

FINAL TRANSCRIPT

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Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

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PRESENTATION

Operator

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Welcome to the Telekom Austria quarter four 2008 results conference call. My name is Sara and I will be your coordinator for today's conference. The Company has asked me to read the forward-looking statements. 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 such results. These risks and uncertainties are discussed in Telekom Austria's SEC filings including but not limited to Telekom Austria's Form 6K containing the relevant earnings release and certain sections of the Company's annual report on Form 20F.

Although Telekom Austria has conducted diligence customary in acquisitions in Central and Eastern Europe, based on the information to which Telekom Austria has given access during the acquisition process, Telekom Austria has not been involved in the management of Mobiltel until July 12, 2005.

Financial data prior to this period are given for comparative purposes only. Telekom Austria does not take responsibility for the correctness of these figures. For the duration of the call, you will be on listen-only. However, at the end of the call, you will have the opportunity to ask questions. (Operator Instructions) I'm now handing the call over to Peter Zydek, Head of Investor Relations to begin.

Peter Zydek - Telekom Austria AG - Head of IR

Good afternoon, ladies and gentlemen. I would like to welcome you to today's conference call for Telekom Austria Group's results for the financial year and the fourth quarter of 2008. Boris Nemsic, Hans Tschuden and Hannes Ametsreiter joins me for the -- joins me today to present the results and discuss the recent trends in the markets we operate in.

Boris Nemsic will discuss the operation in detail of our Mobile Communications segment, Hannes Ametsreiter will walk you through the results for the Fixed Net segment, while Hans Tschuden will present the financial results for the fourth quarter and the full year of 2008.

We will end this presentation with our guidance for the full year of 2009 and of course this will be followed by a discussion in the Q&A session. I would like now like to give the floor to Boris and Hans for the key development and an overview of the key financials.

Boris Nemsic - Telekom Austria AG - CEO

Thank you, Peter. Good morning and good afternoon ladies and gentlemen. Before we go into details, let me summarize some major achievements which evidence our strong operational performance despite major headwinds we have experienced. 2008 demonstrates that the new strategic approach to the Fixed Net segment based on product bundles proved effective and started bearing fruit.

We have and will continue with the restructuring of our Fixed Net operations and as part of that we have announced that that required significant deduction in charges and have affected EBITDA, operating income, and net income for fourth quarter '08 and the full year 2008.

The restructuring program has already yielded its first results and progresses according to our plans. We are convinced that this is a step in the right direction and the following year these expenses will improve our results. In 2008, the state of the economy and financial markets have been a source of concern for all of us, but we have not seen any impact of the economic and financial crisis on the operational performance of Telekom Austria group in the past year.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

This is why and as a sign of confidence in our operational and future financial performance we have decided to stick to our plans of stable dividend of EUR0.75 despite the reported net loss following restructuring expenses. Hans will summarize the key performance indicators that have brought us to this (inaudible).

Hans Tschuden - *Telekom Austria AG - CFO and Vice Chairman*

Good afternoon, ladies and gentlemen. This is Hans Tschuden speaking and as Boris has just mentioned I would like to highlight the most important developments of Telekom Austria Group for the financial year 2008.

The well performing mobile operations has compensated for the shortfalls in the Fixed Net segments and drove revenues to almost EUR5.2 billion in 2008. The clean EBITDA as a measure of operational performance and excluding restructuring charges grew by almost 4%. The reported EBITDA of about EUR1.3 billion includes EUR632 million restructuring charge in line with our previous announcements.

We are making progress in our fixed line business activity and have already closed down excess line loss materially, and in November and December even for the first time in 12 years seen our excess line subscriber base growing again. The Mobile Communication segment subscriber growth is expected -- is as expected. However, the over 50% growth of our subscriber base we achieved in 2008 is a strong sign and forms a basis for the future.

On the next chart, you see that overall and bearing the impact of the restructuring charges results are clearly better than expected and better than originally guided and reiterated throughout 2008.

Revenues grew by 5.1%, slightly above the 5% guidance. However, clean EBITDA grew by almost 4% versus our original expectations of 3%. Without restructuring charge, net income and earnings per share declined 10% and 8% respectively, better than the 12% we anticipated at the beginning of 2008.

Now, I would like to give the floor to Hannes, who joined our management port in January and he will now lead you through our Fixed Net segment.

Hannes Ametsreiter - *Telekom Austria AG - Board Member, Fixed Net*

Thank you, Hans and welcome ladies and gentlemen. I am very pleased to present to you the operational and financial development of our Fixed Net operations. The segment clearly suffers from ongoing substitution, but delivering on our cost saving targets has mitigated the impact of lower revenues. Fixed Net revenues decreased by 9% to EUR498 million in quarter four '08 reflecting lower calling volumes and a smaller customer base.

Excluding restructuring charges, EBITDA for the fourth quarter declined by only 2.7% with OpEx declining from EUR574 million to EUR514 million as a result of cost saving measures contributing to this development. As you have already heard, the Telekom Austria Group initiated a comprehensive cost cutting program in the Fixed Net segment with a further step being taken in November 2008, including social plans as well as a retirement scheme for up to 1,250 Fixed Net employees.

The program required additional charges of EUR632 million and as a consequence reported EBITDA fell sharply instead to the underlying figure of EUR132 million. Our guidance included an expected refund from the Austrian government for expenses incurred in the amount of EUR10 million which eventually did not materialize. Including this refund, actual results would have reached our guidance of minus 12% for Fixed Net EBITDA.

Now let us take a look at the effects of our marketing initiatives. As Boris already mentioned, the new strategic approach in the Fixed Net segment apparently bears fruit. The success of the product bundles is reflected in the line loss trends. We found that our Kombi package are able to sustainably reduce churn and slow excess line loss materially.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Customers like the idea of keeping that excess line and getting broadband connection and free SIM cards for a small incremental fee. This results in dramatically improved customer satisfaction and consequently lower churn as evidenced by quarterly the line loss falling from 50,000 lines a year ago to just a little more than 2,000 lines in quarter four 2008.

I am especially proud of [30] and 2,500 netters of November and December. It does not sound like a big number, but it is actual the first line growth we have seen in 12 years in Telekom Austria in Fixed Net. Another favorable trend is that broadband subscriber growth based on product bundles and up-selling other product like aonTV that is our IPTV product almost completely offset slower broadband prices and supports average revenues per excess line, which remained nearly stable in quarter four, '08 compared to quarter four, '07 and even grew compared to previous quarters.

