



Results for the First Quarter 2011

Bank of America Merrill Lynch TMT Conference
June, 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 First Quarter 2011
 - > Key Financial Developments of the First Quarter 2011
 - > Special Topics
 - > Outlook FY 2011
 - > Appendix
-

Operational and Financial Highlights of the First Quarter 2011

Operational and Financial Highlights of the First Quarter 2011

- > Continued strong demand for fixed and mobile broadband solutions as well as for smartphones
 - > Groupwide mobile broadband subscriber growth of 51.1%
 - > Fixed access line growth of 7,300 lines in Austria
- > Mobile subscriber base increases by 5.7% to more than 20 million customers
- > Despite a challenging macro-economic environment and fierce competition, continued slowdown of Group revenue decline to 0.7% to EUR 1,118.0 mn
- > Decline of Group EBITDA comparable by 7.1% to EUR 396.7 mn
- > Restructuring charges amount to a total of EUR 184.1 mn in the first quarter of 2011
- > 11.7% reduction in CAPEX to EUR 120.4 mn due to lower investments in Croatia and Belarus



Key Financial Developments of the First Quarter 2011

Strong Operational Performance Limits Revenue Decline

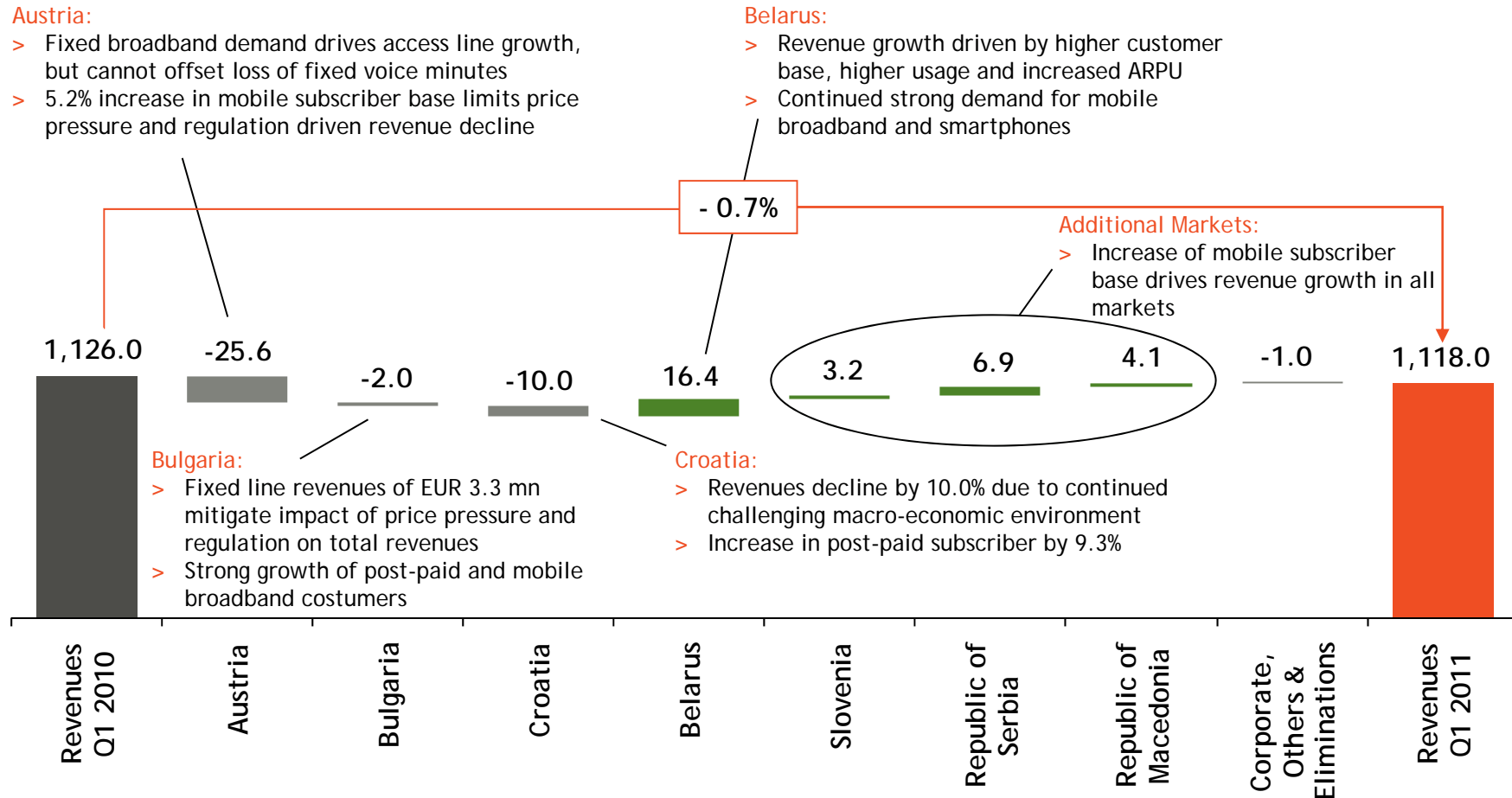
(EUR million)	Q1 2011	Q1 2010	% change
Revenues	1,118.0	1,126.0	-0.7%
EBITDA comparable*	396.7	426.8	-7.1%
<i>EBITDA comparable margin*</i>	<i>35.5%</i>	<i>37.9%</i>	
Restructuring	-184.1	-0.9	n.a.
Impairment	0.0	0.0	n.a.
EBITDA (incl. Restructuring and Impairment charges)	212.7	425.9	-50.1%
<i>EBITDA (incl. Restructuring and Impairment charges) margin</i>	<i>19.0%</i>	<i>37.8%</i>	
Depreciation & amortization	-255.0	-259.6	-1.8%
Operating income	-42.3	166.3	n.a.
Financial result	-53.5	-49.1	8.9%
Income before income taxes	-95.8	117.2	n.a.
Income tax expense	16.6	-26.0	n.a.
Net income / Net loss	-79.2	91.2	n.a.

