

Telekom Austria Group Results for the 1st Quarter 2004

May 25, 2004

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.

Key Developments

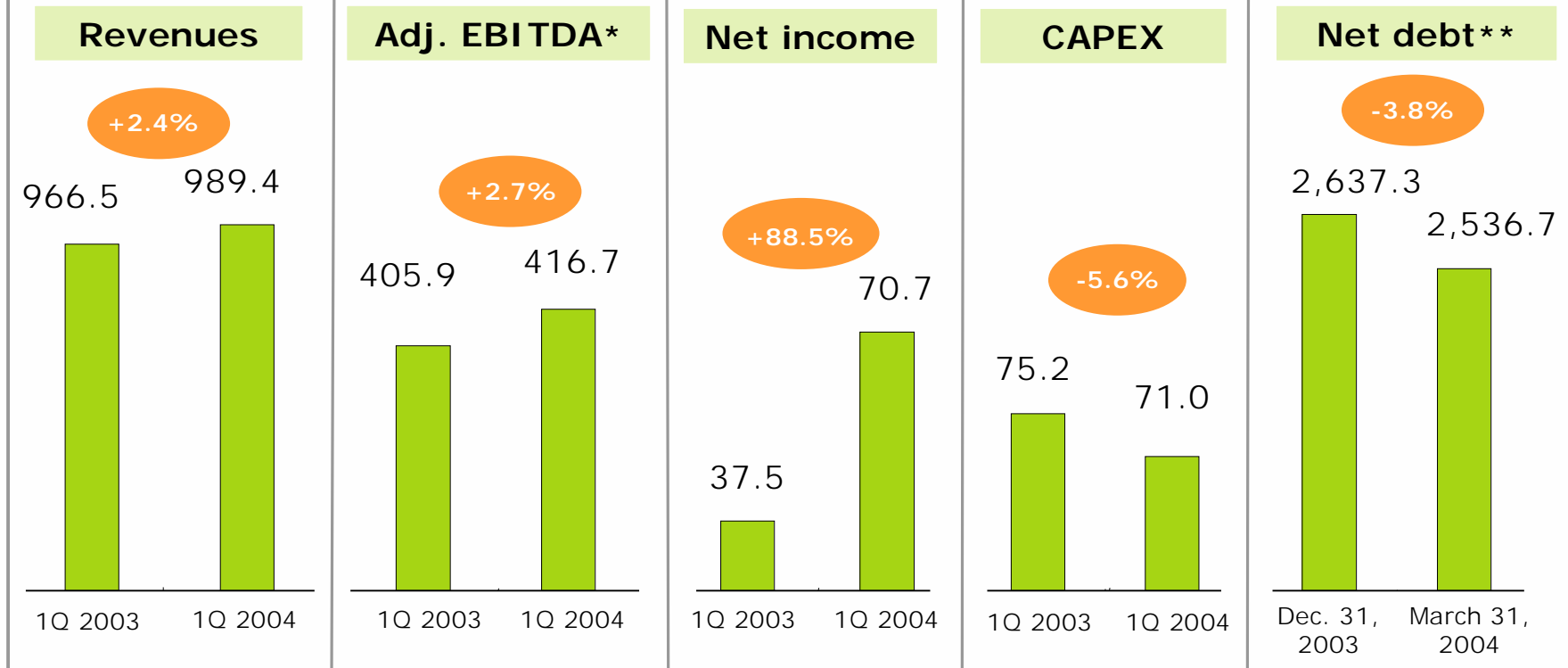
Telekom Austria 1Q 04 Highlights

- Solid results in both business segments
- Wireline revenue decline continues to slow down due to higher monthly rentals and rising ADSL subscribers; margin improvement reflects successful cost reductions
- Wireless segment benefits from strong performance of domestic operations and rising contributions from Croatia and Slovenia
- Net debt decline slows due to traditionally higher working capital during the first quarter
- 1Q 04 result confirms full year outlook
- Introduction of new stock option plan

Telekom Austria – 1Q 04 Results

Key Financial Indicators

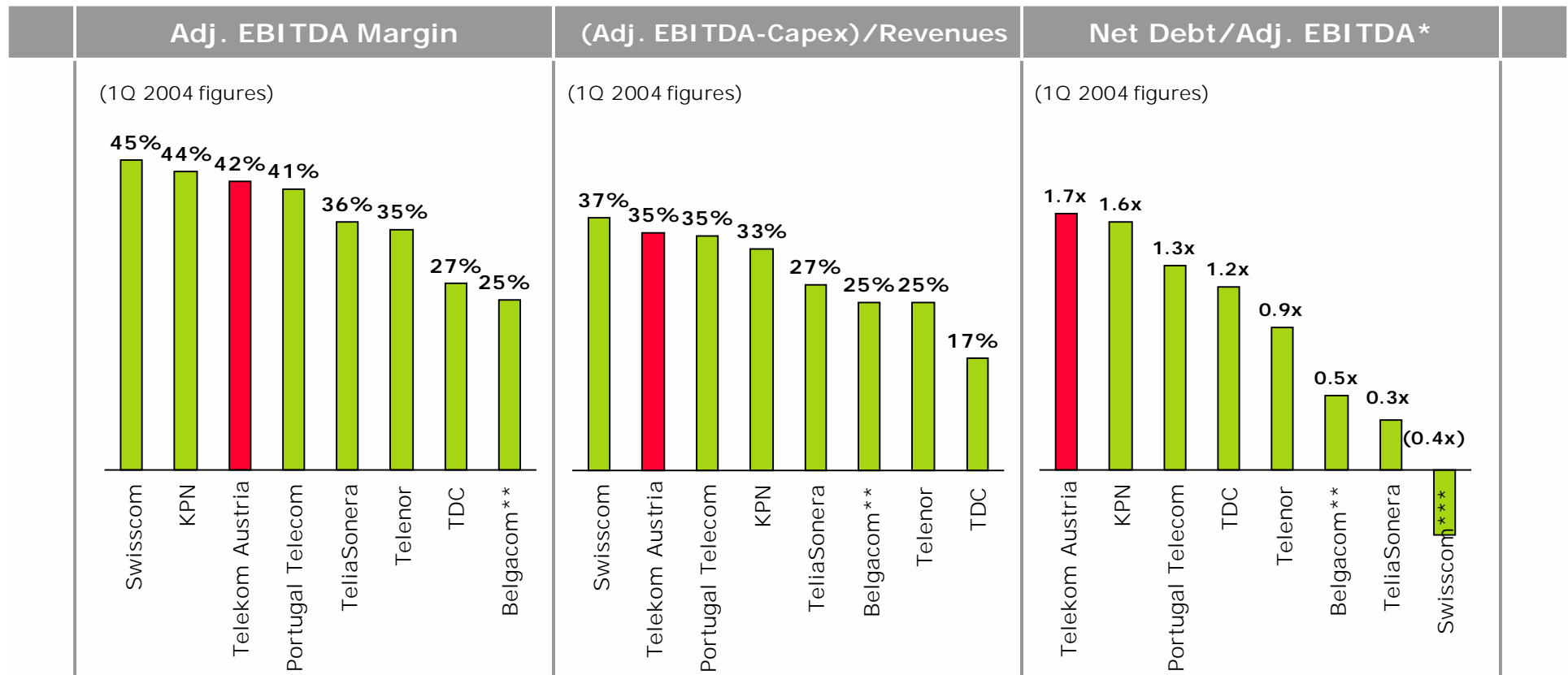
(EUR million)



*Adjusted EBITDA: 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. This equals to operating income plus depreciation, amortization and impairment charges. **See slide number 41

