



Telekom Austria Group

Annual General Meeting 2009

Vienna, May 20, 2009

Agenda

- **Agenda Item 1:**
Report by the management board about the 2008 business year
- **Agenda Item 2:**
Distribution of the net profit
- **Agenda Item 3:**
Discharge of the members of the management board and of the supervisory board
- **Agenda Item 4:**
Compensation for the members of the supervisory board

Agenda

- **Agenda Item 5:**

Election of the auditors for the fiscal year 2009

- **Agenda Item 6:**

Management report on share buy-back effected, number of treasury shares held and use of treasury shares

- **Agenda Item 7:**

Authorization of the management board to acquire treasury

Agenda Item1:

Report by the Management
Board about the 2008
Business Year

In 2008 We Took the Bull by the Horns...

- Growth trend continued
- Fixed Net attractiveness enhanced
- Core markets stabilised
- Restructuring of the Fixed Net segment underway
- Financial basis strengthened
- Commitment to balanced shareholders' remuneration

Strong Operating Performance Despite Challenging Framework Conditions

- Fixed Net product bundles bear fruits
- Restructuring measures in Fixed Net segment impact results
- Economic downturn and financial crisis do not show any effects on 2008 business development
- Introduction of a minimum dividend floor of 75 cents per share demonstrates confidence in further development

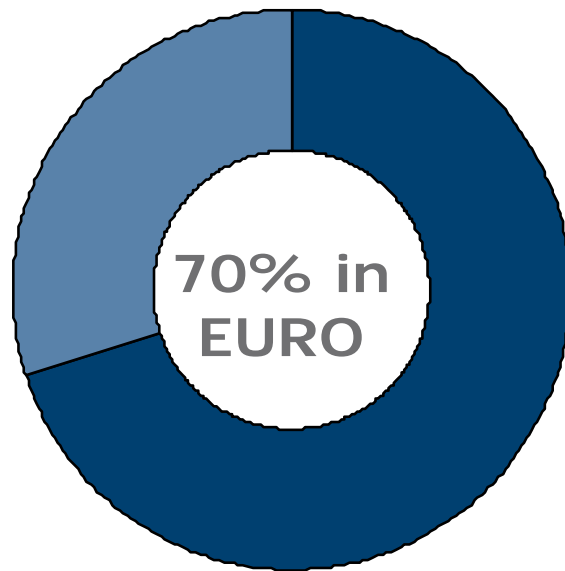
Solid Basis in Austria and Strong Position in Eastern and South-Eastern Europe



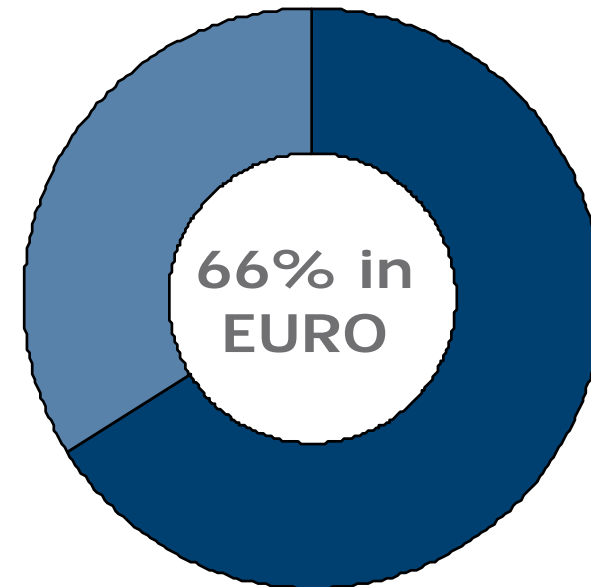
- Operations in 8 countries
- 17.8 million customers in Mobile Communication
- 2.3 million Fixed Net access lines

2/3 of EBITDA of the Telekom Austria Group Are in Euro

Revenues 2008



EBITDA 2008



Telekom Austria Group's Strategy

Telekom Austria Group's Strategy Unchanged

- Increase in corporate value
- Internationalisation provides sustainable growth potential
- Leveraging synergies in Austria through product bundles from both segments
- Know-how transfer and development of synergies through cross-segment and cross-border cooperation



Stabilisation of cash flow in the Fixed Net segment



Increase in cash flow in the Mobile Communication segment

Fixed Net Strategy Focuses on Stabilisation of Cash Flow

Telekom Austria Group

Fixed Net

- Market-oriented products and pricing enhance profitability
- Clear positioning versus alternative mobile providers
- Increase in efficiency



Stabilisation of cash flow

Mobile Communication



Increase in cash flow

Mobile Communication Strategy Focuses on Increase in Cash Flow

Telekom Austria Group

Fixed Net

Stabilisation of cash flow

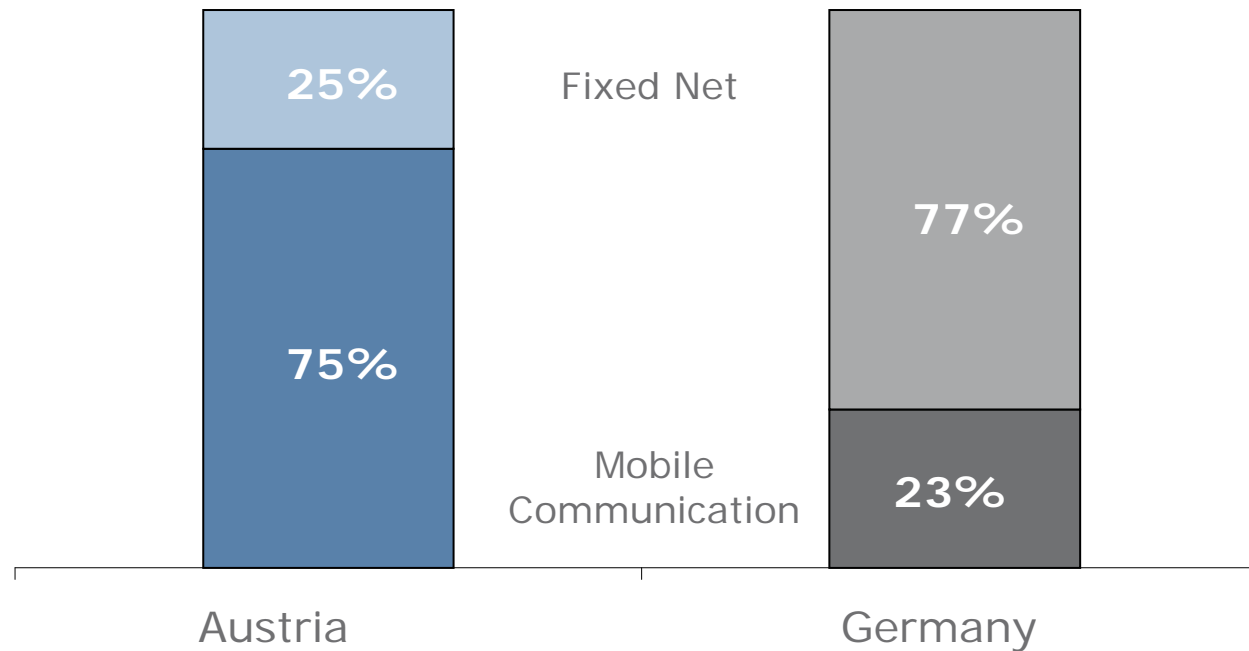
Mobile Communication

- Selective expansion in Eastern and South-Eastern Europe
- Creation of growth potential through new products (mobile data services)
- Increase in efficiency by leveraging synergies with the Group

Increase in cash flow

Fixed Net

International Trend of Shrinking Fixed Net Market Far Advanced in Austria



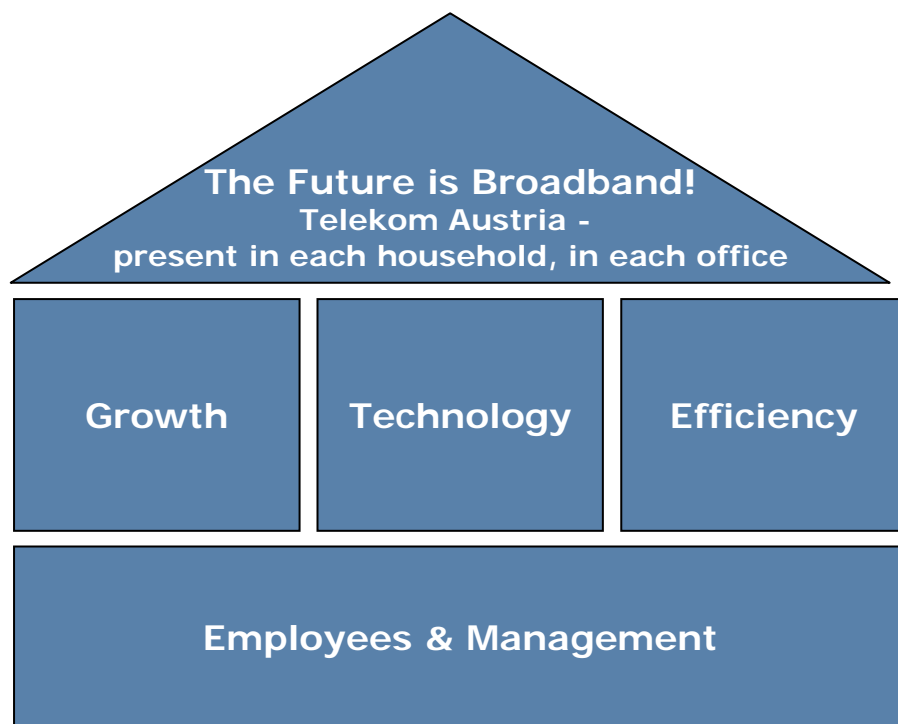
Shrinking Fixed Net Market Requires Adoption of Counter-Measures