* Excluding Restructuring and Impairment Charges

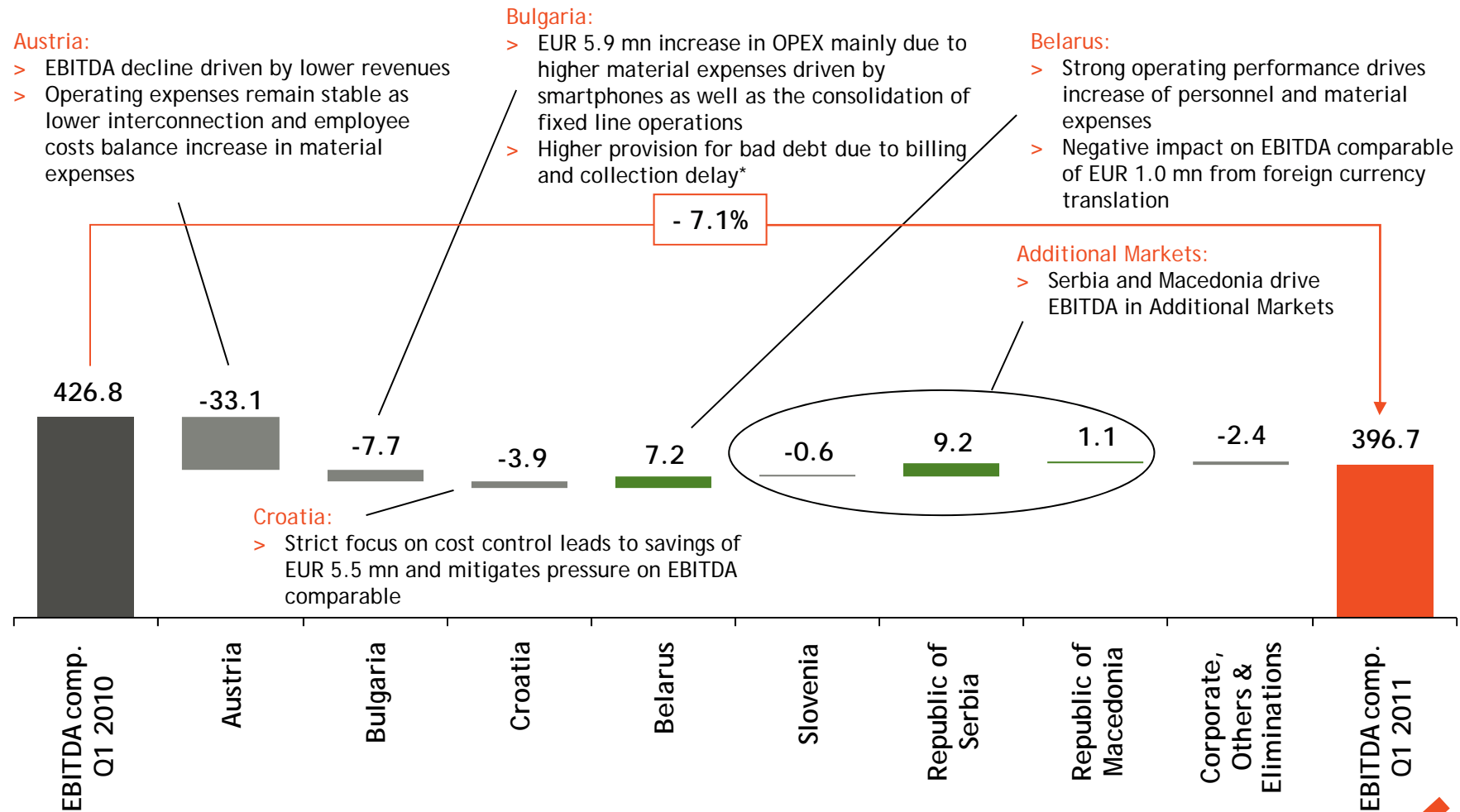
- > Growth in Belarusian and Additional Markets segments almost offsets revenue declines in the Austrian and Croatian segments
- > Increase in material expenses in almost all segments driven by smartphones
- > Termination and roaming regulation impacts EBITDA comparable with EUR 9.5 mn negatively
- > EUR 79.2 mn net loss due to EUR 184.1 mn restructuring charges in Austria



Demand for Broadband Solutions and Smartphones Characterizes the Group's Revenue Development



Revenue Related OPEX Drive EBITDA Comparable Decline



Austria:

- > EBITDA decline driven by lower revenues
- > Operating expenses remain stable as lower interconnection and employee costs balance increase in material expenses

Bulgaria:

- > EUR 5.9 mn increase in OPEX mainly due to higher material expenses driven by smartphones as well as the consolidation of fixed line operations
- > Higher provision for bad debt due to billing and collection delay*

Belarus:

- > Strong operating performance drives increase of personnel and material expenses
- > Negative impact on EBITDA comparable of EUR 1.0 mn from foreign currency translation

Additional Markets:

- > Serbia and Macedonia drive EBITDA in Additional Markets

Croatia:

- > Strict focus on cost control leads to savings of EUR 5.5 mn and mitigates pressure on EBITDA comparable

* Based on the change of the Billing and Customer-Relationship-Management system

Free Cash Flow Impacted by Lower Cash Flow from Operations and Change in Working Capital

(EUR million)	Q1 2011	Q1 2010	% change
Cash Flow from operations before working capital adjustments	335.8	385.9	-13.0%
Change in working capital	-185.2	-83.8	121.1%
Ordinary capital expenditures	-120.4	-136.4	-11.7%
Proceeds from sale of equipment	1.3	9.1	-85.7%
Free cash flow	31.5	174.8	-82.0%
Free cash flow per share	0.07	0.40	-82.0%

- > Lower cash flow from operations due to lower net income
- > Change in working capital driven by payments of accounts payable due to higher investments at end of Q4 2010



Special Topics

2011 Headcount Reduction Targets More than Fulfilled in Q1 2011

FTEs Addressed & Resulting Restructuring Charge

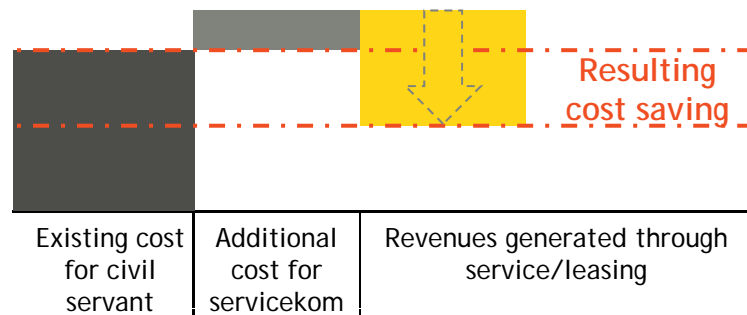
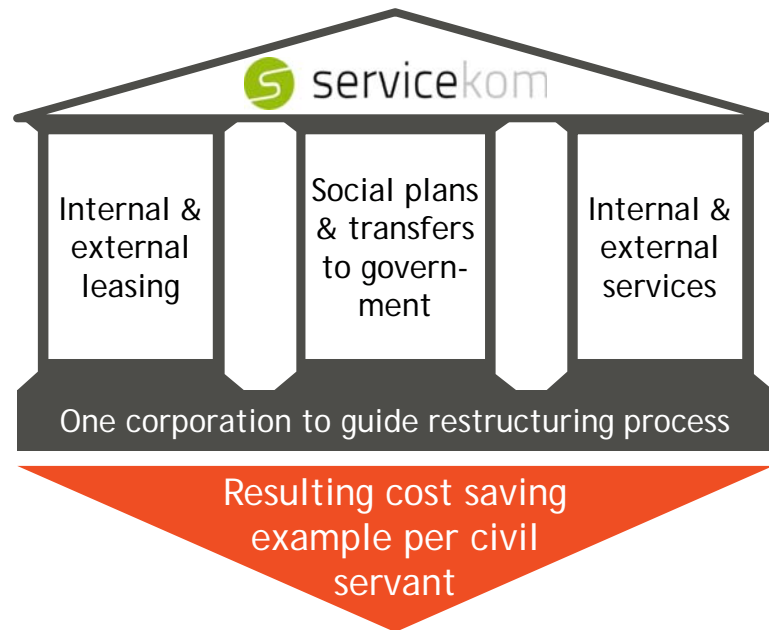
FTEs addressed	Q1 2011	Initial guidance as of Feb. 23, 2011
Transfer to government bodies	24	
Social plans	514	
Total	538	approx. 500
Restructuring charge	EUR 184.1 mn	approx. EUR 200 mn

