



Telekom Austria Group Annual General Meeting 2011

Vienna, 19 May 2011

Agenda

> **Agenda Item 1:**

Report on the fiscal year 2010

> **Agenda Item 2:**

Distribution of net profit

> **Agenda Item 3:**

Discharge of the members of the Management Board

> **Agenda Item 4:**

Discharge of the members of the Supervisory Board



Agenda

> Agenda Item 5:

Compensation for the members of the Supervisory Board

> Agenda Item 6:

Election of the auditors of the financial statements and the consolidated financial statements for the fiscal year 2011

> Agenda Item 7:

Election of members of the Supervisory Board

> Agenda Item 8:

Management report on share buyback, number of treasury shares held and use of treasury shares

> Agenda Item 9:

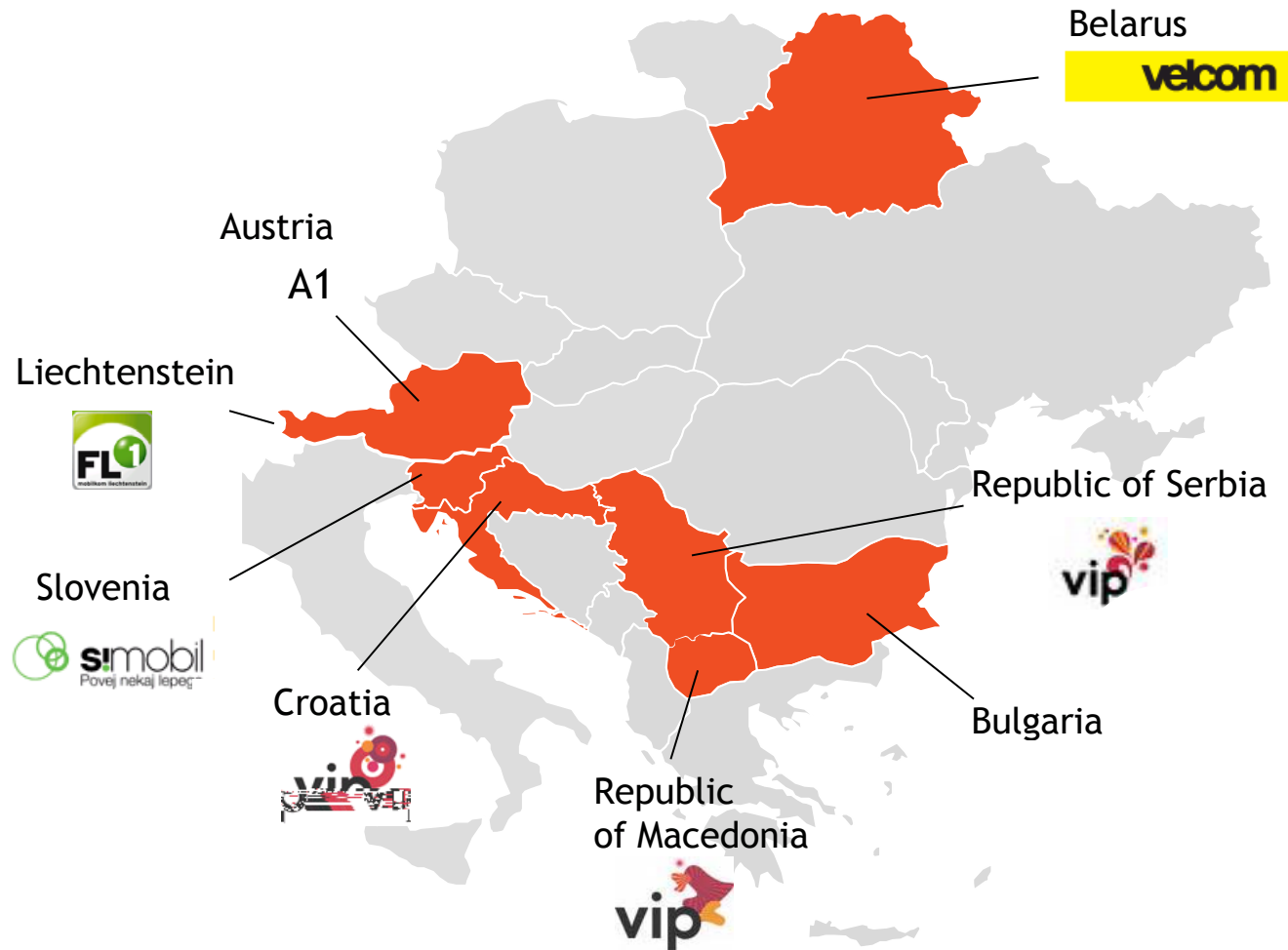
Prolongation of authorization of the Management Board to share buyback and the authorization of use in this regard

Agenda Item 1:

Report on the Fiscal Year 2010



Telekom Austria Group: Market Leader in Austria and Strong Player in Eastern and South-Eastern Europe

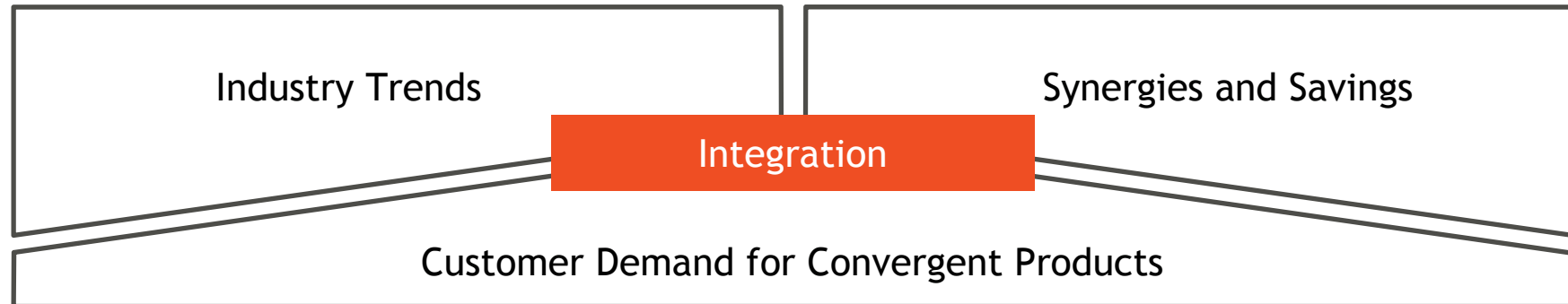


2010 as Basis to Shape the Future



Austria

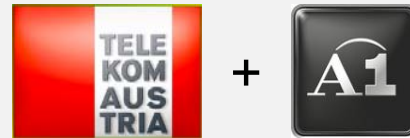
Single Point of Contact for Customer: Integration of Fixed Line and Mobile Communication



- Single Contact for All Customers and Products
- Harmonization of IT-systems
- Unification and Simplification of Controlling and Steering
- Convergent Product Trainings for Sales Personnel



Convergence of Fixed and Mobile is Reflected in the New Single Brand “A1“



What?

