TELEKOM AUSTRIA GROUP

Results for the First Half 2010

> Continued challenging operating environment driven by fierce competition, regulatory induced pressure and macro-economic headwinds

> Stabilization of Fixed Net line losses to 6,000 in 2Q 2010 vs. 12,600 in 2Q 2009

> Further Mobile Communication subscriber growth of 5.9% to 19.2 mn customers

> Slow-down of Group revenue decline to -3.9% due to lower revenue reduction in the Fixed Net and the Mobile Communication segments

> Group EBITDA declines by 8.3% due to higher revenue related Fixed Net expenses and lower mobile revenues, cushioned by cost reductions

> Free cash flow generation remains strong with EUR 365.2 mn

> Including impact from merger of domestic operations the management expects revenues of approx. EUR 4.7 bn and an EBITDA of EUR 1.60 to 1.65 bn for FY 2010

> DPS floor of EUR 0.75 reiterated

in EUR million	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	1,168.7	1,191.7	-1.9%	2,294.7	2,388.8	-3.9%
EBITDA	403.8	450.0	-10.3%	829.7	904.8	-8.3%
Operating income	134.2	170.2	-21.2%	300.5	350.3	-14.2%
Net income	68.7	82.3	-16.5%	159.9	167.6	-4.6%
Earnings per share (in EUR)	0.16	0.19	-16.4%	0.36	0.38	-4.6%
Free cash flow per share (in EUR)	0.45	0.45	0.8%	0.83	0.75	10.8%
Capital expenditures	160.1	149.3	7.2%	296.5	265.3	11.8%

in EUR million	Jun. 30, 2010	Dec. 31, 2009	% change
Net debt	3,590.3	3,614.8	-0.7%
Net debt/EBITDA (12 months)	2.1x	2.0x	

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 financial result, income tax expense, depreciation and amortization. This equals operating income before depreciation, amortization and impairment charges.

Content

Interim Management Report

Group Review

Vienna, August 18, 2010 – Today, Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first half 2010 and the second quarter ending June 30, 2010.

Summary

The presentation for the conference call and the key figures of the Telekom Austria Group in Excel format („Key Figures 2Q 2010") are available on our website at www.telekomaustria.com

Results for the first nine months 2010 will be announced on November 10, 2010.

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Year-to-date comparison:

During the first half 2010 group revenues declined by 3.9% to EUR 2,294.7 million driven by lower revenues in both the Mobile Communication as well as the Fixed Net segment. While Fixed Net revenues decreased mainly due to lower voice volumes, revenues from Mobile Communication were impacted by fierce competition as well as lower interconnection tariffs.

Stringent cost management in the Mobile Communication segment overcompensated the increased revenue related expenses as well as one-off effects in the Fixed Net segment and limited the impact from lower revenues on the group's EBITDA, which declined by 8.3% to EUR 829.7 million in the first half 2010.

Operating income fell by 14.2% to EUR 300.5 million during the first half of 2010 and benefited from lower depreciation and amortization charges.

Lower net interest expenses, foreign exchange differences and income taxes limited the decline in net income to 4.6% from EUR 167.6 million in the first half 2009 to EUR 159.9 million in the first six months of 2010.

Capital expenditures increased by 11.8% to EUR 296.5 million due to higher expenditures in the Fixed Net segment during the first half 2010.

Quarterly comparison:

In the second quarter 2010 group revenues declined only slightly by 1.9% to EUR 1,168.7 million. The slowdown of the rate of decline compared to previous quarters was driven by higher revenues in the Fixed Net segment and a slower revenue decline in Mobile Communication.

Reported group EBITDA fell by 10.3% to EUR 403.8 million. Cost savings in the mobile segment absorbed almost half of the decline in segment revenues. The Fixed Net segment was impacted by one-off expenses in the amount of EUR 14.0 million. Without these one-off expenses, group EBITDA amounted to EUR 417.8 million and fell by 7.2% during the second quarter 2010.

Despite lower depreciation and amortization charges operating income fell by 21.2% to EUR 134.2 million. An improved financial result and lower income tax expenses mitigated the impact of operating results on net income which decreased by 16.5% from EUR 82.3 million in the 2Q 2009 to EUR 68.7 million in the 2Q 2010.

The ongoing reduction of line loss and the continued success of product bundles contributed to the increase of revenues in the Fixed Net segment. While Mobile Communication continued to be impacted by a fierce competition combined with an ongoing difficult macro-economic environment as well as regulatory interventions, ARPU trends showed first signs of stabilization. Moreover, the Group's mobile communication subscriber base grew by 5.9% in the 2Q 2010.

Total capital expenditures increased to EUR 160.1 million in the 2Q 2010 compared to EUR 149.3 million in the 2Q 2009. The increase was mainly driven by higher investments in the next generation network in the Fixed Net segment. The Mobile Communication segment showed a reduction in capital expenditures. Net debt declined by 0.7% to EUR 3,590.3 million at the end of June 2010 compared to 3,614.8 million at year-end 2009. Net debt to EBITDA (last 12 months) was 2.1x.

Market Environment

Telekom Austria Group operates in a highly competitive environment both in the Fixed Net and Mobile Communication markets. The resulting negative impact on pricing levels is further intensified by regulatory measures in both segments. Continuous scrutiny of cost structures and improvements to productivity and operating efficiency are therefore essential to the success of Telekom Austria Group.

While the sustained migration of Fixed Net voice customers to the Mobile Communication segment remains a key challenge, fixed line broadband continues to make steady inroads into the market for internet access. In addition, attractive product bundles and innovative products like aonTV continue to be the main drivers for the reduction in line losses. The Fixed Net segment continues to focus on the protection of cash flows by offering a market-oriented product portfolio and attractive pricing schemes.

The Mobile Communication segment remains negatively impacted by reductions in termination charges and roaming tariffs. In addition, Austria is a highly developed mobile communications market characterised by intense competition and persistent price pressure. In the Central & Eastern European region, a challenging macro-economic environment, fiscal burden and a high level of competition shape the operational situation. Moreover, innovative products, such as mobile broadband and convergent product bundles become an increasing element of the competitive environment in CEE.

Telekom Austria Group Refined Outlook for 2010

Ongoing challenging market environment in H2 2010

Several negative external effects and the impact of weak economies shape the market environment for Telekom Austria Group. These effects include the unabated fixed-to-mobile substitution and the continued price pressure in Telekom Austria Group's major markets. In addition, regulatory induced lower roaming prices as well as mobile termination rates will continue to impact the group's results in the second half of 2010. Taxes levied on mobile communication services in Croatia and the Republic of Serbia pose an additional burden.

For the second half of 2010, the management expects the challenging market environment to continue to persist. However, the refined outlook reflects the group's confidence to be able to successfully address these challenges through clear customer focus, intensified marketing of innovative products and strict cost management. Moreover, the revised outlook now includes the impact of the integration of Fixed Net and Mobile Communication activities in Austria.

Outlook 2010 now includes effects of Fixed-Mobile integration in Austria

For the financial year 2010, revenues are expected to amount to approximately EUR 4.7 billion. Stringent cost control will mitigate the impact from lower revenues and is anticipated to result in an EBITDA of EUR 1.60 – 1.65 billion. In light of investments for the migration to an All-IP based voice network in the Fixed Net segment, capital expenditures of Telekom Austria Group are forecasted to reach EUR 750 to 800 million. This amount does not reflect a material roll-out of glass fiber which is not expected to start in 2010.

Minimum DPS of 75 Eurocents confirmed

Operating Free Cash Flow remains the primary focus of the management and is expected to amount to at least EUR 800 million. Telekom Austria Group reiterates its intention to distribute the higher of 65% of the annual net income or at least 75 Eurocents per share as dividend until 2012.

The Management Board remains committed to its capital allocation policy including returning excess cash to shareholders via share buybacks within the 1.8x-2.0x net debt/EBITDA target balance sheet structure and provided stability in its main foreign currencies and operations. However, in light of the ongoing challenging operating environment share buyback is not expected to start in 2010.

This outlook is given on a constant currency basis.

