

# Telekom Austria Group Results for the First Nine Months 2003

November 19, 2003

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# Cautionary Statement

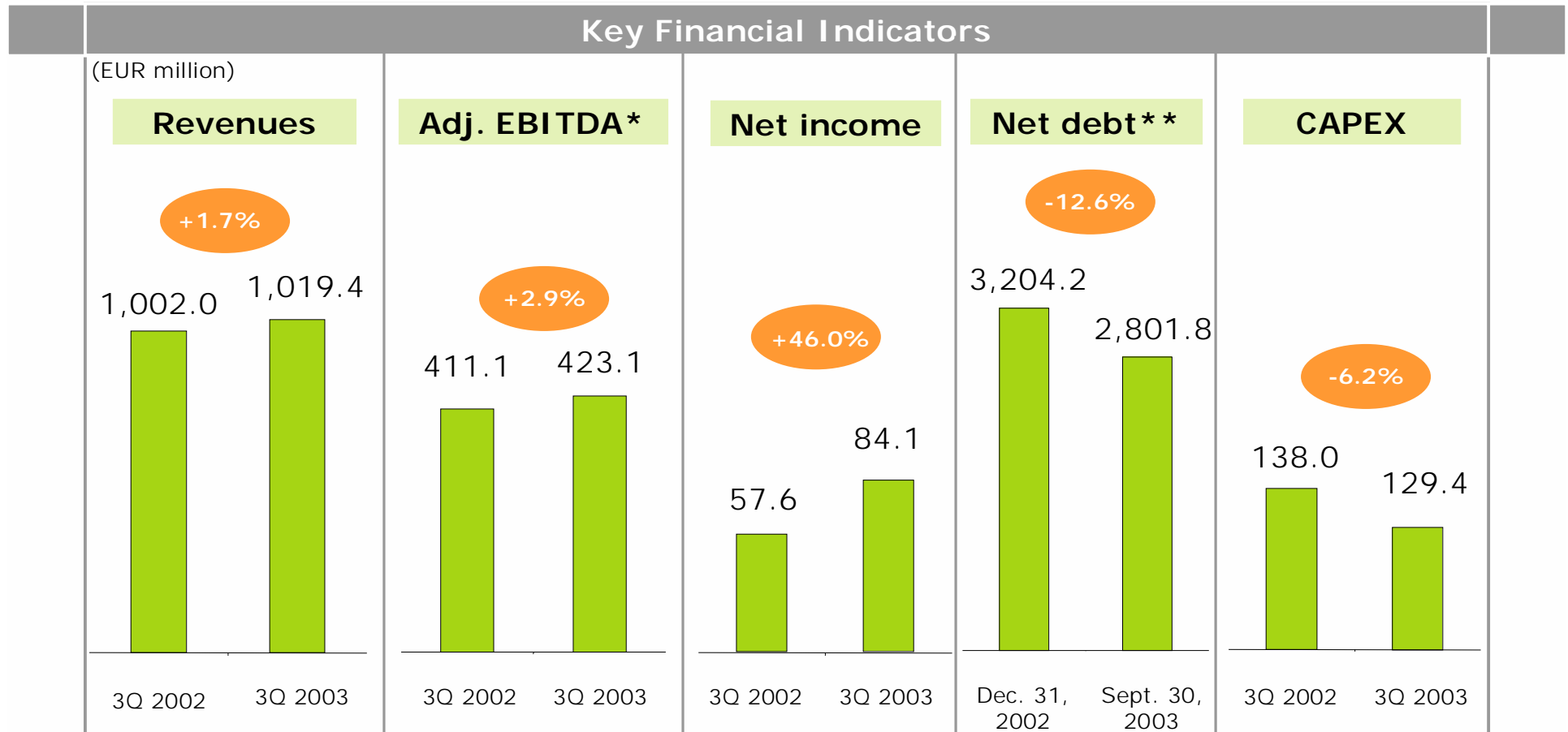
This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Forward-looking information involves risks and uncertainties that could significantly affect expected results. These risks and uncertainties 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.

# Key Developments

# Telekom Austria - 3Q 03 Highlights

- Cost cuttings and efficiency gains keep wireline results on track
- Growth in wireless continues in spite of ongoing intense competition in the domestic market
- Net profit rises by 46% due to operating strength, lower minority interests and gain from sale of stake in directory business
- Further decline in net debt; net gearing falls to 105%
- Solid base in 3Q to achieve full-year expectations
- Corporate governance: an audit committee has been established in line with the Sarbanes-Oxley act

# Telekom Austria – 3Q 03 Results

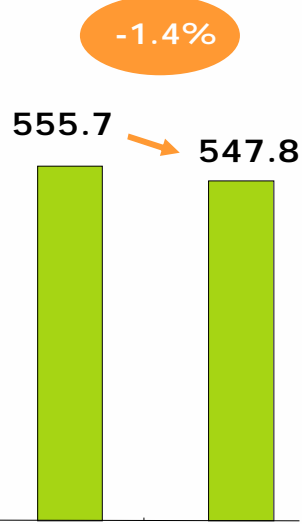
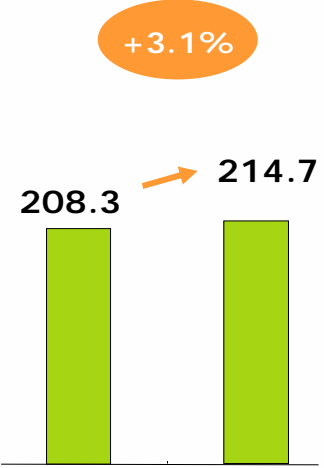


\* Adjusted EBITDA is defined as net income excluding interest, taxes, depreciation, amortization, impairment charges, dividend income, equity in earnings of affiliates, other non-operating income/expense, minority interests and the cumulative effect of changes in accounting principle. This equals to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

