

The Telekom Austria Group is an integrated, convergent provider of intelligent information and communications services and is a leader in its eight geographic markets in Central and Eastern Europe.

With a view to safeguarding competitiveness and stabilizing future earnings power, the Telekom Austria Group pursues a corporate strategy that rests upon three main pillars, with operational excellence forming the basis of all strategic activities:

Strategic Goals

- Consolidation of existing markets

- Convergence of the fixed line and mobile communication operations in Austria and in selected foreign markets

- Value-enhancing growth projects within the current regional footprint

Operational Excellence

With a view to improving operational efficiency on an ongoing basis, the Telekom Austria Group analyses all in-house processes and interfaces at regular intervals. The focus is on reducing friction losses and making effective use of financial resources. Close cooperation between all international corporate units ensures significant advantages when introducing new technologies and products. Based on the group-wide implementation of ideas management, employees' expertise and know-how can be leveraged across all operations. The common goal is to develop innovative products and solutions that create clear added value for customers.

Consolidation of Existing Markets

The markets of the Telekom Austria Group are at different stages of development and therefore require a differentiated approach. The main objective is to fully leverage the market potential of each country, while consolidating and expanding the Group's position across all markets. In the highly developed Austrian market, future growth can be predominantly generated through innovative integrated communications solutions and data traffic. In Croatia, the strategy is aimed at enhancing value generation through innovative and convergent products. Si.mobil in Slovenia is strengthening its position in the SME business segment, while creating the prerequisites for customer uptake of mobile broadband and smartphones by upgrading network capacity. In these markets the Telekom Austria Group benefits from a differentiated pricing structure in line with the corporate multi-brand strategy.

In Bulgaria and Belarus, the base level in terms of both average revenues per customer and data revenues as a proportion of total revenues is considerably lower than in Austria and Croatia. As there is still considerable scope for improvement, the Telekom Austria Group intends to leverage this catch-up potential by pushing ahead with attractive products and services and expanding network capacities. In Bulgaria, the company is also focusing on the gradual development of a convergent product portfolio. In the growth markets of the Republic of Serbia and Macedonia, where the Telekom Austria Group did not start operations until 2007, the main focus is on increasing the share of contract customers to create a solid basis for high-value products.

Convergence of Fixed Line and Mobile Communication

The persistent migration away from fixed line to mobile communication in recent years reflects a radical change in customer usage patterns. The demand for comprehensive and flexible telecommunication solutions, which function independently of location and the underlying transmission technology, is increasingly gathering momentum. By offering convergent product packages, the Telekom Austria Group has been able to successfully respond to this new market trend since 2007. In the CEE markets a comparable industry development is expected to unfold over the medium term.

The Telekom Austria Group will play an active role in shaping this development, while leveraging its existing know-how and innovation power. The acquisition of two fixed line operators in Bulgaria in 2010 represents a first step in this direction. In the other foreign markets, the company seeks to promote a similar development depending on the stage of maturity and specific conditions in the individual markets.

Value-Enhancing Growth Projects

The Telekom Austria Group's core geographic footprint encompasses the emerging markets of Central and Eastern Europe. Potential acquisition targets are only pursued if they increase shareholder value, generate synergy effects with existing business activities or contribute to improving the Group's strategic positioning in the target markets mentioned above. In addition, clearly defined financial criteria and the potential implications for the enhancement of shareholder value must be taken into consideration. Under the terms of the current cash use policy, acquisitions are always benchmarked against share buybacks with respect to cash flow generation per share.

