

Results for the First Nine Months 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

in EUR million	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	1,185.4	1,231.7	-3.8%	3,480.1	3,620.5	-3.9%
EBITDA comparable	449.1	489.8	-8.3%	1,292.5	1,394.7	-7.3%
Operating income	176.0	-126.4	n.a.	476.4	223.9	112.8%
Net income	96.5	-136.3	n.a.	256.5	31.3	n.a.
Earnings per share (in EUR)	0.22	-0.31	n.a.	0.58	0.07	n.a.
Free cash flow per share (in EUR)	0.51	0.48	5.7%	1.34	1.23	8.8%
Capital expenditures	146.8	154.5	-5.0%	443.3	419.8	5.6%

in EUR million	Sept. 30, 2010	Dec. 31, 09	% change
Net debt	3,350.0	3,614.8	-7.3%
Net debt/EBITDA comparable (12 months) excluding restructuring program	2.0x	2.0x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income tax expense, depreciation and amortization, restructuring and impairment charges.

Interim Management Report

Group Review

Vienna, November 10, 2010 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first nine months of 2010 and the third quarter ending September 30, 2010.

Summary

Year-to-date comparison:

In the first nine months of 2010 Group revenues declined by 3.9% to EUR 3,480.1 million driven by lower revenues from the Austrian, Bulgarian and Croatian segments. The decline could not be compensated for by the revenue growth in the Belarusian segment as well as in the Republic of Serbia and in the Republic of Macedonia, which are included in the Additional Markets segment. Declining prices due to the competitive environment and further regulatory cuts of roaming and interconnection tariffs remained the main drivers for the revenue decline.

Group EBITDA comparable, which does not include restructuring and impairment charges, declined by 7.3% to EUR 1,292.5 million in the first nine months of 2010. While strong revenue growth and an efficient use of operating expenses in the Belarusian and Additional Markets segments led to a EBITDA comparable growth, lower revenues in the Austrian, Bulgarian and Croatian segments could only be partly mitigated by cost savings, and drove down Group EBITDA comparable.

Operating income increased to EUR 476.4 million during the first nine months of 2010 from EUR 223.9 million during the same period last year as a result of the EUR 352.0 million impairment charges that were recorded in the Belarusian segment and in the Additional Markets segment in the third quarter of 2009. The operating income for the first nine months of 2010 includes restructuring charges in the amount of EUR 26.0 million in the Austrian segment.

An improved financial result driven by lower net interest expenses and an increase in income taxes led to a net income of EUR 256.5 million in the first nine months of 2010 compared to EUR 31.3 million during the same period last year.

Capital expenditures increased by 5.6% to EUR 443.3 million due to higher expenditures in the Austrian segment and in the Belarusian segment in the first nine months of 2010.

Quarterly comparison:

In the third quarter of 2010 group revenues declined by 3.8% to EUR 1,185.4 million as a result of lower revenues from the Austrian, Bulgarian and Croatian segments due to the competitive environment, regulatory cuts and ongoing economic headwinds. Revenue growth was achieved in the Belarusian segment as well as in the Republic of Serbia and in the Republic of Macedonia and was primarily driven by increases in their respective mobile subscriber bases.

The presentation for the conference call and the key figures of the Telekom Austria Group in Excel format ("Fact Sheet 3Q 2010") are available on our website at www.telekomaustria.com.

Results for the full year 2010 will be announced on February 23, 2010.

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Group EBITDA comparable, which does not include restructuring and impairment charges, declined by 8.3% to EUR 449.1 million during the third quarter of 2010 driven by lower results from the Austrian, Bulgarian and Croatian segments. Cost cuts in these segments could only partly mitigate the impact of price pressure on EBITDA comparable. EBITDA comparable growth was recorded in the Belarusian segment. Moreover, the greenfield operations in the Republic of Serbia and the Republic of Macedonia achieved positive contributions to EBITDA comparable during the third quarter of 2010.

Operating income increased to EUR 176.0 million in the third quarter of 2010 from an operating loss of EUR 126.4 million in the third quarter of 2009. Results of the third quarter in the previous year were impacted by a EUR 352.0 million impairment charge. Furthermore, an additional restructuring charge of EUR 12.3 million in the Austrian segment was recorded in the third quarter of 2010.

In the third quarter of 2010 net income amounted to EUR 96.5 million compared to a net loss of EUR 136.3 million in the third quarter of 2009.

Capital expenditures declined by 5.0% to EUR 146.8 million in the third quarter of 2010 as access investments in the Croatian and Additional markets segments were reduced.

Segment Reporting – Change in Reporting Structure

The Telekom Austria Group has realigned its management structure due to the increasing demand for convergent products. As a result, segment reporting will be based on geographical markets from now on, instead of the segmentation in fixed and mobile businesses. The Telekom Austria Group reports separately on the five operating segments, Austria, Bulgaria, Croatia, Belarus and Additional Markets. For further information on the change in reporting structure please refer to page 31 of the Notes.

Market Environment

The Telekom Austria Group operates in a highly competitive environment both in the fixed line and mobile communication markets. The resulting negative impact on pricing levels is further intensified by regulatory measures in all segments. Continuous scrutiny of cost structures and improvements to productivity and operating efficiency are therefore essential to the success of the Telekom Austria Group.

In Austria, the sustained migration of fixed line voice customers to mobile communication remains a key challenge. Nevertheless, attractive product bundles and innovative products such as aonTV continue to drive the improvement in line losses. Moreover, fixed line broadband continues to make steady inroads into the market for internet access, as the Telekom Austria Group remains focused on the protection of cash flows by offering a market-oriented product portfolio and attractive pricing schemes.

In the Central & Eastern European region, a challenging macro-economic environment, fiscal burden and a high level of competition shape the operational situation. Moreover, innovative products, such as mobile broadband and convergent product bundles have become an increasing element of the competitive environment in CEE.

The domestic as well as the international businesses remain negatively impacted by reductions in termination charges and roaming tariffs.

Telekom Austria Group Confirms Outlook for 2010

Several negative external effects and the impact of weak economies shape the market environment for the Telekom Austria Group. These effects include the unabated fixed-to-mobile substitution and the continued price pressure in the Telekom Austria Group's major markets. In addition, regulatory induced lower roaming prices as well as fixed and mobile termination rates will continue to impact the Group's results for the full year 2010. Taxes levied on mobile communication services in Croatia and the Republic of Serbia pose an additional burden.

For the foreseeable future, management expects the challenging market environment to continue to persist. However, the current outlook reflects the Group's confidence to be able to successfully address these challenges through clear customer focus, intensified marketing of innovative products and strict cost management. Moreover, the outlook includes the impact of the integration of fixed line and mobile communication activities in Austria.

For the financial year 2010, revenues are expected to amount to approximately EUR 4.7 billion. Stringent cost control will mitigate the impact from lower revenues and is anticipated to result in a EBITDA comparable, which does not include impairment and restructuring charges, of EUR 1.60 – 1.65 billion. Capital expenditures of the Telekom Austria Group are forecasted to reach EUR 750 - 800 million.

Operating Free Cash Flow remains the primary focus of the management and is expected to amount to at least EUR 800 million. The Telekom Austria Group reiterates its intention to distribute the higher of 65% of the annual net income or at least 75 Eurocents per share as dividend until 2012.

The Management Board remains committed to its capital allocation policy including returning excess cash to shareholders via share buybacks within the 1.8x - 2.0x net debt/EBITDA comparable target balance sheet structure and provided stability in its main foreign currencies and operations. However, in light of the ongoing challenging operating environment share buybacks are not expected in 2010.

This outlook is given on a constant currency basis.

Telekom Austria Group	Outlook 2010* as of November 10	Outlook 2010* as of August 18
Revenues	approx. EUR 4.7 bn	approx. EUR 4.7 bn
EBITDA comparable	EUR 1.60 – 1.65 bn	EUR 1.6 – 1.65 bn
Capital Expenditures	EUR 0.75 – 0.80 bn	EUR 0.75 – 8.0 bn
Operating Free Cash Flow	at least EUR 0.8 bn	at least EUR 0.8 bn
Dividend	65% of net income, DPS of 75 Cents minimum	65% of net income, DPS of 75 Cents minimum

* Including the impact of the merger of domestic operations.

Outlook 2010 remains unchanged

Minimum DPS of 75 Eurocents confirmed

Year-to-Date Comparison

Revenues

Note: Detailed data on Group financials are shown in the appendix on page 19

Revenues in EUR million	1- 9 M 2010	1-9 M 2009	% change
Austria	2,297.2	2,412.2	-4.8%
Bulgaria	417.6	465.5	-10.3%
Croatia	346.1	367.5	-5.8%
Belarus	253.1	225.5	12.2%
Additional Markets	236.1	221.6	6.5%
Corporate & Eliminations	-70.0	-71.8	-2.6%
Total	3,480.1	3,620.5	-3.9%

Group revenue decline of 3.9%

In the first nine months of 2010, Group revenues declined by 3.9% to EUR 3,480.1 million due to lower revenues in the Austrian, Bulgarian and Croatian segments while the Belarusian and Additional Markets segments reported growing revenues.

One-off of EUR 5.6 million in Austrian segment in 2009

In the Austrian segment, the revenue decline of 4.8% to EUR 2,297.2 million was primarily driven by lower Monthly Fee and Traffic Revenues, which were impacted by declining prices due to the competitive environment. A one-off revenue effect in the amount of EUR 5.6 million for universal services was recorded in Wholesale (incl. Roaming) revenues in the first nine months of 2009. Furthermore, regulatory cuts in roaming and mobile interconnection tariffs impacted revenues negatively in the first nine months of 2010. Nevertheless, fixed line loss was further stabilized and the mobile communication subscriber base grew by 6.3% to more than 5.0 million customers.

In the Bulgarian segment, the revenue decline of 10.3% was caused by lower Monthly Fee and Traffic Revenues as higher fixed fees could not compensate for lower voice prices. Furthermore, cuts in mobile termination rates negatively impacted revenues in the first nine months of 2010.

