

Telekom Austria Group Capital Market Day

Group Financials

Dubrovnik, April 24, 2007

Cautionary Statement

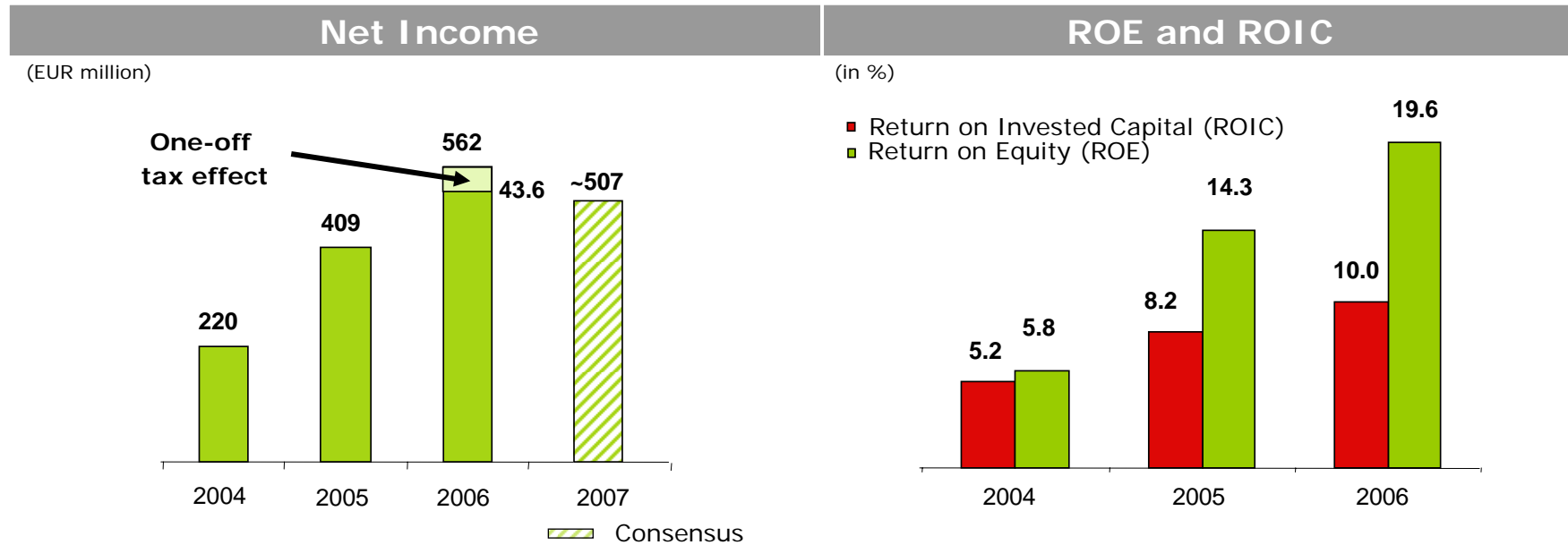
“This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Forward-looking information involves risks and uncertainties that could significantly affect expected results. These risks and uncertainties 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.”

Cornerstones of Telekom Austria Group Financials

- Key Financial Parameters
- Net Debt and Funding Policy
- Financial Strategy and Cash Use Policy
- Targets

Key Financial Parameters

Profitability Driven by Acquisitions, D&A and Organic Growth



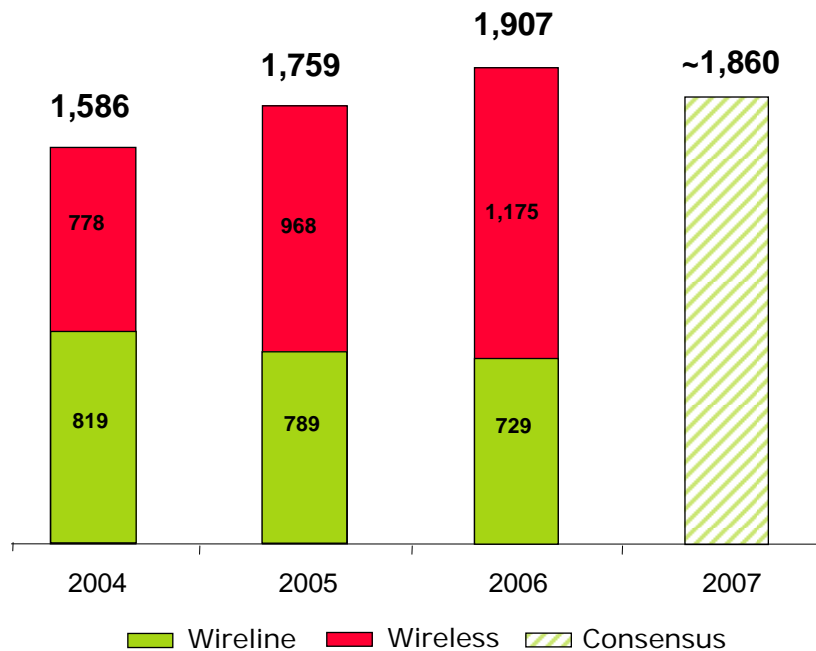
- Turnaround of net income in 2002, net income margin of 11.8 % in 2006
- Consensus does not include the potential impact of retail roaming regulation and the launch of operations in Macedonia

- Higher returns driven by improved net income and smaller asset base
- ROIC almost doubled from 2004 to 2006
- Value creation by steady increase in ROIC