- Technological changes and success of mobile communication lead to a loss of 600,000 fixed net access lines over the past 5 years
- Cost cutting imperative to safeguard fixed net business over the long term
- Decline in earnings requires the adoption of restructuring measures

In 2008 Important Steps Were Taken to Safeguard Fixed Net Business

- Successful product bundles reduce fixed access line loss
- Increase in Fixed Net broadband lines of 18% to roughly 886,000
- Successful broadband innovations: 75,000 aonTV customers as of May 2009
- Cost reduction proves effective
- Restructuring program impacts results but not cash flow

Fixed Net Strategy Based on Three Pillars: Growth, Technology, Efficiency



Project Energy

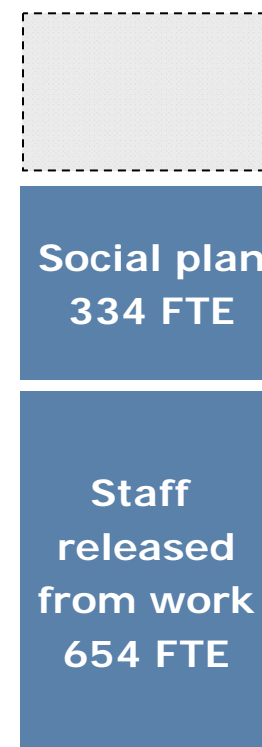
- Value-accretive subscriber growth via innovative products and high-value services
- Future-proof technologies
- Streamlined processes and cost awareness in both conception and implementation
- Customer orientation, creativity, flexibility of all employees and management

Restructuring Program According to Plan

Announced as of Nov. 08



Status as of
March 31, 2009



Target for
Dec. 31, 2009



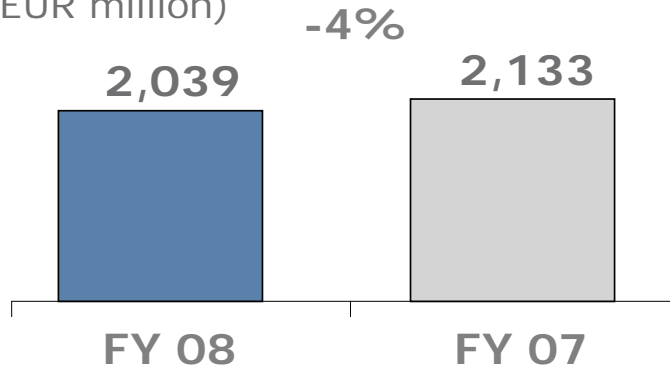
Socially Compatible Restructuring Measures

- Targeted employees can accept a social plan or look for a new job within the internal job market
- Social plan accepted by roughly 400 employees; 334 employees left the company as of March 2009
- Currently, there are 585 vacancies within Telekom Austria's internal job market
- Information about internal job opportunities:
 - Weekly newsletter with information about vacancies
 - Job trade fairs

Fixed Net Development Reflects Challenges

Revenues

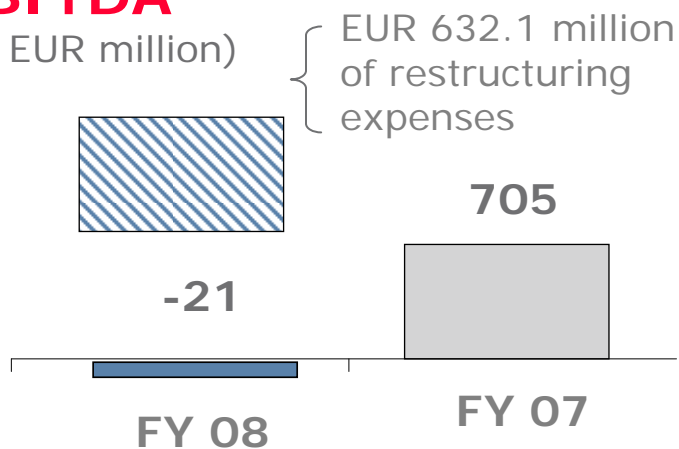
(in EUR million)



- Revenue decline of 4%
- Restructuring program impacts results with expenses totaling EUR 632.1 million

EBITDA

(in EUR million)

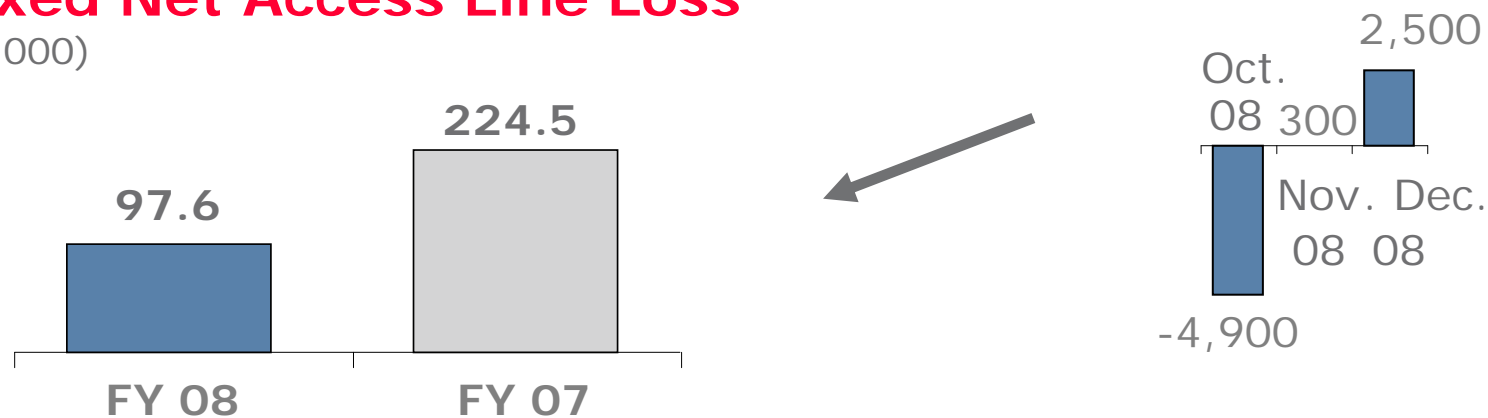


- Excl. restructuring program, EBITDA declines by 13% to EUR 611 million

Fixed Net Customer Growth in Nov. & Dec. 08 Thanks to Product Bundles

Fixed Net Access Line Loss

(in 000)

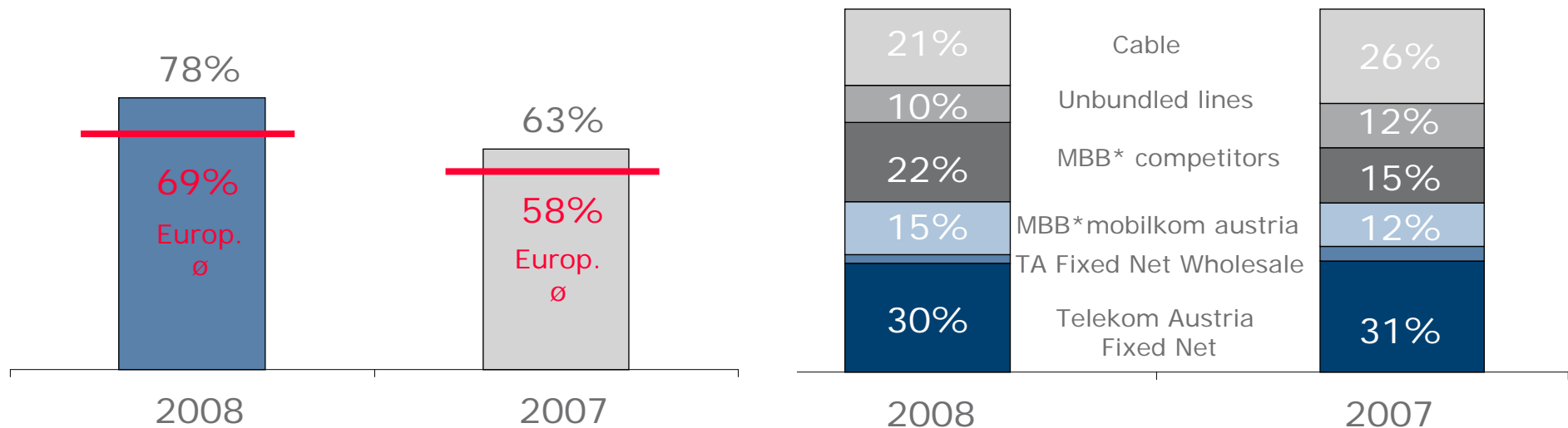


- Product bundles sustainable slowdown fixed access line loss
- Fixed access line loss more than halved: from 224,500 in 2007 to 97,600 in 2008
- In November and December 2008 first net adds in 12 years

Broadband Penetration in Austria Exceeds European Average

Broadband Penetration

Broadband Market Share



- Fixed Net broadband market share amounts to roughly 30%
- Mobile broadband grows at the expense of alternative fixed net broadband providers *Mobile broadband

