TELEKOM AUSTRIA GROUP

Results for the First Quarter 2011

Highlights

> Continued strong demand for fixed and mobile broadband as well as for smartphones allow a Groupwide mobile broadband subscriber growth of 51.1%

> Fixed access line growth of 7,300 lines in the first quarter 2011

> Continued slow down of Group revenue decline to 0.7% to EUR 1,118.0 mn despite a challenging macro-economic environment, fierce competition and regulatory pressure

> Group EBITDA comparable, which excludes restructuring and impairment charges, declines by 7.1% to EUR 396.7 million

> High acceptance of the restructuring program prompts a restructuring charge in the amount of EUR 184.1 million leading to a net loss of EUR 79.2 million in the first quarter of 2011

> Lower investments in Croatia an Belarus lead to a reduction of capital expenditures of 11.7% to EUR 120.4 mn

> Outlook 2011 reiterated: Revenues of up to EUR 4.60 bn, EBITDA comparable of up to EUR 1.60 bn and CAPEX of up to EUR 800 mn

> Dividend floor of EUR 0.76 reiterated for the years 2011 and 2012

in EUR million	Q1 2011	Q1 2010	% change
Revenues	1,118.0	1,126.0	-0.7%
EBITDA comparable	396.7	426.8	-7.1%
Operating income	-42.3	166.3	n.a.
Net income	-79.2	91.2	n.a.
Earnings per share (in EUR)	-0.18	0.21	n.a.
Free cash flow per share (in EUR)	0.07	0.37	-81.8%
Capital Expenditures	120.4	136.4	-11.7%

in EUR million	March 31, 2011	Dec. 31, 2010	% change
Net Debt	3,343.2	3,305.2	1.1%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.1x	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.

Results for the First Quarter 2011

Group Review

Vienna, 11 May, 2011 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first quarter 2011 ending March 31, 2011.

Summary

In the first quarter of 2011 the slowdown in the revenue decline continued and resulted in a reduction of Group revenues by 0.7% to EUR 1,118.0 million. Whilst the demand for fixed and mobile broadband solutions as well as for smartphones continued to increase, a challenging economic environment, fierce competition and regulatory cuts put further pressure on revenues. Revenue growth in the Belarusian and Additional Markets segments mitigated the revenue declines in the Austrian and Croatian segments. Revenues in the Bulgarian segment remained almost stable.

Group EBITDA comparable, which does not include restructuring and impairment charges, declined by 7.1% to EUR 396.7 million during the first quarter of 2011. Lower results from the Austrian, Bulgarian and Croatian segments could only partly be compensated by growth in the Belarusian and Additional Markets segments. Due to the increasing demand for smartphones equipment revenues and material expenses rose in almost all segments. In the Additional Markets segment, Vip mobile in the Republic of Serbia achieved a positive EBITDA comparable and demonstrated the strongest contribution to the segment's EBITDA comparable growth.

As announced on 23 February, 2011 a restructuring charge in the amount of EUR 184.1 million was recorded in the Austrian segment and lead to a Group operating loss of EUR 42.3 million in the first quarter of 2011 compared to an operating income of EUR 166.3 million in the same period of the previous year.

Consequently a net loss of EUR 79.2 million was recorded in the first quarter of 2011 compared to a net income of EUR 91.2 million in the first quarter of 2010.

Group capital expenditures declined by 11.7% to EUR 120.4 million primarily due to lower investments in the Belarusian and Croatian segment.

The presentation for the conference call and the key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q1 2011") are available on our website at www.telekomaustria.com.

Results for the second quarter 2011 will be announced on 17 August, 2011.

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Operating Segments – Change in Reporting Structure

In 2010 the Telekom Austria Group has realigned its management structure due to the increasing demand for convergent products. As a result, segment reporting is now based on geographical markets, 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.

Market Environment

Telekom Austria Group operates in a highly competitive environment both in the fixed line and mobile communication market as competitive pressure continues to impact pricing levels negatively in all segments. Regulation on termination and roaming tariffs impacts domestic as well as the international businesses negatively. A clear focus on operational excellence, the improvement of productivity as well as the continuous assessment of cost structures are essential for the success of Telekom Austria Group. By offering a customer- and market-oriented product portfolio and attractive pricing schemes, the Telekom Austria Group remains focused on the protection of cash flows.

In Austria, due to the strong demand for fixed broadband and convergent product bundles Telekom Austria Group has returned to sustainable access line growth in 2010, which was continued in Q1 2011. However, the loss of fixed line minutes, due to the fixed to mobile substitution, remains a key challenge in the Austrian market. The mobile communication market is characterized by fierce competition and persistent pricing pressure.

In CEE, the macro-economic environment remains challenging and is characterized by fierce competition. Smartphones, mobile broadband and convergent product bundles become of growing importance and increasingly shape the competitive environment in CEE. While a telecom sector specific tax levy was abandoned in the Republic of Serbia in the beginning of the first quarter 2011, a similar fiscal burden remains in place in Croatia and impacts operating results negatively. In Belarus, due to a severe current account deficit and rising inflation, the risk of foreign currency devaluation is increasing.

Unchanged Telekom Austria Group Outlook for 2011

Several negative external effects continue to shape the market environment of the Telekom Austria Group. Whilst the macroeconomic situation in CEE is expected to recover throughout 2011, the Telekom Austria Group expects a delayed impact of such a recovery on its operational performance. Moreover, the unabated fixed-to-mobile substitution and the continued price pressure in the Telekom Austria Group's major markets constitute an ongoing burden. In addition, regulatory induced lower roaming prices as well as fixed and mobile termination rates will continue to impact the Group's results in 2011. Taxes levied on mobile communication services in Croatia pose an additional burden.

Nevertheless, the outlook for 2011 remains unchanged and reflects the Group's confidence to be able to successfully mitigate these challenges through clear customer focus, intensified marketing of innovative products and strict cost management.

Outlook 2011 – strong operational performance mitigates external challenges

For the financial year 2011, revenues are expected to amount to up to EUR 4.60 billion. Focus on cost control will mitigate the impact from lower revenues and is anticipated to result in an EBITDA comparable, which does not include impairment and restructuring charges, of up to EUR 1.60 billion. Capital expenditures of the Telekom Austria Group are forecasted to reach up to EUR 800 million and do not include investments for license or spectrum acquisitions. Operating free cash flow* remains the primary focus of management and is expected to amount to approximately EUR 800 million.

Minimum DPS of EUR 0.76 until 2012

The Telekom Austria Group intends to distribute 55% of free cash flow** to its shareholders as dividends. For the years 2011 and 2012, a minimum dividend of EUR 0.76 per share has been put in place. Maintaining a stable investment grade rating of at least BBB (stable outlook) remains central to the Group's financial profile.

A leverage corridor of 2.0x – 2.5x Net debt/EBITDA comparable provides increased flexibility to balance share buybacks with growth projects. Hence, the start of share buybacks depends on the volume of potential growth projects. However, cash will always be returned to shareholders via share buybacks if leverage falls below 2.0x Net debt/EBITDA comparable. A stable business and currency environment remains a prerequisite for share buybacks.

This outlook is given on a constant currency basis.

