National long distance traffic
- Fixed to mobile
- International
- Total voice traffic

# ADSL – Revenues and Residential ARPU

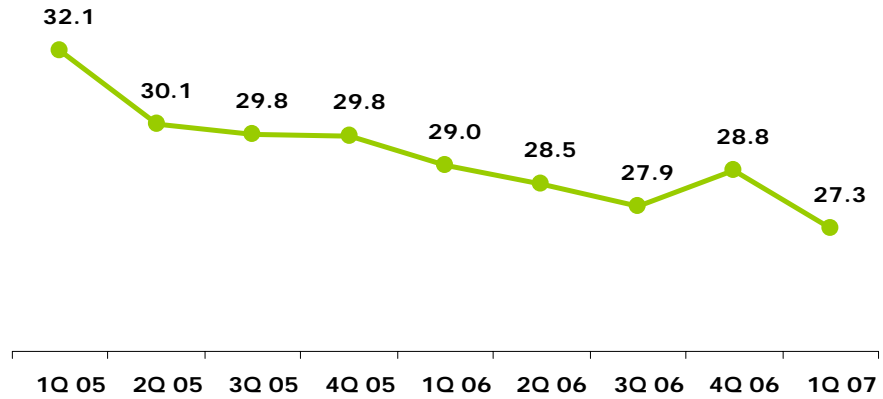
ADSL Revenues (incl. Wholesale)

(EUR million)



ADSL Residential ARPU

(in EUR)








# Fixed Net - Minutes and Average Tariffs

(in million minutes)	1Q 07	1Q 06	% change
National	823	954	-13.7%
Fixed-to-mobile	187	205	-8.9%
International	102	109	-6.7%
<b>Total voice minutes</b>	<b>1,112</b>	<b>1,268</b>	<b>-12.3%</b>
Internet dial-up	247	463	-46.7%
<b>Total Fixed Net minutes</b>	<b>1,359</b>	<b>1,731</b>	<b>-21.5%</b>

(Average tariffs in EUR)	1Q 07	1Q 06	% change
National	0.043	0.041	3.9%
Fixed-to-mobile	0.167	0.187	-10.8%
International	0.177	0.178	-0.4%
<b>Total voice average</b>	<b>0.076</b>	<b>0.076</b>	<b>0.0%</b>

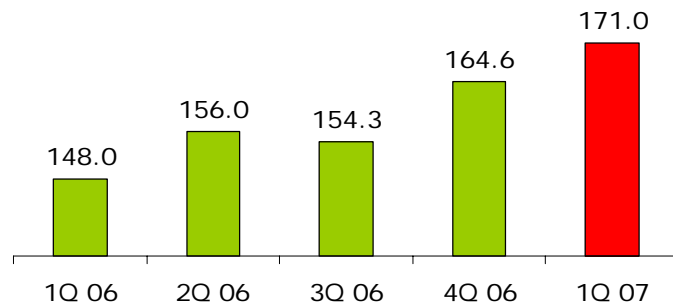
(in million minutes)	1Q 07	1Q 06	% change
National wholesale	2,157	2,586	-16.6%
International wholesale	810	702	15.5%
<b>Total wholesale minutes</b>	<b>2,967</b>	<b>3,288</b>	<b>-9.8%</b>