\*\* See slide number 42

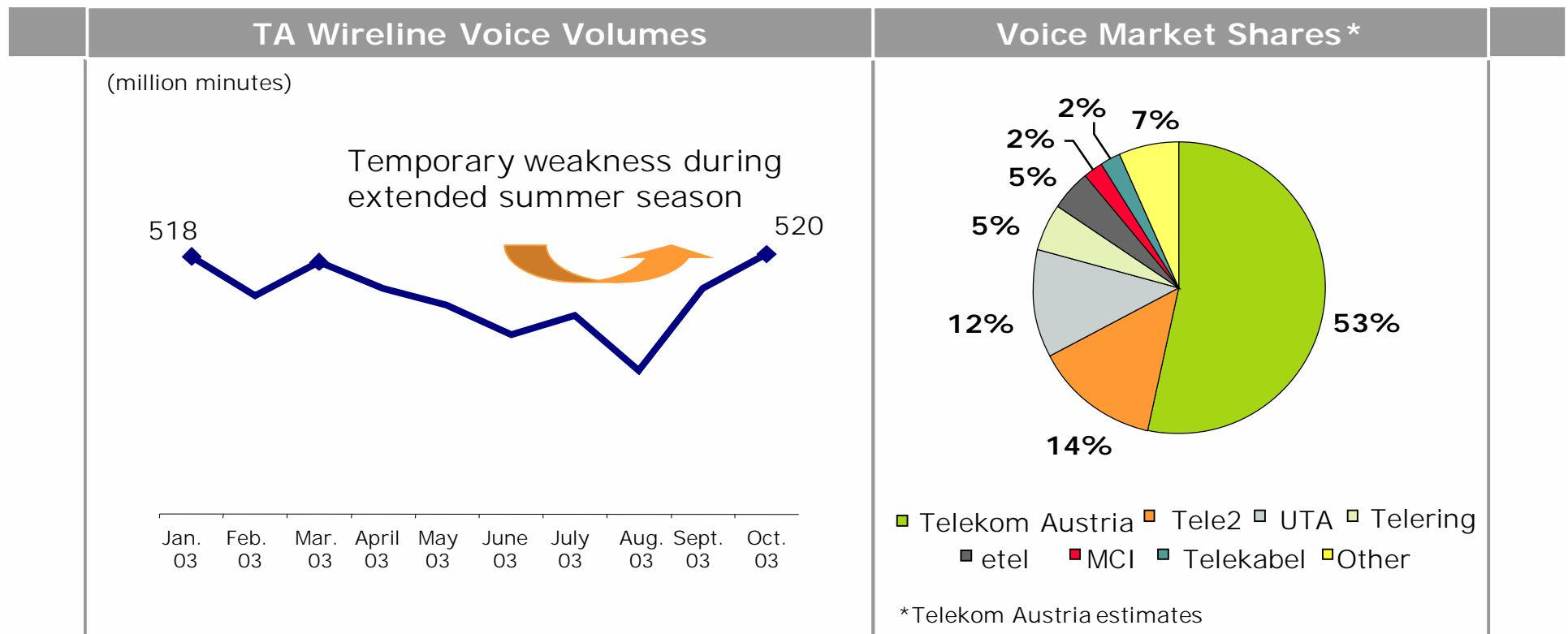
# Wireline

# Wireline Results 3Q 03

3Q 2003 Results	Key Highlights
<p>(EUR million)</p> <div data-bbox="376 555 1102 1268"><p><b>Revenues</b></p><p>555.7 → 547.8 -1.4%</p><p>3Q 2002    3Q 2003</p><p><b>Adj. EBITDA</b></p><p>208.3 → 214.7 +3.1%</p><p>3Q 2002    3Q 2003</p></div>	<ul style="list-style-type: none"><li>▪ Decline in revenues slows due to higher non-voice business</li><li>▪ Hot summer drove migration to mobile</li><li>▪ Margins benefit from headcount reduction and integration of wireline business segments</li><li>▪ Successful inroads into the SoHo &amp; SME customer segments</li><li>▪ Broadband gains from increased marketing focus</li></ul>

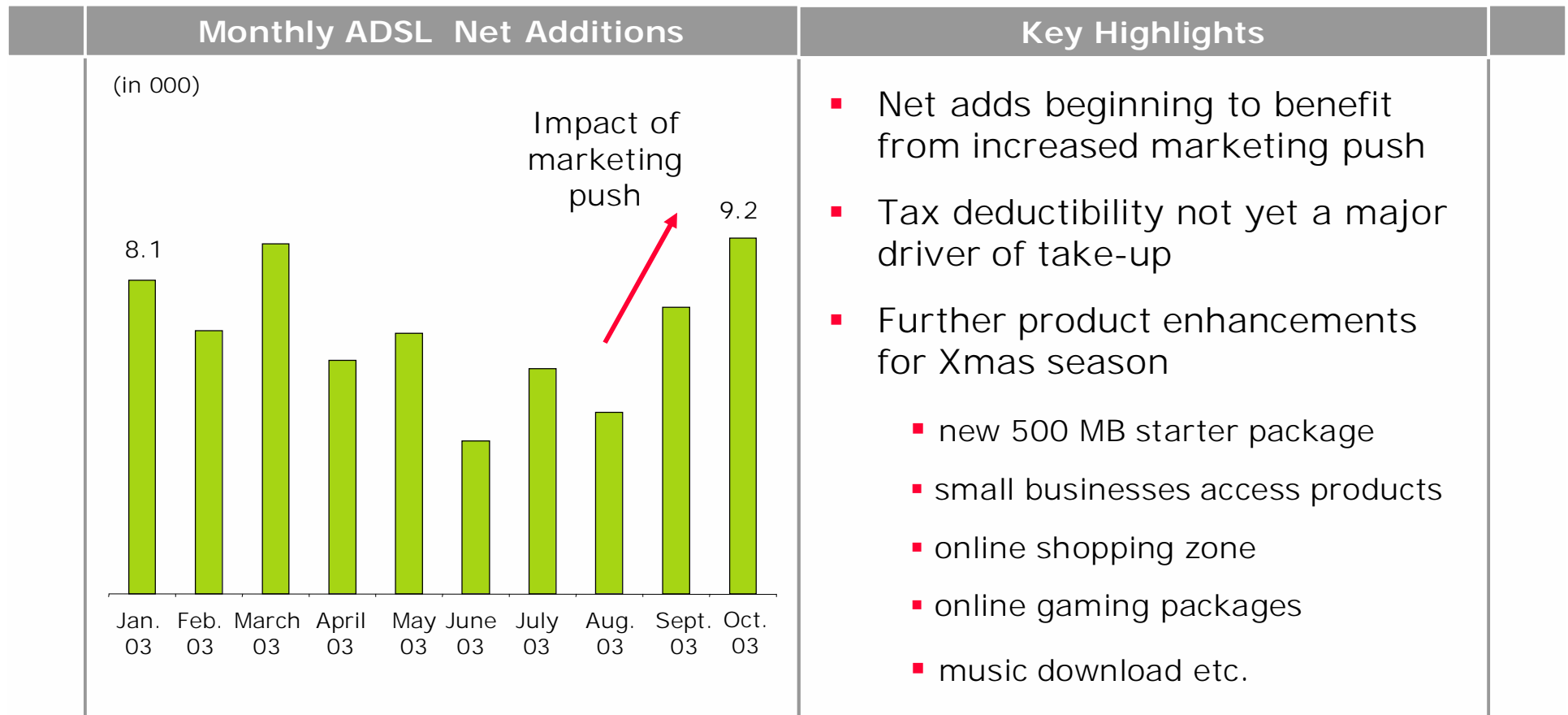
# Wireline Volumes & Market Position

- Migration into mobile networks and decline in dial-up minutes accelerates due to hot summer; volumes pick-up after summer weakness
- Stable market shares





