

TELEKOM  
AUSTRIA  
GROUP

*Innovating  
with you*

# Telekom Austria Group

## CA Cheuvreux Roadshow

Netherlands, June 2, 2010

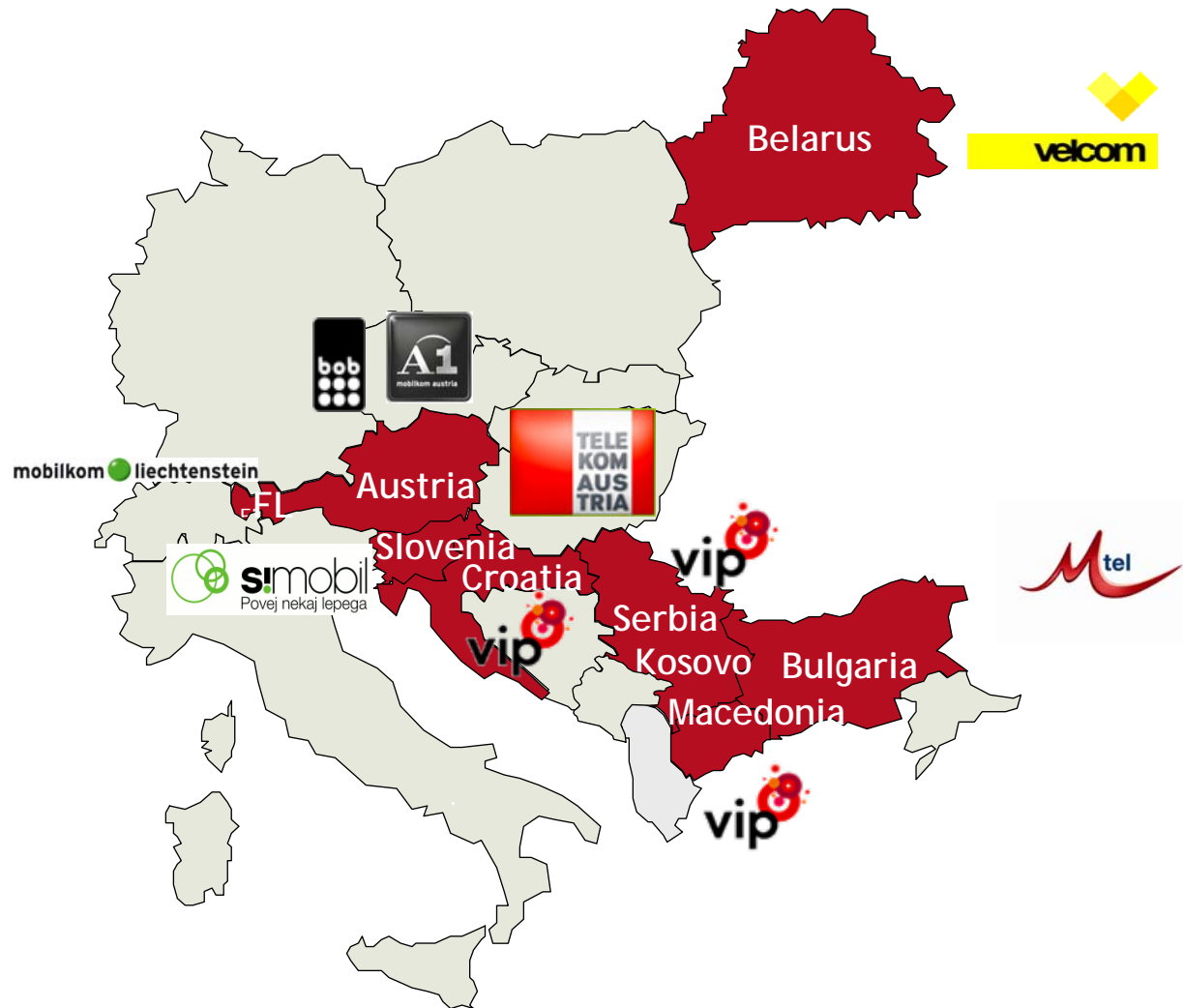
# Cautionary Statement

“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.”

# Overview of Telekom Austria Group

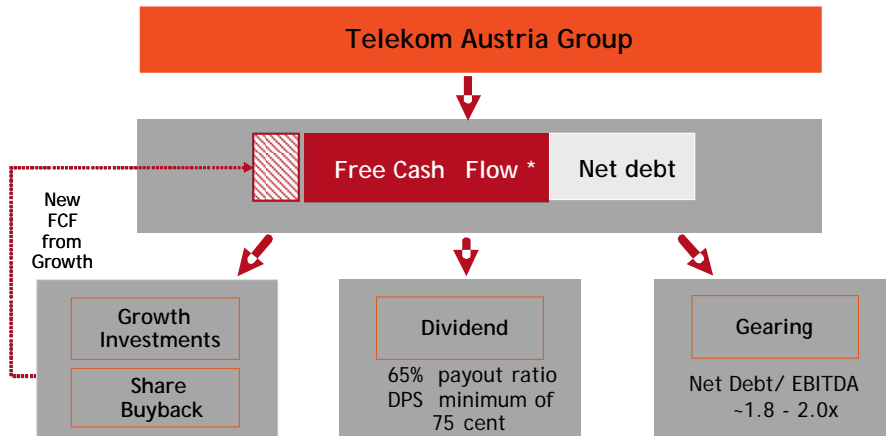


# Telekom Austria Group Offers a Sound Domestic Base and Eastern European Growth Potential



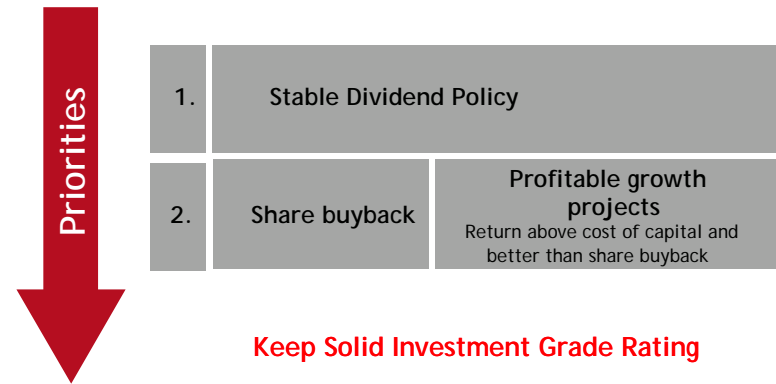
# Capital Allocation Focuses on Value Creation

## Capital Allocation Policy



\*FCF = Cash Flow after interest, taxes, changes in working capital and capital in existing business

## Priority on Stable Dividend



## Growth Projects

Assessment for strategic fit and profitability, benchmarked against share buyback

## Share Buyback

Subject to stable business and currency conditions; not expected for 2010

## Liquidity

Secured financing as precondition for acquisitions and share buyback

# Key Financial Developments

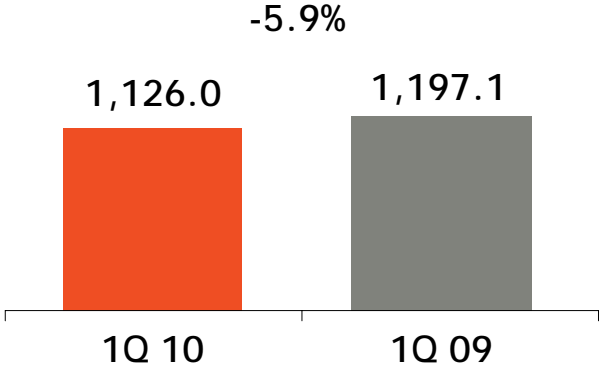
# Telekom Austria Group - First Quarter 2010

- > Fixed line subscriber base stabilized with line loss of only 0.8%
- > Mobile Communication subscriber base grows by 6.0% with contract subscriber growth across all operations
- > Revenue decline driven by lower contributions from Austria and Bulgaria
- > Cost reductions compensate 60.0% of the revenue decline and limit EBITDA decline to 6.4%
- > Net income increases as lower D&A and an improved financial result compensate for the impact of lower revenues
- > Outlook for 2010 and DPS-floor of EUR 0.75 for 2010 - 2012 reiterated

