

Results for the Fourth Quarter 2010

Vienna, February 23, 2011

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

- > Operational and Financial Highlights of the Full Year 2010
 - > Key Financial Developments of the Fourth Quarter 2010
 - > Markets & Operations
 - > Outlook FY 2011
 - > Appendix
-

Operational and Financial Highlights of the Full Year 2010

Operational Highlights of the Full Year 2010

- > First full year access line growth of 1,400 lines in more than 10 years driven by increased demand for fixed line broadband, IPTV and product bundles
 - > 11,900 fixed line net additions in Q4 2010
- > Mobile subscriber base increases by 5.0% to more than 19.8 million customers
 - > Double digit mobile broadband growth in Austria, Bulgaria, Croatia, Belarus and Slovenia
 - > Launch of iPhone in Q4 complements smartphone strategy
- > Swift and efficient integration of the Austrian fixed and mobile operations
 - > OPEX impact of EUR 17.6 mn for FY 2010
 - > CAPEX impact of EUR 2.4 mn for FY 2010
- > Transformation to convergent player in CEE initiated with the first international fixed line acquisition in Bulgaria
- > Emphasis on infrastructure leadership with continued roll out of high bandwidth infrastructure and LTE in Austria and launch of 3G network in Belarus

Financial Highlights of the Full Year 2010

	Guidance 2010	Actuals 2010	
Revenues	Approx. EUR 4.7 bn	EUR 4.651 bn	✓
EBITDA comparable	EUR 1.60 – 1.65 bn	EUR 1.646 bn	✓
CAPEX	EUR 0.75 – 0.80 bn	EUR 0.764 bn	✓
Operating Free Cash Flow*	At least EUR 0.8 bn	EUR 0.881 bn	✓
Dividend	65% of net income, DPS of EUR 0.75	EUR 0.75 proposed	✓

- > All Group financial targets achieved for 2010
- > Continued revenue and EBITDA comparable growth in Belarus in Republic of Serbia and Republic of Macedonia
- > Strict cost management limits negative impact of fierce competition, regulatory impacts and harsh macro-economic environment
 - > Negative regulatory impact of EUR 47 mn on EBITDA comparable

**Operating Free Cash Flow = EBITDA comparable - CAPEX

Key Financial Developments of the Fourth Quarter 2010

Strong Operational Performance Limits Group Revenue Decline to 0.9%

(EUR million)	Q4 2010	Q4 2009	% change
Revenues	1,170.8	1,181.5	-0.9%
EBITDA comparable*	353.4	416.9	-15.2%
<i>EBITDA comparable margin*</i>	<i>30.2%</i>	<i>35.3%</i>	
Restructuring	-98.0	-17.5	n.a.
Impairment	-18.3	0.0	n.a.
EBITDA (incl. Restructuring and Impairment charges)	237.0	399.4	-40.7%
<i>EBITDA (incl. Restructuring and Impairment charges) margin</i>	<i>20.2%</i>	<i>33.8%</i>	
Depreciation & amortization	-275.6	-279.4	-1.4%
Operating income	-38.5	120.0	n.a.
Financial result	-44.9	-50.4	-10.9%
Income before income taxes	-83.4	69.7	n.a.
Income tax expense	22.1	-6.1	n.a.
Net income	-61.3	63.6	n.a.

* Excluding Restructuring and Impairment Charges

- > Improved operational performance stabilizes Group revenues in Q4 2011
- > Seasonally higher material and marketing expenses lead to EBITDA comparable margin of 30.2%
- > EUR 62.3 mn net loss due to restructuring and impairment charges in Austria:
- > Restructuring charge predominantly driven by transfer of civil servants and interest rate adjustment
- > Impairment charges related to subsidiary in Segment Austria

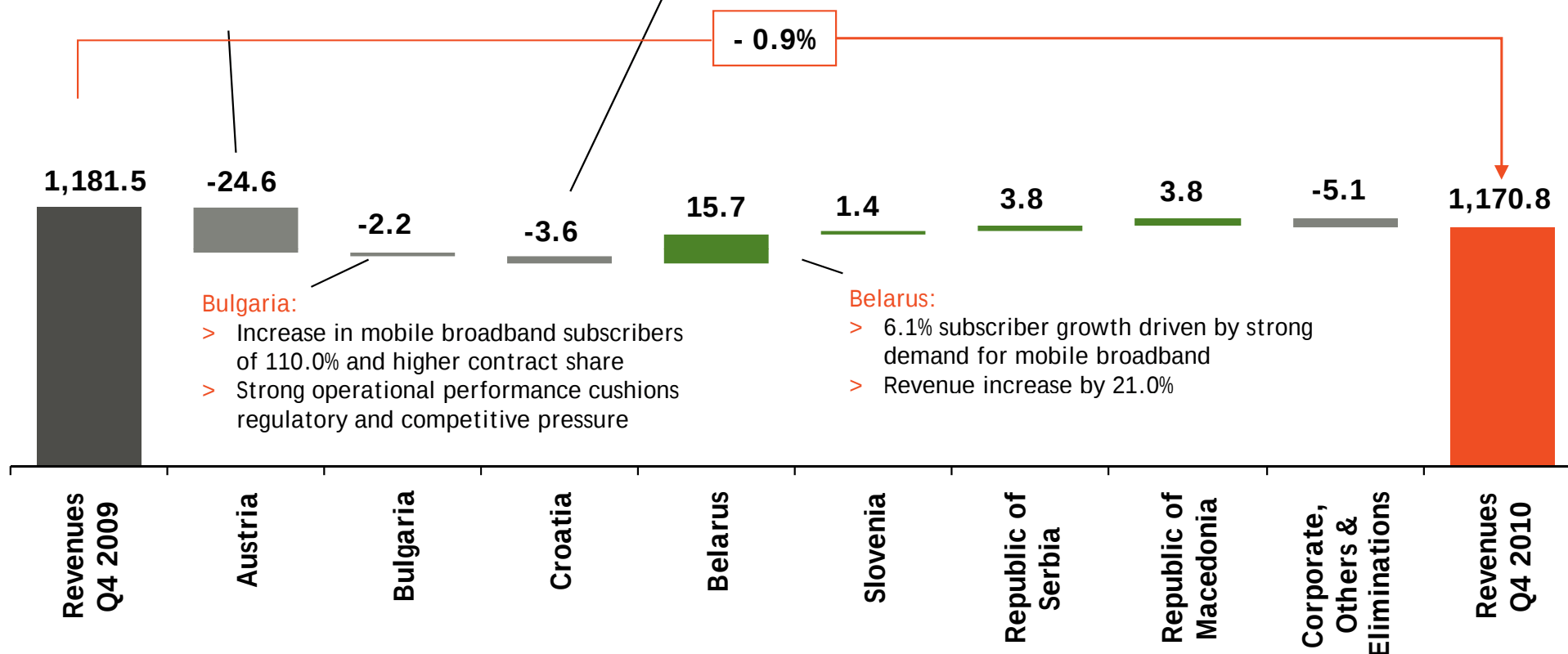
Smartphones as Well as Fixed and Mobile Data Growth Drive Group Revenue Development

