

# Telekom Austria Group: 1H 2002 Results

August 27, 2002

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# Cautionary Statement

This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Forward-looking information involves risks and uncertainties that could significantly affect expected results. These risks and uncertainties are discussed in Telekom Austria's SEC filings, including, but not limited to, Telekom Austria's Form 6-K containing the relevant press release and certain sections of the Company's Annual Report on Form 20-F. Figures contained in this presentation are unaudited.

# Agenda

§ Key Developments

§ Operational Highlights

§ Financial Overview

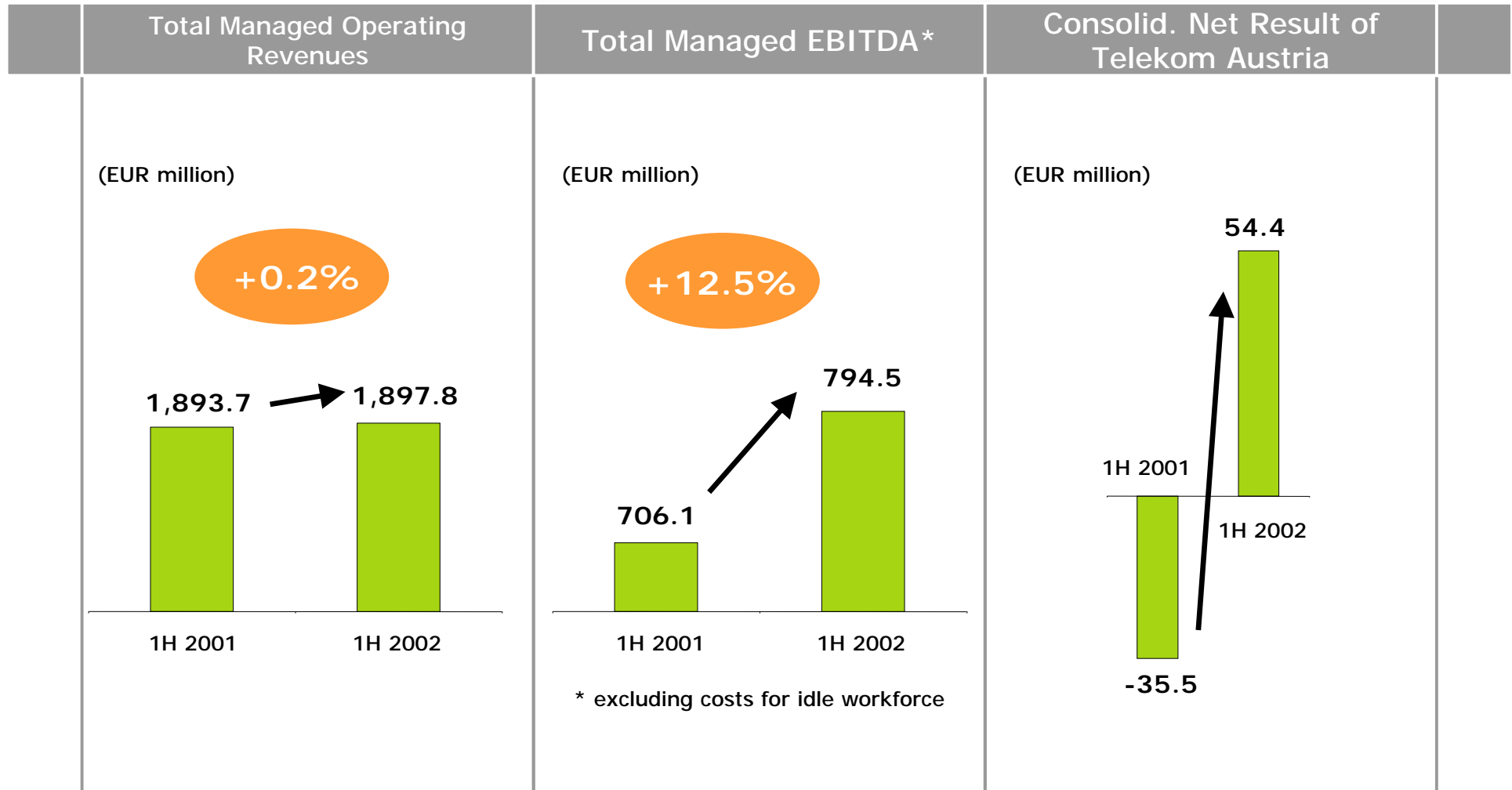
§ Outlook

# Key Developments

# Telekom Austria Group 1H Highlights

- § Stabilization of fixed line market share
- § Wireline margins benefit from cost-cutting and synergies from integration of data and Internet with the fixed line segment
- § Strong operating performance in mobile, both domestically and abroad
- § Acquisition of the remaining 25% stake in Mobilkom Austria
- § Falling capex and strong operating performance strengthen cash flow and have a positive impact on net debt

# Telekom Austria Group 1H 2002 Results



# Operational Highlights

# Wireline (Fixed Line, Data & Internet)

Key Financials							Key Highlights
(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change	
Revenues	541.8	598.5	-9.5%	1,107.7	1,194.2	-7.2%	§ Integration of fixed line, data and Internet well advanced
EBITDA*	217.7	199.9	8.9%	443.4	415.8	6.6%	§ Product portfolio restructured
EBITDA margin	40.2%	33.4%		40.0%	34.8%		§ Improved market share
EBIT*	6.3	-30.8	-	25.1	-36.1	-	§ Significant improvement in brand awareness and price perception
CAPEX	63.3	84.3	-24.9%	103.8	162.4	-36.1%	§ Faster ADSL delivery time and better quality of service
Idle workforce	9.2	14.9	-38.3%	18.9	19.1	-1.0%	§ Potential for 10% additional network cost savings
* excluding costs for idle workforce							§ Focus on revenue generating capex



# Fixed Line

## Key Financials

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Revenues	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%
EBITDA*	208.6	208.5	0.0%	419.8	418.7	0.3%
EBITDA margin	42.2%	38.5%		41.7%	37.8%	
EBIT*	8.8	-0.8	-	23.6	9.1	159.3%
CAPEX	56.5	69.9	-19.2%	87.5	141.1	-38.0%
Idle workforce	9.2	14.9	-38.3%	18.9	19.1	-1.0%