# Free Cash Flow Increases by 26%, Strong Cost Control Demonstrated

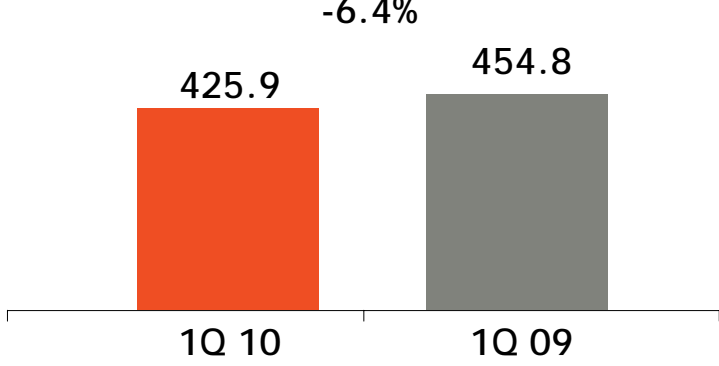
## Revenues

(EUR million)



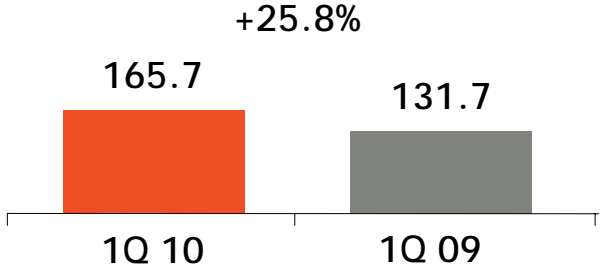
## EBITDA

(EUR million)



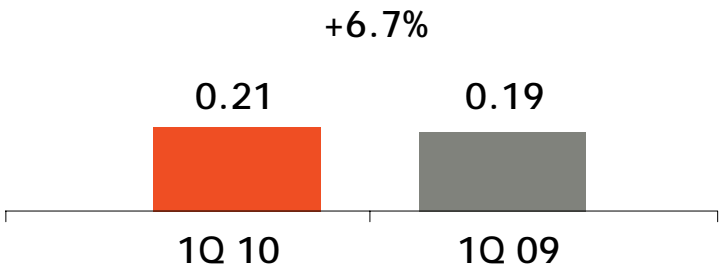
## Free Cash Flow

(EUR million)



## Earnings per Share

(EUR)



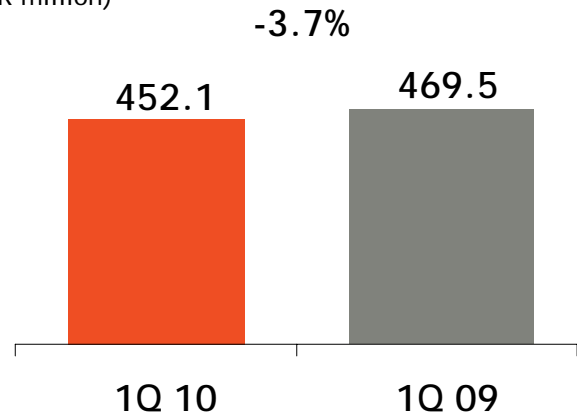
# Fixed Net



# Free Cash Flow Increases by 26%, Strong Cost Control Demonstrated

## Revenues

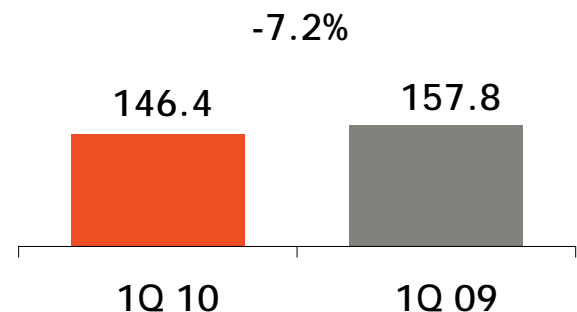
(EUR million)



- > Revenue decline hits 4 quarter low (4Q 09: -7.0%, 3Q 09: -5.3%, 2Q 09: -12.5%)
- > Reduction of voice minutes is driving factor for revenue development
- > Deceleration induced by growing share of product bundles customer
- > Product bundles contribute to stabilization of subscriber base

## EBITDA

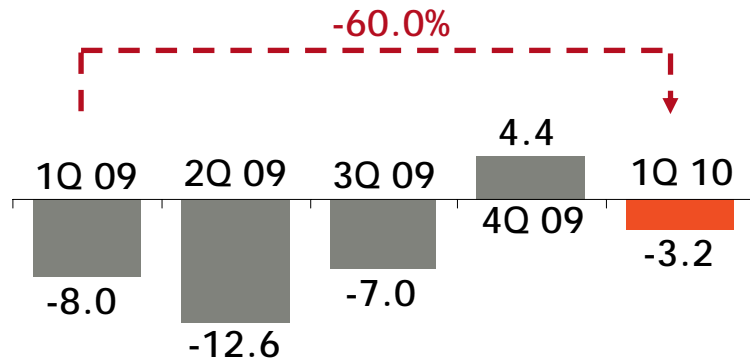
(EUR million)



# Access Line Loss Cut by 60%, Product Bundles Instrumental to Stabilize Subscriber Base

## Line Development

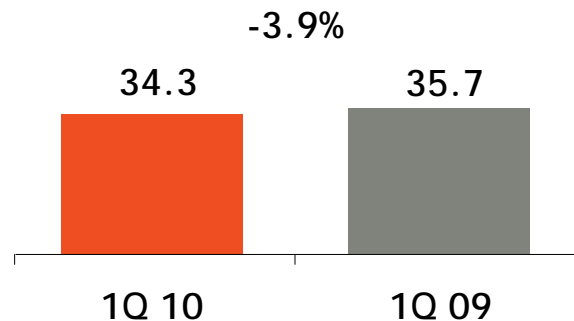
(in 000)



- > Access line loss cut by 60.0% year on year with only 3,200 lines lost
- > ARPL decline hits four quarter low with 3.9% (4Q 09: -4.9%, 3Q 09: -4.4%, 2Q 09: -8.0%)
- > One third of subscriber base has product bundles with contract binding periods
- > TV subscriber base grows to 110,200 customers and develops into retention instrument

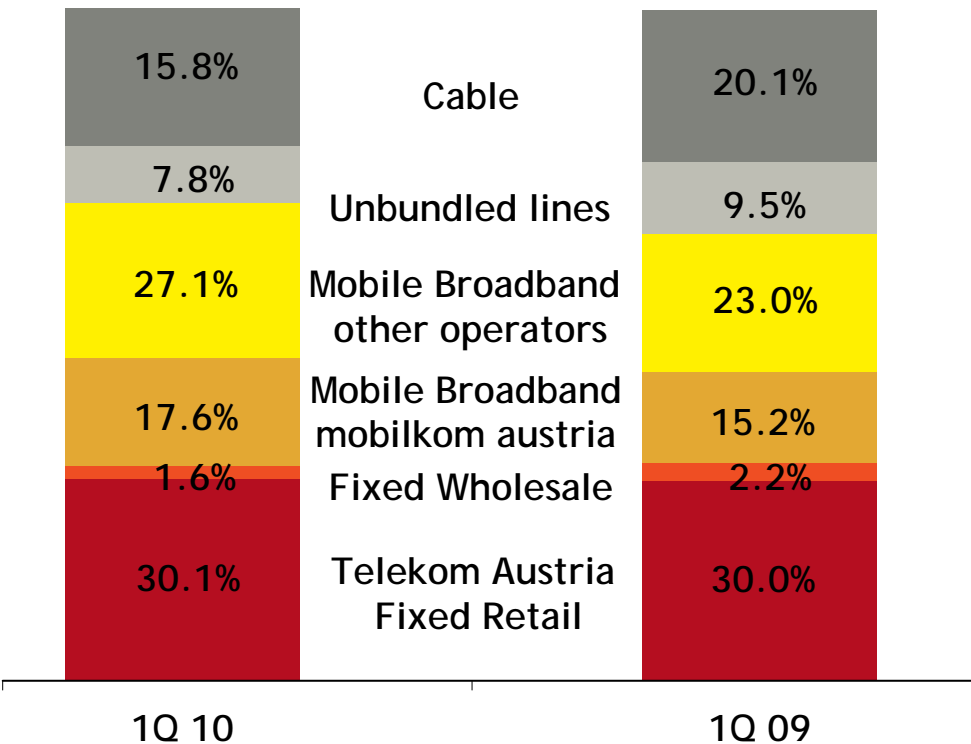
## Average Revenues per Access Line

(in EUR)



