

# Telekom Austria Group Annual General Meeting 2007

Vienna, May 30, 2007



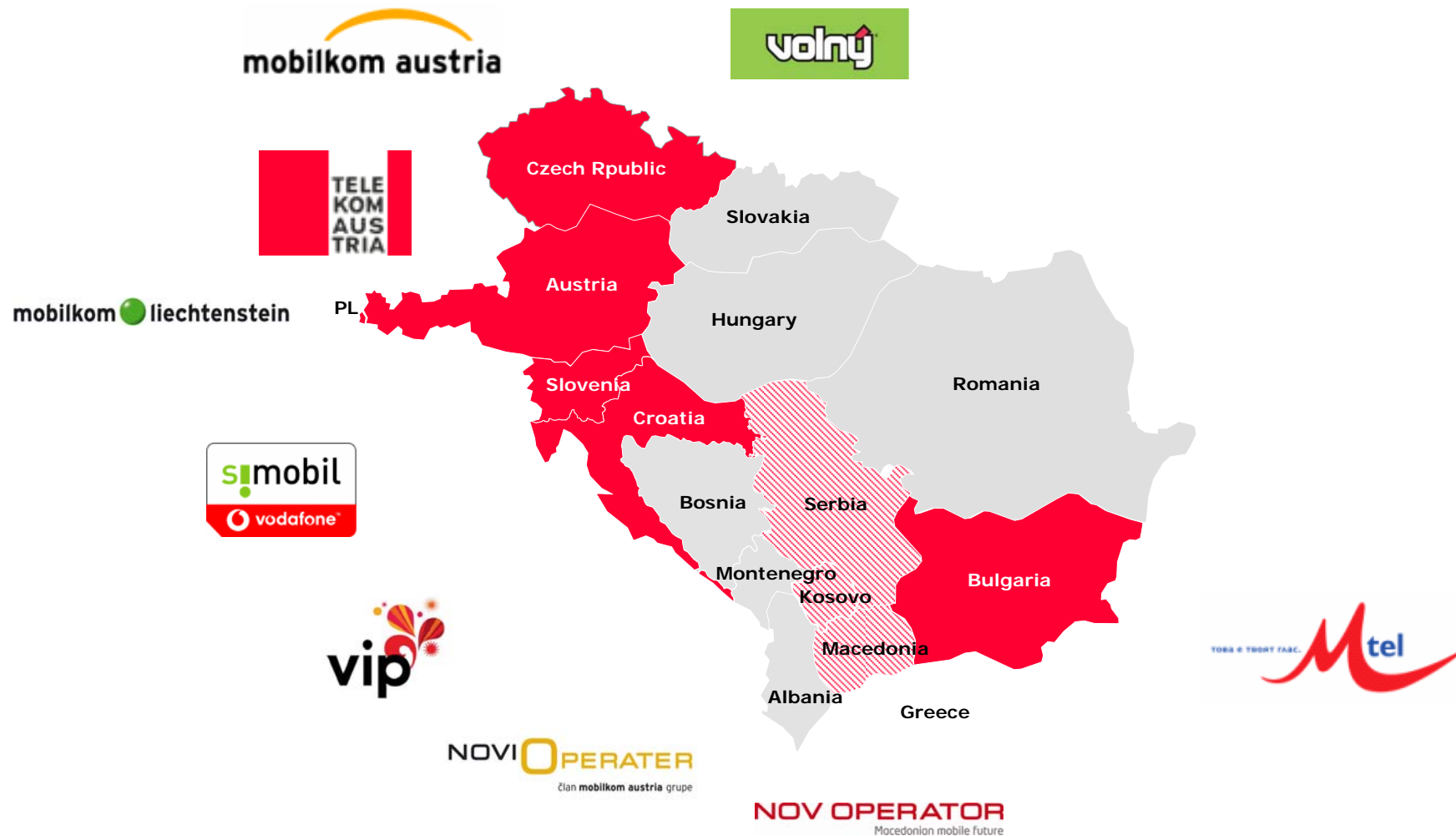
## Agenda Item 1:

Report of the Management Board  
for the Financial Year 2006

## Financial Year 2006: Successful Expansion Yields Fruits

- Revenue growth from international subsidiaries
- Profitability remains on a high level
- Increase in net profit allows for higher dividends
- Mobile Communication customer base rises to over 10 million
- Broadband market share in Fixed Net expanded to 51.2 %

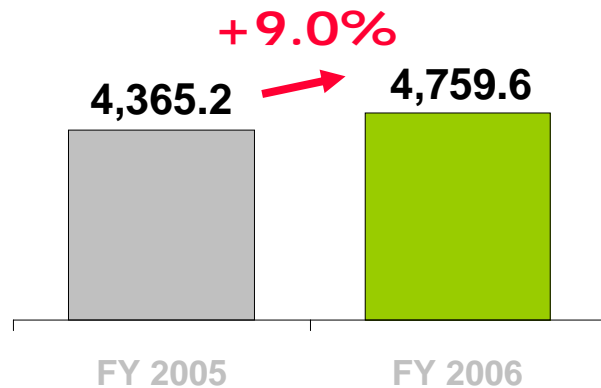
# Expansion: Serbia and Macedonia Further Expand Footprint in Southeast Europe



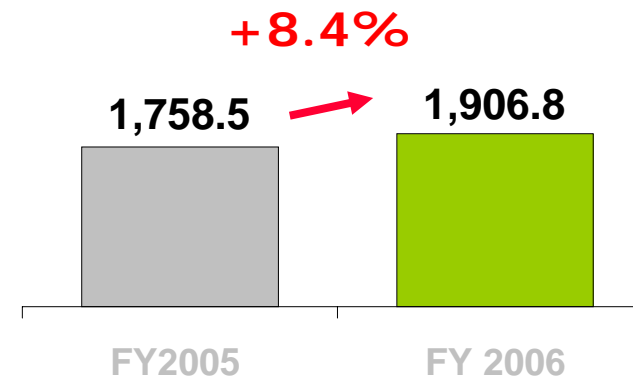
# Results 2006: Growth of Key Financials

(in EUR million)

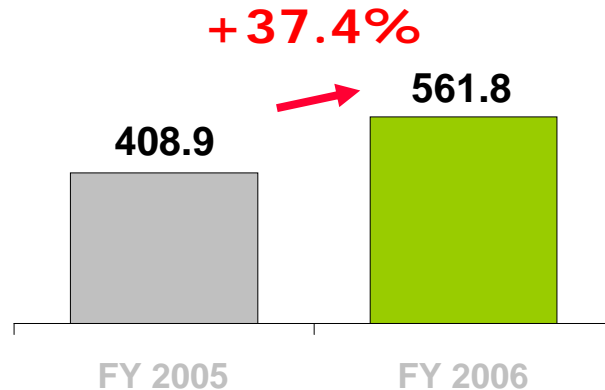
## Revenues



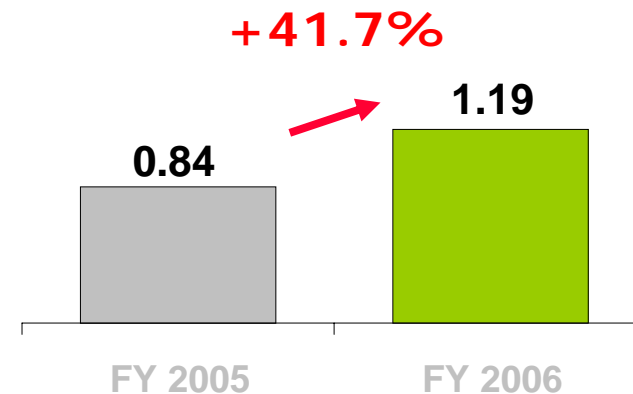
## EBITDA



## Net Profit



## Earnings per Share in EUR



## Market 2006: Challenging Environment due to Competition

- Intensive competition in all markets impacts business development
- Mobile communication is the main competitor of fixed line
- Austrian communication market characterised by high concentration of providers
- International mobile communication markets allow for growth

