

Results for the First Half 2012

Highlights

- > First half of 2012 results markedly impacted by heavy competition in major markets and macro-economic headwinds in CEE
- > Almost stable Group EBITDA comparable margin reflects effective countermeasures taken in all segments
- > Group Revenues decline by 4.9% to EUR 2,118.3 mn mostly due to lower revenues in the Austrian segment
- > Intensified focus on cost control results in cost savings amounting to EUR 68.7 mn and dampens revenue pressure on Group EBITDA comparable
- > New Ambition Program: rebalancing of initiatives protects target amount of approximately EUR 40 mn operating Free Cash Flow* target for 2012
- > Revised Group Guidance 2012:
 - > Revenues: approximately EUR 4.2 bn
 - > EBITDA comparable: EUR 1.40 bn to EUR 1.45 bn
 - > CAPEX**: EUR 0.70 bn to EUR 0.75 bn
 - > Operating Free Cash Flow*: EUR 0.70 bn – EUR 0.75 bn
- > Dividend per share of EUR 0.38*** for 2012

in EUR million	Q2 2012	Q2 2011	% change	1-6 M 2012	1-6 M 2011	% change
Revenues	1,063.2	1,109.3	-4.2%	2,118.3	2,227.3	-4.9%
EBITDA comparable	364.8	380.8	-4.2%	726.2	777.6	-6.6%
Operating income	99.1	85.0	16.6%	211.1	42.7	n.m.
Net income	34.0	20.0	70.5%	80.9	-59.2	n.a.
Earnings per share (in EUR)	0.08	0.05	70.6%	0.18	-0.13	n.a.
Free cash flow per share (in EUR)	0.22	0.35	-36.7%	0.33	0.42	-21.7%
Capital Expenditures	185.1	156.7	18.1%	330.9	277.1	19.4%

in EUR million	June 30, 2012	Dec. 31, 2011	% change
Net Debt	3,417.4	3,380.3	1.1%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.3x	2.2x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income tax expense, depreciation and amortization, restructuring and impairment charges.

* Operating Free Cash Flow = EBITDA comparable – CAPEX (excluding investments for licenses and spectrum and acquisitions)

** Does not include investments for licenses and spectrum and acquisitions

*** Intension of proposal at AGM 2013

Content

Interim Management Report	1
Group Review	I
Year-to-Date Comparison	5
Quarterly Analysis	10
Additional Information	18
Interim Consolidated Financial Statements Telekom Austria Group	19
Selected Notes	31
Statement of All Legal Representatives	34

Interim Management Report

Group Review

Vienna, 16 August 2012 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first half and the second quarter 2012 ending 30 June 2012.

Summary

Year-to-Date Comparison:

A highly competitive landscape, a challenging economic environment in most of its major markets and regulatory burdens on mobile termination and roaming rates characterized the operational environment of Telekom Austria Group and translated in a Group revenue decline of 4.9% to EUR 2,118.3 million. Revenue declines in the Austrian, Bulgarian and Belarusian segments were partly compensated by growth in the Croatian and Additional Markets segments. In the first half of 2012 the Austrian market was negatively impacted by intensified competition leading to a decline in pricing levels and ongoing fixed-to-mobile substitution. Severe pricing pressure combined with strong macro-economic headwinds negatively impacted results in the Bulgarian as well as in the Croatian segments. Nevertheless, in the Croatian market the positive contribution from the fixed line business which was acquired last year led to a rise in revenues. The Belarusian segment exhibited a strong operational performance, which could partly compensate for the devaluation of the Belarus ruble in 2011. On a local currency basis and before any adjustments for hyperinflation accounting revenues grew by 71.1%. In the Additional Markets segment growth was primarily driven by a higher number of subscribers and a rise in usage. Excluding the negative net impact of EUR 151.9 million from hyperinflation accounting and foreign currency translations in all segments, Group revenues increased by 1.9% to EUR 2,270.2 million in the first half of 2012.

Group EBITDA comparable, which does not include effects from restructuring and impairment tests, declined by 6.6% to EUR 726.2 million during the first half of 2012. Cost savings of EUR 68.7 million, stemming primarily from the Austrian segment, could partly offset revenue pressure on EBITDA comparable. In the Bulgarian and Croatian segments a strict focus on cost control translated into a decline in operating expenses. In the Additional markets segment, EBITDA comparable increased strongly as higher revenues offset the rise in revenue related costs. Excluding the impact from foreign exchange translations in all segments and hyperinflation accounting, Group EBITDA comparable increased by 1.6% to EUR 790.0 million.

In the first half of 2012 a restructuring charge of EUR 11.1 million was recorded in the Austrian segment compared to a restructuring charge of EUR 218.6 million in the first half of 2011.

The financial result remained almost stable as the income from foreign exchange differences, following the improvement of the Belarusian exchange rate in 2012 and the net monetary gain from hyperinflation accounting, was offset by higher interest expenses due to the issuance of a EUR 750 million bond. Group net income turned from a net loss of EUR 59.2 million to a net gain of EUR 80.9 million in the first half of 2012.

Capital expenditures increased by 19.4% to EUR 330.9 million in the first half of 2012. In the Austrian segment higher capital expenditures were driven by access investments in the fixed and mobile networks. Capital expenditures in the Bulgarian and Croatian segments increased due to the fixed line acquisitions in 2011.

Quarterly Comparison:

In the second quarter of 2012 Group revenues declined by 4.2%, amounting to EUR 1,063.2 million, and include a negative net effect from hyperinflation accounting and foreign exchange translations in all segments in the amount of EUR 55.3 million, mainly resulting from the Belarusian segment. The decline in revenues was mainly driven by the Austrian segment due to a markedly intensified competition. Further-

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q2 2012") are available on our website at www.telekomaustria.com.

Results for the third quarter 2012 will be announced on 14 November, 2012.

Contacts:

Investor Relations
Matthias Stieber
Director Investor Relations
Tel: +43 (0) 50 664 39126
E-Mail:
matthias.stieber@telekomaustria.com

Corporate Communications
Peter Schiefer
Press-Spokesman
Tel: +43 (0) 50 664 39131
E-Mail:
peter.schiefer@telekomaustria.com

more, revenues in the Bulgarian segment decreased due to the ongoing challenging macro-economic environment and lower pricing levels. Revenue growth in all other segments could partially offset lower revenues in the Austrian and Bulgarian segments. In the Croatian segment revenues increased slightly due to the contribution of the fixed line business. In the Belarusian segment an ongoing strong operational performance outweighed the negative net effect from hyperinflation accounting and foreign exchange translation and resulted in an increase in revenues by 5.2%, in local currency and before hyperinflation accounting adjustments even by 71.5%. Revenues in the Additional Markets segment benefitted from rising subscriber numbers. Excluding the impacts of hyperinflation accounting and foreign currency translation in all segments Group revenues increased by 0.8% and amounted to EUR 1,118.5 million.

Costs saving in almost all segments mitigate the negative impact of lower revenues on Group EBITDA comparable

Group EBITDA comparable, which does not include effects from restructuring and impairment tests, declined by 4.2% and amounted to EUR 364.8 million whereof a negative net effect of EUR 23.7 million was related to hyperinflation accounting and foreign exchange translations in all segments. Savings in the Austrian, Bulgarian, Croatian and Additional Markets segments resulted in a reduction of total operating expenses by EUR 39.5 million and thus limited the negative impact of lower revenues. In the Belarusian segment operating expenses increased due to consumer price index adjustments and the net effect from hyperinflation accounting and foreign exchange translation.

In the Austrian segment restructuring charges for civil servants amounted to EUR 6.6 million in the second quarter of 2012 compared to EUR 34.6 million in the previous year. Depreciation and amortization charges declined slightly to EUR 259.0 million as a result of a lower contribution from the Austrian segment mainly due to fully depreciated assets. These effects resulted in an increase of operating income by 16.6% to EUR 99.1 million in the second quarter of 2012.

Group capital expenditures increased by 18.1% to EUR 185.1 million as a result of higher capital expenditures in the Austrian segment, due to higher mobile access investments and the Giganet rollout. In the Croatian segment higher capital expenditures were driven by the fixed line business and infrastructure investments. A rise in network and mobile infrastructure investments in the Additional Markets segment led to higher capital expenditures.

Market Environment

Telekom Austria Group operates in a highly competitive environment both in the fixed line and the mobile communication markets with negative pricing trends visible in all segments. Regulatory measures, particularly on mobile termination rates and roaming tariffs, impact domestic as well as international activities negatively. A clear focus on value customer segments, innovative and customer oriented products in both the fixed line and the mobile businesses are essential for the success of Telekom Austria Group as well as the improvement of productivity and the continuous assessment of cost structures.

In Austria, the telecommunication market is characterized by fierce competition and ongoing fixed-to-mobile substitution. In the first half of 2012 the competitive environment in the mobile communication market intensified markedly leading to significantly lower pricing levels for package as well as data tariffs. In the fixed line market the ongoing loss of fixed voice minutes, due to the fixed-to-mobile substitution, remains a key challenge.

In CEE, strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal changes affect operations in the CEE region. A new glide path for domestic and international mobile termination rates will severely impact the Bulgarian operation as of 1 July 2012 whilst Croatia will benefit from the abolishment of the mobile revenue tax as of 9 July 2012. Uncertainty remains with respect to foreign exchange markets. During the first half of 2012 the EUR-BYR rate exhibited a stable performance whilst the Serbian Dinar lost 9.7% versus the Euro.

Telekom Austria Group Refines Outlook for Full Year 2012

Telekom Austria Group's operating markets are characterized by a number of negative external factors some of which intensified further during H1 2012. Increased competition in Telekom Austria Group's major markets, such as Austria, Bulgaria and Croatia, has led to further price erosion and is expected to persist throughout the second half of 2012. This deterioration of mobile pricing spurs the ongoing fixed-to-mobile voice substitution in Telekom Austria Group's home market and hampers fixed line data tariff initiatives. In addition, regulatory burdens such as lower roaming charges as well as cuts in national and international mobile termination rates will continue to impact the Group, particularly Bulgaria, in second half of 2012.

Economic headwinds are anticipated to remain strong in Telekom Austria Group's markets in the CEE region in 2012. This will continue to impact customer demand and pricing levels. Markets such as Belarus or the Republic of Serbia, are expected to exhibit continued foreign exchange volatility. Furthermore Belarus, which was classified as a hyperinflation country in 2011, is anticipated to endure high inflation also in 2012.

Telekom Austria Group's revised outlook for the full year 2012 reflects these adverse developments as well as the Group's intensified efforts to mitigate their impact on its results. With a focus on operating free cash flow, additional cost savings as well as increased capital expenditures efficiency will limit the impact from revenue pressure.

As a consequence, the Telekom Austria Group anticipates revenues to amount to approximately EUR 4.2 billion and EBITDA comparable to come in a range between EUR 1.40 and 1.45 billion for the full year 2012. With expected capital expenditures of EUR 700 – 750 million operating free cash flow* is forecasted to reach EUR 700 – 750 million.