Revenues in the Croatian segment amount to EUR 346.1 million, which equals a decline of 5.8% in the first nine months of 2010. This was primarily driven by lower roaming and interconnection revenues. Monthly Fee and Traffic Revenues were bolstered by an increase of the postpaid subscriber base, but this could not fully compensate for the decline in minutes of use. Foreign currency translations positively impacted revenues by EUR 4.8 million in the first nine months of 2010.

In the Belarusian segment revenues grew by 12.2% to EUR 253.1 million in the first nine months of 2010. Monthly Fee and Traffic Revenues increased due to a growing subscriber base and higher minutes of use per subscriber. Furthermore, equipment revenues rose due to the introduction of netbooks in the market in July 2010. Foreign currency translations impacted revenues in Belarus negatively by EUR 4.9 million.

In the Additional Markets segment revenues grew from EUR 221.6 million to EUR 236.1 million due to positive contributions from the operations in the Republic of Serbia and in the Republic of Macedonia. In Slovenia, revenues decreased due to lower roaming and interconnections revenues. Foreign currency translations negatively impacted the Additional Markets segment by EUR 6.3 million.

EBITDA

EBITDA comparable

in EUR million	1- 9 M 2010	1-9 M 2009	% change
Austria	813.3	902.7	-9.9%
Bulgaria	226.7	254.1	-10.8%
Croatia	122.9	138.2	-11.1%
Belarus	119.2	111.5	6.8%
Additional Markets	29.5	8.2	259.1%
Corporate & Eliminations	-19.1	-20.1	-4.9%
Total	1,292.5	1,394.7	-7.3%

In the first nine months of 2010 EBITDA comparable, which excludes restructuring and impairment charges, declined by 7.3% to EUR 1,292.5 million. Despite a positive contribution from the segments Belarus and Additional Markets, the EBITDA comparable decline was driven by lower results from the segments Austria, Bulgaria and Croatia. Foreign currency translations negatively impacted Group EBITDA comparable by EUR 0.2 million in the first nine months of 2010.

EBITDA comparable declines by 7.3% at Group level

In the Austrian segment EBITDA comparable declined by EUR 89.4 million as cost savings of EUR 35.1 million could not fully compensate for the revenue reduction. Cost savings were driven by lower material and marketing expenses. Furthermore, operating expenses related to the integration of the Austrian fixed and mobile operations amounted to EUR 8.7 million in the first nine months of 2010. A one-off effect of EUR 5.7 million for a real estate disposal was recorded in Other operating income in the first nine months of 2010. In 2009, EBITDA comparable includes a one-off reimbursement from the government in the amount of EUR 10.2 million for investments into telecommunication surveillance equipment.

In the Bulgarian segment total operating expenses declined by 10.0% during the first nine months of 2010 protecting the EBITDA comparable margin at 54.3% versus 54.6% in the first nine months of 2009. Furthermore, lower interconnection expenses mitigated the impact of declining revenues on EBITDA comparable, which fell by 10.8% to EUR 226.7 million.

On the back of the introduction of a 6% tax levy in August 2009 and a falling number of minutes charged to subscribers EBITDA comparable of the Segment Croatia declined by 11.1% to EUR 122.9 million in the first nine months of 2010. EUR 6.1 million lower operating expenses were a result of cost savings focused on subsidies and renegotiation of vendor contracts as well as lower interconnection costs.

In the first nine months of 2010 EBITDA comparable of the Segment Belarus increased by 6.8% to EUR 119.2 million. Higher revenues compensated for the increase in operating expenses due to the roll-out of the 3G network. Foreign currency translations negatively impacted EBITDA comparable by EUR 2.3 million.

EBITDA comparable growth of 6.8% in the Belarusian segment

EBITDA comparable of the Segment Additional Markets improved to EUR 29.5 million in the first nine months of 2010 from EUR 8.2 million in the first nine months of the previous year. In Slovenia, efficient cost savings could mitigate the impact of declining revenues and kept EBITDA comparable at a stable level. In the Republic of Serbia and the Republic of Macedonia EBITDA comparable improved by EUR 14.3 million and EUR 8.1 million to EUR -3.8 million and EUR -3.0 million respectively driven by strong growth of revenues and a strict control of operating expenses. In the Segment Additional Markets, positive effects of foreign currency translations amounted to a total of EUR 0.4 million.

EBITDA (incl. Restructuring and Impairment Charges) in EUR million	1- 9 M 2010	1-9 M 2009	% change
Austria	787.2	902.5	-12.8%
Bulgaria	226.7	254.1	-10.8%
Croatia	122.9	138.2	-11.1%
Belarus	119.2	-178.5	n.a.
Additional Markets	29.5	-53.8	n.a.
Corporate & Eliminations	-19.1	-20.1	-4.9%
Total	1,266.4	1,042.4	21.5%

Restructuring charge of
EUR 26.0 million in the
Austrian segment in 2010

EBITDA incl. restructuring and impairment charges grew by 21.5% to EUR 1,266.4 million. In the first nine months of 2009 the result was impacted by an impairment charge due to the foreign currency devaluation in the Belarusian Segment of EUR 290.0 million and an impairment for the license in the Republic of Serbia of EUR 62.0 million in the Additional Markets segment. In the first nine months of 2010, a restructuring charge of EUR 26.0 million was recorded in the Austrian segment.

Operating Income

EBIT in EUR million	1- 9 M 2010	1-9 M 2009	% change
Austria	293.3	391.7	-25.1%
Bulgaria	96.5	119.2	-19.0%
Croatia	72.4	85.5	-15.3%
Belarus	58.9	-232.3	n.a.
Additional Markets	-26.1	-120.5	-78.3%
Corporate & Eliminations	-18.5	-19.6	-5.7%
Total	476.4	223.9	112.8%

In the first nine months of 2010, EBIT increased to EUR 476.4 million as a result of the EUR 352.0 million impairment charges that were recorded in the third quarter of 2009 in the Belarusian segment and the Additional Markets segment.

Operating income declined in the Austrian, Bulgarian and Croatian segment as a result of a lower EBITDA comparable in the first nine months of 2010. Excluding the effect from the impairment charge in 2009, operating income improved in the Belarusian segment by EUR 1.2 million to EUR 58.9 million. Furthermore, in the Additional Markets segment operating loss was improved by EUR 32.4 million to EUR 26.1 million excluding the impairment charge.

Consolidated Net Income

In the first three quarters of 2010 net interest expense declined by 12.5% to EUR 148.3 million compared to EUR 169.6 million in the same period of the previous year, mainly due to the repayment of a EUR 500.0 million Eurobond in the first quarter of 2010.

During the first nine months of 2010 foreign exchange differences in the financial result recorded a loss of EUR 4.8 million compared to a loss of EUR 14.2 million in the first nine months of 2009.

Income tax expenses increased to EUR 68.6 million as income before income tax rose from EUR 36.6 million in the first nine months of 2009 to EUR 325.1 million in the first nine months of 2010. The effective tax rate rose to 21.1% in first nine months of 2010 from 14.5% in the first nine months of 2009.

Therefore, net income rose to EUR 256.5 million in the first nine months of 2010 from EUR 31.3 million in the first nine months of 2009.

Basic and diluted earnings per share amounted to EUR 0.58 in the first nine months of 2010 compared to EUR 0.07 in the same period of 2009.

Balance Sheet and Net Debt

Total assets of the Telekom Austria Group declined by 5.8% from EUR 8,498.7 million as of December 31, 2009 to EUR 8,005.0 million as of September 30, 2010 primarily due to the repayment of a EUR 500.0 million Eurobond.

Total assets reduced due to repayment of long-term debt

During the first nine months of 2010 current assets declined by 5.3% to EUR 1,916.2 million as short term investments declined. Property plant and equipment and other intangible assets declined by 6.7% to EUR 2,494.7 million and by 9.5% to EUR 1,720.6 million respectively due to higher depreciation and amortization than additions.

Current liabilities declined by 9.3% from EUR 2,679.5 million as of December 31, 2009 to EUR 2,431.5 million as of September 30, 2010 as short-term borrowings declined due to the repayment of a EUR 500.0 million Eurobond. The decrease was partly compensated for by the issuance of multi-currency notes. Long-term liabilities declined due to a shift of maturing long-term debt to short-term debt and amount to EUR 4,056.9 million as of September 30, 2010.

Long-term liabilities decline by 3.5%

Stockholders equity declined to EUR 1,513.9 million due to lower retained earnings and translation adjustments.

Net Debt

in EUR million	Sept. 30, 2010	Dec. 31, 09	% change
Net Debt	3,350.0	3,614.8	-7.3%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.0x	2.0x	

As of September 30, 2010 net debt declined by 7.3% to EUR 3,350.0 million as long-term debt and short-term liabilities were reduced. Net debt to EBITDA comparable (last 12 months) remained stable at 2.0 x as of September 30, 2010.

Net debt/EBITDA stable at 2.0x

Cash Flow

Cash Flow in EUR million	1- 9 M 2010	1-9 M 2009	% change
Cash generated from operations	1,034.4	962.9	7.4%
Cash used in investing activities	-225.0	-449.6	-49.9%
Cash used in financing activities	-710.3	5.7	n.a.
Effect of exchange rate changes	-2.8	43.1	-106.4%
Net increase/decrease in cash and cash equivalents	96.4	562.1	-82.9%

Cash flow from operations
increase by 7.4%

In the first nine months of 2010 cash generated from operations increased by 7.4% to EUR 1,034.4 million as working capital improved due to a reduction in prepaid expenses and other assets as well as a lower decrease in accounts payable.

Cash outflow from investing activities declined by 49.9% to EUR 225.0 million as proceeds from the sale of investments exceeded the increase in capital expenditures in the first nine months of 2010.

Cash from financing activities turned from an inflow of EUR 5.7 million in 2009 to an outflow of EUR 710.3 million mainly due to the repayment of a EUR 500.0 million Eurobond.