# Fixed Net

## Fixed Net: Broadband Provides the Basis for Change

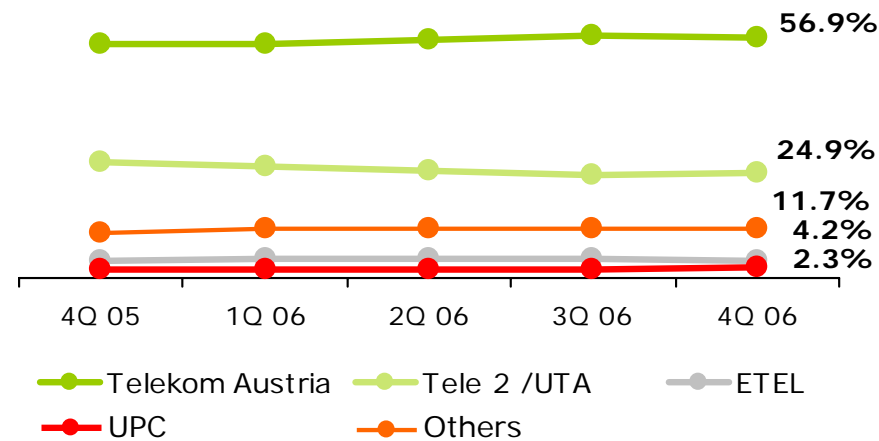
- Fixed line business is undergoing transformation
- Decline in voice telephony – substitution by mobile communication
- Only 1/3 of all voice minutes in Austria are fixed line
- Real broadband registers strong growth
- Broadband and wholesale business compensate for decline in voice revenues



# Voice Telephony: Increase in Market Share While Total Market Declines

## Market Share in Minutes

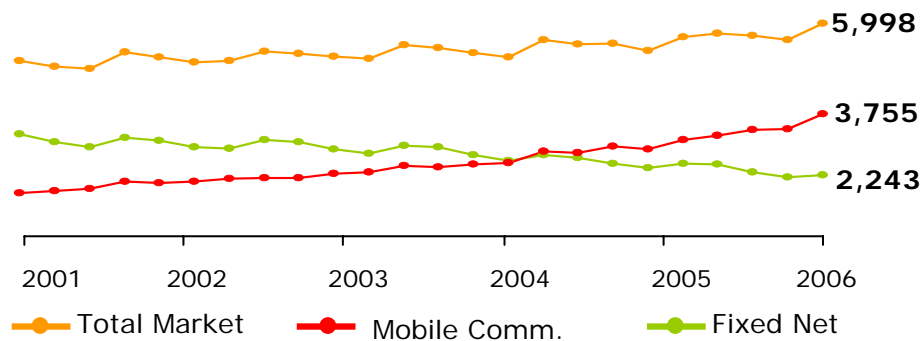
(Telekom Austria estimates)



- Telecommunication market grows by 12.3%
- Fixed line market declines by 18.7%
- Focus on customer retention
- Telekom Austria increases market share to 56.9%

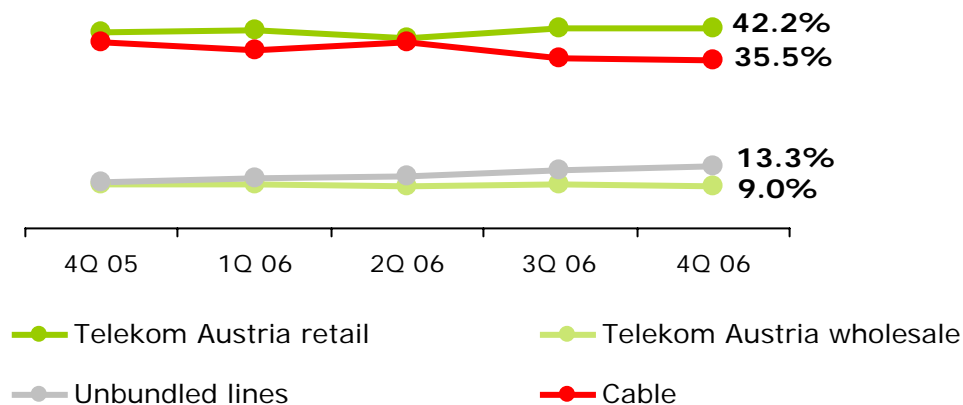
## Total Market in Minutes

(in million)