Austria:

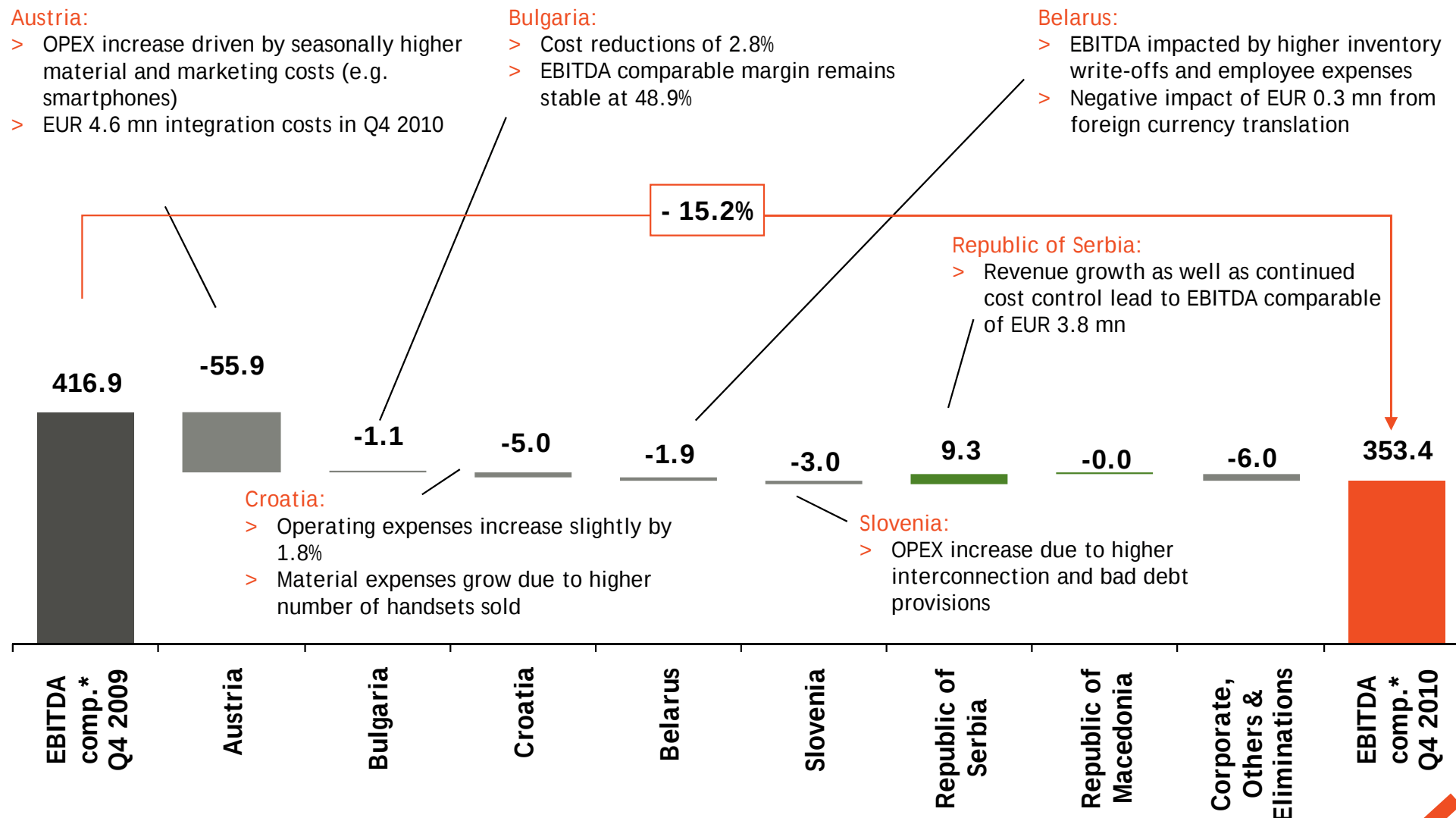
- > Access line growth of 11,900 lines and mobile subscriber growth of 5.6% limit revenue decline to 3.1%
- > Stable ARPL and improved equipment sales
- > Negative reclassification effect of EUR 13.9 mn

Croatia:

- > Subscriber base increases by 5.6% with contract subscribers growth of 7.1%
- > Revenue decline of 3.2% driven by challenging economic



Revenue Related OPEX Drive EBITDA Comparable Decline



Free Cash Flow Impacted by Lower Cash Flow from Operations and Higher CAPEX

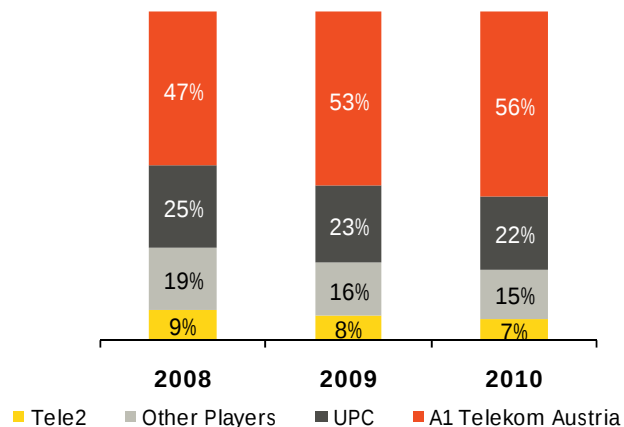
(EUR million)	Q4 2010	Q4 2009	% change	FY 2010	FY 2009	% change
Cash Flow from operations before working capital adjustments	320.4	354.0	-9.5%	1,478.6	1,569.8	-5.8%
Change in working capital	42.7	68.5	-37.6%	-81.0	-184.4	-56.0%
Ordinary capital expenditures	-320.2	-291.6	9.8%	-763.6	-711.4	7.3%
Proceeds from sale of equipment & change in investments	0.7	12.0	-94.2%	18.4	25.7	-28.4%
Free cash flow	43.6	142.9	-67.3%	652.4	699.7	-6.8%
Free cash flow per share	0.10	0.32	-69.5%	1.47	1.58	-6.8%

- > Cash flow from operations before adjustments declined mainly due to lower operating performance in Q4 2010
- > Lower cash from working capital
- > CAPEX increase driven by investments in Austria due to NGN and Bulgaria