EBITDA Growth in 2006 Despite a Highly Competitive Environment

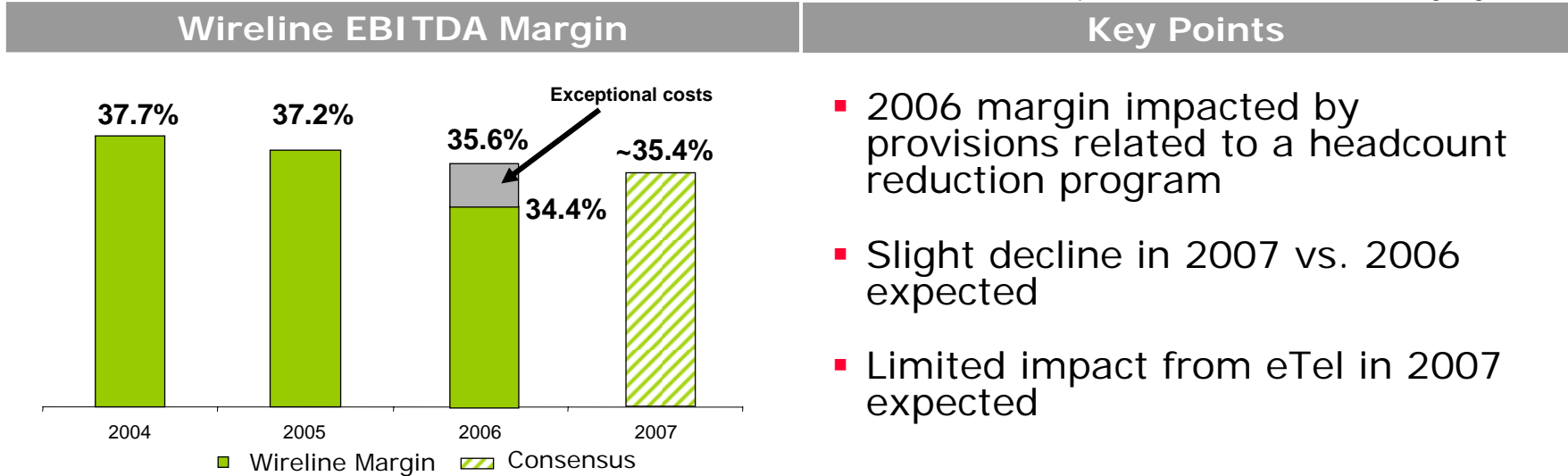
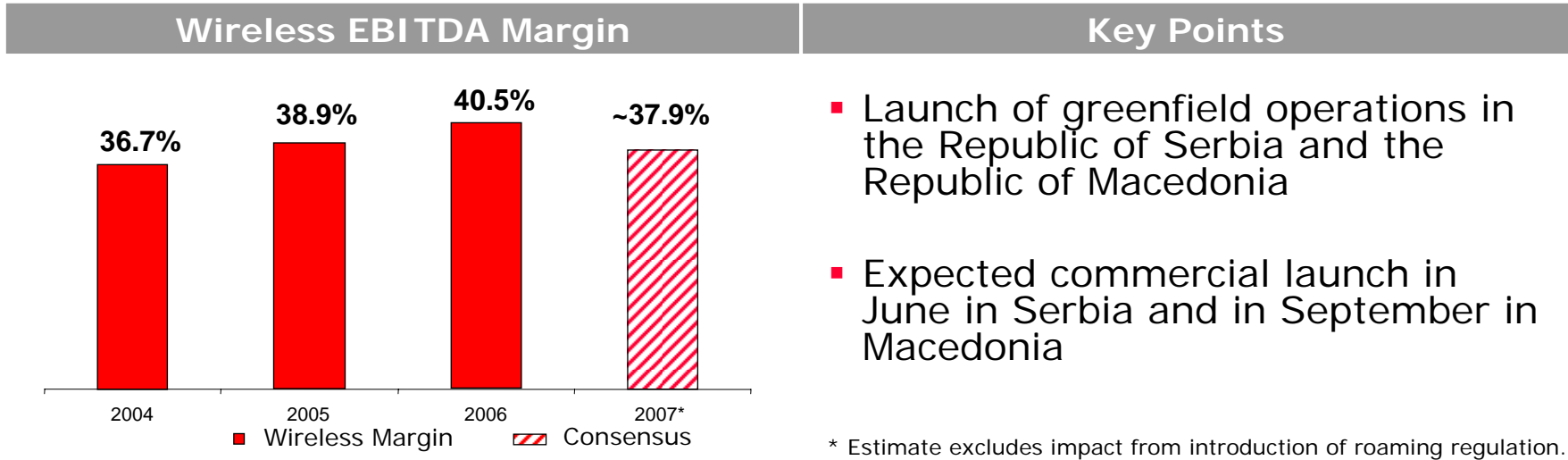
Group EBITDA

Key Points



- 2007E EBITDA margin will be impacted by start-up costs
- Start-up costs in Serbia and Macedonia for greenfield operations
- Margins are expected to remain stable in Austria, Croatia and Slovenia in 2007
- Mid-term margins in Bulgaria expected to remain above 50%

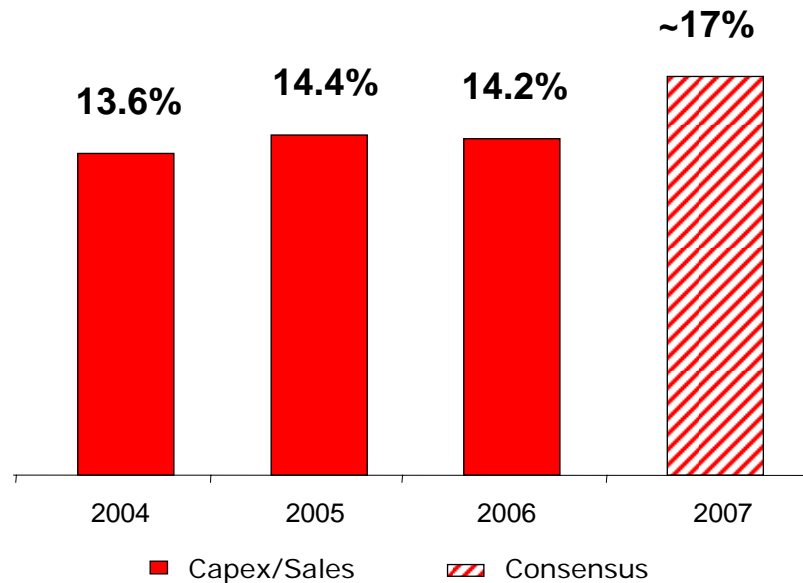
2006 Impacted by Exceptional Costs, 2007 by Launch of Greenfield Operations