# Broadband Market: Market Share Increased to 51%

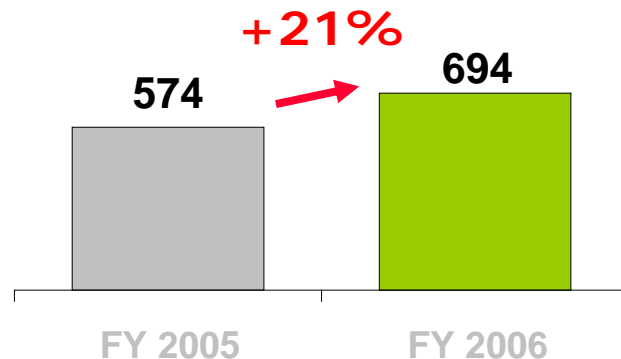
## Broadband Market Share



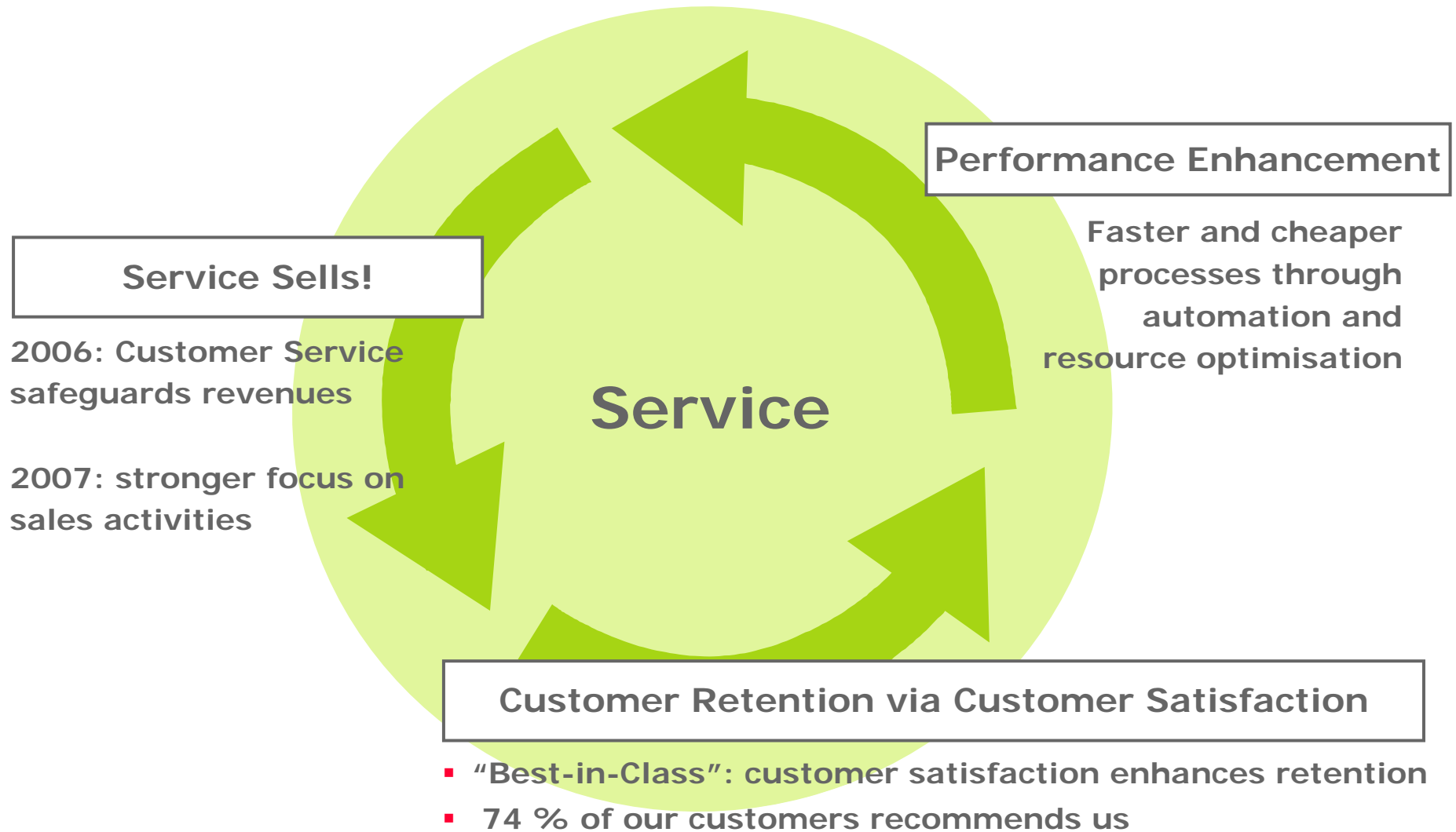
- Market share grows to 51.2 %
- Real broadband with high-value product portfolio
- ADSL lines increase by 21%
- Broadband penetration increases from 35.0% to 40.5%

## Increase in ADSL lines

(in 000)



# Service Leadership: Active Contribution to Customer Retention



# Safeguarding Access Lines: Fixed Net More Attractive through Innovative Products

## Subsidized Terminals

### Differentiation



EDV – Bonus Packages  
Applications Telephony



Broadband Market



Voice Telephony

### New Business Areas



aonDigital TV



aonAlarm Services

### Product Launch



Aon Speed

Broadband for Business

### Customer Retention



Loyalty Bonus

# aonDigital TV: The Better Cable TV

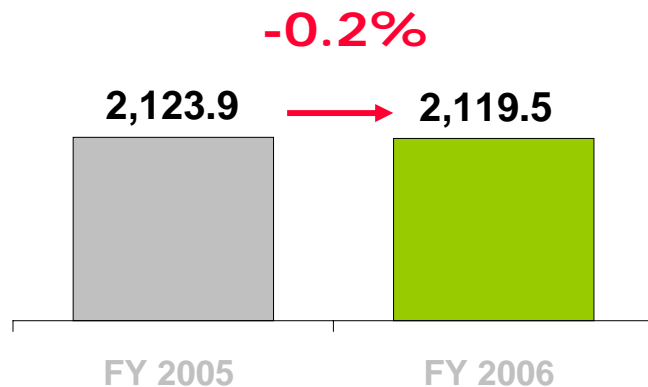


- aonDigital TV currently offers 44 standard channels and 10 premium channels
- Information about horoscope, weather and news on demand
- Video on demand
- Thanks to set top box no satellite receiver or digital box are required
- Basis package at € 19.90 per month
- Premium package at € 7.90 per month

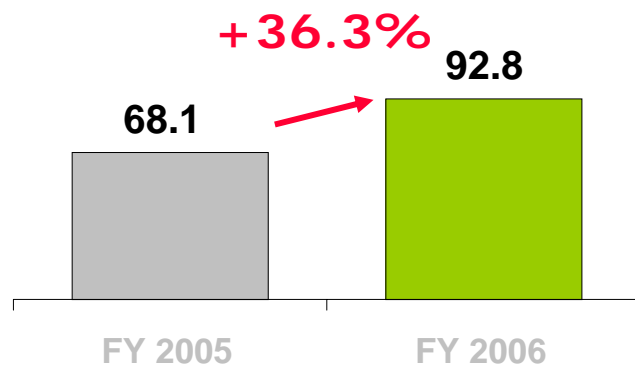
# Results 2006: Stable Revenues and Increase in Operating Income

(in EUR million)