Cost-Saving Measures as Basic Pre-Requisite for Investment-Friendly Policy

- Cost-saving measures deemed necessary against the backdrop of a shrinking fixed net business
- Restructuring measures will be reflected in lower personnel expenses in 2009
- Cost cutting in the area of marketing, sponsoring, energy and logistics

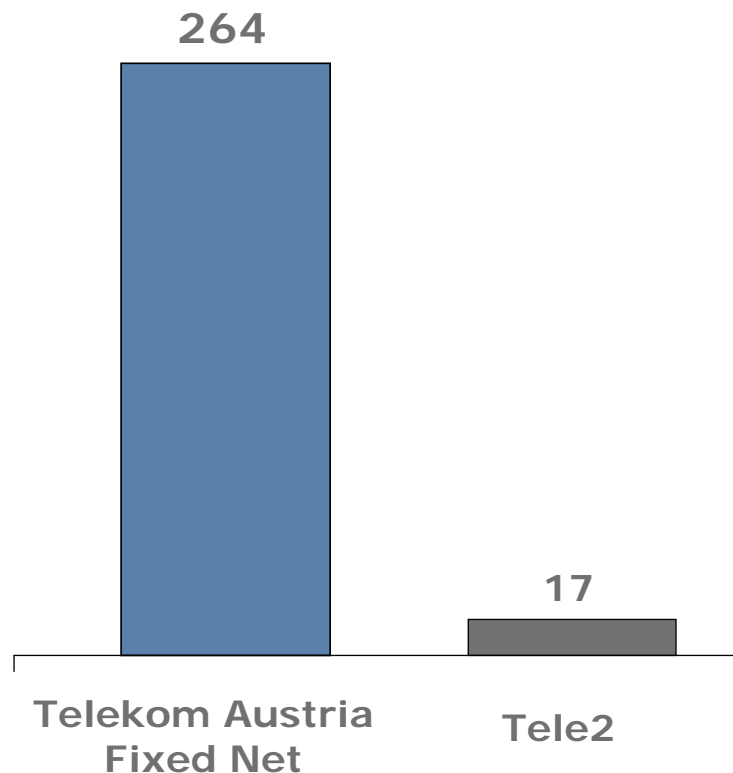


Strict cost management provides the basis for investment-friendly policy

Telekom Austria Invests in Fixed Net and Is One of the Largest Investors in Austria

Investments in 2008

(in EUR million)



- In 2008 over EUR 260 million invested in Fixed Net
- In 2008 Telekom Austria invested 16 times more than its main competitor
- Focus on network expansion and innovation
- Investments strengthen Austria's infrastructure and create jobs

NGN* is an Important Pillar of Corporate Strategy

Growth

- New infrastructure enhances the company's competitiveness
- New products and services address new growth business areas

Technology

- NGN simplify current architecture
- Network reaction speed further enhanced
- Technology flexibility
- Synergy potentials optimized
- Massive increase in infrastructure quality

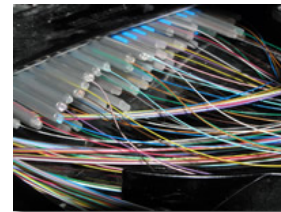
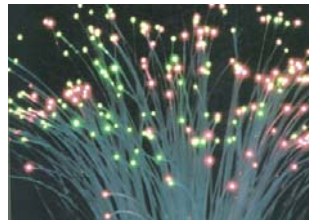
Efficiency

- Considerable savings in terms of maintenance and operation
- Shorter development cycles
- Considerable process simplification

*Next Generation Networks

Glass Fiber Roll-Out

- Glass fiber rollout expected for 2010–2012 dependent upon regulatory and legal framework conditions
- Greatest potential in urban areas with high market growth potential for Telekom Austria
- Pilot projects to gather experiences and assess planning measures
- Telekom Austria is open to cooperation with urban and rural municipalities



Product Bundles are Simple and Enhance Customer Satisfaction

Fixed Net



Internet

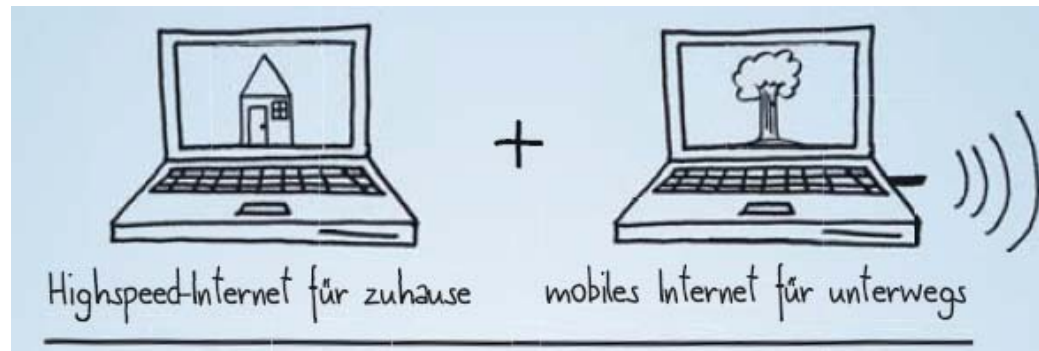


TV



A tariff for each communications need, one single bill, user-friendliness

'aonBreitband-Duo' Offers the Best of Both Worlds



- DSL high-speed Internet with up to 8 Mbps
- Unlimited
- WLAN modem
- Mobile Internet with up to 7.2 Mbps
- No add. fixed costs per month
- Data volumes € 5.90/GB incl. 5 MB per month free-of charge
- HSDPA modem included

Conditions of promotional campaign at www.telekom.at

aonTV Won 75,000 Customers Already

- Start in March 2006
- Currently more than 75,000 customers (May 2009)
- 63 channels
- 19 pay-TV channels, premium TV
- 1 HD channel
- 4 radio stations
- Video on demand












Mobile Communication

Strong Subscriber Growth in All Markets

- Subscriber growth of roughly 15% to 17.8 million reflects successful growth strategy
- Organic growth increases revenue and earning power
- Increase in revenues of 12% to EUR 3.4 billion
- EBITDA growth of 14% to over EUR 1.3 billion

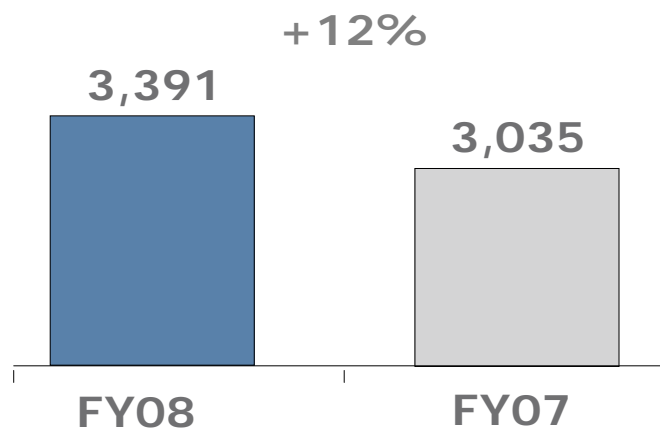
All Countries Contribute To Subscriber Growth of over 2.3 Million Customers

(in 000)		FY 08	FY 07	% Growth
	Austria	4,496	3,959	14%
	Bulgaria	5,396	5,099	6%
	Belarus	3,698	3,059	21%
	Croatia	2,487	2,180	14%
	Slovenia	571	497	15%
	Republic of Serbia	908	509	78%
	Republic of Macedonia	242	141	71%
	Liechtenstein	6	5	9%
				
Mobile Communication		17,803	15,449	15%

Austria & Belarus As Main Growth Driver of Mobile Communication

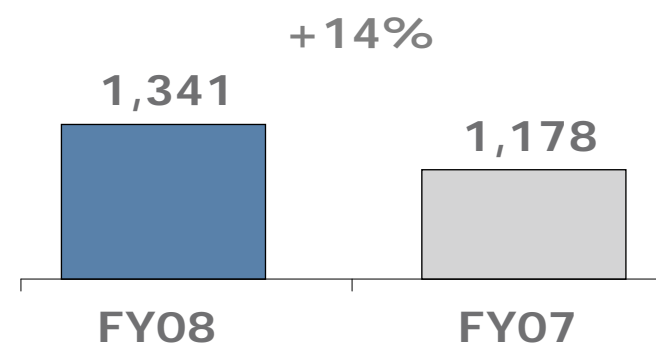
Revenues

(in EUR million)



