

**TELEKOM
AUSTRIA
GROUP** 

Group Strategy

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.”

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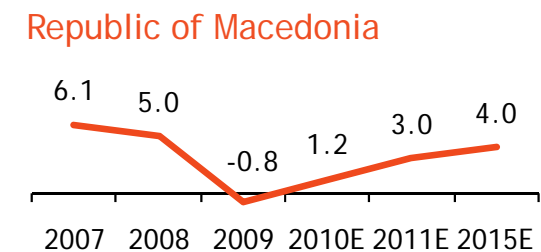
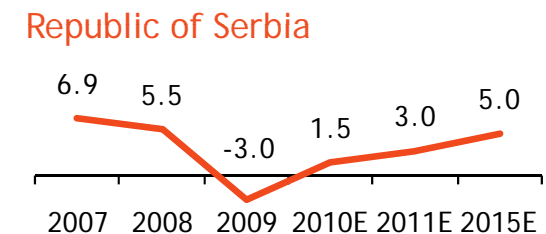
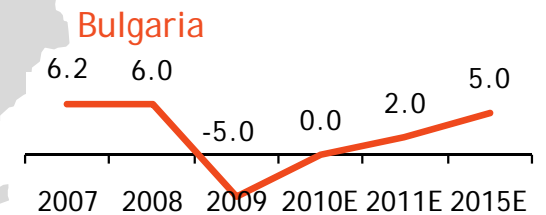
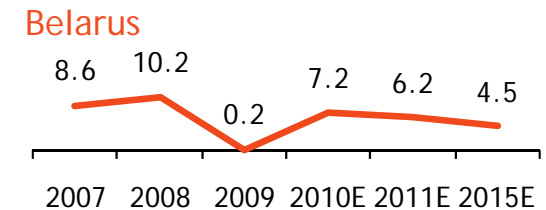
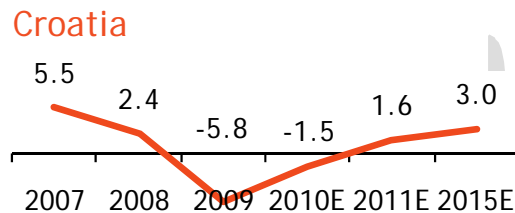
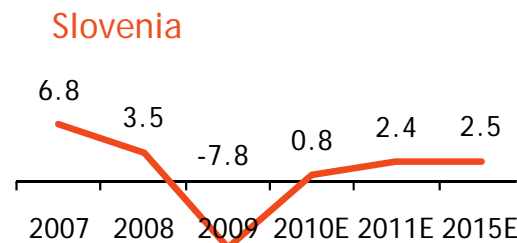
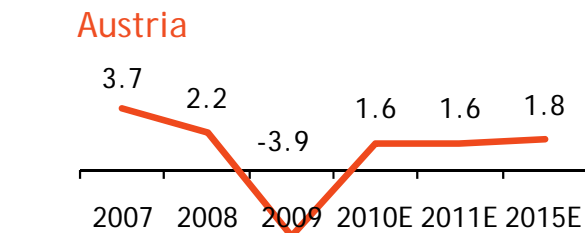
The most innovative and
efficient telecommunication
player in CEE.

Telekom Austria Group has Already Successfully Tackled Major Operational Challenges

Line loss	Stabilized	✓
Subscriber growth	Sustained in all markets	✓
Convergence in CEE	Initiated in Bulgaria	✓
Network quality	Best in class	✓
Civil servants	Alternatives created	✓
Cost control	Focus on margin protection	✓
Break even of Greenfield operations	Serbia: FY 2010, Macedonia: Q3 2010	✓

