



Telekom Austria Group

Annual General Meeting 2008

Vienna, May 20 2008

Agenda

- **Agenda Item 1:**
Report on the fiscal year 2007
- **Agenda Item 2:**
Distribution of the net profit
- **Agenda Item 3:**
Discharge of the members of the management board and the supervisory board
- **Agenda Item 4:**
Compensation for the members of the supervisory board

Agenda

- **Agenda Item 5:**

Election of the supervisory board

- **Agenda Item 6:**

Election of the auditors for the financial year 2008

- **Agenda Item 7:**

Management report on treasury shares acquired, number of shares held and use of treasury shares

- **Agenda Item 8:**

Authorization of the management board to acquire treasury bearer or registered shares

Agenda Item 1:

Report on the fiscal year
2007

Business Year 2007 – Investment in the Future

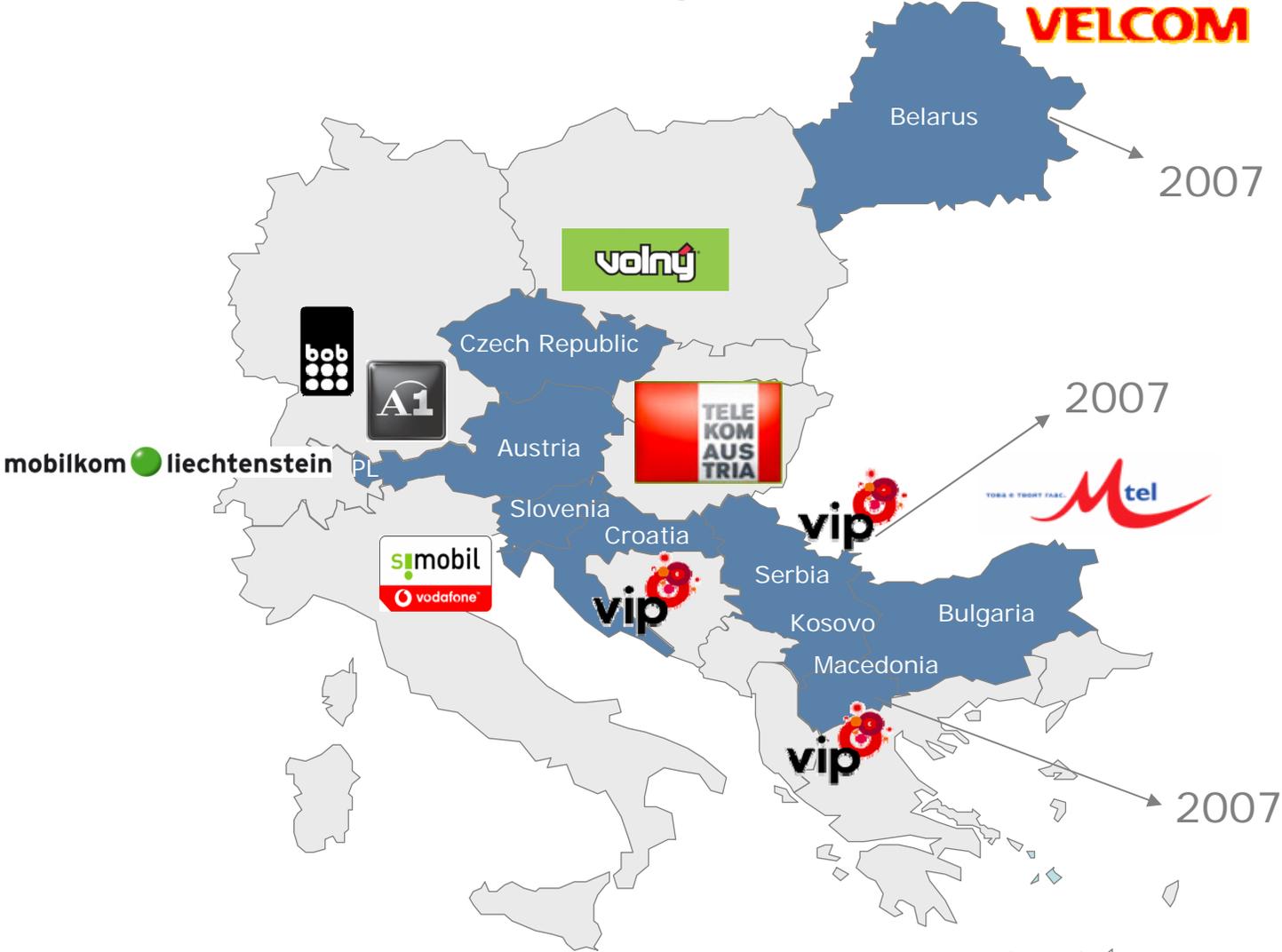
Only bad news...

- EBITDA declined by 3.0% to EUR 1,855 million
- Net profit declined by 12.3% to EUR 493 million
- Net debt increased by 39.1%

... is good news

- 650,100 net adds in the Republic of Serbia and the Republic of Macedonia
- Shareholder remuneration increased by 6.7%
- 3.1 million customers through the acquisition of MDC in Belarus

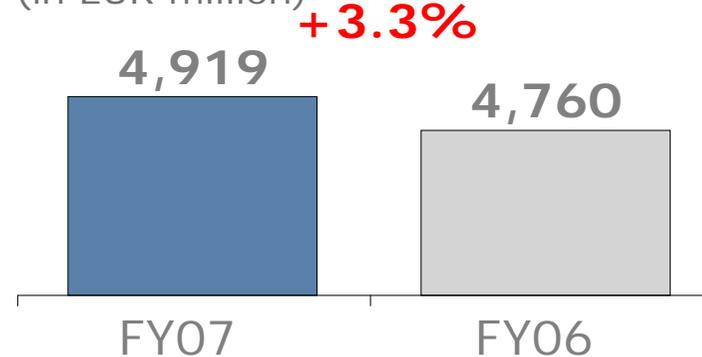
Value-Enhancing Investments Strengthen Telekom Austria Group's Profile



International Growth Offsets Start-Up Costs in the Republic of Serbia & Macedonia

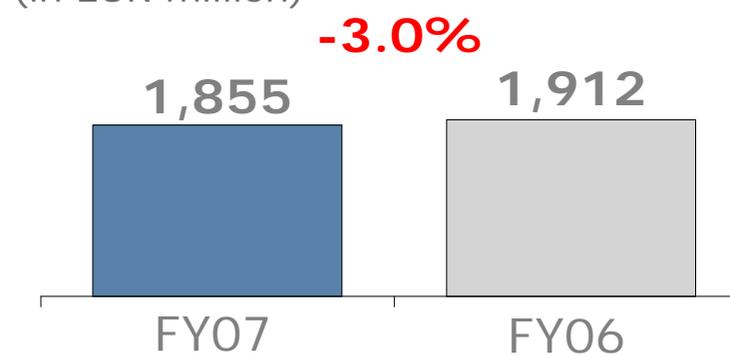
Revenues

(in EUR million)



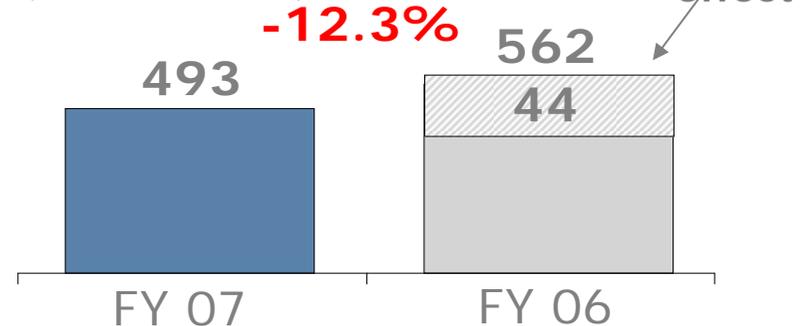
EBITDA*

(in EUR million)