# Mobile Subscribers

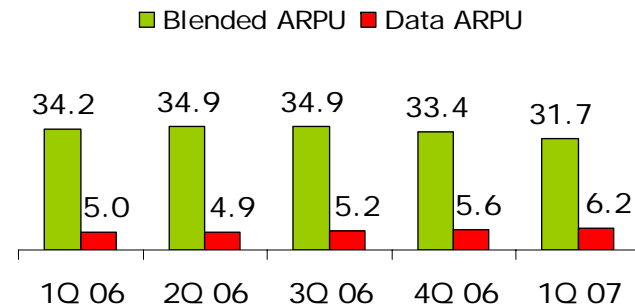
		(in 000)	1Q 07	1Q 06	% change
	Contract		2,306.5	1,978.4	16.6%
	Prepaid		1,390.8	1,458.3	-4.6%
	<b>Total Austria</b>		<b>3,697.3</b>	<b>3,436.7</b>	<b>7.6%</b>
	Market share		38.9%	38.9%	
	Contract		1,658.0	1,278.9	29.6%
	Prepaid		2,789.7	2,375.6	17.4%
	<b>Total Bulgaria</b>		<b>4,447.7</b>	<b>3,654.5</b>	<b>21.7%</b>
	Market share		51.1%	56.0%	
	Contract		355.2	264.9	34.1%
	Prepaid		1,614.0	1,397.0	15.5%
	<b>Total Croatia</b>		<b>1,969.2</b>	<b>1,661.9</b>	<b>18.5%</b>
	Market share		43.1%	43.3%	
	Contract		261.9	188.9	38.6%
	Prepaid		182.1	182.1	0.0%
	<b>Total Slovenia</b>		<b>443.9</b>	<b>370.9</b>	<b>19.7%</b>
	Market share		25.7%	23.0%	
	<b>Total Liechtenstein</b>		<b>4.9</b>	<b>4.2</b>	<b>16.7%</b>
	Market share		17.3%	15.1%	
<b>Total Mobile Communication</b>			<b>10,563.0</b>	<b>9,128.4</b>	<b>15.7%</b>

# Operational Data – mobilkom austria

## MoU per Subscriber | ARPU & Data ARPU

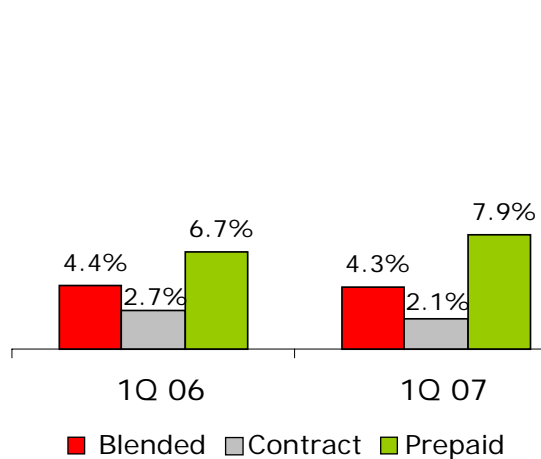
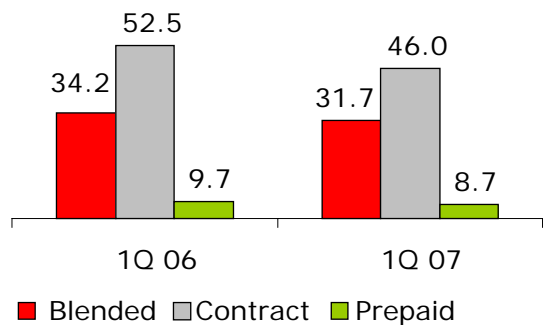


(in EUR)

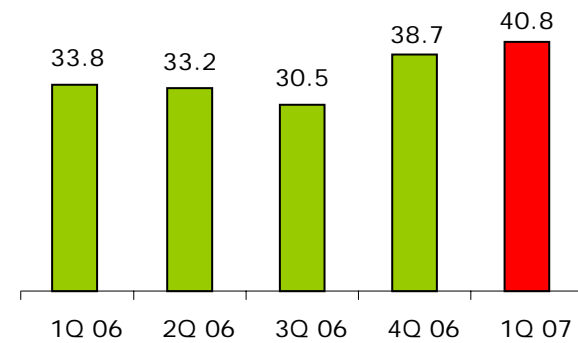


## ARPU | Quarterly Churn | SRC & SAC\*

(in EUR)



(in EUR million)

