

## Results for the First Quarter 2008

### Highlights

- Both segments contribute to revenue growth of 9.9% to EUR 1,259.6 million
- EBITDA grows by 4.7% to EUR 498.6 million
- Strong mobile operations and consolidation of MDC drive revenue and EBITDA growth
- Mobile communication subscriber base rises by 50.2% to 15.9 million customers
- Fixed Net access line loss halved to 32,400, broadband net adds more than doubled
- Fixed Net broadband lines increase by 13.3% to 817,600
- Outlook for full year 2008 reiterated
- Proposal of at least stable dividend per share of 75 cents for 2008 planned

Note: All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA is defined as net income excluding interest, income tax expense, depreciation and amortization, impairment charges, equity in earnings of affiliates, income/loss from investments and foreign exchange differences. This equals operating income before depreciation, amortization and impairment charges.

# Summary

in EUR million	1Q 08	1Q 07	% change
Revenues	1,259.6	1,145.8	9.9%
EBITDA	498.6	476.3	4.7%
Operating income	215.2	212.1	1.5%
Net income	129.7	147.2	- 11.9%
Earnings per share (in EUR)	0.29	0.32	- 8.4%
Capital expenditures	159.6	167.3	- 4.6%
in EUR million	March 31, 08	Dec. 31, 07	% change
Net debt	4,237.8	4,407.2	- 3.8%

The presentation for the conference call and the key figures of the Telekom Austria Group in Excel format („Key Figures 1Q 2008“) are available on our website at [www.telekomaustria.com](http://www.telekomaustria.com)

Results for the first half year of 2008 will be announced on August 20, 2008

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Vienna, May 14, 2008 - Telekom Austria Group (VSE: TKA, OTC US: TKAGY) today announced its results for the first quarter 2008 ending March 31, 2008.

Revenues increased by 9.9% to EUR 1,259.6 million in 1Q 08 compared to 1Q 07 driven by the consolidation of MDC and eTel as well as by the strong performance of international operations.

EBITDA grew by 4.7% to EUR 498.6 million mainly due to the consolidation of MDC and higher contributions from the established mobile communication operations.

Operating income increased by 1.5% to EUR 215.2 million despite higher depreciation and amortization expenses due to the contribution of acquisitions and start-up operations.

Net income decreased by 11.9% to EUR 129.7 million during 1Q 08 mainly due to higher interest expenses following the acquisition of MDC. Earnings per share decreased by 8.4% to EUR 0.29 as a lower average number of outstanding shares as a consequence of treasury shares acquired in 2007 partly compensated for lower net income.

Capital expenditures for tangible and intangible assets decreased by 4.6% to EUR 159.6 in 1Q 08 due to lower intangible capital expenditures in Mobile Communication. The acquisition of a licence for the Republic of Macedonia for EUR 10.0 million was included in 1Q 07 which more than offset the increase in intangible capital expenditures in Fixed Net. Tangible capital expenditures remained stable.

In line with the focus on deleveraging net debt decreased by 3.8% to EUR 4,237.8 million at the end of March 2008 compared to the end of December 2007. Therefore, net debt to EBITDA (last 12 months) decreased from 2.4x to 2.3x.

## Reporting Changes

Starting with 3Q 07 and in compliance with IAS 8.14 the Telekom Austria Group reports interest expenses related to employee benefit obligations no longer as personnel expenses but as interest expenses in the financial result as the company believes that this provides more accurate information. Comparative figures for the three month period ended March 31, 2007 were adjusted accordingly. For the period January 1, 2007 throughout March 31, 2007 this resulted in additional interest costs of EUR 1.4 million and lower personnel expenses of the equal amount.

# Group Review

## Market Environment

During the first quarter of 2008 the Telekom Austria Group's domestic businesses continued to operate in an environment characterized by fierce competition in both segments. Low prices for voice telephony and for mobile broadband in the mobile communication market contributed to the ongoing fixed-to-mobile substitution. Efforts to safeguard the core business of the Fixed Net segment encompass the development of an attractive broadband product portfolio that offers higher bandwidth as well as attractive product bundles.

Symmetric mobile termination rates of 5.72 Eurocents from January 1, 2009 on have been prescribed by the Austrian regulatory authority for all mobile operators. mobilkom austria had to reduce its mobile termination rates to this lowest level of 5.72 Eurocents already as of January 1, 2008, thus eliminating the need for incremental reductions of mobile termination rates.

The Telekom Austria Group's international operations continued to show strong performance driven by subscriber growth. The consolidation of MDC in Belarus as well as higher contributions from the start-up operations in the Republic of Serbia and the Republic of Macedonia will strengthen the growth profile of the Telekom Austria Group in 2008.

The regulation of international voice roaming traffic which was introduced in the second half of 2007 by the European Union will impact Telekom Austria Group's results for the first 3 quarters of 2008 in comparison to previous years' figures.

## Revenues and Operating Income by Segment

### Fixed Net

Product and marketing initiatives taken in 4Q 07 and 1Q 08 proved effective in slowing down access line loss during 1Q 08 to 32,400 lines compared to 62,900 in 1Q 07. At the end of March 2008 the number of access lines was 2.4 million compared to 2.6 million at the end of 1Q 07.

The number of fixed net broadband lines increased by 13.3% to 817,600 including 71,800 wholesale lines by the end of March 2008. This rise was supported by the promotional offer of a product bundle which was available from November 15, 2007 until January 15, 2008 including fixed net and broadband Internet services and up to three SIM cards. In 1Q 08, the number of broadband net adds increased by 138.9% to 66,900, more than doubling the number in 1Q 07.

Fixed Net average revenues per access line which mainly consists of revenues from voice, monthly fee, broadband and aonTV decreased by 2.7% from EUR 33.6 in 1Q 07 to EUR 32.7 in 1Q 08. As a result of the successful promotion of the attractively priced product bundle, aimed at supporting the protection of access lines and associated monthly rental revenues, average revenues per residential broadband user declined by 37.4% from EUR 27.3.

The number of unbundled lines rose to 299,600 compared to 235,900 at the end of March 2007 with a quarter-on-quarter growth rate decelerating from 6.0% in 4Q 07 to 3.6% in 1Q 08.

The number of voice minutes declined by 5.2% to 1.0 billion in 1Q 08 due to continuing fixed-to-mobile migration which was partially offset by the consolidation of eTel.

Note: Detailed operational data of the Fixed Net segment are shown in the appendix on page 16

### Fixed Net

in EUR million	1Q 08	1Q 07	% change
Revenues	521.9	510.8	2.2%
EBITDA	157.3	194.3	-19.0%
Operating income	30.3	55.6	-45.5%

Telekom Austria's voice market share in the Fixed Net segment increased to 60.8% in 1Q 08 compared to 58.1% in 1Q 07 due to the consolidation of eTel and a changed definition of the market share.