- > High acceptance of offered social plans
- > Transfers of civil servants to government bodies on track
- > Cash flow impact Q1 2011: EUR 21.5 mn for old and new programs
- > Strong acceptance and high cost efficiency may lead to increase of program in 2011:
 - > Total headcount targeted: approx. 700 FTEs
 - > Total restructuring charge up to EUR 250 mn in FY 2011
- > Cash flow impact FY 2011: EUR 100 - 110 mn expected for old and new programs

Total Expected Cash Flow Impact 2011



Targeted New Long Term Solution for Idle Workforce to Provide Positive Cash Flow Effect

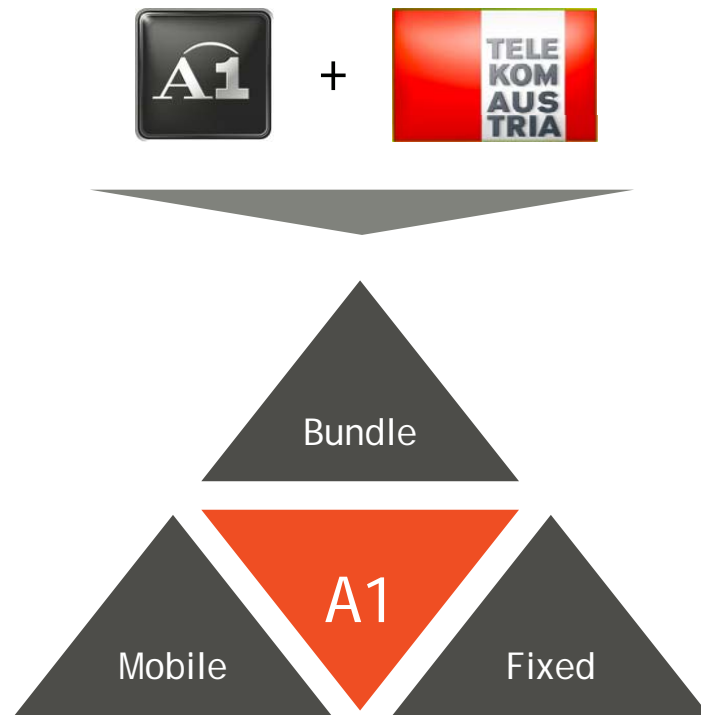


- > Idle civil servants will be integrated into servicekom
- > Servicekom will provide economic solutions
- > Reintegration of idle workforce into work process
 - > Existing provisions are re-charged to employee cost if civil servant is re-activated
- > Revenues generated exceed additional cost resulting from servicekom and contribute positively to cash flow



Telekom Austria Group Launches "A1" as Single Brand in Austria

Next Step in the Integration Process



- > "A1" single brand for fixed and mobile services in Austria
- > Truly integrated and harmonized product portfolio out of one hand
- > Strengthens Telekom Austria Group's position as only true convergent operator in Austria
- > Long term cost savings via more efficient marketing activities
- > Allows to fully integrate key functions, such as customer service & customer management
- > The financial impact of the launch of the single brand has already been included in the Group's financial outlook for 2011



Telekom Austria Group Brand Portfolio

TELEKOM
AUSTRIA
GROUP

A1

Austria



Bulgaria



Serbia



Croatia



Macedonia



Belarus



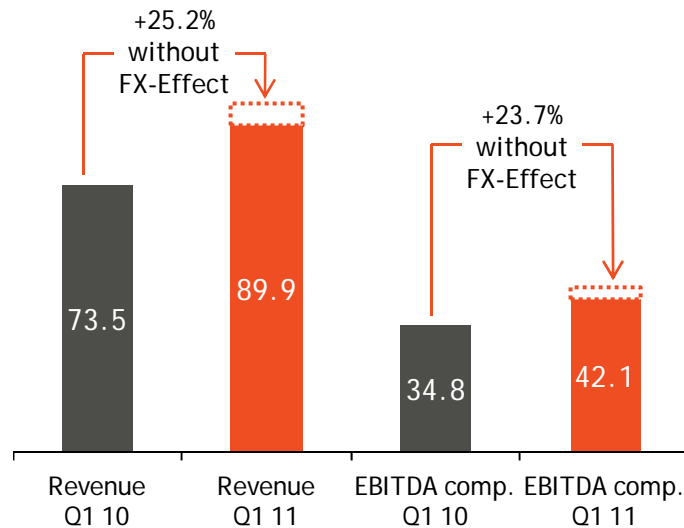
Slovenia



Liechtenstein

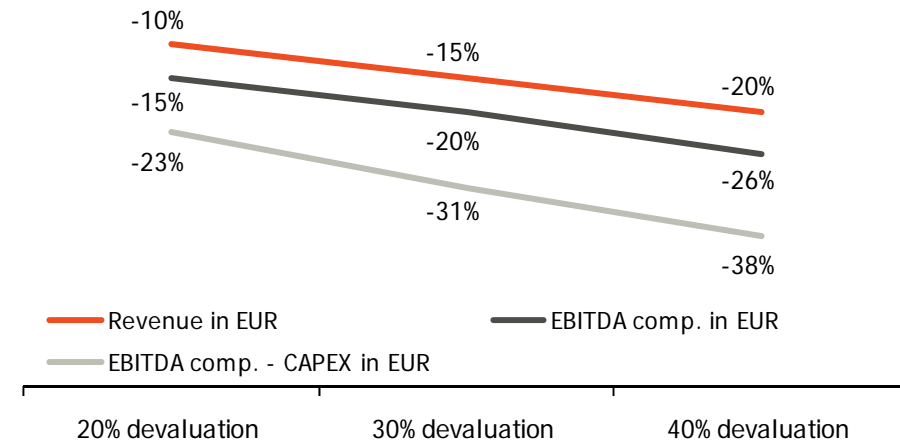
Strong Operating Performance in Belarus while Foreign Exchange Risk Rises

