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TELEKOM AUSTRIA AG - Consolidated Balance Sheets

(in EUR '000s, except share information)

	Notes	December 31, 2006	December 31, 2005
ASSETS			
Current assets			
Cash and cash equivalents		125,147	116,756
Short-term investments	(5)	14,530	15,126
Accounts receivable - trade, net of allowances	(7)	712,434	714,281
Receivables due from related parties	(8)	3,291	23
Inventories	(9)	111,299	90,913
Prepaid expenses	(14)	137,061	121,701
Income taxes receivable		22,216	9,214
Non-current assets held for sale	(13)	-	880
Other current assets		34,172	27,643
Total Current assets		1,160,150	1,096,537
Investments in associates	(4)	4,399	3,642
Financial assets long-term	(3)	77,060	86,813
Goodwill	(11)	1,188,614	1,188,356
Other intangible assets, net	(10)	1,855,094	1,664,020
Property, plant and equipment, net	(12)	3,215,957	3,583,030
Other assets		4,942	6,005
Deferred tax assets	(23)	53,373	68,325
Receivable due from related parties, long-term finance	(8)	100	-
TOTAL ASSETS		7,559,689	7,696,728
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	(15)	(562,093)	(704,060)
Accounts payable - trade		(508,357)	(544,233)
Provisions and accrued liabilities	(16)	(202,057)	(176,821)
Payables to related parties	(8)	(11,830)	(11,254)
Income taxes payable		(22,076)	(12,757)
Other current liabilities	(18)	(167,837)	(206,856)
Deferred income	(17)	(183,010)	(199,510)
Total Current liabilities		(1,657,260)	(1,855,491)
Long-term liabilities			
Long-term debt, net of current portion	(19)	(2,750,135)	(2,557,703)
Lease obligations, net of current portion	(20)	(57,365)	(68,684)
Employee benefit obligation	(21)	(111,572)	(109,546)
Provisions long-term	(16)	(72,705)	(85,705)
Deferred tax liabilities	(23)	(44,248)	(50,854)
Other liabilities and deferred income		(42,888)	(49,979)
Total Long-term liabilities		(3,078,913)	(2,922,471)
Stockholders' equity			
Common stock, no par value shares, 560,000,000 authorized (2005: 560,000,000), 500,000,000 issued (2005: 500,000,000), 461,692,527 outstanding (2005: 482,502,894)	(25)	(1,090,500)	(1,090,500)
Treasury shares		654,597	256,396
Additional paid-in capital		(461,640)	(460,128)
Retained earnings		(1,924,746)	(1,624,131)
Revaluation reserve		(375)	(375)
Translation adjustments		(811)	(11)
Equity attributable to equity holders of the parent		(2,823,475)	(2,918,749)
Minority Interests		(41)	(17)
Total Stockholders' equity		(2,823,516)	(2,918,766)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		(7,559,689)	(7,696,728)

see accompanying notes to consolidated financial statements

TELEKOM AUSTRIA AG Consolidated Statements of Operations

(in EUR '000s, except share information)

	Notes	2006	2005	2004
Operating revenues	(26)	4,759,560	4,365,247	4,042,868
Other operating income	(27)	59,172	54,812	50,496
Operating expenses				
Materials		(385,217)	(350,151)	(327,465)
Employee costs, including benefits and taxes		(768,283)	(698,493)	(692,012)
Depreciation and amortization	(10,11,12)	(1,123,931)	(1,121,440)	(1,114,748)
Impairment charges	(10,11,12)	(10,480)	(17,388)	(1,334)
Other operating expenses	(28)	(1,758,412)	(1,612,909)	(1,488,338)
Operating Income		772,409	619,678	469,467
Other income (expense)				
Interest income		20,050	32,663	17,497
Interest expense		(133,498)	(144,917)	(142,109)
Foreign exchange differences		(405)	1,349	2
(Loss) income from investments		(675)	3,861	10,497
Equity in earnings of affiliates	(4)	20	570	552
Income before income taxes		657,901	513,204	355,906
Income tax expense	(23)	(96,061)	(104,271)	(135,468)
Net income		561,840	408,933	220,438
Attributable to:				
Equity holders of the parent		561,816	408,931	219,835
Minority interests		24	2	603
Basic and fully diluted earnings per share	(25)	1.19	0.84	0.44
Operating revenues include revenues from related parties of		5,349	155	114
Other operating income includes other operating income from related parties of		-	1	1
Operating expenses include operating expenses from related parties of		49,931	41,434	45,393
Interest income includes interest income from related parties of		5	-	1
Interest expense includes interest expense from related parties of		4	-	1

see accompanying notes to consolidated financial statements

TELEKOM AUSTRIA AG
Consolidated Statements of Cash Flows

(in EUR '000s)

Twelve months ended December 31,	Notes	2006	2005	2004
Cash generated from operations				
Net income		561,840	408,933	220,438
Adjustments to reconcile net income to cash generated from operations				
Depreciation, amortization and impairment charges	(10,11,12)	1,134,411	1,138,828	1,116,081
Write-offs from and appreciation to investments, net		1,136	284	(5,232)
Employee benefit obligation - non-cash		(372)	3,723	504
Allowance for doubtful accounts	(7,28)	34,323	43,393	23,597
Change in deferred taxes		8,349	62,550	89,012
Equity in earnings of affiliates less than (in excess of) dividends received				
	(4)	664	(72)	(15)
Stock compensation	(22)	13,015	13,322	4,622
Employee Participation Program	(22)	10,065	-	-
Asset retirement obligation - accretion expense	(16)	3,380	3,187	5,829
Gain on sale of investments	(437)	(4,013)	(11,713)	
Loss on disposal / retirement of equipment		1,430	7,839	28,861
Other		(56)	(6,222)	667
		1,767,748	1,671,752	1,472,651
Changes in assets and liabilities, net of effect of business acquired				
Accounts receivable - trade		(32,634)	28,094	(29,292)
Due from related parties		(3,624)	15	11
Inventories		(20,406)	(2,583)	425
Prepaid expenses and other assets		(33,809)	(838)	(26,518)
Accounts payable - trade		(35,486)	(19,581)	(58,564)
Employee benefit obligation		(3,812)	(12,157)	(36,839)
Accrued liabilities		26,584	(13,843)	(49,970)
Due to related parties		576	(817)	(1,570)
Other liabilities and deferred income		(75,208)	(12,389)	48,884
		(177,819)	(34,099)	(153,433)
Cash generated from operations		1,589,929	1,637,653	1,319,218

Twelve months ended December 31,	Notes	2006	2005	2004
Cash from investing activities				
Capital expenditures, including				
interest capitalized	(31)	(996,726)	(627,639)	(548,169)
Acquisitions and investments, net of cash acquired		-	(1,185,652)	(2,180)
Sale of subsidiary, net of cash		(445)	-	-
Proceeds from sale of equipment		28,121	24,143	36,213
Purchase of investments - short-term		(6,611)	(48,918)	(51,609)
Purchase of investments - long-term		(4,870)	(1,660)	(1,997)
Proceeds from sale of investments - short-term		7,323	57,220	51,909
Proceeds from sale of investments - long-term		1,598	1,605	6,502
Cash used in investing activities		(971,610)	(1,780,901)	(509,331)
Cash from financing activities				
Proceeds from issuance of bonds and long-term debt		300,000	1,168,950	-
Principal payments on bonds		-	(348,616)	(2,180)
Principal payments on long-term debt		(244,478)	(760,543)	(568,110)
Change in short-term borrowings		3,672	214,453	(21,268)
Purchase of treasury stock		(406,754)	(184,465)	(64,161)
Proceeds from sale of treasury stock		-	-	808
Dividends paid	(25)	(261,201)	(117,867)	(64,579)
Cash used in financing activities		(608,761)	(28,088)	(719,490)
Effect of exchange rate changes		(1,167)	(103)	(4,128)
Net increase (decrease) in cash and cash equivalents		8,391	(171,439)	86,269
Cash and cash equivalents at beginning of period		116,756	288,195	201,926
Cash and cash equivalents at end of period		125,147	116,756	288,195

see accompanying notes to consolidated financial statements

TELEKOM AUSTRIA AG - Consolidated Statements of Changes in Stockholders' Equity

(in EUR '000s, except share information)

	Common stock		Treasury Shares	
	Number of shares	Par value	Number of shares	at cost
Balance January 1, 2004	500,000,000	1,090,500	-	-
Change of tax rate	-	-	-	-
Net unrealized gains on securities, net of EUR (565) deferred income tax	-	-	-	-
Net realized gains on securities, net of EUR 1,368 deferred income tax	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Unrealized net gain on hedging activities, net of EUR (2,077) deferred income tax	-	-	-	-
Realized net gain on hedging activities, net of EUR (138) deferred income tax	-	-	-	-
Net income recognized directly in equity	-	-	-	-
Net income	-	-	-	-
Total recognized income for the period	-	-	-	-
Distribution of dividends	-	-	-	-
Stock options granted	-	-	-	-
Purchase of treasury shares	-	-	(6,345,442)	(72,977)
Issue of treasury shares to employees	-	-	89,748	1,046
Acquisition of minority interests	-	-	-	-
Balance December 31, 2004	500,000,000	1,090,500	(6,255,694)	(71,931)
Net unrealized gains on securities, net of EUR (201) deferred income tax	-	-	-	-
Net realized gains on securities, net of EUR 3 deferred income tax	-	-	-	-
Foreign currency translation adjustment, net of deferred income tax of EUR (308)	-	-	-	-
Realized net gain on hedging activities, net of EUR (1,058) deferred income tax	-	-	-	-
Net income recognized directly in equity	-	-	-	-
Net income	-	-	-	-
Total recognized income for the period	-	-	-	-
Distribution of dividends	-	-	-	-
Stock options granted	-	-	-	-
Purchase of treasury shares	-	-	(11,241,412)	(184,465)
Addition from acquisition	-	-	-	-
Acquisition of minority interests	-	-	-	-
Balance December 31, 2005	500,000,000	1,090,500	(17,497,106)	(256,396)
Net unrealized gain/loss on securities, net of EUR (2) deferred income tax	-	-	-	-
Net realized gain/loss on securities, net of EUR 5 deferred income tax	-	-	-	-
Foreign currency translation adjustment net of EUR 6 deferred income tax	-	-	-	-
Net income recognized directly in equity	-	-	-	-
Net income	-	-	-	-
Total recognized income for the period	-	-	-	-
Distribution of dividends	-	-	-	-
Purchase of Treasury shares	-	-	(21,310,870)	(406,754)
Employee Participation Program	-	-	500,503	8,553
Balance December 31, 2006	500,000,000	1,090,500	(38,307,473)	(654,597)

see accompanying notes to consolidated financial statements

Additional paid-in capital	Retained earnings	Revaluation reserve	Translation adjustment	Total	Minority interest	Total stockholders' equity
460,029	1,177,811	(5,782)	(10,679)	2,711,879	1,502	2,713,381
-	-	(431)	-	(431)	-	(431)
-	-	1,096	-	1,096	-	1,096
-	-	(2,655)	-	(2,655)	-	(2,655)
-	-	-	(3,696)	(3,696)	-	(3,696)
-	-	4,032	-	4,032	-	4,032
-	-	268	-	268	-	268
-	-	-	-	(1,386)	-	(1,386)
-	219,835	-	-	219,835	603	220,438
-	-	-	-	218,449	-	219,052
-	(64,579)	-	-	(64,579)	-	(64,579)
4,622	-	-	-	4,622	-	4,622
-	-	-	-	(72,977)	-	(72,977)
-	-	-	-	1,046	-	1,046
-	-	-	-	-	(2,105)	(2,105)
464,651	1,333,067	(3,472)	(14,375)	2,798,440	-	2,798,440
-	-	602	-	602	-	602
-	-	(8)	-	(8)	-	(8)
-	-	-	14,386	14,386	-	14,386
-	-	3,253	-	3,253	-	3,253
-	-	-	-	18,233	-	18,233
-	408,931	-	-	408,931	2	408,933
-	-	-	-	427,164	-	427,166
-	(117,867)	-	-	(117,867)	-	(117,867)
(4,523)	-	-	-	(4,523)	-	(4,523)
-	-	-	-	(184,465)	-	(184,465)
-	-	-	-	-	30	30
-	-	-	-	-	(15)	(15)
460,128	1,624,131	375	11	2,918,749	17	2,918,766
-	-	15	-	15	-	15
-	-	(15)	-	(15)	-	(15)
-	-	-	800	800	-	800
-	-	-	-	800	-	800
-	561,816	-	-	561,816	24	561,840
-	-	-	-	562,616	-	562,640
-	(261,201)	-	-	(261,201)	-	(261,201)
-	-	-	-	(406,754)	-	(406,754)
1,512	-	-	-	10,065	-	10,065
461,640	1,924,746	375	811	2,823,475	41	2,823,516

TELEKOM AUSTRIA AG

Notes to Consolidated Financial Statements

(all amounts in EUR '000s)

(1) THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Description of business, organization and relationship with the Federal Republic of Austria

Telekom Austria AG is incorporated as a joint stock corporation ("Aktiengesellschaft") under the laws of the Republic of Austria and is located in Vienna. Telekom Austria AG and its subsidiaries (the "Company" or "Telekom Austria") are engaged as full service telecommunications providers of long distance, local and wireless services, corporate data communications services as well as internet services. The Company also provides services through pay phones and supplies telephones and technical equipment for telephone communications. These activities are conducted primarily in Austria, Croatia, Slovenia and Bulgaria.

The Federal Republic of Austria, through Österreichische Industrie-Holding AG ("ÖIAG"), is a significant shareholder of the Company. ÖIAG's stake in Telekom Austria has fallen from 30.17% at the end of December 2005 to approximately 25.2% at the end of December 2006 as a consequence of the partial conversion of an exchangeable bond issued by ÖIAG in 2003 and resulting from the sale of approximately 1 million shares through the Vienna Stock Exchange in October 2006.

In addition to the related party transactions described in note (8), the Federal Republic of Austria authorizes and supervises the Rundfunk und Telekom Regulierungs - GmbH ("RTR"), which regulates certain activities of the Company. The government holds the taxing authority for the Austrian operations of Telekom Austria and imposes taxes such as income and value added taxes on the Company.

All of the Company's interests in the mobile communications business are held through mobilkom austria AG and its subsidiaries; collectively these companies are referred to as mobilkom austria.

Basis of presentation

The Company prepares the accompanying consolidated financial statements in compliance with the provisions of the International Financial Reporting Standards ("IFRS/IAS"), issued by the International Accounting Standards Board ("IASB"), the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC") and the interpretation of the Standards Interpretation Committee ("SIC"), effective as of December 31, 2006 and as endorsed by the European Union.

In December 2004, an amendment regarding "Actuarial Gains and Losses, Group Plans and Disclosures" to IAS 19, "Employee Benefits", was issued. The amendment provides options for the recognition of actuarial gains and losses directly in equity. The Company has not adopted the amendment options, but rather continues to apply the corridor approach in accordance with IAS 19.

The following standards and interpretations were issued, but were not effective for the annual periods beginning on January 1, 2006 or before. The Company has not early adopted these standards and interpretations and is currently evaluating their impact on its consolidated financial statements and disclosures.

New standards/interpretations		Effective*
IFRS 7	Financial Instruments: Disclosures (supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 Financial Instruments: Disclosure and Presentation)	January 1, 2007
IFRS 8	Operating Segments	January 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	March 1, 2006
IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting and Impairment	November 1, 2006
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008

Revised standards/interpretations		Effective*
IAS 1	Presentation of Financial Statements - Capital Disclosures (Amendment)	January 1, 2007

* This standard/interpretation is effective for annual periods beginning on or after the presented date.

As of December 31, 2005, the Company prepared its financial statements for the first time in accordance with International Financial Reporting Standards ("IFRSs") and applied IFRS 1 "First-time Adoption of International Financial Reporting Standards". January 1, 2003 was set as the transition date. Previously the Company had prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation

The consolidated financial statements of the Company include 15 (2005: 14, 2004: 14) subsidiaries in Austria and 16 (2005: 16 and 2004: 9) subsidiaries abroad in which Telekom Austria, either directly or indirectly holds the majority of the voting rights or has the power to govern the subsidiaries' financial and operating policies. Special purpose entities, irrespective of their legal structure, are consolidated when the Company has the power to govern the financial and operating policies of an entity.

Investments in companies in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method. Under the equity method, only the Company's investments in and net amounts due to and due from the equity investee are included in the consolidated balance sheet. The Company's share of the investee's earnings is included in the consolidated operating results and only dividends, cash distributions, loans or other cash received from or paid to the investee are included in consolidated cash flows.

All significant intercompany balances and transactions have been eliminated in consolidation. The subsidiaries included in the consolidated financial statements are listed in note (35).

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual right that comprises the financial assets. Liabilities are derecognized when the obligation is extinguished. The Company uses the settlement date in recording regular way purchases and sales of financial assets. Derivative financial instruments are recognized at the trade date.

Financial assets and financial liabilities are initially recognized at cost, which is the fair value of the consideration given or received. Transaction costs are included in the initial measurement.

Cash and cash equivalents

The Company considers cash in banks and highly liquid investments with remaining maturities of three months or less to be cash and cash equivalents. Money market deposits with remaining maturities of more than three months are classified as short-term investments along with marketable securities.

Marketable securities and other long-term investments

In accordance with IAS 39, the Company has classified all marketable securities and certain long-term investments as either held-to-maturity or available-for-sale and, therefore, carries these securities at amortized cost or at fair value with unrealized gains and losses recorded in equity (revaluation reserve), net of applicable deferred tax.

