

Telekom Austria Public Bond Investor Presentation

January 2005

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.

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Group Overview

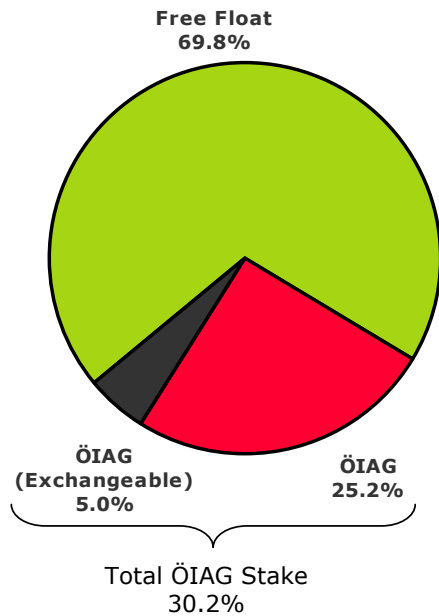
Telekom Austria Group Overview

Wireline			Wireless
Fixed Line	Data	Internet	Mobile
<ul style="list-style-type: none">▪ 2.9 million access lines (0.34 million of which are ADSL lines)▪ Total traffic voice (incl. Internet dial-up) market share: 55.4%▪ 1.1 million Internet subscribers in Austria▪ 0.26 million Internet subscribers in Czech Republic			<ul style="list-style-type: none">▪ Consolidated 4.8 million subscribers<ul style="list-style-type: none">– 3.2 million in Austria (41.8% market share)– 1.3 million in Croatia (48.1% market share)– 0.36 million in Slovenia (23.4% market share)▪ Partnership with Vodafone in Austria, Croatia and Slovenia (Vodafone live!)
<ul style="list-style-type: none">▪ Strong & stable market position▪ Significant free cash flow▪ Successful cost cutting▪ New business opportunities▪ Growing broadband market share			<ul style="list-style-type: none">▪ Strong market position▪ Significant free cash flow▪ Benefiting from rising data services▪ Leveraging growth opportunities in CEE▪ Vodafone cooperation

Note: All data as of 3Q 2004 unless otherwise stated.

Telekom Austria Ownership Structure

Shareholder Structure



Highlights

ÖIAG

- Privatisation Agency of the Republic of Austria
- ÖIAG has monetized an additional 17.0% of its stake in December 2004
- Austrian Government has reiterated its intention to proceed with a full privatisation

Free Float

- IPO in November 2000
- Currently 69.8%

Business Overview

Telekom Austria - 3Q 04 Highlights

Rising Results

- Both business segments contribute to rising results

Wireline

- Wireline business shows further slowing decline in voice revenues and strong wholesale revenues; further headcount reduction

Wireless

- Wireless business benefits from subscriber growth as well as increasing customer and visitor roaming revenues

Operating Cash Flow

- Rising operating cash flow accelerates net debt decline to EUR 2.1 billion

Full Year Outlook

- Solid 3Q 04 improves full year outlook in spite of an expected weaker 4Q 04

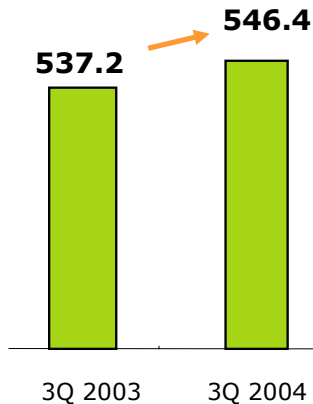
Wireline Results 3Q 04

3Q 2004 Results

(EUR million)

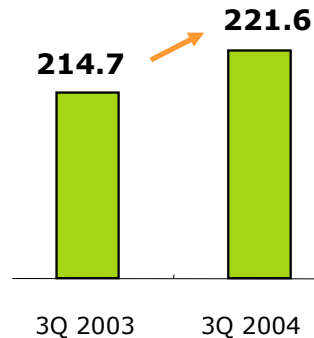
Revenues*

+1.7%



Adj. EBITDA**

+3.2%



Key Highlights

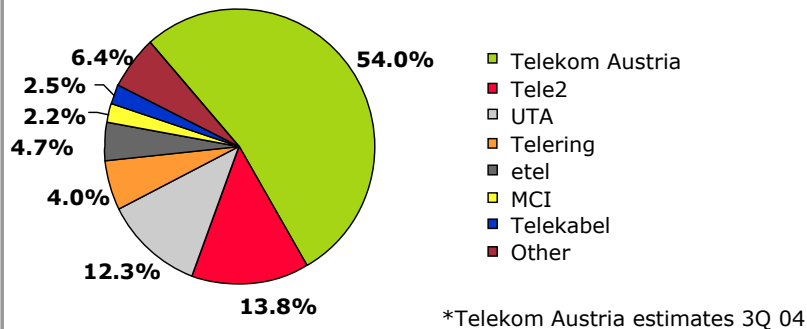
- Strong wholesale business drives further rise in wireline revenues
- Headcount fell by 474 (4.7%) during 3Q 04; profit margins will continue to benefit
- Seasonal decline of ADSL net adds during 3Q 04, successful relaunch of product offering during 4Q 04
- 3.3% interconnection rate cut in line with expectations

* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services.

