

Results for the Third Quarter 2010

Vienna, November 10, 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.”

Agenda

- > Telekom Austria Group - Highlights of 3Q 2010
 - > Key Financial Developments
 - > Markets & Operations
 - > Outlook FY 2010
 - > Appendix
-

Telekom Austria Group - Highlights of the Third Quarter 2010

- > Further stabilization of fixed line losses to 1,200 in Q3 2010 versus 7,000 lines lost in Q3 2009
- > Mobile subscriber growth of 5.4% to more than 19.4 million customers
- > Group revenues decline 3.8% to EUR 1,185.4 million driven by continued challenging macro-economic environment, fierce competition and regulatory pressure
- > Decline of Group EBITDA comparable, which excludes restructuring and impairment charges, by 8.3% to EUR 449.1 million in Q3 2010
- > 5.0% reduction of CAPEX to EUR 146.8 million in Q3 2010 due to lower access investments in Croatia and Additional Markets
- > 5.8% increase of free cash flow due to focus on working capital and lower CAPEX
- > FY 2010 guidance unchanged and dividend floor of EUR 0.75 until 2012 reiterated

Key Financial Developments

Revenue Decline Partially Mitigated by Growth in Belarus and Segment Additional Markets

(EUR million)	Q3 10	Q3 09	% change
Revenues	1,185.4	1,231.7	-3.8%
EBITDA comparable*	449.1	489.8	-8.3%
<i>EBITDA comparable margin*</i>	<i>37.9%</i>	<i>39.8%</i>	
Restructuring	-12.3	0.0	n.a.
Impairment	0.0	-352.0	n.a.
EBITDA (incl. Restructuring and Impairment charges)	436.8	137.8	217.1%
<i>EBITDA (incl. Restructuring and Impairment charges) margin</i>	<i>36.8%</i>	<i>11.2%</i>	
Depreciation & amortization	-260.8	-264.2	-1.3%
Operating income	176.0	-126.4	n.a.
Financial result	-55.4	-54.7	1.3%
Income before income taxes	120.6	-181.1	n.a.
Income tax expense	-24.0	44.8	n.a.
Net income	96.5	-136.3	n.a.

* Excludes Restructuring and Impairment Charges

- > Revenues fell 3.8% due to Austria, Bulgaria and Croatia despite growth in Belarus, the Republic of Serbia and the Republic of Macedonia
- > EBITDA comp. declined 8.3%; EBITDA comp. margin of 37.9% reflects continued strict cost management
- > OPEX for Q3 2010 include EUR 5.5 mn for the merger of domestic operations
- > Restructuring charge of EUR 12.3 mn:
 - > EUR 10.0 mn for transfer of civil servants to the government
 - > EUR 2.3 mn related to restructuring program of 2008

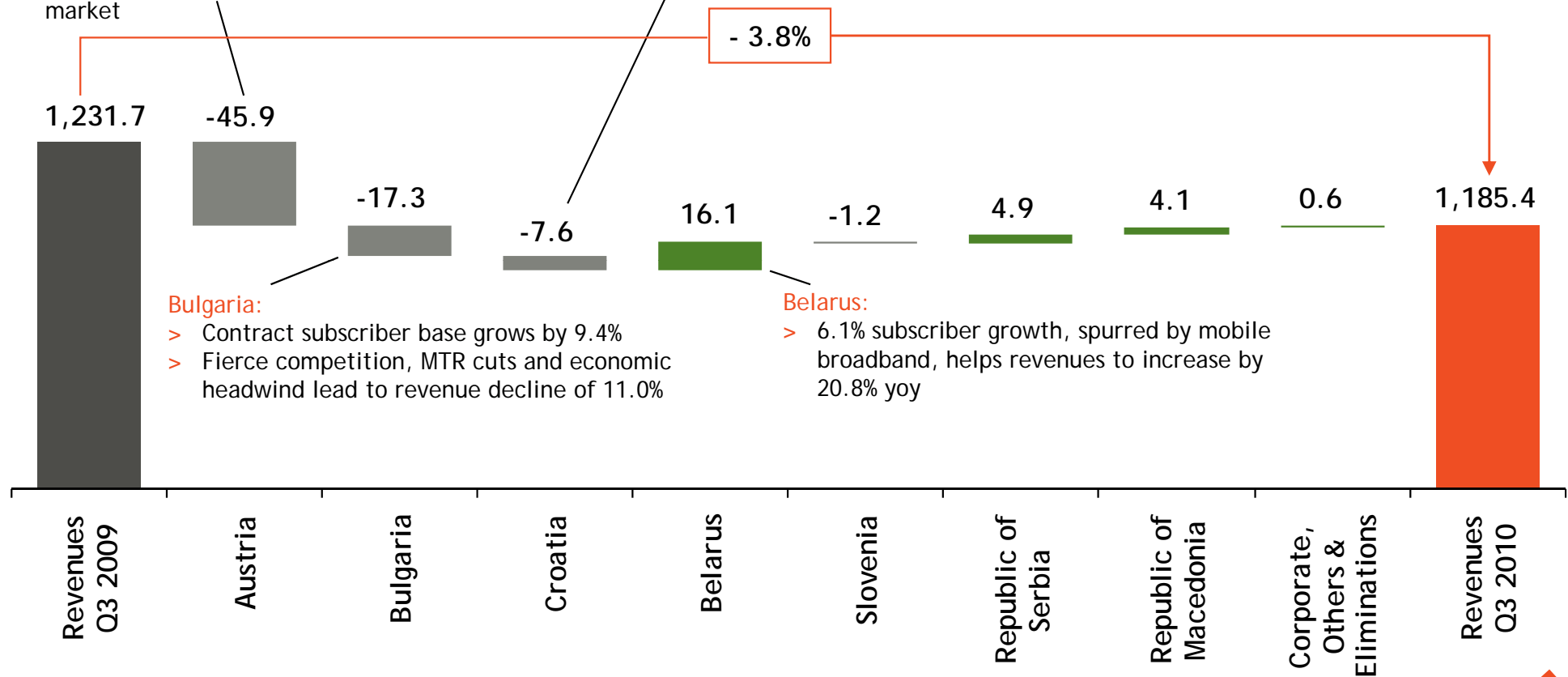
Stabilization of Line Losses and 5.4% Group Mobile Subscriber Growth Bolster Revenue Decline

Austria:

- > Further stabilization of fixed lines to 1,200 lines lost
- > Mobile subscriber growth of 6.3% to more than 5.0 mn subscribers
- > 5.7% revenue decline due to continued fixed-to-mobile substitution and price pressure in the mobile market

Croatia:

- > Contract subscriber base increases by 7.2%
- > Challenging economic environment and decrease in roaming revenues drive revenue decline of 5.3%



Bulgaria:

- > Contract subscriber base grows by 9.4%
- > Fierce competition, MTR cuts and economic headwind lead to revenue decline of 11.0%

Belarus:

- > 6.1% subscriber growth, spurred by mobile broadband, helps revenues to increase by 20.8% yoy