	Outlook 2010* as of Aug. 18	**Outlook 2010** as of May 12**
Telekom Austria Group		
Revenues	approx. EUR 4.7 bn	approx. EUR 4.7 bn
EBITDA	EUR 1.60 - 1.65 bn	approx. EUR 1.6 bn
Capital expenditures	EUR 0.75 - 0.80 bn	approx. EUR 0.8 bn
Operating Free Cash Flow	at least EUR 0.8 bn	approx. EUR 0.8 bn
Dividend	65% of net income, DPS of 75 cents minimum	65% of net income, DPS of 75 cents minimum

* Including the impact of the merger of domestic operations
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Year-to-Date Comparison

Fixed Net segment

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

In the first half of 2010 Fixed Net revenues declined slightly by 1.7% to EUR 910.6 million mainly due to lower revenues from Access, Voice & Broadband driven by lower voice volumes and data. In the 1Q 2009 Fixed Net revenues included a one-off effect in the amount of EUR 5.6 million for universal services. Other operating income increased by 25.6% to EUR 35.8 million including a one-off effect of EUR 5.7 million from real estate disposals in the 1Q 2010.

Slow down of revenue decline

In the first half of 2010, EBITDA decreased by 14.9% to EUR 255.2 million compared to the same period last year due to higher operating expenses. These included one-off effects in the amount of EUR 14.9 million in the first half of 2010. On a like-for-like basis, EBITDA declined by 9.9% to EUR 270.1 million. Additionally, services received which included expenses related to revenues impacted EBITDA in the first half of 2010.

Operating income decreased by 48.0% to EUR 35.6 million due to the decline of EBITDA in spite of a reduction in depreciation and amortization charges.

Fixed Net

in EUR million	1- 6 M 2010	1-6 M 2009	% change
Revenues	910.6	926.4	-1.7%
EBITDA	255.2	299.8	-14.9%
Operating income	35.6	68.4	-48.0%

Mobile Communication segment

Note: Detailed data of the Mobile Communication segment are shown in the appendix on pages 21, 22 & 23.

In the first six months of 2010 revenues in the Mobile Communication segment declined by 4.9% to EUR 1.512,6 million mainly due to lower revenues in Austria, Bulgaria and Croatia. Revenues were impacted by lower interconnection and roaming tariffs as well as due to fierce competition. Foreign currency translation effects negatively impacted revenues by an amount of EUR 8.2 million.

Efficient cost saving measures stabilize EBITDA

Efficient cost management in all operations reduced the impact from lower revenues on EBITDA, which declined by 5.3% to EUR 587.2 million from EUR 620.0 million. The negative impact of foreign currency translation declined on a year to date comparison and amounted to EUR 2.6 million in the first six months of 2010.

Operating income declined by 6.5% to EUR 277.3 million in the first six months of 2010 compared to EUR 296.5 million in the same period of the previous year primarily as a result of lower EBITDA.

Mobile Communication

in EUR million	1- 6 M 2010	1-6 M 2009	% change
Revenues	1,512.6	1,590.9	-4.9%
EBITDA	587.2	620.0	-5.3%
Operating income	277.3	296.5	-6.5%

Consolidated Net Income

During the first half of 2010 net interest expenses decreased by 15.1% to EUR 97.9 million compared to the same period in the previous year due to the repayment of a EUR 500 million Eurobond in the first quarter 2010.

Foreign exchange differences in the financial result turned from a loss of EUR 14.1 million in the first half of 2009 into a gain of EUR 1.4 million. This positive effect stems from an improvement of the exchange rate of the Belarusian Ruble to the Euro and outweighed a further devaluation of the Serbian Dinar year on year.

In the first half of 2010 income tax expense declined by 11.0% to EUR 44.6 million as income before taxes fell by 6.1% to EUR 204.5 million. The effective tax rate decreased from 23.0% in the first half 2009 to 21.8% in the first half 2010.

Net income benefits from improved financial result

Net income fell from EUR 167.6 million to EUR 159.9 million in first six months of 2010.

Basic and diluted earnings per share amounted to EUR 0.36 in the first half of 2010 compared to EUR 0.38 in the same period in 2009.

Balance Sheet and Net Debt

Asset base reduced through repayment of long term debt

Total assets of Telekom Austria Group decreased from EUR 8,498.7 million as of December 31, 2009 to EUR 7.734,6 million as of June 30, 2010 primarily due to the repayment of a EUR 500.0 million Eurobond.

During the first six months of 2010 current assets decreased by EUR 593.4 million to EUR 1,430.4 million mainly driven by lower cash and cash equivalents due to the repayment of a EUR 500.0 million Eurobond in January 2010. Other intangible assets declined by 4.5% to EUR 1,814.7 million by the end of June 2010 mainly as a result of amortization charges exceeding additions. Equally, property, plant and equipment declined by 3.6% to EUR 2,579.1 million due to depreciation exceeding additions.

During the first half of 2010 current liabilities decreased by EUR 457.3 million to EUR 2,222.2 million. This was driven by the repayment of a EUR 500 million Eurobond and other short term borrowings which was partly compensated by a shift from maturing long term debt to short term borrowings. Consequently, long term liabilities declined by 4.6% to EUR 4,009.8 million as of June 30, 2010.

Total stockholders' equity declines by 6.9%

The decline of total stockholders' equity from EUR 1,614.1 million as of December 31, 2010 to EUR 1,502.6 as of June 30, 2010 as dividend distribution exceeded net income.

Net debt remains stable

As of June 30, 2010 net debt remained almost stable at EUR 3,590.3 million compared to EUR 3,614.8 million as of December 31, 2010. Net debt to EBITDA (last 12 months) remained stable at 2.1%.

Cash Flow and Capital Expenditures

Cash generated from operations increased by EUR 66.8 million to EUR 661.7 million in the first six months of 2010 primarily due to a lower decrease in accounts payable in the first half 2010.

In the first half of 2010 cash outflow from investing activities declined by EUR 217.1 million to EUR 135.6 million as higher capital expenditures were more than offset by a net cash inflow from the purchase and sale of investments.

Cash from financing activities recorded a net outflow of EUR 1,073.3 million in the first six months 2010 compared to a net inflow of EUR 28.5 million in the first six months in 2009. The net inflow in 2009 was due to the issuance of a EUR 750 million Eurobond. Furthermore, the repayment of EUR 500 million of a Eurobond and other bank debt impacted the net outflow in the first half 2010.

Cash flow and net debt

in EUR million	1- 6 M 2010	1-6 M 2009	% change
Cash generated from operations	661.7	594.9	11.2%
Cash used in investing activities	-135.6	-352.7	-61.6%
Cash used in financing activities	-1,073.3	28.5	n.a.
Effect of exchange rate changes	-9.6	40.8	n.a.
Net increase/decrease in cash and cash equivalents	**-556.8**	**311.5**	**n.a.**

in EUR million	Jun. 30, 2010	Dec. 31, 2009	% change
Net debt	3,590.3	3,614.8	-0.7%
Net debt/EBITDA (12 months) excluding restructuring program	2.1x	2.0x	

CAPEX increases due to higher investments in the Fixed Net segment

Total capital expenditures increased by 11.8% to EUR 296.5 million in the first half of 2010 due to higher expenditures in the Fixed Net segment. Capital expenditures for tangible assets rose by 14.4% to EUR 226.6 million, while intangible assets grew by 3.9% to EUR 69.9 million.

In the Fixed Net segment capital expenditures grew by 63.0% to EUR 145.7 million due to investments in the next generation network.

In the Mobile Communication segment capital expenditures declined by 14.3% to EUR 150.8 million primarily driven by lower investments in Bulgaria, the Republic of Serbia and Austria.

Capital expenditures

in EUR million	1- 6 M 2010	1-6 M 2009	% change
Fixed Net	145.7	89.4	63.0%
Mobile Communication	150.8	175.9	-14.3%
Total capital expenditures	**296.5**	**265.3**	**11.8%**
Thereof tangible	226.6	198.0	14.4%
Thereof intangible	69.9	67.3	3.9%

Quarterly Analysis

Fixed Net

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

Line loss halved

Fixed Net access line loss halved with 6,000 lines lost in the 2Q 2010 compared to 12,600 lines in the 2Q 2009 due to successful customer retention measures and continued healthy demand for product bundles. On the back of a rising number of retail broadband lines the total Fixed Net broadband subscriber base grew by 13.7% to 1.1 million at the end of June 2010.