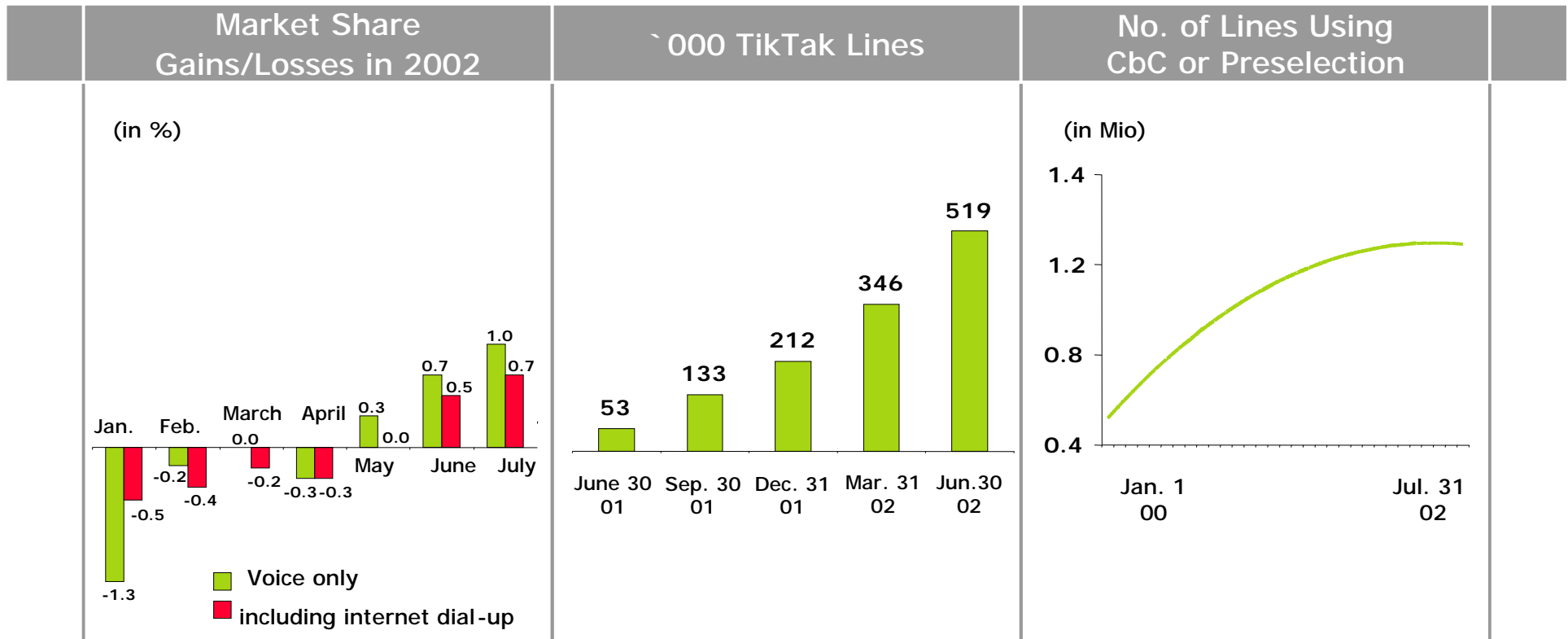
\* excluding costs for idle workforce

## Key Highlights

- § Stabilization of market share
- § Revenue decline reflects price reductions and lower volumes
- § Revenue decline mitigated by further cost reductions
- § Headcount reduction in line with full-year target

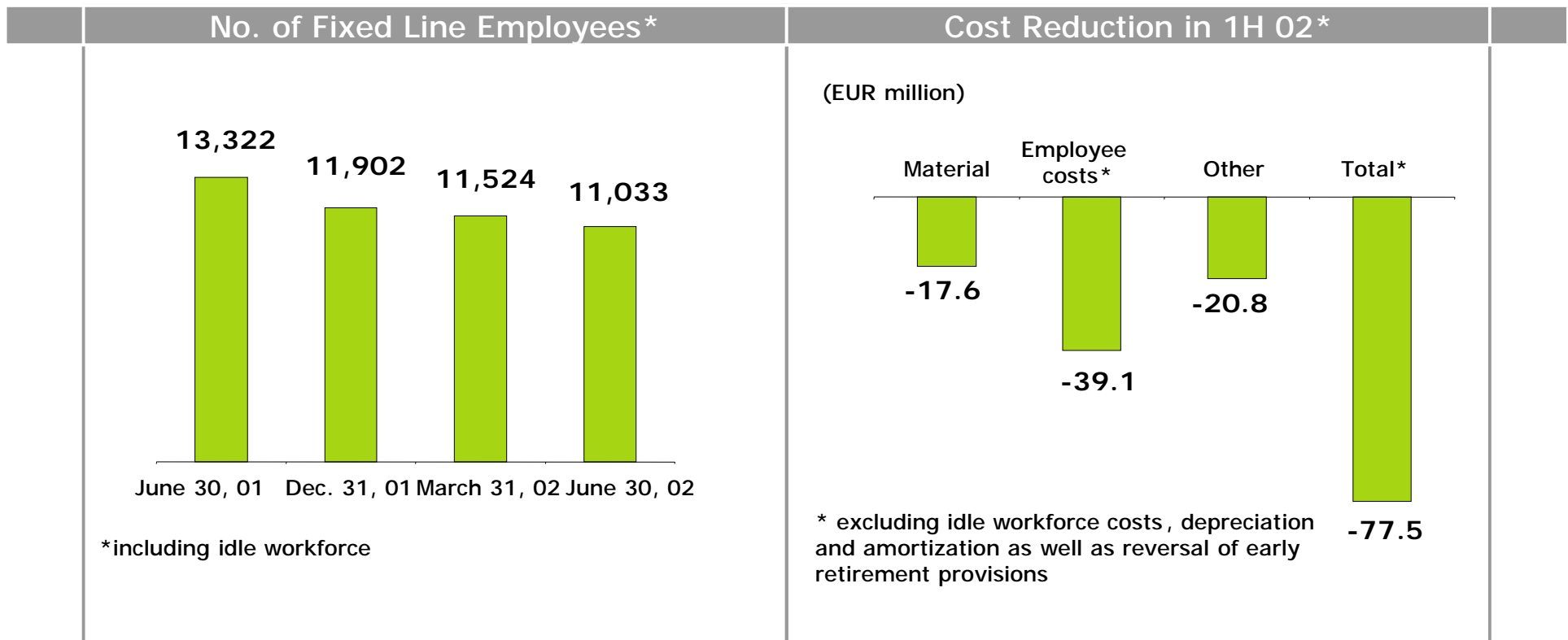
# Market Share Stabilization

- § First market share gain since start of fixed line market liberalization
- § Overall market share rises from 55.1% on March 31, 2002 to 55.3% on June 30, 2002
- § Flattening call by call/preselection activities
- § ADSL: Subscribers rise by 35,000 during 1H to 136,000 - reduced full-year target



# Cost Cutting Mitigates Revenue Decline

- § Headcount reduced by 869 by June 30, full year target of up to about 1,500
- § EUR 77.5 million of cost reductions



# Data Communications

Key Financials							Key Highlights
(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change	
Operating revenues	80.5	77.9	3.3%	157.8	151.5	4.2%	<p>§ Revenues increase in spite of intensified competition</p> <p>§ Acceleration of integration with fixed line key accounts</p> <p>§ 2Q margins impacted by bad debt provisions of EUR 3.6million</p> <p>§ Expected improvement by year-end</p>
EBITDA	11.6	3.3	251.5%	27.7	11.2	147.3%	
EBITDA margin	14.4%	4.2%		17.6%	7.4%		
EBIT	2.4	-4.4	-	10.2	-4.4	-	
CAPEX	3.3	10.1	-67.3%	9.9	15.3	-35.3%	

# Internet

## Key Financials

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Operating revenues	27.8	20.7	34.3%	56.3	39.2	43.6%
EBITDA	-2.4	-11.9	79.8%	-4.0	-14.1	71.6%
EBITDA margin	-8.6%	-57.5%		-7.1%	-36.0%	
EBIT	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%
CAPEX	3.5	4.3	-18.6%	6.4	6.0	6.7%

## Key Highlights

- § June 30 subscriber figures rise by 15.1% in Austria and by 5.9% in the Czech Republic, compared with year end 2001
- § Slower growth in dial-up and ADSL demand in line with industry trend
- § Streamlining of operations to improve operating results

# Wireline Marketing Focus in 2H 2002

## § Private and Professional:

- Focusing on increasing volumes of won-back customers through
  - 4 aggressive mobilization of sales force
  - 4 competitive and attractive product offering (e.g. SMS, UMS, etc.)
  - 4 increasing customer loyalty
- Change in price perception following new advertisement campaign
- TikTak promotion up to 700.000 lines
- Increasing sales force and enhancing service features for VAS

## § Business solutions:

- Acceleration of distribution - hiring experienced external sales force
- Focus on high-end SME market
- Control of sales performance (e.g. increasing number of customer visits)