Telekom Austria Group	Outlook 2011 as of 31 March, 2011
Revenues	Up to EUR 4.60 bn
EBITDA comparable	Up to EUR 1.60 bn
Capital Expenditures	Up to EUR 0.80 bn
Operating Free Cash Flow*	Approximately EUR 0.8 bn
Dividend	55% of free cash flow**, DPS of EUR 0.76 minimum

* Operating Free cash flow = EBITDA comparable minus capital expenditures in existing business
** Free cash flow = Cash flow from operating activities minus capital expenditures in existing business

Note: Detailed data of the segments are shown in the appendix on page 14

Quarterly Analysis
Segment Austria

Key Performance Indicators Austria

in EUR million	Q1 2011	Q1 2010	% change
Revenues	738.3	763.9	–3.3%
EBITDA comparable	259.2	292.3	–11.3%
EBITDA (incl. Restructuring and Impairment Charges)	75.1	291.4	–74.2%
EBIT	–77.3	127.3	n.a.
Fixed Line Market			
ARPL (in EUR)	32.5	33.3	–2.4%
Total Access Lines ('000)	2,322.2	2,310.3	0.5%
Fixed Broadband Lines ('000)	1,199.8	1,064.9	12.7%
Fixed Line Voice Minutes (in million)	693.5	784.0	–11.5%
Mobile Communication Market			
Mobile Subscribers ('000)	5,145.4	4,891.2	5.2%
Mobile Market Share	41.0%	42.4%	
Mobile Penetration	149.0%	137.4%	
Mobile Broadband Customers ('000)	687.5	555.3	23.8%
ARPU (in EUR)	20.1	21.9	–8.0%

In the first quarter of 2011 the Austrian market environment was characterized by the ongoing fixed to mobile substitution and the resulting continued loss of fixed line minutes. Competition remained fierce and even intensified towards the end of the first quarter 2011 with focus on aggressive smartphone and data tariff plans. However, via successful marketing activities and attractive offerings A1 Telekom Austria could further increase its mobile customer base by 5.2%. Mobile subscriber growth was primarily driven by positive net adds in the contract segment due to the strong demand for smartphones as well as growth in the number of no-frills customers base. Whilst this trend towards high value handsets bolsters the ongoing decline in revenues, it simultaneously impacts revenue related costs.

Access line growth of 7,300 lines

The growth in fixed access lines gained further momentum during the first quarter 2011 as the increasing demand for fixed broadband boosted product bundles and led to increase in fixed access lines by 7,300 lines compared to a loss of 3,200 lines in the first quarter of 2010. Both fixed and mobile broadband continued to exhibit a strong growth with fixed broadband lines increasing by 12.7% and the mobile broadband subscriber base growing by 23.8% to more than 687,000 customers. aonTV increased its subscribers base by 50.0% to more than 165,000 subscribers in the first quarter of 2011.

Higher Equipment revenues partly compensate for lower Monthly Fee and Traffic revenues

The loss of fixed minutes, pricing pressure due to competition as well as regulation on roaming and termination rates impacted revenues negatively in the first quarter 2011 and lead to a decline of 3.3% to EUR 738.3 million on a yearly comparison. Higher Equipment revenues, driven by higher priced handsets, could partially compensate the reduction in Monthly Fee and Traffic revenues as well as Interconnection revenues

Monthly Fee and Traffic revenues declined by 3.2% to EUR 505.7 million as a higher subscriber base could not compensate for lower fixed voice minutes, which declined by 11.5% due to the fixed-mobile-substitution. Total mobile service revenues declined by 3.2% from EUR 320.1 million to EUR 309.9 million as a consequence of price pressure in the mobile market and regulation. Decline of EUR 5.0 million to EUR 226.2 million in total fixed service revenues in the first quarter of 2011 was primarily driven by the loss of fixed minutes. Furthermore, Monthly Fee and Traffic revenues were reduced by a reclassification effect of EUR 3.6 million and reduced Other OPEX.

Revenues from Data & ICT Solutions remained stable at EUR 49.3 million compared to EUR 49.1 million. Wholesale (incl. Roaming) declined by 5.5% to EUR 51.5 million as regulatory cuts lead to a further decline of pricing levels.

Interconnection revenues declined by EUR 17.0 million to EUR 87.5 million due to lower volumes and further cuts of national and international mobile termination rates.

Equipment revenues increased by 76.4% to EUR 31.2 million due to demand for high value handsets in the first quarter of 2011.

Other operating income declined by 24.7% to EUR 21.6 million in the first quarter of 2011 due to a one-off effect of EUR 5.7 million for a real estate disposal that was recorded in the first quarter of 2010.

ARPL declines by 2.4% in first quarter 2011, ARPU by 8.0%

In the first quarter 2011 average revenue per fixed access line (ARPL) declined modestly by 2.4% to EUR 32.5 as the negative effect of lower voice volumes could not be offset by higher number of access lines. In the mobile communication market blended average revenue per user (ARPU) declined by 8.0% to EUR 20.1, as a consequence of price pressure, lower regulated interconnection tariffs and a higher number of no-frills customers. Data ARPU remained stable at EUR 6.9.

EBITDA comparable declined by 11.3% from EUR 292.3 million in the first quarter 2010 to EUR 259.2 million in the first quarter of 2011 as stable operating expenses could not mitigate the impact of declining revenues.

In the first quarter of 2011, total operating expenses remained stable at EUR 500.8 million as increasing material expenses were compensated by a decline in interconnection cost. The rise of 41.2% in material expenses to EUR 65.6 million was primarily driven by higher prices for handsets sold due to the strong demand for smartphones. Employee costs declined slightly by EUR 2.1 million to EUR 171.9 million in the first quarter of 2011 due to lower number of FTE. Following lower volumes and further price cuts in the national and international mobile termination rates interconnection costs declined by 17.5% to EUR 75.1 million. Costs for Services received declined by 19.2 % to EUR 38.6 million due to lower roaming tariffs. Furthermore, a reclassification effect in the amount of EUR 3.6 million for energy costs increased Other expenses and reduced Services received.

Mobile subscriber acquisition costs (SAC) increased by 46.7% to EUR 10.6 million as a result of higher subsidies for handsets. Similarly, mobile subscriber retention costs (SRC) increased by 11.2% to EUR 20.0 million and were impacted by higher subsidies for smartphones and a higher number of replacements.

Restructuring charge of EUR 184.1 million

Restructuring charges in the first quarter of 2011 amounted to a total of EUR 184.1 million. An amount of EUR 9.2 million was related to the transfer of civil servants to the Austrian government, the remainder was related to the acceptance of social plans by 514 full time employees as announced on February 23, 2011.

In the first quarter of 2011 operating income, including the restructuring and impairment charges, turned from a positive amount of EUR 127.3 million in Q1 2010 to an operating loss of EUR 77.3 million.

Segment Bulgaria*

Key Performance Indicators Bulgaria

in EUR million	Q1 2011	Q1 2010	% change
Revenues	133.4	135.5	– 1.5%
EBITDA comparable	64.7	72.5	– 10.7%
EBITDA (incl. Restructuring and Impairment Charges)	64.7	72.5	– 10.7%
EBIT	18.8	30.5	– 38.3%
Mobile Communication Market			
Mobile Subscribers ('000)	5,277.4	5,263.7	0.3%
Mobile Market Share	49.3%	50.1%	
Mobile Penetration	142.6%	139.0%	
Mobile Broadband Customers ('000)	141.8	66.7	112.7%
ARPU (in EUR)	7.6	8.0	– 5.2%
Fixed Line Market			
ARPL (in EUR)	16.7	0.0	n.a.
Total Access Lines ('000)	99.1	0.0	n.a.
Fixed Broadband Lines ('000)	93.4	0.0	n.a.

Consolidation of fixed line operators by Q1 2011

In the first quarter of 2011, the acquisition of two fixed line operators, Megalan AD and SpektrumNet AD, was finalized and the two companies have been consolidated in the Bulgarian segment as of February 2011.

Mobile broadband customers doubled

In the first quarter of 2011, Mobiltel's mobile subscriber base remained stable with 5.3 million customers. Due to focused marketing activities contract share increased from 61.1% to 65.9%. At the end of the first quarter 2011, mobile market share declined to 49.3% compared to 50.1% at the end of the first quarter of 2010 due to aggressive competition. Mobile broadband subscriber base more than doubled to more than 141,000 customers on a yearly comparison. Driven by the success of bundle products fixed broadband lines amounted to more than 93,000 lines in the first quarter of 2011. Total fixed access lines amounted to more than 99,000 lines.