** Operating income before depreciation, amortization and impairment charges

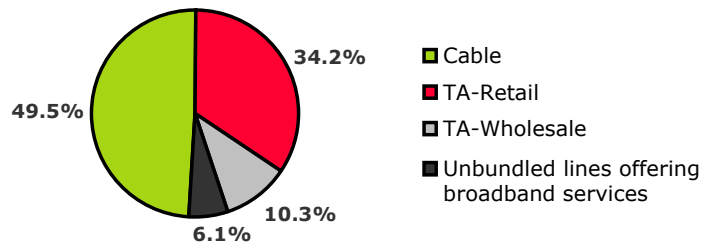
Market Environment – Wireline

Voice Market Shares*



- Total wireline market share (including internet dial-up) for Sept. 04 was 55.4%

Broadband Market Shares*

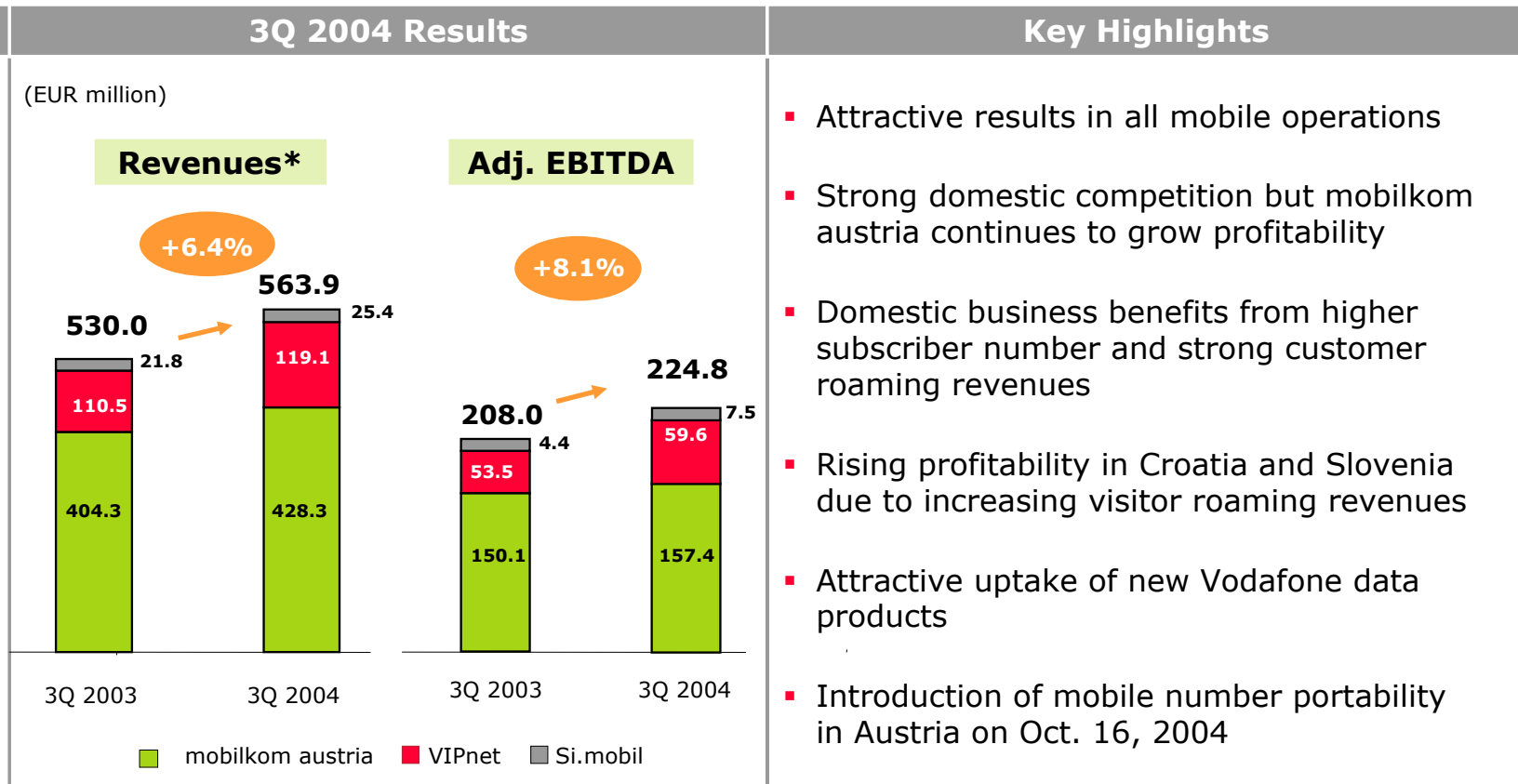


*Telekom Austria market research Sept. 04

Key Developments

- Successful relaunch of new TikTak packages benefits revenues and market share
- Acquisition of UTA by Tele2 might drive further market consolidation. Tele 2 might become subject to regulatory scrutiny due to its market share
- Various initiatives have been taken to strengthen the broadband market position:
