

## Results for the First Half 2007

### Highlights

- Revenues increase by 1.1% to EUR 2,353.8 million
- EBITDA declines from EUR 981.8 million to EUR 939.6 million
- Domestic business and start-up costs for new operations weigh on results for the first half 2007
- Operating income decreases by 1.6% to EUR 407.4 million
- Net income declines by 2.5% to EUR 277.8 million
- Earnings per share increase by 3.3% to EUR 0.62 due to previous share buybacks
- Cash generated from operations increases by 9.6%
- Outlook 2007 reiterated as amended to include the impact from the introduction of roaming regulation

Note: All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year.

# Summary

in EUR millions	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Revenues	1,208.0	1,169.4	3.3%	2,353.8	2,328.0	1.1%
EBITDA	464.7	477.5	-2.7%	939.6	981.8	-4.3%
Operating income	196.7	192.5	2.2%	407.4	414.1	-1.6%
Net income	130.6	130.9	-0.2%	277.8	284.9	-2.5%
Earnings per share (in EUR)	0.30	0.28	7.1%	0.62	0.60	3.3%
Capital expenditures	209.4	151.1	38.6%	376.7	272.9	38.0%

in EUR million	June 30, 07	Dec. 31, 06	% change
Net debt	3,358.2	3,169.0	6.0%

The presentation for the conference call and the key figures of the Telekom Austria Group in excel format („Key figures 2Q 2007“) are available on our website at [www.telekomaustria.com](http://www.telekomaustria.com)

Results for the first nine months 2007 will be announced on November 14, 2007

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Vienna, August 22, 2007 - Telekom Austria Group (VSE: TKA, OTC US: TKAGY) today announced its results for the first half year 2007 and the second quarter ending June 30, 2007.

#### Year-to-date comparison:

During the first half year 2007, revenues increased by 1.1% to EUR 2,353.8 million as growth in the international operations more than offset lower revenues from domestic operations.

Preparation for the launch of operations in the Republic of Serbia and in the Republic of Macedonia and lower contribution from domestic businesses led to a decline in EBITDA by 4.3% to EUR 939.6 million.

An increase in operating income of Fixed Net partly compensated for lower operating income of the Mobile Communication segment resulting in a decline in operating income by 1.6% to EUR 407.4 million.

Lower operating income and higher interest expenses led to a decline of net income by 2.5% to EUR 277.8 million. Earnings per share grew by 3.3% to EUR 0.62 as a result of previous share buybacks reducing the average number of shares outstanding.

Capital expenditures for tangible and intangible assets increased by 38.0% to EUR 376.7 million due to infrastructure investments for the start-up operations in the Republic of Serbia and in the Republic

of Macedonia as well as investments in the network infrastructure.

Net debt increased by 6.0% to EUR 3,358.2 million at the end of June 2007. Net debt to annualized EBITDA increased by 7.5% to 1.8x at the end of June 2007 compared to the end of December 2006.

#### Quarterly comparison:

Revenues increased by 3.3% to EUR 1,208.0 million in 2Q 07 compared to the same period in 2006 due to revenue growth in the Fixed Net and Mobile Communication segment.

EBITDA declined by 2.7% to EUR 464.7 million as growth in the Mobile Communication segment partly offset a lower contribution from the Fixed Net segment.

Operating income grew by 2.2% to EUR 196.7 million with both segments contributing to the increase.

Net income remained stable at EUR 130.6 million during 2Q 07 compared to 2Q 06. Earnings per share increased by 7.1% to EUR 0.30 as a consequence of previous share buybacks.

Group capital expenditures for tangible and intangible assets increased by 38.6% to EUR 209.4 million during 2Q 07 mainly due to investments for the start-up operations in the Republic of Serbia and in the Republic of Macedonia.

# Group Review

## New Form of Quarterly Report

The implementation of the Transparency directive of the European Commission into Austrian law and subsequent changes of regulations require the Telekom Austria Group to publish its interim reports according to IAS 34. Furthermore, the Company is required to issue a condensed group review including a review of the market environment in which it operates for the first 6 month of each financial year. Accordingly, additional information has been added to the interim financial report of the Telekom Austria Group to comply with these requirements.

## Market Environment

During the first half year of 2007 the Telekom Austria Group's domestic businesses continued to operate in an environment characterized by fierce competition in both segments. Continued fixed-to-mobile substitution has led to the acceleration of the rate of reduction of fixed-line voice minutes and access lines. In the Mobile Communication segment, high penetration of mobile voice communication services and the advancement of 3G technology have pushed mobile operators in Austria to compete for customers with mobile broadband products, which are an alternative to conventional broadband access via xDSL and cable. Changes in the ownership structure of the Austrian's 3<sup>rd</sup> largest mobile operator took place in June 2007. However, it is too early to assess the impact of these changes on the Austrian communication market.

During the first 6 months of 2007 the Telekom Austria Group's international operations continued to show further subscriber growth, which helped to offset the development on the Austrian market. In order to strengthen its growth profile the Telekom Austria Group has acquired mobile communication licenses for the Republic of Serbia and the Republic of Macedonia. The Company has undertaken extensive preparations during the first half of 2007 to launch operations in both countries in the second half of 2007.

In June 2007 the European Parliament and the European Council voted on the introduction of an extensive regulation for international roaming traffic to be introduced in the second half of 2007. The introduction of this regulation is expected to impact the Telekom Austria Group's results.

## Revenues and Operating Income by Segment

### Fixed Net

The number of unbundled lines rose to 255,700 compared to 162,700 at the end of June 2006 with a quarter-on-quarter growth rate decelerating from 18.1% in 1Q 07 to 8.4% in 2Q 07.

Total voice minutes of Telekom Austria declined by 8.5% to 1.1 billion in 2Q 07 reflecting continuing fixed-to-mobile migration partially offset by the consolidation of eTel. Including Internet dial-up, total minutes declined by 18.8% to 1.2 billion due to the migration of dial-up customers to higher value broadband products.

Telekom Austria further increased its voice market share by 7.0 percentage points to 63.3% at the end of June 07 mainly due to the consolidation of eTel. Market share including Internet dial-up increased to 63.3% compared to 56.6% at the end of June 06.

Growth of revenues from Internet Access & Media and Wholesale Voice Telephony & Internet led to an increase of Fixed Net revenues by 2.7% to EUR 533.4 million during 2Q 07. This growth offset lower revenues from Switched Voice Traffic and Switched Voice Monthly Rental & Other.

Switched Voice Traffic revenues declined by 3.3% to EUR 85.6 million as a result of a lower traffic volume partially offset by the contribution of eTel. The average voice tariff increased excluding the contribution from eTel by 3.6% to 7.7 cents per minute in 2Q 07 compared to the same period last year, as a result of a shift in tariff mix to more expensive destinations.

Revenues from Switched Voice Monthly Rental & Other declined by 6.8% to EUR 120.8 million due to a lower number of access lines partially compensated by the consolidation of eTel. At the end of June 2007, the number of access lines was 2.5

Note: Detailed operational figures of the Fixed Net segment are shown in the appendix on page 20

#### Year-to-date comparison:

Fixed Net revenues declined slightly by 0.9% to EUR 1,044.2 million during the first half year 2007. Higher revenues mainly from Internet Access & Media and Wholesale Voice Telephony & Internet partly offset lower revenues from Switched Voice.

EBITDA decreased by 7.5% to EUR 379.6 million during the first half year 2007 compared to the previous year's period as a result of higher operating expenses driven by higher employee costs and lower revenues.

Operating income during the first half 2007 increased by 11.9% to EUR 97.9 million compared to the same period of last year supported by lower depreciation and amortization expenses.