The Company's policy for determining if an impairment of a security exists is based on a two-step approach, which takes into consideration the significance of the difference between the fair market value and book value of the security as well as the period of time for which such a difference exists. Impairment losses are recognized in other financial expenses when realized and are determined on an individual security basis.

If there is an indication that the consideration which led to the impairment of the security no longer exists, then the Company would consider the need to reverse all or a portion of the impairment charge.

Derivative financial instruments

In accordance with IAS 39 (revised 2004) the Company recognizes all financial assets and liabilities, as well as all derivative instruments, as assets or liabilities in the balance sheet and measures all, apart from some exemptions (e.g. held-to-maturity securities, originated financial instruments and liabilities), at fair value, regardless of the Company's intent. Changes in the fair value of derivative instruments are recognized in income or shareholders' equity (as revaluation reserve) depending on whether the derivative is designated as a fair value or a cash flow hedge. For derivatives designated as fair value hedges, changes in fair value of the hedged item and the derivative are recognized in the income statement. For derivatives designated as a cash flow hedge, changes in fair value of the effective portion of the hedging instrument are recognized in equity (revaluation reserve) until the hedged item is recognized in the income statement. The ineffective portion of the fair value changes of derivatives designated as cash flow hedges and the fair value changes of derivatives which do not qualify for hedge accounting are recognized in the income statement immediately.

The Company has entered into foreign currency forward contracts which are accounted for as free standing derivatives. These forward contracts serve as economic hedges of the Company's operating exposure to fluctuations in foreign currencies. Changes in the fair values of such forward contracts are recorded directly in income.

Fair value of financial instruments

The carrying amounts of cash, accounts receivable, accounts payable, receivables due from and payables due to related parties and accrued liabilities approximate their fair value. The fair value of securities held-to-maturity and securities available-for-sale is based on quoted market rates. The fair value of long-term debt and swap agreements is determined based on the cash flows from such financial instruments discounted at the Company's estimated current interest rate to enter into similar financial instruments.

The fair value of some investments is estimated based on quoted market prices. For other investments - mainly investments in which Telekom Austria does not have a controlling ownership interest, for which there are no quoted market prices available, the Company estimates the fair value to approximate the carrying value based on the financial statements. Such investments are tested for impairment if losses are generated over an extended period of time or if the business environment changes materially.

Inventories

Inventories consist of merchandise sold in retail shops and material and spare parts used for the construction and maintenance of networks, mainly for the Company's own use. Inventories are valued at the lower of cost or net realizable value; cost being determined on the basis of weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion if any and selling expense. The Company assumes that replacement costs are the best measure of the net realizable value for spare parts and material used for construction and maintenance.

Trade accounts receivable

Trade accounts receivable are valued at cost or lower recoverable amount. The Company estimates the portion of its outstanding receivables that are uncollectible based on aging schedules. Based on historical experience, uncollectibility is estimated as an increasing percentage of each aging category. Additionally, the Company records an allowance for specific customers if circumstances indicate uncollectibility.

Property, plant and equipment

Property, plant and equipment are stated at cost, which includes certain costs that are capitalized during the installation and expansion of the telecommunications network including material, payroll, direct overhead and interest costs as well as the present value of estimated decommissioning and restoration obligations. Government grants are deducted from the acquisition or manufacturing costs. Value added tax (“VAT”), which is charged by suppliers and refunded by the tax authorities, is not included in cost. Plant and equipment under finance leases are stated at the lower of present value of minimum lease payments or fair value.

Depreciation on plant and equipment is calculated using the straight-line method and the estimated useful lives of the assets. Plant and equipment under finance lease and leasehold improvements are amortized using the straight-line method over the lease term or the estimated useful life of the asset, whichever is shorter.

The useful lives are:

	Years
Transmission equipment	3 - 10
Cables and wires	15 - 20
Communications equipment	4 - 20
Furniture, fixtures and other	2 - 10
Buildings and leasehold improvements	5 - 50

Maintenance and repairs are expensed as incurred while replacements and improvements are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in other operating expenses or other operating income.

Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives are not amortized, but are tested for impairment in accordance with IFRS 3 “Business Combinations”, IAS 38 “Intangible assets” and IAS 36 “Impairment of Assets” at least annually, but also on an interim basis if an event or circumstance indicates that an asset may be impaired. Other intangible assets with estimable useful lives are amortized over their respective useful lives to their estimated residual values and reviewed for impairment if an event or circumstance indicates that an asset may be impaired.

Irrespective of whether there is any indication of impairment, goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment every year in the fourth quarter by comparing their carrying amounts with their recoverable amounts. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognized during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated shall: (a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (b) not be larger than a segment based on either the entity’s primary or the entity’s secondary reporting format. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually by comparing the carrying amount of the unit, including the goodwill with the recoverable amount of the unit. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The Company performs these impairment tests by estimating the value in use. Value in use is determined by estimating the future cash flows of the cash generating unit based on the business plans, which are prepared for periods of four years and which are based on historical performance and management's best estimates about future developments. The growth rates in the business plan reflect the weighted average growth rates based on market estimates. Estimated cash flow projections beyond the period covered by the business plan are based on steady growth rates for subsequent years and do not exceed the long-term average growth rate for the industries and the country in which the cash generating unit operates.

If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss. The impairment loss shall be allocated first to the carrying amount of any goodwill allocated to the cash generating unit (group of units), and then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets.

In each reporting period, the Company is required to reevaluate its decision that an intangible asset has an indefinite useful life. Brand names are classified as intangible assets with indefinite useful life based on an analysis of product life cycles, contractual and legal control and other pertinent factors.

Amortizable intangible assets are stated at cost and are amortized using the straight-line method over their estimated useful lives, as shown below:

	Years
Wireless and wireline licenses	4 - 20
Patents and proprietary rights	2 - 20
Subscriber base	3 - 7
Software	2 - 8
Other	10 - 30

Intangible assets amortized over more than 20 years relate to infeasible right of use of cable fiber or wave length over a fixed period of time. The infeasible right is amortized over the term of the contract.

Internally developed software

Certain direct and indirect development costs associated with internally developed software, including direct costs of materials and services, and payroll costs for employees devoting time to the software projects, are capitalized once the project has reached the application development stage. The costs are amortized using the straight-line method over a period not exceeding four years, beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, maintenance and training costs and research and development costs are expensed as incurred.

Impairment of intangible and tangible fixed assets

In the event that facts and circumstances indicate that the Company's tangible or intangible fixed assets, regardless of whether they are to be held and used or to be disposed of, may be impaired, an evaluation of recoverability is performed. In accordance with IAS 36, an impairment loss is recognized when an asset's carrying amount exceeds the higher of its fair value less costs to sell or its value in use. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction less the cost of the disposal. Value in use is based on the discounted cash flows expected to arise from the continued use of the asset and from its disposal at the end of its useful life. Any resulting impairment loss is recorded in the income statements in "operating expenses".

In each reporting period, the Company is required to reevaluate its decision that an intangible asset has an indefinite useful life. If an intangible asset with an indefinite useful life is subsequently determined to have a finite useful life, the intangible asset is written down to its fair value if lower than its carrying amount and amortized prospectively based on its remaining useful life.

If there is any indication that the considerations which led to impairment no longer exist, the Company would consider the need to reverse all or a portion of the impairment charge.

Changes in existing decommissioning, restoration and similar liabilities

In accordance with IAS 16 "Property, Plant and Equipment", the cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. The resulting liability is measured in accordance with IAS 37. The effects of changes in the measurement of existing decommissioning, restoration and similar liabilities is accounted for in accordance with the provisions of IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The provisions require that an increase of the liability that reflects the passage of time shall be recognized in profit and loss. Changes in the measurement of these liabilities resulting from changes in the estimated timing or amount of the outflow of resources or changes in the discount rate shall be added or deducted from the cost of the assets in the current period. The amount deducted from the assets shall not exceed its carrying amount. If the adjustment results in an addition to the assets, it shall be considered whether there is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset shall be tested for impairment and any impairment losses shall be accounted for.

Assets held for sale

In accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", assets held for sale are measured at the lower of their carrying value and fair value less costs to sell, are no longer depreciated and are classified separately on the face of the balance sheet as assets held for sale. The net gain or loss on the sale of assets held for sale is recorded together with gains and losses from retirement of equipment either in other operating expenses or other operating income.

Advertising and promotional costs

Advertising and promotional costs are expensed as incurred.

Research and development costs

In accordance with IAS 38, research costs, defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility. If development costs cannot be separated from research costs or the regulatory and other uncertainties inherent in the development of the Company's new key products are so high that the requirements set out in IAS 38 are not met, then the development costs are expensed as incurred.

Research and development costs are expensed as incurred and totaled EUR 41,320, EUR 43,031 and EUR 42,387 for the years ended December 31, 2006, 2005 and 2004, respectively, and are classified based on their origination as personnel, depreciation or operating expenses in the consolidated statement of operations.

Income taxes

Income taxes are estimated for each of the tax jurisdictions in which Telekom Austria and its subsidiaries operate involving specific calculations of the expected actual income tax exposure for each taxable entity. Under IAS 12 (revised 2000), "Income Taxes", deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases, tax credits and operating loss carry-forwards. For purposes of calculating deferred tax assets and liabilities, the Company uses the rates that have been enacted or substantively enacted at the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period the legislation is substantively enacted. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the credits and tax loss carry-forwards can be applied.

Investment tax credits are recognized as a reduction of income taxes in the period in which those credits are granted. Accrued income taxes cover obligations for the current and for prior periods.

Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding for the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share are calculated by adjusting the weighted average number of shares for the effect of the stock option plans. No adjustments to net income were necessary for the computation of diluted earnings per share. The diluted earnings per share were calculated under the assumption that all potentially dilutive options are exercised. Due to its past experience and management's intention to settle employee stock options in cash, no related dilutive effect has been considered in 2006 and 2005 for the Stock Option Plan 2004.

Accrued liabilities

An accrued liability is recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated. Accrued liabilities relating to personnel and social costs are valued at their net present value.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership as a lessee are classified as finance leases; otherwise, they are classified as operating leases. Plant and equipment acquired by way of finance leasing is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

If substantially all risks and rewards are attributable to the Company as a lessor, the leased asset is recognized by the Company. Measurement of the leased asset is then based on the accounting policies applicable to that asset in accordance with IAS 16. The lease payments are recognized over the term of the lease contract in profit or loss as earned.

Employee benefit obligations

The Company provides retirement benefits under defined contribution and defined benefit plans.

In the case of defined contribution plans, the Company pays contributions to publicly or privately administered pension or severance insurance plans on a mandatory or contractual basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due.

All other employee benefit obligations are unfunded defined benefit plans for which the Company records accruals. The accruals are calculated using the projected unit credit method in accordance with IAS 19 (revised 2002), "Employee Benefits". The future benefit obligations are valued using actuarial methods on the basis of an appropriate assessment of the discount rate, rate of compensation increase, rate of employee turnover and rate of increase of pensions. For severance and pensions, the Company recognizes a portion of its actuarial gains and losses as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the reporting period exceed the corridor of 10% of the projected benefit obligation. The excess is amortized over the expected remaining service period. For service awards, actuarial gains and losses are recognized immediately.

According to IAS 19.118, companies may distinguish between current and non-current assets and liabilities arising from post-employment benefits. Telekom Austria applied this distinction in its financial statements according to IFRS as of December 31, 2006 and reclassified amounts presented in 2005 and 2004 to conform to 2006 for comparability purposes.

Concentration of risks

A portion of the Company's revenue is derived from services provided to other companies in the telecommunications industry, mainly to alternative telecommunications and cellular companies and internet online services. As a result, the Company has some concentration of credit risk in its customer base. The Company performs ongoing credit evaluations of its large customers' financial condition to support the recoverability of its receivables. As of the balance sheet date, the Company does not have any significant concentrations of business transacted with a particular supplier or lender nor does the Company have any concentration of available sources of labor, services, franchises, or licenses or other rights that could, if suddenly eliminated, severely impact operations. The Company invests its cash with various high-quality credit institutions.

Through its expansion into the Central Eastern European (CEE) region, Telekom Austria operates in markets that have been experiencing political and economic change. This circumstance has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the CEE region involve uncertainties, including tax uncertainties, that typically do not exist in other markets. The accompanying consolidated financial statements reflect management's assessment of the impact of the CEE business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

Foreign currency translation

The consolidated financial statements of Telekom Austria are expressed in Euro ("EUR" or "€").

Financial statements of subsidiaries where the functional currency is a currency other than the Euro are translated using the functional currency principle. For these entities, assets and liabilities are translated using the year-end exchange rates, while revenues and expenses are translated using the average exchange rates prevailing during the year. Equity is translated at historical exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net income and are reported as a separate component of shareholders' equity. The foreign currency translation adjustment, classified in equity, is not recognized in profit or loss until the disposal of the respective operation.

Telekom Austria's Slovenian subsidiaries, Si.mobil and TA Mreža, changed their functional currencies from Slovenian Tolar to the Euro as a result of the adoption of the Euro as national currency in Slovenia as of January 1, 2007.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in other operating income or other operating expenses.

The following table provides the exchange rates for the currencies in which the Company conducts most of its transactions:

	Balance sheet rates for 1 Euro at December 31,			Average exchange rates for 1 Euro for the period ended December 31,		
	2006	2005	2004	2006	2005	2004
Bulgarian Lev (BGN)	1.9558	1.9563	1.9559	1.9558	1.9558	1.9530
Croatian Kuna (HRK)	7.3504	7.3715	7.6712	7.3254	7.4038	7.4943
Czech Koruna (CZK)	27.4850	29.0000	30.4640	28.3460	29.7803	31.9062
Hungarian Forint (HUF)	251.7700	252.8700	245.9700	264.2746	247.9480	251.6906
Serbian Dinar (CSD)	79.0000	-	-	78.8852	-	-
Slovak Koruna (SKK)	34.4350	37.8800	38.7450	37.2354	38.5928	40.0270
Slovenian Tolar (SIT)*	239.6400	239.5000	239.7600	239.5956	239.5698	239.0826
US Dollar (USD)	1.3170	1.1797	1.3621	1.2548	1.2446	1.2432

* Converted to Euro at a rate of 239.640 as of January 1, 2007.

Revenue recognition

Wireline

The Company generates revenues from fixed line services to individuals, commercial and non-commercial organizations and other national and foreign carriers. Fixed line services include access fees, domestic and long distance services, including internet, fixed to mobile calls, international traffic, voice, value-added services, interconnection, call center services and public payphone services.

The Company recognizes long distance and local service revenue based upon minutes of traffic processed or contracted fee schedules when the services are rendered. Revenues due from other national and foreign carriers for incoming calls from outside the Company's network are recognized in the period the call occurs.

Access fees, monthly base fees and lines leased to commercial customers are billed in advance resulting in deferred revenues. These fees are amortized over the period the service is provided. Cash discounts and incentives are accounted for as reductions in revenues when granted.

Product and other service revenues are recognized when the products are delivered and accepted by customers or when services are provided in accordance with contract terms.

The installation of customer lines in residences is a separate service and the Company provides this installation service in situations where it is not providing other services. Revenue on such installation work is recognized when the installation work is completed.

The Company has entered into a limited number of agreements with other telecommunication operators outside of Austria whereby the Company has granted some pre-defined access to existing capacity on its physical network in return for similar access to the physical network of the counterparty. The Company does not recognize revenue or an obligation to the counterparty under such agreements apart from the trade revenue arising from subscriber transactions under normal tariff plans. The benefits and costs of such swap agreements will be reflected in the Company's results of operations in the periods in which they are realized through reduced interconnection obligations and revenues, respectively.

Wireless

The Company provides mobile communications services to individuals and commercial and non-commercial organizations through mobilkom austria. mobilkom austria generates revenue primarily by providing digital wireless services as well as value-added services, text and multimedia messaging, m-commerce and information services. To a lesser extent, mobilkom austria generates revenue from the sale of wireless handsets.

The Company recognizes mobile usage and roaming service revenue based upon minutes of traffic processed or contracted fee schedules when the services are rendered. Revenues due from foreign carriers for international roaming calls are included in revenues in the period in which the call occurs.

Certain prepaid usage services in the mobile communications segment are billed in advance resulting in deferred revenues. These fees are amortized over the period the service is provided. Cash discounts and incentives are accounted for as a reduction in revenues when granted. Customer acquisition costs are recognized pro-rata over the contract period as marketing expense when a service contract exists.

Certain arrangements that the Company enters into provide for the delivery of multiple deliverables by the Company. These multiple element arrangements typically include the sale of a handset, activation fee and phone service contract. In general, the Company determines that such arrangements are separated in two separate "units of accounting" based on a determination of a separable value to the customer. The total arrangement consideration is allocated to the units of accounting based on the relative fair value and after taking into consideration any contingent revenue.

Activation revenues and direct incremental expenses are generally recognized over the average expected contract term. When direct incremental expenses exceed revenues, the excess is expensed. Activation fees do not have a standalone value to customers and are therefore allocated as part of the arrangement consideration according to the relative fair value method to the units of accounting.

Other service revenues are recognized when delivered and accepted by customers and when services are provided in accordance with contract terms.

Interest, royalties and dividends

Interest is recognized using the effective interest method in accordance with IAS 39. Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement; dividends are recognized when the shareholder's right to receive payment is established.

