



Results for the Second Quarter 2010

Vienna, August 18, 2010

Cautionary Statement

“This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Forward-looking information involves risks and uncertainties that could significantly affect expected results.”



Agenda

- > Telekom Austria Group - Highlights of 2Q 2010
 - > Key Financial Developments
 - > Markets & Operations
 - > Outlook FY 2010
 - > Appendix
-



Telekom Austria Group - Highlights of the Second Quarter 2010

- > Continued challenging operating environment driven by fierce competition, regulatory induced pressure and macro-economic headwinds
- > Stabilization of Fixed Net line losses to 6,000 in 2Q 2010 vs. 12,600 in 2Q 2009
- > Further Mobile Communication subscriber growth of 5.9% to 19.2 mn customers
- > Slow-down of Group revenue decline to -1.9% supported by Fixed Net revenue growth and lower revenue reduction in the Mobile Communication segment
- > Group EBITDA declines by 7.2% excluding one-off charges due to higher revenue related Fixed Net expenses and lower mobile revenues, cushioned by cost reductions
- > Strong free cash flow generation continues amounting to EUR 199.5 mn
- > Including impact from merger of domestic operations management expects revenues of approx. EUR 4.7 bn and an EBITDA of EUR 1.60 to 1.65 bn for FY 2010
- > DPS floor of EUR 75 cents reiterated



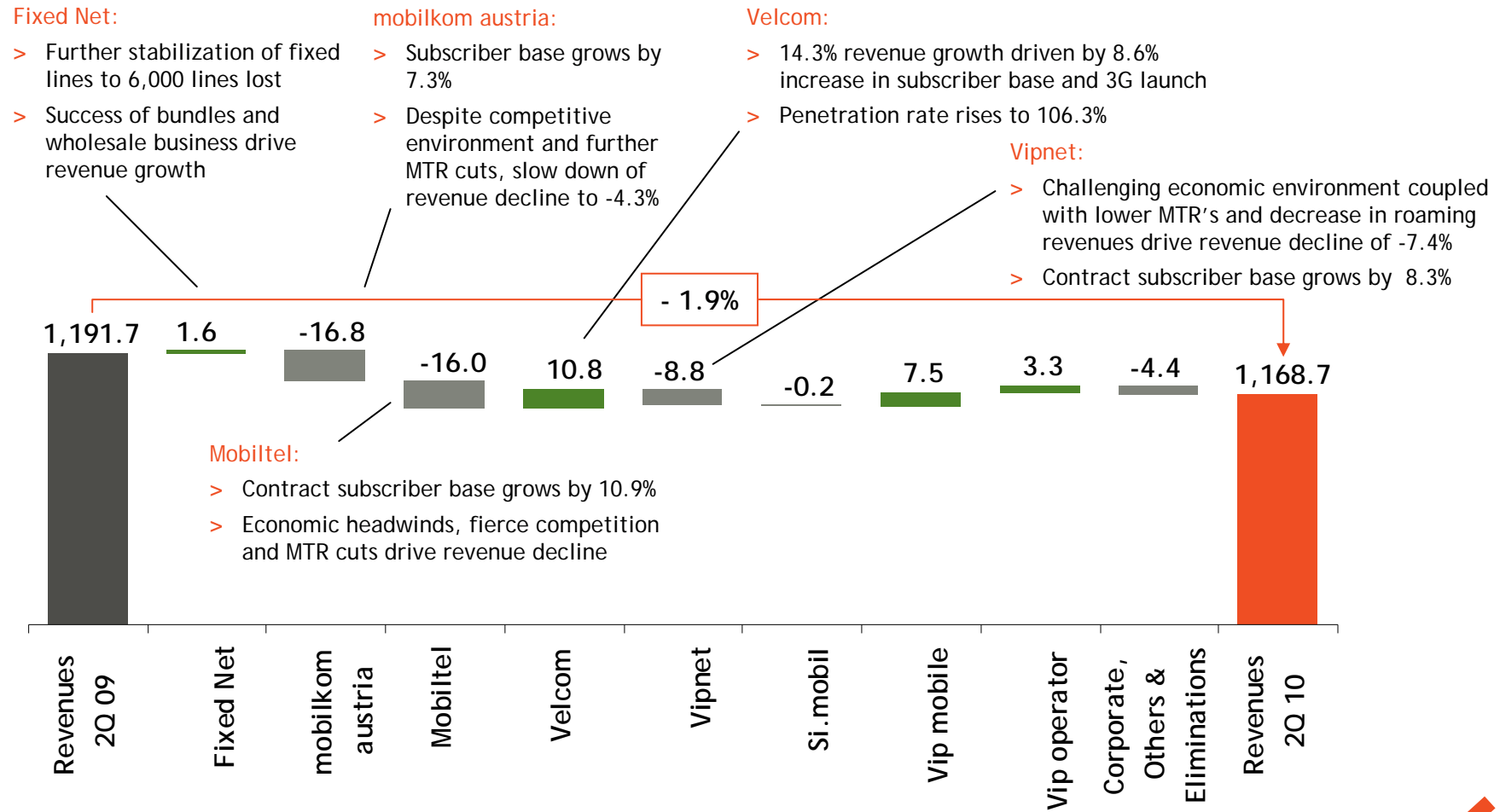
Key Financial Developments

Slow down of Revenue Decline, EBITDA Impacted by EUR 14.0 mn One-off Charges in 2Q 10

(EUR million)	2Q 10	2Q 09	% change
Revenues	1,168.7	1,191.7	-1.9%
EBITDA	403.8	450.0	-10.3%
<i>EBITDA margin</i>	<i>34.6%</i>	<i>37.8%</i>	
Depreciation & amortization	-269.6	-279.6	-3.6%
Impairment charges	0.0	-0.2	-100.0%
Operating income	134.2	170.2	-21.2%
Financial result	-46.9	-62.0	-24.4%
Income before income taxes	87.2	108.2	-19.4%
Income tax expense	-18.6	-25.9	-28.2%
Net income	68.7	82.3	-16.5%

- > Slow down of revenue decline to -1.9% year-on-year driven by higher Fixed Net revenues and slowing declines in Mobile Communication
- > One-off charges of EUR 14.0 mn due to transfer of civil servants to the police, restructuring charges and integration effects impact EBITDA
- > Financial result improves due to lower interest bearing liabilities and lower interest rates
- > Only minor FX-effects on operational results

Fixed Net Revenues Grow by EUR 1.6 mn, Mobile Subscriber Base Increases by 5.9% on Group Level



Group-EBITDA Impacted by One-Offs in Domestic Operations and Regulatory Burden

Fixed Net:

- > EUR 14.0 mn one-off charges for transfer of civil servants, restructuring charge and integration
- > OPEX driven by higher material expenses and revenue related expenses for services received

mobilkom austria:

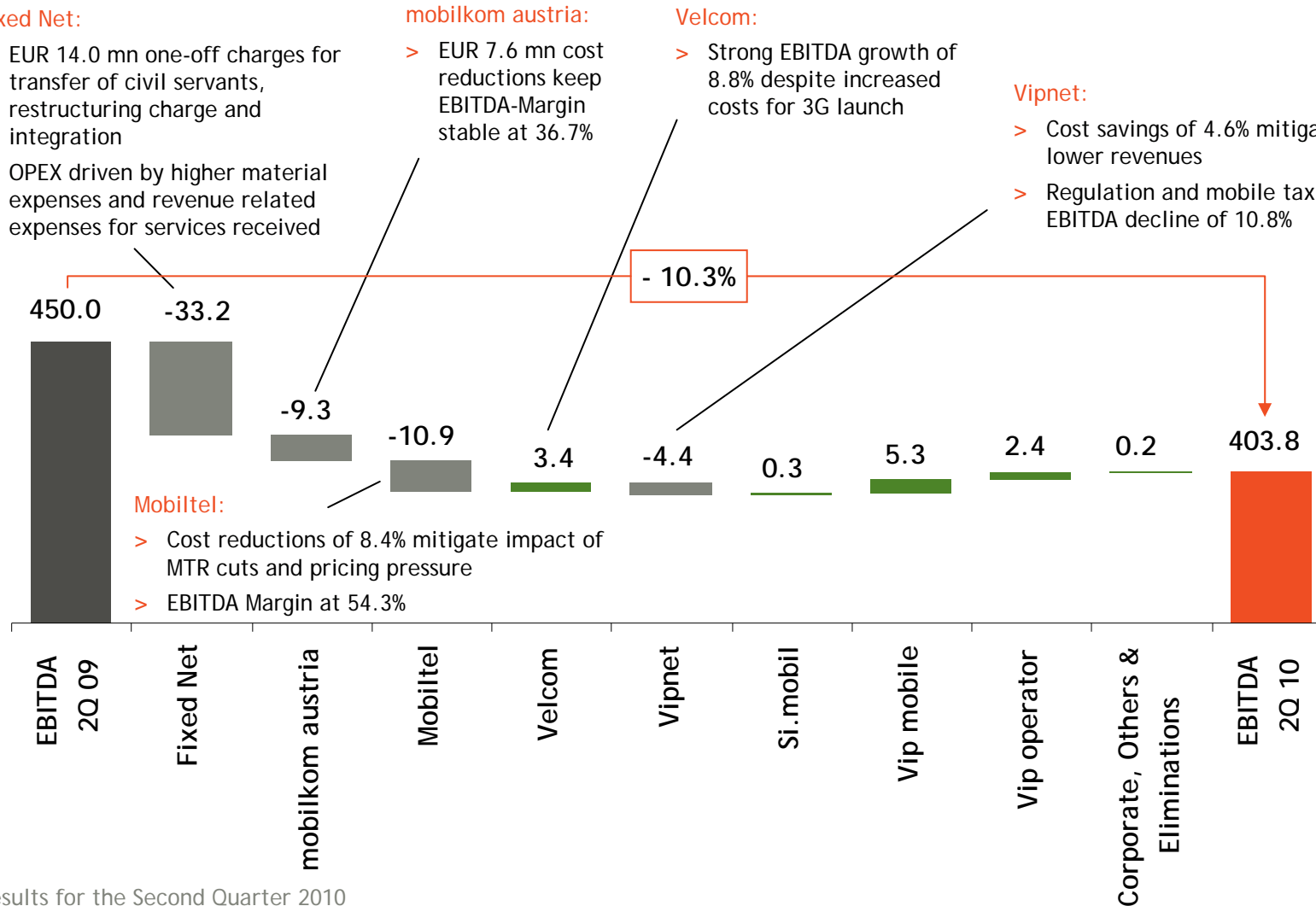
- > EUR 7.6 mn cost reductions keep EBITDA-Margin stable at 36.7%

Velcom:

- > Strong EBITDA growth of 8.8% despite increased costs for 3G launch

Vipnet:

- > Cost savings of 4.6% mitigate impact of lower revenues
- > Regulation and mobile tax of 6% lead to EBITDA decline of 10.8%



Improved Change in Working Capital Mitigates Higher Capex, Free Cash Flow Remains Stable

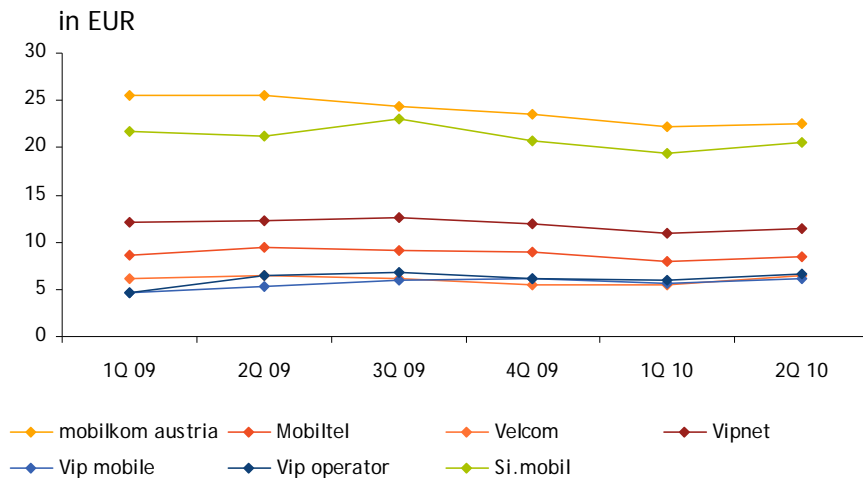
(EUR million)	2Q 10	2Q 09	% change	1H 10	1H 09	% change
Cash Flow from operations before working capital adjustments	383.6	390.9	-1.9%	769.5	772.8	-0.4%
Change in working capital	-24.0	-43.7	-45.1%	-107.8	-177.9	-39.4%
Ordinary capital expenditures	-160.1	-149.3	7.2%	-296.5	-265.3	11.8%
Free cash flow	199.5	197.9	0.8%	365.2	329.6	10.8%
Free cash flow per share	0.45	0.45	0.8%	0.83	0.75	10.8%

- > Higher accounts payable lead to further working capital improvement
- > Group CAPEX increased by 7.2% as next generation network investments in Fixed Net outweighed lower CAPEX in the Mobile Communication segment
- > Free cash flow per share continues to grow in line with the full year target for operating free cash flow

Markets & Operations

Key Trends in Telekom Austria's Mobile Communication Markets

First Signs of ARPU Stabilization

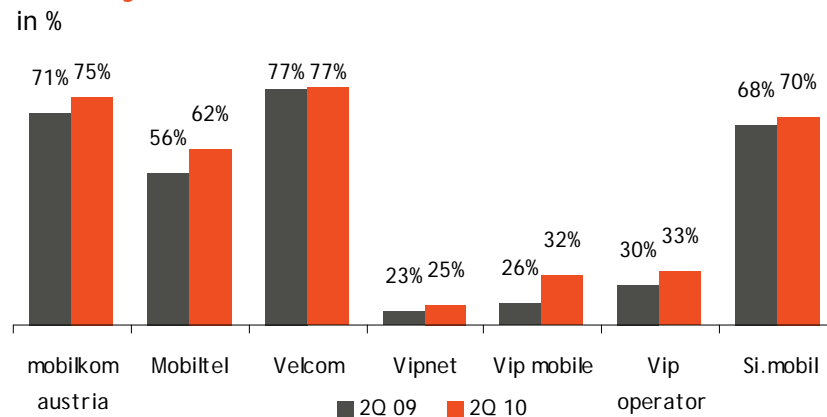


Strong Growth of Mobile Broadband in CEE

in number of customers

Broadbandshares	2Q 2010	2Q 2009	% change
mobilkom austria	622k	465k	33.8%
Mobitel	73k	42k	74.5%
Vipnet	156k	92k	69.4%
Si.mobil	13k	11k	12.5%

Steady Increase of Contract Shares



Smartphones - a Key Driver of Growth

- > Strong increase of market share of smartphones in Austria as well as CEE
- > Supports further ARPU stabilization
- > "Applications Challenge" drives innovation and customer focus

Results for the Second Quarter 2010



Giganet Update



Enhanced VDSL@CO Roll-Out - The Next Step in Telekom Austria's Giganet Strategy

VDSL@CO Build Out Plans...