Revenue and EBITDA Comparable Development (EUR million)



- > EUR - BYR decline of 7.3% in Q1 2011
- > Revenue growth of 16.4 mn, thereof FX-Effect of -2.1 mn
- > EBITDA comp. growth of 7.2 mn, thereof FX-Effect of -1.0 mn

FX-Sensitivity Analysis (in %)



- > Sensitivity to foreign exchange movements due to high portion of foreign currency denominated OPEX and CAPEX



Outlook

Unchanged Financial Outlook for Full Year 2011

Telekom Austria Group - Full Year 2011

On a constant currency basis

As of May 11, 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)	Q1 2011	Q1 2010	% change
Monthly fee and traffic	505.7	522.4	-3.2%
Data and ICT Solutions	49.3	49.1	0.3%
Wholesale (incl. Roaming)	51.5	54.5	-5.5%
Interconnection	87.5	104.5	-16.2%
Equipment	31.2	17.7	76.4%
Other revenues	13.2	15.7	-16.4%
Total revenues - Segment Austria	738.3	763.9	-3.3%









Revenue Split - International Operations (EUR million)	Q1 2011	Q1 2010	% change
Monthly fee and traffic	299.8	285.6	5.0%
Data and ICT Solutions	0.0	0.0	n.a.
Wholesale (incl. Roaming)	6.4	7.0	-8.7%
Interconnection	56.4	59.6	-5.3%
Equipment	31.0	22.3	38.7%
Other revenues	3.7	3.8	-0.8%
Total revenues - int. Operations	397.4	378.3	5.1%

Telekom Austria Group - Expense Breakdown

Operating Expense - Segment Austria (EUR million)	Q1 2011	Q1 2010	% change
Material expense	65.6	46.4	41.2%
Employee costs	171.9	173.9	-1.2%
Interconnection	75.1	91.1	-17.5%
Maintenance and repairs	25.2	27.3	-7.7%
Services received	38.6	47.8	-19.2%
Other support services	32.6	27.9	16.8%
Other	91.8	85.8	6.9%
Total OPEX - Segment Austria	500.8	500.3	0.1%

Operating Expense - International Operations (EUR million)	Q1 2011	Q1 2010	% change
Material expense	40.8	34.6	17.8%
Employee costs	32.6	30.8	5.7%
Interconnection	50.2	49.9	0.6%
Maintenance and repairs	13.6	13.0	4.7%
Services received	25.3	26.5	-4.3%
Other support services	3.6	3.2	12.9%
Other	88.2	81.4	8.3%
Total OPEX - int. Operations	254.4	239.5	6.2%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	Q1 2011	Q1 2010	% change
 Austria		5,145	4,891	5.2%
Market share		41.0%	42.4%	
 Bulgaria		5,277	5,264	0.3%
Market share		49.3%	50.1%	
 Croatia		2,682	2,634	1.8%
Market share		41.9%	43.7%	
 Belarus		4,415	4,116	7.3%
Market share		41.1%	41.2%	
 Slovenia		630	591	6.5%
Market share		29.6%	28.2%	
 Republic of Serbia		1,428	1,164	22.7%
Market share		14.2%	12.2%	
 Republic of Macedonia		491	333	47.2%
Market share		21.5%	16.4%	
 Liechtenstein		7	6	7.0%
Market share		20.5%	19.4%	
Total Mobile Subscribers		20,075	19,000	5.7%

Telekom Austria Group - Headcount Development

FTE (Average period)	Q1 2011	Q1 2010	% change
Austria	9,699	10,075	-3.7%
International	6,745	6,506	3.7%
Telekom Austria Group*	16,600	16,606	0.0%

FTE (End of period)	Q1 2011	Q1 2010	% change
Austria	9,649	10,132	-4.8%
International	7,351	6,496	13.2%
Telekom Austria Group*	17,162	16,637	3.2%

*Including corporate segment



Telekom Austria Group - Capital Expenditures Split

Capital Expenditures (EUR million)	Q1 2011	Q1 2010	% change
Segment Austria	78.4	83.6	-6.3%
Segment Bulgaria	13.9	8.6	61.0%
Segment Croatia	8.6	15.4	-44.1%
Segment Belarus	3.1	12.7	-75.6%
Segment Additional Markets	16.4	16.0	2.4%
<i>Slovenia</i>	<i>1.0</i>	<i>2.6</i>	<i>-62.3%</i>
<i>Republic of Serbia</i>	<i>14.0</i>	<i>13.0</i>	<i>7.4%</i>
<i>Republic of Macedonia</i>	<i>1.4</i>	<i>0.6</i>	<i>138.5%</i>
<i>Liechtenstein</i>	<i>0.0</i>	<i>0.0</i>	<i>53.0%</i>
<i>Eliminations additional markets</i>	<i>0.0</i>	<i>-0.2</i>	<i>n.a.</i>
Corporate, Others & Elimination	0.0	0.0	n.a.
Total capital expenditures	120.4	136.4	-11.7%
Thereof tangible	96.0	95.2	0.9%
Thereof intangible	24.4	41.2	-40.8%

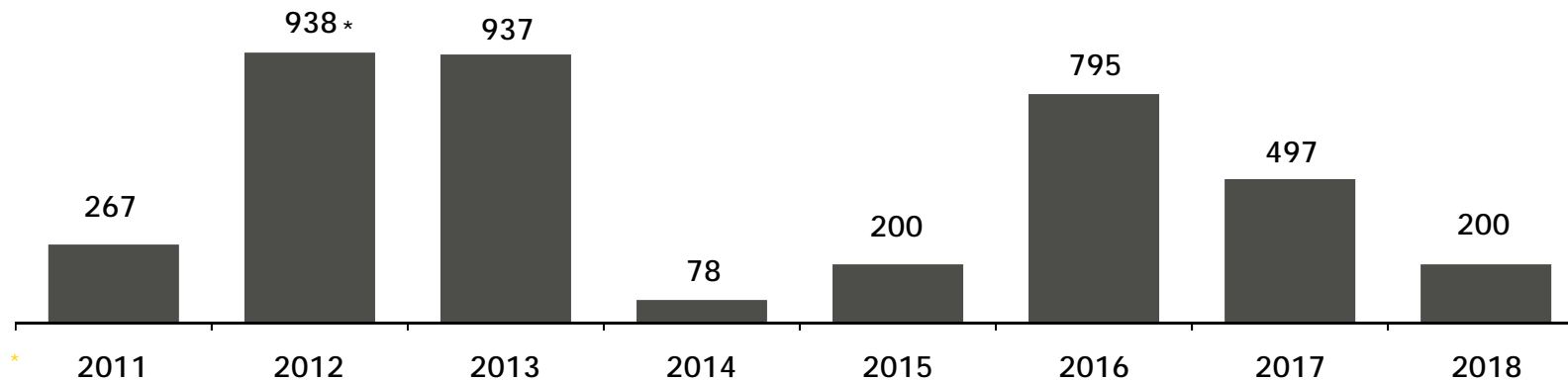
Telekom Austria Group - Net Debt

Net debt (EUR million)	Mar. 31, 2011	Dec. 31, 2010	% change
Long-term debt	3,582.5	3,146.4	13.9%
Short-term borrowings	330.2	522.6	-36.8%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-558.5	-355.0	57.3%
Derivate financial instruments for hedging purposes	-11.1	-8.9	25.1%
Net Debt of Telekom Austria Group	3,343.2	3,305.2	1.1%
EBITDA comparable (last 12 months)	1,615.8	1,645.9	-1.8%
Net Debt/ EBITDA comparable (last 12 months)	2.1x	2.0x	n.a.