Focus Remains on Cost Control to Mitigate Regulatory Induced Pressure on EBITDA

Austria:

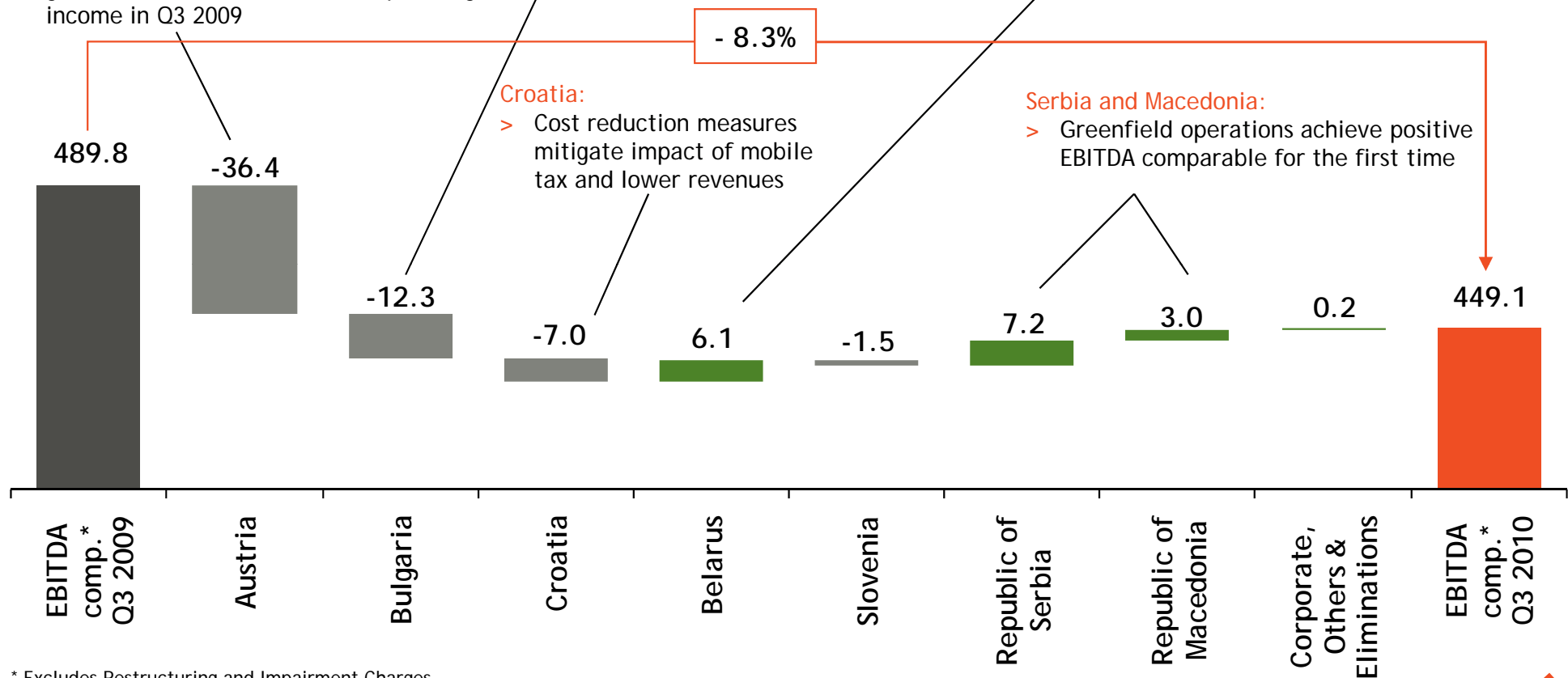
- > 4.8% OPEX decline driven by lower material and marketing expenses and interconnection costs
- > EUR 5.5 mn integration costs in Q3 2010
- > EUR 10.2 mn one-off re-imbursement from government included in Other operating income in Q3 2009

Bulgaria:

- > Cost reductions of 7.6% mitigate impact of pricing pressure and MTR cuts
- > EBITDA comparable margin remains strong at 55.0%

Belarus:

- > EBITDA comparable increases by 17.0% despite higher material expenses



Croatia:

- > Cost reduction measures mitigate impact of mobile tax and lower revenues

Serbia and Macedonia:

- > Greenfield operations achieve positive EBITDA comparable for the first time

* Excludes Restructuring and Impairment Charges

Strong Free Cash Flow Generation Supported by Improved Change in Working Capital and CAPEX

(EUR million)	Q3 10	Q3 09	% change	1-9M 10	1-9M 09	% change
Cash Flow from operations before working capital adjustments	388.7	443.0	-12.3%	1,158.2	1,215.8	-4.7%
Change in working capital	-15.9	-75.0	-78.8%	-123.8	-252.9	-51.1%
Ordinary capital expenditures	-146.8	-154.4	-5.0%	-443.3	-419.8	5.6%
Free cash flow	225.9	213.6	5.8%	591.1	543.1	8.8%
Free cash flow per share	0.51	0.48	5.8%	1.34	1.23	8.8%

- > Continued strong generation of cash flow from operations
- > Working capital benefits from lower inventories and other assets as well as higher liabilities
- > 5.8% increase of free cash flow due to focus on working capital and lower CAPEX

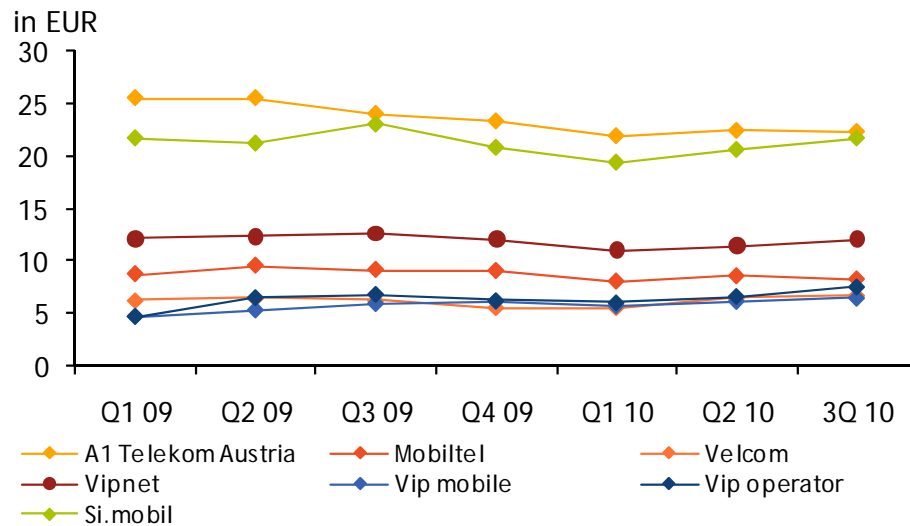
Markets & Operations

Key Developments in Telekom Austria Group's Mobile Communication Markets

Continued Mobile Subscriber Growth

Mobile Subscribers (in 000)	Q3 10	Q3 09	% change
Austria	5,018	4,719	6.3%
Bulgaria	5,236	5,243	-0.1%
Belarus	4,225	3,981	6.1%
Croatia	2,702	2,606	3.7%
Additional Markets	2,280	1,922	18.6%
Total	19,460	18,472	5.4%