Now, let us turn to the Austrian broadband market. You are probably aware of the success of mobile broadband in Austria. For this reason we have started to look at the combined broadband market including all excess technologies and this combines few (inaudible) all broadband lines, fixed and mobile and putting the number in relation to the 3.5 million households in Austria, the broadband penetration in Austria reached 77% and at the end of 2008 compared to 63% a year before. In this environment the Fixed Net segment has been able to participate in market growth and matched the performance of mobile broadband by keeping its market share around 30%.

In the fourth quarter, we even had a small increase in market share. This contrasts sharply against the other alternative fixed broadband operators, which have lost substantial ground against roaming mobile broadband. The number of Fixed Net broadband lines increased by 18% to 885,000 including 67,000 wholesale lines at the end of 2008. That is the number of retail broadband lines grew driven by customer acceptance of product bundles.

Despite the operational success of our marketing initiatives, I am absolutely convinced that the cost saving measures need to be in our focus in the coming years.

In brief, a culmination of general marketing initiatives, strict cost control measures can help us to curb EBITDA decline for 2009. An important milestone on that way was taken when we decided to take 1,250 full-time employees out of the operations in 2009. This will result in lower personnel expenses in 2009, but of course require the restructuring charge already mentioned. This step also forces us to rethink how we run our operations. We will have to reengineer our processes. This process reengineering is expected to reduce costs, sales support, and product development.

We also need to take a look on that wide array of other expenses, including our advertising, focused marketing and sponsoring spendings, as well the reduction of energy and logistics costs should prove additional saving potential.

Also on the agenda is the way how we service our customers and maintain our network. Streamlining and improved coordination of our fleet forces should allow increased efficiency of the vital parts of our operations. All these measures are instrumental to implement a stricter spending policy to support the profitability in the Fixed Net segment for the years to come.

Now, I hand over to Boris, who will walk you through the results of the Mobile Communications segment.

Boris Nemsic - Telekom Austria AG - CEO

Hannes, thank you. Now, ladies and gentlemen, the fourth quarter, 2008 the Mobile Communications segment delivered double-digit growth in terms of subscriber revenues and EBITDA growth.

The main driver of this success was a strong performance in Austria and Belarus with the fourth quarter showing (inaudible) organic growth from Belarus following the first time consolidation in the fourth quarter of the last year. The number of customers in the Mobile Communications segment grew strongly by 15.2% and of December 31, 2008, we served 17.8 million customers.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

More than three-fourth of this customer growth is driven by contract subscribers, and improved the quality of our subscriber base.

Also the double-digit revenue growth of 11.1% to EUR884 million is again mainly due to the strong performance in Austria and Velcom in Belarus. EBITDA grew by 14.6% to EUR296 million in the fourth quarter due to higher profitability of Mobilkom Austria and Velcom as well as over expenses associated with a launch of operations in the Republic of Serbia and the Republic of Macedonia.

The EBITDA margin expanded by 1 percent point to 33.4 reflecting our focus to improve profitability. On constant currency, the revenue grows by 9.3% and the EBITDA by 11.9%. Let us have a look at the performance of Mobilkom Austria.

Mobilkom Austria posted profitable growth as the customer base grew by over 13% while EBITDA grew and the margin was expanded. Mobilkom Austria now serves 4.5 million and a rising share of contract subscribers of nearly 70%. This is clearly reflects the trends with ARPU rising from EUR78.4 to EUR78.6 despite lower prices for voice and data services.

Revenues of Mobilkom Austria increased by 11.6% to EUR442 million compared to fourth quarter '07 primarily as a result of higher traffic revenues due to higher usage and higher monthly rental revenues as a consequence of large contract subscriber base. Mobilkom Austria's EBITDA increased by 16.8% to EUR131 million as a result of combination of higher revenues and lower subscriber acquisition costs and subscriber retention costs. Consequently the EBITDA margin expanded from 78.4% to 79.7%. To be fair, I also need to mention that the fourth quarter of 2007 was effected by the retroactive reduction of mobile termination rates in the amount of EUR9.5 million.

Let us turn to Mobilkom Austria key operational figures on the next page. In the fourth quarter of 2008 and against the background of a competitive market, Mobilkom Austria extended its market leadership in Austria and continued to grow the lead over its rivals. It recorded the largest market share growth ever, increasing their share to 42.5% at the end of fourth quarter, compared to 40.3% at the end of fourth quarter '07. This development was primarily driven by the increase of the contract subscriber base with attractive traffic models and a no-frill brand Bob in our mobile utilizing synergies from the Fixed Net segment contributing to this growth.

mobilkom austria grew its broadband subscriber base of 37.9% and had 400,000 mobile broadband customers at the end of December 2008 compared to 290,000 mobile broadband customers a year ago.

Of course, this is also reflected in the composition of revenues. Data revenue as a percentage of traffic related revenues rose from 30.7% in the first quarter to 33.9% in fourth quarter '08.

Now, let's turn to our Mobiltel in Bulgaria. Mobiltel remained the largest mobile operator in Bulgaria and grew its customer base by 5.8% to 5.4 million customers at the end of December 2008 compared to the end of 2007. At the same time, Mobiltel managed to maintain its high level of profitability and its market share remained stable at 50%.

Usage remained strong and an increase in average minutes of use charged per subscriber by 21.3% partly compensated for lower prices. As a consequence, the revenues of Mobiltel grew slightly from EUR167.6 million in fourth quarter '07 to EUR168.4 million in fourth quarter '08, as higher monthly rental revenues as a consequence of high contract subscriber base partly offset lower traffic revenues.

EBITDA remains stable at EUR82.3 million in fourth quarter '08 compared to fourth quarter '07 with profitability remaining high albeit reflecting seasonality from the Christmas business and despite the economic slowdown.

The following slide provides an overview of our Belarusian operation, Velcom. As already mentioned, the first quarter '08 is a first quarter that provides a like for like comparison of our Belarusian operation.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

This quarter also demonstrates the strong organic growth of Velcom. By the end of December '08 Velcom grew its subscriber base by 20.9% to 3.7 million customers compared to 3.1 million at the end of December '07, over the same time Velcom increased its market share from 43.4% in fourth quarter '07 to 44.8% in fourth quarter '08.

Revenues increased by 44.2% from EUR64 million in '07 to EUR92.3 million in fourth quarter '08 driven by higher traffic and monthly rental revenues due to higher usage and the larger subscriber base as well as foreign exchange gains in amount of EUR10.8 million.

EBITDA rose by 40.5% to EUR43.4 million in fourth quarter '08 compared to EUR30.9 million in fourth quarter '07 as the revenue growth more than offset higher marketing and sales costs. These figures include FX gains. However, currency fluctuations only contributed a smaller part.