Share-based compensation

The Company accounts for share-based employee compensation in accordance with IFRS 2 "Share-based Payment". In accordance with the provisions of IFRS 2, share-based employee compensation is measured at fair market value at the grant date by reference to the fair value of the equity instruments granted, taking into account the terms and conditions upon which those equity instruments were granted. The cost of employee compensation so determined is expensed over the required service period. Depending on the settlement of share-based payment transactions either in equity instruments or cash, the Company records an increase in equity or a liability. If the share-based payment transaction is settled in cash, the resulting liability is re-measured periodically.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and of contingent liabilities reported at the end of any given period and the reported amounts of revenues and expenses for that reported period. Actual results may differ from these estimates.

Management has made judgments in the process of applying the Company's accounting policies. Additionally, at the balance sheet date management has made the following key assumptions concerning the future and has identified other key sources of estimation uncertainty at the balance sheet date which bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- a) Employee benefit plans: The valuation of the various pension and other post-employment benefit plans is based on the methodology used applying various parameters, including the expected discount rate, rate of compensation increase, rate of employee turnover and pension and salary increase (see note (21)). If the relevant parameter develops, in a materially different manner than expected, this could have a material impact on the defined benefit obligation and subsequently on net periodic pension and service cost.
- b) Impairments: The impairment analysis for goodwill, other intangible assets and tangible assets is generally based upon discounted estimated future net cash flows from the use and eventual disposal of the assets. Factors such as lower than anticipated sales and the resulting decreases in net cash flows and changes in the discount rates used could lead to impairments. For more information on the carrying value of goodwill, other intangible assets and tangible assets, see notes (10), (11) and (12).
- c) Employee incentive plans: The stock option plans are measured based on the fair value of the options on the grant date and every subsequent reporting date. The estimated fair value of these options is based on parameters such as volatility, interest rate, share price, term of the option, expected exercise pattern and expected dividend yield. Compensation expense and liabilities could materially differ from the estimated amount as of the balance sheet date if the used parameters were to change (see note (22)).
- d) Deferred taxes: In assessing the recoverability of deferred tax assets, management considers whether it is probable that all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. If the Company does not generate sufficient taxable income, deferred tax assets cannot be used and will not be recognized (see note (23)).

(2) BUSINESS COMBINATIONS

In accordance with IFRS 1, all business combinations prior to January 1, 2003 have been accounted for applying the regulations of U.S. GAAP, the previously applied GAAP. Under these regulations all acquisitions have been accounted for under the U.S. GAAP purchase method, with the excess of the purchase price over the estimated fair value of the net assets acquired accounted for as goodwill. The results of operations of the acquired businesses are included in the consolidated financial statements from the dates of acquisition. In accordance with IFRS 3, IAS 38 and IAS 36, goodwill and intangible assets with an indefinite life are not amortized but tested for impairment at least annually.

On July 12, 2005, the Company acquired 100% of Mobiltel EAD ("Mobiltel"), a Bulgarian mobile communications operator. Consequently, the Company includes the results of operations of Mobiltel in the Company's consolidated financial statements starting from July 12, 2005. The aggregate purchase price amounted to EUR 1,214,268 in cash, including direct cost of acquisition of EUR 7,155, an option price of EUR 80,000 under a call option agreement concluded in December 2004 to purchase Mobiltel and a deferred consideration of EUR 181,871 which was paid in December 2005. Mobiltel is reported in the wireless segment.

In November 2005, Mobiltel merged with its parent company, TAG-Tel EAD. As a result of this transaction, the majority of the accounting bases of the net assets acquired also became the new bases for tax purposes taking into consideration any tax uncertainties that existed at the date of purchase. Telekom Austria recognized goodwill of EUR 565,963 which was fully tax deductible until December 31, 2006 (see also note (23)). As part of this acquisition, the Company also recognized an indefinite-lived brand name of EUR 262,991 and amortizable intangible assets of EUR 647,317.

In accordance with IFRS 3, Telekom Austria finalized its purchase price allocation of the acquisition of Mobiltel in the third quarter 2006. This resulted in an increase in goodwill, deferred tax liabilities and income taxes payable. Accordingly, 2005 comparative financial statements were adjusted. Total goodwill was increased by EUR 39,450 and amounted to EUR 605,413 as of the acquisition date July 12, 2005.

The following table summarizes the final estimated fair values of the assets acquired and liabilities assumed:

Current assets	110,974
Tangible assets	234,463
Intangible assets	910,308
Deferred tax assets from acquisition	7,003
Goodwill	605,413
Current liabilities	(380,546)
Long-term liabilities	(273,347)
Net assets acquired	1,214,268

The factors contributing to goodwill are assets acquired which are not separately recognized such as an assembled and trained work force, market shares as well as access to customers.

The estimated fair value, by class of intangible assets, was as follows:

Wireless operating licenses	98,989
Subscriber base	508,682
Brand name	262,991
Software	39,568
Other	78
Total intangible assets acquired	910,308

The brand name is classified as an intangible asset with an indefinite useful life based on an analysis of product life cycles, contractual and legal control and other pertinent factors, and therefore is not subject to amortization but is tested for impairment annually. Recognized intangible assets related to wireless operating licenses, subscriber base and software that have weighted average remaining useful lives of 10.7, 7 and 5 years, respectively.

The unaudited pro forma consolidated operating revenues including other operating income, net income and earnings per share for the year ended December 31, 2005, as if Mobilitel had been acquired at the beginning of 2005, are estimated to be:

	Actual Dec. 31, 2006	Unaudited Pro forma Dec. 31, 2005
Operating revenues	4,759,560	4,682,039
Net income	561,840	471,483
Weighted average number of common shares outstanding	472,668,763	489,050,517
Basic and fully diluted earnings per share	Euro 1.19	Euro 0.96

The unaudited pro forma results include amortization of intangible assets, depreciation of the fair value for property, plant and equipment and intangible assets, interest expense on debt assumed to finance the acquisition and income taxes as well as other adjustments including amortization on fair value adjustments to long term debts. The pro forma results of operations are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of each period presented, nor are they necessarily indicative of future consolidated results.

Mobilitel had the following carrying amounts of assets and liabilities in accordance with IFRSs immediately before the acquisition:

Current assets (including cash and cash equivalents acquired of EUR 28,638)	102,929
Tangible assets	268,148
Intangible assets	758,409
Goodwill	30,671
Current liabilities	(371,814)
Long-term liabilities	(209,341)
Deferred tax liabilities	(7,576)
Net assets	571,426

(3) FINANCIAL ASSETS LONG-TERM

Financial assets long-term consist of the following:

At December 31,	2006	2005
Other investments	748	748
Other financial assets, long-term	995	1,206
Marketable securities, long-term (note (6))	15,132	15,239
Deposits cross border lease (note (20))	60,185	69,620
Financial assets, long-term	77,060	86,813

The carrying amount of other investments is measured at cost. In 2004, the Company sold investments with a carrying amount of EUR 1,189 and recognized a gain of EUR 506.

In 2006, 2005 and 2004, the Company recognized an impairment charge on financial assets long-term of EUR 1,136, EUR 284 and EUR 716, respectively.

(4) INVESTMENTS IN ASSOCIATES

On March 1, 2006 the Company sold 16.667% of its stake in paybox austria GmbH to One GmbH for a sales price of EUR 200 and recognized a gain of EUR 228. As a consequence of significant participation rights given to the buyer, Telekom Austria can no longer exercise control but only has significant influence and consequently accounts for paybox using the equity method of accounting. The investment in paybox austria GmbH is presented in the wireless segment.

As of December 31, 2006, 2005 and 2004, the investments in associates also included a 26.00% interest in Omnimedia Werbegesellschaft mbH ("Omnimedia") and a 25.10% interest in Output Service GmbH. Both investments are held in the wireline segment.

The reporting date of Omnimedia is June 30, but it provides the Company with interim quarterly financial statements, which are used for the recognition of the Company's share of income as of December 31, 2006.

A roll forward of the investments in associates is as follows:

	2006	2005	2004
January 1,	3,642	3,570	3,555
Dividends received	(684)	(498)	(537)
Recognized income	20	570	552
Additions	1,059	-	-
Change in reporting entities (paybox)	362	-	-
December 31,	4,399	3,642	3,570

A summary of aggregated financial information as reported by equity investees is as follows:

Year ended December 31,	2006	2005	2004
Revenues	14,844	6,308	6,506
Operating income	2,799	3,482	3,466
Net income	1,371	2,186	2,117

For paybox, the aggregate financial information presented above includes the revenues, operating expenses and net income for the period March 1, until December 31, 2006 only.

At December 31,	2006	2005
Total current assets	43,152	39,018
Total assets	44,352	39,501
Current liabilities	39,711	36,167
Long-term debt	1,978	1,480
Total liabilities	41,689	37,647
Total stockholders' equity	2,662	1,854

(5) SHORT-TERM INVESTMENTS

Financial assets short-term consist of the following:

At December 31,	2006	2005
Marketable securities short-term (note (6))	8,003	7,300
Deposits and cross border lease (note (20))	6,527	7,826
Short-term investments	14,530	15,126

(6) MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale or held-to-maturity and unrealized holding gains and losses per category are as follows:

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
At December 31, 2006				
Available-for-sale				
debt securities	5,467	27	76	5,419
equity securities	119	-	6	114
mutual funds	17,057	550	5	17,602
At December 31, 2005				
Available-for-sale				
debt securities	5,363	104	27	5,440
equity securities	119	-	1	118
mutual funds	10,472	442	24	10,890
Held-to-maturity	6,091	-	-	6,091

The contractual maturities of debt securities classified as held-to-maturity at December 31, 2005 were less than one year.

Proceeds from sales of securities available-for-sale amounted to EUR 1,605, EUR 6,262 and EUR 8,740 and gross realized gains were EUR 19, EUR 3,123 and EUR 2,124 in 2006, 2005 and 2004, respectively. In 2006, a loss of EUR 16 was also realized from the sale. The specific identification method was used to determine the cost in computing realized gains and losses.

The unrealized losses on the investment in mutual funds, corporate bonds and equity securities were caused by fluctuations in the capital markets. The Company considers the fluctuation of the fair value of these investments to be temporary and therefore did not record any impairment. The fair value information and incurred but unrecognized losses for marketable securities held by the Company are presented below:

	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
At December 31, 2006						
Non-current assets						
Available-for-sale						
debt corporate securities	1,269	76	-	-	1,269	76
equity securities	114	6	-	-	114	6
mutual funds	-	-	10,983	5	10,983	5
Total	1,383	82	10,983	5	12,366	87
At December 31, 2005						
Non-current assets						
Available-for-sale						
debt corporate securities	1,838	27	-	-	1,838	27
equity securities	118	1	-	-	118	1
mutual funds	-	-	4,948	23	4,948	23
Total	1,956	28	4,948	23	6,904	51

(7) ACCOUNTS RECEIVABLE - TRADE

The roll-forward of the allowance for accounts receivable-trade is as follows:

At December 31,	2006	2005
Allowance beginning of the year	148,624	113,710
Foreign currency adjustment	121	762
Change in reporting entities	(175)	27,763
Released	(2,971)	(3,432)
Charged to expenses	37,294	46,825
Amounts written-off	(48,188)	(37,004)
Allowance at the end of the year	134,705	148,624

At December 31,	2006	2005
Accounts receivable-trade - domestic, gross	822,107	812,221
Accounts receivable-trade - foreign, gross	25,032	50,684
Allowances	(134,705)	(148,624)
Accounts receivable-trade, net	712,434	714,281

As of December 31, 2006 and 2005, EUR 483,769 and EUR 481,793 of these receivables were held in trust under the securitization program described in note (15).

In the period ended December 31, 2006 the rate of allowance was reduced from 3.0% to 1.8% in the wireline segment based on historic experience. This change in estimate resulted in a reduction of expenses amounting to EUR 2,264.

(8) RELATED PARTY TRANSACTIONS

Related parties consist of the majority shareholder ÖIAG, associated companies, key management personnel including certain authorized officers, the Management Board and members of the Supervisory Board of Telekom Austria AG.

The disclosures below present balances and transactions relating to the Company's majority shareholder ÖIAG. None of the individual accounts associated with government agencies or government-owned entities is considered significant to the Company.

The terms of services provided by Telekom Austria to government entities are generally based on standard pricing policies. However, the Company is obligated to provide voice telephone services for disadvantaged individuals at reduced tariffs for which it is entitled to appropriate compensation from the government on a contractual basis. Beginning January 1, 2001, the contract with the government specifies the reimbursement of Euro 13.81 per customer per month, which is recorded as revenue in the service period. The total reimbursement was EUR 40,468, EUR 41,298 and EUR 40,303 in 2006, 2005 and 2004, respectively.

On June 28, 2001, a partner in a law firm which provides legal services to the Company was elected to the Supervisory Board. In 2006, 2005 and 2004, respectively, the Company was charged EUR 526, EUR 464 and EUR 640 for legal services by that law firm.

For the year ended December 31, 2006, of the total accounts receivable EUR 3,272 related to paybox and originate from prepaid cards sold to paybox for resale.

For the years ended December 31, 2006 and 2005, of the total accounts payable EUR 11,095 and EUR 11,239, respectively, related to Omnimedia and originated from advertising and marketing services provided to the Company.

For the year ended December 31, 2006, of the total revenues EUR 5,201 related to paybox and originated from prepaid cards sold to paybox.

For the years ended December 31, 2006, 2005 and 2004, respectively, EUR 47,119, EUR 40,629 and EUR 44,440 of other expenses mainly relate to advertising and marketing services provided by Omnimedia

Concurrently to the sale of 16.667% of its stake in paybox austria GmbH in March 2006 (also see note (4)), the Company also granted a loan of EUR 100 to paybox austria GmbH which was outstanding as of December 31, 2006 and classified as a long-term receivable due from related parties.

The following is the detail of revenues from and expenses charged to related parties:

Year ended December 31,	2006	2005	2004
Revenues	5,349	155	114
Other operating income		1	1
Expenses	49,931	41,434	45,393
Interest income	5	-	1
Interest expenses	4	-	1

(9) INVENTORIES

Inventories consist of:

At December 31,	2006	2005
Spare parts, cables and supplies	51,199	44,209
Merchandise	59,946	46,616
Prepayments	154	88
Inventories	111,299	90,913

As of December 31, 2006 and 2005, the carrying amount of inventories carried at fair value less cost to sell amounted to EUR 65,595 and EUR 62,460. The Company recognized an expense of EUR 16,806, EUR 15,517 and EUR 11,998 as a write-down of inventories in 2006, 2005 and 2004, respectively.

(10) OTHER INTANGIBLE ASSETS

	Licenses	Brand names	Software	Customer base	Advances/ construction in progress/other	Total
Cost						
Balance at January 1, 2005	569,863	173,948	441,223	138,504	136,616	1,460,154
Additions	4,390	-	58,300	69	35,435	98,194
Disposals	-	-	(68,463)	-	(9,603)	(78,066)
Transfers	565	-	28,623	-	(25,248)	3,940
Translation adjustments	1,251	955	1,656	982	170	5,014
Changes in reporting entities	115,117	262,991	57,969	591,846	6,713	1,034,636
Balance at December 31, 2005	691,186	437,894	519,308	731,401	144,083	2,523,872
Additions	7,614	-	72,217	-	356,202	436,033
Disposals	(3)	-	(65,941)	-	(3,830)	(69,774)
Transfers	202	-	36,671	-	(27,967)	8,906
Translation adjustments	160	140	275	234	105	914
Changes in reporting entities	-	-	(462)	-	-	(462)
Balance at December 31, 2006	699,159	438,034	562,068	731,635	468,593	2,899,489
Accumulated depreciation						
Balance at January 1, 2005	(210,433)	-	(295,927)	(55,149)	(55,895)	(617,404)
Additions	(42,860)	-	(77,694)	(59,583)	(12,397)	(192,534)
Disposals	-	-	67,589	-	8,574	76,163
Transfers	-	-	(1,921)	-	1,929	8
Translation adjustments	(327)	-	(983)	(350)	(98)	(1,758)
Changes in reporting entities	(16,128)	-	(25,011)	(83,164)	(24)	(124,327)
Balance at December 31, 2005	(269,748)	-	(333,947)	(198,246)	(57,911)	(859,852)
Additions	(48,735)	-	(96,747)	(95,970)	(11,259)	(252,711)
Impairments	-	-	-	-	(1,048)	(1,048)
Disposals	1	-	65,730	-	3,740	69,471
Translation adjustments	(58)	-	(145)	(53)	(32)	(288)
Changes in reporting entities	-	-	32	-	-	32
Balance at December 31, 2006	(318,540)	-	(365,077)	(294,269)	(66,510)	(1,044,396)
Carrying amount at						
December 31, 2006	380,619	438,034	196,991	437,366	402,083	1,855,094
December 31, 2005	421,438	437,894	185,361	533,155	86,172	1,664,020

As of December 31, 2006 and 2005, EUR 9,726 and EUR 13,129, respectively, of the total carrying value of software and EUR 2,374 and EUR 1,876 of additions to software related to self-developed software.

As of December 31, 2006 and 2005, respectively, EUR 356,792 and EUR 40,436 of the total carrying value of advances/construction in progress/other related to advances and construction in progress.

Interest capitalized for the years ended December 31, 2006, 2005 and 2004, totaled EUR 1,405, EUR 1,351 and EUR 95, respectively.

Licenses are recorded at cost and amortized on a straight-line basis over the estimated useful life. The major terms of the material license agreements as granted periods and total cost incurred were as follows:

	GSM licenses	UMTS licenses
Granted until	2009 - 2015	2020 - 2025
License cost	444,028	259,927

In the fourth quarter 2006, the Company acquired the third license (GSM and UMTS) in Serbia for a purchase price of EUR 320,000. The license is not yet in use and therefore shown in Advances/constructions in progress/Other. The granted license is valid for ten years with the option of automatic renewal for another ten years. The license conditions include a requirement to launch operations within 6 months and to provide specified coverage levels of the population as well as of the three major highways within specified time periods after the grant date.