# Fixed Net Broadband Holds Strong in a Growing Broadband Market

## Broadband Market Shares



- > Fixed Net retail broadband defends market share of 30.1%
- > Number of Fixed Net retail broadband lines rises by 15.9% to 1.0 mn lines
- > Broadband penetration in Austria amounts to 94.2%
- > Telekom Austria's market share incl. mobile broadband expands to 49.3% from 47.4%

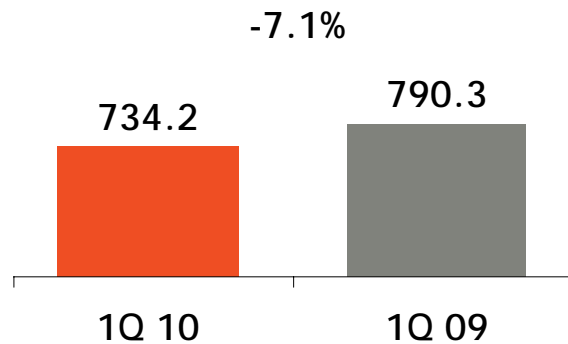
# Mobile Communication



# Higher Profitability on Lower Revenues, Cost Control Mitigate Impact of Lower Prices

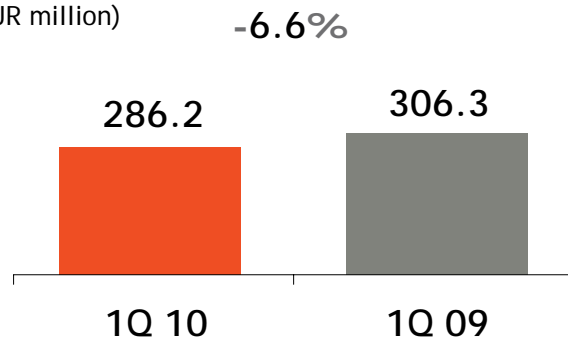
## Revenues

(EUR million)



## EBITDA

(EUR million)

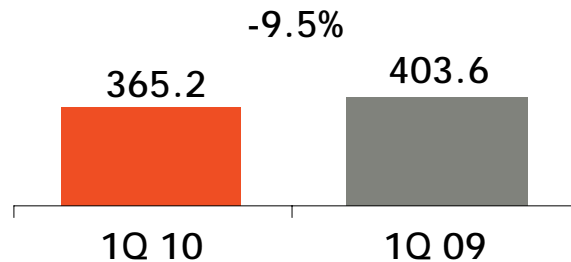


- > Mobile Communication's customer base grows by 6.0% to 19.0 mn subscribers
- > Rising or stable market position in almost all mobile operations
- > Lower prices and regulation of roaming and mobile termination are the main driver for revenue decline
- > Cost cuts bolster EBITDA margin at 39.0% and demonstrate cost control

# Strong Cost Control Compensates for Lower Prices and Interconnection Rates in Austria

## Revenues

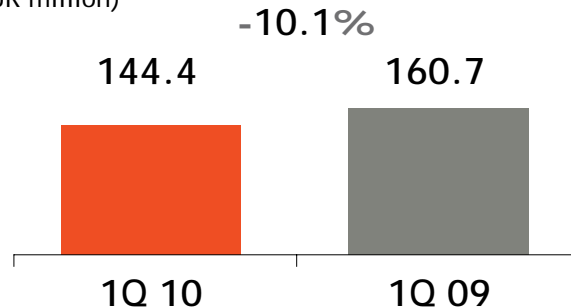
(EUR million)



- > mobilkom austria's customer base grows by 6.8% to 4.9 mn subscribers
- > Lower prices and regulation are major drivers for 9.5% decrease in revenues
- > SAC cut in half reflecting higher no-frills share
- > Cost reductions compensate two third of revenue decline and mitigate impact on EBITDA

## EBITDA

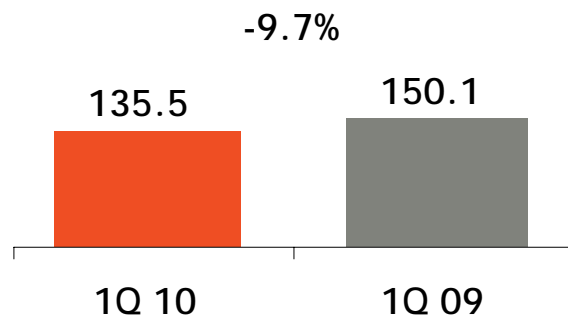
(EUR million)



# Higher Profitability as Cost Cuts Soften Impact From Lower Termination Rates and Prices

## Revenues Mobilitel

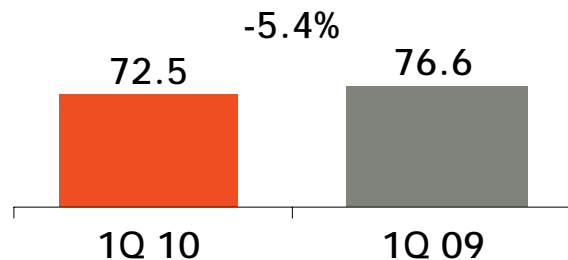
(EUR million)



- > Steep reduction of termination rates and lower prices are main driver for lower revenues
- > Stable customer base of 5.3 mn, market share at 50.1%
- > Mobile broadband customer base grows by 130.6%, data accounts for approximately 18% of revenues
- > Higher profitability driven by cost cuts as margin reaches 53.5%

## EBITDA Mobilitel

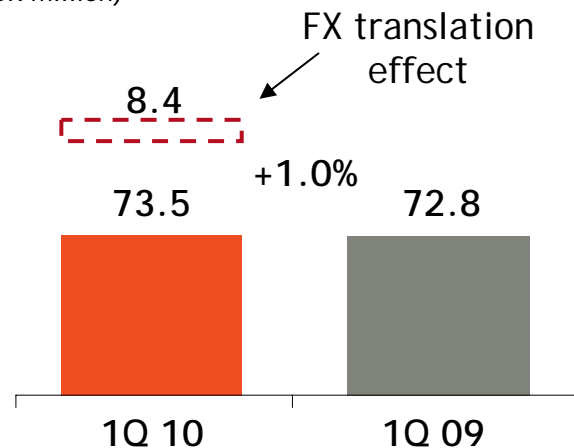
(EUR million)



# Revenue Growth Almost Entirely Offset by FX-Effects in Belarus

## Revenues Velcom

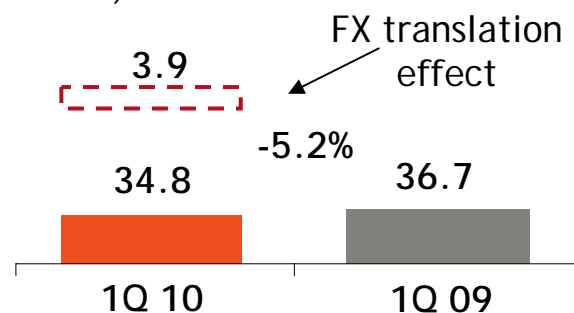
(EUR million)