 - Increased bandwidth and download volume as well as free spam and virus filters for business customers
 - Attractive entry products and increased download volumes for residential customers

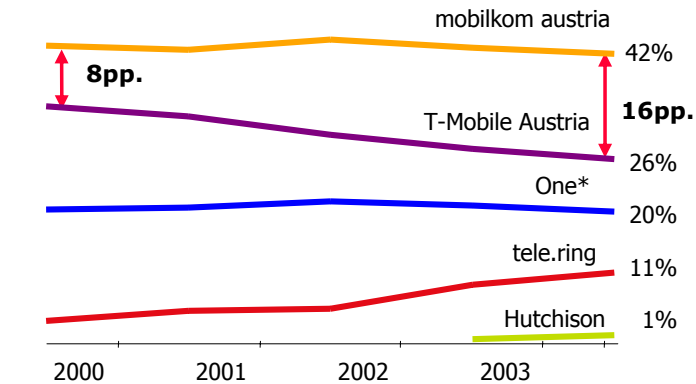
Wireless Results 3Q 04



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Market Environment mobilkom austria

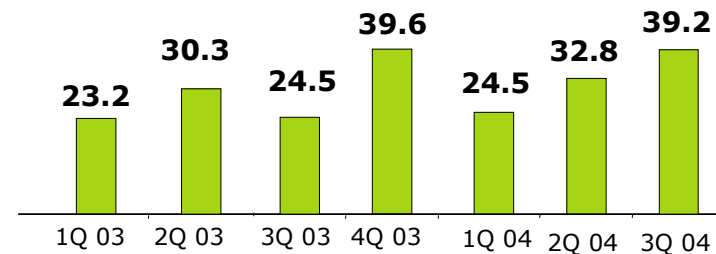
Market Shares and Subscribers



* incl. Tele2 (MVNO) customers

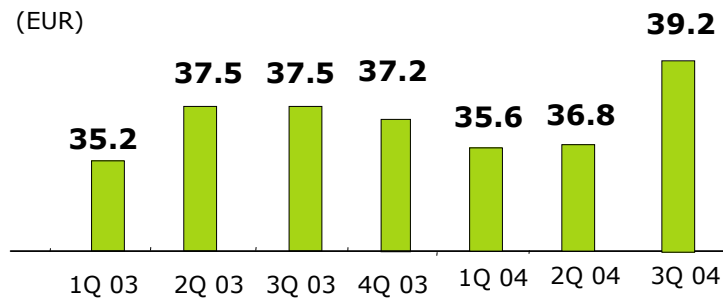
SRC+SAC

(EUR million)

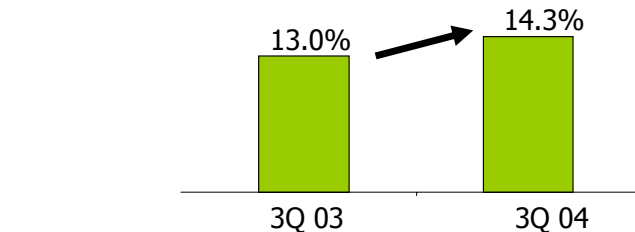


Blended ARPU

(EUR)



Mobile Data in % of Airtime Revenues*



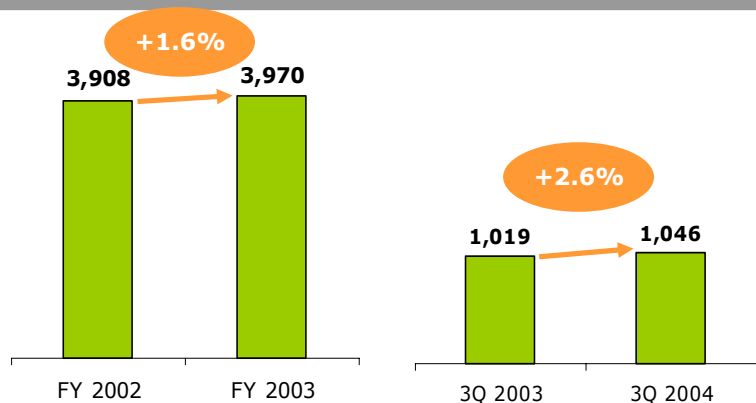
*Traffic related revenues of wireless segment

Note: All data as of 3Q 2004 unless otherwise stated.