Capex/Sales Ratio Impacted by Start-ups

CAPEX/Sales Ratio

Key Points



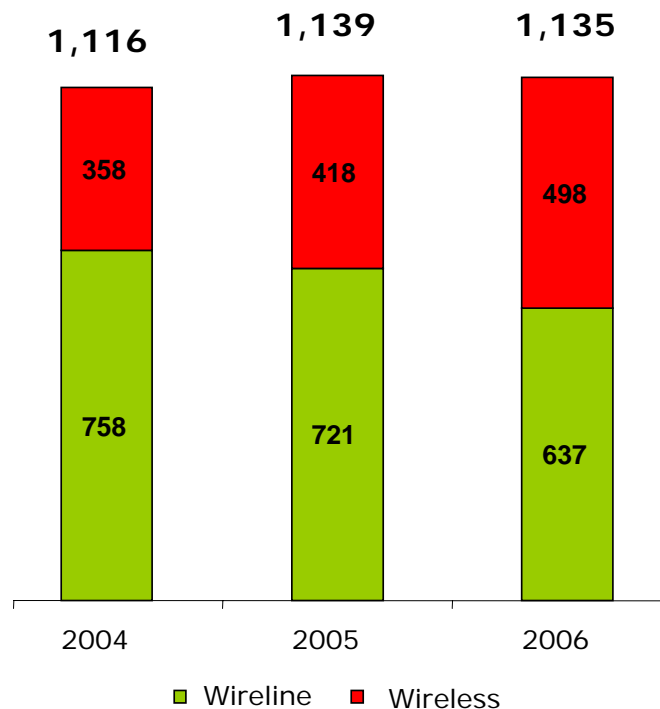
- Stable development in Capex/Sales ratio for the period 2004 to 2006
- 3G-rollout almost finalized, further upgrades and roll-out in Slovenia in progress
- 2007E Capex includes roll-out in Serbia and Macedonia
- Normalized Capex/Sales ratio back to approx. ~13%

Decline in Fixed Net D&A will Compensate for Growing Mobile Communication Assets Base

Depreciation & Amortization

Key Points

(EUR million)



- Fixed net depreciation and amortization charges will decline due to the reduction in legacy asset base
- Higher depreciation and amortization charges in mobile communication due to a growing asset base
- Overall depreciation and amortization are expected to decline until 2010

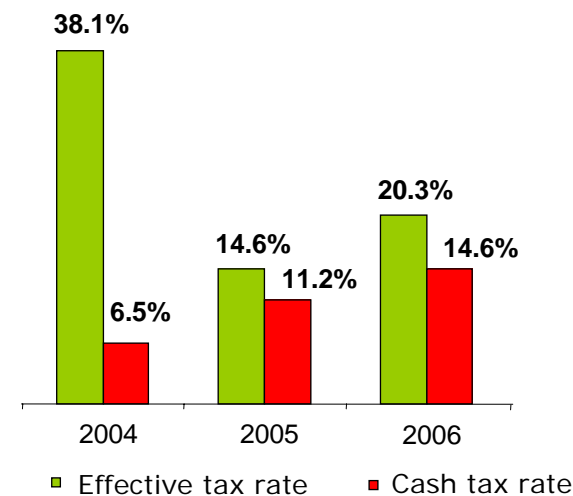
Effective and Cash Tax Rate Convergence

Key Points

- Corporate income tax rate in Slovenia to decline to 20% in 2010
- Effective tax rate for 2007E ~ 20%, effective and cash tax rates will converge
- Potential to optimize cash tax paid going forward

Corporate Income Tax Rates

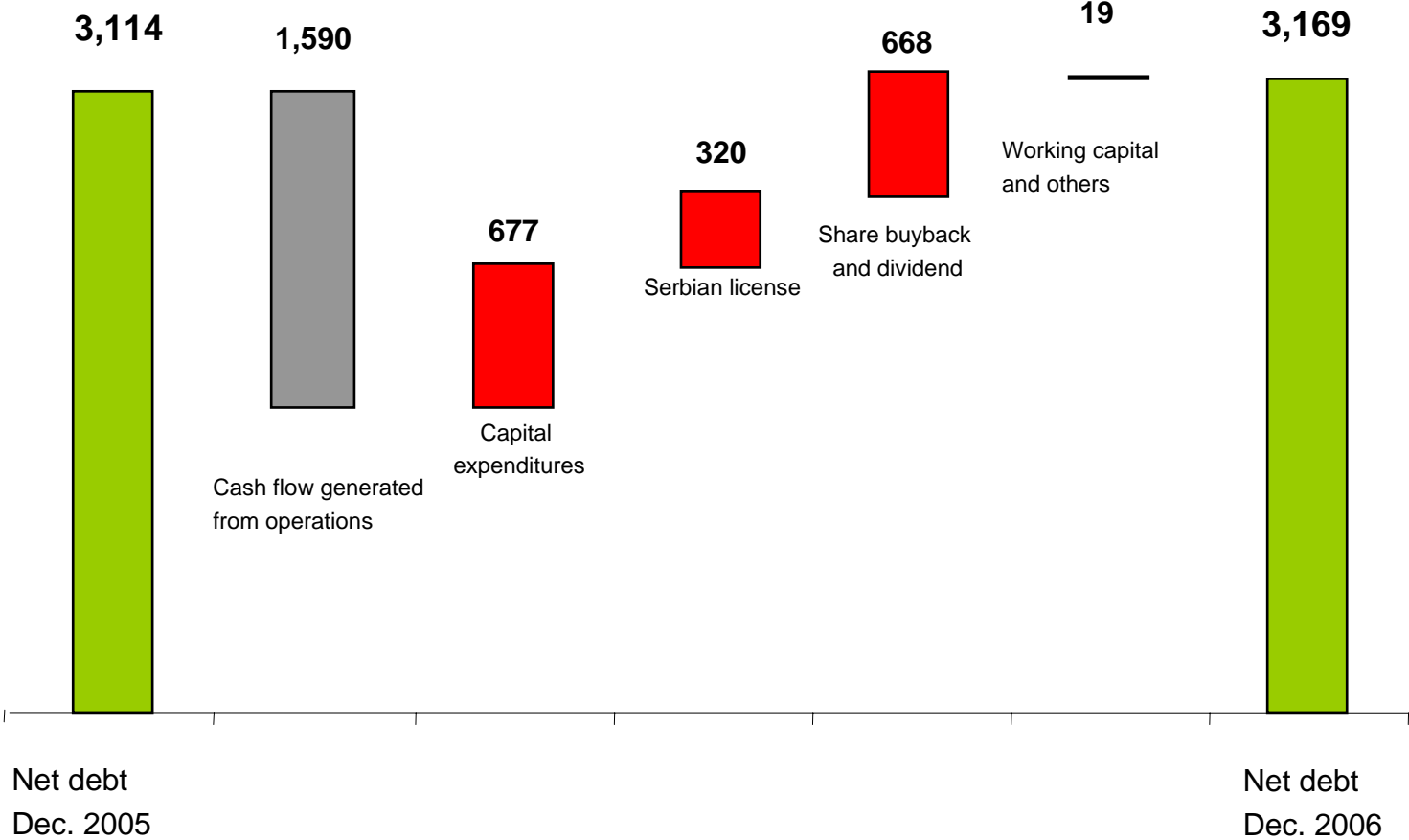
- Austria 25%
- Slovenia 23% in 2007
- Croatia 20%
- Bulgaria 10%