Telekom Austria vs. European Peers

- Telekom Austria continues to compare well with its peer group



* Based on 2004 EBITDA estimates from I/B/E/S as of 18 May 2004

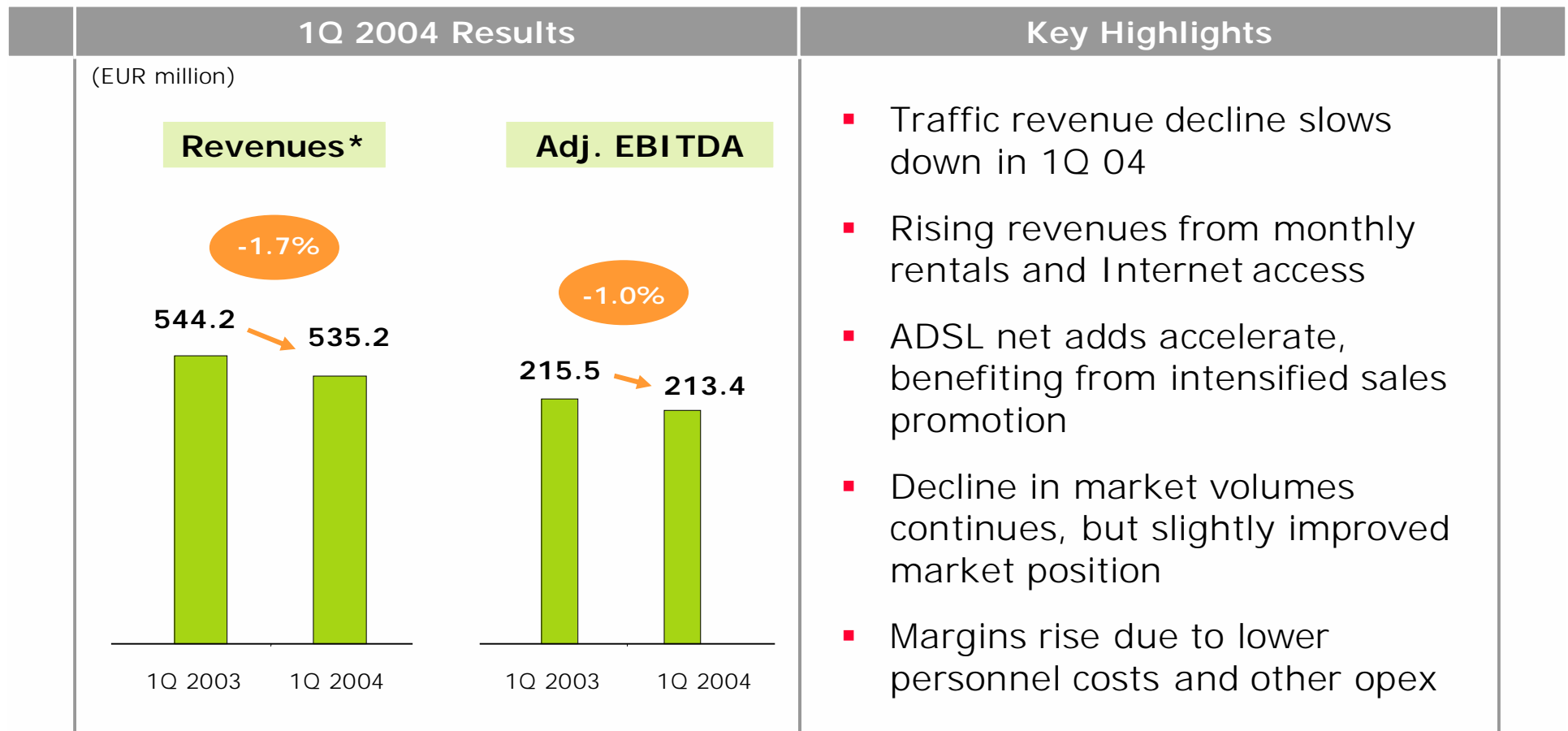
** Belgacom figures are for 2003, Net Debt adjusted for 2003 and 2004 share repurchases, 2003 dividend, and sale of shares to employees

*** Swisscom has net cash position

Source: company reports

Wireline

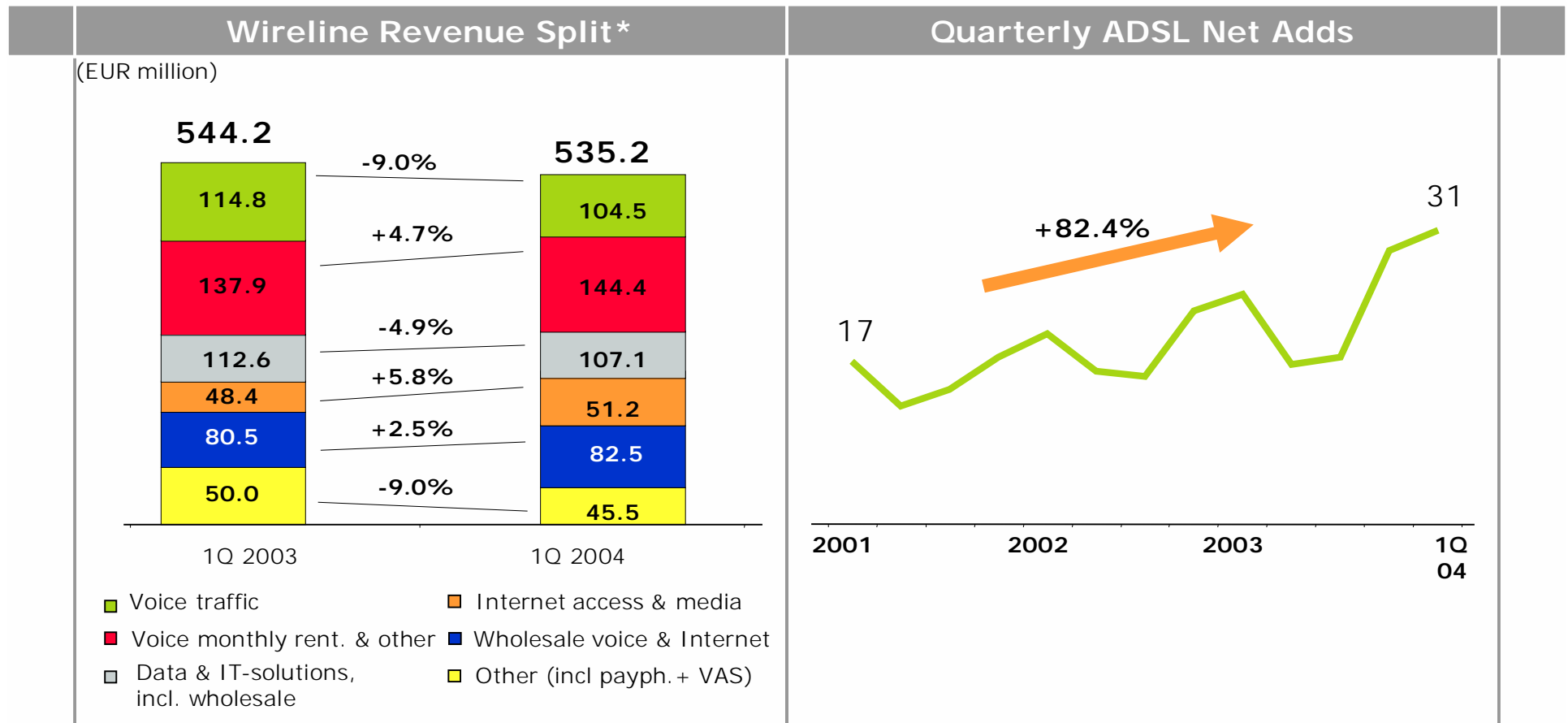
Wireline Results 1Q 04



* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services. See also slide 36

Wireline Revenues

- Traffic revenues decline by 9% after a 10.4% decline in 4Q 03; monthly rental rise due to last year's elimination of minimum tariff, Internet revenues increase due to strong ADSL take up



* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services. See also slide 36

TikTak Tariff Relaunch

Highlights

Main goal: Revenue stabilization through higher usage, customer retention and segment specific second-based billing