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile

(EUR million)



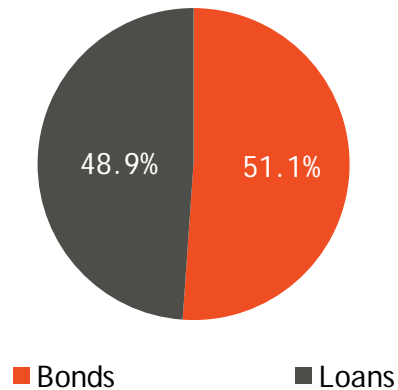
*Includes approx. EUR 51.7 mn in 2012 related to Velcom

- > EUR 3,912.7 mn of short- and long-term borrowings as of March 31, 2011
- > Average cost of debt of approximately 4.5%

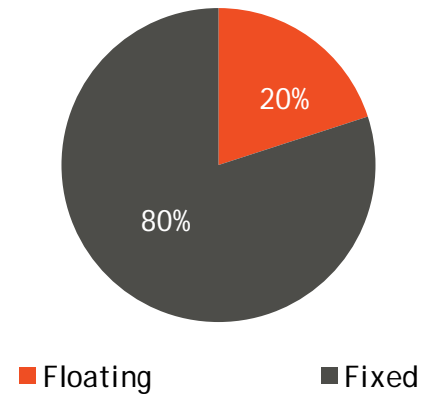


Telekom Austria Group - Debt Profile

Overview Debt Instruments



Fixed-Floating Mix



Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 1.0 bn
- > Average term to maturity of approximately 2.3 years

Ratings

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

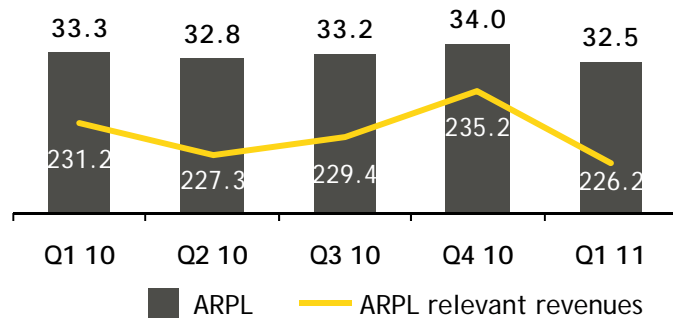
*Outlook changed from stable to negative on 14 February 2011



Segment Austria - Fixed Line Key Performance Indicators

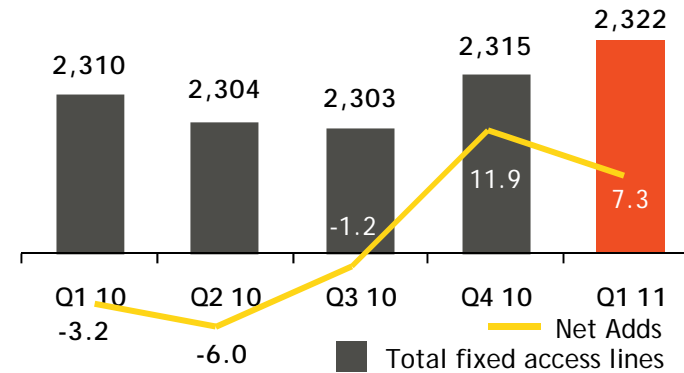
ARPL & ARPL Relevant Revenues

(in EUR)



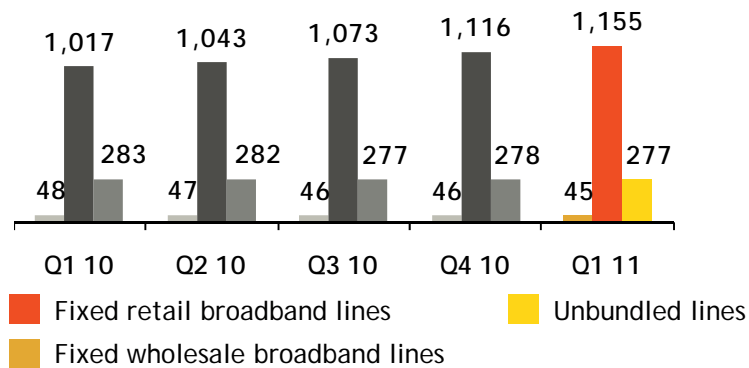
Total Fixed Access Lines & Net Adds

(in 000)



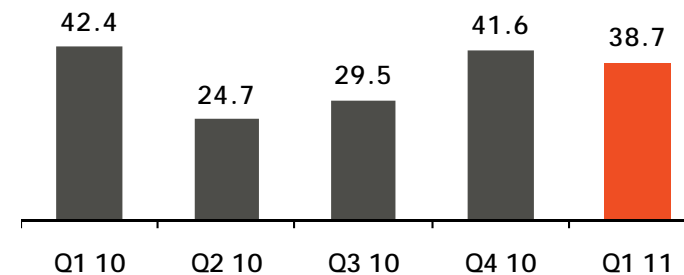
Fixed Broadband Access Lines

(in 000)



Fixed Broadband Net Adds incl. Wholesale

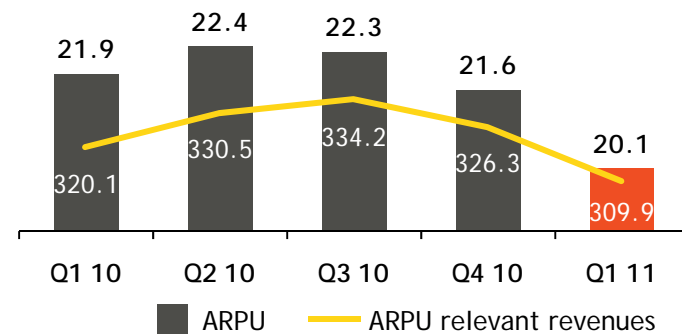
(in 000)