Organic growth was strong and on a constant currency basis, revenue growth was 27.4% excluding the foreign exchange gain -- excluding the foreign exchange gain of EUR10.8 million and the EBITDA grew by 22.7% excluding the FX gain of EUR5.5 million.

Now, I'll turn to our operations in Croatia and Slovenia. Vipnet, the second largest mobile operator in Croatia, increased its subscriber base by 14.1% to 2.5 million customers at the end of December 2008.

The revenues of Vipnet declined slightly by 0.6% to EUR171 million in fourth quarter '08 compared to fourth quarter '07. Growth of traffic and monthly rental revenues partly offset lower wholesale roaming revenues also due to the expiry of the national roaming agreements with Tele2.

Croatia is not a member of the EU. However, market trends led to a decline in wholesale roaming prices. EBITDA decreased by 12% to EUR35 million in the fourth quarter '08 mainly due to lower roaming revenues and high interconnection costs.

Si.mobil, the second largest operator in Slovenia, grew its subscriber base by 14.7% to 570,600 customers at the end of December 2008. Revenues grew by 12.3% to EUR49 million during fourth quarter '08 mainly as a result of higher monthly rental and traffic revenues overcompensating lower roaming revenues due the EU roaming regulations.

EBITDA remained stable at EUR12 million as a consequence of lower roaming revenues and lower interconnection asymmetry as well as higher marketing and sales costs.

Last but not least, I would like to discuss our new operations in Serbia and Macedonia. I am proud to show you on this slide the significant progress in reducing startup losses from the green field operations in Serbia and Macedonia, and the rising contribution of the operations. We are expecting further reductions in the quarters to come and forecast breakeven in 2010.

Vip mobile, the third largest mobile operator in the Republic of Serbia, grew its subscriber base by 78.4% to 907,900 customers from 508,000 customers at the end of fourth quarter '07 and had a market share of 9.1% at the end of fourth quarter '08 compared to 5.8% at the end of fourth quarter '07. During fourth quarter '08, Vip mobile more than doubled revenues to EUR18.4 million compared to the EUR9.1 million in fourth quarter '07.

Profitability improved strongly resulting in a sharp reduction in negative EBITDA of just EUR5.1 million compared to a negative EBITDA of EUR24.4 million in '07.

Vip operator, the number three mobile operator in Macedonia, had 242,000 customers in fourth quarter '08 compared to 141,000 customers in fourth quarter '07, and held a market share of 10.7% at the end of fourth quarter '08 compared to 7.9% in fourth quarter '07.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Vip operator's revenues amounted to EUR3.7 million in fourth quarter '08 compared to EUR2.1 in fourth quarter '07, and the Company recorded a negative EBITDA of EUR4 million compared to a negative EBITDA of EUR7.7 million in fourth quarter '07 reflecting a continued reduction of losses.

Now, I would like to give the floor back to Hans to discuss the financial results and our expectation for 2009.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Thank you, Boris. I will take the next few minutes to talk you through our financial results for the fourth quarter '08.

My first slide summarizes the key positions of the profit and loss account and highlights the major trends in the fourth quarter and the financial year 2008.

All profit and loss lines with the exception of revenues are impacted by the EUR632 million restructuring charges we recorded in the Fixed Net in the fourth quarter. During the fourth quarter 2008, revenues increased by 1.4% to about EUR1.3 billion in Q4 2008, primarily driven by the strong performance of mobilkom austria and Velcom in Belarus.

The prime driver for the improvement of the contribution of Velcom was organic growth. There are EUR632 million expenses recorded for restructuring resulted in a negative EBITDA of EUR212 million. Excluding the restructuring expenses, EBITDA grew by 7.4% to EUR220 million.

Drivers here were once again the strong performance of mobilkom austria and [takers] of Velcom. During the fourth quarter, net interest expenses decreased to EUR52 million from EUR54 million during the fourth quarter of last year due to lower average net debt as last year's quarter included the debt incurred as a consequence of the acquisition of Velcom. However, despite the improvement on the level of interest, financial result came in with a decline of 9.3%. This is due to a loss of EUR7 million from the sale of some Fixed Net investments.

The tax deductibility of the expenses for the restructuring program resulted in a tax gain of EUR139 million compared to an income tax gain of EUR3.3 million in the fourth quarter 2007. Quarterly net loss amounted to EUR438 million in the fourth quarter after a net profit of EUR41 million.

Basic and diluted loss per share amounted to minus EUR0.99. The next slide provides a detailed overview of the free cash flow generation of our company.

Increased cash from operations before working capital adjustments by 14.3% to EUR389 million reflecting a better operating performance and decreased ordinary capital expenditures by 13.6% to EUR273 million primarily driven by the Fixed Net segment could not offset the working capital FX and so free cash flow decreased by 18.9% to EUR185 million.

During the fourth quarter, our free cash flow generation was influenced by lower working capital FX which decreased by EUR66 million to EUR70 million. As a consequence of lower accounts payables following lower CapEx and other provisions as well as lower other liabilities.

In order to support our free cash flow generation, we decreased our CapEx. For more details on that, let's move on to page 24. The decrease in ordinary CapEx is caused by a nearly 40% decline in the Fixed Net segment, while investments in Mobile Communication operations increased by 7% primarily driven by higher investments in software in Austria and in Belarus.

The fourth quarter of 2007 saw a peak in growth investments of about EUR1.4 billion with the acquisition of Velcom being the reason. Whereas, we did not have any growth investments in the fourth quarter of 2008.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Other investing activities net amounted to approximately EUR50 million mainly for the purchase of investments. As a consequence of the development described, we've used significantly less cash in our investing activities [which is just] EUR324 million compared to over EUR1 billion in the fourth quarter of last year.

On the next slide, I will discuss the changes in the composition of our balance sheet structure. The total asset base of Telekom Austria Group remained almost stable compared to a year ago. However, the composition of the asset base has changed. Long-term assets declined by EUR225 million reflecting depreciation and amortization exceeding capital expenditures.

On the other hand, current assets grew by about the same amount due to a higher portion of cash and cash equivalents. Also the financing of the group has experienced some shifts. Current liabilities decreased by about EUR340 million as we substituted short-term borrowings with long-term liabilities. And long-term liability increased primarily due to the restructuring charge recorded. Stock orders equity declined by approximately EUR410 million with EUR330 million due to the distribution of the dividends for the financial year 2007 and the remaining EUR80 million due to the loss recorded in the fourth quarter as a result of the restructuring charges and foreign exchange validation differences.

