

## **Telekom Austria Group**

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### **Results for the First Half 2002**

- Total managed Group revenues of EUR 1.9billion (+0.2%)
- Consolidated net profit of Telekom Austria AG turns positive from EUR (35.5)million to EUR 54.4million
- Total managed Group EBITDA (excluding costs for idle workforce) rises by 12.5% to EUR 794.5million
- Capital expenditures fall by 21.7%
- Following the acquisition of a 25% stake in Mobilkom Austria consolidated net debt amounts to EUR 3.43billion
- Stabilization of fixed line market shares while margins benefit from further cost cutting; wireline EBITDA (incl. Data & Internet) rises by 6.6% to EUR 443.4million
- Wireless results benefit from lower cost base in Austria and growth of foreign operations; EBITDA rises by 21.0% to EUR 351.4million

Note: All financial figures according to U.S.-GAAP; if not defined otherwise, all comparisons are given year-on-year

Vienna, August 27 2002 -- Telekom Austria AG (VSE:TKA; NYSE:TKA) today announced its results for the first half year and the second quarter 2002 ending on June 30, 2002.

With total managed revenues up by 0.2% to EUR 1,897.8million, consolidated net profit of Telekom Austria AG, which includes Mobilkom Austria on an at-equity basis, turned positive from EUR (35.5)million in the first half 2001 to EUR 54.4million in the first half 2002. Earnings per share improved in parallel from EUR (0.07) to EUR 0.11.

Telekom Austria increased its total managed EBITDA by 12.5% to EUR 794.5million due to rising contributions from mobile and cost-cutting

efforts in the wireline business segments. Total managed EBIT rose by 86.9% to EUR 243.2million.

Although capital expenditures for the group accelerated during the second quarter, as expected, they declined during the first half year for the Group as whole by 21.7% to EUR 232.9million from EUR 297.5million in the first half 2001.

Consolidated net debt increased by only EUR 151.1million to EUR 3,433.2million despite the acquisition of the 25%-stake in Mobilkom Austria for EUR 692.8million. Excluding this acquisition net debt would have decreased to EUR 2,740.4million.

## Financial highlights

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01*** unadjusted
Total managed revenues	935.3	949.6	-1.5%	1,897.8	1,893.7	0.2%	1,935.3
Results excluding 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 work force*	9.2	14.9	-38.3%	18.9	19.1	-1.0%	
Results including idle workforce costs:							
Total managed EBITDA	371.4	316.0	17.5%	775.6	687.0	12.9%	
Total managed EBIT	93.0	17.9	419.6%	224.3	111.0	102.1%	
Net profit (loss) of Telekom Austria AG with Mobilkom Austria at-equity	16.9	-45.8	-	54.4	-35.5	-	
Earning per share (in EUR)	0.04	-0.09	-	0.11	-0.07	-	
Capital expenditures**	151.9	171.1	-11.2%	232.9	297.5	-21.7%	
in EUR million				30/06/02	31/12/01	% change	
Net debt - Telekom Austria Group				3,433.2	3,282.1	4.6%	

Total managed figures show group figures including the results of the mobile communications business segment. EBIT is defined as operating income excluding costs for idle workforce, EBITDA as EBIT excluding depreciation and amortization expenses.

\* Costs for idle workforce, which are excluded from total managed EBITDA and EBIT, include costs for employees who have been released or transferred from the workforce, cash settlements for civil servants who have agreed to leave with severance packages as well as cost for employees who have been on medical leave and have applied for early retirement. Costs for idle workforce amounted to EUR 18.9million in the first half 2002, compared with EUR 19.1million in the first half 2001. For the full year 2002 costs for idle workforce are expected to be about EUR 50million.

\*\* Additions to property, plant & equipment

\*\*\* The change of the invoicing system with alternative telecommunication companies following a decision by the regulatory body resulted in a reduction of revenues in 2002 as the amounts are now only invoiced net of interconnection fees charged to Telekom Austria for terminated calls from alternative telecommunication companies. This netting of revenues and operating expenses leads to a reduction of revenues without impacting EBITDA. The figures for the first half 2001 have been adjusted for comparative purposes, reducing fixed line revenues by EUR 135.4million and total managed revenues by EUR 42.4million. Where appropriate, this release also shows unadjusted figures.

## Accounting impact following the acquisition of the remaining 25% of Mobilkom Austria

Prior to June 28, 2002, Telekom Austria held a 74.999% stake in Mobilkom Austria. Due to certain participating rights held by the minority shareholder, Telecom Italia Mobile (TIM), Telekom Austria's investment in Mobilkom Austria was accounted for under the equity method.