## Revenues



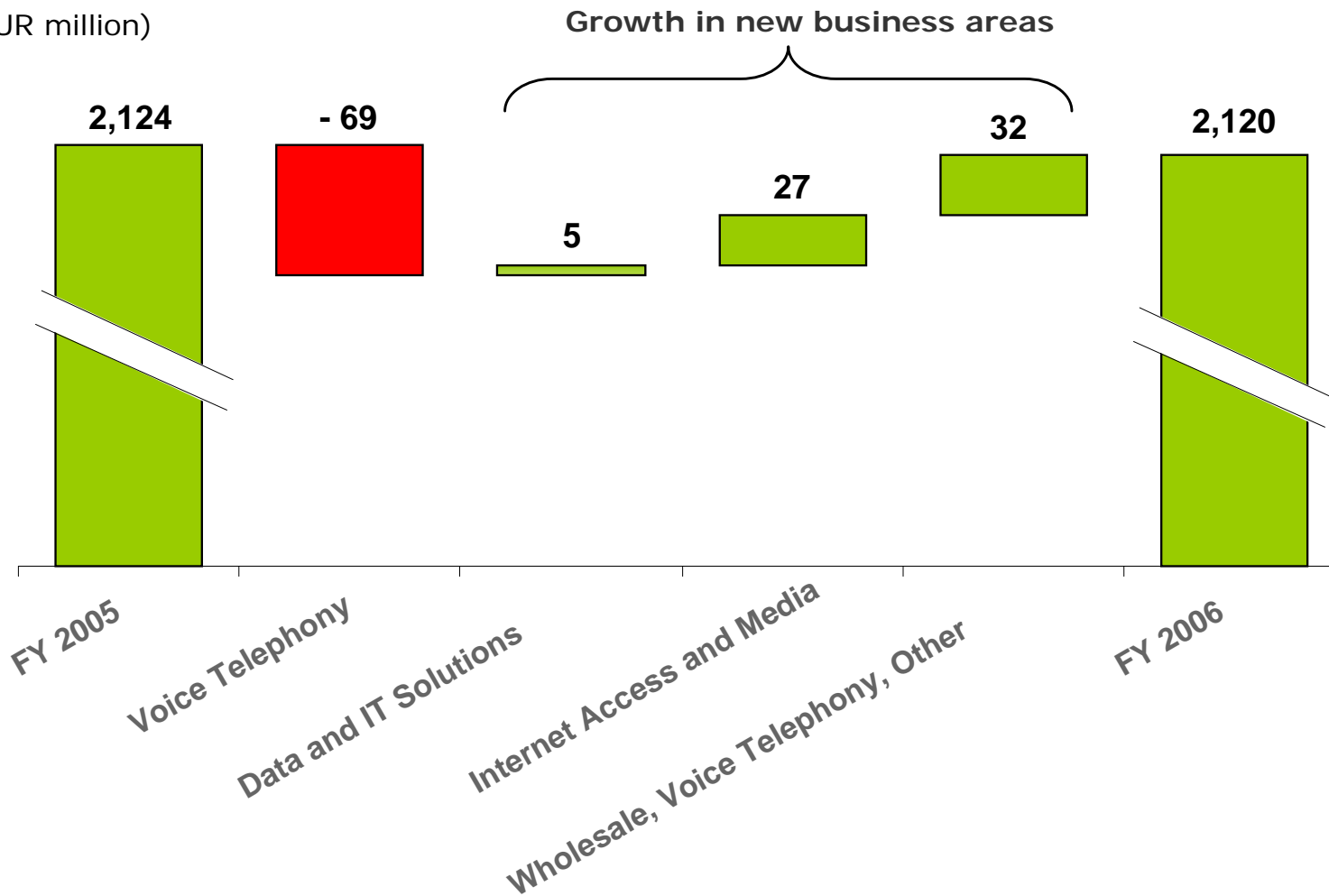
## Operating Income



- Broadband and wholesale business compensate for decline in voice revenues
- Reduction of asset base
- Significant increase in operating income through lower amortisation and depreciation charges

# Fixed Net Revenues: Innovative Products Counteract Decline in Voice Telephony

(in EUR million)



# Mobile Communication



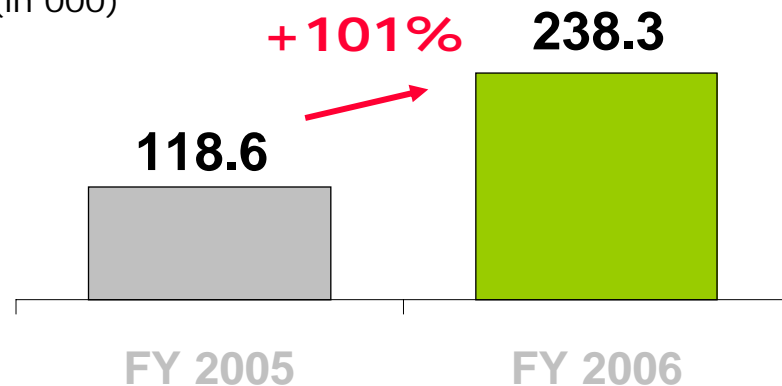
# Mobile Communication: Profitable Growth through Expansion

- Austrian market is characterised by strong competition and regulatory intervention
- Mobile data business delivers attractive growth potential
- Expansion to East and Southeast Europe is a growth driver
- Financial discipline and value-oriented expansion continued in 2006

# mobilkom austria: Strong Subscriber Growth and Rising Revenues

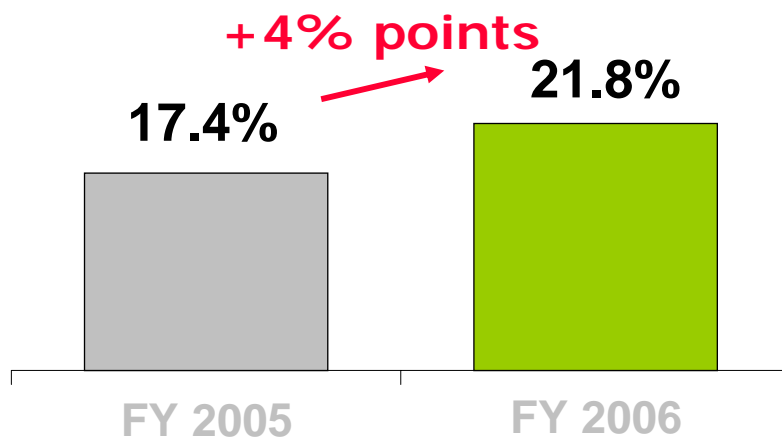
## Customer Net Adds

(in 000)



## Data Share

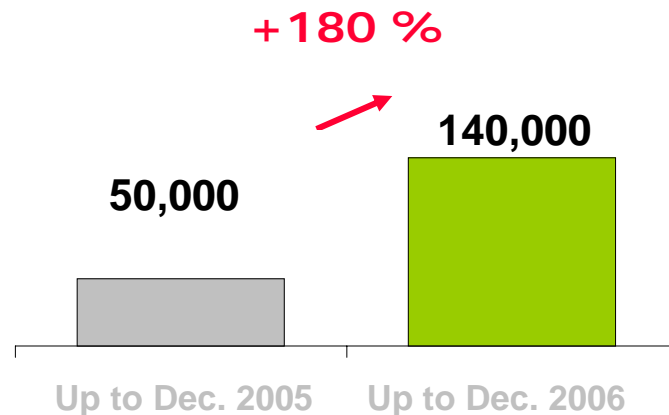
(in % of traffic-related revenues)



- Strong customer net adds
- Gap to the main competitor expanded
- Mobile broadband delivers growth
- Increase in the data share of traffic-related revenues

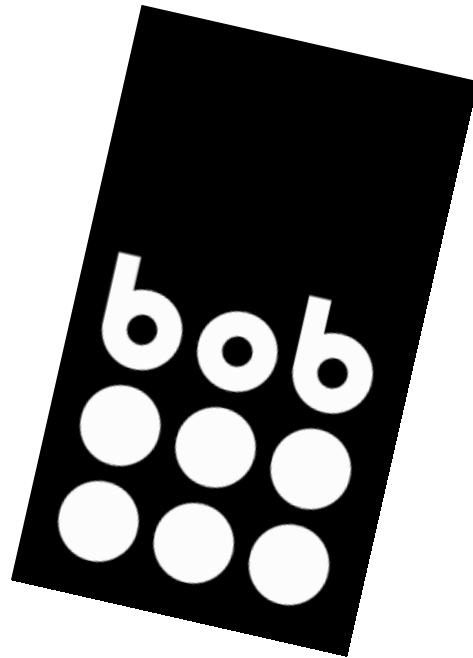
# Data Products: 140,000 Data Cards and USB Modems Sold in Austria