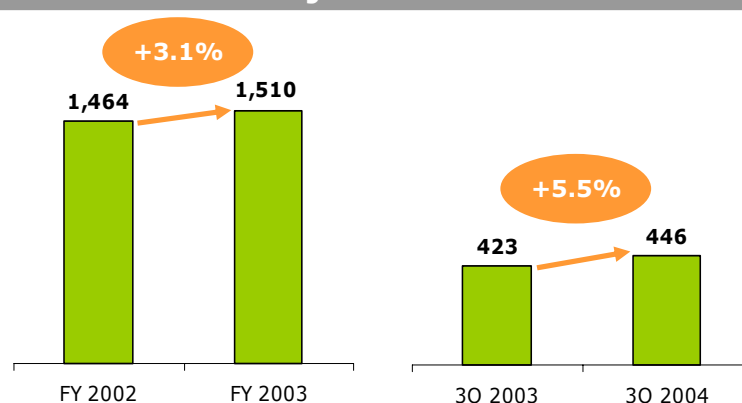
Financial Overview

Financial Highlights

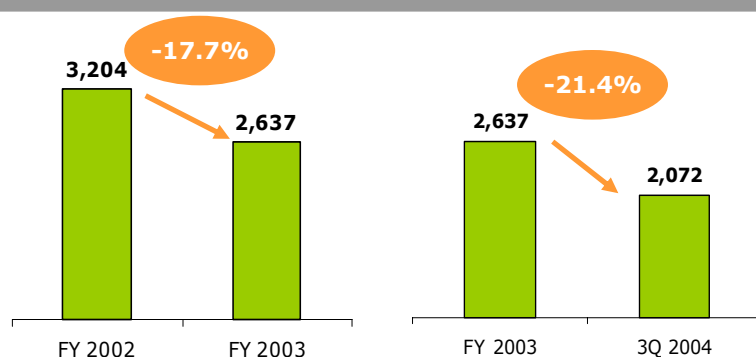
Revenues



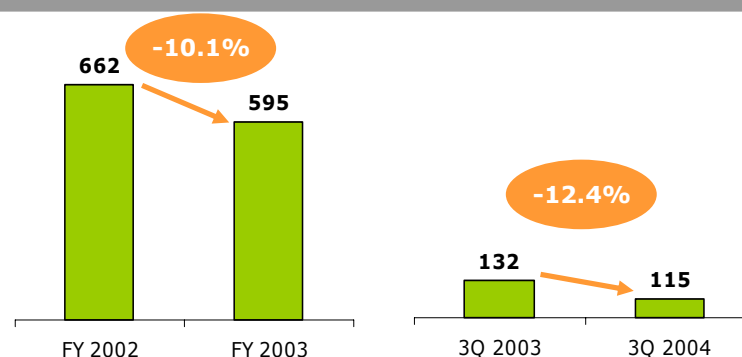
Adj. EBITDA*



Net Debt



CAPEX



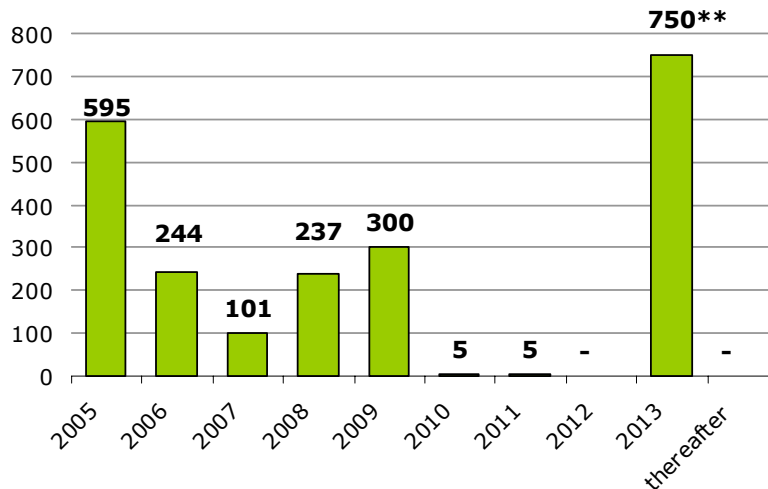
* Operating income before depreciation, amortization and impairment charges

Note: All data in EUR million.