Additionally, in the fourth quarter 2006, Si.mobil, the Slovenian wireless subsidiary, acquired UMTS frequencies for Slovenia for a purchase price of EUR 6,500. The usage of frequencies is valid for 15 years with the option to extend the term.

The Company holds licenses to operate as a telecommunications service provider from the Austrian, Croatian, Slovenian, Bulgarian, Serbian and Liechtenstein regulatory authorities.

In the period ended December 31, 2006, EUR 1,048 of infeasible rights of use (IRUs) of sea cables were impaired due to lack of capacity usage. In 2005, no impairment charges were recorded.

The total carrying amount of intangible assets not subject to amortization was EUR 438,034 and EUR 437,894 as of December 31, 2006, and 2005. These amounts relate entirely to the value of brand names in the wireless segment. The slight increase in 2006 was caused by foreign exchange differences while the increase in 2005 was mainly due to the acquisition of Mobiltel (see note (2)). An impairment test in accordance with IFRS 3, as described in note (11), was performed for brand names in the fourth quarter of each year presented. The parameters applied were the same as for the impairment testing of goodwill.

As of December 31, 2006 and 2005, the brand names were allocated to the following cash generating units within the wireless segment as follows:

	2006	2005
mobikom austria	145,860	145,860
Si.mobil telekomunikacijske storitve d.d.	3,148	3,150
Vipnet d.o.o	26,021	25,947
Mobiltel EAD	263,005	262,937
Total wireless segment	438,034	437,894

The following table presents expected amortization expense related to amortizable intangible assets for each of the following periods:

2007	237,925
2008	218,547
2009	188,896
2010	170,960
2011	138,265
Thereafter	462,467

(11) GOODWILL

The following tables illustrate the changes in net book value of goodwill by segment for the periods ended December 31, 2006 and 2005:

	Wireline	Wireless	Total
Goodwill at January 1, 2005	32,317	563,999	596,316
Acquisitions	-	605,421	605,411
Impairment	(16,317)	-	(16,317)
Translation adjustment	347	2,589	2,946
Goodwill at December 31, 2005	16,347	1,172,009	1,188,356
Impairment	-	(8)	(8)
Translation adjustment	-	266	266
Goodwill at December 31, 2006	16,347	1,172,267	1,188,614

As of December 31, 2006 and 2005, the accumulated impairment of fully consolidated companies charged totaled EUR 176,919.

For the purpose of impairment testing, goodwill is allocated to the cash generating units that expect to benefit from the synergies of the combination:

December 31,	2006	2005
Goodwill wireless		
mobilkom austria	364,000	364,000
Si.mobil telekomunikacijske storitve d.d.	136,259	136,340
Vipnet d.o.o	66,565	66,374
Mobiltel EAD	605,443	605,295
Total wireless	1,172,267	1,172,009
Goodwill wireline		
Telekom Austria AG	15,107	15,107
World Direct	1,240	1,240
Total wireline	16,347	16,347

The following parameters were applied for impairment testing of Goodwill in 2006: growth rates: wireline -1.0% to 2.0%, wireless 2.0% to 3.0%; interest rates: wireline 9.0%, wireless: 8.5% to 9.6%. In 2005, the applied growth rates ranged from -1.0% to 2.0% in the wireline segment and from 2.0% to 3.5% in the wireless segment; the interest rates ranged from 8.5% to 10.8% in the wireline segment and from 8.2% to 12.1% in the wireless segment. The determined value in use was then compared with the carrying value of the cash generating unit including goodwill and impairment charges were recorded if the carrying value of the cash generating unit was in excess of the value in use.

Regarding the final purchase price allocation and resulting goodwill of Mobiltel EAD see note (2).

In 2005, impairment charges in the amount of EUR 15,457 were recorded for goodwill originally recorded from the acquisition of Czech On Line a.s. ("COL"). The acquisition was based on a business plan assuming full liberalization of the Czech market, which, however, remained unsatisfactory despite the privatization of the former state-owned telecommunications company. Moreover, a highly competitive environment developed within the alternative telecommunication market in the Czech Republic. Due to these circumstances, the business of COL has not developed as expected. In 2005, the value of the reporting unit was estimated using discounted cash flow forecasts using a weighted average cost of capital of 10.8%.

Furthermore, in 2005 the Company recorded impairment charges in the amount of EUR 860 for goodwill originally recorded from the acquisition of World Direct. The Company expected a material decrease of the profitability of World Direct's market as a result of decreasing demand by customers. In 2005, the value of the reporting unit was estimated using discounted cash flow forecasts using a weighted average cost of capital of 9.2%.

The impairment charges in 2005 for COL and World Direct were recognized in the wireline segment.

(12) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment transferred to the Company by the government were recorded upon transfer at cost less accumulated depreciation as of that date. Acquisitions since then have been recorded at cost.

	Land, buildings & leasehold improvements	Communications network and other equipment	Finance leases	Advances/ construction in progress	Total
Cost					
Balance at January 1, 2005	752,643	9,530,062	8,961	134,045	10,425,711
Additions	22,563	408,432	-	123,850	554,845
Disposals	(4,078)	(438,461)	(305)	148	(442,696)
Transfers	17,954	108,381	-	(129,075)	(2,740)
Translation adjustments	716	15,903	97	1,806	18,522
Changes in reporting entities	14,767	357,049	-	36,591	408,407
Balance at December 31, 2005	804,565	9,981,366	8,753	167,365	10,962,049
Additions	15,987	369,893	14	179,007	564,901
Disposals	(30,418)	(429,614)	(6,715)	(410)	(467,157)
Transfers	13,660	167,819	-	(190,386)	(8,907)
Translation adjustments	109	2,056	112	139	2,416
Changes in reporting entities	-	(23)	-	-	(23)
Balance at December 31, 2006	803,903	10,091,497	2,164	155,715	11,053,279
Accumulated depreciation					
Balance at January 1, 2005	(311,387)	(6,361,201)	(6,415)	-	(6,679,003)
Additions	(43,684)	(883,814)	(1,408)	-	(928,906)
Impairments	-	(1,071)	-	-	(1,071)
Disposals	2,150	411,816	295	-	414,261
Transfers	(17)	9	-	-	(8)
Translation adjustments	(208)	(10,055)	(85)	-	(10,348)
Changes in reporting entities	(2,246)	(171,698)	-	-	(173,944)
Balance at December 31, 2005	(355,392)	(7,016,014)	(7,613)	-	(7,379,019)
Additions	(46,298)	(824,181)	(741)	-	(871,220)
Impairments	(5,932)	(3,492)	-	-	(9,424)
Disposals	18,952	398,294	6,409	-	423,655
Transfers	6	(6)	-	-	-
Translation adjustments	(3)	(1,217)	(104)	-	(1,324)
Changes in reporting entities	-	10	-	-	10
Balance at December 31, 2006	(388,667)	(7,446,606)	(2,049)	-	(7,837,322)
Carrying amount at					
December 31, 2006	415,236	2,644,891	115	155,715	3,215,957
December 31, 2005	449,173	2,965,352	1,140	167,365	3,583,030

Interest capitalized totaled EUR 988, EUR 1,023 and EUR 1,462 for the years ended December 31, 2006, 2005 and 2004, respectively. The capitalization rate for the determination of the capitalized interest amounted to 4.2%, 4.5% and 5.0% for the periods ended December 31, 2006, 2005 and 2004, respectively.

In 2006 and 2005, the value of land amounted to EUR 55,489 and EUR 60,031.

In the year ended December 31, 2006, impairment charges of EUR 9,424 were primarily caused by a write-off of buildings in the amount of EUR 4,942 and land of EUR 990 due to lower appraisals of fair values of cash generating units at the lowest level of identifiable net cash flows in the wireline segment and of technical facilities in the amount of EUR 2,534 in the wireless segment and EUR 958 in the wireline segment due to technological obsolescence. In the periods ended December 31, 2005 and 2004, impairment charges of EUR 1,071 and EUR 1,123 respectively were recorded, primarily related to technical facilities in 2005 and to buildings in 2004 in the wireline segment.

In 2006 and 2005, the Company reduced the estimated useful lives of certain technical equipment due to the rapid development of the technological environment in the relevant areas. The change in estimate resulted in an increase of depreciation by EUR 12,001 in 2006 and EUR 17,908 in 2005.

Government grants totaling EUR 2,471 and EUR 654 were deducted from acquisition costs in 2006 and 2005, respectively.

In 2006, advances and construction in progress were only transferred within property, plant and equipment and other intangible assets. In 2005, the transfers contain a building with a carrying value of EUR 1,200 which was reclassified from assets held for sale to property, plant and equipment.

As of December 31, 2006, and 2005, communication network and other equipment with a carrying value of EUR 174,029 and EUR 251,716 respectively, were held under and pledged as collateral for the cross border lease transaction described in note (20).

(13) NON-CURRENT ASSETS HELD FOR SALE

In 2005, non-current assets held for sale related to a building which was sold in 2006.

The Company recognized a net gain from assets held for sale of EUR 175, EUR 833 and EUR 4,762 for the years ended December 31, 2006, 2005 and 2004, respectively. The entire net gain of 2006 and 2004 related to the wireline segment. For 2005, of the net gain of EUR 833, a gain of EUR 1,118 related to the wireless segment and a loss of EUR 285 related to the wireline segment.

(14) PREPAID EXPENSES

At December 31,	2006	2005
Employees	13,993	13,182
Rent	12,741	12,684
Deferred marketing expenses	75,075	72,347
Other	35,252	23,488
Prepaid expenses	137,061	121,701

(15) SHORT-TERM BORROWINGS

The Company's short-term borrowings include:

At December 31,	2006	2005
Current portion of long-term debt (note (19))	142,725	296,840
Short-term debt	242,560	357,736
Asset backed security debt (ABS)	150,541	31,606
Lines of credit	16,839	8,484
Current portion of lease obligations	9,428	9,394
Short-term borrowings	562,093	704,060

Short term debt decreased due to refinancing of short-term debt with long-term debt (see note (19)).

The weighted-average interest rate on lines of credit was 3.69% and 2.30% in 2006 and 2005, respectively. As of December 31, 2006, the Company had total credit lines of EUR 1,050,000 and recorded commitment and servicing fees for these lines of EUR 1,098. These credit lines are not used. The credit line commitments will expire between December 2007 and July 2013.

In January 2002, the Company entered into a revolving period securitization and sold trade receivables to a Special Purpose Entity (SPE). In accordance with SIC-12.10, the Company controls the SPE (Homer) because the activities of the SPE are being conducted on behalf of the Company according to its specific business needs so that the Company obtains the benefits from the SPE's operations. In substance, the Company retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain the benefits of its activities. Consequently, the Company includes the SPE in the consolidated financial statements.

In December 2003, the securitization program was extended to increase the maximum financing limit from EUR 290,000 to EUR 350,000. Additionally, the discounts required were reduced regarding the trade receivables to be held in trust for short-term debt received.

At December 31, 2006 and 2005, respectively, the Company recorded short-term debt totaling EUR 150,000 and EUR 31,500 secured by accounts receivable held in trust and recorded accumulated fees and interest of EUR 541 and EUR 106.

Cash settlement of the short-term debt takes place on a monthly basis. The Company further continues to service the receivables placed in trust. The Company recorded discounts, liquidity and program fees related to the securitization of trade receivables of EUR 3,968 and EUR 2,270 for the period ended December 31, 2006 and 2005, respectively. These discounts and fees are included in interest expense in the statement of operations.

(16) PROVISIONS AND ACCRUED LIABILITIES

Provisions and accrued liabilities consist of the following:

	Non income tax	Employees	Customer allowances	Customer retention	Asset retirement obligation	Other	Total
Balance at January 1, 2006	5,623	63,643	48,226	35,486	85,705	23,843	262,526
Additions	1,742	57,821	45,589	4,019	3,925	24,828	137,924
Changes in estimate	-	-	-	-	(17,760)	-	(17,760)
Used	(1,142)	(39,514)	(34,517)	(11,932)	(2,318)	(11,918)	(101,341)
Released	(89)	(11,514)	(3,213)	-	(263)	(1,655)	(16,734)
Accretion expense	-	-	-	-	3,380	-	3,380
Short term portion of							
employee benefit obligation	-	6,926	-	-	-	-	6,926
Translation adjustments	3	40	-	5	36	87	171
Changes in reporting entities	-	(93)	-	-	-	(237)	(330)
Balance at December 31, 2006	6,137	77,309	56,085	27,578	72,705	34,948	274,762
Thereof long-term							
December 31, 2006	-	-	-	-	72,705	-	72,705
December 31, 2005	-	-	-	-	85,705	-	85,705

In establishing accruals, management assesses different scenarios of reasonably estimated outcomes in determining the amount that the Company is expected to pay upon the resolution of a contingency. The Company records the most likely of all scenarios contemplated or, if none of the scenarios is more likely to occur, the scenario with the average weighted amount is considered in establishing the accrual.

The Company expects that the majority of the balances of provisions and accrued liabilities will be utilized during 2007 except for the asset retirement obligation.

Non-income tax

The non-income tax accrual contains amounts for land tax, chamber of commerce and other fees.

Employees

The accruals for employees contained unused vacation days, bonuses, overtime and the short-term portion of employee benefit obligations for severance payments, service awards, pensions and voluntary termination benefits (also see employee benefit obligation in note (21)).

In December 2006, the Company introduced a voluntary termination incentive program ("VTIP") to civil servants who cannot be terminated involuntarily and a voluntary termination incentive program to regular employees who meet specified criteria. The offer under the VTIP is binding upon the Company. The VTIP for civil servants will be offered until April 30, 2007 and the VTIP for regular employees until November 30, 2007. For the year ended December 31, 2006, a liability of EUR 13,027 was accrued based on the estimated number of civil servants and regular employees to accept this offer as expected from historical experience. The individual termination benefits depend on criteria such as years of service, age of the civil servants/regular employee and the acceptance date for the offer by the civil servant/regular employee.

In December 2006, the Company also introduced a voluntary option incentive program to civil servants who are less than 40 years old to change their contractual relationship from civil servant to regular employee between March 30, 2007 and June 30, 2007. The offer under this program is binding upon the Company. These civil servants will receive a lump-sum payment in return for the change in employment status and a gratuity depending on years of service. The Company recorded EUR 3,393 as an accrued liability for this program in 2006 based on the estimated number of civil servants that will accept the offer.

Customer allowances and customer retention

The accrual for customer allowances contains rebates earned by customers but not paid as of the balance sheet date and the accrual for customer retention mainly consists of accrued bonus points earned by customers.

Asset retirement obligation

The Company recorded asset retirement obligations for the retirement and decommissioning of base stations, buildings, booths for public payphones and wooden masts impregnated with tar or salt.

The Company has an obligation to operate a sufficient number of booths to assure that the Austrian population has sufficient access to telecommunications services. As long as the Company stays in business and technology does not materially change, the number of booths operated will be reduced but not eliminated completely in the foreseeable future. The Company has estimated the number and timing of booths to be retired from service and estimated the asset retirement obligation based on probability-weighted cash flow estimates.

The Company has also recorded an asset retirement obligation for masts impregnated with tar or salt. Although the Company stopped setting up tar-masts in 1992, some will be in operation for approximately another 30 years. Masts impregnated with salt are currently in operation and will be set up for the foreseeable future. The Company recorded an asset retirement obligation based on estimated settlement dates and expected cash flows.

Additionally, the Company recorded asset retirement obligations for buildings concerning obligations for the disposal of hazardous substances.

The Company situates base stations on land, rooftops and other premises under various types of rental contracts. In estimating the fair value of its retirement obligation for its base stations, mobilkom austria has made a range of assumptions such as retirement dates, timing and percentage of early cancellations, development of technology and the cost of removing network equipment and remediating the sites.

Additionally, the Company recorded asset retirement obligations for buildings and shops under operating leases in accordance with the obligation to refurbish the sites at the expiration of the lease contracts.

In the period ended December 31, 2006, the interest rate was increased from 3.82% to 5.00% based on general interest market development. This change in estimate resulted in a reduction of the asset retirement obligation, which was partially offset by changes from the estimated amount of the outflow of resources to settle the obligation.

Other accruals

Other accruals mainly related to legal fees and lawsuits, audit fees, public fees and consulting and other services.

(17) DEFERRED INCOME

At December 31,	2006	2005
Unearned income	175,898	192,398
Unamortized balance on sale of tax benefits (see note (20))	30,237	37,349
	206,135	229,747
Less non-current portion	(23,125)	(30,237)
Deferred income, net of non-current portion	183,010	199,510

Deferred income mainly related to prepaid access fees, monthly base fees, leased lines to commercial customers, prepaid mobile fees and rental income from site sharing. These fees are amortized straight line over the period the service is provided.

(18) OTHER CURRENT LIABILITIES

At December 31,	2006	2005
Employees	25,794	23,826
Stock option plans (see note (22))	13,774	17,845
Fiscal authorities	67,548	73,355
Social security	8,230	8,177
Other	52,491	83,653
Other current liabilities	167,837	206,856

Liabilities to employees mainly relate to salaries payables (including overtime and travel allowance), liabilities from one time termination benefits and liabilities from service awards.

Liabilities to fiscal authorities mainly include value added taxes and payroll taxes. Liabilities regarding social security relate to regular contributions to the social security system.

Other current liabilities mainly include liabilities arising from commissions, customer deposits and pending payments.