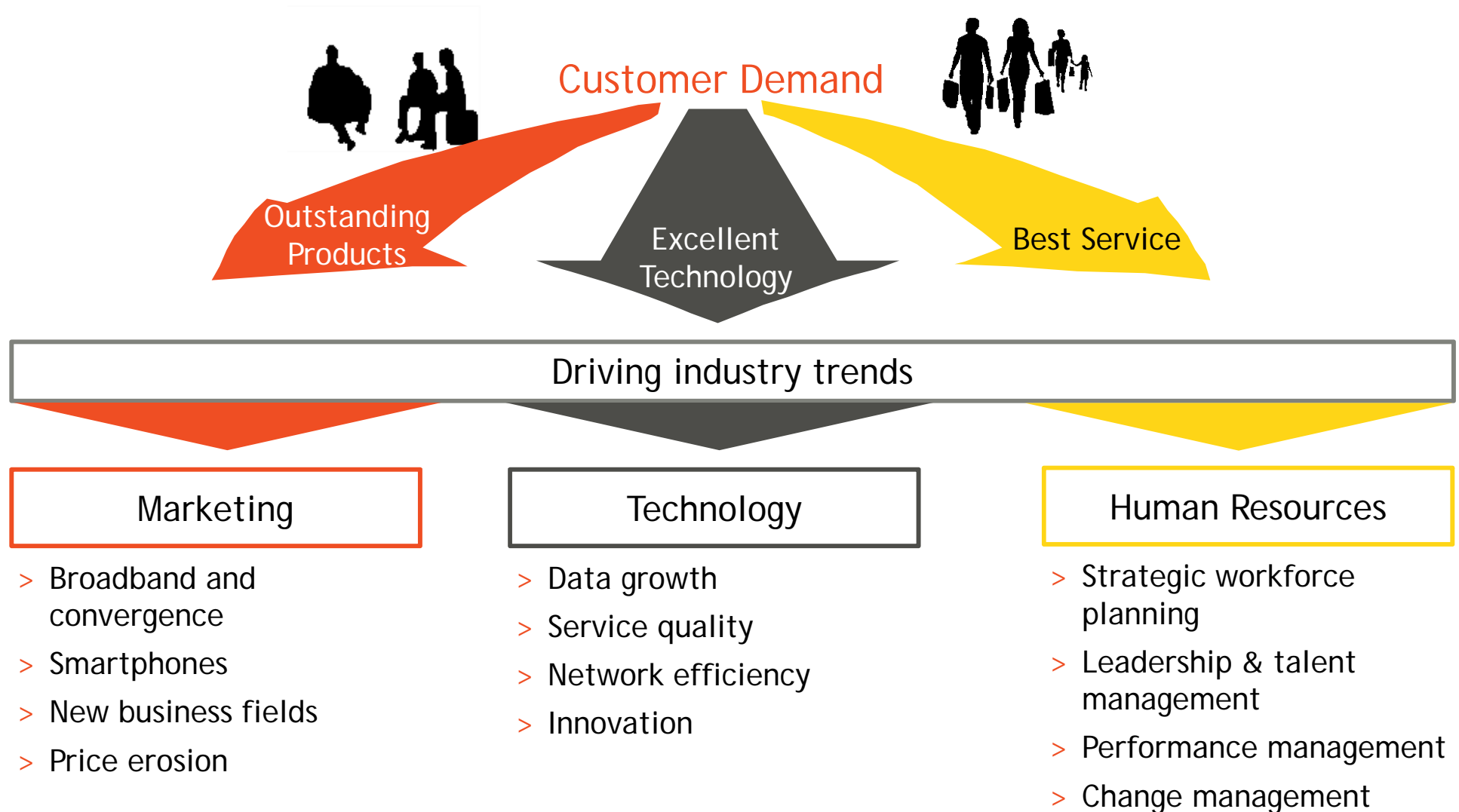
Macroeconomic Development of Core Markets is Expected to Recover Over the Next Years

Real GDP % Change



Source: IMF, October 2010

Evolving Customer Behaviour Drives Industry Trends



Group Marketing - Key Points to Address Industry Trends

Industry Trends

Broadband and convergence

Smartphones

New business fields

Price erosion

Key Points

Push broadband growth, independent of technologies

Leverage the smartphone and smartdevice opportunity

Innovate in machine-2-machine market and applications

Enhance customer value management

Group Technology - Key Points to Address Industry Trends

Industry Trends

Data growth

Service quality

Network efficiency

Innovation

Key Points

Reduction of production costs via hybrid approach

Demand oriented provision of capacity and bandwidth

Cost reduction through alignment of technology architecture and life cycle management