ARPU Development - 2009 to Date



Significant Impact of Regulatory Actions

(EUR million)

Group	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	Trend
IC-Revenues	162.4	162.0	151.9	156.4	141.7	↓
IC-Costs	-139.8	-137.1	-129.1	-138.2	-126.1	
Margin	13.9%	15.4%	15.0%	11.7%	11.1%	

- 2.8pp

Austria	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	Trend
IC-Revenues	107.1	106.1	104.5	104.9	92.5	↓
IC-Costs	-99.7	-93.1	-91.1	-97.2	-87.6	
Margin	6.9%	12.2%	12.8%	7.4%	5.3%	

- 1.6pp

International	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	Trend
IC-Revenues	74.6	68.8	59.6	68.0	69.5	↓
IC-Costs	-59.3	-56.7	-49.9	-57.3	-58.5	
Margin	20.6%	17.6%	16.2%	15.7%	15.9%	

- 4.7pp

Continued Focus on Cost Control - New Opportunities for Civil Servants Created

Civil Servants Addressed 2010 to Date

September 30, 2010 FTE	Ministry of Interior	Ministry of Justice	Ministry of Labour	Total
Permanently transferred	64	0	0	64
Assigned	49	4	4	57
Total	113	4	4	121
Applications/Preparations	31	7	0	38
Grand total	144	11	4	159

- > Continued efforts to shift up to 500 civil servants to Austrian government bodies
- > Restructuring charge of EUR 10.0 mn addresses 33 civil servants in Q3 2010
- > 121 civil servants permanently transferred or assigned 2010 to date

New opportunity

Ministry of Finance

- > Up to approximately 150 civil servant positions available
- > First tranche of up to 25 civil servants in Q4 2010
- > Further opportunities for civil servants with high qualifications

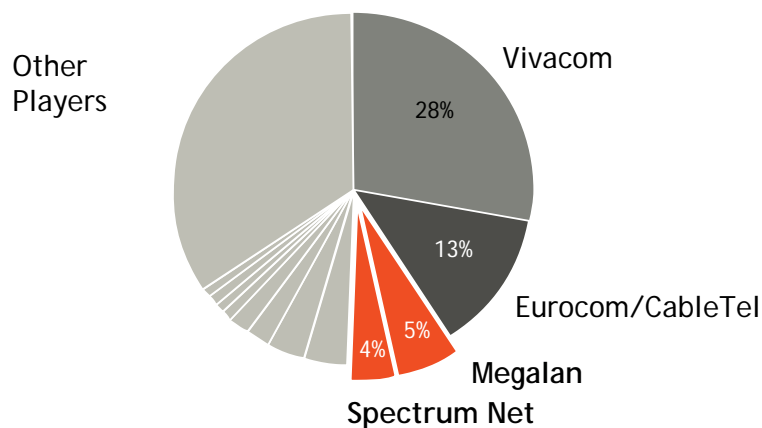
Convergent Strategy Continued with Planned Acquisition of Megalan and Spectrum Net Orbitel

Acquisition Highlights - Combined Entities

Enterprise value	EUR 83.0 mn
Equity value	EUR 72.0 mn
Performance element	EUR 14.5 mn
Estimated EBITDA FY 2010	EUR 9.6 mn
Estimated 2011 EBITDA multiple	6.8x
Access lines	85,400

- > Fixed line operators with operational focus on Sofia and 12 other Bulgarian cities
- > Complementary customer focus with access to residential as well as business clients
- > Access to growth markets of fixed broadband, IPTV and convergent products
- > Product bundles sold under the M-Tel brand already in Q4 2010
- > Accounting consolidation expected to take place in Q1 2011

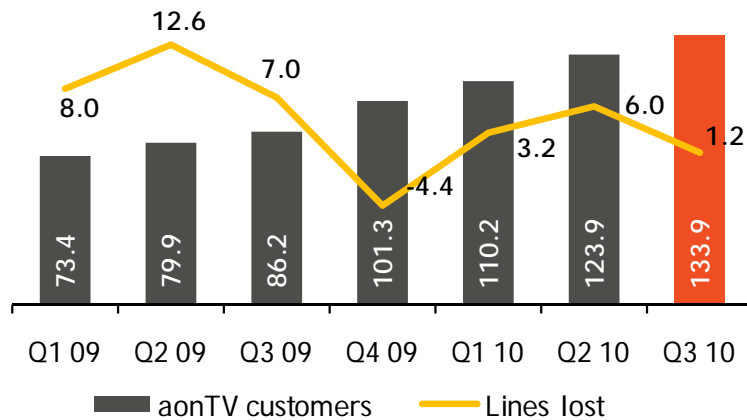
No 3 Market Share in Fixed Broadband



Success of Product Bundles Continues to Stabilize Access Line Losses in Austria

Development aonTV versus Access Line Losses

(in 000)



Giganet Key Facts

- > 1.5 mn households reachable with up to 30 Mbit/s via VDSL@CO* since September 2010
- > VDSL@CO* coverage of 38.0% of total households by end of 2010
- > Giganet coverage of 40.0% in Austria by end of 2010 comprising of VDSL@CO* and fiber trials

Giganet drives bundle sale

- ✓ Product bundles up by 29.5% year-on-year in Q3 2010
- ✓ aonTV contracts up by 55.3% versus Q3 2009
- ✓ Fixed line loss further stabilized: 1,200 access lines lost in Q3 2010 versus 7,000 lines lost in Q3 2009 and 6,000 in Q2 2010

* Fiber to the central office

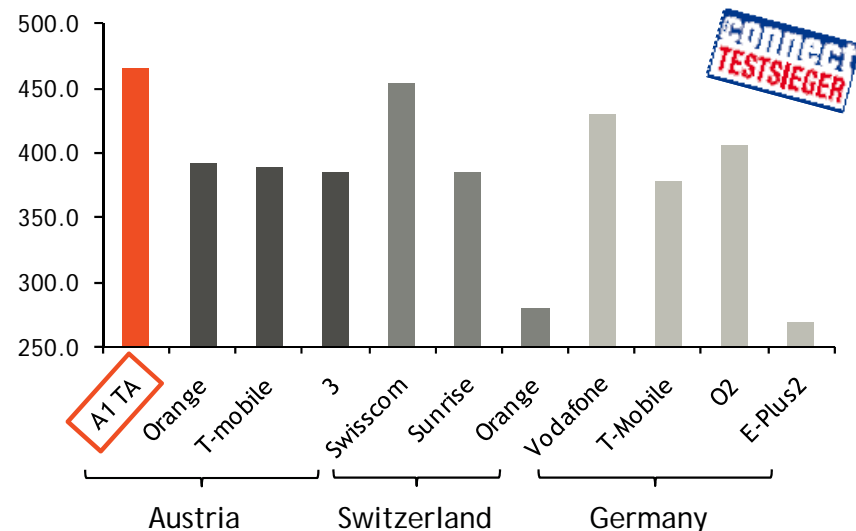
Technology Leadership - LTE Will Further Strengthen Network Quality in Austria