Capital Expenditures

Capital Expenditures in EUR million	1- 9 M 2010	1-9 M 2009	% change
Austria	290.4	239.7	21.1%
Bulgaria	41.8	59.7	-30.0%
Croatia	37.2	43.4	-14.1%
Belarus	30.8	20.2	52.2%
Additional Markets	43.1	56.7	-23.9%
Corporate & Eliminations	0.0	0.0	n.a.
Total capital expenditures	443.3	419.8	5.6%
Thereof tangible	339.8	309.2	9.9%
Thereof intangible	103.5	110.6	-6.4%

Capital expenditures increase
by 5.6%

In the first nine months of 2010 total capital expenditures increased by 5.6% to EUR 443.3 million driven by an increase in the Austrian segment and the Belarusian segment. In the Austrian segment, the increase in capital expenditures was due to investments in the next generation network. Furthermore, EUR 0.8 million were related to the integration of Austrian fixed and mobile operations. In the Belarusian segment capital expenditures increase was due to the 3G roll-out.

In the Bulgarian segment capital expenditures declined by 30.0% to EUR 41.8 million, predominantly due to declining prices of access equipment and shifts of investments to the fourth quarter of 2010. In the Croatian segment the decline was due to reduced investment needs following a comparatively high level in the third quarter of 2009.

During the first nine months of 2010 capital expenditures in the Additional Markets segment declined to EUR 43.1 million driven by lower investments in the Republic of Serbia after a stronger roll-out during the previous year.

Quarterly Analysis

Austria

Note: Detailed data of the segments are shown in the appendix on page 19

Key Performance Indicators Austria

in EUR million	Q3 2010	Q3 2009	% change
Revenues	758.3	804.2	-5.7%
EBITDA comparable	261.2	297.6	-12.2%
EBITDA (incl. Restructuring and Impairment Charges)	248.8	297.6	-16.4%
EBIT	88.9	134.5	-33.9%
Fixed Line Market			
ARPL	33.2	33.8	-1.8%
Total Access Lines	2,303.0	2,309.2	-0.3%
Fixed Broadband Lines	1,119.4	982.6	13.9%
Fixed Line Voice Minutes	713.2	806.7	-11.6%
Mobile Communication Market			
Mobile Subscribers ('000)	5,017.5	4,719.4	6.3%
Mobile Market Share	41.5%	42.4%	
Mobile Penetration	144%	133%	
Mobile Broadband Customers	616,541	465,183	32.5%
ARPU	22.3	24.0	-7.1%

Despite a highly competitive environment in the Austrian market, A1 Telekom Austria's mobile communication subscriber base increased by 6.3% to more than 5.0 million customers at the end of the third quarter 2010. Due to the ongoing strong demand for product bundles, fixed line loss was further stabilized to only 1,200 lines lost by the end of the third quarter of 2010 compared to 7,000 lines lost in the same period of the prior year. The aonTV subscriber base increased by 55.3% to almost 134,000 subscribers compared to approximately 86,000 at the end of September 2009.

Mobile subscriber base grows by 6.3%

Fixed line broadband subscriber base increased by 13.9% to 1.1 million due to an ongoing healthy demand for Kombi-packages. Successful marketing activities led to an increase in fixed line broadband market share to 30.3% from 30.1% in the third quarter 2009. The mobile broadband subscriber base increased by 32.5% to more than 616,500 broadband customers compared to approximately 465,000 broadband customers at the end of the third quarter of 2009.

In the third quarter 2010, revenues in the Austrian segment declined by 5.7% to EUR 758.3 million year on year due to reductions in Monthly Fee and Traffic Revenues as well as Wholesale (incl. Roaming) and Interconnection revenues. Monthly Fee and Traffic Revenues declined by EUR 11.9 million to EUR 532.9 million driven by lower prices and the continued loss of fixed line minutes.

Revenue decline driven by loss of fixed line minutes

Revenues from Data & ICT Solutions increased by EUR 7.8 million to EUR 53.9 million due to a regrouping of a revenue position from Wholesale (incl. Roaming) revenues to Data & ICT Solutions and a pickup in demand.

Including the above mentioned effect Wholesale (incl. Roaming) revenues declined by 25.2% to EUR 44.3 million as further regulatory cuts of roaming led to lower price levels. Interconnection revenues declined by 13.7% to EUR 92.5 million due to further cuts of national and international mobile termination rates.

Equipment revenues declined from EUR 29.9 million in the third quarter of 2009 to EUR 24.1 million in the third quarter of 2010 as fewer handsets were sold.

One-off of EUR 10.2 million in third quarter of 2009

Other operating income declined to EUR 18.2 million due to a one-off reimbursement from the government in the amount of EUR 10.2 million for investments into telecommunication surveillance equipment that was recorded in the third quarter 2009.

Loss of fixed net minutes drives ARPL decline

Average revenue per fixed access line (ARPL) declined by 1.8% to EUR 33.2 in the third quarter 2010 compared to EUR 33.8 in the third quarter of the previous year. A further reduction of 11.6% to 713.2 million fixed line voice minutes due to fixed-to-mobile substitution was the major driver for ARPL decline in the third quarter of 2010. In the mobile communication market, blended average revenue per user (ARPU) decreased by 7.1% to EUR 22.3 in the third quarter 2010 compared to EUR 24.0 in the third quarter of 2009 mainly due to lower prices and lower interconnection tariffs. Furthermore, blended ARPU declined due to a higher number of no-frills customers and a migration towards package tariffs. Data ARPU increased by 4.3% to EUR 7.2 in the third quarter of 2010.

The impact of lower revenues on EBITDA comparable was mitigated by a 4.8% decline of operating expenses to EUR 515.3 million. EBITDA comparable declined from EUR 297.6 million in the third quarter of 2009 to EUR 261.2 million in the third quarter of 2010. Material expenses declined by 8.9% to EUR 59.1 million due to a lower number of handsets sold. Employee costs increased from EUR 152.6 million to EUR 157.1 million, whilst headcount was reduced by 4.5% from 10,302 to 9,834 full time equivalents at the end of the third quarter of 2010 versus the end of the third quarter of 2009. Interconnection costs declined by 12.2% to EUR 87.6 million as a result of further cuts in national and international mobile termination rates and due to lower volumes. Costs for maintenance and repairs remained stable at EUR 34.5 million in the third quarter 2010, while costs for service received declined by 10.7% to EUR 46.6 million due to lower inter operator tariffs. Operating expenses related to the integration of the fixed and mobile operations amounted to EUR 5.5 million in the third quarter of 2010.

Mobile subscriber acquisition costs (SAC) increased by 19.3% to EUR 13.0 million as a result of promotions for smartphones while mobile subscriber retention costs (SRC) decreased by 12.8% from EUR 22.7 million to EUR 19.8 million mainly due to lower subsidies for handsets.

EBITDA comparable margin declined to 34.4% during the third quarter of 2010 from 37.0% during the same quarter of the previous year as cost savings could only partly offset negative impacts of declining prices and regulatory pressure.

Restructuring charge of EUR 12.3 million

In the third quarter of 2010 total restructuring charges amounted to EUR 12.3 million comprising a EUR 10.0 million charge for the transfers of civil servants to government bodies as well as an additional restructuring charge of EUR 2.3 million related to the restructuring program of 2008.

Operating income declined by 33.9% from EUR 134.5 million to EUR 88.9 million in the third quarter of 2010.

In the third quarter of 2010 A1 Telekom Austria participated in the 2.6 GHz auction, which was finalized on September 20, 2010. Four paired and five unpaired blocks were acquired for a total consideration of EUR 13.2 million, payable in the fourth quarter of 2010.

Bulgaria

Key Performance Indicators Bulgaria

in EUR million	Q3 2010	Q3 2009	% change
Revenues	140.4	157.7	-11.0%
EBITDA comparable	77.3	89.6	-13.8%
EBITDA (incl. Restructuring and Impairment Charges)	77.3	89.6	-13.8%
EBIT	32.5	44.8	-27.5%
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Mobile Subscribers ('000)	5,235.8	5,242.9	-0.1%
Mobile Market Share	50.0%	49.7%	
Mobile Penetration	139.0%	139.4%	
Mobile Broadband Customers	97,792	50,706	92.9%
ARPU	8.2	9.1	-9.9%

Despite a continued challenging economic environment MobilTel's subscriber base remained almost stable at 5.2 million customers at the end of the third quarter of 2010. The mobile market share increased slightly to 50.0%. Mobile broadband exhibited a strong performance with the subscriber base growing by 92.9% to almost 97,800 mobile broadband customers.

Market share rises to 50.0%

In light of economic headwinds, intense competitive pressure and regulatory interventions total revenues declined by 11.0% to EUR 140.4 million in the third quarter of 2010 compared to the same period last year. Monthly Fee and Traffic Revenues were impacted by lower prices for voice minutes due to competitive pressure and a shift to package tariffs. Interconnection revenues were negatively impacted by regulation as termination rates dropped by approximately 43% on a year-on-year comparison.

Average revenue per user (ARPU) declined by 9.9% to EUR 8.2 reflecting the above mentioned shift to package tariffs as well as lower traffic volumes and lower mobile termination rates.

7.6% decline operating expenses

Operating expenses were reduced by 7.6% to EUR 64.5 million in the third quarter of 2010 partially bolstering the impact of declining revenues on EBITDA comparable.

On September 15, 2010 MobilTel announced the planned acquisition of SpectrumNet Orbitel and Megalan, two local fixed net operators in Bulgaria. The acquisitions are expected to be included in the accounts of the Bulgarian segment as of the first quarter of 2011.

Croatia

Key Performance Indicators Croatia

in EUR million	Q3 2010	Q3 2009	% change
Revenues	135.2	142.8	-5.3%
EBITDA comparable	58.0	65.0	-10.8%
EBITDA (incl. Restructuring and Impairment Charges)	58.0	65.0	-10.8%
EBIT	41.3	48.1	-14.3%
<hr/>			
Mobile Subscribers ('000)	2,701.9	2,606.1	3.7%
Mobile Market Share	43.6%	42.9%	
Mobile Penetration	140.6%	137.8%	
Mobile Broadband Customers	178,742	125,111	42.9%
ARPU	12.0	12.6	-4.8%

Mobile broadband customer growth of 42.9%

Despite a challenging environment Vipnet increased its mobile subscriber base by 3.7% to 2.7 million customers and strengthened its contract share to almost 25.0%. Market share rose to 43.6% at the end of September 2010 compared to 42.9% in the same period of the prior year. Moreover, Vipnet's mobile broadband subscriber base increased by 42.9% to more than 178,700 customers.