On June 28, 2002, Telekom Austria acquired TIM's stake in Mobilkom Austria through the acquisition of 100% of AUTEL. Autel is a holding company whose main asset is a 25.001% equity interest in Mobilkom Austria.

Telekom Austria has consolidated the balance sheet of Mobilkom Austria for the first time as of June 30, 2002, while the consolidated statement

of operations for the six months ending June 30, 2002, continues to account for Telekom Austria's 75% interest in earnings of Mobilkom Austria under the equity method although Telekom Austria is contractually entitled to 100% of Mobilkom Austria's full year earnings for the financial year 2002. Future statements of operations will fully consolidate Mobilkom Austria's results of operations.

The aggregate purchase price for the 25% interest in Mobilkom Austria was EUR 692.8million, including EUR 2.8million of acquisition related costs. EUR 506.5million of the purchase price have been allocated to goodwill.

## Group Review

### Revenues

During the first half of 2002, total managed revenues rose by 0.2% to EUR 1.9billion, compared with the first half 2001. The increased marketing of lower priced tariff packages, which helped to stop fixed line market share losses, contributed to the reduction of fixed line revenues by 9.2% to EUR 1,007.0million during the first half of the year. Overall market share in the fixed line segment amounted to 55.3% at the end of June 2002, representing a decline

compared with year-end 2001 (56.2%) but a slight increase compared with the end of March 2002 (55.1%). Mobile communications revenues, which increased by 10.2% to EUR 906.9million in the first half 2002, continue to be driven both by the domestic and foreign operations. The increase in data communications revenues during the first half amounts to 4.2%, and Internet revenues were up by 43.6%.

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Fixed line	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%	1,244.4
Mobile communications	454.7	411.1	10.6%	906.9	823.3	10.2%	822.5
Data communications	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
Other & eliminations	-122.1	-101.4	20.4%	-230.2	-229.3	0.4%	-322.3
<b>Total managed 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, excluding costs for idle workforce

Total managed EBITDA of all business segments grew by 12.5% to EUR 794.5million during the first half of the year. Fixed line EBITDA was stable in the first half of 2002, compared with the same period last year in spite of lower revenues, primarily due to further cost cutting but also because of the reversal of provisions related to the early retirement program.

Although mobile communications showed seasonally weaker margins in the second quarter 2002, EBITDA for the first half 2002 grew by 21.0% to EUR 351.4million. In data communications, EBITDA more than doubled to EUR 27.7million during the first half 2002 and in Internet negative EBITDA was reduced from EUR (14.1)million to EUR (4.0)million.

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line*	208.6	208.5	0.0%	419.8	418.7	0.3%
Mobile communications	163.2	131.0	24.6%	351.4	290.3	21.0%
Data communications	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%
Other & eliminations	-0.4	0.0	-	-0.4	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>

\* excluding costs for idle workforce

Including costs of idle workforce the growth in total managed EBITDA amounts to 12.9% to EUR 775.6million during the first half of 2002, and in

the fixed line segment EBITDA rose by 0.3% to EUR 400.9million.

### EBIT, excluding costs for idle workforce

Total managed EBIT of Telekom Austria Group increased by 86.9% to EUR 243.2million during the first half 2002. Depreciation and amortization expense fell in line with lower capital expenditures, especially in the fixed line business segment. In the first half 2001, the item "other &

eliminations" consists almost entirely of the amortization expense for the goodwill in Czech On Line. Upon adoption of SFAS 142 "Goodwill and other Intangible Assets" Telekom Austria has ceased the amortization of goodwill beginning January 1, 2002.

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line*	8.8	-0.8	-	23.6	9.1	159.3%
Mobile communications	95.9	63.7	50.5%	218.2	166.3	31.2%
Data communications	2.4	-4.4	-	10.2	-4.4	-
Internet	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%
Other & eliminations	0.0	-12.2	-	-0.1	-21.9	99.5%
<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>

\* excluding costs for idle workforce

Including idle workforce total managed EBIT more than doubled to EUR 224.3million (+102.1%) during the first half 2002, in the fixed

line business segment EBIT improved from EUR (10.0)million to EUR 4.7million.

### Consolidated net profit

Net interest expense declined during the first half 2002 to EUR 67.7million down from EUR 84.6million during the same period last year. Equity in earnings of affiliates continues to include primarily the equity income from the 75% participation held in Mobilkom Austria until the end of June 2002. Income tax expense was

calculated upon the estimated effective tax rate of 31.3% for the full year.

The consolidated net income of Telekom Austria AG improved from EUR (35.5)million in first half of 2001 to EUR 54.4million in the first half of 2002. This represents an increase in earnings per share from EUR (0.07) to EUR 0.11.