#### Quarterly comparison:

The number of xDSL lines grew by 13.6% to 724,000 xDSL lines (including 98,100 wholesale lines) by the end of the second quarter of 2007 supported by attractive entry-level xDSL packages and by the consolidation of eTel.

xDSL average revenues per user excluding the contribution from eTel (xDSL ARPU) declined by 6.9% to EUR 26.5 in 2Q 07 driven by a shift in customer mix from higher priced packages towards entry level packages and lower charges for usage as the download volume included in monthly packages has been increased. Telekom Austria's retail broadband market share rose to 42.5% in 2Q 07 compared to 40.4% in 2Q 06 mainly as a result of the consolidation of eTel.

Fixed Net in EUR millions	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Revenues	533.4	519.3	2.7%	1,044.2	1,054.2	-0.9%
EBITDA	186.4	195.1	-4.5%	379.6	410.5	-7.5%
Operating income	43.5	32.8	32.6%	97.9	87.5	11.9%

million compared to 2.7 million in the same period last year.

Revenues from Payphones & Value Added Services in 2Q 07 increased by 3.6% to EUR 11.6 million. Higher revenues from event-based premium rate services compensated for lower revenues from payphones.

Higher revenues from communication solutions and revenues from the new product *aonAlarmService* led to revenue growth of Data & IT-solutions including wholesale by 2.4% to EUR 105.6 million.

Revenues from Internet Access & Media grew by 11.4% to EUR 72.5 million driven by the higher number of xDSL lines and the consolidation of eTel.

Wholesale Voice Telephony & Internet revenues increased by 16.5% to EUR 109.6 million driven by higher revenues from international and national wholesale partly due to the consolidation of eTel. International wholesale grew as transit business of mobile minutes increased significantly by 47%. Higher revenues from unbundled lines drove national wholesale revenues.

Other Fixed Net revenues remained stable at EUR 27.7 million.

EBITDA declined by 4.5% to EUR 186.4 million in the second quarter 2007 as a result of higher operating expenses.

Operating expenses increased mainly due to higher employee costs and to a lesser extent to material expenses. Employee costs rose significantly by 8.4% due to higher wage increases and the consolidation of eTel. An increase of technical material used led to higher material expenses.

Operating income grew significantly by 32.6% to EUR 43.5 million in 2Q 07 due to lower depreciation, amortization and impairment charges.

## Mobile Communication

Note: Detailed operational figures of the Mobile Communication segment are shown in the appendix on page 21 and 22

### Year-to-date comparison:

Revenues in the Mobile Communication segment rose by 2.5% to EUR 1,433.6 million during the first six months of 2007. This growth was driven by international operations in Bulgaria, Croatia and Slovenia offsetting lower domestic revenues.

EBITDA remained stable at EUR 580.2 million as growth of existing international operations compensated for start-up costs in the Republic of Serbia and in the Republic of Macedonia.

Operating income declined by 1.5% to EUR 329.5 million mainly due to higher depreciation and amortization charges in Bulgaria as a result of higher capital expenditures.

### Quarterly comparison:

Growth in all operations of the Mobile Communication segment led to an increase of the subscriber base by 14.2% to 10.8 million customers at the end of June 2007.

Higher contributions from international operations and almost stable revenues from the domestic operation resulted in an increase in revenues by 4.0% to EUR 739.5 million. A higher share of contract customers and the growing data business led to an increase in monthly rentals by 23.0%. Data revenues as a percentage of traffic-related revenues grew from 19.0% in 2Q 06 to 23.7% in 2Q 07.

EBITDA rose by 2.5% to EUR 293.2 million in 2Q 07 due to higher profitability in Austria and higher contributions from Bulgaria and Slovenia overcompensating for start-up costs in the Republic of Serbia and in the Republic of Macedonia.

Operating income increased by 2.6% in

2Q 07 to EUR 167.6 million with all major operations overcompensating for start-up costs in the Republic of Serbia and in the Republic of Macedonia.

### mobilkom austria

mobilkom austria grew its subscriber base by 8.4% to 3.8 million customers at the end of June 07 compared to the same period last year, despite the very competitive landscape. Furthermore, mobilkom austria strengthened its market position and increased its market share to 39.6% compared to 38.5% at the end of 2Q 06. The percentage of contract customers rose from 58.2% to 64.1% with much of this increase attributable to strong sales of data cards and USB modems. In addition, the no-frills brand bob supported growth of the contract subscriber base. Due to the trend toward multiple SIM cards per customer the penetration rate in Austria rose from 109.8% at the end of 2Q 06 to 114.7% in 2Q 07. The churn rate decreased from 3.9% in 2Q 06 to 3.2% in 2Q 07.

Average revenues per user (ARPU) declined by 8.3% to EUR 32.0 due to lower prices as well as to the reductions of mobile termination rates. Higher traffic volume resulting in an increase in average minutes of use charged (MoU) per subscriber by 11.8% as well as in an increase of data ARPU by 28.6% partially offset the decline in total ARPU.

The strong performance of the data business is demonstrated by approximately 210,000 data cards and USB modems sold and more than 1.6 million Vodafone live! customers by the end of June 2007.

Data revenues as a percentage of traffic-related revenues increased from 20.2% during 2Q 06 to 26.4% during 2Q 07.

### Mobile Communication

in EUR millions	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Revenues	739.5	710.9	4.0%	1,433.6	1,399.1	2.5%
EBITDA	293.2	286.0	2.5%	580.2	579.4	0.1%
Operating income	167.6	163.4	2.6%	329.5	334.6	-1.5%

Revenues of mobilkom austria declined slightly by 0.5% to EUR 419.9 million compared to 2Q 06 as higher monthly rentals almost compensated for lower traffic, interconnection and roaming revenues. A larger subscriber base, higher usage and growth of data revenues partly offset the effect of lower prices. The effect of lower termination rates was partly offset by an increase in minutes terminated. An increase in roaming traffic partly offset lower wholesale roaming tariffs. Revenues from monthly rental grew due to a larger contract subscriber base.

EBITDA increased by 2.9% to EUR 151.4 million during 2Q 07 due to lower subscriber acquisition costs (SAC) and lower wholesale roaming expenses. Subscriber acquisition costs fell by 21.1% to EUR 12.0 million in 2Q 07 driven by lower average subsidies.

Operating income increased by 5.1% to EUR 88.1 million driven by a higher EBITDA.

#### **Mobiltel**

Mobitel grew its customer base by 18.1% to 4.6 million customers at the end of June 2007 compared to last year. During the same period Mobitel's market share sank from 55.3% to 50.6% as a consequence of a highly dynamic market. Mobile penetration increased to 117.4% due to multiple SIM cards per customer compared to 90.6% a year ago.

An increase of 14.7% in average minutes of use charged (MoU) per subscriber partly offset lower prices which led to a decline in ARPU from EUR 11.3 in 2Q 06 to EUR 10.3 in 2Q 07.

Supported by the strong subscriber growth Mobitel's revenues rose by 10.3% to EUR 158.9 million in 2Q 07 compared to 2Q 06 primarily as a result of higher traffic revenues. Traffic revenues increased due to higher usage volume, more data revenues as well as higher revenues from customer roaming.

EBITDA grew by 8.0% to EUR 91.5 million compared to 2Q 06 as a result of higher operating revenues which more than offset higher operating expenses caused by higher material and interconnection expenses as well as higher employee costs.

Mobitel's operating income increased by 7.1% to EUR 54.6 million in 2Q 07 compared to 2Q 06 despite higher depreciation and amortization charges following higher capital expenditures.

#### **Vipnet**

Vipnet increased its subscriber base by 16.3% to over 2.0 million customers. Vipnet's market share declined slightly from 43.2% to 42.7%, while the number of contract customers grew by 40.8% in a year-on-year comparison. At the end of June 2007 the mobile penetration rate in Croatia stood at 107.1% compared to 91.0% at the end of June 2006.