## Mobile Data Cards



- Mobile data business counteracts declining voice prices
- Mobile data business creates new revenue sources and stimulate customer growth
- 3G services introduced in all big markets
- HSDPA 7.2 data turbo available in Austria, Croatia and Bulgaria

# “No-Frills Brand”: mobilkom austria Successfully Positions “bob”








- Growing discount segment in Austria
- Successful positioning of the no-frills brand “bob”
- “bob” two-brand strategy enables growth and protects the established A1 brand
- “bob” successfully contributes to customer growth

# International Markets: Good Positioning in Southeast Europe

## Customer Numbers

(in 000)

	2006
	3,630.5
	4,267.9
	1,912.3
	420.9
	4.8
<b>Total</b>	<b>10,236.4</b>

- Clear brand positioning in all countries
- Strong customer growth despite high penetration rates
- Good development of international subsidiaries
- Data services show growth potential

# International Markets: Expansion in East and Southeast Europe Pillar of our Strategy

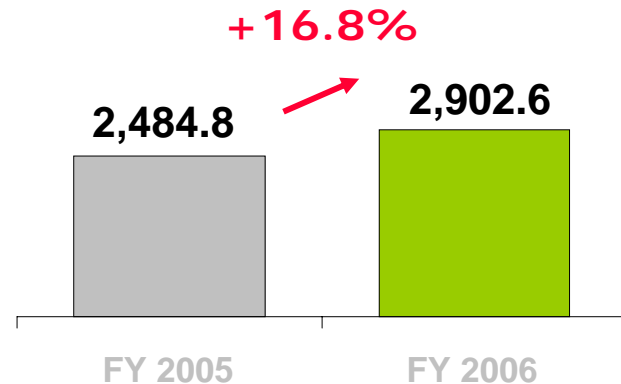


- Expansion in countries with lower penetration creates growth potential
- Foundation for expansion in Serbia & Macedonia laid down
- Withdrawal from Mobi63 auction safeguards value creation

# Results 2006: Significant Increase in Results in Mobile Communication

## Revenues

(EUR million)

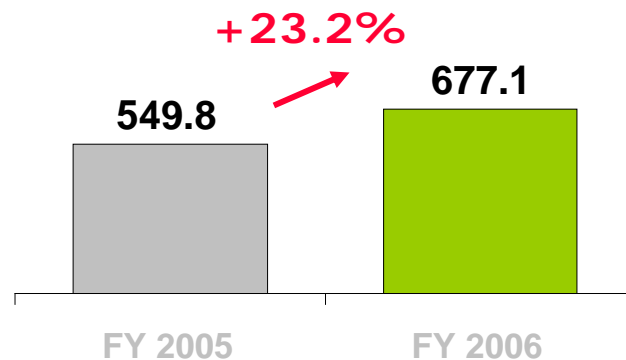


- Increase in total customer base by 14.2 % to roughly 10.2 million customers

- Revenue growth driven by international subsidiaries

## Operating Income

(EUR million)



- Increase in operating income by 23.2 %

# Financials



# Results 2006: Growth Trend Continued

## Revenues

2006: **EUR 4,759.6 million**

(2005: EUR 4,365.2 million +9.0 %)

## EBITDA

2006: **EUR 1,906.8 million**

(2005: EUR 1,758.5 million +8.4 %)

## Net Profit

2006: **EUR 561.8 million**

(2005: EUR 408.9 million +37.4 %)

## Earnings per Share

2006: **EUR 1.19**

(2005: EUR 0.84 + 41.7 %)

# Profit & Loss: Sustained High Profitability

(in EUR million)	FY 06	FY 05	%
Revenues	4,759.6	4,365.2	+9%
Adjusted EBITDA	1,906.8	1,758.5	+8%
Operating income	772.4	619.7	+25%
Financial result	-114.5	-106.5	+8%
Income taxes	-96.1	-104.3	-8%
Net profit	561.8	408.9	+37%

## Balance Sheet: Reduction of Asset Base

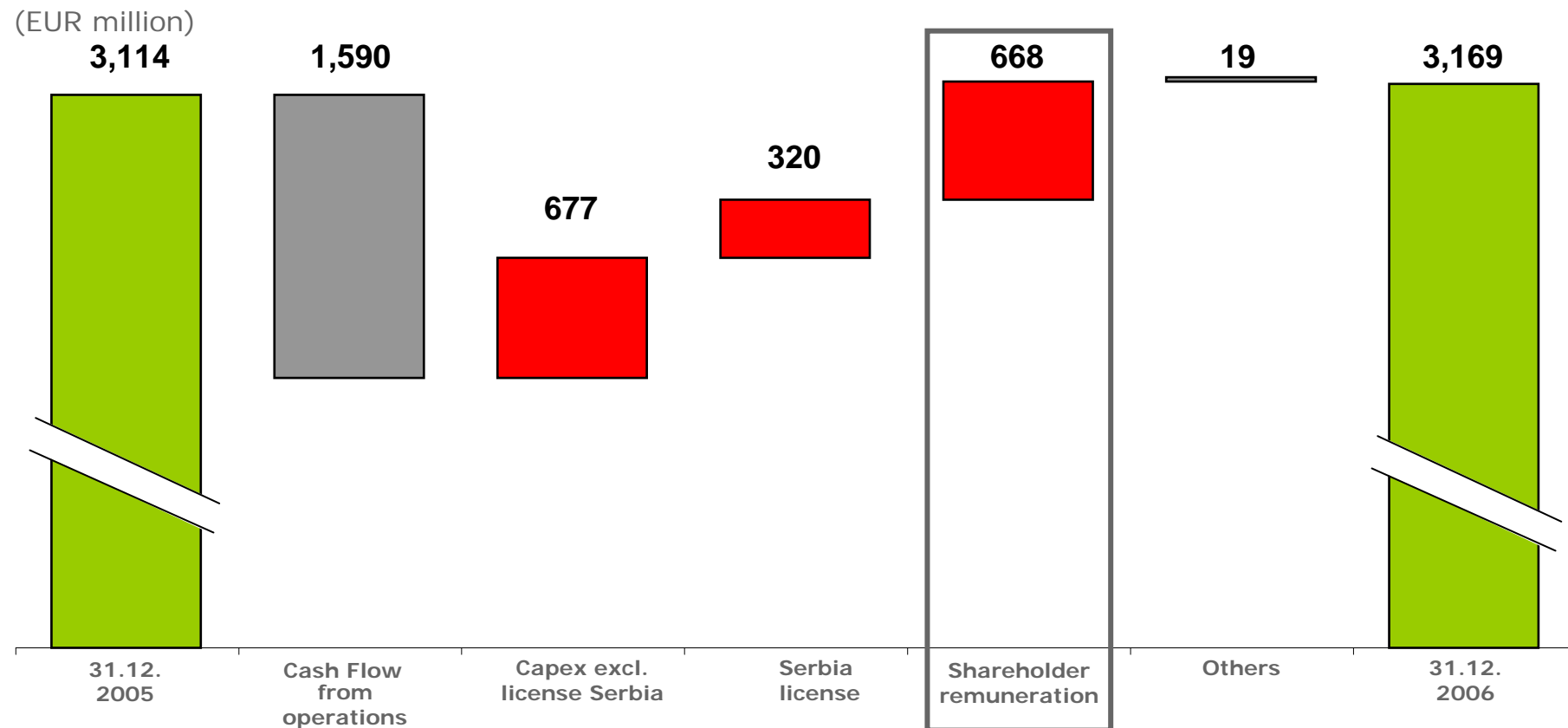
(in EUR million)	FY 06	%	FY 05	%
Assets	6,399.5	85%	6,600.2	86%
Current assets	1,160.2	15%	1,096.5	14%
Total assets	7,559.7	100%	7,696.7	100%
Current liabilities	1,657.3	22%	1,855.5	24%
Long-term liabilities	3,078.9	41%	2,922.5	38%
Stockholders' equity	2,823.5	37%	2,918.7	38%
Liabilities and stockholders' equity	7,559.7	100%	7,696.7	100%
Net debt	3,169.0		3,113.7	

