

Fixed Net

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.”

Fixed Net Operations Face Two Major Challenges

Market

- Defending access line base is imperative as it is the foundation to cover fixed costs

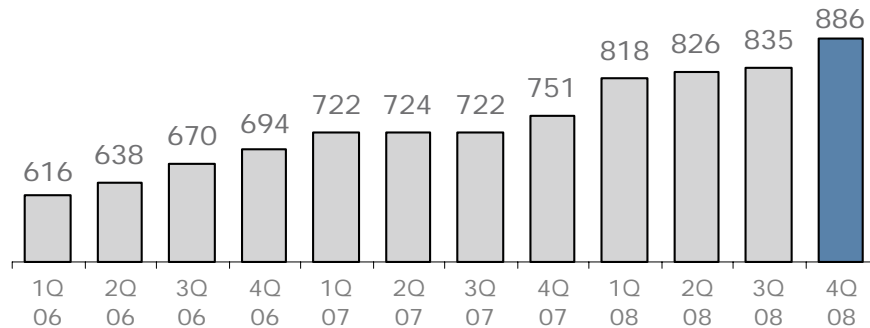
Cost Structure

- Managing cost inflation to cope with rigid cost structure and product reduction of legacy business

Measures Adopted Since Last Capital Market Day Focus on These Two Major Challenges

Broadband Customers

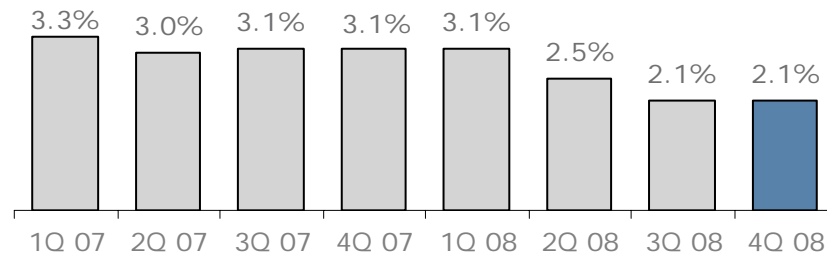
(in 000)



- Introduction of product bundles
- Increasing customer satisfaction

Churn

(in %)



- Improving brand value to reduce advertising cost
- Start of cost cutting program

Addressing the Fixed Net Market

Slowing Down Fixed Access Line Loss Requires Two Main Measures

Voice Fixed-to-Mobile Substitution

- Lower mobile pricing
- Higher convenience of mobile phones
- Larger mobile communication subscriber base enables cheap on-net calls

BB Fixed-to-Mobile Substitution

- Mobility and ease-of-use
- Lower pricing as no additional monthly line rental required
- Prevailing low bandwidth demand of customers

Counter Measures Voice Market

- Product bundles to increase retention and provide basis for broadband upselling
- New bandwidth-intensive products like aonTV make access line a household commodity
- Simplify product portfolio to improve positioning and reduce selling and advertising costs

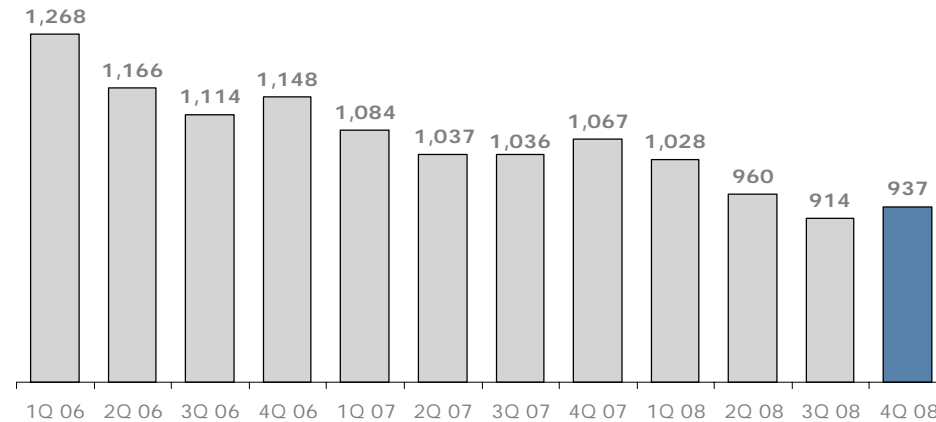
Counter Measures BB Market

- Stimulate bandwidth demand
- Differentiation via higher bandwidth and better quality of service
- Simplify product through self installation