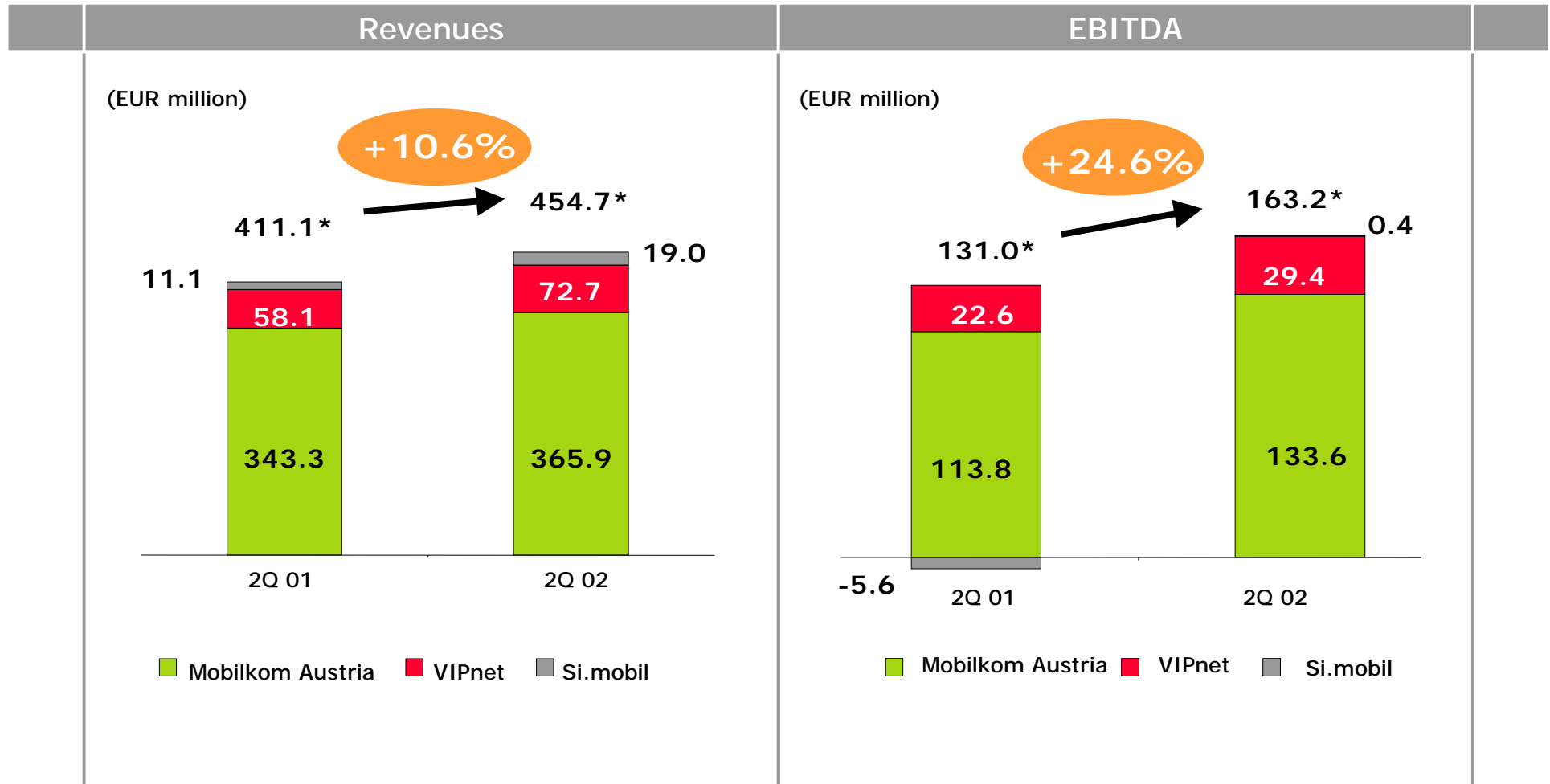
## § ADSL - dial up:

- New promotion of simplified and enlarged ADSL private and business offerings
- Push in regions with free capacities
- Communication of reasonable content (e.g. PROXiTV, videochat)
- Special summer surf promotion

# Wireless (Mobile Communications)

Key Financials							Key Highlights
(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change	
Operating revenues	454.7	411.1	10.6%	906.9	823.3	10.2%	<p>§ Subscriber growth in Austria and abroad</p> <p>§ Improved market position in Austria and abroad</p> <p>§ Seasonally weaker margins in 2Q in Austria and lower interconnection fees</p> <p>§ 40.4% EBITDA margin in Croatia in 2Q 2002</p> <p>§ EBITDA break-even in Slovenia in 2Q 2002</p> <p>§ MMS introduced in all major markets</p>
EBITDA	163.2	131.0	24.6%	351.4	290.3	21.0%	
EBITDA margin	35.9%	31.9%		38.7%	35.3%		
EBIT	95.9	63.7	50.5%	218.2	166.3	31.2%	
CAPEX	88.6	86.8	2.1%	129.1	135.1	-4.4%	