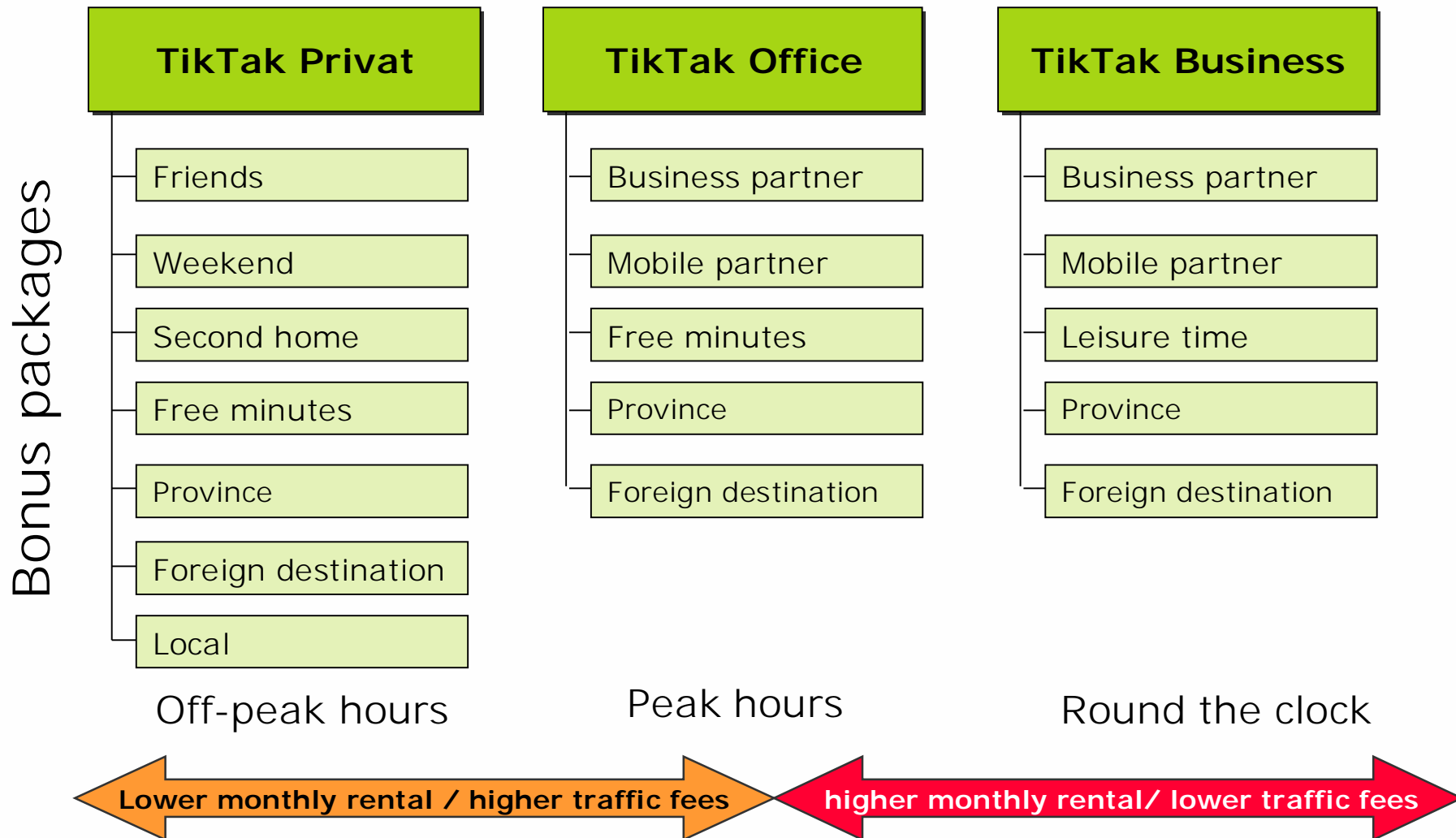
Key content

- Substantial reduction of number of tariffs offered (from 10 to 4) and alignment of customer segments
- Three basic TikTak tariffs (private, office, business)
- Launch of additional tailor-made packages (modular design)
- Second-based billing (private 60/1, office 30/1, business 1/1)

Positioning and USP

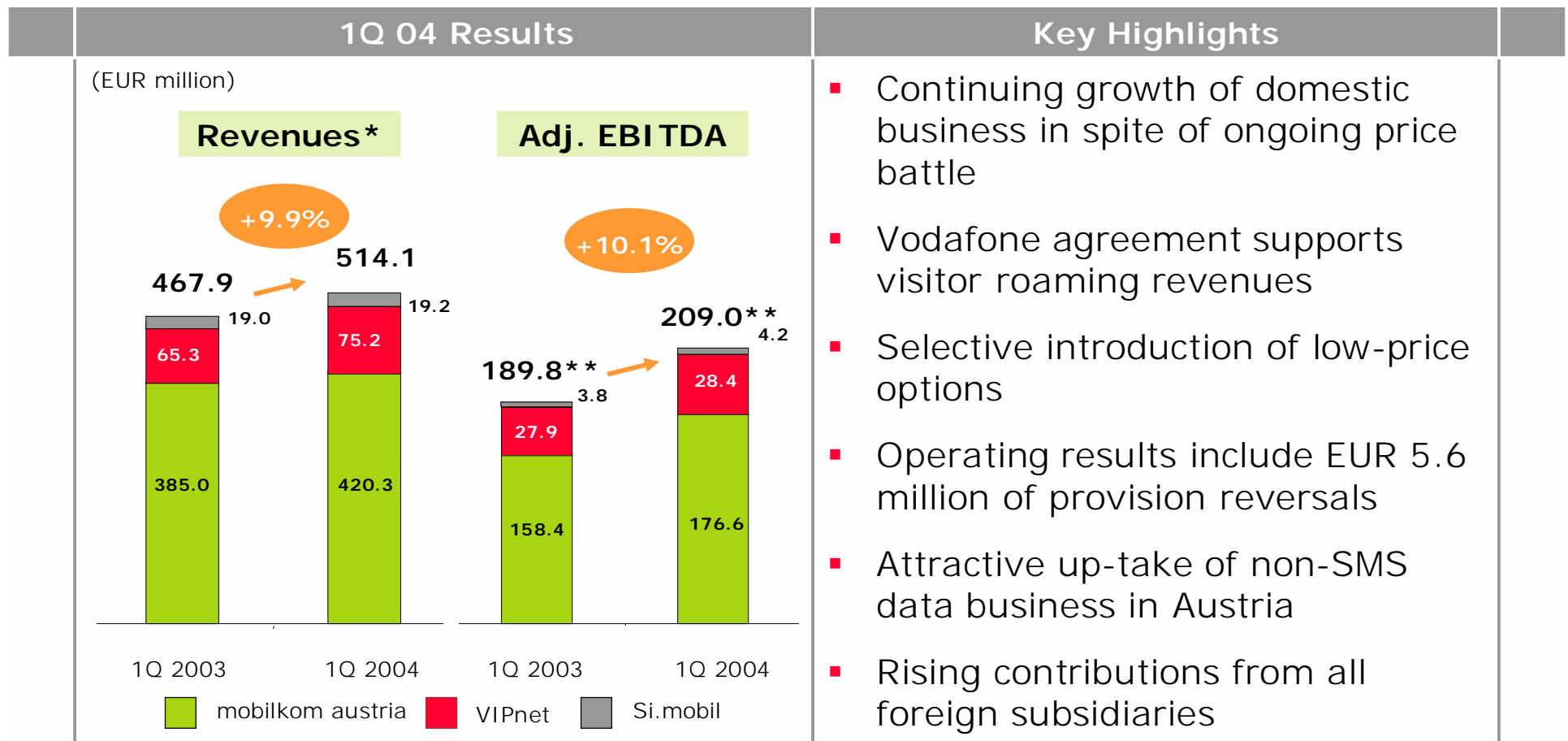
- Improved price perception through lower tariffs
- Simplification and concentration
- Addressing SME/SOHO segment via dedicated offerings
- Emotionalizing e.g. by positioning of "Friends"