(19) LONG-TERM DEBT

The outstanding long-term debt, other than lease obligations are summarized as follows:

At December 31,	Maturity	2006	2005
Face value of bonds under EMTN Programme	2010-2017	1,750,000	1,750,000
Fair value adjustment (hedge accounting)	2010-2013	(14,133)	(5,311)
Discount of EMTN bonds	2010-2017	(14,430)	(16,654)
Bank debt	2007-2011	1,039,530	790,312
Bank debt guaranteed by the Federal Republic of Austria	2007-2011	89,024	297,232
Other	2007	42,869	38,964
		2,892,860	2,854,543
Less current portion of long-term debt (note (15))		(142,725)	(296,840)
Long-term debt, net of current portion		2,750,135	2,557,703

The interest rates on the guaranteed and unguaranteed bank debt varied between 2.4% and 7.0% in 2006. The weighted average interest rate, including interest rate swap agreements, for the years ended December 31, 2006 and 2005, respectively, was 4.23% and 3.70%, for bonds and 4.2% and 4.5% for bank debt.

The year-end average interest rates for the long-term debt excluding interest rate swap agreements for 2006 and 2005 were as follows:

	2006	2005
Bonds	4.32%	4.32%
Bank debt	4.17%	4.07%

The following table shows the aggregate amounts of long-term debt maturing during the next five years and thereafter:

2007	142,725
2008	325,997
2009	479,415
2010	486,939
2011	213,444
Thereafter	1,244,340

As of December 31, 2006, the Company was in compliance with all covenants required by its loan agreements.

Bonds under the EMTN Programme

In 2003, Telekom Austria AG and Telekom Finanzmanagement GmbH (the 100% financing subsidiary of Telekom Austria AG) initiated a Euro Medium Term Note (“EMTN”) Programme, which provided borrowing facilities of EUR 2,500,000 and was increased to EUR 5,000,000 in December 2005. The payments of all amounts due in respect of notes issued by Telekom Finanzmanagement GmbH under this framework agreement are unconditionally and irrevocably guaranteed by Telekom Austria AG.

Under this program, the Company launched (i) a Eurobond with face value of EUR 750,000, a coupon of 5.00% and 10-year maturity in July 2003 and (ii) two Eurobonds with face value of EUR 500,000 each, maturities of 5 and 12 years, and coupons of 3.375% and 4.250%, respectively, in January 2005. In January 2005, the bonds were issued at a discount including issue cost of EUR 3,358 and EUR 7,693, respectively, which are amortized over the related terms. For Eurobonds with a face value of EUR 800,000, the Company entered into fixed to floating interest rate swap agreements to reduce fluctuations of the bond's fair market value.

Bank debt

Bank debt incurred by the Company after its privatization is not guaranteed by the Federal Republic of Austria. These contracts are described in more detail as follows:

On August 30, 2006, the Company entered into a loan agreement of EUR 300,000, of which EUR 210,000 have a fixed interest rate and a maturity date of June 30, 2011 and EUR 90,000 have a variable interest rate and a maturity date of February 28, 2008.

In December 2005, the Company entered into a loan agreement of EUR 180,000 with the European Investment Bank. As of December 31, 2006, the loan is outstanding in full. Under the terms of this agreement, the Company must observe covenants requiring it to meet certain financial ratios.

In March 2000, the Company entered into a loan agreement for EUR 145,000 with the European Investment Bank. As of December 31, 2006, EUR 29,000 of the loan is outstanding in accordance with the repayment terms. Under the terms of this agreement, the Company must observe covenants requiring it to meet certain financial ratios.

Furthermore, in October 2000 the Company entered into a loan agreement for EUR 232,553 to fund the acquisition of Czech On Line a.s. (COL). As of December 31, 2006 the loan is outstanding in full in accordance with the repayment terms. Under the terms of the contract the Company has to maintain a minimum equity in COL, otherwise the loan becomes due. The interest rates vary depending on the rating of the Company.

As of December 31, 2006, EUR 295,160 of a syndicated loan granted to mobilkom austria was outstanding. The original loan totaled EUR 305,000 and was guaranteed by Telekom Austria AG.

In March 1999, Si.mobil entered into a loan agreement amounting to EUR 36,000 (original currency: Deutsche Mark 71,000) to finance the construction of the GSM network in Slovenia. The loan is secured by bills of exchange, property, receivables and shares of Si.mobil with a carrying amount of EUR 11,213 for the pledged assets. The loan is repayable through March 2007.

Bank debt guaranteed by the Federal Republic of Austria

Bank debt of EUR 89,024 which was entered into before the Company's privatization is guaranteed by the Federal Republic of Austria.

As of December 31, 2006, all bank debt incurred by the Company was denominated in Euro.

(20) LEASES

The Company leases equipment used in its operations. The leases are classified as either operating or finance leases. The lease contracts expire on various dates through 2015.

Future minimum lease payments for non-cancelable operating leases, finance leases and cross border leases as of December 31, 2006 are:

	Cross border leases	Other Finance leases	Operating leases
2007	9,385	43	41,823
2008	6,932	25	35,665
2009	27,865	14	34,339
2010	10,153	-	33,775
2011	10,135	-	33,518
after 2011	15,699	-	33,018
Total minimum lease payments	80,169	82	212,138
Less amount representing interest	(13,456)	(2)	-
Present value of lease payments	66,713	80	
Less current portion	(9,385)	(43)	
Non-current lease obligations	57,328	37	

Total rent expense was EUR 88,762, EUR 83,534 and EUR 79,204 in 2006, 2005 and 2004, respectively.

The Company will receive future minimum lease payments for non-cancelable operating lease contracts which mainly relate to private automatic branch exchange equipment (PABX). These payments are recognized as revenue straight line over the terms of the contracts. As of December 31, 2006, the cost of this equipment was EUR 30,949, accumulated depreciation was EUR 23,965 and the carrying value amounted to EUR 6,984. The future minimum lease payments to be received as of December 31, 2006 are as follows:

	Operating leases
2007	9,899
2008	8,106
2009	6,065
2010	4,105
2011	2,875
after 2011	5,823
Total minimum lease payments	36,873

Cross border leases

Between August, 1998 and November, 1999, Telekom Austria entered into a series of cross border sale and leaseback arrangements (the “CBLs”) of certain digital switching equipment (the “equipment”). Under these arrangements, Telekom Austria sold the equipment to various US entities, for the benefit of various US institutional investors, and contemporaneously leased the equipment back for terms between 13 and 16 years, a period considered to be in excess of 75% of the remaining useful economic life of the equipment. The CBLs also provided that at fixed dates (typically after 10 to 13 years), Telekom Austria has an option to repurchase the equipment for a fixed purchase price.

In addition, in December 2001, Telekom Austria entered into a further CBL with another US investor in the form of lease-in lease-out transaction (“LILO”), the leaseback under which resulted in finance lease classification.

With the proceeds from these sales of the equipment, Telekom Austria funded deposits and other investments, the principal and accrued interest under which are sufficient to provide a cash flow stream to cover the periodic leaseback rentals as well as the fixed price purchase option.

At the inception of the lease-back agreements, the Company entered into Payment Undertaking Agreements (“PUA”) with several counter-parties, whereby the counterparties agreed to make lease payments on behalf of the Company in exchange for a deposit. The counterparties in the PUAs related to the 1999 and 1998 transactions received upfront payments totaling EUR 509,285 and EUR 113,763 for a portion of the debt assumed in 1999 and 1998, respectively. Interest accruing on the cash deposits matches interest on the debt portion financed through the deposit. In addition to the cash deposits, the Company purchased debt securities, deposited those securities with a custodian and pledged the securities to one of the counter-parties in the PUA; The counter-parties in the PUAs related to the 2001 transaction received upfront payments totaling EUR 200,526 for a portion of the debt assumed in 2001. In addition to the PUAs, the Company provided a loan of EUR 66,554 to the U.S.-based trust. Interest accruing on the PUAs and the loan match the interest on the debt portion.

As the Company remains the economic owner of the equipment and has the right to re-purchase the assets and the lease-back transactions meet the criteria of a finance lease transaction, the Company maintained the assets on its balance sheet and did not recognize any gain or loss from the sales transaction. The difference between the cash proceeds from the sale and the present value of the future minimum lease payments represents a gain on the sale of a tax benefit. The net cash effect resulting from these transactions relates to the total gain from the sale of the tax benefits which amounted to EUR 14,547, EUR 44,437 and EUR 7,337 in 2001, 1999 and 1998, respectively. The Company is amortizing these amounts over the term of the lease.

In accordance with SIC 27 “Evaluating the substance of Transactions Involving the Legal Form of a Lease” and the Framework for the 1998 and 1999 transactions, no assets or liabilities were recorded for the separate investment account and the lease payment obligations. The cash deposits, the securities purchased in connection with the PUAs and the upfront payments received for the head lease and the lease obligations are not recorded in the balance sheet. The lease payment obligations are disclosed as contingent liabilities only.

However, for the 2001 transactions the major part of the investment accounts and the lease payment obligations have to be recorded as assets and liabilities because the Company is able to control the investment account and withhold payments. The cash deposits in connection with the PUAs and the upfront payments received for the head lease and the lease obligations are recorded separately on the balance sheets. Accordingly, interest income and expenses in an equal amount totaling EUR 5,754, EUR 6,488 and EUR 5,367, have been recognized in 2006, 2005 and 2004, respectively. The amortization of benefit in 2006 and 2005 of EUR 6,962 and EUR 6,982 is recorded in interest income.

Total assets and liabilities recorded in connection with the cross border leases are as follows:

At December 31,	2006	2005
Deposits long-term	60,185	69,620
Deposits short-term	6,528	7,826
Total assets in connection with cross border leases	66,713	77,446
Cross border lease obligations	66,713	77,446
Of which current	9,385	8,908

(21) EMPLOYEE BENEFIT OBLIGATIONS

Long-term liabilities for employee benefits consist of the following:

At December 31,	2006	2005
Contractual termination benefits	5,031	10,456
Service awards	48,258	46,864
Severance	49,435	44,351
Pensions	8,043	6,462
Other	805	1,413
Employee benefit obligation	111,572	109,546

The expenses for pensions and severance of the Management Board and the senior management are provided below:

Year ended December 31,	2006	2005	2004
Management Board and Senior Management	2,380	3,723	2,330
Other employees	42,441	19,373	31,233
Total	44,821	23,096	33,563

Expenses consist of service cost, expenses for voluntary termination benefits, contributions to pension funds and other retirement benefits.

Contractual termination benefits

In June 2000, June 1999 and in November 1997, the Company offered voluntary retirement incentive programs ("VRIPs") to civil servants. The present value of the obligation is determined based on current compensation levels and the respective legal regulations. An annual increase of 2.0% for future years and a discount rate of 4.5% are used. VRIPs are not funded. As of December 31, 2006, the accrual for the VRIPs related to 103 employees. In connection with VRIPs the Company made payments of EUR 3,170, EUR 3,436 and EUR 5,365 during 2006, 2005 and 2004, respectively. Expenses as well as the reversals of accruals are reflected as a component of employee costs in the accompanying consolidated statements of operations.

Actuarial assumptions

The assumptions used in the measurement of obligations for service awards, severance payments and pensions are shown in the following table:

At December 31,	2006	2005	2004
Actuarial assumptions			
Discount rate	4.5%	4.0%	5.0%
Rate of compensation increase - civil servants	5.0%	5.0%	5.0%
Rate of compensation increase - other employees	4.0%	4.0%	4.0%
Rate of increase of pensions	1.6%	0.8%	1.8%
Employee turnover rate	4.0%	4.0%	4.0%

Service awards

Civil servants and certain employees (together "employees") in Austria are eligible to receive service awards. Under these plans, eligible employees receive a cash bonus after a specified service period. The bonus is equal to two months salary after 25 years of service and four months salary after 40 years of service. Employees with at least 35 years of service when retiring are also eligible to receive a bonus equal to four months salary. The compensation is accrued as earned over the period of service taking into account estimates of employees whose employment will be terminated or who will retire prior to reaching the required service period. All actuarial gains and losses are recognized immediately in the period realized.

The following table provides the components and a reconciliation of the changes in service awards for the years ended December 31, 2006 and 2005:

	2006	2005
Accrual at the beginning of the year	49,385	44,418
Change in reporting entity	-	48
Service cost	2,138	1,973
Interest cost	2,033	2,278
Recognized actuarial losses (gains)	(338)	2,861
Benefits paid	(2,459)	(2,193)
Accrual at the end of the year	50,759	49,385
Less short-term portion (see note (16))	(2,501)	(2,521)
Accrual at the end of the year, long-term	48,258	46,864

Of the defined benefit obligations for service awards less than 1% related to foreign subsidiaries as of December 31, 2006.

The benefits expected to be paid over the next 10 years are shown in the following table:

2007	2,501
2008	2,538
2009	2,974
2010	3,370
2011	3,929
2012-2016	29,854

Severance

Severance benefit obligations for employees hired before January 1, 2003 are covered by defined benefit plans as described below. Following a legal change, obligations for employees starting to work for the Company after January 1, 2003 are covered by a defined contribution plan. The Company paid EUR 644, EUR 484 and EUR 330 to this deferred contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG) in 2006, 2005 and 2004, respectively.

Upon retirement, eligible employees receive severance payments equal to a multiple of their monthly compensation which comprises fixed compensation plus variable elements such as overtime and bonuses. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation. Up to three months of benefits are paid upon termination, with any benefit in excess of that amount being paid in monthly installments over a period not exceeding ten months. In case of death, the heirs of an eligible employee will receive 50% of the severance benefits.

The following tables provide the components of the net periodic benefit cost and a reconciliation of the changes in severance benefit obligations for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
Service cost	5,215	4,914	2,853
Interest cost	2,513	2,140	1,467
Amortization of actuarial (gains) losses	411	(176)	(254)
Net periodic benefit cost	8,139	6,878	4,066

	2006	2005
Defined benefit obligation at the beginning of the year	58,930	40,810
Change in reporting entities	(31)	306
Service cost	5,215	4,914
Interest cost	2,513	2,140
Benefits paid	(3,118)	(2,934)
Actuarial losses (gains)	(3,829)	13,694
Defined benefit obligation at the end of the year	59,680	58,930
Unrecognized actuarial loss	(8,046)	(12,286)
Accrued liability at the end of the year	51,634	46,644
Voluntary severance obligation	262	4,902
Total accrued severance liabilities at the end of the year	51,896	51,546
Less short-term portion (see note (16))	(2,461)	(7,195)
Accrued severance liability at the end of the year, long-term	49,435	44,351

Of the defined benefit obligations for severance, approximately 2% related to foreign subsidiaries as of December 31, 2006.

The benefits expected to be paid over the next 10 years are shown in the following table:

2007	2,461
2008	1,957
2009	2,736
2010	2,666
2011	3,622
2012-2016	16,150

The liability for voluntary severance payments relates to individuals who are generally not entitled to severance payments, but have accepted a special offer by the Company to receive severance payments for voluntary termination of employment. The government offered to civil servants at a certain age early retirement at reduced future pension payments. The Company offered these eligible employees additional severance payments to further encourage the acceptance of the government offer. As of December 31, 2006, the Company had a remaining obligation of EUR 262, which was reported in short-term accruals and provisions.

Pensions

Defined contribution pension plans

Pension benefits are generally provided by social security for employees and by the government for civil servants in Austria. The Company is required to assist in funding the Austrian government's pension and health care obligations to the Company's current and former civil servants and their surviving dependents. The Company is legally obligated to make annual contributions to the Austrian government for active civil servants. In 2006, the rate of contribution amounted to a maximum of 28.3% depending on the age of the civil servants. 15.75% was borne by the Company and the remaining portion was contributed through withholdings by the civil servants. Contributions to the government, net of the share contributed by civil servants, were EUR 39,861, EUR 41,237 and EUR 46,854 in 2006, 2005 and 2004, respectively.

The Company sponsors a defined contribution plan covering substantially all employees of Telekom Austria and its Austrian subsidiaries. The Company's contributions to this plan are based on a percentage of the compensation not exceeding 5% of the salaries. The annual cost of this plan amounted to approximately EUR 11,057, EUR 9,339 and EUR 9,154 in 2006, 2005 and 2004, respectively.

Defined benefit pension plan

The Company provides defined benefits for certain former employees. All such employees are retired and were employed in Austria prior to January 1, 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement including the pension provided by social security.

The Company uses the projected unit credit method to determine pension cost for financial reporting purposes. In conjunction with this method, the Company amortizes actuarial gains and losses using the corridor method.

The pension benefits for 2006, 2005 and 2004 are shown in the following table:

	2006	2005	2004
Interest cost	261	334	363
Amortization of actuarial gain	(14)	(15)	-
Net periodic pension benefit cost	247	319	363

The following table provides a reconciliation of the changes of benefit obligations for the years ended December 31, 2006 and 2005:

	2006	2005
Defined benefit obligation at the beginning of the year	6,397	6,650
Interest cost	261	334
Benefits paid	(847)	(691)
Past service cost	2,329	-
Actuarial net gain	(100)	(104)
Defined benefit obligation at the end of the year	8,040	6,397
Unrecognized net gain	822	736
Accrued pension liability at the end of the year	8,862	7,133
Less short-term portion (see note (16))	(819)	(671)
Accrued pension liability at the end of the year, long-term	8,043	6,462

The past service cost relates to an increase in pension payments for prior periods due to an unfavorable change in estimate, which could not be deferred to future periods.