Segment Austria - Mobile Key Performance Indicators

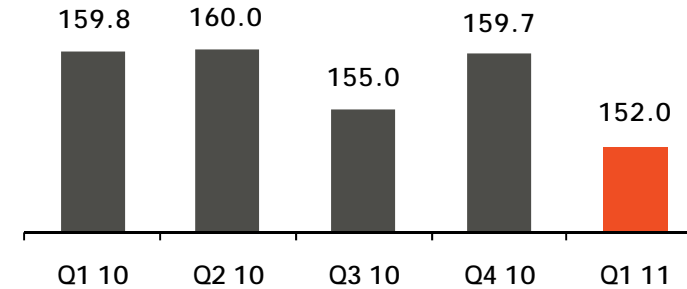
ARPU & ARPU Relevant Revenues

(in EUR)



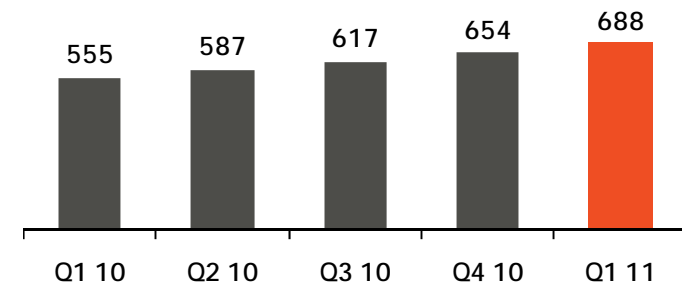
MoU per Subscriber

(in min)



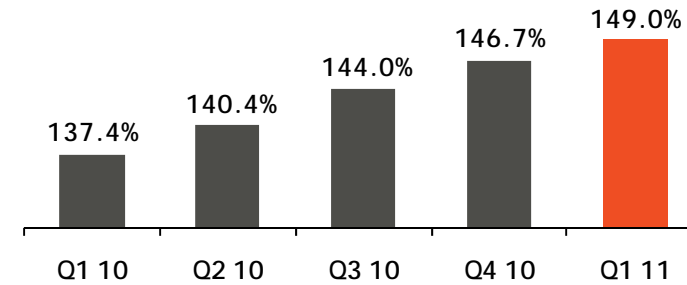
Mobile Broadband Customers

(in 000)



Mobile Penetration

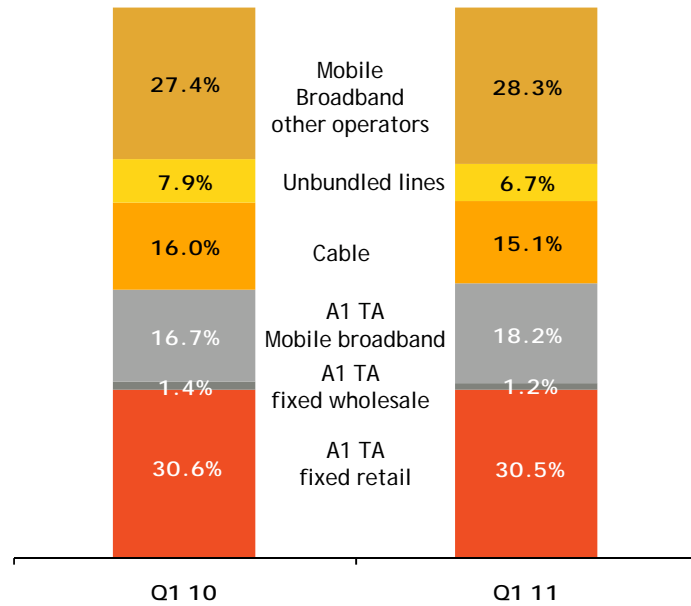
(in %)



Segment Austria - Broadband Market Split

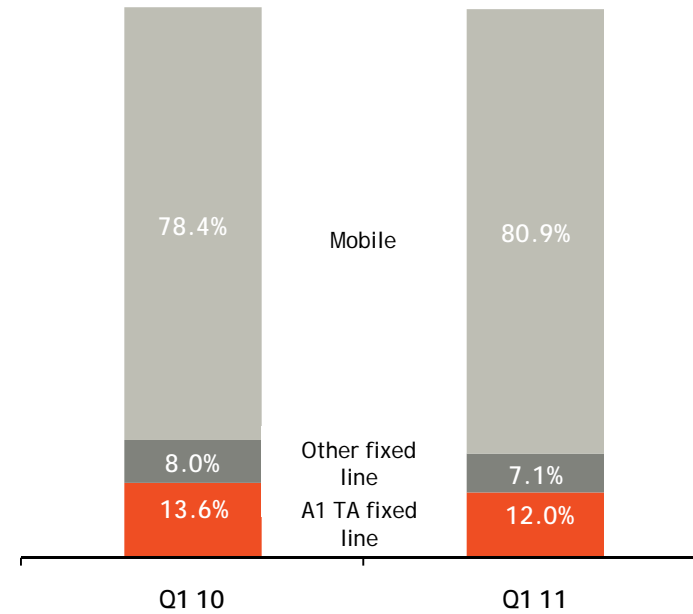
Market Share Broadband Lines

(in %)



Market Share Voice Minutes

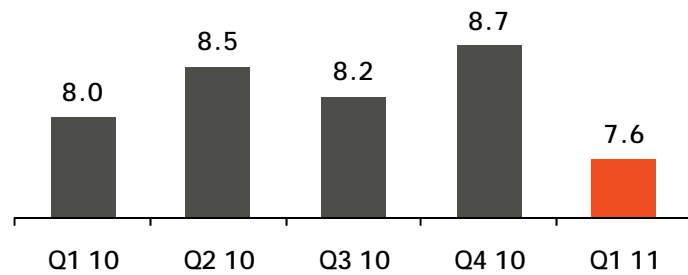
(in %)



Segment Bulgaria - Mobile Key Performance Indicators

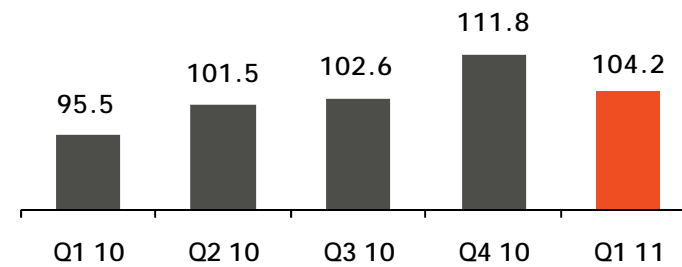
ARPU

(in EUR)