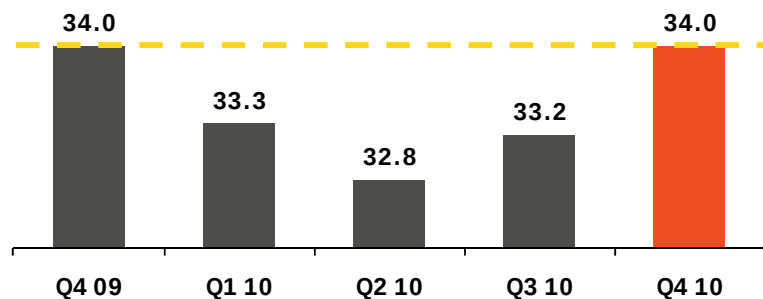
Markets & Operations

Fixed Broadband Drives Return to Access Line Growth in Austria

Fixed Broadband Market Shares

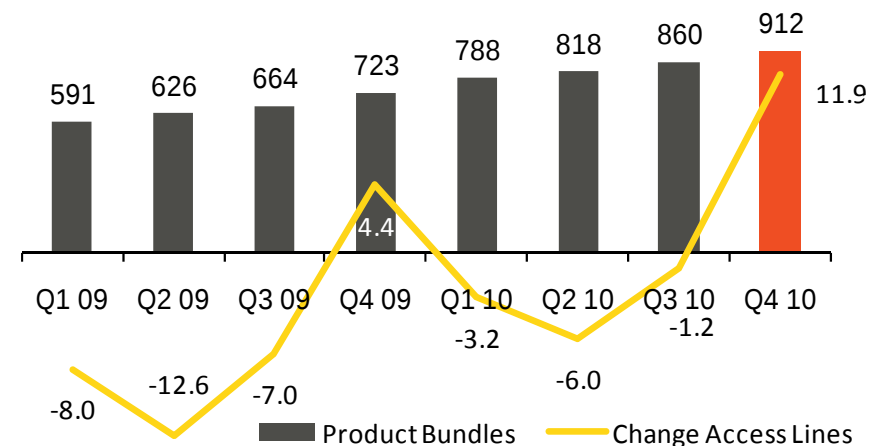


ARPL Development* (in EUR)



* Adjusted to new reporting structure as of Q3 2009

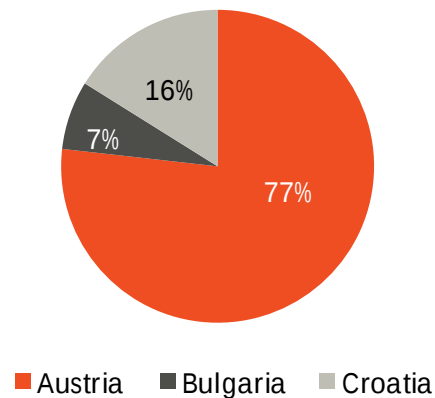
Fixed Access Line Growth



- > First annual fixed access lines gain in more than 10 years
- > 1,400 lines in FY 2010
- > 11,900 lines in Q4 2010
- > Driven by strong demand for fixed broadband and bundle products
- > Stabilization of ARPL

Successful iPhone Launch Complements Smartphone Strategy

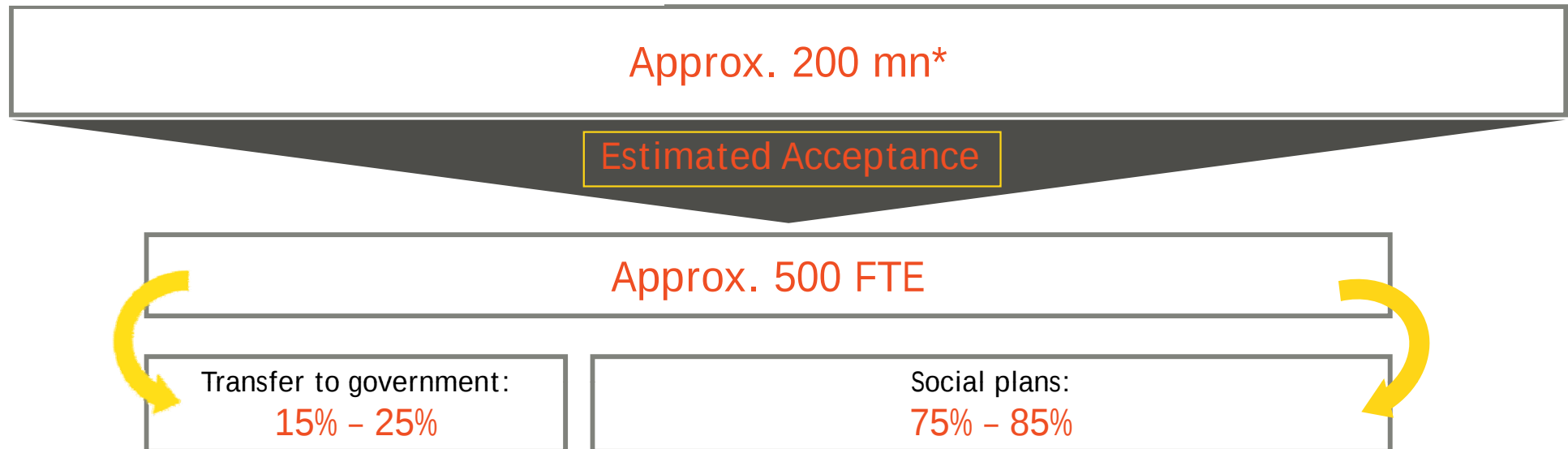
Country Split of iPhones Sold



- > Strong trend towards smartphones across Telekom Austria Group
- > Smartphones represent on average 30.0% of new handsets sold in the Group in Q4 2010
- > Successful launch of iPhone in Austria, Bulgaria and Croatia in Q4 2010
- > Material ARPU uplift justifies higher up-front marketing expenses and handset subsidies
- > Seasonal and regional adaptation of tariff strategy to address competitive environment

Continued Focus on Cost Control – New Initiatives for Civil Servants in 2011

Estimated Restructuring Charge 2011



- > Restructuring charge distributed throughout 2011, biggest impact in Q1 expected
- > Predominantly non-cash relevant
- > Social plans addresses civil servants and employees via early retirements, temporary leaves and other severance packages
- > Measure to stabilize personnel expenses as mentioned at last CMD

* Does not include potential interest rate adjustments

Outlook

Outlook Full Year 2011

Telekom Austria Group – Full Year 2011

On a constant currency basis

As of February 23, 2011

Revenues	up to EUR 4.6 bn
EBITDA comparable	up to EUR 1.60 bn
CAPEX	up to EUR 0.80 bn
Operating Free Cash Flow**	approximately EUR 0.8 bn
Dividend	55% of free cash flow, DPS of 76 Eurocents minimum

**Operating Free Cash Flow = EBITDA comparable - CAPEX

Appendix 1

Telekom Austria Group – Revenue Breakdown

Revenue Split - Segment Austria (EUR million)	Q4 2010	Q4 2009	% change
Monthly fee and traffic	514.6	533.7	-3.6%
Data and ICT Solutions	60.9	49.5	22.9%
Wholesale (incl. Roaming)	42.6	57.9	-26.5%
Interconnection	95.8	106.1	-9.7%
Equipment	39.7	25.8	54.1%
Other revenues	13.4	18.5	-27.4%
Total revenues - Segment Austria	766.9	791.5	-3.1%

Revenue Split - International Operations (EUR million)	Q4 2010	Q4 2009	% change
Monthly fee and traffic	310.7	299.6	3.7%
Data and ICT Solutions	0.0	0.0	n.a.
Wholesale (incl. Roaming)	6.8	9.4	-28.4%
Interconnection	67.1	68.8	-2.5%
Equipment	36.8	26.1	41.1%
Other revenues	4.2	3.5	21.8%
Total revenues - int. Operations	425.5	407.4	4.5%

