



Telekom Austria Group

Annual General Meeting 2010

Vienna, May 27, 2010

Agenda

- **Agenda Item 1:**

Report of the Management Board on the business year 2009

- **Agenda Item 2:**

Distribution of Net income

- **Agenda Item 3:**

Discharge of the Management Board

- **Agenda Item 4:**

Discharge of the Supervisory Board

- **Agenda Item 5:**

Compensation of the Supervisory Board

Agenda

- **Agenda Item 6:**

Election of auditors of the financial statements and the consolidated financial statements for the fiscal year 2010

- **Agenda Item 7:**

Election of a member of the Supervisory Board

- **Agenda Item 8:**

Management report on share buybacks, number of treasury shares held and use of treasury shares

- **Agenda Item 9:**

Amendment of the Articles of Association, in particular to comply with the Stock Corporation Amendment Act 2009

Agenda Item 1:

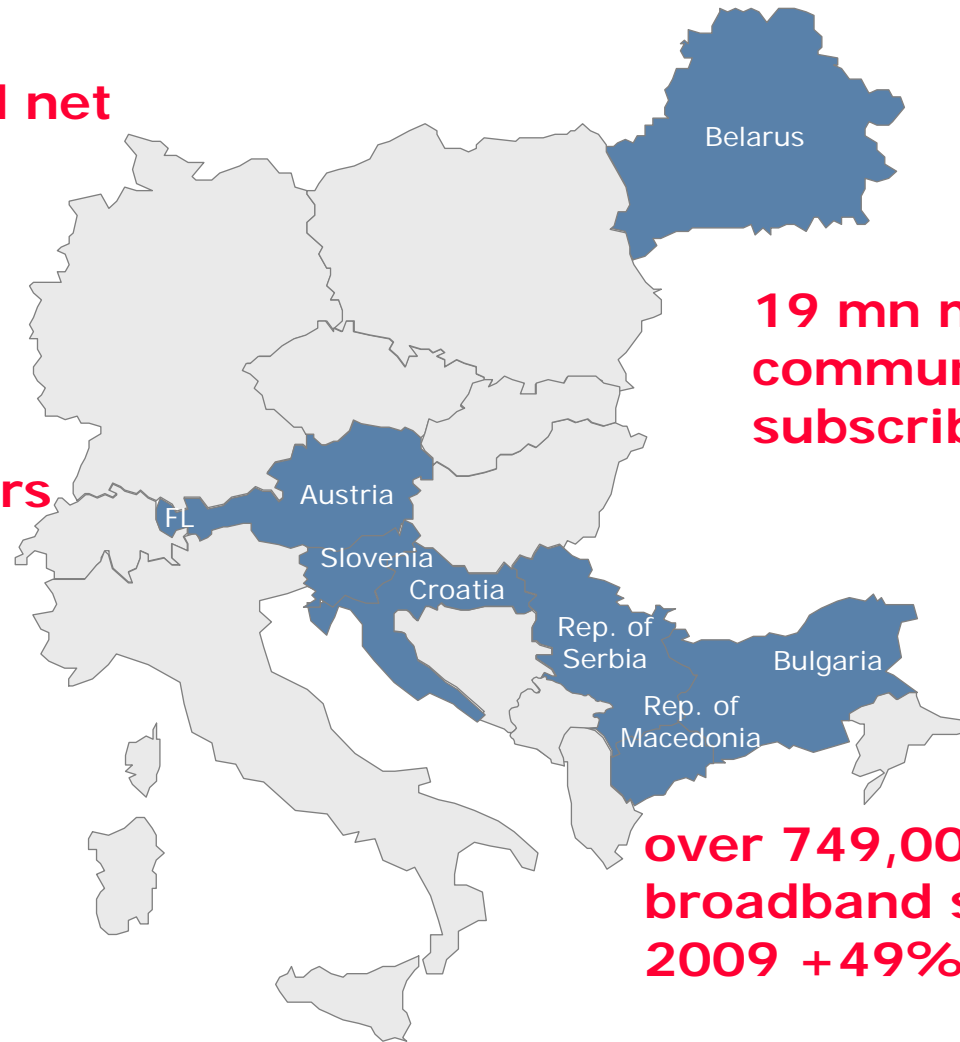
Report of the Management Board on the Business Year 2009

Austria's Leading Telecommunications Company and a Strong Player in Eastern and South-Eastern Europe

over 2 mn fixed net access lines

over 100,000 aonTV customers

1 mn fixed net broadband access lines, 2009 +16%



19 mn mobile communication subscribers, 2009 +6%

over 749,000 mobile broadband subscribers, 2009 +49%

In 2009 We Were Prepared for Anything

- Product bundles enhanced attractiveness and competitiveness of the Fixed Net segment
- Investments in infrastructure roll-out
- Further subscriber growth in Mobile Communication
- Strict cost management in both segments
- Stable dividend policy until 2012
- Challenging market environment with strong competition, challenging economic and regulatory conditions