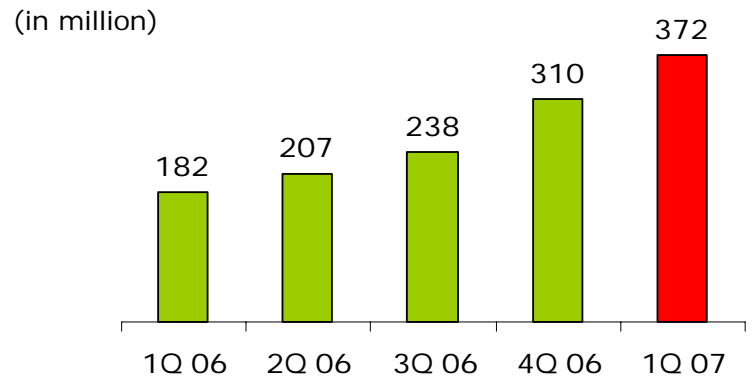
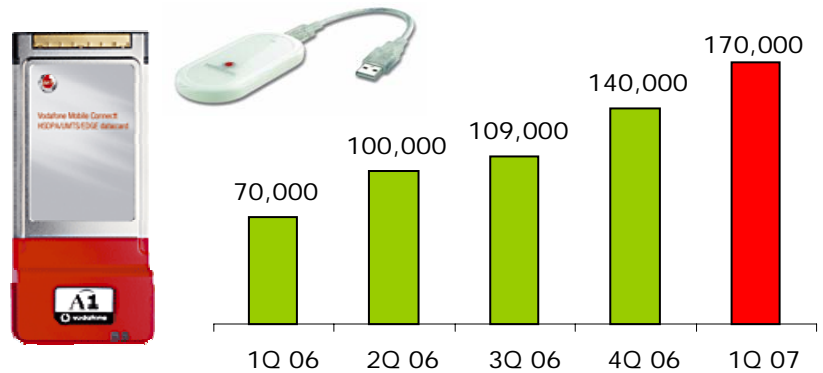


\* Subscriber retention cost & subscriber acquisition cost

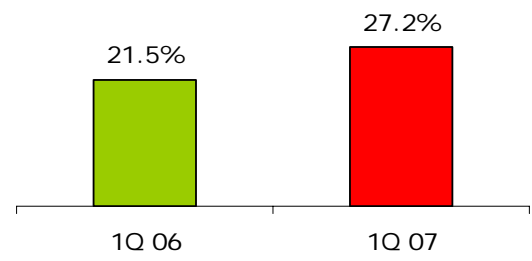
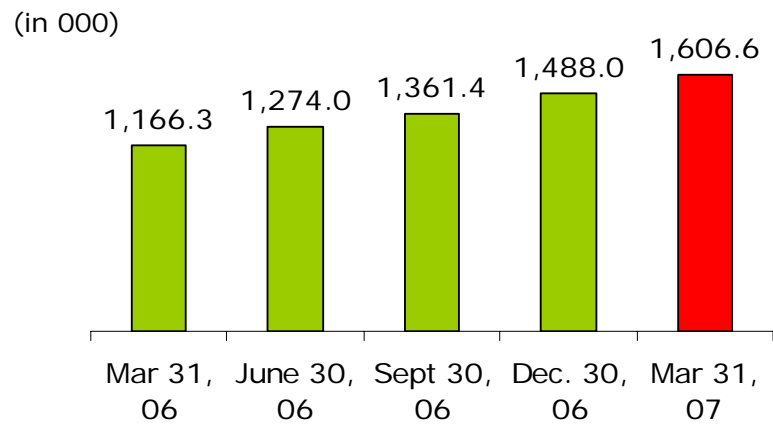


# mobilkom austria - Mobile Data

## Number of Data Cards Sold Cumulated | Number of SMS



## MMS Users | Data in % of Revenues\*



\* Traffic related revenues

# Headcount\* Development

(average period)	1Q 2007	1Q 2006	change
Fixed Net	9,431	9,550	-119
Mobile Communciation	6,073	6,058	15
<b>Telekom Austria Group</b>	<b>15,504</b>	<b>15,608</b>	<b>-104</b>