Fixed Net revenues increased by 2.2% to EUR 521.9 million during 1Q 08 mainly due to higher revenues from Wholesale Voice Telephony & Internet. This could partly offset lower revenues from Switched Voice.

Switched Voice Traffic revenues declined by 3.2% to EUR 83.9 million due to a lower traffic volume partly offset by the contribution from the consolidation of eTel. The average voice tariff increased by 1.3% to 7.7 cents per minute in 1Q 08 compared to the same period of the previous year as a result of a shift in the call mix to more expensive destinations.

Revenues from Switched Voice Monthly Rental & Other declined by 3.9% to EUR 116.7 million due to a lower number of access lines.

Revenues from Payphones & Value Added Services remained nearly stable at EUR 11.0 million in 1Q 08 as higher revenues from interactive TV-gaming services as well as the consolidation of eTel compensated for lower payphones revenues.

Data & IT-solutions including wholesale revenues grew by 3.1% to EUR 108.3 million as a result of new projects in housing and hosting as well as the contribution from the consolidation of eTel.

Revenues from Internet Access & Media decreased by 11.4% to EUR 60.9 million as strong growth of broadband customers as well as the contribution from the consolidation of eTel partly compensated for lower broadband prices marketed to

protect the access line base.

Wholesale Voice Telephony & Internet revenues increased by 21.0% to EUR 110.8 million mainly driven by higher international voice revenues offsetting lower wholesale Internet revenues. The consolidation of eTel also added to this growth.

Other Fixed Net revenues increased by 15.2% to EUR 30.3 million due to the consolidation of Mass Response Service GmbH, a provider of interactive TV services that was acquired in 4Q 07, which more than offset lower revenues from equipment.

EBITDA decreased by 19.0% to EUR 157.3 million in the 1Q 08 due higher costs, which also included a one-off expense in the amount of EUR 12 million for sales promotions, hardware up-upgrades and the preparation for the UEFA EURO 2008™. The successful promotion campaign for the product bundle "KombiPaket" led to higher installation and material expenses. The exchange of MPEG2 set-top-boxes with MPEG4 set-top-boxes for existing aonTV customers as well as preparation activities of the UEFA EURO 2008™ also resulted in additional costs contributing to the one-off expense mentioned above.

Operating income declined from EUR 55.6 million in 1Q 07 to EUR 30.3 million in 1Q 08 as lower depreciation and amortization charges partly offset higher operating expenses.

## Mobile Communication

The customer base of the Mobile Communication segment grew strongly by 50.2% to 15.9 million customers as a result of the consolidation of MDC in Belarus and the newly launched operations in the Republic of Serbia and the Republic of Macedonia. Excluding MDC, the customer base increased by 19.7% to 12.6 million customers.

Note: Detailed operational data of the Mobile Communication segment are shown in the appendix on page 17, 18 and 19

### Mobile Communication\*

in EUR million	1Q 08	1Q 07	% change
Revenues	796.5	694.1	14.8%
EBITDA	345.9	287.2	20.4%
Operating income	189.4	162.1	16.8%

\* Consolidated 1Q 08 financial statements of the Telekom Austria Group include financial figures for MDC. MDC financial results are not included in 1Q 07.

Mobile Communication revenues grew by 14.8% to EUR 796.5 million in 1Q 08 due to higher contributions from international operations including the consolidation of MDC. Excluding MDC, revenues grew by 5.5% to EUR 732.0 million.

EBITDA grew by 20.4% to EUR 345.9 million in 1Q 08 as higher contributions from established operations in Austria, Bulgaria, Croatia, Slovenia and the consolidation of MDC exceeded losses of EUR 19.4 million associated with the launch of operations in the Republic of Serbia and the Republic of Macedonia. Excluding MDC, EBITDA increased by 9.3% to EUR 313.9 million.

Operating income increased by 16.8% in 1Q 08 to EUR 189.4 million as EBITDA growth compensated for higher depreciation and amortization charges following the consolidation of MDC and the recently started operations in the Republic of Serbia and the Republic of Macedonia. Excluding MDC, operating income grew by 8.6% to EUR 176.1 million.

#### **mobilkom austria**

mobilkom austria more than doubled the number of net adds during 1Q 08 to 141,600 compared to 66,800 during 1Q 07 increasing its customer base to 4.1 million at the end of March 2008. This growth is mainly driven by an increase in contract subscribers following the inclusion of the customers of aonMobil which is part of the bundle products marketed by the Fixed Net segment as well as due to sales of data cards and USB modems.

mobilkom austria increased its market share from 38.9% at the end of 1Q 07 to 41.2% at the end of 1Q 08. The penetration rate in Austria rose from 114.7% at the end of 1Q 07 to 119.1% at the end of 1Q 08 due to an increasing number of customers with SIM cards for both mobile broadband and voice services.

Average revenues per user (total ARPU) declined by 9.5% to EUR 28.7 as an increase in average minutes of use charged per subscriber (MoU) by 7.3% and a growth of data ARPU by 13.4%

partly offset lower voice prices and lower termination rates.

mobilkom austria had more than 1.8 million Vodafone live! customers and 310,000 mobile broadband customers at the end of March 2008 compared to 170,000 mobile broadband customers at the end of 1Q 07. Data revenues as a percentage of traffic-related revenues rose from 27.2% during 1Q 07 to 31.6% during 1Q 08.

Revenues of mobilkom austria declined by 2.1% to EUR 409.0 million compared to 1Q 07 as higher monthly rental revenues partly offset lower traffic and roaming revenues. Revenues from monthly rental grew due to a larger contract subscriber base. Traffic revenues declined despite a larger subscriber base, higher usage and growth of data revenues partly offsetting the effect of lower voice and customer roaming prices. Roaming revenues declined as higher roaming usage could not compensate for lower roaming tariffs.

mobilkom austria's EBITDA increased by 5.5% to EUR 170.1 million. Operating expenses decreased primarily due to lower marketing and sales costs. The EBITDA margin grew by 3.0 percentage points to 41.6% in 1Q 08 compared to the same period of the previous year due to lower operating expenses. Subscriber acquisition costs (SAC) fell by 46.9% to EUR 11.3 million, subscriber retention costs (SRC) declined by 5.6% to EUR 18.4 million.

Operating income increased by 9.1% to EUR 106.8 million driven by lower operating costs and stable depreciation and amortization charges.

#### **Mobiltel**

Mobiltel grew its customer base by 13.7% to 5.1 million customers at the end of March 2008 compared to the same period of the previous year. Mobiltel's market share remained almost stable at 51.0% at the end of 1Q 08 compared to the end of 1Q 07. The mobile penetration rate in Bulgaria rose from 113.5% to 130.0%.

An increase in average minutes of use charged per subscriber (MoU) by 27.5% partly offset lower prices and limited the decline in total ARPU to EUR 9.4 in 1Q 08 from EUR 9.9 in 1Q 07.

Revenues of Mobiltel rose by 8.9% to EUR 154.4 million in 1Q 08 driven by higher traffic and monthly rental revenues as a result of a larger subscriber base.