Broadband subscriber base grows by 13.7%

ARPL decline stabilized

Average revenues per Fixed Net access line remained almost stable at EUR 34.2 in the 2Q 2010 compared to EUR 34.5 in the 2Q 2009 mainly due to the ongoing success of product bundles despite fewer voice minutes. Fixed-to-mobile substitution remains the main driver of the decline in voice minutes by 11.4% to 743.8 million minutes in the 2Q 2010. Fixed Net voice market share of total voice minutes including mobile minutes decreased from 14.8% in the 2Q 2009 to 12.8% in the 2Q 2010. The number of unbundled lines declined to 282,000 at the end of June 2010 compared to 291,600 at the end of June 2009.

Growth of aonTV subscriber base by more than 50%

The aonTV subscriber base increased by 55.0% to 123,900 subscribers in the 2Q 2010 compared to 79,900 subscribers in the 2Q 2009.

Fixed Net revenues increased slightly by 0.4% to EUR 458.5 million in the 2Q 2010. Access, Voice & Broadband revenues declined only by 1.2% to EUR 237.4 million due to lower voice volumes and fewer access lines.

Revenues from Data declined by 3.4% to EUR 93.5 million compared to the same period of the previous year mainly due to business customers migrating from leased lines to lower priced xDSL-based business networks as well as the trend to unified communication technology solutions.

Wholesale Voice & Internet revenues increased by 2.4% to EUR 88.6 million in the 2Q 2010 as higher international wholesale voice revenues overcompensated lower unbundling tariffs. Other revenues grew by 17.5% to EUR 39.0 million driven by an increase of notebook sold as a consequence of the successful product bundles.

Other operating income declined by 14.7% to EUR 15.1 million.

2Q 2010 EBITDA impacted by one-off effects

EBITDA decreased by 23.4% to EUR 108.8 million in the 2Q 2010 compared to the 2Q 2009.The following one-off effects in the total amount of EUR 14.0 million contributed to this decline: EUR 8.5 million for the transfer of civil servants to the Austrian police, additional restructuring charges in the amount of EUR 4.3 million and the integration process of the fixed and mobile businesses in Austria of EUR 1.2 million. Furthermore, services received increased due to revenue related expenses such as wholesale business, content services as well as interactive TV shows. The increase of notebook sold lead also to an increase of material expenses in the 2Q 2010. Excluding the one-off expenses in the 2Q 2010, EBITDA in the Fixed Net segment fell by 13.5% to EUR 122.8 million during the second quarter 2010.

In the 2Q 2010 the Fixed Net segment generated a negative operating income of EUR 3.9 million compared to an operating income of EUR 23.4 million in the 2Q 2009.

Fixed Net

in EUR million	2Q 2010	2Q 2009	% change
Revenues	458.5	456.9	0.4%
EBITDA	108.8	142.0	-23.4%
Operating income	-3.9	23.4	n.a.

Mobile Communication

Note: Detailed data of the Mobile Communication segment are shown in the appendix on page 21, 22 & 23

The customer base of the Mobile Communication segment grew by 5.9% to 19.2 million customers as of June 30, 2010 primarily driven by an increase in contract subscribers in all mobile operations.

Although revenues in Mobile Communication declined by 2.8% to EUR 778.4 million in the 2Q 2010 primarily due to lower revenues in Austria and Bulgaria, the decline rate in segment revenues slowed down compared to the previous quarters. Lower prices for voice and data and lower termination tariffs were the main drivers for the revenue decline in both countries. Subscription and traffic revenues included a EUR 10.0 million negative one-off effect in Austria. This was offset by a EUR 10.0 million positive one-off charge that impacted roaming revenues in Austria. Both were not cash effective.

Efficient cost management partly compensates lower revenues

Reductions in operating expenses partly offset lower revenues and limited EBITDA decline to -4.0% resulting in an amount of EUR 301.0 million in the 2Q 2010. While EBITDA improved in Belarus, Slovenia, the Republic of Serbia and Macedonia, total EBITDA of the Mobile Communication segment declined due to lower contribution from Austria, Bulgaria and Croatia. Foreign currency translation impacted EBITDA positively by EUR 0.7 million in the 2Q 2010. Operating income declined to by 5.5% to EUR 144.0 million in the 2Q 2010.

Mobile Communication

in EUR million	2Q 2010	2Q 2009	% change
Revenues	778.4	800.6	-2.8%
EBITDA	301.0	313.7	-4.0%
Operating income	144.0	152.4	-5.5%

mobilkom austria

The subscriber base of mobilkom austria, the leading mobile operator in Austria, grew by 7.3% to almost 5.0 million subscribers at the end of June 2010. This growth was due to the company's successful multibrand strategy, which consists of the premium brand A1, the no-frills brand bob and aonMobil.

mobilkom austria's market share almost stable at 42.1%

mobilkom austria remains the market leader with a market share of 42.1% at the end of the 2Q 2010, which declined only slightly compared to 42.3% in the 2Q 2009. The mobile penetration rate in Austria rose from 130.8% at the end of June 2009 to 140.4% at the end of June 2010 due to an increasing number of customers with SIM cards for both mobile broadband and voice services.

Mobile broadband subscriber base grows by a third

Average revenues per user (ARPU) decreased by 11.4% to EUR 22.6 mainly driven by intense competition as well as lower interconnection tariffs. Blended ARPU was also impacted by a higher number of no-frills customers with lower ARPU. Data ARPU increased by 4.5% to EUR 7.0. Average minutes of use charged per subscriber declined by 2.3% to 160.0 minutes in the 2Q 2010 primarily due to the dilution from mobile broadband. mobilkom austria's mobile broadband subscriber base increased by 33.8% and amounted to approximately 622,000 mobile broadband customers at the end of June 2010 compared to 465,000 mobile broadband customers at the same period in the previous year. Data revenues as a percentage of traffic-related revenues rose from 35.1% in the 2Q 2009 to 40.6% in the 2Q 2010.

Revenues decline mainly due to lower interconnection tariffs

Revenues of mobilkom austria declined by 4.3% to EUR 375.0 million compared to the 2Q 2009 mainly as a result of lower interconnection revenues. In addition, tariff dilution for voice and data lead to lower subscription and traffic revenues.

Subscriber acquisition cost reduced

Subscriber acquisition costs were reduced 24.6% from EUR 11.4 million in the 2Q 2009 to EUR 8.6 million in the 2Q 2010 driven by a higher number of no-frills customers. Subscriber retention costs declined by 7.8% to EUR 18.8 million in the 2Q 2010.

Cost reduction of EUR 7.6 million

In the 2Q 2010 mobilkom austria cut costs by EUR 7.6 million compared to the 2Q 2009 which reduced the impact from lower revenues on EBITDA. EBITDA declined by 6.3% to EUR 137.8 million and operating income by 9.6% to EUR 80.7 million in the 2Q 2010.

Mobiltel

Subscriber base up by 0.7% in 2Q 10

Mobile broadband subscriber base more than doubled

The subscriber base of Mobiltel, the leading mobile operator in Bulgaria, increased slightly by 0.7% to 5.2 million customers on a year to date basis as the number of contract subscribers rose by 10.9% compared to the 2Q 2009. Mobile broadband exhibited strong growth with the subscriber base having grown by 74.5% to almost 73,000 customers. Mobiltel's market share increased slightly to 50.2% compared to 50.0% at the end of the 2Q 2009. The mobile penetration rate in Bulgaria rose to 138.4% from 137.5% at the end of June 2009.

While ARPU declined by 10.5% to EUR 8.5 compared to EUR 9.5 in 2Q 2009 due to lower voice prices and lower interconnection tariffs, it improved compared to the 1Q 2010.
In light of strong economic headwinds lower traffic and interconnection revenues impacted the business of Mobiltel in the 2Q 2010 and led to a decline in revenues from EUR 157.7 million in the 2Q 2009 to EUR 141.7 million in the 2Q 2010. Furthermore, the high competitive pressure from the third market player influenced the revenue decline.

Cost reductions reduce the impact of lower revenues on EBITDA

Cost savings of 8.4% mitigated the impact of lower revenues and resulted in an EBITDA of EUR 77.0 million in the 2Q 2010 compared to an EBITDA of EUR 87.9 million in the 2Q 2009.