# Wireless - Geographic Breakdown

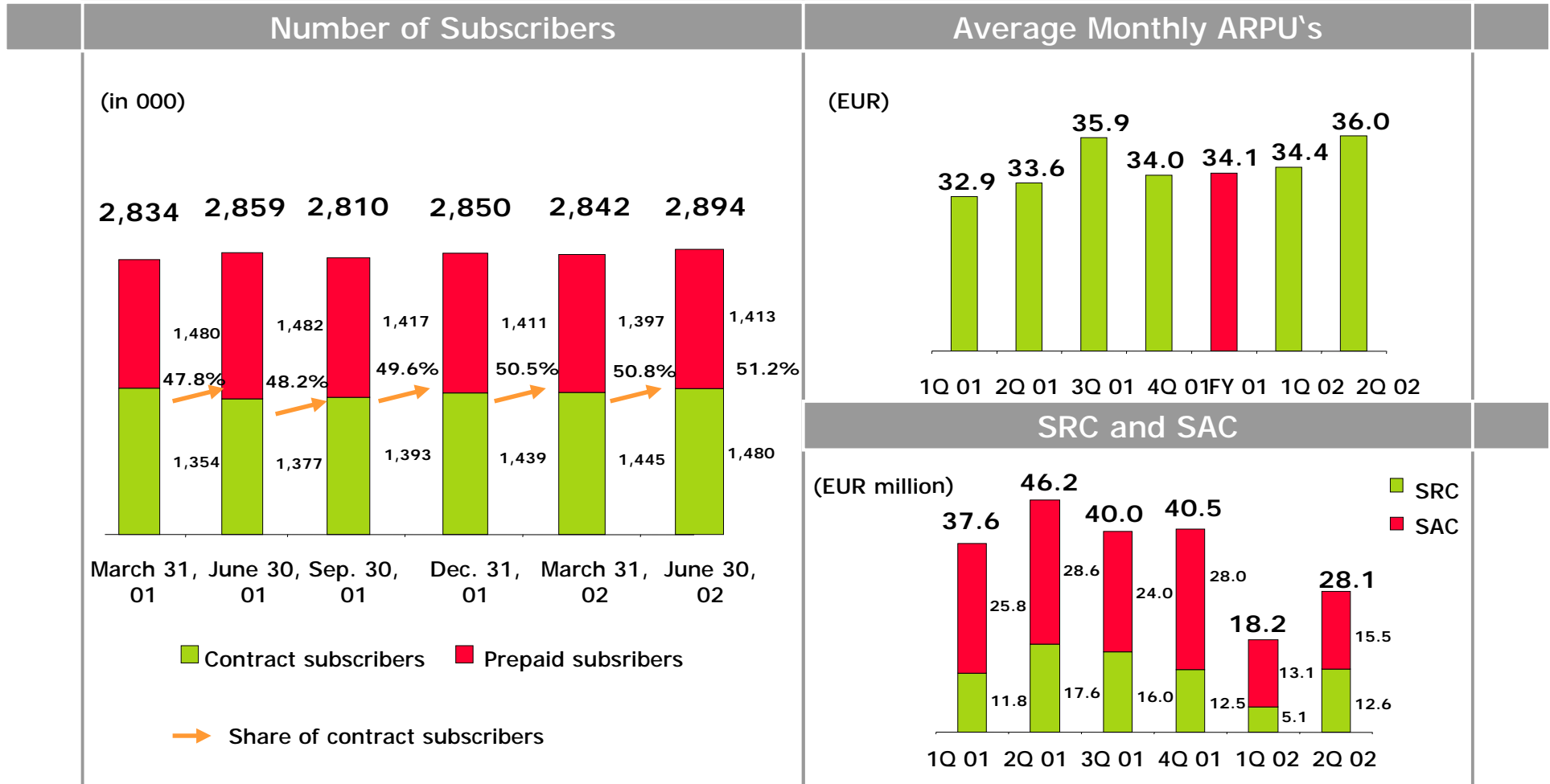


\* Total consolidated figures

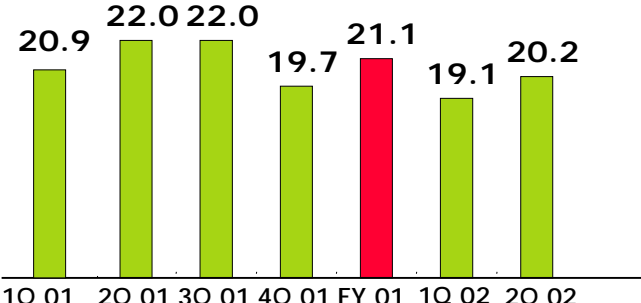
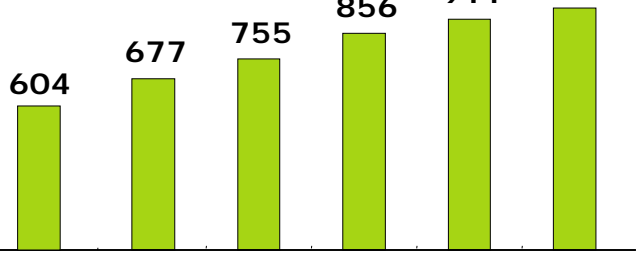


# Mobilkom Austria - Profit Drivers

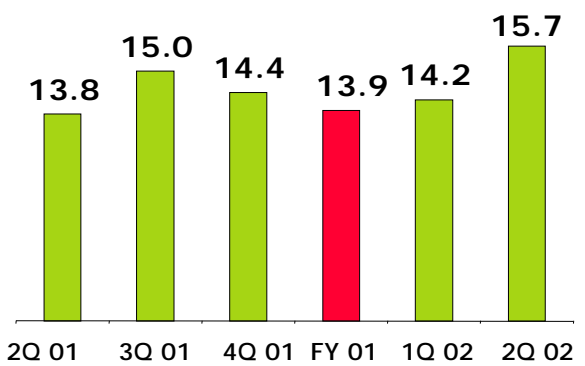
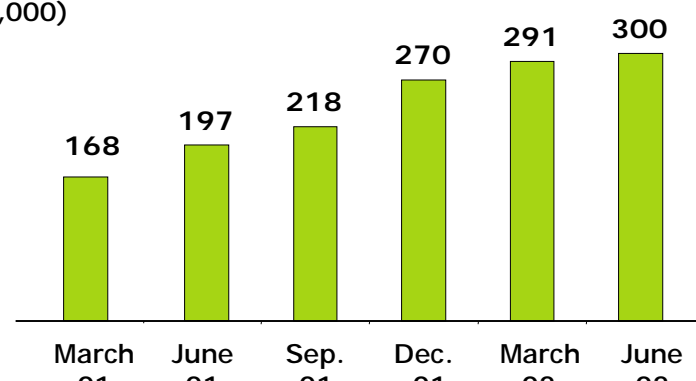
Market share rises to 42.8% in 2Q 2002



# VIPnet

Average Monthly ARPU's	Key Highlights																
<p>(EUR)</p>  <table border="1"> <caption>Average Monthly ARPU's (EUR)</caption> <thead> <tr> <th>Period</th> <th>ARPU (EUR)</th> </tr> </thead> <tbody> <tr> <td>1Q 01</td> <td>20.9</td> </tr> <tr> <td>2Q 01</td> <td>22.0</td> </tr> <tr> <td>3Q 01</td> <td>22.0</td> </tr> <tr> <td>4Q 01</td> <td>19.7</td> </tr> <tr> <td>FY 01</td> <td>21.1</td> </tr> <tr> <td>1Q 02</td> <td>19.1</td> </tr> <tr> <td>2Q 02</td> <td>20.2</td> </tr> </tbody> </table>	Period	ARPU (EUR)	1Q 01	20.9	2Q 01	22.0	3Q 01	22.0	4Q 01	19.7	FY 01	21.1	1Q 02	19.1	2Q 02	20.2	<ul style="list-style-type: none"> <li>§ Mobile penetration of 45.3%</li> <li>§ Subscribers rise by 41.3% as of June 30, 2002 compared to June 30, 2001</li> <li>§ Market share 48.1%</li> </ul>
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Subscribers	<ul style="list-style-type: none"> <li>§ EBITDA margin rises from 38.9% (2Q 01) to 40.4% (2Q 02)</li> <li>§ Relatively stable ARPU trend despite strong subscriber growth</li> </ul>																
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# Si.mobil

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# Financial Overview

# Telekom Austria Group Figures

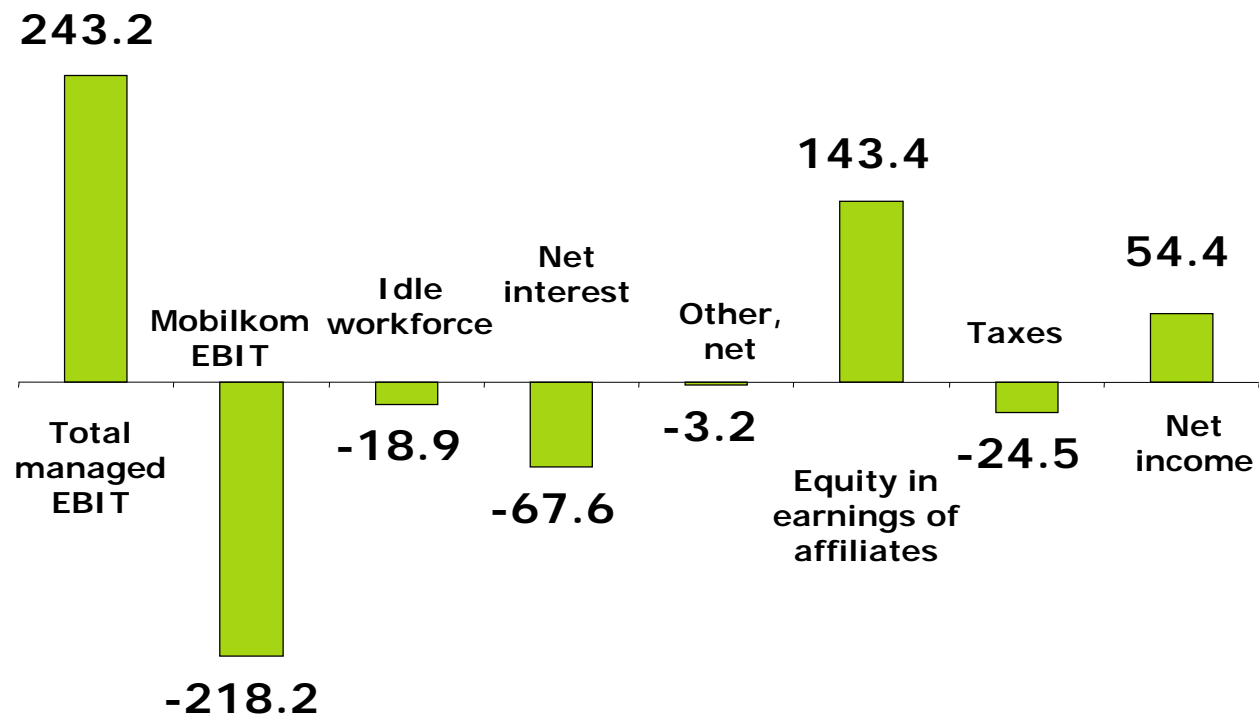
(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Total managed operating revenues	935.3	949.6	-1.5%	1,897.8	1,893.7	0.2%	1,935.3
Operat. results excl idle workforce costs:							
Total managed EBITDA	380.6	330.9	15.0%	794.5	706.1	12.5%	
Total managed EBIT	102.2	32.8	211.6%	243.2	130.1	86.9%	
Costs for idle workforce	9.2	14.9	-38.3%	18.9	19.1	-1.0%	
Consolid. net profit of Telekom Austria, with Mobilkom at-equity	16.9	-45.8	-	54.4	-35.5	-	
EPS	0.04	-0.09	-	0.11	-0.07	-	
Capex	151.9	171.1	-11.2%	232.9	297.5	-21.7%	

EBIT is defined as operating income plus costs for idle workforce, EBITDA as EBIT plus charges for depreciation and amortization.

