

**TELEKOM
AUSTRIA
GROUP** 

Regulatory Affairs

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.”

International Roaming

Status Update on International Roaming

Current Roaming Regulation II

- > Expires end of June 2012
- > Commission's report due by end of June 2011:
 - > Assessment of achievement of regulation objectives
 - > Evaluation of alternative methods to price regulation
 - > Recommendation how to proceed further

Digital Agenda

- > “The difference between roaming and national tariffs should approach zero by 2015.”, Commissioner Kroes

Uncertainties

- > Retail data to be regulated in view of development of data roaming prices?
- > Prolongation of price caps for SMS and voice or an alternative solution?

Continuation of Price Regulation after Expiry of Roaming II Expected

EU-Glide Path until June 2012

	July 2009	July 2010	July 2011
Voice			
Wholesale	0.26	0.22	0.18
Retail active	0.43	0.39	0.35
Retail passive	0.19	0.15	0.11
SMS			
Wholesale	0.04	0.04	0.04
Retail	0.11	0.11	0.11
Data			
Wholesale	1.00	0.80	0.50

- > No strong signs of retail competition based on BEREC's findings*:
 - > Average retail price for voice and SMS not significantly below regulated price caps
 - > Wholesale charges for data were significantly reduced between Q2 2007 and Q2 2010
 - > Retail data roaming prices remain high

Roaming III has to be Expected:

- > Customer interest in retail roaming charges not strong enough to induce strong price competition
- > So far no reliable structural alternatives to price caps in discussion
- > Therefore, high probability of glide path prolongation for the time after June 2012
- > Data pricing expected to be included due to increasing retail data margins

* Body of European Regulators for Electronic Communication report covers Q1 2010 and Q2 2010 and acts as controlling body on roaming.

Estimated Negative Roaming Impact on Group EBITDA comp. of approx. EUR 100 mn until 2013

- > Roaming III to damage customer roaming results of regulated markets, such as Austria, Slovenia and Bulgaria via:
 - > Steep(er) voice glide paths
 - > Introduction of retail data caps
- > As of 2013, Croatia is expected to join the EU
 - > Significant negative impact on Vipnet's roaming results
 - > Additional negative impact on customer roaming results in Austria and Slovenia (e.g. due to retail caps for A1 Telekom Austria customers visiting Croatia)
- > Continuation of strong competitive pressure on wholesale roaming pricing, while voice volumes show only slow growth

Interconnection

Status Update on Interconnection

EU Pressure on National Regulatory Authorities to Further Decrease Rates

- > National Regulatory Authorities in all EU countries expected to follow EU recommendation on termination rates when setting MTR/FTR levels
 - > A pure LRIC cost model will be “mandatory” by December 31, 2012
 - > Aggressive cost modeling is expected to lead to MTRs of 1-2 Eurocents, since certain network cost components are not allowed to be taken into account

Current MTR Glide Paths

in Eurocents	Jul 10	Jan 11	Jun 11	Jul 11	Jan 12	Jul 12
Austria	3.01	2.51	2.01			
Bulgaria	6.65					
Croatia	7.60/ 9.88	5.3/ 6.89				
Slovenia	4.66/ 6.99	4.38/ 6.57		4.09/ 6.14	3.81/ 5.33	3.52/ 4.23
Macedonia	8.8/ 5.2*			7.5/ 5.1*		6.0/ 4.9*
Serbia	4.68					

* Reductions take place on 1st of September

Continued Regulation of National Rates

- > Austria and Slovenia most advanced, already far below EU average (Eurocent 6.07)
- > Bulgaria catching up quickly
- > Croatia impacted by EU candidacy
- > FTR in Austria on a relatively high level compared to EU average

Interconnection Expected to Impact Group EBITDA Comp. Negatively by Approx. EUR 75 mn until 2013*

Bulgaria

- > International MTRs (~19 Eurocents) to tend towards national MTR level
- > Further cuts on national MTR and volume shifts of minor importance

Croatia

- > International MTR level as major risk factor
- > Lower national MTRs due to EU accession likely to cut fixed-mobile interconnection revenues

Austria

- > Further reduction of MTRs to be expected
- > Negative volume effects: growth mobile to mobile, and shift fixed to mobile

Slovenia

- > Only minor effects due to MTR decrease and volume effects

* Interconnection Group EBITDA 2010e compared with 2013

Spectrum Issues

Upcoming Spectrum Issues

Digital Dividend

- > EU Commission expects EU Member States to make the Digital Dividend (790 - 862 MHz band) available by January 1, 2013
- > Allocation conditions might heavily influence the value of the spectrum:
 - > Award/auction conditions
 - > Spectrum caps
 - > Coverage obligations
 - > National roaming obligations
 - > Framework for network sharing

Prolongation/Reallocation of 900/1800 Spectrum

- > Prolongation of 900 MHz usage rights upcoming in Austria, Slovenia and Bulgaria
- > Prolongation of 900 MHz already concluded in Croatia
- > Spectrum refarming (i.e. UMTS standard on 900/1800MHz) formally concluded in Croatia and Slovenia