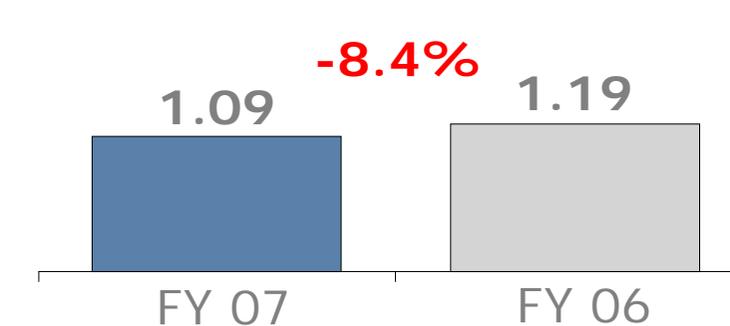
Net Profit

(in EUR million)



Earnings per Share

(in EUR)



*Starting with 3Q 07 Telekom Austria Group reports interest expenses related to employee benefit obligations no longer as personnel expenses but as interest expenses in the financial result. Comparative figures for 2006 were adjusted accordingly by EUR 5,2 million (Fixed Net EUR 4.4 million, Mobile Communications EUR 0.8 million).

Competition Intensified in 2007

- Dynamic competitive environment for both segments
- International operations showed further growth
- Price war on the Austrian mobile communication market limits growth opportunities
- Fixed-to-Mobile migration trend persists
- Trend towards mobile broadband increases pressure on Fixed Net segment

Fixed Net

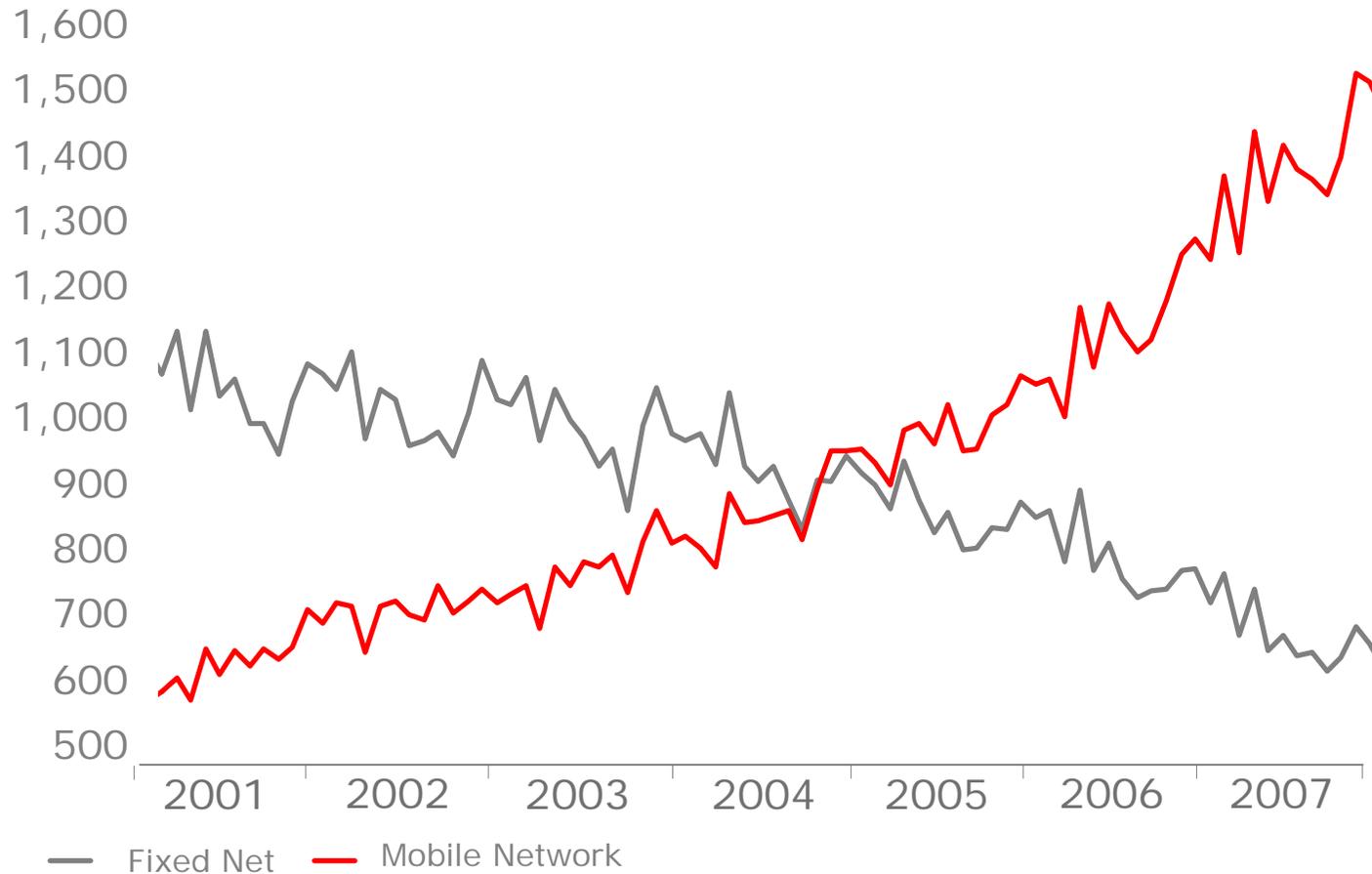
Decisive Developments 2007

- Further development of the existing Fixed Net infrastructure
- Market share in the Fixed Net voice telephony market expanded from 56.9% in the previous year to 59.9%
- More attractive product range through the introduction of innovative products and bundles
- Increase in transmission speed for all broadband products
- Strong market positioning as global communication provider for business customers

Voice Minutes Migrate to Mobile Telephony

Development of Voice Telephony Volumes

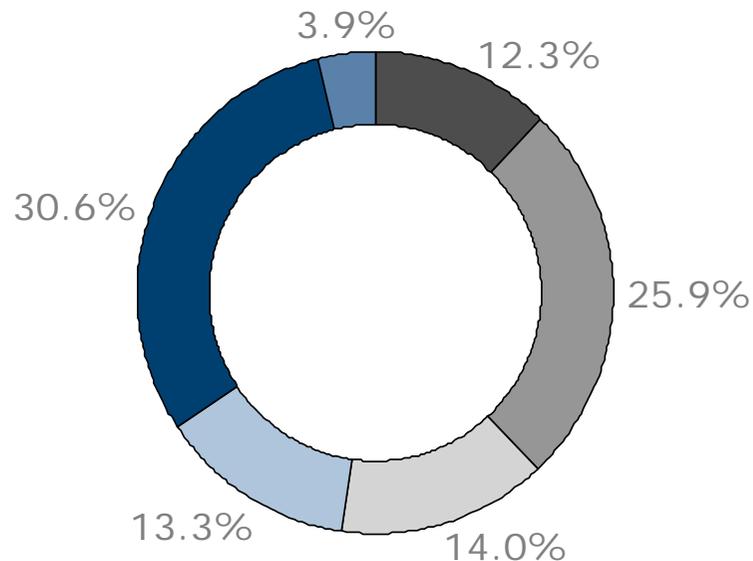
in million minutes per month



Increase in Broadband Lines and Fixed Net Retail Market Share Via Product Bundles