- > Subscriber base grows by 9.4% to 4.1 million at the end of 1Q 10
- > Mobile penetration up to 105.3% from 88.8%
- > On a local currency basis revenues grow by 12.5%, EBITDA increased by 5.5%
- > Currency stable during the last quarter

## EBITDA Velcom

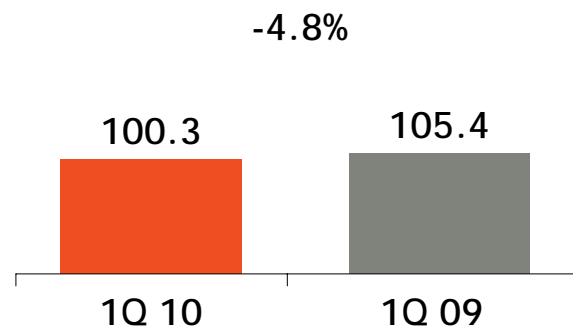
(EUR million)



# Cost Reduction in Croatia Despite Mobile Tax, Double Digit EBITDA Growth in Slovenia

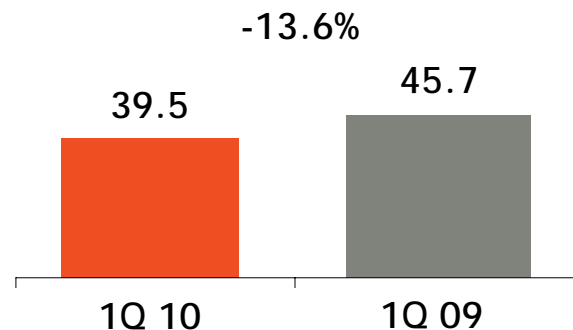
## Revenues Vipnet

(EUR million)



## Revenues Si.mobil

(EUR million)



## Vipnet in Croatia

- > Subscriber base grows by 5.2% to 2.6 mn customers
- > EBITDA impacted by 28.0% cut of MTRs since January 09 and a 6% mobile tax

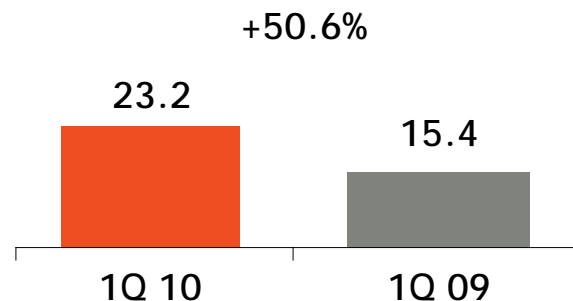
## Si.mobil in Slovenia

- > Subscriber base grows by 1.5% to 591,300 customers
- > EBITDA increases by 11.7%, driven by an approximately 24% reduction of costs

# Customer Growth Drives EBITDA of Greenfield Operations

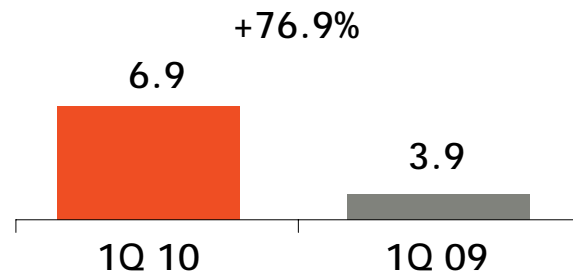
## Revenues Vip mobile

(EUR million)



## Revenues Vip operator

(EUR million)



## Vip mobile in Serbia

- > Subscriber base grows by 16.2% to 1.2 mn customers
- > Market share grows to 12.2% up from 10.2%
- > Improvement of EBITDA continues

## Vip operator in Macedonia

- > Subscriber base grows by 56.5% to 333,300 customers
- > Market share rises to 16.4% from 9.3%
- > EBITDA continues to improve as customer base enlarges

# Financial Overview



# Stable Profitability, Bottom Line Grows on Lower D&A and Improved Financial Result

(EUR million)	1Q 10	1Q 09	% change
Revenues	1,126.0	1,197.1	-5.9%
EBITDA	425.9	454.8	-6.4%
<i>EBITDA margin</i>	<i>37.8%</i>	<i>38.0%</i>	
Operating income	166.3	180.1	-7.7%
Financial result	-49.1	-70.6	-30.5%
Income before income taxes	117.2	109.5	7.0%
Income tax expense	-26.0	-24.2	7.4%
Net income	91.2	85.3	6.9%

# Free Cash Flow Increases by approximately 26% as Working Capital Improves

(EUR million)	1Q 10	1Q 09	% change
Cash Flow from operations before working capital adjustments	385.9	381.9	1.0%
Change in working capital	-83.8	-134.2	-37.6%
Ordinary capital expenditures	-136.4	-116.0	17.6%
<b>Free cash flow</b>	<b>165.7</b>	<b>131.7</b>	<b>25.8%</b>
<b>Free cash flow per share</b>	<b>0.37</b>	<b>0.30</b>	<b>25.8%</b>

# Capital Expenditures Increase From Unusual Low Level in 1Q 09

(EUR million)	1Q 10	1Q 09	% change
Fixed Net	65.2	33.5	94.6%
Mobile Communication	71.2	82.5	-13.7%
Ordinary capital expenditures	136.4	116.0	17.6%
Growth projects & acquisitions	0.0	3.2	
Capex, growth projects & acquisitions	136.4	119.2	14.5%
Other investing activities, net	-38.6	89.8	n.a.
Cash used in investing activities	97.8	209.0	-53.2%

# Net Debt Remains Stable at 2.0x as Deleveraging Continues

(EUR million)	March 31, 10	Dez 31, 09	% change
Long-term assets	6,340.7	6,474.9	-2.1%
Current assets	1,512.6	2,023.8	-25.3%
<b>Total assets</b>	<b>7,853.3</b>	<b>8,498.7</b>	<b>-7.6%</b>
Current liabilities	1,951.6	2,679.5	-27.2%
Long-term liabilities	4,191.7	4,205.1	-0.3%
Stockholders' equity	1,710.0	1,614.1	5.9%
<b>Liabilities and stockholders' equity</b>	<b>7,853.3</b>	<b>8,498.7</b>	<b>-7.6%</b>
<b>Net Debt</b>	<b>3,450.2</b>	<b>3,614.8</b>	<b>-4.6%</b>
Net Debt/EBITDA (last 12 months)	2.0x	2.0x	n.a.

# Integration of Domestic Operations to Build a Convergent Player on Track

- > Telekom Austria announced its plan to merge its domestic Fixed Net and Mobile Communication operations in February 2010
- > Alignment of domestic operations to match future market requirements and build a convergent player
- > Swift appointment of first and second management levels finished by end of April 2010
- > Legal and organizational merger scheduled for summer 2010
- > Update on expected costs still excluded from 2010 outlook will be provided with H1 2010 results

# Outlook



# Outlook 2010 Fully Reiterated, DPS Floor Maintained

## Telekom Austria Group 2010 on a Constant Currency Basis\*

Revenues ~ EUR 4.7 bn

EBITDA ~ EUR 1.6 bn

CAPEX ~ EUR 0.8 bn

Operating Free Cash Flow\*\* ~ EUR 0.8 bn

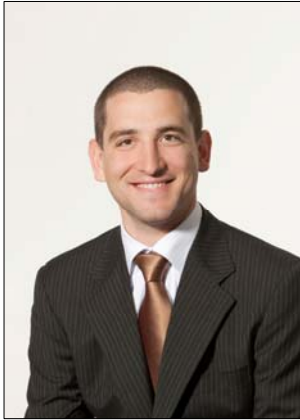
Dividend DPS of 75 cents minimum

\*Excluding Impact from Merger of Domestic Operations

\*\*Operating Free Cash Flow = EBITDA - Capex

# Telekom Austria Appoints New Head of Investor Relations

# Matthias Stieber Appointed Head of Investor Relations from June 1, 2010



## Contact:

Matthias Stieber

Direct: +43 59059 1 19001

e-mail:

[matthias.stieber@telekom.at](mailto:matthias.stieber@telekom.at)

- > Matthias joined Telekom Austria in February 2010
- > Professional career in Investment Banking
- > Matthias will be Head of Investor Relations of Telekom Austria Group from June 1st, 2010
- > Peter Zydek, Head of Investor Relations since 2005, appointed Chief Financial Officer of Vip operator in Macedonia from June 1st, 2010
- > For contact details of full team please see page 50 of Appendix

# Appendix



# Regulatory Issues - Key Aspects

**Next Generation Networks:** The European Commission launched its 2nd public consultation on the regulatory treatment of next generation access in June 2009. Previous guidelines of the Commission have partly contradicted the terms adopted by the European Parliament for the next legal framework on the subject of investments. Adoption of the recommendation is thus still pending.