- > Up to 30 Mbit/s
- > Combines existing fibre infrastructure at central office with existing copper network
- > No additional need for CAPEX (included in guidance)
- > Secures competitive position and meets current bandwidth demands
- > Enhanced roll-out to 1.6 mn by 2010 and 2.0 mn by 2013

...While Fiber Trials Continue

- > Fiber trials on track:
 - > Villach finished in 10/2009
 - > Klagenfurt finished by 11/2010
 - > Vienna (15th and 19th district) finished by 1Q/2011
- > Still pending: Satisfactory regulatory framework as basis for a potential fiber roll-out

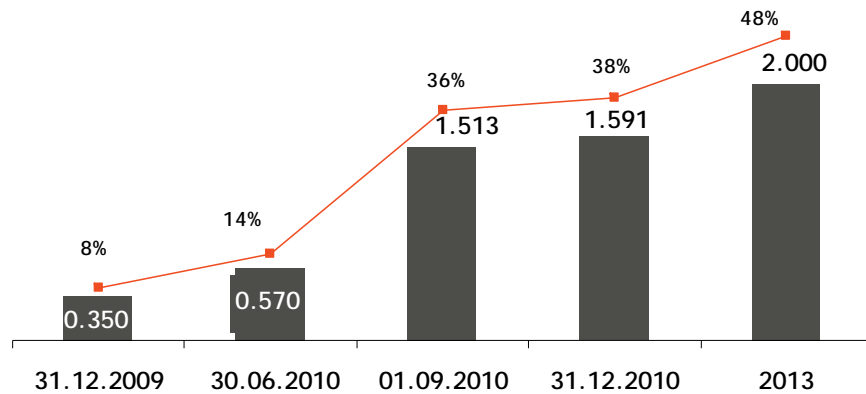
"Giganet Austria"

VDSL@CO as a cost efficient route to high bandwidth infrastructure
Bridges time gap until regulatory visibility on further fibre roll out is given

Next Steps Giganet Roll-Out - Up to 30 MBit/s to 40% of Total Households in Austria by end of 2010

VDSL@CO - Addressable market by 2013

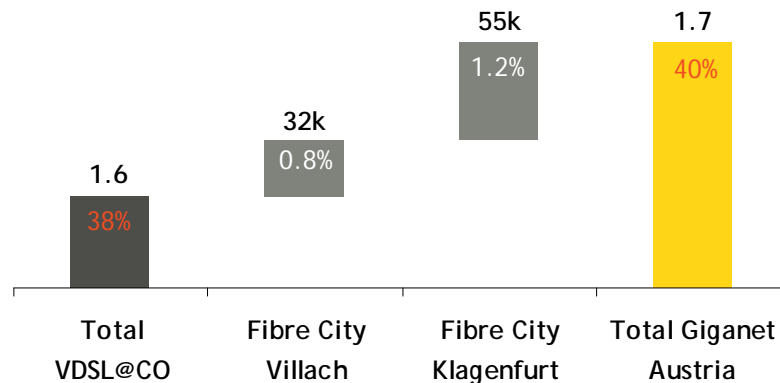
(in mn; % of total households)



- > VDSL@CO roll-out to urban as well as rural areas in Austria
- > As of September 1, 2010 nationwide coverage of 36% of all households
- > Total addressable VDSL@CO coverage of 48% or 2.0 mn households by 2013

Giganet - Addressable market by 2010

(number of households in mn vs. % of total households)



- > Addressable market for Giganet products grows 4 times to 1.7 mn households by end of 2010
- > Giganet coverage of 40% in Austria by end of 2010



Update on Integration of Austrian Operations



Focus Points: Organizational and Legal Integration in 1H 2010, Operational Implementation in 2H 2010

Overview Key Points of Integration 2010

Focus 1H 2010 (March - July)

- ✓ Implementation of operational structures and management appointments
- ✓ Change management of workforce
- ✓ Preparation and quick realization of legal merger as of July 8, 2010 (incl. adjustments in systems)
- ✓ Harmonisation of group governance according to new group structure

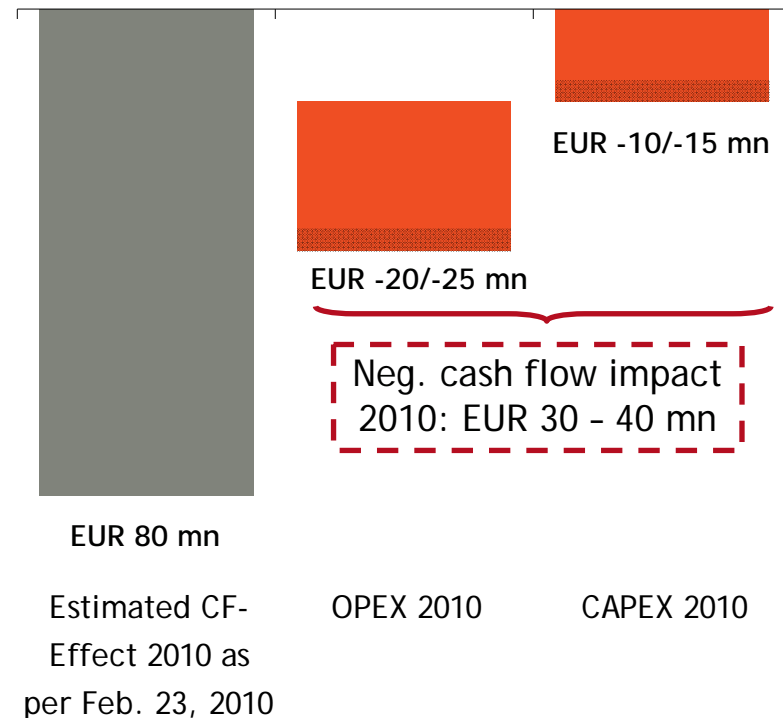
Focus 2H 2010 (August - December)

- > Start of realizations of synergies such as:
 - > IT-Systems
 - > Sales
 - > Customer Service, etc.
- > Ongoing optimization and re-design of processes and workflows
- > Implementation of a new reporting structure in 3Q 2010