EBITDA grew by 13.4% to EUR 92.8 million during 1Q 08 compared to 1Q 07 benefiting from higher revenues and a one-time effect in the amount of EUR 5.5 million due to an asset sale. The EBITDA margin increased from 57.7% in 1Q 07 to 60.1% in 1Q 08.

Mobiltel's operating income increased by 16.0% to EUR 52.8 million in 1Q 08 despite higher depreciation & amortization charges.

#### **MDC**

As of end of March 2008 MDC had 3.2 million subscribers. MDC is the second largest operator in Belarus and reached a market share of 43.9% at the end of 1Q 08. The penetration rate in Belarus was 74.8% at the end of March 08.

MDC contributed EUR 64.5 million of revenues and EUR 32.0 million of EBITDA in 1Q 08. The EBITDA margin in 1Q 08 was 49.6%. MDC's operating income amounted to EUR 13.3 million. Total depreciation and amortization of EUR 18.7 million includes EUR 10.9 million of amortization of intangible assets resulting from the purchase price allocation.

#### **Vipnet**

With 2.2 million subscribers at the end of 1Q 08 Vipnet increased its subscriber base by 11.5% compared to 1Q 07.

Vipnet's market share declined from 43.1% in 1Q 07 to 42.6% in 1Q 08. At the end of March 2008 the mobile penetration rate in Croatia stood at 117.0% compared to 103.6% at the end of 1Q 07.

ARPU remained almost stable at EUR 14.4 compared to EUR 14.6 as higher usage partly compensated for the effect of lower prices.

The number of average minutes of use charged per subscriber (MoU) increased by 4.2% to 87.1 minutes.

Revenues of Vipnet increased by 13.8% to EUR 116.5 million in 1Q 08 mainly due to a higher contract subscriber base resulting in higher traffic and monthly rental revenues.

EBITDA increased by 11.9% to EUR 42.4 million in 1Q 08 as a consequence of higher revenues offsetting higher marketing costs.

Operating income of Vipnet increased by 27.4% to EUR 24.2 million in 1Q 08 compared to the same period of the previous year due to lower depreciation and amortization charges.

#### **Si.mobil**

Si.mobil grew its subscriber base by 15.6% to 513,100 customers at the end of March 2008.

Si.mobil increased its market share from 25.7% to 27.1%. The mobile penetration rate in Slovenia was 94.6% at the end of 1Q 08 compared to 86.2% at the end of 1Q 07.

ARPU rose by 10.4% to EUR 23.3. This development was driven by a higher contract subscriber base, an increase in average minutes of use charged per subscriber (MoU) by 17.9% to 138.6 minutes as well as higher data revenues.

Revenues grew by 21.8% to EUR 44.1 million during 1Q 08 mainly as a result of higher traffic revenues.

EBITDA grew by 30.1% to EUR 14.7 million driven by higher revenues.

Operating income increased from EUR 5.2 million in 1Q 07 to EUR 9.8 million in 1Q 08.

### Vip mobile

With 601,700 customers Vip mobile, the third mobile communication provider in the Republic of Serbia launched in July 2007, held a 6.7% market share at the end of 1Q 08.

The penetration rate in the Republic of Serbia stood at 119.5% at the end of 1Q 08 as a high number of subscribers reported by the incumbent resulted in an inflated penetration rate.

During 1Q 08 Vip mobile generated revenues of EUR 12.1 million and an EBITDA loss of EUR 13.4 million. Operating loss amounted to EUR 23.6 million.

### Vip operator

Vip operator, the third mobile communication operator in the Republic of Macedonia launched in September 2007, had 163,300 customers and held a market share of 8.1% at the end of 1Q 08.

At the end of March 2008 the penetration rate in the Republic of Macedonia was 99.0%.

Vip operator generated revenues of EUR 1.8 million in 1Q 08 while start-up costs during this period resulted in an EBITDA loss of EUR 6.0 million. Operating loss for 1Q 08 was EUR 6.9 million.

## Consolidated Net Profit

During 1Q 08 net interest expenses increased to EUR 50.8 million from EUR 30.2 million during 1Q 07 due to higher average net debt mainly as a result of the acquisition of MDC and a higher

interest level.

Income tax expense increased by 4.3% from EUR 35.1 million in 1Q 07 to EUR 36.6 million in 1Q 08 primarily due to a higher tax rate in 1Q 08 following the consolidation of MDC, which is subject to an above average tax rate.

Overall, quarterly net income decreased by 11.9% to EUR 129.7 million in 1Q 08. Basic and diluted earnings per share declined by 8.4% to EUR 0.29.

## Capital Expenditures

During 1Q 08 capital expenditures for tangible and intangible assets decreased by 4.6% to EUR 159.6 million. Capital expenditures for tangible assets remained nearly stable at EUR 122.2 million and capital expenditures for intangible assets decreased by 18.0% to EUR 37.4 million.

In the Fixed Net segment capital expenditures for tangible assets remained almost stable at EUR 48.6 million during 1Q 08.

In the Mobile Communication segment capital expenditures for tangible assets slightly increased by 0.8% to EUR 73.6 million in 1Q 08 as lower capital expenditures in Austria and Bulgaria compensated for the consolidation of MDC as well as for investments in the newly launched operations in the Republic of Serbia and in the Republic of Macedonia.

Capital expenditures for intangible assets in the Fixed Net segment increased from EUR 10.7 million in 1Q 07 to EUR 19.5 million in 1Q 08 due to investments in information technology software and licences.

In the Mobile Communication segment capital expenditures for intangible assets declined by 48.7% from EUR 34.9 to EUR 17.9 million mainly due to the purchase of a licence for the Republic of Macedonia in the amount of EUR 10.0 million included in 1Q 07.

### Capital expenditures in EUR million

	1Q 08	1Q 07	% change
Fixed Net tangible	48.6	48.7	-0.2%
Mobile Communication tangible	73.6	73.0	0.8%
<b>Tangible</b>	<b>122.2</b>	<b>121.7</b>	<b>0.4%</b>
Fixed Net intangible	19.5	10.7	82.2%
Mobile Communication intangible	17.9	34.9	-48.7%
<b>Intangible</b>	<b>37.4</b>	<b>45.6</b>	<b>-18.0%</b>
<b>Total capital expenditures</b>	<b>159.6</b>	<b>167.3</b>	<b>-4.6%</b>

## Cash flow and net debt

in EUR million	1Q 08	1Q 07	% change
Cash generated from operations	305.1	375.4	-18.7%
Cash used in investing activities	-155.0	-167.4	-7.4%
Cash used in financing activities	-179.7	-212.2	-15.3%
Effect of exchange rate changes	10.5	-0.4	-
<b>Net decrease in cash and cash equivalents</b>	<b>-19.2</b>	<b>-4.6</b>	<b>317.4%</b>

in EUR million	March 31, 08	Dec. 31, 07	% change
Net debt	4,237.8	4,407.2	-3.8%

## Balance Sheet and Net Debt

The total assets of the Telekom Austria Group decreased from 9,003.7 million as of December 31, 2007 to EUR 8,734.4 million as of March 31, 2008 mainly due to the repayment of long term debt and translation adjustments due to the appreciation of the Euro against the Belarusian Ruble.