Mobiltel's operating income decreased from EUR 42.8 million in the 2Q 2009 to EUR 33.6 million in the 2Q 2010.

Velcom

In the 2Q 2010 Velcom, the second largest mobile operator in Belarus, increased its subscriber base by 8.6% to 4.1 million customers compared to 3.8 million at the end of June 2009. Velcom's market share declined from 43.1% to 41.1% due to an aggressive third player which continued to gain market share. The penetration rate in Belarus increased to 106.3% at the end of June 2010 compared to 91.5% at the end of June 2009.

Despite strong competition ARPU remained stable at EUR 6.4 as the usage per subscriber increased.

Revenue growth of 14.3%

Decreasing impact from foreign exchange translation

Revenues grew by 14.3% from EUR 75.6 million in the 2Q 2009 to EUR 86.4 million in the 2Q 2010 due to higher revenues from equipment, subscription and traffic as a result of the 3G launch as well as higher interconnection revenues. Moreover, the negative effect of foreign exchange translation eased and amounted to EUR 0.2 million in the 2Q 2010.

EBITDA growth of 8.8%

In the 2Q 2010, EBITDA increased by 8.8% to EUR 42.2 million compared to EUR 38.8 million in the 2Q 2009. The negative impact from foreign exchange translation amounted to EUR 0.2 million in the 2Q 2010.

Velcom's operating income increased by 3.8% to EUR 21.6 million in 2Q 2010 compared to EUR 20.8 million in the 2Q 2009.

Vipnet

Mobile subscriber base grows by 69.4%

Vipnet, the second largest mobile operator in Croatia, increased its subscriber base by 1.1% to 2.6 million customers at the end of June 2010. Vipnet's mobile broadband subscriber base grew by 69.4% to approximately 156,000 customers.

At the end of the second quarter 2010 the mobile penetration rate in Croatia amounted to 137.8% compared to 136.5% at the end of the 2Q 2009. Vipnet's market share remained stable at 43.4% in the 2Q 2010 versus 43.3% in the 2Q 2009.

ARPU declined by 7.3% to EUR 11.4 in the 2Q 2010 compared to EUR 12.3 in the 2Q 2009 due to lower usage and lower interconnection revenues, but rose in comparison to the 1Q 2010.

Average minutes of use charged per subscriber declined by 14.9% to 71.6 minutes mainly due to reduced consumer spending caused by the ongoing difficult economic environment.

Revenues of Vipnet declined by 7.4% to EUR 110.5 million in the 2Q 2010 compared to EUR 119.3 million in the 2Q 2009 due to lower visitor roaming and interconnection revenues.

Cost cuts outweight burden from mobile tax

Despite a 6% tax on mobile revenues, strong focus on cost savings allowed Vipnet to reduce operating expenses by 4.6% to EUR 74.8 million in the 2Q 2010. Thus, the impact of lower revenues and the fiscal burden on EBITDA was limited to a decline of 10.8% to EUR 36.2 million in the 2Q 2010.

Operating income of Vipnet decreased by 15.4% to EUR 19.2 million in the 2Q 2010 compared to the same period the previous year.

Si.mobil

Si.mobil, the second largest operator in Slovenia, increased its subscriber base by 1.7% to approximately 592,000 customers at the end of June 2010.

Si.mobil increases market share to 28.2%

In the 2Q 2010 Si.mobil's market share rose slightly from 28.0% to 28.2%. The mobile penetration rate in Slovenia decreased to 101.9% at the end of the 2Q 2010 compared to 102.4% at the end of the 2Q 2009.

ARPU declined by 2.8% to EUR 20.6 primarily driven by lower voice prices and lower interconnection tariffs. Average minutes of use per subscriber increased by 7.1% to 158.2 minutes resulting from a higher share of contract customers of total subscribers as well as new tariffs.

Revenues remained almost stable at EUR 42.2 million in the 2Q 2010 as higher revenues from fixed fees offset the decrease in traffic, roaming and interconnection revenues. The increase of revenues from fixed fees was due to a higher number of contract subscribers.

In the 2Q 2010, operating expenses were cut by 10.3% as a result of stringent cost management.

EBITDA grows 2.6%

In the 2Q 2010, EBITDA increased by 2.6% to EUR 11.7 million as lower material and marketing expenses overcompensated lower revenues.

Operating income increased from EUR 5.8 million in 2Q 2009 to EUR 6.4 million in the 2Q 2010.

Vip mobile

Market share increases to 13.0%

Vip mobile, the third largest mobile operator in the Republic of Serbia increased its subscriber base by 18.5% to 1.3 million customers in comparison to the 2Q 2009. Vip mobile had a market share of 13.0% at the end of the 2Q 2010 versus 10.7% at the end of the 2Q 2009.

The penetration rate in the Republic of Serbia declined from 133.2% in the 2Q 2009 to 130.6% in the 2Q 2010, mainly due to elimination of inactive subscribers from the incumbent customer's base.

Organic revenue growth of 51.1%, reported growth of 40.8%

In the 2Q 2010, Vip mobile increased its revenues by 40.8% to EUR 25.9 million compared to EUR 18.4 million in the 2Q 2009 as a higher number of customers fuelled revenues from traffic, subscription and interconnection. Foreign currency translation impacted revenues negatively by EUR 1.9 million. Revenues increased by 51.3% on a local currency basis.

EBITDA continues to improve

EBITDA improved by 71.6% to EUR -2.1 million compared to EUR -7.4 million in the 2Q 2009. On a local currency basis EBITDA improved by 67.9%. The operating loss was reduced to EUR 13.3 million in the 2Q 2010 compared to a loss of EUR 22.8 million in the 2Q 2009.

Vip operator

Market share increases to 17.1%

Vip operator, the third largest mobile operator in the Republic of Macedonia, counted more than 353,000 customers in the 2Q 2010 compared to 224,000 customers in the 2Q 2009. Vip operator's market share almost doubled from 9.6% in the 2Q 2009 to 17.1% in the 2Q 2010. At the end of June 2010 the penetration rate in the Republic of Macedonia was 101.6%.

Operating performance in the Republic of Macedonia continues to improve

Vip operator's revenues increased by 63.5% to EUR 8.5 million in the 2Q 2010 compared to EUR 5.2 million in the 2Q 2009 as a result of higher traffic and interconnection revenues driven by a strong increase of the subscriber base.

EBITDA improved from EUR -4.0 million in the 2Q 2009 to EUR -1.6 million in the 2Q 2010 reflecting a continued improvement of operations.

Operating loss was reduced to EUR -3.7 million in the 2Q 2010 compared to an operating loss of EUR -5.7 million in the 2Q 2009.

Consolidated Net Income

In the 2Q 2010, net interest expenses declined to EUR 48.5 million from EUR 56.2 million during the 2Q 2009 mainly due to lower interest-bearing liabilities.

Effects from foreign currency valuations in the financial result improved from a loss of EUR -1.1 million in the 2Q 2009 to a gain of EUR 1.5 million in the 2Q 2010 mainly due to a more stable development of the Belarusian Ruble.

Income tax expense declined from EUR 25.9 million in the 2Q 2009 to EUR 18.6 million in the 2Q 2010 due to a higher income before taxes in the 2Q 2009.

Net income declines by 16.5% due to lower revenues and higher operating expenses

Net income amounted to EUR 68.7 million in the 2Q 2010 after a net income of EUR 82.3 million in the 2Q 2009 as a result of lower revenues in the Mobile Communication segment and higher expenses in the Fixed Net segment. Basic and diluted earnings per share amounted to EUR 0.16 in the 2Q 2010 compared to EUR 0.19 in the 2Q 2009.

Cash Flow and Capital Expenditures

Cash generated from operations rises by 3.6%

During 2Q 2010 cash generated from operating activities increased by 3.6% to EUR 359.6 million mainly due to a considerably lower cash outflow with respect to working capital.

Despite an increase in capital expenditures in 2Q 2010, cash outflow from investing activities decreased from EUR 143.7 million in 2Q 2009 to EUR 37.8 million in 2Q 2010 mainly due to net cash inflow from purchase and sale of investments.

In the 2Q 2010 cash flow from financing activities increased slightly by 2.5% to EUR 372.8 million.