Broadband Market Share

Year-End 2007



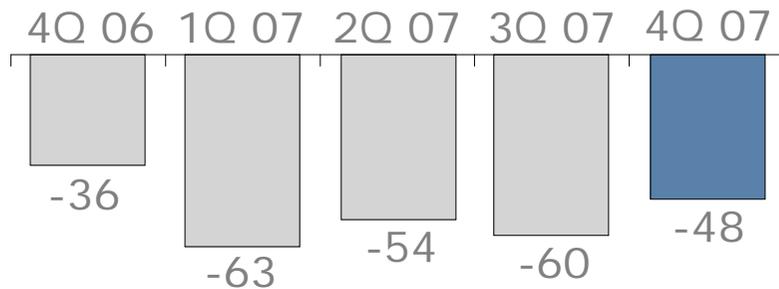
- Telekom Austria Fixed Net Wholesale
- Telekom Austria Fixed Net Retail
- Mobile broadband mobilkom austria
- Mobile broadband excl. mobilkom austria
- Cable
- Unbundled lines

- Successful product bundles make fixed access lines more attractive
- 750,700 Fixed Net broadband lines
- Retail market share increased from 28.6% in 3Q 07 to 30.6%
- Wholesale and cable providers loose market share

Product Bundle KombiPaket Slows Down Fixed Net Line Loss

Fixed Net Line Loss

(in 000s)



- Successful product bundle slowed down Fixed Net line loss
- Deceleration of line loss continued in 1Q 2008
- Acquisition of new customers via KombiPaket

aonKombi, aonSuperKombi and aonFlex Expand Fixed Net Product Portfolio



- Product bundles aonKombi and aonSuperKombi continue the success of KombiPaket

- aonKombi encompasses fixed net, mobile telephony and broadband Internet



- aonSuperKombi offers in addition aonTV

- aonFlex offers mobile broadband for current Fixed Net broadband customers

aonTV Strengthens Fixed Net Product Range



- More than 82 channels, video on demand and personal program guide for EUR 4.90 per month
- Roughly 500 top movies in the video library
- Roughly 21,000 customers per end of 2007; approx. 38,600 per end of Q1 2008
- About 25% of new customers did not have a fixed net access line
- Roughly 45% of households covered

Growth Segment Business Solutions



- Increase in revenues from Data & IT solutions
- Reference projects:



AUA:

Voice-over-IP solution

Kitzbühel:

CRM solution



Baxter:

Video monitoring system

UEFA EURO 2008:

Connection and equipment of broadcasting venues

Austrian 



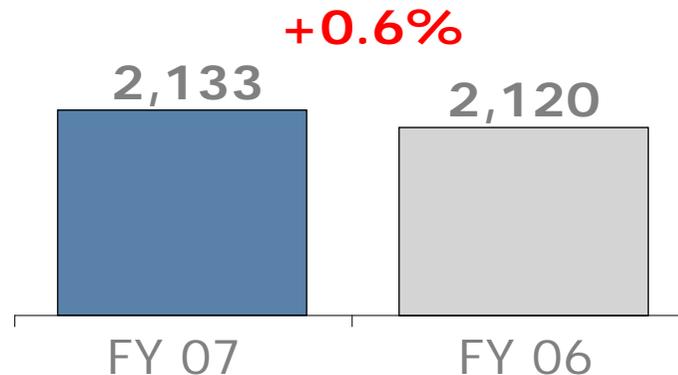
Baxter



Revenue Growth through Innovative Products and the Acquisition of eTel

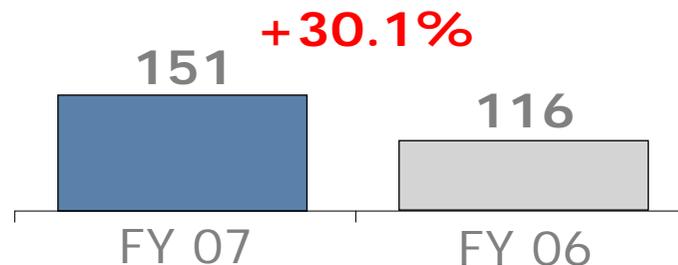
Revenues

(in EUR million)



Operating Income*

(in EUR million)



- Increase in revenues from Data & IT solutions, Internet and Media, Wholesale voice and Internet
- EBITDA declined by 6.3% to EUR 705 million due to higher costs
- Increase in operating income by 30.1% to EUR 151 million due to lower amortization and depreciation charges

*For comparative purposes operating income for FY 06 was adjusted by the interest expenses related to employee benefit obligations for a total of EUR 4.4 million. See foot note on slide 27.

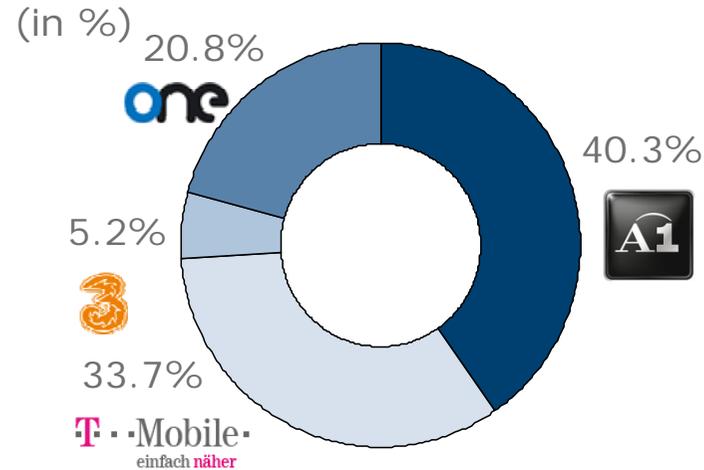
Mobile Communication

Decisive Developments 2007

- Expansion in Belarus, in the Republic of Serbia and the Republic of Macedonia strengthened the growth profile of the Mobile communication segment
- Customer growth by 50.9% to 15.4 million as a result of successful growth strategy
- Data products generated 23.2% of total revenues
- Technology edge expanded in the Mobile Communication segment

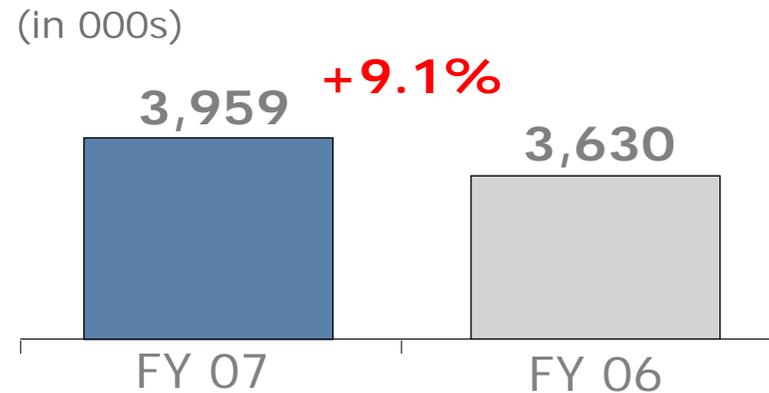
mobilkom austria with Excellent Market Share and Customer Growth