Shrinking Voice Market Mandates Shift to Non-Voice Applications

Fixed Net Minutes

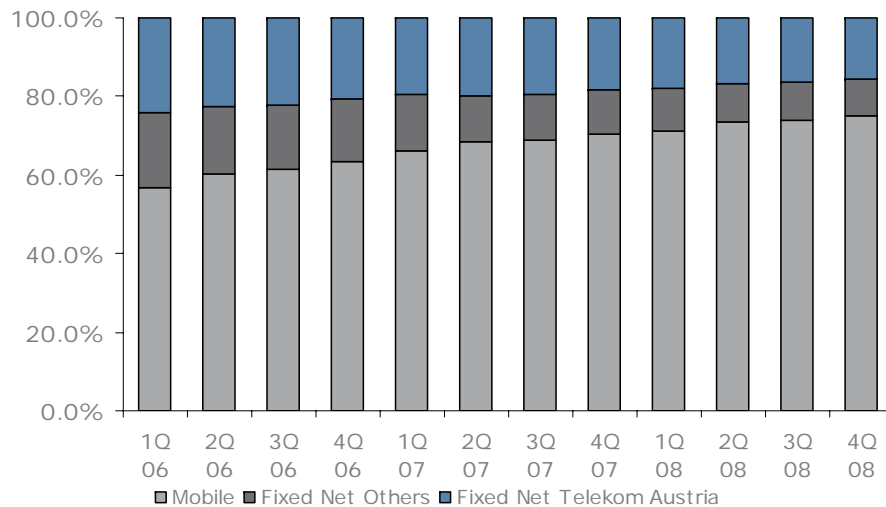
(in million minutes)



- Fixed Net becoming less of a voice application
- Mobile voice minutes rising; fixed net minutes continue to decline

Voice Minutes Share

(in million minutes)

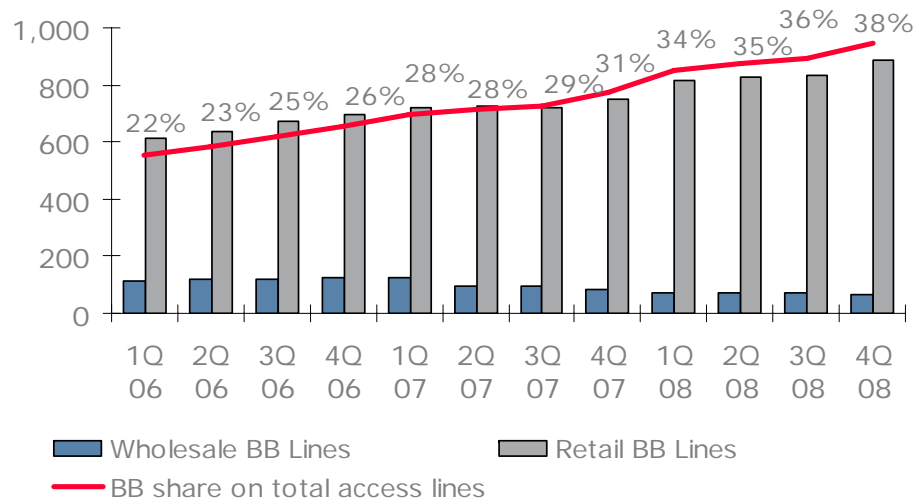


- 1 million voice minutes equals EUR 78,000 of revenues

Broadband Lays New Foundation for Fixed Net Customers

Broadband Lines

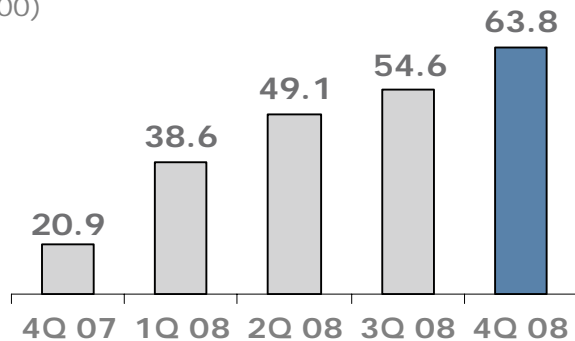
(in 000, in %)