### Capital expenditures

Additions to property, plant and equipment (capital expenditures):

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Wireline*	63.3	84.3	-24.9%	103.8	162.4	-36.1%
Mobile communications	88.6	86.8	2.1%	129.1	135.1	-4.4%
<b>Telekom Austria Group</b>	<b>151.9</b>	<b>171.1</b>	<b>-11.2%</b>	<b>232.9</b>	<b>297.5</b>	<b>-21.7%</b>

\* includes fixed line, data communications and Internet

For the Telekom Austria Group additions to property, plant and equipment fell by 21.7% to EUR 232.9 million during the first half of 2002. This development demonstrates the group's full commitment to further reducing capital expenditures. Although capital expenditures traditionally rise towards the end of the year, the full year figure is expected to fall to EUR 750million which is below forecasts at the beginning of the year.

The majority of capital expenditure in the wireline business unit was dedicated to the fixed line segment at 84.3%, with 9.5% into data communications and 6.2% into the Internet business segment. 55% of fixed line capital expenditures were spent on broadband activities. In mobile communications 69.3% was spent in Austria, 22.9% in Croatia and the remainder primarily in Slovenia.

## Net debt

Reflecting Telekom Austria strong cash flow generation capabilities consolidated net debt of Telekom Austria Group increased only by EUR 151.1million since the end of year 2001 to EUR 3,433.2million as per end of June 2002, despite the purchase price of EUR 692.8million for the Mobilkom Austria stake, which was financed by cash. Excluding the acquisition of the 25% stake in Mobilkom Austria, net debt would have fallen by EUR 541.7million to EUR 2,740.4million. Net gearing increased slightly from 131.3% at year-

end 2001 to 134.0% at the end of the first half 2002.

The development of net debt includes the impact of the sale of trade receivables both in Telekom Austria and Mobilkom Austria to a Qualifying Special Purpose Entity (QSPE) unrelated to both companies, in connection with a revolving-period securitization for the amount of EUR 287.6million. Net cash received from the QSPE amounts to EUR 283.5million.

## Personnel

	End of period			Average of period		
	30/06/02	30/06/01	change	1H 02	1H 01	change
Fixed Line *	11,033	13,322	-2,289	11,424	13,786	-2,362
Mobile communications	3,518	3,285	233	3,487	3,103	384
Data communications	852	914	-62	867	933	-66
Internet	359	307	52	373	268	105
Telekom Austria Group	15,762	17,828	-2,066	16,151	18,090	-1,939
* including idle workforce	602	957	-355	812	612	200

Headcount reduction was accelerated during the second quarter of the year. Compared with the end of June 2001, fixed line headcount fell by 2,289; for the group as whole the reduction amounts to 2,066 (all figures including idle

workforce). During the first half 2002 the number of personnel in the fixed line segment fell by 870 compared with year-end 2001 putting Telekom Austria on track to achieve the full year target for the headcount reduction of up to 1,500.

## Outlook for the business year 2002

In the fixed line business, efforts will be concentrated on continuing the positive trend in Telekom Austria's market share. The focus of the marketing effort will be to enhance the company's product portfolio as well as to upgrade its distribution capabilities in the corporate sector. The overall goal is to maximize traffic volume while at the same time cutting costs to mitigate the effects of the tariff reductions.

In data communications, Telekom Austria expects the overall improvement of margins compared with last year to continue, in spite of some weakening during the second quarter due to one-off-items.

In the Internet business, demand is expected to be less than originally expected. The resulting reduced growth in revenues should be outbalanced by lower costs.

Although competition is expected to be intensifying during the second half of the year, the Austrian mobile communications business should continue to deliver a solid operating performance. Revenues and earnings will also be driven by a growing contribution from the foreign subsidiaries.

On the group level, Telekom Austria remains on track for a slight increase in total managed EBITDA and a further improvement in net result in 2002.

## Results by Business Segment:

### Fixed Line Services

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Revenues	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%	1,244.4
EBITDA*	208.6	208.5	0.0%	419.8	418.7	0.3%	
EBIT*	8.8	-0.8	-	23.6	9.1	159.3%	
* excluding costs for idle work force	9.2	14.9	-38.3%	18.9	19.1	-1.0%	

For the first time since the liberalisation of the Austrian telecommunications market, the fixed line segment managed to increase its market share during the second quarter of the year. Including Internet dial-up the overall market share based on minutes rose from 55.1% at the end of the March 2002 to 55.3% at the end of June. At the end of 2001 market share amounted to 56.2%. In voice alone, the market share increase during the second quarter 2002 amounts to 0.8 percentage points, compared with the first quarter of the current business year. This is primarily a result of the increased promotion of lower priced TikTak tariff packages which reached 519,000 at the end of June 2002 (+145% compared with year end 2001).