Revenues declined only by EUR 2.0 million to EUR 133.4 million as strong operational performance and the consolidation of the fixed line operations mitigated regulatory and competitive pressure in the first quarter 2011. Monthly Fee and Traffic revenues remained stable due to the demand for mobile broadband and product bundles. The increasing demand for smartphones impacted equipment revenues positively. Furthermore, cuts in termination rates led to a decline of Interconnection revenues in the first quarter of 2011. Revenues from fixed broadband, IPTV and other fixed line solutions and services amounted to EUR 3.3 million.

Average revenue per user (ARPU) declined by 5.2% from EUR 8.0 to EUR 7.6 primarily due to the reduction of mobile termination rates by approximately 25%. Average revenue per line (ARPL) amounted to EUR 16.7 in the first quarter of 2011.

The first time consolidation of the two fixed line operators in the first quarter 2011 as well as and higher material expenses due to the strong demand for smartphones lead to an increase in operating expenses by 9.4% to EUR 69.5 million. Furthermore, a higher provision for bad debt due to billing and collection delay based on the change of the billing and Customer –Relationship-Management system lead to an EBITDA comparable declined by 10.7% to EUR 64.7 million.

Operating income declined from EUR 30.5 million in the first quarter of 2010 to EUR 18.8 million in the first quarter of 2011.

* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Segment Croatia

Key Performance Indicators Croatia

in EUR million	Q1 2011	Q1 2010	% change
Revenues	90.3	100.3	–10.0%
EBITDA comparable	24.9	28.8	–13.6%
EBITDA (incl. Restructuring and Impairment Charges)	24.9	28.8	–13.6%
EBIT	8.6	12.0	–28.2%
Mobile Subscribers ('000)	2,682.0	2,634.1	1.8%
Mobile Market Share	41.9%	43.7%	
Mobile Penetration	145.1%	136.7%	
Mobile Broadband Customers ('000)	179.1	145.7	22.9%
ARPU (in EUR)	9.2	11.0	–16.2%

Mobile broadband customer growth of 22.9%

Despite a tense macro-economic and competitive environment Vipnet increased its mobile subscriber base by 1.8% to approximately 2.7 million customers in the first quarter of 2011. Customer growth was primarily driven by the contract segment and the demand for mobile broadband. While contract share increased from 24.5% to 26.3%, mobile broadband subscriber base grew by 22.9% to more than 179,000 customers. At the end of the first quarter 2011 the mobile market share declined to 41.9%.

Revenues declined by EUR 10.0 million to EUR 90.3 million as the persistent challenging macro-economic environment impacted customer usage negatively and lead to a decline in Monthly Fee and Traffic revenues. Roaming revenues declined as a result of lower inter-operator tariffs. Furthermore, lower voice volumes and lower mobile termination rates impacted interconnection revenues negatively.

Average revenue per user (ARPU) fell to EUR 9.2 in the first quarter of 2011 as a result of lower volumes and lower interconnection revenues.

Reduction of operating expenses by 7.6%

Lower employee and marketing costs reduced operating expenses by 7.6% to EUR 66.2 million in the first quarter of 2011 in spite of increased material expenses. This was a consequence of a higher number of post-paid subscribers that resulted in higher handset subsidies. EBITDA comparable declined by 13.6% to EUR 24.9 million compared to EUR 28.8 million of the previous period.

In the first quarter of 2011 Vipnet's operating income declined by 28.2% to EUR 8.6 million.

Segment Belarus*

Key Performance Indicators Belarus

in EUR million	Q1 2011	Q1 2010	% change
Revenues	89.9	73.5	22.2%
EBITDA comparable	42.1	34.8	20.8%
EBITDA (incl. Restructuring and Impairment Charges)	42.1	34.8	20.8%
EBIT	22.1	16.4	35.1%
Mobile Subscribers ('000)	4,415.4	4,116.3	7.3%
Mobile Market Share	41.1%	41.2%	
Mobile Penetration	113.5%	105.3%	
Mobile Broadband Customers ('000)	197.5	35.0	463.9%
ARPU (in EUR)	6.1	5.5	11.0%

Revenue growth of 22.2% as mobile subscriber base rises by 7.3%

In the first quarter of 2011 the subscriber base rose by 7.3% to more than 4.4 million customers as strong demand for mobile broadband pushed mobile broadband subscription. Total mobile market share remained stable at 41.1% at the end of the first quarter 2011.

Revenues increased from EUR 73.5 million in the first quarter of 2010 to EUR 89.9 million. A higher voice usage, a higher subscriber base as well as a new tariff portfolio lead to higher Monthly Fee and Traffic revenues. Interconnection revenues increased as higher traffic compensated for declining termination tariffs. Furthermore, mobile broadband solutions based on UMTS, which was introduced in the first quarter of 2010, impacted Equipment revenues positively because of the rising demand for smartphones and mobile data devices. In the first quarter 2011, a negative amount of EUR 2.1 mn for foreign exchange translations was recorded in revenues.

ARPU increase of 11.0%

Average revenue per user (ARPU) benefited from higher usage and higher tariffs and increased by 11.0% to EUR 6.1 in the first quarter of 2011 compared to EUR 5.5 in the first quarter of 2010.

Operating expenses increased to EUR 49.5 million by EUR 9.6 million as material expenses rose due to the pickup in demand for smartphones and mobile broadband devices. Furthermore, a higher number in FTE lead to an increase in personnel expenses. An impact of EUR 1.0 million from foreign currency translations affected EBITDA comparable negatively. On a like-for-like basis EBITDA comparable grew by 23.7% in the first quarter of 2011.

In the Belarusian segment operating income increased by 35.1% to EUR 22.1 million in the first quarter of 2011.

* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Segment Additional Markets

Slovenia

Key Performance Indicators Slovenia

in EUR million	Q1 2011	Q1 2010	% change
Revenues	42.6	39.5	8.0%
EBITDA comparable	10.9	11.5	–4.9%
EBITDA (incl. Restructuring and Impairment charges)	10.9	11.5	–4.9%
EBIT	5.8	6.3	–8.5%
Mobile Subscribers ('000)	629.9	591.3	6.5%
Mobile Market Share	29.6%	28.2%	
Mobile Penetration	104.2%	101.7%	
Mobile Broadband Customers ('000)	15.2	12.5	21.8%
ARPU (in EUR)	19.1	19.4	–1.4%

Si.mobil customer base grows by 6.5%

Despite a highly competitive market Si.mobil's mobile subscriber base increased by 6.5% to almost 630.000 customers in the first quarter of 2011. A rise of contract share from 69.5% to 71.4% and the ongoing strong demand for mobile broadband services were the main factors for the rise of mobile market share from 28.2% to 29.6% on a yearly comparison.

In the first quarter of 2011, revenues increased by 8.0% from EUR 39.5 million to EUR 42.6 million. Higher fixed fees and a higher usage, due to new package offerings as well as a higher customer base lead to a growth of Monthly Fee and Traffic revenues. Furthermore, Interconnection revenues increased as higher volumes compensated for declining mobile termination rates. Equipment revenues were positively impacted by higher number of handsets sold due to the increase in contract share.

Average revenue per user (ARPU) declined modestly by 1.4% to EUR 19.1 on the back of an ongoing migration to package tariffs and declining regulation on roaming and interconnection.

Operating expenses increased by 12.4% to EUR 31.7 million as a higher number of handsets sold increased material expenses. Furthermore, higher interconnection expenses, due to higher usage, and higher bad debt provisions contributed to the 4.9% decline of EBITDA comparable to EUR 10.9 million.

In the first quarter of 2011, operating income declined by 8.5% to EUR 5.8 million.