DPS of EUR 0.38 in 2012

For 2012, the management confirms its intention to distribute a dividend of EUR 0.38 per share. As of 2013, the targeted payout ratio is defined as 55% of free cash flow** to the extent that the dividend does not lead to a deterioration of Group equity. Maintaining a stable investment grade rating of at least "BBB (stable outlook)" remains central to the Telekom Austria Group's financial profile.

A leverage corridor of 2.0x – 2.5x Net Debt/EBITDA comparable provides ample financial flexibility. Potential growth projects will be benchmarked to share buybacks based on the potential cash flow generation per share. Share buybacks will take place if leverage falls below 2.0x Net Debt/EBITDA comparable. A stable business and currency environment remains a prerequisite for share buybacks.

The outlook for the full year 2012 is given on a constant currency basis for all markets of the Telekom Austria Group and without any effects of hyperinflation accounting in the Belarusian segment.

Telekom Austria Group	Outlook 2012 as of 10 May 2012	Outlook 2012 as of 16 August 2012
Revenues	approximately EUR 4.4 bn	approximately EUR 4.2 bn
EBITDA comparable	approximately EUR 1.5 bn	EUR 1.40 – 1.45 bn
Capital Expenditures	approximately EUR 0.75 bn	EUR 0.70 – 0.75 bn
Operating Free Cash Flow*	approximately EUR 0.75 bn	EUR 0.70 – 0.75 bn
Dividend	DPS of EUR 0.38	DPS of EUR 0.38

* Operating Free cash flow = EBITDA comparable minus capital expenditures (excluding investments for licenses and spectrum auctions)

**Free cash flow = Cash flow from operating activities minus capital expenditures (excluding investments for licenses and spectrum auctions)

Year-to-Date Comparison

Revenues

Revenues			
in EUR million	1–6 M 2012	1–6 M 2011	% change
Austria	1,379.9	1,469.4	–6.1%
Bulgaria	243.0	263.9	–7.9%
Croatia	194.3	190.8	1.9%
Belarus	136.9	162.8	–15.9%
Additional Markets	203.3	183.6	10.7%
Corporate & Holding, Eliminations	–39.2	–43.1	–9.1%
Total	2,118.3	2,227.3	–4.9%

In the first half of 2012 Group revenues declined by 4.9% to EUR 2,118.3 million, as higher revenues from the Croatian and Additional markets segments could partly compensate for lower results from the other segments. Intensified competition led to lower pricing levels particularly in the Austrian, Bulgarian and Croatian segments. In the Belarusian segment hyperinflation accounting has been applicable since the fourth quarter 2011, following inflation reaching 108% in 2011. Excluding the impact of foreign exchange translations in all segments and hyperinflation accounting Group revenues grew by 1.9% to EUR 2,270.2 million.

In the Austrian segment revenues declined by 6.1% as competition intensified significantly. This led to lower pricing levels translating into a decline of Monthly Fee and Traffic revenues by 5.4% to EUR 962.5 million. A 2.2% rise in the mobile subscriber base could only partly mitigate the negative impact of lower prices and the continued shift to package tariffs. Furthermore, the ongoing fixed-to-mobile substitution and lower termination rates added to the decline. While revenues from Data & ICT Solutions increased due to higher number of ICT projects, Wholesale (including roaming) revenues declined due to lower pricing levels for national data products in the wholesale business. Interconnection revenues remained almost stable as a positive one-off effect of EUR 10.1 million recorded in the first quarter of 2012 compensated for lower prices. Equipment revenues declined due to lower quantities of handsets sold. Other revenues declined as revenues from the former subsidiary Mass Response of EUR 22.2 million were included in the results of the first half of 2011.

In the Bulgarian segment revenues declined by 7.9% as a consequence of a laggard domestic economy and a fierce competitive environment. These factors resulted in a decline in usage and lower prices and thus in lower Monthly Fee and Traffic revenues. Lower prices impacted roaming revenues negatively and led to a decline of Wholesale (including roaming) revenues. Interconnection revenues remained stable as a result of stable mobile termination rates following the postponement of a further reduction of national and international mobile termination rates to July 2012. In addition, higher national volumes and a higher contribution from the fixed line business offset lower international volumes. In the first half of 2012 fixed line service revenues amounted to EUR 10.2 million. Other operating income declined in the first half of 2012 due to an exceptional warranty payment that was recorded in the first half of 2011.

In the first half of 2012 the Croatian segment was characterized by strong macro-economic headwinds and fierce competition in the mobile market. This impacted pricing levels negatively and thus resulted in a decline of Monthly Fee and Traffic revenues. Nevertheless, backed by a positive contribution from fixed line services, Vipnet recorded a 1.9% rise in revenues amounting to EUR 194.3 million. Interconnection revenues increased mainly due to fixed line services which compensated for the decline in termination rates. Wholesale (including roaming) and Equipment revenues declined due to lower inter-operator tariffs and a lower number of handsets sold, respectively. In the first half of 2012 fixed line service revenues amounted to EUR 24.2 million. Negative foreign exchange translations amounted to EUR 3.8 million in the first half of 2012.

In the Belarusian segment revenues declined by 15.9% in first half of 2012, including a negative net amount of EUR 141.7 million from hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting revenues rose by 71.1% which was driven by price

Group revenues include a negative net effect of EUR 141.7 million from hyperinflation accounting and foreign exchange translations in Belarusian segment

increases as well as continued subscriber growth and strong demand for mobile broadband solutions. Furthermore price increases by 16% on average supported operating results in the first half of 2012.

In the Additional Markets segment revenues grew by 10.7% in the first half of 2012. In Slovenia a strict focus on value customers translated into a higher number of subscribers and handsets sold which more than compensated for the decline in roaming and interconnection revenues. In the Republic of Serbia and in the Republic of Macedonia a higher contract subscriber number and a higher usage translated into revenue growth. In the Additional Markets segment a negative effect from foreign exchange translations in the amount of EUR 6.5 million was recorded in the first half of 2012, stemming predominantly from a 9.7% decline of the Serbian Dinar versus the Euro.

EBITDA

EBITDA comparable

in EUR million	1–6 M 2012	1–6 M 2011	% change
Austria	462.2	497.8	-7.1%
Bulgaria	110.0	135.5	-18.8%
Croatia	60.8	52.0	16.8%
Belarus	55.3	75.4	-26.7%
Additional Markets	53.5	36.0	48.5%
Corporate & Holding, Eliminations	-15.6	-19.2	-18.9%
Total	726.2	777.6	-6.6%

Group EBITDA comparable impacted negatively by EUR 60.8 million due to hyperinflation accounting and foreign exchange translations in the Belarusian segment

In the first half of 2012 Group EBITDA comparable declined by 6.6%, as growth from the Croatian and Additional Markets segments could only partly compensate for the decline in the Austrian, Bulgarian and Belarusian segments. In the Belarusian segment a negative net amount of EUR 60.8 million from hyperinflation accounting and foreign exchange translations was recorded in the first half of 2012. Excluding the impact of hyperinflation accounting and foreign exchange translations in all segments Group EBITDA comparable grew by 1.6% and amounted to EUR 790.0 million.

In the Austrian segment EBITDA comparable declined by 7.1% as a strict focus on cost control could partly compensate for the decline in revenues. Total cost reductions amounted to EUR 56.4 million and were primarily a result of lower Material expenses and Other costs as well as a decline in costs for Services received. Material expenses declined due to a lower number of handsets sold. Personnel expenses remained almost stable as a lower number of full-time equivalents compensated for annual salary increases. Interconnection expenses declined due to lower tariffs and include a negative one-off effect of EUR 3.1 million recorded in the first quarter of 2012. The decline in costs for Services received was primarily driven by the sale of Ar's subsidiary Mass Response Service GmbH in September 2011. Despite higher volumes, roaming costs declined primarily due to lower tariffs and contributed to a decline of costs for Services received. The decline in Other costs was primarily driven by a reduction of marketing costs.

In the Bulgarian segment strict focus on cost control dampened the negative impact of revenue pressure on EBITDA comparable, which declined by 18.8% in the first half of 2012. While Material expenses and Personnel expenses remained almost stable, Other costs declined primarily as a result of lower marketing and sales costs as well as lower bad debt provisions. A headcount reduction of 13% supported a stable development of Personnel expenses. Interconnection expenses increased due to higher volumes partly driven by the fixed line business.

In the first half of 2012 in the Croatian segment EBITDA comparable increased by 16.8%. Strict focus on costs led to a decline in operating expenses by 3.9% to EUR 134.5 million. Material expenses declined due to a lower number of handsets sold. Personnel expenses declined as a consequence of headcount reductions in the first half of 2011. While Interconnection expenses remained almost stable, costs for Service received

increased primarily due to the integration of the fixed line operator B.net. Other costs declined due to a reduction of overhead costs and lower marketing and sales costs. A negative effect of EUR 1.2 million from foreign exchange translations was recorded in the Croatian segment in the first half of 2012.

In the Belarusian segment EBITDA comparable declined by 26.7%, whereof a negative net amount of EUR 60.8 million resulted from hyperinflation accounting and foreign exchange translations. On a local currency basis and before any hyperinflation accounting adjustments EBITDA comparable increased by 53.9%. This was primarily a result of higher revenues and continued efforts to reduce foreign exchange denominated costs. Operating expenses increased in local currency mainly due to revenue related expenses such as Material expenses, Interconnection expenses and roaming costs as well as higher Personnel expenses.

In the Additional Markets segment EBITDA comparable exhibited strong growth and increased by 48.5%. In Slovenia and the Republic of Serbia operating expenses increased as higher revenues translated into higher revenue related expenses. In Slovenia, Material expenses increased in the first half of 2012 backed by the strong demand for Smartphones. Interconnection expenses declined as higher volumes were offset by lower termination rates. In addition, in the Republic of Macedonia EBITDA comparable growth benefited from a decline in operating expenses, which was primarily driven by lower marketing and sales costs. A negative effect of EUR 1.9 million from foreign exchange translations was recorded in the first half of 2012 in the Additional Markets segment

EBITDA incl. effects from restructuring and impairment tests

in EUR million	1–6 M 2012	1–6 M 2011	% change
Austria	451.2	279.2	61.6%
Bulgaria	110.0	135.5	–18.8%
Croatia	60.8	52.0	16.8%
Belarus	55.3	75.4	–26.7%
Additional Markets	53.5	36.0	48.5%
Corporate & Holding, Eliminations	–15.6	–19.2	–18.9%
Total	715.1	558.9	27.9%

Group EBITDA incl. effects from restructuring and impairment tests increased by 27.9%. This was primarily a result of the reduction in restructuring charges in the Austrian segment from EUR 218.6 million in the first half of 2011 to EUR 11.1 million in the first half of 2012. In the first half 2012, 27 civil servants were transferred to the government.

