

# Telekom Austria Group Results & Activities for the Full Year 2009

Effective Cost Management Mitigates  
Effects of Challenging Environment

Full-Year Press Conference  
Vienna, February 24, 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.”

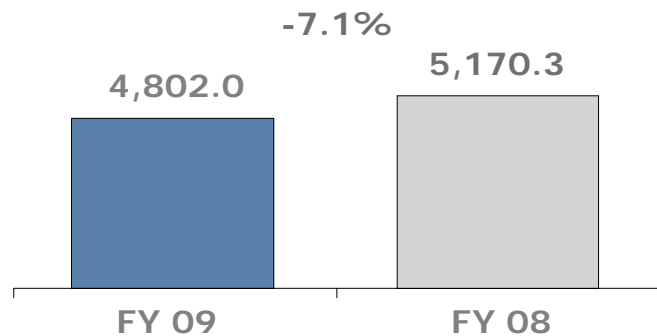
# Telekom Austria Group – Full Year 2009

- Challenging market environment in 2009 marked by fierce competition, difficult economic and regulatory framework conditions
- In the Fixed Net segment, strong deceleration of access line downward trend in 2009; net additions in Q4 09 for the first time in more than a decade
- Further customer growth of 6.4% to 18.9 million subscribers in the Mobile Communication segment, contract subscriber base expanded in all operations
- Effective cost management in both segments reduced operating expenses and mitigated effects of lower revenues on EBITDA
- 2009 outlook for operating free cash flow of roughly EUR 1.1 billion achieved as Capex cuts compensated for lower EBITDA
- Net debt reduced by EUR 378.5 million to roughly EUR 3.6 billion

# Telekom Austria Group - Full Year 2009 Operating Performance

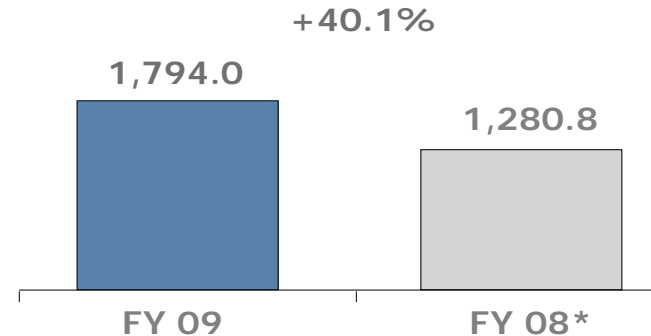
## Revenues

(EUR million)



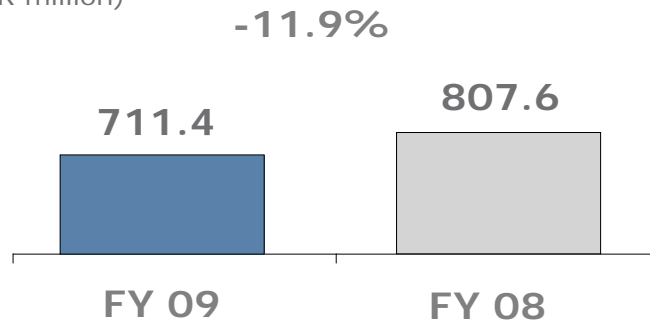
## EBITDA

(EUR million)



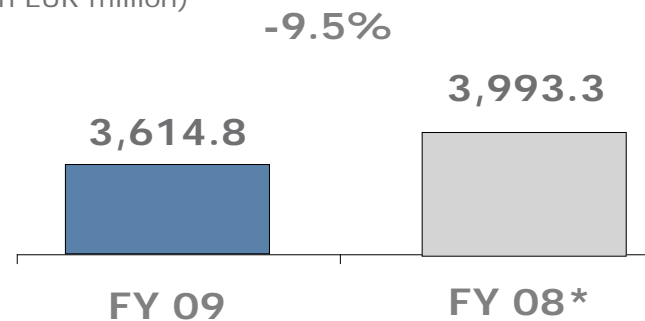
## CAPEX

(in EUR million)



## Net debt

(in EUR million)



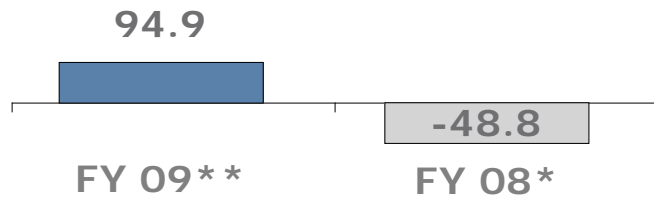
\*EUR 632.1 mn restructuring charge took effect in FY 08

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# Telekom Austria Group - Full Year 2009 Operating Performance

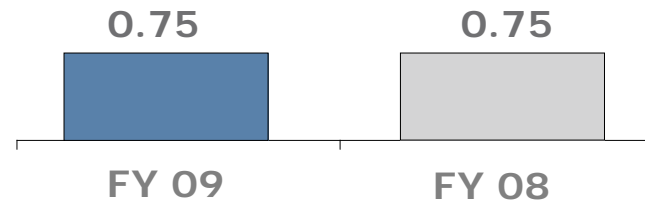
## Net Income/Loss

(in EUR million)



## Dividends

(in EUR)



- Management proposes a dividend floor of EUR 0.75 per eligible share

\*EUR 632.1 mn restructuring charge took effect in FY 08

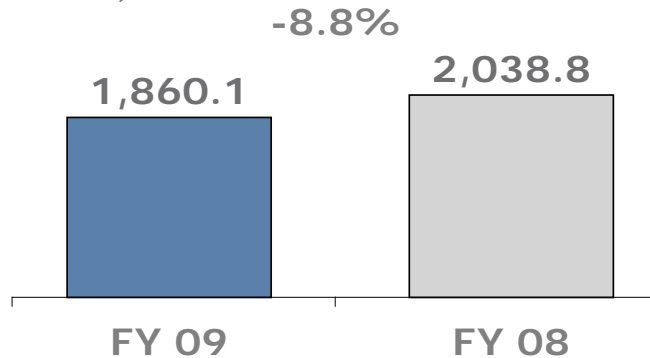
\*\*EUR 352.0 mn impairment charge took effect in FY 09

# Fixed Net

# Successful Cost Reductions Soften Impact of Lower Revenues on EBITDA

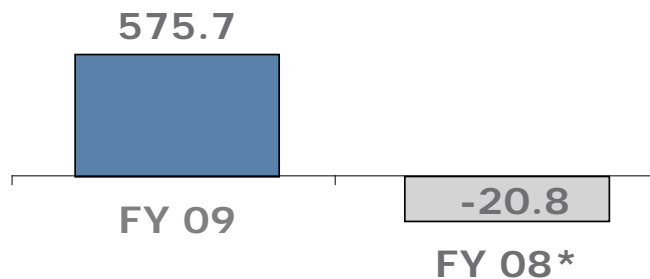
## Revenues

(in EUR million)



## EBITDA

(in EUR million)



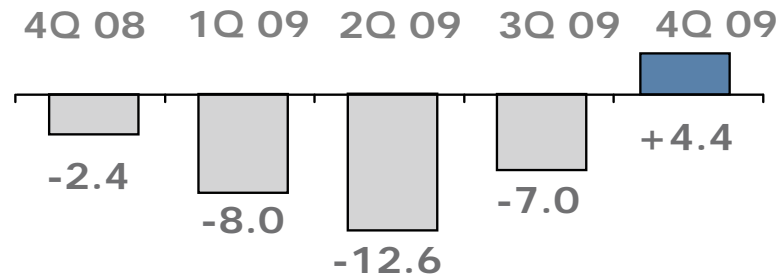
\*EUR 632.1 mn restructuring charge took effect in FY 08