## Investments: Increase due to Steady Growth in Mobile Communication

(in EUR million)	FY 06	FY 05	%
<b>Normal Investments</b>			
Fixed Net	283.9	314.1	-10%
Mobile Communication	393.1	313.5	+25%
<b>Total Normal Investments</b>	<b>677.0</b>	<b>627.6</b>	<b>+8%</b>
<b>Growth Investments</b>			
Fixed Net	0.0	0.0	n.a.
Mobile Communications	320.0	1,620.2	-80%
<b>Total Growth Investments</b>	<b>320.0</b>	<b>1,620.2</b>	<b>-80%</b>
<b>Total Investments</b>	<b>997.0</b>	<b>2,247.8</b>	<b>-56%</b>

# Net Debt: Significant Increase in Shareholder Remuneration

- Significant increase in shareholder remuneration to EUR 668 million
- Investments amounted to EUR 997 million
- Net debt/EBITDA was 1.7 x as of year-end 2006



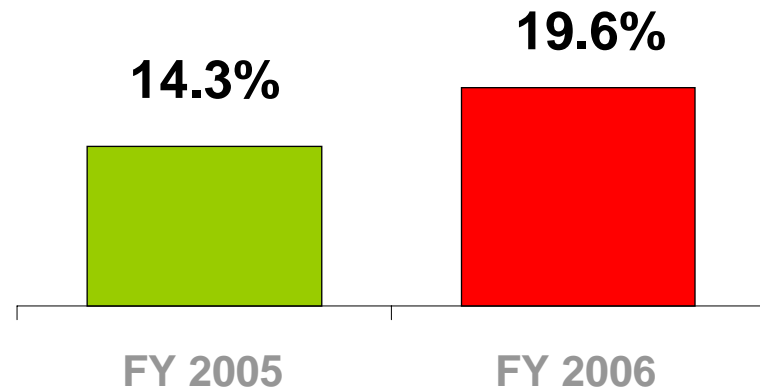
# Free Cash Flow: Continuing Strong Free Cash Flow

(in EUR million)

	FY 06	FY 05	%
Cash flow from results	1,767.7	1,671.8	+6%
Change in working capital	177.8	34.0	+423%
Normal investments	677.0	627.6	+8%
Free cash flow	912.9	1.010.2	-10%

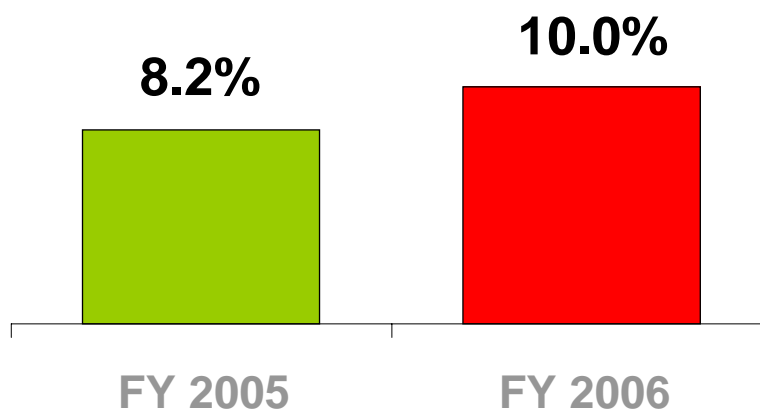
# ROIC: Increase in Capital Return through Improvement of Results

## ROE



- ROIC and ROE are indicators of value creation
- ROIC and ROE has continued to grow since 2000

## ROIC

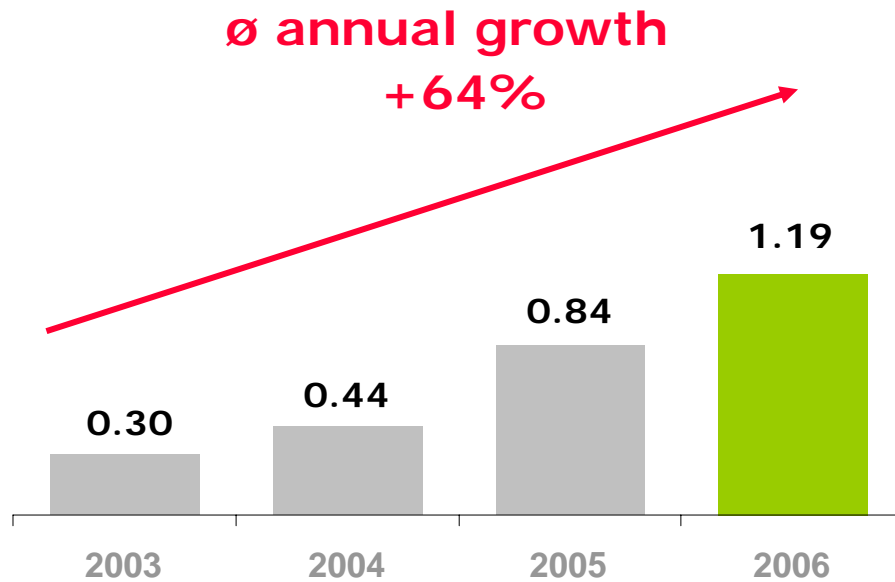


- Improvement through growth in results and efficient balance structure

# Dividend Policy: Further Increase in Dividends

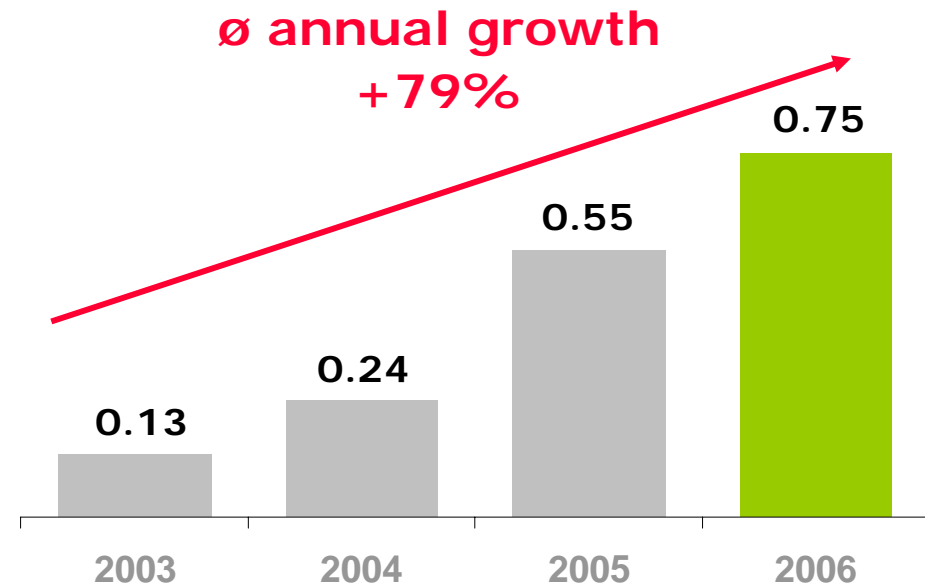
## Earnings per Share

(EUR)