- Broadband lines growth by more than 40% from 1Q 08 to 4Q 08
- Mobile broadband market share is 36.5% as of 4Q 08
- Already more than 1/3 of Fixed Net lines secured by broadband lines
- Broadband significantly decreases churn risk

aonTV Customers

(in 000)



Product Bundles are Instrumental to Reach a Number of Goals



“Kombi Paket” Significantly Reduces Complexity and Increases Customer Satisfaction

Fixed Net



Internet

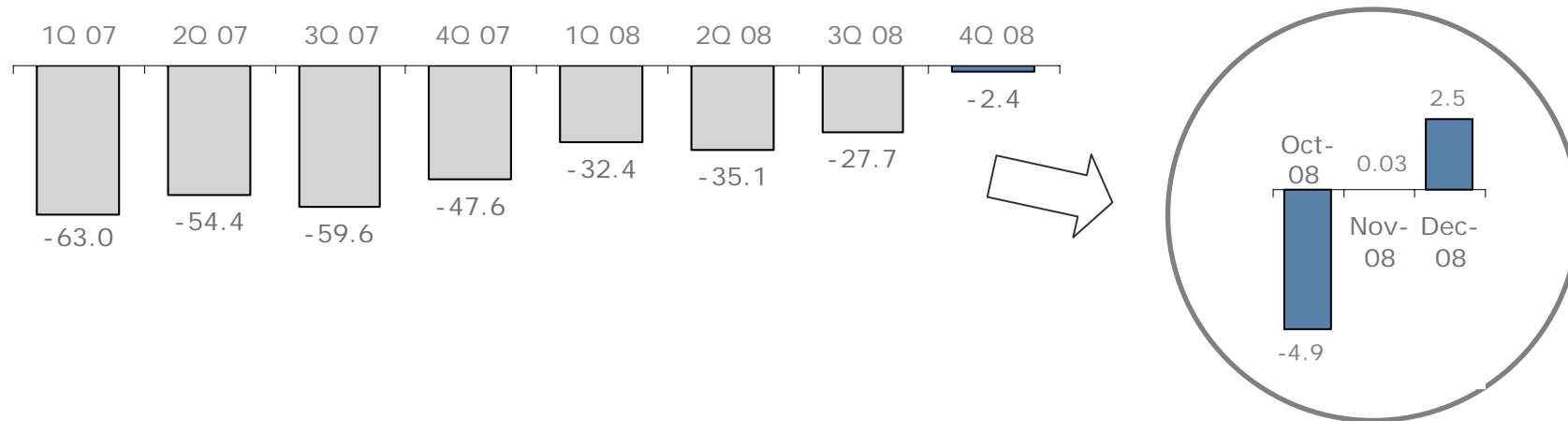


TV



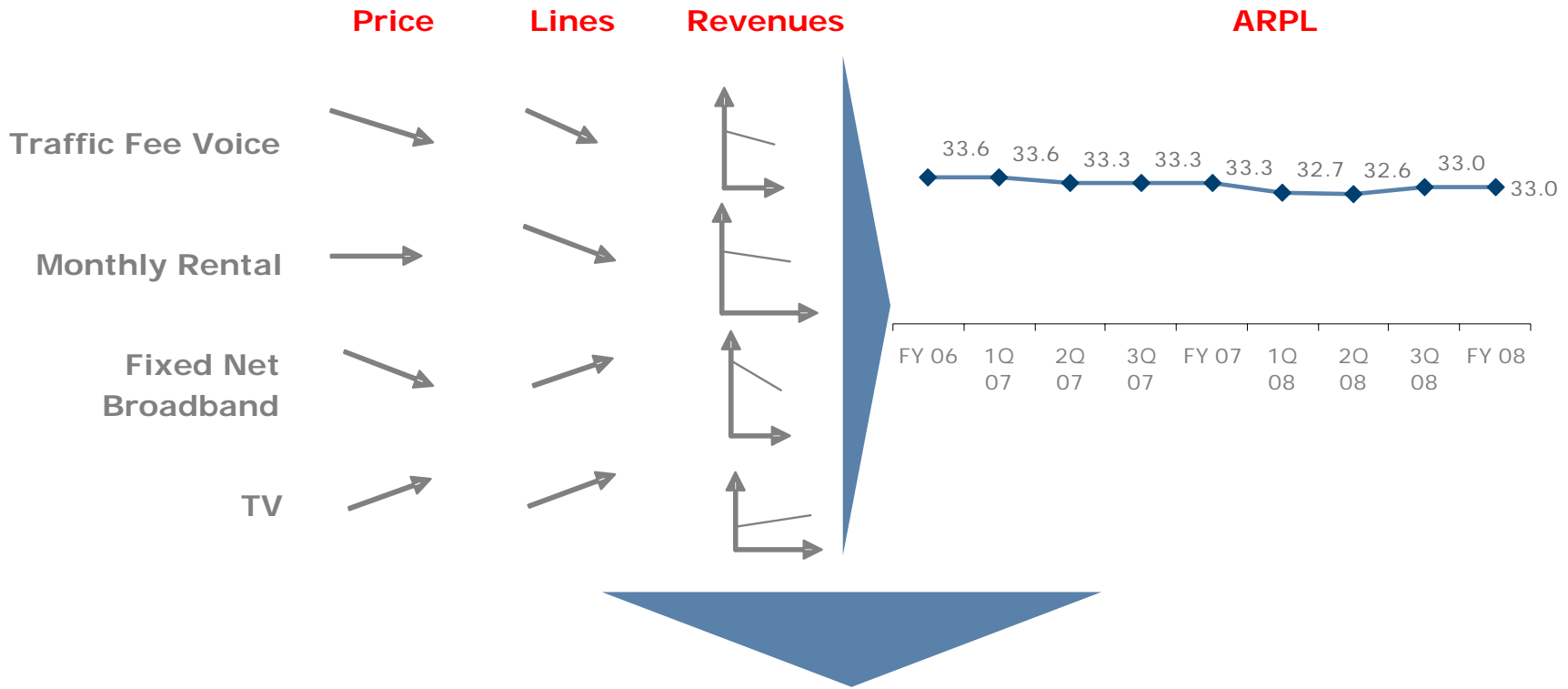
One price for every communication need, one bill, easy to use

Timing of Product Initiatives and Promotion Clearly Reflected in Line Loss Trends



- Line loss significantly reduced through introduction of product bundles
- Timing of product initiatives clearly reflected in line loss trends
- November and December 2008 showed even line growth for the first time after 12 years