EUR 11.1 million restructuring charge in the first half of 2012

Operating Income

EBIT

in EUR million	1–6 M 2012	1–6 M 2011	% change
Austria	174.0	–31.3	n.a.
Bulgaria	13.6	37.7	–63.9%
Croatia	27.2	19.6	38.4%
Belarus	7.7	42.0	–81.7%
Additional Markets	2.7	–7.5	n.a.
Corporate & Holding, Eliminations	–14.1	–17.8	–20.7%
Total	211.1	42.7	n.m.

In the first half of 2012 Group operating income increased from EUR 42.7 million to EUR 211.1 million, mainly as a result of the above mentioned lower restructuring charges. Depreciation and amortization charges declined by 2.4% mainly due to reductions in the Austrian segment.

Consolidated Net Income

In the first half of 2012 net interest expense increased by 13.4% to EUR 110.6 million due to a higher average financial debt. Foreign exchange differences turned from a loss of EUR 6.6 million to a gain of EUR 4.3 million due to an improved exchange rate of the Belarusian ruble since beginning of 2012. The net monetary gain from hyperinflation accounting amounted to EUR 3.3 million in the first half of 2012.

Earnings before income taxes turned from a loss of EUR 64.4 million to a gain of EUR 104.5 million mainly due to substantially lower restructuring charges in 2012. Income tax expenses amounted to EUR 23.6 million in the first half of 2012.

Net income turned from a net loss of EUR 59.2 million in the first half of 2011 to a net gain of EUR 80.9 million in the first half of 2012.

Balance Sheet and Net Debt

In the first half of 2012 total current assets increased by 21.8% to EUR 2,134.0 million due to investments in fixed deposits, which were related to the issuance of a EUR 750 million bond. Total non-current assets declined by 2.0% as Other intangible assets and Property, Plant and Equipment declined due to higher depreciation and amortization than additions to assets.

Total current liabilities declined by 17.1% to EUR 1,999.9 million following the repayment of long-term debt which was classified as short-term borrowings as of 31 December 2011. The issuance of a EUR 750 million bond in the first half of 2012 led to a rise of Total non-current liabilities by 18.0% to EUR 4,899.8 million.

Total Stockholder's equity declined from EUR 883.1 million to EUR 815.1 million as of 30 June 2012 due to the payment of the dividend.

Net Debt

in EUR million	June 30, 2012	Dec. 31, 2011	% change
Net Debt	3,417.4	3,380.3	1.1%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.3x	2.2x	

As of 30 June 2012 Net Debt increased modestly by 1.1% to EUR 3,417.4 million as the EUR 750 million bond was used for the repayment of bank debt and investments in fixed deposits. Net Debt to EBITDA comparable (last 12 months) increased from 2.2x on 31 December 2011 to 2.3x on 30 June 2012.

Cash Flow

Cash Flow

in EUR million	1–6 M 2012	1–6 M 2011	% change
Cash generated from operations	475.3	463.1	2.6%
Cash used in investing activities	–831.6	–327.9	153.6%
Cash used in financing activities	204.6	–64.8	n.a.
Effect of exchange rate changes	–1.1	–22.1	–95.0%
Monetary loss on cash and cash equivalents	–0.6	0.0	n.a.
Net increase/decrease in cash and cash equivalents	–153.4	48.2	n.a.

In the first half of 2012 cash flow from operations increased by 2.6% to EUR 475.3 million as a lower gross cash flow was compensated by an improvement in change in working capital mainly driven by a lower cash

out flow for repayment of accounts payable. Furthermore, lower levels of inventories contributed to the decline in cash-out from working capital.

Cash outflow from investing activities increased from EUR 327.9 million to EUR 831.6 million mainly due to a rise in purchase of investments, which was related to the issuance of a EUR 750 million bond. In the first half of 2011 an amount of EUR 68.8 million for the acquisition of the fixed line operators in Bulgaria was settled.

Cash outflow from financing activities turned to an inflow of EUR 204.6 million in the first half of 2012. This was primarily a result of a lower dividend payment and a decline in payments of short term borrowings, which was partly compensated by a higher repayment of long term debt the first half of 2012.

As a result of a hyperinflation accounting in the Belarusian segment the monetary loss on cash and cash equivalents amounted to EUR 0.6 million.

Capital Expenditures

Capital Expenditures

in EUR million	1–6 M 2012	1–6 M 2011	% change
Austria	214.9	192.9	11.4%
Bulgaria	39.4	30.6	28.6%
Croatia	30.1	17.4	72.8%
Belarus	12.5	7.5	66.9%
Additional Markets	34.2	28.7	19.4%
Corporate & Holding, Eliminations	-0.2	0.0	n.a.
Total capital expenditures	330.9	277.1	19.4%
Thereof tangible	266.1	220.2	20.8%
Thereof intangible	64.9	56.9	14.0%

In the first half of 2012 capital expenditures increased by 19.4% to EUR 330.9 million. An amount of EUR 0.9 million is related to the indexation effect of hyperinflation accounting in the Belarusian segment.

EUR 0.9 million included in Group Capital expenditures due to inflation of assets

In the Austrian segment capital expenditures increased due to planned investments in the LTE and Gigaset rollout in the first half of 2012. In the Bulgarian and Croatian segments higher investments were driven by the fixed line businesses. In the Additional Markets segment capital expenditures increased due to higher infrastructure investments, such as network upgrades in Slovenia and the Republic of Macedonia.

Note: Detailed data of the segments are shown in the appendix on page 27

Quarterly Analysis Segment Austria

Key Performance Indicators Austria

in EUR million	Q2 2012	Q2 2011	% change
Revenues	673.6	731.1	-7.9%
EBITDA comparable	218.2	238.6	-8.6%
EBITDA incl. effects from restructuring and impairment tests	211.5	204.0	3.7%
EBIT	67.2	45.9	46.3%
Fixed Line Market			
ARPL (in EUR)	31.5	32.2	-2.2%
Total Access Lines ('000)	2,287.7	2,323.5	-1.5%
Fixed Broadband Lines ('000)	1,280.6	1,215.8	5.3%
Fixed Line Voice Minutes (in million)	573.8	649.9	-11.7%
Mobile Communication Market			
Mobile Subscribers ('000)	5,288.4	5,175.8	2.2%
Mobile Market Share	39.3%	40.8%	
Mobile Penetration	159.4%	150.9%	
Mobile Broadband Customers ('000)	768.9	702.3	9.5%
Average monthly revenue per User (in EUR)	18.3	20.5	-10.5%

Intensified competition continued in the second quarter of 2012

The Austrian mobile market was dominated by a markedly intensified competitive environment with a focus on SIM-only tariffs and highly subsidized smartphone tariffs in the second quarter of 2012. A1 capitalized on its multi-brand strategy to limit the negative effects of this adverse development on its results. Nevertheless, the ongoing fixed-to-mobile substitution resulted in a further loss of fixed voice minutes in the second quarter of 2012, whilst aggressive mobile broadband tariffs remain a key competitive element for the fixed line business.

Together with the decline in voice-only fixed lines which was driven by tariff adjustments this led to a reduction of total access lines by 32,200 in the second quarter of 2012.

The total number of product bundles increased to more than 1.0 million, while the A1TV subscriber base rose by 18.1% to more than 206,300 customers. Higher numbers of no-frills and mobile broadband customers led to an increase of 2.2% of the total mobile subscriber base in the second quarter of 2012.

In the Austrian segment total revenues declined by 7.9% in the second quarter of 2012. This was predominantly due to lower Monthly fee and Traffic revenues following the continued migration of customers to mobile package tariffs, lower prices as well as lower roaming tariffs. Moreover, higher revenues from fixed broadband products could only partially offset the declines of fixed voice minutes and fixed voice-only lines. As a result fixed line service revenues declined by 3.3% to EUR 217.2 million. Mobile service revenues fell by 8.4% primarily as a result of lower prices and the ongoing migration to mobile package tariffs. Furthermore, lower national and international mobile termination rates contributed to the decline.

Revenues from Data & ICT solutions increased by 2.8% to EUR 50.9 million in the second quarter of 2012 as a result of higher demand for ICT solutions. Lower prices for data products as well as regulatory cuts of roaming tariffs offset higher usage and led to a decline in Wholesale (including roaming) revenues by 14.3% to EUR 38.0 million.

Interconnection revenues declined by 6.1% to EUR 81.4 million as higher usage could only partially mitigate the effect of further regulatory cuts of mobile termination rates. In the second quarter of 2012 Equipment revenues declined by 3.6% to EUR 23.2 million as the number of handsets sold decreased. Other revenues decreased by 76.0%. This was primarily driven by the sale of A1's subsidiary Mass Response Service GmbH in September 2011, which contributed EUR 11.5 million in the second quarter of 2011.

Other operating income decreased by 4.0% to EUR 22.7 million due to lower own work capitalized in the second quarter of 2012.

Average revenue per fixed access line (ARPL) declined by 2.2% as higher revenues from broadband products could mitigate the loss of fixed voice minutes. Compared to the first quarter of 2012 ARPL showed an almost stable performance. With respect to the mobile business, blended average revenue per user (ARPU) declined by 10.5% primarily as a result of the migration of existing customers to mobile package tariffs and the ongoing pricing pressure. Furthermore, the increasing number of no-frills customers as well as lower mobile termination rates added to the decline. Data ARPU declined to EUR 6.3 in the second quarter 2012 from EUR 7.0 in the second quarter of 2011.

EBITDA comparable declined by 8.6% in the second quarter of 2012 while cost savings in the amount of EUR 38.0 million allowed for a stable EBITDA comparable margin of 32.4%. Cost savings were mainly driven by lower Other costs, a decline in Material expenses and lower Interconnection expenses. Material expenses fell by 11.6% to EUR 55.0 million as a result of a lower number of handsets sold. Personnel expenses declined by 0.9% to EUR 167.6 million due to a lower headcount number which was partly a result of the restructuring program and offset wage increases. In the second quarter of 2012 Interconnection expenses fell by 7.2% to EUR 75.4 million as further cuts in termination rates overcompensated for the increase in volumes. Cost optimization particularly in the maintenance of networks cut costs for Maintenance and repair by 4.1%. Costs for Service received decreased by 29.2% to EUR 28.9 million as a result of the sale of Mass Response Service GmbH in September 2011. Costs for Other support services increased by 6.2% to EUR 36.5 million due to higher IT projects. Strict cost control resulted in lower marketing costs and led to a 12.6% decline of Other costs to EUR 86.3 million.

Mobile subscriber acquisition costs (SAC) declined by 53.7% to EUR 5.4 million on the back of a reduction in handset subsidies. This was driven by a stronger focus on special promotions and the premium segment in the second quarter of 2012. Mobile subscriber retention costs (SRC) decreased by 7.6% to EUR 18.9 million as a result of lower quantities sold and lower subsidies.

In the second quarter of 2012 restructuring charges amounted to EUR 6.6 million compared to EUR 34.6 million in the second quarter of 2011. 18 civil servants were transferred to the government. Operating income increased by 46.3% primarily as a result of lower restructuring charges and lower depreciation and amortization expenses, which declined mainly due to fully depreciated assets.