# Accounting Implication of Mobilkom Austria Transaction

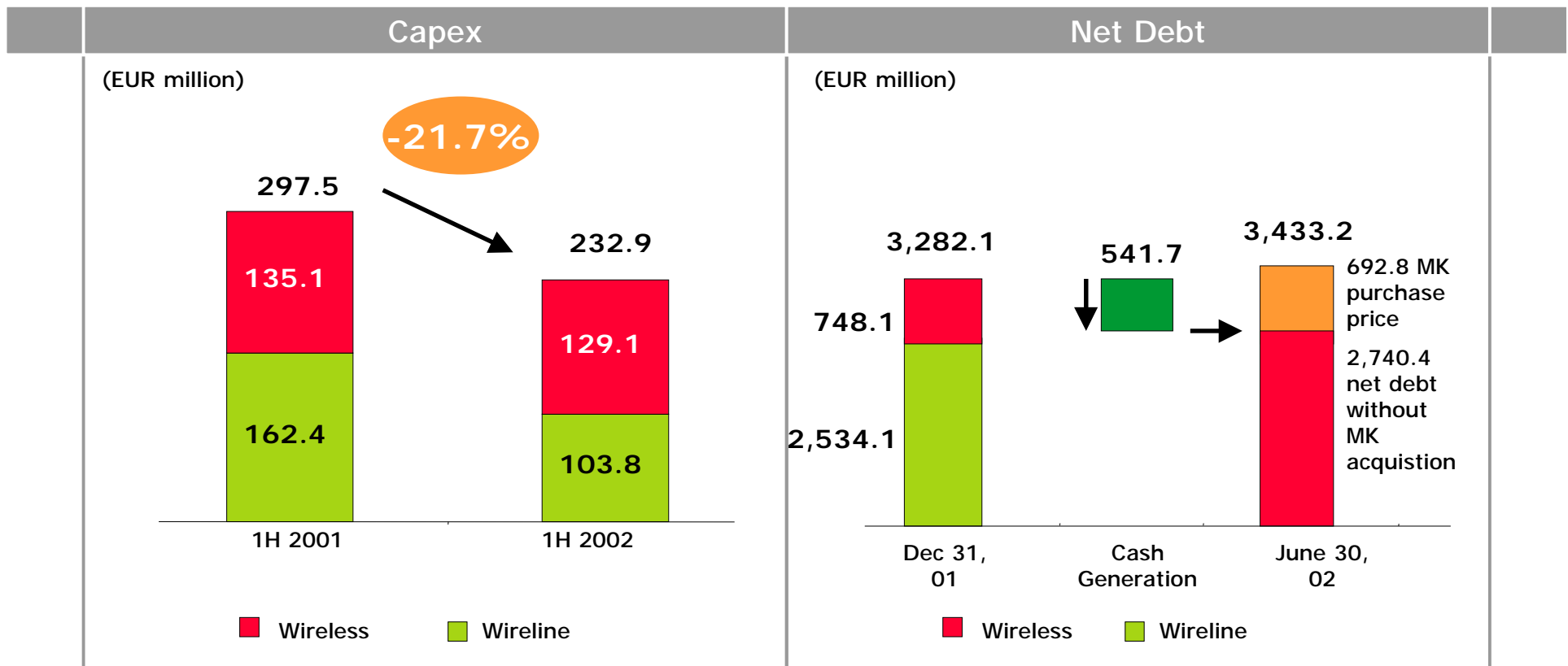
- § Completion of transaction on June 28, 2002 - Full purchase price EUR 692.8million
- § Goodwill from acquisition EUR 506.5million
- § Telekom Austria entitled to 100% of Mobilkom Austria's 2002 earnings
- § Mobilkom Austria balance sheet consolidated as of June 30; Telekom Austria's 1H 2002 statement of operations includes 75% of Mobilkom Austria's earnings under the equity method
- § Full consolidation of all accounts starting with 3Q 2002

# 1H Net Profit of Telekom Austria AG



# Capex and Net Debt

- § Capex falls by 21.7% during 1H 2002, compared to last year
- § Reduction of full-year forecast from EUR 780million to EUR 750million
- § Only slightly rising debt-to-equity ratio to 134% in spite of acquisition of Mobilkom stake





# Outlook

# Full Year Outlook

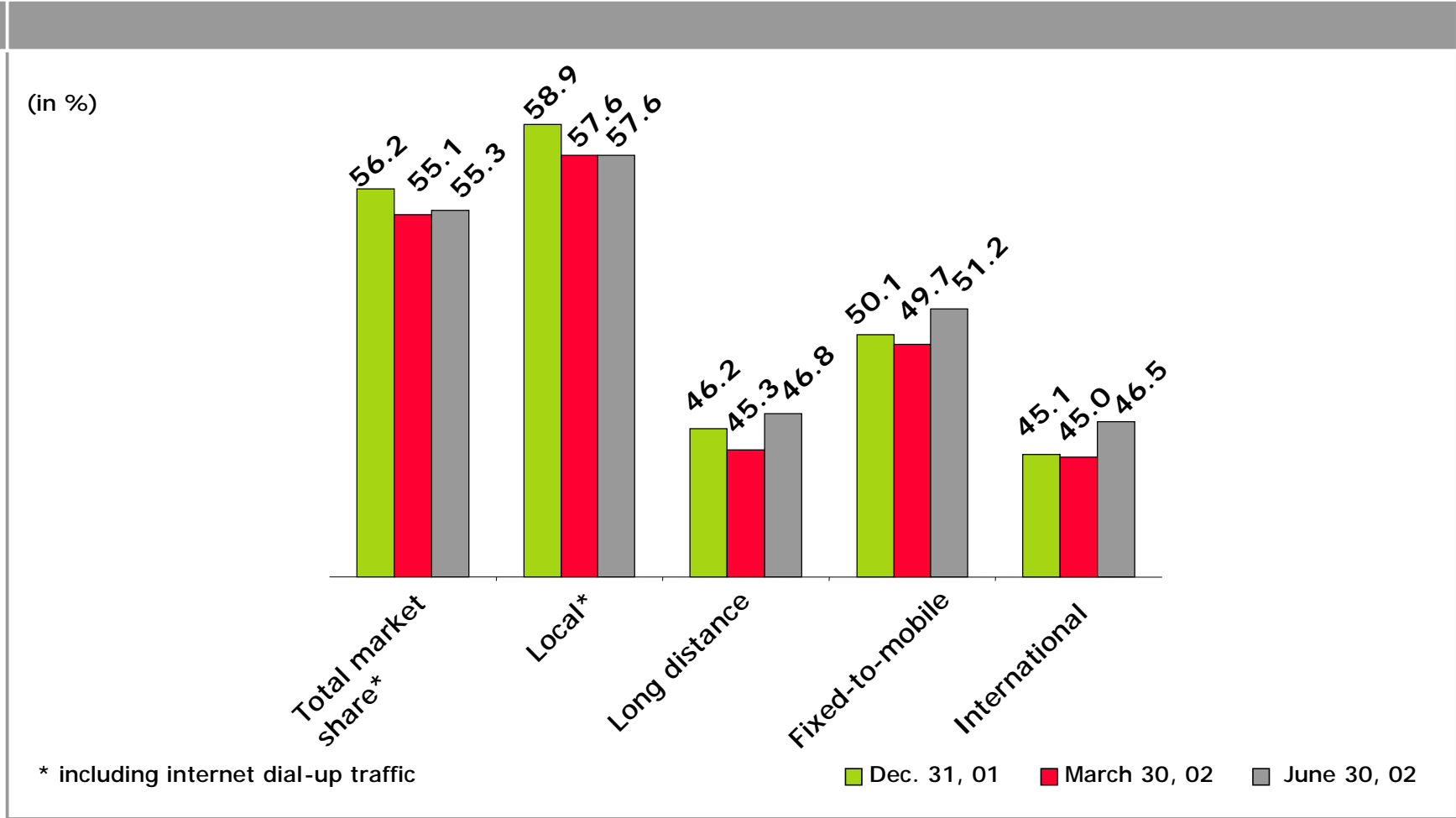
Fixed Line	Concentration on increasing market share, marketing focus on products and distribution in the corporate customer segment; goal to maximize traffic volume and cost cutting to mitigate tariff reductions
Data	Continuation of margin improvement compared to last year
Internet	Lower costs outbalance reduced revenue growth due to lower demand
Mobile	Continuing strong operating performance both in Austria and abroad, intensified competition in Austria
Group	Slight increase in total managed EBITDA and further improvement in net result