Republic of Serbia

Key Performance Indicators Republic of Serbia

in EUR million	Q1 2011	Q1 2010	% change
Revenues	30.2	23.2	29.9%
EBITDA comparable	4.3	–5.0	n.a.
EBITDA (incl. Restructuring and Impairment charges)	4.3	–5.0	n.a.
EBIT	–8.9	–16.2	–45.3%
Mobile Subscribers ('000)	1,428.1	1,164.1	22.7%
Mobile Market Share	14.2%	12.2%	
Mobile Penetration	135.6%	128.4%	
ARPU (in EUR)	6.5	5.7	14.8%

Vip mobile's market share increases to 14.2%

In the first quarter of 2011, Vip mobile's mobile subscriber base increased to more than 1.4 million customers which was supported by strong growth in the contract customer segment. Market share increased to 14.2% compared to 12.2% at end of the first quarter of 2010.

Revenues increased by almost 30% to EUR 30.2 million. Monthly Fee and Traffic revenues as well as Interconnection revenues benefited from a higher number of customers and higher usage. An effect of EUR 1.6 million for foreign currency translation impacted revenues negatively. The 10% tax levy, that was introduced in June 2009 on specific mobile revenues, was abolished in January 2011.

ARPU increases by 14.8%

Average revenue per User (ARPU) increased by 14.8% to EUR 6.5 as a result of a higher usage as well as an optimized tariff portfolio.

Strict focus on cost control lead to a decline in operating expenses by 6.6% to EUR 26.8 million in the first quarter of 2011. EBITDA comparable amounted to EUR 4.3 million in the first quarter of 2011 compared to a negative EBITDA comparable of EUR 5.0 million in the first quarter of 2010. Foreign currency translations negatively impacted EBITDA comparable by EUR 0.2 million.

Operating loss almost halved from EUR 16.2 million in the first quarter of 2010 to EUR 8.9 million in the first quarter of 2011.

Republic of Macedonia

Key Performance Indicators Republic of Macedonia

in EUR million	Q1 2011	Q1 2010	% change
Revenues	11.1	6.9	59.6%
EBITDA comparable	–0.4	–1.5	n.a.
EBITDA (incl. Restructuring and Impairment charges)	–0.4	–1.5	n.a.
EBIT	–3.0	–3.7	–19.0%
Mobile Subscribers ('000)	490.5	333.3	47.2%
Mobile Market Share	21.5%	16.4%	
Mobile Penetration	110.8%	99.8%	
ARPU (in EUR)	6.6	6.0	9.4%

Vip operator's market share up to 21.5%

Vip operator's mobile subscriber base increased by 47.2% to more than 490.000 customers in the first quarter of 2011, which was driven by strong growth in the contract customer segment. Vip operator's mobile market share increased from 16.4% at the end of March 2010 to 21.5% at the end of March 2011.

Revenues exhibited strong growth and increased by almost 60% to EUR 11.1 million. A higher number of subscribers and higher usage translated into higher Monthly Fee and Traffic revenues and higher Interconnection revenues. As a result revenue per user (ARPU) increased by 9.4% to EUR 6.6.

Negative EBITDA comparable reduced

The rise in revenues allowed an improvement of the negative EBITDA comparable from EUR 1.5 million in the first quarter of 2010 to a negative amount of EUR 0.4 million. In the first quarter 2011 operating expenses increased by 34.1% to EUR 11. 5 million and were driven by higher material expenses due to the higher number of handset sold and higher interconnection costs due to the higher usage.

Higher depreciation and amortization charges lead to an operating loss of EUR 3.0 million compared to a loss of EUR 3.7 million in the previous year.

Consolidated Net Income

The financial result increased by 8.9% from a negative amount of EUR 49.1 million to a negative amount of EUR 53.5 million in the first quarter of 2011 driven by a loss of EUR 5.9 million from foreign exchange differences. Net interest expense remained almost unchanged and increased slightly by 1.9% to EUR 48.3 million.

Higher restructuring charges resulted into a loss before income tax. Therefore, income taxes turned into a tax benefit of EUR 16.6 million compared to income tax expenses of EUR 26.0 million in the previous period. Net loss amounted to EUR 79.2 million in the first quarter of 2011 compared to a net income of EUR 91.2 million in the previous year.

Basic and diluted earnings per share fell from EUR 0.21 in the first quarter 2010 to a loss of EUR 0.18 in the first quarter 2011.

Balance Sheet and Net debt

In the first quarter of 2011 total assets increased by 1.8% from EUR 7,555.8 million as of December 31, 2010 to 7,693.6 as of March 31, 2011 due to a rise in long term debt.

Current assets increased by 20.6% to EUR 1,733.2 million as cash and cash equivalents rose due to higher time deposits. Property, plant and equipment declined by 2.9% to EUR 2,475.1 million as a result of depreciation charges exceeding additions. A 17.5% decline in current liabilities to EUR 1,552.9 million was primarily due to the repayment of multi-currency notes and short-term debt. Furthermore, in the first quarter 2011 a payment EUR 15.8 million of the outstanding deferred consideration for the acquisition of Velcom was settled. Long term debt increased from EUR 3,077.2 million to EUR 3,576.9 million due to a EUR 500 million loan, which is used for general corporate purposes.

As of March 31, 2011 stockholders equity declined by 8.1% to EUR 1,357.5 million as a consequence of the net loss and a negative translation adjustment.

Net debt increased modestly by 1.1% to EUR 3,343.2 million due to the above mentioned increase in long term debt. Net debt to EBITDA comparable (last 12 months) increased to 2.1 x as of March 31, 2011.

Cash Flow and Capital Expenditures

Cash Flow

in EUR million	Q1 2011	Q1 2010	% change
Cash from operations	150.5	302.1	–50.2%
Cash from investing	–168.7	–97.8	72.5%
Cash from financing	243.1	–700.5	n.a.
Effect of exchange rate changes	8.2	–2.2	n.a.
Net increase/decrease in cash and cash equivalents	**233.2**	–498.4	n.a.

Cash flow from operations halves to EUR 150.5 million

Cash flow from operating activities almost halved to EUR 150.5 million during the first quarter of 2011 as a result of lower net income as well as payments of accounts payable, which were increased due to above average CAPEX spending in the end of the fourth quarter of 2010. Inventories and accounts receivables increased modestly in the first quarter of 2011. In the first quarter of 2011, a cash outflow of EUR 21.5 million was related to the restructuring programs.

Cash outflow from investing activities increased by 72.5% to EUR 168.7 million mainly due payment of EUR 68.8 million for the acquisition of two fixed line operators in Bulgaria, which was finalized in January 2011. Capital expenditures fell by 11.7% to EUR 120.4 million.

Cash flow from financing activities turned form an outflow to an inflow due to the issuance of a EUR 500 million loan in the first quarter of 2011. Cash outflow in the first quarter of 2010 was as a result of the repayment of a EUR 500 million bond.

Capital Expenditures

in EUR million	Q1 2011	Q1 2010	% change
Austria	78.4	83.6	–6.3%
Bulgaria	13.9	8.6	61.0%
Croatia	8.6	15.4	–44.1%
Belarus	3.1	12.7	–75.6%
Additional Markets	16.4	16.0	2.4%
Corporate & Other, Eliminations	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%

Total capital expenditures declined by 11.7%

Capital expenditures declined by 11.7% to EUR 120.4 in the first quarter of 2011 driven by lower investments in the Croatian and Belarusian as well as Austrian segment. While investments in the Belarusian and Croatian segment declined due to lower infrastructure investments, the Austrian segment saw a reduction in investments in software in the first quarter of 2011. Capital expenditures in the Additional Markets segment remained stable as lower investments in Slovenia compensated for the increase in the Republic of Serbia.