Simplification and Attractive Bonus Packages



Wireless

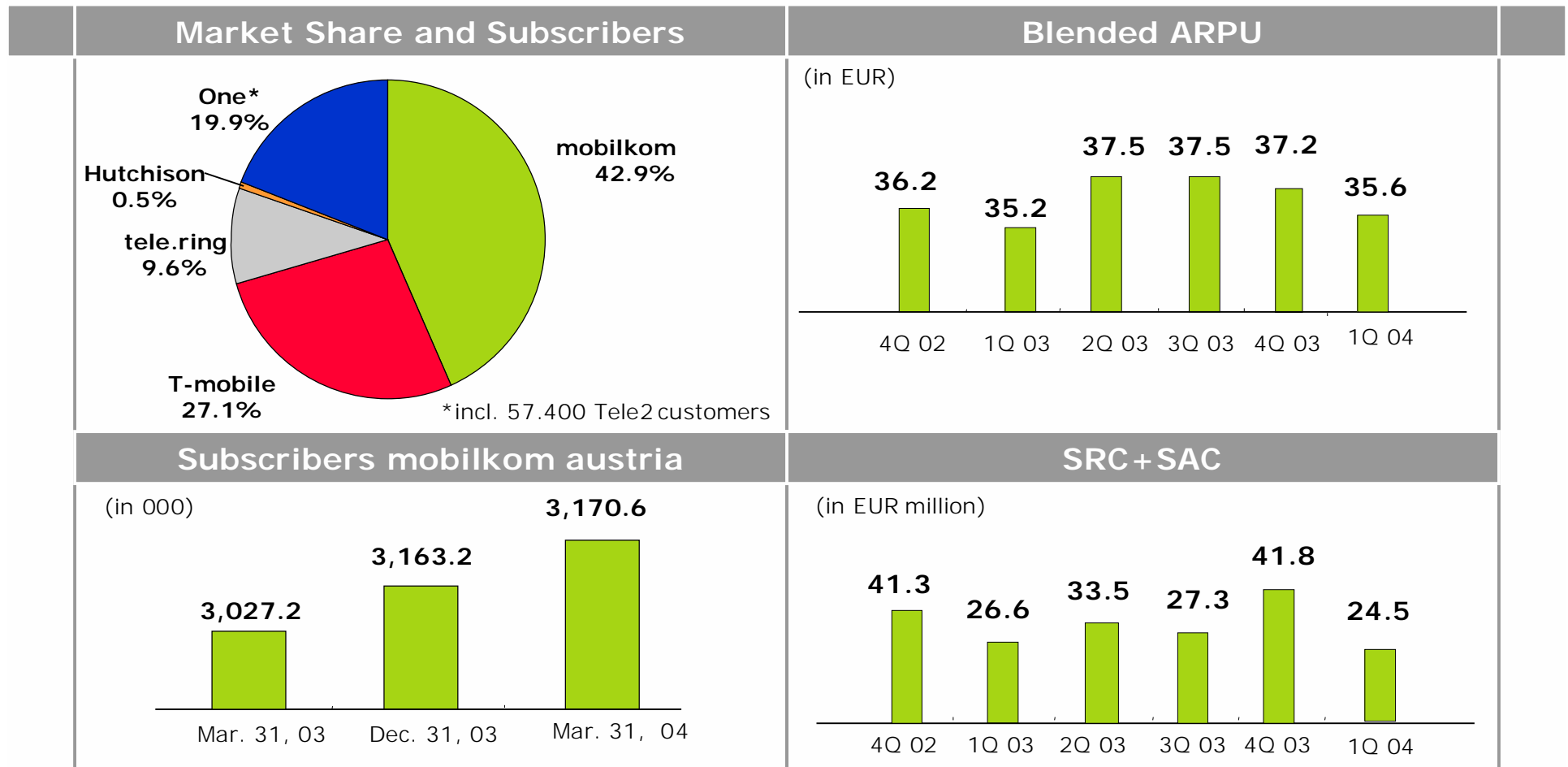
Wireless Results 1Q 04



* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services. See also slide 36. ** Total consolidated figures

Market and Subscribers in Austria

- ARPU rises by 1% year-on-year with a seasonal decline compared to 4Q 03
- SAC and SRC fall by 7.9% year-on-year



New Tariffs at mobilkom austria

Highlights

Threats before price changes:

- Substantially lower prices by competitors
- Small competitors gained market share
- Churn increased
- Complex tariff structure



Target for new price offers:

- Introduce competitive low price offers
- Minimize impact on ARPU by increasing monthly rental per option
- Increase usage
- Reduce churn
- Segmental approach and easy to follow by customers

Residential:

- Community & flat tariffs to simplify tariff structure
- Low price options to improve price perception
- Higher monthly rental with each option
- Emotional impact, easy to communicate

Community option:

1 cent on-net calls

1

Friends option:

1 cent into all networks
to three friends

2

Business:

- Options tailored to the individual needs of the target group
- More flexibility
- Compensate heavy/low user
- Restriction of 1,000 min per SIM/month

Community option:

1 0 cent on-net calls
2 0 cent wireline calls

2

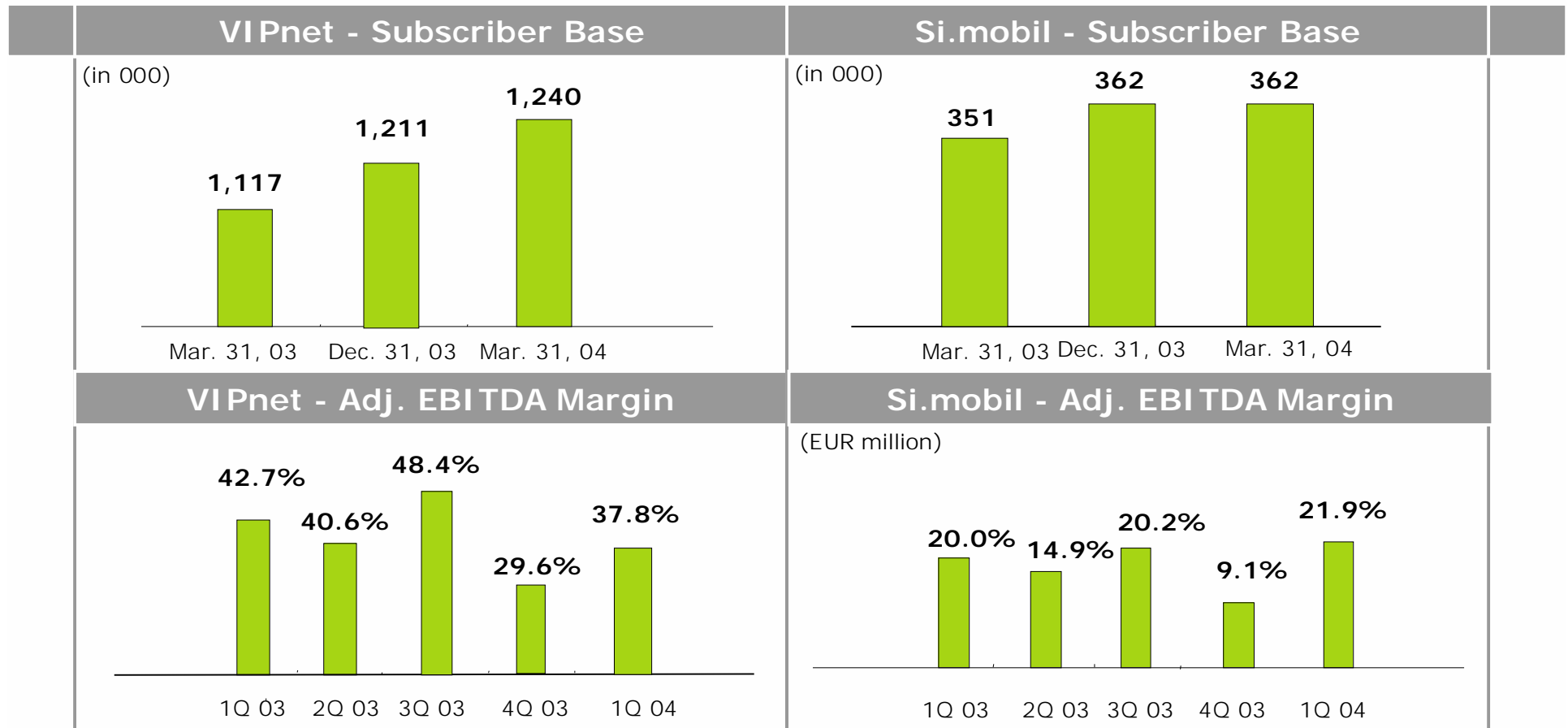
Mobile option:

5 cent into one
other mobile network


2

VIPnet and Si.mobil – 1Q 04 Results

- VIPnet continues strong growth; margins impacted by one-off bank charges and network adaptation costs
- Si.mobil improves profitability; EU membership of Slovenia should accelerate the opening of the telecommunications market and allow a higher market share



First Vodafone Partner Network to Bring Vodafone live!