The revenue decline of 5.3% to EUR 135.2 million was mainly driven by lower roaming revenues due to lower inter operator tariffs during the third quarter 2010. Monthly Fee and Traffic Revenues decreased due to lower voice volumes as a result of lower customer spending driven by the challenging economic environment in Croatia. Interconnection revenues remained stable during the third quarter of 2010 as an increase in interconnection relevant minutes balanced falling interconnection rates.

Average revenue per user (ARPU) fell to EUR 12.0 in the third quarter of 2010 compared to EUR 12.6 in the same period of the previous year.

Operating expenses declined slightly by 0.9% to EUR 77.4 million as cost saving measures offset the impact of the 6% mobile revenue tax that was introduced on August 1, 2009. EBITDA comparable declined by 10.8% to EUR 58.0 million in the third quarter of 2010.

Operating income of Vipnet declined by 14.3% to EUR 41.3 million in the third quarter of 2010.

Belarus*

Key Performance Indicators Belarus

in EUR million	Q3 2010	Q3 2009	% change
Revenues	93.2	77.2	20.8%
EBITDA comparable	42.2	36.1	17.0%
EBITDA (incl. Restructuring and Impairment Charges)	42.2	-253.9	n.a.
EBIT	20.8	-271.3	n.a.
Mobile Subscribers ('000)	4,224.7	3,981.3	6.1%
Mobile Market Share	42.0%	43.5%	
Mobile Penetration	108.2%	94.4%	
Mobile Broadband Customers	86,222	0.0	n.a.
ARPU	6.7	6.2	8.1%

In the third quarter of 2010 Velcom increased its subscriber base by 6.1% to 4.2 million customers, supported by strong growth of mobile broadband customers. However, competitive pressure from the third operator led to a slight decrease of market share to 42.0%.

Revenue growth of 20.8% as mobile subscriber base rises by 6.1%

In the third quarter of 2010 revenues of Velcom grew by 20.8% to EUR 93.2 million as a consequence of the higher mobile communication subscriber base, which led to an increase in Monthly Fee and Traffic Revenues. Equipment revenues were bolstered by the introduction of netbooks to the market in July 2010. Foreign exchange translation impacted revenues positively by EUR 3.8 million in the third quarter of 2010.

As a result of higher usage, average revenue per user (ARPU) increased to EUR 6.7 in the third quarter of 2010 from EUR 6.2 in the same period of the previous year.

ARPU increases to EUR 6.7

Despite an increase in operating expenses from EUR 40.4 million to EUR 52.3 million driven by higher material expenses, EBITDA comparable grew by 17.0% to EUR 42.2 million. A EUR 2.0 million foreign currency translation effect positively impacted EBITDA comparable.

EBITDA including restructuring and impairment charges increased to EUR 42.2 million as an impairment charge of EUR 290 million was recorded in the third quarter of 2009 due to the devaluation of the Belarus Ruble. Consequently, operating income increased to EUR 20.8 million in the third quarter of 2010.

* The reported operating income represents the contribution of the subsidiaries to the consolidated operating income of operations of the Telekom Austria Group including amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the results of the single financial statements.

Additional Markets

Slovenia

Key Performance Indicators Slovenia in EUR million

	Q3 2010	Q3 2009	% change
Revenues	47.3	48.5	-2.5%
EBITDA comparable	12.2	13.7	-11.1%
EBITDA (incl. Restructuring and Impairment charges)	12.2	13.7	-11.1%
EBIT	6.9	8.0	-13.0%
Mobile Subscribers ('000)	605.3	580.3	4.3%
Mobile Market Share	28.8%	27.9%	
Mobile Penetration	102.1%	102.4%	
Mobile Broadband Customers	14,544	11,572	25.7%
ARPU	21.7	23.0	-5.7%

Si.mobil market share increases to 28.8%

In the third quarter of 2010 the mobile subscriber base of Si.mobil increased by 4.3% to more than 605,000 customers. Successful marketing campaigns resulted in the increase of the contract subscriber base by 7.5% to more than 428,000 mobile customers. The market share rose from 27.9% at the end of September 2009 to 28.8% at the end of September 2010.

Revenues of Si.mobil decreased slightly by 2.5% to EUR 47.3 million compared to EUR 48.5 million in the third quarter of 2009. Higher fixed fees and a higher subscriber number bolstered lower Monthly Fee and Traffic Revenues but could not offset lower voice volumes and lower interconnection and roaming prices.

In the third quarter 2010 average revenue per user (ARPU) declined by 5.7% to EUR 21.7 as a result of lower mobile termination rates and lower roaming prices.

Efficient cost management led to a decline of operating expenses by 2.5% and mitigated the impact of lower revenues on EBITDA comparable, which declined to EUR 12.2 million in the third quarter of 2010.

Operating income declined to EUR 6.9 million in the third quarter of 2010 compared to EUR 8.0 million in the same period of the previous year.

Republic of Serbia

Key Performance Indicators Republic of Serbia

in EUR million	Q3 2010	Q3 2009	% change
Revenues	27.6	22.7	21.6%
EBITDA comparable	3.3	-3.9	n.a.
EBITDA (incl. Restructuring and Impairment charges)	3.3	-65.9	n.a.
EBIT	-7.5	-80.7	-90.7%
Mobile Subscribers ('000)	1,280.6	1,070.1	19.7%
Mobile Market Share	13.0%	11.5%	
Mobile Penetration	132.1%	124.6%	
ARPU	6.4	5.9	8.5%

Vip mobile in the Republic of Serbia continued to grow its mobile subscriber base reaching almost 1.3 million customers at the end of the third quarter 2010. An increase of contract share supported the 8.5% increase of average revenue per user (ARPU) to EUR 6.4. Market share increased to 13.0% in the third quarter of 2010.

Vip mobile's market share increases to 13.0%

In the third quarter of 2010 revenues of Vip mobile increased by 21.6% to EUR 27.6 million as a higher number of mobile subscribers fuelled Monthly Fee and Traffic Revenues. Interconnection revenues increased due to a higher usage per subscriber as well as a growing customer base. Foreign currency translation impacted revenues negatively by EUR 3.4 million. On a local currency basis revenues grew by 36.5%.

Operating expenses declined by 5.9% to EUR 25.1 million leading to a positive EBITDA comparable of EUR 3.3 million in the third quarter of 2010. Foreign currency translations negatively impacted EBITDA comparable by 4.8% or EUR 0.2 million.

Operating expenses decline by 5.9%

Operating loss was reduced to EUR 7.5 million compared to a loss of EUR 80.7 million, as a one-off impairment charge for the license in the amount of EUR 62.0 million negatively impacted the previous year's result.

Republic of Macedonia

Key Performance Indicators Republic of Macedonia in EUR million

	Q3 2010	Q3 2009	% change
Revenues	10.2	6.1	66.8%
EBITDA comparable	0.1	-2.8	n.a.
EBITDA (incl. Restructuring and Impairment charges)	0.1	-2.8	n.a.
EBIT	-2.2	-4.7	-53.9%
Mobile Subscribers ('000)	388.2	265.5	46.2%
Mobile Market Share	19.0%	12.9%	
Mobile Penetration	99.7%	100.5%	
ARPU	7.5	6.8	10.3%

Vip operator's market share up to 19.0%

The mobile communication subscriber base of Vip operator in the Republic of Macedonia almost doubled to more than 388.000 customers in the third quarter of 2010. This was driven by a strong growth of its contract subscriber base as Vip operator's contract share increased to 31.6% in the third quarter of 2010 compared to 27.4% in the same period of the previous year. This pushed Vip operators market share from 12.9% at the end of September 2009 to 19.0% at the end of September 2010.

Vip operator's revenues grew by 66.8% to EUR 10.2 million in the third quarter of 2010 compared to the same period of the previous year as Monthly Fee and Traffic as well as Interconnection Revenues increased as a result of a higher number of mobile subscribers.

EBITDA comparable positive

Operating expenses increased by almost 15% to EUR 10.3 million, due to the higher number of mobile customers and more handsets sold. Vip operator achieved a positive EBITDA comparable of EUR 0.1 million versus a negative EBITDA comparable of EUR 2.8 million in the third quarter of 2009.

Thus, the operating loss declined by 53.9% to EUR 2.2 million in the third quarter of 2010 compared to EUR 4.7 million in the same period of the prior year.

Consolidated Net Income

In the third quarter of 2010 the financial result improved by 1.3% to EUR 55.4 million from EUR 54.7 million in the same period of the previous year.

Net interest expense declined by 6.8% to EUR 50.5 million due to lower interest bearing liabilities in the third quarter of 2010. Foreign exchange differences resulted in a loss of EUR 6.2 million.

Income tax expenses amounted to EUR 24.0 million leading to a net income of EUR 96.5 million in the third quarter of 2010. In the third quarter of 2009 net income amounted to a loss of EUR 136.3 million due to impairments in the Belarusian and Additional Markets segments.

Basic and diluted earnings per share increased to EUR 0.22 in the third quarter 2010 from a loss of EUR 0.31 in the third quarter 2009.

Cash Flow and Capital Expenditures

Cash Flow

in EUR million	Q3 2010	Q3 2009	% change
Cash from operations	372.7	368.0	1.3%
Cash from investing	-89.4	-96.9	-7.7%
Cash from financing	363.0	-22.8	n.a.
Effect of exchange rate changes	6.8	2.3	193.2%
Net increase/decrease in cash and cash equivalents	653.1	250.6	160.6%

Cash flow from operating activities increased by 1.3% to EUR 372.7 million as working capital improved by EUR 15.9 million. Lower inventories, higher accounts payables and a decline in other assets were major drivers for the working capital improvement in the third quarter of 2010.

Cash flow from operations increases to EUR 372.7 million

Cash outflow from investing activities declined slightly by 7.7% to EUR 89.4 million as capital expenditures were reduced during the third quarter of 2010.

Cash flow from financing activities increased to EUR 363.0 million due to the issuance of multi-currency notes and an increase of short-term debt as of September 30, 2010.