Segment Bulgaria

Key Performance Indicators Bulgaria

in EUR million	Q2 2012	Q2 2011	% change
Revenues	127.2	130.5	-2.5%
EBITDA comparable	60.9	70.8	-14.0%
EBITDA incl. effects from restructuring and impairment tests	60.9	70.8	-14.0%
EBIT	12.0	18.9	-36.7%
Mobile Communication Market			
Mobile Subscribers ('000)	5,532.4	5,295.4	4.5%
Mobile Market Share	47.7%	49.3%	
Mobile Penetration	155.4%	143.2%	
Mobile Broadband Customers ('000)	278.8	161.6	72.5%
Average monthly revenue per User (in EUR)	6.6	7.3	-9.4%
Fixed Line Market			
ARPL (in EUR)	12.4	15.2	-18.3%
Total Access Lines ('000)	138.0	101.2	36.3%
Fixed Broadband Lines ('000)	132.7	95.7	38.6%

72.5% increase of mobile broadband customers

In the second quarter of 2012 the Bulgarian market remained impacted by a challenging macro-economic and a fierce competitive environment. Consequently, lower usage and a decline in pricing levels impacted MobilTel's ability to charge a premium versus its competitors. With a focus on the postpaid segment and market segmentation via its no-frills brand "bob" MobilTel was able to limit the negative impacts.

Furthermore, demand for fixed broadband solutions and convergent bundles strengthened MobilTel's position in the fixed line market and contributed positively to revenues. An increase of MobilTel's contract subscribers by 8.0% led to a rise of the total mobile subscriber base to more than 5.5 million customers. Mobile broadband customers increased by 72.5% due to the ongoing strong demand for mobile broadband solutions.

In the second quarter of 2012 revenues in the Bulgarian segment declined by 2.5% primarily as a result of lower prices and lower usage which led to lower Monthly fee and Traffic revenues. Regulatory cuts on roaming rates could be partially offset by higher volumes and led to a decline in Wholesale (incl. roaming) revenues. Interconnection revenues increased mainly due to the reversal of a provision for lower international termination rates which was recorded in the first quarter of 2012. Equipment revenues increased due to the demand for smartphones. Revenues from fixed line solutions and services amounted to EUR 5.0 million in the second quarter of 2012 compared to EUR 4.8 million in the previous year. This increase is due to the ongoing demand for fixed broadband solutions. Other operating income declined to EUR 1.1 million in the second quarter of 2012 due to an extraordinary effect related to warranty issues in the second quarter of 2011.

With respect to the mobile business, average revenue per user (ARPU) fell by 9.4% as a result of lower prices. Average revenues per fixed line (ARPL) declined by 18.3% due to the highly competitive environment in the fixed line business.

Strict focus on cost control led to a reduction of operating expenses by 4.0% and limited the impact of lower revenues on EBITDA comparable, which declined by 14.0% in the second quarter of 2012. The cost reduction stemmed primarily from lower Personnel expenses due to a reduction in headcount, lower Marketing and Sales costs as well as lower Other costs. Operating income declined by 36.7%, including lower depreciation and amortization charges.

Segment Croatia

Key Performance Indicators Croatia

in EUR million	Q2 2012	Q2 2011	% change
Revenues	101.8	100.5	1.3%
EBITDA comparable	33.4	27.1	23.2%
EBITDA incl. effects from restructuring and impairment tests	33.4	27.1	23.2%
EBIT	16.6	11.0	50.3%
Mobile Communication Market			
Mobile Subscribers ('000)	1,977.5	2,038.9	-3.0%
Mobile Market Share	38.6%	38.8%	
Mobile Penetration	119.3%	119.1%	
Mobile Broadband Customers ('000)	180.8	165.1	9.5%
Average monthly revenue per User (in EUR)	12.6	13.4	-6.6%
Fixed Line Market			
ARPL (in EUR)	26.9	n.a.	n.a.
Total Access Lines ('000)	154.7	n.a.	n.a.
Fixed Broadband Lines ('000)	78.8	n.a.	n.a.

* As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011.

In the second quarter of 2012 the Croatian market remained impacted by persistent macro-economic headwinds and regulatory interventions. Furthermore, the introduction of aggressive all inclusive mobile tariff packages resulted in an intensified competitive environment and therefore lower pricing levels. Nevertheless, demand for convergent products remained strong which Vipnet addressed with the integration of its cable operator B.net.

Vipnet continued its focus on the value customer segment which led to a 7.3% rise in the contract subscriber base in the second quarter of 2012. Due to the decrease of prepaid customers, the number of mobile subscribers declined to more than 1.9 million customers. The mobile broadband customer base increased by 9.5%.

In the Croatian segment revenues increased slightly to EUR 101.8 million in the second quarter of 2012. This was mainly due to the contribution of revenues from fixed line services in the amount of EUR 12.3 million which offset the revenue decrease in the mobile market. Monthly Fee and Traffic revenues were negatively impacted by a decline in pricing levels and mobile package tariffs. Roaming revenues decreased due to lower inter-operator tariffs. Interconnection revenues increased mainly due to a positive contribution from the fixed line business, in the mobile business further cuts in the termination rates could not be compensated by higher usage.

In the mobile business, average revenue per user (ARPU) declined by 6.6% as a result of lower prices as well as lower mobile termination rates. Average revenue per fixed line (ARPL) amounted to EUR 26.9 in the second quarter of 2012.

In the second quarter of 2012 EBITDA comparable increased by 23.2% as a consequence of higher revenues and lower operating expenses. In the second quarter of 2011 operating expenses included severance expenses for headcount reductions. Cost savings resulted also in lower Material expenses, due to lower quantities sold, as well as lower marketing and other costs. Operating income increased by 50.3%.

Mobile broadband customer growth of 9.5%

Revenues increase in the second quarter 2012

EBITDA comparable rises by 23.2%

Segment Belarus

Key Performance Indicators Belarus			
in EUR million	Q2 2012	Q2 2011	% change
Revenues	76.7	72.9	5.2%
EBITDA comparable	31.8	33.4	-4.6%
EBITDA incl. effects from restructuring and impairment tests	31.8	33.4	-4.6%
EBIT	6.1	19.8	-69.3%
Mobile Communication Market			
Mobile Subscribers ('000)	4,679.4	4,461.4	4.9%
Mobile Market Share	43.0%	40.8%	
Mobile Penetration	115.0%	115.4%	
Mobile Broadband Customers ('000)	575.3	275.4	108.9%
Average monthly revenue per User (in EUR)	4.9	4.9	-0.1%

Since the fourth quarter 2011 hyperinflation accounting has been applicable for the Belarusian segment. Financials, which were adjusted with indexes according to inflation rate were converted from the Belarusian ruble into Euro with the period end exchange rate. At the end of the second quarter 2012, the exchange rate was 10,370 BYR/1 EUR. The inflation rate amounted to 5.2% during the second quarter 2012. The second quarter of 2011 has not been restated.

Strong operational performance outweighed FX devaluation

While the Belarusian ruble devalued by 31% in a year-on-year comparison in the second quarter of 2012, the macro-economic environment has shown a more stable development since the beginning of 2012. velcom continued its strong operational performance on the back of strict cost control and a further optimization of its tariff and handset portfolios which outweighed the negative currency translation effects.

The strong operational performance was underlined by a 108.9% rise in the mobile broadband subscriber base. velcom focused on its contract segment, which resulted in an increase of the total subscriber base by 4.9% to almost 4.7 million subscribers in the second quarter of 2012.

Revenue growth of 71.5% in local currency and before inflation adjustments

In the Belarusian segment revenues increased by 5.2%, whereof a negative amount of EUR 48.3 million was attributable to the net effect of hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting, revenues increased by 71.5%. Price increases at the end of 2011 and in the first quarter of 2012, optimized tariff and handset portfolios as well as a higher usage translated into a rise of Monthly Fee and Traffic revenues. Higher prices for handsets resulted in an increase of Equipment revenues. Furthermore, Interconnection revenues increased due to higher volumes.

Average revenue per user (ARPU) remained stable at EUR 4.9 as velcom's strong operational performance could offset the negative effects from the currency translation and effects from hyperinflation accounting. On a local currency basis and excluding effects from hyperinflation accounting ARPU rose by 63.0% due to price increases and an optimization of broadband customer portfolio including data upselling.

EBITDA comparable decreased by 4.6% in the second quarter of 2012, whereof a negative amount of EUR 21.8 million is related to hyperinflation accounting and foreign exchange translations. In local currency and before any hyperinflation accounting adjustments EBITDA comparable increased by 60.7% as a result of higher revenues. In local currency and before hyperinflation accounting, operating expenses increased primarily due to higher Material, Interconnection and Personnel expenses as well as increased Maintenance and repair costs. In the second quarter of 2012 operating income declined to EUR 6.1 million as a result of higher depreciation and amortization charges due to the hyperinflation adjustments of assets. The negative net impact of hyperinflation accounting and foreign exchange translations on EBIT in the Belarusian segment amounts to EUR 34.2 million.

Segment Additional Markets

Slovenia

Key Performance Indicators Slovenia

in EUR million	Q2 2012	Q2 2011	% change
Revenues	49.8	47.3	5.2%
EBITDA comparable	14.4	12.0	19.8%
EBITDA incl. restructuring and impairment test	14.4	12.0	19.8%
EBIT	9.2	5.9	56.6%
Mobile Subscribers ('000)	646.0	632.7	2.1%
Mobile Market Share	29.9%	29.9%	
Mobile Penetration	105.7%	103.7%	
Mobile Broadband Customers	17,386	15,300	13.6%
Average monthly revenue per User (in EUR)	21.6	20.4	6.1%

In a highly competitive market, Si.mobil continued its successful focus on customer value and managed to increase its ARPU by 6.1%.

Si.mobil customer base grows by 2.1%

In the second quarter of 2012 Si.mobil's mobile subscriber base increased to 646.000 customers driven by an increase in contract and mobile broadband subscriber numbers by 7.2% and 13.6% respectively.

Revenues increased by 5.2% as Monthly Fee and Traffic revenues were positively impacted by an attractive product portfolio and the rise in contract share. The ongoing decrease in Interconnection revenues due to regulatory cuts was partly mitigated by an increase in Equipment revenues which rose due to a higher number of smartphones sold. Average revenue per user (ARPU) increased by 6.1% driven by a higher contract subscriber share and higher share of smartphones.

Operating expenses remained flat as a growth of Maintenance and Repair costs could be balanced by lower Material expenses and Interconnection expenses. EBITDA comparable increased by 19.8% as revenues rose significantly compared to stable operating expenses.

In the second quarter of 2012 operating income increased by 56.6%.