**New Regulatory Electronic Communication Framework:** The new regulatory framework has been adopted end of 2009. The new law, which also includes a general political commitment to investments, has to be implemented into national law by 2011.

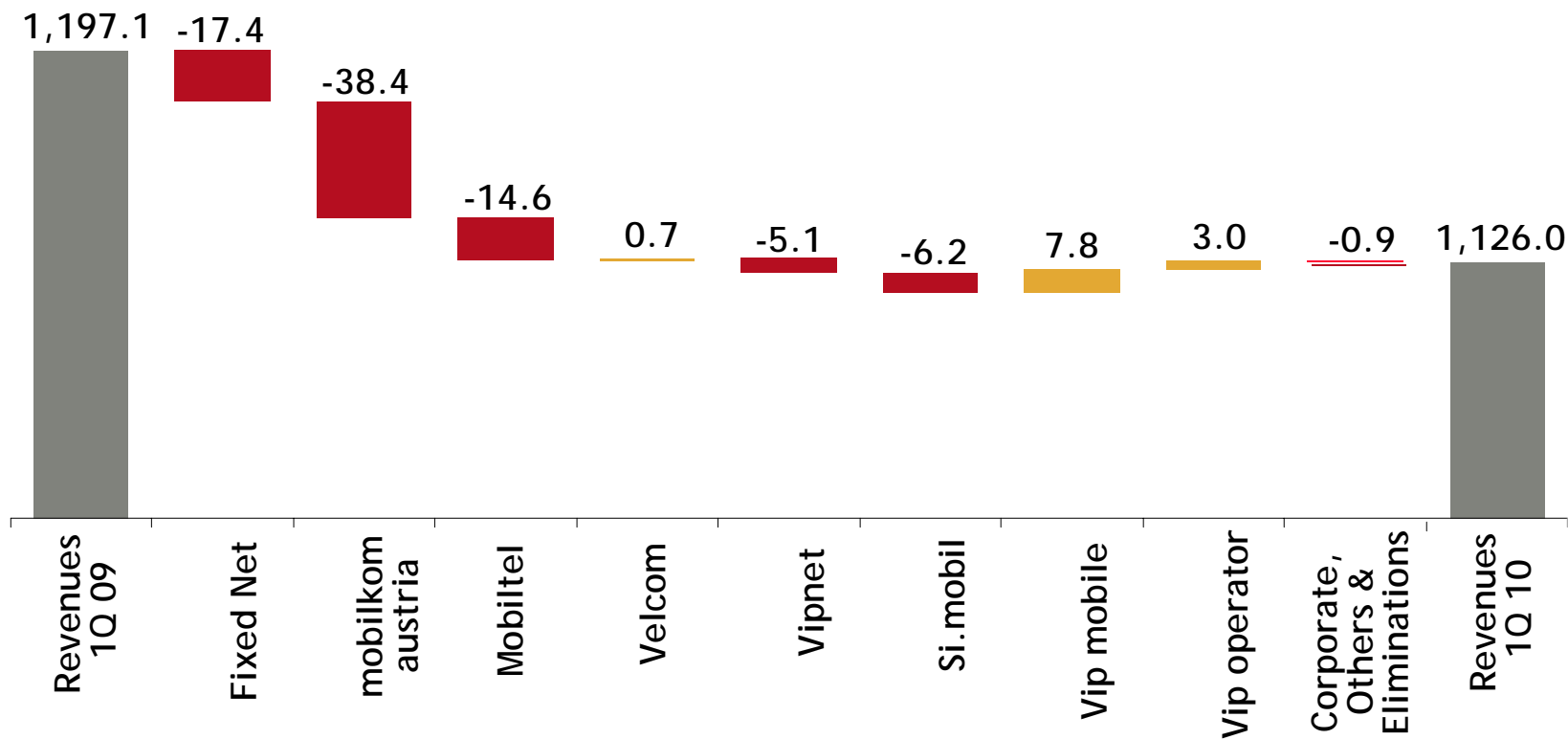
**Amendment to the Austrian Telecommunication Market Ordinance:** The European Commission withdrew its serious doubts on the new market definition of the wholesale broadband access market which was proposed by the regulator on December 9<sup>th</sup>, 2009. The EC confirmed the competitive situation in Austria in regards to fixed-mobile substitution also for broadband access which will allow a partial deregulation of this market in 2010.

**Universal Service Principles being reviewed:** Currently the scope and financing of universal services are subject of a consultation conducted by the European Commission. The public consultation will end in May 2010 and may lead to a reform of the current universal service regime.

# Revenue Development Primary Driven by Domestic Mobile Business

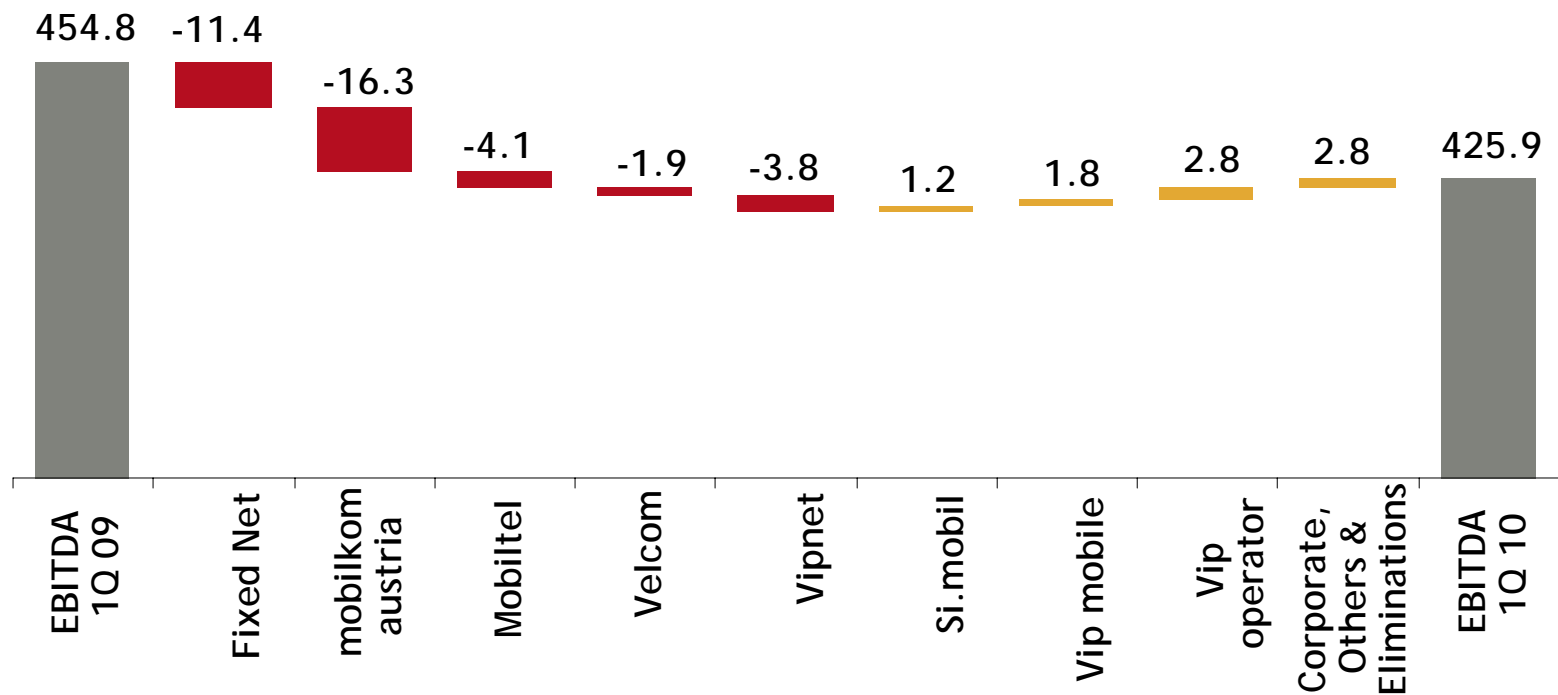
## Revenues

(EUR million)