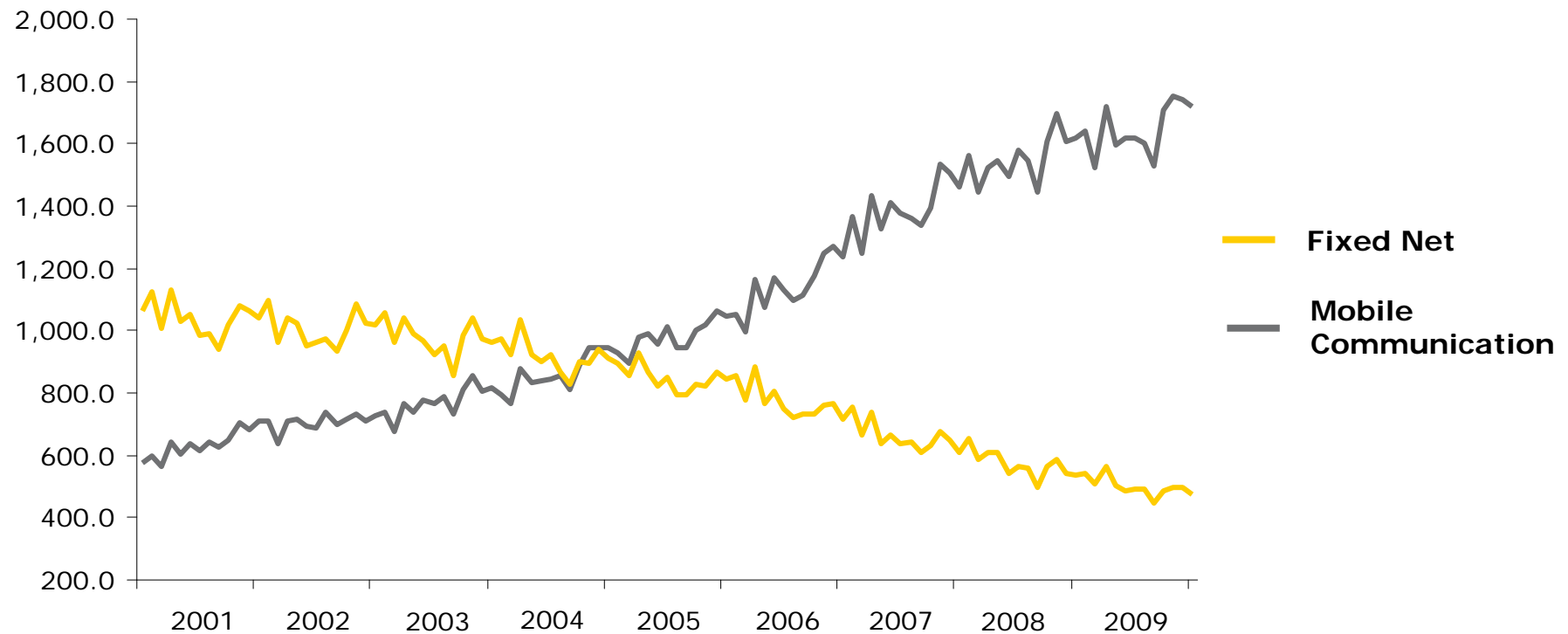


Fixed Net

Continued Fixed-to-Mobile Substitution

Development of Fixed Net Voice Telephony

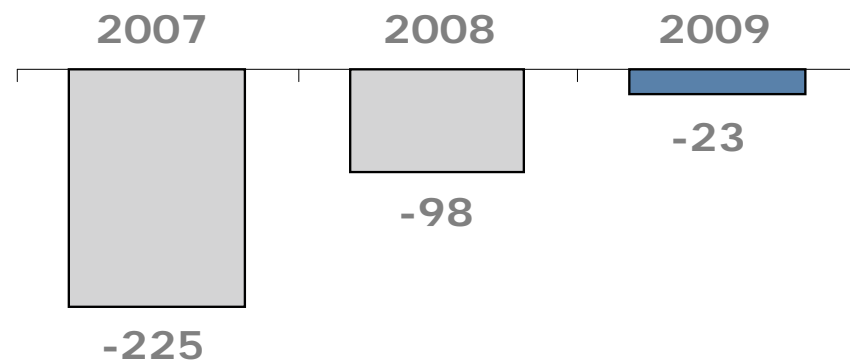
in million of minutes per month



Product Bundles Remain Success Factor for the Fixed Net Segment Since their Launch 2 Years ago

Fixed Net Access Line Loss

(in 000)



- Product bundles safeguard customer base over the long term
- Fixed Net access line loss reduced by 76% to 23,300 lines in 2009
- Stabilization of the customer base
- In Q4 09 access line net additions for the first time in 10 years

Product Bundles from EUR 19.90

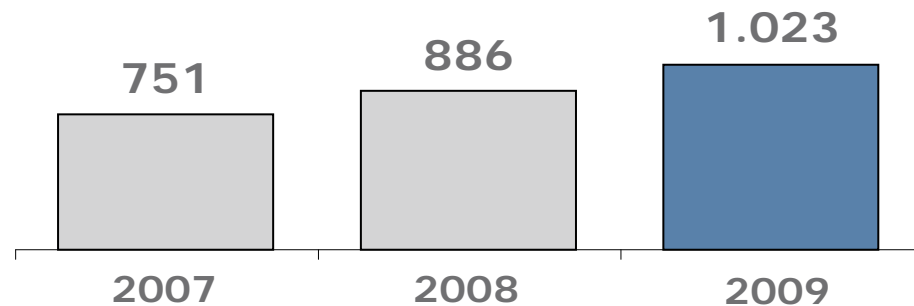


Product Bundles Drive Broadband Customer Growth

Continued Focus on Broadband Ensures Future Success

Broadband Customers

(in 000)



- Fixed net broadband base increased by 16% to over 1 mn broadband lines in 2009
- Broadband market share stable at 30%
- Telekom Austria's GigaNetz enables high-speed Internet surfing with GigaSpeed 16 or GigaSpeed 30

aonBreitbandDuo is the Best Mix of Mobile Communication and Fixed Net

- Austria's Broadband penetration of 91% higher than EU average of 70%
- Fixed net broadband competing against mobile broadband
- Mobile broadband share of 35% in Austria considerably exceeds EU average of 11%

aonBreitbandDuo is fixed net and mobile broadband



Unlimited surfing with

- fixed net transfer speeds
- mobile broadband in Austria's best network

aonTV Media Box Set New Standards for Digital Entertainment in 2009

- aonTV subscriber base increased by 60% to over 100,000 in 2009
- Over 120 TV channels – of which 10 in HD format
- Integrated video library with over 1,000 movies and series



- Electronic program guide as well as interactive information services
- “My Media”: storage of personal photos, music and videos on an online hard disk and usage via the mobile phone

With Aon BusinessKombi Everything from One Source for Business Customers Now

Die BusinessKombi:



ab € 29,-*

Alles aus einer Hand.

Osterreichs bestes Angebot für Unternehmen: die BusinessKombi von Telekom Austria. Damit erhalten kleine und mittlere Unternehmen erstmals unlimitiertes Highspeed-Internet inkl. eigener Domain, Mobiltelefonie mit bis zu fünf SIM-Karten und Festnetz aus einer Hand - Business-Service mit umfassender Betreuung und eigener Business-Service-Line inklusive, JH22 ab nur € 29,- pro Monat.

Infos und Bestellung unter business.telekom.at und 0800 100 800.



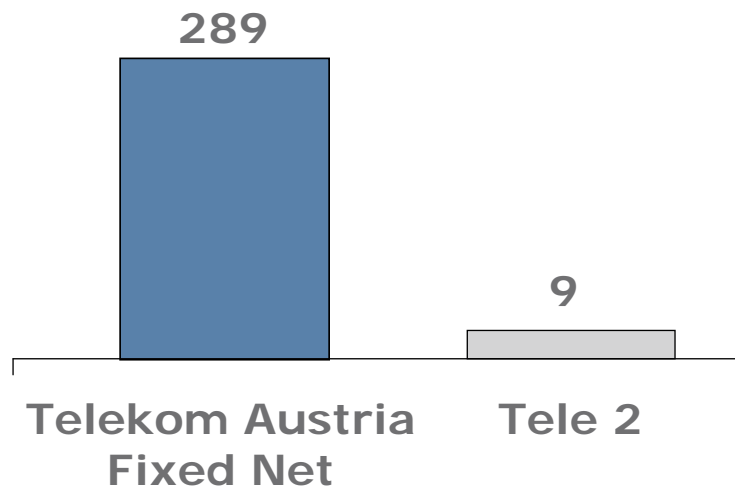
Aon BusinessKombi

- Everything from one source also for SMEs for the first time
- Unlimited high-speed Internet and domain service
- Web space, mail boxes, WLAN router
- Fixed IP addresses, virus and spam filter
- Both Fixed Net and Mobile Communication

Investments in Network Infrastructure Strengthen Austria

Investments 2009

(in EUR million)

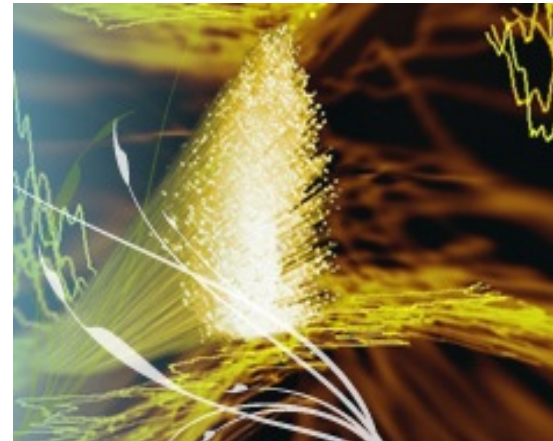


- In 2009 Telekom Austria invested 30 times more than its main competitor
- Focus on unified network architecture based on IP technology and further network expansion
- Investments in Austria's best network



In 2009 approximately 375,000 Households Connected to Telekom Austria's GigaNetz

- High-speed broadband Internet for rural areas
- Data transfer rates of up to 30 Mbps
- GigaSpeed: Additional feature starting from EUR 4.90 per month