EBITDA

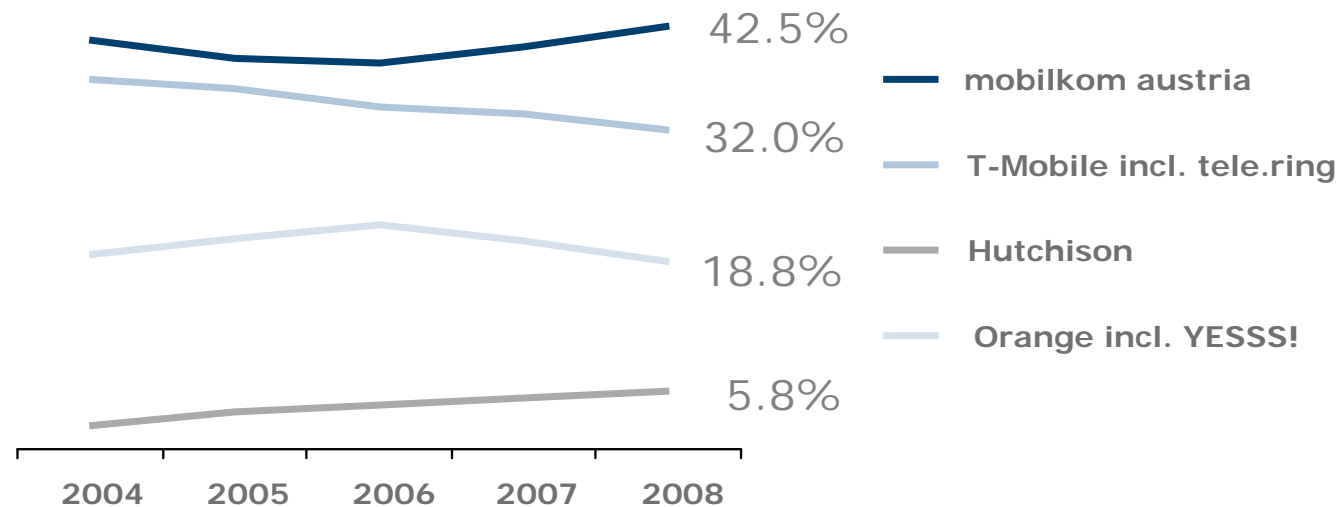
(in EUR million)



In 2008 Largest Increase in Market Share Since Foundation of mobilkom austria

Market Shares

As of December 2008



- Market leadership expanded to 42.5%
- Over 500,000 net additions in 2008
- Mobile broadband customer base increases from 290,000 as of year-end 07 to 400,000 customers as of year-end 08

Product Innovations Secure Market Position

A1 Breitband Unlimited

- Unlimited high-speed Internet at home
- Mobile broadband on the go



A1 Netbook

- A1 launches Netbook onto the market in 2008
- First ever combination of data tariffs and small notebook

Technical Expertise Demonstrated also in 2008

TV on the mobile phone

- DVB-h enables mobile TV
- Just in time for EURO 2008



Fem-to-Router



- First provider in Central Europe with a customer pilot project
- Fem-to-cell and DSL broadband access line create UMTS network for the home

Exclusive Smart Phones and Additional Services Underpin Quality Leadership

Blackberry Storm and G2



- Blackberry „Storm“ sets new trends in 2009, G2 also launched
- Smart phones are more than just mobile phones

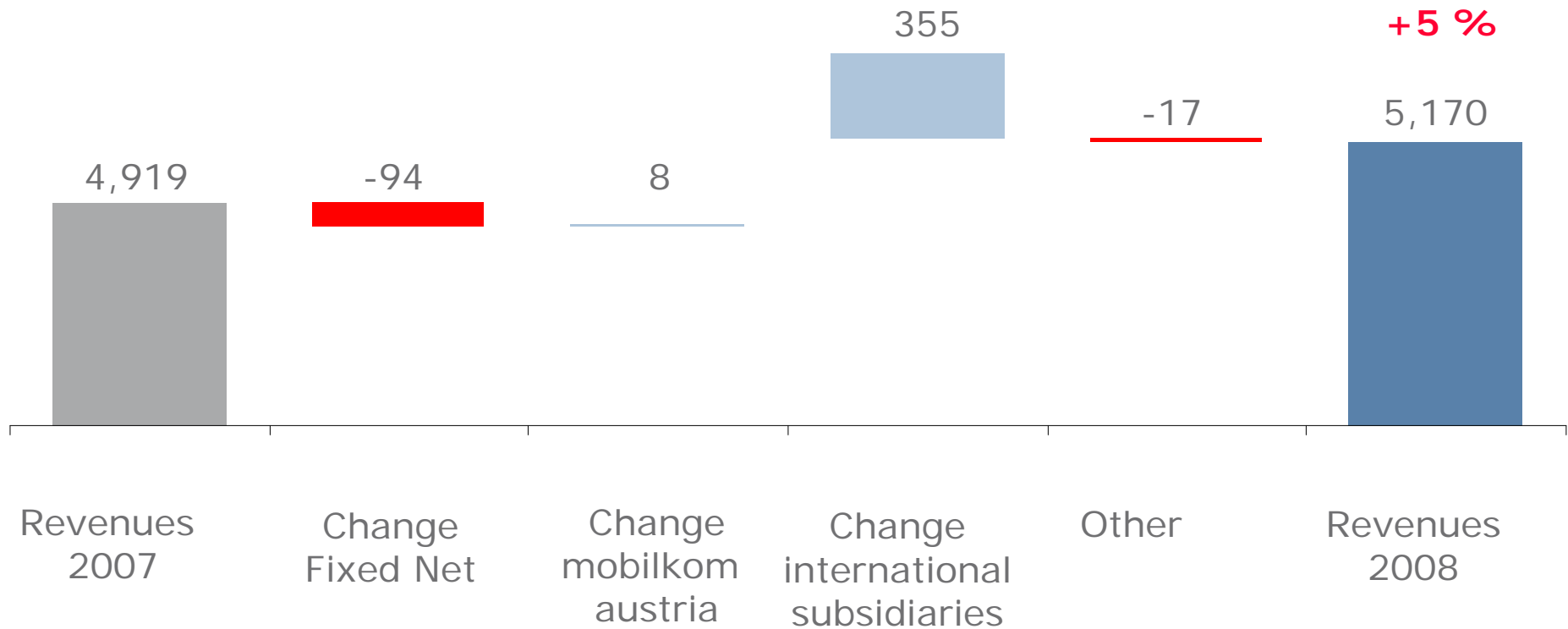
m-commerce additional services

- Attractive additional services increase customer convenience
- March 2009: more than 1/3 of all parking vouchers in Vienna sold via “Handy Parken”