Upselling Triggered by Product Bundles Stabilizes ARPL

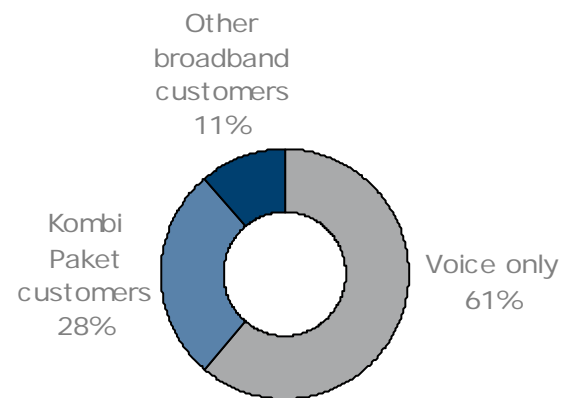


Upselling keeps average revenues per line (ARPL) stable despite price cuts

Effects of Introduction of "aonKombi" since 2007

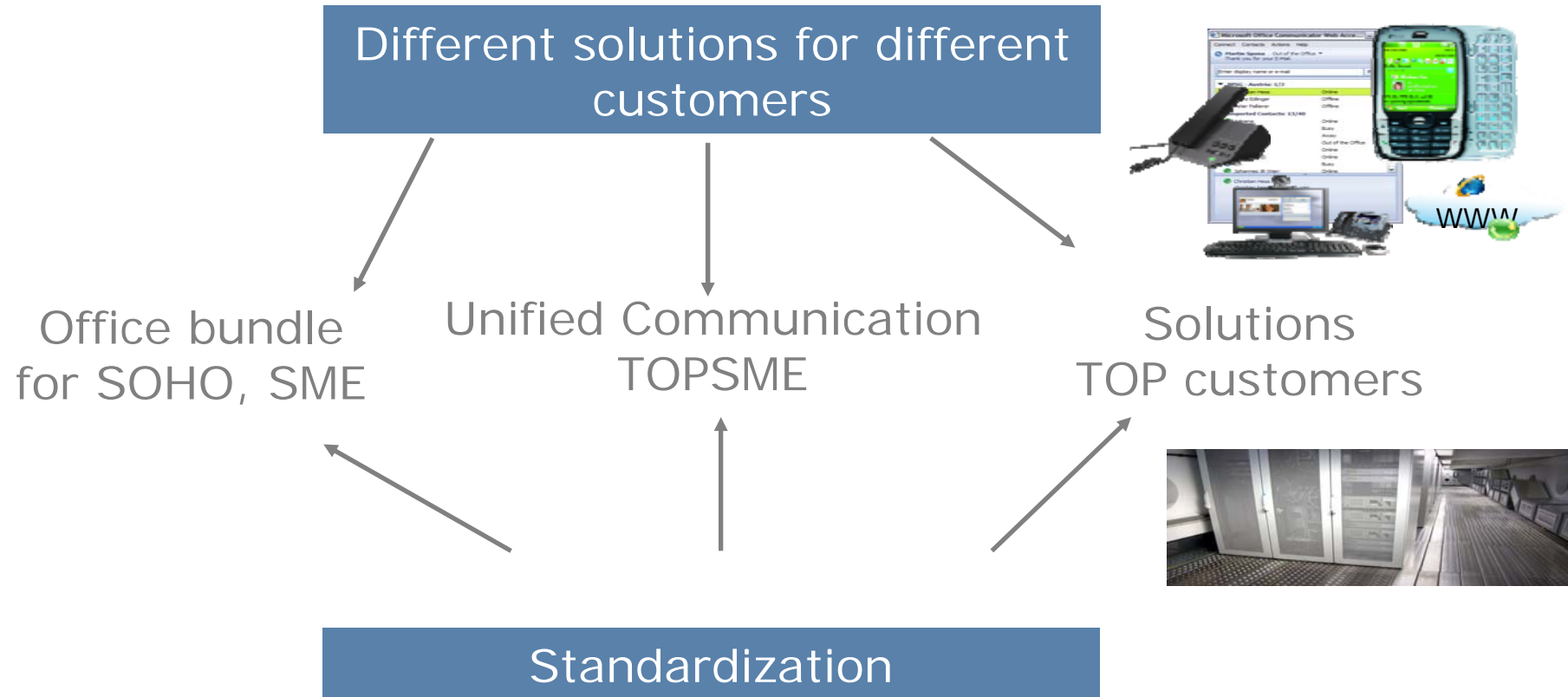
Customer Basis

(in %)



- Large voice-only customer base provides potential for "aonKombi"
- Each voice-only customer migrating to "aonKombi" generates minimum incremental revenues of EUR 4 per month
- Win back of approximately 83,000 customers that did not have a Telekom Austria product
- 240,000 additional broadband lines
- 263,000 lines secured by migration

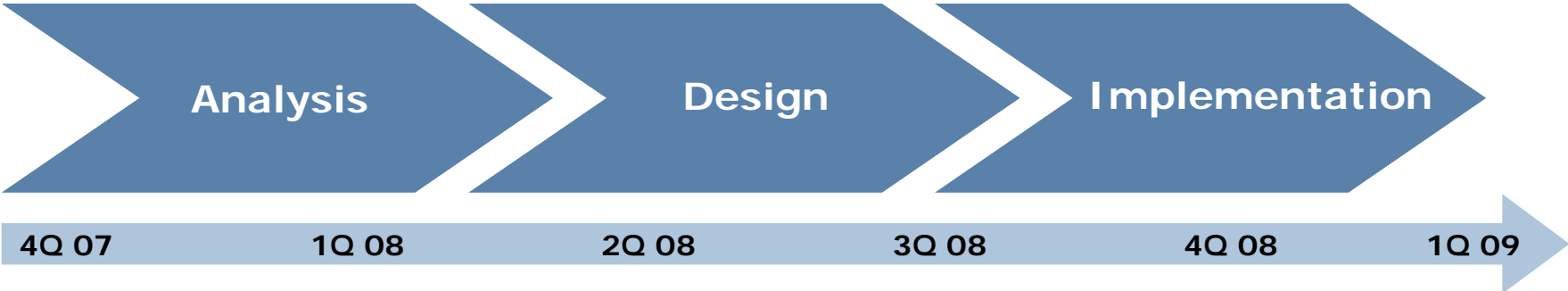
Target for 2009 is to Transfer Success from Retail Market to Business Market