# ADSL Net Adds Rise after a Traditionally Slower Summer



# Wireline Revenue Analysis




Wireline Revenue Split		Comment
(in mio)		
<b>555.7</b>		
<b>547.8</b>		
120.3	-9.1%	109.4
145.9	-3.8%	140.4
82.1	+5.5%	86.6
47.5	+4.4%	49.6
94.0	+6.7%	100.3
65.9	-6.7%	61.5
3Q 2002		3Q 2003
<ul style="list-style-type: none"> <li>■ Switched Voice Base Traffic</li> <li>■ Switched Voice Monthly Rental and other</li> <li>■ Data &amp; IT-Solutions    ■ Internet Access &amp; Media</li> <li>■ Wholesale Voice, Data &amp; Internet</li> <li>■ Other (incl. Payphones &amp; VAS)</li> </ul>		<ul style="list-style-type: none"> <li>■ Base traffic revenues impacted by lower volumes and price declines</li> <li>■ „Monthly rental and others“ decline due to reversal of accruals made for voice discounts in 3Q 02</li> <li>■ Data benefits from higher project business</li> <li>■ Internet access profits from higher subscriber numbers and new products</li> <li>■ Wholesale revenues benefit from higher mobile voice volumes and increased marketing efforts</li> <li>■ Payphone revenues decline due to lower usage</li> </ul>

# Communication Offensive in 2003

- Detailed knowledge of customers enabling further focus of marketing efforts on high value accounts

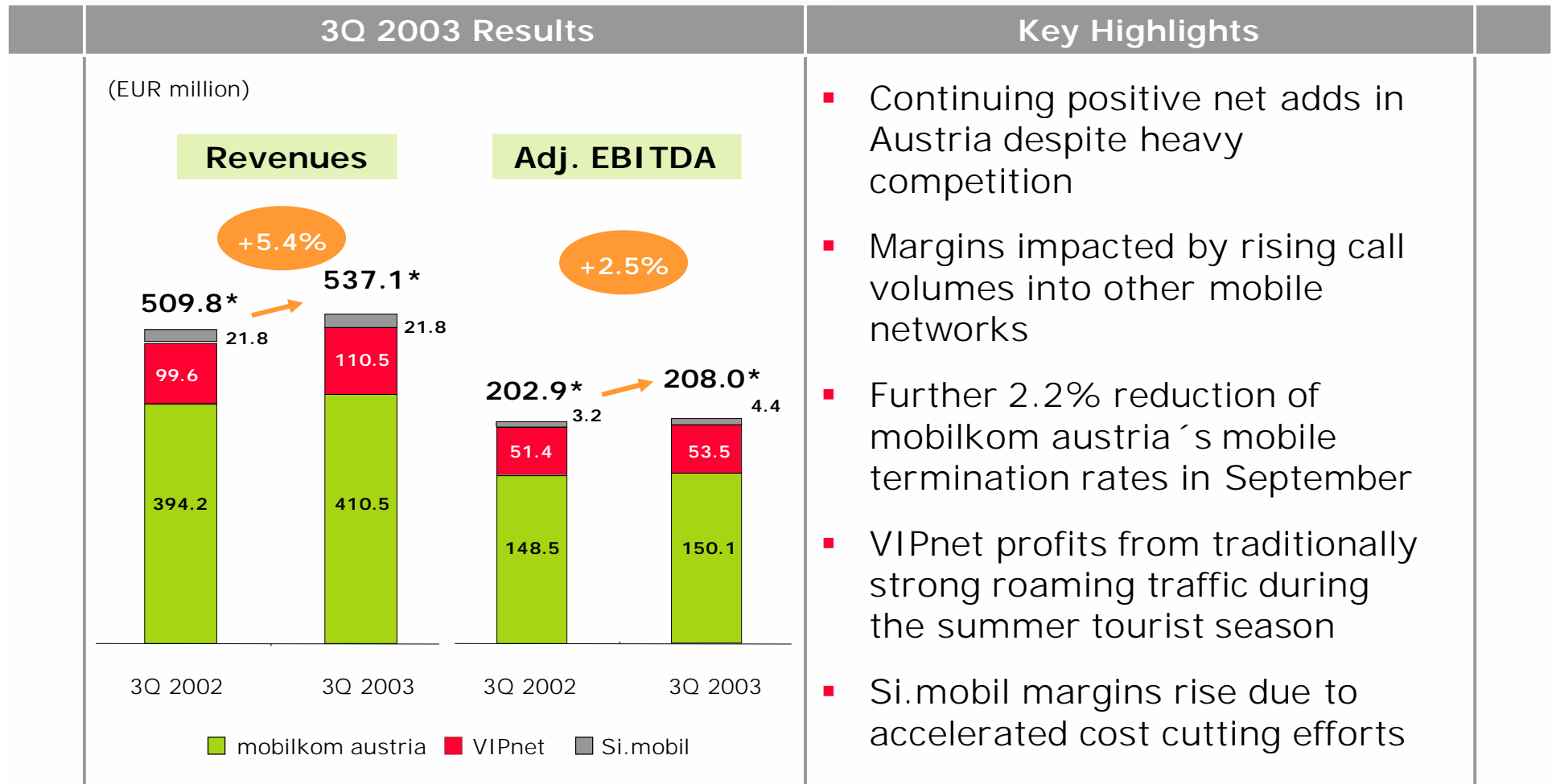
	Private & Professional	Soho/Small & Medium	Larger Corporates	
	<ul style="list-style-type: none"> <li>▪ Low end ADSL offer with 500MB</li> <li>▪ ISDN bundle</li> <li>▪ ADSL gaming bundles (Microsoft, Playstation II)</li> <li>▪ Directory service campaign (create awareness and expand features)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Advertorial campaign for business access</li> <li>▪ Advertorial &amp; advertisement campaign for XDSL office/secure mail</li> <li>▪ Tourism offensive (TikTak Business, Internet availability in hotel rooms)</li> <li>▪ PABX initiative</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distribution and marketing roadshows with special focus on:               <ul style="list-style-type: none"> <li>▪ Value added services</li> <li>▪ IP telephony</li> <li>▪ IT solutions</li> <li>▪ E-business</li> </ul> </li> </ul>	

# Successful Wireline Marketing Steps

Starting Situation	Campaign	Success
<p><b>ADSL/AonSpeed</b></p> <ul style="list-style-type: none"> <li>500 MB "entry" product</li> <li>Additional "access" feature</li> </ul>	 <ul style="list-style-type: none"> <li>TV</li> <li>Print</li> <li>Promo</li> </ul>	<ul style="list-style-type: none"> <li>+40-70% sales growth after only 8 weeks</li> <li>No price erosion</li> </ul>
<p><b>Directory service</b></p> <ul style="list-style-type: none"> <li>Increase familiarity</li> <li>Preparation of new services (e.g. SMS)</li> </ul>	 <ul style="list-style-type: none"> <li>Print</li> <li>Radio</li> <li>Out-door</li> </ul>	<ul style="list-style-type: none"> <li>+14% call volume after one week</li> </ul>
<p><b>Aon.tv</b></p> <ul style="list-style-type: none"> <li>EUR 1 "entry" product</li> <li>Increase subscriber figures</li> <li>Improve image</li> </ul>	 <ul style="list-style-type: none"> <li>Direct-mail</li> </ul>	<ul style="list-style-type: none"> <li>After only five days 725 new subscribers</li> </ul>
<p><b>Key accounts</b></p> <ul style="list-style-type: none"> <li>Competition through alternative operators and unbundling</li> <li>Price erosion</li> </ul>	<ul style="list-style-type: none"> <li>Positioning of TA as solution provider</li> <li>Joint selling across various distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>Several large win-backs in voice, data &amp; IT</li> </ul>