## Dividend per Eligible Share

(EUR)





# Proposed Dividend for 2006: 0.75 EUR per Eligible Share

**Proposed Dividend**

**0.75 EUR**

(2005: 0.55 EUR + 36%)

**Dividend Yield**

**3.7 %**

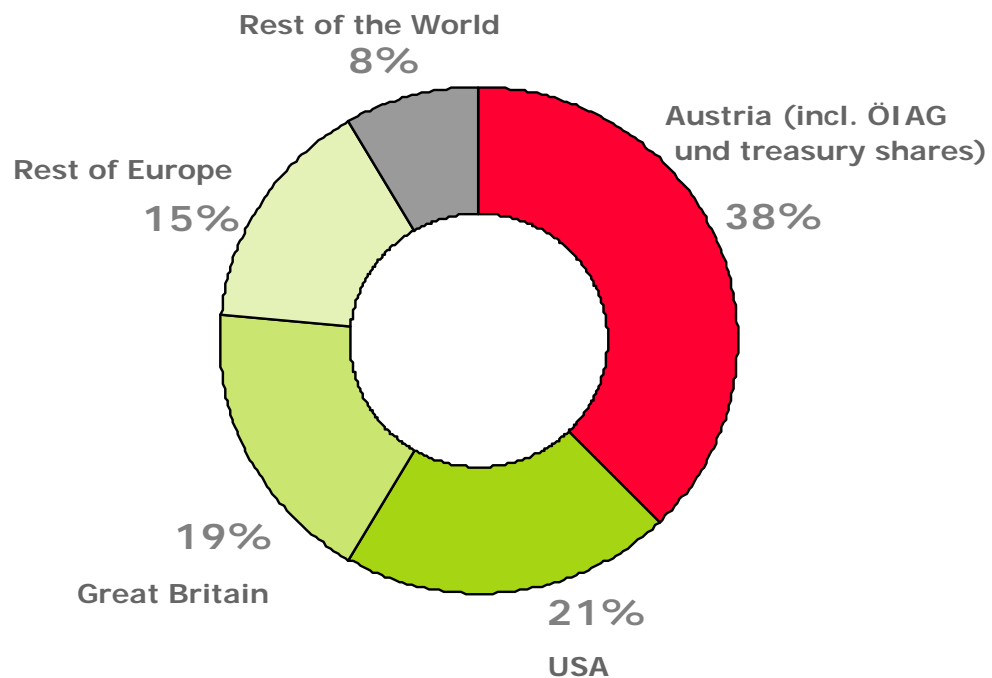
(2005: 2.9%)

# Telekom Austria Share

# Shareholder Structure: Internationally Balanced Shareholder Basis

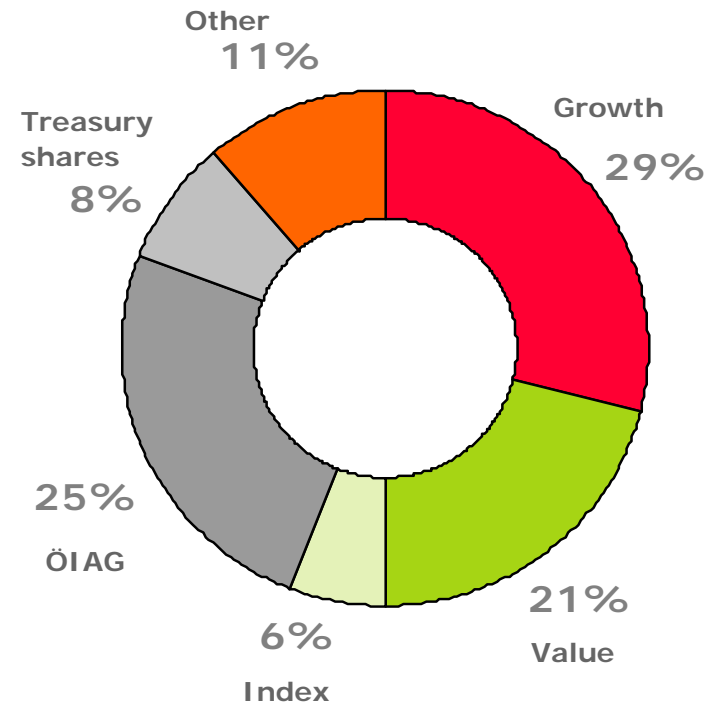
## Shareholder Structure according to Countries

as of 31.12.2006



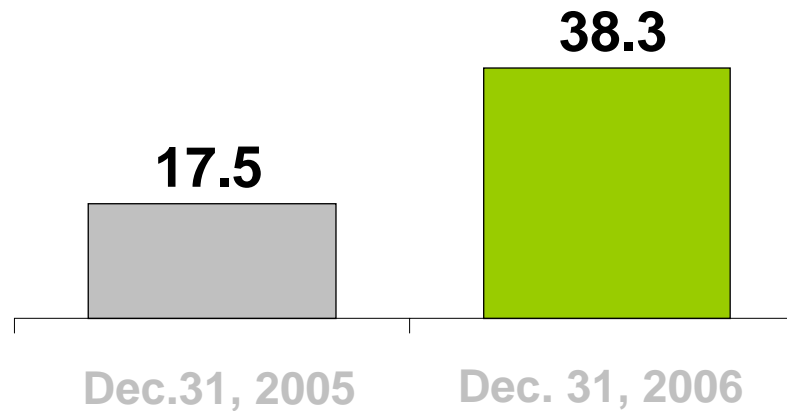
## Shareholder Structure according to Investors