Leverage existing and implement new technologies

Group Human Resources - Key Points to Address Industry Trends

Industry Trends

Strategic workforce planning

Leadership and talent management

Performance management

Change management

Key Points

Increase flexibility of workforce through right skill mix

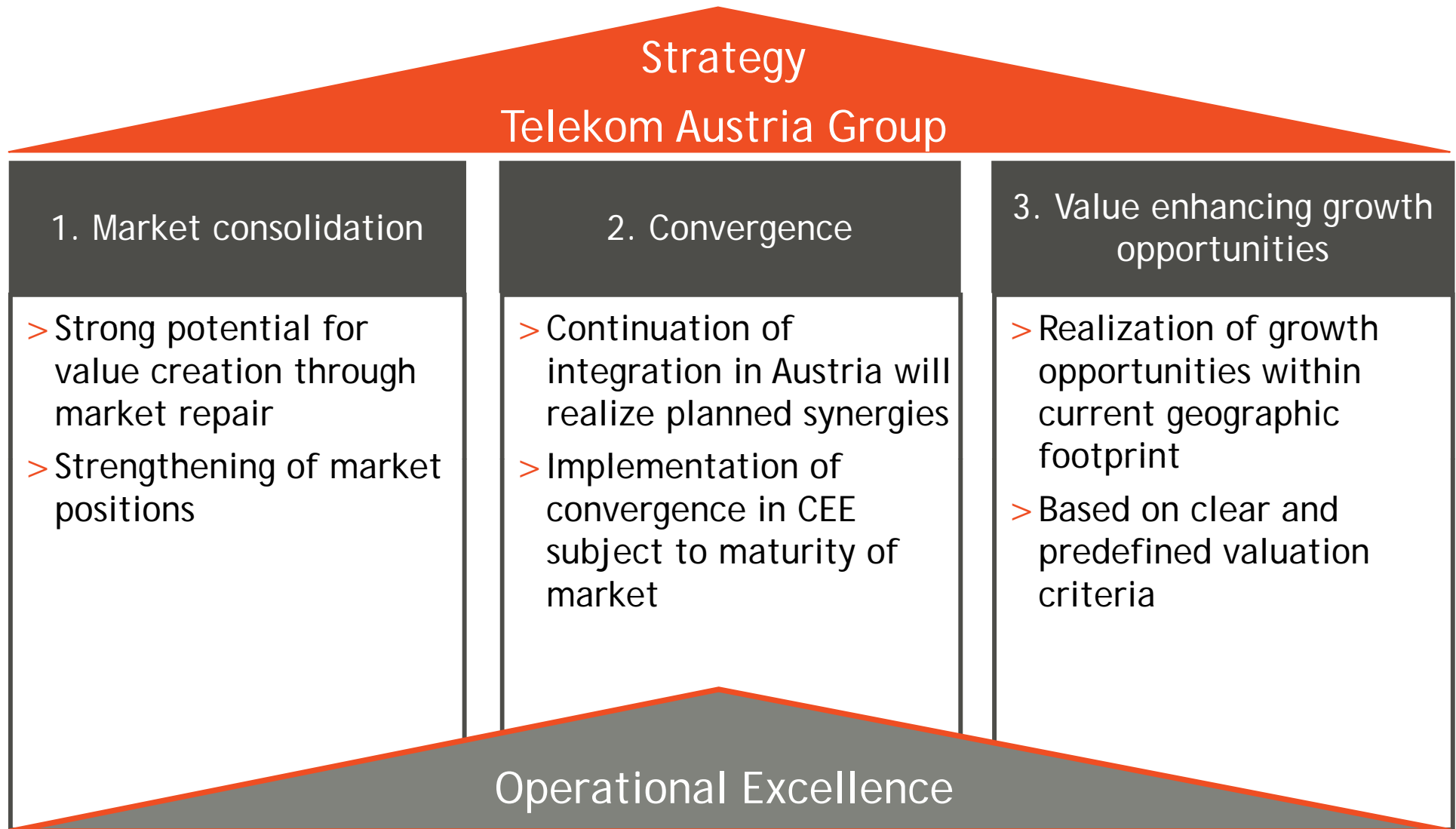
Implement business school as tool for internal all-level development