Net Debt and Funding Policy

Evolution of Net Debt: EUR 668 million Distributed to Shareholders in 2006

(EUR million)

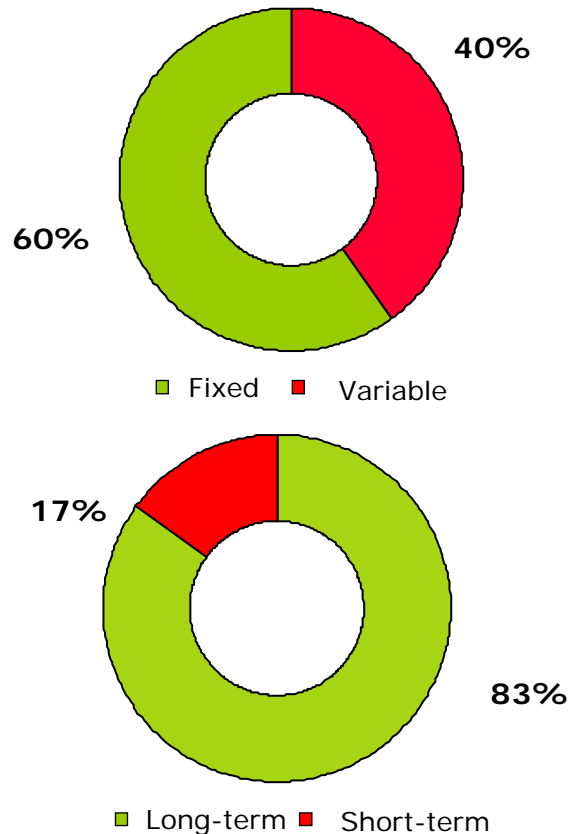


Debt Funding Policy Provides Flexibility and Supports Possible Further Expansion

Debt Funding Policy*

Key Points

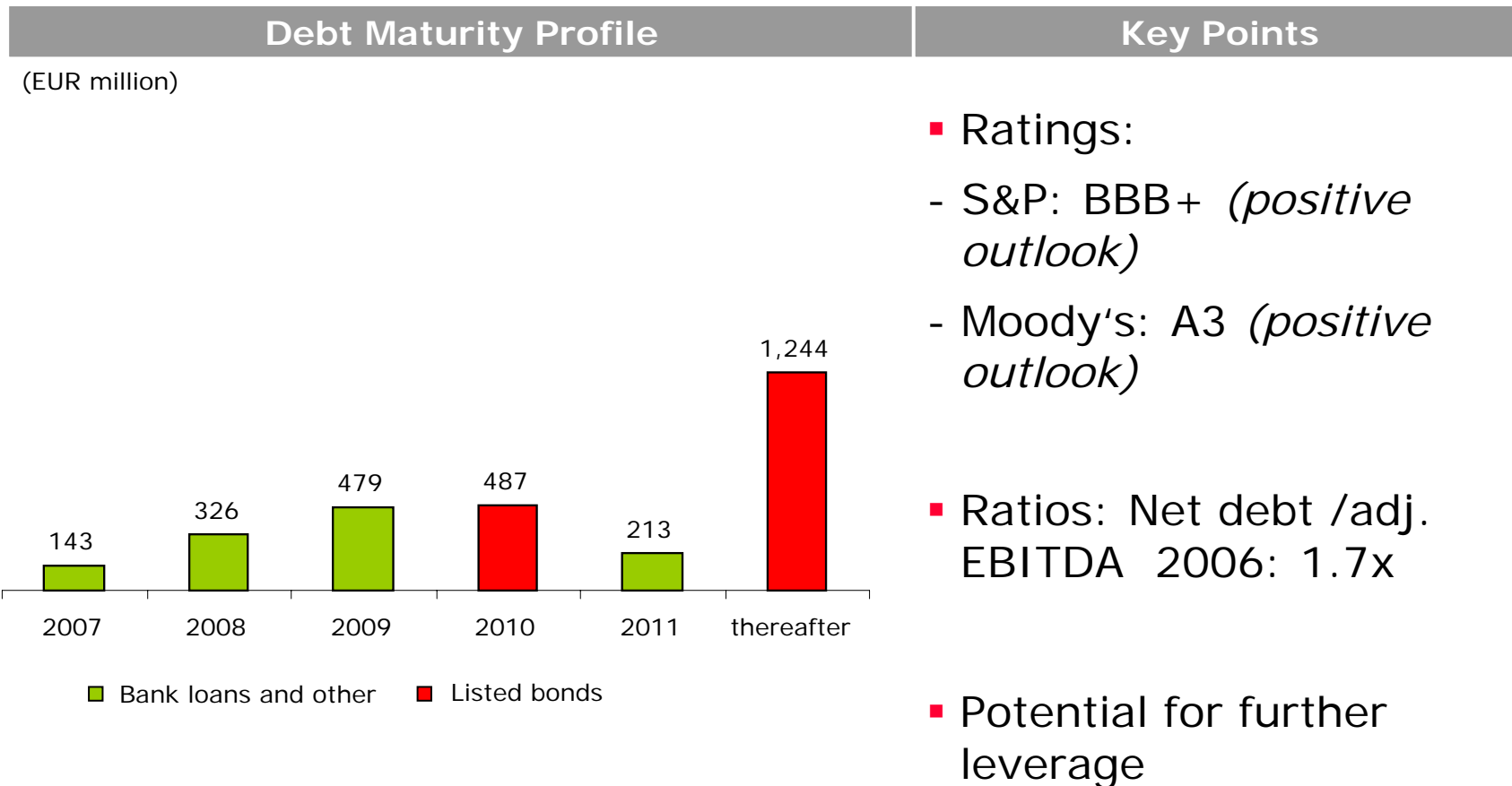
(in %)