- Revenues declined by 8.8% mainly due to lower voice volumes and the disposal of the Fixed Net subsidiaries in Poland, the Czech Republic and Slovakia in 2008
- Cost-saving of EUR 167.5mn thanks to strict cost management
- 2009 EBITDA of EUR 575.7mn achieved
- On a like-for-like basis (excl. restructuring costs of EUR 632.1mn in 2008) EBITDA declined by 5.8 %
- EBITDA margin of 30.9% in 2009

# Access Line Net Adds in 4Q 09 for the First Time in a Decade

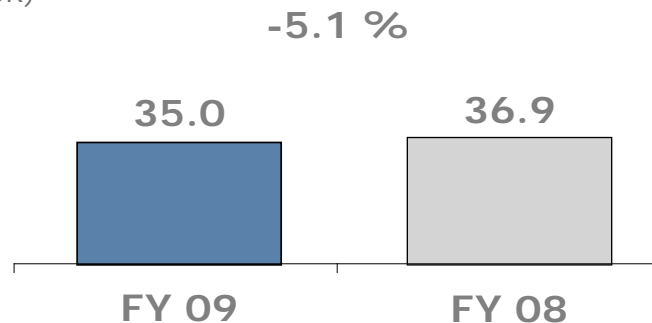
## Line Loss/Gain

(in 000)



## Average Revenues per Line (ARPL)

(in EUR)



\*Retail voice access lines: PSTN+ISDN+IP  
Source: Teleseeq, 3Q 09

- Access line net adds in 4Q 09 for the first time in a decade thanks to successful marketing of product bundles
- 4,400 net adds in Q4 09
- Access line loss reduced to 23,300 in 2009 compared to 97,600 in 2008
- Telekom Austria's top position against European benchmark\* in terms of deceleration of access line downward trend
- Decline in ARPL of 5.1% mainly attributable to lower voice volumes
- More than 100,000 aonTV customers; aonTV available in 77% of Austrian households

# First Innovative Product Bundle Solutions “From One Source” in the Business Segment



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## BusinessKombi

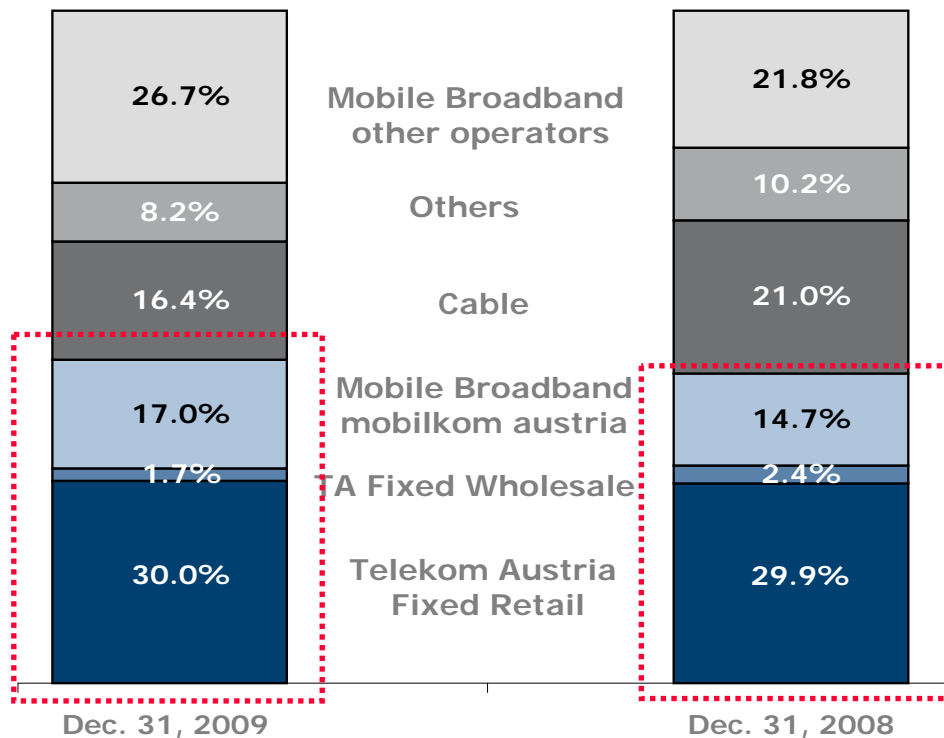
- In June 2009 Telekom Austria launched business product bundle for SMEs for the first time
- Unlimited high-speed Internet, fixed telephony, “mobile telephony with up to 5 SIM cards”
- Almost 23,000 customers

## BüroKomplett

- With “BüroKomplett” Telekom Austria has been offering comprehensive solutions for the office incl. HW, SW & broad service range “from one source” since November 2009
- Module system: fixed and mobile telephony, internet, PC and Laptop
- Companies expect cost savings of up to 20%

# Telekom Austria Group Recorded over 1.5mn Broadband Lines in Austria

## Broadband Market Shares



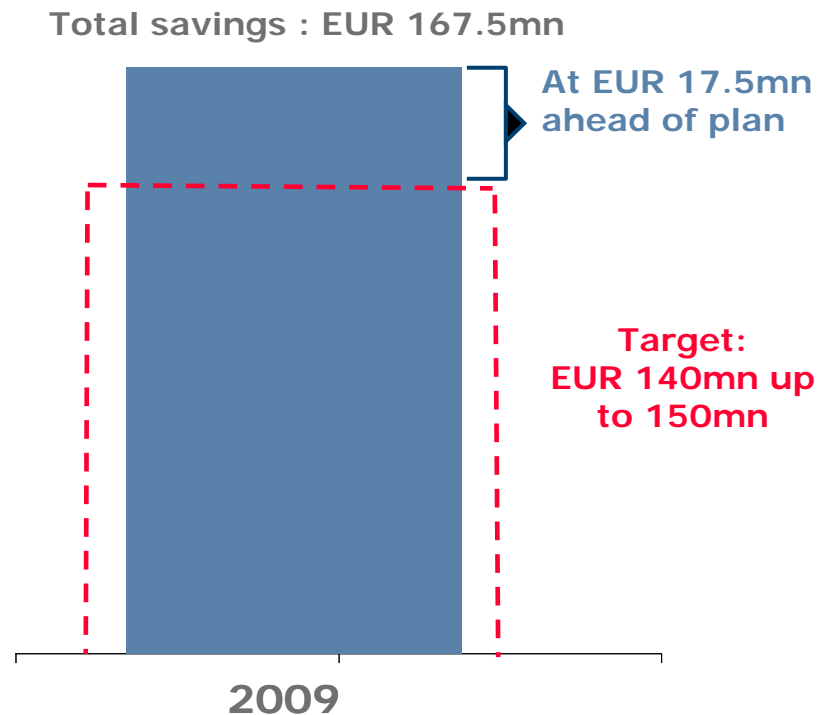
- Fixed Net broadband lines increased by 15.5% and reached the 1mn mark for the first time
- Mobile broadband customers grew by 35.0% to roughly 540,000
- Strong persistent competition on the mobile broadband market
- Telekom Austria Group has a combined market share of 48.7% in Austria
- Broadband penetration rate at 90.5% in Austria

 Combined Market Share

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# Successful Cost-Cutting Program

## Cost savings 2009



- Cost cutting program initiated in 2008 with the objective of saving up to EUR 140mn/150mn
  - In 2009, total savings of EUR 167.5mn achieved
- => Original target outperformed by EUR 17.5mn