Cash Flow

in EUR million	2Q 2010	2Q 2009	% change
Cash from operations	359.6	347.2	3.6%
Cash from investing	-37.8	-143.7	-73.7%
Cash from financing	-372.8	-363.8	2.5%
Effect of exchange rate changes	-7.4	9.2	n.a.
Net increase/decrease in cash and cash equivalents	**-58.4**	**-151.1**	**-61.4%**

CAPEX increases by 7.2%

In the 2Q 2010, total capital expenditures increased by 7.2% to EUR 160.1 million from EUR 149.3 in the 2Q 2009. Capital expenditures for tangible assets increased by 12.3% to EUR 131.4 million whilst capital expenditures for intangible assets decreased by 11.1% to EUR 28.7 million.

In the Fixed Net segment capital expenditures increased by 44.0% to EUR 80.5 million in the 2Q 2010 mainly due to fiber trials in Vienna and software upgrades of central offices in course of the ongoing VDSL@CO roll out.

In the Mobile Communication segment capital expenditures decreased by 14.8% to EUR 79.6 million in the 2Q 2010 as lower capital expenditures in the Republic of Serbia, Croatia, Austria and Slovenia more than offset higher capital expenditures in Bulgaria and Belarus.

Capital expenditures

in EUR million	2Q 2010	2Q 2009	% change
Fixed Net	80.5	55.9	44.0%
Mobile Communication	79.6	93.4	-14.8%
Total capital expenditures	**160.1**	**149.3**	**7.2%**
Thereof tangible	131.4	117.0	12.3%
Thereof intangible	28.7	32.3	-11.1%

Additional Information

Risks & Uncertainties

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 elsewhere as well as an acceleration of fixed-to-mobile substitution resulting in further access line loss and a decline in 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 foreign exchange and tax uncertainties that typically do not exist in other markets.

In recent years, the growth of Telekom Austria Group's business was marked by an expansion in various markets in Eastern and South-Eastern Europe. However, further growth will be affected by a number of factors, over which Telekom Austria Group has no influence. Further organic growth also depends on the growth of the respective economies and individual telecommunication markets the Telekom Austria Group operates in.

Further impacts of the economic downturn on Telekom Austria Group's results cannot be fully ruled out. In the Mobile Communication segment there are uncertainties with regard to lower roaming revenues as a result of a decrease in travelling. Moreover, customer usage behaviour might change as a result of the economic crisis impacting the financial result of the Telekom Austria Group.

Since December 31, 2009 no other material risks than those mentioned above occurred. For further details on risks and uncertainties with respect to Telekom Austria Group please refer to the annual report 2009.

Personnel

The total number of employees of the Telekom Austria Group declined by 329 to 16,530 employees at the end of June 2010 compared to the same period of the previous year.

Fixed Net workforce declined by 277 employees

The workforce in the Fixed Net segment decreased by 277 to 7,939 full-time equivalents. The number of employees of the Mobile Communication segment decreased by 52 to 8,591 employees.

Other and Subsequent Events

Please refer to page 26 for further information on Other and Subsequent Events for Telekom Austria Group.

Waiver of Review

This half-yearly financial report of the Telekom Austria Group has not been audited nor reviewed by a certified public accountant.

Interim Consolidated Financial Statements Telekom Austria Group

This half-yearly financial report of the Telekom Austria Group has not been audited nor reviewed by a certified public accountant.

Consolidated Statements of Operations

in EUR million, except per share information	2Q 2010 unaudited	2Q 2009 unaudited	1 - 6 M 2010 unaudited	1 - 6 M 2009 unaudited
Operating revenues	1,168.7	1,191.7	2,294.7	2,388.8
Other operating income	18.2	20.0	40.3	33.3
Operating expenses				
Materials	-93.1	-89.3	-173.0	-188.2
Employee expenses, including benefits and taxes	-217.8	-200.8	-424.5	-405.8
Depreciation and amortization	-269.6	-279.6	-529.2	-554.3
Impairment charges	0.0	-0.2	0.0	-0.2
Other operating expenses	-472.3	-471.6	-907.8	-923.3
Operating income	**134.1**	**170.2**	**300.5**	**350.3**
Financial result				
Interest income	3.5	6.1	7.4	17.0
Interest expense	-52.0	-62.3	-105.3	-132.3
Foreign exchange differences	1.5	-1.1	1.4	-14.1
Other financial result	0.0	-4.8	0.0	-3.6
Equity in earnings of affiliates	0.1	0.1	0.5	0.4
Income before income taxes	**87.2**	**108.2**	**204.5**	**217.7**
Income taxes	-18.6	-25.9	-44.6	-50.1
Net income	**68.7**	**82.3**	**159.9**	**167.6**
Attributable to:				
Owners of the parent	68.9	82.4	160.0	167.7
Non-controlling interests	-0.2	-0.1	-0.1	-0.1
Basic and fully diluted earnings per share	**0.16**	**0.19**	**0.36**	**0.38**
Weighted-average number of ordinary shares outstanding	**442,563,969**	**442,398,222**	**442,563,969**	**442,398,222**

Consolidated Statements of Comprehensive Income

in EUR million	2Q 2010 unaudited	2Q 09 unaudited	1 - 6 M 2010 unaudited	1 - 6 M 2009 unaudited
Net income	**68.7**	**82.3**	**159.9**	**167.6**
Unrealized result on securities available-for-sale	-0.1	0.4	0.2	0.9
Income tax (expense) benefit	0.1	-0.1	0.0	-0.2
Realized result on securities available-for-sale	0.0	-0.1	0.0	-0.1
Income tax (expense) benefit	0.0	0.0	0.0	0.0
Unrealized result on hedging activities	1.6	3.0	2.4	-10.9
Income tax (expense) benefit	-0.1	-0.1	0.2	0.8
Foreign currency translation adjustment	54.4	-47.9	57.8	-306.4
Other comprehensive income (loss)	55.9	-44.8	60.6	-315.9
Total comprehensive income (loss)	**124.6**	**37.5**	**220.5**	**-148.3**
Attributable to:				
Owners of the parent	124.8	37.6	220.6	-148.2
Non-controlling interests	-0.2	-0.1	-0.1	-0.1

Consolidated Financial Statements Telekom Austria Group

Consolidated Statements of Financial Position

in EUR million	June 30, 2010 unaudited	Dec. 31, 2009 audited
ASSETS		
Current assets		
Cash and cash equivalents	173.3	730.1
Short-term investments	62.0	215.4
Accounts receivable - trade, net of allowances	681.2	668.6
Receivables due from related parties	3.3	3.9
Inventories	138.9	126.4
Prepaid expenses	134.8	121.3
Income taxes receivable	39.3	43.9
Non-current assets held for sale	0.0	3.2
Other current assets	197.6	111.0
Total current assets	**1,430.4**	**2,023.8**
Non-current assets		
Investments in associates	7.9	7.5
Financial assets long-term	135.6	137.8
Goodwill	1,523.0	1,493.1
Other intangible assets, net	1,814.7	1,900.3
Property, plant and equipment, net	2,579.1	2,675.2
Other non-current assets	38.6	33.5
Deferred tax assets	205.3	227.5
Total non-current assets	**6,304.2**	**6,474.9**
TOTAL ASSETS	**7,734.6**	**8,498.7**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	-322.2	-856.0
Accounts payable - trade	-474.5	-523.6
Provisions and accrued liabilities	-217.3	-222.8
Payables to related parties	-7.1	-11.4
Income taxes payable	-29.9	-22.5
Other current liabilities	-1,012.1	-890.9
Deferred income	-159.1	-152.3
Total current liabilities	**-2,222.2**	**-2,679.5**
Non-current liabilities		
Long-term debt	-3,005.1	-3,213.7
Lease obligations and Cross Border Lease	-14.4	-21.1
Employee benefit obligation	-127.2	-123.7
Provisions long-term	-686.7	-669.9
Deferred tax liabilities	-142.9	-144.0
Other non-current liabilities and deferred income	-33.5	-32.7
Total non-current liabilities	**-4,009.8**	**-4,205.1**
Stockholders' equity		
Common stock	-966.2	-966.2
Treasury shares	8.2	8.2
Additional paid-in capital	-582.9	-582.9
Retained earnings	-311.0	-482.9
Market value reserve	12.8	15.5
Translation adjustments	339.1	396.9
Equity attributable to equity holders of the parent	**-1,500.0**	**-1,611.4**
Non-controlling interests	-2.6	-2.7
Total stockholders' equity	**-1,502.6**	**-1,614.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**-7,734.6**	**-8,498.7**