LTE Tariff Overview

A1 Brodband LTE	
Datavolume	30 GB
Monthly Fee	EUR 90.0
Additional Datavolume	EUR 6.9/GB
Minimum contract period	24 months

Connect Test 2010

Results - max. 500 points available



- > 2.6 GHz Auction finalized on 20 September 2010
- > 4 paired and 5 unpaired blocks acquired for a total consideration of EUR 13.2 mn, payable in Q4 2010
- > First Austrian operator to launch mobile broadband tariff for LTE technology
- > Speeds up to 150 Mbit/s achievable
- > Connect study 2010 confirms best GSM and UMTS network in Austria, Germany and Switzerland 2 years running

Outlook

Unchanged Full Year Outlook 2010 and Dividend Floor

Telekom Austria Group - Full Year 2010*

(including merger of domestic operations)

	As of November 10, 2010	As of August 18, 2010
Revenues	approx. EUR 4.7 bn	
EBITDA comparable	EUR 1.60 - 1.65 bn	
CAPEX	EUR 0.75 - 0.80 bn	
Operating Free Cash Flow**	at least EUR 0.8 bn	
Dividend	DPS of 75 Eurocents minimum	

* On a constant currency basis

** Operating Free Cash Flow = EBITDA comparable - CAPEX

Appendix 1

Telekom Austria Group - Revenue Breakdown

Revenue Split - Segment Austria (EUR million)	Q3 2010	Q3 2009	% change
Monthly fee and traffic	532.9	544.8	-2.2%
Data and ICT Solutions	53.9	46.2	16.8%
Wholesale (incl. Roaming)	44.3	59.2	-25.2%
Interconnection	92.5	107.1	-13.7%
Equipment	24.1	29.9	-19.3%
Other revenues	10.7	17.0	-37.3%
Total revenues - Segment Austria	758.3	804.2	-5.7%









Revenue Split - International Operations (EUR million)	Q3 2010	Q3 2009	% change
Monthly fee and traffic	319.0	312.7	2.0%
Data and ICT Solutions	0.0	0.0	n.a.
Wholesale (incl. Roaming)	31.1	37.9	-17.9%
Interconnection	69.5	74.6	-6.9%
Equipment	28.1	23.9	17.4%
Other revenues	3.9	3.3	19.3%
Total revenues - int. Operations	451.7	452.5	-0.2%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (EUR million)	Q3 2010	Q3 2009	% change
Material expense	59.1	64.9	-8.9%
Employee costs	157.1	152.6	2.9%
Interconnection	87.6	99.7	-12.2%
Maintenance and repairs	34.5	32.7	5.5%
Services received	46.6	52.2	-10.7%
Other support services	27.1	28.9	-6.3%
Other	103.4	110.4	-6.3%
Total OPEX - Segment Austria	515.3	541.5	-4.8%

Operating Expense - International Operations (EUR million)	Q3 2010	Q3 2009	% change
Material expense	38.6	37.7	2.5%
Employee costs	30.1	29.7	1.2%
Interconnection	58.5	59.3	-1.3%
Maintenance and repairs	13.6	14.1	-4.0%
Services received	27.3	29.9	-8.7%
Other support services	3.2	3.5	-8.2%
Other	90.8	81.9	10.9%
Total OPEX - int. Operations	262.1	256.1	2.3%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q3 10	Q3 09	% change
 Austria		5,018	4,719	6.3%
	Market share	41.5%	42.4%	
 Bulgaria		5,236	5,243	-0.1%
	Market share	50.0%	49.7%	
 Croatia		2,702	2,606	3.7%
	Market share	43.6%	42.9%	
 Belarus		4,225	3,981	6.1%
	Market share	42.0%	43.5%	
 Slovenia		605	580	4.3%
	Market share	28.8%	27.9%	
 Republic of Serbia		1,281	1,070	19.7%
	Market share	13.0%	11.5%	
 Republic of Macedonia		388	266	46.2%
	Market share	19.0%	12.9%	
 Liechtenstein		6	6	1.6%
	Market share	20.1%	20.0%	
	Total Mobile Subscribers	19,460	18,472	5.4%

Telekom Austria Group - Headcount Development

FTE (Average period)	Q3 2010	Q3 2009	% change
Austria	9,967	10,326	-3.5%
International	6,526	6,472	0.8%
Telekom Austria Group	16,571	16,807	-1.4%

FTE (End of period)	Q3 2010	Q3 2009	% change
Austria	9,834	10,302	-4.5%
International	6,583	6,491	1.4%
Telekom Austria Group	16,559	16,802	-1.4%

Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (EUR million)	Q3 2010	Q3 2009	% change
Segment Austria	101.2	102.3	-1.1%
Segment Bulgaria	15.6	11.7	32.7%
Segment Croatia	4.7	9.9	-51.9%
Segment Belarus	7.9	9.4	-16.4%
Segment Additional Markets	17.5	21.1	-17.2%
<i>Slovenia</i>	<i>2.2</i>	<i>3.1</i>	<i>-27.5%</i>
<i>Republic of Serbia</i>	<i>13.4</i>	<i>15.8</i>	<i>-14.9%</i>
<i>Republic of Macedonia</i>	<i>1.7</i>	<i>2.3</i>	<i>-24.3%</i>
<i>Liechtenstein</i>	<i>0.1</i>	<i>0.1</i>	<i>7.9%</i>
<i>Eliminations additional markets</i>	<i>0.0</i>	<i>-0.1</i>	<i>n.a.</i>
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	146.8	154.5	-5.0%
Thereof tangible	113.2	111.2	1.8%
Thereof intangible	33.6	43.3	-22.4%

Telekom Austria Group - Net Debt

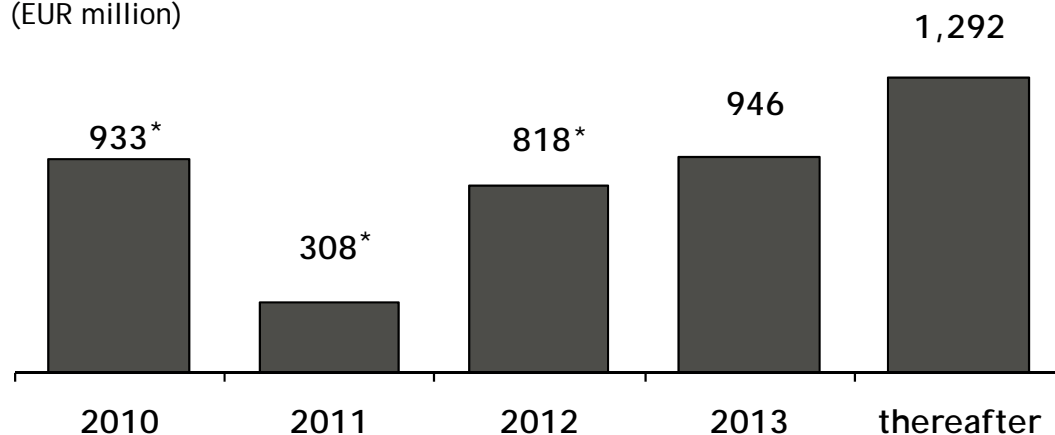
Net debt (EUR million)	Sept. 30, 2010	Dec. 31, 2009	% change
Long-term debt	3,072.5	3,234.8	-5.0%
Short-term borrowings*	1,274.3	1,501.6	-15.1%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-987.4	-1,099.0	-10.2%
Derivate financial instruments for hedging purposes	-9.4	-22.5	-58.4%
Net Debt of Telekom Austria Group	3,350.0	3,614.8	-7.3%
EBITDA comparable (last 12 months)	1,709.4	1,811.6	-5.6%
Net Debt/ EBITDA comparable (last 12 months)	2.0x	2.0x	n.a.