During the first quarter of 2008 current assets declined from 1,326.2 million to EUR 1,318.2 million primarily due to a decrease in cash and cash equivalents as well as lower accounts receivables. Goodwill decreased from EUR 1,939.6 million at the end of 2007 to EUR 1,892.1 million as of March 31, 2008 due to currency translation as goodwill is recognized in local currency. Other intangible assets declined from EUR 2,433.0 at the end of December 2007 to EUR 2,338.5 at the end of the first quarter 2008 as a result of currency translation and amortization exceeding additions. Property, plant and equipment declined by 2.9% to EUR 3,095.4 due to depreciation charges exceeding additions and currency translation.

Current liabilities increased from EUR 2,557.2 million at the end of December 2007 to EUR 2,746.0 million at the end of March 2008 primarily due to the issuance of multi-currency notes and

the shift of maturing long-term debt to short-term borrowings. Therefore long-term liabilities declined from EUR 3,881.2 million to EUR 3,393.0 million during the first quarter 2008.

Stockholders' equity increased from EUR 2,565.3 million as of December 31, 2007 to 2,595.4 million as of March 31, 2008 due to higher retained earnings overcompensating for translation adjustments mainly due to fluctuations of the currency in Belarus.

Net debt decreased by 3.8% from EUR 4,407.2 million as of December 31, 2007 to EUR 4,237.8 million as of March 31, 2008 primarily as a result of free cash flow generation. Net debt to EBITDA (last 12 months) decreased from 2.4x at the end of December 2007 to 2.3x at the end of March 2008.

## Cash Flow

During 1Q 08 cash generated from operations decreased by 18.7% to EUR 305.1 million mainly due to an increase in other assets and a decrease in other liabilities.

Cash outflow from investing activities decreased from EUR 167.4 million in 1Q 07 to EUR 155.0 million in 1Q 08 due to lower capital expenditures in the Mobile Communication Segment.

Cash used in financing activities decreased from an outflow of EUR 212.2 million in 1Q 07 to an outflow of EUR 179.7 million in 1Q 08 as 1Q 07.

## Personnel

At the end of March 2008 the number of total employees of the Telekom Austria Group increased by 2,091 to 17,674 employees compared to the same period

Personnel (full-time equivalent)	End of period			Average of period		
	March 31, 08	March 31, 07	change	1Q 08	1Q 07	change
Fixed Net	9,532	9,428	104	9,553	9,431	122
Mobile Communication	8,142	6,155	1,987	8,094	6,073	2,021
<b>Telekom Austria Group</b>	<b>17,674</b>	<b>15,583</b>	<b>2,091</b>	<b>17,647</b>	<b>15,504</b>	<b>2,143</b>

of the previous year.

The Fixed Net segment reported an increase of 104 to 9,532 employees including 226 eTel employees. In the Mobile Communication Segment the number of employees rose by 1,987 to 8,142 mainly due to consolidation of MDC and personnel hired in the Republic of Serbia and in the Republic of Macedonia.

## Other Events

Based on the approval of the Supervisory Board, an additional tranche of stock options was granted to the eligible employees of the Telekom Austria Group on January 7, 2008. Approximately 4.4 million options with an option life until the end of May 2012 were allocated at an exercise price of EUR 19.39. Options can be exercised only if the earnings per share target determined by the Supervisory Board for the business year 2008 is reached.

In February 2008, the Company sold its stake in eTel Polska for a purchase price of EUR 3.2 million, of which EUR 0.8 million are still outstanding.

On March 31, 2008 Telekom Austria Group announced that it has closed the acquisition of the Austrian mobile operation of Tele2, following the approval of the relevant antitrust authorities. The number of mobile customers of Tele2 will be added to mobilkom austria's customers base starting in 2Q 08.

## Major Subsequent Events after March 31, 2008

On April 24, 2008 the Telekom Austria Group acquired 37.5% of Infotech Holding GmbH for a purchase price of approximately EUR 7 million. InfoTech Holding GmbH is targeting to bundle companies in Austria to become a comprehensive ICT service provider for business customers.

## 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 Austria and an acceleration of fixed-to-mobile substitution resulting in further access line loss and a decline of fixed net minutes.

The Telekom Austria Group is also subject to risks related to the planned reduction of the number of employees in the Fixed Net segment. Furthermore the Telekom Austria Group is subject to intensive regulation.

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 that typically do not exist in other markets.

The Telekom Austria Group has not been involved in the management of MDC prior to the acquisition. As a result, Telekom Austria Group's assessment of the risks and opportunities as well as the effects of the acquisition on Telekom Austria Group's financial results may not be accurate and there may be risks of which Telekom Austria Group is not aware.

## Outlook for 2008

The Telekom Austria Group fully reiterates its outlook for the full year 2008 as published on the occasion of the 2007 full year result announcement.

Accelerated by the consolidation of recently acquired MDC in Belarus,

Outlook 2008	As of May 14, 08	As of Feb. 27, 08
<b>Telekom Austria Group</b>		
Revenues	5%	5%
EBITDA	3%	3%
Operating income	Stable	Stable
Net income	- 12%	- 12%
Capital Expenditures	- 5%	- 5%
<b>Fixed Net</b>		
Revenues	- 3%	- 3%
EBITDA	- 12%	- 12%
<b>Mobile Communications</b>		
Revenues	10%	10%
EBITDA	10%	10%

reduction of approximately 5% in capital expenditures will allow for an increase in operating free cash flow by about 10%.

The Fixed Net segment is expected to continue to operate in a challenging environment characterized by fixed to mobile substitution for voice and broadband internet services. Primarily, as a result of the loss of access lines incurred in 2007 and a continuing reduction of the access line base in 2008 as well as a lower broadband ARPU, revenues are expected to decrease by approximately 3%, while EBITDA will show a decline of about 12%.

international operations will continue to drive operating results of Telekom Austria Group in 2008.

The Telekom Austria Group expects revenues in 2008 to increase by approximately 5% compared to the previous year. EBITDA is expected to grow by about 3%, with growth from international operations over-compensating for a lower contribution from the Fixed Net segment. Operating income is expected to remain stable. Net debt increased in 2007 due to the acquisition of MDC in Belarus and higher shareholder remuneration. This will lead to higher interest expenses and a decline in net income of approximately 12% in 2008.

In the Mobile Communication segment revenues and EBITDA are expected to grow by about 10% due to strong international operations, primarily driven by the consolidation of MDC in Belarus as well as improving results from the start-up operations in the Republic of Serbia and the Republic of Macedonia.