(end of period)	Mar 31,2007	Mar 31,2006	change
Fixed Net	9,428	9,552	-124
Mobile Communciation	6,155	5,961	194
<b>Telekom Austria Group</b>	<b>15,583</b>	<b>15,513</b>	<b>70</b>

\* Full-time-equivalents

# Fixed Net - Revenue Breakdown

(EUR million)	1Q 07	1Q 06	% change
Switched voice base traffic	86.7	100.8	-14.0%
Switched voice monthly & other voice revenues	121.4	132.2	-8.2%
Payphones & VAS	11.1	10.8	2.8%
Wholesale data & IT-solutions	105.0	103.6	1.4%
Internet access & media	68.7	67.3	2.1%
Wholesale voice & Internet	91.6	92.3	-0.8%
Other	26.3	27.9	-5.7%
<b>Total Fixed Net revenues</b>	<b>510.8</b>	<b>534.9</b>	<b>-4.5%</b>

# Mobile Communication - Revenue Breakdown

(EUR million)	1Q 07	1Q 06	% change
Traffic revenues	336.9	336.1	0.2%
Monthly rental	138.4	119.0	16.3%
Equipment	54.6	56.3	-3.0%
Roaming	57.6	65.5	-12.1%
Interconnection	103.6	107.7	-3.8%
Other	16.0	10.0	60.0%
Discounts	-13.0	-6.4	103.1%
<b>Total Mobile Communication revenues</b>	<b>694.1</b>	<b>688.2</b>	<b>0.9%</b>

# Operating Revenues by Segment

(EUR million)	1Q 07	1Q 06	% change
Fixed Net revenues	510.8	534.9	-4.5%
Mobile Communication revenues	694.1	688.2	0.9%
Corporate, Other & Eliminations	-59.1	-64.5	-8.4%
<b>Operating revenues</b>	<b>1,145.8</b>	<b>1,158.6</b>	<b>-1.1%</b>

# Adjusted EBITDA and Operating Income by Segment

(EUR million)	1Q 07	1Q 06	% change
Fixed Net EBITDA	193.2	215.4	-10.3%
Mobile Communication EBITDA*	287.0	293.4	-2.2%
Corporate, Other & Eliminations	-5.3	-4.5	17.8%
<b>Adjusted EBITDA*</b>	<b>474.9</b>	<b>504.3</b>	<b>-5.8%</b>

(EUR million)	1Q 07	1Q 06	% change
Fixed Net operating income	54.4	54.7	-0.5%
Mobile Communication operating income	161.9	171.2	-5.4%
Corporate, Other & Eliminations	-5.6	-4.3	30.2%
<b>Operating income</b>	<b>210.7</b>	<b>221.6</b>	<b>-4.9%</b>

\* Adjusted EBITDA is defined as operating income before depreciation, amortization and impairment charges.

# Capital Expenditure by Segment

(EUR million)	1Q 07	1Q 06	% change
Fixed Net tangible	48.7	51.0	-4.5%
Mobile Communication tangible	73.0	52.7	38.5%
<b>Tangible (total)</b>	<b>121.7</b>	<b>103.7</b>	<b>17.4%</b>
Fixed Net intangible	10.7	9.5	12.6%
Mobile Communication intangible	34.9	8.6	305.8%
<b>Intangible (total)</b>	<b>45.6</b>	<b>18.1</b>	<b>151.9%</b>
<b>Telekom Austria Group</b>	<b>167.3</b>	<b>121.8</b>	<b>37.4%</b>

(EUR million)	1Q 07	1Q 06	% change
<b>Mobile Communication tangible</b>			
mobikom austria	33.7	21.3	58.2%
Mobitel	14.5	20.4	-28.9%
Vipnet	8.7	10.2	-14.7%
Si.mobil	3.8	0.7	442.9%