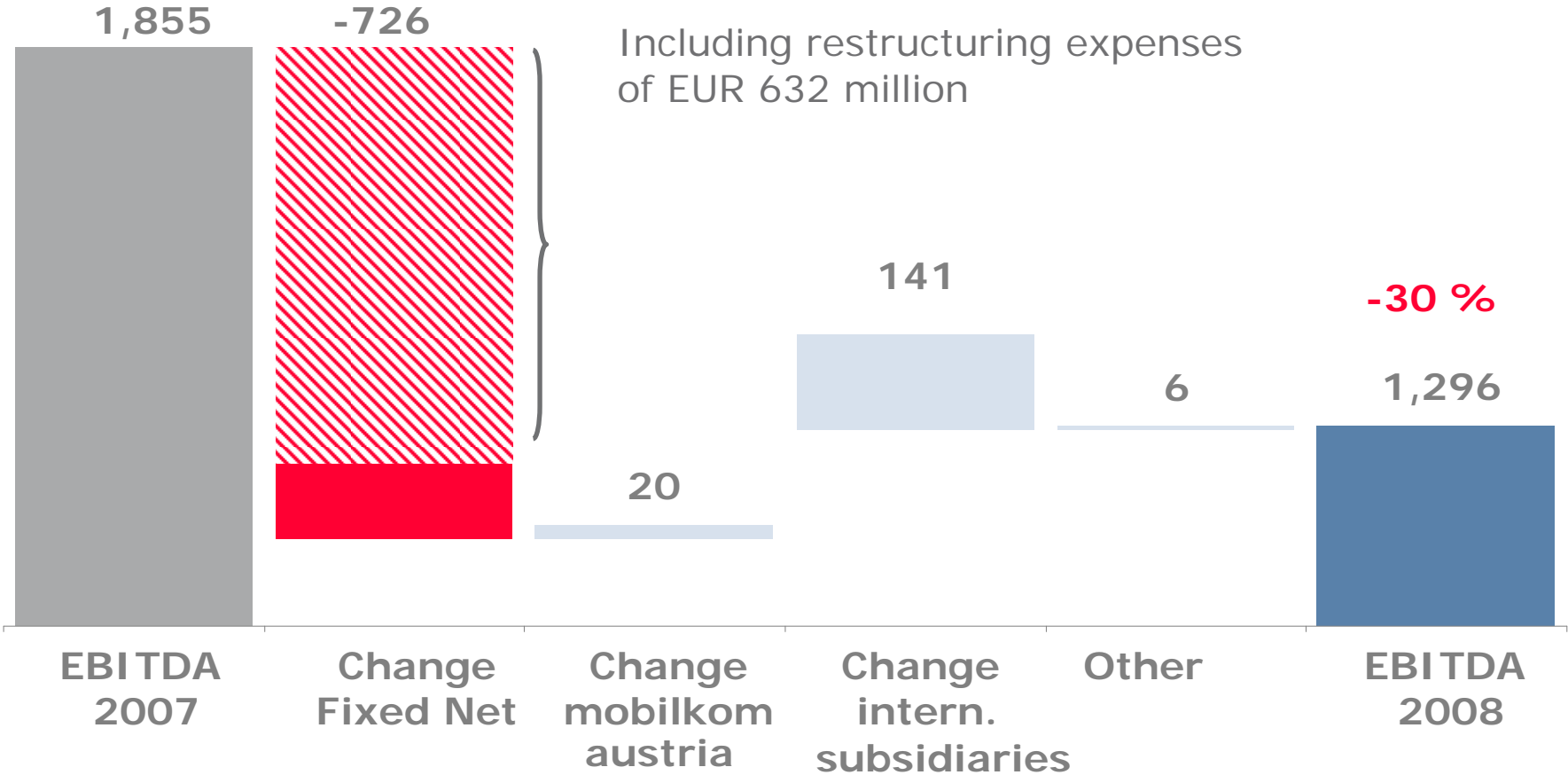


Key Financials

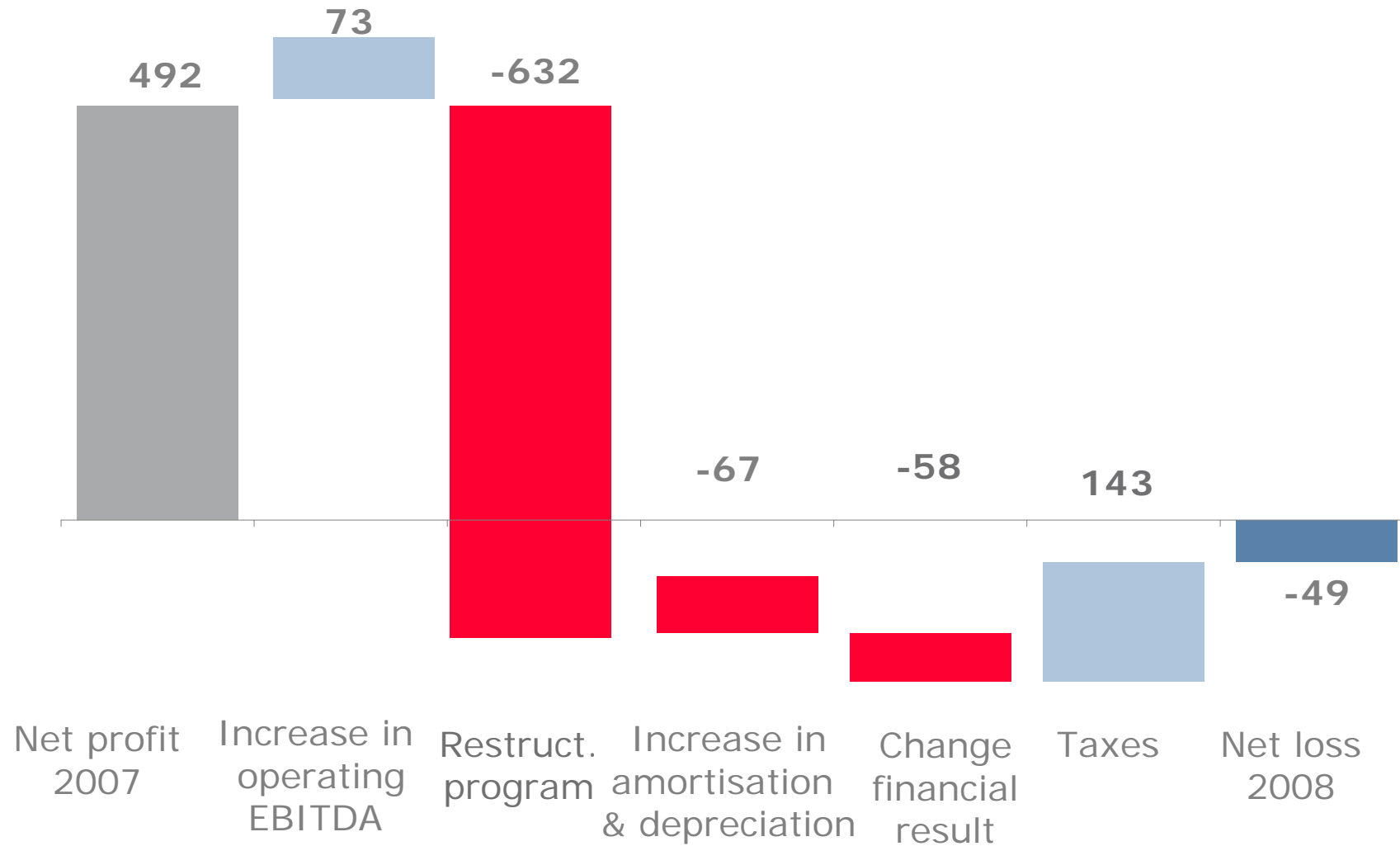
Revenue Increase Through Growth From International Subsidiaries



Fixed Net Restructuring Program Impacts EBITDA



Restructuring Program Also Impacts Net Profit



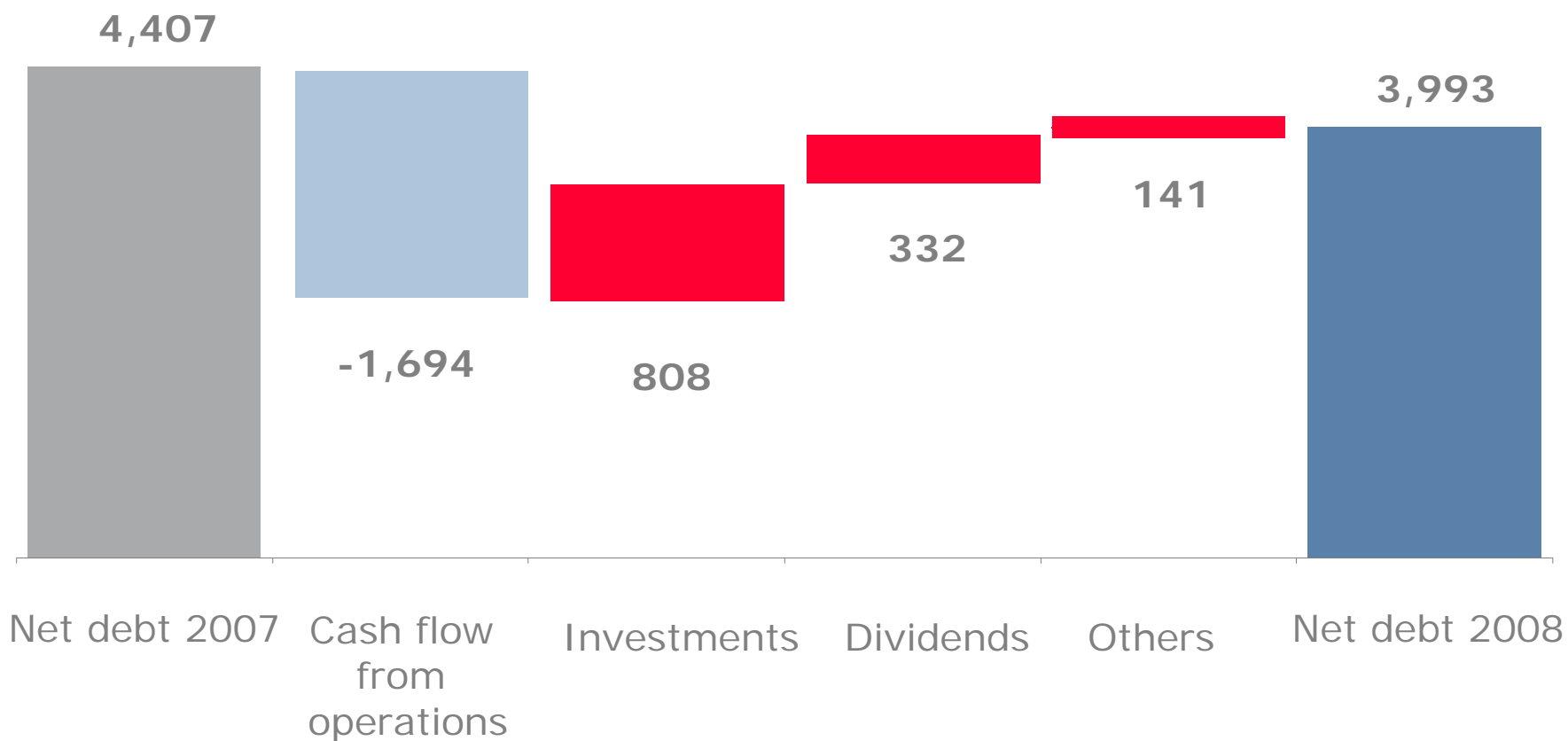
Very Good Operating Performance, Results Impacted by Restructuring

(in EUR million.)	FY 2008	FY 2007	% change
Revenues	5,170	4,919	5%
EBITDA	1,296	1,834	-30%
Operating income /loss	135	761	-82%
Financial result	-212	-153	39%
Income/ loss before income taxes	-76	608	n.a.
Income tax expense/ benefit	28	-153	n.a.
Net income / net loss	-49	493	n.a.