Start of Four Fiber Glass Projects in Vienna and Carinthia in 2009











- Pilot projects* in Villach, Klagenfurt and two districts in Vienna
- Goal: To gain experience about roll-out costs and customer acceptance for future product portfolio and pricing structures
- Future: Internet speeds of up to 100 Mbps and innovative web-based services

*Coverage: Villach 100%, Klagenfurt and surroundings 37%,
1150 Vienna 2%, 1190 Vienna 0.5%

Mobile Communication

Mobile Communication Subscriber Base Increases by 6% to 19mn Customers Year-on-Year

	(in 000)	2009	2008	% Change
 Austria		4,834	4,496	8%
 Bulgaria		5,353	5,396	-1%
 Belarus		4,102	3,698	11%
 Croatia		2,603	2,487	5%
 Slovenia		589	571	3%
 Republic of Serbia		1,154	908	27%
 Republic of Macedonia		304	242	26%
 Liechtenstein		6	6	7%
Mobile Communication		18,945	17,803	6%

Mobile Communication Impacted by Challenging Market Environment in 2009

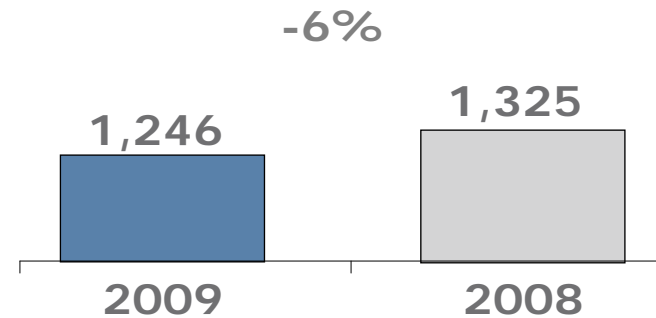
Revenues

(in EUR million)



EBITDA

(in EUR million)

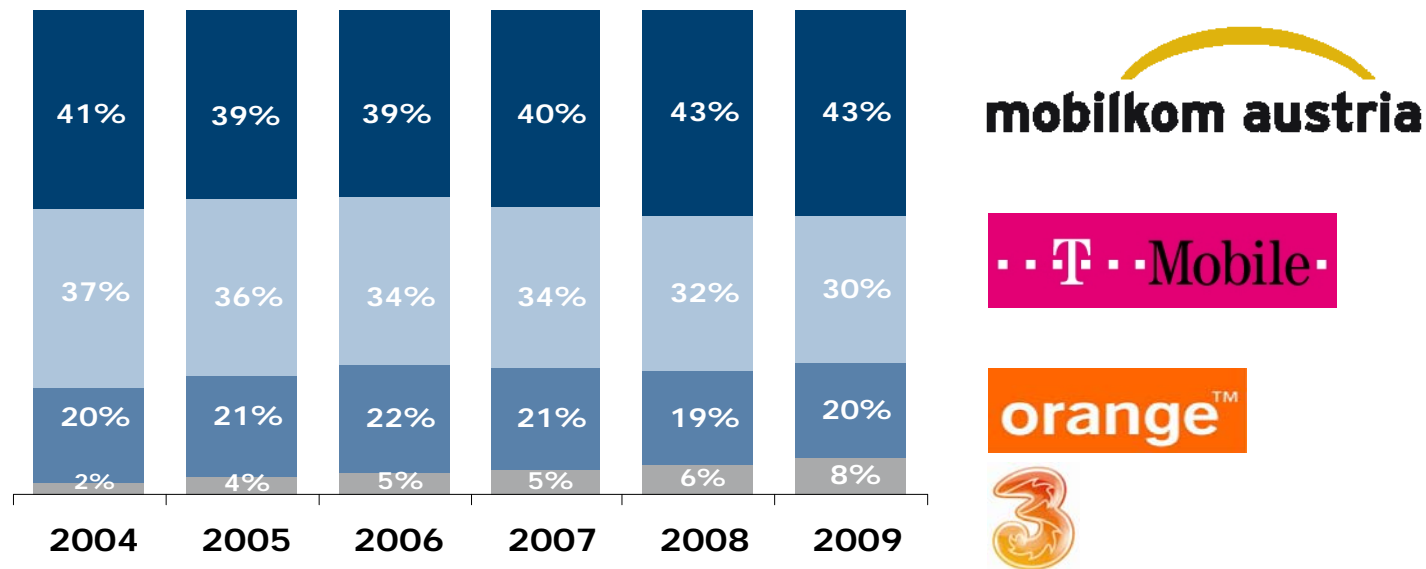


- Regulatory intervention and weak economies impact business development
- Cost cutting mitigates negative effects
- Profitability remains almost stable at 39%

mobilkom austria Defends Market Leadership and Expands Customer Base in 2009

Market Shares

as of December 2009

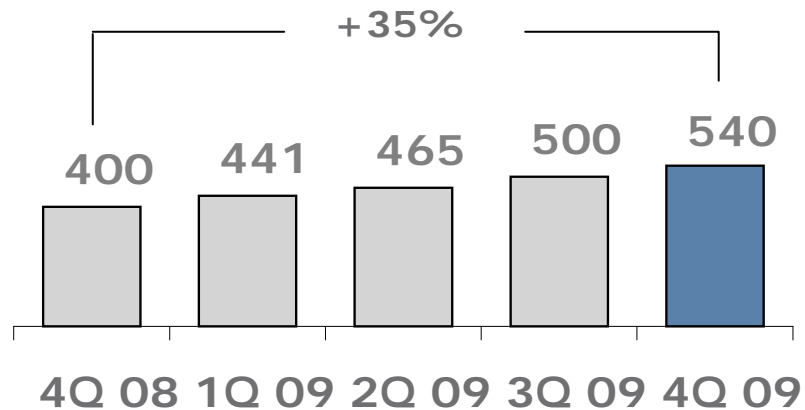


- Leadership position with 43% market share safeguarded
- 338,000 customer net additions in 2009

Mobile Broadband Customer Base Grows by approximately 1/3 in 2009

Mobile Broadband Customers

(in 000)



- Mobile broadband customer base grows by approx. 1/3
- Data revenues as percentage of traffic-related revenues increased from 32% to 37%
- Connect confirms mobilkom austria's network as the best in Austria