Differentiate by performance and potential

Drive and adopt to ongoing transformation of business requirement

Group Strategy

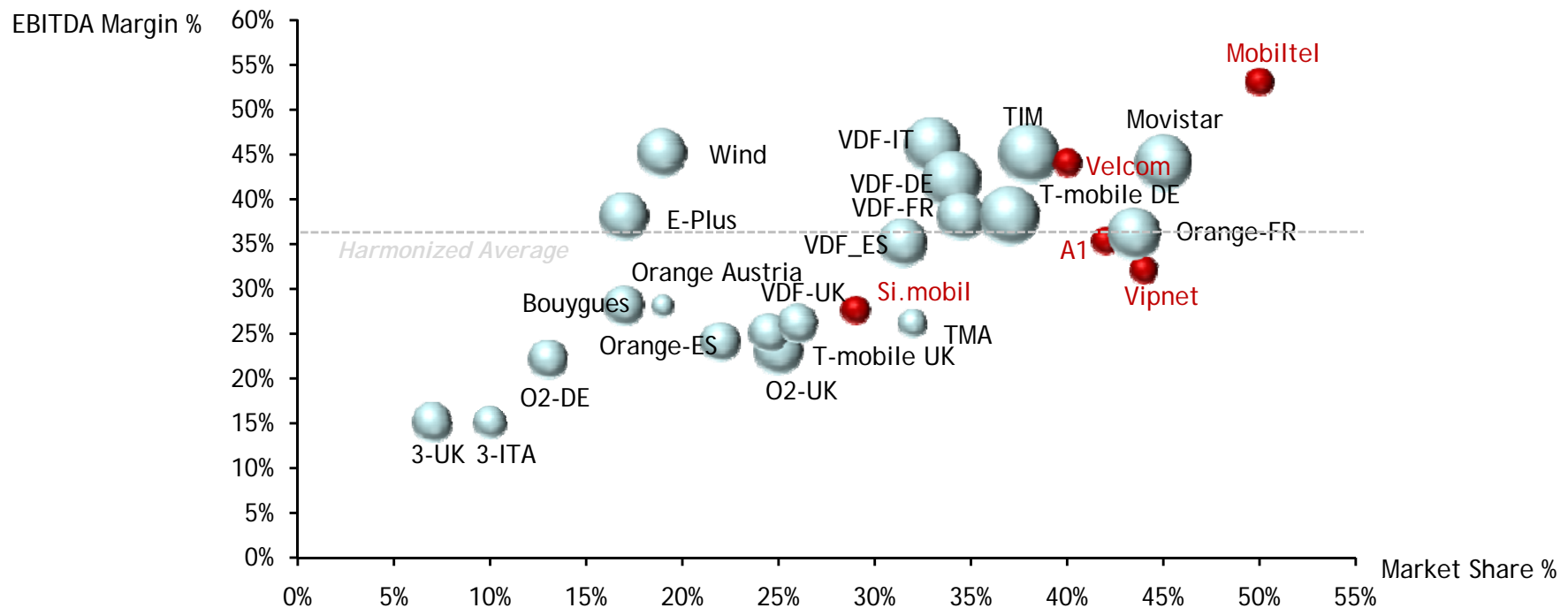
Operational Excellence and Three Strategic Pillars Meet Future Challenges



Strategic Pillar 1: Market Consolidation - Key Catalyst for Value Creation

- > Drive market repair through:
 - > Smart tariff management
 - > Value based management
 - > Efficient deployment of infrastructure based on customer demand
 - > In-market consolidation to ensure healthy level of competition