# Group EBITDA Margin Stable at Approximately 38%

## EBITDA (EUR million)

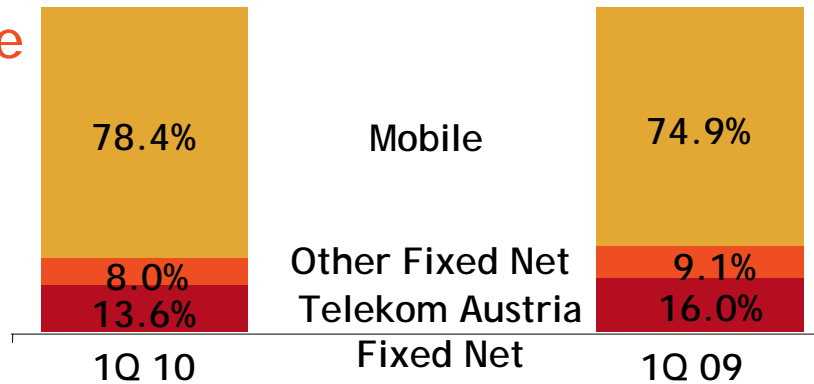


# Retail Fixed Net - Broadband Subscriber Base Grows Approximately 16%

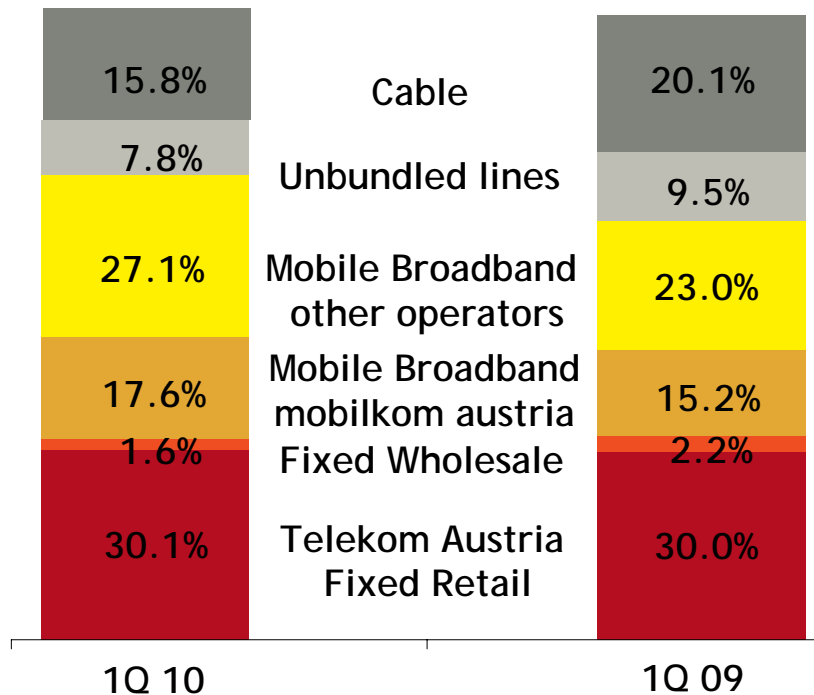
(in 000)	1Q 10	1Q 09	% change
Access lines (without broadband lines)	1,245.3	1,393.1	-10.6%
Fixed Net broadband retail lines	1,011.4	872.3	15.9%
Fixed Net broadband wholesale lines	53.6	63.4	-15.5%
<b>Fixed Net broadband lines</b>	<b>1,065.0</b>	<b>935.7</b>	<b>13.8%</b>
Total access lines	2,310.3	2,328.8	-0.8%
Lines unbundled	283.0	295.7	-4.3%
(in 000)	1Q 10	1Q 09	% change
Fixed Net broadband net adds	42.4	49.9	-15.0%
Broadband penetration	94.2%	82.1%	n.a.

# Fixed Net - Retail Broadband Market Share Stable in a Growing Market

## Market Share Voice Minutes

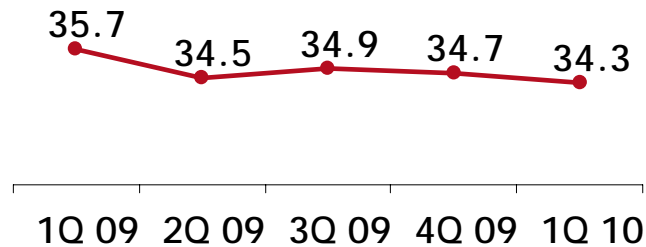


## Market Share Broadband Lines

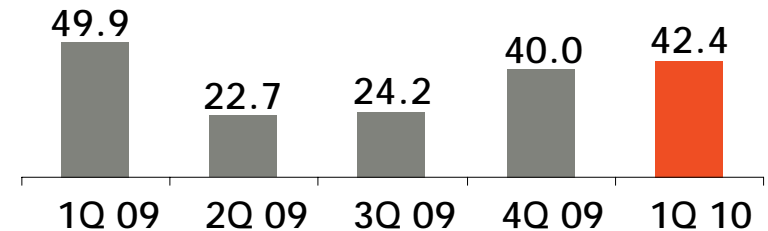


# Fixed Net Key Performance Indicators

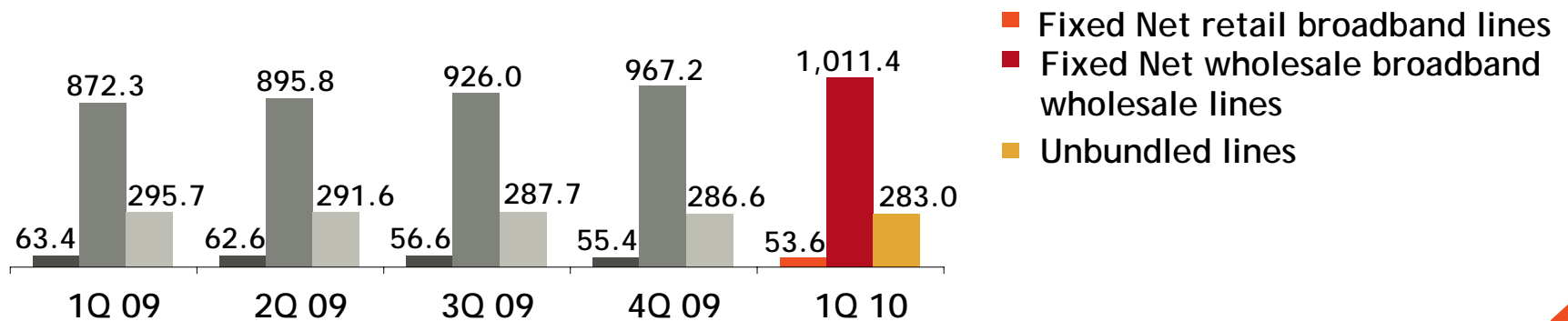
Average Revenues per Access Line  
(in EUR)



Fixed Net Broadband Net Adds incl. Wholesale  
(in 000)



Fixed Broadband Access Lines  
(in 000)











# Further Contraction of Fixed Net - Voice Minutes

<u>(in million minutes)</u>	<b>1Q 10</b>	1Q 09	% change
National	544	644	-15.6%
Fixed-to-mobile	159	176	-9.7%
International	82	93	-12.2%
<b>Total voice minutes</b>	<b>784</b>	<b>913</b>	<b>-14.1%</b>
<b>Total Fixed Net minutes</b>	<b>806</b>	<b>970</b>	<b>-16.9%</b>