Unique Smart Phones and Additional Services Highlight Quality Leadership



HTC Desire und Sony Ericsson X10

- Set new standards
- Smart phones are more than mobile phones

A1 Apps: More than just Telephony

- A1 credit box
- A1 TV player
- A1 Navi
- Mobile parking

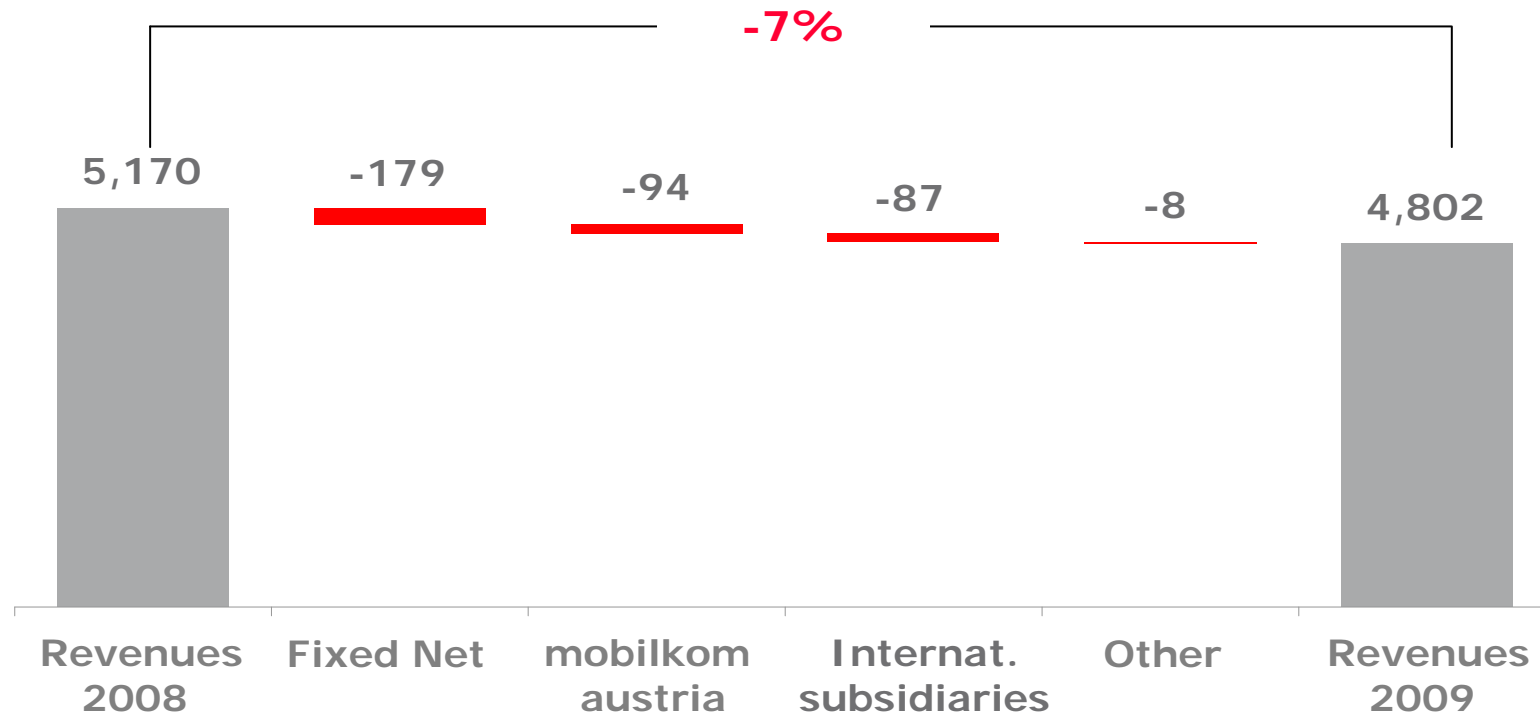


Key Financials Telekom Austria Group

Revenue Development Impacted by Fixed Net, Price Pressure and Currency Translation Effects

Revenues

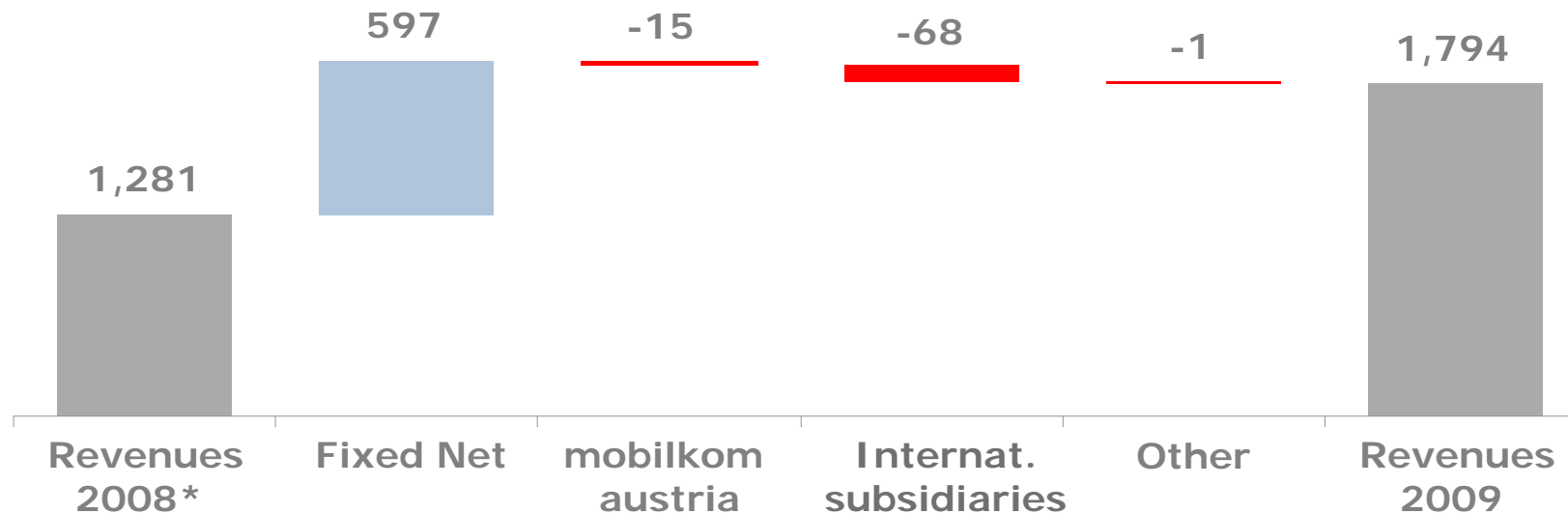
(in EUR million)



Cost Cutting Measures to Counter Revenue Development

EBITDA

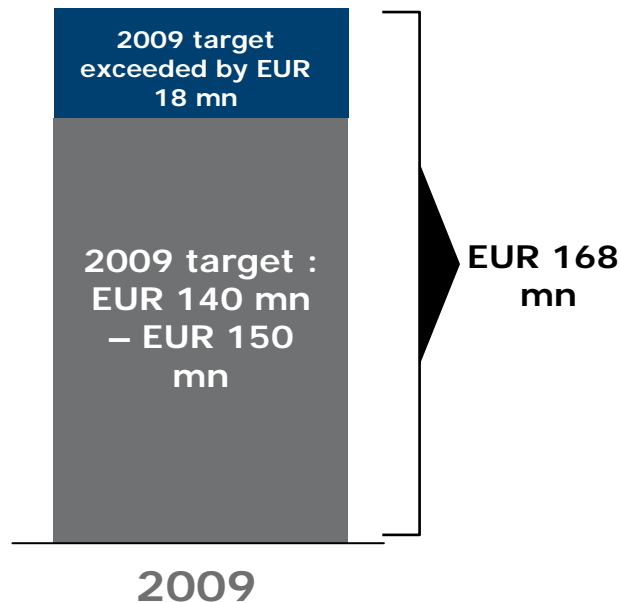
(in EUR million)