# Appendix

# Fixed Line - Access Channels

(in thousands)	June 30, 2002	June 30, 2001	% change
PSTN access lines	2,704.1	2,821.4	-4.2%
Basic ISDN access lines	419.5	375.6	11.7%
Multi ISDN access lines	8.2	8.5	-3.5%
<b>Total access lines</b>	<b>3,131.8</b>	<b>3,205.5</b>	<b>-2.3%</b>
of these ADSL access lines	136.0	68.8	97.7%
thereof wholesale lines	22.1	10.0	121.0%
<b>Total access channels</b>	<b>3,788.0</b>	<b>3,827.6</b>	<b>-1.0%</b>

# Fixed Line - Market Shares

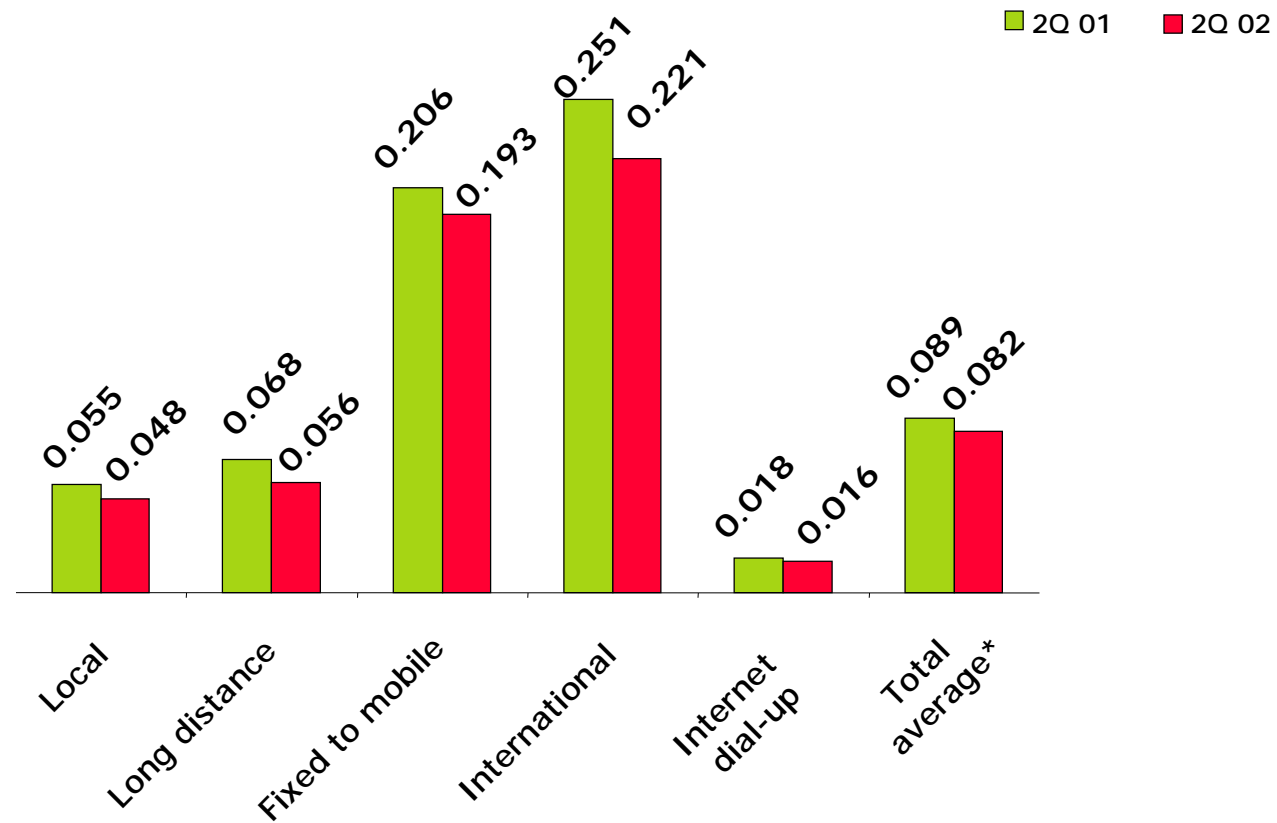


# Fixed Line - Minutes

(in millions of minutes)	2Q 2002	2Q 2001	% change
Local	911	1,077	-15.4%
National long distance	200	202	-1.0%
Fixed-to-mobile	203	210	-3.3%
International	109	117	-6.8%
Internet dial up	1,016	1,098	-7.5%
<b>Total fixed line minutes</b>	<b>2,439</b>	<b>2,704</b>	<b>-9.8%</b>
<b>Carrier services:</b>			
Incoming international	256	292	-12.5%
Outgoing international	257	294	-12.7%

# Fixed Line - Average Tariffs

(EUR/minute)



\* excluding Internet dial-up tariff

# Mobile Subscribers

Customers ('000s)	June 30, 2002	June 30, 2001	% change
<b>Austria</b>			
Contract	1,480.4	1,376.6	7.5%
Prepaid	1,413.4	1,482.4	-4.7%
<b>Total</b>	<b>2,893.8</b>	<b>2,859.1</b>	<b>1.2%</b>
<b>Croatia</b>			
Contract	138.7	73.0	90.0%
Prepaid	818.2	604.3	35.4%
<b>Total</b>	<b>956.9</b>	<b>677.3</b>	<b>41.3%</b>
<b>Slovenia</b>			
Contract	126.3	52.3	141.6%
Prepaid	173.7	144.5	20.2%
<b>Total</b>	<b>300.0</b>	<b>196.8</b>	<b>52.4%</b>
Liechtenstein	1.7	0.4	325.0%
<b>Total Group</b>	<b>4,152.4</b>	<b>3,733.6</b>	<b>11.2%</b>