Republic of Serbia

Key Performance Indicators Republic of Serbia

in EUR million	Q2 2012	Q2 2011	% change
Revenues	38.2	35.5	7.9%
EBITDA comparable	11.4	7.6	51.0%
EBITDA incl. restructuring and impairment test	11.4	7.6	51.0%
EBIT	-5.2	-6.7	-22.7%
Mobile Subscribers ('000)	1,686.8	1,506.3	12.0%
Mobile Market Share	16.5%	14.7%	
Mobile Penetration	139.1%	138.4%	
Average monthly revenue per User (in EUR)	7.1	7.3	-2.6%

Vip mobile's focus on postpaid customers resulted in an increase of the mobile subscriber base to almost 1.7 million customers and a rise in market share to 16.5%.

Mobile subscriber base grows by 12.0%

The increase of the mobile subscriber base positively impacted Monthly Fee and Traffic as well as Interconnection revenues. As a result, total revenues increased by 7.9% despite a negative effect from foreign exchange translations in the amount of EUR 5.1 million. Average revenue per user (ARPU) declined by 2.6% entirely due to negative foreign exchange translation effects, while ARPU in local currency increased by 10.5% mainly due to a higher contract share.

Operating expenses declined by 2.0% as a result of foreign exchange translations. In local currency operating expenses increased by 11.0% and were mainly driven by higher revenue related expenses due to an increase of the subscriber base. They could be only partially offset by reduced other support services and marketing and sales costs. Lower operating expenses and higher revenues resulted in an increase in EBITDA comparable by 51.0%. The negative FX impact on EBITDA comparable amounted to EUR 1.4 million.

Despite an increase in depreciation and amortization expenses, the EBITDA comparable growth translated into an improvement of the operating loss to EUR 5.2 million compared to EUR 6.7 million in the second quarter 2011.

Republic of Macedonia

Key Performance Indicators Republic of Macedonia

in EUR million	Q2 2012	Q2 2011	% change
Revenues	14.6	13.2	10.4%
EBITDA comparable	2.5	0.5	n.m.
EBITDA incl. restructuring and impairment test	2.5	0.5	n.m.
EBIT	0.3	-2.1	n.a.
Mobile Subscribers ('000)	600.8	504.9	19.0%
Mobile Market Share	26.0%	22.7%	
Mobile Penetration	112.9%	108.7%	
Average monthly revenue per User (in EUR)	7.5	7.6	-1.1%

Vip operator's market share up to 26.0%

In the second quarter of 2012 Vip operator increased its mobile subscriber base to more than 600,800 subscribers. Vip operator reinforced its position as second largest operator in the market by increasing its market share to 26.0%.

Revenues rose by 10.4% driven by a higher mobile subscriber base and an increase in volumes which translated into higher Monthly Fee and Traffic as well as Interconnection revenues. Average revenue per user (ARPU) remained almost stable at EUR 7.5.

Strong EBITDA comparable growth in the second quarter 2012

EBITDA comparable grew to EUR 2.5 million in the second quarter of 2012 compared to EUR 0.5 million in the previous year. Operating expenses decreased by 4.9%. This was primarily driven by lower Interconnection expenses, lower marketing expenses and other costs driven by cost savings. Operating income amounted to EUR 0.3 million and improved from a loss of EUR 2.1 million in the previous year.

Consolidated Net Income

In the second quarter of 2012 depreciation and amortization charges declined slightly by 0.9% to EUR 259.0 million. Following a 16.2% increase in net interest expense the financial result increased by 2.9% to EUR 55.1 million. The increase in net interest expense was primarily driven by the issuance of a EUR 750 million Eurobond. Foreign exchange differences turned from a loss of EUR 0.6 million in the second quarter of 2011 to a gain of EUR 2.1 million in the second quarter of 2012. This was primarily a result of an improved exchange rate for the Belarusian ruble since beginning of 2012 and the net monetary gain.

Net income increased from EUR 20.0 million in the second quarter of 2011 to EUR 34.0 million in the second quarter of 2012 as a consequence of lower restructuring charges.

Cash Flow and Capital Expenditures

Cash Flow in EUR million	Q2 2012	Q2 2011	% change
Cash flow from operations	282.8	312.5	-9.5%
Cash flow from investing	-849.6	-159.2	n.m.
Cash flow from financing	248.9	-307.9	-180.8%
Effect of exchange rate changes	-0.5	-30.4	-98.2%
Monetary loss on cash and cash-equivalents	-0.1	0.0	n.a.
Net increase/decrease in cash and cash equivalents	-318.5	-184.9	72.2%

In the second quarter of 2012 cash flow from operating activities declined by 9.5%. This was primarily a result of a lower gross cash flow as the adjustment for non-cash expense for the restructuring provision was lower. Cash requirements for working capital declined mainly due to a rise in accounts payable and other liabilities.

Cash flow from operations declined to EUR 282.8 million

Cash outflow from investing activities increased to EUR 849.6 million in the second quarter of 2012 mainly due to higher investments in fixed term deposits. Furthermore, capital expenditures increased by 18.1% in the second quarter of 2012.

Cash flow from financing activities turned from an outflow of EUR 307.9 million to an inflow of EUR 248.9 million as a result of the issuance of a EUR 750 million bond and a lower dividend payment which were partly offset by higher redemption of long-term debt in the second quarter of 2012. Furthermore, an amount of EUR 28.7 million of the outstanding performance-based deferred consideration for the acquisition of velcom was paid in the second quarter of 2012.

Capital Expenditures in EUR million	Q2 2012	Q2 2011	% change
Austria	121.2	114.6	5.8%
Bulgaria	16.2	16.7	-3.1%
Croatia	16.8	8.8	91.0%
Belarus	7.4	4.4	68.1%
Additional Markets	23.5	12.3	91.4%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	185.1	156.7	18.1%
Thereof tangible	154.0	124.3	23.9%
Thereof intangible	31.2	32.5	-4.0%

In the second quarter of 2012 capital expenditures increased by 18.1% to EUR 185.1 million. An amount of EUR 0.6 million is related to the indexation effect of hyperinflation accounting in the Belarusian segment.

Total capital expenditures increased by 18.1%

In the Austrian segment capital expenditures increased by 5.8% to EUR 121.2 million due to higher LTE investments and the Giganet rollout in the second quarter of 2012. In the Croatian segment higher capital expenditures were driven by the fixed line business and infrastructure investments. A rise in network and mobile infrastructure investments in Slovenia, the Republic of Serbia and the Republic of Macedonia led to an increase of capital expenditures in the Additional Markets segment.

Headcount reduced by 236 full-time employees mainly driven by the Bulgarian segment

Additional Information

Personnel

The total number of employees of the Telekom Austria Group decreased by 236 to 16,797 employees by the end of June 2012 compared to the same period of the previous year. Restructuring programs in the Austrian segment and workforce reductions in the Bulgarian and Belarusian segments offset the increase of workforce in the remaining segments.

Subsequent and Other Events

Please refer to page 33.

Waiver of Review

This financial report of the Telekom Austria Group contains half year results which were not audited nor reviewed by a certified public accountant.

Other

The use of automated calculation systems may give rise to rounding differences.

Following the classification of Belarus as a hyperinflationary economy in the fourth quarter of 2011, hyperinflation accounting according to IAS 29 is applied to the financial statements of the Belarusian segment. Effects from the inflation of assets and the translation into Euro are shown net.

The reported result in the Bulgarian, Croatian and Belarusian segments include depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

n.m. – not meaningful, used for changes >300%

n.a. – not applicable

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Operations

in EUR million, except per share information	Q2 2012 unaudited	Q2 2011 unaudited	1–6 M 2012 unaudited	1–6 M 2011 unaudited
Operating revenues	1,063.2	1,109.3	2,118.3	2,227.3
Other operating income	20.8	30.3	37.8	48.7
Operating expenses				
Materials	-93.5	-99.4	-196.0	-203.9
Employee expenses, including benefits and taxes	-205.4	-211.8	-416.9	-421.2
Other operating expenses	-420.4	-447.6	-817.0	-873.4
EBITDA comparable	364.8	380.8	726.2	777.6
Restructuring	-6.6	-34.6	-11.1	-218.6
Impairment and reversal of impairment	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	358.2	346.3	715.1	558.9
Depreciation and amortization	-259.0	-261.3	-504.0	-516.2
Operating result	99.1	85.0	211.1	42.7
Financial result				
Interest income	5.6	3.4	9.5	7.2
Interest expense	-62.8	-52.6	-120.1	-104.7
Foreign exchange differences	2.1	-0.6	4.3	-6.6
Other financial result	-0.4	-3.9	-0.5	-3.8
Equity in earnings of affiliates	0.4	0.1	0.2	0.9
Earnings before income taxes	44.0	31.4	104.5	-64.4
Income taxes	-9.9	-11.4	-23.6	5.2
Net Result	34.0	20.0	80.9	-59.2
Attributable to:				
Owners of the parent	34.0	19.9	80.8	-59.3
Non-controlling interests	0.1	0.0	0.1	0.0
Basic and fully diluted earnings per share	0.08	0.05	0.18	-0.13
Weighted-average number of ordinary shares outstanding	442,563,969	442,563,969	442,563,969	442,563,969

Condensed Statement of Comprehensive Income

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	1–6 M 2012 unaudited	1–6 M 2011 unaudited
Net Result	34.0	20.0	80.9	-59.2
Unrealized result on securities available-for-sale	-0.3	-0.1	0.2	-0.3
Income tax (expense) benefit	0.1	0.0	0.0	0.1
Realized result on securities available-for-sale	0.5	0.0	0.5	0.0
Income tax (expense) benefit	-0.1	0.0	-0.1	0.0
Unrealized result on hedging activities	-10.5	-3.5	-13.8	3.6
Income tax (expense) benefit	2.6	0.9	3.4	-0.9
Foreign currency translation adjustment	-12.4	-287.8	-32.1	-333.0
Other comprehensive income (loss)	-20.2	-290.5	-41.9	-330.5
Total comprehensive income (loss)	13.9	-270.6	39.0	-389.8
Attributable to:				
Owners of the parent	13.8	-270.6	39.0	-389.8
Non-controlling interests	0.1	0.0	0.1	0.0