Net debt decreased to below EUR4 billion as of December 31, as a result of the free cash flow generation. Net debt to EBITDA was 3.1 times at the end of December 2008 compared to 2.4 times. But this reflects a lower EBITDA due to the expense required for the restructuring program in the Fixed Net segment. Excluding the restructuring program, net debt to EBITDA decreased to 2.1 times and this is in line with our expectations.

Let me now take the opportunity to summarize our principles for capital allocation and also on our capital markets day. At the end of January, we held our capital markets day in Vienna and quite a number of people took the opportunity to discuss the prospects of Telekom Austria and our view on capital allocation. I believe the principles that govern our capital allocation underpins the strategic focus on value.

The cash use policy centers on the allocation of free cash flow between dividend payments to our shareholders and investment to create value for our shareholders. Cash not used for dividends will be either invested in share buybacks or in growth opportunities based on the returns these two options generate. Of course growth projects will be assessed for their strategic fit and profitability but they also need to generate a return that matches at least the expected return of the equivalent amount spent on acquiring our own shares.

Despite the financial crisis, we continue to regard share buybacks as a sensible instrument to create value. However, we will evaluate the continuation of our share buyback program with a view on the state of the capital markets and of course on the sustainability of our operating performance as we believe that liquidity and secure financing are preconditions for any investments be it acquisitions of companies or treasury shares.

Maintaining a solid investment growth rate forms the basis, but I also wanted to take the opportunity and to once again stress our priorities for capital allocation. Maintaining a stable dividend policy is our top priority and this is why we have introduced a EUR0.75 dividend per share flow for the year 2009 until 2012. Any additional investment decision will be based on the return of projects.

On the next slide, I will point out our successful placed bond in January. The current state of financial markets requires us to have an even stronger focus on the financing of our operations. That is why we accessed the debt markets in January and secured financing for our next years. We placed a EUR750 million bond with a maturity of seven years and a coupon of 6.375%. The bond generated very strong interest with an order for demand into more than EUR3.3 billion and primarily attracted European investors particularly from Germany and Austria.

The transaction was our third successful foray into the European bond market following the benchmark issues in 2003 and 2005. The oversubscription and the large number of investors it attracted underpins our ability to access debt capital markets

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

despite the current volatile market conditions. It diversifies our funding and extends the duration of our debt maturity profile. 65% of the bonds were allocated to institutional investors, 25% were placed with banks, and 10% were offered to retail investors.

The proceeds of the bonds are expected to cover the refinancing requirement of Telecom Austria beyond 2010. This bond will not only affect --- will not affect the net debt position of Telekom Austria, as we will invest the proceeds net debt (inaudible).

However this procedure will involve cost of carry and we expect additional interest expense of about EUR25 million for 2009.

On the next slide, we have added the maturities for 2009 and 2010, which amounts to total EUR2.2 billion. And the sources of cash we will use to repay those debt maturities comprise cash on hand. It comprises also the proceeds of the bond which was issued and it includes the free cash flow generated during the course of 2009 and 2010 after dividends. And those three together cover more than what we have to refinance on maturing debts. This again shows that our solid financial policy works and that we can easily meet our obligations even without drawing on any bank facility of which we have currently about EUR1.2 billion unutilized committed lines in place.

So coming to the last slide of my presentation including the outlook for 2009, we have just announced our expectations for the full year 2009 at the end of January. So this outlook should not come as a surprise. In the light of the lower visibility than previously, we have decided to deviate from last year's format of guidance and focus stronger on a small number of key parameters over which we have more control. Moreover, by guiding on EBITDA and CapEx, we aim to put our shareholders and the financial community in a better position to bring the operating free cash flow generation.

For the year 2009, we expect revenues to amount to approximately EUR5.1 billion. EBITDA is expected to remain at about EUR1.9 billion, capital expenditures for the year 2009 are expected to amount approximately EUR800 million. Also in an attempt to give more visibility and security, we have announced an improvement of our dividend policy on our Capital Markets Day. Whereas in the past we only committed to a payout ratio of 65% of net income, we now have reinforced our commitment to shareholders return by introducing a EUR0.75 dividend floor per share. So for 2009, we expect to distribute 65% of net income as dividends at the minimum of EUR0.75 per share.

Thank you for your attention. Now, I hand over to Peter.

Peter Zydek - Telekom Austria AG - Head of IR

Thank you, Hans. Ladies and gentlemen, after this presentation we would like to answer your questions and of course discuss the trends in the markets we operate in and the results that was presented to you. Please go ahead and ask your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of David Wright from Deutsche Bank. Go ahead please.

David Wright - Deutsche Bank - Analyst

Yes, hello guys. A couple of questions, please. First of all, you've obviously had a lot of success in Q4 with your Kombi package promotions, which has led to that very strong PSTN number. Firstly, how --- to what extent are those promotions closed in January and how refunding the PSTN line loss resuming after that. Maybe a little guidance for the year might be useful. And then just following that, are you noticing any more pressure in the first quarter, in the emerging market operations? Looking at the total minutes of use across some of the major operations, we did see a slowdown but I don't think it was anything

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

remarkable. Are you seeing a little more pressure in Q1 as some of the macro pressures are really starting to intensify there? Thank you.

Boris Nemsic - Telekom Austria AG - CEO

Trying to answer the question on the Kombi packages, and you asked about January, there is a positive result that January will also be with positive net adds. So we see a continuing trend of positive effects even our subscriber development with this Kombi packages. It seems that we are pretty good on track with this development. This does not mean that this stays like that forever, but it shows that at least we found a tool which can be used to have a positive effect and clearly slows down the reduction in the line loss which we see.

Hannes Ametsreiter - Telekom Austria AG - Board Member, Fixed Net

On the mobile side, there is -- January is typically a month where there is lower usage in general. And the one point is that we see a decline of usage in roaming both in customer and visitor roaming, which also can also be due to some seasonalities, the holidays and so on, but we have to look at it. And of course it is also -- the area is some kind of decline of usage and pricing, so it depends how these combinations will come up. Will this increasing usage compensate declining prices? This has to be seen in the first quarter. Another side we have a very good performance in Austria, on the usage side we have also a good performance in Belarus but as you know there was a devaluation in Belarus in January.

David Wright - Deutsche Bank - Analyst

Okay, thank you.

Operator

The next question comes from the line of Graeme Pearson from Nomura. Go ahead please.

Graeme Pearson - Nomura - Analyst

Thanks, and good afternoon. Just a couple on Austrian mobiles. So firstly, what proportion of your net adds in Austrian mobile were SIM only and second the -- I think the regulators chose to give a new ruling on mobile terminating rates sometime around the middle of the year. I was just wondering what your guidance implicitly assumes for the outlook for MTRs in Austria. Thanks.