➔ Target 2009: Transfer retail market success to business market

Addressing the Cost Structure

Cost Saving Program Announced in 4Q 07 in Progress



- Analyze cost-saving potentials
- Line management to set targets for
 - OPEX
 - Personnel
 - Processes

- Specification of measures
- Development of business cases
- Implementation of measures

- Implementation of measures
- Termination of maintenance contracts
- Modification of processes
- Identification of personnel to be made redundant

- Start of redundancy measures
- Acceptance of golden handshakes

Cost Saving Program Includes 16 Work Streams to Improve Efficiency

Improve competitiveness

- Optimize internal processes
- Lean structures
- Modernized service-tools
- Smoothly working infrastructure



Focus on cost cutting measures in 2008 and 2009

<ul style="list-style-type: none"> ▪ Optimization of E-Billing 	<ul style="list-style-type: none"> ▪ Optimization of product development process
<ul style="list-style-type: none"> ▪ Centralization & increase efficiency of field forces 	<ul style="list-style-type: none"> ▪ Marketing spending effectiveness and sponsoring
<ul style="list-style-type: none"> ▪ Centralization & increase efficiency of IT 	<ul style="list-style-type: none"> ▪ Optimization of customer workflow
<ul style="list-style-type: none"> ▪ Optimization of sales and sales support 	<ul style="list-style-type: none"> ▪ Optimization of service contracts, platforms
<ul style="list-style-type: none"> ▪ Optimization of corporate overhead 	<ul style="list-style-type: none"> ▪ Optimization of network planning and process engineering
<ul style="list-style-type: none"> ▪ Reduction of real estate objects 	<ul style="list-style-type: none"> ▪ Optimization of leased lines and customer projects
<ul style="list-style-type: none"> ▪ Identification of unprofitable customers 	<ul style="list-style-type: none"> ▪ Reduction of energy costs
<ul style="list-style-type: none"> ▪ Adjustment of product portfolio 	<ul style="list-style-type: none"> ▪ Reduction of logistic costs

Rigid Cost Structure Due to High Proportion of Civil Servants in the Workforce

- 2/3 of all employees in Fixed Net segment are civil servants
- Employment contracts of civil servants cannot be terminated unilaterally by Telekom Austria
- Employment is regulated by the Post Restructuring Act and related laws
- In 1996 civil servants were transferred from the Republic of Austria to the company following formation of Post- und Telekom Austria AG
- Employees hired after 1996 are private law employees

Personnel Restructuring Measures Announced in November 2008 Require a EUR 630 mn Provision

Personnel restructuring program

- Restructuring measures announced in Nov. 2008 under implementation as scheduled
- 1,250 employees taken out of operation
- EUR 630 mn non-cash provision recorded in 4Q 08
- Instruments include golden handshakes and redundancy measures
- Task force with employee representatives established to improve framework for the Fixed Net (regulatory boundaries, civil servants, new business ideas, internal labour market and training facilities)
- Results out of this task force will determine further restructuring measures in 2011



Golden handshake

- Offered to all employees
- Approx. 400 employees over next years
- Costs for golden handshakes are included in the provision
- Employees to leave Telekom Austria permanently