<u>(in million minutes)</u>	<b>1Q 10</b>	1Q 09	% change
National wholesale	1,594	1,699	-6.2%
International wholesale	1,171	1,058	10.7%
<b>Total wholesale minutes</b>	<b>2,765</b>	<b>2,758</b>	<b>0.3%</b>

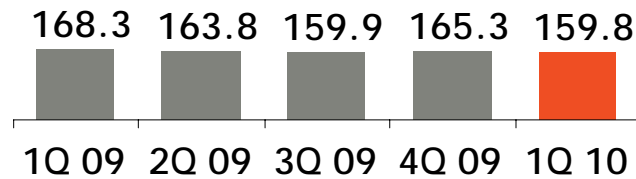
# Mobile Subscriber Base Grows to 19mn Customers

	(in 000)	1Q 10	1Q 09	% change
 <b>Austria</b>		4,891.2	4,581.7	6.8%
Market share		42.4%	42.4%	
 <b>Bulgaria</b>		5,263.7	5,279.1	-0.3%
Market share		50.1%	50.0%	
 <b>Belarus</b>		4,116.3	3,762.9	9.4%
Market share		41.2%	43.8%	
 <b>Croatia</b>		2,634.1	2,503.3	5.2%
Market share		43.7%	41.4%	
 <b>Slovenia</b>		591.3	582.4	1.5%
Market share		28.2%	28.0%	
 <b>Republic of Serbia</b>		1,164.1	1,001.7	16.2%
Market share		12.2%	10.2%	
 <b>Republic of Macedonia</b>		333.3	213.0	56.5%
Market share		16.4%	9.3%	
 <b>Liechtenstein</b>		6.1	6.0	1.7%
Market share		19.4%	19.7%	
<b>Mobile Communication</b>		<b>19,000.1</b>	<b>17,930.1</b>	<b>6.0%</b>

# Operational Data - mobilkom austria

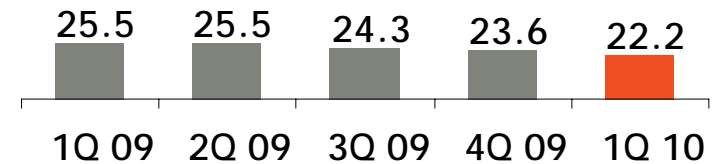
## MoU per Subscriber

(in minutes)

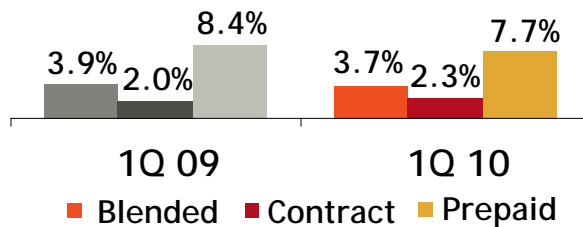


## ARPU

(in EUR)

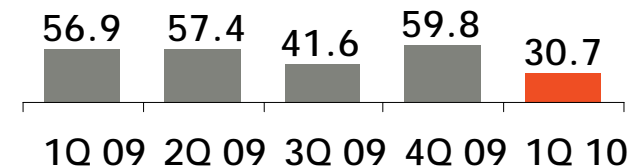


## Quarterly Churn



## SAC per Gross Add

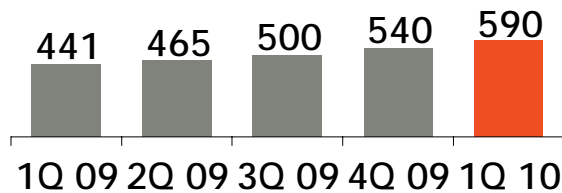
(in EUR)



# Mobile Data - mobilkom austria

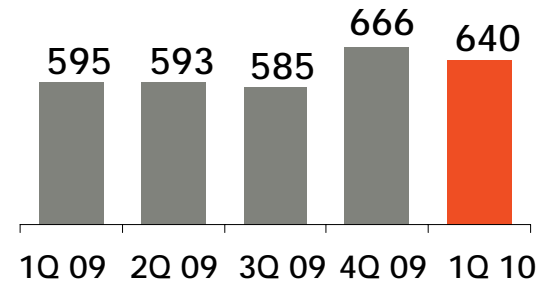
## Mobile Broadband Customers

(in 000)



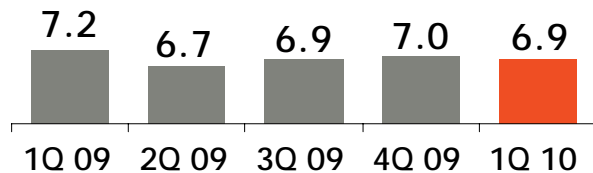
## Number of SMS

(in million)

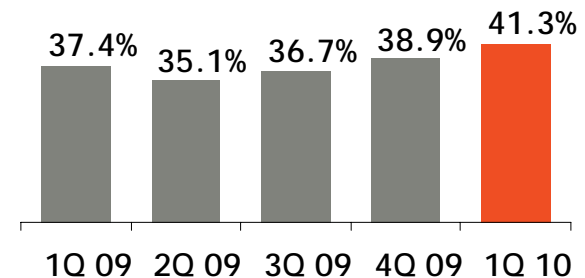


## Data ARPU

(in EUR)



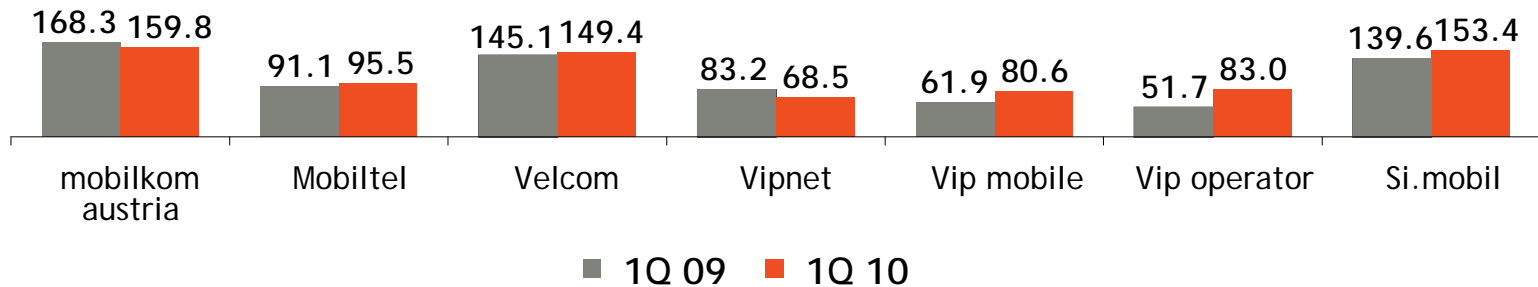
## Data in % of Revenues



# Mobile Data - mobilkom austria

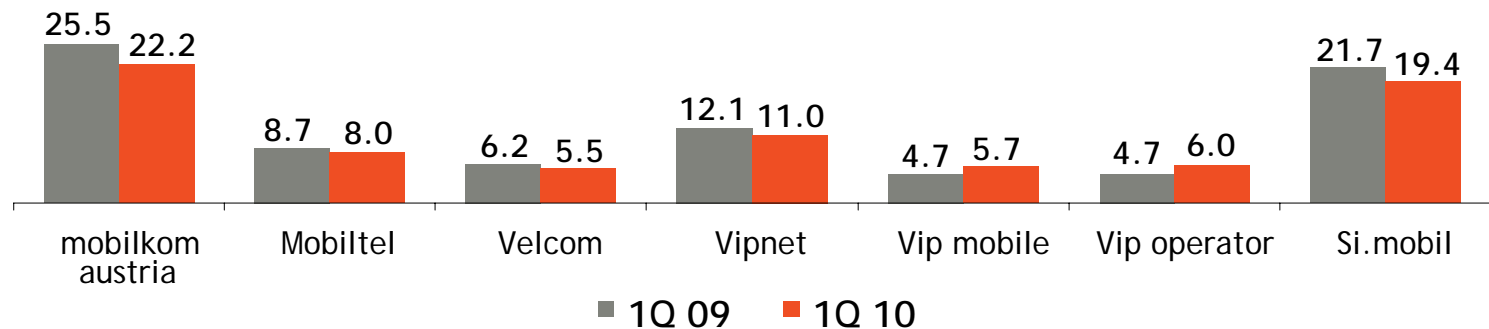
## MoU per Subscriber

(in minutes)