Capital Expenditures

in EUR million	Q3 2010	Q3 2009	% change
Austria	101.2	102.3	-1.1%
Bulgaria	15.6	11.7	32.7%
Croatia	4.7	9.9	-51.9%
Belarus	7.9	9.4	-16.4%
Additional Markets	17.5	21.1	-17.2%
Corporate & Eliminations	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%

In the third quarter of 2010 capital expenditures declined by 5.0% to EUR 146.8 million. While capital expenditures in the Austrian segment remained stable, capital expenditures in the Bulgarian segment increased by 32.7% to EUR 15.6 million, due to infrastructure investments. In the Croatian, Belarusian and Additional Markets segments capital expenditures declined due to lower access investments.

Total capital expenditures decline by 5.0%

Additional Information

Risks & Uncertainties

The Telekom Austria Group faces various risks and uncertainties that could affect its results. These risks include, but are not limited to, a further reduction of prices for mobile communication services in all of the Telekom Austria Group's markets as well as an acceleration of fixed-to-mobile substitution resulting in further access line loss and a decline in fixed line minutes.

The Telekom Austria Group is also subject to risks related to the planned reduction of the number of employees in the Austrian segment. Furthermore, the Telekom Austria Group is subject to intensive regulation.

Through its expansion into the Eastern and South-Eastern European region, the company operates in markets that have been experiencing political and economic change. This circumstance has affected and may continue to affect the activities of enterprises operating in this environment. Consequently, operations in the Eastern and South-Eastern European region involve uncertainties, including foreign exchange and tax uncertainties that typically do not exist in other markets.

In recent years, the growth of the Telekom Austria Group's business was marked by an expansion to various markets in Eastern and South-Eastern Europe. However, further growth will be affected by a number of factors, over which the Telekom Austria Group has no influence. Further organic growth also depends on the growth of the respective economies and individual telecommunication markets in which the Telekom Austria Group operates.

Further impacts of the economic downturn on the Telekom Austria Group's results cannot be ruled out. In the mobile communication business there are uncertainties with regard to lower roaming revenues as a result of a decrease in travelling. Moreover, customer usage behavior might change as a result of the economic crisis impacting the financial results of the Telekom Austria Group.

Since December 31, 2009 no other material risks than those mentioned above occurred. For further details on risks and uncertainties with respect to the Telekom Austria Group please refer to the annual report 2009.

Personnel

Headcount reduced by 243 full-time employees

The total number of employees of the Telekom Austria Group declined by 243 to 16,559 employees by the end of September 2010 compared to the same period of the previous year.

The workforce in the Austrian segment decreased by 468 to 9,834 full-time equivalents at the end of September 2010. At the international operations the number of full time employees increased by 91 to 6,582 employees.

Other and Subsequent Events

Please refer to page 31 for further information on Other and Subsequent Events for the Telekom Austria Group.

Waiver of Review

This first nine month financial report of the Telekom Austria Group has not been audited nor reviewed by a certified public accountant.

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Operations

in EUR million, except per share information	3Q 10 unaudited	3Q 09 unaudited	1 - 9M 10 unaudited	1 - 9M 09 unaudited
Operating revenues	1,185.4	1,231.7	3,480.1	3,620.5
Other operating income	14.3	26.2	54.6	59.5
Operating expenses				
Materials	-97.2	-102.1	-270.2	-290.3
Employee expenses, including benefits and taxes	-190.7	-183.7	-601.5	-589.5
Other operating expenses	-462.7	-482.3	-1,370.5	-1,405.6
EBITDA comparable	449.1	489.8	1,292.5	1,394.7
Restructuring	-12.3	0.0	-26.0	0.0
Impairment charges	0.0	-352.0	0.0	-352.2
EBITDA incl. restructuring and impairment charges	436.8	137.8	1,266.4	1,042.4
Depreciation and amortization	-260.8	-264.2	-790.0	-818.5
Operating income (loss)	176.0	-126.4	476.4	223.9
Financial result				
Interest income	2.4	5.8	9.8	22.8
Interest expense	-52.9	-60.0	-158.1	-192.3
Foreign exchange differences	-6.2	-0.1	-4.8	-14.2
Other financial result	0.1	-0.5	0.1	-4.1
Equity in earnings of affiliates	1.2	0.1	1.6	0.5
Earnings before income taxes	120.6	-181.1	325.1	36.6
Income taxes	-24.0	44.8	-68.6	-5.3
Net income	96.5	-136.3	256.5	31.3
Attributable to:				
Owners of the parent	96.5	-136.2	256.5	31.5
Non-controlling interests	0.1	-0.1	0.0	-0.2
Basic and fully diluted earnings per share	0.22	-0.31	0.58	0.07
Weighted-average number of ordinary shares outstanding	442,563,969	442,398,222	442,563,969	442,398,222

Condensed Statement of Comprehensive Income

in EUR million	3Q 10 unaudited	3Q 09 unaudited	1 -9M 10 unaudited	1 - 9M 09 unaudited
Net income	96.5	-136.3	256.5	31.3
Unrealized result on securities available-for-sale	0.2	0.5	0.4	1.4
Income tax (expense) benefit	0.0	-0.1	-0.1	-0.3
Realized result on securities available-for-sale	0.0	0.0	0.0	-0.1
Income tax (expense) benefit	0.0	0.0	0.0	0.0
Unrealized result on hedging activities	4.1	1.9	6.5	-9.0
Income tax (expense) benefit	-0.5	0.1	-0.3	0.9
Foreign currency translation adjustment	-86.3	-10.7	-28.5	-317.1
Other comprehensive income (loss)	-82.6	-8.3	-22.1	-324.2
Total comprehensive income (loss)	13.9	-144.6	234.4	-292.9
Attributable to:				
Owners of the parent	13.8	-144.5	234.4	-292.7
Non-controlling interests	0.1	-0.1	0.0	-0.2

Condensed Consolidated Statements of Financial Position

in EUR million	Sept. 30, 2010 unaudited	Dec. 31, 2009 audited
ASSETS		
Current assets		
Cash and cash equivalents	826.4	730.1
Short-term investments	11.0	215.4
Accounts receivable - trade, net of allowances	725.6	668.6
Receivables due from related parties	0.3	3.9
Inventories	131.6	126.4
Prepaid expenses	120.8	121.3
Income taxes receivable	36.1	43.9
Non-current assets held for sale	0.0	3.2
Other current assets	64.4	111.0
Total current assets	1,916.2	2,023.8
Non-current assets		
Investments in associates	6.7	7.5
Financial assets long-term	133.7	137.8
Goodwill	1,493.4	1,493.1
Other intangible assets, net	1,720.6	1,900.3
Property, plant and equipment, net	2,494.7	2,675.2
Other non-current assets	33.6	33.5
Deferred tax assets	205.9	227.5
Receivables due from related parties, finance	0.1	0.0
Total non-current assets	6,088.8	6,474.9
TOTAL ASSETS	8,005.0	8,498.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	-642.1	-856.0
Accounts payable - trade	-505.3	-523.6
Provisions and accrued liabilities	-228.5	-222.8
Payables to related parties	-6.4	-11.4
Income taxes payable	-33.0	-22.5
Other current liabilities	-861.1	-890.9
Deferred income	-155.1	-152.3
Total current liabilities	-2,431.5	-2,679.5
Non-current liabilities		
Long-term debt	-3,005.3	-3,213.7
Lease obligations and Cross Border Lease	-13.3	-21.1
Employee benefit obligation	-129.4	-123.7
Provisions long-term	-688.7	-669.9
Deferred tax liabilities	-133.7	-144.0
Other non-current liabilities and deferred income	-86.6	-32.7
Total non-current liabilities	-4,056.9	-4,205.1
Stockholders' equity		
Common stock	-966.2	-966.2
Treasury shares	8.2	8.2
Additional paid-in capital	-582.9	-582.9
Retained earnings	-407.5	-482.9
Revaluation reserve	9.1	15.5
Translation adjustments	425.4	396.9
Equity attributable to equity holders of the parent	-1,513.9	-1,611.4
Non-controlling interests	-2.7	-2.7
Total stockholders' equity	-1,516.6	-1,614.1
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-8,005.0	-8,498.7

Condensed Consolidated Statements of Cash Flows

in EUR million	3Q 10 unaudited	3Q 09 unaudited	1 - 9M 10 unaudited	1 - 9M 09 unaudited
Cash flow from operating activities				
Net Income	96.5	-136.3	256.5	31.3
Adjustments to reconcile net income to operating cash flow				
Depreciation, amortization and impairment charges	260.8	616.2	790.0	1,170.7
Employee benefit obligation - non-cash	7.0	4.3	10.7	6.4
Bad debt expenses	12.6	17.7	31.1	40.9
Change in deferred taxes	-10.0	-70.0	11.1	-84.2
Equity in earnings of affiliates - non-cash	-1.2	-0.1	-1.6	-0.5
Stock compensation	-0.1	1.2	0.5	1.8
Asset retirement obligation - accretion expense	1.4	1.9	4.1	5.5
Provision for restructuring - non-cash	15.1	8.9	42.1	26.9
Result on sale of investments	-0.1	0.0	-0.1	-1.1
Result on disposal / retirement of equipment	1.7	-0.4	-2.5	-0.4
Other	4.8	-0.4	16.4	18.5
Gross cash flow	388.7	443.0	1,158.2	1,215.8
Changes in assets/liabilities, net of business combinations				
Accounts receivable - trade	-54.4	-49.4	-85.4	-32.1
Receivables due from related parties	0.3	0.1	0.9	0.6
Inventories	8.5	-5.1	-4.0	5.2
Prepaid expenses and other assets	24.4	-1.5	30.9	-29.8
Accounts payable - trade	27.4	6.1	-21.7	-106.7
Employee benefit obligation	-4.5	-4.8	-4.7	-5.2
Provisions and accrued liabilities	-3.0	-15.2	-37.5	-46.9
Other liabilities and deferred income	-14.7	-4.0	2.0	-31.9
Payables due to related parties	0.1	-1.2	-4.2	-6.1
	-15.9	-75.0	-123.8	-252.9
Cash flow from operating activities	372.7	368.0	1,034.4	962.9
Cash flow from investing activities				
Capital expenditures, including interest capitalized	-146.8	-154.5	-443.3	-419.8
Acquisitions of subsidiaries, net of cash acquired	3.5	0.0	3.5	-12.7
Sale of subsidiary, net of cash	3.2	0.0	3.8	7.7
Proceeds from sale of equipment	0.5	3.4	10.3	6.0
Purchase of investments	0.0	-101.7	-221.5	-193.5
Proceeds from sale of investments	50.3	155.9	422.2	162.7
Cash flow from investing activities	-89.4	-96.9	-225.0	-449.6
Cash flow from financing activities				
Proceeds from issuance of long term debt	0.0	0.0	0.0	750.0
Principal payments on long-term debt	0.0	0.0	-579.7	-449.9
Changes in short-term borrowings	324.6	-22.8	162.9	37.4
Dividends paid	0.0	0.0	-331.9	-331.8
Proceeds from derivative financial instruments	38.4	0.0	38.4	0.0
Cash flow from financing activities	363.0	-22.8	-710.3	5.7
Effect of exchange rate changes	6.8	2.3	-2.8	43.1
Change in cash and cash equivalents	653.1	250.6	96.4	562.1
Cash and cash equivalents at beginning of period	173.3	696.3	730.1	384.8
Cash and cash equivalents at end of period	826.4	946.9	826.4	946.9