Boris Nemsic - Telekom Austria AG - CEO

We have to look for a net add -- I don't have it by hand, but we can deliver this. Actually, the biggest growth comes -- it is all postpaid. This is the main point; even SIM-only is also postpaid, bob is postpaid, aonMobil is postpaid, and the biggest growth comes also from the mobile broadband.

As you have seen, we increased it to 400,000 compared with the year before; so from 290,000 to 400,000. So all the 500,000 net adds we made in Austria in the last year have been postpaid -- it seems postpaid net adds.

Concerning the MTRs, there is a process running which will be solved in the second quarter of '08. We are urging very strongly with the regulator and there are hearings now running. We urge that Austria is on the lower end of the European MTR average having 572 for time being.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

And that we think that either the model they are applying is completely wrong or simply -- we definitely do not need further regulation due to the fact that we are the lowest scale in the European average. Nevertheless, they are now pressing these complaints and trying to set up a model which is, how they call it, "cost-based model", but honestly, I do not believe this cost model is same as in Germany, Italy or somewhere else. So we will have a long discussion about that anyhow.

Graeme Pearson - *Nomura - Analyst*

So as far as the performance in Q4 in Austria mobile was looked to be certainly a substantial improvement. I guess what I am trying to get to the bottom of is, it has to stand -- you believe that as of the end of the day?

Boris Nemsic - *Telekom Austria AG - CEO*

Performance in the fourth quarter was excellent, but you see that the SIM-only gross adds gives us a less acquisition costs and the less retention costs further on. So this -- but this is sustainable due to the fact that these are postpaid customers.

So we see it actually as a proper mixture. Nevertheless, you should not forget that we are in Austria on the realistic (inaudible) 6% of inflation. So it's very difficult to say what will be the year-end penetration in 2009.

We have also a pretty good improvement on the volume of interconnection because we have a larger subscriber base and this is also a positive effect for us.

Graeme Pearson - *Nomura - Analyst*

Right, thanks.

Operator

Next question comes from the line of Chris Fremantle from Morgan Stanley. Go ahead please.

Chris Fremantle - *Morgan Stanley - Analyst*

Hi, good afternoon. Two questions. One just a follow up on the fixed line -- the domestic line, the one in Belarus. On the fixed line, obviously you're talking about the positive line trends, positive average revenue per line. Is it fair to say that the fourth quarter you feel you've now seen the low point of revenue declines on a year-on-year basis? That's the first question.

And then in Belarus, there has been some resistance from the Belarus government around the price increases that you talked about at the Investor Day. Can you just clarify what was said and what the plans are to retract that increase?

And also can you -- while we are talking about Belarus, can you reconfirm what the percentage of hard currency or US dollar currency costs is within the OpEx of Belarus? So we can assess the impact on profitability of any further currency devaluation. If you're able to give that sort of information for Bulgaria too that would be helpful. Thank you.

Boris Nemsic - *Telekom Austria AG - CEO*

Starting with the fixed line revenue element, we see roughly (inaudible) 9%. I believe it's too early to say that this is the lowest point we've reached. It is difficult to completely clearly say where we are going because the substitution of minutes from fixed into the mobile network is still taking place.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

But I believe it's a good sector that we could have development and created development of having net gains on the lines. And I believe it's also a good factor that we achieved the average revenue per line. We kept it pretty stable and we now have the chance if we keep the customers that we cross-sell.

And we will try of course where it is possible to sell our IPTV product and that we also trying where we IPTV customers to cross-sell with, for instance, videos. And we sold 112,000 videos only in one month in December with the strength of 63,000 customers. I mean, this was an opportunity. How we can leverage this opportunity we will see in the future.

Hannes Ametsreiter - Telekom Austria AG - Board Member, Fixed Net

Concerning Belarus, it's definitely the point that the price increase was debated there. And we should not forget that we have to distinguish between the operators who are state owned, the majority, and us who are not. We are definitely open to enter into discussion with the government about this topic.

But we are setting that it is a liberalized market, it is a free price setting. So we will definitely discuss this issues. Your question about the hard currency part of the costs in Belarus is 53%. In Bulgaria, I don't have it by hand. But Bulgaria is for time being still linked to Europe.

Operator

The next question comes from the line of Hannes Wittig from JPMorgan. Go ahead please.

Hannes Wittig - JPMorgan - Analyst

Yes. Good afternoon. I have a follow-up question on the fixed line, and a further question on the fixed -- and the follow-up question being, you said that in January the line trend was positive but clearly the Kombi tariffs extended into a couple of weeks in January. So could you maybe help us how the trend looks like once the Kombi (inaudible) stop?

And equally, on the fixed, your EBIDTA benefited from a significant improvement in staff costs. I just wondered if the staff costs already benefited from restructuring provision in the quarter or what was the main driver here? Also at the Investor Day, you were talking about some weakness in emerging markets, mobile [rate] use, could you maybe give us some indication how that has developed now that it's the end of February? Thank you.

Boris Nemsic - Telekom Austria AG - CEO

Okay. Well, talking about the Fixed Net development and then Kombi packages, as I mentioned this was again a positive effect in January. It also looks very promising in February. The promotion is running until January the 20th and what we see is that the effect has -- it's running a few weeks after this promotion also.

It is clearly connected to this promotion that the gain of customers is pushed and boosted by this promotion activities. And I believe that we now have a good mix in regulation loosened in terms of promotion opportunities. And I believe that we now found a matrix which allow us to have the right promotions running all year over.

And I believe that is a good chance to have good and see good development there. Talking about the impact of personnel -- lower personnel expenses, it is a culmination of all measures taken in the course of 2008. But the restructuring program announced in November only came in towards the end of the year.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Hannes Ametsreiter - Telekom Austria AG - Board Member, Fixed Net

Yes, Hannes. Concerning the emerging market usage, I think the comments I gave before fits that we have a less roaming revenues, as roaming traffic in general in most of the markets which I would not fit it only -- now only for the Eastern Europe. It's a general trend.

But I think this is a very, very in line with the less flights and the tourism and whatever. So I think you can link it there. On other side, the usage in the minutes is not really declining. We have to follow this further. But it's much too early to give any special comments. We do not see really urgent changes.

Hannes Wittig - JPMorgan - Analyst

Thank you.

Operator

Our next question comes from the line of Hugh McCaffrey from Goldman Sachs. Go ahead please.