The decline in voice and Internet dial-up minutes continued to slow during the second quarter 2002. Total volume fell by 9.8% during the second quarter 2002, compared with the same period last year to a level of 2,439million minutes. In voice traffic the year-on-year decline fell from 16.6% during the first quarter 2002 to 11.4% during the second quarter.

The number of access lines fell by 1.1% to 3.13million, compared with year end 2001, with a 2.0% decline in PSTN lines and a 5.1% increase in ISDN lines. Total access channels remained flat at 3.8million. The number of ADSL lines grew by 35,400 during the first half 2002 to 136,000 at the end of June, including 22,100 lines sold to wholesale customers.

Fixed line revenues declined by 8.7% to EUR 494.4million during the second quarter 2002 compared with the same period last year. The decline is a result of the lower market share compared with last year, actions taken to improve Telekom Austria's market position through lowering tariffs as well as continued pressure in the business market. Overall, this led to a reduction in traffic revenues by 25.1% during the second quarter 2002, compared with the same period last year. Revenues from monthly rentals fell by 3.2% in the second quarter 2002, compared with the same period last year due to the lower number of access lines in the corresponding period.

During the second quarter 2002, EBITDA (excluding idle workforce) shows a stable development, compared with the same period last year, and amounted to EUR 208.6million. This includes EUR 25.5million of reversals of early retirement provisions as a result of people moving earlier than expected from the early retirement program into government funded regular retirement primarily due to a new law which was enacted on January 1, 2002. This reduces Telekom Austria's liabilities and will improve future cash flows. Excluding the impact of these reversals, EBITDA fell by 12.2% to EUR 185.6million, as more than half of the revenue reduction could be offset by cost cuts. EBIT (excluding idle workforce) rose from EUR (0.8)million during the second quarter 2001 to EUR 8.8million in 2002.

### Mobile Communications

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Revenues	454.7	411.1	10.6%	906.9	823.3	10.2%
EBITDA	163.2	131.0	24.6%	351.4	290.3	21.0%
EBIT	95.9	63.7	50.5%	218.2	166.3	31.2%

On June 28, 2002, Telekom Austria acquired TIM's 25% stake in Mobilkom Austria for a total purchase price of EUR 692.8million. The transaction gives Telekom Austria full control over Mobilkom Austria, full access to its strong cash flows and increased future strategic flexibility.

The mobile communications business segment continued to show operational strength during the second quarter of the year both in its domestic and foreign operations, in spite of seasonally weaker margins. Quarterly figures show a rise in revenues of 10.6% to EUR 454.7million, compared with the same period last year. EBITDA

was up by 24.6% to EUR 163.2million, while EBIT rose by 50.5% to EUR 95.9million. Compared with year end 2001 the total number of subscribers in the mobile communications business segment grew by 4.4% to 4.15million by the end of first half 2002.

In Austria, the number of subscribers grew by 1.5% to 2.89million as of June 30, 2002, compared to year-end 2001, with the share of contract subscribers increasing to 51.2%. Quarterly GSM churn rate fell from 5.0% in the second quarter 2001 to 4.1% in 2002. Mobile penetration reached 83.1% and Mobilkom Austria showed a market share of 42.8% at the end of June 2002, a slight rise compared to 42.6% at the end of March 2002. The analogue network was shut-down as per end of February, which resulted in 55,000 – mainly prepaid - customers being taken out of the subscriber base. Due to focused marketing activities, a high share of these analogue customers had already migrated to the digital network during the preceding months. During the second quarter 2002 Mobilkom Austria strengthened its position as the leading innovator by being the first to introduce multimedia messaging services (MMS) in the Austrian market.

Mobilkom Austria increased its revenues by 6.6% to EUR 365.9million during the second quarter of the year, profiting from the increased subscriber base and a further rise in the monthly average revenue per user (ARPU), which rose from EUR 33.6 during the second quarter 2001 to EUR 36.0 in the same period in 2002. EBITDA

rose by 17.4% to EUR 133.6million and EBIT by 20.7% to EUR 83.5million during the second quarter 2002.

In Croatia, VIPnet increased its subscriber numbers by 11.8% to 956,900, compared with year end 2001 until June 30, 2002. Market share rose to 48.1% at the end of the second quarter 2002, up from 47.6% at the end of the first quarter 2002. Croatian mobile penetration amounted to 45.3% at the end of June 2002. Quarterly revenues of VIPnet rose by 25.1% to EUR 72.7million, EBITDA amounted to EUR 29.4million (+30.1%) and EBIT to EUR 15.6million (+25.8%). In May 2002, Mobilkom Austria purchased an additional 5% of VIPnet for EUR 11.1million, bringing its participation to 71%.