The benefits expected to be paid over the next 10 years are shown in the following table:

2007	819
2008	783
2009	746
2010	708
2011	669
2012-2016	2,809

(22) STOCK-BASED COMPENSATION

In 2000, the Company launched a stock option plan (Stock Option Plan 2000), under which all exercisable options were exercised in the year ended December 31, 2004. In 2004, the Company launched a succeeding stock option plan with modified conditions. The new stock option plan (Stock Option Plan 2004) consists of three tranches. In each of the years between 2004 and 2006, one tranche was granted. The Company reported an overall compensation expense of EUR 13,015, EUR 20,864 and EUR 13,257 in 2006, 2005 and 2004, respectively.

The Company elected not to apply IFRS 2, "Share-based Payments" to equity instruments that were granted on or before November 7, 2002 and vested before the later of the date of transition and January 1, 2005.

Stock Option Plan 2000 (2000 plan)

On October 4, 2000, the shareholders of Telekom Austria approved a stock option plan for employees of the Company, which expired on February 27, 2004. Under this plan, the Company granted a total of 4,686,881 options, each of which entitled eligible grantees upon exercise of the option to receive at their choice either cash or shares equal to the difference between the average quoted price of Telekom Austria stock during the five trading days preceding the exercise and the IPO price of Euro 9. The options granted were exercisable on specific dates between May 31, 2002 and February 27, 2004, as long as the average share price during the five days prior to exercise exceeded the initial public offering price of Euro 9 by 30% or more. As of February 27, 2004, the average share price had exceeded the Initial Public Offering price by more than 30% for five consecutive days. Therefore, 3,230,718 options became exercisable and a compensation expense of EUR 8,736, excluding related payroll taxes and social contributions, was recorded in the year ended December 31, 2004.

The following table shows stock option activity under the 2000 Plan for the year ended December 31, 2004:

	2004
Outstanding as of January 1	3,268,850
Forfeited	(38,132)
Exercised	(3,230,718)
Outstanding as of December 31	-

The weighted average share price at the date of exercise was Euro 11.65 per share. The total intrinsic value of options exercised amounted to EUR 8,736 during 2004.

Stock Option Plan 2004 (2004 plan)

Based on an authorization of the Annual General Meeting, the Supervisory Board of Telekom Austria approved the 2004 plan for members of the Management Board and senior members of management on April 16, 2004. Under this plan, the Company may grant a total of 10,000,000 options in three tranches between April 2004 and April 2006. Each tranche has to be approved separately by the Supervisory Board and has a vesting period of twelve months or longer and an exercise period of approximately three years. To be eligible to exercise options, plan members must hold a continuous investment in Telekom Austria shares until the options are exercised. In addition, in order for the stock options to vest, certain performance conditions must be achieved by the Company based on basic earnings per share adjusted for certain effects (“the hurdle”). The hurdle will be determined annually for each subsequent tranche of options and must be approved by the Supervisory Board. Each option entitles the holder to receive, at the Company's discretion, either shares at the exercise price or cash equal to the difference between the quoted market price of the Company's shares on the date of the option's exercise and the exercise price. The exercise price is defined as the average quoted closing price of Telekom Austria's stock during a period of twenty trading days ending two days before the granting of options. One option is convertible into one share. If one year's hurdle is not met, options will accumulate until the hurdle of the next tranche is achieved provided that it is set higher than the original hurdle. In this case the vesting period is adjusted until the next tranche becomes exercisable.

On April 19, 2004, the first tranche (ESOP 2004+) of 2,539,480 options was offered to the eligible employees. The exercise price of the first tranche is Euro 11.92 and for every 15 options awarded an eligible employee must hold one ordinary share until exercise. Subsequent to the fulfillment of this holding condition, 2,392,925 options were granted to the eligible employees, of which 384,000 options were granted to the members of the Management Board. The first tranche had a vesting period of twelve months from the grant day and an exercise period of three years after becoming exercisable. The fair value of the options as of the grant date amounted to EUR 6,340 and the Company recognized a compensation expense from the first tranche amounting to EUR 1,128, EUR 7,837 and EUR 4,521, excluding related payroll taxes and social contributions, for the years ended December 31, 2006, 2005 and 2004, respectively. The fair value calculation was based on an expected forfeiture rate of 2.95% per year. The performance condition set for the first tranche was met as of December 31, 2004.

On January 19, 2005, the second tranche (ESOP 2005+) of 3,398,800 options was offered to the employees. The exercise price of the second tranche is Euro 13.98 and for every 20 (15) options awarded an eligible employee (Member of the Management Board) must hold one ordinary share until exercise. Subsequent to the fulfillment of this holding condition, 2,874,100 options were granted to the eligible employees, of which 396,400 options were granted to the members of the Management Board. The second tranche had a vesting period of twelve months from the grant day and an exercise period of three years after becoming exercisable. The fair value of the options as of the grant date amounted to EUR 8,455 and the Company recognized a compensation expense from the second tranche amounting to EUR 4,095 and EUR 13,027 for the years ended December 31, 2006 and 2005. The performance condition set for the second tranche was met as of December 31, 2005.

On January 12, 2006, the third tranche (ESOP 2006+) of 4,232,992 options was offered to the eligible employees under the Stock Option Plan 2004 based on the relevant approval by the Supervisory Board. The exercise price was set at Euro 18.91. For every 28 (24) options awarded an eligible employee (Member of Management Board) must hold one ordinary share until exercise. Subsequent to the fulfillment of this holding condition, 3,908,468 options were granted to the eligible employees, of which 360,000 options were granted to the members of the Management Board. The options have a vesting period of about twelve months from the grant date and an exercise period of three years after becoming exercisable. The fair value of the options as of grant date amounted to EUR 15,868 and the Company recognized compensation expense from the third tranche amounting to EUR 7,793 for the year ended December 31, 2006. The performance condition set for the third tranche was met as of December 31, 2006.

The compensation expense is measured based on the fair value of the options at each reporting date and recognized over the service period on a straight-line basis. The fair value estimation is based on the binomial option pricing model applying the following parameters:

	Stock option plans		
	2006	2005	2004
Expected average dividend per share	Euro 0.76 - 0.88	Euro 0.60 - 0.66	Euro 0.13 - 0.39
Expected volatility	23.0%	22.5%	25%
Risk-free interest rate range	3.690% - 4.134%	2.390% - 3.450%	2.053% - 4.280%
Fair value per option - first tranche	Euro 8.59	Euro 7.27	Euro 2.73
Fair value per option - second tranche	Euro 6.71	Euro 5.65	-
Fair value per option - third tranche	Euro 2.59	-	-

The first exercise dates and expected expiry dates of the options granted are as follows:

	Third tranche 2006	Second tranche 2005	First tranche 2004
First exercise date	March 8, 2007	March 16, 2006	April 20, 2005
Expected expiry date	March 31, 2010	May 29, 2009	May 30, 2008

The expected volatility used in the option pricing model is based upon the development of historical volatility for various observation periods and other indicators such as OTC ("over-the-counter") or implied volatility. The share prices as of December 31, 2006, 2005 and 2004 of Euro 20.30, Euro 19.00 and Euro 13.95, respectively, were used in the calculation. The Company's valuation model is not based upon an expected term of the option, but rather considers the exercise pattern of employees as a function of the intrinsic value of the options. The Company updates the estimates used in the valuation model annually by incorporating the most recent data about the actual distribution of exercises and forfeitures over the service and exercise period.

The following tables show the stock option activity and weighted-average exercise price under the 2004 plan:

Number of Options	2006	2005	2004
Outstanding as of January 1	3,482,480	2,363,925	-
Granted	3,908,468	2,874,100	2,392,925
Forfeited	(411,625)	(92,195)	(29,000)
Exercised	(2,554,630)	(1,663,350)	-
Outstanding as of December 31	4,424,693	3,482,480	2,363,925
of which exercisable as of December 31	854,345	662,680	-

Weighted-average exercise price	2006	2005	2004
Outstanding as of January 1	13.59	11.92	-
Granted	18.91	13.98	11.92
Forfeited	18.02	13.13	11.92
Exercised	13.55	11.92	-
Outstanding as of December 31	17.90	13.59	11.92
of which exercisable as of December 31	13.66	11.92	-

Weighted-average exercise price, remaining contractual term and total intrinsic value for outstanding and exercisable options developed as follows:

	At December 31,		
	2006	2005	2004
Outstanding Options			
Weighted average exercise price	17.90	13.59	11.92
Weighted average remaining contractual term (in years)	3.1	3.2	3.4
Total intrinsic value (in 000 EUR)	10,637	18,847	4,799
	At December 31,		
	2006	2005	
Exercisable Options			
Weighted average exercise price	13.66	11.92	
Weighted average remaining contractual term (in years)	2.3	2.4	
Total intrinsic value (in 000 EUR)	5,675	4,692	

The weighted average share price at the exercise date was Euro 19.31 in 2006 and Euro 16.65 in 2005. The total intrinsic value of options exercised amounted to EUR 14,692 and EUR 7,629 during 2006 and 2005, respectively.

The options under the third tranche of Stock Options 2004 will be exercisable on March 8, 2006. A total compensation cost of EUR 1,455 was not yet recognized as of December 31, 2006 for the remaining vesting period.

In March 2005, the Company decided to settle the options of the first tranche in cash only. As a result, amounts originally recorded in additional paid-in capital were reclassified to liabilities.

As the performance condition of the second tranche was achieved with the publication of the financial results for 2005 in accordance with US-GAAP on March 14, 2006, the options of the second tranche have become exercisable. The Management Board decided to settle the second tranche of the 2004 program in cash.

Due to its past experience of cash settlement, the Company also assumes cash settlement of the third tranche and records a liability in accordance with IFRS 2.41.

Employee Participation Program

The Employee Participation Program ("EPP") is a voluntary benefit and does not require the employee to complete a specific period of service or to achieve performance conditions in the future or to render service during a vesting period.

In December 2006, Telekom Austria introduced the EPP based on the authorization of the annual general meeting held on May 23, 2006. The EPP was granted to active employees in Austria who were not eligible to participate in the stock option programs. On December 12, 2006, the Supervisory Board authorized the first tranche of 500,503 shares corresponding to 0.1% of shares issued. Shares in the amount of Euro 900 per full time employee were offered to 11,383 employees (part time and full time employees) in Austria. The fair value of the shares granted is measured at the grant date - the date of authorization by the Supervisory Board - and was immediately expensed. A compensation expense of EUR 10,065 was recorded in 2006 based on a price per share of Euro 20.11. Telekom Austria used treasury shares to serve this program leading to a corresponding increase in shares outstanding and an increase in equity.

For subsequent tranches until 2010, subject to the approval of the Supervisory Board, it is intended to allocate shares worth Euro 600 per employee and year.

American call option

On November 21, 2000, Telekom Austria purchased 3,832,248 American call options for a premium of EUR 12,527. The expiration date was February 27, 2004. The underlying share of the American call option was the share of Telekom Austria AG. The American call option was used to satisfy any obligation resulting from the Stock Option Plan 2000. On February 27, 2004, the Company exercised 3,326,881 call options. The total acquisition cost of the treasury shares amounted to EUR 38,664.

(23) INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

Year ended December 31,	2006	2005	2004
Domestic	362,787	344,086	286,683
Foreign	295,114	169,118	69,223
Total	657,901	513,204	355,906

Income tax expense (benefit) attributable to income before income taxes for the years ended December 31, 2006, 2005 and 2004 consist of the following:

	2006	2005	2004
Current			
Domestic	53,168	18,523	22,266
Foreign	34,523	23,308	14,800
	87,691	41,831	37,066
Deferred			
Domestic	28,754	54,166	97,497
Foreign	(20,384)	8,274	905
	8,370	62,440	98,402
Total	96,061	104,271	135,468

The allocation between current and deferred income taxes in the amount of EUR 2,561 was adjusted for 2005 due to the finalization of the purchase price allocation of Mobilitel (see note (2))

The table below provides information about total income tax allocation in the financial statements:

	2006	2005	2004
Continuing operations	96,061	104,271	135,468
Unrealized gains on securities (charged to equity)	(3)	197	(779)
Unrealized gain on hedging activities (charged to equity)	-	1,058	2,623
Unrealized gain on translation adjustments (charged to equity)	(6)	308	-
Total	96,052	105,834	137,312

The following table shows the principal components for the difference between the reported income tax expense and the amount of income tax expense that would result from applying the Austrian statutory income tax rate to income before income taxes of 25%, 25% and 34% in 2006, 2005 and 2004, respectively:

	2006	2005	2004
Income tax expense at statutory rate	164,475	128,301	121,008
Foreign tax rate differential	(23,698)	(18,897)	(10,018)
Non-deductible expenses	2,808	3,524	2,879
Tax incentives	(2,515)	(1,923)	(3,450)
Tax-free income from investments	(190)	(134)	(185)
Change in tax rate	(18,684)	47	41,884
Impairment charges	-	4,079	-
Taxes previous years	(344)	3,048	(579)
Deferred tax assets recognized or (subsequently) not recognized	(16,405)	(14,125)	(14,863)
Release of accrual for tax uncertainties	(8,690)	-	-
Other	(696)	351	(1,208)
Income tax expense	96,061	104,271	135,468
Effective income tax rate	14,6%	20,3%	38,1%

Non-deductible expenses mainly consist of interest expenses on shareholder loans and representation expenses. Tax incentives principally consist of research and education incentives and other government grants.

In October 2006, the national assembly of the republic of Bulgaria enacted a tax reform, which will become effective as of January 1, 2007. The reform reduces the corporate income tax rate from 15% to 10%, which results in an overall tax benefit of EUR 21,240 from the revaluation of the estimated deferred tax assets and liabilities in 2006. Additionally, in accordance with the tax reform goodwill, amortization will no longer be deductible for tax purposes starting January 1, 2007 which will result in higher future tax payments.

On November 2, 2006, the Slovenian parliament passed an act reducing gradually the corporate income tax rate from 25% to 23% in 2007, to 22% in 2008, to 21% in 2009 and to 20% in 2010 and allowing indefinite carry forward of tax losses. The effective tax rate is expected to decrease accordingly. The change in the corporate income tax rate resulted in an overall tax expense of EUR 2,556.

The effect of change in tax rate in 2005 is due to a revaluation of the tax assets of COL following a reduction of the corporate tax rate from 26% to 24 %, for 2006 and the following periods.

On May 6, 2004 the Austrian National Council passed a tax reform, which became effective as of January 1, 2005. Among other regulations, the reform reduced the corporate tax rate from 34% to 25%, which resulted in an overall tax expense of EUR 41,884 from the revaluation of the deferred tax assets and liabilities as of December 31, 2004.

In 2006, deferred tax assets totaling EUR 16,405 were recognized which were previously not recognized. This benefit resulted mainly from the recognition of a deferred tax asset in the amount of EUR 16,260 (before the effect of the change in tax rate) due to further changes in Slovenian tax law and improved business prospects for Si.mobil.

In 2005, deferred tax assets totaling EUR 14,125 were recorded which were previously not recognized. This benefit resulted from the recognition of a deferred tax asset in the amount of EUR 17,190 (i) due to changes in Slovenian tax law resulting in an increase of the expiration period for tax loss carry-forwards and (ii) due to changed circumstances leading to a change in judgment regarding the utilization of the current loss of 3G Mobile. However, this effect was partially offset by not recognizing deferred tax assets on current losses of EUR 3,715.

In 2004, deferred tax assets totaling EUR 2,594 were not recognized. This expense was more than offset by the recognition of deferred tax assets of EUR 17,457 not recorded in prior periods. The net increase in deferred tax assets of EUR 14,863 resulted from a change in management estimate caused by changed circumstances regarding the realizability of the related deferred tax asset in future years.

In 2003, the Company recognized an intra-group loss on the sale of 100% of the shares of one of its subsidiaries. Effective January 1, 2004, the corporate income tax law in Austria has been changed to allow companies an election such that all capital gains/losses arising from future transactions in the shares (sales) of a foreign subsidiary will not be taxable for income tax purposes. Due to the uncertainty related to the Company's tax position in prior years, an income tax liability was recorded and the recognition of the tax benefit was deferred in the consolidated financial statements until such uncertainties become resolved. Based on the election discussed above which had been filed in 2006 and upon resolution of any tax uncertainties on completion of a tax audit, the related accrual for uncertainties of EUR 8,690 was realized in income.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31 are shown below.

	2006	2005
Deferred tax assets		
Goodwill	48,449	60,645
Intangible assets	438	1,246
Deferred deduction for write-downs of investments in subsidiaries	14,728	26,142
Operating loss carry-forwards	19,642	16,810
Accounts receivable	4,030	7,088
Deferred credits and other liabilities	6,932	4,197
Other current assets and prepaid expenses	1,001	774
Provisions long-term	16,889	20,306
Employee benefit obligations	7,704	7,188
Property, plant and equipment	20,811	10,037
Other	1,770	4,560
Total deferred tax assets	142,394	158,993
Deferred tax liabilities		
Goodwill	(9,688)	(2,076)
Property, plant and equipment	(8,706)	(13,589)
Other intangible assets	(108,704)	(122,718)
Accrued liabilities	(1,118)	(375)
Other	(5,053)	(2,764)
Total deferred tax liabilities	(133,269)	(141,522)
Net deferred tax asset	9,125	17,471
Thereof deferred tax assets	53,373	68,325
Thereof deferred tax liabilities	(44,248)	(50,854)

In accordance with IFRS 3, the Company has finalized its provisional initial accounting of the acquisitions of Mobiltel in the third quarter 2006 and adjusted 2005 comparative amounts for EUR 32,943 (see note (2)).

As of December 31, 2006 and 2005, the Company did not recognize deferred tax assets of EUR 20,426 and EUR 39,556 respectively. The unrecognized amount relates mainly to net operating loss carry-forwards.

In assessing the recoverability of deferred tax assets, management considers whether it is probable that all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that the Company will realize the benefits of the recognized deductible differences and operating loss carry-forwards.