# The Giga Network Roll-Out

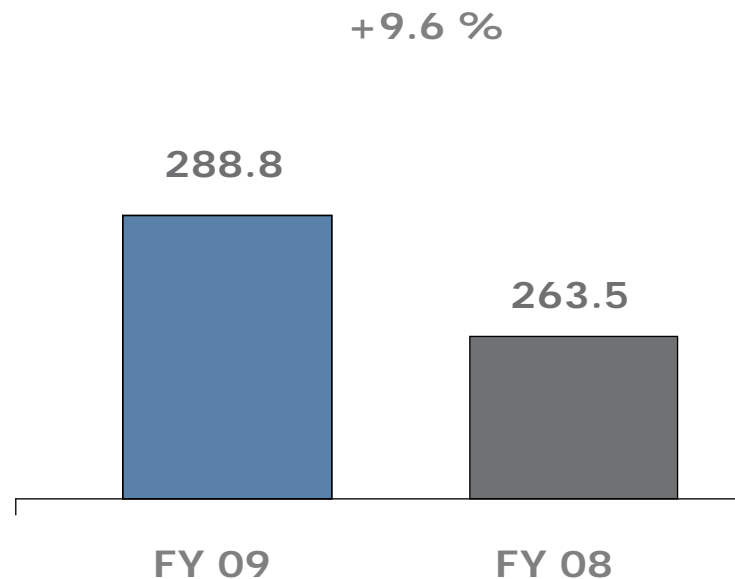


- Investments of EUR 1bn in network roll-out in the Fixed Net segment in Austria between 2009 and 2013
- Fiber glass pilot projects for 150,000 households:
  - Villach autumn 2009
  - 15 and 19 Vienna districts and Klagenfurt in 2010
- High-speed-broadband for over 750,000 households and commercial businesses
  - end of 2009 already 300,000 households covered

# High Investments of Telekom Austria in Fixed Net

## Telekom Austria Capex

(in EUR million)



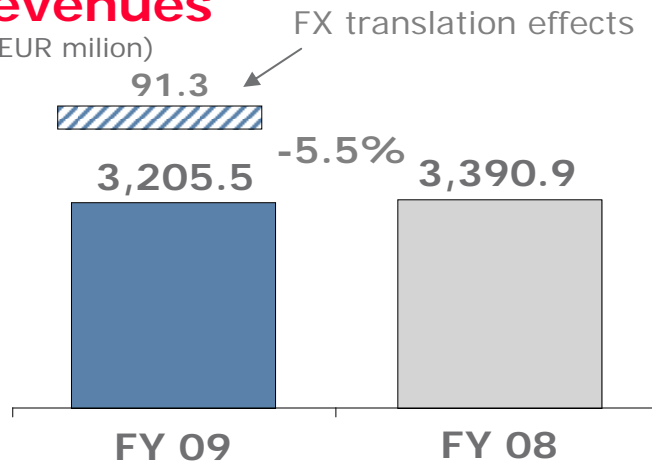
- Telekom Austria invested EUR 288.8mn in the Fixed Net in 2009, equal to an increase of 9.6% compared to 2008
- Focus of investments on network roll-out and innovations
- Telekom Austria is by far Austria's biggest investor in telecommunications infrastructure: For instance, Telekom Austria invests 30 times more than Tele 2
- High economic significance for Austria

# Mobile Communication

# Mobile Communication: Revenues & EBITDA impacted by FX Translation & Regulation, EBITDA Margin stable

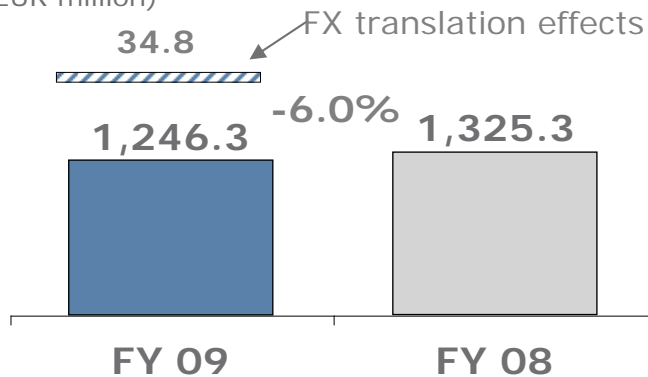
## Revenues

(in EUR million)



## EBITDA

(in EUR million)



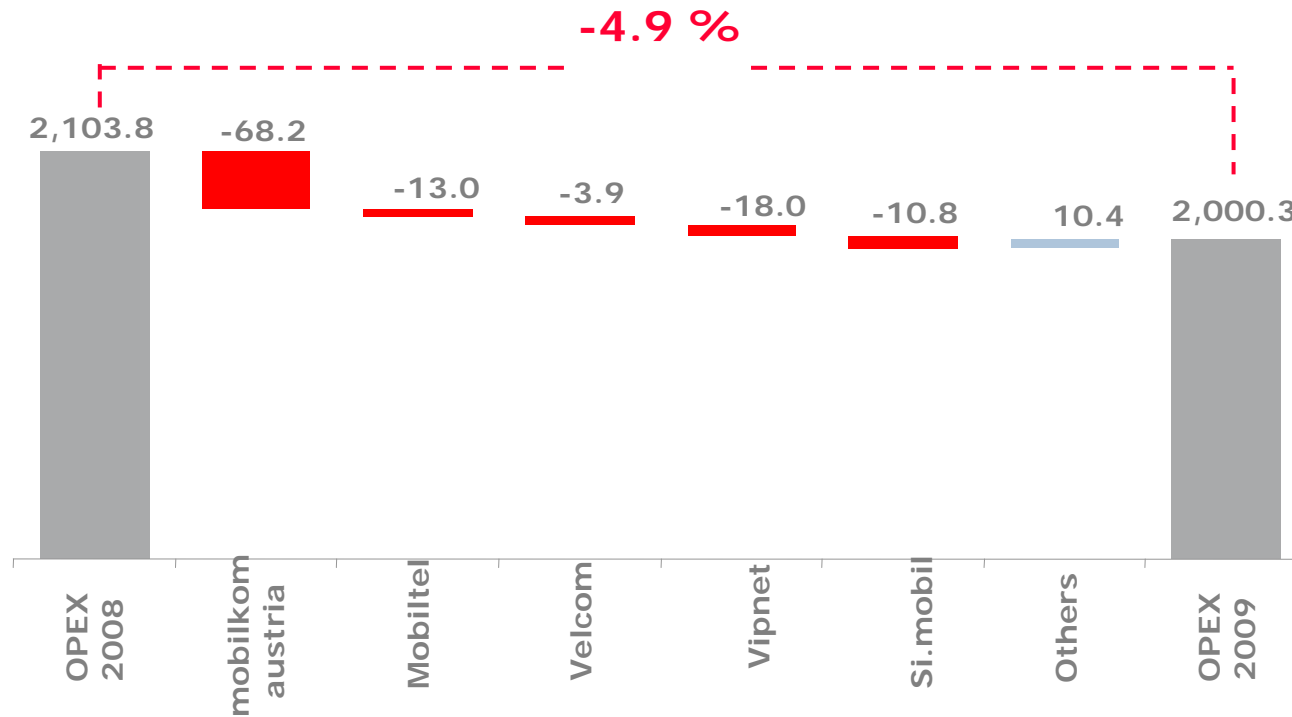
- Customer basis increased by 1.1mn to 18.9mn subscribers
- Contract subscriber base increased in all markets
- Revenues and EBITDA impacted by economic recession, lower prices and further regulation
- Successful cost management led to decline in operating expenses of 4.9%
- EBITDA margin almost stable at 38.9%

# Successful Cost Management in the Mobile Communication Segment

- Based on successful cost management decline in operating expenses of 4.9% to EUR 2.0bn

## OPEX

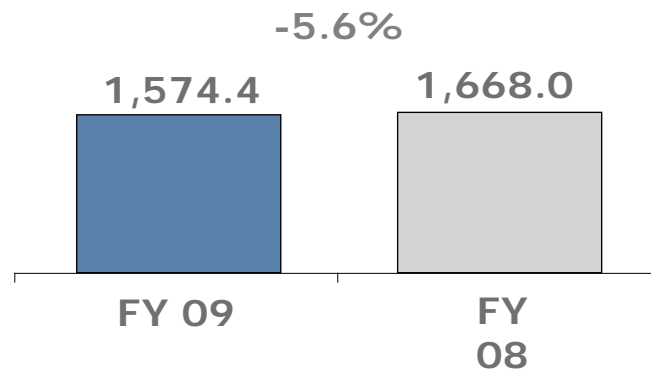
(in EUR Mio.)