Si.mobil in Slovenia increased its subscriber figures by 11.3% to 300.000 as per end of June 2002, compared with year end 2001 and increased its market share slightly to 21.7% during the second quarter 2002. Mobile penetration amounted to 69.4% at the end of June 2002 in Slovenia. Si.mobil increased its revenues by 71.2% to EUR 19.0million during the second quarter 2002, compared with same period last year, and broke-even at the EBITDA level with EUR 0.4million (2Q 2001: EUR (5.6)million). Negative EBIT fell from EUR (7.1)million in the second quarter 2001 to EUR (2.8)million in 2002. As Si.mobil was acquired in February 2001, 2001 half-year figures include only four months of operations.

## Data Communications

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Revenues	80.5	77.9	3.3%	157.8	151.5	4.2%
EBITDA	11.6	3.3	251.5%	27.7	11.2	147.3%
EBIT	2.4	-4.4	-	10.2	-4.4	-

In spite of intensified competition, the data communications segment managed to increase revenues by 3.3% during the second quarter 2002, compared with the same period last year, to a level of EUR 80.5million. The main drivers for higher revenues were value added products including corporate networks, Datacash, which profited from the increased use of cash terminals due to the introduction of the EURO and Dataweb

allowing customers access to legal and economic databases.

While EBITDA rose from EUR 3.3million in the second quarter 2001 to EUR 11.6million in 2002, EBITDA margin declined from 20.8% seen in the first quarter 2002 to 14.4%, primarily due to higher bad debt expense. EBIT rose from (4.4)million in the second quarter 2001 to EUR 2.4million in 2002.



## Internet

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
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%
EBIT	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%

During the second quarter of 2002, revenues in the Internet segment rose by 34.3% to EUR 27.8million, compared with the same period last year. Although growth in Internet demand was slower than expected, earnings improved due to continued streamlining of operations. EBITDA improved from EUR (11.9)million to EUR (2.4)million in 2002 and EBIT from EUR (13.5)million to EUR (4.9)million.

Subscriber figures in Austria continued to rise to 767,200 (+15.1% compared with the end of year

2001) until the end of June 2002, including 113,900 ADSL customers (+ 31.8% compared with year end 2001).

Czech On Line increased its subscriber number by 5.9% to 252.300 during the first half 2002. Revenue rose by 33.3% to EUR 2.6million during the second quarter 2002, compared with the same period last year, and EBITDA reached a level of EUR 0.4million (2Q 2001: EUR 0.2million).



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- the level of demand for telecommunications services or equipment, particularly with regard to access lines, traffic, bandwidth and new products;
- competitive forces in liberalized markets, including pricing pressures, technological developments, alternative routing developments and new access technologies, and our ability to retain market share in the face of competition from existing and new market entrants;
- the effects of our tariff reduction or other marketing initiatives;
- the regulatory developments and changes, including the levels of tariffs, the terms of interconnection, unbundling of access lines and international settlement arrangements;
- our ability to achieve cost savings and realize productivity improvements;
- the success of new business, operating and financial initiatives, many of which involve start-up costs, and new systems and applications, particularly with regard to the integration of service offerings;
- our ability to secure the licenses we need to offer new services and the cost of these licenses and related network infrastructure build-outs;
- the progress of our domestic and international investments, joint ventures and alliances, including the strategic partnership with Telecom Italia and its subsidiaries;
- the impact of our new business strategies and transformation program;
- the availability, terms and deployment of capital and the impact of regulatory and competitive developments on capital expenditures;
- the outcome of litigation in which we are involved;
- the level of demand in the market for our shares which can affect our business strategies;
- changes in the law including regulatory, civil servants and social security law, including pensions and tax law; and general economic conditions, government and regulatory policies, and business conditions in the markets we serve.

Figures included in this new release are unaudited.