## ARPU

(in EUR)



# Headcount\* Development

<u>(Average period)</u>	<b>1Q 10</b>	1Q 09	<u>change</u>
Fixed Net**	7,942	8,333	-391
Mobile Communciation	8,664	8,490	174
<b>Telekom Austria Group</b>	<b>16,606</b>	<b>16,823</b>	<b>-217</b>
<u>(End of period)</u>	<b>1Q 10</b>	1Q 09	<u>change</u>
Fixed Net**	7,991	8,265	-274
Mobile Communciation	8,646	8,524	122
<b>Telekom Austria Group</b>	<b>16,637</b>	<b>16,789</b>	<b>-152</b>

\* Full-time-equivalents,

\*\* Fixed Net net of idle workforce

# Revenues by Segment

<u>(EUR million)</u>	<u>1Q 10</u>	<u>1Q 09</u>	<u>% change</u>
Fixed Net revenues	452.1	469.5	-3.7%
Mobile Communication revenues	734.2	790.3	-7.1%
Corporate, Other & Eliminations	-60.3	-62.7	-3.8%
Revenues Telekom Austria Group	1,126.0	1,197.1	-5.9%

# EBITDA and Operating Income by Segment

(EUR million)	1Q 10	1Q 09	% change
Fixed Net EBITDA	146.4	157.8	-7.2%
Mobile Communciation EBITDA	286.2	306.3	-6.6%
Corporate, Other & Eliminations	-6.7	-9.3	-28.0%
<b>EBITDA Telekom Austria Group</b>	<b>425.9</b>	<b>454.8</b>	<b>-6.4%</b>

(EUR million)	1Q 10	1Q 09	% change
Fixed Net operating income	39.5	45.0	-12.2%
Mobile Communication operating income	133.3	144.1	-7.5%
Corporate, Other & Eliminations	-6.5	-9.0	-27.8%
<b>Operating income Telekom Austria Group</b>	<b>166.3</b>	<b>180.1</b>	<b>-7.7%</b>

# Fixed Net - Revenue Breakdown

(EUR million)	1Q 10	1Q 09	% change
Access, Voice and Broadband	237.0	249.9	-5.2%
Data	91.7	97.5	-5.9%
Wholesale Voice & Internet	88.3	90.0	-1.9%
Others	35.1	32.0	9.7%
<b>Fixed Net revenues</b>	<b>452.1</b>	<b>469.5</b>	<b>-3.7%</b>

# Fixed Net - Expense Breakdown

(EUR million)	1Q 10	1Q 09	% change
Material expense	15.4	16.0	-3.8%
Employee costs	134.0	133.5	0.4%
Depreciation, amortization and impairment charges	106.8	112.7	-5.2%
Interconnection	68.0	70.4	-3.4%
Maintenance and repairs	20.0	21.0	-4.8%
Services received	31.5	23.0	37.0%
Other support services	19.8	20.1	-1.5%
Other	37.7	38.5	-2.1%
<b>Fixed Net expenses</b>	<b>433.2</b>	<b>435.2</b>	<b>-0.5%</b>

# Mobile Communication - Revenue Breakdown

(EUR million)	1Q 10	1Q 09	% change
Subscription and Traffic	555.0	563.9	-1.6%
Equipment	45.8	57.3	-20.1%
Roaming	26.3	34.0	-22.6%
Interconnection	98.5	126.1	-21.9%
Other	18.0	17.9	0.6%
Discounts	-9.4	-8.9	5.6%
<b>Mobile Communication revenues</b>	<b>734.2</b>	<b>790.3</b>	<b>-7.1%</b>

# Mobile Communication - Expense Breakdown

<u>(EUR million)</u>	<u>1Q 10</u>	<u>1Q 09</u>	<u>% change</u>
Material expense	68.4	86.7	-21.1%
Employee costs	72.5	71.3	1.7%
Depreciation, amortization and impairment charges	152.9	162.1	-5.7%
Interconnection	86.1	100.7	-14.5%
Repairs	21.3	20.2	5.4%
Services received	64.8	66.5	-2.6%
Other support services	9.1	8.9	2.2%
Other	132.6	138.1	-4.0%
<b>Mobile Communication expenses</b>	<b>607.7</b>	<b>654.5</b>	<b>-7.2%</b>

# Capital Expenditures by Segment

(EUR million)	1Q 10	1Q 09	% change
Fixed Net	65.2	33.5	94.6%
Mobile Communication	71.2	82.5	-13.7%
<b>Total Capex Telekom Austria Group</b>	<b>136.4</b>	<b>116.0</b>	<b>17.6%</b>
Thereof tangible	95.2	81.0	17.5%
Thereof intangible	41.2	35.0	17.7%

(EUR million)	1Q 10	1Q 09	% change
<b>Mobile Communication Total Capex</b>			
mobilkom austria	18.3	20.6	-11.2%
Mobiltel	8.6	30.9	-72.2%
Velcom	12.7	6.1	108.2%
Vipnet	15.0	8.1	85.2%
Si.mobil	2.6	1.9	36.8%
Vip mobile	13.0	15.6	-16.7%
Vip operator	0.6	0.3	100.0%

# Net Debt - Telekom Austria Group

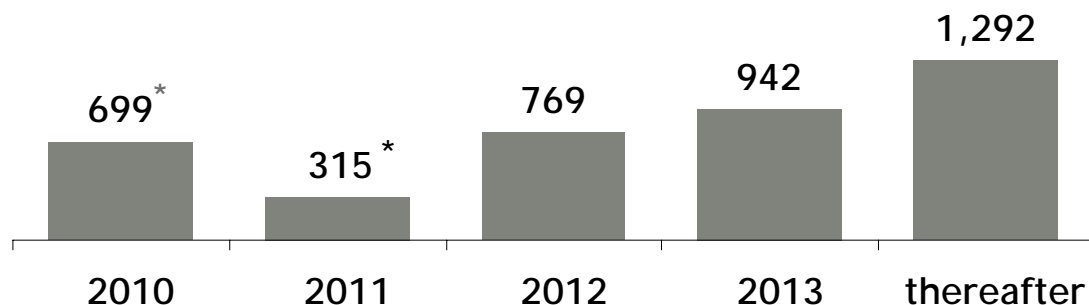
(EUR million)	Mar 31, 2010	Dez 31, 2009	% change
Long-term debt	3,226.5	3,234.8	-0.3%
Short-term borrowings*	843.6	1,501.6	-43.8%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-562.4	-1,099.0	-48.8%
Derivate financial instruments for hedging purposes	-57.5	-22.5	155.6%
<b>Net Debt of Telekom Austria Group</b>	<b>3,450.2</b>	<b>3,614.8</b>	<b>-4.6%</b>
EBITDA (last 12 months)	1,765.1	1,794.0	-1.6%
<b>Net Debt/ EBITDA (last 12 months)</b>	<b>2.0x</b>	<b>2.0x</b>	<b>n.a.</b>

\* Including purchase price obligation for Velcom

# Debt Maturity Profile

## Debt Maturity Profile

(EUR million)



### Ratings:

- > S&P: BBB (*stable outlook*)
- > Moody's: A3 (*stable outlook*)

## Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 1.1 bn
- > Average term to maturity of approximately 3 years
- > Provided by 20 banks

\* Includes approx. EUR 565 mn in 2010 and EUR 90 mn in 2011 related to Velcom

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