Vodafone Live!	Key Highlights
	<ul style="list-style-type: none"> ■ World's most successful data product ■ Simultaneous launch in Austria, Slovenia and Croatia ■ Primary target group: <ul style="list-style-type: none"> - Age of 16 – 35 - Young and heavy users ■ Approx. 3 million Vodafone live! customers worldwide with over 130 content partners ■ Available in 16 countries ■ Exclusive handsets with dual branding

Financial Overview

Telekom Austria 1Q 04 Results

(EUR million)	1Q 2004	1Q 2003	% Change
Total managed revenues	989.4	966.5	+2.4%
<i>Total managed revenues excluding third party value added services revenues*</i>	989.4	950.5	+4.1%
Adjusted EBITDA	416.7	405.9	+2.7%
Adjusted EBITDA margin*	42.1%	42.7%	
Operating income (loss)	136.0	121.9	+11.6%
Net income (loss)	70.7	37.5	+88.5%
Capital expenditures	71.0	75.2	-5.6%

(EUR million)	Mar. 31 2004	Dec. 31 2003	% Change
Net debt (end of period)	2,536.7	2,637.3	-3.8%

* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services. Revenues excluding third party value added services revenues are the basis for the calculation of the adjusted EBITDA margin.

Telekom Austria 1Q 04 Results

(EUR million)	1Q 2004	1Q 2003	
Adjusted EBITDA	416.7	405.9	
Depreciation & amortization	-280.5	-279.6	Decrease in wireline, increase in wireless segment
Impairment charges	-0.2	-4.4	
Operating income	136.0	121.9	Decrease reflects lower net debt and lower financing costs
Net interest expense	-34.4	-42.0	
Equity, dividends, other	7.5	-4.2	Increase due to fx gains and gains on sale of a participation
Taxes	-38.3	-25.5	
Minority interests	-0.1	-0.8	Effective tax rate of 35.1%
Cumul. effect of acc. change, net of tax	0.0	-11.9	Changed retroactively after recalculation at year-end 2003
Consolidated net income	70.7	37.5	

Rising Cash Flows Reduce Net Debt

Group Capex*	Net Debt	Highlights																		
<p>(EUR million)</p> <table border="1"> <caption>Group Capex (EUR million)</caption> <thead> <tr> <th>Period</th> <th>Wireless</th> <th>Wireline</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1Q 2003</td> <td>29.2</td> <td>46.0</td> <td>75.2</td> </tr> <tr> <td>1Q 2004</td> <td>27.3</td> <td>43.7</td> <td>71.0</td> </tr> </tbody> </table> <p>Legend: ■ Wireless ■ Wireline</p>	Period	Wireless	Wireline	Total	1Q 2003	29.2	46.0	75.2	1Q 2004	27.3	43.7	71.0	<p>(EUR million)</p> <table border="1"> <caption>Net Debt (EUR million)</caption> <thead> <tr> <th>Date</th> <th>Net Debt</th> </tr> </thead> <tbody> <tr> <td>Dec. 31, 03</td> <td>2,637.3</td> </tr> <tr> <td>Mar. 31, 04</td> <td>2,536.7</td> </tr> </tbody> </table>	Date	Net Debt	Dec. 31, 03	2,637.3	Mar. 31, 04	2,536.7	<ul style="list-style-type: none"> ▪ Net debt impacted by traditionally higher payments to suppliers in 1Q ▪ First share buyback in February for EUR 29.9 million ▪ Timing of further buybacks depends on market situation ▪ Extension of authorization to be sought at next AGM ▪ Both rating agencies increase outlook
Period	Wireless	Wireline	Total																	
1Q 2003	29.2	46.0	75.2																	
1Q 2004	27.3	43.7	71.0																	
Date	Net Debt																			
Dec. 31, 03	2,637.3																			
Mar. 31, 04	2,536.7																			

* Capital expenditures for tangible and intangible fixed assets

Stock Option Plans

Highlights

- IPO stock options exercised on February 27, 2004; EUR 9.4 million charge during 1Q 04
- New stock option plan started in April 04 for over 200 employees:
- Upfront purchase required by participants of up to 6,400 shares; 15 options granted per invested share
- Exercise price: 20 day average share price 2 days before grant date
- Exercise hurdle: achievement of EPS target
- Option life: 4 years; vesting period: 1 year
- Settlement: company can opt for cash or share settlement
- First tranche of 2,539,480 shares issued on April, 19 at a strike price of EUR 11.92

New Tax Reform

Highlights

- Tax reform passed the national council on May 6
- Reduction of corporate tax rate starting with 2005 from 34% to 25%
- Simplified rules for group taxation
- Requires revaluation of deferred tax assets and liabilities during 2Q 04; estimated non-cash charge of EUR 20 to 25 million
- Substantial positive cash impact in future years

Outlook

Unchanged Outlook for 2004

Wireline	<ul style="list-style-type: none">▪ Revenue decline continues to slow down▪ Stable adjusted EBITDA thanks to cost reductions
Wireless	<ul style="list-style-type: none">▪ Stable domestic business and rising contributions from international activities▪ Further but lower growth in revenues and adjusted EBITDA
Group	<ul style="list-style-type: none">▪ Revenues expected to rise by 0 to 1%▪ Adjusted EBITDA expected to rise by 1 to 2%▪ Net profit expected to rise by substantially above 10%; non-cash impact from Austrian tax reform currently evaluated

