EANS-Adhoc: Telekom Austria AG / Telekom Austria Group Updates its Cash Use Policy and Provides Financial Outlook at its Capital Market Day (Ad-hoc Release)

Vienna, 17 December 2010: The Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced an update of its cash use policy and the Group´s financial outlook for the period 2011 to 2013 at its Capital Market Day, which was held at the Group´s headquarter in Vienna today.

"Our vision is to become the most efficient and innovative operator in the CEE region. With returning to access line growth in our domestic market and initiating convergence in CEE we will lay the foundation to achieve this goal. Strict cost control will be critical to mitigate external effects, such as roaming and interconnection regulation as well as a fierce competitive environment, which will continue to negatively impact both revenues and EBITDA in 2011. However, with a clear strategy to generate shareholder value via market consolidation, convergence and value enhancing growth projects we are confident that we will achieve revenue growth and stabilise EBITDA comparable margin by 2013. The increase of the minimum dividend floor to EUR 0.76 per share reflects our strong confidence in our operations", says Hannes Ametsreiter, CEO Telekom Austria Group.

Update on Cash Use Policy 2011 - 2013
The company announced its intention to distribute 55% of free cash flow or at least EUR 0.76 per share as dividend for the years 2011 and 2012. Maintaining a stable investment grade rating of at least BBB (stable outlook) remains central to the Group´s financial profile. Nevertheless, a higher leverage corridor of 2.0x - 2.5x Net debt/EBITDA comparable provides increased flexibility to balance share buybacks with growth projects. 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 general prerequisite for share buybacks.

"The increase of the dividend floor from EUR 0.75 to EUR 0.76 for the years 2011 and 2012 reflects our confidence in the strong cash flow generation of Telekom Austria Group. As free cash flow generation better reflects the operational performance of the Group than net income, the dividend payout ratio will be 55% of free cash flow1 going forward. In addition, the higher leverage corridor provides us with increased flexibility to balance share buybacks with value enhancing growth projects", says Hans Tschuden, CFO of Telekom Austria Group.
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Group Outlook 2011
For the full year 2011, Telekom Austria Group expects revenues of up to EUR 4.60 bn. EBITDA comparable is anticipated to amount to up to EUR 1.60 bn. CAPEX are forecasted to reach up to EUR?800 mn and do not include investments for license or spectrum acquisitions. Operating free cash flow, defined as EBITDA comparable minus CAPEX, is expected to amount to approximately EUR 800 mn in 2011. Management intends to distribute 55% of free cash flow or at least EUR 0.76 as dividend for 2011. The outlook is provided on a constant currency basis.

Group Midterm Expectations 2012 - 2013
The management expects revenues of approximately EUR 4.7 bn by 2013. EBITDA comparable margin is expected to remain stable at approximately 34%. CAPEX is forecasted to reach no more than 16% of revenues by 2013. Operating free cash flow, defined as EBITDA comparable minus CAPEX, is estimated to amount to approximately EUR 800 mm per year. Management reiterates the dividend policy of distributing 55% of Free cash flow. The dividend floor of at least EUR 0.76 per share is confirmed until 2012. The outlook is given on a constant currency

basis.

Outlook 2011
Revenues: up to EUR 4.60 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

Outlook 2012 - 2013
Revenues: approximately EUR 4.7 bn by 2013
EBITDA comparable margin: stable at approximately 34%
CAPEX/Revenues: up to 16% by 2013
Operating free cash flow: approximately EUR 0.8 bn per annum
Dividend: 55% of free cash flow, DPS of 76 Eurocents minimum until 2012

The full presentations and further information is available on our website at http://www.telekomaustria.com/ir/capital-market-day-en.php

Definitions:
Free Cash Flow: Cash flow from operating activities less capital expenditures without investments for licence and spectrum acquisitions
EBITDA comparable: EBITDA excluding impairment and restructuring charges
CAPEX: Capital expenditures excluding investments for licence and spectrum acquisitions

Disclaimer: This document contains forward-looking statements that involve risks and uncertainties. These forward-looking statements are usually accompanied by words such as "believe," "intend," "anticipate," "plan," "expect" and similar expressions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to, the following:
1) the level of demand for telecommunications services or equipment, particularly with regard to access lines, traffic, bandwidth and new products;
2) competitive forces in liberalized markets, including pricing pressures, technological developments, alternative routing developments and new access technologies, and our ability to retain market share in the face of competition from existing and new market entrants;
3) the effects of our tariff reduction or other marketing initiatives;
4) the regulatory developments and changes, including the levels of tariffs, the terms of interconnection, unbundling of access lines and international settlement arrangements;
5) our ability to achieve cost savings and realize productivity improvements;
6) the success of new business, operating and financial initiatives, many of which involve start-up costs, and new systems and applications, particularly with regard to the integration of service offerings;
7) our ability to secure the licenses we need to offer new services and the cost of these licenses and related network infrastructure build-outs;
8) the progress of our domestic and international investments, joint ventures and alliances
9) the impact of our new business strategies and transformation program;
10) the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital expenditure;
11) the outcome of litigation in which we are involved;
12) the level of demand in the market for our shares which can affect our business strategies;
13) changes in the law including regulatory, civil servants and social security law, including pensions and tax law; and general economic conditions, government and regulatory policies, and business conditions in the markets we serve.

Through its expansion into 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 tax uncertainties and risks related to foreign exchange rates that typically do not exist in other markets.

Due to rounding differences deviations in subtotals and totals may occur.

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