Average revenues per user (ARPU) declined from EUR 17.1 to EUR 15.6 mainly due to lower average charges in the business segment and strong growth in the low-end prepaid segment through tomato, which curbed ARPU. Average minutes of use charged (MoU) per subscriber increased by 3.8% to 92.1 minutes.

Operating revenues of Vipnet grew by 6.3% to EUR 124.3 million in 2Q 07 due to higher monthly rental and equipment revenues despite higher discounts granted. Monthly rental revenues increased due to a strong growth of the contract subscriber base. Equipment revenues rose due to the introduction of the Homebox and Officebox devices with an integrated SIM-card and ports for traditional fixed line telephones designed to accelerate fixed-to-mobile substitution. Furthermore higher handset sales contributed to this growth.

EBITDA increased by 2.6% to EUR 47.8 million in the reporting quarter of 2007. Higher operating revenues more than offset higher material expenses resulting mainly from higher quantities of handsets

sold as well as from new products, such as the Homebox and Officebox and from higher subsidies.

Operating income of Vipnet increased by 8.5% to EUR 29.3 million in 2Q 07 compared to the same period last year due to a higher EBITDA and lower depreciation and amortization charges.

#### **Si.mobil**

Si.mobil served 463,400 customers at the end of June 2007, an 18.0% increase compared to the end of the same period of the previous year. The number of contract subscribers increased by 31.0% to 276,600 resulting in an increase of the contract share to 59.7% in 2Q 07, from 53.8% in 2Q 06.

Si.mobil's market share rose to 26.2% at the end of 2Q 07 compared to 24.0% at the end of 2Q 06. The mobile penetration in Slovenia reached 88.1% at the end of 2Q 07 compared to 82.6% at the end of 2Q 06.

Average monthly revenues per user (ARPU) grew by 18.3% to EUR 23.3 as a result of higher usage and a higher contract subscriber share. Average minutes of use charged (MoU) per subscriber increased by 27.5% to 125.1 minutes.

Higher traffic and interconnection revenues led to a revenue growth of 36.7% to EUR 42.8 million during 2Q 07 compared to the same period last year. A larger subscriber base and a higher ARPU led to the increase of traffic revenues. Interconnection revenues rose as more volume was terminated on Si.mobil's network.

EBITDA more than doubled to EUR 12.8 million in 2Q 07 since strong revenue growth more than compensated for higher material and interconnection expenses as well as higher marketing costs.

Operating income increased strongly from EUR 0.5 million in 2Q 06 to EUR 6.8 million in 2Q 07.

## Consolidated Net Profit

#### **Year-to-date comparison:**

Net interest expenses in the first six months of 2007 increased by 7.2% to EUR 57.8 million compared to the same period last year due to higher average net debt.

Income tax expenses decreased by 2.6% to EUR 72.5 million due to lower taxable income. The effective tax rate for the six month period ended June 30, 2007 was 20.7% and remained stable compared to the same period of last year.

Net income declined by 2.5% to EUR 277.8 million due to lower operating income and higher interest expenses.

Basic and diluted earnings per share increased by 3.3% to EUR 0.62 during the first half 2007 compared to the same period last year as a result of share buybacks.

#### **Quarterly comparison:**

During 2Q 07 net interest expenses increased by 3.2% to EUR 29.0 million due to higher average net debt.

Income tax expenses increased by 11.6% from EUR 33.5 million in 2Q 06 to EUR 37.4 million in 2Q 07. The effective tax rate for 2Q 07 and 2Q 06, was 22.3% and 20.4%, respectively.

Overall, quarterly net income in 2Q 07 remained almost stable at EUR 130.6 million and basic and diluted earnings per share rose by 7.1% to EUR 0.30 as a result of share buybacks.

## Capital Expenditures

#### **Year-to-date comparison:**

Total capital expenditures for tangible and intangible assets during the first half year of 2007 increased by 38.0% to EUR 376.7 million. Capital expenditures for tangible assets rose by 23.5% to EUR 291.9 million and for intangible assets from EUR 36.5 million to EUR 84.8 million.



The increase in capital expenditures for tangible assets in the Fixed Net segment by 6.3% to EUR 108.5 million was mainly caused by higher investments in the broadband access network.

Capital expenditures for tangible assets in Mobile Communication increased by 36.6% to EUR 183.4 million during the first half 2007 compared to last year, primarily due to infrastructure investments in the Republic of Serbia and in the Republic of Macedonia.

Capital expenditures for intangible assets in the Fixed Net segment increased by 32.8% to EUR 15.4 million due to higher investments in billing software as well as licenses and software for aonDigitalTV.

Mobile Communication capital expenditures for intangible assets increased from EUR 24.9 million to EUR 69.4 million mainly as a result of the purchase of the GSM license in the Republic of Macedonia and investments for network software.

#### Quarterly comparison:

During 2Q 07 capital expenditures for tangible and intangible assets increased by 38.6% to EUR 209.4 million. Capital expenditures for tangible assets increased by 28.3% to EUR 170.2 million and for intangible assets increased by 113.0% to EUR 39.2 million.

In the Fixed Net segment, capital expenditures for tangible assets grew by 17.0% to EUR 59.8 million during 2Q 07 as a result of higher investments into the broadband access network, core network and buildings & infrastructure as well as higher IT investments.

In the Mobile Communication segment, capital expenditures for tangible assets increased by 35.3% to EUR 110.4 million in 2Q 07 driven by investments for the start-up 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 2.1 million in 2Q 06 to EUR 4.7 million in 2Q 07 due to increased investments in billing software and licenses and software for aonDigitalTV.

In the Mobile Communication segment capital expenditures for intangible assets rose by 111.7% to EUR 34.5 million primarily due to investments for UMTS network software.

## Balance Sheet and Net Debt

The total assets of the Telekom Austria Group declined slightly from EUR 7,559.7 million as of December 31, 2006 to EUR 7,505.5 million as of June 30, 2007.

During the first 6 months of 2007 current assets rose from 1,160.2 million to EUR 1,170.1 million mainly due to an increase in prepaid expenses and other current assets despite lower income taxes receivable.

A restrictive investment policy in Austria combined with higher depreciation and amortization charges led to a decrease in property, plant and equipment from EUR 3,216.0 million at the end of 2006 to EUR 3,113.7 million at June 30, 2007.

Current liabilities increased mainly following a shift of maturing long-term debt to short-term borrowings and an increase in other current liabilities from

### Capital expenditures in EUR millions

	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Fixed Net tangible	59.8	51.1	17.0%	108.5	102.1	6.3%
Mobile Communication tangible	110.4	81.6	35.3%	183.4	134.3	36.6%
<b>Tangible</b>	<b>170.2</b>	<b>132.7</b>	<b>28.3%</b>	<b>291.9</b>	<b>236.4</b>	<b>23.5%</b>
Fixed Net intangible	4.7	2.1	123.8%	15.4	11.6	32.8%
Mobile Communication intangible	34.5	16.3	111.7%	69.4	24.9	178.7%
<b>Intangible</b>	<b>39.2</b>	<b>18.4</b>	<b>113.0%</b>	<b>84.8</b>	<b>36.5</b>	<b>132.3%</b>
<b>Total capital expenditures</b>	<b>209.4</b>	<b>151.1</b>	<b>38.6%</b>	<b>376.7</b>	<b>272.9</b>	<b>38.0%</b>

EUR 1,657.3 million at the end of December 2006 to EUR 2,009.4 million at the end of June 2007.

Long-term liabilities declined from EUR 3,078.9 million to EUR 2,911.2 million during the first half year of 2007 mainly due to the shift of maturing long-term debt to short-term borrowings. An amount of EUR 77.3 million of long term debt was repaid and EUR 150.0 million of long term debt was issued in the six month period ended June 30, 2007.

Stockholders' equity declined from EUR 2,823.5 million as of December 31, 2006 to 2,584.9 million as of June 30, 2007. The reduction of stockholders' equity was due to share buybacks and distribution of dividends and was partly offset by the net income of EUR 277.8 generated during the first half 2007.