Net Debt Reduced by over EUR 400mn to Less Than EUR 4bn

(in EUR million)	Dec. 31 08	Dec. 31 07	% Change
Long-term assets	7,452	7,678	-3%
Current assets	1,545	1,326	17%
Total assets	8,997	9,004	0%
Current liabilities	2,220	2,557	-13%
Long-term liabilities	4,621	3,881	19%
Stockholders' equity	2,156	2,566	-16%
Liabilities and stockholders' equity	8,997	9,004	0%
Net Debt	3,993	4,407	-9%

Reduction in Liabilities through Strong Cash Flow



2.4x

Net debt/EBITDA*

2.1x

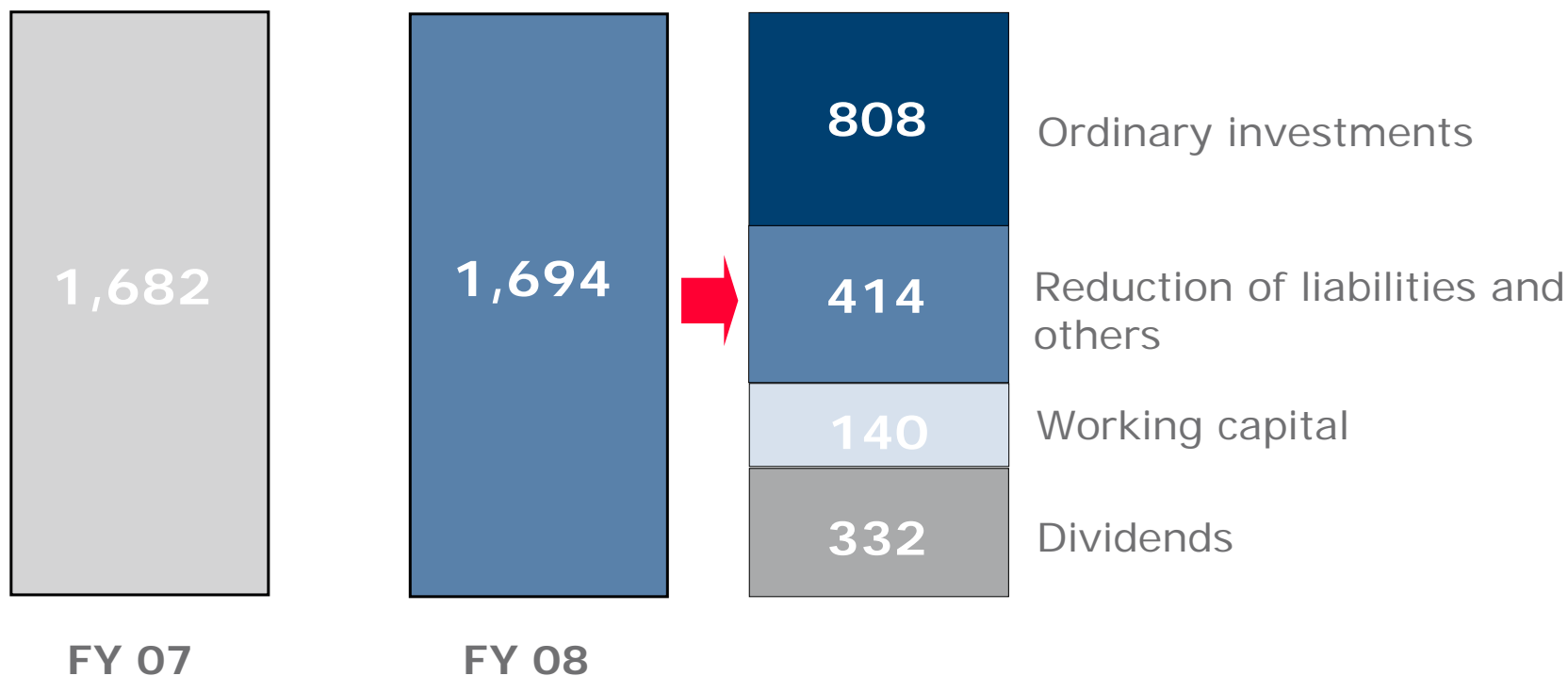
*excl. restructuring expenses

Stable Cash Flow Allows For Investments, Reduction of Liabilities, Dividend Payments

(in EUR million)

Cash Flow

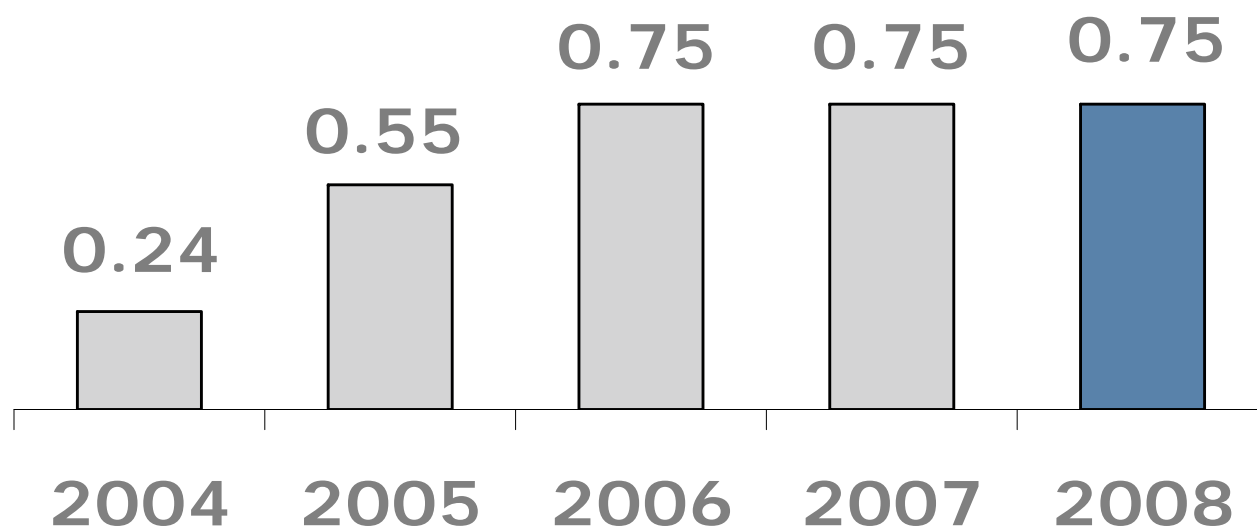
Deployment



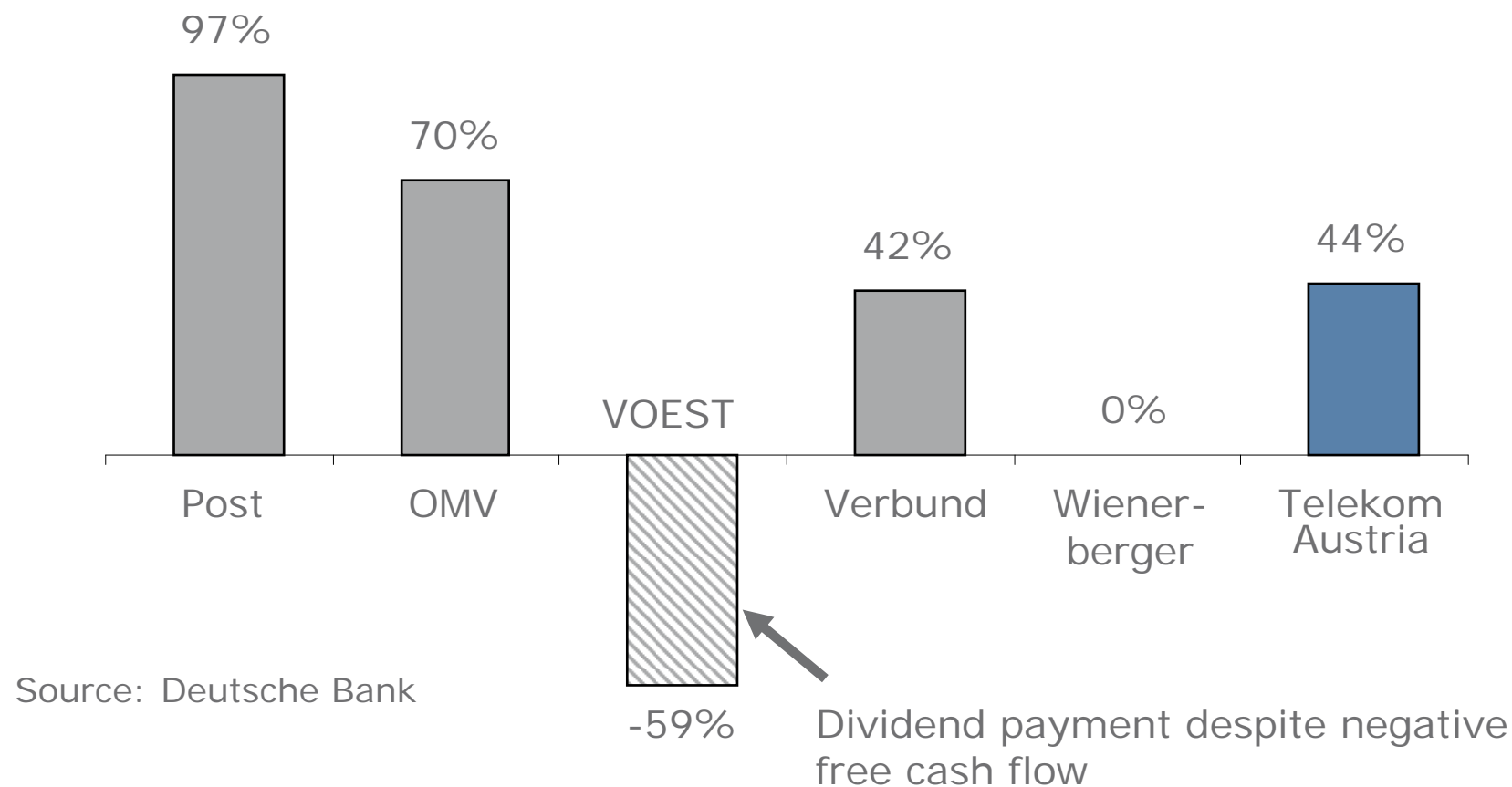
Strong Cash Flow Enables Stable Dividend Policy

Dividends per Share

(EUR)