- All debt instruments are available for funding purposes
- Funding strategy supports asset base/intensity of business
- Cash-pooling and financing vehicle has been established at Group level

* Data are actuals FY 2006

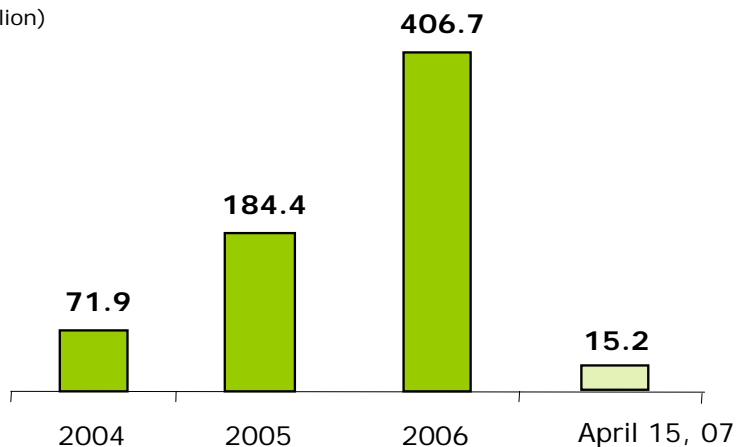
Debt Maturity Profile Provides Sufficient Flexibility



Authorization to Acquire Treasury Shares will be Requested at Next AGM

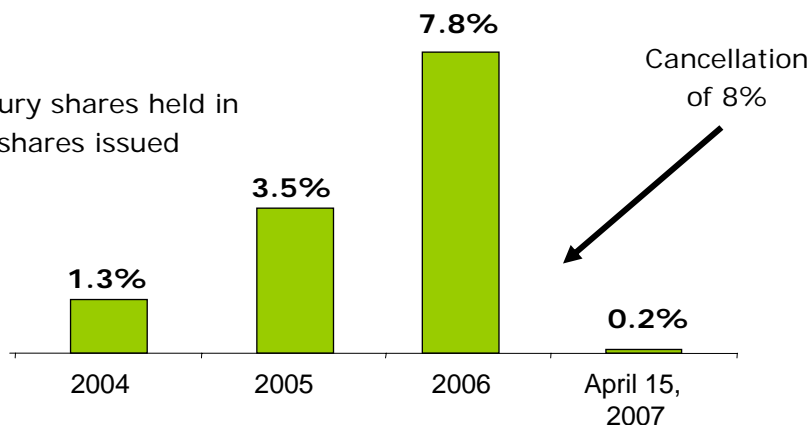
Amount Spent on Treasury Shares

(EUR million)



Treasury Shares Held

■ Treasury shares held in % of shares issued



Key Points

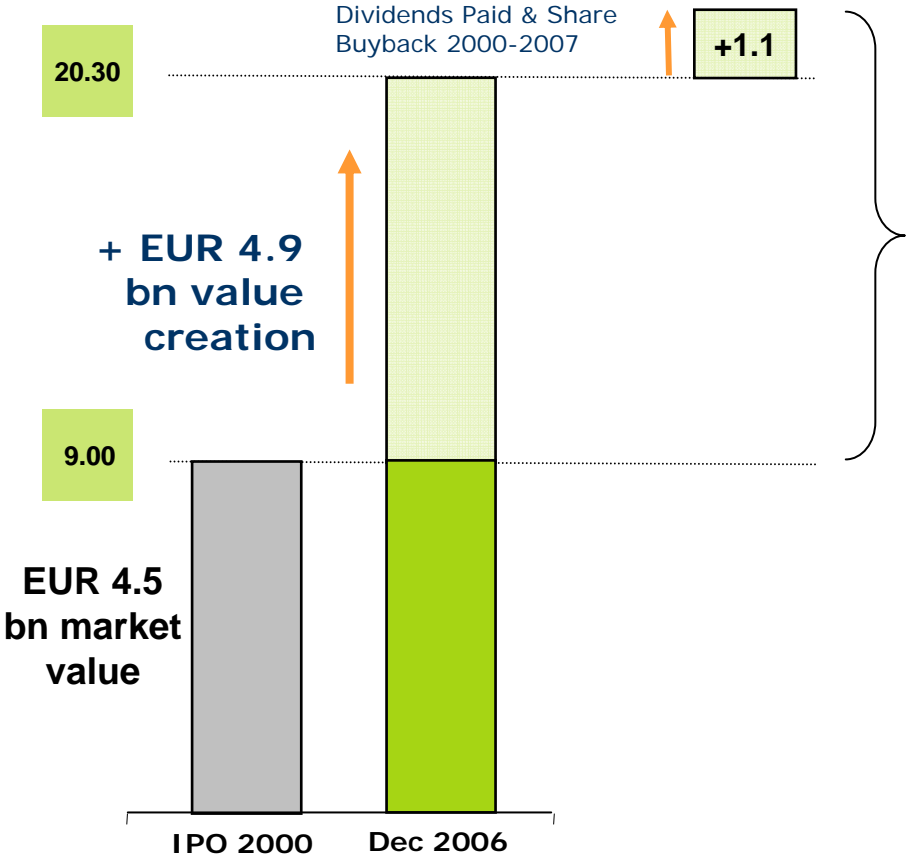
- Cancellation of 8% in March 2007
- 460 million shares remain outstanding
- Telekom Austria held 0.2% of share capital at April 15, 2007
- Maximum authorization under Austrian law refers to 10% of shares outstanding
- Maximum length of authorization is 18 month