Net debt increased by 6.0% from EUR 3,169.0 million as of December 31, 2006 to EUR 3,358.2 million as of June 30, 2007 due to higher dividends paid, the acquisition of eTel as well as additional funds used to acquire treasury shares and higher capital expenditures.

Net debt to EBITDA (annualized) increased from 1.7x to 1.8x at the end of June 2007 compared to the end of December 2006 as a result of higher net debt.

## Cash Flow

### Year-to-date comparison:

Cash generated from operations grew by 9.6% to EUR 796.3 million in the first half 2007 mainly due to an increase in other

liabilities and deferred income as well as a lower decrease in accounts payable compared to the first half year of 2006.

Cash outflows for investing activities increased to EUR 467.8 million from EUR 266.1 million primarily as a result of higher capital expenditures and the cash outflow for eTel of EUR 94.8 million including a prepayment of EUR 3.5 million in 1Q 07.

Cash from financing activities showed an outflow of EUR 333.8 million during the first six months of 2007 compared to an outflow of EUR 474.0 million during the same period of last year. Lower repayments in long term debt and proceeds from issuance of long term debt were partially offset by higher dividends paid.

### Quarterly comparison:

During 2Q 07 cash generated from operations increased by 3.8% to EUR 420.9 million mainly as a result of an increase in accounts payable and other liabilities and deferred income.

Cash outflow from investing activities increased from EUR 145.3 million in 2Q 06 to EUR 300.4 million in 2Q 07. The payment of EUR 91.3 million from the purchase price of eTel and higher capital expenditures were the main causes for this increase.

Cash used in financing activities showed an outflow in the amount of EUR 121.6 million in the second quarter of 2007 compared to EUR 244.9 million in the same period last year. Higher dividends paid were more than offset by lower

### Cash flow and net debt

in EUR millions	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Cash generated from operations	420.9	405.5	3.8%	796.3	726.8	9.6%
Cash used in investing activities	-300.4	-145.3	106.7%	-467.8	-266.1	75.8%
Cash used in financing activities	-121.6	-244.9	-50.3%	-333.8	-474.0	-29.6%
Effect of exchange rate changes	1.9	0.6	216.7%	1.5	0.1	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.8</b>	<b>15.9</b>	<b>-95.0%</b>	<b>-3.8</b>	<b>-13.2</b>	<b>-71.3%</b>

in EUR million	June 30, 07	Dec. 31, 06	% change
Net debt	3,358.2	3,169.0	6.0%

principal payments on long-term debt and proceeds from the issuance of long-term debt.

## Personnel

The workforce of the Telekom Austria Group grew by 597 to 16,061 employees at the end of June 2007 compared to the same time last year.

The number of employees in the Fixed Net segment increased by 283 or 3.0% including 397 eTel employees.

The Mobile Communication segment reported an increase of headcounts by 314 to 6,282 employees mainly as a result of personnel hired in the Republic of Serbia.

## Other Events

On April 1, 2007, Hans Tschuden became the Chief Financial Officer of the Telekom Austria Group.

At the Capital Market Day on April 24, 2007 the Telekom Austria Group announced its new cash-use policy for the time period 2007 to 2010. The Telekom Austria Group plans to keep the pay-out ratio for dividends at 65% and to pursue profitable growth projects in Eastern- and South-Eastern Europe or return excess cash to shareholders by buying up to 10% of its shares until April 2009.

On April 26, 2007 the Company acquired 100 % of the share capital of the operating companies of eTel for a total consideration of EUR 107.5 million including a deferred consideration of EUR 10.1 million. eTel provides voice, internet and data services and operates a virtual mobile network in Austria and a wholesale business in Central-Eastern Europe. eTel has been included in the Telekom Austria Group's results since end

of April 2007.

On May 14, 2007, Moody's reaffirmed the "A3"-rating of the Telekom Austria Group and changed the rating outlook from positive to stable following the announcement of the Telekom Austria Group's new cash use policy.

The Telekom Austria Group withdrew the listing of its American Depositary Receipts (ADR) from the New York Stock Exchange on May 17, 2007 and has applied for the deregistration of its shares under the Securities Exchange Act of 1934. Starting from May 17, 2007 the ADRs trade over-the-counter under a Level 1 ADR Program.

At the AGM held on May 30, 2007 the Management Board was authorized to acquire treasury shares up to the maximum amount permitted by law, during a period of 18 months at a minimum price of EUR 9 and a maximum price of EUR 30 per share. The authorization also includes the use of these acquired shares and, inter alia, permits the Management Board to decrease the share capital of the company by up to EUR 100,326,000 by cancelling treasury shares without further resolution by the Annual General Meeting and/or to issue these treasury shares to employees of Telekom Austria Group, be it with or without consideration. The Supervisory Board is authorized to resolve upon amendments of the Articles of Association required upon the cancellation of shares.

Personnel (full-time equivalent)	End of period			Average of period		
	June 30, 07	June 30, 06	change	2Q 07	2Q 06	change
Fixed Net	9,779	9,496	283	9,662	9,507	155
Mobile Communication	6,282	5,968	314	6,292	5,962	330
<b>Total</b>	<b>16,061</b>	<b>15,464</b>	<b>597</b>	<b>15,954</b>	<b>15,469</b>	<b>485</b>

Moreover, the Annual General Meeting approved a dividend in the amount of 75 eurocents per eligible share for the year 2006 compared to 55 eurocents for the year 2005.

The Telekom Austria Group acquired 6,875,000 treasury shares at an average purchase price of EUR 19.50 for a total amount of EUR 134.1 million in 2Q 07 compared to 6,296,836 treasury shares for a total amount of EUR 115.9 million in 2Q 06. As of June 30, 2007, the Telekom Austria Group held 7,255,000 treasury shares corresponding to 1.6% of the shares issued reducing shareholder's equity by a total amount of EUR 141.2 million.

Details of the purchases are published daily on the corporate website at [www.telekomaustria.com/share-buyback](http://www.telekomaustria.com/share-buyback)

## Major Subsequent Events after June 30, 2007

Mobile communication services in the Republic of Serbia were launched in July 2007 under the brand name Vip. A national roaming agreement with the market leader has been signed to ensure full coverage of the territory of the Republic of Serbia.

Beginning 3Q 07 Telekom Austria has mandated a bank to execute its share buyback program, thus increasing the number of days available to buy back shares by eliminating any closed periods preventing the Company to acquire treasury shares.

In July 2007, Telekom Austria Group agreed to acquire 100% of the share capital of Mass Response Service GmbH, which is mainly engaged in the production of interactive TV for a purchase price of approximately EUR 19.5 million.

In July 2007 the Telekom Austria Group launched its new website. Information pertaining to Telekom Austria Group is now available on [www.telekomaustria.com](http://www.telekomaustria.com)

## Risks & Uncertainties

The Telekom Austria Group faces various risks and uncertainties that could affect its results in the second half of 2007. These risks include, but are not limited to, 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.

An increase in competition in its markets in Eastern and South-Eastern Europe, including the start-up operations in the Republic of Serbia and the Republic of Macedonia, could also affect the revenue growth and profitability of the Telekom Austria Group. Furthermore the Telekom Austria Group is subject to intensive regulation including an ongoing review of the mobile termination rates in Austria, a change of which could adversely affect the Telekom Austria Group.

## Forecast for 2007 and Multiyear Outlook

The Telekom Austria Group reiterates its outlook for the full year 2007 as amended in July to include the estimated impact of the introduction of a comprehensive regulation for international roaming traffic.