Efficient Integration Leads to Reduced Negative Cash Flow Impact in 2010

Cash Flow-Effect of Integration

(in EUR mn)



> Strict focus on efficient execution of integration leads to reduced estimated negative impact on cash flow:

> OPEX: EUR 20 - 25 mn

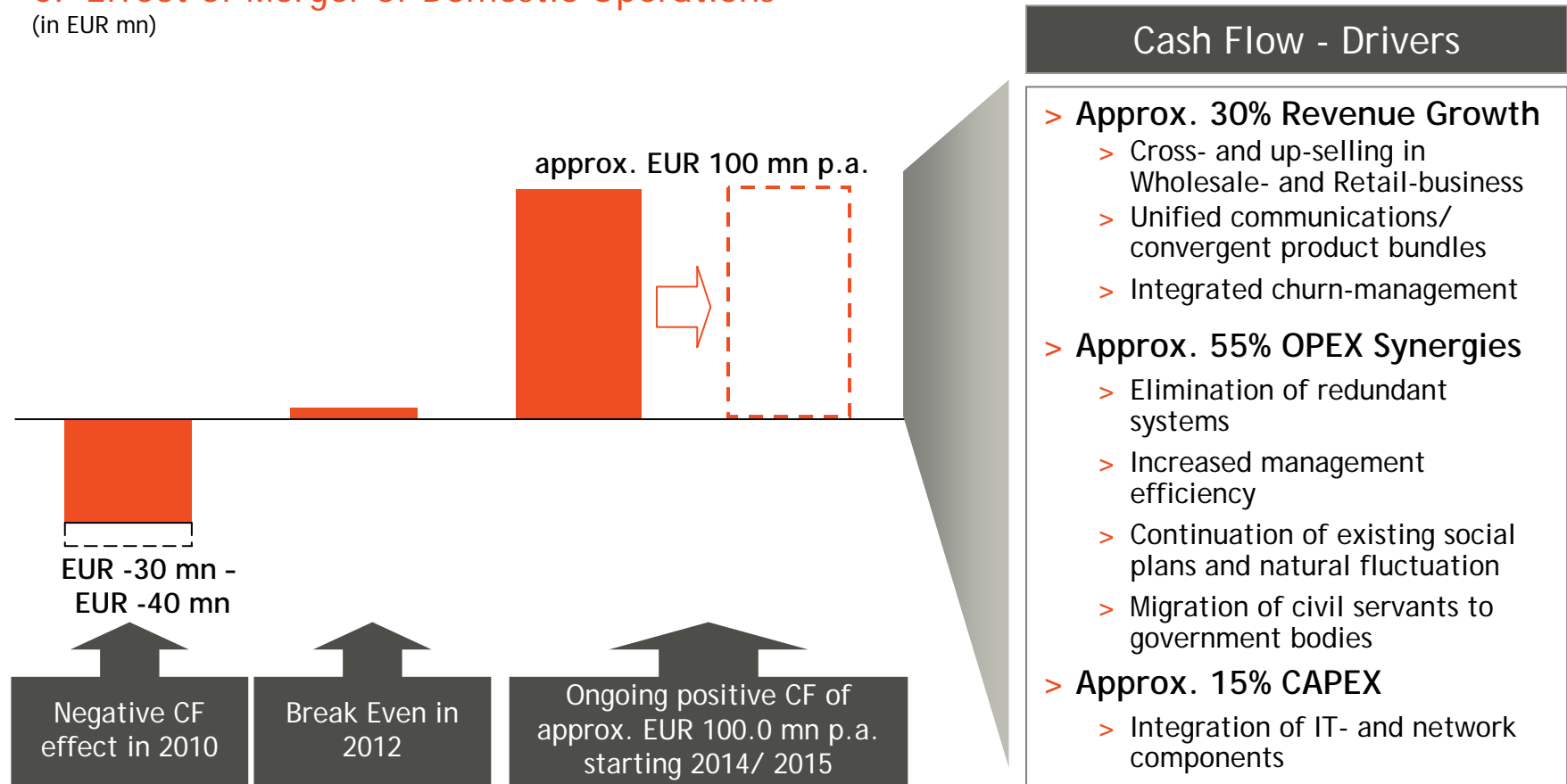
> CAPEX: EUR 10 - 15 mn

> Revised negative cash flow effect of EUR 30 - 40 mn in 2010



Overall Schedule Confirmed with Better Visibility on Cash Flow Effects

CF Effect of Merger of Domestic Operations
(in EUR mn)



Outlook FY 2010

Outlook 2010 Refined – Now Including Merger, DPS Floor Reiterated

Telekom Austria Group 2010 including merger of domestic operations*

	As of August 18, 2010	As of May 12, 2010
Revenues	approx. EUR 4.7 bn	approx. EUR 4.7 bn
EBITDA	EUR 1.60 – 1.65 bn	approx. EUR 1.6 bn
CAPEX	EUR 0.75 – 0.80 bn	approx. EUR 0.8 bn
Operating Free Cash Flow**	at least EUR 0.8 bn	approx. EUR 0.8 bn
Dividend	DPS of 75 cents minimum	DPS of 75 cents minimum

* On a constant currency basis

** Operating Free Cash Flow = EBITDA - CAPEX



Appendix 1









Telekom Austria Group - Fixed Net & Mobile Communication Revenue Breakdown

Fixed Net revenue breakdown (EUR million)	2Q 2010	2Q 2009	% change
Access, Voice and Broadband	237.4	240.4	-1.2%
Data & ICT-Solutions	93.5	96.7	-3.4%
Wholesale Voice & Internet	88.6	86.6	2.4%
Others	39.0	33.2	17.5%
Total Fixed Net revenues	458.5	456.9	0.4%
Mobile Communication revenue breakdown (EUR million)	2Q 2010	2Q 2009	% change
Subscription and Traffic	572.9	586.8	-2.4%
Equipment	53.7	51.0	5.3%
Roaming	37.7	28.5	32.3%
Interconnection	107.0	125.8	-14.9%
Other	16.6	19.0	-12.6%
Discounts	-9.5	-10.5	-9.5%
Total Mobile Communication revenues	778.4	800.6	-2.8%

Telekom Austria Group - Fixed Net & Mobile Communication Expense Breakdown

Fixed Net expense breakdown (EUR million)	2Q 2010	2Q 2009	% change
Material expense	18.5	14.1	31.2%
Employee costs	145.7	130.3	11.8%
Depreciation, amortization and impairment charges	112.8	118.6	-4.9%
Interconnection	73.3	72.6	1.0%
Maintenance and repairs	25.4	23.5	8.1%
Services received	37.3	28.8	29.5%
Other support services	20.9	18.7	11.8%
Other	43.6	44.6	-2.2%
Total Fixed Net expenses	477.5	451.2	5.8%
Mobile Communication expense breakdown (EUR million)	2Q 2010	2Q 2009	% change
Material expense	79.4	80.1	-0.9%
Employee costs	72.1	70.3	2.6%
Depreciation, amortization and impairment charges	157.0	161.4	-2.7%
Interconnection	93.5	100.6	-7.1%
Repairs	21.4	22.3	-4.0%
Services received	69.2	72.7	-4.8%
Other support services	9.3	8.7	6.9%
Other	140.3	141.5	-0.8%
Total Mobile Communication expenses	642.2	657.6	-2.3%