Condensed Consolidated Statements of Financial Position

in EUR million	June 30, 2012 unaudited	Dec. 31, 2011 audited
ASSETS		
Current assets		
Cash and cash equivalents	306.6	460.0
Short-term investments	677.5	166.0
Accounts receivable - trade, net of allowances	724.1	708.3
Receivables due from related parties	0.1	0.1
Inventories	143.4	157.7
Prepaid expenses	152.6	130.3
Income tax receivable	34.2	40.6
Non-current assets held for sale	0.9	0.1
Other current assets	94.5	88.3
Total current assets	2,134.0	1,751.4
Non-current assets		
Investments in associates	3.9	3.7
Financial assets long-term	6.3	13.9
Goodwill	1,290.0	1,289.7
Other intangible assets, net	1,538.8	1,619.3
Property, plant and equipment, net	2,438.4	2,462.2
Other non-current assets	40.3	34.5
Deferred tax assets	263.2	273.9
Receivables due from related parties, finance	0.1	0.1
Total non-current assets	5,580.9	5,697.4
TOTAL ASSETS	7,714.9	7,448.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	-686.9	-1,014.2
Accounts payable - trade	-564.1	-642.2
Current provisions and accrued liabilities	-282.2	-311.6
Payables to related parties	-4.6	-9.8
Income tax payable	-39.4	-41.3
Other current liabilities	-255.4	-226.5
Deferred income	-167.4	-166.5
Total current liabilities	-1,999.9	-2,412.0
Non-current liabilities		
Long-term debt	-3,668.2	-2,935.1
Employee benefit obligation	-134.5	-129.0
Non-current provisions	-901.5	-888.2
Deferred tax liabilities	-130.6	-127.3
Other non-current liabilities and deferred income	-65.0	-74.2
Total non-current liabilities	-4,899.8	-4,153.7
Stockholders' equity		
Common stock	-966.2	-966.2
Treasury shares	8.2	8.2
Additional paid-in capital	-582.9	-582.9
Retained earnings	245.9	219.8
Available-for-sale reserve	0.3	0.8
Hedging reserve	38.2	27.9
Translation adjustments	442.3	410.2
Equity attributable to equity holders of the parent	-814.1	-882.2
Non-controlling interests	-1.0	-0.9
Total stockholders' equity	-815.1	-883.1
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-7,714.9	-7,448.8

Condensed Consolidated Statements of Cash Flows

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	1–6 M 2012 unaudited	1–6 M 2011 unaudited
Cash flow from operating activities				
Net Result	34.0	20.0	80.9	–59.2
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortization, impairment and reversal of impairment	259.0	261.3	504.0	516.2
Employee benefit obligation - non-cash	3.4	5.3	7.5	4.9
Bad debt expenses	13.2	14.3	26.0	28.7
Change in deferred taxes	1.3	9.0	8.0	–28.7
Equity in earnings of affiliates - non-cash	–0.4	–0.1	–0.2	–0.2
Share-based compensation	0.0	–0.3	0.1	0.4
Change in asset retirement obligation - non-cash	2.1	1.6	4.3	3.3
Provision for restructuring - non-cash	9.5	33.1	19.0	215.4
Result on sale of investments	0.5	0.0	0.5	0.0
Result on disposal / retirement of equipment	1.7	1.7	2.4	2.5
Gain on monetary items - non cash	–1.2	0.0	–3.3	0.0
Other	–18.9	4.6	–18.1	3.1
Gross cash flow	304.1	350.6	631.0	686.4
Changes in assets and liabilities				
Accounts receivable - trade	–88.0	–24.5	–41.4	–34.6
Inventories	–0.8	4.3	15.7	–11.2
Prepaid expenses and other assets	4.0	–13.3	–21.0	–7.1
Accounts payable - trade	62.2	–0.5	–80.3	–152.3
Employee benefit obligation	–1.0	–0.1	–2.3	–0.2
Provisions and accrued liabilities	–11.2	–13.1	–51.8	–33.9
Other liabilities and deferred income	14.0	7.8	30.5	21.2
Payables due to related parties	–0.4	1.4	–5.2	–5.0
Changes in assets and liabilities	–21.3	–38.0	–155.7	–223.3
Cash flow from operating activities	282.8	312.5	475.3	463.1
Cash flow from investing activities				
Capital expenditures	–185.1	–156.7	–330.9	–277.1
Acquisitions of subsidiaries, net of cash acquired	0.0	0.0	0.0	–68.8
Sale of property, plant, equipment and intangible assets	0.8	–0.3	2.1	1.0
Purchase of investments	–672.0	–1.9	–672.0	–1.9
Sale of investments	6.8	–0.2	169.2	18.9
Cash flow from investing activities	–849.6	–159.2	–831.6	–327.9
Cash flow from financing activities				
Proceeds from issuance of long term debt	738.4	210.0	738.4	710.0
Principal payments on long-term debt	–324.0	–216.7	–324.0	–221.4
Changes in short-term borrowings	35.6	30.7	–8.7	–205.7
Dividends paid	–168.2	–331.9	–168.2	–331.9
Deferred consideration paid for business combinations	–32.9	0.0	–32.9	–15.8
Cash flow from financing activities	248.9	–307.9	204.6	–64.8
Effect of exchange rate changes	–0.5	–30.4	–1.1	–22.1
Monetary loss on cash and cash equivalents	–0.1	0.0	–0.6	0.0
Change in cash and cash equivalents	–318.5	–184.9	–153.4	48.2
Cash and cash equivalents at beginning of period	625.0	353.4	460.0	120.2
Cash and cash equivalents at end of period	306.6	168.4	306.6	168.4

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserves	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2012	966.2	-8.2	582.9	-219.8	-28.7	-410.2	882.2	0.9	883.1
Net Result	0.0	0.0	0.0	80.8	0.0	0.0	80.8	0.1	80.9
Net unrealized result on securities	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Net realized result on securities	0.0	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.4
Net unrealized result on hedging activities	0.0	0.0	0.0	0.0	-10.3	0.0	-10.3	0.0	-10.3
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	-32.1	-32.1	0.0	-32.1
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	-9.8	-32.1	-41.9	0.0	-41.9
Total comprehensive income (loss)	0.0	0.0	0.0	80.8	-9.8	-32.1	39.0	0.1	39.0
Distribution of dividends	0.0	0.0	0.0	-168.2	0.0	0.0	-168.2	0.0	-168.2
Hyperinflation adjustment	0.0	0.0	0.0	61.2	0.0	0.0	61.2	0.0	61.2
Balance at June 30, 2012	966.2	-8.2	582.9	-245.9	-38.5	-442.3	814.1	1.0	815.1
in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Market value reserves	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2011	966.2	-8.2	582.9	346.3	-7.7	-405.1	1,474.4	2.5	1,476.9
Net Result	0.0	0.0	0.0	-59.3	0.0	0.0	-59.3	0.0	-59.2
Net unrealized result on securities	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2	0.0	-0.2
Net unrealized result on hedging activities	0.0	0.0	0.0	0.0	2.7	0.0	2.7	0.0	2.7
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	-333.0	-333.0	0.0	-333.0
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	2.5	-333.0	-330.5	0.0	-330.5
Total comprehensive income (loss)	0.0	0.0	0.0	-59.3	2.5	-333.0	-389.8	0.0	-389.8
Distribution of dividends	0.0	0.0	0.0	-331.9	0.0	0.0	-331.9	0.0	-331.9
Hyperinflation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3
Balance at June 30, 2011	966.2	-8.2	582.9	-44.8	-5.2	-738.2	752.7	2.3	754.9

	June 30, 2012	June 30, 2011	Dec. 31, 2011
Number of shares of common stock	443,000,000	443,000,000	443,000,000
Number of treasury shares	436,031	436,031	436,031
Average purchase price of treasury shares	18.80	18.80	18.80

Condensed Operating Segments

	1–6 M 2012							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	1,370.1	228.0	188.0	136.9	195.3	0.0	0.0	2,118.3
Intersegmental revenues	9.8	15.1	6.3	0.0	8.0	0.0	-39.2	0.0
Total revenues	1,379.9	243.0	194.3	136.9	203.3	0.0	-39.2	2,118.3
Other operating income	42.8	2.7	1.0	2.3	3.4	11.5	-26.0	37.8
Segment expenses	-960.5	-135.7	-134.5	-83.9	-153.2	-26.9	65.0	-1,429.9
EBITDA comparable	462.2	110.0	60.8	55.3	53.5	-15.4	-0.1	726.2
Restructuring	-11.1	0.0	0.0	0.0	0.0	0.0	0.0	-11.1
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	451.2	110.0	60.8	55.3	53.5	-15.4	-0.1	715.1
Depreciation and amortization	-277.2	-96.4	-33.6	-47.6	-50.7	0.0	1.5	-504.0
Operating result	174.0	13.6	27.2	7.7	2.7	-15.4	1.3	211.1
Interest income	2.7	0.6	0.4	1.5	0.8	20.5	-17.1	9.5
Interest expense	-32.1	-3.9	-3.1	-1.5	-0.6	-96.1	17.1	-120.1
Equity in earnings of affiliates	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Other financial result	-0.9	-0.1	0.2	4.7	-0.5	187.2	-186.8	3.9
Earnings before income taxes	143.9	10.3	24.7	12.5	2.4	96.2	-185.4	104.5
Income taxes								-23.6
Net result								80.9
Segment assets	4,581.9	1,441.4	529.3	606.6	771.7	8,309.3	-8,525.3	7,714.9
Segment liabilities	-2,934.5	-271.6	-318.5	-52.9	-164.7	-5,835.8	2,678.5	-6,899.8
Capital expenditures - intangible	44.5	10.7	3.0	2.0	4.9	0.0	-0.2	64.9
Capital expenditures - tangible	170.4	28.7	27.1	10.5	29.3	0.0	0.0	266.1
Total capital expenditures	214.9	39.4	30.1	12.5	34.2	0.0	-0.2	330.9

	1–6 M 2011							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	1,458.6	250.9	182.9	162.7	172.3	0.0	0.0	2,227.3
Intersegmental revenues	10.8	13.0	7.9	0.1	11.3	0.0	-43.1	0.0
Total revenues	1,469.4	263.9	190.8	162.8	183.6	0.0	-43.1	2,227.3
Other operating income	45.3	11.3	1.2	3.5	2.4	9.9	-24.9	48.7
Segment expenses	-1,016.9	-139.7	-139.9	-90.9	-149.9	-29.1	68.0	-1,498.5
EBITDA comparable	497.8	135.5	52.0	75.4	36.0	-19.2	0.0	777.6
Restructuring	-218.6	0.0	0.0	0.0	0.0	0.0	0.0	-218.6
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	279.2	135.5	52.0	75.4	36.0	-19.2	0.0	558.9
Depreciation and amortization	-310.5	-97.8	-32.4	-33.4	-43.5	0.0	1.4	-516.2
Operating result	-31.3	37.7	19.6	42.0	-7.5	-19.2	1.4	42.7
Interest income	4.9	1.1	0.5	0.7	0.9	13.0	-14.0	7.2
Interest expense	-28.5	-3.4	-0.3	-0.7	-0.5	-85.2	14.0	-104.7
Equity in earnings of affiliates	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Other financial result	-3.4	0.0	-0.6	-5.7	-0.5	273.5	-273.8	-10.4
Earnings before income taxes	-57.5	35.5	19.2	36.3	-7.6	182.1	-272.4	-64.4
Income taxes								5.2
Net result								-59.2
Segment assets	4,169.5	1,677.7	447.8	505.3	744.8	7,190.5	-7,650.5	7,085.0
Segment liabilities	-2,717.0	-290.6	-133.7	-91.2	-127.6	-4,776.0	1,805.9	-6,330.1
Capital expenditures - intangible	43.0	7.7	1.7	0.3	4.2	0.0	0.0	56.9
Capital expenditures - tangible	150.0	22.9	15.8	7.2	24.5	0.0	0.0	220.2
Total capital expenditures	192.9	30.6	17.4	7.5	28.7	0.0	0.0	277.1