Consolidated Financial Statements Telekom Austria Group

Consolidated Statements of Cash Flows

in EUR million	2Q 2010 unaudited	2Q 2009 unaudited	1 - 6 M 2010 unaudited	1- 6 M 2009 unaudited
Cash flow from operating activities				
Net Income	68.7	82.3	159.9	167.6
Adjustments to reconcile net income to operating cash flow				
Depreciation, amortization and impairment charges	269.6	279.8	529.2	554.5
Employee benefit obligation - non-cash	2.0	1.8	3.6	2.1
Bad debt expenses	11.2	12.9	18.5	23.2
Change in deferred taxes	8.4	2.4	21.1	-14.2
Equity in earnings of affiliates - non-cash	-0.1	-0.1	-0.5	-0.4
Stock compensation	0.9	0.0	0.5	0.6
Asset retirement obligation - accretion expense	1.3	1.8	2.7	3.6
Provision for restructuring - non-cash	17.7	9.0	26.9	18.0
Result on sale of investments	0.0	-0.1	0.0	-1.1
Result on disposal / retirement of equipment	0.6	-0.6	-4.2	0.0
Other	3.3	1.7	11.8	18.9
Gross cash flow	**383.6**	**390.9**	**769.5**	**772.8**
Changes in assets/liabilities, net of business combinations				
Accounts receivable - trade	-44.9	-12.2	-31.0	17.3
Receivables due from related parties	-0.7	-0.2	0.6	0.5
Inventories	-11.5	3.4	-12.5	10.3
Prepaid expenses and other assets	18.8	3.8	6.5	-28.3
Accounts payable - trade	27.2	-16.7	-49.1	-112.8
Employee benefit obligation	-0.1	-0.2	-0.2	-0.4
Provisions and accrued liabilities	-14.4	-22.6	-34.5	-31.7
Payables due to related parties	0.9	1.7	-4.3	-4.9
Other liabilities and deferred income	0.7	-0.7	16.7	-27.9
	-24.0	-43.7	-107.8	-177.9
Cash flow from operating activities	**359.6**	**347.2**	**661.7**	**594.9**
Cash flow from investing activities				
Capital expenditures, including interest capitalized	-160.1	-149.3	-296.5	-265.3
Acquisitions of subsidiaries, net of cash acquired	0.0	-9.5	0.0	-12.7
Sale of subsidiary, net of cash	0.6	0.7	0.6	7.7
Proceeds from sale of equipment	0.8	1.8	9.9	2.6
Purchase of investments	-50.0	9.2	-221.5	-91.8
Proceeds from sale of investments	170.9	3.4	371.9	6.8
Cash flow from investing activities	**-37.8**	**-143.7**	**-135.6**	**-352.7**
Cash flow from financing activities				
Proceeds from issuance of long term debt	0.0	0.0	0.0	750.0
Principal payments on long-term debt	-75.0	0.0	-579.7	-449.9
Changes in short-term borrowings	34.1	-32.0	-161.7	60.2
Dividends paid	-331.9	-331.8	-331.9	-331.8
Cash flow from financing activities	**-372.8**	**-363.8**	**-1,073.3**	**28.5**
Effect of exchange rate changes	**-7.4**	**9.2**	**-9.6**	**40.8**
Change in cash and cash equivalents	**-58.4**	**-151.1**	**-556.8**	**311.5**
Cash and cash equivalents at beginning of period	231.7	847.4	730.1	384.8
Cash and cash equivalents at end of period	173.3	696.3	173.3	**696.3**

Consolidated Financial Statements Telekom Austria Group

Consolidated Statement of Changes in Stockholders´ Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserve	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2010	**966.2**	**-8.2**	**582.9**	**482.9**	**-15.5**	**-396.9**	**1,611.4**	**2.7**	**1,614.1**
Total comprehensive income (loss)				160.0	2.7	57.8	220.5	-0.1	220.5
Distribution of dividends				-331.9			-331.9		-331.9
Balance at June 30, 2010	**966.2**	**-8.2**	**582.9**	**311.0**	**-12.8**	**-339.1**	**1,500.0**	**2.6**	**1,502.6**

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserve	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2009	**1,003.3**	**-330.8**	**547.3**	**1,005.2**	**-13.4**	**-56.1**	**2,155.5**	**0.1**	**2,155.6**
Total comprehensive income (loss)				167.6	-9.5	-306.4	-148.3	-0.1	-148.3
Distribution of dividends				-331.8			-331.8		-331.8
Addition from acquisition								2.9	2.9
Balance at June 30, 2009	**1,003.3**	**-330.8**	**547.3**	**841.1**	**-22.9**	**-362.5**	**1,675.5**	**2.9**	**1,678.4**

	June 30, 2010	Dec. 31, 2009	June 30, 2009
Number of shares of common stock	443,000,000	443,000,000	460,000,000
Number of treasury shares	436,031	436,031	17,601,778
Average purchase price of treasury shares	18.80	18.80	**18.80**

Consolidated Financial Statements Telekom Austria Group

Segment Reporting

in EUR million (unaudited)	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	Consolidated
1 - 6 M 2010					
External revenues	832.0	1,462.7	0.0	0.0	2,294.7
Intersegmental revenues	78.6	49.9	0.0	-128.5	0.0
Total revenues	**910.6**	**1,512.6**	**0.0**	**-128.5**	**2,294.7**
Other operating income	35.8	14.6	3.4	-13.5	40.3
Segment expenses	-691.1	-940.0	-16.7	142.5	-1,505.3
EBITDA	**255.2**	**587.2**	**-13.3**	**0.5**	**829.7**
Depreciation and amortization	-219.6	-309.9	0.0	0.3	-529.2
Operating income	**35.6**	**277.3**	**-13.3**	**0.8**	**300.5**
Financial result					-96.0
Income before income taxes					**204.5**
Segment assets	2,278.8	6,453.5	6,566.8	-7,564.5	7,734.6
Segment liabilities	-1,213.7	-4,648.5	-4,855.2	4,485.4	-6,232.0

	Fixed Net	Mobile Communication	Corporate & Other	Eliminations	Consolidated
1 - 6 M 2009					
External revenues	845.7	1,543.1	0.0	0.0	2,388.8
Intersegmental revenues	80.7	47.8	0.0	-128.5	0.0
Total revenues	**926.4**	**1,590.9**	**0.0**	**-128.5**	**2,388.8**
Other operating income	28.5	17.8	3.4	-16.4	33.3
Segment expenses	-655.1	-988.7	-15.4	141.9	-1,517.3
EBITDA	**299.8**	**620.0**	**-12.0**	**-3.0**	**904.8**
Impairment charges	-0.2	-	-	-	-0.2
EBITDA (incl. Impairment charges)	**299.6**	**620.0**	**-12.0**	**-3.0**	**904.6**
Depreciation and amortization	-231.2	-323.5	0.0	0.4	-554.3
Operating income	**68.4**	**296.5**	**-12.0**	**-2.6**	**350.3**
Financial result					-132.6
Income before income taxes					**217.7**
Segment assets	2,400.6	6,780.9	7,307.7	-7,777.7	8,711.5
Segment liabilities	-1,316.3	-4,720.1	-5,616.0	4,619.3	-7,033.1

Net Debt*

in EUR million	June 30, 2010 unaudited	Dec. 31, 2009 audited
Long-term debt	3,019.5	3,234.8
Short-term borrowings	1,083.6	1,501.6
Cash and cash equivalents, short-term and long-term investments, finance lease receivables	-386.0	-1,099.0
Derivative financial instruments for hedging purposes	-126.8	-22.5
Net debt	**3,590.3**	**3,614.8**
Net debt/EBITDA (last 12 months)	**2,1x**	**2,0x**

* Cross border lease and finance lease obligations are included in long-term debt and short-term borrowings. Deposits for cross border lease are included in short-term and long-term investments. The purchase price obligation related to the acquisition of SBT is included in short-term debt.