# Net Debt - Telekom Austria Group

(EUR million)

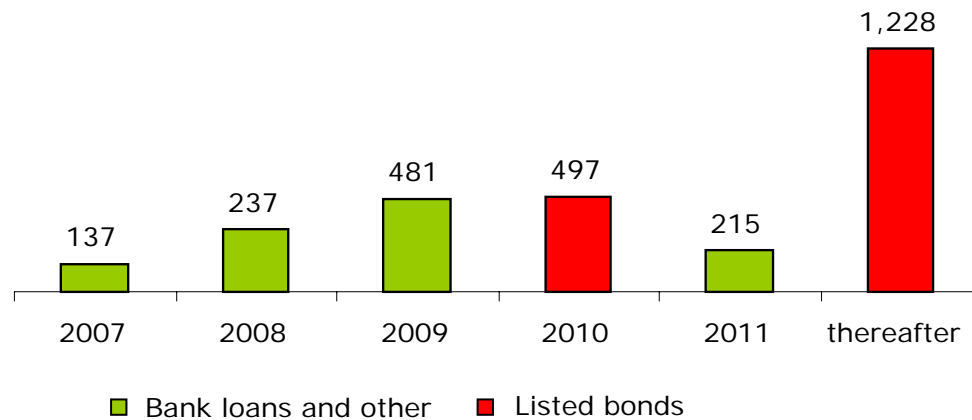
	Mar 31,2007	Dec 31,2006	% change
Long-term debt	2,421.5	2,750.1	-11.9%
Short-term debt	719.1	562.1	27.9%
- Short-term portion of capital and cross border lease obligations	-10.9	-9.4	16.0%
+ Capital lease obligations	0.1	0.1	0.0%
Cash and cash equivalents, short-term and long term investments, financing with related parties	-142.5	-148.3	-3.9%
Derivate financial instruments for hedging purposes	16.3	14.4	13.2%
<b>Net debt of Telekom Austria Group</b>	<b>3,003.6</b>	<b>3,169.0</b>	<b>-5.2%</b>
Shareholders' equity	2,914.9	2,823.5	3.2%
<b>Net debt/equity</b>	<b>103.0%</b>	<b>112.2%</b>	<b>-8.2%</b>



# Telekom Austria Debt Maturity Profile

Debt Maturity Profile	Key Points
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(EUR million)



### Ratings:

- S&P: BBB+ (*positive outlook*)
- Moody's: A3 (*stable outlook*)

### Ratios:

- Net debt/equity as of March 31, 2007: 103.0%
- Net debt/adj. EBITDA (annualized): 1.58

### Listed Bonds:

- EUR 750 million 2003 – 2013
- EUR 500 million 2005 – 2010
- EUR 500 million 2005 – 2017

# Reconciliation from Adjusted EBITDA\* to Net Income

(EUR million)	1Q 07	1Q 06	% change
<b>Adjusted EBITDA*</b>	<b>474.9</b>	<b>504.3</b>	<b>-5.8%</b>
Depreciation and amortization	-264.2	-280.2	-5.7%
Impairment charges	0.0	-2.5	
<b>Operating income</b>	<b>210.7</b>	<b>221.6</b>	<b>-4.9%</b>
Interest income	5.1	5.3	-3.8%
Interest expense	-33.0	-30.3	8.9%
Accretion expense	-0.9	-0.8	12.5%
Foreign exchange differences	0.4	-0.3	
Income from investments	0.1	-0.9	
Equity in earnings of affiliates	-0.1	0.3	
Income tax expense	-35.1	-40.9	-14.2%
<b>Net income</b>	<b>147.2</b>	<b>154.0</b>	<b>-4.4%</b>

\* Adjusted EBITDA is defined as operating income before depreciation, amortization and impairment charges.