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 a return to access line losses and a further 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 activities in 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 regulation. 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, 2010 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 2010.

Personnel

Headcount increased by 525 full-time employees due to acquisition of fixed line operators in Bulgaria

The total number of employees of the Telekom Austria Group increased by 525 to 17,162 employees by the end of March 2011 compared to the same period of the previous year. The increase was due to rise in workforce in the Bulgarian segment due to the acquisition of the fixed line operators. The workforce in the Austrian segment decreased by 483 to 9,649 full-time equivalents at the end of March 2011.

Other and Subsequent Events

Please refer to page 27 for further information on Other and Subsequent Events for the Telekom Austria Group.

Waiver of Review

This financial report of the Telekom Austria Group contains quarterly results which were not 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	Q1 2011 unaudited	Q1 2010 unaudited
Operating revenues	1,118.0	1,126.0
Other operating income	18.4	22.1
Operating expenses		
Materials	–104.5	–79.9
Employee expenses, including benefits and taxes	–209.5	–205.8
Other operating expenses	–425.8	–435.6
EBITDA comparable	**396.7**	**426.8**
Restructuring	–184.1	–0.9
EBITDA incl. restructuring and impairment charges	**212.7**	**425.9**
Depreciation and amortization	–255.0	–259.6
Operating income (loss)	**–42.3**	**166.3**
Financial result		
Interest income	3.8	3.9
Interest expense	–52.1	–53.2
Foreign exchange differences	–5.9	–0.2
Equity in earnings of affiliates	0.8	0.4
Earnings before income taxes	**–95.8**	**117.2**
Income taxes	16.6	–26.0
Net income	**–79.2**	**91.2**
Attributable to:		
Owners of the parent	–79.2	91.1
Non-controlling interests	0.0	0.1
Basic and fully diluted earnings per share	**–0.18**	**0.21**
Weighted-average number of ordinary shares outstanding	**442,563,969**	**442,563,969**

Condensed Statement of Comprehensive Income

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited
Net income	**–79.2**	**91.2**
Unrealized result on securities available-for-sale	–0.1	0.3
Income tax (expense) benefit	0.0	–0.1
Unrealized result on hedging activities	7.2	0.8
Income tax (expense) benefit	–1.8	0.3
Foreign currency translation adjustment	–45.3	3.4
Other comprehensive income (loss)	**–40.0**	**4.7**
Total comprehensive income (loss)	**–119.2**	**95.9**
Attributable to:		
Owners of the parent	–119.2	95.8
Non-controlling interests	0.0	0.1

Condensed Consolidated Statements of Financial Position

in EUR million	March 31, 2011 unaudited	Dec. 31, 2010 audited
ASSETS		
Current assets		
Cash and cash equivalents	353.4	120.2
Short-term investments	173.4	127.6
Accounts receivable - trade, net of allowances	768.7	772.2
Receivables due from related parties	0.1	0.1
Inventories	165.9	150.2
Prepaid expenses	138.4	128.4
Income taxes receivable	46.3	40.7
Non-current assets held for sale	0.9	0.0
Other current assets	86.2	98.3
Total current assets	**1,733.2**	**1,437.7**
Non-current assets		
Investments in associates	4.4	4.3
Financial assets long-term	14.5	90.4
Goodwill	1,506.9	1,489.2
Other intangible assets, net	1,671.7	1,718.1
Property, plant and equipment, net	2,475.1	2,549.0
Other non-current assets	28.2	31.2
Deferred tax assets	259.5	235.8
Receivables due from related parties, finance	0.1	0.1
Total non-current assets	**5,960.4**	**6,118.1**
TOTAL ASSETS	**7,693.6**	**7,555.8**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−276.5	−506.7
Accounts payable - trade	−533.5	−678.7
Current provisions and accrued liabilities	−255.2	−258.0
Payables to related parties	−6.7	−13.1
Income taxes payable	−38.9	−41.7
Other current liabilities	−283.9	−221.9
Deferred income	−158.3	−163.0
Total current liabilities	**−1,552.9**	**−1,883.0**
Non-current liabilities		
Long-term debt	−3,576.9	−3,077.2
Lease obligations and Cross Border Lease	−0.4	−13.9
Employee benefit obligation	−131.0	−131.6
Non-current provisions	−927.8	−761.8
Deferred tax liabilities	−115.3	−125.4
Other non-current liabilities and deferred income	−31.8	−86.1
Total non-current liabilities	**−4,783.3**	**−4,195.9**
Stockholders' equity		
Common stock	−966.2	−966.2
Treasury shares	8.2	8.2
Additional paid-in capital	−582.9	−582.9
Retained earnings	−267.2	−346.3
Fair value reserve	0.4	0.3
Hedging reserve	2.0	7.4
Translation adjustments	**450.4**	**405.1**
Equity attributable to equity holders of the parent	−1,355.2	−1,474.4
Non-controlling interests	**−2.2**	**−2.5**
Total stockholders' equity	**−1,357.4**	**−1,476.9**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,693.6**	**−7,555.8**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited
Cash flow from operating activities		
Net Income	–79.2	91.2
Depreciation, amortization and impairment charges	255.0	259.6
Employee benefit obligation - non-cash	–0.5	1.6
Bad debt expenses	14.4	7.3
Change in deferred taxes	–37.7	12.7
Equity in earnings of affiliates - non-cash	–0.1	–0.4
Stock compensation	0.6	–0.4
Asset retirement obligation - accretion expense	1.7	1.4
Provision for restructuring - non-cash	182.3	9.2
Result on disposal / retirement of equipment	0.8	–4.8
Other	–1.5	8.5
Gross cash flow	**335.8**	**385.9**
Changes in assets and liabilities		
Accounts receivable - trade	–10.1	13.9
Receivables due from related parties	0.0	1.3
Inventories	–15.6	–1.0
Prepaid expenses and other assets	6.2	–12.3
Accounts payable - trade	–151.9	–76.3
Employee benefit obligation	0.0	–0.1
Povisions and accrued liabilities	–20.7	–20.1
Other liabilities and deferred income	13.4	16.0
Payables due to related parties	–6.4	–5.2
Changes in working capital	–185.2	–83.8
Cash flow from operating activities	**150.5**	**302.1**
Cash flow from investing activities		
Capital expenditures, including interest capitalized	–120.4	–136.4
Acquisitions of subsidiaries, net of cash acquired	–68.8	0.0
Proceeds from sale of equipment	1.3	9.1
Purchase of investments	0.0	–171.5
Proceeds from sale of investments	19.2	201.0
Cash flow from investing activities	**–168.7**	**–97.8**
Cash flow from financing activities		
Proceeds from issuance of long term debt	500.0	0.0
Principal payments on long-term debt	–4.7	–504.7
Changes in short-term borrowings	–236.4	–195.8
Deferred consideration paid for business combinations	–15.8	0.0
Cash flow from financing activities	**243.1**	**–700.5**
Effect of exchange rate changes	**8.2**	**–2.2**
Change in cash and cash equivalents	233.2	–498.4
Cash and cash equivalents at beginning of period	120.2	730.1
Cash and cash equivalents at end of period	353.4	231.7

Condensed Consolidated Statements of Changes in Stockholders´ Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserves	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 11	966.2	−8.2	582.9	**346.3**	−7.7	−405.1	**1,474.4**	2.5	**1,476.9**
Net income	0.0	0.0	0.0	−79.2	0.0	0.0	−79.2	0.0	−79.2
Net unrealized result on securities	0.0	0.0	0.0	0.0	−0.1	0.0	−0.1	0.0	−0.1
Net unrealized result on heding activities	0.0	0.0	0.0	0.0	5.4	0.0	5.4	0.0	5.4
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	−45.3	−45.3	0.0	−45.3
Other comprehensive income (loss)	0.0	0.0	0.0	**0.0**	5.3	−45.3	**−40.0**	0.0	**−40.0**
Total comprehensive income (loss)	0.0	0.0	0.0	**−79.2**	5.3	−45.3	**−119.2**	0.0	**−119.2**
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.3	−0.3
Balance at March 31, 11	966.2	−8.2	582.9	**267.2**	−2.4	−450.4	**1,355.2**	2.2	**1,357.4**