* Including provision for restructuring expenses of EUR 632 million

Planned Cost Reductions in Fixed Net Exceeded in 2009

Cost Savings



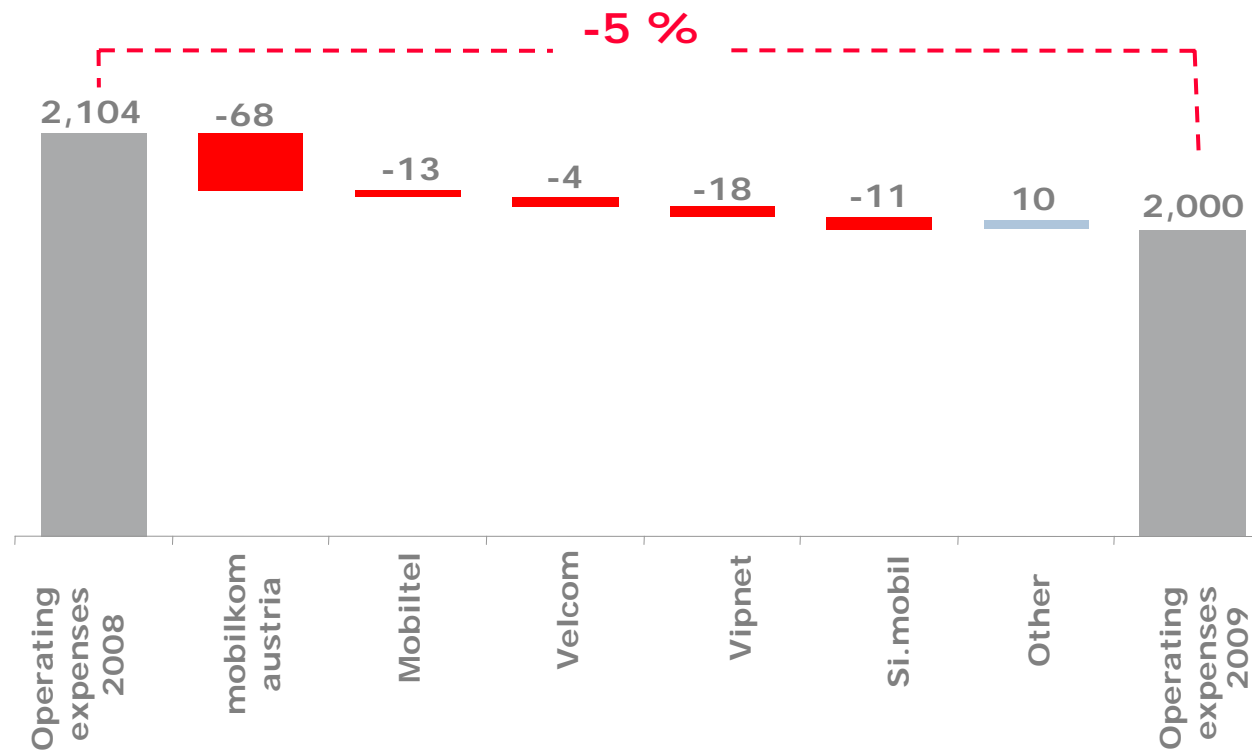
- Start of cost-saving program in 2008 with the aim to cut EUR 150 mn in 2009
- 2009 target exceeded by EUR 18 mn
- In 2008 a total of EUR 46 mn cut
- Telekom Austria saved EUR 168 mn within 2 years

Strict cost management creates scope for investment

Successful Cost Management Reduces Operating Expenses in Mobile Communication

Operating Expenses

(in EUR million)



Net Profit Impacted by Impairment Charges in Belarus and the Republic of Serbia

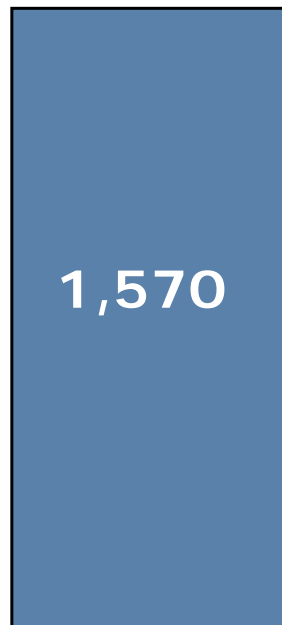
(in EUR million)	2009	2008	% Change
Revenues	4,802	5,170	-7%
EBITDA	1,794	1,281*	40%
Impairment Charges	-350	-	-
Operating Income	344	121*	185%
Net Profit/Loss	95	-49*	-

* incl. restructuring provision of EUR 632mn

Strong Cash Flow Enables Dividend Payment

(in EUR million)