* Including purchase price obligation for the remaining 30.0% stake of SB Telecom Limited amounting to EUR 335.0 mn and a deferred consideration of EUR 247.7 that both have been settled on October 4, 2010.

Telekom Austria Group - 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 2.1 years
- > Provided by 20 banks

*Includes approx. EUR 582.0 mn in 2010 and EUR 15.0 mn in 2011 and EUR 50.0 mn in 2012 related to Velcom.

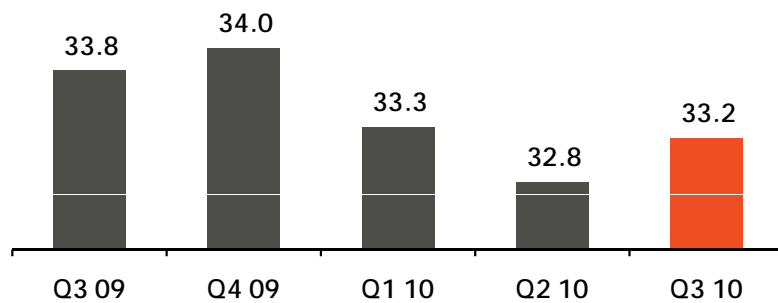
Telekom Austria Group - Regulatory Issues and Key Aspects

- > **Next Generation Networks:** In a decision on September 6, 2010, Telekom-Control-Kommission (TKK) has set the regulatory and framework parameters and conditions for the further roll-out of broadband (including fiber) in Austria.
- > **Frequencies:** The allocation procedure for 2.6 GHz frequencies ended on September 20th. A1 Telekom Austria has bought the frequency block 2x20 MHz (paired) and 25 MHz (unpaired) at the price of EUR 13.2 mn, payable in Q4 2010.
- > **Universal Service Principles being reviewed:** The future, scope and financing of universal services have been subject to a public consultation by the European Commission (EC) which was closed in May 2010. EC will issue a summary of the consultation at the end of year or alternatively a legislative proposal (incl. impact assessment) Q1 2011. At present no change of the prevailing regime is implemented.

Segment Austria - Fixed Net Key Performance Indicators

ARPL*

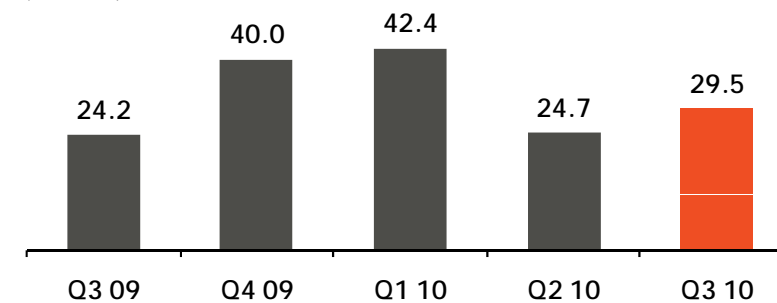
(in EUR)



* Adjusted to new reporting structure as of Q3 2009

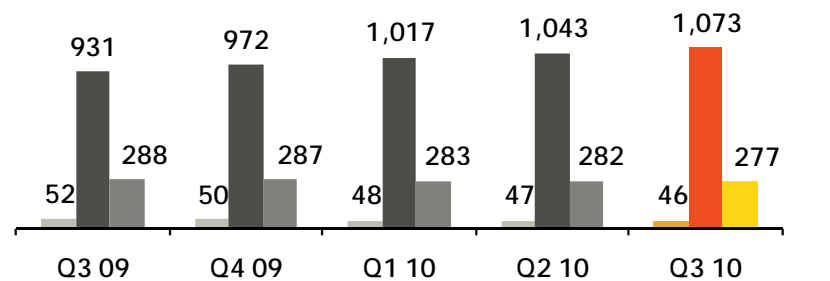
Fixed Line Broadband Net Adds incl. Wholesale

(in EUR)



Fixed Broadband Access Lines

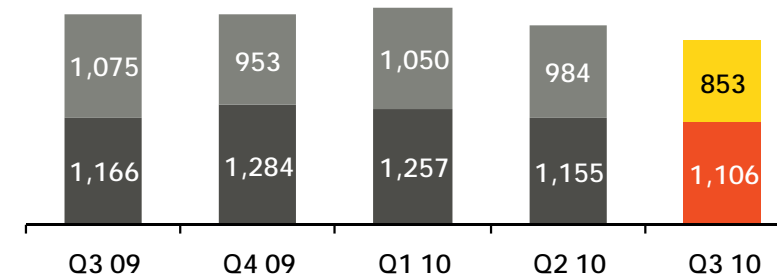
(in 000)



■ Fixed retail broadband lines ■ Unbundled lines
■ Fixed wholesale broadband lines