Appendix

Regulatory Issues

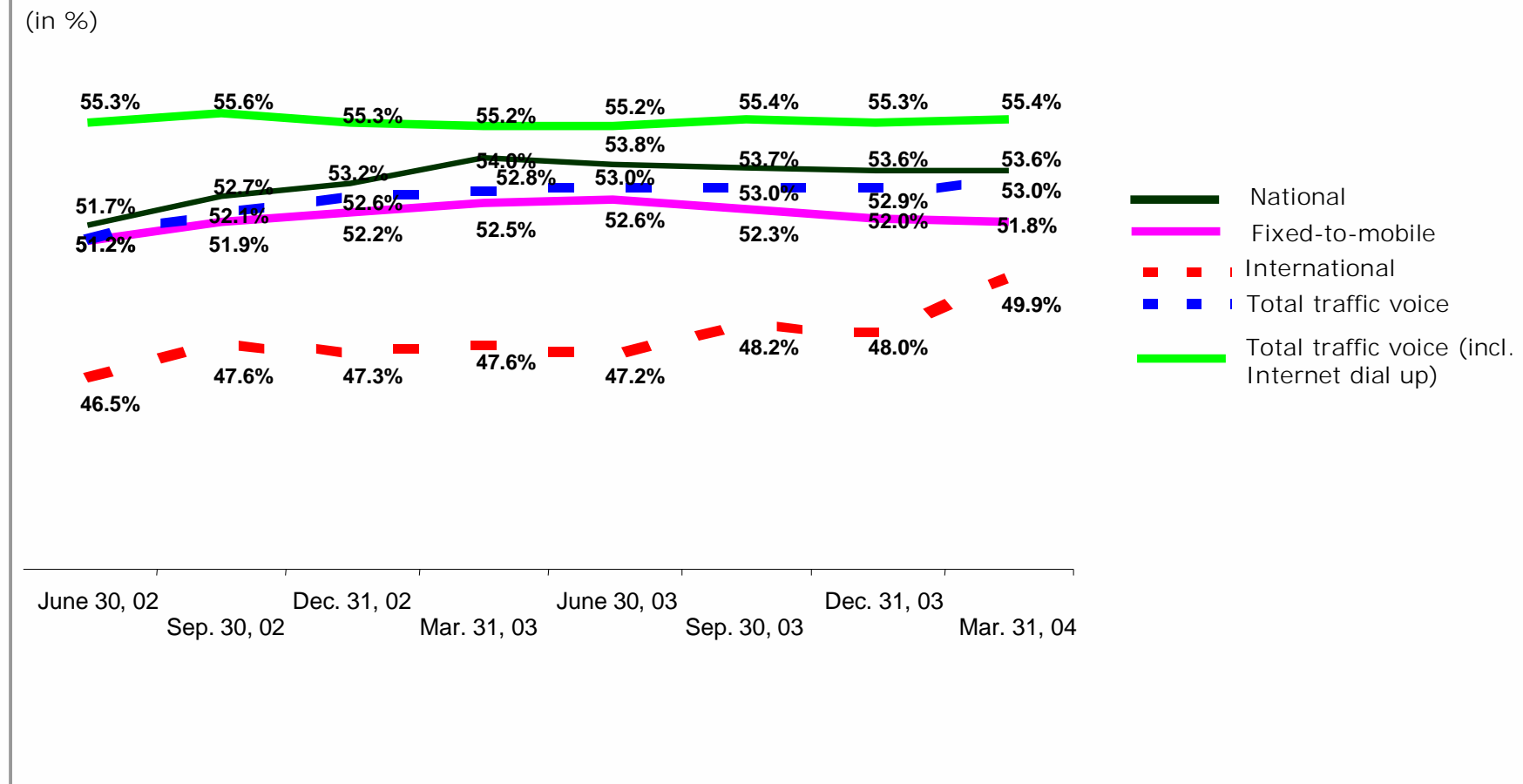
Key Aspects

- Ongoing definition and analysis of telecommunications markets for regulations; finalization expected in 3Q 04
- Decision about new wireline interconnection rate in 2Q 2004
- Resale of access line not expected until 2005
- Introduction of mobile number portability (MNP) expected for 4Q 04/1Q 05
- tele.ring has started cutting its mobile termination rate; 30% reduction through 4/2005 reduces asymmetry of interconnection rates between operators

Wireline - Access Lines

(in thousands)	Mar. 31, 2004	Mar. 31, 2003	% Change
PSTN access lines	2,528.4	2,630.5	-3.9%
Basic ISDN access lines	448.9	438.2	2.4%
Multi ISDN access lines	7.8	8.1	-3.7%
Total access lines	2,985.1	3,076.8	-3.0%
of these ADSL access lines	291.8	198.1	47.3%
thereof wholesale lines	64.1	36.9	73.7%
Total access channels	3,660.2	3,749.9	-2.4%

Fixed Line - Market Shares



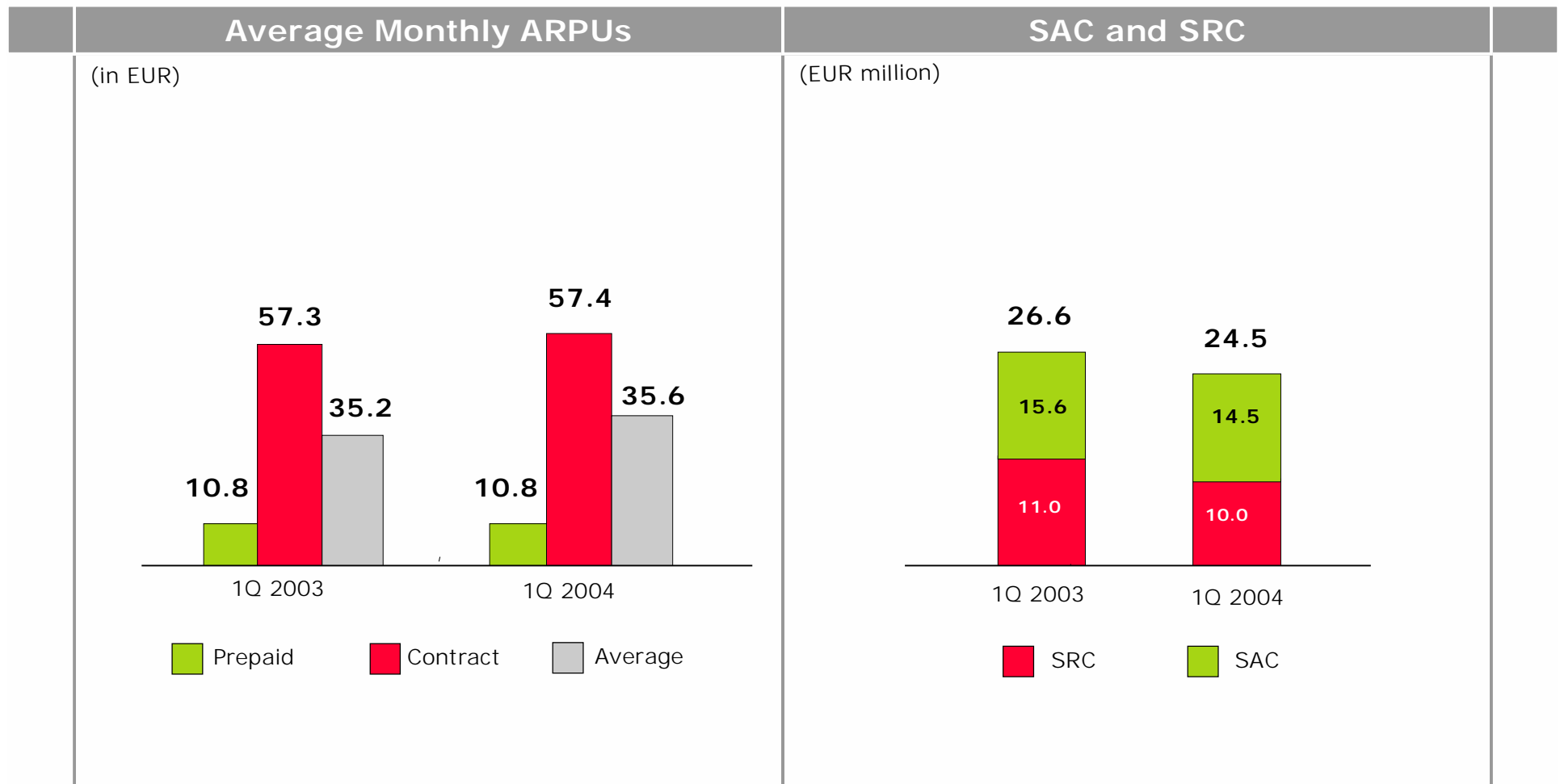
Wireline – Minutes and Average Tariffs

(million minutes)	1Q 2004	1Q 2003	% Change
National	1,124	1,194	-5.8%
Fixed-to-mobile	214	210	2.1%
International	122	120	1.7%
Total voice minutes	1,461	1,524	-4.1%
Internet dial up	1,021	1,123	-9.1%
Total wireline minutes	2,482	2,647	-6.2%
(EUR per minute)	1Q 2004	1Q 2003	% Change
National	0.039	0.044	-11.4%
Fixed-to-mobile	0.184	0.184	0.0%
International	0.187	0.205	-8.8%
Total voice average	0.073	0.076	-3.9%
Internet dial up	0.016	0.016	0.0%