Intention to Delist from NYSE and Deregister from SEC

- New rules easing withdrawal and trading volume of less than 1% in New York
- Enhance red tape efficiency and cost related to the listing
- Telekom Austria remains committed to a high standard of corporate governance and transparency
- Telekom Austria intends to file a Form 25 on May 4, 2007 and expects the filing to be effective on May 14, 2007 with subsequent suspension of trading
- Modification to an over-the-counter trading under an ADR Program Level 1
- Successful implementation of Sarbanes-Oxley-Act and filing of the annual report on Form 20F for 2006

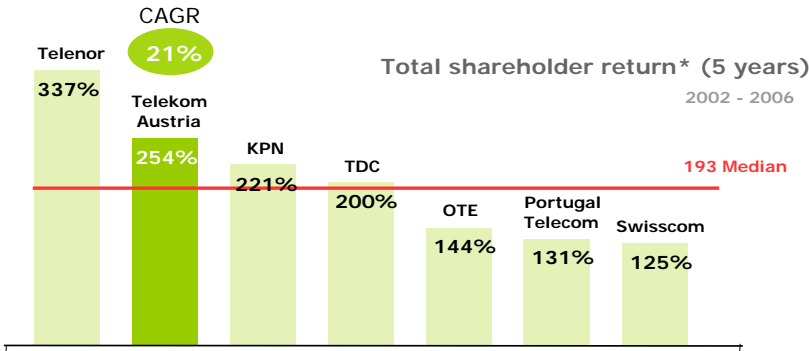
Financial Strategy and Cash Use Policy

6.0 bn EUR Total Shareholder Return since the IPO is above Peers



Total Shareholder Return
6.0 bn EUR

Telekom Austria has delivered one of the highest value creation in telco sector



* Share price dated per Dec. 31, 2006

* Source: Thomson Financial Datastream, Return Index includes share price gains and dividends

Integrated Management Approach to Create Shareholder Value

Management Task:

Growth

Optimization

Increase long-term value

Incentivation:

- Broad stock option program linked to EPS
- Employee participation program

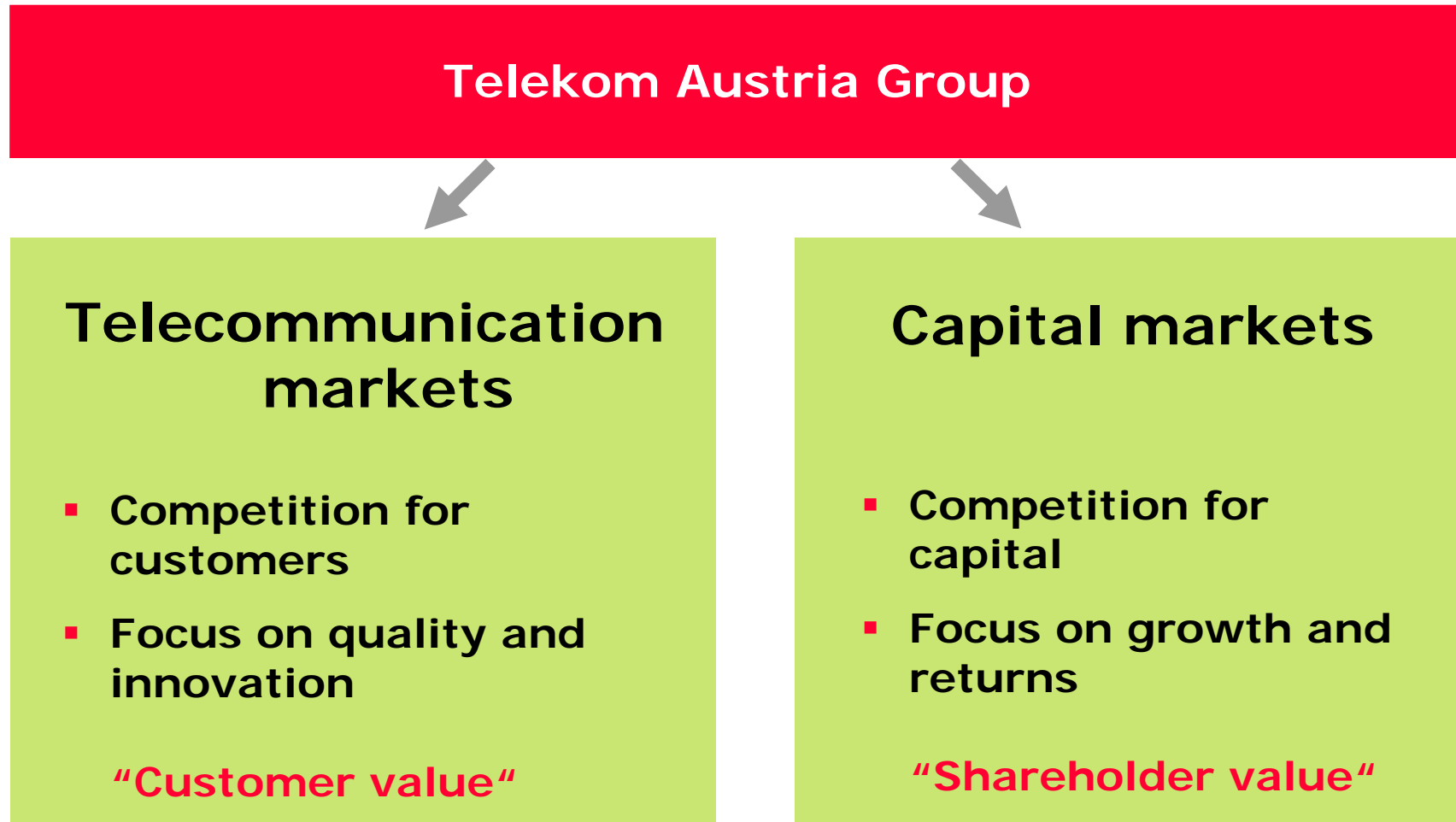
Alignment between shareholders' and management's interests