- > Merger of Telekom Austria and A1 into one single brand
- > Integration and harmonization of product portfolios
- > Integration of service/customer management

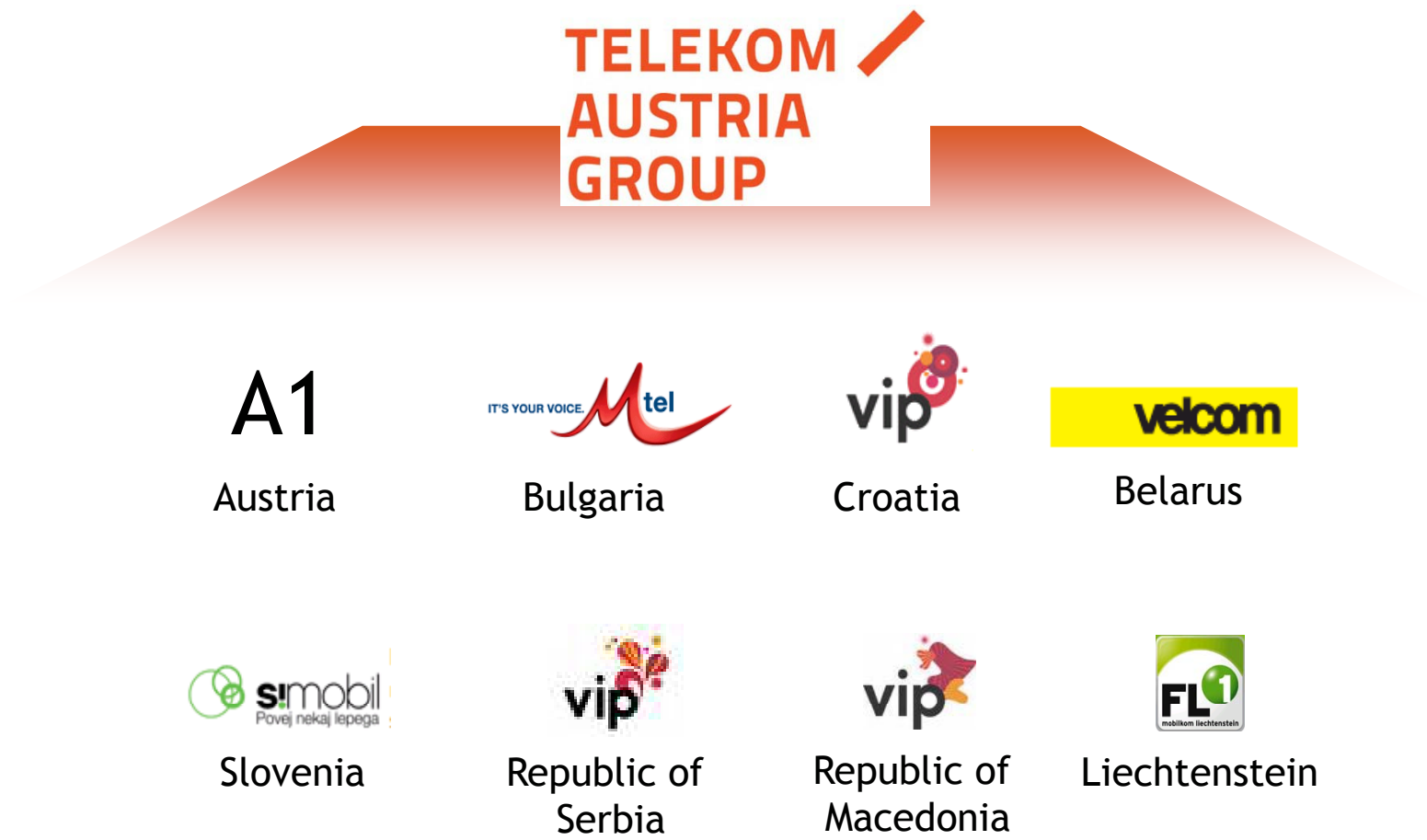
Why?

- > Unification of product offers - improved visibility for customers
- > Integrated solutions from a single source - one contact person
- > No more overlaps

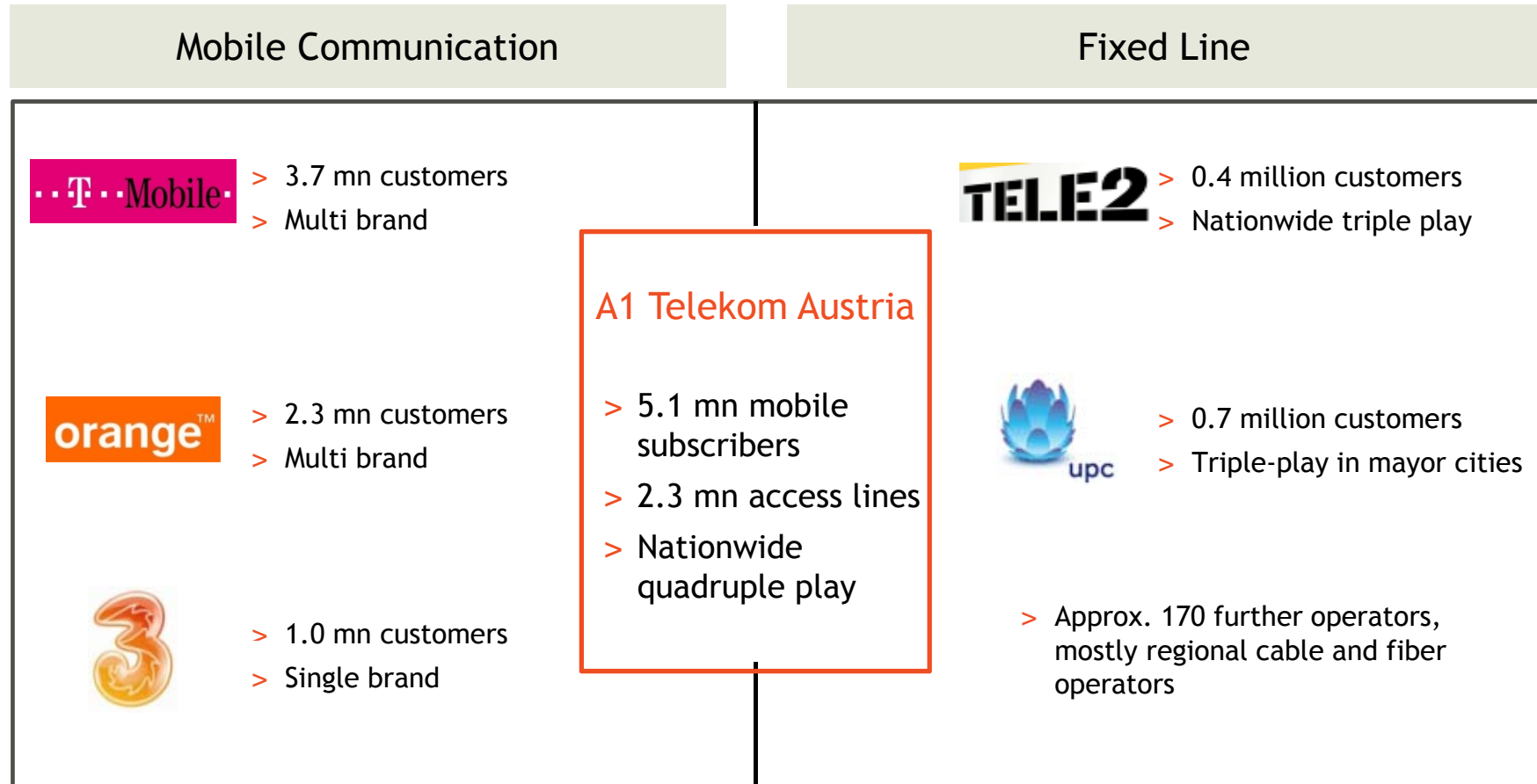
When?