Telekom Austria Group - Mobile Communication Subscriber Base

	Mobile Subscribers (in 000)	2Q 2010	2Q 2009	% change
	Austria	4,967.4	4,628.4	7.3%
	Market share	42.1%	42.3%	
	Bulgaria	5,241.4	5,205.4	0.7%
	Market share	50.2%	50.0%	
	Belarus	4,144.9	3,817.4	8.6%
	Market share	41.1%	43.1%	
	Croatia	2,638.3	2,609.0	1.1%
	Market share	43.4%	43.3%	
	Slovenia	591.7	581.8	1.7%
	Market share	28.2%	28.0%	
	Republic of Serbia	1,264.7	1,067.5	18.5%
	Market share	13.0%	10.7%	
	Republic of Macedonia	353.2	224.4	57.4%
	Market share	17.1%	9.6%	
	Liechtenstein	6.2	6.2	0.0%
	Market share	19.7%	20.0%	
	Mobile Communication	19,207.8	18,140.1	5.9%

Telekom Austria Group - Headcount* Development

FTE (Average period)	2Q 2010	2Q 2009	change
Fixed Net**	7,956	8,213	-3.1%
Mobile Communciation	8,613	8,612	0.0%
Telekom Austria Group	16,569	16,825	-1.5%

FTE (End of period)	2Q 2010	2Q 2009	change
Fixed Net**	7,939	8,216	-3.4%
Mobile Communciation	8,591	8,643	-0.6%
Telekom Austria Group	16,530	16,859	-2.0%

*Full-time-equivalents

**Fixed Net net of idle workforce



Telekom Austria Group - Capital Expenditures Split

Group CAPEX (EUR million)	2Q 2010	2Q 2009	% change
Fixed Net	80.5	55.9	44.0%
Mobile Communication	79.6	93.4	-14.8%
Total CAPEX Telekom Austria Group	160.1	149.3	7.2%
Thereof tangible	131.4	117.0	12.3%
Thereof intangible	28.7	32.3	-11.1%

Mobile Communication CAPEX (EUR million)	2Q 2010	2Q 2009	% change
mobikom austria	25.0	27.1	-7.7%
Mobitel	17.6	17.1	2.9%
Velcom	10.3	4.7	119.1%
Vipnet	17.5	25.4	-31.1%
Si.mobil	1.4	2.6	-46.2%
Vip mobile	7.1	15.0	-52.7%
Vip operator	1.0	1.4	-28.6%
Total Mobile Communication Capex	79.6	93.4	-14.8%

Telekom Austria Group - Net Debt

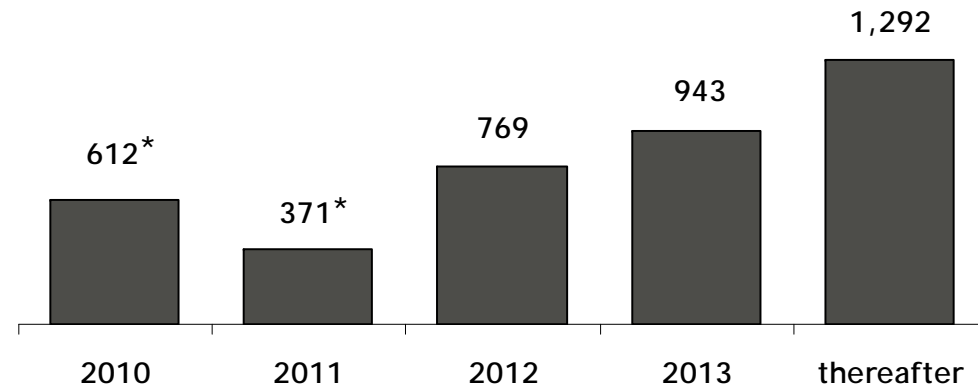
Net debt (EUR million)	June 30, 2010	Dec 31, 2010	% change
Long-term debt	3,019.5	3,234.8	-6.7%
Short-term borrowings*	1,083.6	1,501.6	-27.8%
Cash and cash equivalents, short-term and long term investments, finance lease receivables	-386.0	-1,099.0	-64.9%
Derivate financial instruments for hedging purposes	-126.8	-22.5	n.a.
Net Debt of Telekom Austria Group	3,590.3	3,614.8	-0.7%
EBITDA (last 12 months)	1,718.9	1,794.0	-4.2%
Net Debt/ EBITDA (last 12 months)	2.1x	2.0x	n.a.

*Including purchase price obligation for Velcom

Telekom Austria Group - Debt Maturity Profile

Debt Maturity Profile

(EUR million)



Ratings:

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

Lines of Credit

- > Undrawn committed lines of credit amounting to EUR 1.1 bn
- > Average term to maturity of approximately 2.5 years
- > Provided by 20 banks

*Includes approx. EUR 579 mn in 2010 and EUR 82 mn in 2011 related to Velcom.



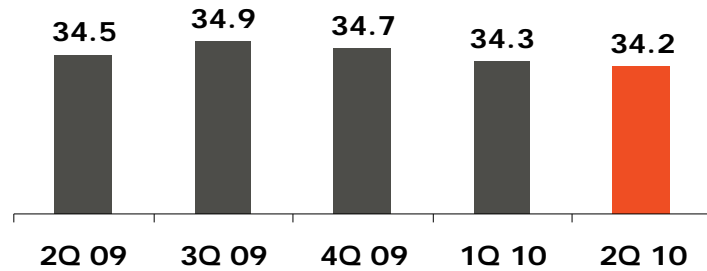
Telekom Austria Group - Regulatory Issues and Key Aspects

- > **Next Generation Networks:** The European Commission published its draft Recommendation on “regulated access to Next Generation Access Networks (NGA)” which was adopted in a first step by the member states mid June 2010. In September it is foreseen to be adopted by the College of Commissioners and come into force in October 2010. Major European telcos and some member states criticize the EC’s NGA Recommendation because of its investment adverse implications of regulatory policy.
- > **Universal Service Principles being reviewed:** The future, scope and financing of universal services have been subject to a public consultation by the European Commission (EC) which was closed in May 2010. A first summary of the different views of industry, consumers and member states was published by the EC end of May. Options and issues will be further examined by the EC and it is planned to come forward with the final report in September 2010.
- > **Austrian Telecommunication Market Analysis:** In May 2010 the Telecom Control Commission (TKK) issued a new decision on the market for “terminating segments of wholesale leased lines with bandwidths up to and including 2 Mbit/s”. The decision implements a lighter regulation on this wholesale market as it introduces a price cap regulation instead of a cost orientation obligation. Also the strict approval procedure for terms and conditions was replaced by an extended notification obligation.