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserve	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 10	966.2	-8.2	582.9	482.9	-15.5	-396.9	1,611.4	2.7	1,614.1
Total comprehensive income (loss)	0.0	0.0	0.0	256.5	6.4	-28.5	234.4	0.0	234.4
Distribution of dividends	0.0	0.0	0.0	-331.9	0.0	0.0	-331.9	0.0	-331.9
Balance at Sept. 30, 10	966.2	-8.2	582.9	407.5	-9.1	-425.4	1,513.9	2.7	1,516.6

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserve	Translation adjustment	Total	Non-controlling interest	Total stockholder's equity
Balance at January 1, 09	1,003.3	-330.8	547.3	1,005.2	-13.4	-56.1	2,155.5	0.1	2,155.6
Total comprehensive income (loss)	0.0	0.0	0.0	31.5	-7.1	-317.1	-292.7	-0.2	-292.9
Distribution of dividends	0.0	0.0	0.0	-331.8	0.0	0.0	-331.8	0.0	-331.8
Retirement of Treasury shares	-37.1	319.5	37.1	-286.0	0.0	0.0	33.5	0.0	33.5
Addition from acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	2.9
Balance at Sept. 30, 09	966.2	-11.3	584.4	419.0	-20.6	-373.2	1,564.5	2.8	1,567.3

	Sept. 30, 2009	Dec. 31, 2009	Sept. 30, 09
Number of shares of common stock	443,000,000	443,000,000	443,000,000
Number of treasury shares	436,031	436,031	601,778
Average purchase price of treasury shares	18.80	18.80	18.80

Condensed Segment Reporting

	1 -9M 10							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	2,278.1	394.9	330.3	253.0	223.8	0.0	0.0	3,480.1
Intersegmental revenues	19.1	22.7	15.8	0.1	12.3	0.0	-70.0	0.0
Total revenues	2,297.2	417.6	346.1	253.1	236.1	0.0	-70.0	3,480.1
Other operating income	70.8	3.0	0.9	3.6	3.0	28.9	-55.8	54.6
Segment expenses	-1,554.8	-193.9	-224.1	-137.6	-209.6	-32.7	110.5	-2,242.2
EBITDA comparable	813.3	226.7	122.9	119.2	29.5	-3.8	-15.3	1,292.5
Restructuring	-26.0	0.0	0.0	0.0	0.0	0.0	0.0	-26.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. restructuring and impairment charges	787.2	226.7	122.9	119.2	29.5	-3.8	-15.3	1,266.4
Depreciation and amortization	-493.9	-130.2	-50.5	-60.3	-55.6	0.0	0.6	-790.0
Operating income (loss)	293.3	96.5	72.4	58.9	-26.1	-3.8	-14.6	476.4
Interest income	6.5	1.2	0.4	0.7	0.9	26.8	-26.7	9.8
Interest expense	-49.6	-0.2	-0.6	-0.6	-0.6	-133.4	26.7	-158.1
Equity in earnings of affiliates	1.6	0.0	0.0	0.0	0.0	0.0	0.0	1.6
Other financial result	107.4	0.0	-0.7	-0.8	-1.6	512.0	-621.0	-4.7
Earnings before income taxes	359.2	97.5	71.5	58.2	-27.4	401.6	-635.7	325.1
Income taxes								-68.6
Net income (loss)								256.5
Segment assets	4,217.1	1,610.8	510.1	832.6	713.8	7,343.3	-7,222.6	8,005.0
Segment liabilities	-2,448.4	-99.3	-133.7	-89.1	-117.0	-5,138.5	1,537.6	-6,488.4
Capital expenditures - intangible	71.9	16.5	3.6	0.4	11.1	0.0	0.0	103.5
Capital expenditures - tangible	218.5	25.3	33.7	30.4	32.0	0.0	0.0	339.8
Total capital expenditures	290.4	41.8	37.2	30.8	43.1	0.0	0.0	443.3

	1 - 9M 09							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	2,391.2	449.7	349.1	225.4	205.2	0.0	0.0	3,620.5
Intersegmental revenues	21.0	15.8	18.4	0.2	16.4	0.0	-71.8	0.0
Total revenues	2,412.2	465.5	367.5	225.5	221.6	0.0	-71.8	3,620.5
Other operating income	80.4	4.0	0.8	4.0	5.4	13.5	-48.6	59.5
Segment expenses	-1,589.9	-215.4	-230.2	-118.0	-218.8	-31.1	118.0	-2,285.3
EBITDA comparable	902.7	254.1	138.2	111.5	8.2	-17.6	-2.4	1,394.7
Restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	-0.2	0.0	0.0	-290.0	-62.0	0.0	0.0	-352.2
EBITDA incl. restructuring and impairment charges	902.5	254.1	138.2	-178.5	-53.8	-17.6	-2.4	1,042.4
Depreciation and amortization	-510.7	-134.9	-52.7	-53.8	-66.7	0.0	0.5	-818.5
Operating income (loss)	391.7	119.2	85.5	-232.3	-120.5	-17.6	-1.9	223.9
Interest income	18.3	1.1	1.3	1.1	1.2	72.4	-72.8	22.8
Interest expense	-64.0	-0.2	-0.4	-1.4	-2.4	-196.9	72.8	-192.3
Equity in earnings of affiliates	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Other financial result	-5.0	0.0	-0.7	-10.9	0.0	423.6	-425.4	-18.3
Earnings before income taxes	341.7	120.1	85.8	-243.4	-121.7	281.5	-427.3	36.6
Income taxes								-5.3
Net income (loss)								31.3
Segment assets	4,614.2	1,623.2	499.0	849.4	727.3	8,174.6	-7,915.7	8,572.0
Segment liabilities	-2,994.5	-94.8	-110.1	-82.3	-136.5	-5,684.7	2,098.0	-7,004.8
Capital expenditures - intangible	59.0	27.3	9.5	2.8	12.1	0.0	0.0	110.6
Capital expenditures - tangible	180.7	32.4	33.9	17.4	44.6	0.0	0.0	309.2
Total capital expenditures	239.7	59.7	43.4	20.2	56.7	0.0	0.0	419.8

Results by Segments

in EUR million (unaudited)	3Q 10	3Q 09	% change	1 - 9M 10	1 - 9M 09	% change
Revenues						
Austria	758.3	804.2	-5.7%	2,297.2	2,412.2	-4.8%
Bulgaria	140.4	157.7	-11.0%	417.6	465.5	-10.3%
Croatia	135.2	142.8	-5.3%	346.1	367.5	-5.8%
Belarus	93.2	77.2	20.8%	253.1	225.5	12.2%
Additional markets	86.7	80.5	7.7%	236.1	221.6	6.5%
Corporate, Other & Eliminations	-28.5	-30.7	-7.0%	-70.0	-71.8	-2.6%
Revenues	1,185.4	1,231.7	-3.8%	3,480.1	3,620.5	-3.9%
EBITDA comparable						
Austria	261.2	297.6	-12.2%	813.3	902.7	-9.9%
Bulgaria	77.3	89.6	-13.8%	226.7	254.1	-10.8%
Croatia	58.0	65.0	-10.8%	122.9	138.2	-11.1%
Belarus	42.2	36.1	17.0%	119.2	111.5	6.8%
Additional markets	16.1	7.6	112.4%	29.5	8.2	259.1%
Corporate, Other & Eliminations	-5.6	-5.9	-5.0%	-19.1	-20.1	-4.9%
EBITDA comparable	449.1	489.9	-8.3%	1,292.5	1,394.7	-7.3%
EBITDA incl. restructuring and impairment charges						
Austria	248.8	297.6	-16.4%	787.2	902.5	-12.8%
Bulgaria	77.3	89.6	-13.8%	226.7	254.1	-10.8%
Croatia	58.0	65.0	-10.8%	122.9	138.2	-11.1%
Belarus	42.2	-253.9	-116.6%	119.2	-178.5	-166.8%
Additional markets	16.1	-54.4	-129.6%	29.5	-53.8	-154.9%
Corporate, Other & Eliminations	-5.6	-5.9	-5.0%	-19.1	-20.1	-4.9%
EBITDA incl. restructuring and impairment charges	436.8	137.8	217.1%	1,266.4	1,042.4	21.5%
Operating income (loss)						
Austria	88.9	134.5	-33.9%	293.3	391.7	-25.1%
Bulgaria	32.5	44.8	-27.5%	96.5	119.2	-19.0%
Croatia	41.3	48.1	-14.3%	72.4	85.5	-15.3%
Belarus	20.8	-271.3	-107.7%	58.9	-232.3	-125.3%
Additional markets	-2.1	-76.6	-97.2%	-26.1	-120.5	-78.3%
Corporate, Other & Eliminations	-5.4	-5.7	-6.1%	-18.5	-19.6	-5.7%
Operating income (loss)	176.0	-126.4	-239.2%	476.4	223.9	112.8%

Capital Expenditures

in EUR million (unaudited)	3Q 10	3Q 09	% change	1 - 9M 10	1 - 9M 09	% change
Austria	101.2	102.3	-1.1%	290.4	239.7	21.1%
Bulgaria	15.6	11.7	32.7%	41.8	59.7	-30.0%
Croatia	4.7	9.9	-51.9%	37.2	43.4	-14.1%
Belarus	7.9	9.4	-16.4%	30.8	20.2	52.2%
Additional markets	17.5	21.1	-17.2%	43.1	56.7	-23.9%
Total capital expenditures	146.8	154.5	-5.0%	443.3	419.8	5.6%
Thereof tangible	113.2	111.2	1.8%	339.8	309.2	9.9%
Thereof intangible	33.6	43.3	-22.4%	103.5	110.6	-6.4%

Net Debt

in EUR million	Sept. 30, 2010 unaudited	Dec. 31, 2009 audited
Long-term debt	3,072.5	3,234.8
Short-term borrowings	1,274.3	1,501.6
Cash and cash equivalents, short-term and long-term investments, finance lease receivables	-987.4	-1,099.0
Derivative financial instruments for hedging purposes	-9.4	-22.5
Net debt *	3,350.0	3,614.8
Net debt/EBITDA comparable (last 12 months)	2,0x	2,0x

* Cross border lease and finance lease obligations are included in long-term debt and short-term borrowings. Deposits for cross border lease are included in short-term and long-term investments. The purchase price obligation related to the acquisition of SBT is included in short-term borrowings and long-term debt.