Wholesale Minutes

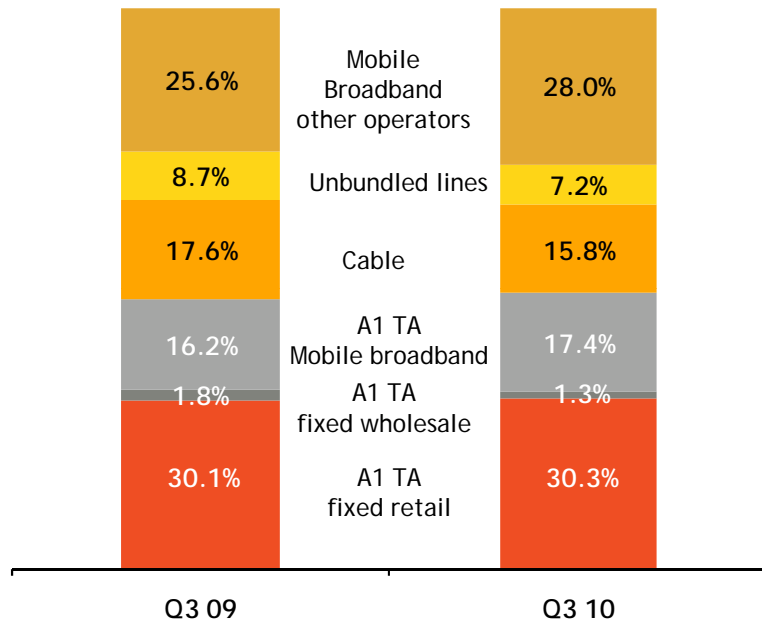
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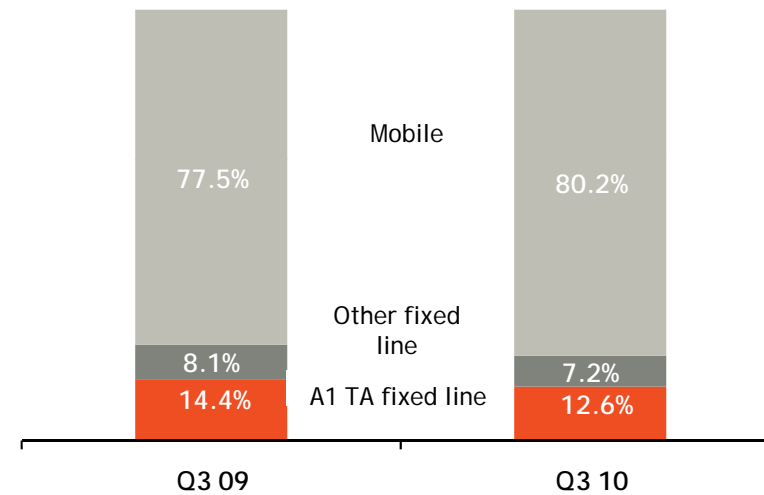
■ National Wholesale ■ International Wholesale

Segment Austria - Broadband Market Split

Market Share Broadband Lines
(in %)



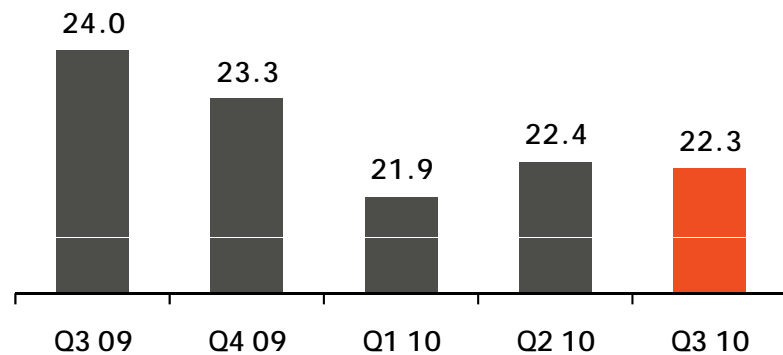
Market Share Voice Minutes
(in %)



Segment Austria - Mobile Key Performance Indicators

ARPU*

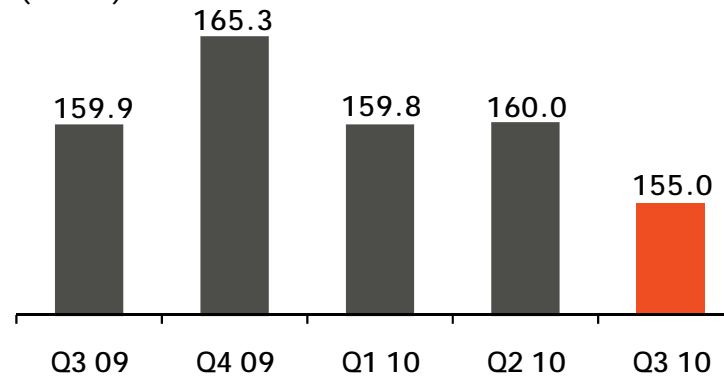
(in EUR)



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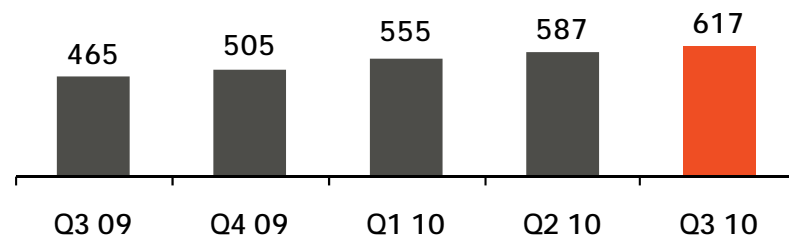
MoU per Subscriber

(in min)



Mobile Broadband Customers*

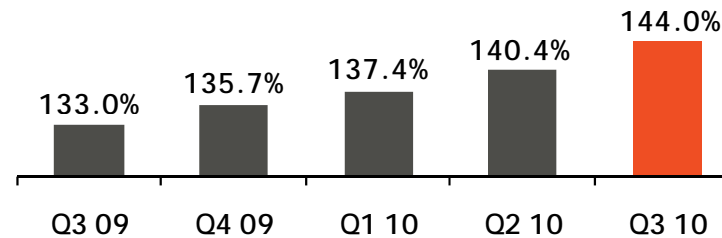
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* New calculation methodology is applied starting with Q3 2009

Mobile Penetration

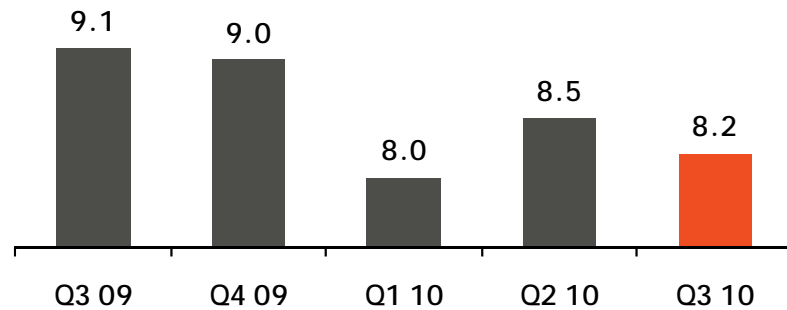
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

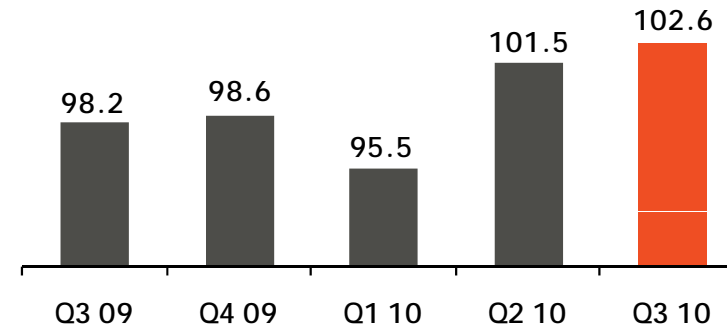
ARPU

(in EUR)



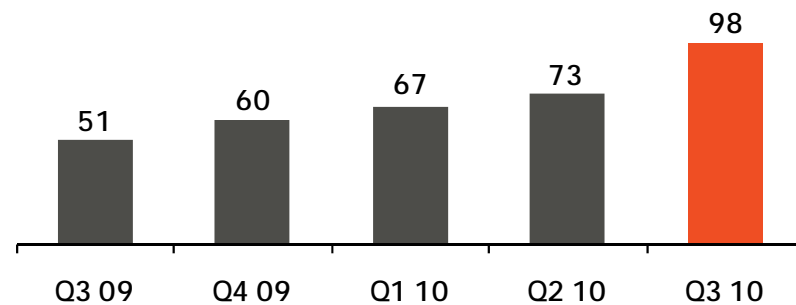
MoU per Subscriber

(in min)