Telekom Austria Group – Expense Breakdown

Operating Expense - Segment Austria (EUR million)	Q4 2010	Q4 2009	% change
Material expense	83.1	61.5	35.2%
Employee costs	167.1	170.3	-1.8%
Interconnection	88.5	93.1	-5.0%
Maintenance and repairs	40.2	40.5	-0.6%
Services received	34.3	52.1	-34.1%
Other support services	42.0	30.9	35.8%
Other	127.5	101.1	26.2%
Total OPEX - Segment Austria	582.8	549.4	6.1%

Operating Expense - International Operations (EUR million)	Q4 2010	Q4 2009	% change
Material expense	52.5	45.8	14.8%
Employee costs	33.2	27.8	19.4%
Interconnection	54.4	56.7	-4.1%
Maintenance and repairs	14.2	12.7	11.9%
Services received	22.1	25.6	-13.5%
Other support services	3.1	3.4	-8.6%
Other	106.0	95.7	10.8%
Total OPEX - int. Operations	285.5	267.6	6.7%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q4 2010	Q4 2009	% change
	Austria	5,105	4,834	5.6%
	Market share	41.4%	42.6%	
	Bulgaria	5,249	5,353	-1.9%
	Market share	49.6%	49.8%	
	Croatia	2,750	2,603	5.6%
	Market share	43.1%	42.6%	
	Belarus	4,354	4,102	6.1%
	Market share	41.9%	42.7%	
	Slovenia	619	589	5.0%
	Market share	29.2%	28.2%	
	Republic of Serbia	1,360	1,154	17.8%
	Market share	13.7%	12.0%	
	Republic of Macedonia	442	304	45.6%
	Market share	19.9%	15.9%	
	Liechtenstein	6	6	1.6%
	Market share	20.2%	20.1%	
	Total Mobile Subscribers	19,884	18,945	5.0%

Telekom Austria Group – Headcount Development

FTE (Average period)	Q4 2010	Q4 2009	% change
Austria	9,808	10,172	-3.6%
International	6,611	6,499	1.7%
Telekom Austria Group	16,566	16,680	-0.7%

FTE (End of period)	Q4 2010	Q4 2009	% change
Austria	9,717	10,045	-3.3%
International	6,635	6,520	1.8%
Telekom Austria Group	16,501	16,573	-0.4%

Telekom Austria Group – Capital Expenditures Split

Capital Expenditures (EUR million)	Q4 2010	Q4 2009	% change
Segment Austria	225.4	184.8	22.0%
Segment Bulgaria	24.5	15.1	62.5%
Segment Croatia	11.1	14.2	-21.9%
Segment Belarus	32.1	38.9	-17.6%
Segment Additional Markets	27.2	38.7	-29.7%
<i>Slovenia</i>	8.8	9.4	-6.4%
<i>Republic of Serbia</i>	13.9	25.6	-45.7%
<i>Republic of Macedonia</i>	4.2	4.0	7.4%
<i>Liechtenstein</i>	0.2	0.4	-52.2%
<i>Eliminations additional markets</i>	0.0	-0.7	n.a.
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	320.2	291.6	9.8%
Thereof tangible	233.2	207.5	12.4%
Thereof intangible	87.1	84.1	3.5%

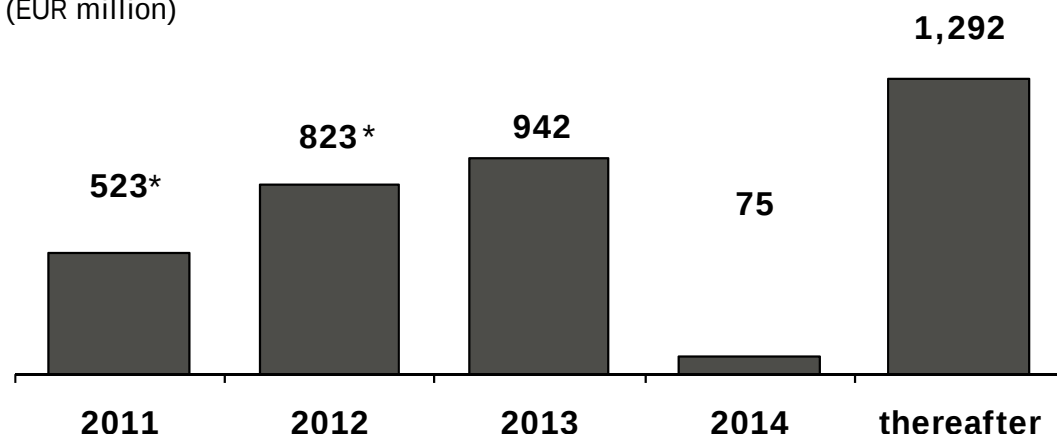
Telekom Austria Group – Net Debt

Net debt (EUR million)	Dec. 31, 2010	Dec. 31, 2009	% change
Long-term debt	3,146.4	3,234.8	-2.7%
Short-term borrowings	522.6	1,501.6	-65.2%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-355.0	-1,099.0	-67.7%
Derivate financial instruments for hedging purposes	-8.9	-22.5	-60.6%
Net Debt of Telekom Austria Group	3,305.2	3,614.8	-8.6%
EBITDA comparable (last 12 months)	1,645.9	1,811.6	-9.1%
Net Debt/ EBITDA comparable (last 12 months)	2.0x	2.0x	n.a.

Telekom Austria Group – Debt Maturity Profile

Debt Maturity Profile

(EUR million)



Ratings

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

Lines of Credit

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

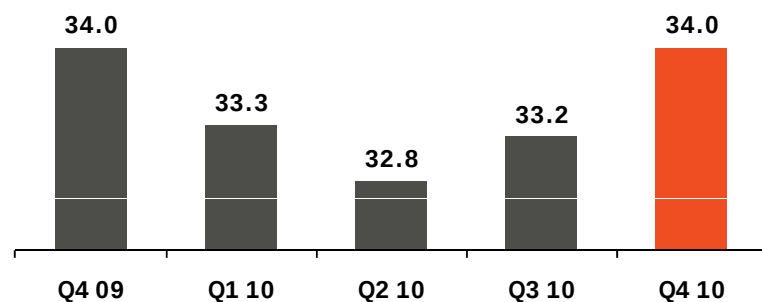
*Includes approx. EUR 16.0 mn in 2011 and EUR 55.0 mn in 2012 related to Velcom

** Outlook changed from stable to negative on 14 February 2011

Segment Austria - Fixed Line Key Performance Indicators

ARPL*

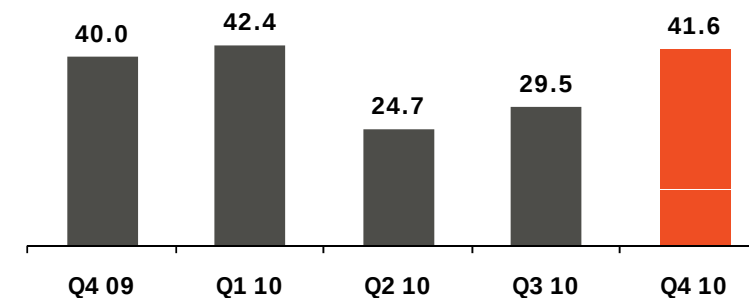
(in EUR)