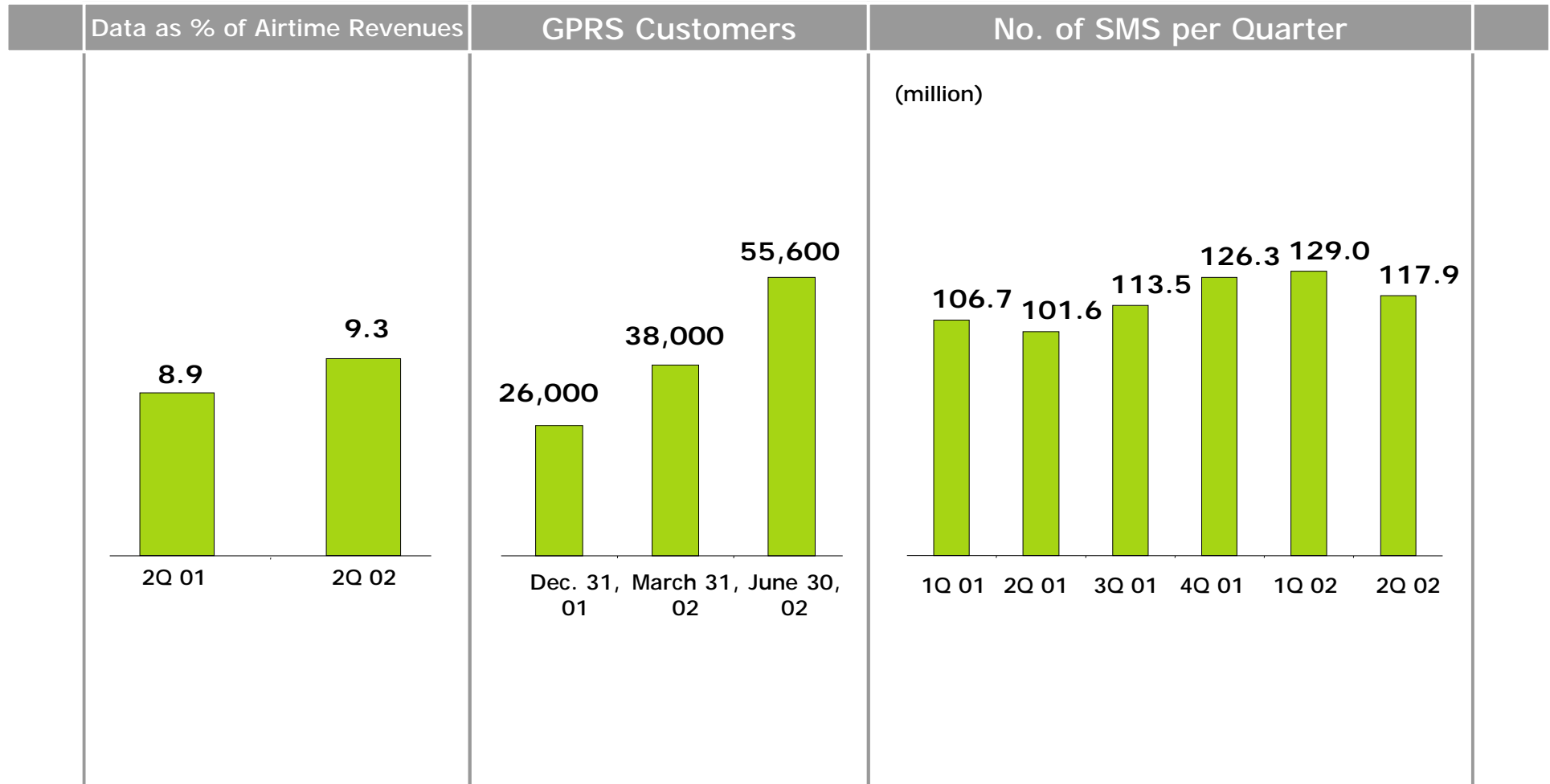


# Mobilkom Austria's Traffic Development

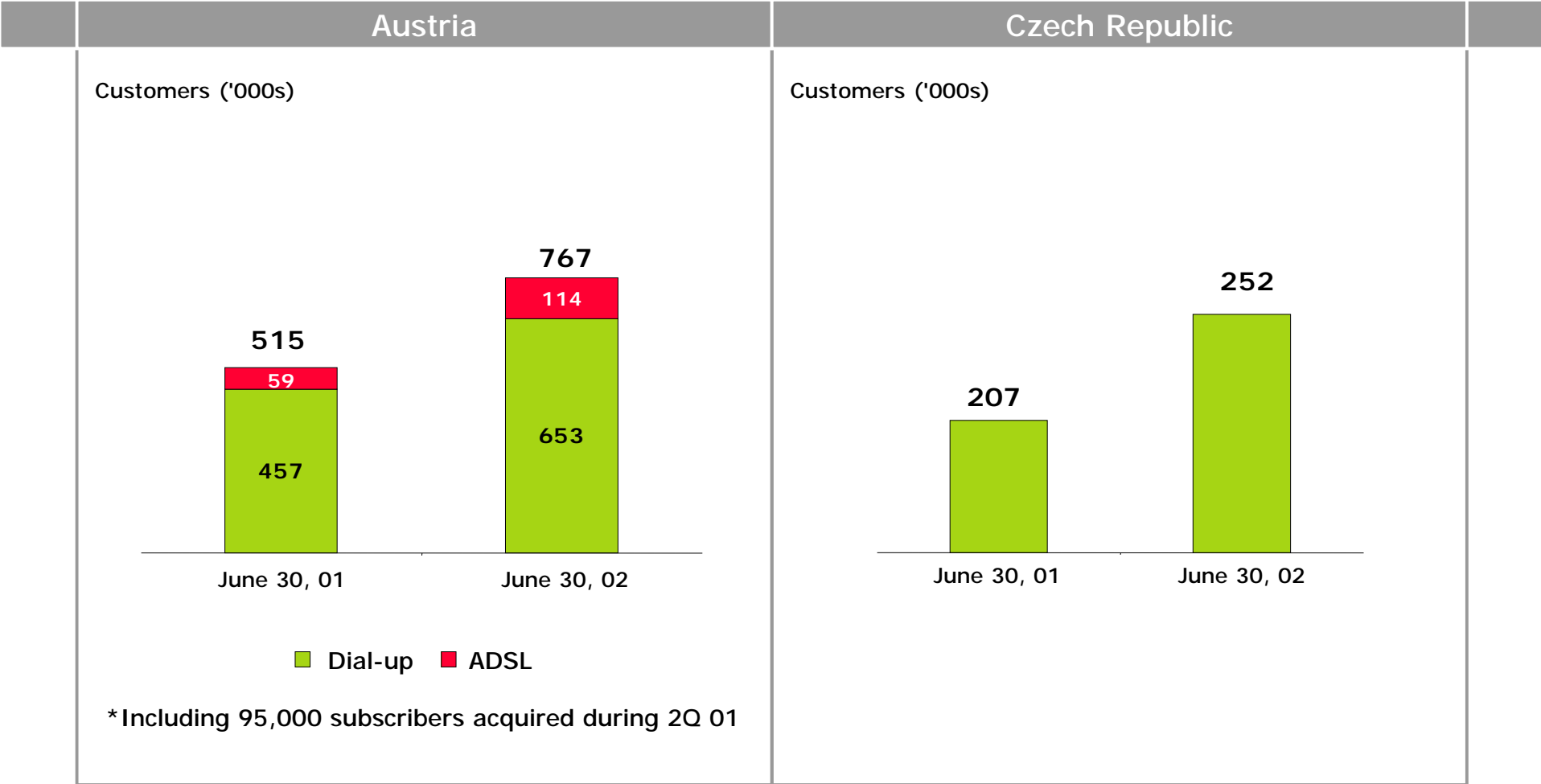
	2Q 2002	2Q 2001
Charged minutes (millions) *	1,011.2	903.5
Non charged minutes (millions) *	907.4	778.4
Average number of customers ('000s)	2,868.9	2,846.5
Minutes per customer per month - charged	117.5	105.8
non charged	105.4	91.2

\* Rated MOUs of Mobilkom customers

# Mobilkom Austria - Mobile Data



# Internet Subscribers



# Headcount\* Development

(average of period)	1H 2002	1H 2001	Change
Fixed Line**	11,424	13,786	-2,362
Mobile	3,487	3,103	384
Data	867	933	-66
Internet	373	268	105
<b>Telekom Austria Group</b>	<b>16,151</b>	<b>18,090</b>	<b>-1,939</b>
**including idle workforce	812	612	200

(end of period)	June 30, 2002	June 30, 2001	Change
Fixed Line**	11,033	13,322	-2,289
Mobile	3,518	3,285	233
Data	852	914	-62
Internet	359	307	52
<b>Telekom Austria Group</b>	<b>15,762</b>	<b>17,828</b>	<b>-2,066</b>
**including idle workforce	602	957	-355