Results by Segments

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues						
Austria	673.6	731.1	-7.9%	1,379.9	1,469.4	-6.1%
Bulgaria	127.2	130.5	-2.5%	243.0	263.9	-7.9%
Croatia	101.8	100.5	1.3%	194.3	190.8	1.9%
Belarus	76.7	72.9	5.2%	136.9	162.8	-15.9%
Additional markets	104.4	97.9	6.6%	203.3	183.6	10.7%
Corporate, Other & Eliminations	-20.4	-23.5	-13.4%	-39.2	-43.1	-9.1%
Revenues	1,063.2	1,109.3	-4.2%	2,118.3	2,227.3	-4.9%
EBITDA comparable						
Austria	218.2	238.6	-8.6%	462.2	497.8	-7.1%
Bulgaria	60.9	70.8	-14.0%	110.0	135.5	-18.8%
Croatia	33.4	27.1	23.2%	60.8	52.0	16.8%
Belarus	31.8	33.4	-4.6%	55.3	75.4	-26.7%
Additional markets	28.2	20.7	36.2%	53.5	36.0	48.5%
Corporate, Other & Eliminations	-7.7	-9.7	-20.6%	-15.6	-19.2	-18.9%
EBITDA comparable	364.8	380.8	-4.2%	726.2	777.6	-6.6%
EBITDA incl. effects from restructuring and impairment tests						
Austria	211.5	204.0	3.7%	451.2	279.2	61.6%
Bulgaria	60.9	70.8	-14.0%	110.0	135.5	-18.8%
Croatia	33.4	27.1	23.2%	60.8	52.0	16.8%
Belarus	31.8	33.4	-4.6%	55.3	75.4	-26.7%
Additional markets	28.2	20.7	36.2%	53.5	36.0	48.5%
Corporate, Other & Eliminations	-7.7	-9.7	-20.6%	-15.6	-19.2	-18.9%
EBITDA incl. effects from restructuring and impairment tests	358.2	346.3	3.4%	715.1	558.9	27.9%
Operating result						
Austria	67.2	45.9	46.3%	174.0	-31.3	n.a.
Bulgaria	12.0	18.9	-36.7%	13.6	37.7	-63.9%
Croatia	16.6	11.0	50.3%	27.2	19.6	38.4%
Belarus	6.1	19.8	-69.3%	7.7	42.0	-81.7%
Additional markets	4.3	-2.1	n.a.	2.7	-7.5	n.a.
Corporate, Other & Eliminations	-7.0	-8.6	-18.8%	-14.1	-17.8	-20.7%
Operating result	99.1	85.0	16.6%	211.1	42.7	n.m.

Capital Expenditures

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Austria	121.2	114.6	5.8%	214.9	192.9	11.4%
Bulgaria	16.2	16.7	-3.1%	39.4	30.6	28.6%
Croatia	16.8	8.8	91.0%	30.1	17.4	72.8%
Belarus	7.4	4.4	68.1%	12.5	7.5	66.9%
Additional markets	23.5	12.3	91.4%	34.2	28.7	19.4%
Corporate & Elimination	0.0	0.0	n.a.	-0.2	0.0	n.a.
Total capital expenditures	185.1	156.7	18.1%	330.9	277.1	19.4%
Thereof tangible	154.0	124.3	23.9%	266.1	220.2	20.8%
Thereof intangible	31.2	32.5	-4.0%	64.9	56.9	14.0%

Net Debt

in EUR million	June 30, 2012 unaudited	Dec. 31, 2011 audited
Long-term debt	3,668.2	2,960.4
Short-term borrowings	718.7	1,052.4
Cash and cash equivalents, short-term and long-term investments, finance lease receivables	-1,008.4	-657.7
Derivative financial instruments for hedging purposes	39.0	25.2
Net debt*	3,417.4	3,380.3
Net debt/EBITDA comparable (last 12 months)	2.3x	2.2x

* Finance lease obligations and the remaining performance based considerations related to the acquisition of SBT and Megalan/Spectrumnet are included in long-term debt and short-term borrowings.

Personnel

Personnel (full-time equivalent)	End of period			Average of period		
	June 30, 2012	June 30, 2011	% change	Q2 2012	Q2 2011	% change
Austria	9,300	9,372	-0.8%	9,308	9,506	-2.1%
International Operations	7,340	7,502	-2.1%	7,443	7,439	0.1%
Total	16,797	17,032	-1.4%	16,908	17,106	-1.2%

Key Data Segment Austria

Financials - Segment Austria

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1-6 M 2012 unaudited	1-6 M 2011 unaudited	% change
Revenues	673.6	731.1	-7.9%	1,379.9	1,469.4	-6.1%
EBITDA comparable	218.2	238.6	-8.6%	462.2	497.8	-7.1%
EBITDA incl. effects from restructuring and impairment tests	211.5	204.0	3.7%	451.2	279.2	61.6%
EBIT	67.2	45.9	46.3%	174.0	-31.3	n.a.

Revenue detail - Austria	Q2 2012 unaudited	Q2 2011 unaudited	% change	1-6 M 2012 unaudited	1-6 M 2011 unaudited	% change
Monthly Fee and Traffic	476.5	511.5	-6.8%	962.5	1,017.2	-5.4%
Data & ICT Solutions	50.9	49.5	2.8%	103.5	98.8	4.7%
Wholesale (incl. Roaming)	38.0	44.3	-14.3%	84.1	95.8	-12.2%
Interconnection	81.4	86.7	-6.1%	174.6	174.2	0.3%
Equipment	23.2	24.1	-3.6%	49.0	55.3	-11.4%
Other Operating Income	3.6	15.0	-76.0%	6.2	28.1	-78.1%
Total revenues Austria	673.6	731.1	-7.9%	1,379.9	1,469.4	-6.1%

Key Data Segment Austria

Key Data Fixed Line - Austria	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Average revenues per access line (in EUR)	31.5	32.2	–2.2%	31.7	32.4	–2.2%
Fixed service revenues (in EUR mn)	217.2	224.5	–3.3%	439.8	450.7	–2.4%
Fixed Line Voice Minutes (in million)	573.8	649.9	–11.7%	1,202.5	1,343.4	–10.5%

Lines (in '000)	Q2 2012 unaudited	Q2 2011 unaudited	% change
Access lines (without broadband lines)	1,007.1	1,107.7	–9.1%
Fixed broadband retail lines	1,238.2	1,171.8	5.7%
Fixed broadband wholesale lines	42.4	43.9	–3.6%
Fixed broadband lines	1,280.6	1,215.8	5.3%
Total access lines	2,287.7	2,323.5	–1.5%
Lines unbundled	270.3	276.2	–2.2%

Austrian Telecommunications Market

Broadband Market Shares	Q2 2012 unaudited	Q2 2011 unaudited	% change
A1 Telekom Austria Fixed Line Retail	29.3%	30.4%	
A1 Telekom Austria Fixed Line Wholesale	1.0%	1.1%	
Mobile broadband A1 Telekom Austria	18.2%	18.2%	
Mobile broadband other operators	30.8%	28.7%	
Cable	14.9%	14.9%	
Unbundled lines	5.8%	6.6%	

Broadband penetration - Total market	115.2%	106.2%	
--------------------------------------	--------	--------	--

Voice Market Shares	Q2 2012 unaudited	Q2 2011 unaudited	% change
Fixed Line A1 Telekom Austria	9.5%	11.4%	
Fixed Line Others	5.6%	6.7%	
Mobile	84.9%	81.9%	

Key Data Mobile Communication	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Customers ('000)	5,288.4	5,175.8	2.2%
Contract share	77.4%	76.8%	
Mobile Broadband Customers	768,893	702,251	9.5%
Mobile Market Share	39.3%	40.8%	
Mobile Penetration	159.4%	150.9%	

	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Average monthly revenue per User (in EUR)	18.3	20.5	–10.5%	18.4	20.3	–9.3%
Mobile service revenues (in EUR mn)	290.7	317.4	–8.4%	584.3	627.3	–6.9%
thereof interconnection share	9.8%	9.5%		9.8%	9.7%	
Subscriber acquisition cost (SAC)	5.4	11.7	–53.7%	16.5	22.2	–25.6%
Subscriber retention cost (SRC)	18.9	20.5	–7.6%	36.2	40.5	–10.4%
Churn (3 Months)	3.5%	3.6%		7.6%	7.6%	

Key Data Segment Bulgaria*

Bulgaria

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	127.2	130.5	-2.5%	243.0	263.9	-7.9%
EBITDA comparable	60.9	70.8	-14.0%	110.0	135.5	-18.8%
EBITDA incl. effects from restructuring and impairment tests	60.9	70.8	-14.0%	110.0	135.5	-18.8%
EBIT	12.0	18.9	-36.7%	13.6	37.7	-63.9%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Market			
Mobile Subscribers ('000)	5,532.4	5,295.4	4.5%
Mobile Market Share	47.7%	49.3%	
Mobile Penetration	155.4%	143.2%	
Mobile Broadband Customers	278,827	161,631	72.5%
Average monthly revenue per User (in EUR)	6.6	7.3	-9.4%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Fixed Line Market			
ARPL (in EUR)	12.4	15.2	-18.3%
Total Access Lines ('000)	138.0	101.2	36.3%
Fixed Broadband Lines ('000)	132.7	95.7	38.6%

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

Key Data Segment Croatia*

Croatia

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	101.8	100.5	1.3%	194.3	190.8	1.9%
EBITDA comparable	33.4	27.1	23.2%	60.8	52.0	16.8%
EBITDA incl. effects from restructuring and impairment tests	33.4	27.1	23.2%	60.8	52.0	16.8%
EBIT	16.6	11.0	50.3%	27.2	19.6	38.4%
Average monthly revenue per User (in EUR)	12.6	13.4	-6.6%	12.1	13.0	-6.6%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Market			
Mobile Communication Subscribers ('000)	1,977.5	2,038.9	-3.0%
Contract share	39.9%	36.1%	
Mobile Market Share	38.6%	38.8%	
Mobile Penetration	119.3%	119.1%	
Mobile Broadband Customers	180,829	165,132	9.5%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Fixed Line Market			
ARPL (in EUR)	26.9	n.a.	n.a.
Total Access Lines ('000)	154.7	n.a.	n.a.
Fixed Broadband Lines ('000)	78.8	n.a.	n.a.

* The reported result of 2012 includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements. As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011.