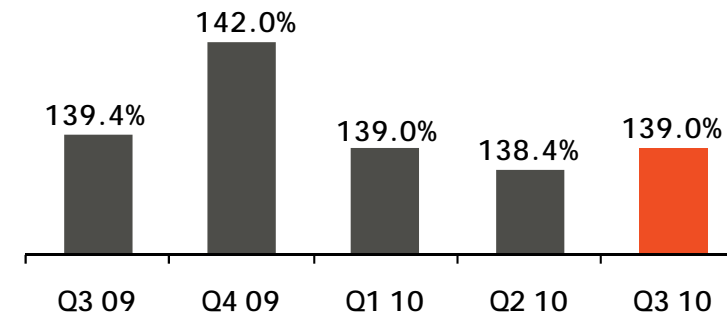
Mobile Broadband Customers

(in 000)



Mobile Penetration

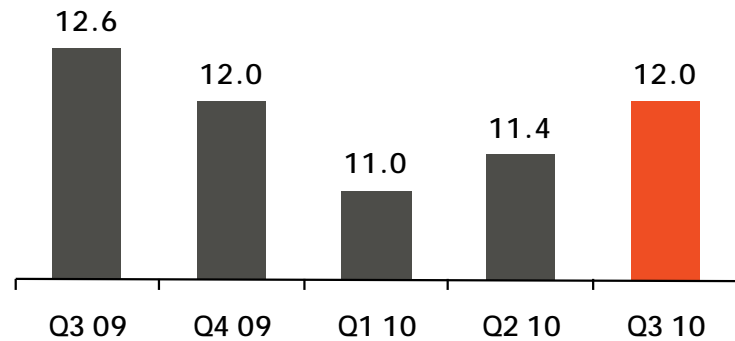
(in %)



Segment Croatia - Mobile Key Performance Indicators

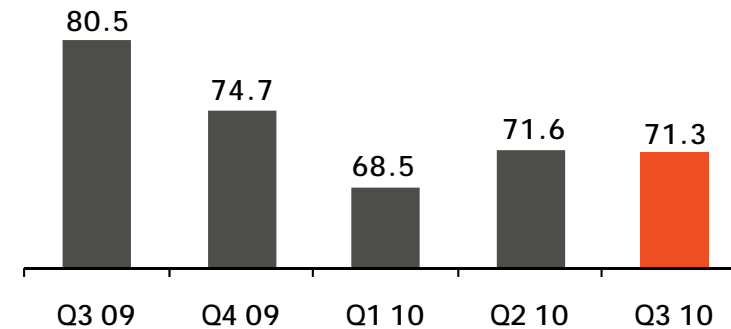
ARPU

(in EUR)



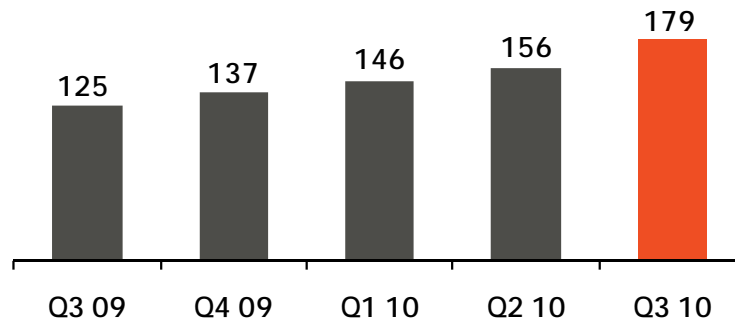
MoU per Subscriber

(in min)



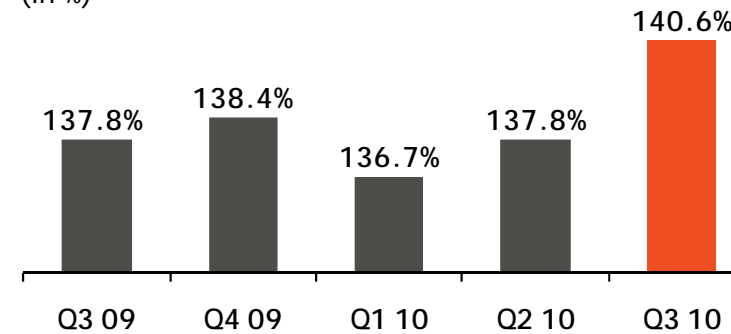
Mobile Broadband Customers

(in 000)



Mobile Penetration

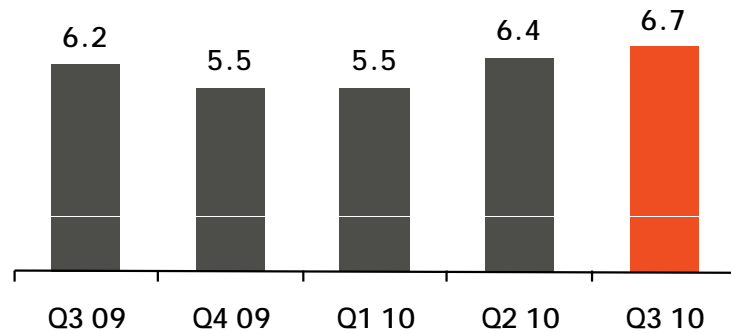
(in %)



Segment Belarus - Mobile Key Performance Indicators

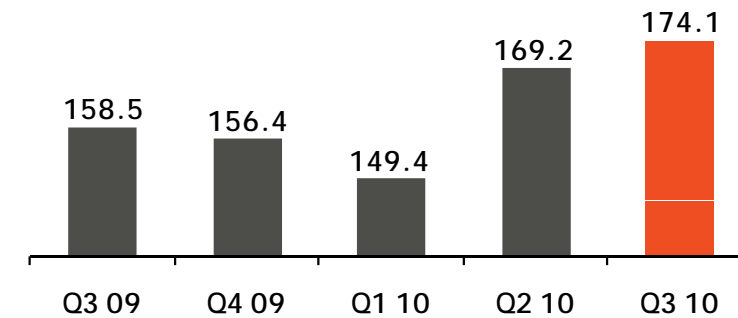
ARPU

(in EUR)



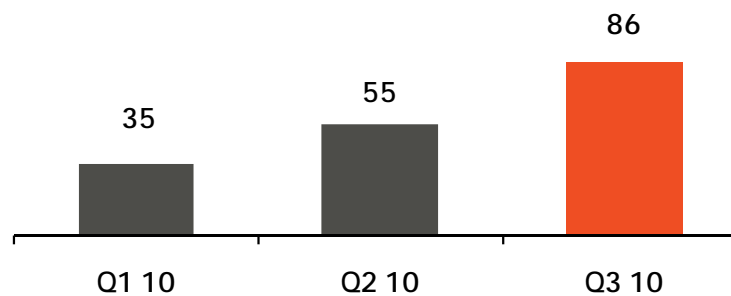
MoU per Subscriber

(in min)