Wireless

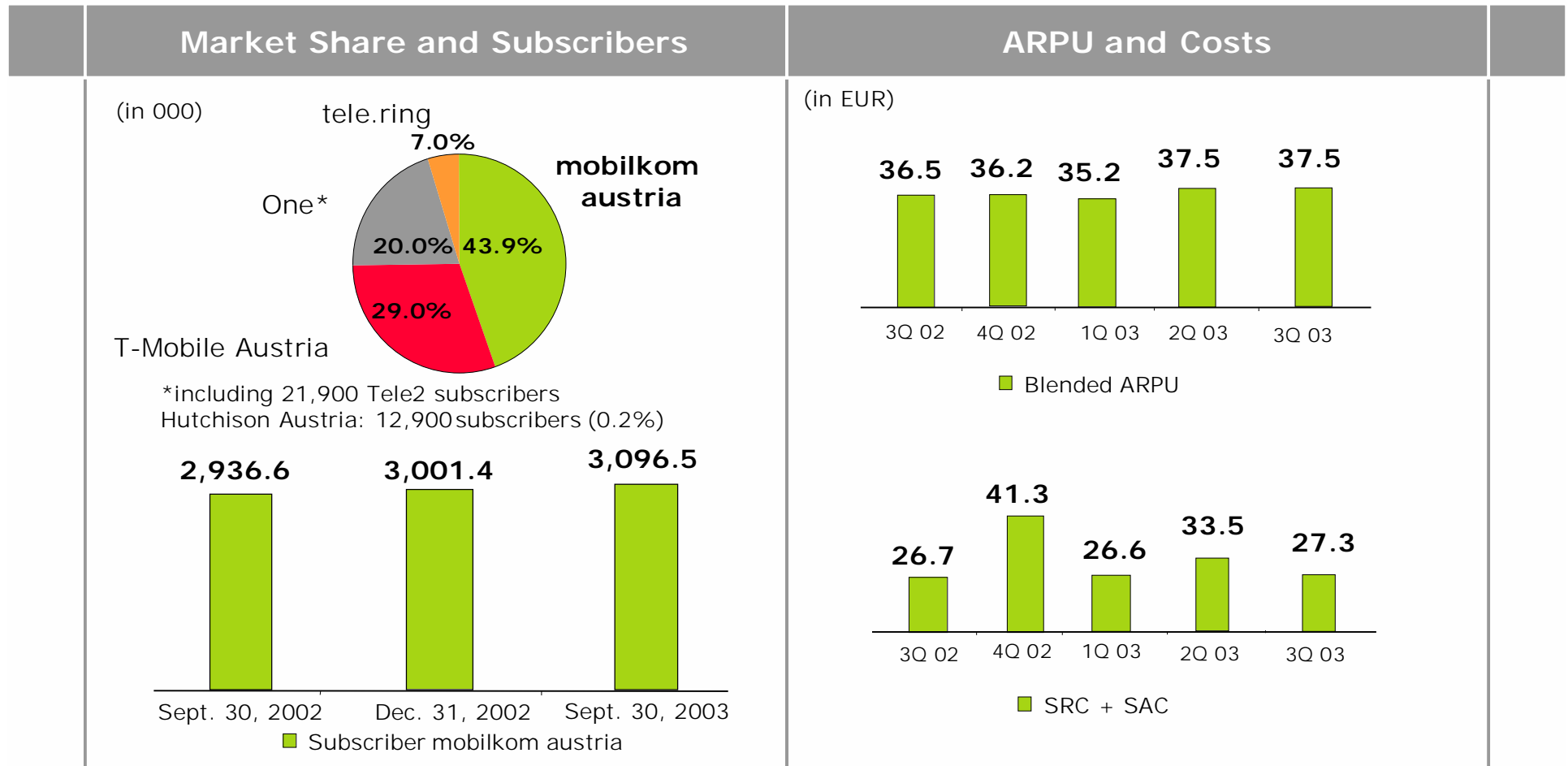
# Wireless Results 3Q 03



\* Total consolidated figures

# Market and Subscribers in Austria

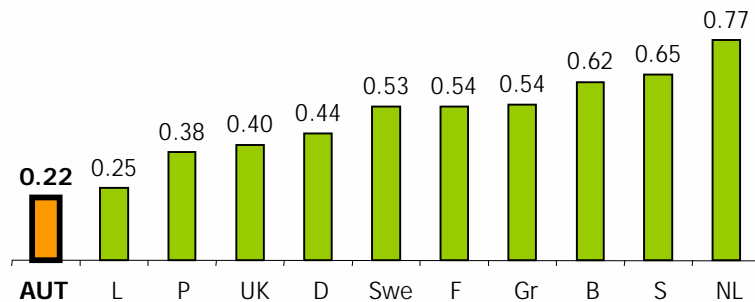
- 30,200 net adds in 3Q 03; further rising contract share
- ARPU rises by 2.7% in line with MoU; increase of SAC stopped



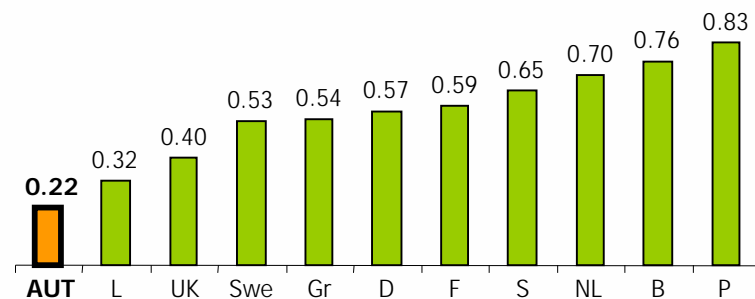
# Competitive Environment in Austria

## Competition Causes Low Tariffs

### Mobile-to-mobile\* (high volume user -3 minutes call)



### Mobile-to-fixed\* (high volume user -3 minutes call)



## Key Highlights

- Austria is one of the most competitive mobile markets in Europe in terms of pricing
- Austria has the lowest national mobile-to-mobile and mobile-to-fixed tariffs for high volume users