Personell

Personnel (full-time equivalent)	Sept. 30, 2010	Sept. 30, 2009	End of period change	Q3 2010	Q3 2009	Average of period change
Austria	9,834	10,302	-4.5%	9,967	10,326	-3.5%
International Operations	6,583	6,491	1.4%	6,526	6,472	0.8%
Total	16,559	16,802	-1.4%	16,571	16,807	-1.4%

Key Data - Segment Austria

Financials - Segment Austria

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1-9 M 2010	1-9 M 2009	% change
Revenues	758.3	804.2	-5.7%	2,297.2	2,412.2	-4.8%
EBITDA comparable	261.2	297.6	-12.2%	813.3	902.7	-9.9%
EBITDA (incl. Restructuring and Impairment Charges)	248.8	297.6	-16.4%	787.2	902.5	-12.8%
EBIT	88.9	134.5	-33.9%	293.3	391.7	-25.1%

Revenue detail - Austria

	1-9 M 2010	1-9 M 2009	% change
Monthly Fee and Traffic	1,571.2	1,638.3	-4.1%
Data & ICT Solutions	155.0	136.5	13.5%
Wholesale (incl. Roaming)	157.8	187.2	-15.7%
Interconnection	301.9	325.2	-7.2%
Equipment	67.4	80.3	-16.0%
Other Operating Income	44.0	44.6	-1.6%
Total revenues Austria	2,297.2	2,412.2	-4.8%

Key Data Segment Austria

Key Data Fixed Line - Austria	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Average revenues per access line (ARPL)	33.2	33.8	-1.8%	33.1	34.1	-2.9%
Total voice minutes	713	807	-11.6%	2,242	2,559	-12.4%
Lines (in '000)	Q3 2010	Q3 2009	% change			
Access lines (without broadband lines)	1,183.6	1,326.6	-10.8%			
Fixed broadband retail lines	1,073.2	930.8	15.3%			
Fixed broadband wholesale lines	46.3	51.8	-10.6%			
Fixed broadband lines	1,119.4	982.6	13.9%			
Total access lines	2,303.0	2,309.2	-0.3%			
Lines unbundled	276.7	287.7	-3.8%			

Austrian Telecommunications Market

Broadband Market Shares	Q3 2010	Q3 2009	% change
A1 Telekom Austria Fixed Line Retail	30.3%	30.1%	
A1 Telekom Austria Fixed Line Wholesale	1.3%	1.8%	
Mobile broadband A1 Telekom Austria	17.4%	16.2%	
Mobile broadband other operators	28.0%	25.6%	
Cable	15.8%	17.6%	
Unbundled lines	7.2%	8.7%	
Broadband penetration - Total market	99.3%	86.8%	

Voice Market Shares	Q3 2010	Q3 2009	% change
Fixed Line A1 Telekom Austria	12.6%	14.4%	
Fixed Line Others	7.2%	8.1%	
Mobile	80.2%	77.5%	

Key Data Mobile Communication	Q3 2010	Q3 2009	% change			
Mobile Communication Customers ('000)	5,017.5	4,719.4	6.3%			
Contract share	75.4%	71.9%	4.8%			
Mobile Market Share	41.5%	42.4%				
Mobile Penetration	144.0%	133.0%				
	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Average monthly revenue per User (in EUR)	22.3	24.0	-7.1%	22.2	24.7	-10.1%
Data as a portion of traffic-related revenues	42.5%	36.7%	15.7%	41.3%	36.4%	13.6%
Subscriber acquisition cost (SAC)	13.0	10.9	19.3%	28.8	36.6	-21.3%
Subscriber retention cost (SRC)	19.8	22.7	-12.8%	56.6	61.8	-8.4%
Churn (3 Months)	3.4%	3.7%		10.5%	11.0%	

Key Data Segment Bulgaria

Bulgaria						
in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	140.4	157.7	-11.0%	417.6	465.5	-10.3%
EBITDA comparable	77.3	89.6	-13.8%	226.7	254.1	-10.8%
EBITDA (incl. Restructuring and Impairment Charges)	77.3	89.6	-13.8%	226.7	254.1	-10.8%
EBIT	32.5	44.8	-27.5%	96.5	119.2	-19.0%
Average monthly revenue per User (in EUR)	8.2	9.1	-9.9%	8.2	9.1	-9.9%
Data as a portion of traffic-related revenues	17.1%	16.2%		17.3%	14.9%	
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				5,235.8	5,242.9	-0.1%
Mobile Market Share				50.0%	49.7%	
Mobile Penetration				139.0%	139.4%	
Mobile Broadband Customers				97,792	50,706	92.9%

Key Data Segment Croatia

Croatia						
in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	135.2	142.8	-5.3%	346.1	367.5	-5.8%
EBITDA comparable	58.0	65.0	-10.8%	122.9	138.2	-11.1%
EBITDA (incl. Restructuring and Impairment Charges)	58.0	65.0	-10.8%	122.9	138.2	-11.1%
EBIT	41.3	48.1	-14.3%	72.4	85.5	-15.3%
Average monthly revenue per User (in EUR)	12.0	12.6	-4.8%	11.5	12.3	-6.5%
Data as a portion of traffic-related revenues	26.5%	31.2%		27.0%	30.9%	
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				2,701.9	2,606.1	3.7%
Mobile Market Share				43.6%	42.9%	
Mobile Penetration				140.6%	137.8%	
Mobile Broadband Customers				178,742	125,111	42.9%

Key Data Segment Belarus

Belarus

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	93.2	77.2	20.8%	253.1	225.5	12.2%
EBITDA comparable	42.2	36.1	17.0%	119.2	111.5	6.8%
EBITDA (incl. Restructuring and Impairment Charges)	42.2	-253.9	n.a.	119.2	-178.5	n.a.
EBIT	20.8	-271.3	n.a.	58.9	-232.3	n.a.
Average monthly revenue per User (in EUR)	6.7	6.2	8.1%	6.2	6.3	-1.6%
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				4,224.7	3,981.3	6.1%
Contract Share				77.8%	75.9%	
Market Share				42.0%	43.5%	
Market Penetration				108.2%	94.4%	
Mobile Broadband Customers				86,222	0	n.a.

Key Data - Segment Additional Markets

Slovenia

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	47.3	48.5	-2.5%	129.0	136.6	-5.6%
EBITDA comparable	12.2	13.7	-11.1%	35.3	35.4	-0.2%
EBITDA (incl. Restructuring and Impairment Charges)	12.2	13.7	-11.1%	35.3	35.4	-0.2%
EBIT	6.9	8.0	-13.0%	19.6	18.3	7.0%
Average monthly revenue per User (in EUR)	21.7	23.0	-5.7%	20.6	22.0	-6.4%
Data as a portion of traffic-related revenues	28.1%	23.1%		26.4%	21.7%	
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				605.3	580.3	4.3%
Mobile broadband subscribers ('000)				14,544	11,572	25.7%
Contract Share				70.7%	68.6%	
Market Share				28.8%	27.9%	
Market Penetration				102.1%	102.4%	

* The reported operating income represents the contribution of the subsidiaries to the consolidated operating income of operations of the Telekom Austria Group including amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the results of the single financial statements.

Key Data - Segment Additional Markets

Republic of Serbia

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	27.6	22.7	21.6%	76.7	56.5	35.8%
EBITDA comparable	3.3	-3.9	-186.2%	-3.8	-18.1	-78.9%
EBITDA (incl. Restructuring and Impairment Charges)	3.3	-65.9	-105.1%	-3.8	-80.1	-95.2%
EBIT	-7.5	-80.7	-90.7%	-37.0	-124.8	-70.4%
Average monthly revenue per User (in EUR)	6.4	5.9	8.5%	6.1	5.3	15.1%
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				1,280.6	1,070.1	19.7%
Market Share				13.0%	11.5%	
Market Penetration				132.1%	124.6%	

Republic of Macedonia

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	10.2	6.1	66.8%	25.6	15.3	67.7%
EBITDA comparable	0.1	-2.8	-104.5%	-3.0	-11.2	-73.0%
EBITDA (incl. Restructuring and Impairment Charges)	0.1	-2.8	-104.5%	-3.0	-11.2	-73.0%
EBIT	-2.2	-4.7	-53.9%	-9.6	-16.4	-41.4%
Average monthly revenue per User (in EUR)	7.5	6.8	10.3%	6.7	6.0	11.7%
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				388.2	265.5	46.2%
Market Share				19.0%	12.9%	
Market Penetration				99.7%	100.5%	

Liechtenstein

in EUR million (unaudited)	Q3 2010	Q3 2009	% change	1- 9 M 2010	1-9 M 2009	% change
Revenues	1.7	3.3	-47.5%	5.1	13.5	-61.8%
EBITDA comparable	0.5	0.8	-44.8%	1.2	2.7	-56.1%
EBITDA (incl. Restructuring and Impairment Charges)	0.5	0.8	-44.8%	1.2	2.7	-56.1%
EBIT	0.3	0.7	-58.1%	0.6	2.1	-72.4%
				Q3 2010	Q3 2009	% change
Mobile Communication Subscribers ('000)				6.3	6.2	1.6%

Selected Explanatory Notes to the Consolidated Interim Financial Statements (unaudited)

Basis of Presentation

The consolidated interim financial statements, in the opinion of management, include all adjustments necessary for a fair presentation in accordance with International Financial Reporting Standards (IFRS).