# mobilkom austria Increases EBITDA Margin in Challenging Environment despite Lower Revenues

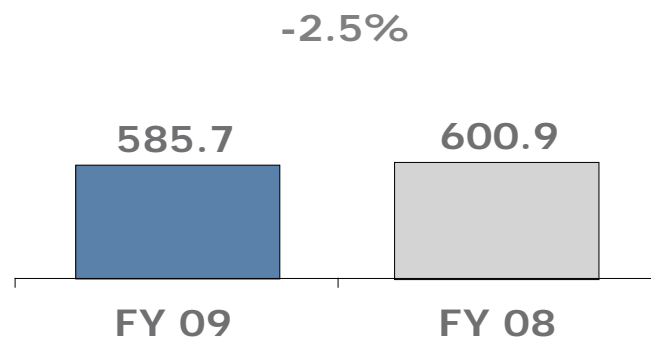
## Revenues

(in EUR million)



## EBITDA

(in EUR million)

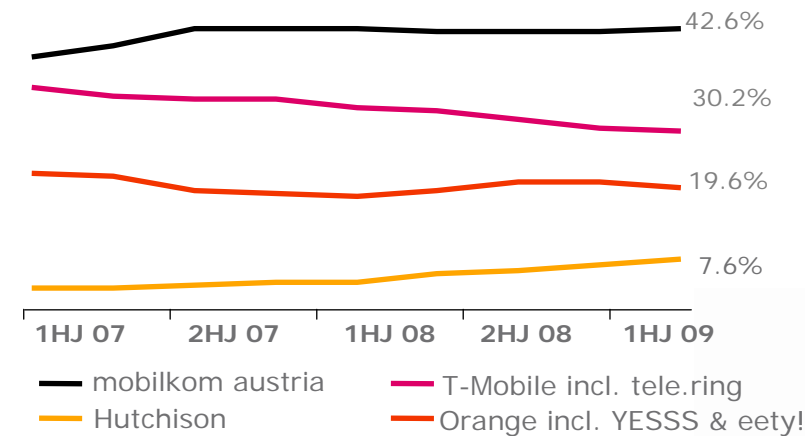


- Customer base increased by 7.5% to over 4.8 million subscribers in a very competitive market environment
- Results impacted by lower prices and further regulation of roaming and termination tariffs
- EBITDA decline mitigated to 2.5% through successful cost management
- Operating expenses reduced by 6.2%
- EBITDA margin increased by 1.2pp to 37.2%

# mobilkom austria with over 330,000 Net Adds Safeguards Market Leadership

## Market Share

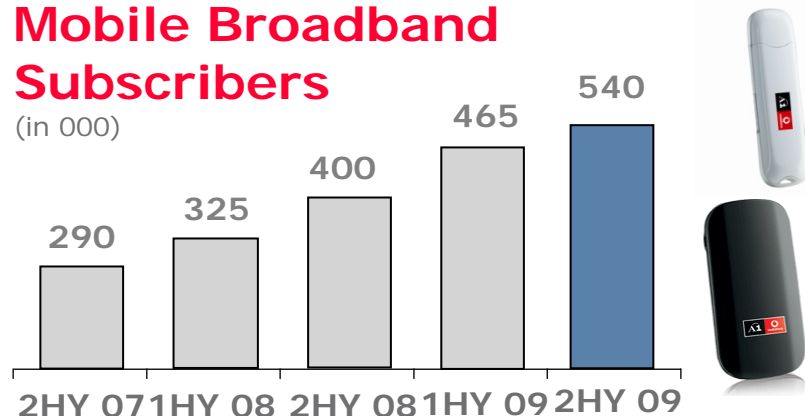
(as of end of December 2009)



- Leading market position despite challenging competitive environment in 2009
- Slight increase of market share from 42.5% in 2008 to 42.6% in 2009
- 330,000 net adds with successful multi-brand strategy
- Mobile broadband subscriber base grew by 35.0% to 540,000 customers
- Growth driven by attractive net book and smart phone offers
- Data revenues\* rose from 32.2% in 2008 to 37.0% in 2009

## Mobile Broadband Subscribers

(in 000)



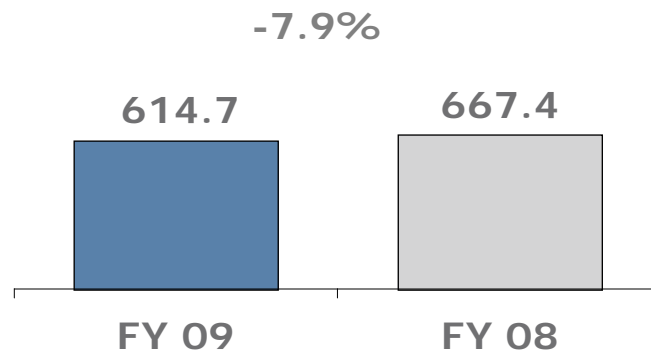
\*Data revenues as a percentage of traffic-related revenues

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# Competition & Economic Recession Impact Results of Mobitel in Bulgaria

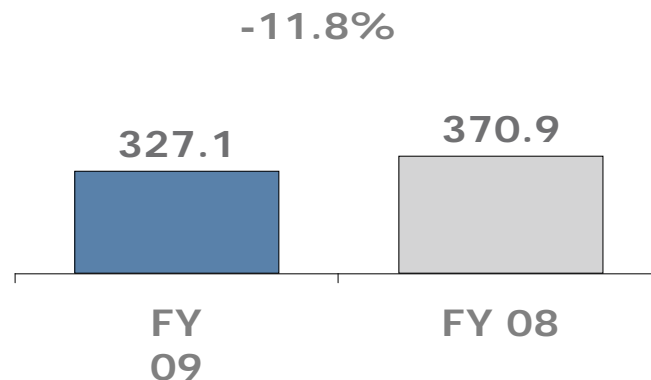
## Revenues

(in EUR million)



## EBITDA

(in EUR million)

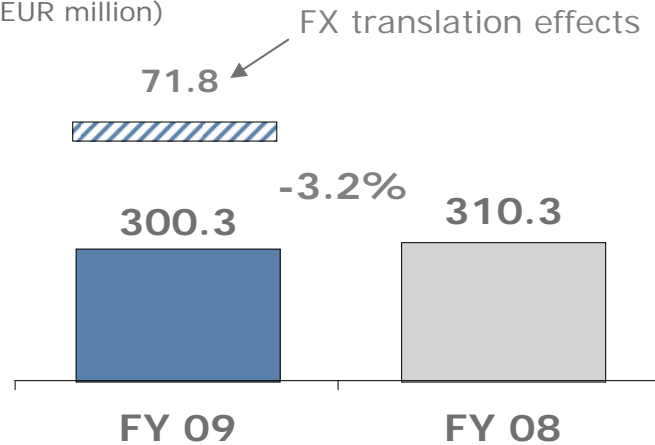


- Customer basis stable at 5.3 million
- Share of contract customers increased from 51.4% to 59.0%
- Leading market position with a market share of roughly 50%
- Results impacted by lower roaming and termination tariffs, intense competition and economic recession in Bulgaria
- Operating expenses reduced by 4.2%; EBITDA margin almost stable at 53.2%