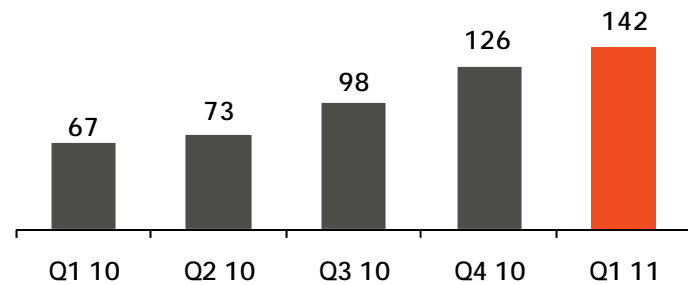
MoU per Subscriber

(in min)



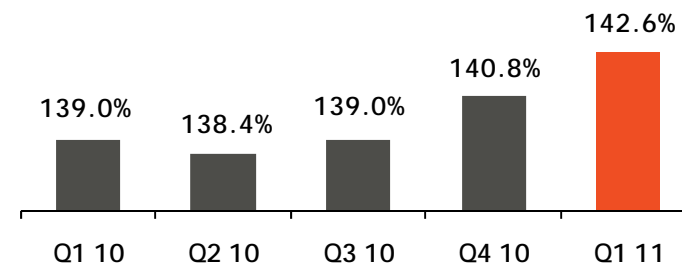
Mobile Broadband Customers

(in 000)



Mobile Penetration

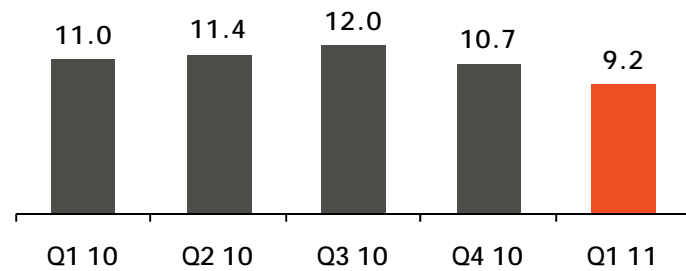
(in %)



Segment Croatia - Mobile Key Performance Indicators

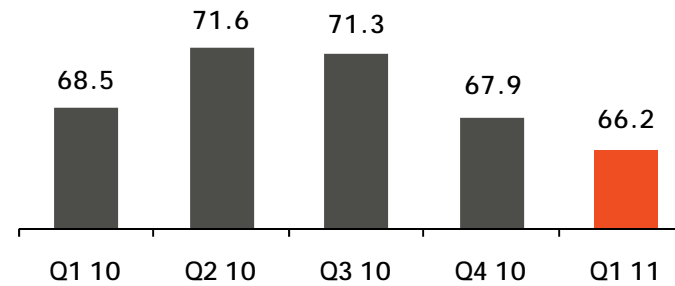
ARPU

(in EUR)



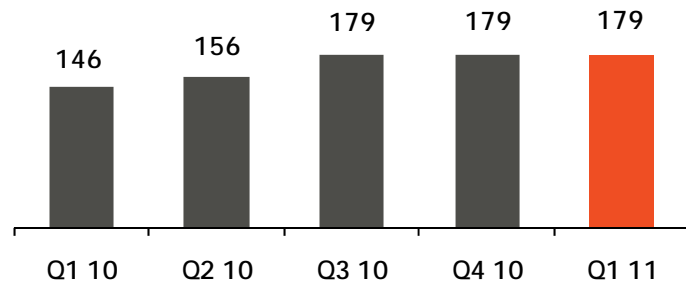
MoU per Subscriber

(in min)



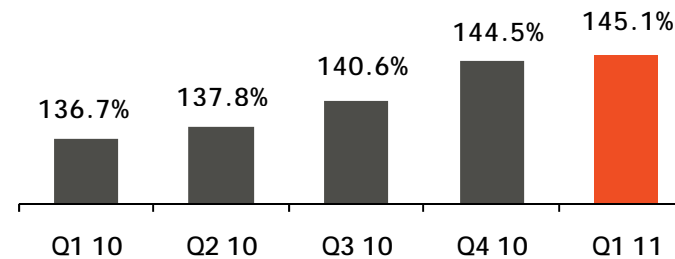
Mobile Broadband Customers

(in 000)



Mobile Penetration

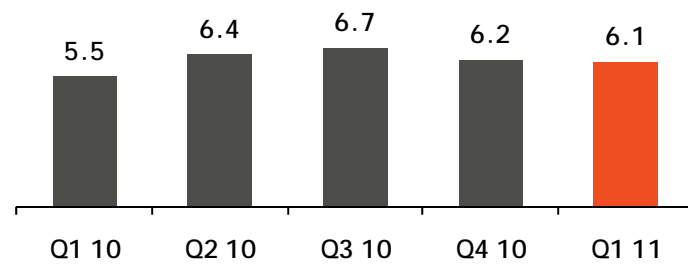
(in %)



Segment Belarus – Mobile Key Performance Indicators

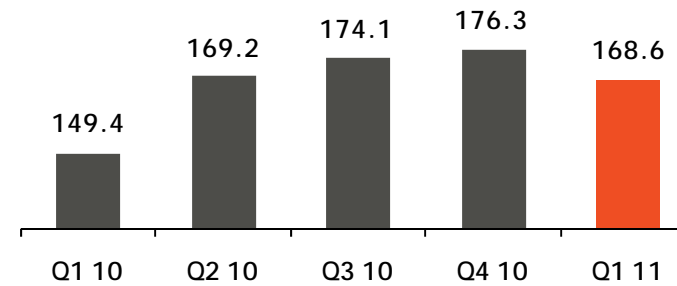
ARPU

(in EUR)



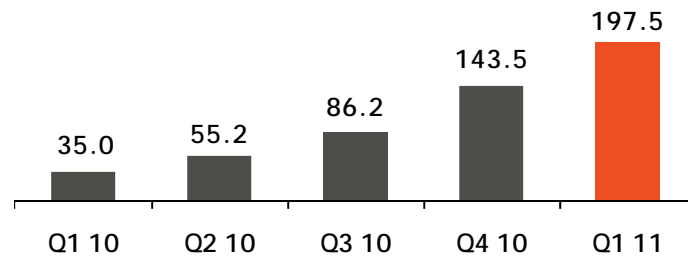
MoU per Subscriber

(in min)



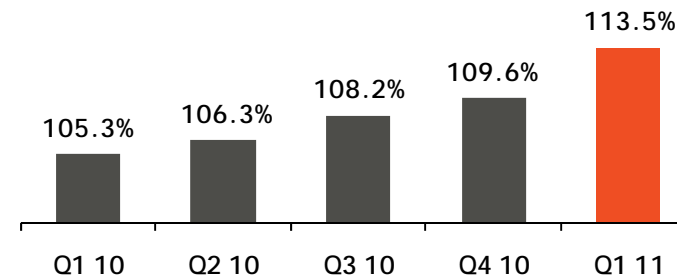
Mobile Broadband Customers

(in 000)