Key Data Segment Belarus*

Belarus

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	76.7	72.9	5.2%	136.9	162.8	-15.9%
EBITDA comparable	31.8	33.4	-4.6%	55.3	75.4	-26.7%
EBITDA incl. effects from restructuring and impairment tests	31.8	33.4	-4.6%	55.3	75.4	-26.7%
EBIT	6.1	19.8	-69.3%	7.7	42.0	-81.7%
Average monthly revenue per User (in EUR)	4.9	4.9	-0.1%	4.3	5.5	-21.8%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Subscribers ('000)	4,679.4	4,461.4	4.9%
Contract Share	80.0%	79.0%	
Market Share	43.0%	40.8%	
Market Penetration	115.0%	115.4%	
Mobile broadband subscribers	575,261	275,394	108.9%

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

Key Data Segment Additional Markets

Slovenia

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	49.8	47.3	5.2%	96.4	90.0	7.1%
EBITDA comparable	14.4	12.0	19.8%	26.4	22.9	15.3%
EBITDA incl. effects from restructuring and impairment tests	14.4	12.0	19.8%	26.4	22.9	15.3%
EBIT	9.2	5.9	56.6%	16.1	11.6	38.4%
Average monthly revenue per User (in EUR)	21.6	20.4	6.1%	21.2	19.8	7.2%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Subscribers ('000)	646.0	632.7	2.1%
Contract Share	76.0%	72.3%	
Market Share	29.9%	29.9%	
Market Penetration	105.7%	103.7%	
Mobile broadband subscribers	17,386	15,300	13.6%

Key Data Segment Additional Markets

Republic of Serbia

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	38.2	35.5	7.9%	75.5	65.6	15.1%
EBITDA comparable	11.4	7.6	51.0%	21.7	11.9	82.8%
EBITDA incl. effects from restructuring and impairment tests	11.4	7.6	51.0%	21.7	11.9	82.8%
EBIT	-5.2	-6.7	-22.7%	-12.0	-15.5	-22.7%
Average monthly revenue per User (in EUR)	7.1	7.3	-2.6%	7.0	6.9	1.0%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Subscribers ('000)	1,686.8	1,506.3	12.0%
Market Share	16.5%	14.7%	
Market Penetration	139.1%	138.4%	

Republic of Macedonia

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	14.6	13.2	10.4%	28.2	24.3	15.9%
EBITDA comparable	2.5	0.5	n.m.	5.5	0.0	n.a.
EBITDA incl. effects from restructuring and impairment tests	2.5	0.5	n.m.	5.5	0.0	n.a.
EBIT	0.3	-2.1	n.a.	-1.6	-5.1	-69.3%
Average monthly revenue per User (in EUR)	7.5	7.6	-1.1%	7.4	7.1	3.7%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Subscribers ('000)	600.8	504.9	19.0%
Market Share	26.0%	22.7%	
Market Penetration	112.9%	108.7%	

Liechtenstein

in EUR million	Q2 2012 unaudited	Q2 2011 unaudited	% change	1–6 M 2012 unaudited	1–6 M 2011 unaudited	% change
Revenues	1.7	2.1	-16.6%	3.2	4.0	-20.2%
EBITDA comparable	0.5	0.7	-35.4%	0.8	1.2	-27.6%
EBITDA incl. effects from restructuring and impairment tests	0.5	0.7	-35.4%	0.8	1.2	-27.6%
EBIT	0.2	0.5	-51.7%	0.4	0.8	-45.4%

	Q2 2012 unaudited	Q2 2011 unaudited	% change
Mobile Communication Subscribers ('000)	6.1	6.6	-7.2%

Selected Explanatory Notes to the Consolidated Interim Financial Statements (unaudited)

Basis of Presentation

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

These financial results in accordance with IAS 34 “Interim Financial Reporting” are not audited or reviewed and should be read in connection with the Company’s annual consolidated financial statements according to IFRS for the year ended December 31, 2011. 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, 2011.

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, 2011, except IFRS 7 “Financial Instruments: Disclosures (amended)”, which became effective and was endorsed by the EU as of July 1, 2011. The effects, if any, on the notes to the consolidated financial statements were insignificant. The following standards/interpretations became effective during 2011 and as of January 1, 2012, but were not endorsed by the EU and therefore have not been adopted as of January 1, 2012:

		Effective *
IAS 12	Income Taxes (amended)	January 1, 2012
IFRS 1	Regulations for Hyperinflationary Economies	July 1, 2011

* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB), but has not been endorsed by EU.

Compared to other economic sectors the telecommunications industry is in general less cyclical. Within the telecommunication sector the seasonality of the Company’s segments shows the same pattern as other European incumbents, having lower margins in the year-end quarter due to Christmas promotions, equipment provided to customers and increases in sales commissions. However, customer and visitor roaming revenues are above average in the third quarter due to the summer vacation season. In Austria visitor roaming is also above average in the first quarter due to winter sports tourism.

Format of the Condensed Consolidated Statements of Operations

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment tests are used to better evaluate trends in the Company’s underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring program and from impairment testing, if any. The restructuring program includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. Furthermore, expenses for the transfer of civil servants to the Austrian government are adjusted for the purpose of determining EBITDA comparable. For details on restructuring expenses for the first half 2012 and 2011 see “provisions and accrued liabilities”.

Business Combinations

On February 3, 2012, Telekom Austria Group agreed to acquire assets currently owned by Orange Austria Telecommunication GmbH (“Orange Austria”) for a total amount of up to EUR 390.0 million. Following the acquisition of Orange Austria by Hutchison 3G Austria, Telekom Austria Group will acquire the assets from Hutchison 3G Austria. These assets comprise frequencies, base station sites, the mobile phone operator YESSS! Telekommunikation GmbH (“YESSS!”) as well as certain intangible assets. On June 28, 2012 the Austrian Federal Competition Authority has applied for an in-depth assessment (Phase II) by the Cartel Court of Telekom Austria Group’s proposed acquisition of YESSS!. The Phase II of the Austrian merger control proceedings may take up until the end of November 2012.

On April 18, 2012, EUR 28.7 million of the outstanding performance-based deferred consideration for the acquisition of SB Telecom Limited (SBT), the sole owner of FE VELCOM ("velcom"), was paid, to the extent the predetermined performance criteria agreed at the acquisition in 2007 had been fulfilled. The next evaluation for the settlement of the remaining EUR 30,0 million (present value as of June 30, 2012) will be performed in the first quarter 2013 based on the annual net income for 2012 of SBT and velcom. As of December 31, 2011 this consideration was recorded in other current and other long-term liabilities.

On May 7, 2012, EUR 4.2 million of the outstanding performance-based deferred consideration for the acquisition of Megalan Network in Bulgaria was paid to the extent the predetermined performance criteria agreed at the acquisition in 2011 had been fulfilled. The settlement of the remaining EUR 1.8 million (present value as of June 30, 2012) is expected in the third quarter 2012.

Current Assets

The increase in current assets mainly results from investments in fixed deposits.

Non-Current and Current Liabilities

In March 2012, Telekom Austria Group initiated a Euro Medium Term Note ("EMTN") Program, with a maximum volume of EUR 2,500 million. On April 2, 2012, Telekom Austria Group issued a Bond under the EMTN-Program with a face value of EUR 750.0 million, a maturity of ten years, and a coupon of 4.0%. The discount and the issue costs of EUR 11.6 million are amortized over the related term.

In the first half 2012 EUR 324.0 million of long-term debt, recorded in short-term borrowings as of December 31, 2011, were repaid.

In 2010 the Telekom Austria Group has introduced a Long Term Incentive Program (LTI). At May 7, 2012 the third tranche of LTI (LTI 2012) was granted. Main conditions remained unchanged compared to LTI 2010. As of the reporting date a liability measured at fair value for the expected future expense of the LTI program, which is already vested, is recorded. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for share price analysis, taking into account expected dividends. The liability is recognized over the vesting period. As of June 30, 2012 the liability recorded for LTI 2010, LTI 2011 and LTI 2012 amounted to EUR 3.1 million.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 820.9 million as of December 31, 2011 decreased to EUR 799.4 million as of June 30, 2012 mainly due to the usage of the provision, partly compensated by the accretion. No restructuring expense was recorded in the first half 2012. In the first half 2011 a restructuring expense of EUR 194.6 million was recognized.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 54.4 million as of December 31, 2011 decreased to EUR 49.6 million as of June 30, 2012. In the first half 2012 and 2011 a restructuring expense of EUR 11.1 million and EUR 24.1 million, respectively was recorded.

In the first quarter 2012 the discount rate applied to the calculation of asset retirement obligation was changed from 6.0% to 4.5% to reflect current market conditions in the individual countries. The anticipated inflation rate remained unchanged at 3.0%. The change of this parameter resulted in an increase of the asset retirement obligation and a corresponding increase in related tangible assets in the amount of EUR 28.3 million.

Income Taxes

The effective tax rate for the first half 2012 and 2011 was 22.6% and 8.0%. In the first half 2012 and 2011 the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 146.6 million as of December 31, 2011 decreased to EUR 132.6 million as of June 30, 2012 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 first half 2012 the devaluation of the Serbian Dinar led to a negative adjustment of EUR 33.0 million. Due to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the subsidiaries in Belarus starting in the fourth quarter 2011, the relating translation adjustment of EUR 302.1 million as of December 31, 2011 remains unchanged. In the first half 2011 the devaluation of the Belarusian Ruble resulted in a negative adjustment of EUR 341.6 million whereas the appreciation of the Serbian Dinar led to a positive adjustment of EUR 8.9 million.

Subsequent and Other Events

On April 23, 2012 the Telekom-Control-Kommission (TKK) has postponed the frequency auction of the 800 MHz, 900 MHz and 1800 MHz band, which was scheduled for September 2012, due to the planned takeover of Orange Austria by Hutchison 3G Austria and the planned acquisition of assets of Orange Austria by Telekom Austria Group. A new timeline for the auction has not been announced due to the uncertainty regarding the duration of the merger proceedings.

On May 23, 2012, the annual general meeting of Telekom Austria AG took place. Resolutions including voting results were available on the website of Telekom Austria Group at <http://www.telekomaustria.com/ir/annual-general-meeting.php>.

On June 15, 2012 the Telekom Austria Group was informed that América Móvil Mexico holds in total directly and indirectly 6.75% of total shares outstanding of Telekom Austria AG. In addition, América Móvil Mexico has signed an agreement that is subject to conditions precedents for the purchase of up to 16.01% of total shares outstanding of Telekom Austria AG.

On July 1, 2012, the mobile termination rates in Bulgaria were halved and amount to EUR 2.7. This renewed glide path is valid until January 2013.

On July 10, 2012 the Croatian Parliament decided to abolish the 6% tax on mobile network service revenues as of July 9, 2012. In the first half 2012 EUR 4.1 million tax was recorded in other operating expenses.

On August 6, 2012 Vip operator won a tender for a 1800Mhz frequency band for a price of EUR 5.1 million in the Republic of Macedonia.

On August 8, 2012: Today, Telekom Finanzmanagement GmbH, a 100% subsidiary, has successfully closed a syndicated revolving credit facility with a volume of EUR 735 million, which replaces an existing syndicated credit facility in the amount of EUR 713 million maturing in August 2013. The new credit facility has a maturity of five years (with an option by the banks to prolong for another two years) and can be used for general corporate purposes.

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, 16 August 2012

The Management Board



Hannes Ametsreiter

CEO Telekom Austria Group



Hans Tschuden

CFO Telekom Austria Group