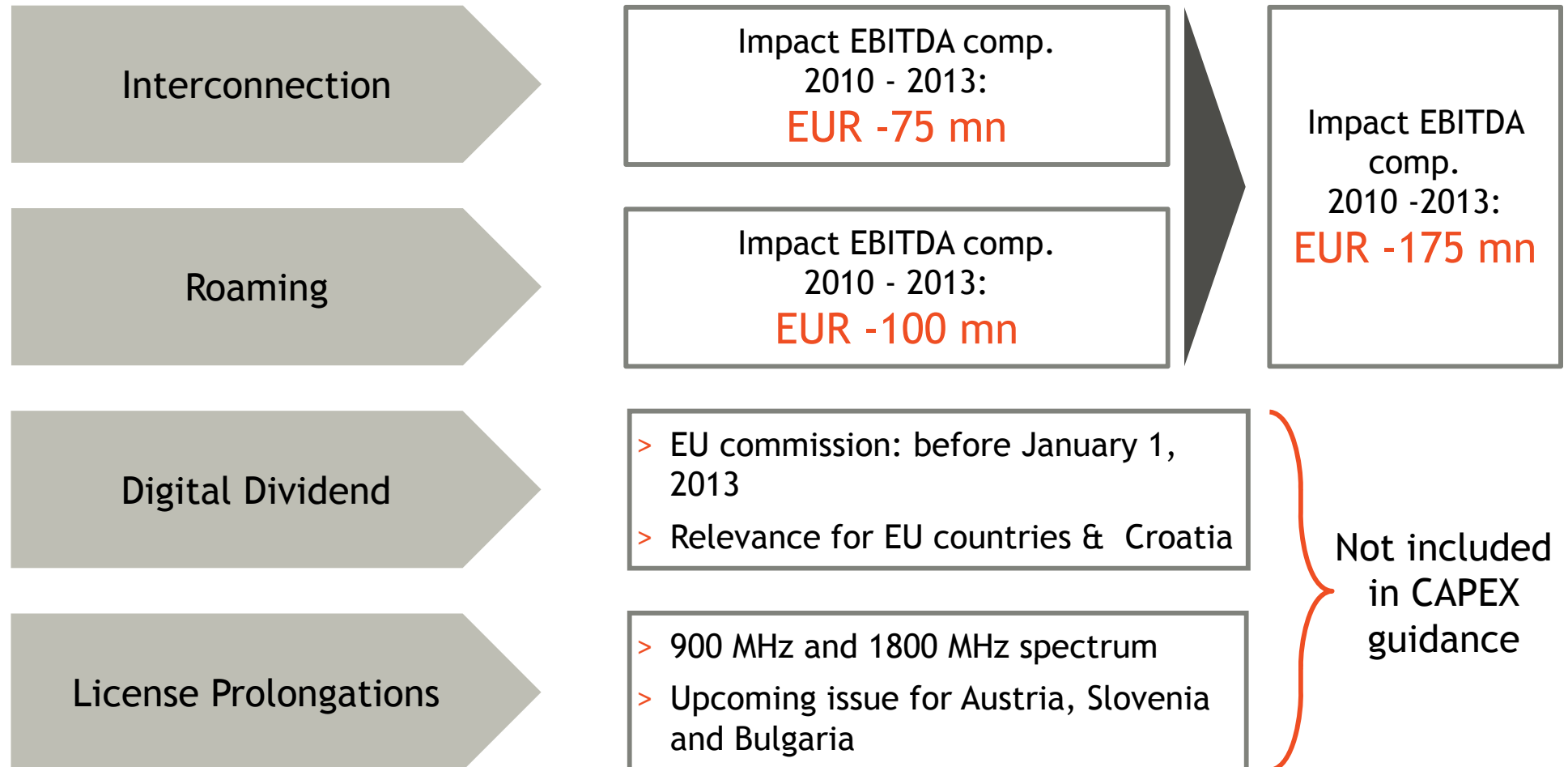
Digital Dividend and 900/1800 MHz Spectrum - Update on Telekom Austria Group's Markets

Company	Spectrum Usage Rights		Digital Dividend		
	Expiry date: 900MHz	1800MHz	Analogue TV Switch-off	Award planned	Comments
A1TA	Dec 2015	Dec 2019	2010	Q1 2012	4 player market - DD interesting for all of them; No decision yet on combination of DD and 900MHz allocation
Mobiltel	Aug 2014	Aug 2014	2015	open	Analogue switch-off delayed; DD also used for military purposes; Allocation delay beyond 2015 not likely
Si.mobil	Oct 2013	Jan 2016	Dec 2010	open	Re-farming formally finalized; No confirmed dates for the license prolongation available
Velcom	Aug 2017	Aug 2017	2015	open	Acceleration of DD is supported by Government but no plan/strategy developed yet.
Vip Mobile	Dec 2016	Dec 2016	Apr 2012	open	Decision on allocation of DD to be adopted; timeline for award to be defined
Vipnet	Oct 2024	n.a.	YE 2010	2012 earliest	900 MHz license prolongation and re-farming finalized; no details on DD allocation yet available
Vip Operator	Mar 2018	Mar 2018	Jun 2012	open	Timeline for award to be defined; no details on DD allocation yet available

Costs for spectrum allocation/auction not included in regular CAPEX planning

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

Key Points



Thank you!