At December 31, 2006, the Company had approximately EUR 171,334 of operating loss carry-forwards. Thereof, EUR 102,063 relate to foreign subsidiaries. Of these loss carry-forwards relating to foreign subsidiaries, EUR 15,388 have expiration dates as follows:

Years	Amount
2007	-
2008	15
2009	689
2010	40
2011	13,448
2012	1,196
Total	15,388

The remaining amount of operating loss carry-forwards without any expiration dates related mainly to companies located in Austria and Slovenia. In Austria, the annual usage is limited to 75% of the taxable income for that year.

In 2006, Telekom Austria did not recognize a deferred tax liability in the amount of EUR 220 for temporary differences related to investments in associates.

(24) FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company to manage its exposure to adverse fluctuations in interest and foreign exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment, approval, reporting and monitoring of derivative financial instrument activities. The Company is not a party to leveraged derivatives and the policies prohibit the holding or issuing of financial instruments for speculative purposes.

The Company uses various types of financial instruments including derivative financial instruments in the normal course of business for purposes other than trading.

By their nature, all such instruments involve risk, including market risk and credit risk of nonperformance by counterparties, and the maximum potential loss may exceed the amount recognized in the balance sheets. However, as of December 31, 2006, and 2005, in the management's opinion the probability of nonperformance of the counterparties in these financial instruments was remote.

Credit risk

The Company monitors its exposure to credit risk. The Company does not have any significant exposure to any individual customer or counterparty, nor does it have any major concentration of credit risk related to any financial instrument other than noted under section concentration of credit risk in significant accounting policies.

The Company does not require collateral in respect to financial assets. In order to reduce the risk of nonperformance by the other parties to swap agreements, the contracts are subject to the Swap Dealer Agreements.

Market risk

The market risk is monitored by using value-at-risk models for interest rate as well as currency risk for the long-term debt and derivative portfolios.

The following table presents the exposure of financial instruments to interest rate risk and provides information regarding maturity dates and carrying values:

Assets subject to interest rate risk at December 31, 2006 Maturities, year ended December 31,

	2007	2008	2009	2010	2011	2012 and thereafter	Total	Fair Value
ASSETS								
Cash and cash equivalents								
Fixed rate	125,147	-	-	-	-	-	125,147	125,147
Average interest rate (%)	3.72%	-	-	-	-	-	3.72%	-
Marketable securities								
Securities available-for-sale	23,135	-	-	-	-	-	23,135	23,135

Liabilities and related derivative instruments subject to interest rate risk at December 31, 2006 Maturities, year ended December 31,

	2007	2008	2009	2010	2011	2012 and thereafter	Total	Fair Value
LIABILITIES								
Bank Overdrafts								
Fixed Rate	16,839	-	-	-	-	-	16,839	16,839
Average interest rate (%)	3.42%	-	-	-	-	-	3.42%	-
Short-term borrowings								
Fixed Rate	242,560	-	-	-	-	-	242,560	242,560
Average interest rate (%)	3.69%	-	-	-	-	-	3.69%	-
Asset backed security loan								
(ABS)	150,541	-	-	-	-	-	150,541	150,541
Bonds								
Fixed rate*)	41,590	(1,280)	(1,280)	482,215	(1,280)	1,244,340	1,764,306	1,832,099
Average interest rate (%)	4.32%	-	-	3.38%	-	4.70%	4.34%	-
Loans								
Fixed rate	7,458	186,042	236,939	-	210,000	-	640,439	572,646
Average interest rate (%)	7.00%	5.33%	4.75%	-	2.40%	-	4.17%	-
Variable rate	93,677	141,234	243,756	4,724	4,724	-	488,115	488,115
Average interest rate (%)	3.63%	5.00%	4.07%	4.26%	4.26%	-	4.26%	-
INTEREST RATE SWAP AGREEMENTS								
Fixed to variable swaps in EUR								
Fixed to variable	-	-	-	500,000	-	300,000	800,000	14,133
Average pay rate (%)	-	-	-	3.19%	-	3.78%	3.41%	-
Average receive rate (%)	-	-	-	3.38%	-	5.00%	3.98%	-

*) The negative amounts shown in the line bonds fixed rate relate to the amortization of discounts from the issuance of the bonds.

The modified duration (sensitivity) was 2.64% in 2006 and 2.82% in 2005. The sensitivity is based on the assumption of a one percentage point change in market interest rates occurring at the balance sheet date.

Information with respect to cash flow hedges

Changes in the fair value of interest rate swaps designated as hedging instruments for the variability of cash flows associated with variable rate long-term debt are reported in other changes in equity. These amounts are subsequently classified into financial income as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affect earnings. All cash flow hedges were recognized in 2005 and no hedge ineffectiveness occurred in all periods presented.

Interest rate swap agreements

The Company entered into interest rate swaps to reduce the aggregate exposure to changes in floating interest rates and fair market value fluctuations of the debt portfolio. Fixed interest rate payments as of December 31, 2006, ranged from 3.38% to 5.00%. Floating-rate payments are based on rates tied to different inter-bank offered rates.

In line with its risk policy, the Company entered into fixed to floating interest rate swaps in 2005. The interest rate swap hedges the risk of fluctuation of the fair value of the underlying due to interest rate changes. The floating rate is based on EURIBOR and enables the Company to participate in the currently low level of short-term interest rates.

The following table indicates the types of swaps in use at December 31, 2006 and 2005, and their weighted-average interest rates and the weighted-average remaining terms of the interest rate swap contracts. Average variable rates are those in effect at the reporting date and may change significantly over the lives of the contracts:

	2006	2005
Fixed to variable swaps in EUR (fair value hedge)		
Notional amount in EUR	800,000	800,000
Average receive rate	3.98%	3.98%
Average pay rate	3.41%	2.62%
Average maturity in years	4.44	5.38

The interest rate swap transactions resulted in a decrease of interest rates by 4.9% and 12% in 2006 and 2005 for hedged transactions.

Foreign exchange agreements

The following table indicates the types of foreign exchange agreements in use at December 31, 2006 and 2005, and, if applicable, their weighted-average interest rates, the weighted-average remaining terms and the respective exchange rates of the contracts:

	2006	2005
Forward exchange contracts - USD		
Notional amount in EUR	5,984	2,794
Notional amount in USD	7,640	3,300
Forward exchange rate (weighted)	1.27	1.18
Exchange rate as of the balance sheet date	1.31	1.18
Longest term of the contracts	January 2007	February 2006

The notional amounts of the derivative instruments above do not represent amounts exchanged by the parties and, therefore, are not a measure of the Company's exposure. The Company's exposure is limited to the fair value of the contracts with a positive fair value plus interest receivable, if any, at the reporting date.

The following table summarizes the fair values of financial instruments:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments				
Cash and cash equivalents	125,147	125,147	116,756	116,756
Accounts receivable - trade	712,434	712,434	714,281	714,281
Balances due from related parties	3,291	3,291	23	23
Accounts payable - trade	(508,357)	(508,357)	(544,233)	(544,233)
Payables to related parties	(11,830)	(11,830)	(11,254)	(11,254)
Securities held-to-maturity	-	-	6,091	6,091
Securities available-for-sale	23,135	23,135	16,448	16,448
Long-term debt	(2,750,135)	(2.836,638)	(2,557,703)	(2,786,345)
Derivative financial instruments				
Interest rate swap agreements				
(fair value hedge)	(14,133)	(14,133)	(5,311)	(5,311)
Foreign currency forward contracts	(190)	(190)	-	-

(25) SHAREHOLDERS' EQUITY

Share Capital

At the Annual General Meeting on June 3, 2004 the Management Board was authorized to issue convertible bonds, which grant the holders subscription and/or conversion rights of up to 90,000,000 shares. The authorization was given for a period of 5 years from the day of authorization, ending in 2009.

In addition, the Management Board was authorized to increase the share capital by up to EUR 109,050 by issuing 50,000,000 ordinary shares to holders of convertible bonds to the extent that they exercise their subscription and/or conversion rights.

At the Annual General Meeting on June 4, 2003, the Management Board was authorized to increase the share capital by up to EUR 21,810 in order to provide employee stock options for a period of five years, ending 2008. Based on this authorization and following the relevant approvals by the Supervisory Board, the Management Board decided to increase conditionally the share capital by up to EUR 9,487 (3,600,000 shares), EUR 7,415 (3,400,000 shares) and EUR 6,543 (3,000,000 shares) in order to settle options granted under the Stock Option Plan 2004 on December 6, 2005, December 13, 2004 and March 23, 2004, respectively (see note (22)).

The numbers of authorized, issued and outstanding shares and shares in treasury as of December 31, 2006, 2005 and 2004 are presented below:

	2006	2005	2004
Shares (zero par value) authorized	560,000,000	560,000,000	510,000,000
Shares (zero par value) issued	500,000,000	500,000,000	500,000,000
Shares (zero par value) in treasury	(38,307,473)	(17,497,106)	(6,255,694)
Shares (zero par value) outstanding	461,692,527	482,502,894	493,774,306

Dividend Payment

On May 23, 2006 the shareholders approved at the Annual General Meeting a dividend distribution of Euro 0.55 per zero par value share. The overall payment on May 30, 2006 amounted to EUR 261,201. On May 25, 2005 a dividend distribution of Euro 0.24 was approved by the shareholders and the overall dividend payment of EUR 117,867 was distributed on June 6, 2005. On June 3, 2004 a dividend distribution of Euro 0.13 was approved by the shareholders and the overall dividend payment of EUR 64,578 was distributed on June 15, 2004.

The net income of Telekom Austria AG according to Austrian GAAP amounts to EUR 956,187, EUR 301,778 and EUR 412,683 in the years 2006, 2005 and 2004, respectively. According to Article 126 of the Stock Corporation Act, the Supervisory Board and the Management Board decided to transfer an amount of EUR 572,666, EUR 50,000 and EUR 271,931 from Telekom Austria AG 2006, 2005 and 2004 net income of EUR 956,187, EUR 301,778 and EUR 412,683 to retained earnings, resulting in unappropriated profits of EUR 402,115, EUR 279,794 and EUR 145,882 in the years 2006, 2005 and 2004, respectively. The Management Board and Supervisory Board plan to propose to the shareholders at the Annual General Meeting on May 30, 2007 to distribute from unappropriated earnings a dividend of Euro 0.75 per share.

Treasury shares

At the Annual General Meeting held on May 23, 2006, the authorization of the Management Board to acquire treasury shares was extended to the maximum extent legally permitted. During a period of 18 months, the Company may acquire treasury shares at a minimum price of Euro 10 and at a maximum price of Euro 25 per share, ending November 2007. The Management Board was empowered (i) to use this treasury stock to satisfy obligations under the stock option programs described in note (22), (ii) to use it to satisfy obligations resulting from the issue of convertible bonds, (iii) to use it as consideration for acquisitions (iv) to retire up to a maximum of 10% of common stock (EUR 109,050) or (v) to sell it in the stock exchange or in a public offering.

On February 27, 2004, the Company exercised its 3,326,881 American call options on treasury shares which were acquired during the Initial Public Offering in November 2000 to limit the Company's exposure under the Stock Option Plan 2000 that expired on February 27, 2004. The strike price of each call option was Euro 9. This resulted in total acquisition cost of treasury shares of 38,758 including the fair value of the American call options as of the exercise date, which represent ancillary cost. Following the exercise of the American call option, the Company held 3,326,881 shares in treasury, 0.67% of its share capital and available for issuance to employees under the Stock Option Plan 2000, of which 3,230,718 had been awarded and were exercisable by employees. During the year ended December 31, 2004, 89,748 options were exercised by employees at the exercise price of Euro 9. The remaining option holders elected to receive cash for the difference between the exercise price and the average quoted price of Telekom Austria stock.

Furthermore, the Company acquired 21,310,870, 11,241,412 and 3,018,561 shares of treasury stock at an average purchase price of Euro 19.09, Euro 16.41 and Euro 11.34 in the years ended December 31, 2006, 2005 and 2004, respectively.

In 2006, Telekom Austria used 500,503 treasury shares in the amount of EUR 8,553 under its Employee Participation Program (see note (22)).

As of December 31, 2006 and 2005, the Company held 38,307,473 and 17,497,106 shares in treasury at an average purchase price of Euro 17.09 and Euro 14.65 per share reported as a reduction to shareholders' equity in the amount of EUR 654,597 and EUR 256,396, respectively.

Earnings per share

Basic earnings per share and diluted earnings per share for the years ended December 31, 2006, 2005 and 2004 are calculated as follows:

	2006	2005	2004
Net income attributable to shareholders of Telekom Austria AG	561,816	408,931	219,835
Weighted average number of common shares outstanding	472,668,763	489,050,517	496,495,378
Dilutive effect of Stock Option Plan 2004	-	-	29,449
Dilutive effect of Stock Option Plan 2000	-	-	101,793
Weighted average number of dilutive shares outstanding	472,668,763	489,050,517	496,626,620
Basic earnings per share	Euro 1.19	Euro 0.84	Euro 0.44
Diluted earnings per share	Euro 1.19	Euro 0.84	Euro 0.44

On April 19, 2004 the first tranche of 2,392,925 options was granted to the eligible employees of Stock Option Plan 2004 as described in note (22). The dilutive effect of this transaction had no impact on earnings per share, which are reported on the face of the Consolidated Statements of Operations. In March 2005, the Company announced its intention to settle the first tranche of the Stock Option Plan 2004 in cash. In March 2006, the Company decided to settle the second tranche of the 2004 program in cash as well. Due to its past experience of cash settlement the Company also assumes cash settlement of the third tranche which therefore have no dilutive effect.

In 2004, 101,793 of outstanding dilutive employee share options issued under the Stock Option Plan 2000 were originally excluded from the calculation of diluted EPS. The inclusion of these options in the calculation of diluted earnings per share would not have had an effect on reported diluted EPS. The comparative information for 2004 was adjusted accordingly. For further details about the Stock Option Plan 2000 and the American call options see note (22).

Shares held by members of the Management Board

The members of the Management Board hold shares in the Company as follows:

	Number of shares	
	January 1, 2006	December 31, 2006
Heinz Sundt	13,011	-
Boris Nemsic	13,110	13,110
Stefano Colombo	13,012	13,012
Rudolf Fischer	13,007	13,007

Mr. Heinz Sundt, who resigned as Chief Executive Officer as of May 23, 2006, held 13,011 shares. For more information about the changes in the Company's Management Board, see note (32).

Accounting for derivative and hedging activities

For derivatives designed either as fair value or cash flow hedges, changes in the time value of the derivatives are excluded from the assessment of hedge effectiveness and are recorded in earnings. Hedge ineffectiveness, determined in accordance with IAS 39, had no impact on the Company's earnings for the years ended December 31, 2006, 2005 and 2004. No fair value hedges were derecognized or discontinued during the years ended December 31, 2006, 2005 and 2004. All cash flow hedges were recognized in 2005.

Revaluation reserves and currency translation adjustment

Revaluation reserves and currency translation adjustment consist of the following items:

	Unrealized gain (loss) on securities	Unrealized gain (loss) on hedging activities	Foreign currency translation	Total
Balance at January 1, 2004	1,365	(7,147)	(10,679)	(16,461)
Change of tax rate	(25)	(406)	-	(431)
Changes, net of income tax	1,096	4,032	(3,696)	1,432
Realized, net of income tax	(2,655)	268	-	(2,387)
Balance at December 31, 2004	(219)	(3,253)	(14,375)	(17,847)
Changes, net of income tax	602	-	14,386	14,988
Realized, net of income tax	(8)	3,253	-	3,245
Balance at December 31, 2005	375	-	11	386
Changes, net of income tax	15	-	800	815
Realized, net of income tax	(15)	-	-	(15)
Balance at December 31, 2006	375	-	811	1,186

(26) REVENUES

Year ended December 31,	2006	2005	2004
Revenues from services	4,436,849	4,081,131	3,797,491
Revenues from sales of merchandise	322,711	284,116	245,377
Operating revenues	4,759,560	4,365,247	4,042,868

(27) OTHER OPERATING INCOME

Year ended December 31,	2006	2005	2004
Rental revenue	10,104	9,936	10,503
Own work capitalized	28,813	29,857	26,592
Foreign exchange gains	1,004	-	2,397
Other	19,251	15,019	11,004
Other operating income	59,172	54,812	50,496

Own work capitalized represents the value of work performed for own purposes consisting mainly of employee costs, material expenses and direct overhead capitalized as part of property, plant and equipment and software. Foreign exchange gains and losses are netted and are reported as other operating income or other operating expenses depending if a net gain or a net loss is reported:

Year ended December 31,	2006	2005	2004
Foreign exchange gains	4,463	783	10,482
Foreign exchange (losses)	(3,459)	(1,282)	(8,085)
Net foreign exchange gains (losses)	1,004	(499)	2,397

(28) OTHER OPERATING EXPENSES

Year ended December 31,	2006	2005	2004
Interconnection	535,791	489,585	452,171
Repairs	186,522	176,144	177,277
Services received	264,135	238,478	206,446
Advertising and marketing	271,559	229,580	198,138
Other support services	109,132	110,076	109,721
Rental expenses	88,762	83,534	79,206
Commission expenses	67,413	56,409	41,301
Bad debt expenses	34,323	43,393	23,597
Legal and other consulting	37,283	38,862	40,353
Travel expenses	25,633	22,777	22,302
Energy	25,496	23,599	21,824
Training expenses	13,245	12,928	11,657
Other taxes	8,853	6,185	8,023
Net loss from retirement of fixed assets	1,430	7,839	28,795
Foreign exchange losses	-	499	-
Other	88,835	73,021	67,527
Total	1,758,412	1,612,909	1,488,338

(29) COMMITMENTS AND CONTINGENCIES

The following table shows the purchase obligations:

Years	2006	2005
Up to 1 year (short-term)	252,855	503,868
1 to 3 years	34,757	543,708
4 to 5 years	9,550	3,635
After 5 years	24,695	-
Total	321,857	1,051,211

These obligations include purchase commitments for property, plant and equipment as well as for intangible assets and other non-cancelable contractual commitments such as service agreements and interconnection obligations. Of these purchase obligations, EUR 95,672 and EUR 341,069 relate to property, plant and equipment and intangible assets as of December 31, 2006 and 2005, respectively.