- End -

**TELEKOM AUSTRIA AG**  
**CONSOLIDATED BALANCE SHEETS**  
(in EUR, millions omitted, except per share information)

	<b>June 30, 2002 unaudited</b>	<b>December 31, 2001</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	43.2	26.4
Short-term investments	14.1	8.5
Accounts receivable, net of allowances of EUR 62.7 and EUR 47.1 as of June 30, 2002 and December 31, 2001	410.7	455.3
Receivables due from related parties	10.5	106.0
Inventories	84.9	55.8
Deferred tax assets	10.1	3.8
Prepaid expenses	62.0	25.4
Tax refunds	22.9	38.1
Other current assets	153.0	128.4
<b>TOTAL CURRENT ASSETS</b>	<b>811.4</b>	<b>847.7</b>
Property, plant and equipment, net	5,210.8	4,591.8
Intangible assets, at cost	1,557.8	94.0
Less accumulated amortization	(195.8)	(13.3)
	1,362.0	80.7
Investments in affiliates	12.4	510.6
Other investments	161.6	163.0
Deferred tax assets	188.7	323.9
Due from related parties	0.9	218.0
Other assets	1,047.3	991.6
<b>TOTAL ASSETS</b>	<b>8,795.1</b>	<b>7,727.3</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Short-term borrowings	1,253.5	978.1
Accounts payable	459.9	439.5
Accrued liabilities	260.1	131.3
Payables to related parties	20.7	16.0
Deferred income	122.1	55.2
Income taxes payable	17.0	-
Other current liabilities	185.5	60.0
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,318.8</b>	<b>1,680.1</b>
Long-term debt, net of current portion	2,388.6	2,005.2
Lease obligations, net of current portion	1,113.2	1,086.9
Employee benefit obligations	308.1	378.1
Other	104.7	76.6
Stockholders' equity		
Common stock, issued and outstanding shares 500,000,000 with par value of EUR 2.181	1,090.5	1,090.5
Additional paid in capital	452.5	451.7
Retained earnings	1,011.2	956.8
Accumulated other comprehensive income	7.5	1.4
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,561.7</b>	<b>2,500.4</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>8,795.1</b>	<b>7,727.3</b>

**TELEKOM AUSTRIA AG**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in EUR, millions omitted, except per share information)

		<b>2Q 2002</b>	<b>2Q 2001</b>	<b>1H 2002</b>	<b>1H 2001</b>
		<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>
Operating revenues	a)	541.8	598.5	1,107.7	1,194.2
Operating expenses	b)				
Materials		(13.9)	(13.2)	(28.6)	(45.4)
Employee costs, including benefits and taxes		(108.0)	(144.5)	(246.2)	(308.3)
Idle workforce		(9.2)	(14.9)	(18.9)	(19.1)
Depreciation and amortization		(211.5)	(230.8)	(418.3)	(452.0)
Other operating expenses		(202.0)	(240.7)	(389.4)	(424.6)
OPERATING INCOME (LOSS)		(2.8)	(45.7)	6.3	(55.2)
Other income (expense)					
Interest income	c)	21.0	23.5	43.6	43.0
Interest expense	d)	(54.1)	(62.3)	(111.2)	(127.6)
Dividend income		0.0	(0.4)	0.0	0.5
Other, net		0.1	(17.3)	(3.2)	(21.3)
LOSS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES		(35.9)	(102.3)	(64.5)	(160.6)
Equity in earnings of affiliates		60.6	41.5	143.4	113.6
Income tax expense (benefit)		(7.9)	15.0	(24.5)	11.5
NET INCOME (LOSS)		16.9	(45.8)	54.4	(35.5)
Basic and fully diluted earnings per share		0.04	(0.09)	0.11	(0.07)
a) includes revenues from related parties of		49.7	52.2	100.6	100.0
b) includes operating expenses from related parties of		48.1	41.6	89.5	80.3
c) includes interest income from related parties of		2.6	6.2	5.0	10.0
d) includes interest expense from related parties of		0.7	0.1	0.9	0.2

**MOBILKOM AUSTRIA AG & Co KG and MOBILKOM AUSTRIA AG**  
**COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in EUR, millions omitted)

		<b>2Q 2002</b>	<b>2Q 2001</b>	<b>1H 2002</b>	<b>1H 2001</b>
		<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>
Operating revenues		454.7	411.1	906.9	823.3
Operating expenses					
Materials		(51.5)	(51.6)	(103.7)	(109.3)
Employee costs, including benefits and taxes		(40.2)	(30.7)	(77.3)	(61.0)
Depreciation and amortization		(67.2)	(67.4)	(133.2)	(124.0)
Other operating expenses		(199.9)	(197.8)	(374.5)	(362.7)
OPERATING INCOME		95.9	63.7	218.2	166.3
Other income (expense)					
Interest income		5.8	5.2	10.9	10.1
Interest expense		(14.1)	(13.5)	(26.8)	(24.4)
Write offs from investments		0.0	0.0	0.0	(0.5)
Other, net		(1.4)	5.5	(3.4)	3.7
Loss from at equity investees		(0.3)	0.0	(0.6)	0.0
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS		85.9	60.8	198.3	155.2
Income tax benefit (expense)		(2.9)	0.3	(2.7)	(133.5)
Minority Interests		(3.3)	(6.3)	(5.1)	(4.4)
NET INCOME		79.7	54.8	190.5	17.3