Shareholders View:

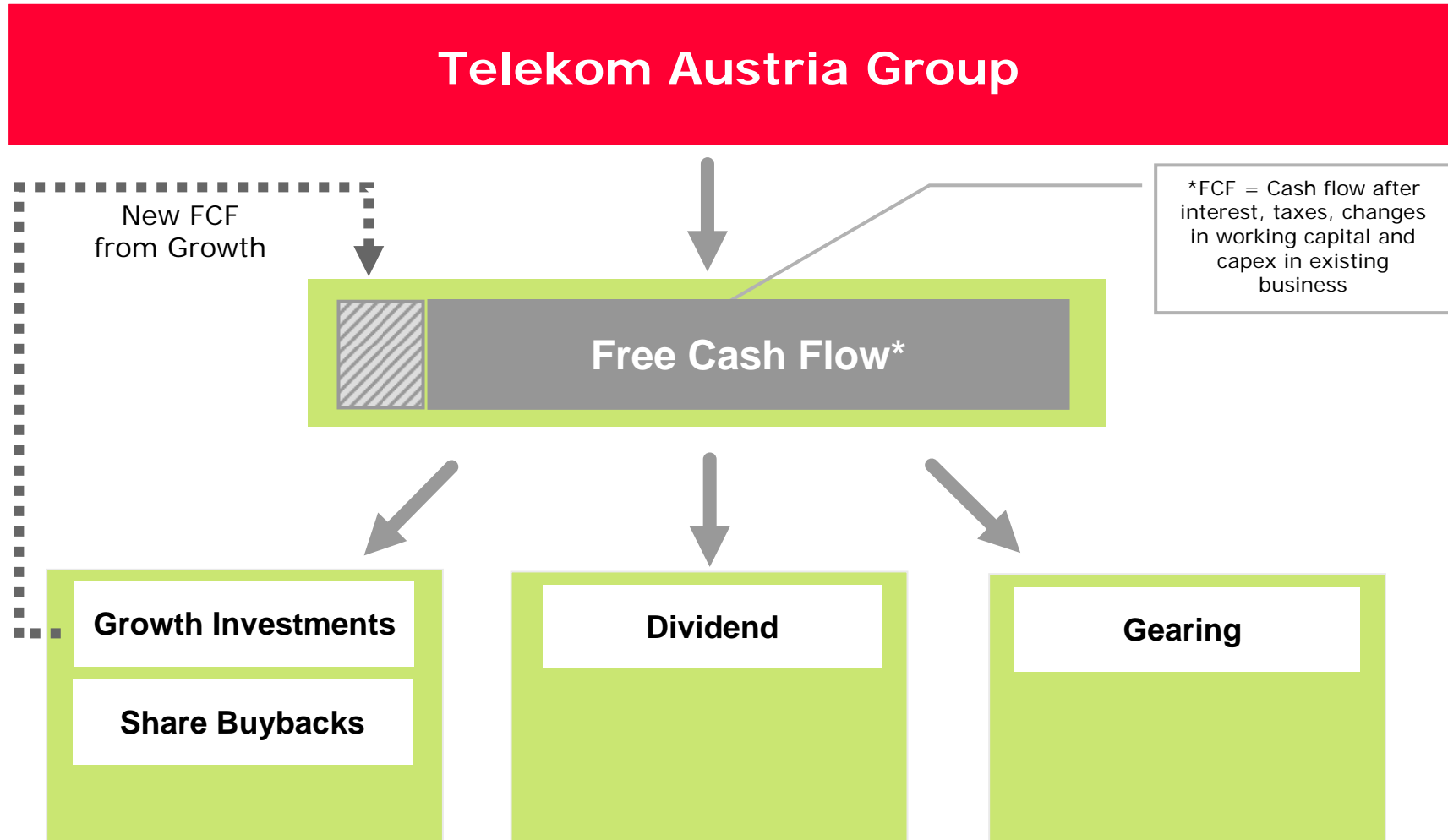
Balance between Growth and Return

Increase long-term value

Telekom Austria Group Competes for Customers and Capital



Free Cash Flow will be Invested or Returned to Shareholders



Share Buybacks will be Executed Provided three Conditions are Met

- Strong Free-Cash Flow Generation
- Profitable growth projects* are not or not sufficiently available
- Higher leverage does not lead to lower credit rating of the group or higher cost of equity

* Project return above risk-adjusted WACC of Telekom Austria Group

Share Buyback – Advantages

- Reduces the number of shares among which the profit after tax is distributed while keeping flexibility to reconsider decision
- Increase in ROE, CFPS and EPS
- Cost of capital (WACC) is reduced - due to tax shield of debt financing
- At constant P/E multiple the share price is supported and subsequent share price increases leveraged
- Tax efficient cash distribution structure
- Shareholder can decide whether to take cash or not