Market Share



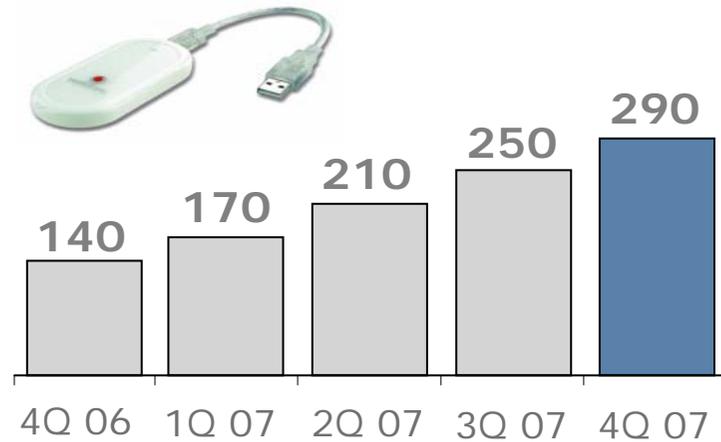
- 329,000 net adds expanded subscriber basis to 4 million customers
- Increase in market share by 1.6 percentage points to 40.3%
- Share of contract customers increased from 60.8% to 66.3%

Customers



Mobile Broadband Allows for Further Growth

Mobile Broadband Customers



- Mobile broadband customers more than doubled since 2006
- Higher usage compensated for decline in price
- Data products generated 1/3 of revenues*
- Prices for data roaming were lowered

*Data share of traffic-related revenues

Strong Customer Growth in all Operations

	(in 000s)	FY 07	FY 06
 Austria		3,959.3	3,630.5
 Bulgaria		5,098.6	4,267.9
 Belarus		3,058.7	-
 Croatia		2,179.6	1,912.3
 Slovenia		497.3	420.9
 Republic of Serbia		508.9	-
 Republic of Macedonia		141.2	-
 Liechtenstein		5.4	4.8
Mobile Commuication		15,449.0	10,236.4

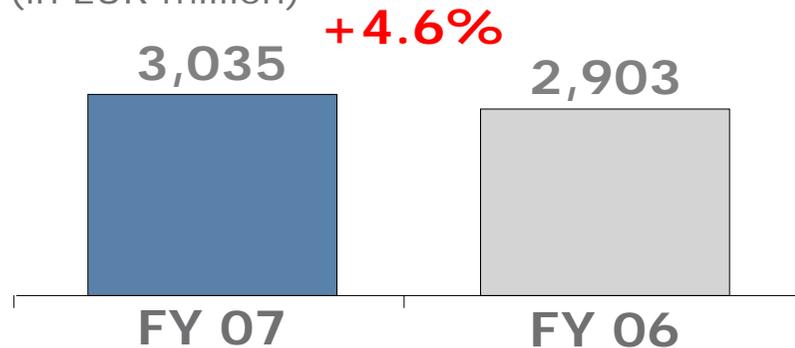
Expansion in Eastern and South-Eastern Europe Successfully Continued

- Pioneering role was demonstrated also in the business year 2007
- Vip mobile in the Republic of Serbia and Vip operator in the Republic of Macedonia provides the basis for further growth
- The Belarusian MDC, acquired in 2007, has considerable growth potential
- 60% of customer growth result from the acquisition of MDC
- Vip mobile and Vip operator were able to win 650,100 customers in only a few months

Customer Basis Increased by 50.9%; Strong Performance of international Operations

Revenues

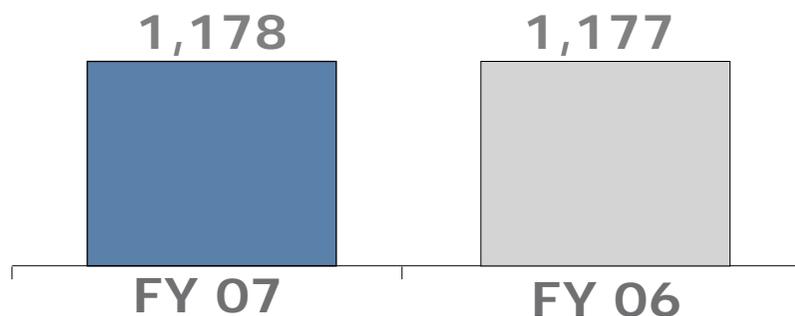
(in EUR million)



- Customer basis increased by 50.9% to 15.4 million
- Revenues increased by 4.6% due to strong international performance and contribution of MDC

EBITDA*

(in EUR million)