Based on the expected strong cash flow generation of the Telekom Austria Group the Management Board plans to propose a dividend of at least EUR 0.75 per eligible share for 2008 to be paid after approval by the Annual General Meeting held in 2009.

Nevertheless, higher EBITDA and a

Disclaimer: This news release 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:

- the level of demand for telecommunications services or equipment, particularly with regard to access lines, traffic, bandwidth and new products;
- 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;
- the effects of our tariff reduction or other marketing initiatives;
- the regulatory developments and changes, including the levels of tariffs, the terms of interconnection, unbundling of access lines and international settlement arrangements;
- our ability to achieve cost savings and realize productivity improvements;
- 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;
- our ability to secure the licenses we need to offer new services and the cost of these licenses and related network infrastructure build-outs;
- the progress of our domestic and international investments, joint ventures and alliances
- the impact of our new business strategies and transformation program;
- the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital expenditure;
- the outcome of litigation in which we are involved;
- the level of demand in the market for our shares which can affect our business strategies;
- 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 that typically do not exist in other markets.

# Telekom Austria AG

## Condensed Consolidated Balance Sheets

in EUR millions	March 31, 08 unaudited	Dec. 31, 07 audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	189.9	209.1
Short-term investments	31.6	19.5
Accounts receivable - trade, net of allowances	721.0	751.2
Receivables due from related parties	2.6	3.3
Inventories	128.7	128.3
Prepaid expenses	140.0	124.8
Income taxes receivable	42.8	30.9
Non-current assets held for sale	0.2	0.2
Other current assets	61.4	58.9
<b>Total Current Assets</b>	<b>1,318.2</b>	<b>1,326.2</b>
Investments in associates	6.0	5.7
Financial assets long-term	43.1	60.0
Goodwill	1,892.1	1,939.6
Other intangible assets, net	2,338.5	2,433.0
Property, plant and equipment, net	3,095.4	3,186.5
Other assets	9.1	8.5
Deferred tax assets	31.9	44.1
Receivables due from related parties, long-term finance	0.1	0.1
<b>Total Long-Term Assets</b>	<b>7,416.2</b>	<b>7,677.5</b>
<b>TOTAL ASSETS</b>	<b>8,734.4</b>	<b>9,003.7</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	-1,525.0	-1,236.1
Accounts payable - trade	-557.0	-637.1
Provisions and accrued liabilities	-238.0	-229.3
Payables to related parties	-5.0	-17.3
Income taxes payable	-22.5	-21.8
Other current liabilities	-217.8	-237.8
Deferred income	-180.7	-177.8
<b>Total Current Liabilities</b>	<b>-2,746.0</b>	<b>-2,557.2</b>
<b>Long-Term Liabilities</b>		
Long-term debt, net of current portion	-2,352.5	-2,793.8
Lease obligations, net of current portion	-23.9	-49.7
Employee benefit obligation	-115.4	-113.0
Provisions long-term	-91.7	-89.6
Deferred tax liabilities	-189.8	-195.4
Other liabilities and deferred income	-619.7	-639.7
<b>Total Long-Term Liabilities</b>	<b>-3,393.0</b>	<b>-3,881.2</b>
<b>Stockholders' equity</b>		
Common stock	-1,003.3	-1,003.3
Treasury shares	334.4	334.4
Additional paid-in capital	-548.9	-548.9
Retained earnings	-1,515.3	-1,385.7
Revaluation reserve	0.3	-0.1
Translation adjustments	137.5	38.3
<b>Equity attributable to equity holders of the parent</b>	<b>-2,595.3</b>	<b>-2,565.3</b>
Minority interests	-0.1	0.0
<b>Total Stockholders' equity</b>	<b>-2,595.4</b>	<b>-2,565.3</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-8,734.4</b>	<b>-9,003.7</b>

## Telekom Austria AG

### Condensed Consolidated Statements of Operations\*

in EUR millions, except per share information	1Q 08 unaudited	1Q 07 unaudited
Revenues	1,259.6	1,145.8
Other operating income	34.0	13.8
<b>Operating expenses</b>		
Materials	-100.5	-82.5
Employee costs, including benefits and taxes	-204.4	-192.2
Depreciation and amortization	-283.4	-264.2
Other operating expenses	-490.1	-408.6
<b>Operating income</b>	<b>215.2</b>	<b>212.1</b>
<b>Other income (expense)</b>		
Interest income	6.6	5.1
Interest expense	-57.4	-35.3
Foreign exchange differences	-0.2	0.4
Income from investments	1.8	0.1
Equity in earnings of affiliates	0.3	-0.1
<b>Income before income taxes</b>	<b>166.3</b>	<b>182.3</b>
Income tax expense	-36.6	-35.1
<b>Net income</b>	<b>129.7</b>	<b>147.2</b>
<b>Attributable to:</b>		
Equity holders of the parent	129.6	147.2
Minority interests	0.1	0.0
<b>Basic and fully diluted earnings per share</b>	<b>0.29</b>	<b>0.32</b>
<b>Weighted - average number of ordinary shares outstanding</b>	<b>442,211,742</b>	<b>460,689,905</b>

\* Consolidated 1Q 08 financial statements of the Telekom Austria Group include financial figures for MDC. MDC's financial results are not included in 1Q 07.

# Telekom Austria AG

## Condensed Consolidated Statements of Cash Flows\*

in EUR millions	1Q 08 unaudited	1Q 07 unaudited
<b>Cash flows from operating activities</b>		
Net Income	129.7	147.2
Adjustments to reconcile net income to cash generated from operations		
Depreciation, amortization and impairment charges	283.4	264.2
Employee benefit obligation (long - and short - term) - non cash	2.4	1.6
Allowance for doubtful accounts	10.2	7.2
Change in deferred taxes	11.3	9.8
Equity in earnings of affiliates less than (in excess of) dividends received	-0.3	0.1
Stock compensation	-10.1	-0.2
Asset retirement obligation - accretion expense	1.2	0.9
Gain on sale of investments	-1.8	-0.1
Loss (gain) on disposal / retirement of equipment	-5.0	0.3
Other	-0.7	-0.1
	420.4	430.9
<b>Changes in assets and liabilities, net of effect of business acquired</b>		
Accounts receivable - trade	19.1	27.8
Receivables due from related parties	0.8	0.6
Inventories	-0.3	10.6
Prepaid expenses and other assets	-30.3	3.0
Accounts payable - trade	-84.4	-98.1
Employee benefit obligation (long - and short - term)	-0.5	-7.7
Provisions and accrued liabilities	10.1	2.1
Payables due to related parties	-12.3	-3.6
Other liabilities and deferred income	-17.4	9.8
	-115.3	-55.5
<b>Cash generated from operations</b>	<b>305.1</b>	<b>375.4</b>
<b>Cash flows from investing activities</b>		
Capital expenditures, including interest capitalized	-159.6	-167.3
Acquisitions and investments, net of cash acquired	-2.0	-3.5
Sale of subsidiary, net of cash	1.4	0.0
Proceeds from sale of equipment	6.9	2.0
Purchase of investments	-3.1	-0.3
Prepayment on purchase of subsidiaries	0.0	0.0
Proceeds from sale of investments	1.4	1.7
<b>Cash used in investing activities</b>	<b>-155.0</b>	<b>-167.4</b>
<b>Cash flows from financing activities</b>		
Principal payments on long - term debt	-327.3	-77.3
Changes in short - term bank borrowings	147.6	-93.8
Purchase of treasury shares	0.0	-41.1
<b>Cash used in financing activities</b>	<b>-179.7</b>	<b>-212.2</b>
<b>Effect of exchange rate changes</b>	<b>10.5</b>	<b>-0.4</b>
<b>Net increase in cash and cash equivalents</b>	<b>-19.2</b>	<b>-4.6</b>
Cash and cash equivalents at beginning of period	209.1	125.1
Cash and cash equivalents at end of period	189.9	120.5