- > Harmonization of Brands in June 2011

Telekom Austria Group Remains at Group Level - A1 Integrated into Group Brand Architecture



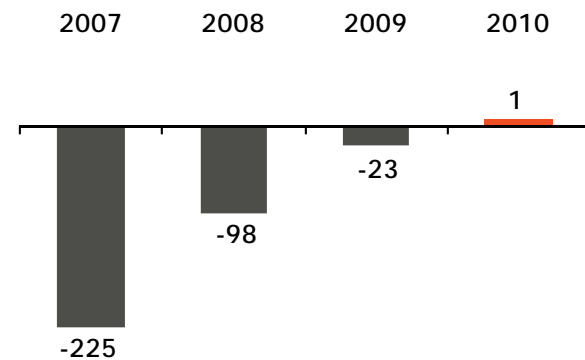
Unique Position in Austria Through Integration



After 13 Years Return to Fixed Line Growth Due to Success of Product Bundles

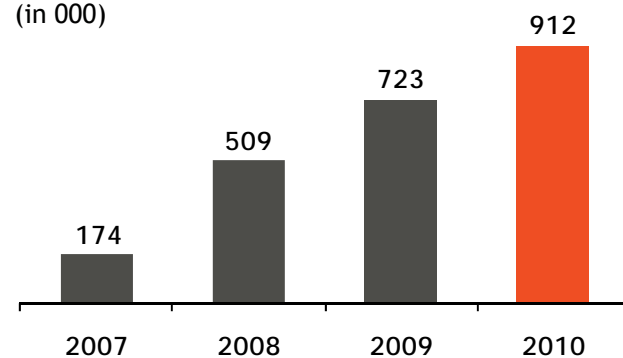
Development of Access Lines

(in 000)



Development of Product Bundles

(in 000)



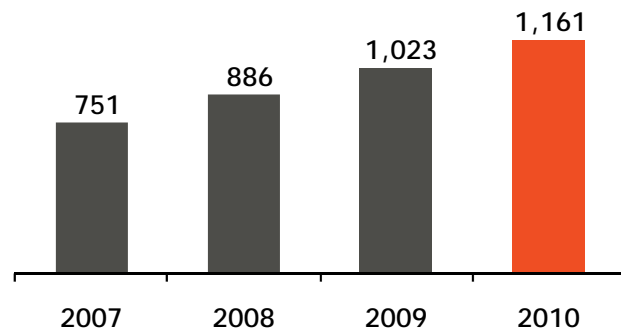
- > Product bundles sustainably protect customer base
- > Return to access line growth after 13 years
- > Product bundles remain key success factor 3 years after launch
- > Demand for fixed line broadband drives turnaround



High-Capacity Network Supports Customer Growth in Fixed Broadband

Fixed Broadband Access Lines

(in 000)



Focus on broadband secures future

Fixed broadband market share of total broadband market stable at 31% in 2010

GigaSpeed Products

GigaSpeed
16

> 16 Mbit/s at EUR 4.90 per month

GigaSpeed
30

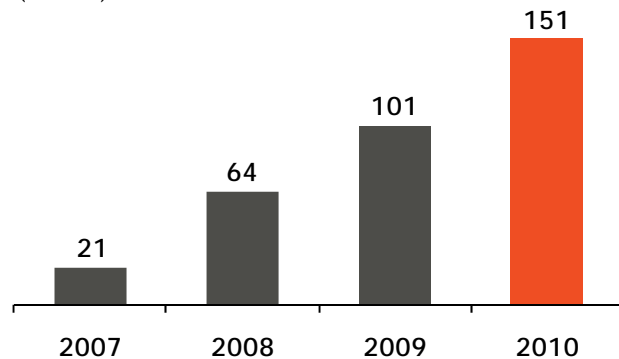
> 30 Mbit/s at EUR 14.90 per month



aonTV as Innovative Component of Product Bundles

aonTV Customers

(in 000)



- > In 2010, aonTV customer base increased by approximately 50% to more than 151,000 customers
- > Over 90 TV channels
- > Austria's largest video library with over 2,000 movies and TV-shows - on demand at any time
- > Over 300 radio channels
- > "My Media": pictures, videos and music uploaded to an online server and can be accessed via mobile devices
- > Optional: Premium TV and aonTV HD



Further Exponential Growth of Fixed Line and Mobile Data Anticipated

Fixed Line Data Trends

Future expectations:
100 GB/month & 20-100 MBit/s



Driver:

- > HD und 3D TV
- > Smart home
- > Cloud service
- > Gaming

Today at home/at work:
8 GB/month & 8 MBit/s

Mobile Data Trends

Future expectations:
10 GB/month & 5 MBit/s



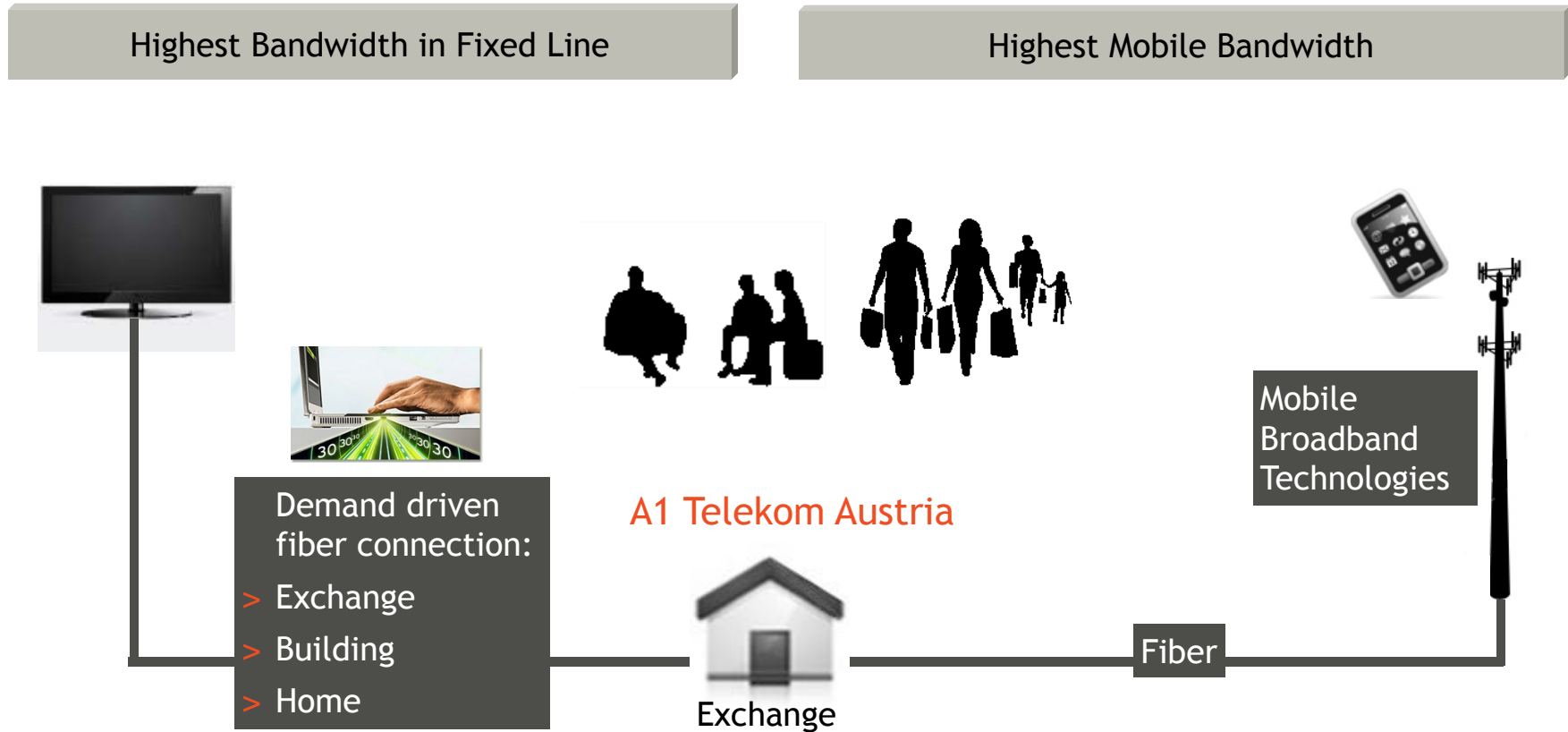
Driver:

- > Mobile broadband
- > Video streaming
- > Applications

Today on the move:
1.5 GB/month & 2.5 MBit/s



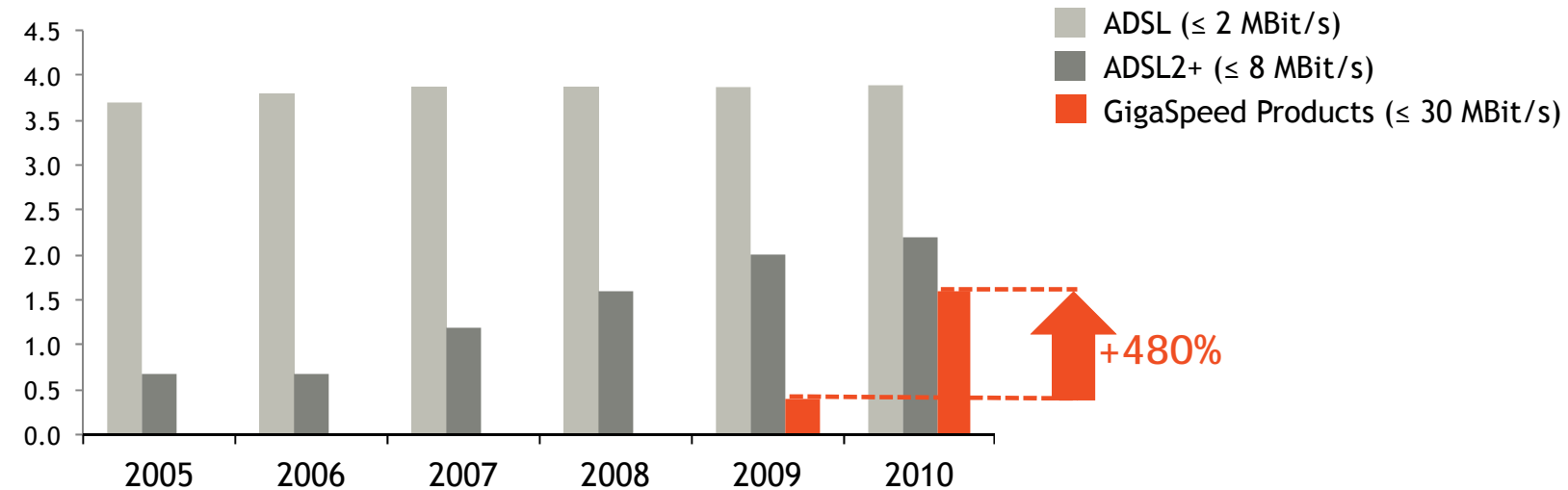
Telekom Austria's Giganet Strategy to Cope with Data Growth



Approximately 50% of Austrian Households Connected to Telekom Austria's Giganet in 2011

Number of Households

(in million)



Basic ADSL Coverage of 2 MBit/s Provided

Over 1.7 million Households Covered by Giganet as of Year-End 2010

More than 2.1 million Households to be Covered as of Year-End 2011

Successful Completion of Fiber-Trials and Connection to Giganet

Klagenfurt in November 2010

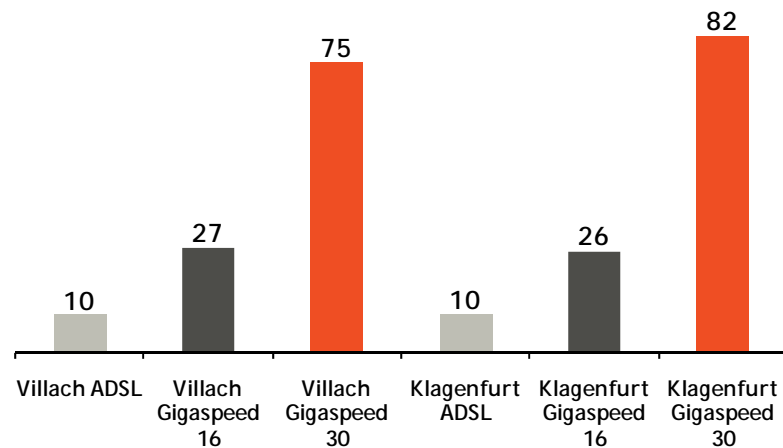
15th Vienna District in March 2011

Villach in October 2009

19th Vienna District in March 2011

Average Data Consumption

(in GB/month)



- > Bandwidth demand driven by multimedia services
- > Infrastructure rollout based on combination of different technologies
- > Fiber technologies will provide significant speed going forward



Innovation Leadership Ensures Best Mobile Network in Austria

Data Growth

Connecting Mobile Base Stations With Fiber

Expansion of A1 Telekom Austria's Network Capacities Based on New Technologies

Dual Cell Technology

- > Data speeds of up to 42 MBit/s
- > 25% of base stations upgraded

LTE Technology

- > Data speeds of up to 150 MBit/s
- > Next mobile generation

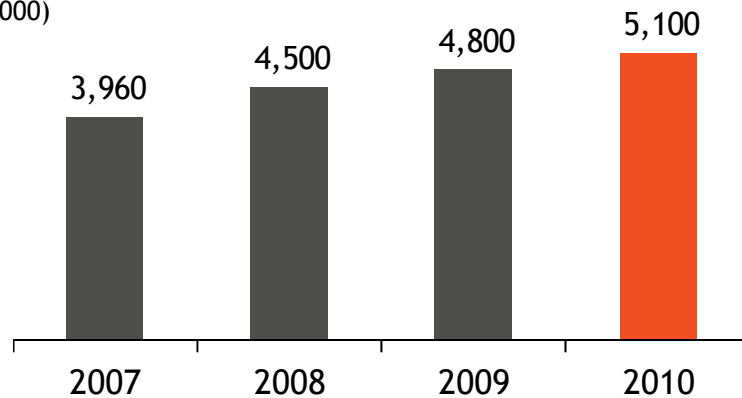
Best Network in the German-Speaking Region in 2009 and 2010



Mobile Subscriber Base Grows by 6% to More Than 5 mn Customers and Protects Market Leadership

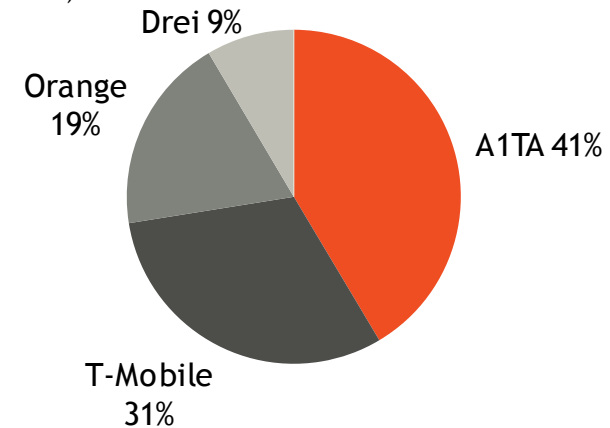
Mobile Subscribers

(in 000)



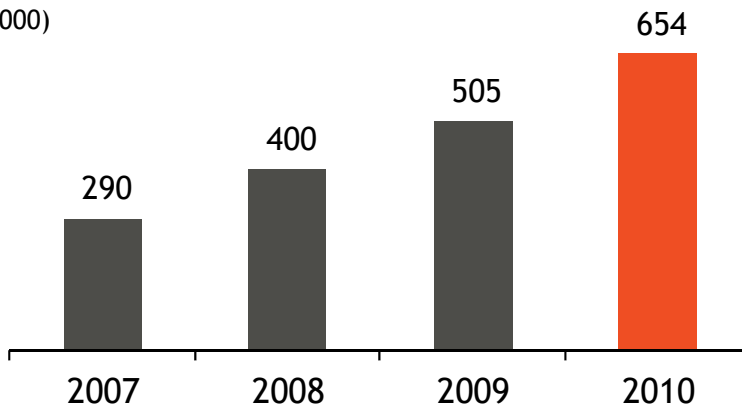
Mobile Market Shares

(as of 31.12.2010)



Mobile Broadband Customers

(in 000)



- > Market leadership of 41% secured
- > 271,000 new customers acquired in 2010
- > Increase of mobile broadband customers by approximately 150,000