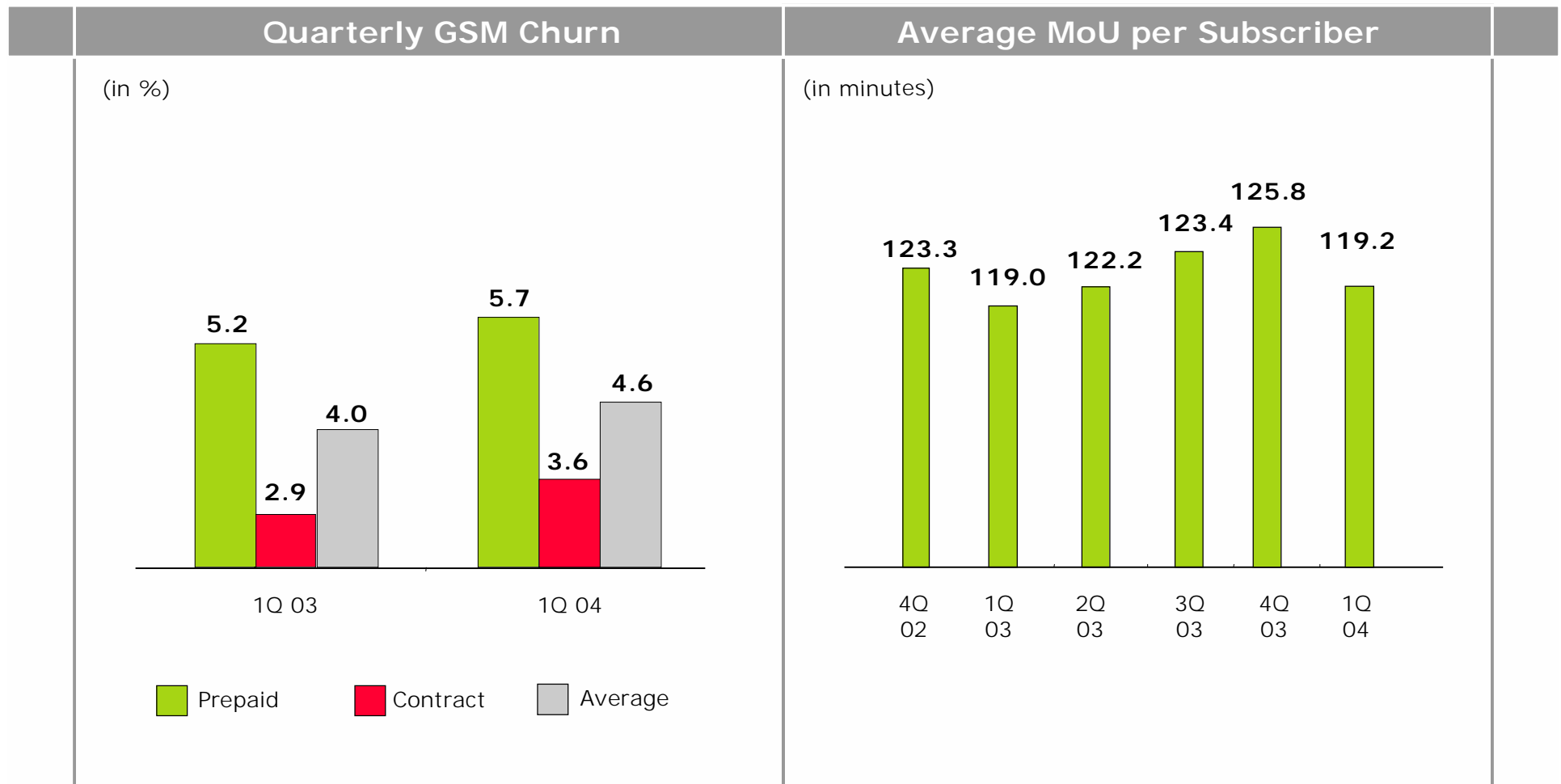
Mobile Subscribers

Customers ('000s)	Mar. 31, 2004	Mar. 31, 2003	% Change
Austria			
Contract	1,682.6	1,592.6	5.7%
Prepaid	1,488.0	1,434.6	3.7%
Total	3,170.6	3,027.2	4.7%
Croatia			
Contract	185.1	178.8	3.5%
Prepaid	1,054.8	938.3	12.4%
Total	1,239.9	1,117.1	11.0%
Slovenia			
Contract	150.7	161.2	-6.5%
Prepaid	211.0	190.3	10.9%
Total	361.7	351.5	2.9%
Liechtenstein	2.8	2.1	33.3%
Total Group	4,775.0	4,497.9	6.2%

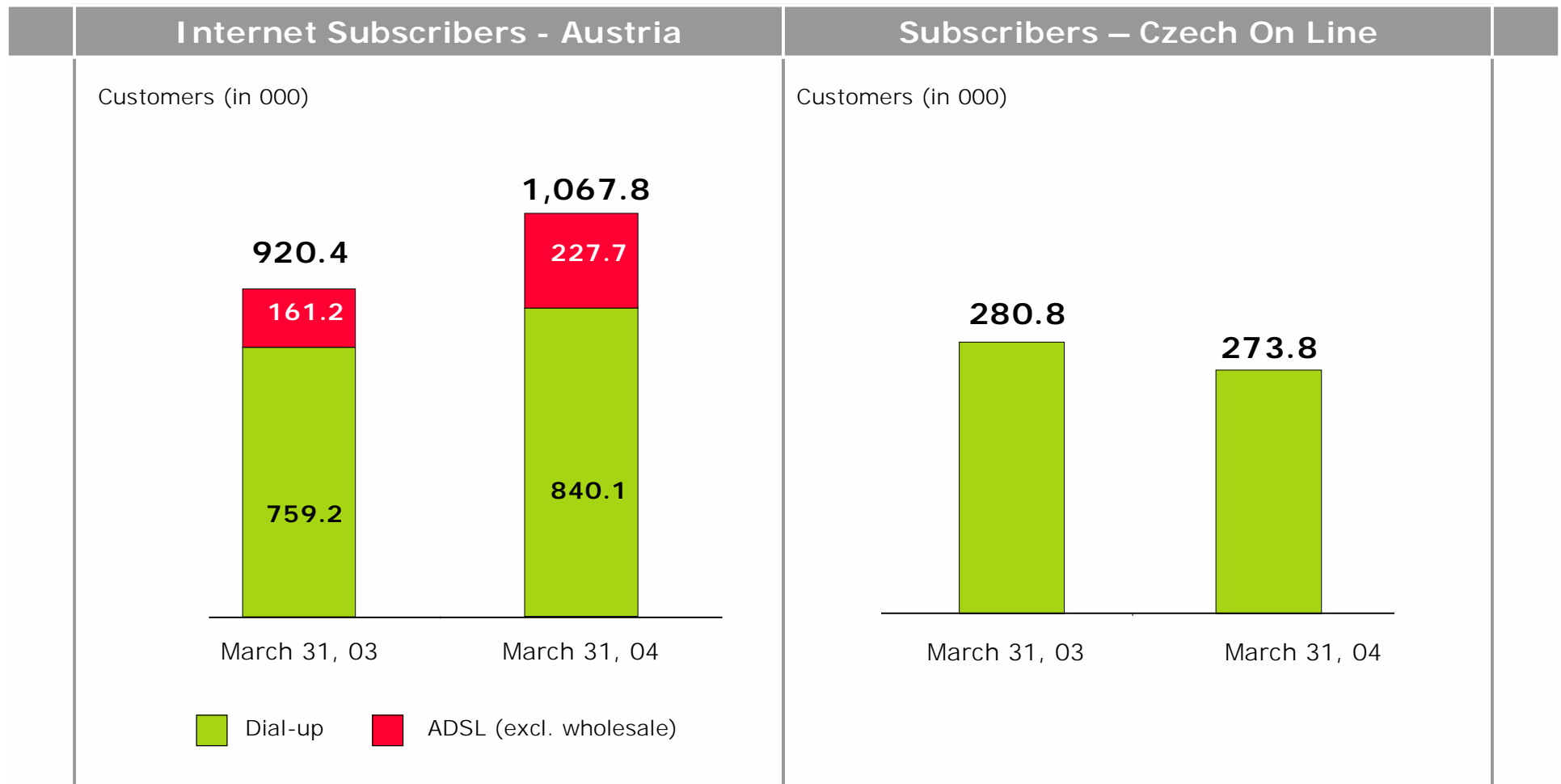
mobilkom austria - ARPU and Costs



mobilkom austria - Churn, MoU



Internet & Czech On Line Subscribers



Headcount* Development

(average of period)	1Q 2004	1Q 2003	Change
Wireline	10,252	11,267	-1,015
Wireless	3,668	3,603	63
Telekom Austria Group	13,920	14,872	-952

(end of period)	March 31, 04	March 31, 03	Change
Wireline	10,252	11,212	-960
Wireless	3,668	3,618	50
Telekom Austria Group	13,920	14,830	-910

* = Full-time-equivalents

Wireline - Revenue Breakdown

(EUR million)	1Q 2004	1Q 2003	% Change
Switched voice base traffic	104.5	114.8	-9.0%
Switched voice monthly & other voice revenues	144.4	137.9	4.7%
Payphones & VAS	13.0	14.6	-11.0%
Data & IT-solutions (incl. wholesale)	107.1	112.6	-4.9%
Internet access & media	51.2	48.4	5.8%
Wholesale voice & Internet	82.5	80.5	2.5%
Other	32.5	35.4	-8.2%
Total wireline revenues excluding third party value added services*	535.2	544.2	-1.7%
VAS adjustment		11.5	
Total wireline revenues	535.2	555.7	-3.7%