Telekom Austria Debt Maturity Profile

Telekom Austria Debt Maturity Profile*

(EUR million)



* Long-term debt and current portion of long-term debt

** EUR 750 million bond 2003 - 2013

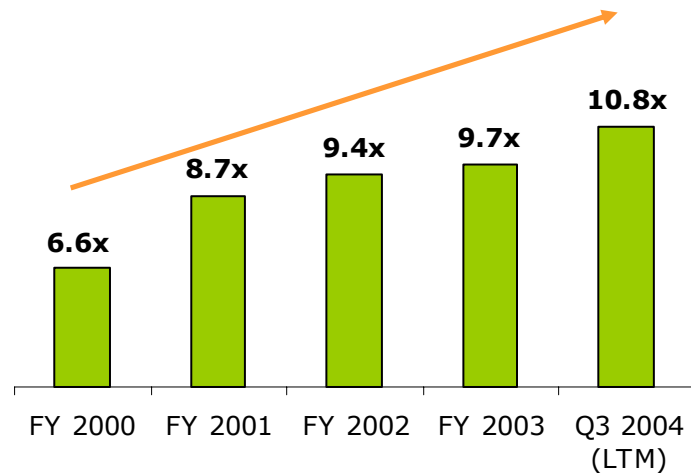
Highlights

- As of Sept. 30, 2004 Telekom Austria had cash and cash equivalents, short-term and long-term investments amounting to EUR 197 million
- Telekom Austria has access to committed lines of credit amounting to EUR 800 million (incl. a EUR 350 million ABS programme)
- The proceeds from the bond will be used to refinance existing corporate debt and to increase the financial flexibility for 2005
- Mid-term financial targets:
 - Net debt/equity < 120%
 - Net debt/adj. EBITDA < 2.0
 - Adjusted EBITDA/net interest expense > 8.0

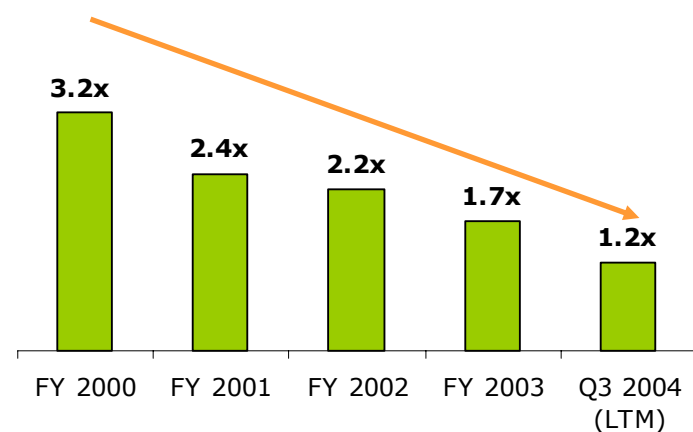
Financial Overview - Telekom Austria Group

Credit Ratios Improving

Adj. EBITDA/Net Interest FY2000 – Q3 2004 (LTM)



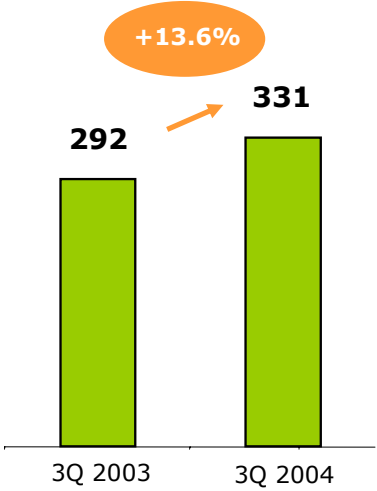
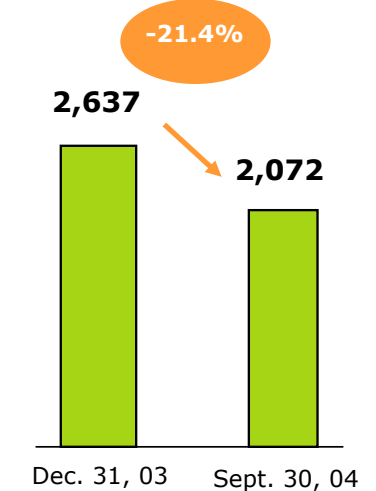
Net Debt/Adj. EBITDA FY2000 – Q3 2004 (LTM)



- Telekom Austria managed to strongly improve its net interest coverage since FY2000