Best Smartphone Portfolio in Austria

Smartphone: More Than Just a Phone

Smartphones for any Customer Need



A1 Applications

- > Mobile parking
- > A1 Navi
- > A1 TV Player
- > A1 Sport

iPhone Market Launch



- > High demand
- > Successful launch
- > Sold-out after 8 weeks

International

Group-Wide Convergence Strategy Continued in Bulgaria

Mobitel



Market leader with 50% mobile market share

Strong positioning in the business segment

Trends

Fixed to Mobile Convergence

Data Growth

Strategy

- > Acquisition of 2 fiber operators
- > Quick introduction of convergent product bundles
- > Large smartphone portfolio
- > Mobile broadband customer base doubled to over 126,000 subscribers

In Croatia Vipnet Focuses on Quality and Innovation as Core Competences

Vipnet



Mobile market share of 43%

Successful dual-brand strategy

Trends

Machine-to-Machine* Services

Fixed to Mobile Convergence

Strategy

> Innovative products such as mobile surveillance



> Convergent solutions for business customers

* Communication of wireless and wired systems with other devices of the same ability

Successful 3G Launch With High Customer Acceptance in Belarus

velcom



Mobile market share of 42%

Customer base increased by 6% to 4.4 mn

Trends

Data Growth

Mobile Broadband

Strategy

- > Large portfolio of smartphones and data cards



- > 144,000 mobile broadband customers within one year
- > 3G roll-out within 8 months

Positive Development in the Segment Additional Markets

Si.mobil - Slovenia



29% market share

Approx. 619,000 customers

- > Mobile broadband customer base increases by over 20%
- > Strengthening of youth brand Ortho

Vip mobile - Republic of Serbia



14% market share

Approx. 1.4 mn customers

- > EBITDA break-even achieved as planned in 2010
- > Leadership in smartphone market

Vip operator - Republic of Macedonia



20% market share

Over 440,000 customers

- > Price leadership drives customer acquisition
- > Excellent customer service

Corporate Governance

Implementation of Strict Compliance Rules

The Management Board Has Reacted to the Hochegger Case with a Three-Point Concept

1. Development and Adoption of Comprehensive Compliance Measures

- > Establishment of a group-wide compliance organization

2. Implementation of a Task Force

- > Supported by an external corporate law firm
- > Close cooperation with investigating authorities

3. Increase Internal Resources of Audit

TRUTHFUL. FAIR. TRANSPARENT.



Award for Excellent Corporate Governance

- > Compliance with Corporate Governance Code confirmed by KPMG at the beginning of 2011
- > “True and fair view” as well as equal treatment of all shareholders
- > Promotion of women in leading positions
- > Remuneration of Board Members disclosed in annual report
- > In 2010, new Group structure enhances strategic holding to a management holding
- > Strict principles, transparent and open communication policy guarantees sustainable corporate management



Key Financial Figures Telekom Austria Group

All Group Financial Targets Achieved in 2010

in EUR	Targets 2010	Results 2010	
Revenues	approx. 4.70 bn	4.651 bn	✓
EBITDA comparable	1.60 - 1.65 bn	1.646 bn	✓
Investments	0.75 - 0.80 bn	0.764 bn	✓
Operating Free Cash Flow*	At least 0.80 bn	0.882 bn	✓
Dividend	65% of net profit, EUR 0.75 per share	EUR 0.75 proposed	✓

- > Continued revenue growth in Belarus, Republic of Serbia and Republic of Macedonia
- > Strict cost management mitigates the impact of fierce competition, regulatory pressure and a challenging macro-economic environment

* Operating Free Cash Flow = EBITDA comparable - Investments



Net Income Doubled in 2010

In EUR mn	2010	2009	% Change
Revenues	4,651	4,802	-3%
EBITDA comparable	1,646	1,812	-9%
Operating income	438	344	+27%
Net income	195	95	+106%
Investments	764	711	+7%



Regulation Impacts 2010 Results by EUR 47 mn

Regulation 2010

Roaming

- > Austria, Bulgaria and Slovenia mainly impacted by lower roaming tariffs

Interconnection Tariffs

- > Significantly reduced in all markets

Further Development

Roaming

- > Until July 2011, roaming tariffs will be further reduced by 30 - 40% according to the EU glide path

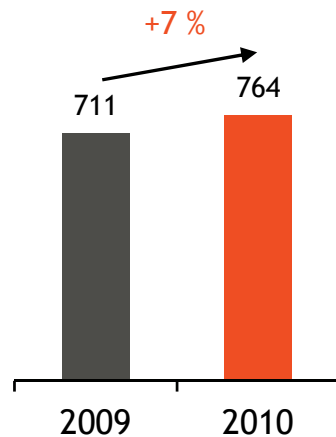
Interconnection Tariffs

- > EU urges further reduction of interconnection tariffs
- > Austria is already well below the EU average

High Investments into Austrian Network Secures Future Position

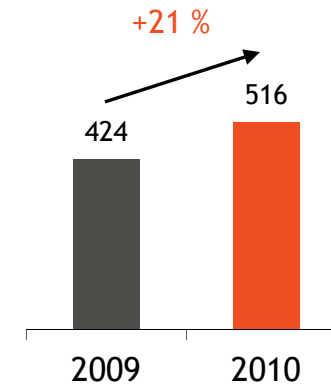
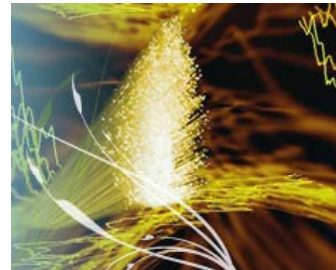
Investments Telekom Austria Group

(in EUR mn)



Investments Segment Austria

(in EUR mn)



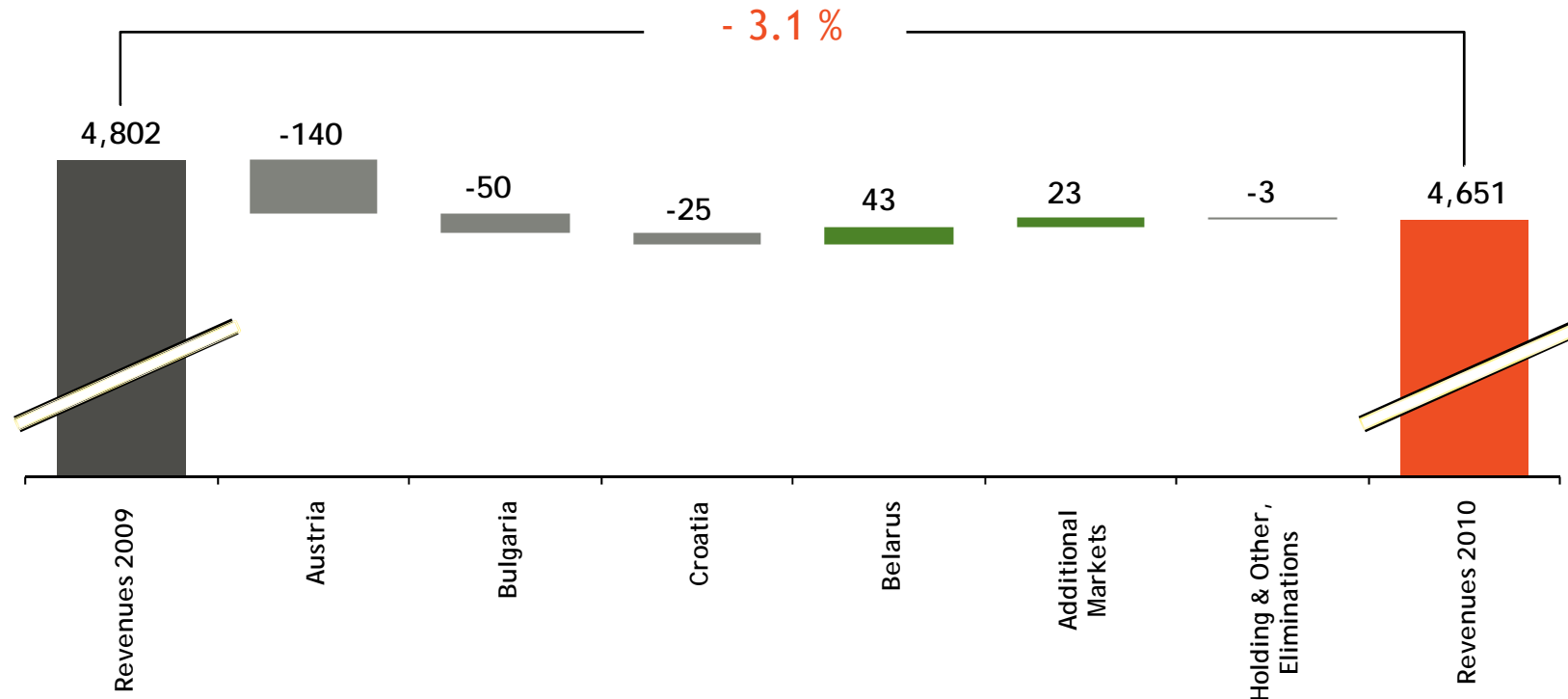
- > Telekom Austria Group increased investments by more than EUR 50 mn in 2010
- > Approximately 2/3 was invested in Austria