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# TELEKOM AUSTRIA AG

## Condensed Consolidated Statement of Changes in Stockholders' Equity (unaudited)

in EUR millions	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Revaluation reserve	Translation adjustment	Total	Minority interest	Total stockholders' equity
<b>Balance December 31, 2007</b>	<b>1,003.3</b>	<b>-334.4</b>	<b>548.9</b>	<b>1,385.7</b>	<b>0.1</b>	<b>-38.3</b>	<b>2,565.3</b>		<b>2,565.3</b>
Net unrealized loss on securities, net of EUR 0.0 deferred income tax					-0.4		-0.4		-0.4
Net realized gains on securities, net of EUR 0.0 deferred income tax					-0.1		-0.1		-0.1
Foreign currency translation adjustment, net of EUR 0.0 deferred income tax						-99.1	-99.1		-99.1
Net income recognized directly in equity							-99.6		-99.6
<b>Net income</b>				<b>129.6</b>			<b>129.6</b>	<b>0.1</b>	<b>129.7</b>
Total recognized income for the period							30.0	0.1	30.1
<b>Balance March 31, 2008</b>	<b>1,003.3</b>	<b>-334.4</b>	<b>548.9</b>	<b>1,515.3</b>	<b>-0.3</b>	<b>-137.4</b>	<b>2,595.3</b>	<b>0.1</b>	<b>2,595.4</b>
in EUR millions	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Revaluation reserve	Translation adjustment	Total	Minority interest	Total stockholders' equity
<b>Balance December 31, 2006</b>	<b>1,090.5</b>	<b>-654.6</b>	<b>461.6</b>	<b>1,924.7</b>	<b>0.4</b>	<b>0.9</b>	<b>2,823.5</b>		<b>2,823.5</b>
Net unrealized gains on securities, net of EUR 0 deferred income tax					0.1		0.1		0.1
Net realized gains on securities, net of EUR 0.0 deferred income tax					-0.1		-0.1		-0.1
Foreign currency translation adjustment, net of EUR 0.0 deferred income tax						-14.8	-14.8		-14.8
Net income recognized directly in equity							-14.8		-14.8
<b>Net income</b>				<b>147.2</b>			<b>147.2</b>		<b>147.2</b>
Total recognized income for the period							132.4		132.4
Purchase of treasury shares		-41.1					-41.1		-41.1
Retirement of treasury shares	-87.2	688.5	87.2	-688.5					
<b>Balance March 31, 2007</b>	<b>1,003.3</b>	<b>-7.2</b>	<b>548.9</b>	<b>1,383.4</b>	<b>0.4</b>	<b>-13.9</b>	<b>2,914.9</b>		<b>2,914.9</b>

	March 31, 08	December 31, 07	March 31, 07
Number of shares of common stock	460,000,000	460,000,000	460,000,000
Number of treasury shares	17,788,258	17,788,258	380,000
Average purchase price of treasury shares	18.80	18.80	18.85

## Telekom Austria AG

### Condensed Segment Reporting\*

in EUR millions (unaudited)	1 Q 08				Consolidated
	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	
External revenues	482.1	777.5	0.0	0.0	1,259.6
Intersegmental revenues	39.8	19.0	0.0	-58.8	0.0
<b>Total revenues</b>	<b>521.9</b>	<b>796.5</b>	<b>0.0</b>	<b>-58.8</b>	<b>1,259.6</b>
Other operating income	14.7	24.8	2.9	-8.4	34.0
Segment expenses	-379.3	-475.4	-7.5	67.2	-795.0
<b>EBITDA</b>	<b>157.3</b>	<b>345.9</b>	<b>-4.6</b>	<b>0.0</b>	<b>498.6</b>
Depreciation and amortization	-127.0	-156.5	0.0	0.1	-283.4
<b>Operating income</b>	<b>30.3</b>	<b>189.4</b>	<b>-4.6</b>	<b>0.1</b>	<b>215.2</b>
Segment assets	2,592.7	7,508.8	6,786.5	-8,153.6	8,734.4
Segment liabilities	-1,092.4	-5,183.6	-4,728.6	4,865.6	-6,139.0
Capital expenditures	68.1	91.5	0.0	0.0	159.6

in EUR millions (unaudited)	1 Q 07				Consolidated
	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	
External revenues	468.9	676.9	0.0	0.0	1,145.8
Intersegmental revenues	41.9	17.2	0.0	-59.1	0.0
<b>Total revenues</b>	<b>510.8</b>	<b>694.1</b>	<b>0.0</b>	<b>-59.1</b>	<b>1,145.8</b>
Other operating income	14.7	3.3	1.9	-6.1	13.8
Segment expenses	-331.1	-410.2	-7.5	65.5	-683.3
<b>EBITDA</b>	<b>194.3</b>	<b>287.2</b>	<b>-5.6</b>	<b>0.3</b>	<b>476.3</b>
Depreciation and amortization	-138.8	-125.1	0.0	-0.3	-264.2
<b>Operating income</b>	<b>55.6</b>	<b>162.1</b>	<b>-5.6</b>	<b>0.0</b>	<b>212.1</b>
Segment assets	2,678.8	5,025.6	4,962.1	-5,280.0	7,386.5
Segment liabilities	-1,186.4	-2,541.7	-2,951.1	2,207.6	-4,471.6
Capital expenditures	59.4	107.9	0.0	0.0	167.3

\* Consolidated 1 Q 08 financial statements of the Telekom Austria Group include financial figures for MDC. MDC's financial results are not included in 1 Q 07.