* Adjusted to new reporting structure as of Q3 2009

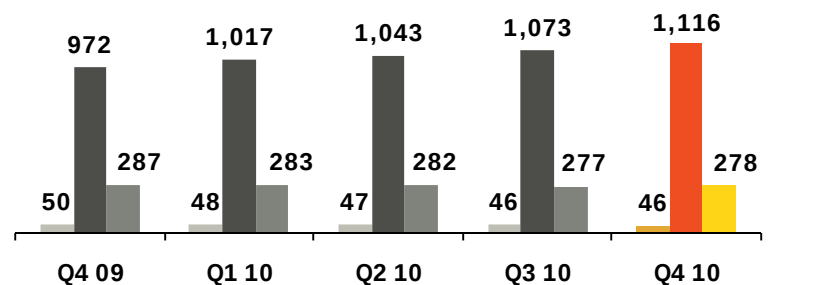
Fixed Line Broadband Net Adds incl. Wholesale

(in EUR)



Fixed Broadband Access Lines

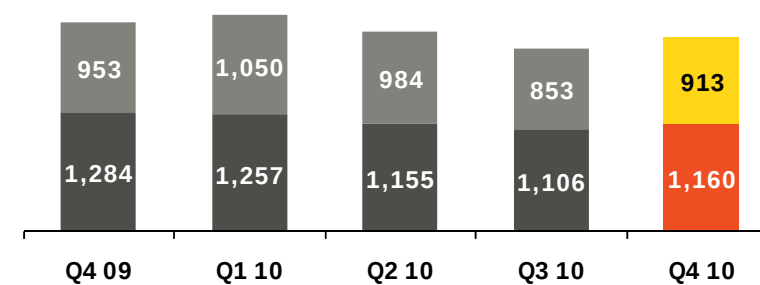
(in 000)



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

Wholesale Minutes

(in 000)

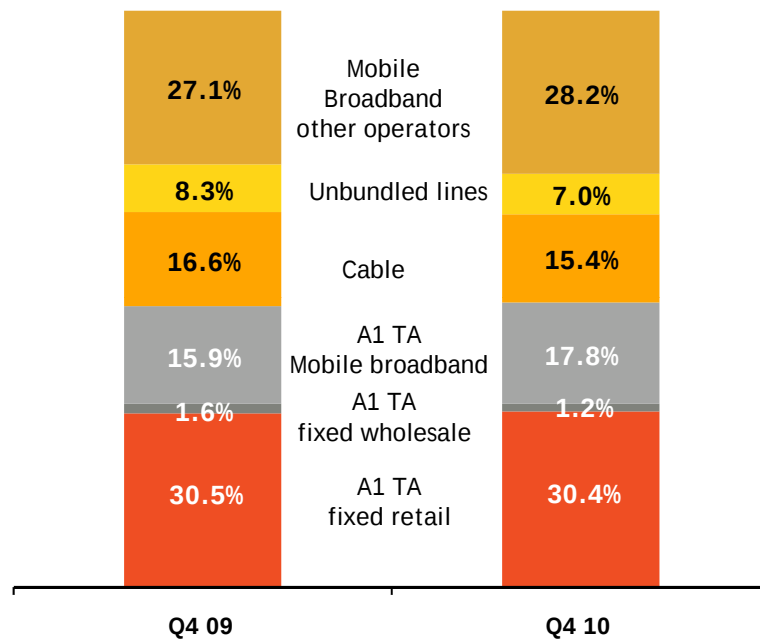


■ National Wholesale
 ■ International Wholesale

Segment Austria – Broadband Market Split

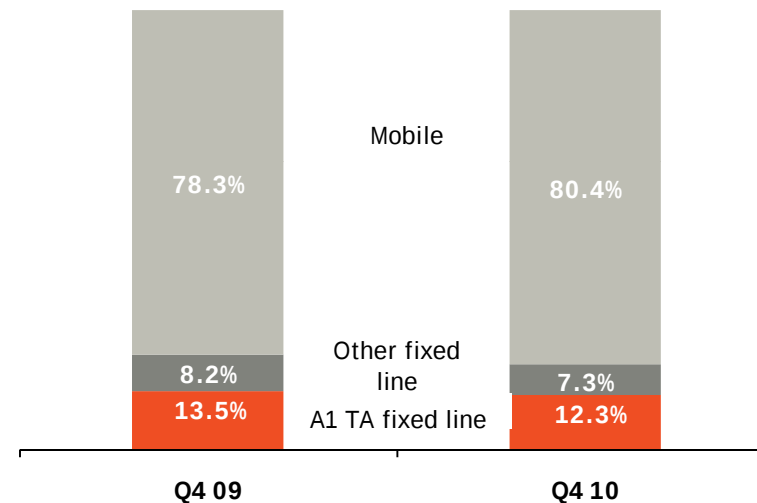
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

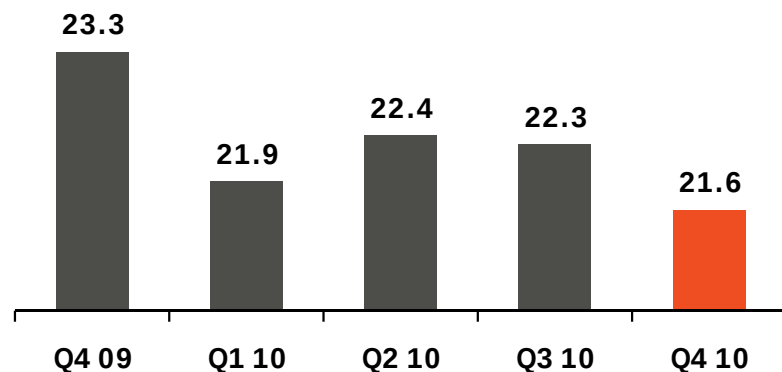
(in %)



Segment Austria – Mobile Key Performance Indicators

ARPU*

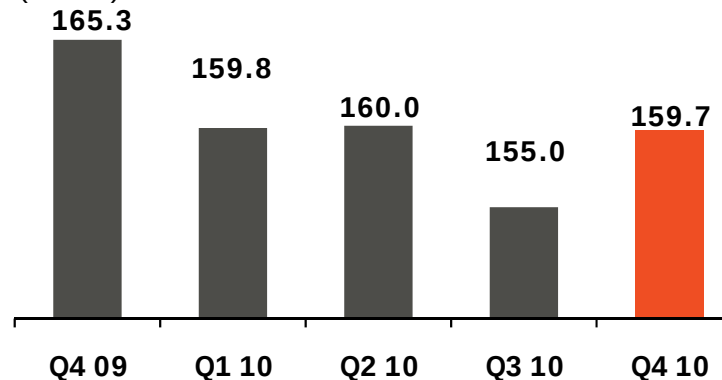
(in EUR)