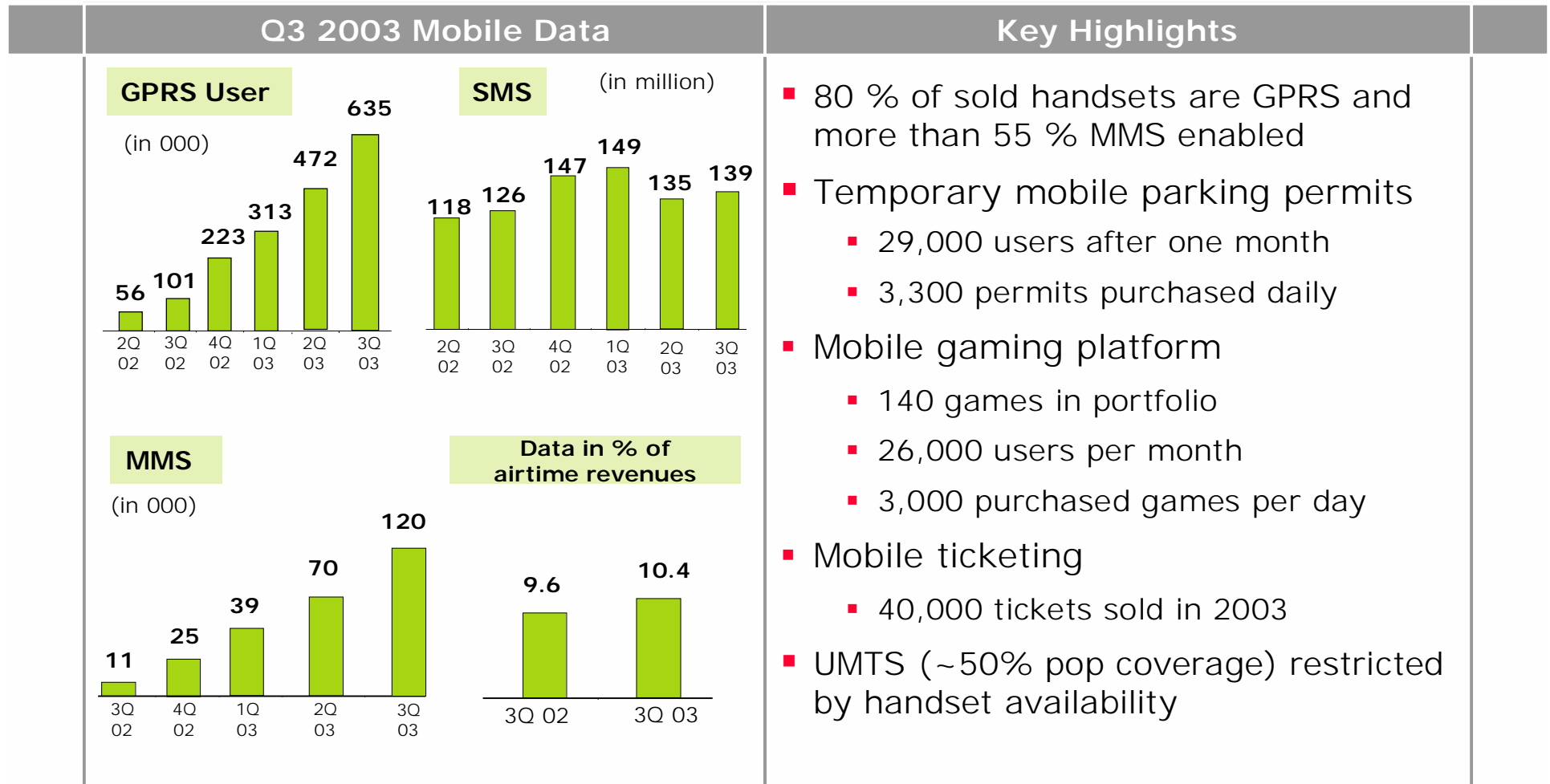
Telecom Tariff Data 12/2002; European Commission



# Accelerating Efficiency to Counter Rising Competition

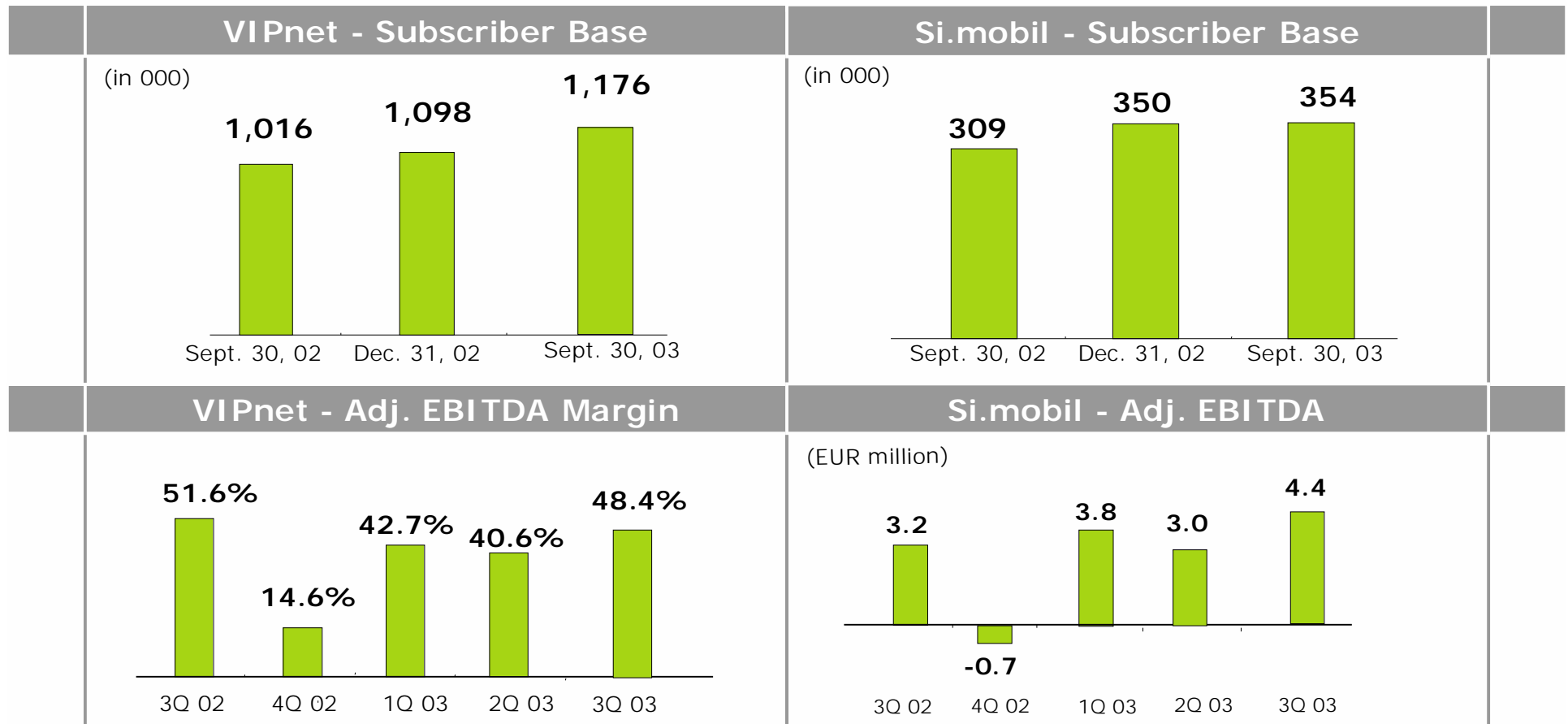
Employee & CAPEX Efficiency	Marketing Efficiency
<ul style="list-style-type: none"> <li>▪ <b>Tight headcount management</b> --&gt; Relocation into growth segments</li>   <li>▪ <b>Tight CAPEX management</b> --&gt; Adaptation of UMTS capex to revenues growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Streamlining of product portfolio</b></li>   <li>▪ <b>Optimization of customer retention tools</b></li>   <li>▪ <b>Efficient marketing spending</b></li> </ul>
Process Efficiency	Vodafone Cooperation
<ul style="list-style-type: none"> <li>▪ <b>Consolidation of IT systems</b> --&gt; Replacement of cost intensive systems --&gt; IT consolidation within the group</li>   <li>▪ <b>Insourcing activities</b></li>   <li>▪ <b>Reassessment of service agreements</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Implementation of Vodafone work streams</b>  --&gt; Global purchasing --&gt; Product development</li> </ul>