Results by Segments

in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1 - 6 M 2010	1 - 6 M 2009	% change
Revenues						
Fixed Net	458.5	456.9	0.4%	910.6	926.4	-1.7%
Mobile Communication	778.4	800.6	-2.8%	1,512.6	1,590.9	-4.9%
Corporate, Other & Eliminations	-68.2	-65.8	3.6%	-128.5	-128.5	0.0%
Revenues	**1,168.7**	**1,191.7**	**-1.9%**	**2,294.7**	**2,388.8**	**-3.9%**
EBITDA						
Fixed Net	108.8	142.0	-23.4%	255.2	299.8	-14.9%
Mobile Communication	301.0	313.7	-4.0%	587.2	620.0	-5.3%
Corporate, Other & Eliminations	-6.0	-5.7	5.3%	-12.7	-15.0	-15.3%
EBITDA	**403.8**	**450.0**	**-10.3%**	**829.7**	**904.8**	**-8.3%**
Operating income						
Fixed Net	-3.9	23.4	-116.7%	35.6	68.4	-48.0%
Mobile Communication	144.0	152.4	-5.5%	277.3	296.5	-6.5%
Corporate, Other & Eliminations	-5.9	-5.6	5.4%	-12.4	-14.6	-15.1%
Operating income	**134.2**	**170.2**	**-21.2%**	**300.5**	**350.3**	**-14.2%**

Capital Expenditures by Segments

in EUR million (unaudited)	2Q 2010	2Q 09	% change	1 - 6 M 2010	1 - 6 M 09	% change
Fixed Net	80.5	55.9	44.0%	145.7	89.4	63.0%
Mobile Communication	79.6	93.4	-14.8%	150.8	175.9	-14.3%
Total capital expenditures	**160.1**	**149.3**	**7.2%**	**296.5**	**265.3**	**11.8%**
Thereof tangible	131.4	117.0	12.3%	226.6	198.0	14.4%
Thereof intangible	28.7	32.3	-11.1%	69.9	67.3	3.9%

Personnel

	End of period			Average of period		
Personnel (full-time equivalent)	**Jun. 30, 2010**	**Jun. 30, 2009**	**change**	**2Q 2010**	**2Q 2009**	**change**
Fixed Net	7,939	8,216	-277	7,956	8,213	-257
Mobile Communication	8,591	8,643	-52	8.613	8,612	1
Telekom Austria Group	16,530	16,859	-329	16,569	16,825	-256

Key Data Fixed Net

Lines (in '000)	2Q 2010	2Q 2009	% change
Access lines (without broadband lines)	1,214.7	1,357.8	-10.5%
Fixed Net broadband retail lines	1,036.3	895.8	15.7%
Fixed Net broadband wholesale lines	53.3	62.6	-14.8%
Fixed Net broadband lines	1,089.6	958.4	13.7%
Total access lines	2,304.3	2,316.2	-0.5%
Lines unbundled	282.0	291.6	-3.3%

Other Operationals	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Average revenues per access line (ARPL)	34.2	34.5	-0.9%	34.2	35.1	-2.2%
Total voice minutes	744	839	-11.4%	1,528	1,752	-12.8%

Fixed Net revenues in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Access, Voice and Broadband	237.4	240.4	-1.2%	474.4	490.4	-3.3%
Data	93.5	96.7	-3.4%	185.2	194.2	-4.6%
Wholesale Voice & Internet	88.6	86.6	2.4%	176.9	176.6	0.2%
Others	39.0	33.2	17.5%	74.1	65.2	13.7%
Fixed Net revenues	458.5	456.9	0.4%	910.6	926.4	-1.7%

Austrian Telecommunications Market

Broadband Market Shares	2Q 2010	2Q 2009	% change
Telekom Austria Fixed Net Retail	30.1%	29.9%	-
Telekom Austria Fixed Net Wholesale	1.5%	2.1%	-
Mobile broadband mobilkom austria	18.1%	15.5%	-
Mobile broadband other operators	27.3%	24.0%	-
Cable	15.4%	19.4%	-
Unbundled lines	7.6%	9.1%	-
Broadband penetration - Total market	98.1%	83.1%	-

Voice Market Shares	2Q 2010	2Q 2009	% change
Fixed Net Telekom Austria	12.8%	14.8%	-
Fixed Net Others	7.4%	8.3%	-
Mobile	79.8%	76.9%	-

Key Data Mobile Communication

Mobile Communication in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	778.4	800.6	-2.8%	1,512.6	1,590.9	-4.9%
EBITDA	301.0	313.7	-4.0%	587.2	620.0	-5.3%
Operating income	144.0	152.4	-5.5%	277.3	296.5	-6.5%
Data as a portion of traffic-related revenues	30.6%	27.7%	-	31.3%	28.8%	-

	2Q 2010	2Q 2009	% change
Subscribers ('000)	19,207.8	18,140.1	5.9%

mobilkom austria in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	375.0	391.8	-4.3%	740.2	795.4	-6.9%
EBITDA	137.8	147.1	-6.3%	282.2	307.8	-8.3%
Operating income	80.7	89.3	-9.6%	167.8	191.3	-12.3%
Monthly ARPU (EUR)	22.6	25.5	-11.4%	22.4	25.5	-12.2%
Data as a portion of traffic-related revenues	40.6%	35.1%	-	40.9%	36.2%	-
Subscriber acquisition cost (SAC)	8.6	11.4	-24.6%	15.8	25.7	-38.5%
Subscriber retention cost (SRC)	18.8	20.4	-7.8%	36.8	39.1	-5.9%
Churn (3 months)	3.4%	3.4%	-	7.1%	7.3%	-
Monthly MOU charged/ø subscriber	160.0	163.8	-2.3%	159.9	166.0	-3.7%

	2Q 2010	2Q 2009	% change
Subscribers ('000)	4,967.4	4,628.4	7.3%
Contract share	74.7%	70.9%	-
Market share	42.1%	42.3%	-
Market penetration	140.4%	130.8%	-

Mobiltel, Bulgaria, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	141.7	157.7	-10.1%	277.2	307.8	-9.9%
EBITDA	77.0	87.9	-12.4%	149.5	164.5	-9.1%
Operating income	33.6	42.8	-21.5%	64.1	74.4	-13.8%
Monthly ARPU (EUR)	8.5	9.5	-10.5%	8.3	9.1	-8.8%
Data as a portion of traffic-related revenues	17.1%	13.8%	-	17.5%	14.2%	-

	2Q 2010	2Q 2009	% change
Subscribers ('000)	5,241.4	5,205.4	0.7%
Contract share	62.1%	56.3%	-
Market share	50.2%	50.0%	-
Market penetration	138.4%	137.5%	-

Key Data Mobile Communication

Velcom*, Belarus, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	86.4	75.6	14.3%	159.9	148.4	7.7%
EBITDA	42.2	38.8	8.8%	77.0	75.5	2.0%
Operating income	21.6	20.8	3.8%	38.0	39.0	-2.6%
Monthly ARPU (EUR)	6.4	6.4	0.0%	5.9	6.3	-6.3%

	2Q 2010	2Q 2009	% change
Subscribers ('000)	4,144.9	3,817.4	8.6%
Market share	41.1%	43.1%	-
Market penetration	106.3%	91.5%	-

Vipnet, Croatia, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	110.5	119.3	-7.4%	210.8	224.7	-6.2%
EBITDA	36.2	40.6	-10.8%	65.0	73.2	-11.2%
Operating income	19.2	22.7	-15.4%	31.2	37.3	-16.4%
Monthly ARPU (EUR)	11.4	12.3	-7.3%	11.2	12.2	-8.2%
Data as a portion of traffic-related revenues	26.1%	30.0%	-	27.2%	30.7%	-

	2Q 2010	2Q 2009	% change
Subscribers ('000)	2,638.3	2,609.0	1.1%
Contract share	24.9%	23.3%	-
Market share	43.4%	43.3%	-
Market penetration	137.8%	136.5%	-

Si.mobil*, Slovenia, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	42.2	42.4	-0.5%	81.7	88.1	-7.3%
EBITDA	11.7	11.4	2.6%	23.2	21.7	6.9%
Operating income	6.4	5.8	10.3%	12.7	10.4	22.1%
Monthly ARPU (EUR)	20.6	21.2	-2.8%	20.0	21.5	-7.0%
Data as a portion of traffic-related revenues	25.2%	20.7%	-	25.4%	21.0%	-

	2Q 2010	2Q 2009	% change
Subscribers ('000)	591.7	581.8	1.7%
Contract share	70.0%	68.1%	-
Market share	28.2%	28.0%	-
Market penetration	101.9%	102.4%	-

* 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.