For 2007 the Telekom Austria Group expects a stable revenue development. The EBITDA margin for the full year 2007 is anticipated to decline by approximately 1.5% compared to the reported EBITDA margin of 40.1% for the year 2006 due to start-up costs related to the launch of operations in the Republic of Serbia and in the Republic of Macedonia as well as the introduction of a comprehensive regulation for international roaming traffic. As a result, operating income is expected to be lower than in 2006 despite a continued decline in depreciation, amortization and impairment charges.

Moreover, the Telekom Austria Group expects net income to show a moderate decline in 2007 compared to the 2006 net income adjusted by one-off tax effects of EUR 43.6 million in the second half of the year 2006.

The Fixed Net segment expects business operations in 2007 to be characterized by a further decline in the number of access lines, stronger competition in the broadband segment due to broadband offers from mobile operators and the sustained migration of voice minutes to mobile communications networks. This development is expected to result in a decline in revenues and EBITDA although partly compensated by the consolidation of eTel. Nevertheless, the Telekom Austria Group expects operating income in the Fixed Net segment to show continued growth due to lower overall expenses.

In the Mobile Communication segment there are no signs that competitive pressure will ease in the future. The introduction of a comprehensive regulation of international roaming traffic is expected to impact EBITDA by approximately EUR 20 million.

However, the Telekom Austria Group expects its international Mobile Communication subsidiaries to continue to contribute to growth in 2007 as well. Revenues in the Mobile Communication segment are expected to grow in 2007. However, EBITDA and operating income will be lower than in 2006 due to expenses in connection with the launch of operations in the Republic of Serbia and in the Republic of Macedonia as well as the introduction of a comprehensive regulation for international roaming traffic.

Capital expenditures will rise by about 18% due to the planned investments in the Republic of Serbia and in the Republic of Macedonia.

During the period of 2007 to 2010 and disregarding any possible acquisitions the Telekom Austria Group expects operating revenues to grow by a compound annual growth rate (CAGR) of approximately 1 to 1.5%. EBITDA in this period should rise on average by approximately 1.7 to 2.2% per annum. Due to a continued decline in depreciation and amortization charges the Telekom Austria Group expects net income to increase on average by more than 10% per year.

Disclaimer: This interim report 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 expenditures;
- 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.

## Consolidated Financial Statements Telekom Austria Group

### Condensed Consolidated Balance Sheets

in EUR millions	June 30, 07 unaudited	Dec. 31, 06 audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	121.3	125.1
Short - term investments	13.0	14.5
Accounts receivable - trade, net of allowances	717.6	712.4
Receivables due from related parties	3.0	3.3
Inventories	114.8	111.3
Prepaid expenses	151.6	137.1
Income taxes receivable	6.5	22.2
Other current assets	42.3	34.3
<b>Total Current Assets</b>	<b>1,170.1</b>	<b>1,160.2</b>
Investments in associates	6.0	4.4
Financial assets long - term	72.4	77.1
Goodwill	1,219.5	1,188.6
Other intangible assets, net	1,843.9	1,855.1
Property, plant and equipment, net	3,113.7	3,216.0
Other assets	5.0	4.8
Deferred tax assets	74.8	53.4
Receivables due from related parties, long - term finance	0.1	0.1
<b>TOTAL ASSETS</b>	<b>7,505.5</b>	<b>7,559.7</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short - term borrowings	-923.7	-562.1
Accounts payable - trade	-456.0	-508.4
Provisions and accrued liabilities	-189.9	-202.1
Payables to related parties	-7.3	-11.8
Income taxes payable	-11.9	-22.1
Other current liabilities	-230.8	-167.8
Deferred income	-189.8	-183.0
<b>Total Current Liabilities</b>	<b>-2,009.4</b>	<b>-1,657.3</b>
<b>Long-Term Liabilities</b>		
Long - term debt, net of current portion	-2,558.1	-2,750.1
Lease obligations, net of current portion	-52.2	-57.4
Employee benefit obligation	-111.5	-111.6
Provisions long - term	-75.5	-72.7
Deferred tax liabilities	-54.6	-44.2
Other liabilities and deferred income	-59.3	-42.9
<b>Total Long - Term Liabilities</b>	<b>-2,911.2</b>	<b>-3,078.9</b>
<b>Stockholders' equity</b>		
Common stock	-1,003.3	-1,090.5
Treasury shares	141.2	654.6
Additional paid - in capital	-548.8	-461.6
Retained earnings	-1,171.0	-1,924.7
Revaluation reserve	-0.6	-0.4
Translation adjustments	-2.4	-0.9
<b>Equity attributable to equity holders of the parent</b>	<b>-2,584.9</b>	<b>-2,823.5</b>
Minority interests	0.0	0.0
<b>Total Stockholders' equity</b>	<b>-2,584.9</b>	<b>-2,823.5</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,505.5</b>	<b>-7,559.7</b>

## Consolidated Financial Statements Telekom Austria Group

### Condensed Consolidated Statements of Operations

in EUR millions, except per share information	2Q 07 unaudited	2Q 06 unaudited	1H 07 unaudited	1H 06 unaudited
Total revenues	1,208.0	1,169.4	2,353.8	2,328.0
Other operating income	13.2	13.8	27.0	27.3
<b>Operating expenses</b>				
Materials	-92.2	-85.0	-174.7	-171.7
Employee costs, including benefits and taxes	-196.1	-179.0	-389.7	-366.7
Depreciation and amortization	-268.0	-284.9	-532.2	-565.1
Impairment charges	0.0	0.0	0.0	-2.5
Other operating expenses	-468.2	-442.0	-876.8	-835.2
<b>Operating income</b>	<b>196.7</b>	<b>192.5</b>	<b>407.4</b>	<b>414.1</b>
<b>Other income (expense)</b>				
Interest income	5.0	4.5	10.1	9.8
Interest expense	-34.0	-32.6	-67.9	-63.7
Foreign exchange differences	0.1	-0.1	0.5	-0.2
(Loss) Income from investments	0.1	0.1	0.2	-0.8
Equity in earnings of affiliates	0.1	-0.2	0.0	0.1
<b>Income before income taxes</b>	<b>168.0</b>	<b>164.4</b>	<b>350.3</b>	<b>359.3</b>
Income tax expense	-37.4	-33.5	-72.5	-74.4
<b>Net income</b>	<b>130.6</b>	<b>130.9</b>	<b>277.8</b>	<b>284.9</b>
<b>Attributable to:</b>				
Equity holders of the parent	130.6	130.9	277.8	284.9
Minority interests	0.0	0.0	0.0	0.0
<b>Basic and fully diluted earnings per share</b>	<b>0.30</b>	<b>0.28</b>	<b>0.62</b>	<b>0.60</b>
<b>Weighted - average number of ordinary shares outstanding</b>	<b>442,511,593</b>	<b>475,221,232</b>	<b>451,550,533</b>	<b>478,061,740</b>