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserves	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**
Net income	0.0	0.0	0.0	91.1	0.0	0.0	91.1	0.1	91.2
Net unrealized result on securities	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2
Net unrealized result on heding activities	0.0	0.0	0.0	0.0	1.1	0.0	1.1	0.0	1.1
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	3.4	3.4	0.0	3.4
Other comprehensive income (loss)	0.0	0.0	0.0	**0.0**	1.3	3.4	**4.6**	0.0	**4.7**
Total comprehensive income (loss)	0.0	0.0	0.0	**91.1**	1.3	3.4	**95.8**	0.1	**95.9**
Balance at March 31, 10	966.2	−8.2	582.9	**574.0**	−14.2	−393.5	**1,707.2**	2.8	**1,710.0**

	March 31, 2011	Dec. 31, 2010	March 31, 2010
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 Operating Segments

in EUR million (unaudited)	Q1 2011 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	732.4	127.9	87.1	89.9	80.7	0.0	0.0	1,118.0
Intersegmental revenues	5.9	5.5	3.2	0.0	5.0	0.0	–19.6	0.0
Total revenues	**738.3**	**133.4**	**90.3**	**89.9**	**85.7**	**0.0**	**–19.6**	**1,118.0**
Other operating income	21.6	0.8	0.9	1.7	1.0	4.9	–12.5	18.4
Segment expenses	–500.8	–69.5	–66.2	–49.5	–71.4	–14.4	32.1	–739.7
EBITDA comparable	**259.2**	**64.7**	**24.9**	**42.1**	**15.3**	**–9.5**	**0.0**	**396.7**
Restructuring	–184.1	0.0	0.0	0.0	0.0	0.0	0.0	–184.1
EBITDA incl. restructuring and impairment charges	**75.1**	**64.7**	**24.9**	**42.1**	**15.3**	**–9.5**	**0.0**	**212.7**
Depreciation and amortization	–152.4	–45.9	–16.3	–19.9	–20.7	0.0	0.3	–255.0
Operating income (loss)	**–77.3**	**18.8**	**8.6**	**22.1**	**–5.5**	**–9.5**	**0.3**	**–42.3**
Interest income	2.4	0.6	0.3	0.2	0.4	6.3	–6.4	3.8
Interest expense	–14.3	–1.4	–0.1	–0.4	–0.2	–42.0	6.4	–52.1
Equity in earnings of affiliates	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Other	–0.4	0.0	–0.5	–3.0	0.3	408.7	–411.1	–5.9
Earnings before income taxes	**–88.7**	**18.1**	**8.3**	**18.9**	**–5.0**	**363.5**	**–410.8**	**–95.8**
Income taxes								16.6
Net income (loss)								**–79.2**
Segment assets	4,083.2	1,684.6	443.8	808.4	740.7	7,520.2	–7,587.3	7,693.6
Segment liabilities	–2,663.7	–312.1	–115.2	–117.3	–126.9	–4,569.6	1,568.7	–6,336.2
Capital expenditures - intangible	17.3	3.6	0.9	0.3	2.3	0.0	0.0	24.4
Capital expenditures - tangible	61.0	10.3	7.8	2.8	14.0	0.0	0.0	96.0
Total capital exenditures	**78.4**	**13.9**	**8.6**	**3.1**	**16.4**	**0.0**	**0.0**	**120.4**

in EUR million (unaudited)	Q1 2010 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	758.9	129.6	96.4	73.5	67.6	0.0	0.0	1,126.0
Intersegmental revenues	5.1	5.8	3.9	0.0	3.7	0.0	–18.5	0.0
Total revenues	**763.9**	**135.5**	**100.3**	**73.5**	**71.3**	**0.0**	**–18.5**	**1,126.0**
Other operating income	28.7	0.6	0.2	1.2	0.7	4.7	–13.9	22.1
Segment expenses	–500.3	–63.5	–71.7	–39.9	–66.7	–11.6	32.5	–721.3
EBITDA comparable	**292.3**	**72.5**	**28.8**	**34.8**	**5.3**	**–6.9**	**0.0**	**426.8**
Restructuring	–0.9	0.0	0.0	0.0	0.0	0.0	0.0	–0.9
EBITDA incl. restructuring and impairment charges	**291.4**	**72.5**	**28.8**	**34.8**	**5.3**	**–6.9**	**0.0**	**425.9**
Depreciation and amortization	–164.1	–42.0	–16.9	–18.4	–18.4	0.0	0.2	–259.6
Operating income (loss)	**127.3**	**30.5**	**12.0**	**16.4**	**–13.1**	**–6.9**	**0.2**	**166.3**
Interest income	2.2	0.7	0.1	0.2	0.4	16.8	–16.4	3.9
Interest expense	–16.0	–0.1	–0.2	–0.3	–0.2	–53.0	16.4	–53.2
Equity in earnings of affiliates	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Other	–0.4	0.0	0.0	0.2	–0.6	423.5	–422.8	–0.2
Earnings before income taxes	**113.4**	**31.1**	**11.8**	**16.5**	**–13.4**	**380.3**	**–422.6**	**117.2**
Income taxes								–26.0
Net income (loss)								**91.2**
Segment assets	4,319.3	1,541.2	448.5	864.5	710.6	7,218.4	–7,249.2	7,853.3
Segment liabilities	–2,776.2	–92.0	–105.7	–67.8	–109.5	–4,727.3	1,735.2	–6,143.3
Capital expenditures - intangible	28.5	4.0	1.1	–0.1	7.8	0.0	0.0	41.2
Capital expenditures - tangible	55.1	4.7	14.3	12.9	8.2	0.0	0.0	95.2
Total capital exenditures	**83.6**	**8.6**	**15.4**	**12.7**	**16.0**	**0.0**	**0.0**	**136.4**

Results by Segments

in EUR million (unaudited)	Q1 2011	Q1 2010	% change
Revenues			
Austria	738.3	763.9	–3.3%
Bulgaria	133.4	135.5	–1.5%
Croatia	90.3	100.3	–10.0%
Belarus	89.9	73.5	22.2%
Additional markets	85.7	71.3	20.2%
Corporate, Other & Eliminations	–19.6	–18.5	5.6%
Revenues	**1,118.0**	**1,126.0**	**–0.7%**
EBITDA comparable			
Austria	259.2	292.3	–11.3%
Bulgaria	64.7	72.5	–10.7%
Croatia	24.9	28.8	–13.6%
Belarus	42.1	34.8	20.8%
Additional markets	15.3	5.3	188.0%
Corporate, Other & Eliminations	–9.4	–6.9	36.3%
EBITDA comparable	**396.7**	**426.8**	**–7.1%**
EBITDA incl. restructuring and impairment charges			
Austria	75.1	291.4	–74.2%
Bulgaria	64.7	72.5	–10.7%
Croatia	24.9	28.8	–13.6%
Belarus	42.1	34.8	20.8%
Additional markets	15.3	5.3	188.0%
Corporate, Other & Eliminations	–9.4	–6.9	36.3%
EBITDA incl. restructuring and impairment charges	**212.7**	**425.9**	**–50.1%**
Operating income (loss)			
Austria	–77.3	127.3	n.a.
Bulgaria	18.8	30.5	–38.3%
Croatia	8.6	12.0	–28.2%
Belarus	22.1	16.4	35.1%
Additional markets	–5.5	–13.1	–58.3%
Corporate, Other & Eliminations	–9.2	–6.7	35.9%
Operating income (loss)	**–42.3**	**166.3**	**n.a.**