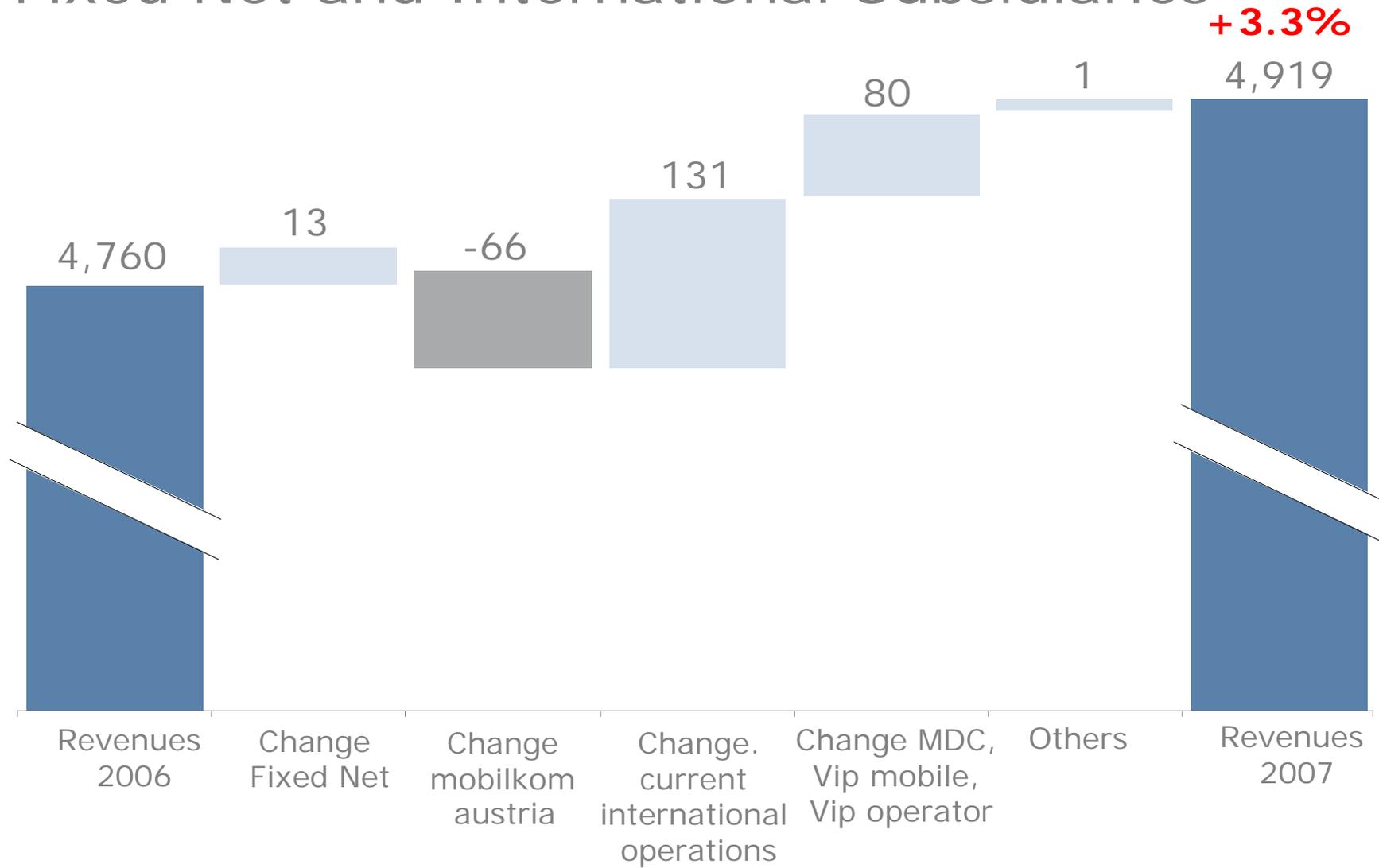


- EBITDA growth from international operations compensated for start-up costs

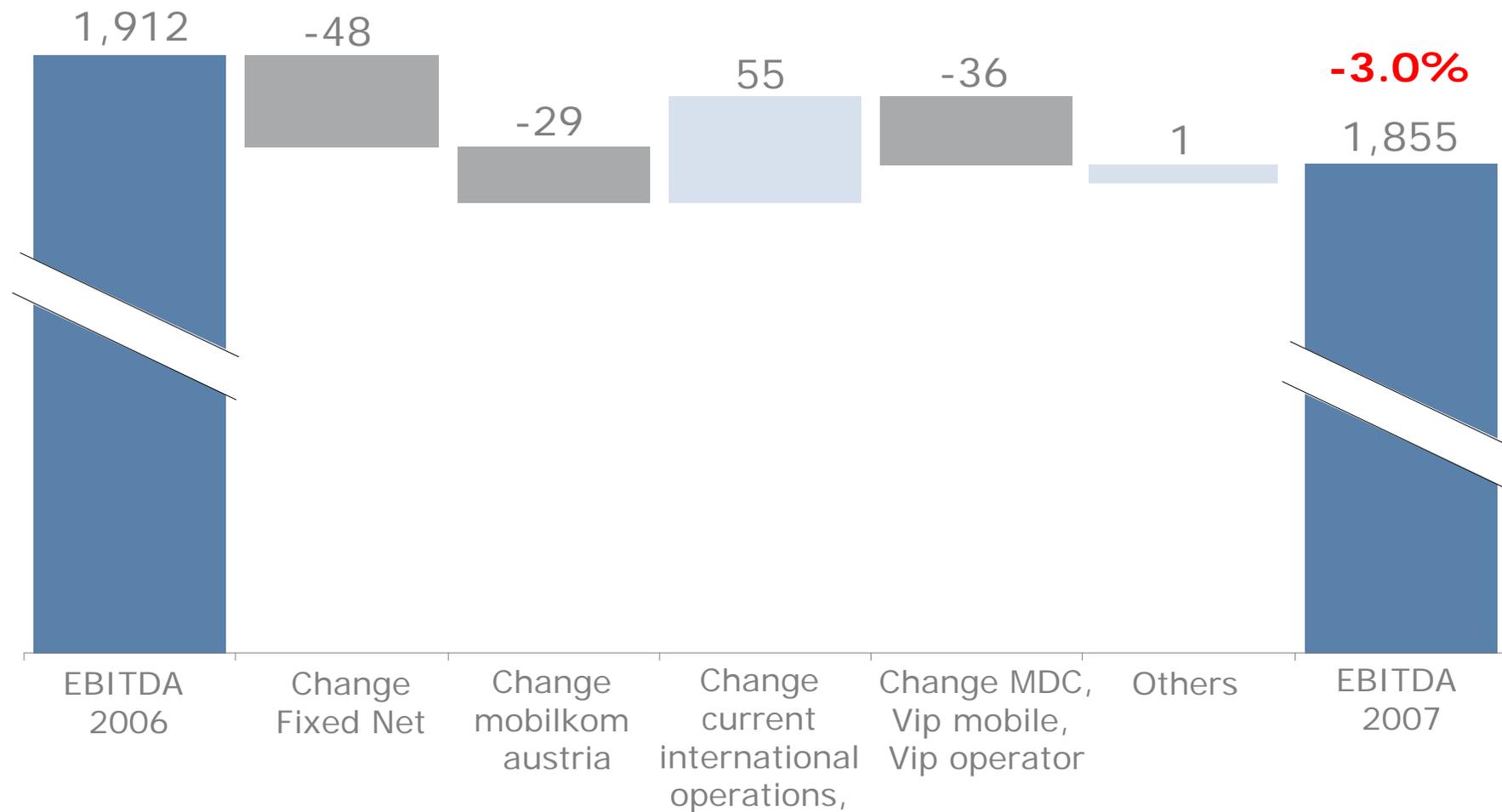
*For comparative purposes EBITDA for FY 06 was adjusted by the interest expenses related to employee benefit obligations for a total of EUR 0.8 million. See foot note on slide 5.

Financial Overview

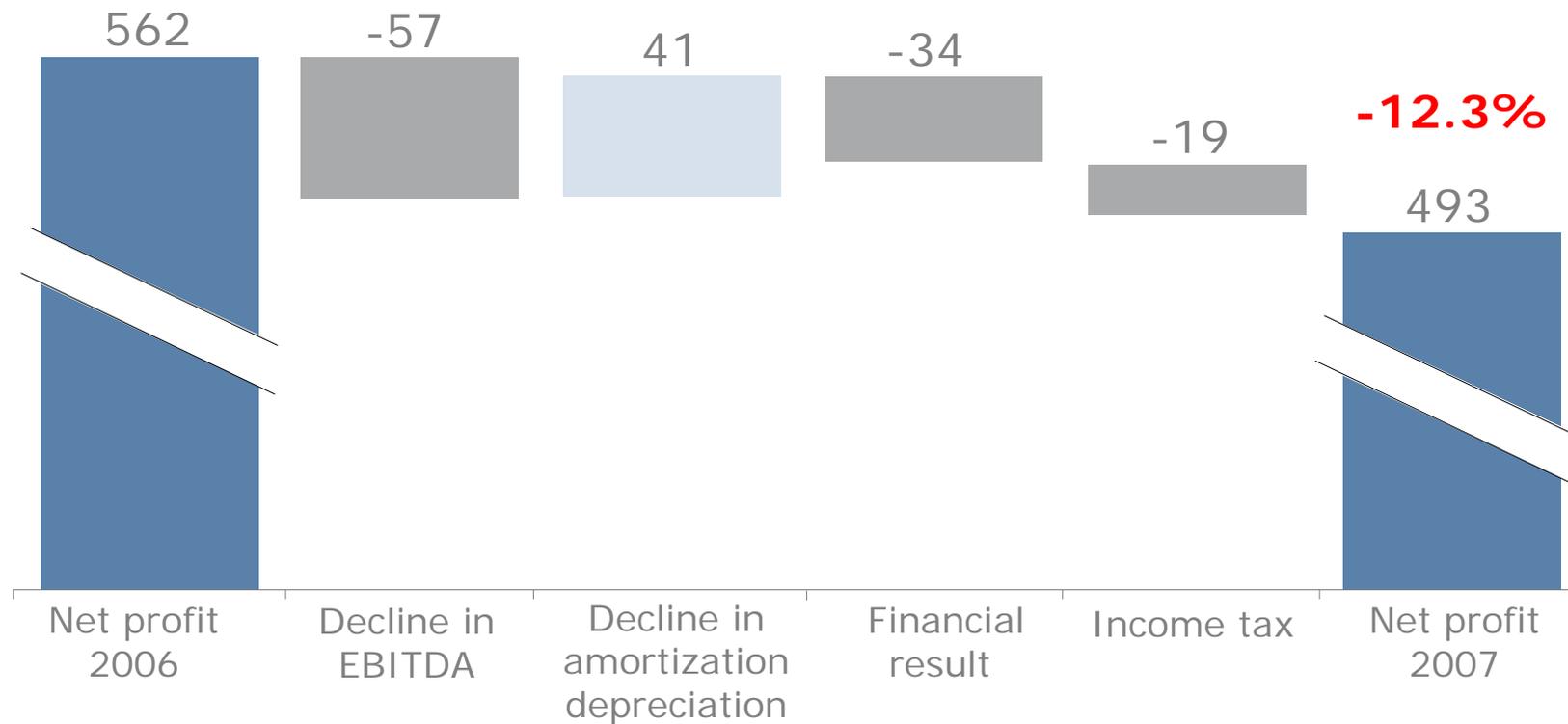
Increase in Revenues through Growth from Fixed Net and International Subsidiaries