Telekom Austria - Fixed Net Key Performance Indicators

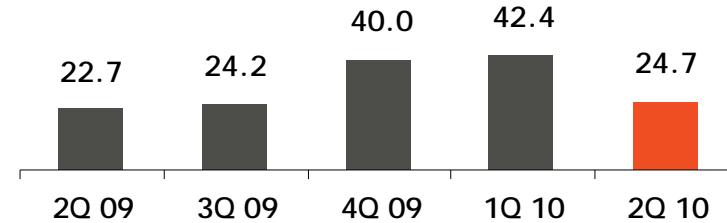
Average Revenues per Line

(in EUR)



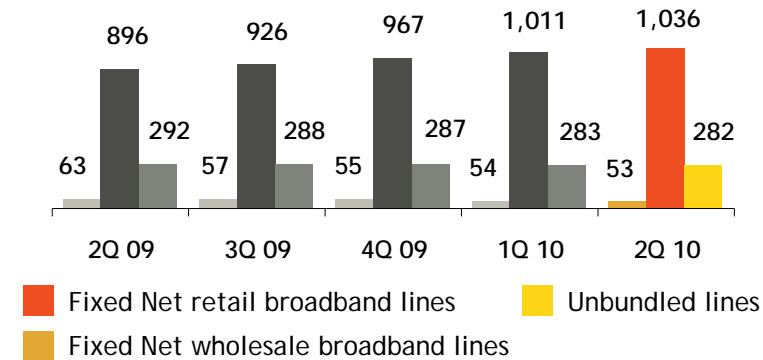
Fixed Net Broadband Net Adds incl. Wholesale

(in EUR)



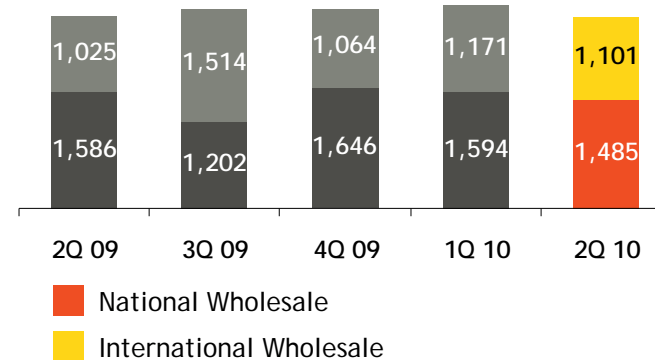
Fixed Broadband Access Lines

(in 000)



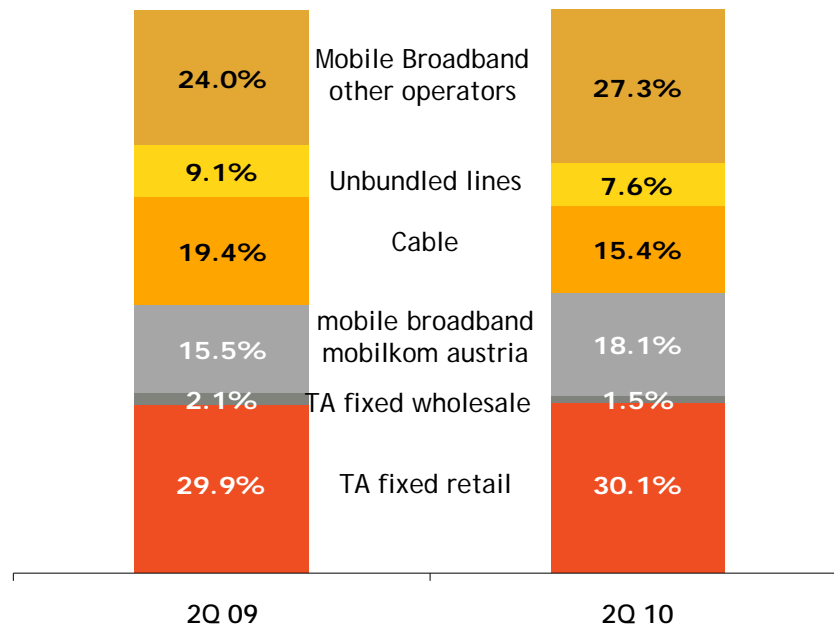
Wholesale Minutes

(in 000)

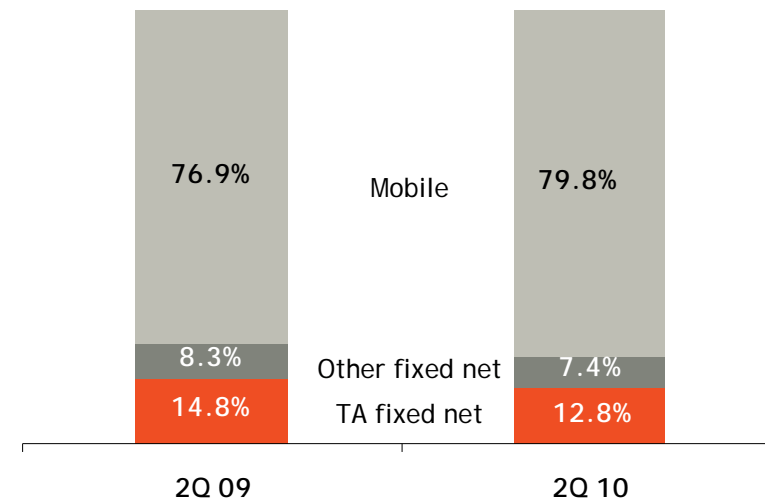


Telekom Austria - Fixed Net Broadband Market Split

Market Share Broadband Lines



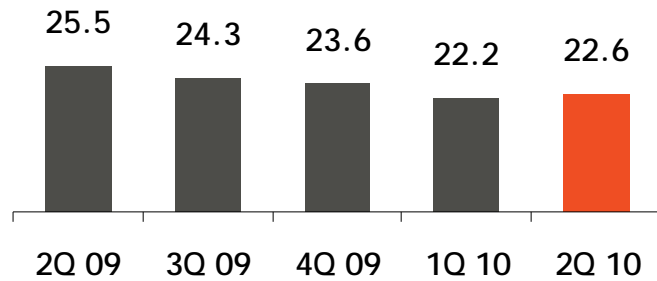
Market Share Voice Minutes



mobilkom austria - Key Performance Indicators

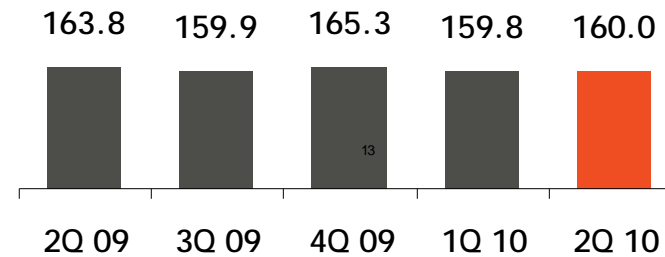
Average Revenues per User

(in EUR)



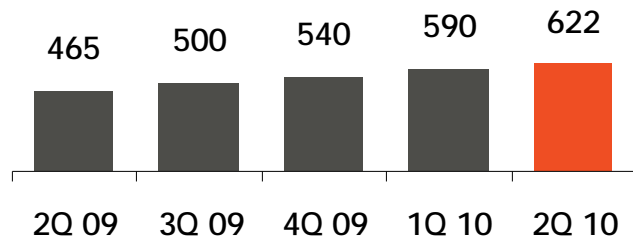
MoU per Subscriber

(in 000)