Hugh McCaffrey - Goldman Sachs - Analyst

Good afternoon, guys. And I just have a couple of questions. Firstly on domestic mobile and the pricing dynamics in Austrian market, are you finding that your competitors are not coming more rational on pricing both on voice and the mobile data product? And secondly, regarding domestic mobile consolidation and -- I mean, clearly post Vodafone's deal with Hutch in Australia. Hutch are open to equity deals. Would you consider using equities to consolidate the domestic market?

Boris Nemsic - Telekom Austria AG - CEO

Yes, the mobile pricing in Austria is always on the move. We see a pretty stable voice pricing for the time being, but we see a decline in mobile data in broadband, which was taken by T-Mobile recently. They will announce their results probably two days later. So let's see.

Concerning the consolidation, I think that Austria is not in the focus of the owners there, so let's see what will happen. I understand the Australian deal, but I would not mix Australia and Austria.

Hugh McCaffrey - Goldman Sachs - Analyst

Okay. Thanks guys.

Operator

The next question comes from the line of Jacob Bluestone from Merrill Lynch. Go ahead please.

Jacob Bluestone - Merrill Lynch - Analyst

Hi, there, Jacob Bluestone from Merrill Lynch. Just two questions. You currently split out the impact of the accrual last year in domestic mobile, but I was just wondering could you split out the impact of roaming dropping out as well. And then secondly, could you just give us an update on any M&A in the Balkans, if anything has happened there? Thanks.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - Telekom Austria AG - CEO

For the time being, there are actually no special activities on M&A anywhere. You are aware that the second Macedonian operator is for sale, but it is too early to give an indication of anything. And I must say I did not get the first part of the question.

Jacob Bluestone - Merrill Lynch - Analyst

It was just that if you could say what was the impact of roaming in the acceleration in growth rates in domestic mobile?

Boris Nemsic - Telekom Austria AG - CEO

Yes, it was not acceleration, it was a deceleration. It's -- if I catch your question properly, we have been losing roaming revenues and of course, margins on year-per-year basis in roaming, both in Austria and in other countries.

Jacob Bluestone - Merrill Lynch - Analyst

Thanks.

Operator

The next question comes from the line of Markus Remis from Cheuvreux. Go ahead please.

Markus Remis - Cheuvreux - Analyst

Yes, good afternoon. First of all, a question on the clarification regarding Belarus, did you say that there will be no price increase?

Boris Nemsic - Telekom Austria AG - CEO

No, I did not say that. We put price increase in effect 15th of February. So it is still valid, but we definitely have to understand the dynamics of the market and to adapt to it. Again, we will be openly discussing these things and the thing -- the good thing there is that you can openly discuss these issues. So I don't see it as a problem for the time being.

Markus Remis - Cheuvreux - Analyst

Okay, got you. Then one question on the Fixed Net business, maybe you can give us an update on how much cost you think you can take up all these measures on top to the EUR30 million you indicated for personal cost savings?

Hannes Ametsreiter - Telekom Austria AG - Board Member, Fixed Net

We are saving, that is personnel restructuring, EUR35 million next year. That's what we are expecting. And of course, what you also see already is that we started a program which will use this other costs and -- this is like sponsoring costs, this is like (inaudible) having more advertising in some other areas. This is what we are already doing and this means more efficiency and trying to have higher productivity there.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Markus Remis - *Cheuvreux - Analyst*

And then maybe one question on Croatia. Basically, we are seeing quite a increase in the minutes of use slow down as well as at least to my understanding disappointing output development. Could you elaborate, is there any particular effect, is that a trend we should continue to see in 2009?

Boris Nemsic - *Telekom Austria AG - CEO*

Not really. First the biggest effect in Croatia we have is the loss of national roaming, which is not washed out yet; so we have it in the fourth quarter, especially strong. Second point there is the roaming -- wholesale roaming hits Croatia. It's not part of a regulated EU part, and there is at the time being, high interconnection charges and then costs. So we do not have aggressive off-net promotions yet. So this has to be followed, but the main effects are definitely the roaming loss.

Markus Remis - *Cheuvreux - Analyst*

Okay. Thank you.

Operator

The next question comes from the line of Soomit Datta from New Street Research. Go ahead please.

Soomit Datta - *New Street Research - Analyst*

Yes, a question on Belarus and then on Bulgaria please. Belarus, can I just check, you said the price increases came in on the 15th of February. I know it's been hardly a couple of weeks but has there been any material impact on usage since those price increases were put through. And then a follow up on Belarus, in Q4 '08 there were a couple of -- or I think, there was one FX gain, which you split out first. Was there any equivalent number for Q4 '07? And then on Bulgaria, just a question on the ARPU trends, they seemed to have deteriorated when I look at the year-on-year trends in Q4 versus Q3. Is anything in particular happening in the market which might explain that please? Thank you.

Boris Nemsic - *Telekom Austria AG - CEO*

The thing with Bulgaria, the prices in Bulgaria last year have been going down. So this was -- this is only ARPU related issue. The Bulgaria we show that we have on quarter -- or year-over-year comparison, we increased 27% the revenues, cleaned out for FX effect and 22% of EBITDA. So this is a real operational effect, positive operational effect.

Soomit Datta - *New Street Research - Analyst*

And sorry, just rephrase. Does that mean there was an FX gain booked in Q4 '07 in Belarus?

Boris Nemsic - *Telekom Austria AG - CEO*

Excuse me.

Unidentified Company Representative

No.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Unidentified Company Representative

There is no.

Unidentified Company Representative

There was no any in '07, in 2007 in Belarus.

Somit Datta - *New Street Research - Analyst*

Okay. And then on the usage following the --

Boris Nemsic - *Telekom Austria AG - CEO*

Following the prices?

Somit Datta - *New Street Research - Analyst*

Yes.

Boris Nemsic - *Telekom Austria AG - CEO*

No, it's just 10 days. So it's very difficult to give the indication because you have there prepaid for postpaid, meaning it's a contract which is prepaid so it's so difficult to put this comparison. And I also don't think this is the main effect for this question on the reaction.

Somit Datta - *New Street Research - Analyst*

Okay, thanks.

Operator

The next question comes from the line of Will Milner from Arete Research. Go ahead please.

Will Milner - *Arete Research - Analyst*

Thanks a lot. Just a couple of questions on Austria. Just looking at the mobile business again, there is normally, in the past, when you've seen one of the Austrian mobile operators become more aggressive and take market share, it provokes a pretty immediate response from the competition. And given the improved mobile trends you showed in the fourth quarter, do you expect and have you already seen a competitive response. I guess, it's just a general question. Is there any reason for us to sort of believe that the -- level of competition will ease in 2009?