EBITDA Growth from International Operations Compensated for Start-Up Costs



Higher Net Interest Expenses Led to Lower Net Profit



Asset Base Increases due to Consolidation of MDC

(in EUR million)	31. Dec. 07	31. Dec. 06	%
Long-term assets	7,678	6,400	20%
Current assets	1,326	1,160	14%
Total Assets	9,004	7,560	19%
Current liabilities	2,557	1,657	54%
Long-term liabilities	3,881	3,079	26%
Stockholder's equity	2,565	2,824	-9%
Total liabilities and stockholders' equity	9,004	7,560	19%

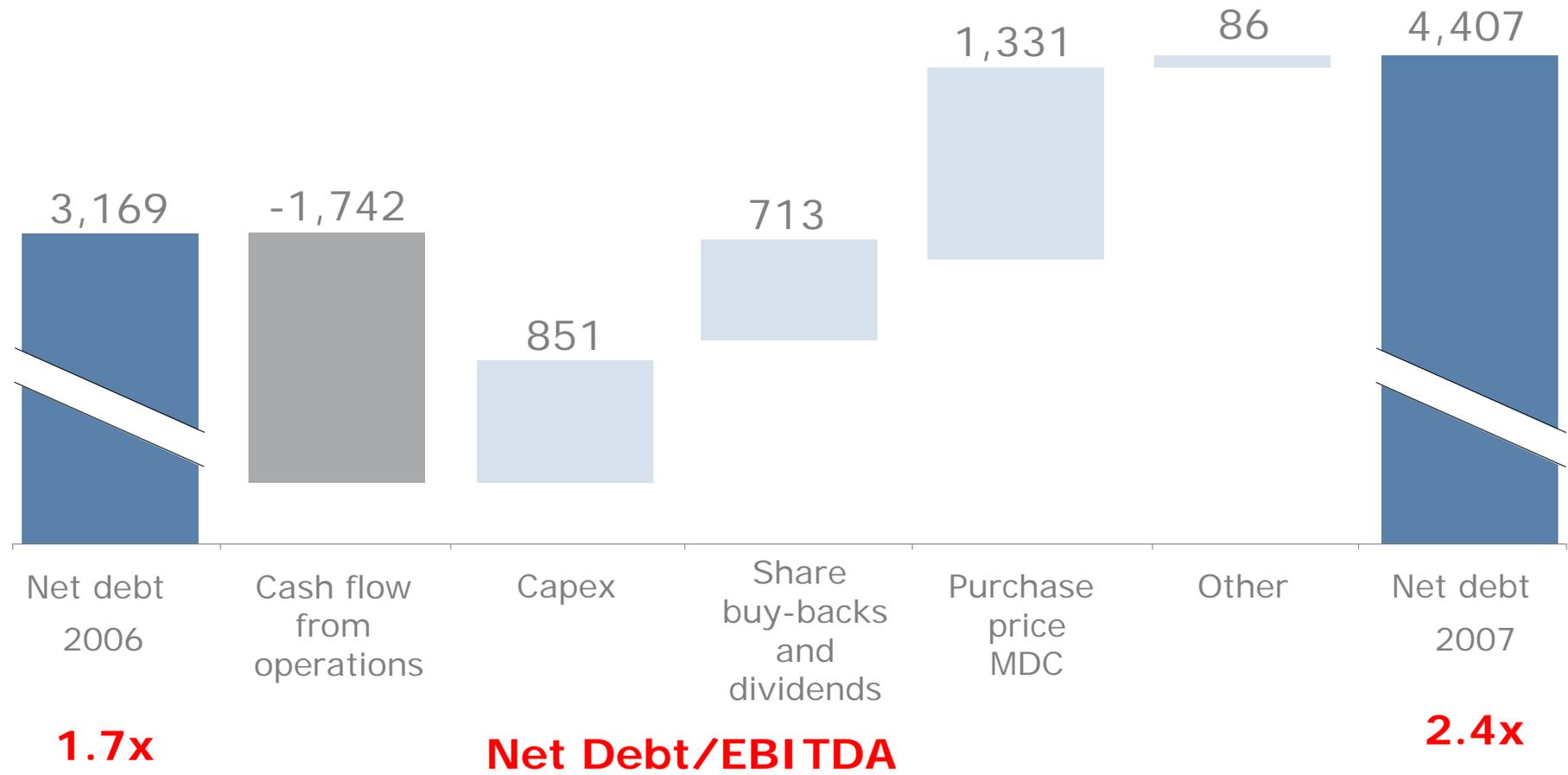
Free Cash Flow Increases by Roughly 7% Despite Stronger Investment Activities

(in EUR million)	FY 07	FY 06	%
Cash flow from operations before working capital adjustments	1,682	1,768	-5%
Change in Working Capital	60	-178	n.a.
Ordinary capital expenditures	-766	-677	13%
Free cash flow	976	913	7%

Investments in New Growth Markets more than Tripled

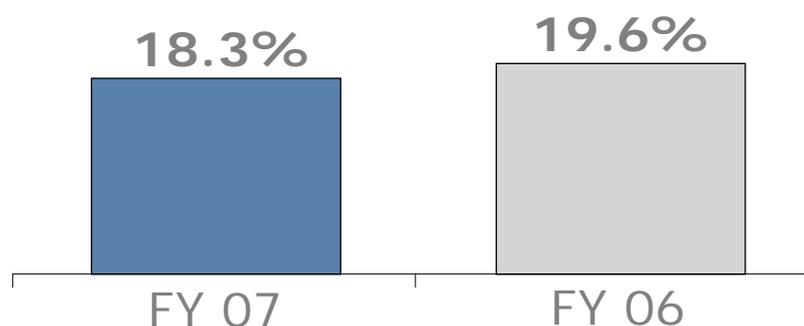
(in EUR million)	FY 07	FY 06	%
Ordinary capital expenditures	766	677	13%
Growth projects and acquisitions	1,545	320	383%
Total	2,311	997	132%
Other investing activities	-19	-25	-23%
Purchase price of MDC not yet paid	-606	-	-
Cash acquired	-15	-	-
Cash flow used in investing activities	1,670	972	72%

Higher Net Debt due to Acquisition of MDC and Higher Shareholder Remuneration



Profitability Impacted by Start-Up Costs and Increased Shareholder Remuneration

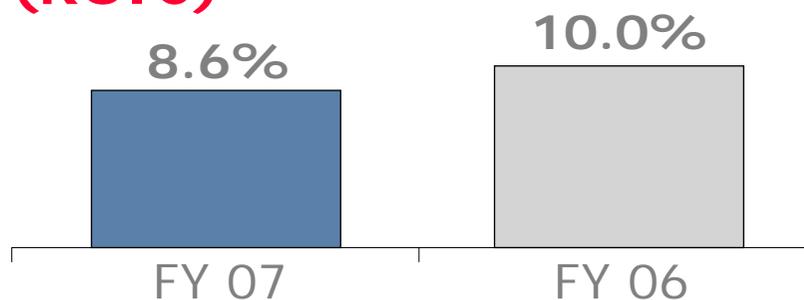
Return on Equity (ROE)