## Consolidated Financials Statements Telekom Austria Group

### Condensed Consolidated Statements of Cash Flows

in EUR millions	2Q 07 unaudited	2Q 06 unaudited	1H 07 unaudited	1H 06 unaudited
<b>Cash flows from operating activities</b>				
Net Income	130.6	130.9	277.8	284.9
Adjustments to reconcile net income to cash generated from operations				
Depreciation, amortization and impairment charges	268.0	285.0	532.2	567.7
Write - offs from and appreciation to investments, net	0.0	0.0	0.0	1.1
Employee benefit obligation (long - and short - term) - non - cash	1.9	0.2	3.5	-1.5
Allowance for doubtful accounts	8.0	13.5	15.2	21.6
Change in deferred taxes	9.0	9.0	18.8	20.0
Equity in earnings of affiliates less than (in excess of) dividends received	-0.1	0.2	0.0	-0.1
Stock compensation	2.7	-2.8	2.5	3.4
Asset retirement obligation - accretion expense	0.9	0.8	1.8	1.6
Gain on sale of investments	0.0	0.0	-0.1	-0.2
Loss on disposal / retirement of equipment	-0.8	-1.5	-0.5	4.8
Other	1.2	0.0	1.1	0.3
	421.4	435.3	852.3	903.6
<b>Changes in assets and liabilities, net of effect of business acquired</b>				
Accounts receivable - trade	-33.9	-17.4	-6.1	-27.0
Receivables due from related parties	-0.3	0.0	0.3	-0.4
Inventories	-14.1	-6.7	-3.5	-20.3
Prepaid expenses and other assets	-1.5	0.4	1.5	-17.4
Accounts payable - trade	38.5	12.1	-59.6	-97.5
Employee benefit obligation (long - and short - term)	-3.9	-0.8	-11.6	-1.6
Provisions and accrued liabilities	-15.6	-10.7	-13.5	-2.3
Payables due to related parties	-1.0	4.5	-4.6	-0.3
Other liabilities and deferred income	31.3	-11.2	41.1	-10.0
	-0.5	-29.8	-56.0	-176.8
<b>Cash generated from operations</b>	<b>420.9</b>	<b>405.5</b>	<b>796.3</b>	<b>726.8</b>
<b>Cash flows from investing activities</b>				
Capital expenditures, including interest capitalized	-209.4	-151.1	-376.7	-272.9
Acquisitions and investments, net of cash acquired	-92.9	0.0	-96.4	0.0
Sale of subsidiary, net of cash	0.0	0.0	0.0	-0.4
Proceeds from sale of equipment	2.5	5.9	4.5	7.3
Purchase of investments - short - term	-1.3	-0.7	-1.3	-0.7
Purchase of investments - long - term	-1.0	-2.0	-1.3	-3.1
Proceeds from sale of investments - short - term	1.5	2.2	2.1	2.3
Proceeds from sale of investments - long - term	0.2	0.4	1.3	1.4
<b>Cash used in investing activities</b>	<b>-300.4</b>	<b>-145.3</b>	<b>-467.8</b>	<b>-266.1</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of long term debt	150.0	0.0	150.0	0.0
Principal payments on long - term debt	0.0	-183.5	-77.3	-237.2
Changes in short - term bank borrowings	205.4	315.7	111.6	199.0
Purchase of treasury shares	-134.0	-115.9	-175.1	-174.6
Dividends paid	-343.0	-261.2	-343.0	-261.2
<b>Cash used in financing activities</b>	<b>-121.6</b>	<b>-244.9</b>	<b>-333.8</b>	<b>-474.0</b>
<b>Effect of exchange rate changes</b>	<b>1.9</b>	<b>0.6</b>	<b>1.5</b>	<b>0.1</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>0.8</b>	<b>15.9</b>	<b>-3.8</b>	<b>-13.2</b>
Cash and cash equivalents at beginning of period	120.5	87.7	125.1	116.8
Cash and cash equivalents at end of period	121.3	103.6	121.3	103.6

## Consolidated Financial Statement Telekom Austria Group

### Condensed Consolidated Statement of Changes in Stockholders' Equity

in EUR millions (unaudited)	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 loss on securities, net of EUR 0.0 deferred income tax					0.2		0.2		0.2
Net realized gains on securities, net of EUR 0.0 deferred income tax					-0.0		-0.0		-0.0
Foreign currency translation adjustment, net of EUR 0.0 deferred income tax						1.5	1.5		1.5
Net income recognized directly in equity							1.7		1.7
<b>Net income</b>				<b>277.8</b>			<b>277.8</b>		<b>277.8</b>
Total recognized income for the period							279.5		279.5
Distribution of dividends				-343.0			-343.0		-343.0
Purchase of Treasury shares		-175.1					-175.1		-175.1
Retirement of treasury shares	-87.2	688.5	87.2	-688.5					
<b>Balance June 30, 2007</b>	<b>1,003.3</b>	<b>-141.2</b>	<b>548.8</b>	<b>1,171.0</b>	<b>0.6</b>	<b>2.4</b>	<b>2,584.9</b>		<b>2,584.9</b>
in EUR millions (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Revaluation reserve	Translation adjustment	Total	Minority interest	Total stockholders' equity
<b>Balance December 31, 2005</b>	<b>1,090.5</b>	<b>-256.5</b>	<b>460.1</b>	<b>1,624.2</b>	<b>0.4</b>	<b>0</b>	<b>2,918.7</b>	<b>0.1</b>	<b>2,918.8</b>
Net realized gains on securities, net of EUR 0.1 deferred income tax					-0.3		-0.3		-0.3
Foreign currency translation adjustment, net of EUR 0.0 deferred income tax						6.4	6.4		6.4
Net income recognized directly in equity							6.1		6.1
<b>Net income</b>				<b>284.9</b>			<b>284.9</b>		<b>284.9</b>
Total recognized income for the period							291.0		291.0
Distribution of dividends				-261.2			-261.2		-261.2
Purchase of Treasury shares		-174.6					-174.6		-174.6
<b>Balance June 30, 2006</b>	<b>1,090.5</b>	<b>-431.1</b>	<b>460.1</b>	<b>1,647.9</b>	<b>0.1</b>	<b>6.4</b>	<b>2,773.9</b>	<b>0.1</b>	<b>2,774.0</b>

	June 30, 07	Dec. 31, 06	June 30, 06
Number of shares of common stock	460,000,000*	500,000,000	500,000,000
Number of treasury shares	7,255,000	38,307,473	26,780,446
Average purchase price of treasury shares	19.47	17.09	16.09

\* Following the retirement of 40,000,000 treasury shares in March 2007

## Consolidated Financial Statements Telekom Austria Group

### Condensed Segment Reporting

in EUR millions (unaudited)	1H 07				Consolidated
	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	
External revenues	957.2	1,396.6	0.0	0.0	2,353.8
Intersegmental revenues	87.0	37.0	0.0	-124.0	0.0
<b>Total revenues</b>	<b>1,044.2</b>	<b>1,433.6</b>	<b>0.0</b>	<b>-124.0</b>	<b>2,353.8</b>
Other operating income	29.3	6.7	3.8	-12.8	27.0
Segment expenses	-693.9	-860.1	-13.0	125.8	-1,441.2
<b>EBITDA</b>	<b>379.6</b>	<b>580.2</b>	<b>-9.2</b>	<b>-11.0</b>	<b>939.6</b>
Depreciation and amortization	-281.7	-250.7	0.0	0.2	-532.2
<b>Operating income</b>	<b>97.9</b>	<b>329.5</b>	<b>-9.2</b>	<b>-10.8</b>	<b>407.4</b>
Segment assets	2,730.5	5,255.6	5,067.3	-5,547.9	7,505.5
Segment liabilities	-1,204.3	-2,625.4	-3,540.3	2,449.4	-4,920.6
Capital expenditures	123.9	252.8	0.0	0.0	376.7

in EUR millions (unaudited)	1H 06				Consolidated
	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	
External revenues	973.5	1,354.5	0.0	0.0	2,328.0
Intersegmental revenues	80.7	44.6	0.0	-125.3	0.0
<b>Total revenues</b>	<b>1,054.2</b>	<b>1,399.1</b>	<b>0.0</b>	<b>-125.3</b>	<b>2,328.0</b>
Other operating income	27.4	9.6	4.5	-14.2	27.3
Segment expenses	-671.1	-829.3	-14.3	141.2	-1,373.5
<b>EBITDA</b>	<b>410.5</b>	<b>579.4</b>	<b>-9.8</b>	<b>1.7</b>	<b>981.8</b>
Depreciation and amortization	-323.0	-242.3	0.0	0.1	-565.2
Impairment charges	0.0	-2.5	0.0	0.0	-2.5
<b>Operating income</b>	<b>87.5</b>	<b>334.6</b>	<b>-9.8</b>	<b>1.8</b>	<b>414.1</b>
Segment assets	3,272.4	4,975.2	4,669.3	-5,510.8	7,406.1
Segment liabilities	-1,564.1	-2,549.9	-2,937.2	2,419.1	-4,632.1
Capital expenditures	113.7	159.2	0.0	0.0	272.9