### Net Debt

in EUR millions (unaudited)	March 31, 08 unaudited	Dec. 31, 07 audited
Long - term debt	2,911.9	3,389.3
Short - term borrowings	1,525.0	1,236.1
- Short - term portion of capital and cross border lease	-27.5	-8.7
+ Capital lease obligations	0.9	1.0
Cash and cash equivalents, short - term and long - term investments, financing with related parties	-212.5	-230.4
Derivative financial instruments	40.0	19.9
<b>Net debt</b>	<b>4,237.8</b>	<b>4,407.2</b>
<b>Net debt/EBITDA (last 12 months)</b>	<b>2.3x</b>	<b>2.4x</b>

## Results by Segments\*

in EUR millions (unaudited)	1Q 08	1Q 07	% change
<b>Revenues</b>			
Fixed Net	521.9	510.8	2.2%
Mobile Communication	796.5	694.1	14.8%
Corporate, Other & Eliminations	-58.8	-59.1	-0.5%
Revenues	1,259.6	1,145.8	9.9%
Mobile Communication on a comparable basis, excl. MDC	732.0	694.1	5.5%
<b>EBITDA</b>			
Fixed Net	157.3	194.3	-19.0%
Mobile Communication	345.9	287.2	20.4%
Corporate, Other & Eliminations	-4.6	-5.3	-13.2%
EBITDA	498.6	476.3	4.7%
Mobile Communication on a comparable basis, excl. MDC	313.9	287.2	9.3%
<b>Operating income</b>			
Fixed Net	30.3	55.6	-45.5%
Mobile Communication	189.4	162.1	16.8%
Corporate, Other & Eliminations	-4.5	-5.6	-19.6%
Operating income	215.2	212.1	1.5%
Mobile Communication on a comparable basis, excl. MDC	176.1	162.1	8.6%

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## Capital expenditures\*

in EUR millions (unaudited)	1Q 08	1Q 07	% change
Fixed Net tangible	48.6	48.7	-0.2%
Mobile Communication tangible	73.6	73.0	0.8%
<b>Tangible</b>	<b>122.2</b>	<b>121.7</b>	<b>0.4%</b>
Fixed Net intangible	19.5	10.7	82.2%
Mobile Communication intangible	17.9	34.9	-48.7%
<b>Intangible</b>	<b>37.4</b>	<b>45.6</b>	<b>-18.0%</b>
<b>Total capital expenditures</b>	<b>159.6</b>	<b>167.3</b>	<b>-4.6%</b>
Mobile Communication capital expenditures on a comparable basis, excl. MDC	87.1	107.9	19.3%

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## Personnel

Personnel (full-time equivalent)	End of period			Average of period		
	March 31, 08	March 31, 07	change	1Q 08	1Q 07	change
Fixed Net	9,532	9,428	104	9,553	9,431	122
Mobile Communication	8,142	6,155	1,987	8,094	6,073	2,021
<b>Telekom Austria Group</b>	<b>17,674</b>	<b>15,583</b>	<b>2,091</b>	<b>17,647</b>	<b>15,504</b>	<b>2,143</b>

## Operational Data Fixed Net

<b>Lines and channels (in '000):</b>	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
PSTN access lines	2,004.6	2,186.2	-8.3%
Basic ISDN access lines	348.7	382.2	-8.8%
Multi ISDN access lines	6.6	7.0	-5.7%
Naked broadband lines	42.1	20.5	105.4%
<b>Access lines</b>	<b>2,402.0</b>	<b>2,595.9</b>	<b>-7.5%</b>
Fixed Net broadband retail lines	745.8	597.6	24.8%
Fixed Net broadband wholesale lines	71.8	124.0	-42.1%
<b>Fixed Net broadband lines</b>	<b>817.6</b>	<b>721.6</b>	<b>13.3%</b>
Lines unbundled	299.6	235.9	27.0%

  

<b>Traffic minutes (in millions of minutes):</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
National	732	799	-8.4%
Fixed - to - mobile	189	183	3.1%
International	106	101	5.3%
<b>Total voice minutes</b>	<b>1,028</b>	<b>1,084</b>	<b>-5.2%</b>
Internet dial up	119	247	-51.8%
<b>Total Fixed Net minutes</b>	<b>1,147</b>	<b>1,331</b>	<b>-13.8%</b>
Total voice market share	60.8%	58.1%	
Total market share (incl. Internet dial up)	61.3%	57.9%	

  

Average voice telephony tariff (EUR / min.)	0.077	0.076	1.3%
Fixed Net average revenues per access line	32.7	33.6	-2.7%
Fixed Net broadband ARPU residential (EUR)	17.1	27.3	-37.4%
Fixed Net broadband penetration in Austria	50.6%	42.9%	

  

<b>Fixed Net revenues in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Switched voice traffic revenues	83.9	86.7	-3.2%
Switched voice monthly rental & other voice telephony revenues	116.7	121.4	-3.9%
Payphones & value added services	11.0	11.1	-0.9%
Data & IT - solutions including wholesale	108.3	105.0	3.1%
Internet access & media	60.9	68.7	-11.4%
Wholesale voice telephony & Internet	110.8	91.6	21.0%
Other	30.3	26.3	15.2%
<b>Fixed Net revenues</b>	<b>521.9</b>	<b>510.8</b>	<b>2.2%</b>

## Operational Data Mobile Communication\*

<b>Mobile Communication in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	796.5	694.1	14.8%
EBITDA	345.9	287.2	20.4%
Operating income	189.4	162.1	16.8%
Data as a portion of traffic - related revenues	25.8%	24.9%	
<b>Mobile Communication, on a comparable basis, excl. MDC (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	731.9	694.1	5.4%
EBITDA	313.9	287.2	9.3%
Operating income	176.0	162.1	8.6%
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	15,866.2	10,563.0	50.2%
Subscribers ('000), on a comparable basis, excl. MDC	12,639.1	10,563.0	19.7%
<b>mobilkom austria** in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	409.0	417.8	-2.1%
EBITDA	170.1	161.3	5.5%
Operating income	106.8	97.9	9.1%
Monthly ARPU (EUR)	28.7	31.7	-9.5%
Data as a portion of traffic - related revenues	31.6%	27.2%	
Subscriber acquisition cost (SAC)	11.3	21.3	-46.9%
Subscriber retention cost (SRC)	18.4	19.5	-5.6%
Churn (3 months)	4.0%	4.3%	
Monthly MOU charged / ø subscriber	183.4	171.0	7.3%
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	4,100.9	3,697.3	10.9%
Contract share	67.7%	62.4%	
Market share	41.2%	38.9%	
Market penetration	119.1%	114.7%	
<b>Mobiltel in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	154.4	141.8	8.9%
EBITDA	92.8	81.8	13.4%
Operating income	52.8	45.5	16.0%
Monthly ARPU (EUR)	9.4	9.9	-5.1%
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	5,058.4	4,447.7	13.7%
Contract share	45.1%	37.3%	
Market share	51.0%	51.1%	
Market penetration	130.0%	113.5%	

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\*\* The reported operating income represents the contribution of the subsidiaries to the consolidated operating income of operations of the Telekom Austria Group including amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the results of the single financial statements.

## Operational Data Mobile Communication

<b>MDC in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	64.5	-	n.a.
EBITDA	32.0	-	n.a.
Operating income	13.3	-	n.a.
Monthly ARPU (EUR)	6.5	-	n.a.