# Expanding Portfolio of Data Products



# VIPnet & Si.mobil - 3Q 03 Results

- VIPnet benefiting from subscriber growth and rising roaming revenues
- Si.mobil achieves further efficiency gains



# Financial Overview

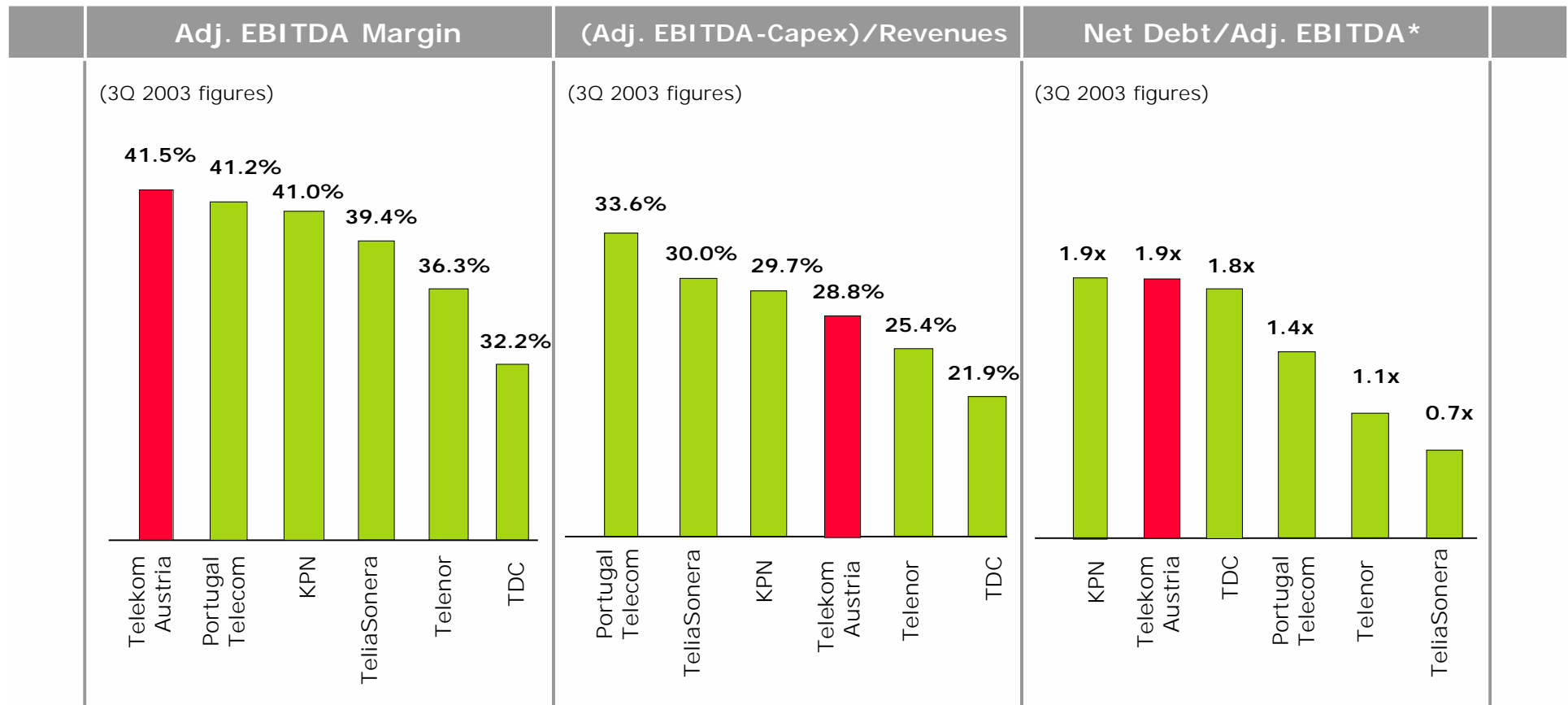
# Telekom Austria 3Q 03 Results

(EUR million)	3Q 2003	3Q 2002	% Change
Revenues	1,019.4	1,002.0	1.7%
Adjusted EBITDA	423.1	411.1	2.9%
Margin	41.5%	41.0%	
<i>Adjusted EBITDA excl. certain items*</i>	<i>437.2</i>	<i>404.8</i>	<i>8.0%</i>
Operating income	151.4	137.0	10.5%
Net income	84.1	57.6	46.0%
Earnings per share (in EUR)	0.17	0.11	46.0%
Capex	129.4	138.0	-6.2%
Adjusted EBITDA excl. certain items less capex	307.8	266.8	15.4%
Net debt (end of period)	2,801.8	3,204.2**	-12.6%

\* excluding changes in idle workforce costs, net loss from retirement of long-lived assets and reversals of voluntary retirement provisions \*\* end of December 2002