# Velcom with Strong Growth on a Local Currency Basis – Results Impacted by FX Translation Effects

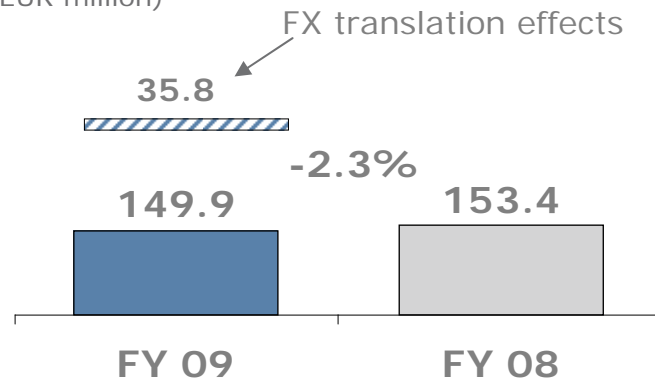
## Revenues

(in EUR million)



## EBITDA

(in EUR million)

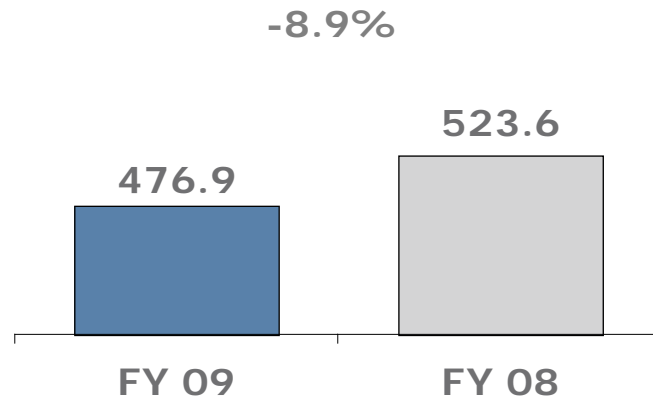


- Customer base increased by 10.9% to 4.1mn subscribers
- Market share declined from 44.8% to 42.7% due to aggressive competition by third market player
- Revenues and EBITDA declined mainly due to currency translation effects
- Strong growth on a constant currency basis: Revenue growth of 19.9%, EBITDA increase of 21.1%
- EBITDA margin expanded by 0.5pp to 49.9%

# Results in Croatia & Slovenia Impacted by Challenging Environment Despite Customer Growth

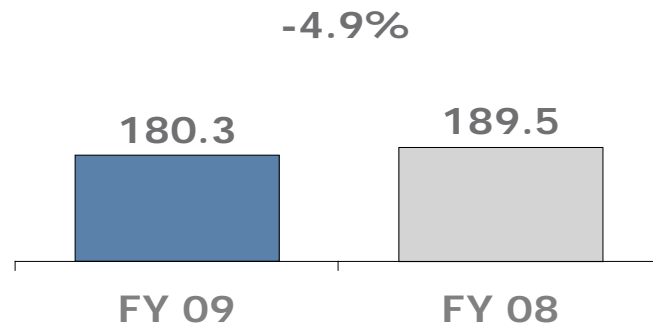
## Revenues Vipnet

(in EUR million)



## Revenues Si.mobil

(in EUR million)



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## Vipnet in Croatia

- Customer base increased by 4.7% to 2.6mn subscribers
- EBITDA declined by 14.5% to EUR 170.8mn due to lower revenues as a result of weaker economies and lower roaming revenues
- Operating expenses decreased by 5.5%
- 6% levy on selected mobile communication revenues since August 2009

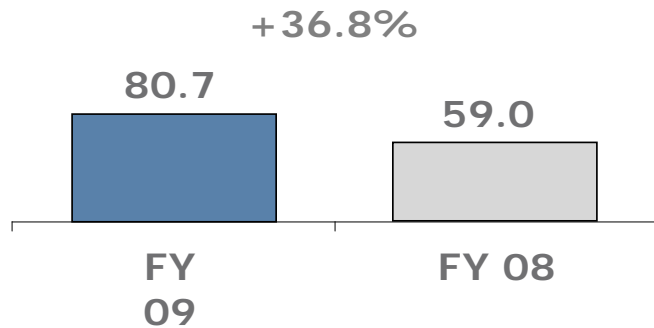
## Si.mobil in Slovenia

- Customer base increased by 3.3% to 589,400 subscribers
- EBITDA declined by 18.0% to EUR 48.2mn due to lower revenues as a result of unfavorable regulatory conditions and intensive competition
- Operating expenses declined by 7.1%

# Start-up Companies Recorded Further Customer Growth and Improved Operating Performance

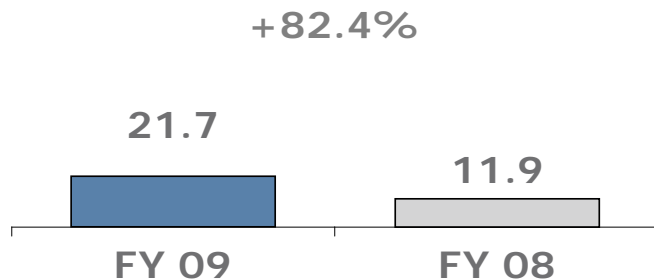
## Revenues Vip mobile

(in EUR million)



## Revenues Vip operator

(in EUR million)



## Vip mobile in the Republic of Serbia

- Customer base increased by 27.1% to 1.2mn subscribers; market share grew to 12.0% compared to 9.1% as of end of Dec. 08
- Negative EBITDA further improved by 34.6% to EUR 23.6mn
- 10% levy on selected mobile communication revenues since June 2009

## Vip operator in the Republic of Macedonia

- Customer base grew by 25.5% to 303,700 customers
- Market share of 15.9% compared to 10.7% as of year-end 08
- Negative EBITDA further improved by 31.3% to EUR 13.4mn

# Financial Overview

# Higher EBITDA Margin Despite Lower Revenues Due to Strict Cost Management

(EUR million)	4Q 09	4Q 08*	% change	FY 2009**	FY 2008*	% change
Revenues	1,181.5	1,306.5	-9.6%	4,802.0	5,170.3	-7.1%
EBITDA	399.4	-211.6	n.a.	1,794.0	1,280.8	40.1%
<i>EBITDA margin</i>	33.8%	-16.2%		37.4%	24.8%	
Operating income/loss	120.0	-515.7	n.a.	343.9	120.7	184.9%
Financial result	-50.3	-61.3	-17.9%	-237.6	-197.1	20.5%
Income before income taxes	69.7	-577.0	n.a.	106.3	-76.4	n.a.
Income tax expense	-6.1	139.3	n.a.	-11.4	27.6	n.a.
Net income/loss	63.6	-437.7	-114.5%	94.9	-48.8	n.a.