\* = Full-time-equivalents

# Fixed Line - Revenue Breakdown

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Traffic revenues	114.4	152.7	-25.1%	242.6	316.3	-23.3%
Monthly rental	154.8	159.9	-3.2%	309.7	317.5	-2.5%
Interconnection	87.7	92.3	-5.0%	182.8	182.7	0.1%
Leased lines	61.7	58.9	4.8%	118.5	128.2	-7.6%
Equipment	24.5	22.2	10.4%	44.2	46.9	-5.8%
Other	51.3	55.3	-7.2%	109.2	117.4	-7.0%
<b>Total fixed line operating revenues</b>	<b>494.4</b>	<b>541.3</b>	<b>-8.7%</b>	<b>1,007.0</b>	<b>1,109.0</b>	<b>-9.2%</b>

# Fixed Line - Expense Breakdown

(EUR million)	1H 2002	1H 2001	% change
Material expense	26.1	43.7	-40.3%
Employee costs (excl.idle workforce)	213.3	277.9	-23.2%
Depreciation and amortization	396.2	409.6	-3.3%
Interconnection	154.3	163.6	-5.7%
Other	193.6	205.1	-5.6%
<b>Total fixed line operating expenses</b>	<b>983.5</b>	<b>1,099.9</b>	<b>-10.6%</b>

# Mobile - Revenue Breakdown

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Traffic revenues	248.7	218.9	13.6%	475.0	413.8	14.8%
Monthly rental	68.5	61.2	11.9%	136.2	123.7	10.1%
Equipment	36.3	37.8	-4.0%	71.3	79.8	-10.7%
Roaming	29.5	28.8	2.4%	74.9	76.2	-1.7%
Interconnection	66.4	67.5	-1.6%	134.4	132.5	1.4%
Other	8.8	4.2	109.5%	18.6	8.5	118.8%
Discounts	-3.5	-7.3	-52.1%	-3.5	-11.2	-68.8%
<b>Total mobile operating communications revenues</b>	<b>454.7</b>	<b>411.1</b>	<b>10.6%</b>	<b>906.9</b>	<b>823.3</b>	<b>10.2%</b>

# Mobile - Expense Breakdown

(EUR million)	1H 2002	1H 2001	% change
Material expense	103.7	109.3	-5.1%
Employee costs	77.3	61.0	26.7%
Depreciation and amortization	133.2	124.0	7.4%
Interconnection	88.4	79.8	10.8%
Other	286.2	282.9	1.2%
<b>Total mobile communications operating expenses</b>	<b>688.8</b>	<b>657.0</b>	<b>4.8%</b>



# Operating Revenues by Segment

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Fixed line services	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%	1,244.4
Data communications services	80.5	77.9	3.3%	157.8	151.5	4.2%	151.5
Internet	27.8	20.7	34.3%	56.3	39.2	43.6%	39.2
Intersegmental eliminations & other	-60.9	-41.4	-47.1%	-113.4	-105.5	-7.5%	-105.5
<b>Consolidated operating revenues</b>	<b>541.8</b>	<b>598.5</b>	<b>-9.5%</b>	<b>1,107.7</b>	<b>1,194.2</b>	<b>-7.2%</b>	<b>1,329.6</b>
Mobile communications services	454.7	411.1	10.6%	906.9	823.3	10.2%	822.5
Intersegmental eliminations	-61.2	-60.0	-2.0%	-116.8	-123.8	5.7%	-216.8
<b>Total managed operating revenues</b>	<b>935.3</b>	<b>949.6</b>	<b>-1.5%</b>	<b>1,897.8</b>	<b>1,893.7</b>	<b>0.2%</b>	<b>1,935.3</b>

# EBITDA by Segment - Excluding Idle Workforce Costs

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line services	208.6	208.5	0.0%	419.8	418.7	0.3%
Data communications services	11.6	3.3	251.5%	27.7	11.2	147.3%
Internet	-2.4	-11.9	79.8%	-4.0	-14.1	71.6%
Intersegmental eliminations & other	-0.1	0.0	-	-0.1	0.0	-
<b>Consolidated EBITDA</b>	<b>217.7</b>	<b>199.9</b>	<b>8.9%</b>	<b>443.4</b>	<b>415.8</b>	<b>6.6%</b>
Mobile communications services	163.2	131.0	24.6%	351.4	290.3	21.0%
Intersegmental eliminations & other	-0.3	0.0	-	-0.3	0.0	-
<b>Total managed EBITDA</b>	<b>380.6</b>	<b>330.9</b>	<b>15.0%</b>	<b>794.5</b>	<b>706.1</b>	<b>12.5%</b>
<b>Consolidated EBITDA excluding idle workforce costs</b>	<b>217.7</b>	<b>199.9</b>	<b>8.9%</b>	<b>443.4</b>	<b>415.8</b>	<b>6.6%</b>
Costs for idle workforce	-9.2	-14.9	38.3%	-18.9	-19.1	1.0%
<b>Consolidated EBITDA</b>	<b>208.5</b>	<b>185.0</b>	<b>12.7%</b>	<b>424.5</b>	<b>396.7</b>	<b>7.0%</b>

# EBIT by Segment - Excluding Idle Workforce Costs

(EUR million)	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line services	8.8	-0.8	-	23.6	9.1	159.3%
Data communications services	2.4	-4.4	-	10.2	-4.4	-
Internet	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%
Intersegmental eliminations & other	0.0	-12.1	-	0.0	-21.8	-
<b>Consolidated EBIT</b>	<b>6.3</b>	<b>-30.8</b>	<b>-</b>	<b>25.1</b>	<b>-36.1</b>	<b>-</b>
Mobile communications services	95.9	63.7	50.5%	218.2	166.3	31.2%
Intersegmental eliminations & other	0.0	-0.1	-	-0.1	-0.1	0.0%
<b>Total managed EBIT</b>	<b>102.2</b>	<b>32.8</b>	<b>211.6%</b>	<b>243.2</b>	<b>130.1</b>	<b>86.9%</b>
<b>Consolidated EBIT</b>						
<b>excluding idle workforce costs</b>	<b>6.3</b>	<b>-30.8</b>	<b>-</b>	<b>25.1</b>	<b>-36.1</b>	<b>-</b>
Costs for idle workforce	-9.2	-14.9	38.3%	-18.9	-19.1	1.0%
<b>Consolidated EBIT</b>	<b>-2.9</b>	<b>-45.7</b>	<b>93.7%</b>	<b>6.2</b>	<b>-55.2</b>	<b>-</b>

# Capital Expenditures\*

(EUR million)	1H 2002	1H 2001	% change
Fixed Line	87.5	141.1	-38.0%
Data Communications	9.9	15.3	-35.3%
Internet	6.4	6.0	6.7%
Mobile Communications	129.1	135.1	-4.4%
<b>Telekom Austria Group</b>	<b>232.9</b>	<b>297.5</b>	<b>-21.7%</b>

\* Additions to property, plant & equipment

# Net Debt - Telekom Austria Group

(EUR million)	June 30, 02	Dec. 31, 01
Long-term debt	2,388.7	2,005.2
Short-term debt	1,253.5	978.1
- Cross border lease, included in s/t debt	-112.4	-87.5
+ Capital lease obligations	10.8	7.5
+ Related Parties	3.0	-
- Intercompany accounts with Mobilkom Austria	-1.3	-286.5
Cash and cash equivalents and short-term investments	-57.2	-34.9
Financial instruments, included in other assets	-51.9	-47.9
<b>Net debt Telekom Austria</b>	<b>3,433.2*</b>	<b>2,534.0</b>
Long-term debt	-	668.0
Short-term debt	-	37.2
- Cross border lease, included in s/t debt	-	-23.7
+ Capital lease obligations	-	7.0
Intercompany accounts with Telekom Austria	-	68.5
Cash and cash equivalents and short-term investments	-	-8.9
<b>Net debt Mobilkom Austria</b>	<b>-</b>	<b>748.1</b>
<b>Net debt of Telekom Austria Group</b>	<b>3,433.2</b>	<b>3,282.1</b>
Shareholders' equity	2,561.7	2,500.4
<b>Net debt/equity</b>	<b>134.0%</b>	<b>131.3%</b>

\* including Mobilkom Austria