These financial results in accordance with IAS 34 "Interim Financial Reporting" are not audited or reviewed and should be read in connection with the Company's annual consolidated financial statements according to IFRS for the year ended December 31, 2009. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees occurred since December 31, 2009.

The preparation of the interim financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The Company has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended December 31, 2009 except for "IFRIC 17- Distributions of Non-cash Assets to Owners, IFRIC 18- Transfers of Assets from Customers, IFRIC 9 and IAS 39- Amendments to IFRIC 9 and IAS 39: Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement: Eligible Hedged Items, IFRS 2 - Group Cash-settled Share-based Payment Transactions, IFRS 1 - Additional Exemptions, IFRS 3 and IAS 27 - Business Combinations, Consolidated and Separate Financial Statements, IAS 39 and IFRS 7 - Reclassification of Financial Assets: Effective Date" which became effective during 2009 and as of January 1, 2010.

The Company has adopted these standards/interpretations as of January 1, 2010. The effects of these new Standards/Interpretations, if any, on the consolidated financial statements were insignificant.

Compared to other economic sectors the telecommunications industry is in general less cyclical. Within the telecommunication sector the seasonality of the Company's segments shows the same pattern as other European incumbents, having lower margins in the year-end quarter due to Christmas promotions, equipment provided to customers and increases in sales commissions. However, customer and visitor roaming revenues are above average in the third quarter due to the summer vacation season. In Austria visitor roaming is also above average in the first quarter due to winter sports tourism.

Segment Reporting – Change in Reporting Structure

Telekom Austria Group has realigned its management structure due to the increasing demand for convergent products. As a result, segment reporting is based on geographical markets, instead of the segmentation in fixed and mobile business. The Telekom Austria Group reports separately on the five operating segments, Austria, Bulgaria, Croatia, Belarus and Additional Markets.

Under the segment Austria former Fixed Net segment and Mobile Communication segment in Austria is reported. The segment offers convergent products for voice telephony, internet access, data and IT solutions, value added services, wholesale services, television broadcasting (aonTV), mobile business and payment solutions in Austria.

The segment Bulgaria provides voice telephony (mobile and fixed telephone service), access to emergency services, directory services, internet access, data and IT solutions, value added services, wholesale services, the sale of end-user terminal equipment and payment solutions in Bulgaria.

The segment Croatia provides mobile and fixed line telephony, value added services and mobile internet access in Croatia.

The segment Belarus offers mobile communication services in Belarus.

The segment Additional Markets covers the mobile communication companies in Slovenia, Republic of Serbia, Republic of Macedonia and Liechtenstein.

The segment Corporate & Other performs strategic and cross-divisional management functions and takes responsibility for the connection to the capital markets.

Telekom Austria Group uses EBITDA comparable and EBITDA (incl. impairment and restructuring charges) to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for expenses of the restructuring program approved by the Supervisory Board in 2008 and impairment charges, if applicable. The restructuring program includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be terminated due to their status as civil servants. Furthermore expenses for the transfer of civil servants to the Austrian government are adjusted in this line item.

In 2010, the Company reduced estimated useful lives of certain technical and office equipment and specific software programs due to the rapid development of technological environment in the relevant areas. This change in estimate resulted in an increase of depreciation and amortization by EUR 0.5 million in the segment Austria and by EUR 0.6 million in the segment Bulgaria.

Business Combinations

On July 12, 2010 the Telekom Austria Group acquired the remaining 16.67 % interest in paybox austria GmbH. As a consequence Telekom Austria Group exercises control resulting in a change in accounting from equity method to full consolidation. The table "acquisition of paybox" summarizes the acquisition-date fair value of each major class of asset and liabilities. Fair values were determined based on the provisional purchase price allocation to assets and liabilities. Acquisition-related costs recognized as expense amounted to EUR 11.3 thousand. A gain resulting from the fair value adjustment of previous held equity interest in the amount of EUR 1.2 million was recognized in the financial result in equity in earnings of affiliates. A gain resulting from bargain purchase of EUR 3.0 thousand was recognized in other operating income.

Since the effect of the acquired entity prior to the acquisition on the consolidated financial statements of the Telekom Austria Group is not considered significant, no pro forma information is presented.

On July 8, 2010 the company AT Telekom Austria AG was created as a result of the merger between Telekom Austria TA AG and mobilkom austria AG. This merger did not have any effect on the consolidated financial statements.

Acquisition of paybox in EUR million (unaudited)	Fair values on acquisition
Cash and cash equivalents	4.1
Trade and other receivables	3.8
Inventories	1.2
Non-current assets	1.9
Trade liabilities	-6.4
Other current liabilities	-1.3
Non-current liabilities	-0.3
Net identifiable assets and liabilities	3.0
Fair value of previous held equity interest	-2.4
Total purchase consideration	0.6
Cash acquired	-4.1
Net cash inflow	-3.5

Non-current and current liabilities

An amount of EUR 579.7 million of long term debt was repaid in the nine months period ended September 30, 2010. EUR 500.0 million relate to the repayment of a Eurobond issued in January 2005.

Short-term borrowings decreased as this Eurobond was reported as short-term as of December 31, 2009. This decrease was partly compensated by the issuance of multi-currency notes and an increase of short-term debt as of September 30, 2010. The decrease in long-term debt is due to the shift of maturing long-term debt to short-term borrowings.

The increase in other non-current liabilities is due to the reclassification of the deferred consideration for the acquisition of SBT from other current liabilities, because this deferred consideration will only become due in 2012.

The Telekom Austria Group has introduced a Long Term Incentive Program (LTI). Participants may invest an amount depending on the annual gross basic salaries and the management-level of the entitled person in Telekom Austria shares until August 31, 2010 and will have to hold these shares until August 31, 2013. The number of these shares is calculated on the basis of the average Telekom Austria stock price in the period January 1 to December 8, 2009. As of September 30, 2010 the personal investment amounted to 472,770 shares.

The grant date was September 1, 2010 and the financial years from 2010 to 2012 were set as the performance period. At the start of the program (January 1, 2010) target levels were established for key performance indicators. If the targets are fully attained, bonus shares equal to the personal investment will be allocated to the participants. At the vesting date (December 31, 2012) bonus shares will be allocated to the participants and will be settled in cash. If the targets are exceeded, additional shares will be allocated up to a maximum of 175 % of the shares on a pro rata basis. At a minimum 25 % of the shares due on 100 % attainment will be allocated and in case of a drastic underperformance no shares will be allocated.

A liability is recognised for the expected future expense of the LTI program at balance sheet date based on fair value. Fair value is determined using a model considering the expected target achievement and the expected share price. Expected dividends were incorporated into the measurement. The liability is recognized over the vesting period. As of September 30, 2010 the liability amounted to EUR 1.1 million.

Provisions and accrued liabilities

In 2Q 2010, the discount rate applied in the calculation of asset retirement obligations was changed from 5.5% to 4.5% to reflect current market conditions in the individual countries. This change in estimate resulted in an increase in the asset retirement obligation and a corresponding increase in related tangible assets in the amount of EUR 14.6 million.

As of September 30, 2010 64 civil servants formerly employed by the Fixed Net segment changed to the police force to take on administrative tasks. Due to contractual agreements, the transfer resulted in employee expenses of EUR 18.6 million and a corresponding provision and current liability in the same amount.

Income Taxes

The effective tax rate for the nine months period ended September 30, 2010 and 2009 was 21.1% and 14.5%. In the nine months period ended September 30, 2010, the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 83.5 million as of December 31, 2009 decreased to EUR 72.2 million mainly due to the recognition of the deferred impairments of investments in subsidiaries for tax purposes over seven years according to Austrian legislation.

Foreign currency translation adjustment

The foreign currency translation adjustment mainly results from the consolidation of Velcom in Belarus and Vip mobile in Serbia. In the nine month period ended September 30, 2010 the appreciation of the Belarusian Ruble resulted in a positive adjustment of EUR 3.1 million whereas the devaluation of the Serbian Dinar lead to a negative adjustment of EUR 31.8 million. In the nine month period ended September 30, 2009 the devaluation of the Belarusian Ruble resulted in a negative adjustment amounting to EUR 304.3 million.

Other Events

In the third quarter of 2010 A1 Telekom Austria participated in the 2.6 GHz auction, which was finalized on September 20, 2010. Four paired and five unpaired blocks were acquired for a total consideration of EUR 13.2 million, payable in the fourth quarter of 2010.

On September 15, 2010 Mobiltel announced the planned acquisition of SpectrumNet Orbitel and Megalan, two local fixed net operators in Bulgaria. The acquisitions are expected to be included in the accounts of the Bulgarian segment as of the first quarter of 2011.

Subsequent Events

Telekom Austria Group acquired the remaining 30% of SB Telecom Limited, the sole owner of Velcom, due to the put-option exercised by the co-owners of SB Telecom Limited on October 4, 2010, as agreed in the course of the 70% acquisition of SB Telecom Limited in October 2007. The total purchase price for the 30%-stake amounted to EUR 335.0 million. In addition, a EUR 247.7 million portion of the total performance based deferred consideration of EUR 313.3 million was paid as predetermined performance criteria have been fulfilled. The next evaluation date of the settlement of the remaining EUR 65.6 million of the performance related deferred payment will be Q1 2011. Final settlement of the performance related consideration is expected not earlier than Q1 2012.

Due to this existing put-option, SB Telecom Limited was already fully consolidated without recording minority interests and a financial liability corresponding to the fair value of the remaining 30% was recognized.