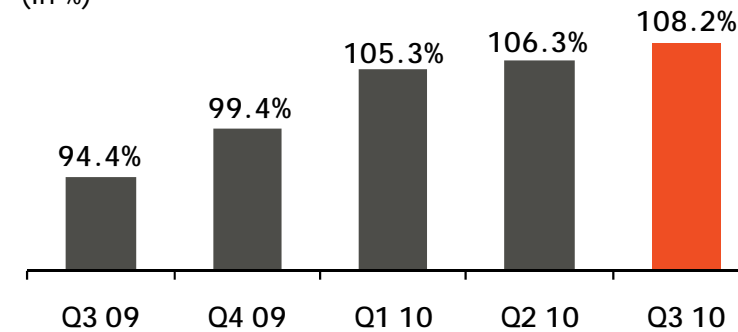
Mobile Broadband Customers

(in 000)



Mobile Penetration

(in %)

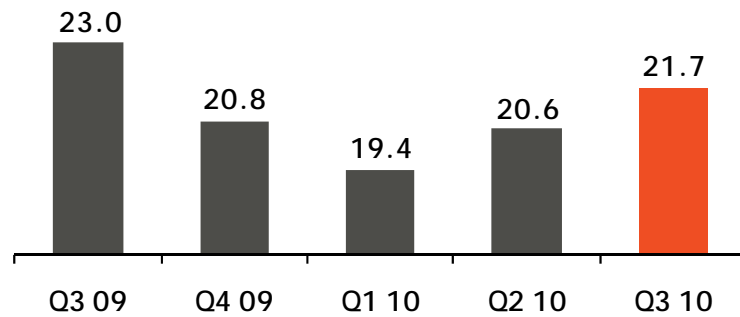


* Note: 3G launch in March 2010

Segment Additional Markets - Mobile Key Performance Indicators

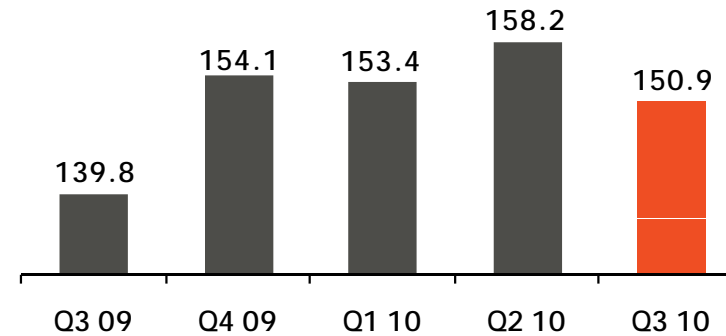
Slovenia - ARPU

(in EUR)



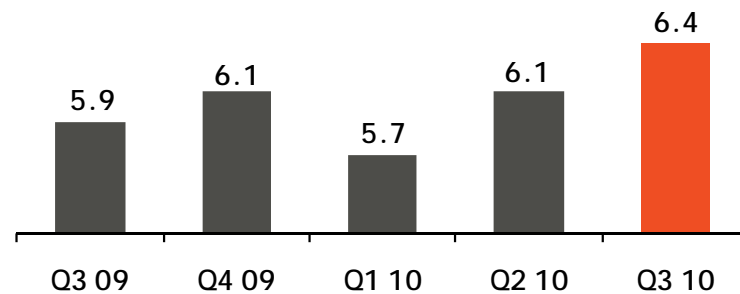
Slovenia - MoU per Subscriber

(in min)



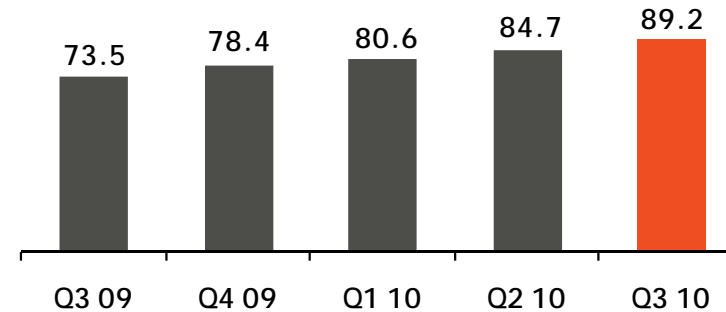
Serbia - ARPU

(in EUR)



Serbia - MoU per Subscriber

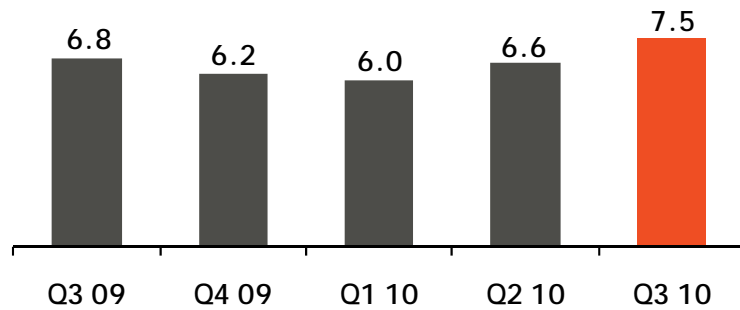
(in min)



Segment Additional Markets - Mobile Key Performance Indicators

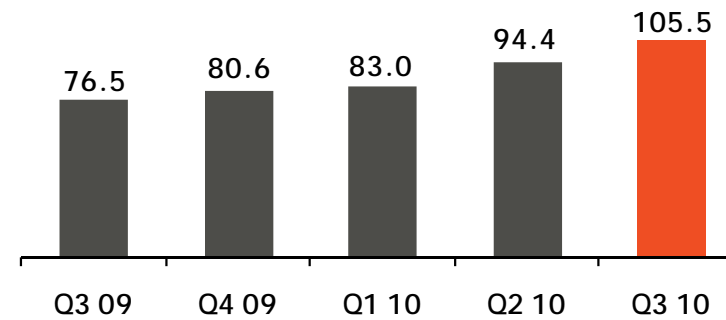
Macedonia - ARPU

(in EUR)



Macedonia - MoU per Subscriber

(in min)



Appendix 2 – Glide Path of Mobile Termination Rates

Glide Path of Mobile Termination Rates

	July 2009	January 2010	July 2010	August 2010	January 2011	June 2011	July 2011	August 2011	January 2012	July 2012	August 2012
Austria	4.00	3.50	3.01		2.51	2.01					
Bulgaria	11.76	10.48	6.65								
Croatia	9.10	7.60	7.60		new MTRs to be calculated annually as EU27 average value until the cost-model introduced				new MTRs to be calculated annually as EU26 average value until the cost-model introduced		
Slovenia	5.23	4.95	4.66		4.38	4.38	4.09		3.81	3.52	
Macedonia	9.50	9.50		8.80				7.50			6.00
Serbia	5.15	4.82	4.68								