* Adjusted to new reporting structure as of Q3 2009

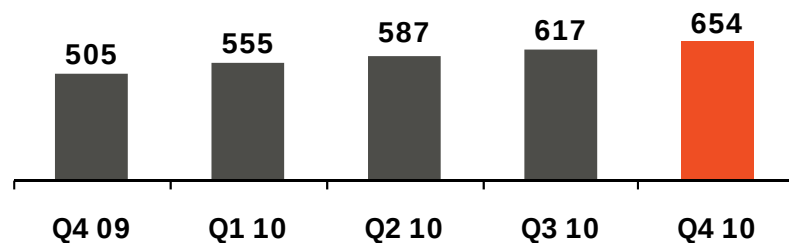
MoU per Subscriber

(in min)



Mobile Broadband Customers*

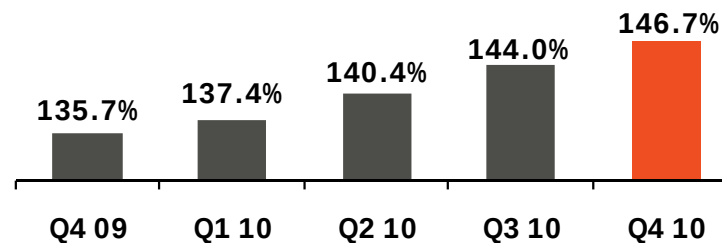
(in 000)



* New calculation methodology is applied starting with Q3 2009

Mobile Penetration

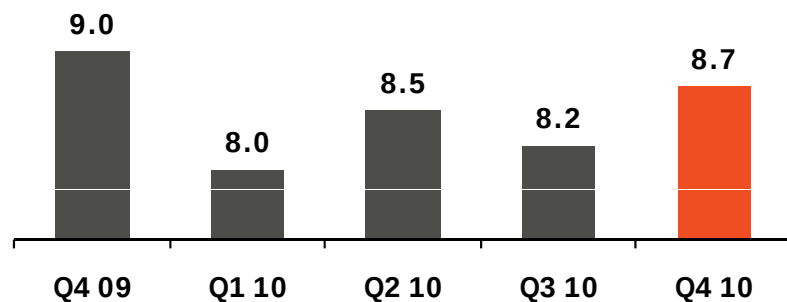
(in %)



Segment Bulgaria – Mobile Key Performance Indicators

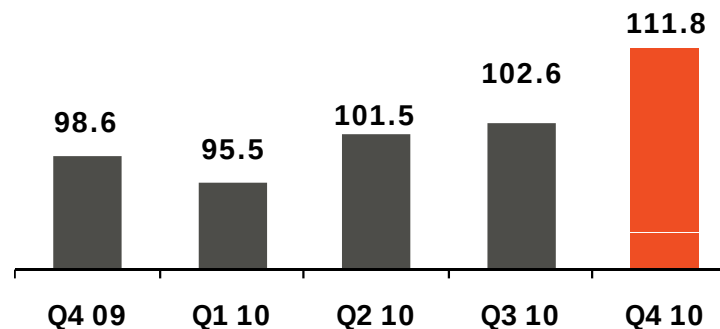
ARPU

(in EUR)



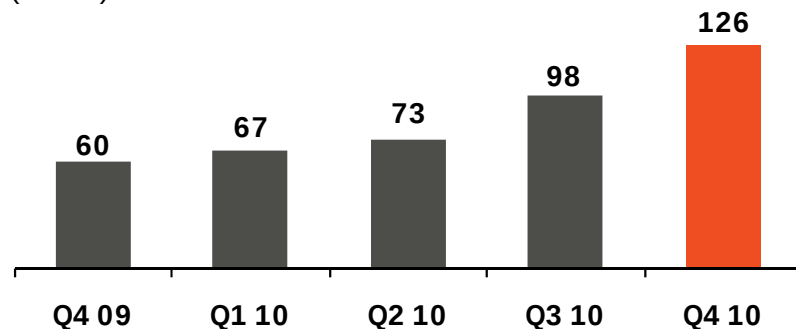
MoU per Subscriber

(in min)



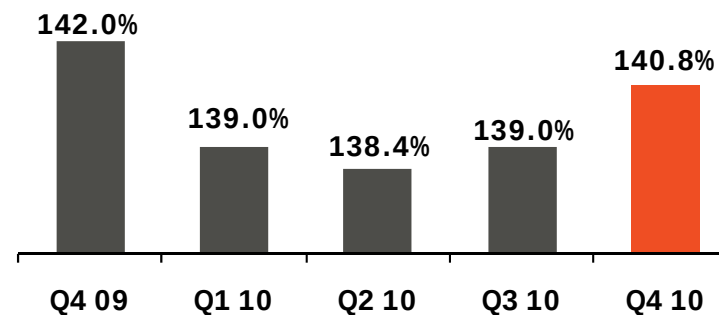
Mobile Broadband Customers

(in 000)



Mobile Penetration

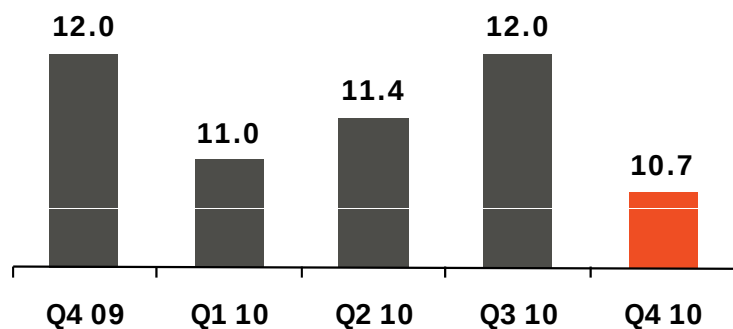
(in %)



Segment Croatia – Mobile Key Performance Indicators

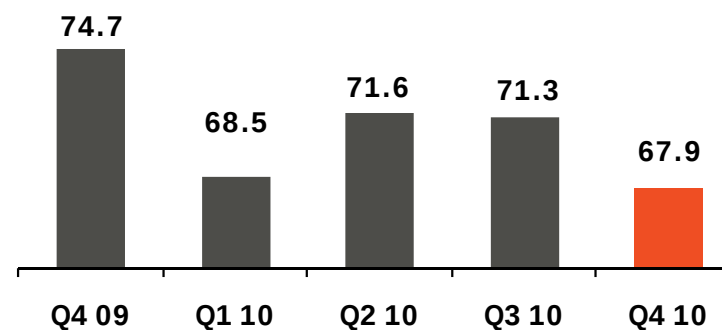
ARPU

(in EUR)



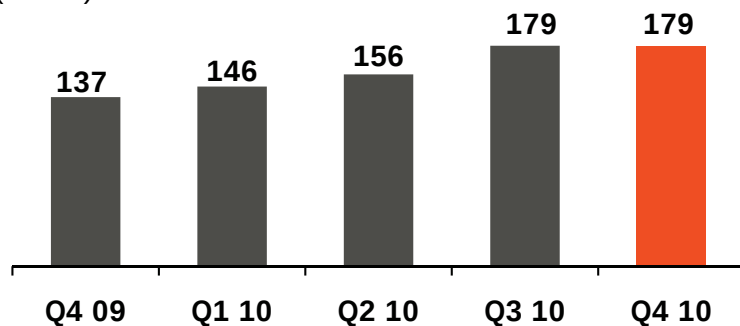
MoU per Subscriber

(in min)