As of December 31, 2006 and 2005, the Company has incurred lease obligations totaling EUR 718,997 and EUR 862,501, respectively, in connection with the cross border lease transactions (note (20)) which were not recorded as a liability in accordance with SIC 27 and the framework. In 2001, two banks issued letters of credit to the trust for the liabilities of the Company resulting from the 1998 and 1999 transactions. As of December 31, 2006 and 2005, these letters of credit totaled EUR 60,885 and EUR 70,774.

In 2006, the Austrian consumer organization brought action against our subsidiary mobilkom austria AG regarding its billing model. Most of mobilkom Austria AG's tariffs of voice services are billed 60/30, which means that every first minute and thereafter every half minute of a phone call is billed regardless of the duration of a call which might be shorter than the billed unit. mobilkom austria AG did not recognize a provision because it is not probable that an outflow of resources will be required to settle the obligation. The maximum potential exposure amounts to EUR 5,646.

In the normal course of business, the Company is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to interconnection. Such matters are subject to many uncertainties, and outcomes are not predictable with certainty. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at December 31, 2006. These matters could affect the operating results or cash flows of any one quarter when resolved in future periods. However, management believes that after final disposition, any monetary liability or financial impact to the Company beyond that provided for at year-end would not be material to its consolidated financial statements.

(30) CASH FLOW STATEMENT

The following is a summary of supplemental cash flow information:

Year ended December 31,	2006	2005	2004
Cash paid for			
Interest	150,366	145,709	161,057
Income taxes	95,960	57,349	23,330
Cash received for			
Interest	4,650	14,148	8,080
Income taxes	157	-	-

Cash and cash equivalents acquired in acquisitions totaled EUR 28,638 in 2005.

(31) SEGMENT REPORTING

The following segment information has been prepared in accordance with IAS 14, "Segment Reporting". The accounting policies of the segments are the same as those described in note (1).

The Company operates in three business segments: wireline, wireless and other activities. These segments are determined based on the nature of services provided and reflect the management structure of the organization. The reporting system reflects the internal financial reporting and the predominant sources of risks and returns in the Company's businesses.

Wireline includes fixed line, data communications and internet services and focuses on wholesale and retail customers. Wholesale customers including telecommunications operators and service providers are offered network-based services, while retail customers, including business and residential end-users are offered voice telephony, data communications, internet and other services.

Wireless, operated by our mobile communications segment, offers a full range of digital mobile communications services to business and residential customers.

Other activities contain the financing and other activities of the Company.

Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Those transfers are eliminated in consolidation.

Adjusted EBITDA is defined as net income excluding interest, income tax expense, depreciation and amortization, impairment charges, equity in earnings of affiliates, income/loss from investments and foreign exchange differences. This equals operating income before depreciation, amortization and impairment charges. The Company uses adjusted EBITDA to measure the performance of segments because it is commonly used in the telecommunications industry as a comparative measure of financial performance. In addition, the Company believes it is a widely accepted indicator of its ability to incur and service debt.

	Wireline	Wireless	Other activities	Eliminations	Consolidated
Year ended December 31, 2006					
External revenues	1,948,928	2,810,662	(30)	-	4,759,560
Intersegmental revenues	170,590	91,924	-	(262,514)	-
Total revenues	2,119,518	2,902,586	(30)	(262,514)	4,759,560
Other operating income	48,034	14,868	-	(3,730)	59,172
Segment expenses	(1,438,152)	(1,742,051)	(456)	268,747	(2,911,912)
Adjusted EBITDA					
(excl. Impairment charges)	729,400	1,175,403	(486)	2,503	1,906,820
Impairment charges	(7,938)	(2,542)	-	-	(10,480)
Adjusted EBITDA					
(incl. Impairment charges)	721,462	1,172,861	(486)	2,503	1,896,340
Depreciation and amortization	(628,635)	(495,717)	-	421	(1,123,931)
Operating income	92,827	677,144	(486)	2,924	772,409
Interest income					20,050
Interest expense					(133,498)
Equity in earnings of affiliates					20
Other income					(1,080)
Tax expense					(96,061)
Net income					561,840
Segment assets	4,446,606	5,003,399	2,874,172	(4,764,488)	7,559,689
Segment liabilities	(2,704,528)	(2,336,162)	(2,870,029)	3,174,546	(4,736,173)
Capital expenditures	283,937	712,789	-	-	996,726
Other non-cash expenses	25,432	37,786	(14)	-	63,204

	Wireline	Wireless	Other activities	Eliminations	Consolidated
Year ended December 31, 2005					
External revenues	1,965,366	2,399,834	47	-	4,365,247
Intersegmental revenues	158,518	85,003	-	(243,521)	-
Total revenues	2,123,884	2,484,837	47	(243,521)	4,365,247
Other operating income	50,699	10,514	-	(6,401)	54,812
Segment expenses	(1,385,206)	(1,527,620)	(148)	251,421	(2,661,553)
Adjusted EBITDA					
(excl. Impairment charges)	789,377	967,731	(101)	1,499	1,758,506
Impairment charges	(16,317)	(1,071)	-	-	(17,388)
Adjusted EBITDA					
(incl. Impairment charges)	773,060	966,660	(101)	1,499	1,741,118
Depreciation and amortization	(705,010)	(416,850)	-	420	(1,121,440)
Operating income	68,050	549,810	(101)	1,919	619,678
Interest income					32,663
Interest expense					(144,917)
Equity in earnings of affiliates					570
Other income					5,210
Tax expense					(104,271)
Net income					408,933
Segment assets	4,751,075	4,841,827	2,713,676	(4,609,850)	7,696,728
Segment liabilities	(2,694,599)	(2,426,508)	(2,700,869)	3,044,014	(4,777,962)
Capital expenditures	314,145	313,494	-	-	627,639
Other non-cash expenses	36,826	30,831	7	-	67,664
Year ended December 31, 2004					
External revenues	2,004,109	2,038,731	28	-	4,042,868
Intersegmental revenues	166,361	82,661	-	(249,022)	-
Total revenues	2,170,470	2,121,392	28	(249,022)	4,042,868
Other operating income	43,719	11,734	-	(4,957)	50,496
Segment expenses	(1,395,233)	(1,355,590)	(67)	243,075	(2,507,815)
Adjusted EBITDA					
(excl. Impairment charges)	818,956	777,536	(39)	(10,904)	1,585,549
Impairment charges	(1,334)	-	-	-	(1,334)
Adjusted EBITDA					
(incl. Impairment charges)	817,622	777,536	(39)	(10,904)	1,584,215
Depreciation and amortization	(757,176)	(357,993)	-	421	(1,114,748)
Operating income	60,446	419,543	(39)	(10,483)	469,467
Interest income					17,497
Interest expense					(142,109)
Equity in earnings of affiliates					552
Other income					10,499
Tax expense					(135,468)
Net income					220,438
Segment assets	4,710,046	3,050,803	1,250,757	(2,330,465)	6,681,141
Segment liabilities	(2,678,892)	(1,440,405)	(1,250,406)	1,487,002	(3,882,701)
Capital expenditures	280,390	267,779	-	-	548,169
Other non-cash expenses	32,417	14,038	8	(9)	46,454

The segments are reported on a consolidated basis. Segment assets and segment liabilities do not include income tax assets and income tax liabilities. The elimination and reconciliation column contain the reconciliation of segment assets and liabilities to consolidated total assets and liabilities. Capital expenditures, as well as depreciation and amortization, relate to property, plant and equipment and intangible assets.

Other non-cash expenses mainly consist of pension expense, compensation expenses for stock option programs, compensation expenses for EPP, accretion expense and additions to provisions for bad debt.

Telekom Austria provides geographical segment reporting as secondary segment information. External revenues are allocated by geographical location of Telekom Austria's customers. Segment assets and capital expenditures are reported by geographical location of assets. The following table presents selected financial information by the main geographical regions:

	Austria	Bulgaria	Croatia	Other countries	Reconciliation & Eliminations	Consolidated
Year ended December 31, 2006						
External revenues	3.243.155	570.473	390.258	555.674	-	4.759.560
Segment assets	6.673.404	1.828.582	475.553	314.735	(1.732.585)	7.559.689
Long lived assets	3.594.950	1.089.435	283.053	103.613	-	5.071.051
Capital expenditures	803.234	100.046	64.595	28.851	-	996.726
Year ended December 31, 2005						
External revenues	3.254.530	259.216	367.048	484.453	-	4.365.247
Segment assets	6.975.187	1.828.554	498.059	310.824	(1.915.896)	7.696.728
Long lived assets	3.713.357	1.135.247	296.358	102.088	-	5.247.050
Capital expenditures	488.066	52.977	71.152	15.444	-	627.639
Year ended December 31, 2004						
External revenues	3.284.832	2.050	329.613	426.373	-	4.042.868
Segment assets	6.388.418	-	385.146	174.843	(267.266)	6.681.141
Long lived assets	4.188.827	-	290.420	110.211	-	4.589.458
Capital expenditures	440.935	-	89.148	18.086	-	548.169

(32) REMUNERATION PAID TO THE MANAGEMENT AND SUPERVISORY BOARD

In 2006, 2005 and 2004, remuneration expenses for members of the Management Board amounted to EUR 1,385, EUR 1,537 and EUR 1,374 and attributable bonuses of EUR 1,619, EUR 1,314 and EUR 750, respectively. Benefits derived from the stock option programs amounted to EUR 3,364, EUR 867 and EUR 1,499 in 2006, 2005 and 2004, respectively. The actual bonuses depend on specific performance goals and are finally determined in the subsequent year. Fees paid to the members of the Supervisory Board totaled EUR 188, EUR 114 and EUR 101 in 2006, 2005 and 2004, respectively.

In January 2006, the Company announced the resignation of Chief Executive Officer (CEO) Mr. Heinz Sundt as of May 23, 2006. On May 24, 2006, Mr. Boris Nemsic became CEO of the Company in addition to his position as CEO of mobilkom austria. Mr. Rudolf Fischer became successor deputy CEO. The Company's Supervisory Board extended their management mandates for five years until April 30, 2011.

On October 23, 2006, Hans Tschuden was appointed by the Supervisory Board as new Chief Financial Officer of Telekom Austria AG for a period of 5 years until March 31, 2012. Mr. Tschuden will succeed Stefano Colombo and will commence on April 1, 2007.

Key Management personnel compensation was as follows:

Year ended December 31,	2006	2005	2004
Short-term employee benefits	14,065	11,827	9,101
Long-term employee benefits	2	2	-
Post-employment benefits	715	610	614
Termination benefits	1,665	2,856	336
Share-based payments	4,033	8,350	6,304
Total	20,480	23,645	16,355

(33) EMPLOYEES

The average number of employees during the business years 2006, 2005 and 2004 was 15,493, 14,403 and 13,639, respectively. As of December 31, 2006, 2005 and 2004, respectively, the Company employed 15,428, 15,595 and 13,307 employees in full time equivalents.

(34) SUBSEQUENT EVENTS

The Management Board approved the financial statements on February 21, 2007.

Based on the approval by the Supervisory Board, an additional ("fourth" or "ESOP 2007+") tranche of 4,047,472 options was granted to the eligible employees of Telekom Austria under the extension of Stock Option Plan 2004 (see note (22)) on January 8, 2007. The extension of the original Stock Option Plan 2004 ("Stock Option Plan 2004 Extension") for another three tranches in the years 2007, 2008 and 2009 was authorized at the last Annual General Shareholder's Meeting on May 23, 2006. The exercise price for the fourth tranche of Euro 20.34 was defined as the average quoted closing price of Telekom Austria stock during a period of twenty trading days ending two days before the granting of options. For every 30 (25) options awarded an eligible employee (Management Board member) must hold one ordinary share until exercise. Vesting of the stock options awarded is based on the performance of basic earnings per share adjusted for certain effects. The options have a vesting period of 12 months from the grant date and an exercise period of three years after they have vested. Telekom Austria may exercise the authorization for a conditional increase in the Company's share capital up to EUR 9,815 (corresponding to 4,500,000 shares). The conditional capital increase will only take place if the Company does not decide to serve the options by means of treasury shares or cash compensation.

Telekom Austria intends to establish a holding structure, which will manage and support the wireline and wireless segments and be the interface with the financial community. The holding organization will represent all segments of the Company, consolidate the strategy and set the financial targets for the Company as a whole. The holding Company will be headed by Boris Nemsic, Rudolf Fischer and Hans Tschuden, the latter will assume the position of CFO as of April 1, 2007. The newly established "Telekom Austria Fixnet AG" will take over the sole responsibility for the wireline segment in full separation from the holding functions of Telekom Austria. It is planned that this change in the legal structure will be presented for shareholders' approval at the Annual General Meeting in 2007 and will take effect retroactively as of January 1, 2007. The segment information of prior years will be adjusted accordingly for comparative purposes as soon as the new organization is in place (in accordance with IAS 14 "Segment Reporting").

On December 20, 2006, Telekom Austria agreed to acquire 100 % of the share capital of the operating companies of eTel for a purchase price of approximately EUR 90,000. The transaction includes all operating activities of eTel in Austria, Hungary, Czech Republic, Slovakia, Germany and Poland. eTel is a European integrated operator owned by a consortium of international investors with operations in Austria and Central-Eastern Europe. In 2005, eTel had revenues of approximately EUR 100,000. Merger control approval is pending and the transaction is expected to close in the first quarter of 2007.

On February 5, 2007 Telekom Austria announced that its mobile subsidiary, mobilkom austria, won the tender for the GSM 900/1800 license for the Republic of Macedonia. The cost of the license amounted to EUR 10,000. The license shall be granted for a period of 10 years, renewable for a further 10 years. mobilkom austria will enter into negotiations to finalize the license contract. The license conditions include a requirement to launch operations within 6 months following the license grant date and to provide specified coverage levels of the population within specified time periods.

(35) AFFILIATED COMPANIES

Name and Corporate Seat	Share in capital as of Dec. 31, 2006 %
Fully consolidated subsidiaries	
Telekom Finanzmanagement GmbH, Vienna	100.00
Telekom Projektentwicklungs GmbH, Vienna	100.00
Telekom Austria Personalmanagement GmbH, Vienna	100.00
Telekom Austria Fixnet AG, Vienna	100.00
Telekom Austria Finance BV, Amsterdam	100.00
mobilkom austria AG, Vienna	100.00
mobilkom austria group services GmbH, Vienna	100.00
mobilkom Beteiligungsgesellschaft mbH, Vienna	100.00
mobilkom Bulgarien Beteiligungsverwaltungs GmbH, Vienna	100.00
mobilkom Bulgarien Geschäftsentwicklungs GmbH, Vienna	100.00
mobilkom CEE Geschäftsentwicklungs GmbH, Vienna	100.00
mobilkom CEE Beteiligungsverwaltung GmbH, Vienna	100.00
mobilkom liechtenstein AG, Vaduz	100.00
Jet2Web Hungary Kft, Budapest	100.00
Jet2Web Slovakia s.r.o., Bratislava	100.00
TA Mreža d.o.o., Ljubljana	100.00
Czech On Line a.s., Prague	100.00
World-Direct eBusiness Solutions GmbH, Vienna	100.00
Österreichische Fernmeldetechnische Entwicklungs- und Fördergesellschaft m.b.H., Vienna	100.00
A1 Bank AG, Vienna	100.00
3G Mobile Telecommunications GmbH, Vienna	100.00
paybox central eastern europe AG, Munich	100.00
Vipnet d.o.o., Zagreb	100.00
Vipnet usluge d.o.o., Zagreb	100.00
Si.mobil telekomunikacijske storitve d.d., Ljubljana	100.00
TopNet d.o.o, Belgrade	100.00
Alabin 48 OOD, Sofia	100.00
Mobiltel EAD, Sofia	100.00
GPS Bulgaria AD, Sofia	90.00
Teleport Bulgaria AD, Sofia	100.00
Homer Receivables Purchasing Company Limited, Dublin (Special Purpose Entity)	
Affiliated companies consolidated using the equity method	
paybox austria GmbH, Vienna	83.33
Omnimedia Werbegesellschaft mbH, Vienna	26.00
Output Service GmbH, Vienna	25.10

All affiliated companies have December 31 as their reporting date except for Omnimedia which has June 30 as its reporting date.

Unqualified Independent Auditor's Report

Report on the consolidated financial statements

We have audited the accompanying **consolidated financial statements** of **Telekom Austria Aktiengesellschaft, Wien,**

for the financial year from 1 January to 31 December 2006. These consolidated financial statements comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2006, and of its financial performance and its cash flows for the financial year from 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on group management report

Laws and regulations applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the group management report is consistent with the consolidated financial statements.

Vienna, 21 February 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

Mag. Michael Schlenk
Wirtschaftsprüfer
(Austrian Chartered Accountants)

Mag. Yann-Georg Hansa
Wirtschaftsprüfer

This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the financial statements are identical with the audited version attached to this report. § 281 Abs 2 öUGB applies.