- Net debt/adj. EBITDA has dropped to 1.2x in Q3 04 from 3.2x in FY2000


Strong Cash Flows Provide Financial Flexibility

Adj. EBITDA less Capex*	Net Debt	Highlights												
<p>(EUR million)</p>  <table border="1"> <caption>Adj. EBITDA less Capex*</caption> <thead> <tr> <th>Period</th> <th>Value (EUR million)</th> </tr> </thead> <tbody> <tr> <td>3Q 2003</td> <td>292</td> </tr> <tr> <td>3Q 2004</td> <td>331</td> </tr> </tbody> </table>	Period	Value (EUR million)	3Q 2003	292	3Q 2004	331	<p>(EUR million)</p>  <table border="1"> <caption>Net Debt</caption> <thead> <tr> <th>Period</th> <th>Value (EUR million)</th> </tr> </thead> <tbody> <tr> <td>Dec. 31, 03</td> <td>2,637</td> </tr> <tr> <td>Sept. 30, 04</td> <td>2,072</td> </tr> </tbody> </table>	Period	Value (EUR million)	Dec. 31, 03	2,637	Sept. 30, 04	2,072	<ul style="list-style-type: none"> ▪ Over EUR 900 million of operating free cash flow during first nine months ▪ EUR 34 million of share buybacks since August 04 ▪ Pension obligations are negligible ▪ 76% debt/equity ratio gives enough flexibility for expansion ▪ Cash allocation allows prudent external growth and distribution strategy
Period	Value (EUR million)													
3Q 2003	292													
3Q 2004	331													
Period	Value (EUR million)													
Dec. 31, 03	2,637													
Sept. 30, 04	2,072													

* Capital expenditures for tangible and intangible assets

Mobiltel Transaction Update

Attractive Asset in a Stable Environment in Telekom Austria's Target Region

Growth Strategy - Target Region	Macroeconomic Stability ⁽¹⁾
 <ul style="list-style-type: none"> ▪ Identified target region provides mobilkom austria group with significant growth opportunities ▪ Acquisition of the call option for Mobitel is a further step in implementing Telekom Austria Group's strategy 	<ul style="list-style-type: none"> ▪ Improved credit ratings: since June 2004 the country is rated investment grade for the first time (S&P: BBB- stable outlook) ▪ Significant real GDP growth of 4-5% p.a. (2003: 4.3%) ▪ Bulgarian Lev pegged to Euro at 1.96 LEV/EUR ▪ Foreign indebtedness down from 105% of GDP ('97) to 46% ('03) ▪ Accession to the EU expected for 2007 <h3 data-bbox="784 566 1727 617">Attractive Mobile Market⁽¹⁾</h3> <ul style="list-style-type: none"> ▪ Mobile penetration (51.8% in 1H 2004) ▪ 2 major mobile providers (GSM): - Mobitel (67.0% market share), - Globul (31.4% market share) ▪ Currently 3rd operator has analogue network only ▪ 3 UMTS licenses are expected to be granted in 2005 <h3 data-bbox="784 827 1727 878">Mobitel Well Positioned⁽¹⁾</h3> <ul style="list-style-type: none"> ▪ Dominant market share ▪ 2.75 million subscribers as of June 30, 2004 (36.4% post-paid) ▪ Strong brands (<i>Mtel</i> and <i>Prima</i>) ▪ Strong profitability - EBITDA margin of 63% in 2003 ▪ Blended ARPU of EUR 13.1 in 1H 2004 ▪ High quality GSM 900/1800 network

(1) All data refers to 1H 2004 unless otherwise stated.

Mobitel Transaction - Highlights

Highly attractive asset

- Mobitel is the undisputed market leader in Bulgaria
- High-quality network infrastructure and strong brands
- Excellent margins (e.g. EBITDA margin of 65.4% as of 1H 04)

Attractive purchase price

- Telekom Austria has entered into a call option agreement, which gives Telekom Austria Group the unilateral right to acquire 100% of the share capital of Mobitel for an enterprise value of up to EUR 1,600 million including a variable earn-out
- Purchase price is well within stated acquisition multiple ranges of 4x to 6x EBITDA
- Earn-out provision further motivates existing shareholders to improve Mobitel's performance until takeover

Smooth integration process

- Telekom Austria will conduct exhaustive confirmatory due diligence prior to closing of the transaction
- mobilkom austria group has highly skilled team and well-defined process available to provide for smooth integration process
- Significant expertise and excellent track record on historic acquisitions in CEE

Positive impact on TA financials expected

- Mobitel provides Telekom Austria Group with substantial growth opportunity complementing its stable domestic business
- Based on historically high level of profitability we expect further good performance yielding significant earnings accretion for Telekom Austria Group

Credit Rating

Telekom Austria Group – Rating Agencies have affirmed Ratings for Mobiltel Transaction