Key Data Mobile Communication

Vip mobile, Republic of Serbia, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	25.9	18.4	40.8%	49.1	33.8	45.3%
EBITDA	-2.1	-7.4	71.6%	-7.1	-14.2	50.0%
Operating income	-13.3	-22.8	41.7%	-29.5	-44.2	33.3%
Monthly ARPU (EUR)	6.1	5.3	15.1%	5.9	5.0	18.0%

	2Q 2010	2Q2009	% change
Subscribers ('000)	1,264.7	1,067.5	18.5%
Market share	13.0%	10.7%	-
Market penetration	130.6%	133.2%	-

Vip operator, Republic of Macedonia, in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	8.5	5.2	63.5%	15.4	9.1	69.2%
EBITDA	-1.6	-4.0	60.0%	-3.1	-8.3	62.7%
Operating income	-3.7	-5.7	35.1%	-7.4	-11.7	36.8%
Monthly ARPU (EUR)	6.6	6.5	1.7%	6.3	5.6	12.5%

	2Q 2010	2Q 2009	% change
Subscribers ('000)	353.2	224.4	57.4%
Market share	17.1%	9.6%	-
Market penetration	101.6%	114.6%	-

mobilkom liechtenstein in EUR million (unaudited)	2Q 2010	2Q 2009	% change	1- 6 M 2010	1-6 M 2009	% change
Revenues	1.6	4.6	-65.2%	3.4	10.2	-66.7%
EBITDA	0.3	1.0	-70.0%	0.7	1.8	-61.1%
Operating income	0.1	0.8	-87.5%	0.3	1.4	-78.6%

	2Q 2010	2Q 2009	% change
Subscribers ('000)	6.2	6.2	0.0%

Selected Notes

Selected Explanatory Notes to the Consolidated Interim Financial Statements (unaudited nor reviewed by a certified public accountant)

Basis of Presentation

The consolidated interim financial statements, in the opinion of management, include all adjustments necessary for a fair presentation in accordance with International Financial Reporting Standards (IFRS).

These financial results in accordance with IAS 34 "Interim Financial Reporting" are not audited or reviewed and should be read in connection with the Company's annual consolidated financial statements according to IFRS for the year ended December 31, 2009. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees occurred since December 31, 2009.

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, 2009 except for "IFRIC 17- Distributions of Non-cash Assets to Owners, IFRIC 18- Transfers of Assets from Customers, IFRIC 9 and IAS 39- Amendments to IFRIC 9 and IAS 39: Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement: Eligible Hedged Items, IFRS 2 - Group Cash-settled Share-based Payment Transactions, IFRS 1 - Additional Exemptions, IFRS 3 and IAS 27 –

Business Combinations, Consolidated and Separate Financial Statements, IAS 39 and IFRS 7 - Reclassification of Financial Assets: Effective Date" which became effective during 2009 and as of January 1, 2010.

The Company has adopted these standards/interpretations as of January 1, 2010. The effects of these new Standards/Interpretations, if any, on the consolidated financial statements were insignificant.

Compared to other economic sectors the telecommunications industry is in general less cyclical. Within the telecommunication sector the seasonality of the Company's 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 Combinations
There were no business combinations in the six months period ended June 30, 2010.

Non-current liabilities, Short-Term Borrowings
An amount of EUR 579.7 million of long term debt was repaid in the six months period ended June 30, 2010. EUR 500.0 million relate to the repayment of a Eurobond issued in January 2005.
Short-term borrowings decreased as the bond was reported as short-term as of December 31, 2009. Additionally short-term debt was repaid in the six months period ended June 30, 2010. The decrease in long-term debt is due to the shift of maturing long-term debt to short-term borrowings.

The Telekom Austria Group has introduced a Long Term Incentive Program. Participants may invest an amount up to 65% (Executive Board) or 20%-35% (other selected management) of their gross basic salaries in Telekom Austria shares until August 30, 2010 and will have to hold these shares until December 31, 2012 (end of holding period). The number of these shares is calculated on the basis of the average Telekom Austria stock price in the period January 1 to December 8, 2009.

The grant date will be September 1, 2010. The financial years 2010, 2011 and 2012 are the performance period. At the start of the program (January 1, 2010) target levels were established for key performance indicators (free cash flow - FCF, total shareholder return - TSR, EBITDA) and weighted (45%, 35%, 20%). If the targets are fully attained bonus shares equal to the personal investment will be allocated to the participants. At the vesting date (December 31, 2012) bonus shares will be allocated to the participants and are expected to be settled in cash. If the targets are exceeded, additional shares will be allocated up to a maximum of 175% of the shares on a pro rata basis. At a minimum 25% of the shares due on 100% attainment will be allocated (only in case of a drastic underperformance no shares will be allocated).

A liability is recognised for the expected future expense of the long term incentive program at balance sheet date based on fair value. Fair value is determined using a model considering the expected target achievement and the expected share price. Expected dividends were incorporated into the measurement. The liability is recognized over the vesting period. As of June 30, 2010 the liability amounted to EUR 1.1 million.

Provisions and accrued liabilities
In the 2Q 2010, the discount rate applied in the calculation of asset retirement obligations was changed from 5.5% to 4.5% to reflect current market conditions in the individual countries. This change in estimate resulted in an increase in the asset retirement obligation and a corresponding increase in related tangible assets in the amount of EUR 14.6 million.

As of June 30, 2010 31 civil servants formerly employed by the Fixed Net segment changed to the police force to take on administrative tasks. Due to contractual agreements, the transfer resulted in employee expenses of EUR 8.5 million and a corresponding provision and current liability in the same amount.

Income Taxes
The effective tax rate for the six months periods ended June 30, 2010 and 2009 was 21.8% and 23.0%. In the six months period ended June 30, 2010, the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 83.5 million as of December 31, 2009 decreased to EUR 62.4 million mainly due to the recognition of the deferred impairments of investments in subsidiaries for tax purposes over seven years according to Austrian legislation.

Foreign currency translation adjustment
The foreign currency translation adjustment mainly results from the consolidation of Velcom in Belarus and Vip mobile in Serbia. In the six month period ended June 30, 2010 the appreciation of the

Belarusian Ruble resulted in a positive adjustment of EUR 78.5 million whereas the devaluation of the Serbian Dinar lead to a negative adjustment of EUR 26.4 million. In the six month period ended June 30, 2009 the devaluation of the Belarusian Ruble resulted in a negative adjustment amounting to EUR 290.3 million.

Other Events

No major other events took place.

Subsequent Events

On July 12, 2010 the Telekom Austria Group acquired the remaining stake of 16.67 % in paybox austria GmbH for a purchase price of approximately EUR 0.6 million after the approval of the Austrian competition authorities.

On July 8, 2010 the company A1 Telekom Austria AG was created as a result of the merger between Telekom Austria TA AG and mobilkom austria AG. A1 Telekom Austria AG is now in the position to offer convergent products for voice telephony, Internet access, data and IT solutions, value added services, wholesale services, mobile business and payment solutions in Austria.

Telekom Austria Group has realigned its management structure. As a result, the future segment reporting will be based on geographical markets, instead of the current segmentation in fixed and mobile business. The Group will report separately on the five operating segments, Austria, Bulgaria, Croatia, Belarus and Other Markets. The segment Corporate & Other performs strategic and cross-divisional management functions and takes on responsibility for the connection to the capital markets.

Statement of all Legal Representatives

Declaration of the Management Board according to § 87 Abs 1 Z 4 Börsegesetz

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards (IFRS) and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, August 18, 2010

The Management Board

Hannes Ametsreiter
Chief Executive Officer Telekom Austria AG,
Chief Executive Officer A1 Telekom Austria AG

Hans Tschuden
Chief Financial Officer Telekom Austria AG
Vice Chairman Telekom Austria AG