- > Investments in Austria's best network
- > Unified network architecture based on IP technology
- > Focus on rollout of Giganet



Revenue Target of Approx. EUR 4.7 bn Achieved in 2010

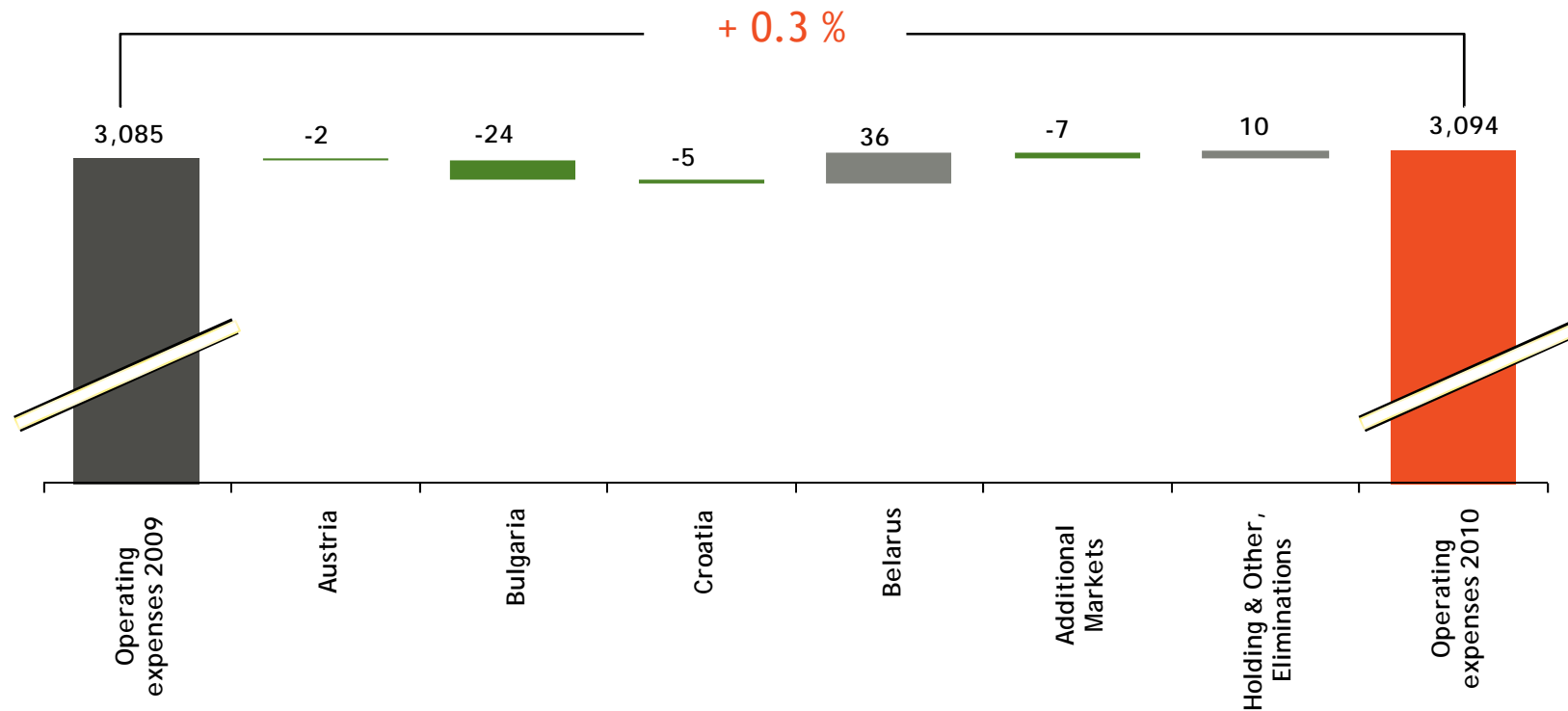
(in EUR mn)



- > Austrian, Bulgarian and Croatian segments were impacted by fierce competition, regulatory pressure and challenging macro-economic environment
- > Belarusian and Additional Markets segments showed revenue growth driven by strong increase in subscriber base

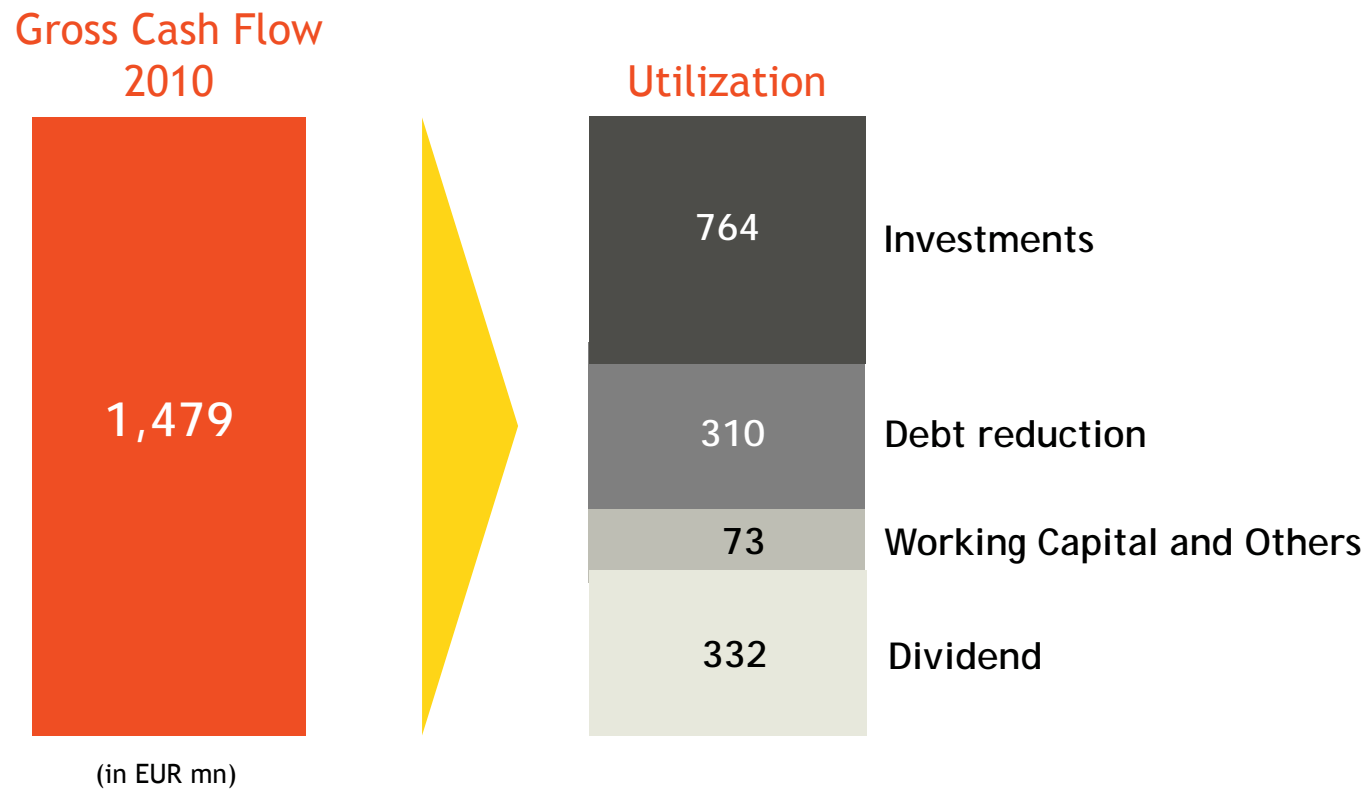
Cost Stabilization to Counteract Revenue Development