And secondly, I know this from news flow this morning about Deutsche Telekom looking to merger its domestic fixed and mobile divisions. Given the extent to which the mobile division is cannibalizing the fixed, I mean would you consider something like this if you believe it to be additional cost synergies or are there regulatory reasons why you cannot do that?

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - Telekom Austria AG - CEO

Let me start with the second part. We are innovative as usual before them. So we convert (inaudible) in both marketing roles. So I think, we have a better solution for that. Considering the mobile trends in the fourth quarter, we have a very good drive over the year 2008 on mobile both on customer numbers as on market share. So I don't see this as a competitive response concerning the new tariffs. The voice is moderate because I think it's -- I will not say reached the bottom but it's certainly something which is near the bottom.

On data, it's definitely at the point that our competitors maybe think that they can get some additional market share, which probably Hutchinson is successful to some extent but not most in our cost, mostly on the cost on the other two competitors. Additional point is that T-Mobile is now selling some Hero handsets for EUR1 for Valentine Day. For example Google G1 is EUR1. They have been selling iPhone for zero. It's an interesting business model obviously. We are selling BlackBerry Storm but we are charging it normally. So we made such a big improvement in year 2008 so that we can be really relaxed for some time.

Will Milner - Arete Research - Analyst

Okay. So just to clarify the answer to the second question, you don't believe there are any additional cost synergies you could reap from greater integration in Austria?

Boris Nemsic - Telekom Austria AG - CEO

I think the question looks simple. The question is extremely tricky because merging such different businesses, different sizes and so on is a very, very big and large project. And when you look to some other countries like Italy and France where these exercises have been done, I'm not aware of a very big success of it.

I'm not saying it's impossible, but I think you have to look to see if they really country by country, operation by operation, being on the same level of development and so on. And I think it's a matter of each and every management to decide when this moment comes and if.

Will Milner - Arete Research - Analyst

Now it's very clear, thanks.

Operator

The next question comes from the line of [John Caritas from MS Laval]. Go ahead please.

John Caritas - MS Laval - Analyst

Thank you very much. Good afternoon. Two questions if I may. Firstly the regulator, how many months in a year does the regulator allow Telekom Austria to offer Kombi packages? And is it possible to sort of enlarge on an earlier comment about being able to offer equivalent Kombi packages throughout the year or promotions?

And then secondly, if I may -- sorry, actually the second question, can I -- do you mind answering the first question first?

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - Telekom Austria AG - CEO

Yes, sure. In 2008, we were allowed to have a promotion for two months and then we had to keep three months off the promotion and then to start again.

Now, we already changed their regulation. We are now allowed to, for instance, [choose] the promotion on January the 20th and we will have to start again on March the 12th. So it's a six weeks period which we still needs to keep, but it's now a much better condition of course than years ago or last year.

John Caritas - MS Laval - Analyst

Okay, and can we assume that the difference in future promotions will remain just six weeks?

Boris Nemsic - Telekom Austria AG - CEO

Yes.

John Caritas - MS Laval - Analyst

Perfect, thanks. And then the second question, I wanted to ask, could you help us understand what -- whether politicians in Austria think it's advantageous for all citizens to have access to a fiber optic network? And whether they understand that in order for Telekom Austria to build such a fiber optic network, the quid pro quo would be greater freedom to reduce costs, particularly staff costs, otherwise such a build out is simply not viable?

Boris Nemsic - Telekom Austria AG - CEO

This is a very difficult question, and I definitely cannot speak for the politicians. I think that each and every country understands that broadband infrastructure is part of the very advantages and future looking infrastructure. But we are in a liberalized industry, and let's see how they will tackle that.

John Caritas - MS Laval - Analyst

Okay, thank you.

Operator

(Operator instructions). The next question comes from the line of [Jemaco Bonafia from Equitas]. Go ahead please.

Jemaco Bonafia - Equitas - Analyst

Yes, good afternoon. My question has already been asked, but I just have a follow-up on CapEx. If you can remind us, what's the assumption in your CapEx plan regarding the fiber optic rollout?

So if that could be the risk that maybe you have to increase the CapEx maybe even next year not just for this year, because you will have to be spending more on fiber optic. And what is the driver behind the decision of spending a higher amount of money in this? Thank you.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - *Telekom Austria AG - CEO*

It is not (inaudible) numbers, the development of fiber in Austria. What we are doing and we announced that at the Capital Market Day, we are running some trials.

We expect that we are able to get the right numbers, figures, development opportunities, all of this trial and this is what we are focusing on now and planning. And we'll then give some more figures concerning other opportunities, but at the moment we are only and solely focusing on this trials and pilot project.

Jemaco Bonafia - *Equitas - Analyst*

Okay. But so you -- just to follow-up, so you exclude at the moment that these can impact, for example, 2010 CapEx which could be increased significantly, right?

Boris Nemsic - *Telekom Austria AG - CEO*

We do not disclose any plans for 2010 CapEx.

Jemaco Bonafia - *Equitas - Analyst*

Okay, because you didn't give like a four-year outlook also for the CapEx?

Boris Nemsic - *Telekom Austria AG - CEO*

Yes, we gave it in total, but we definitely excluded any possible future fiber optic rollout. They are not part of it and we just said that it is only trials are in this CapEx number.

Jemaco Bonafia - *Equitas - Analyst*

Okay. I see. Okay, thank you very much.

Operator

Next question comes from the line of [Justine Innova from Exane]. Go ahead please.

Justine Innova - *Exane - Analyst*

Thank you. Good afternoon. Two question, if I may. Firstly, I'd like to understand what is driving the strong performance this quarter in prepaid ARPU and hence the strong service revenue growth, if you can please elaborate on this one?

And my second question relates to the opportunity in TV for Telekom Austria. You currently have about 63,000 subscribers on IPTV. How big would you say is the market opportunity for you there? And if you can give us any color on the ARPU for that specific product that will be very helpful. Thank you.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - Telekom Austria AG - CEO

Yes, starting with the second question with IPTV development, we now have already 65,000 customers with IPTV. We still see very significant growth in that area. We believe that there are different opportunities, one I mentioned before is the video tape, with sales of videos on our existing customer base, but of course we want to further grow.

This depends on the product which we're offering. We are always shaping and further developing the product. It is the potential it's definitely related to our customer lines. It's very important to have very good lines to be able to offer IPTV.

On the other side, we are now also exercising some [hype] rates having combination with other technology like satellite and we are just testing that at the moment.

Hans Tschuden - Telekom Austria AG - CFO and Vice Chairman

Concerning the prepaid ARPU, which country you are looking particularly?