- ROIC and ROE are indicators for value creation

- Higher long-term assets due to acquisition of MDC but only in results for Q1 08

Return on Invested Capital (ROIC)

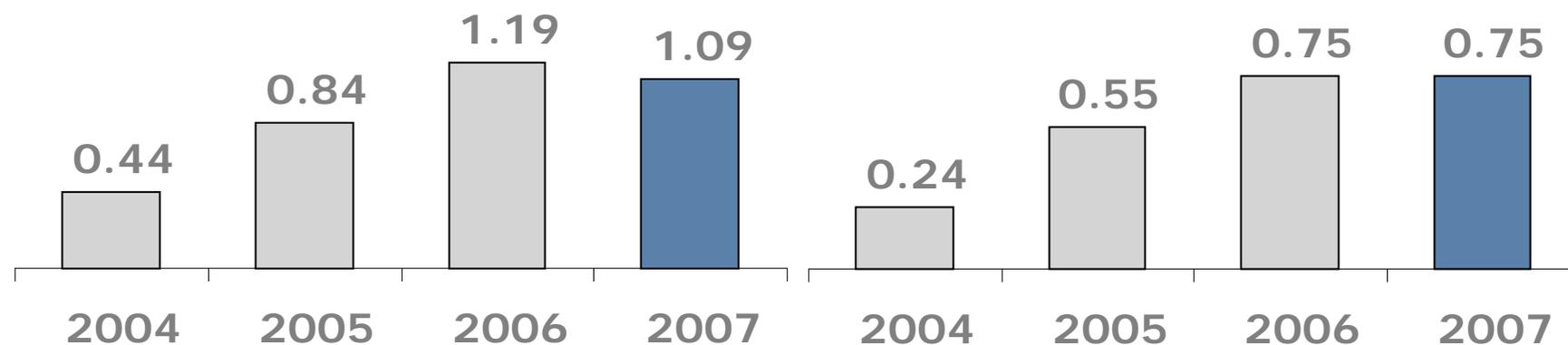


- Higher investment activity led to decline in key financial figures

Dividends Maintained Despite Decline in Earnings

Earnings per Share
(EUR)

Dividend per Eligible Share
(EUR)



Proposed Dividend of 75 Cents per Share

Proposed Dividend

Return on Dividend

0.75 EUR

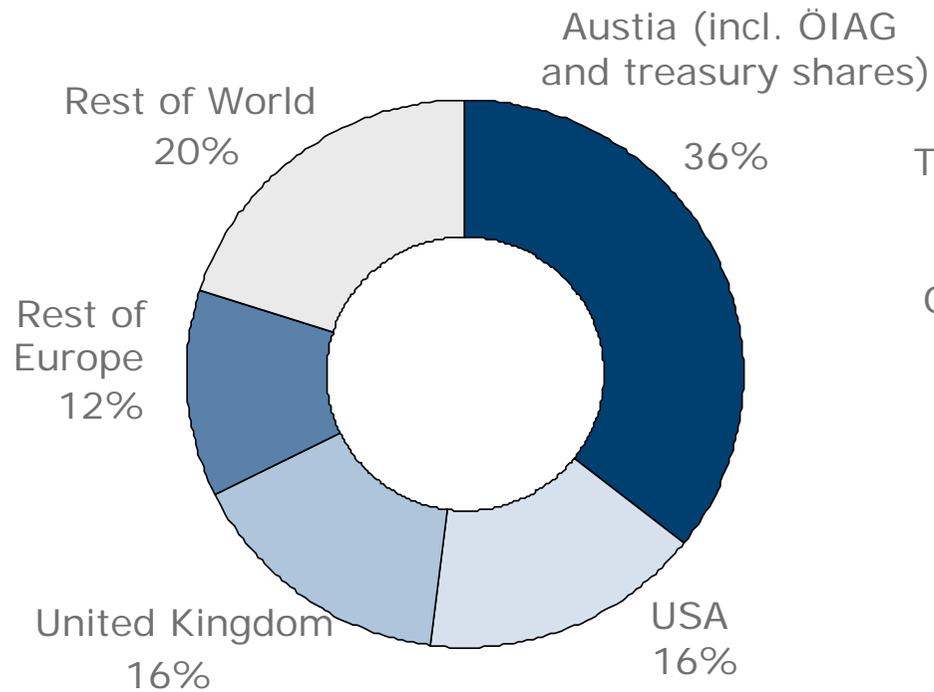
3.9 %

Telekom Austria Share

International Shareholder Basis

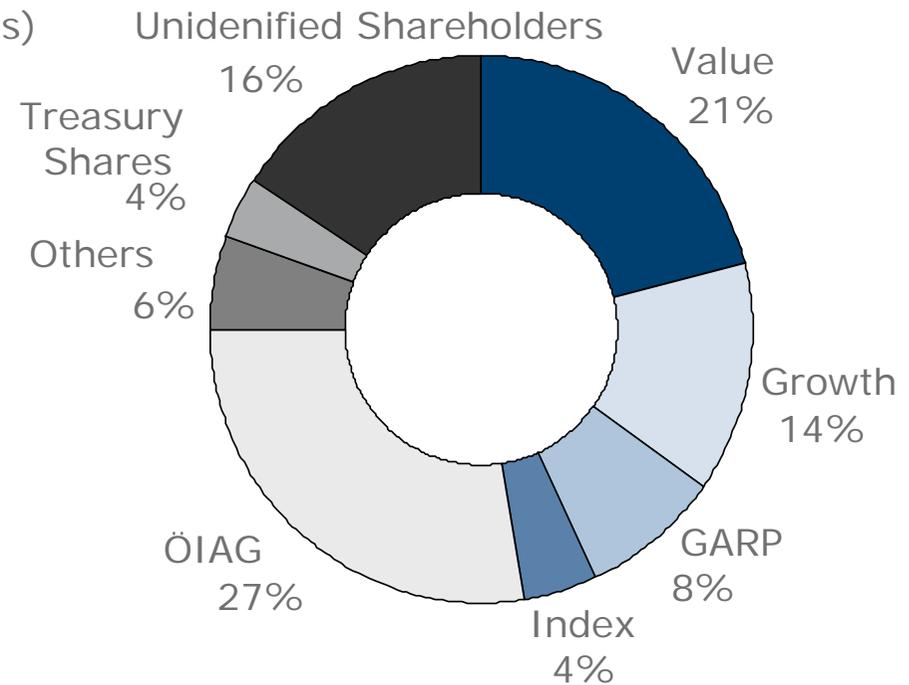
Shareholder Structure by Country

(per 31.12.2007)



Shareholder Structure By Investors

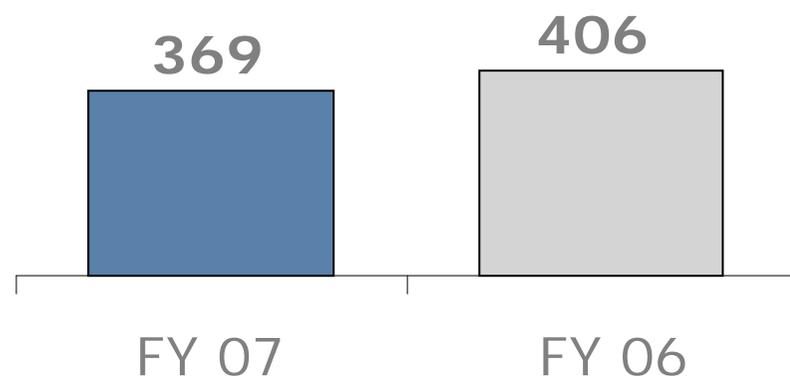
(per 31.12.2007)