(in EUR mn)



- > Strict cost management led to savings in Austrian, Bulgarian, Croatian and Additional Markets segments
- > Higher revenue driven operating expenses in Belarusian segments

Strong Cash Flow As Basis for Investments, Deleveraging and Distribution of Dividend



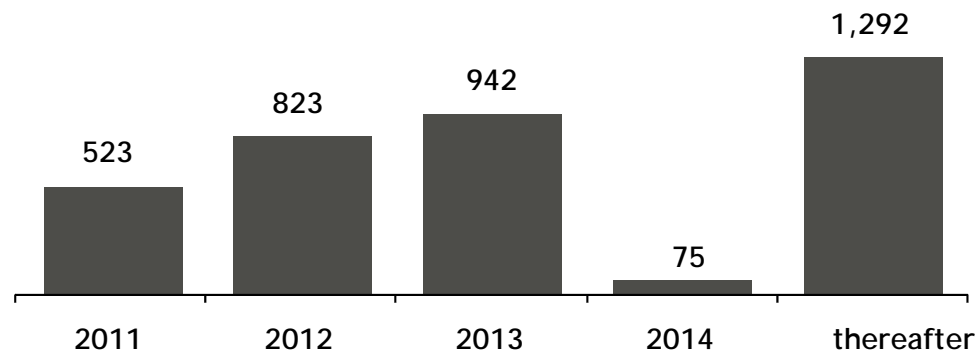
Strong Cash Flow Generation Allows Reduction of Net Debt by Approximately EUR 310 mn in 2010

In EUR mn	2010	2009	% Change
Long-term debt	3,146	3,235	-3%
Short-term borrowings	523	1,502	-65%
Cash and cash equivalents, short-term and long-term investments and finance lease receivables	-355	-1,099	-68%
Other financial instruments	-9	-23	-61%
Net Debt of Telekom Austria Group	3,305	3,615	-9%

Balanced Debt Maturity Profile Minimizes Risk

Debt Maturity Profile

(as of 31.12.2010, in EUR mn)



Rating

- > S&P: BBB (Outlook: stable)
- > Moody's: A3 (Outlook: negative)

Lines of Credit

- > Undrawn committed lines of credit of approx. EUR 1.0 bn
- > Average term of maturity of approximately 2.0 years
- > Provided by 20 banks



Completion of US-Cross Border Leasing Leads to Positive Net Present Value of EUR 71.5 mn

- > Between 1998 and 2001, digital switching technology was sold to investors in the US and leased back, in order to benefit from US tax law advantages
- > In 2008 and 2009, US-Cross Border Leasing transactions with 6 US-Investors were successfully terminated before maturity
- > The last US-Cross Border Leasing transaction was terminated before maturity at favourable legal and commercial conditions in April 2011
- > Total positive Net Present Value of EUR 71.5 mn

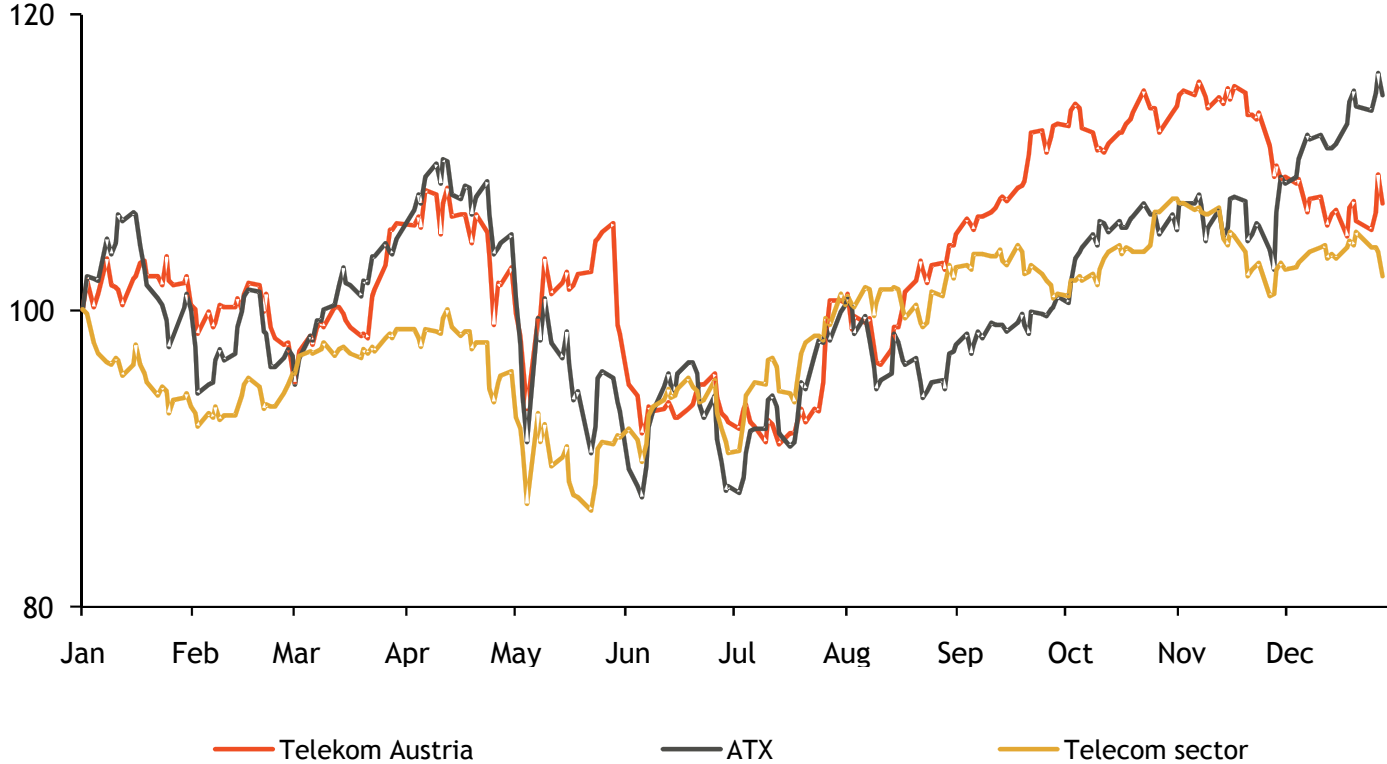


Shareholder Structure and Cash Use Policy

Volatile Market Environment Impacts Performance of Telekom Austria Share in 2010

Relative Share Price Performance 2010

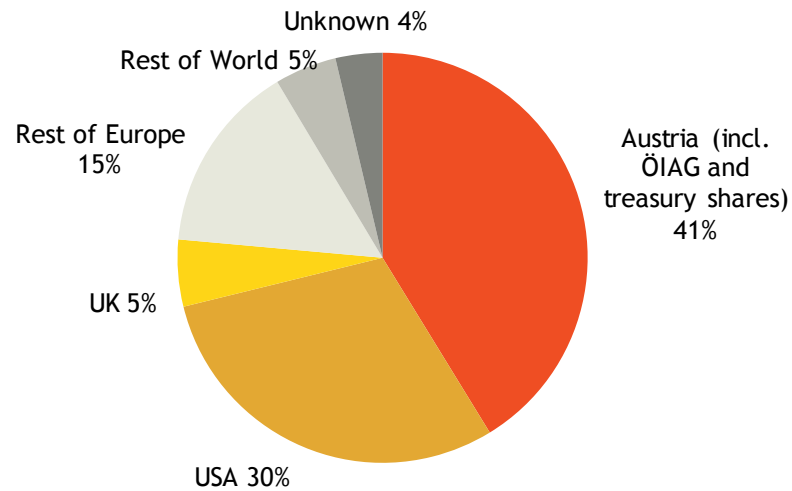
(in %)