# Telekom Austria vs. European Peers

- Telekom Austria continues to compare well with its peer group



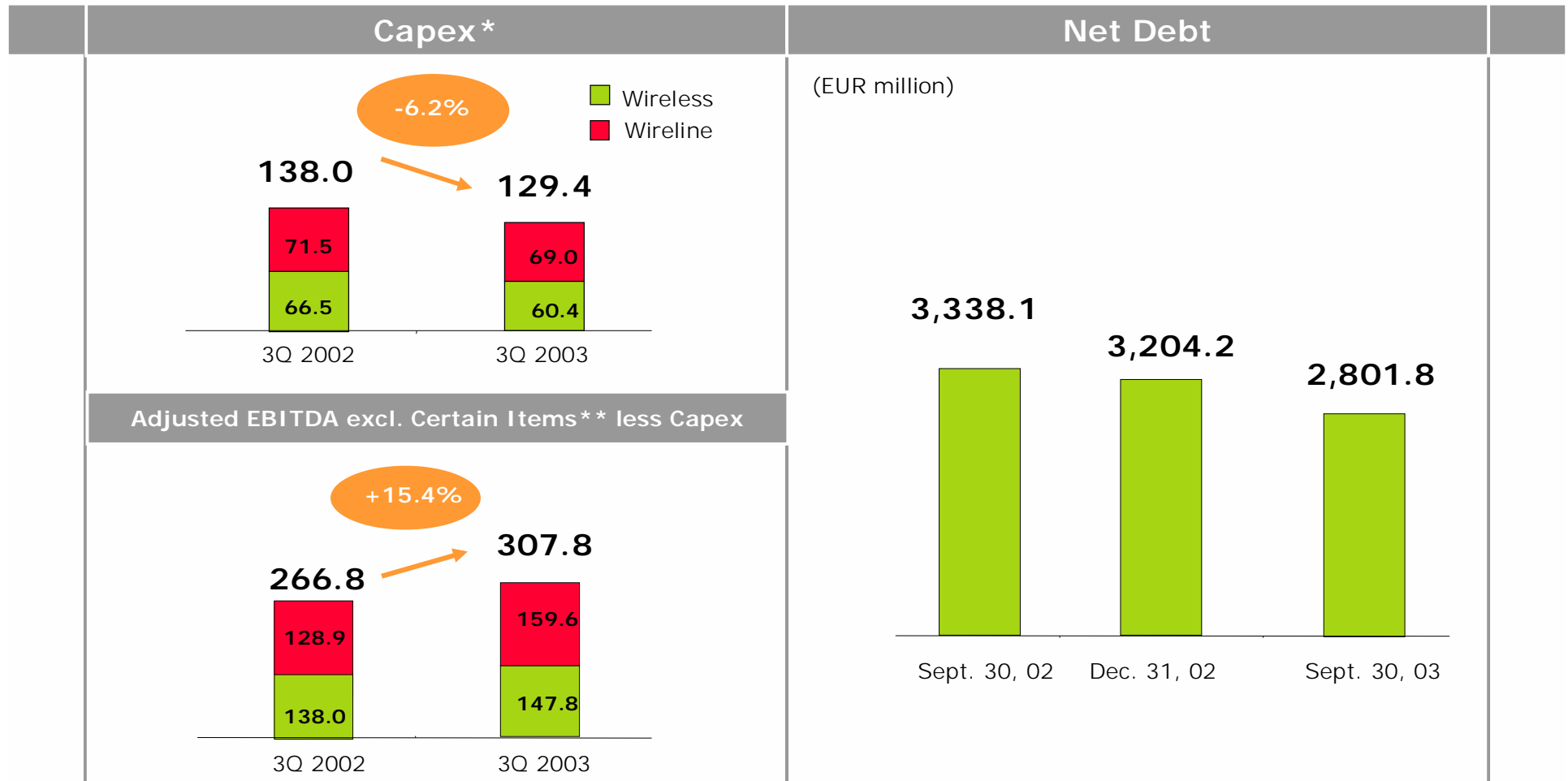
\*EBITDA annualized

Source: company reports

# Telekom Austria 3Q 03 Results

(EUR million)	3Q 03	3Q 02	
<b>Adjusted EBITDA</b>	<b>423.1</b>	<b>411.1</b>	
Depreciation & amortization	-271.1	-274.1	Decrease in wireline offset increase in wireless business segment (UMTS license)
Impairment charges	-0.6	-0.0	
<b>Operating income</b>	<b>151.4</b>	<b>137.0</b>	
Non-operating expenses, net	2.5	2.9	Decrease reflects lower net debt
Net interest expense	-39.5	-46.3	Increase due to sale of stake in Herold Business Data
Equity & dividend income	18.4	1.0	
Taxes	-48.6	-29.8	Increase reflects expected full year effective tax rate to 36.1%
Minority interests	-0.1	-7.2	Reduction due to higher stake in VIPnet
<b>Consolidated net income</b>	<b>84.1</b>	<b>57.6</b>	

# Rising Cash Flows Reduce Net Debt



\*incl the effect of the adoption of SFAS 143 „Accounting for Asset retirement Obligation“ in the amount of EUR 7.7 million during 1-9M 2003.

\*\*adjusted EBITDA excluding changes in idle workforce costs, net loss from retirement of long-lived assets and reversals of voluntary retirement provisions



# Outlook

# Outlook for 2003

<b>Wireline</b>	<ul style="list-style-type: none"><li>▪ Reduction in revenues and EBITDA due to decreased market volumes and lower prices</li></ul>
<b>Wireless</b>	<ul style="list-style-type: none"><li>▪ Increase in revenues and earnings, but at lower growth rates than in prior periods</li></ul>
<b>Group</b>	<ul style="list-style-type: none"><li>▪ Substantially lower 4Q margins in both segments</li><li>▪ Stable Group revenues and adjusted EBITDA at least at last year's level</li><li>▪ Further net debt reduction</li><li>▪ Expected dividend payment for 2003 in 2004</li></ul>