Mobiltel Acquisition Well Received by Agencies – No Change in Ratings



Moody's Investors Service Limited

17 May 2004, **affirmed 29 November 2004**

Senior unsecured rating: Baa2 / Positive Outlook

- The current rating factors in that TA will continue to benefit from a **leading and stable market positions in the Austrian wireline market**, where its market share has stabilised at circa 55% since 2003, and from its **leading position in the wireless market**
- Moody's affirmation incorporates expectations that TA would cash fund such acquisition leading to an **increase in debt**, but that TA, through **internal free cash flow generation**, would **reverse the initial negative impact on credit metrics**
- The ratings affirmation reflects Moody's belief that the company would arrange **adequate funding in advance of the transaction**

Standard & Poor's

14 April 2004, **affirmed 29 November 2004**

Senior unsecured rating: BBB / Positive Outlook

- The ratings on Telekom Austria AG primarily reflect the **company's leading market position** in all segments of the Austrian telecoms market, **strong free cash flow generation** and **moderate leverage**
- The **impact of the potential Mobiltel transaction** would leave the company **within the financial parameters** of its ratings
- Furthermore, despite the higher business risk associated with the **growing Bulgarian telephony market**, the transaction would give access to **good cash flows in future years**, allowing for relatively **fast repayment of assumed debt** at Mobiltel

Summary of Key Credit Strengths and Transaction Terms

Summary of Key Credit Strengths

Group	<ul style="list-style-type: none">▪ Strong operating profitability and operating free cash flow▪ Moderately leveraged balance sheet with net debt/adj. EBITDA of 1.2x.▪ Ratio impact of Mobiltel acquisition will be quickly absorbed with scope for further debt reduction▪ Interest coverage and cash flow-to-debt ratios are strong and amongst the best in the European telecom operator universe
Wireline	<ul style="list-style-type: none">▪ Continued leading position in the Austrian wireline market▪ Wireline market share loss reversed and stabilized at 55%; wireline operating margins restored (1-9M 04: 39.8%)▪ Restructuring program largely completed with significant cost reductions achieved; over 35% wireline headcount reduction since Dec. 31, 2000
Wireless	<ul style="list-style-type: none">▪ Leading market position and strong cash generation from domestic wireless operations▪ Strong growth and cash flow potential from existing market positions in foreign operations▪ Good access to Mobiltel's cash flows accelerates debt reduction

Appendices

Net Debt - Telekom Austria Group

(EUR million)	Sept. 30, 2004	Dec. 31, 2003
Long-term debt	1,697.4	2,342.3
Short-term debt	694.0	631.3
- Short-term portion of capital and cross border lease	-106.2	-95.5
+ Capital lease obligations	1.0	2.1
Cash and cash equivalents, short-term and long-term investments	-197.4	-226.4
Financial instruments, included in other assets and other current assets	-16.6	-16.5
Net debt of Telekom Austria Group	2,072.2	2,637.3
Shareholders' equity	2,722.0	2,639.4
Net debt/Equity	76.1%	99.9%

Employee Benefit Obligations – Pension liabilities are negligible

EUR million	FY 2003	FY 2002
Pensions	9.6	9.7
Contractual termination benefits	31.9	132.3
Service awards	46.9	57.9
Severance	67.6	32.6

Operating Revenues by Segment

Revenues (EUR million)	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireline	546.4	547.8	-0.3%	1,635.2	1,631.8	0.2%
Wireless	563.9	537.1	5.0%	1,583.2	1,510.3	4.8%
Other & eliminations	-64.1	-65.5	-2.1%	-187.2	-190.8	-1.9%
Total revenues	1,046.2	1,019.4	2.6%	3,031.2	2,951.3	2.7%
Third party value added services revenues recorded prior to October 1, 2003	3Q 04	3Q 03		1-9M 04	1-9M 03	
Wireline		-10.6			-32.7	
Wireless		-7.1			-20.3	
Other & eliminations		2.4			7.1	
Total revenues		-15.3			-45.9	
Revenues excluding third party value added services revenues	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireline	546.4	537.2	1.7%	1,635.2	1,599.1	2.3%
Wireless	563.9	530.0	6.4%	1,583.2	1,490.0	6.3%
Other & eliminations	-64.1	-63.1	1.6%	-187.2	-183.7	1.9%
Total revenues excluding third party value added services revenues	1,046.2	1,004.1	4.2%	3,031.2	2,905.4	4.3%

Adjusted EBITDA and Operating Income by Segment

(EUR million)	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireline	221.6	214.7	3.2%	650.4	625.8	3.9%
Wireless	224.8	208.0	8.1%	614.3	575.2	6.8%
Intersegmental eliminations & other	0.0	0.4		-10.9	1.7	
Total adjusted EBITDA*	446.4	423.1	5.5%	1,253.8	1,202.7	4.2%

(EUR million)	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireline	38.8	21.9	77.2%	80.1	16.0	400.6%
Wireless	132.9	129.0	3.0%	345.3	337.6	2.3%
Intersegmental eliminations & other	0.1	0.5		-10.6	2.0	
Total operating Income	171.8	151.4	13.5%	414.8	355.6	16.6%

* Adjusted EBITDA is defined as net income excluding interest, taxes, depreciation, amortization, impairment charges, dividend income, equity in earnings of affiliates, other non-operating income/expense, minority interests and the cumulative effect of changes in accounting principle.