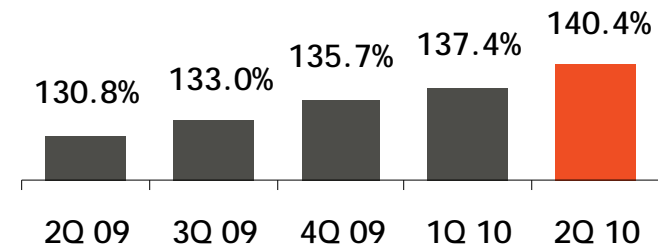
Mobile Broadband Customers

(in 000)



Market Penetration

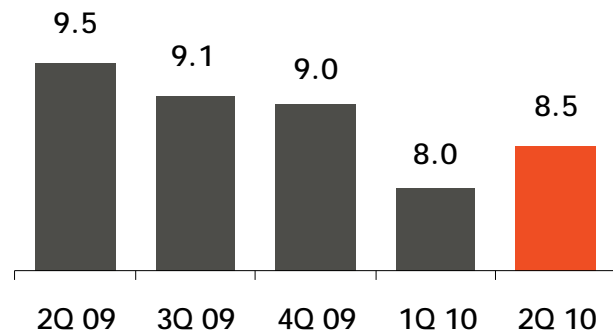
(in %)



mobitel - Key Performance Indicators

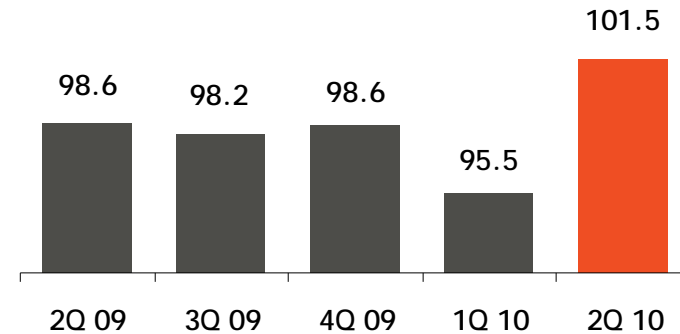
Average Revenues per User

(in EUR)



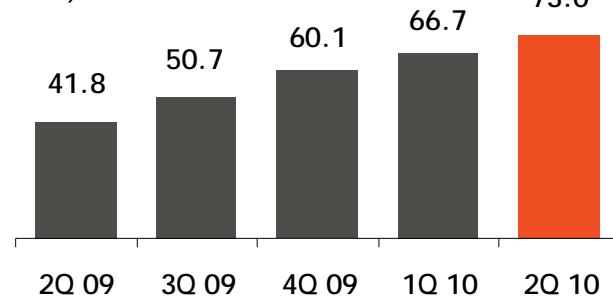
MoU per Subscriber

(in 000)



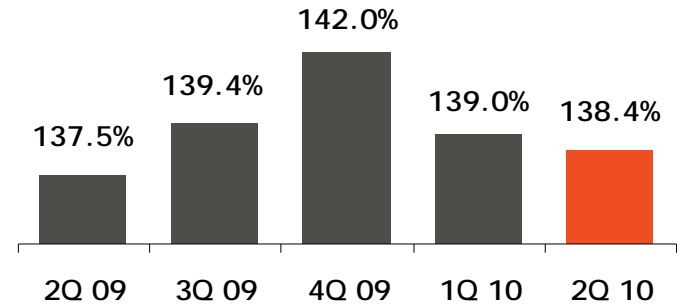
Mobile Broadband Customers

(in 000)



Market Penetration

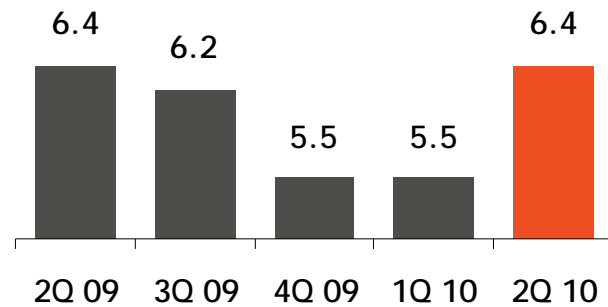
(in %)



Velcom - Key Performance Indicators

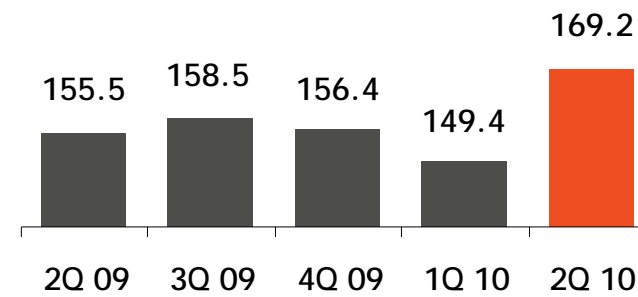
Average Revenues per User

(in EUR)



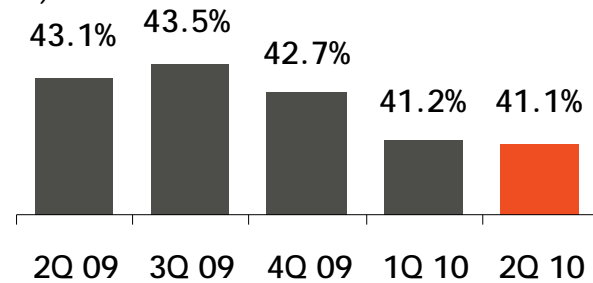
MoU per Subscriber

(in 000)



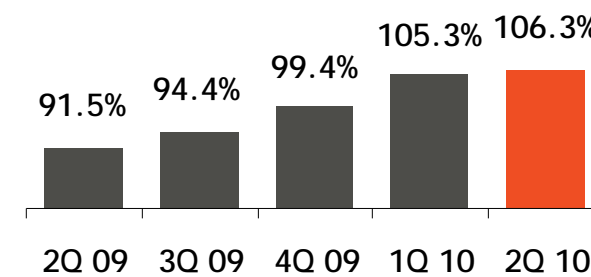
Market Share

(in %)



Market Penetration

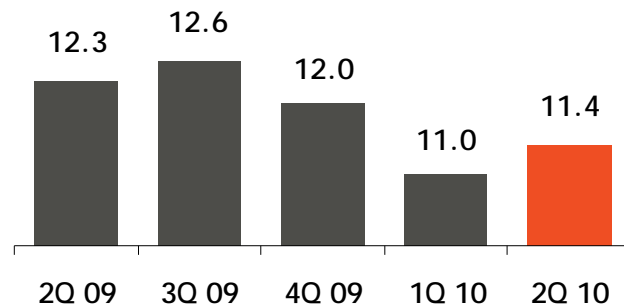
(in %)