Share Buy-Back Suspended Following Acquisition in Belarus

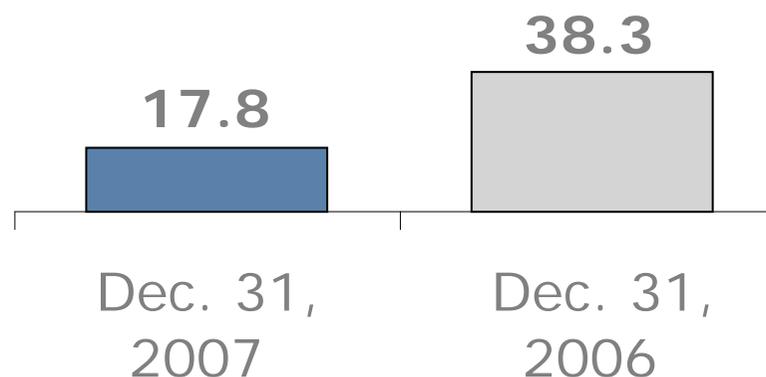
Share Buy-Back

(in EUR million)

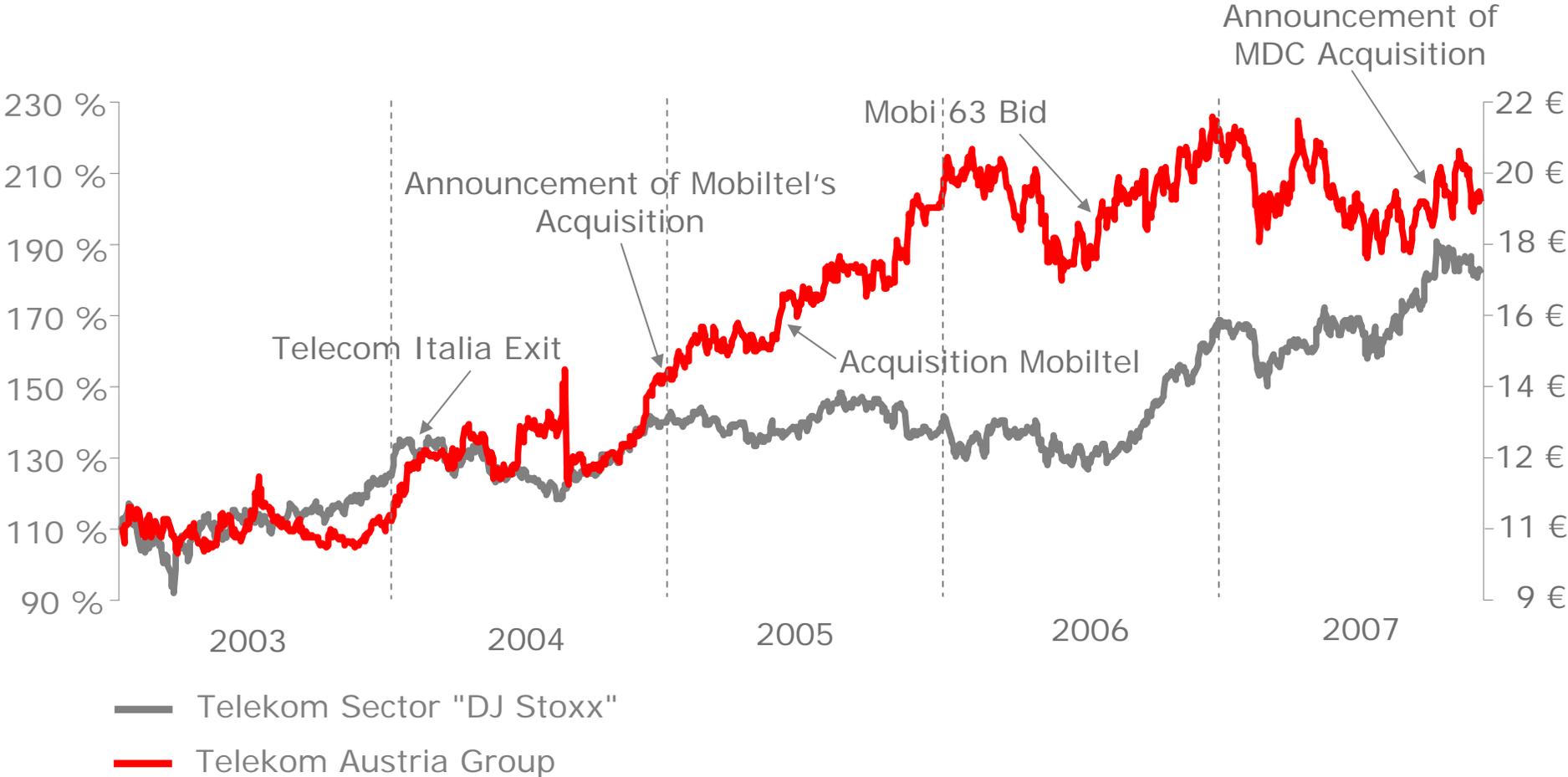


Treasury Shares

(in million)



5-Year Performance of Telekom Austria Share



Stock Option Program Improves Corporate Governance and Aims at Value Creation

- Integral part of best-practice corporate governance
- Stock options align the interests of the management with the enhancement of corporate value
- 4,047 million options granted to 300 managers, 240,000 of which to the board
- Exercise price of Euro20.34
- Vesting period of roughly 12 months, exercise period of 3 years

Employee Participation Program Strengthens Corporate Identity

- Employees should participate in the success of the company
- One of the largest Employee Participation Programs in Austria
- 587,245 shares granted to roughly 11,100 employees so far
- In 2007, 150 EUR granted per employee, excluding participants in the Stock Option Program
- For employees shares are tax-free if they are kept for 5 years

Delisting from the New York Stock Exchange

- Low trading volume of Telekom Austria Shares in New York as decisive factor
- Last trading day on the New York Stock Exchange was May 16, 2007
- Shares are currently traded over the counter in NY
- Reduction of administrative costs related to the listing
- High corporate governance standards are maintained

Corporate Governance & Investor Relations

Clear Commitment to the Principles of Corporate Governance

- Effective framework for sustainable and transparent corporate management
- „True and fair view“ and non-discrimination of shareholders
- Intensive cooperation with Supervisory Board
- Compliance with Corporate Governance Code confirmed by KPMG

Risk Management Enables Optimal Management

- Risk management prevents “bad surprises” through preparation
- Risks are analyzed and evaluated regularly and systematically
- Monitoring of risks is the responsibility of the operating units
- Main risks:
market and competitive risks, regulatory and legal risks, financial and economic risks, personnel risks, technological and geographical risks
- Effectiveness of Internal Control System was conformed by KPMG

Top-Level Investor Relations

- Intensive communication: 18 road shows worldwide, 233 one-on-one meetings, 146 conference calls and 57 group's presentations in 2007
- Number 1 IR Officer within the telecommunications industry according to „Institutional Investor“
- IR web site:
Number 1 in Austria (Wirtschaftsblatt), number 1 among all IR web sites in Europe (IR – Global Rankings)
- Annual Report 2007 received numerous awards

Outlook

Telekom Austria Group Expects Operating Growth for Full Year 2008

- In 2008 the results of the Telekom Austria Group will be driven by international growth
- Revenue growth of approx. 5% and increase in EBITDA by roughly 3%
- Net profit will decline by 12% in 2008 due to higher interest expenses
- Increase in operating free cash flow by roughly 10%

Thanks for
your attention!