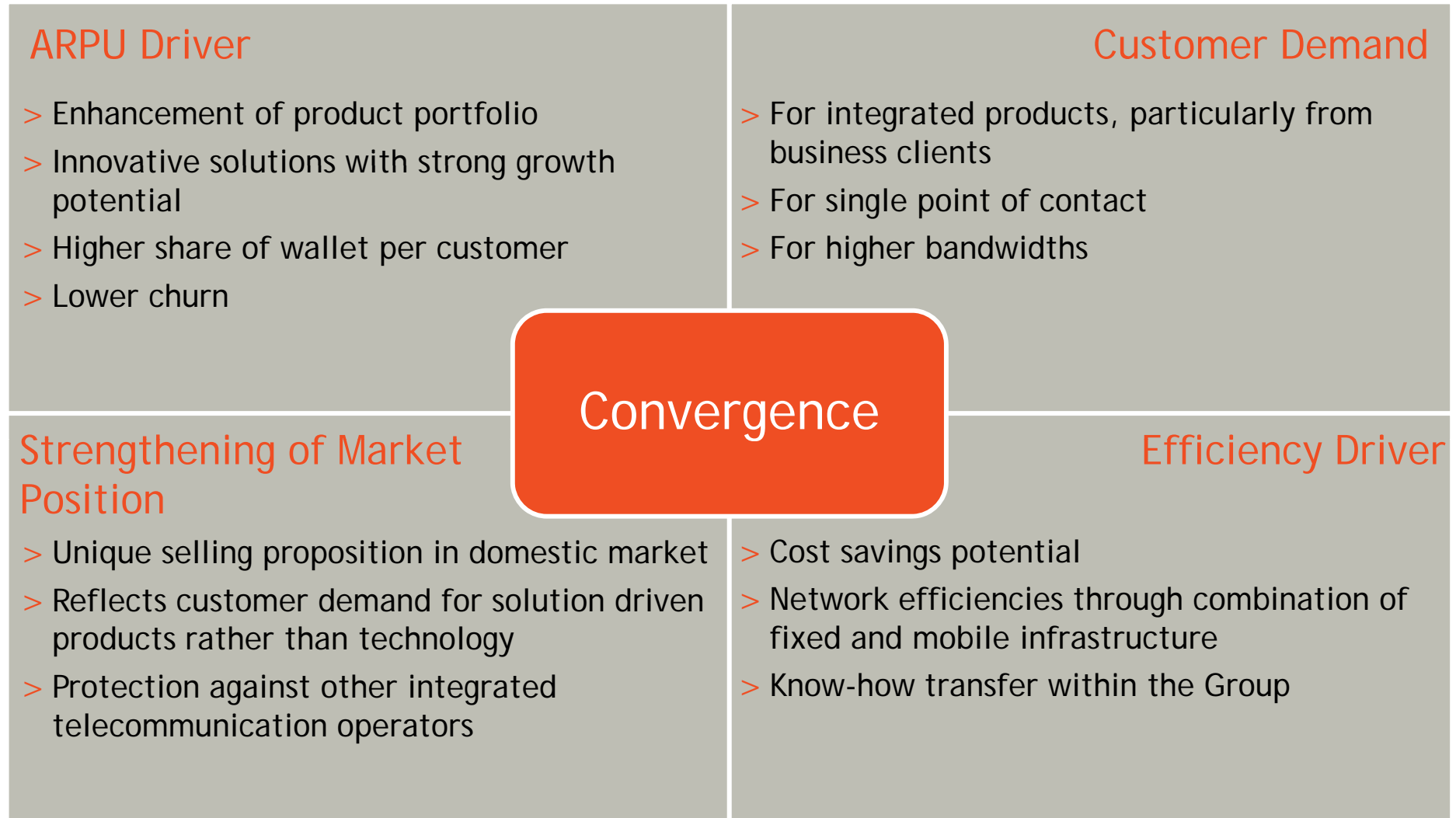
EBITDA vs. Market Share



Source: InfoCom, Telesseq Market Intelligence

Capital Market Day 2010

Strategic Pillar 2: Convergence - Major Driver of Future Growth



Strategic Pillar 3: Value Enhancing Growth Opportunities

M&A Criteria

- > In-market consolidation
- > Convergence transactions
- > Growth opportunities that strengthen the strategic positioning within the region of current footprint
- > Synergies with current operations
- > Clear path to full operational control required

Valuation Criteria

- > Targets are evaluated using DCF method applying risk-adjusted WACC
- > Earnings per share and cash flow per share accretion required
- > Acquisitions are benchmarked against share buyback
- > Trading and transaction EBITDA multiples for reference

Thank you!