	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	3,227.1	-	n.a.
Market share	43.9%	-	
Market penetration	74.8%	-	

<b>Vipnet* in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	116.5	102.4	13.8%
EBITDA	42.4	37.9	11.9%
Operating income	24.2	19.0	27.4%
Monthly ARPU (EUR)	14.4	14.6	-1.4%

	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	2,196.2	1,969.2	11.5%
Contract share	21.1%	18.0%	
Market share	42.6%	43.1%	
Market penetration	117.0%	103.6%	

<b>Si.mobil in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	44.1	36.2	21.8%
EBITDA	14.7	11.3	30.1%
Operating income	9.8	5.2	88.5%
Monthly ARPU (EUR)	23.3	21.1	10.4%

	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	513.1	443.9	15.6%
Contract share	63.4%	59.0%	
Market share	27.1%	25.7%	
Market penetration	94.6%	86.2%	

\* The reported operating income represents the contribution of the subsidiaries to the consolidated operating income of operations of the Telekom Austria Group including amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the results of the single financial statements.

## Operational Data Mobile Communication

<b>Vip mobile in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	12.1	-	n.a.
EBITDA	- 13.4	-	n.a.
Operating income	- 23.6	-	n.a.
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	601.7	-	n.a.
Market share	6.7%	-	
Market penetration	119.5%	-	
<b>Vip operator in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	1.8	-	n.a.
EBITDA	- 6.0	-	n.a.
Operating income	- 6.9	-	n.a.
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	163.3	-	n.a.
Market share	8.1%	-	
Market penetration	99.0%	-	
<b>mobilkom liechtenstein in EUR millions (unaudited)</b>	<b>1Q 08</b>	<b>1Q 07</b>	<b>% change</b>
Revenues	4.6	4.7	- 2.1%
EBITDA	0.8	0.7	14.3%
Operating income	0.6	0.5	20.0%
	<b>March 31, 08</b>	<b>March 31, 07</b>	<b>% change</b>
Subscribers ('000)	5.4	4.9	10.2%

## Selected Explanatory Notes

### 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 unaudited and should be read in connection with the Company's annual consolidated financial statements according to IFRS for the year ended December 31, 2007. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments, contingencies and guarantees occurred since December 31, 2007.

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, 2007 except for the following:

During 2007 and as of January 1, 2008, IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements" and IFRIC 14

"IAS 19 - The Limit on a Defined Benefit Asset" became effective. The Company has adopted these standards as of January 1, 2008. The effects, if any, on its consolidated financial statements were insignificant.

Compared to other economic sectors the telecommunications industry is in general little cyclical. Within the telecommunication sector the seasonality of the Company's Fixed Net and Mobile Communications segment 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, in the Mobile Communications segment 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.

### Business Combination

On March 28, 2008 the Company acquired the Austrian mobile operation of Tele2, MobilNet, for a cash purchase price of EUR 2.0 million. MobilNet has previously operated as a mobile virtual network operator on a competitor's network.

The table below summarizes assets, liabilities and contingent liabilities of the acquiree immediately before the combination and the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

<b>Acquisition of MobilNet</b>			
<b>in EUR millions (unaudited)</b>	<b>Fair values on acquisition</b>	<b>Fair value adjustments</b>	<b>Carrying amounts before the combination</b>
Property, plant and equipment	0.9	0.0	0.9
Intangible assets	1.8	1.8	0.0
Deferred tax assets	4.5	-0.5	5.0
Trade and other receivables	0.8	0.0	0.8
Trade and other payables	-6.0	0.0	-6.0
<b>Net identifiable assets and liabilities</b>	<b>2.0</b>	<b>1.3</b>	<b>0.7</b>

The investment in MobilNet is presented in the Mobile Communication segment.

Since the effect of the acquired entity prior to the acquisitions on the consolidated financial statements of the Company is not considered significant, no pro-forma information is presented as if the acquisition had taken place as of January 1, 2008 and 2007.

In February 2008, the Company sold its stake in eTel Polska for a purchase price of EUR 3.2 million, of which EUR 0.8 million are still outstanding.

### Long-Term Debt, Short-Term Borrowings and Net Debt

An amount of EUR 327.3 million of long term debt was repaid and no long term debt was issued in the three month period ended March 31, 2008. Short-term debt increased mainly due to the issuance of multi-currency notes and the shift of maturing long-term debt to short-term borrowings.

### Income Taxes

The effective tax rate for the three month periods ended March 31, 2008 and 2007

was 22.0% and 19.25%. In the three month period ended March 31, 2008, the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to foreign income tax rate differentials and tax-exempted income related to investments in associated companies.

Net deferred tax liabilities of EUR 151.3 million as of December 31, 2007 increased to EUR 157.9 million mainly due to the recognition of deferred tax liabilities due to the write down of treasury shares for tax purposes which was partially compensated by the reduction of deferred tax liabilities due to foreign exchange differences and the amortization and depreciation of the fair value adjustments of assets acquired in business combinations.

### Stock Based Compensation

In the first quarter 2008 the Company launched the fifth tranche (or "ESOP 2008+") of the stock option plan 2004.

For the three month periods ended March 31, 2008 and 2007 the Company recorded a benefit of EUR 10.1 million and EUR 0.2 million respectively excluding

<b>ESOP Parameters</b>	<b>March 31, 08</b>	<b>Dec. 31, 07</b>
Expected average dividend per share	0.75 - 1.04 Euro	0.75 - 1.00 Euro
Expected volatility	32%	27%
Risk-free interest rate range	4.159% - 4.200%	3.618% - 4.585%
Stock price	13.09	19.03
Fair value per option first tranche	1.44 Euro	7.34 Euro
Fair value per option second tranche	1.34 Euro	5.61 Euro
Fair value per option third tranche	0.55 Euro	2.17 Euro
Fair value per option fourth tranche	0.65 Euro	1.98 Euro
Fair value per option fifth tranche	0.79 Euro	-

related payroll taxes and social contributions, mainly due to the decline of the Telekom Austria share price on March 31, 2008 compared to December 31, 2007. Compensation expense is measured based on the fair value of the options at each reporting date and recognized over the service period on a straight-line basis. The fair value estimation is based on a binomial option pricing model by applying the parameters summarized in the table.

### Stockholders' equity

The foreign currency translation adjustment mainly results from the consolidation of MDC.

### Interest Expense

In compliance with IAS 8.14 the Company shows interest expense resulting from

employee benefit obligations in the financial result beginning September 30, 2007. The Company has reclassified the interest expense as this provides a more relevant view on the financial result than by including it in employee cost. Comparative figures for the three month period ended March 31, 2007 were adjusted accordingly.

### Subsequent Events

On April 24, 2008 the Telekom Austria Group acquired 37.5% of Infotech Holding GmbH for a purchase price of approximately EUR 7 million. InfoTech Holding GmbH is targeting to bundle companies in Austria to become a comprehensive ICT service provider for business customers.