Cash Flow



2009



Distribution



Capex

Deleveraging and Others

Working capital

Dividends

Dividend Provides Adequate Return on Shareholders' Investment

Proposed Dividend

EUR 0.75

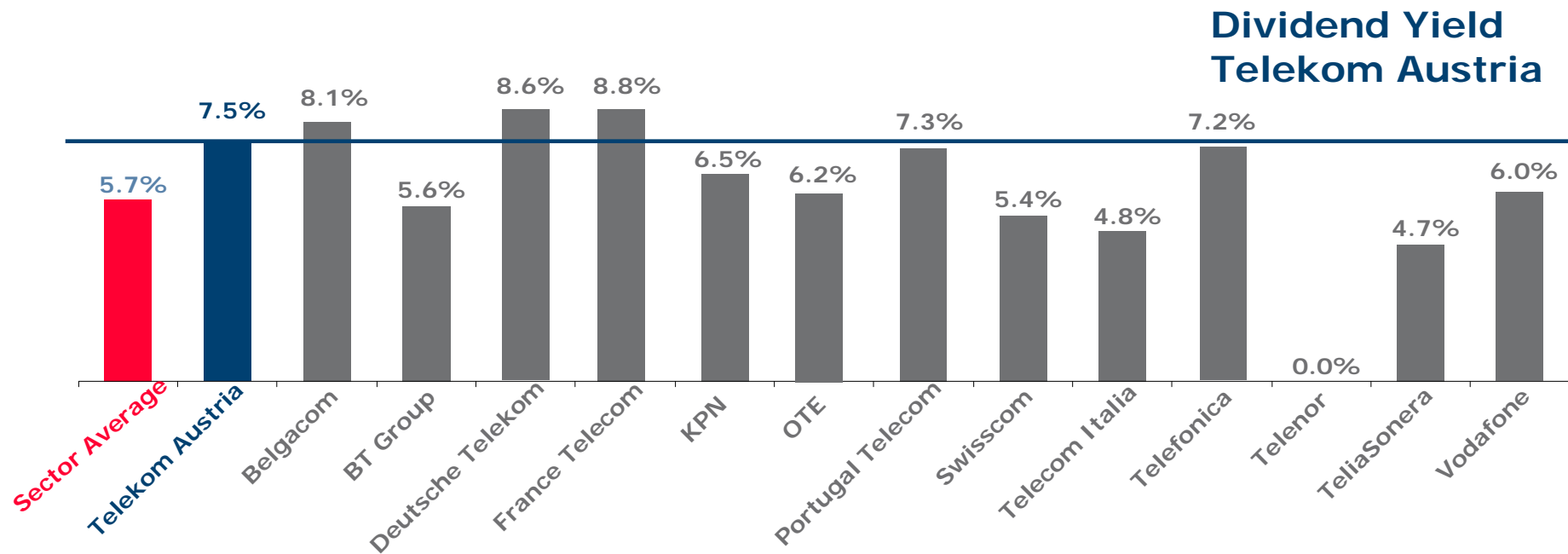
Dividend Yield

Share price as of 31.12.2009 of EUR 9.95

7.5 %

Attractive Dividend Policy with Dividend Yield Above the Sector Average

Dividend Yield 2009



Source: UBS as of May 2010

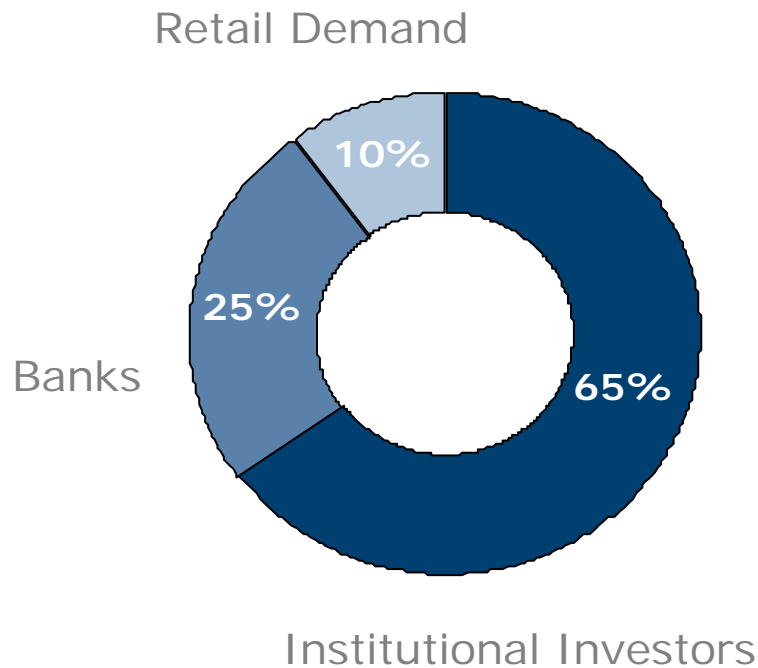
Challenges 2009



Capital Structure and Corporate Governance

Successful Placement of a EUR 750 million Bond in January 2009

Allocation

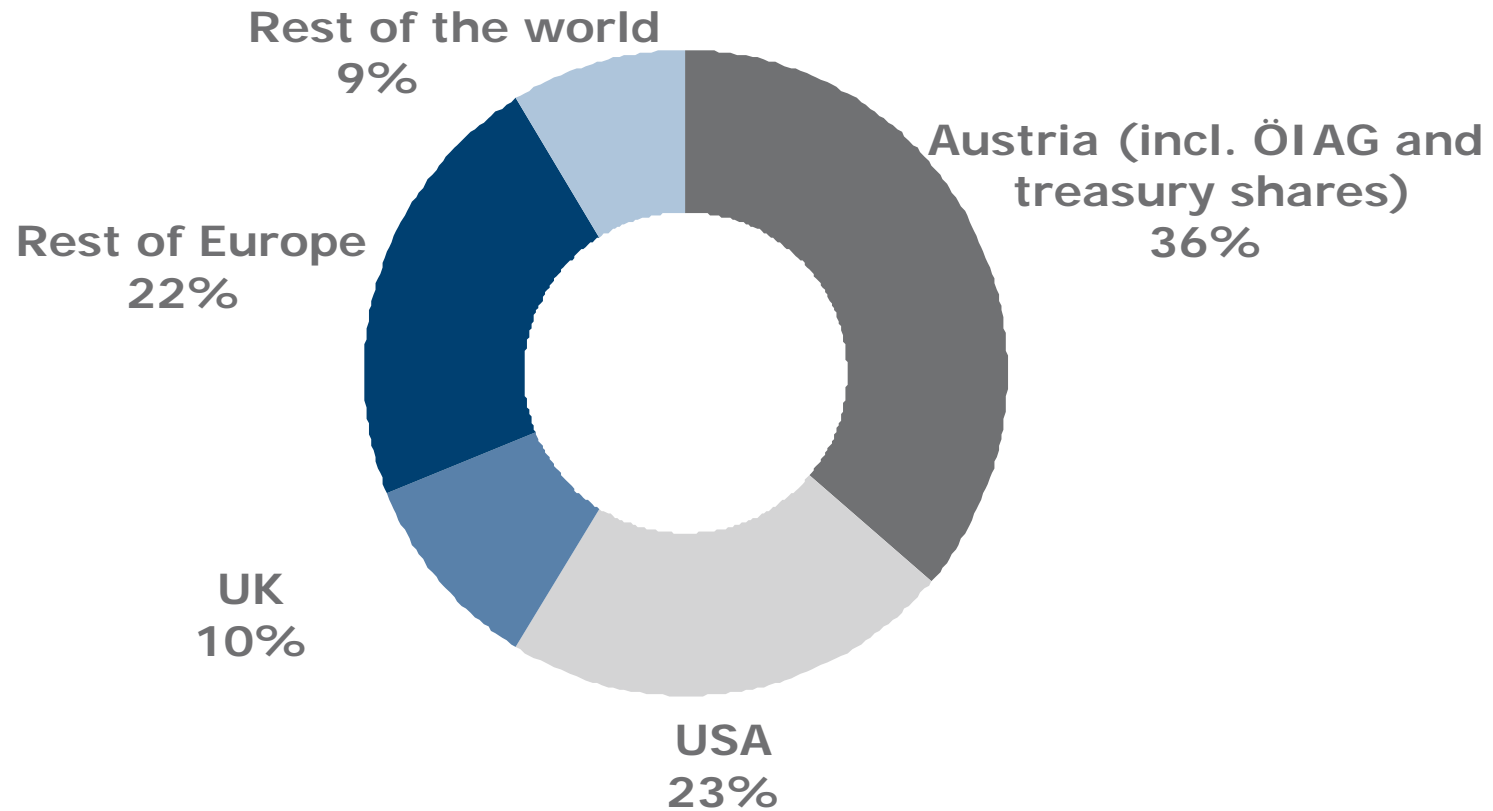


- EUR 750 million bond with maturity of 7 years and coupon of 6.375%
- Order book of EUR 3.3 billion
- Solid rating provide access to debt capital markets
- Refinancing for 2009 and 2010 secured

Telekom Austria AG has a Broad Shareholder Structure

Shareholder Structure by Country

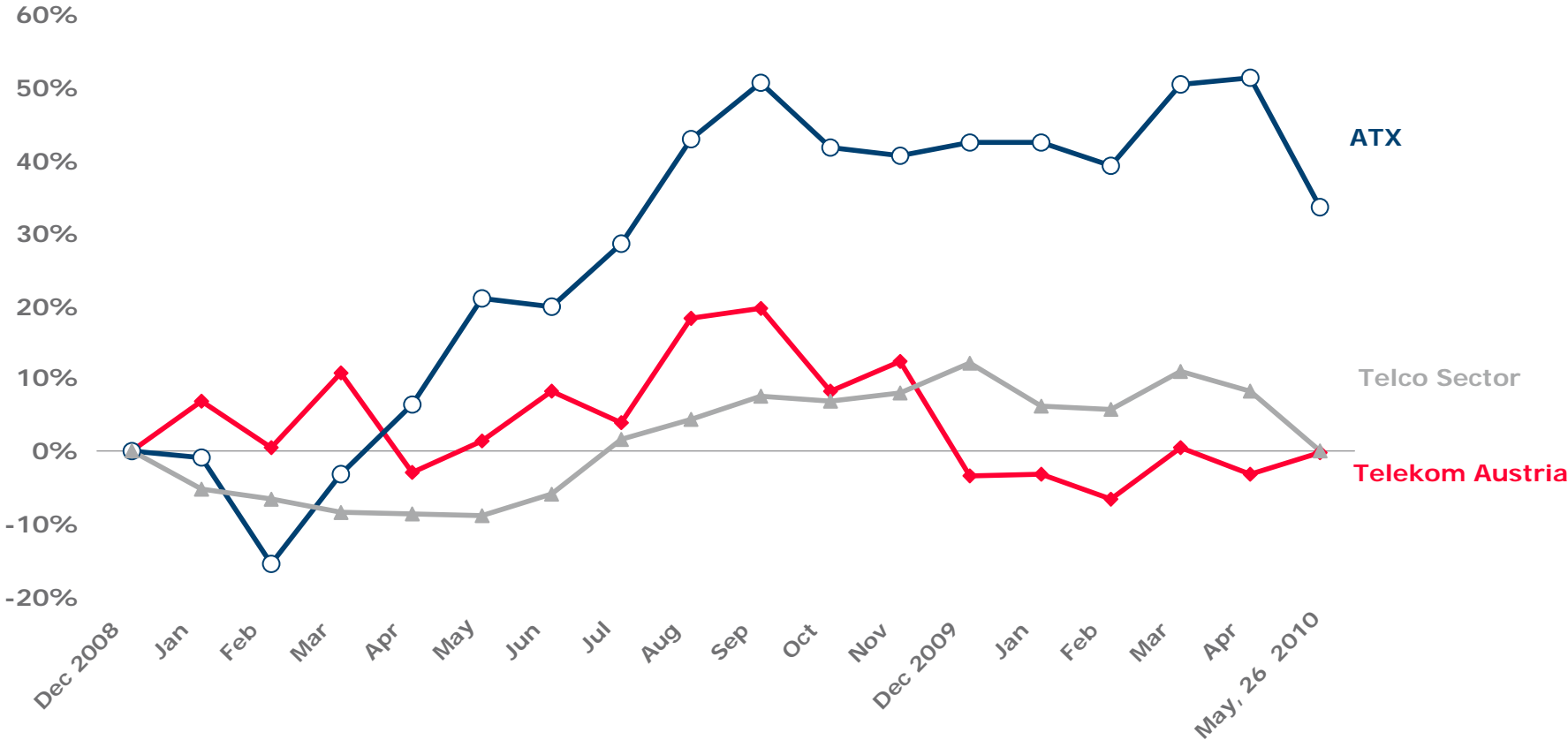
(as of 31.12.2009)