Capital Expenditures

in EUR million (unaudited)	Q1 2011	Q1 2010	% change
Austria	78.4	83.6	–6.3%
Bulgaria	13.9	8.6	61.0%
Croatia	8.6	15.4	–44.1%
Belarus	3.1	12.7	–75.6%
Additional markets	16.4	16.0	2.4%
Total capital exenditures	**120.4**	**136.4**	**–11.7%**
Thereof tangible	96.0	95.2	0.9%
Thereof intangible	24.4	41.2	–40.8%

Net Debt

in EUR million	March 31, 2011 unaudited	Dec. 31, 2010 audited
Long-term debt	3,582.5	3,146.4
Short-term borrowings	330.2	522.6
Cash and cash equivalents, short-term and long-term investments, finance lease receivables	–558.5	–355.0
Derivative financial instruments for hedging purposes	–11.1	–8.9
Net debt *	**3,343.2**	3,305.2
Net debt/EBITDA comparable (last 12 months)	**2,1x**	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 remaining performance based considerations related to the acquisition of SBT and Megalan/Spectrumnet are included in short-term borrowings and long-term debt.

Personnel

	End of period			Average of period		
Personnel (full-time equivalent)	March 31, 2011	March 31, 2010	change	Q1 2011	Q1 2010	change
Austria	9,649	10,132	–5%	9,699	10,075	–3.7%
International Operations	7,351	6,496	13%	6,745	6,506	3.7%
Total	**17,162**	16,637	3%	**16,600**	16,606	0.0%

Key Data Segment Austria

Financials - Segment Austria

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	738.3	763.9	–3.3%
EBITDA comparable	259.2	292.3	–11.3%
EBITDA (incl. Restructuring and Impairment Charges)	75.1	291.4	–74.2%
EBIT	–77.3	127.3	n.a.

Revenue detail - Austria	Q1 2011 unaudited	Q1 2010 unaudited	% change
Monthly Fee and Traffic	505.7	522.4	–3.2%
Data & ICT Solutions	49.3	49.1	0.3%
Wholsale (incl. Roaming)	51.5	54.5	–5.5%
Interconnection	87.5	104.5	–16.2%
Equipment	31.2	17.7	76.4%
Other Operating Income	13.2	15.7	–16.4%
Total revenues Austria	**738.3**	763.9	–3.3%

Key Data Segment Austria

Key Data Fixed Line - Austria	Q1 2011 unaudited	Q1 2010 unaudited	% change
Average revenues per access line (in EUR)	32.5	33.3	–2.4%
Fixed service revenues (in EUR mn)	226.2	231.2	–2.2%
Total voice minutes	693.5	784.0	–11.5%

Lines (in '000)	Q1 2011 unaudited	Q1 2010 unaudited	% change
Access lines (without broadband lines)	1,122.5	1,245.3	–9.9%
Fixed broadband retail lines	1,155.2	1,017.1	13.6%
Fixed broadband wholesale lines	44.6	47.9	–6.9%
Fixed broadband lines	1,199.8	1,064.9	12.7%
Total access lines	2,322.2	2,310.3	0.5%
Lines unbundled	277.5	283.0	–2.0%

Austrian Telecommunications Market

Broadband Market Shares	Q1 2011 unaudited	Q1 2010 unaudited	% change
A1 Telekom Austria Fixed Line Retail	30.5%	30.6%	
A1 Telekom Austria Fixed Line Wholesale	1.2%	1.4%	
Mobile broadband A1 Telekom Austria	18.2%	16.7%	
Mobile broadband other operators	28.3%	27.4%	
Cable	15.1%	16.0%	
Unbundled lines	6.7%	7.9%	
Broadband penetration - Total market	106.2%	92.4%	

Voice Market Shares	Q1 2011 unaudited	Q1 2010 unaudited	% change
Fixed Line A1 Telekom Austria	12.0%	13.6%	
Fixed Line Others	7.1%	8.0%	
Mobile	80.9%	78.4%	

Key Data Mobile Communication	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Customers ('000)	5,145.4	4,891.2	5.2%
Contract share	76.4%	73.5%	
Mobile Market Share	41.0%	42.4%	
Mobile Penetration	149.0%	137.4%	

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Average monthly revenue per User (in EUR)	20.1	21.9	–8.0%
Mobile service revenues (in EUR mn)	309.9	320.1	–3.2%
thereof interconnection share	9.9%	11.3%	
Data as percentage of traffic-related revenues	46.0%	41.3%	11.4%
Subscriber acquisition cost (SAC)	10.6	7.2	46.7%
Subscriber retention cost (SRC)	20.0	18.0	11.2%
Churn (3 Months)	3.9%	3.7%	

Key Data Segment Bulgaria*

Bulgaria

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	133.4	135.5	– 1.5%
EBITDA comparable	64.7	72.5	– 10.7%
EBITDA (incl. Restructuring and Impairment Charges)	64.7	72.5	– 10.7%
EBIT	18.8	30.5	– 38.3%

Mobile Communication Market	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Subscribers ('000)	5,277.4	5,263.7	0.3%
Mobile Market Share	49.3%	50.1%	
Mobile Penetration	142.6%	139.0%	
Mobile Broadband Customers ('000)	141,815	66,680	112.7%
ARPU (in EUR)	7.6	8.0	– 5.2%
Data as percentage of traffic-related revenues	24.3%	17.9%	
Fixed Line Market			
ARPL (in EUR)	16.7	0.0	n.a.
Total Access Lines ('000)	99.1	0.0	n.a.
Fixed Broadband Lines ('000)	93.4	0.0	n.a.

* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Key Data Segment Croatia

Croatia

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	90.3	100.3	– 10.0%
EBITDA comparable	24.9	28.8	– 13.6%
EBITDA (incl. Restructuring and Impairment Charges)	24.9	28.8	– 13.6%
EBIT	8.6	12.0	– 28.2%
Average monthly revenue per User (in EUR)	9.2	11.0	– 16.2%
Data as percentage of traffic-related revenues	27.8%	28.4%	

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	2,682.0	2,634.1	1.8%
Mobile Market Share	41.9%	43.7%	
Mobile Penetration	145.1%	136.7%	
Mobile Broadband Customers ('000)	179,063	145,715	22.9%

Key Data Segment Belarus*

Belarus

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	89.9	73.5	22.2%
EBITDA comparable	42.1	34.8	20.8%
EBITDA (incl. Restructuring and Impairment Charges)	42.1	34.8	20.8%
EBIT	22.1	16.4	35.1%
Average monthly revenue per User (in EUR)	6.1	5.5	11.0%

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	4,415.4	4,116.3	7.3%
Contract Share	78.4%	76.0%	
Market Share	41.1%	41.2%	
Market Penetration	113.5%	105.3%	
Mobile broadband subscribers ('000)	197,495	35,020	463.9%

* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Key Data Segment Additional Markets

Slovenia

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	42.6	39.5	8.0%
EBITDA comparable	10.9	11.5	–4.9%
EBITDA (incl. Restructuring and Impairment Charges)	10.9	11.5	–4.9%
EBIT	5.8	6.3	–8.5%
Average monthly revenue per User (in EUR)	19.1	19.4	–1.4%
Data as percentage of traffic-related revenues	31.4%	25.6%	

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	629.9	591.3	6.5%
Contract Share	71.4%	69.5%	
Market Share	29.6%	28.2%	
Market Penetration	104.2%	101.7%	
Mobile broadband subscribers ('000)	15,194	12,475	21.8%