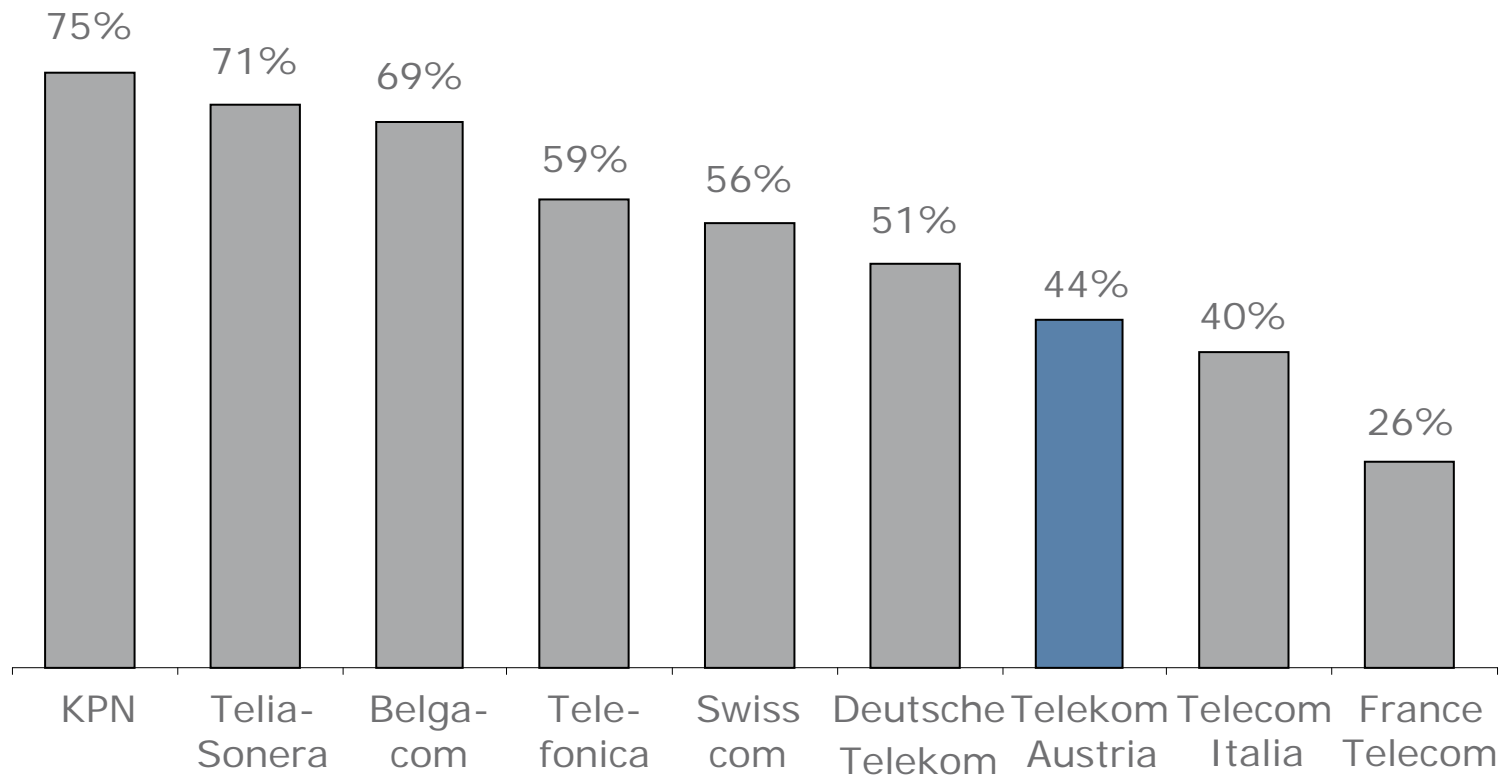


Telekom Austria Distributes a Part of its Cash Flow as Dividends



Free cash flow: cash flow – investments – working capital financing

Dividends Benchmarked Against Other Telcos as % of Free Cash Flow



Source: UBS

Introduction of a Minimum Dividend Floor of 75 Cent Supported by Strong Cash Flow

Dividend policy expanded to 2009 – 2012

- A stable dividend policy is a top priority
- Allows for an adequate return on employed shareholders' capital
- Distribution of 65% of net profit, minimum dividend floor of 75 cent per share

Dividends Provides Adequate Return on Employed Shareholders' Capital

Proposed Dividend

0.75 EUR

Dividend Return

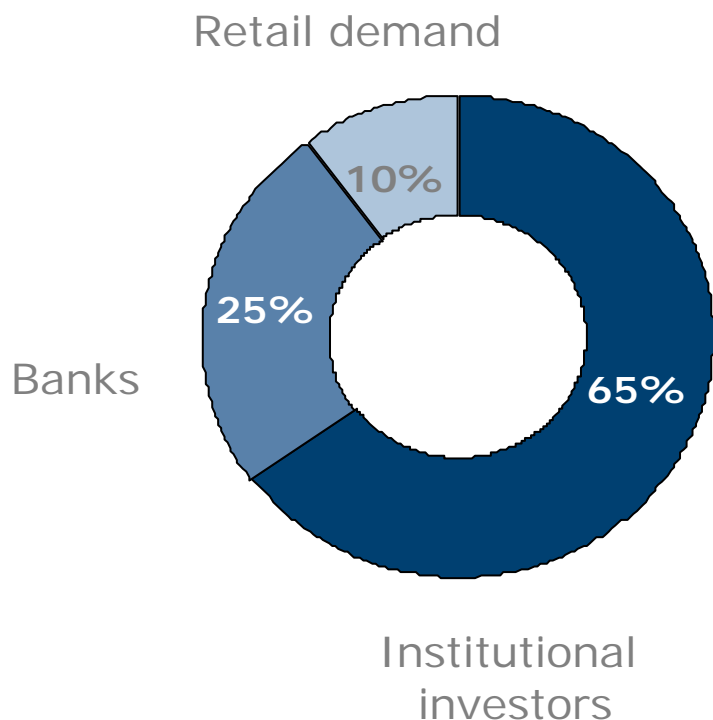
Price as of 31.12.2008 of EUR 10.30

7.3 %

Refinancing Policy and Telekom Austria Share

Successful Placement of a EUR 750 Million Bond in January 2009

Allocation



- EUR 750 million bond with a 7 year maturity and a coupon of 6.375 %
- Order book of EUR 3.3bn
- Solid rating provides access to debt capital markets
- Refinancing for 2009 + 2010 guaranteed

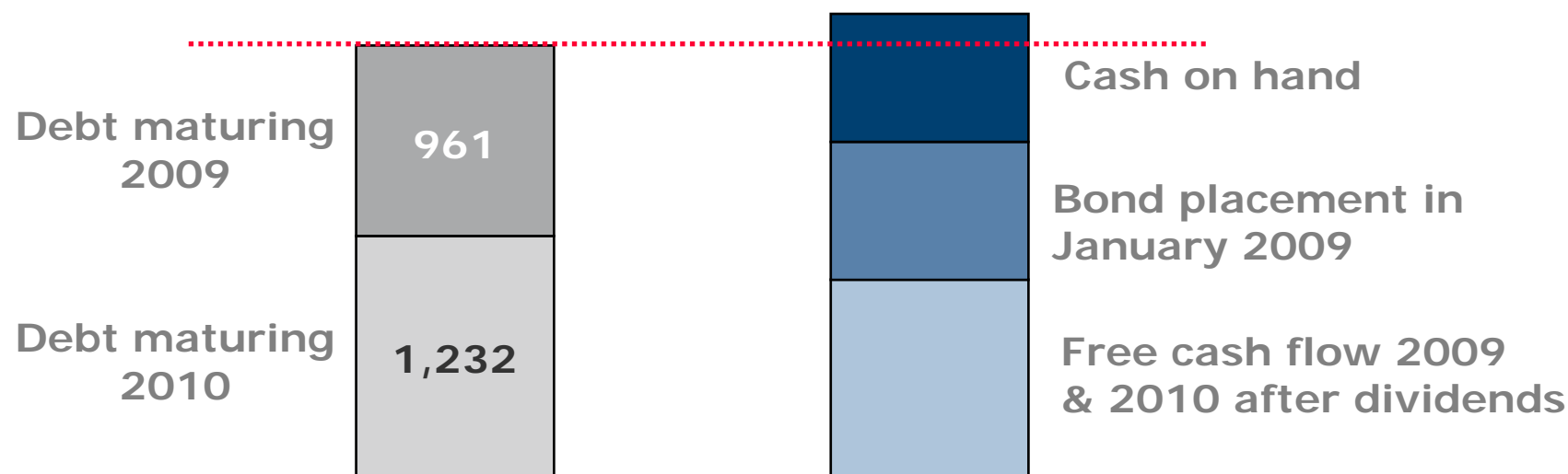
Cash Flow, Cash on Hand and Bond Cover Refinancing for 2009 & 2010

Debt Maturing

(in EUR Mio.)