Mobile Penetration

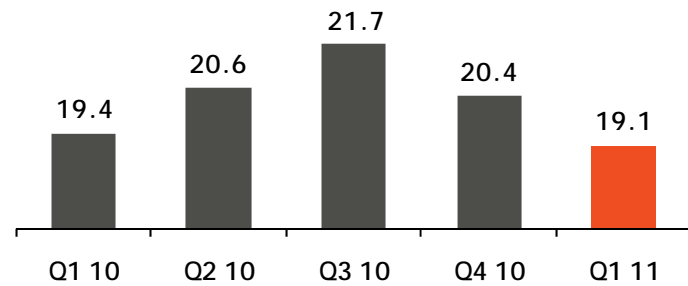
(in %)



Segment Additional Markets - Mobile Key Performance Indicators

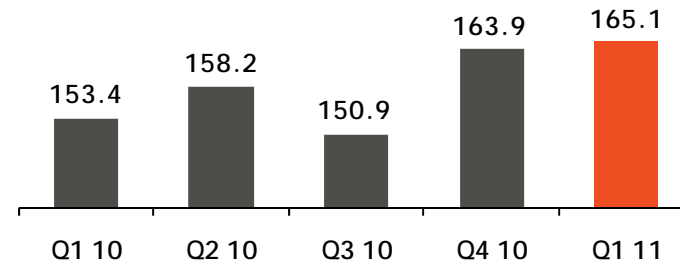
Slovenia - ARPU

(in EUR)



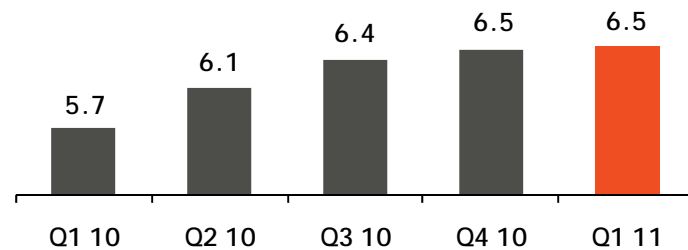
Slovenia - MoU per Subscriber

(in min)



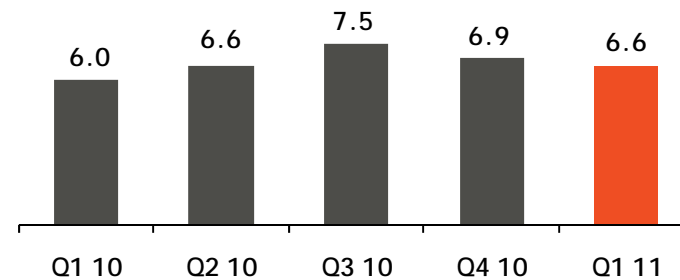
Serbia - ARPU

(in EUR)



Macedonia - ARPU

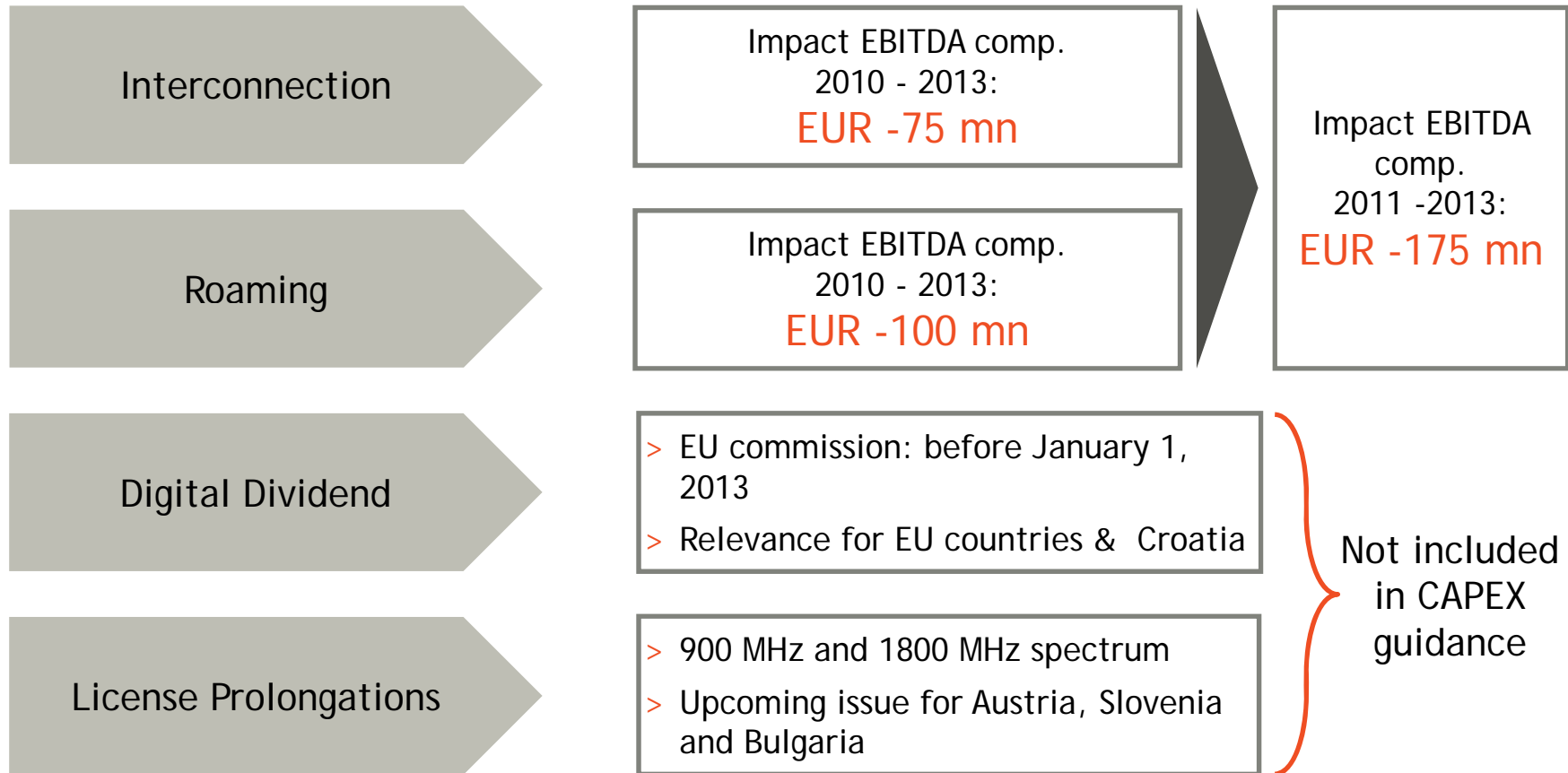
(in EUR)



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

In EUR cents	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 started in Q1 2011-> decision expected in September 2011						
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						

EU-Roaming Glide Path

	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