Telekom Austria Share Remains Stable in a Challenging Market Environment

Share price

(since beginning of 2009)

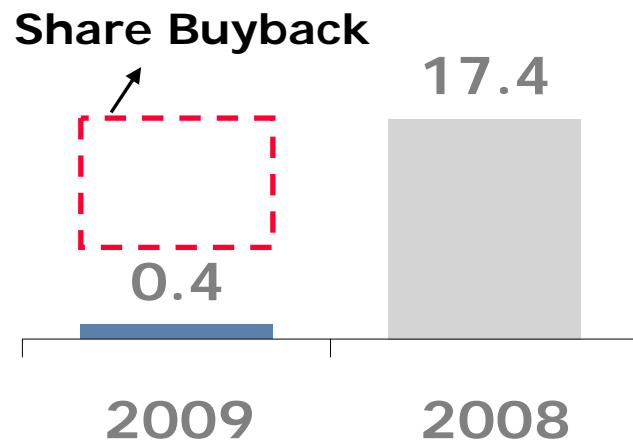


Hauptversammlung 2010

Treasury Shares Reduced by 17 Million Shares

Treasury Shares

(as of end of December, in million)



- Telekom Austria retired 17 million shares in August 2009
- The share capital is now reduced to 443 million shares
- Thus, shareholders own a higher stake in the company

Long-Term Incentive Program for the Management of Telekom Austria Group

- Stock Option Program ESOP expired in 2009 and will be replaced by a LTI program in 2010
- **Long-term** and **value-based** incentives are crucial to excellent Corporate Governance

Requirements for a value-based incentive system

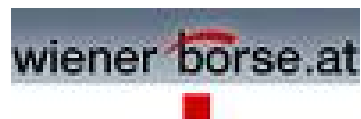
- Long-term view on the company
- Personal investment is required
- In accordance with Corporate Governance Code
- In line with the company's strategy and capital allocation

The New Management Incentive Program Requires Personal Investment in the Company

Program	<ul style="list-style-type: none">▪ Personal investment in Telekom Austria shares is prerequisite for participation▪ No options, performance-related allocation of Telekom Austria shares
Personal Investment	<ul style="list-style-type: none">▪ Management Board: maximum 65% of basic salary▪ Management: maximum 35% of basic salary
Targets	<ul style="list-style-type: none">▪ Free Cashflow, EBITDA & Total Shareholder Return
Duration	<ul style="list-style-type: none">▪ 3 years respectively
Payment	<ul style="list-style-type: none">▪ Payment depends on performance within those 3 years▪ Payment between 0% and 175% of personal investment▪ Shares or cash (Telekom Austria decides)

Numerous Awards for Best-Practice Corporate Governance

- Effective framework for sustainable and transparent company management
- “True and fair view” as well as equal treatment of all shareholders
- Compliance with Corporate Governance Code confirmed by KPM at the beginning of 2008
- Separate disclosure of all Board Management Members’ remuneration in the annual reports
- **Awarded for best-practice corporate governance in Austria in 2009 by IR Global Rankings, World Finance and Vienna Stock Exchange**



Active Risk Management as Integral Part of Excellent Corporate Governance

- Risks are regularly and systematically identified and assessed
- Risk management gains importance against the backdrop of a challenging business environment
- Counter-measures are developed, implemented and reported on an ongoing basis
- Operative risk management is carried out at local subsidiaries
- Efficiency of Internal Control System confirmed by KPMG in 2009

Award-Winning Investor Relations as Core Pillar of Good Corporate Governance

- Dialogue with investors intensified in 2009
 - 16 road shows world-wide
 - 339 one-on-ones
 - 173 conference calls
 - 64 group presentations
 - Capital Market Day in January

HALLVARSSON
et HALVARSSON



- Award-winning IR work:

Institutional Investor

- Best IR team in Austria
- Second best IR website in Austria
- Annual Report 2008 won numerous prizes at the ARC Awards



Outlook 2010

Challenges 2009



New Challenges 2010

- Competition in Austria
- Economic environment in Eastern und South-Eastern Europe
- Integration of Fixed Net and Mobile Communication in Austria
- Increase in efficiency
- Expansion of infrastructure

Outlook Telekom Austria Group 2010

Telekom Austria Group 2010*

Revenues ~ EUR 4.7bn

EBITDA ~ EUR 1.6bn

CAPEX ~ EUR 800mn

Operating Free Cash Flow ~ EUR 800mn

Planned Dividend per Share at least EUR 0.75

*On a constant currency basis and excluding the impact from the merger of domestic operations

Strategy

Telekom Austria Group Trimaran Strategy

Fixed Net

Mobile
Communication

Consolidation in Mobile
Communication

Operational
Excellence

Convergence of Fixed Net and
Mobile Communication

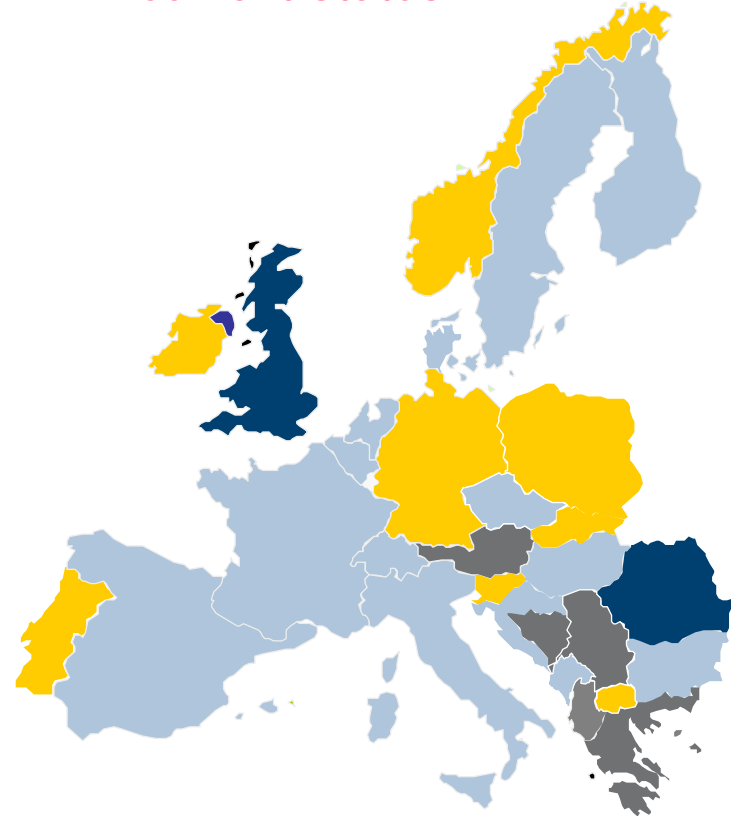
Innovation
Leadership

Trend Towards Convergent Telecommunications Providers in Europe

Status as of 01.01.2006



Current Status



- Separate Fixed Net and Mobile Communication segments
- Integration underway^{1),2)}
- Fixed Net without Mobile Communication
- Integrated Telcos¹⁾