Sources of Cash

As of 31.12.2008 incl. bond



- Additional EUR 1.2 billion of still available credit lines

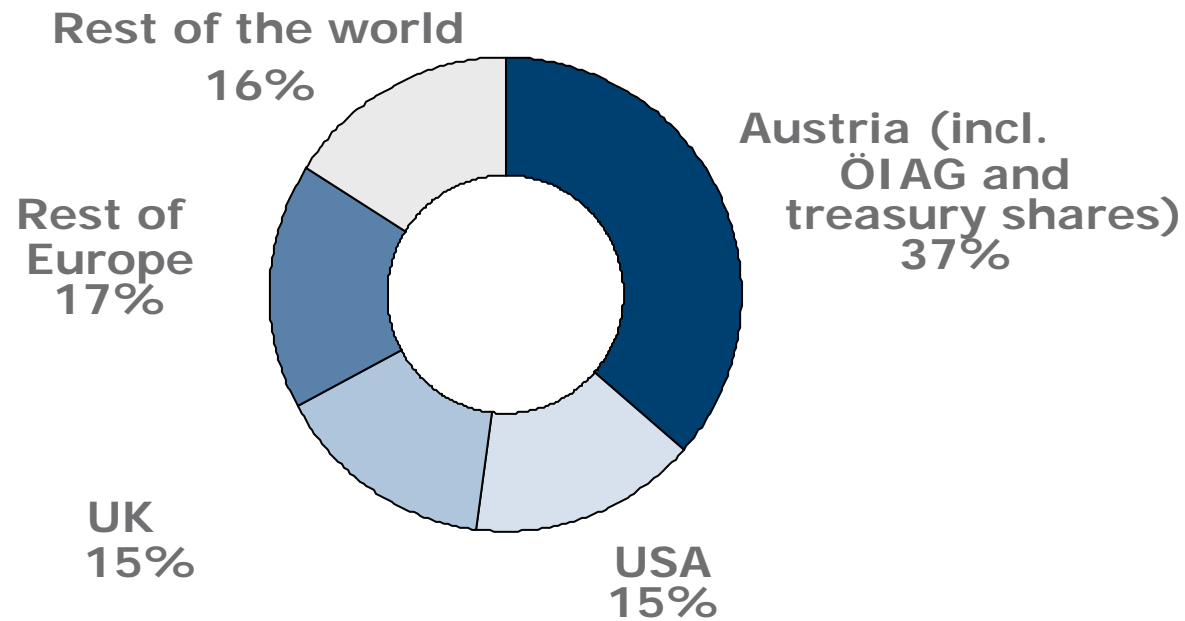
10 Cross Border Lease Transactions Early Terminated

- Due to the financial crisis, US investors are willing to terminate cross border lease transactions early on
- 10 out of 11 Cross Border Lease Transactions of the Telekom Austria Group were early terminated
- These transactions have no impact on results
- Total income resulting from the termination of these transactions amounts to EUR 62 million

Telekom Austria Group Has a Broad Shareholder Structure

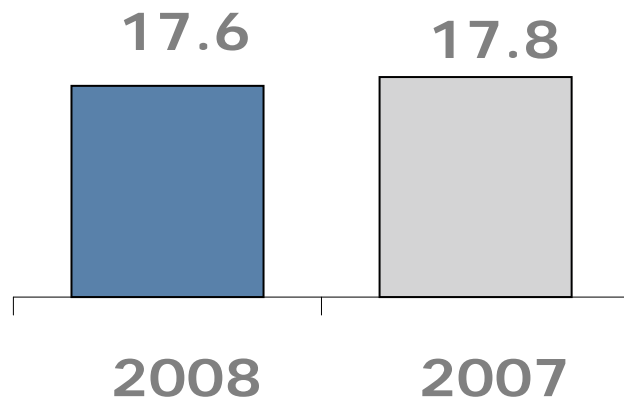
Shareholder Structure by Country

(as of 31.12.2008)

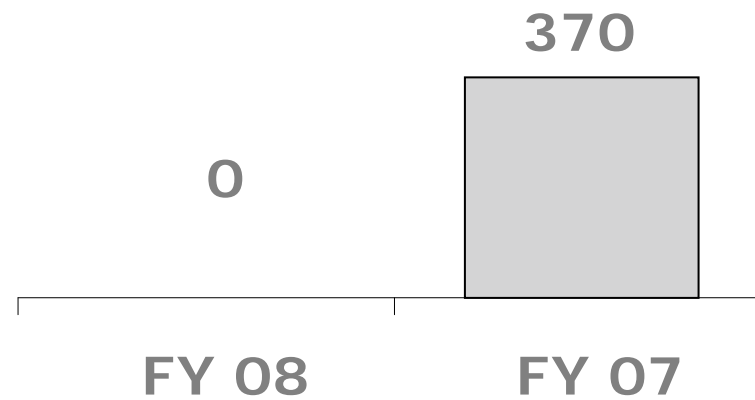


In 2008 Reduction of Net Debt Took Priority Over Share Buyback

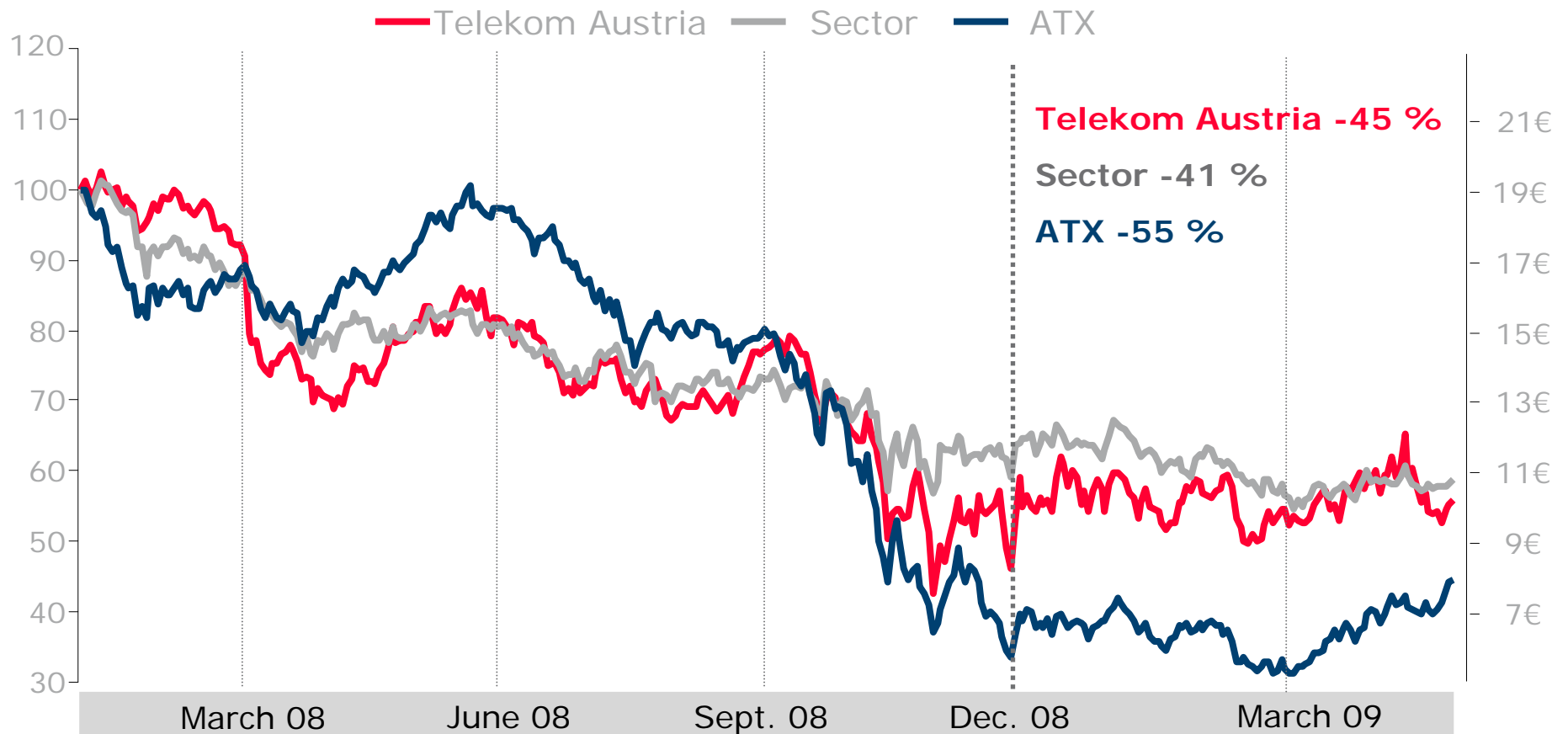
Treasury Shares (in million)



Share Buyback (in EUR million)



Telekom Austria Share Price Dropped by 45%, But Performed Better than ATX



2009

Corporate Governance & Investor Relations

Clear Commitment to the Principles of Corporate Governance

- Effective framework for sustainable and transparent company management
- “True and fair view” and non-discrimination of shareholders
- Compliance with Corporate Governance Code confirmed by KPMG as of 2008

Pro-Active Risk Management as Integral Part Of Good Corporate Governance

- Risks are regularly and systematically identified and assessed
- Risk Management becomes important against the backdrop of a challenging business landscape
- Counter-measures are conceived, implemented and reported on an ongoing basis
- Operative risk management is carried out at local level by the single subsidiaries
- Efficiency of Internal Control System confirmed by KPMG

Pro-Active Investor Relations at Top Level

- Intensive dialogue with investors in 2008
 - 17 road shows world-wide
 - 239 one-on-ones
 - 162 conference calls
 - 44 group presentations



- Award-winning IR work:

- Best IR team in Austria
- Third best IR team within the telco industry
- Best IR website within the telco industry (IR – Global Rankings)
- Annual Report 2007 won numerous awards (1* Award, 2* Gold)



Outlook 2009

Telekom Austria Group 2009 Outlook

Telekom Austria Group 2009*

Revenues slightly weaker than originally expected ~ EUR 5.1 bn

EBITDA ~ EUR 1.9 bn

CAPEX ~ EUR 0.8 bn

Operating Free Cash Flow ~ EUR 1.1 bn

Planned Dividend per Share of at least 75 Cent

*on a constant currency basis

Thanks for your
attention!