Vipnet - Key Performance Indicators

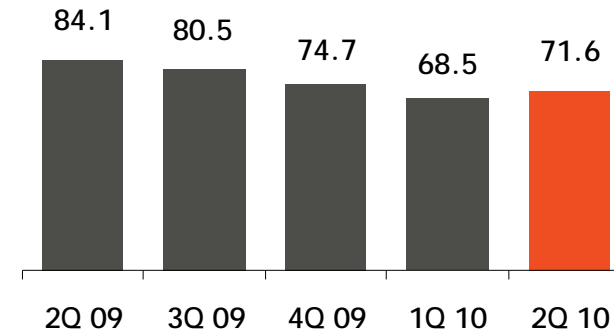
Average Revenues per User

(in EUR)



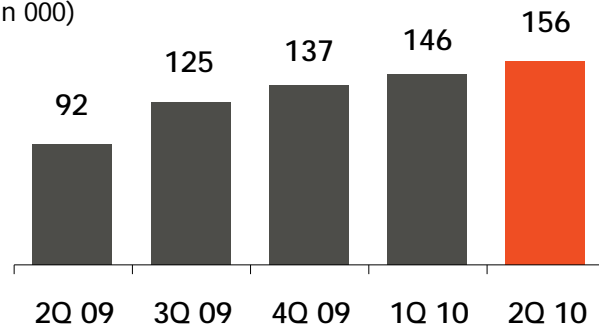
MoU per Subscriber

(in 000)



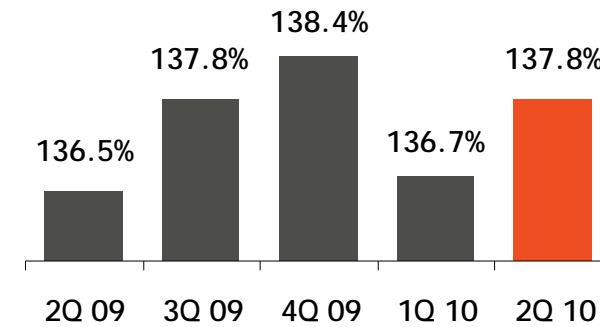
Mobile Broadband Customers

(in 000)



Market Penetration

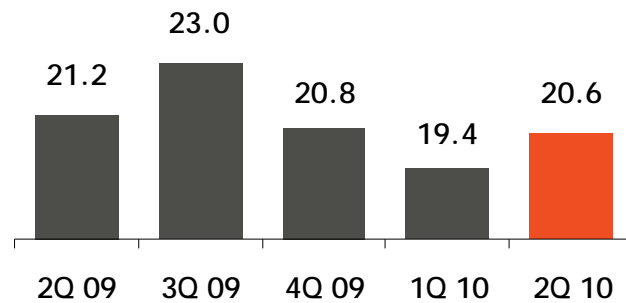
(in %)



Si.mobil/ Vip mobile - Key Performance Indicators

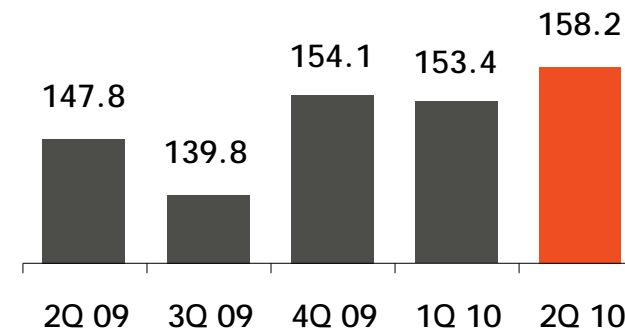
Si.mobil - Average Revenues per User

(in EUR)



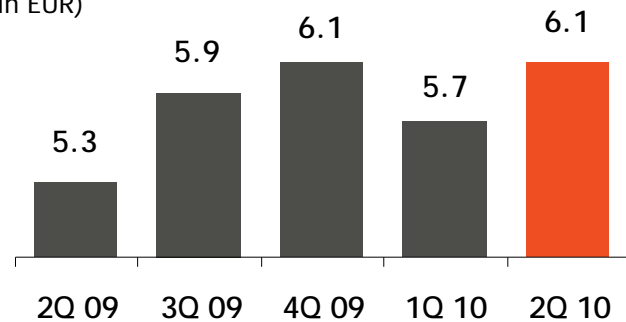
Si.mobil - MoU per Subscriber

(in 000)



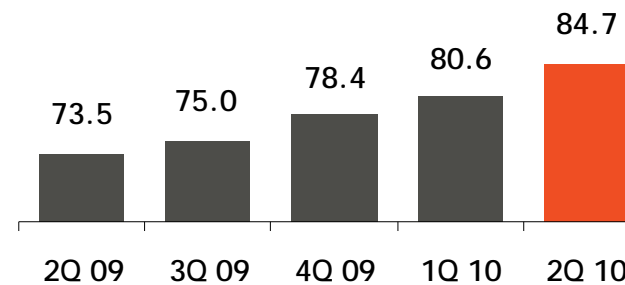
Vip mobile - Average Revenue per User

(in EUR)



Vip mobile - MoU per Subscriber

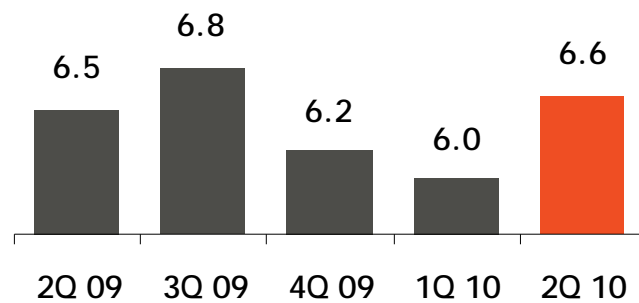
(in 000)



Vip operator- Key Performance Indicators

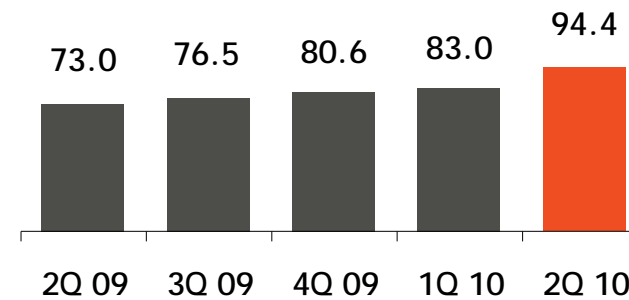
Average Revenues per User

(in EUR)



MoU per Subscriber

(in 000)



Appendix 2 – Examples for Giganet offering

Marketing Based on Product Bundles and Upselling of Add-On Services


16 Mbit/s (incl. VAT)
 Average price of EUR 24.9 per month


Standard products Convergent products


30 Mbit/s (incl. VAT)
 Average price of EUR 24.9 per month


Standard products Convergent products

16 Mbit/s

GigaSpeed 16 providing 16Mbit/s
EUR 4.9 per month

+

Add-on aonTV
EUR 4.9 per month

+

Add-on HDTV
EUR 4.9 per month

+

Add-on VoD
EUR 3.5 per movie

Example:
Customer pays EUR 43.1 per month

30 Mbit/s

GigaSpeed 30 providing 30Mbit/s
EUR 14.9 per month

+

Add-on aonTV
EUR 4.9 per month

+

Add-on HDTV
EUR 4.9 per month

+

Add-on VoD
EUR 3.5 per movie

Example:
Customer pays EUR 53.2 per month