as of 31.12.2006

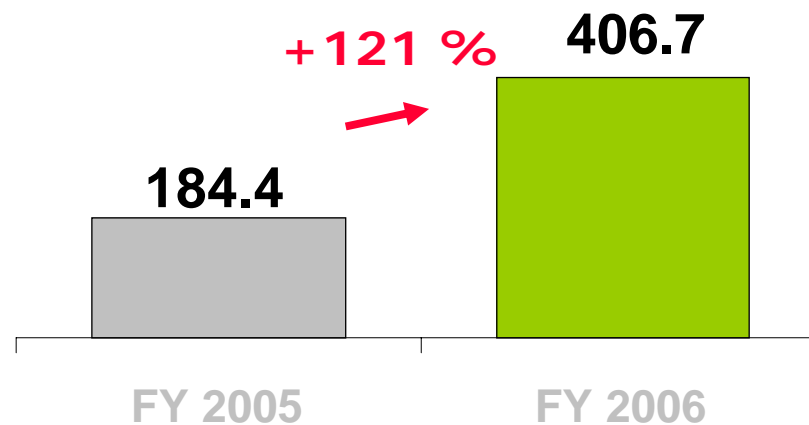


# Treasury Shares: Stronger Share Buyback in 2006

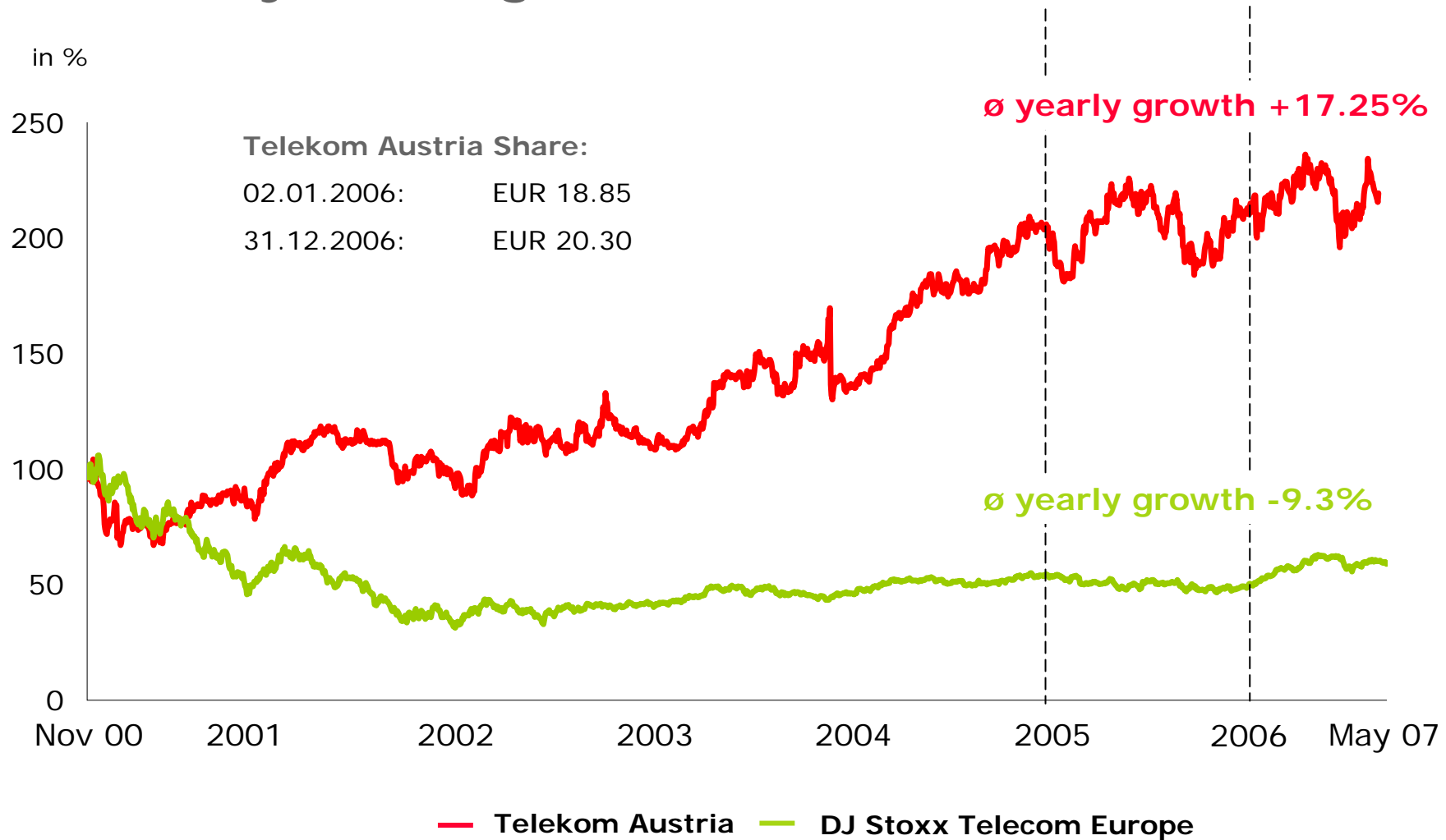
Treasury shares held in million



Share buyback in EUR million



# Telekom Austria Share Significantly Above Industry Average



## Stock Option Program 2006: Supports Value Orientation of Management

- Award of roughly 3.9 million options to approx. 280 managers
- 360,000 of which to Board members
- Exercise price of EUR 18.91
- Life of over 4 years
- Vesting period of approx. 14 months, exercise period of 3 years

# Employee Participation Program 2006: Strengthening Corporate Awareness

- Employee should participate in the company's success
- One of the largest employee participation programs in Austria
- Hitherto 500,503 shares given to 11,400 employees
- Telekom Austria shares for a total value of EUR 600 per year until 2010
- 2006 EUR 900 per employee, 2007-2009 EUR 600 per employee
- Shares are tax-free for employees provided shares are kept for 5 years

# Delisting from the New York Stock Exchange

- Decisive factor: low trade volume of Telekom Austria shares in New York
- Last trading day at the New York Stock Exchange on May 16
- Shares further traded in US – over the counter
- Reduction of administration and listing costs
- Listing on the Vienna Stock Exchange maintained
- Further compliance with high corporate governance standards



# Corporate Governance & Investor Relations

## Corporate Governance: Clear Commitment to the Principles of Corporate Governance

- Effective framework for sustainable and transparent corporate management
- “True and fair view” and non discrimination of shareholders
- Intensive cooperation with Supervisory Board
- Compliance with Corporate Governance Code confirmed by KPMG

# Risk Management: Comprehensive Range Improves Steering Possibilities

- Comprehensive risk management established
- Main risks identified:
  - Market and competition risks
  - Regulatory and legal risks
  - Technical risks
  - Geographical risks
- Risk monitoring via operating units
- Internal control system introduced and its efficiency confirmed by KPMG

## Investor Relations: High-Level Pro-Active Communication with Shareholders

- IR website:
  - Number 1 in Austria (Wirtschaftsblatt)
  - Top 5 of IR websites in Europe (IR Global Ranking)
- Intensive communications: 15 roadshows worldwide, 205 one-on-ones, 154 telephone conferences and 66 group presentations in 2006
- High-quality IR: Telekom Austria was awarded the second price "Gewinn Börsepreis 2006"
- Annual Report 2005 received numerous awards

# Outlook

# Outlook 2007: Further Growth through Expansion

- Stable revenue development
- EBITDA margin impacted by regulation and greenfield operations in Serbia and Macedonia
- Net income almost stable on adjusted basis
- Value-enhancing expansion in Southeast Europe remains the pillar of corporate strategy
- Exploitation of broadband potential
- Continuation of dividend policy

Thanks for your  
attention!

# Telekom Austria Group Annual General Meeting 2007

Vienna, May 30, 2007