\*EUR 632.1 mn restructuring charge took effect in 2008

\*\*EUR 352.0 mn impairment charge took effect in 2009

## Free Cash Flow

(EUR million)	4Q 09	4Q 08	% change	FY 2009	FY 2008	% change
Cash Flow from operations before working capital adjustments	354.0	388.6	-8.9%	1,569.8	1,693.7	-7.3%
Change in working capital	68.5	69.5	-1.4%	-184.4	-129.9	42.0%
Ordinary capital expenditures	-291.6	-273.3	6.7%	-711.4	-807.6	-11.9%
<b>Free cash flow</b>	<b>130.9</b>	<b>184.8</b>	<b>-29.2%</b>	<b>674.0</b>	<b>756.2</b>	<b>-10.9%</b>

## Lower Investment Volumes in Mobile Communication through Targeted Cost Management Supported Free Cash Flow

(EUR million)	<b>4Q 09</b>	4Q 08	% change	FY 2009	FY 2008	% change
Fixed Net	131.9	82.3	60.3%	288.8	263.5	9.6%
Mobile Communication	159.7	193.2	-17.3%	422.6	546.3	-22.6%
Others & elimination	0.0	-2.2	n.a.	0.0	-2.2	n.a.
<b>Total Capex Telekom Austria Group</b>	<b>291.6</b>	<b>273.3</b>	<b>6.7%</b>	<b>711.4</b>	<b>807.6</b>	<b>-11.9%</b>
Other investing activities, net	188.6	50.2	275.8%	218.4	47.3	361.7%
Cash used in investing activities	480.2	323.5	48.4%	929.8	854.9	8.8%

# Deleveraging Continues with Net Debt Decreasing by EUR 378.5 mn

(EUR million)	Dec 31, 09	Dec 31, 08	% change
Long-term assets	6,474.9	7,452.0	-13.1%
Current assets	2,023.8	1,545.4	31.0%
<b>Total assets</b>	<b>8,498.7</b>	<b>8,997.4</b>	<b>-5.5%</b>
Current liabilities	2,679.5	2,220.5	20.7%
Long-term liabilities	4,205.1	4,621.3	-9.0%
Stockholders' equity	1,614.1	2,155.6	-25.1%
<b>Liabilities and stockholders' equity</b>	<b>8,498.7</b>	<b>8,997.4</b>	<b>-5.5%</b>
<b>Net Debt</b>	<b>3,614.8</b>	<b>3,993.3</b>	<b>-9.5%</b>
Net Debt/EBITDA (last 12 months)	2.0x	3.1x	n.a.
<b>Net Debt/EBITDA (last 12 months) excluding restructuring program in 2008</b>	<b>2.0x</b>	<b>2.1x</b>	<b>n.a.</b>

# Outlook

# Outlook on Constant Currency Basis\*

## Telekom Austria Group 2010 on a constant currency basis

Revenues	~ EI ~ EUR 4.7 bn
EBITDA	~ EI ~ EUR 1.6 bn
CAPEX	~ EI ~ EUR 0.8 bn
Operating Free Cash Flow**	~ EI ~ EUR 0.8 bn
Dividend per Share	of at least 75 Cent

\*Excluding Impact from Merger of Domestic Operations

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

# The Telekom Austria Group 2015

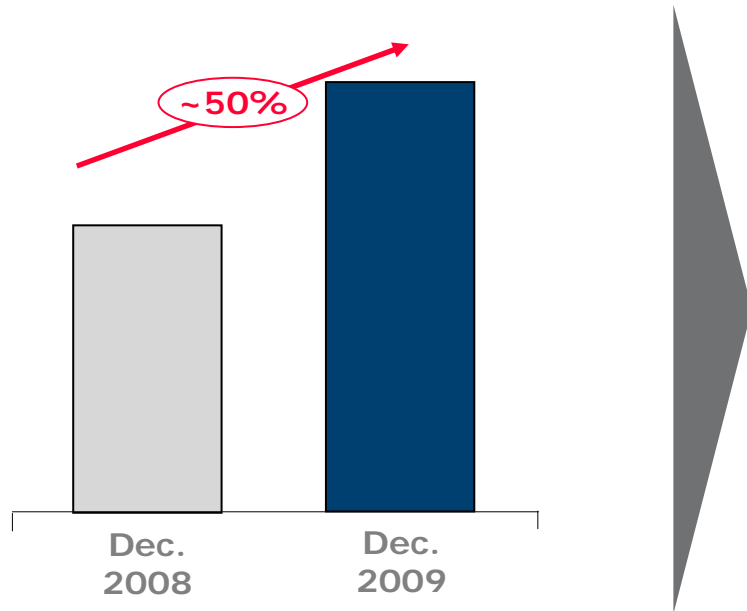
**The customer decides!**

# The Market Changes

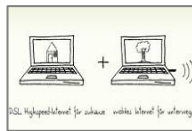
- Customer needs
- Technologies
- Prices and competition
- Integration of operators