Key Data Segment Additional Markets

Republic of Serbia

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	30.2	23.2	29.9%
EBITDA comparable	4.3	–5.0	n.a.
EBITDA (incl. Restructuring and Impairment Charges)	4.3	–5.0	n.a.
EBIT	–8.9	–16.2	–45.3%
Average monthly revenue per User (in EUR)	6.5	5.7	14.8%

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	1,428.1	1,164.1	22.7%
Market Share	14.2%	12.2%	
Market Penetration	135.6%	128.4%	

Republic of Macedonia

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	11.1	6.9	59.6%
EBITDA comparable	–0.4	–1.5	–73.5%
EBITDA (incl. Restructuring and Impairment Charges)	–0.4	–1.5	–73.5%
EBIT	–3.0	–3.7	–19.0%
Average monthly revenue per User (in EUR)	6.6	6.0	9.4%

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	490.5	333.3	47.2%
Market Share	21.5%	16.4%	
Market Penetration	110.8%	99.8%	

Liechtenstein

in EUR million	Q1 2011 unaudited	Q1 2010 unaudited	% change
Revenues	1.9	1.8	8.0%
EBITDA comparable	0.5	0.4	19.9%
EBITDA (incl. Restructuring and Impairment Charges)	0.5	0.4	19.9%
EBIT	0.2	0.2	36.3%

	Q1 2011 unaudited	Q1 2010 unaudited	% change
Mobile Communication Subscribers ('000)	6.5	6.1	7.0%

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, 2010. 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, 2010.

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, 2010 except for standards/interpretations which became effective during 2010 and as of January 1, 2011:

		Effective *
IAS 24	Related party disclosures (revised)	January 1, 2011
IAS 32	Changes regarding classification of rights issue	February 1, 2010
IFRS 1	Additional exemptions for first time adopters in connection with IFRS 7	July 1, 2010
IFRIC 19	Repayments of financial liabilities with equity instruments	July 1, 2010
IFRIC 14	Minimum funding payments (revised)	January 1, 2011
	Amendments to IFRS's as result of improvements project 2010	January 1, 2011

* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB).

The Company has adopted these standards/interpretations as of January 1, 2011. 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.

Format of the Condensed Consolidated Statements of Operations

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 in the segment Austria 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. Employee expenses for first quarter 2010 were adjusted by EUR 0.9 million related to restructuring expenses. For details on restructuring expenses for the first quarter 2011 see “provisions and accrued liabilities”.

Operating Segments – Change in Reporting Structure

Telekom Austria Group has realigned its management structure due to the increasing demand for convergent products. As a result, reporting on operating segments is based on geographical markets, instead of the segmentation in fixed and mobile business since September 30, 2010. The Telekom Austria Group reports separately on the five operating segments, Austria, Bulgaria, Croatia, Belarus and Additional Markets. Comparative figures for first quarter 2010 were adjusted accordingly.

Business Combinations

On January 25, 2011 Telekom Austria Group purchased 100% shares of the fixed line provider Spectrum Net AD ("Spectrum") through its Bulgarian subsidiary Mobiltel. On February 3, 2011, Telekom Austria Group purchased 80% of another fixed line operator, Megalan Network AD ("Megalan"), and committed to purchase the remaining 20% until March 31, 2012. Telekom Austria Group consolidates 100% of Megalan, without recognizing a non-controlling interest. The purchase price due for the remaining 20% of the shares is deposited in an ESCROW bank account. Both companies are presented in the segment Bulgaria. The table "Acquisition of Megalan and Spectrum" summarizes the acquisition-date fair value of each major class of asset and liabilities of the acquired companies. Fair values were determined based on the provisional purchase price allocation to assets and liabilities. Acquisition-related costs recognized as expense amounted to EUR 1.0 million. The purchase prices not yet paid are related to premiums, which are contingent to the fulfillment of certain targets of the acquired companies and are recorded as financial liabilities at fair value.

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.

Acquisiton of Megalan and Spectrum

in EUR millions (unaudited)	Fair values on acquisition
Property, plant and equipment	15.3
Intangible assets	35.4
Other assets and receivables	5.6
Cash and cash equivalents	2.2
Loans, bonds and short-term borrowings	–9.2
Deferred tax liabilities	–3.0
Accounts payable - trade	–1.7
Accrued liabilities and other payables	–3.6
Net identifiable assets and liabilities	**41.0**
Goodwill on acquisitions	37.1
Total purchase considerations	**78.1**
Purchase prices not yet paid	–7.1
Cash acquired	–2.2
Net cash outflow	**68.8**

In the first quarter 2011 EUR 15.8 million of the outstanding performance-based deferred consideration for the acquisition of SB Telecom Limited (SBT), the sole owner of FE VELCOM ("velcom"), was paid, since predetermined performance criteria had been fulfilled. As of December 31, 2010 this consideration was recorded in other current liabilities.

Non-current and current liabilities

In the first quarter 2011 an amount of EUR 500.0 million of long term debt was raised. Short-term borrowings decreased mainly due to the repayment of multi-currency notes and short-term debt.

The decrease in other non-current liabilities is due to the reclassification of the deferred consideration for the acquisition of SBT to other current liabilities, because this deferred consideration is expected to become due in first quarter 2012.

In 2010 the Telekom Austria Group has introduced a Long Term Incentive Program (LTI). In the second quarter 2011 the second tranche of LTI (LTI 2011) will be granted. Main conditions will remain unchanged compared to LTI 2010.

As of the reporting date a liability measured at fair value for the expected future expense of the LTI program, which is already vested, is recorded. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for share price analysis, taking into account expected dividends. The liability is recognized over the vesting period. As of March 31, 2011 the liability recorded for LTI 2010 and LTI 2011 amounted to EUR 1.9 million.

Provisions and accrued liabilities

As of January 19, 2011 the new social plans became effective in the segment Austria, providing for early retirement, special severance packages and golden handshake options. In the first quarter 2011 a restructuring expense of EUR 174.9 million was recorded. The provision for restructuring amounting to EUR 673.0 million as of December 31, 2010 increased to EUR 835.8 million as of March 31, 2011.

Additionally a restructuring expense of EUR 9.2 million was recorded for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks. The corresponding provision amounting to EUR 38.2 million as of December 31, 2010 increased to EUR 42.7 million as of March 31, 2011.

Income Taxes

The effective tax rate for the first quarter 2011 and 2010 was 17.3% and 22.2%. In the first quarter 2011 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 110.4 million as of December 31, 2010 increased to EUR 144.1 million as of March 31, 2011 mainly due to the recognition of deferred tax assets relating to operating loss carry-forwards, which was partly compensated by 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 first quarter 2011 the devaluation of the Belarusian Ruble resulted in a negative adjustment of EUR 50.6 million whereas the appreciation of the Serbian Dinar lead to a positive adjustment of EUR 5.4 million. In the first quarter 2010 the appreciation of the Belarusian Ruble resulted in a positive adjustment amounting to EUR 13.4 million whereas the devaluation of the Serbian Dinar lead to a negative adjustment of EUR 12.4 million.

Subsequent Events

In April 2011 the last existing cross border lease transaction was terminated prior to maturity. The early termination is attractive from both, legal and economic perspectives. The Telekom Austria Group will recognize an expense for the termination and on the other hand realize the remaining unrealized balance on the sale of tax benefit allocated to this transaction. As a result net interest income of approximately EUR 0.5 million will be recorded.

On April 18, 2011 the Belarusian Currency Stock Exchange announced the deregulation of the Belarusian Ruble exchange rate due to a shortage of hard currencies. The opening of the so called “alternative trading sessions” has not yet been announced. Since then only limited amounts of hard currency could be exchanged and transferred. The Telekom Austria Group is currently evaluating the impact on the consolidated financial statements.

The "A1" brand will become the single brand for both fixed and mobile communication services in Austria. This is the logical next step within the integration process of the Group's domestic fixed and mobile communication services and has no impact on the consolidated financial statements.