Releasing from work

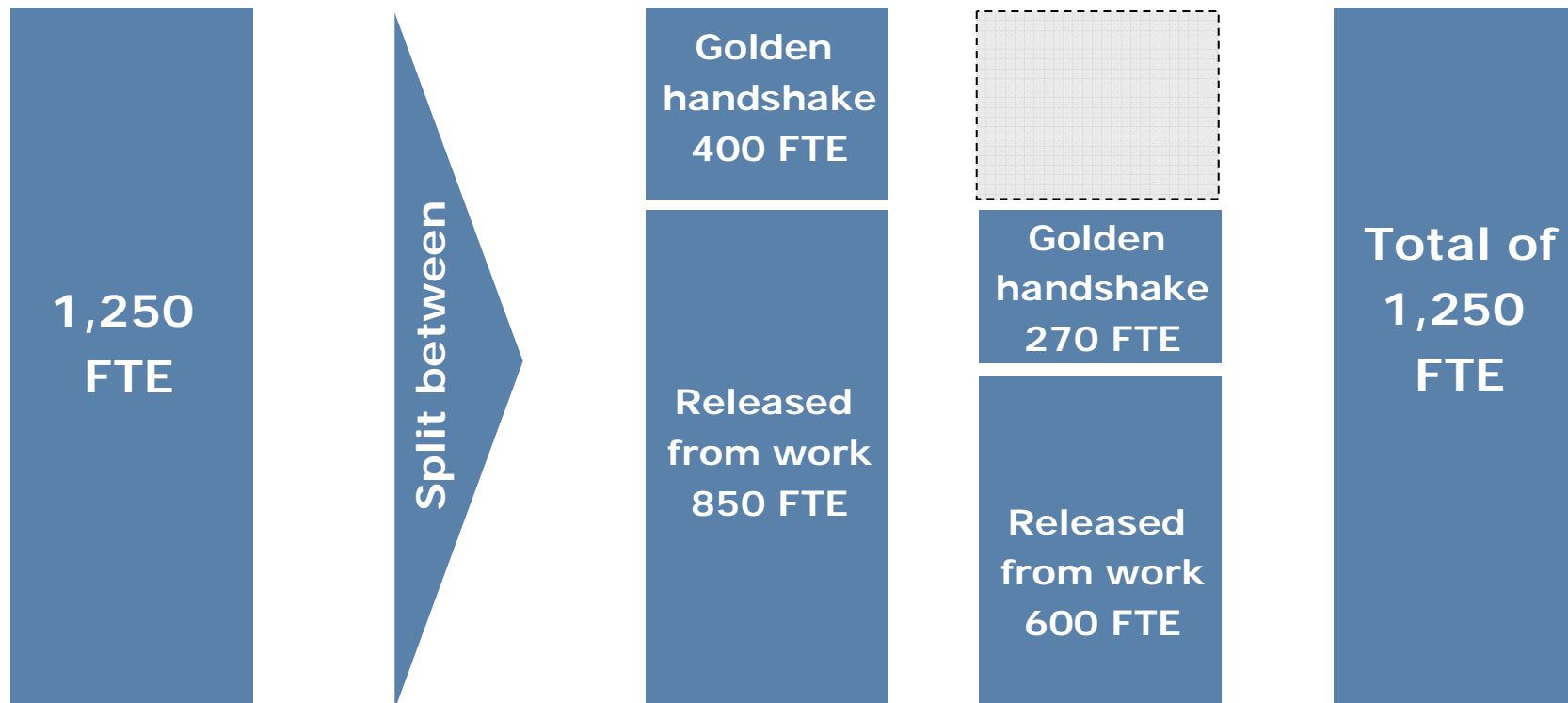
- Approx. 850 employees still remaining with civil servant status
- Accrual of net present value of personnel expenses until retirement
- Future personnel expenses covered by provision
- Additional cost reduction for travel expenses, overtime etc.