# Convergence: Persistent Trend Towards Product Bundles

Strong growth of product bundles<sup>1)</sup>



aonKombi/  
aonSuperKombi/  
aon Flex Mass Market



Breitband-  
Duo



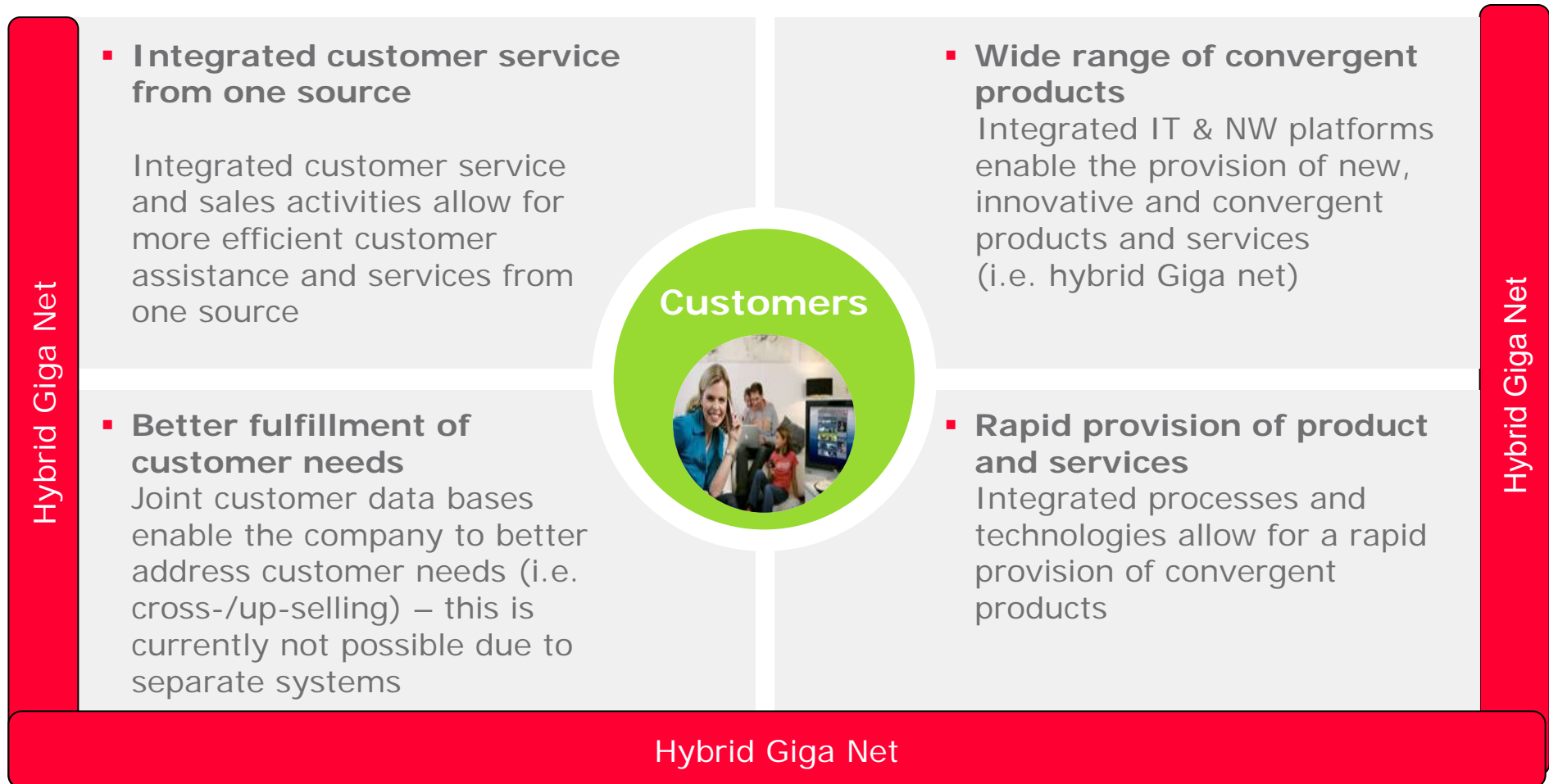
BusinessKombi  
Business Flex

- Customer growth of roughly 50% reflects changed customer demand
- New end-devices require integrated networks + products
- Customers demand for more efficient services and products from one source
- The customer wants 'plug & play'!
- Booming data volumes: Mobile communication needs fixed net needs mobile communication...
- Broadband: Base for future services– Hybrid Giga Network!

1) Incl: aonKombi, aonSuperKombi, aonFlex Mass Market, aon Breitband-Duo, BusinessKombi and Business Flex

# Integration of Fixed Net & Mobile Communication Creates Customer Convenience and Safeguards TA Future

Safeguarding future development through creation of additional customer advantages

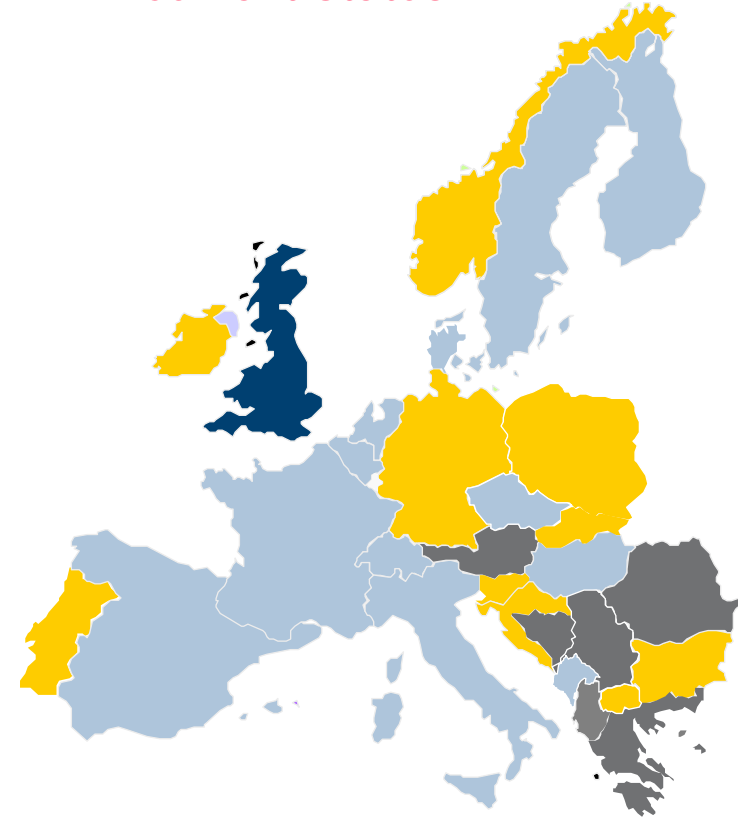


# Trend Towards Integrated Telecom-Operators in Europe

Status as of 01.01.2006



Current Status



1) TeliSonera, Magyar Telekom and Telekom Slovenije partially integrated  
 2) Eircom, TP Poland and Makedonski Telekom currently examining integration  
 Status as of February 2009

- Fixed Net and Mobile Communication separated
- Integration ongoing
- Fixed Net without Mobile Communication
- Integrated Telcos

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# Telekom Austria Group: Vision 2015

## Enrich the professional and private life of people in the 21st Century with innovative solutions

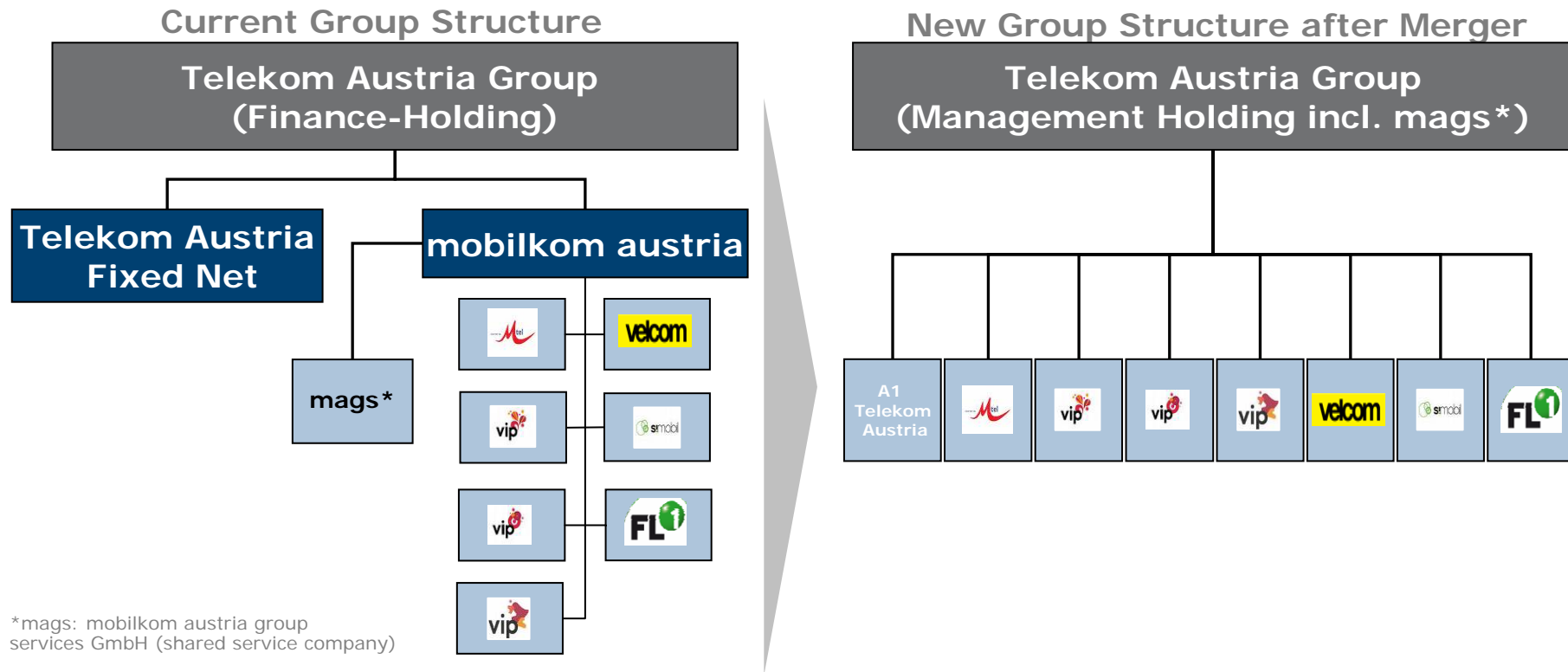
- Convergence experienced by the customer – the best offer from one source
- For society, the most modern infrastructure – economic benefit
- For employees and shareholders, a clear and sustainable perspective – safeguarding future corporate development through convergence