**TELEKOM AUSTRIA AG**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in EUR, millions omitted)

	<b>2Q 2002</b> <b>unaudited</b>	<b>2Q 2001</b> <b>unaudited</b>	<b>1H 2002</b> <b>unaudited</b>	<b>1H 2001</b> <b>unaudited</b>
Net Income (Loss)	16.9	(45.8)	54.4	(35.5)
Depreciation and other non-cash items	190.2	196.4	310.6	479.1
Change in working capital	136.9	131.0	166.7	(52.7)
Cash generated from operations	344.0	281.6	531.7	390.9
Cash from (used in) investing activities	(729.0)	(86.5)	(765.6)	(162.3)
Cash from (used in) financing activities	411.1	(187.8)	250.7	(230.2)
Effect of exchange rate changes	0.0	0.0	0.0	0.0
Net increase (decrease) in cash and cash equivalents	26.2	7.3	16.8	(1.6)
Cash and cash equivalents at beginning of period			26.4	17.7
Cash and cash equivalents at end of period			43.2	16.2

**MOBILKOM AUSTRIA AG & Co KG and MOBILKOM AUSTRIA AG**  
**COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in EUR, millions omitted)

	<b>2Q 2002</b> <b>unaudited</b>	<b>2Q 2001</b> <b>unaudited</b>	<b>1H 2002</b> <b>unaudited</b>	<b>1H 2001</b> <b>unaudited</b>
Net Income	79.7	54.8	190.5	17.3
Depreciation and other non-cash items	77.0	74.6	147.3	298.3
Change in working capital	59.0	65.4	22.9	(57.5)
Cash generated from operations	215.6	194.7	360.7	258.1
Cash from (used in) investing activities	(106.9)	(125.1)	(152.1)	(318.3)
Cash from (used in) financing activities	(96.7)	(101.4)	(110.4)	53.2
Effect of exchange rate changes	(0.2)	(5.2)	2.4	(3.3)
Net increase (decrease) in cash and cash equivalents	11.8	(37.0)	100.6	(10.3)
Cash and cash equivalents at beginning of period			8.9	37.0
Cash and cash equivalents at end of period			109.5	26.7

**TELEKOM AUSTRIA AG**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in EUR, millions omitted)

	Common stock Number of shares	Par value	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance December, 2001	500,000,000	1,090.5	451.7	956.8	1.4	2,500.4
Comprehensive income						
Sale of call options, net of EUR (0.4) deferred income tax			0.8			0.8
Net income				54.4		54.4
Unrealized loss on securities, net of EUR 0.2 deferred income tax					(0.4)	(0.4)
Foreign currency translation adjustment					1.4	1.4
Change of fair value of financial instruments, net of EUR (2.8) deferred income tax					5.2	5.2
Total comprehensive income						60.5
Balance June 30, 2002 (unaudited)	500,000,000	1,090.5	452.5	1,011.2	7.6	2,561.8

**TELEKOM AUSTRIA GROUP**  
**Operating results by business segments**

**Total managed revenues**

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Fixed line	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%	1,244.4
Mobile communications	454.7	411.1	10.6%	906.9	823.3	10.2%	822.5
Data communications	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
Other & eliminations	-122.1	-101.4	20.4%	-230.2	-229.3	0.4%	-322.3
<b>Total managed 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>

**Total managed EBITDA\***

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line*	208.6	208.5	0.0%	419.8	418.7	0.3%
Mobile communications	163.2	131.0	24.6%	351.4	290.3	21.0%
Data communications	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%
Other & eliminations	-0.4	0.0	-	-0.4	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>

\* excluding costs for idle work force

**Total managed EBIT\***

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line*	8.8	-0.8	-	23.6	9.1	159.3%
Mobile communications	95.9	63.7	50.5%	218.2	166.3	31.2%
Data communications	2.4	-4.4	-	10.2	-4.4	-
Internet	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%
Other & eliminations	0.0	-12.2	-	-0.1	-21.9	99.5%
<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>