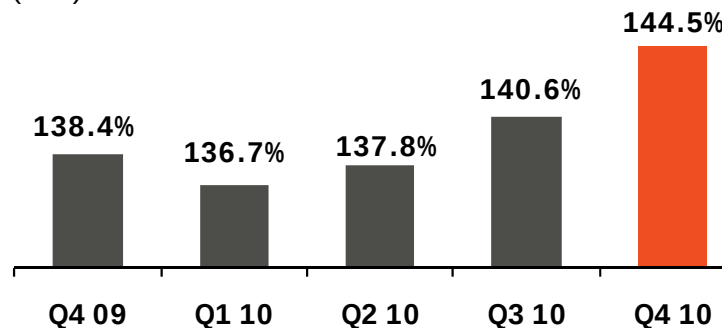
Mobile Broadband Customers

(in 000)



Mobile Penetration

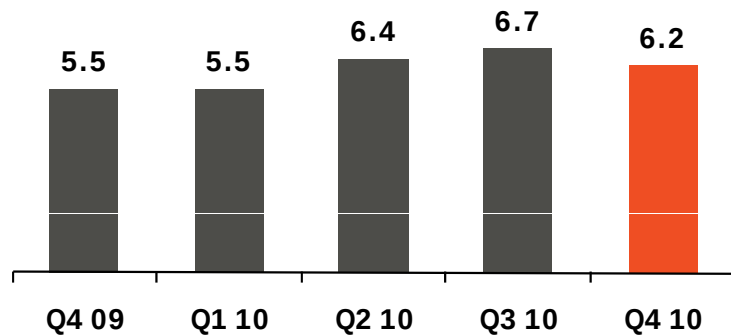
(in %)



Segment Belarus – Mobile Key Performance Indicators

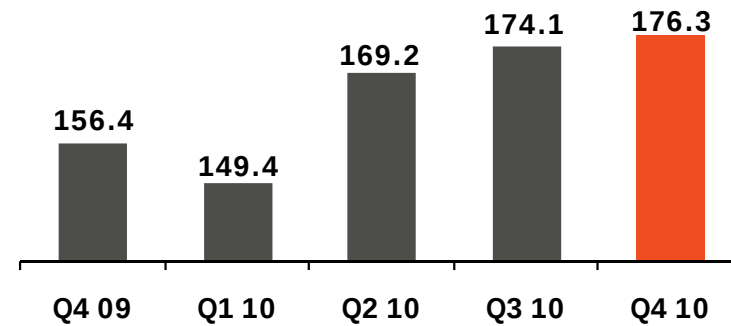
ARPU

(in EUR)



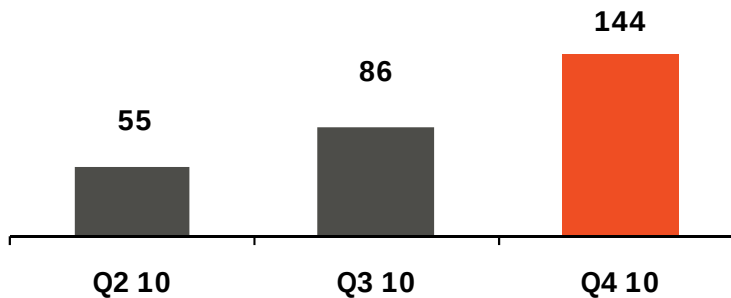
MoU per Subscriber

(in min)



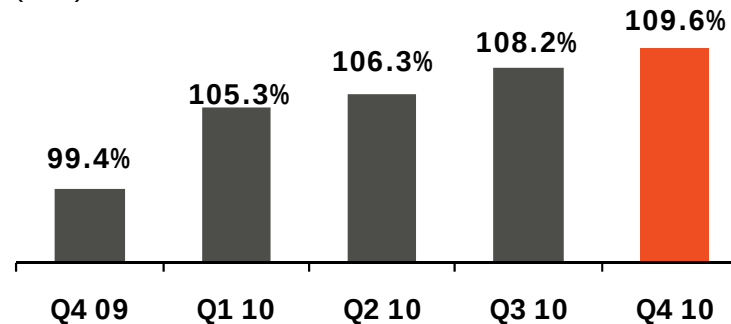
Mobile Broadband Customers

(in 000)



Mobile Penetration

(in %)

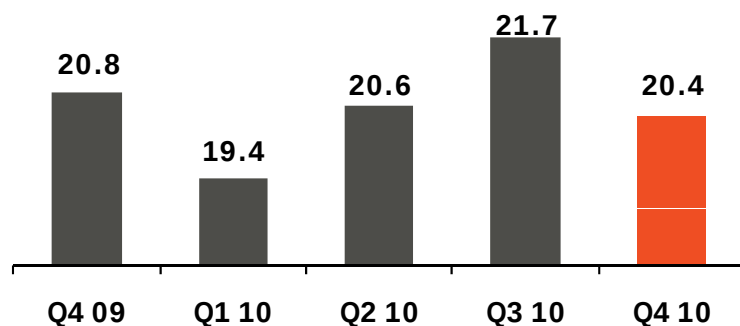


* Note: 3G launch in March 2010

Segment Additional Markets – Mobile Key Performance Indicators

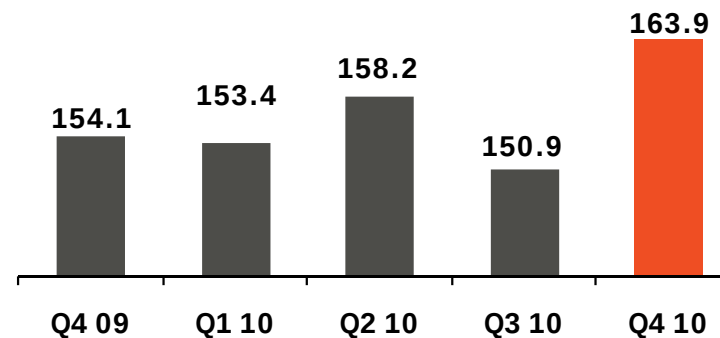
Slovenia - ARPU

(in EUR)



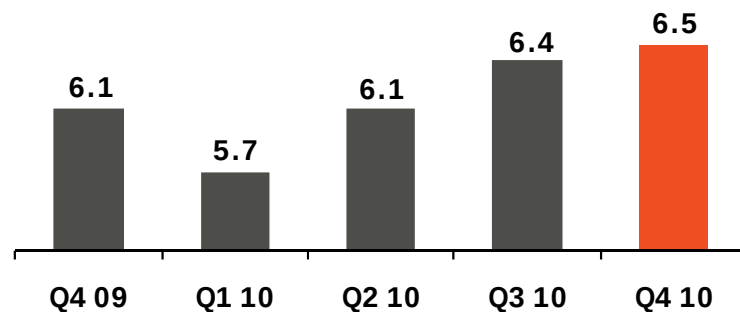
Slovenia - MoU per Subscriber

(in min)