Justine Innova - Exane - Analyst

Sorry, just Austria.

Boris Nemsic - Telekom Austria AG - CEO

Just Austria?

Justine Innova - Exane - Analyst

Yes.

Boris Nemsic - Telekom Austria AG - CEO

Now it's a slight usage increase and on other side when we also move strongly to postpaid. I think that our prepaid base is a very sound one. So honestly speaking we are not really focused on that.

And there are no free offers on prepaid, so it's just running business there.

Justine Innova - Exane - Analyst

So there is only development of ARPU in domestic market. Should we expect that to be somewhat sustainable in 2009?

Boris Nemsic - Telekom Austria AG - CEO

Definitely. We do not focus on prepaid at all. So it just happens.

Justine Innova - Exane - Analyst

Okay, thank you.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Operator

Next question comes from the line of David Wright from Deutsche Bank. Go ahead please.

David Wright - Deutsche Bank - Analyst

Yes, I called it a question; it is just a follow-up. The CapEx is obviously very low in the domestic mobile market and I think also one or two of the emerging markets, Bulgaria is single digit now as a percentage of sales. Especially in domestic mobile, where the walls that grow or where the growth remains strong in mobile broadband, is there a risk that those need -- and we must need to step up a little?

And then the second question a little bit more cheeky, perhaps, but Boris your name has being linked in the Russian press today with the CEO of VimpelCom. Any comments on that? Thanks.

Boris Nemsic - Telekom Austria AG - CEO

There are no comments on the second question. And the first question is that we have definitely excellent data network and one of the points is that we are getting more and more handsets -- 3G handsets for carrying the voice with 3G network, and for this you definitely don't need additional capacity.

On the data, we are pretty good. We have a very favorable mixture of customers in the sense they are not using so much data capacity as maybe some others. When you look at businessmen using either a BlackBerry or a mobile data card, they are using it on purpose.

When you look at an youngster who is downloading music and videos and so on, they are using it in much more. So that's why I think we are much better balanced than others.

David Wright - Deutsche Bank - Analyst

Okay, that's great, thanks.

Operator

(Operator instructions). We have a question from the line of Justin Funnell from Credit Suisse. Please go ahead.

Justin Funnell - Credit Suisse - Analyst

Thanks. Yes, just to follow-up on the termination rights point, Boris. So maybe I am reading too much into what you said, but it sounds like you are implying that the Austrian regulators are looking at more of a marginal cost approach than an average cost approach. Obviously, the Germans and the Italians are stuck with an approach where the rights have come down gradually. You are saying the Austrians -- Austrian regulator is not looking that way. So that suggests essentially quite large cuts. Am I reading what you said right and what are the potentials, are we looking at a rate coming down to EUR0.01 or EUR0.02 quite quickly?

Secondly, is probably just prudent wording in your release, but you mention in the risks and uncertainties, potential tax uncertainties in Eastern and Southern Eastern Europe. Is there something specific that you are referring to there, please?

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - *Telekom Austria AG - CEO*

For the second question, there is nothing specific as a risk to be stated; it is more of a general terms we use for -- there is a potential risk that tax rates have changed, but nothing in particular.

Justin Funnell - *Credit Suisse - Analyst*

Okay, thanks.

Boris Nemsic - *Telekom Austria AG - CEO*

Considering the MTRs is definitely a fight because you know that Hutch specially is trying to bring the MTRs down even promoting bill and keep and all these things. So it is definitely a fight with the --- about the model and -- but when you remember that we had a gliding path for the last two years which proved they are working very fine. We are now in the process of making a new assessment, actually the regulator is making a new assessment and we are trying to convince the regulator also to compare the models between Germany, Italy, and Austria and to apply the right one. If you take a positive reading of it, our downside potential is much, much less than from the others when you look at European perspective in general.

Justin Funnell - *Credit Suisse - Analyst*

Thanks. If you were to get a potentially quite low rate being decided, are there things that you can do to offset it? Would it change your guidance for next year or so if there was an adverse decision?

Boris Nemsic - *Telekom Austria AG - CEO*

I think it is too early to speak about this because it is still few months until --- if it will be changed and then the impact is -- part of the year, I'm not aware that for the time being there is a retroactive. We have to see it.

Justin Funnell - *Credit Suisse - Analyst*

Okay, thanks very much.

Operator

The next question comes from the line of [Vaughan Heffner] from [Execution Limited]. Please go ahead.

Will Drake - *Execution Limited - Analyst*

Hi, it is Will Drake from Execution. Couple of things, slightly contradictory. The first thing would be you mentioned that you would evaluate the possibilities of a share buyback with your second quarter results in August and I wondered if you could just remind us of the criteria you will use when you evaluate that.

And the second thing, ready to pick up on the consolidation question earlier. Would it not be the worst of all possible outcomes to allow someone else, and I'm thinking along the lines of Vodafone, to do the deal with Hutchison in Austria and thereby let the consolidation opportunity slip and should you not be much more proactive in seeking that consolidation event with Hutchison? Thank you.

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

Boris Nemsic - *Telekom Austria AG - CEO*

Coming to the question of share buyback, what we said during the Capital Markets Day is that we will take into consideration when evaluating a potential share buyback after our half year result. We will look at the status of the financial markets and also our operational performance and how far we are in line with the expected free cash flow generation to come to our net activity range. So this is no change to what we have said at the Capital Markets Day.

Will Drake - *Execution Limited - Analyst*

Yes.

Hans Tschuden - *Telekom Austria AG - CFO and Vice Chairman*

Concerning the consolidation question, I think nobody is crazy enough to enter the Austrian market as a fourth operator at all. So I don't see it as a big advantage. Considering the productivity, as you are aware, we integrated Tele2 mobile operation to us and on other side it is simply the question also of the regulatory environment which has to be checked and tested. Let us see if there can be some kind of multi deals, maybe we should consider it. But again it is far away and there are no signs for time being for this kind of consolidation.

Will Drake - *Execution Limited - Analyst*

Okay, thank you.

Operator

Thank you. We have no other questions coming through. So I will now hand the call back over to Peter to wrap up. Thank you.

Peter Zydek - *Telekom Austria AG - Head of IR*

Thank you. Ladies and gentlemen, as it appears, there are no further questions and therefore we (inaudible) to come to the end of today's conference call. Again I would like to thank you for dialing in today and I wish you a nice evening. Thank you and goodbye.

Operator

Thank you for attending today's conference. You may now replace your handset

Feb. 25. 2009 / 10:00AM, TKAGY.PK - Q4 2008 Telekom Austria AG Earnings Presentation

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