\* excluding costs for idle work force

**Reconciliation between segmental results and consolidated results of Telekom Austria AG**

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change	1H 01 unadjusted
Fixed line	494.4	541.3	-8.7%	1,007.0	1,109.0	-9.2%	1,244.4
Data communications	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
Other & eliminations	-60.9	-41.4	-47.1%	-113.4	-105.5	-7.5%	-105.5
<b>Consolidated 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>

in EUR million	2Q 02	2Q 01	% change	1H 02	1H 01	% change
Fixed line	8.8	-0.8	-	23.6	9.1	159.3%
Data communications	2.4	-4.4	-	10.2	-4.4	-
Internet	-4.9	-13.5	63.7%	-8.7	-19.0	54.2%
Other & eliminations	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>
Idle workforce costs	-9.2	-14.9	38.3%	-18.9	-19.1	1.0%
<b>Consolidated operating result</b>	<b>-2.9</b>	<b>-45.7</b>	<b>93.7%</b>	<b>6.2</b>	<b>-55.2</b>	<b>-</b>

**Telekom Austria Group  
Operational Data**

**Fixed line**

Lines and channels (in '000):	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%
<b>Total access channels</b>	<b>3,788.0</b>	<b>3,827.6</b>	<b>-1.0%</b>

Traffic minutes (in millions of minutes) during the period:	1H 2002	1H 2001	% change
Local	1,888	2,326	-18.8%
National long distance	401	421	-4.8%
Fixed-to-mobile	400	422	-5.2%
International	232	234	-0.9%
Internet dial-up	2,168	2,286	-5.2%
<b>Total fixed line minutes</b>	<b>5,089</b>	<b>5,689</b>	<b>-10.5%</b>
<b>Total market share</b>	<b>55.3%</b>	<b>58.5%</b>	

Carrier services:			
Incoming international	536	541	-0.9%
Outgoing international	555	512	8.4%

**Internet**

Subscribers ('in 000):	June 30, 2002	June 30, 2001	% change
Austria	767.2	515.5	48.8%
Czech Republic	252.3	206.7	22.1%

**Employees of the Telekom Austria Group  
per business segment (Full-time equivalents)**

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

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

**Telekom Austria Group  
Operational Data**

**Mobilkom Austria Group**

(EUR million)	2Q 2002	2Q 2001	% change	1H 2002	1H 2001	% change
Revenues	454.7	411.1	10.6%	906.9	823.3	10.2%
EBITDA	163.2	131.0	24.6%	351.4	290.3	21.0%
EBIT	95.9	63.7	50.5%	218.2	166.3	31.2%
				June 30, 2002	June 30, 2001	% change
Subscribers ('000)				4,152.4	3,733.6	11.2%

**Mobilkom Austria**

(EUR million)	2Q 2002	2Q 2001	% change	1H 2002	1H 2001	% change
Revenues	365.9	343.3	6.6%	744.8	713.6	4.4%
EBITDA	133.6	113.8	17.4%	301.0	265.7	13.3%
EBIT	83.5	69.2	20.7%	200.6	176.7	13.5%
Monthly ARPU (EUR)	36.0	33.6	7.1%			
				June 30, 2002	June 30, 2001	% change
Subscribers ('000)				2,893.8	2,859.1	1.2%
Market share				42.8%	43.2%	
Mobile penetration				83.1%	81.8%	

**VIPnet**

(EUR million)	2Q 2002	2Q 2001	% change	1H 2002	1H 2001	% change
Revenues	72.7	58.1	25.1%	131.5	97.6	34.7%
EBITDA	29.4	22.6	30.1%	51.7	31.9	62.1%
EBIT	15.6	12.4	25.8%	25.5	13.1	94.7%
Monthly ARPU (EUR)	20.2	22.0	-8.2%			
				June 30, 2002	June 30, 2001	% change
Subscribers ('000)				956.9	677.3	41.3%
Market share				48.1%	48.5%	
Mobile penetration				45.3%	30.9%	

**Si.mobil**

(EUR million)	2Q 2002	2Q 2001	% change	1H 2002	1H 2001	% change
Revenues	19.0	11.1	71.2%	35.3	13.8	155.8%
EBITDA	0.4	-5.6	-	-0.7	-7.4	90.5%
EBIT	-2.8	-7.1	60.6%	-7.0	-9.3	24.7%
Monthly ARPU (EUR)	15.7	13.8	13.8%			
				June 30, 2002	June 30, 2001	% change
Subscribers ('000)				300.0	196.8	52.4%
Market share				21.7%	17.4%	
Mobile penetration				69.4%	56.6%	

**mobilkom [liechtenstein]**

(EUR million)	2Q 2002	2Q 2001	% change	1H 2002	1H 2001	% change
Revenues	0.9	0.3	200.0%	1.6	0.6	166.7%
EBITDA	0.1	-0.2	-	-0.1	-0.4	75.0%
				June 30, 2002	June 30, 2001	% change
Subscribers ('000)				1.7	0.4	325.0%