1) TeliaSonera, Magyar Telekom and Telekom Slovenije partly integrated

2) Eircom, TP Poland and Makedonski Telekom are currently evaluating potential integration

Status as of February 2009

Annual General Meeting 2010

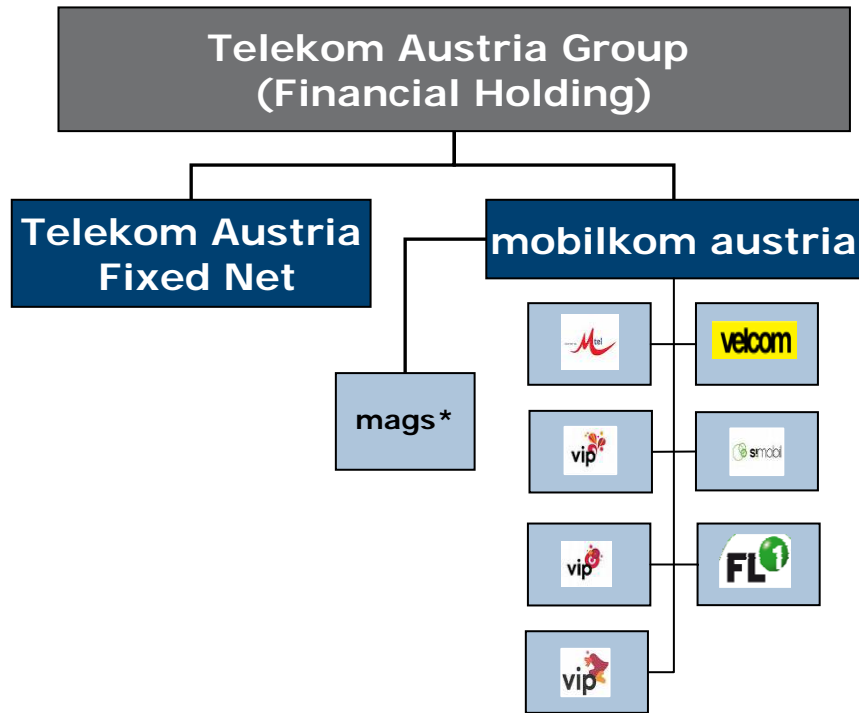
We Offer Customers Everything From One Source: Integration of Fixed Net and Mobile Communication

Safeguarding future success through creation of additional advantages for customer



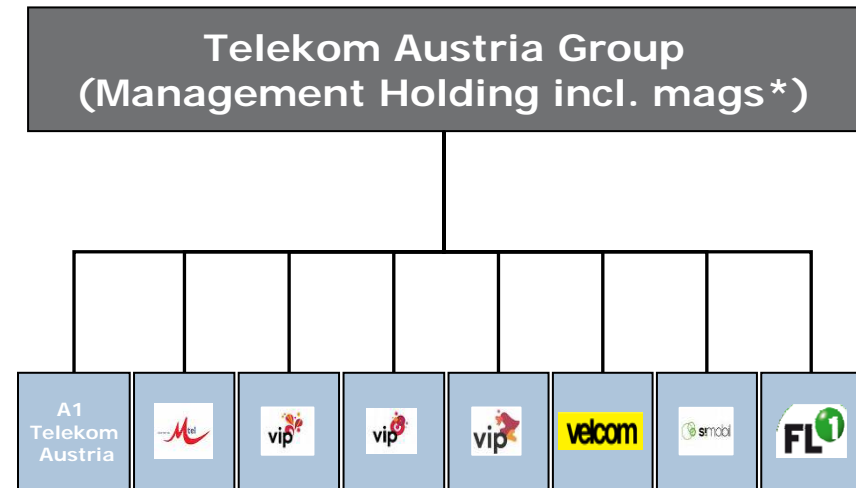
Efficient Group Structure through Integration and Shorter Reporting Lines

Current Group Structure



*mags: mobilkom austria group services GmbH (Service Company)

New Group Structure after Integration

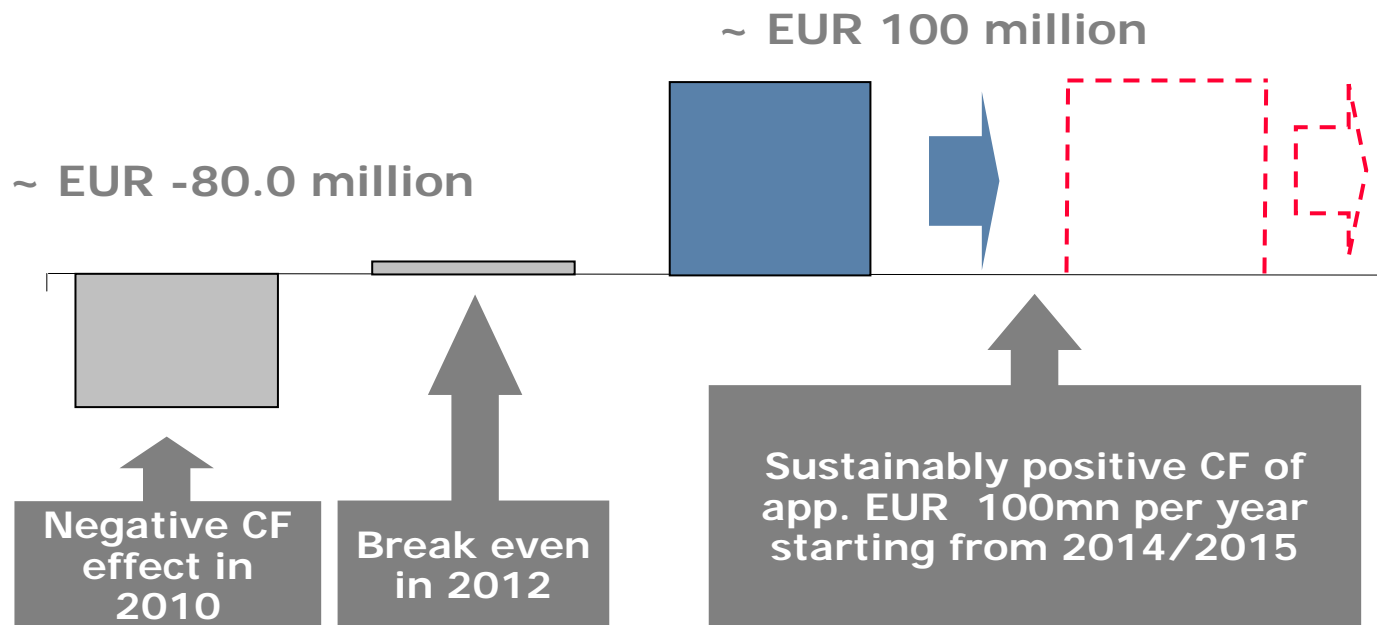


- Integration and implementation of new group structure in 2010

Sustainable Positive Cash Flow Expected

- In 2010 a negative cash flow effect of EUR 80 million is expected, break even anticipated for 2012
- Telekom Austria Group expects a sustainably positive cash flow of approx. EUR 100 million per year starting from 2014/2015

Cash Flow – Negative Effect due to Integration



**Thank you for your
attention!**