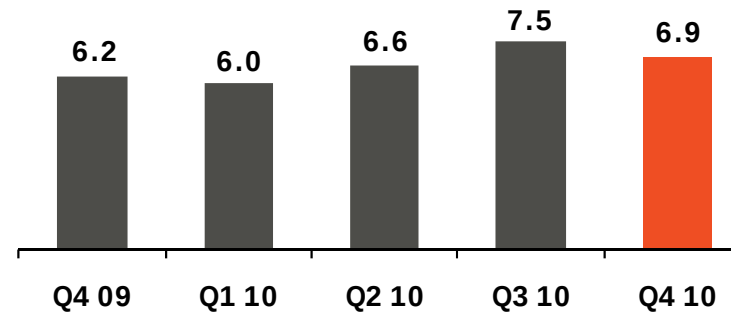
Serbia - ARPU

(in EUR)



Macedonia - ARPU

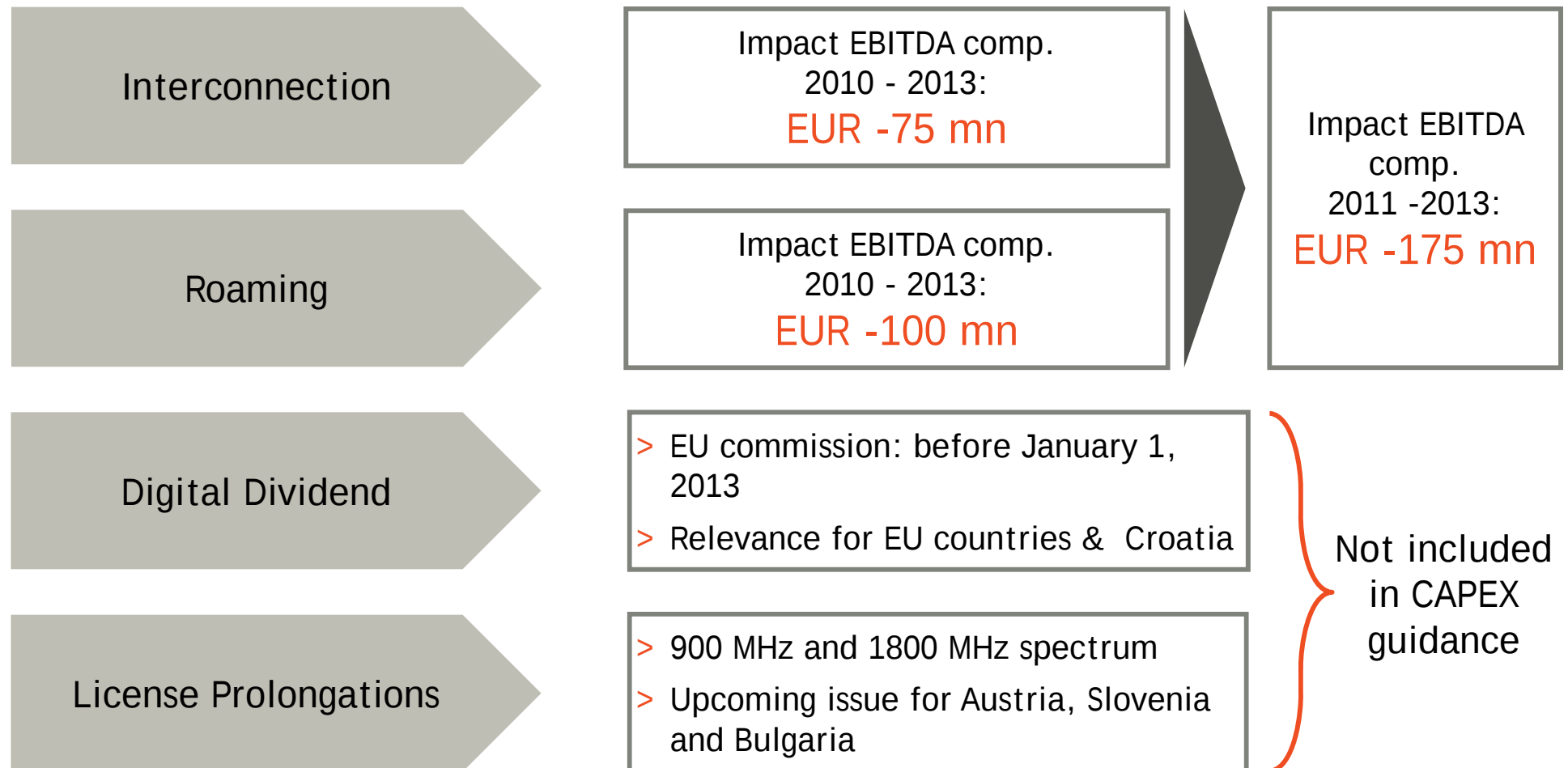
(in EUR)



Appendix 2 – Regulatory Topics

Negative Impact of Approx. EUR 175 mn on EBITDA Comparable Expected until 2013*

Key Points



*as of December 2010

Glide Path of Mobile Termination Rates

<i>in Eurocent</i>	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	market analysis during 2011				
Bulgaria	11.76	10.48	6.65 (until next price cap)		market analysis expected in 1Q 2011-> decision expected in spring						
Croatia	9.10	7.60	7.60		5.30						
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 (until next price cap)		not clear when next regulatory decision will take place						

Appendix 3 – Details to One-Off Effects and Accounting Adjustments in Q4 2010

One-Off Effects and Accounting Adjustments in Segment Austria in Q4 2010

in EUR mn		Reclassifications				One offs	
Revenue split Segment Austria	Reported Q4 2010	Adjustments	Clean		Impact FY 2010	Q4 2010	FY 2010
Monthly fee and traffic	514.6	13.9	528.5	from Other OPEX	13.9		
Data and ICT Solutions	60.9	-8.0	52.9	from Wholesale (incl. Roaming)	-20.0		
Wholesale (incl. Roaming)	42.6	8.0	50.6	to Data and ICT Solutions	20.0		
Interconnection	95.8		95.8			-3.1	Universal services -3.1
Equipment	39.7		39.7				
Other revenues	13.4		13.4				
Total revenues - Austria	766.9	13.9	780.8		13.9	-3.1	-3.1
Other operating income							
OPEX split Segment Austria		Q4 2010			FY 2010	Q4 2010	FY 2010
Material expense	83.1		83.1				
Employee costs	167.1		167.1				
Interconnection	88.5		88.5				
Maintenance and repairs	40.2		40.2				
Services received	34.3	-12.5	46.8	to Other OPEX	-12.5		
Other support services	42.0		42.0				
Other OPEX	127.5	12.5	128.9	from Services received	-1.4		
		-13.9		to Monthly fee and traffic			
Total OPEX Austria	582.8	-13.9	596.7		-13.9		