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

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Wireless - Revenue Breakdown

(EUR million)	1Q 2004	1Q 2003	% Change
Traffic revenues	264.5	242.8	8.9%
Monthly rental	74.5	73.5	1.4%
Equipment	41.5	33.3	24.6%
Roaming	47.6	40.8	16.7%
Interconnection	80.0	70.0	14.3%
Other	5.7	8.9	-36.0%
Discounts	0.3	-1.4	-121.4%
Total wireless revenues excluding third party value added services revenues*	514.1	467.9	9.9%
VAS adjustment		6.8	
Total wireless revenues	514.1	474.7	8.3%

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

Operating Revenues by Segment

Revenues	1Q 2004	1Q 2003	% Change
Wireline	535.2	555.7	-3.7%
Wireless	514.1	474.7	8.3%
Other & eliminations	-59.9	-63.9	-6.3%
Total revenues	989.4	966.5	2.4%
Third party value added services revenues recorded prior to October 1, 2003	1Q 2004	1Q 2003	
Wireline		-11.5	
Wireless		-6.8	
Other & eliminations		2.3	
Total managed revenues		-16.0	
Revenues excluding third party value added services revenues	1Q 2004	1Q 2003	% Change
Wireline	535.2	544.2	-1.7%
Wireless	514.1	467.9	9.9%
Other & eliminations	-59.9	-61.6	-2.8%
Total revenues excluding third party value added services revenues	989.4	950.5	4.1%

Adjusted EBITDA and Operating Income by Segment

(EUR million)	1Q 2004	1Q 2003	% Change
Wireline	213.4	215.5	-1.0%
Wireless	209.0	189.8	10.1%
Other & eliminations	-5.7	0.6	-
Adjusted EBITDA*	416.7	405.9	2.7%

(EUR million)	1Q 2004	1Q 2003	% Change
Wireline	21.2	10.2	107.8%
Wireless	120.4	110.9	8.6%
Other & eliminations	-5.6	0.8	-
Consolidated operating income	136.0	121.9	11.6%

* 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.

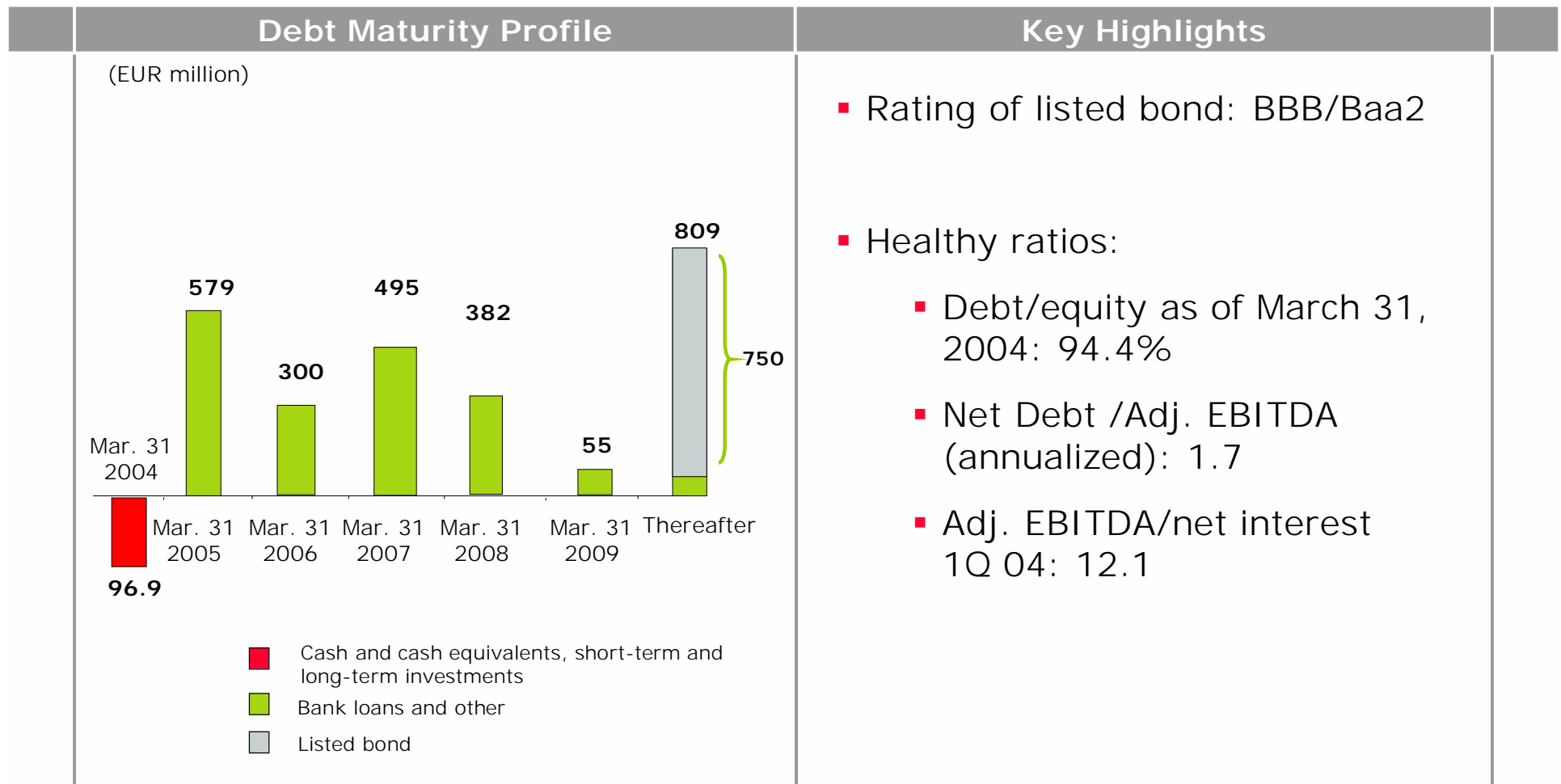
Capital Expenditures by Segment

(EUR million)	1Q 2004	1Q 2003	% Change
Wireline tangible	43.7	46.0	-5.0%
Wireless tangible	26.3	26.9	-2.2%
Tangible (total)	70.0	72.9	-4.0%
Intangible	1.0	2.3	-56.5%
Telekom Austria Group	71.0	75.2	-5.6%
Wireless tangible:			
mobilkom austria	17.1	16.9	1.2%
VIPnet	8.5	8.5	0.0%
Si.mobil	0.6	1.5	-60.0%

Net Debt - Telekom Austria Group

(EUR million)	March 31, 04	Dec. 31, 03
Long-term debt	2,041.5	2,342.3
Short-term debt	716.0	631.3
- Short-term portion of capital and cross border lease	-104.2	-95.5
+ Capital lease obligations (short-term and long-term)	1.3	2.1
Cash and cash equivalents, short-term and long-term investments	-96.9	-226.4
Financial instruments, included in other assets	-21.0	-16.5
Net debt of Telekom Austria Group	2,536.7	2,637.3
Shareholders' equity	2,687.8	2,639.4
Net debt/equity	94.4%	99.9%

Telekom Austria Debt Maturity Profile



Reconciliation from EBITDA to Consolidated Net Income

(EUR million)	1Q 04	1Q 03
Adjusted EBITDA (excluding impairment charges; total managed for 2003)	416.7	405.9
Impairment Charges	-0.2	-4.4
Adjusted EBITDA consolidated (including impairment charges)	416.5	401.4
Depreciation and amortization	-280.5	-279.6
Interest income	18.4	20.3
Interest expense	-52.8	-62.3
Equity in earnings of affiliates - other	0.2	-0.3
Other	7.3	-3.8
Income before taxes, minority interests and cumulative effect of change in accounting principle	109.1	75.7
Income tax expense	-38.3	-25.5
Minority interests	-0.1	-0.8
Cumulative effect of change in accounting principle, net of tax	0.0	-11.9
Net income	70.7	37.5