### Net Debt

in EUR millions (unaudited)	June 30, 07	Dec. 31, 06
Long - term debt	2,558.1	2,750.1
Short - term borrowings	923.7	562.1
- Short - term portion of capital and cross border lease	-10.9	-9.4
+ Capital lease obligations	1.2	0.1
Cash and cash equivalents, short - term and long - term investments, financing with related parties	-144.1	-148.3
Derivative financial instruments for hedging purposes	30.2	14.4
<b>Net debt</b>	<b>3,358.2</b>	<b>3,169.0</b>
<b>Net debt/EBITDA (annualized)</b>	<b>1.8x</b>	<b>1.7x</b>

## Results by Segments

in EUR millions (unaudited)	2Q 07	2Q 06	% change	1H 07	1H 06	% change
<b>Total revenues</b>						
Fixed Net	533.4	519.3	2.7%	1,044.2	1,054.2	-0.9%
Mobile Communication	739.5	710.9	4.0%	1,433.6	1,399.1	2.5%
Corporate, Other & Eliminations	-64.9	-60.8	6.7%	-124.0	-125.3	-1.0%
Consolidated revenues	1,208.0	1,169.4	3.3%	2,353.8	2,328.0	1.1%
<b>EBITDA</b>						
Fixed Net	186.4	195.1	-4.5%	379.6	410.5	-7.5%
Mobile Communication	293.2	286.0	2.5%	580.2	579.4	0.1%
Corporate, Other & Eliminations	-14.9	-3.6	313.9%	-20.2	-8.1	149.4%
Consolidated EBITDA	464.7	477.5	-2.7%	939.6	981.8	-4.3%
<b>Operating income</b>						
Fixed Net	43.5	32.8	32.6%	97.9	87.5	11.9%
Mobile Communication	167.6	163.4	2.6%	329.5	334.6	-1.5%
Corporate, Other & Eliminations	-14.4	-3.7	289.2%	-20.0	-8.0	150.0%
Consolidated operating income	196.7	192.5	2.2%	407.4	414.1	-1.6%

## Capital expenditures

in EUR millions (unaudited)	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Fixed Net tangible	59.8	51.1	17.0%	108.5	102.1	6.3%
Mobile Communication tangible	110.4	81.6	35.3%	183.4	134.3	36.6%
<b>Tangible</b>	<b>170.2</b>	<b>132.7</b>	<b>28.3%</b>	<b>291.9</b>	<b>236.4</b>	<b>23.5%</b>
Fixed Net intangible	4.7	2.1	123.8%	15.4	11.6	32.8%
Mobile Communication intangible	34.5	16.3	111.7%	69.4	24.9	178.7%
<b>Intangible</b>	<b>39.2</b>	<b>18.4</b>	<b>113.0%</b>	<b>84.8</b>	<b>36.5</b>	<b>132.3%</b>
<b>Total capital expenditures</b>	<b>209.4</b>	<b>151.1</b>	<b>38.6%</b>	<b>376.7</b>	<b>272.9</b>	<b>38.0%</b>

## Personnel

Personnel (full-time equivalent)	End of period			Average of period		
	June 30, 07	June 30, 06	change	2Q 07	2Q 06	change
Fixed Net	9,779	9,496	283	9,662	9,507	155
Mobile Communication	6,282	5,968	314	6,292	5,962	330
<b>Total</b>	<b>16,061</b>	<b>15,464</b>	<b>597</b>	<b>15,954</b>	<b>15,469</b>	<b>485</b>

## Operational Data Fixed Net

Lines and channels (in '000):	June 30, 07	June 30, 06	% change
PSTN access lines	2,134.3	2,319.0	-8.0%
Basic ISDN access lines	375.5	406.2	-7.5%
Multi ISDN access lines	6.9	7.3	-5.1%
<b>Total access lines</b>	<b>2,516.8</b>	<b>2,732.4</b>	<b>-7.9%</b>
<b>Total access channels</b>	<b>3,093.5</b>	<b>3,350.6</b>	<b>-7.7%</b>
xDSL retail access lines	625.9	519.9	20.4%
xDSL wholesale access lines	98.1	117.7	-16.7%
<b>Total xDSL access lines</b>	<b>724.0</b>	<b>637.6</b>	<b>13.6%</b>
Lines unbundled	255.7	162.7	57.2%

Traffic minutes (in millions of minutes):	2Q 07	2Q 06	% change	1H 07	1H 06	% change
National	792	866	-8.6%	1,615	1,820	-11.3%
Fixed-to-mobile	181	199	-9.1%	368	404	-9.0%
International	94	101	-6.4%	196	210	-6.5%
<b>Total voice minutes</b>	<b>1,067</b>	<b>1,166</b>	<b>-8.5%</b>	<b>2,179</b>	<b>2,434</b>	<b>-10.5%</b>
Internet dial up	177	366	-51.6%	424	829	-48.8%
<b>Total Fixed Net minutes</b>	<b>1,244</b>	<b>1,532</b>	<b>-18.8%</b>	<b>2,603</b>	<b>3,263</b>	<b>-20.2%</b>
Total voice market share				63.3%	56.3%	
Total market share (incl. Internet dial up)				63.3%	56.6%	
Total average voice telephony tariff (EUR/min.)*	0.077	0.074	3.6%	0.076	0.075	1.6%
xDSL ARPU residential (EUR)*	26.5	28.5	-6.9%	26.9	28.6	-5.9%

	June 30, 07	June 30, 06	% change
Internet subscribers in Austria ('in 000)	1,547.3	1,472.4	5.1%

Fixed Net revenues in EUR millions (unaudited)	2Q 07	2Q 06	% change	1H 07	1H 06	% change
Switched voice traffic revenues	85.6	88.5	-3.3%	172.3	189.3	-9.0%
Switched voice monthly rental & other voice telephony revenues	120.8	129.6	-6.8%	242.2	261.8	-7.5%
Payphones & value added services	11.6	11.2	3.6%	22.7	22.0	3.2%
Data & IT - solutions including wholesale	105.6	103.1	2.4%	210.6	206.7	1.9%
Internet access & media	72.5	65.1	11.4%	141.2	132.4	6.6%
Wholesale voice telephony & Internet	109.6	94.1	16.5%	201.2	186.4	7.9%
Other	27.7	27.7	0.0%	54.0	55.6	-2.9%
<b>Total Fixed Net revenues</b>	<b>533.4</b>	<b>519.3</b>	<b>2.7%</b>	<b>1,044.2</b>	<b>1,054.2</b>	<b>-0.9%</b>

\* Excluding the contribution from eTel

## Operational Data Mobile Communication

<b>Mobile Communication in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	739.5	710.9	4.0%	1,433.6	1,399.1	2.5%
EBITDA	293.2	286.0	2.5%	580.2	579.4	0.1%
Operating income	167.6	163.4	2.6%	329.5	334.6	-1.5%
Data as a portion of traffic - related revenues	23.7%	19.0%				

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	10,802.1	9,458.3	14.2%

<b>mobilkom austria* in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	419.9	421.9	-0.5%	837.7	856.1	-2.1%
EBITDA	151.4	147.1	2.9%	312.5	320.5	-2.5%
Operating income	88.1	83.8	5.1%	185.8	194.9	-4.7%
Monthly ARPU (EUR)	32.0	34.9	-8.3%			
Data as a portion of traffic - related revenues	26.4%	20.2%				
Subscriber acquisition cost (SAC)	12.0	15.2	-21.1%			
Subscriber retention cost (SRC)	18.7	18.0	3.9%			
Churn (3 months)	3.2%	3.9%				
Monthly MOU charged/ø subscriber	174.4	156.0	11.8%			