**This is why we are creating the most innovative and efficient telecommunications provider**

# Integration of two Partners

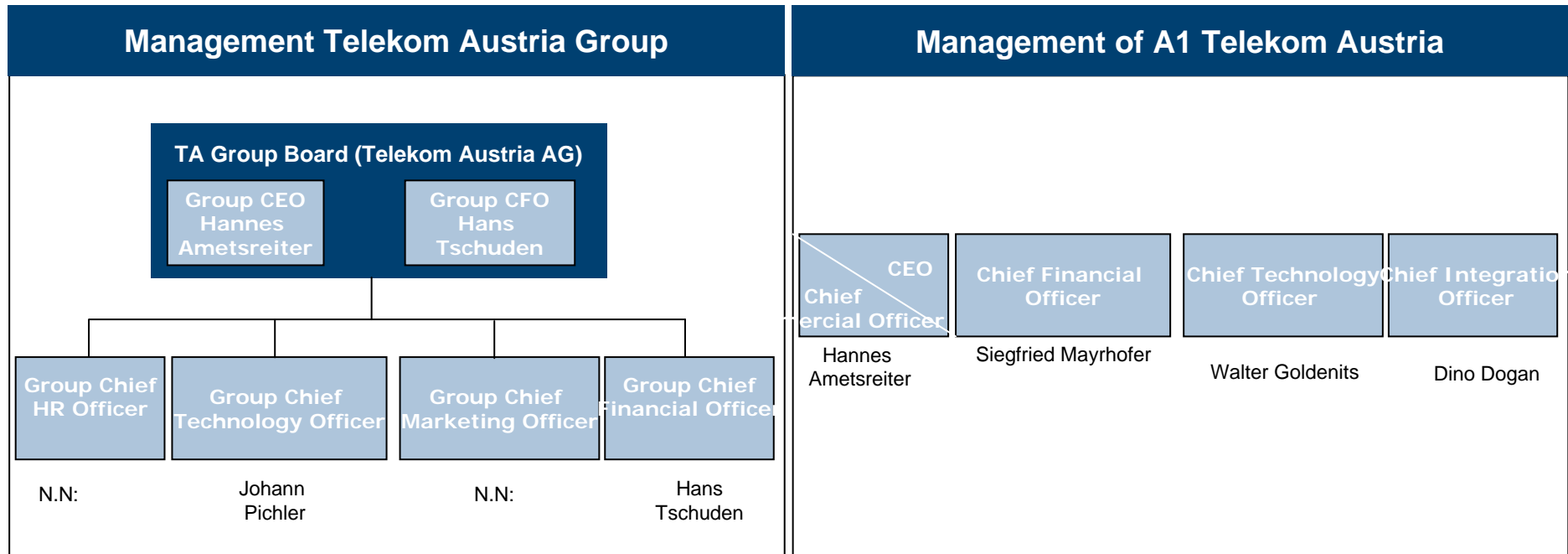
## “Efficient” Austrian Company & Group Structure



- Integration of mobilkom austria and Telekom Austria Fixed Net:
  - Merger will take place in summer 2010
  - New company name: A1 Telekom Austria
- mobilkom austria group services will be integrated into Telekom Austria Group (Telekom Austria AG remains the umbrella company)

All international operations are “sister” companies in order to better leverage synergies

# Targeted Structure of Telekom Austria Group and A1 Telekom Austria

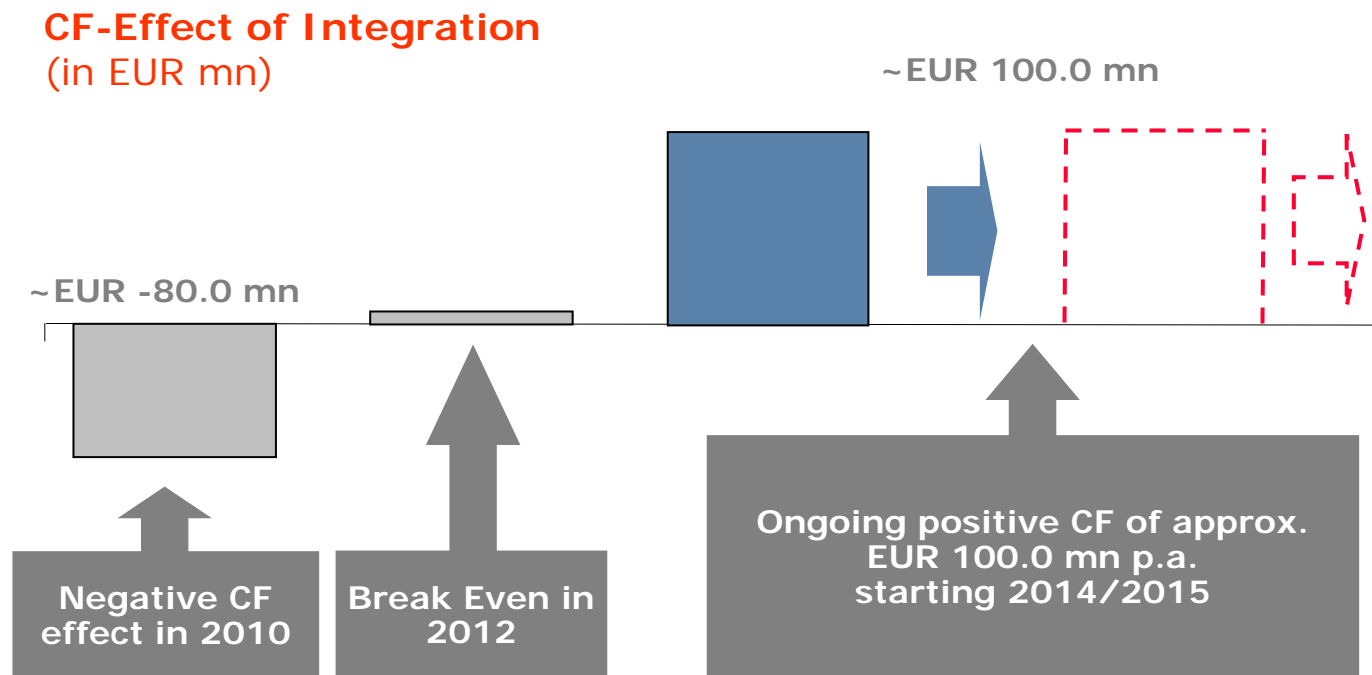


- Four Group Officers will support the Management Board in steering the Group and realizing cross-country synergies

- Four Management Board members will be responsible for the integrated company in Austria

# Integration Will Lead to Positive Contribution starting from 2012

- Telekom Austria Group expects this merger to generate an ongoing positive cash flow of approximately EUR 100.0mn p.a. from 2014/2015 onwards
- Break even in 2012 expected
- In 2010 initial costs will affect cash flow by EUR 80.0mn



# Integration is No Personnel Downsizing Program

- Top priority: Safeguard competitiveness = future-proof corporate development
- Integration reduces internal coordination work load
- Integration is no personnel downsizing program – we do not plan any headcount reduction in 2010
- Headcount reduction via natural fluctuation and non replacement of vacancies
- Mid-term reduction of Management positions, short-term downsizing of Management Board members
- Civil servants: Continuation of the social plan currently under way, transfer to public administration

**Thanks for your attention!**