Capital Expenditures by Segment

(EUR million)	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireline tangible	69.4	69.0	0.6%	176.9	183.6	-3.6%
Wireless tangible	45.3	60.3	-24.8%	119.7	148.0	-19.1%
Tangible	114.7	129.3	-11.3%	296.6	331.6	-10.6%
Intangible	0.5	2.2	-77.3%	10.0	9.5	5.3%
Total	115.2	131.5	-12.4%	306.6	341.1	-10.1%

(EUR million)	3Q 04	3Q 03	% Change	1-9M 04	1-9M 03	% Change
Wireless tangible						
mobilkom austria	31.1	49.0	-36.5%	66.9	100.1	-33.2%
VIPnet	11.2	8.9	25.8%	47.3	43.1	9.7%
Si.mobil	3.0	2.3	30.4%	5.3	4.6	15.2%

Information on Bulgaria

Economic Information	2001	2002	2003
GDP growth (real)	4.1%	4.9%	4.3%
Inflation	7.4%	5.8%	2.3%
Unemployment rate	19.2%	17.8%	13.6%
Foreign direct investment (% of GDP)	5.0%	5.6%	6.7%
Foreign direct investment (EUR million)	755	923	1,190

- The Bulgarian Lev is pegged to the Euro at 1.96 Lev per EUR
- Bulgaria's foreign currency debt ratings:
 - Standard & Poor's (S&P): BBB- (stable outlook)
 - Moody's: Ba1 (positive outlook)
 - Fitch: BBB- (stable outlook)
- Bulgaria's accession to the EU is targeted for 2007
- Geographic information:
 - Population 2003: 7.8 million
 - 30% of population live in urban areas of Sofia (capital), Plovdiv and Varna
 - Area: 110,912 km²
- Mobile penetration (June 30, 2004): 51.8%

Regulatory and Competitive Landscape in Bulgaria

Communications Regulation Commission (CRC) as Key Regulatory Body

- CRC was established in February 2002 to replace former national regulatory authority
 - Independent body to oversee regulation of the telecommunications sector
 - Five members are political appointees with five-year terms
 - Main power lies in preparation, granting, approval, supervision and termination of licences
 - Enforces current telecommunications law (October 2003) which implements Acquis 2000 (harmonisation of national telecommunications legislation with EU law)
- Broad regulatory policy on the sector is to provide universal public access to effective telecommunications services at reasonable prices, harmonisation with EU law and full liberalisation
- Mobile number portability must be implemented by no later than January 1, 2007
- CRC plans tender offer for three UMTS licenses; issuance not expected before March 2005

Bulgarian Mobile Landscape dominated by Two Major Players



Undisputed market leader
(67.0% market share)

Operating since 1994

Strong branding and first mover
advantage with large corporates

High-quality GSM 900/1800
network



Market entry in 2001

Major competitor to Mobitel
(31.4% market share)

100% owned by Greek OTE

GSM 900/1800 network



First operator, since 1993

Owned by BTC (88%) and
Radio Electronic Systems (12%)

Steadily declining market
share (1.6%)

Analogue network (NMT450)
- GSM license granted recently

Mobitel Historical Financials – Strong Cash Flow Generation

(EUR million)	2002	2003	1H 2004
Mobile penetration	28.3%	44.0%	51.8%
Mobitel market share	74.0%	69.4%	67.0%
Subscribers ('000s)	1,672	2,425	2,750
Revenues	384	432	226
<i>% Growth</i>	<i>15.6%</i>	<i>12.5%</i>	<i>11.2%</i>
EBITDA	221	272	148
<i>% Margin</i>	<i>57.6%</i>	<i>63.0%</i>	<i>65.4%</i>
Net income	144	184	107
Capex	160	87	52
<i>As % of Revenues</i>	<i>41.5%</i>	<i>20.2%</i>	<i>22.9%</i>
EBITDA - Capex	61	185	96

Source: Company data

Further Details

Listing

- Vienna Listing: TKA AV / TELA.VI
- NYSE Listing: TKA US / TKA.N

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Financial Calendar

- March 16, 2005: Full Year Results 2004
- May 18, 2005: Results for the First Quarter 2005
- May 25, 2005: Annual General Meeting