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	3,764.0	3,472.8	8.4%
Contract share	64.1%	58.2%	
Market share	39.6%	38.5%	
Market penetration	114.7%	109.8%	

<b>Mobiltel in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	158.9	144.1	10.3%	300.7	271.0	11.0%
EBITDA	91.5	84.7	8.0%	173.3	161.7	7.2%
Operating income	54.6	51.0	7.1%	100.1	94.5	5.9%
Monthly ARPU (EUR)	10.3	11.3	-8.8%			

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	4,554.1	3,855.2	18.1%
Contract share	38.7%	35.0%	
Market share	50.6%	55.3%	
Market penetration	117.4%	90.6%	

\* 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>Vipnet* in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	124.3	116.9	6.3%	226.7	218.0	4.0%
EBITDA	47.8	46.6	2.6%	85.7	81.3	5.4%
Operating income	29.3	27.0	8.5%	48.3	41.3	16.9%
Monthly ARPU (EUR)	15.6	17.1	-8.8%			

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	2,015.4	1,733.1	16.3%
Contract share	19.3%	16.0%	
Market share	42.7%	43.2%	
Market penetration	107.1%	91.0%	

<b>Si.mobil in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	42.8	31.3	36.7%	79.0	58.2	35.7%
EBITDA	12.8	6.1	109.8%	24.1	13.6	77.2%
Operating income	6.8	0.5	1260.0%	12.0	2.4	400.0%
Monthly ARPU (EUR)	23.3	19.7	18.3%			

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	463.4	392.7	18.0%
Contract share	59.7%	53.8%	
Market share	26.2%	24.0%	
Market penetration	88.1%	82.6%	

<b>mobilkom liechtenstein in EUR millions (unaudited)</b>	<b>2Q 07</b>	<b>2Q 06</b>	<b>% change</b>	<b>1H 07</b>	<b>1H 06</b>	<b>% change</b>
Revenues	6.2	6.5	-4.6%	10.9	12.3	-11.4%
EBITDA	0.8	1.2	-33.3%	1.5	2.0	-25.0%
Operating income	0.6	1.0	-40.0%	1.1	1.6	-31.3%

	<b>June 30, 07</b>	<b>June 30, 06</b>	<b>% change</b>
Subscribers ('000)	5.2	4.2	23.8%

\* 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.

## Selected Explanatory Notes

### Basis of Presentation

In the opinion of the management the consolidated interim financial statements, 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, 2006 published on March 6, 2007. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions occurred in the first half year of 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 both the interim financial statements and the annual financial statements as of and for the year ended December 31, 2006 except for the following:

During 2006, IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflation Economies", IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment", were issued and became effective for annual periods beginning on or after various dates in

2006. The Company has adopted these standards as of January 1, 2007. The effects, if any, on its consolidated financial statements were insignificant.

Compared to other economic sectors the telecommunications industry generally has a relatively low cyclicity of results. 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 Communication 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

In March 2007, the Company acquired 40% interest in Dr. Maté GmbH, which is mainly engaged in providing information on medical issues on the website [www.NetDoktor.at](http://www.NetDoktor.at) for a purchase price of EUR 1.6 million. The Company recognized goodwill of EUR 1.0 million. The investment in Dr. Maté GmbH is presented in the Fixed Net segment.

On April 26, 2007 the Company acquired 100% of the share capital of the operating companies of eTel Group in Austria, Hungary, Czech Republic, Slovakia, Germany and Poland for a total consideration of EUR 107.5 million. eTel is a European integrated operator previously owned by a consortium of international investors with operations in Austria and Central-Eastern Europe.



<b>Acquisition of eTel</b>	<b>Recognised values on acquisition</b>	<b>Fair value adjustments</b>	<b>Carrying amounts before the combination</b>
<b>in EUR millions (unaudited)</b>			
Property, plant and equipment	29.8	0.0	29.8
Intangible assets	15.3	2.6	12.7
Deferred tax assets	33.7	33.3	0.4
Trade and other receivables	38.0	0.0	38.0
Cash and cash equivalents	2.6	0.0	2.6
Loans and borrowings	-69.1	0.0	-69.1
Deferred tax liabilities	-3.8	-3.8	0.0
Trade and other payables	-20.9	0.0	-20.9
<b>Net identifiable assets and liabilities</b>	<b>25.5</b>	<b>32.1</b>	<b>-6.6</b>
Goodwill on acquisition	30.5		
Debt paid on behalf of eTel	51.5		
<b>Total Consideration</b>	<b>107.5</b>		
Purchase price not yet paid	-10.1		
Cash acquired	-2.6		
<b>Net cash outflow</b>	<b>94.8</b>		

The table above summarizes assets, liabilities and contingent liabilities of eTel before the combination and the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, based on the preliminary purchase price allocation, due to the final implementation of the imposed obligations of the Merger Control Commission.

The total consideration includes EUR 4.3 million ancillary costs.

The goodwill recognized on the acquisition is attributable mainly to an assembled and trained work force, market shares as well as to customers.

The investment in eTel is presented in the Fixed Net segment. In the two months since the acquisition the subsidiary contributed revenues of EUR 17.5 million, EBITDA of EUR 1.0 million and a net loss of EUR 0.5 million.

As eTel did not prepare its financial statements prior to the acquisition under IFRS and due to the limited impact, the Company did not prepare proforma financial information as if the acquisition would have occurred on January 1, 2007 and 2006.

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

An amount of EUR 77.3 million of long term debt was repaid and EUR 150.0 million of long term debt was issued in the six month period ended June 30, 2007.

## Income Taxes

The effective tax rate for the six month periods ended June 30, 2007 and 2006, was 20.7%. In the six month period ended June 30, 2007, the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to foreign income tax rate differentials and tax credits.

Net deferred tax assets of EUR 9.2 million as of December 31, 2006 increased to EUR 20.2 million as of June 30, 2007 mainly due to recognition of deferred tax assets resulting from the business combination with eTel partially offset by the amortization of goodwill for tax purposes and by deferred deductions for write-downs of investments in subsidiaries.

## Segment Reporting

The Company's results are segmented according to the way the business is managed. The Company operates in three segments: Fixed Net (corresponds approximately to the former wireline), Mobile Communication (corresponds approximately to the former wireless) and Corporate & Other (former other activities and the Corporate activities). The Corporate segment manages and supports the Fixed Net and Mobile Communication segments and is the interface with the financial community.

The segment information for prior years has been adjusted for comparative purposes only to reflect the current reporting structure.

The eliminations in segment expenses include EUR 9.4 million expenses for the implementation of the holding structure not attributable to a single segment.

## Subsequent Events

Mobile communication services in the Republic of Serbia were launched in July 2007 under the brand name Vip. A national roaming agreement has been signed to ensure full coverage of the territory of the Republic of Serbia.

Beginning 3Q 07 Telekom Austria has mandated a bank to execute its share buyback program, thus increasing the number of days available to buy back shares by eliminating any closed periods preventing the Company to acquire treasury shares.

In July 2007 Telekom Austria agreed to acquire 100% of the share capital of Mass Response Service GmbH, which is mainly engaged in the production of interactive TV for a purchase price of approximately EUR 19.5 million.

In July 2007 the Telekom Austria Group launched its new website. Information pertaining to Telekom Austria Group is now available on [www.telekomaustria.com](http://www.telekomaustria.com)

## Waiver of Review

This half-yearly financial report of the Telekom Austria Group has not been audited or reviewed.

## Declaration of the Management Board

To the best of the knowledge of Telekom Austria AG's management board the unaudited half-year financial report prepared in compliance with the International Financial Reporting Standards (IFRS) as applied with the European Union duly reflects the Group's financial condition and results of operation.

Vienna, August 22, 2007

The Management Board



Boris Nemsic, CEO



Rudolf Fischer, Deputy CEO



Hans Tschuden, CFO