Broadly Diversified Shareholder Structure of Telekom Austria Group

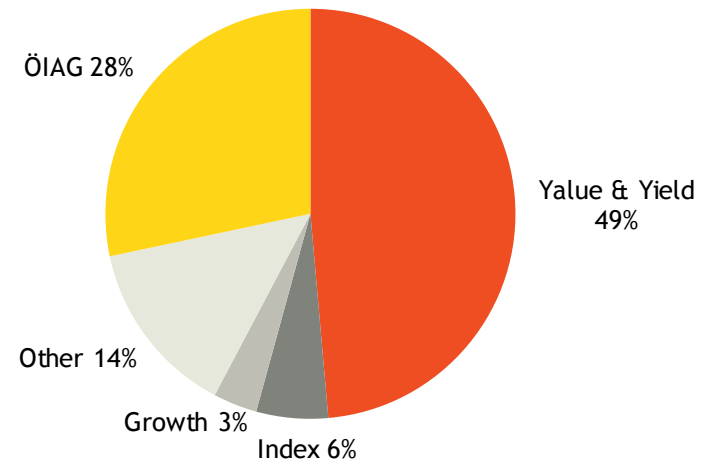
Shareholder Structure by Country

(as of 31.12.2010)

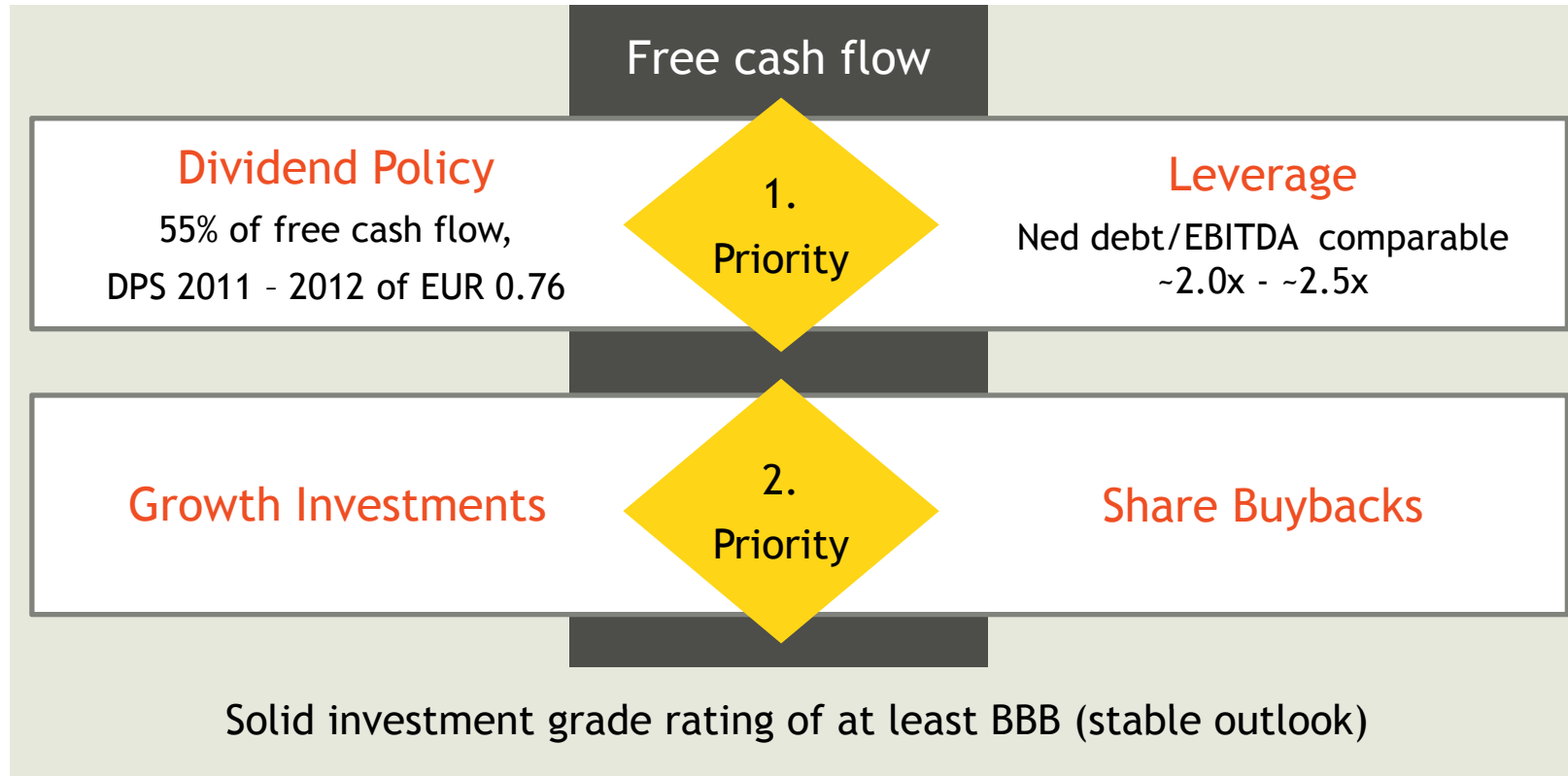


Shareholder Structure by Type of Investment

(as of 31.12.2010)



Cash Use Policy Enables Value-Enhancing Growth and Increased Flexibility



Favourable Dividend Yield

Proposed Dividend

EUR 0.75

Dividend Yield

Share price as of 31 Dec, 2010 of EUR 10.52

7 %



Active Risk Management Based on Close Connection to Business Planning

- > Regular analysis of risks and adoption of appropriate measures
- > Division managers responsible for Risk Management, central group-wide supervision and coordination
- > Measures to minimize risks are elaborated, implemented and reported on an ongoing basis
- > Internal Control System allocated at holding level and supervision through the Audit Committee
- > Efficiency of the Internal Control System was confirmed by KPMG at the beginning of 2011



Award-Winning Investor Relations as a Core Pillar of Good Corporate Governance

Intensive Dialogue with Investors in 2010

- > 13 roadshows worldwide
- > 207 one-on-ones
- > 164 conference calls
- > 52 group presentations
- > Capital Market Day in December



Award-Winning IR Work:

- > Second best financial disclosure in Europe
- > Annual Report 2009 won numerous awards:
 - > ARC New York 2010: 1x Grand Award, 1x Gold und 3x Silver
 - > Second in the ranking of the trend Austrian Annual Report Award 2010



Outlook 2011

Outlook 2011

Telekom Austria Group-Outlook 2011

(on a constant currency basis, as of 11 May 2011)

Revenues	up to EUR 4.60 bn
EBITDA comparable	up to EUR 1.60 bn
Investments	up to EUR 0.80 bn
Operating Free Cash Flow*	approx. EUR 0.80 bn
Dividend	55% of Free Cash Flow, DPS of at least 0.76 EUR

*Operating Free Cash Flow = EBITDA comparable - Investments



Thank you for your attention!

Further information of
Telekom Austria Group is available under
www.telekomaustria.com