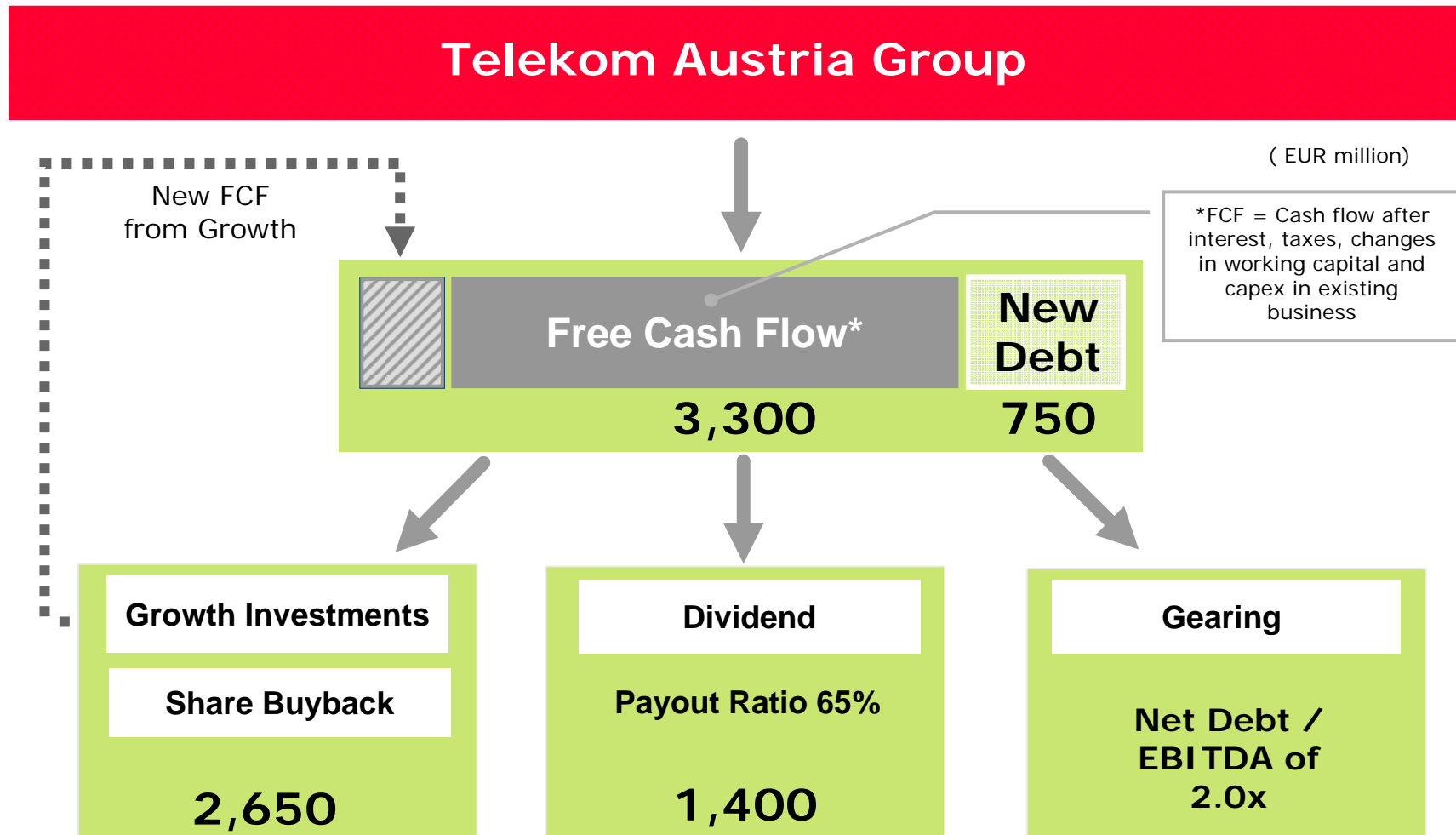
Strict Framework Governs Share Buyback

- Authorisation by AGM for max. 10% within 18 months and stated price band
- Management Board defines program based on AGM authorization
- Maximum 25% of average daily trading volume of previous 4 weeks
- 6 weeks closed period before the release of full year results, 3 weeks before quarterly results, 48 hours after an ad-hoc announcement

Cash Use Principles

- Keep pay-out ratio for dividends at 65%
- Keep solid investment grade rating with an absolute rating floor at BBB stable / Baa2
- Keep flexibility to follow growth projects in Eastern- and South- Eastern Europe or return excess cash to shareholders via share buyback
- Efficient balance sheet structure with a net debt/EBITDA target of 2.0x, temporary exceedance for growth projects in line with rating target possible

Cash Use Policy 2007 - 2010



Balancing Growth and Return

“Our strategy is focusing on profitable growth,

but

if profitable growth projects are not sufficiently available, we will buy back up to 10% of our shares within the next 24 months.”

Targets

Group Targets and Outlook 2007-2010

Operating Performance Targets*		Financial Targets	
▪ Revenue CAGR 07–10	1%-1.5%	▪ Free cash flow** 07-10	~ EUR 3.3 bn
▪ Adj. EBITDA CAGR 07–10	1.5%-2.0%	▪ Net debt/EBITDA:	~ 2.0x
▪ Net income CAGR 07-10	>10%	▪ Absolute Rating Floor:	BBB stable
▪ CAPEX/sales long term	~ 13%		

Valuation Criteria	Shareholder Remuneration
▪ DCF with risk-adjusted WACC	▪ Dividends 2007-2010 ~ EUR 1,400 million
▪ Trading and transaction EBITDA multiples	▪ Payout ratio = 65%
▪ EPS accretion/dilution	▪ Up to 10% of share buyback if no projects with higher value creation available
▪ Acquisitions benchmarked against share buyback	

* Excluding impact from introduction of roaming regulation

** Cash Flow from operations minus CAPEX including greenfield operations

**Thank you for your
attention**