Personnel Restructuring Program Progressing According to Plan

Announced Nov. 08

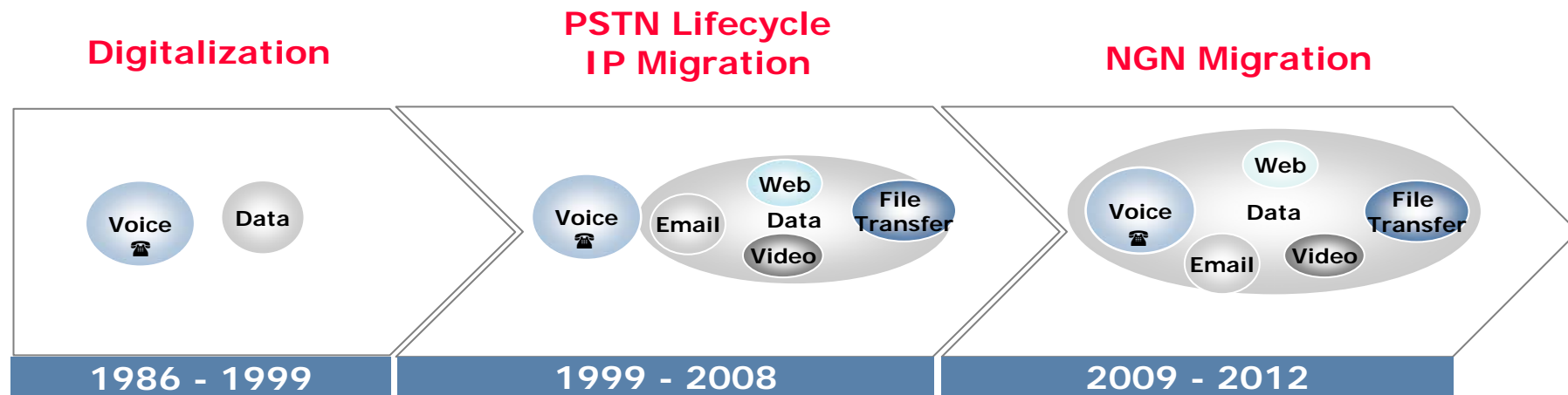
Status as of
Jan. 29, 2009

Target
Dec. 31, 2009



Evolution of Infrastructure

Evolution of Infrastructure Towards IP-Based AllMediaNet

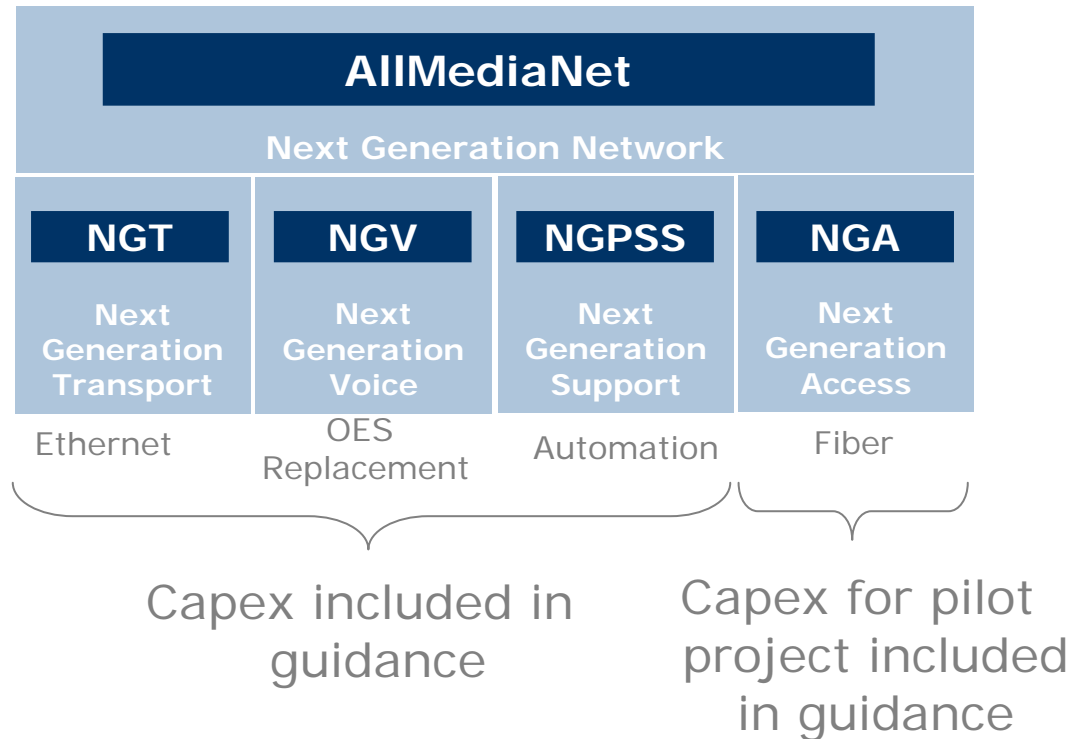


- PSTN Digitalization (POTS, ISDN)
- Establishment of data network (Frame Relay, ATM)

- New features
- Network consolidation
- Broadband – rollout (ADSL)

- Convergence of services and applications
- Continued investment in AllMediaNet

Gradual Migration Towards AllMediaNet to Reduce Cost Through Simplification



- Investments in NGT, NGV and NGPSS ongoing
- Investment will continue and finalization of NGT, NGV and NGPSS expected in 2013
- Capex for NGT, NGV and NGPSS was and will be included in guidance
- Capex for NGA pilot project included in guidance

Start of Limited Fiber Rollout Subject to Regulatory and Legal Framework



- Start of fiber rollout expected between 2010 – 2012, subject to regulatory and legal framework
- Biggest potential in urban areas with high market share growth potential for Telekom Austria
- Trial projects in preparation are used to gain experience and validate planning assumptions
- Telekom Austria is open for cooperation at municipal and provincial level