# Appendix

# Regulatory Issues

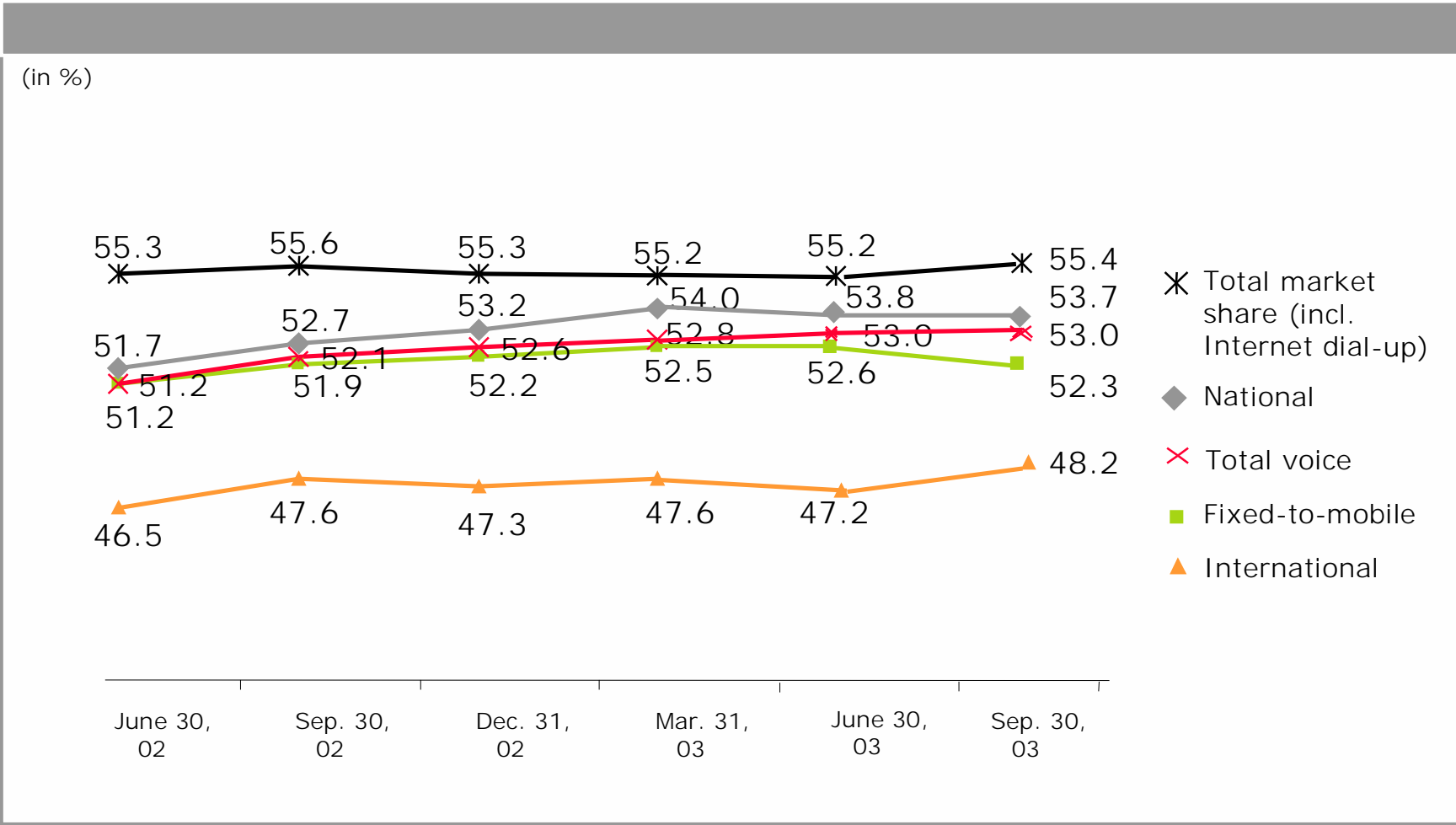
## Key Aspects

- Markets for regulation have been defined; data is now collected in order to assign significant market power (SMP) status depending on effective competition
- Decision about new wireline interconnection rate in 1Q 2004
- Framework for mobile number portability (MNP) has been defined; detailed conditions still need to be stipulated
- Decision on wireline resale of access lines expected in 4Q 2003. Implementation in 2Q 2004 at the earliest

# Wireline - Access Lines

(in thousands)	Sept. 30, 2003	Sept. 30, 2002	% change
PSTN access lines	2,583.1	2,684.6	-3.8%
Basic ISDN access lines	443.0	424.8	4.3%
Multi ISDN access lines	8.0	8.1	-1.5%
<b>Total access lines</b>	<b>3,034.1</b>	<b>3,117.6</b>	<b>-2.7%</b>
of these ADSL access lines	232.5	151.6	53.3%
thereof wholesale lines	45.6	25.5	78.9%
<b>Total access channels</b>	<b>3,709.6</b>	<b>3,778.4</b>	<b>-1.8%</b>

# Fixed Line - Market Shares



# Wireline - Minutes and average tariffs

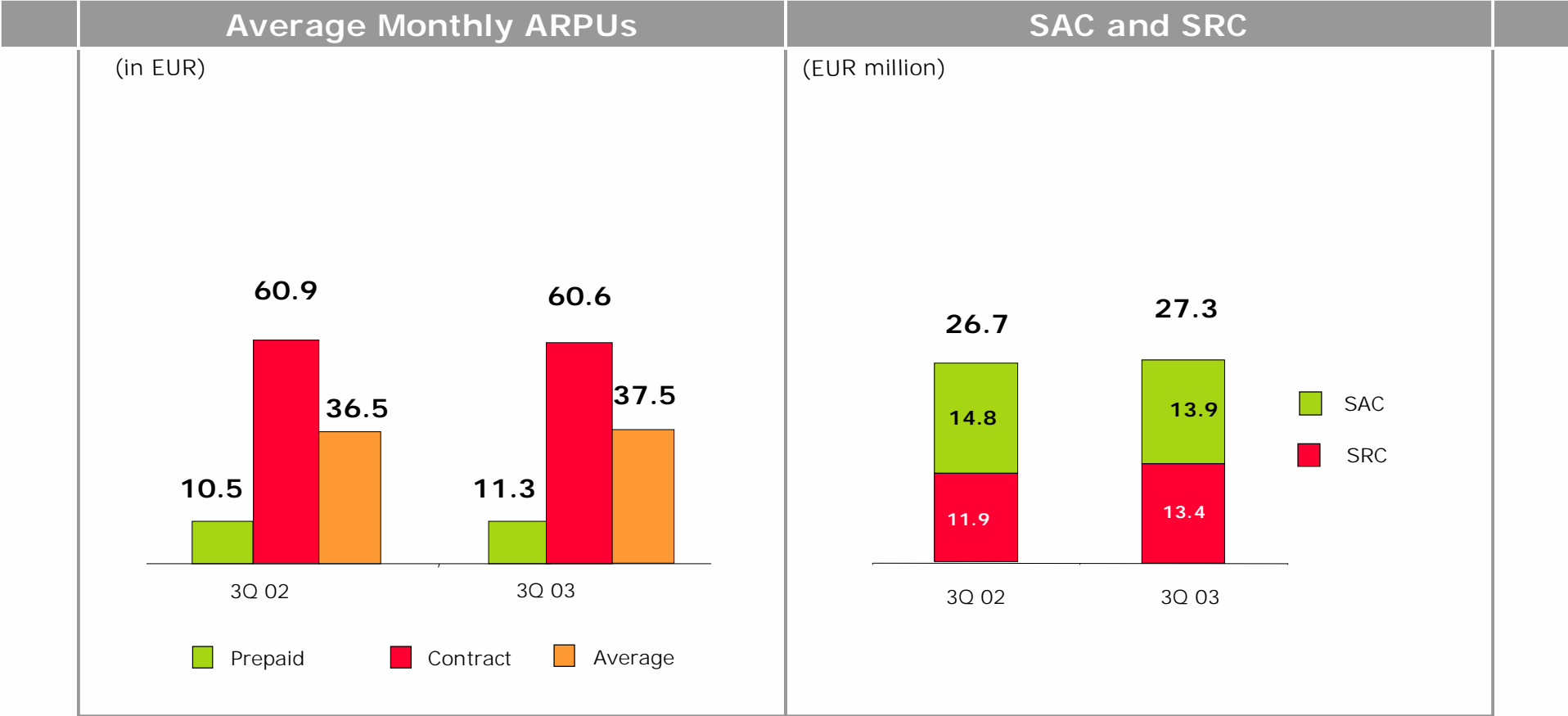
(in millions of minutes)	3Q 2003	3Q 2002	% change
National	1,066	1,120	-4.8%
Fixed-to-mobile	213	213	0.0%
International	119	117	1.7%
<b>Total voice minutes</b>	<b>1,398</b>	<b>1,450</b>	<b>-3.6%</b>
Internet dial up	892	1,004	-11.2%
<b>Total wireline minutes</b>	<b>2,290</b>	<b>2,454</b>	<b>-6.7%</b>
(EUR per minute)	3Q 2003	3Q 2002	% change
National	0.043	0.047	-8.5%
Fixed-to-mobile	0.185	0.189	-2.1%
International	0.199	0.215	-7.4%
<b>Total voice average</b>	<b>0.079</b>	<b>0.081</b>	<b>-2.5%</b>
Internet dial up	0.017	0.016	6.3%

# Mobile Subscribers

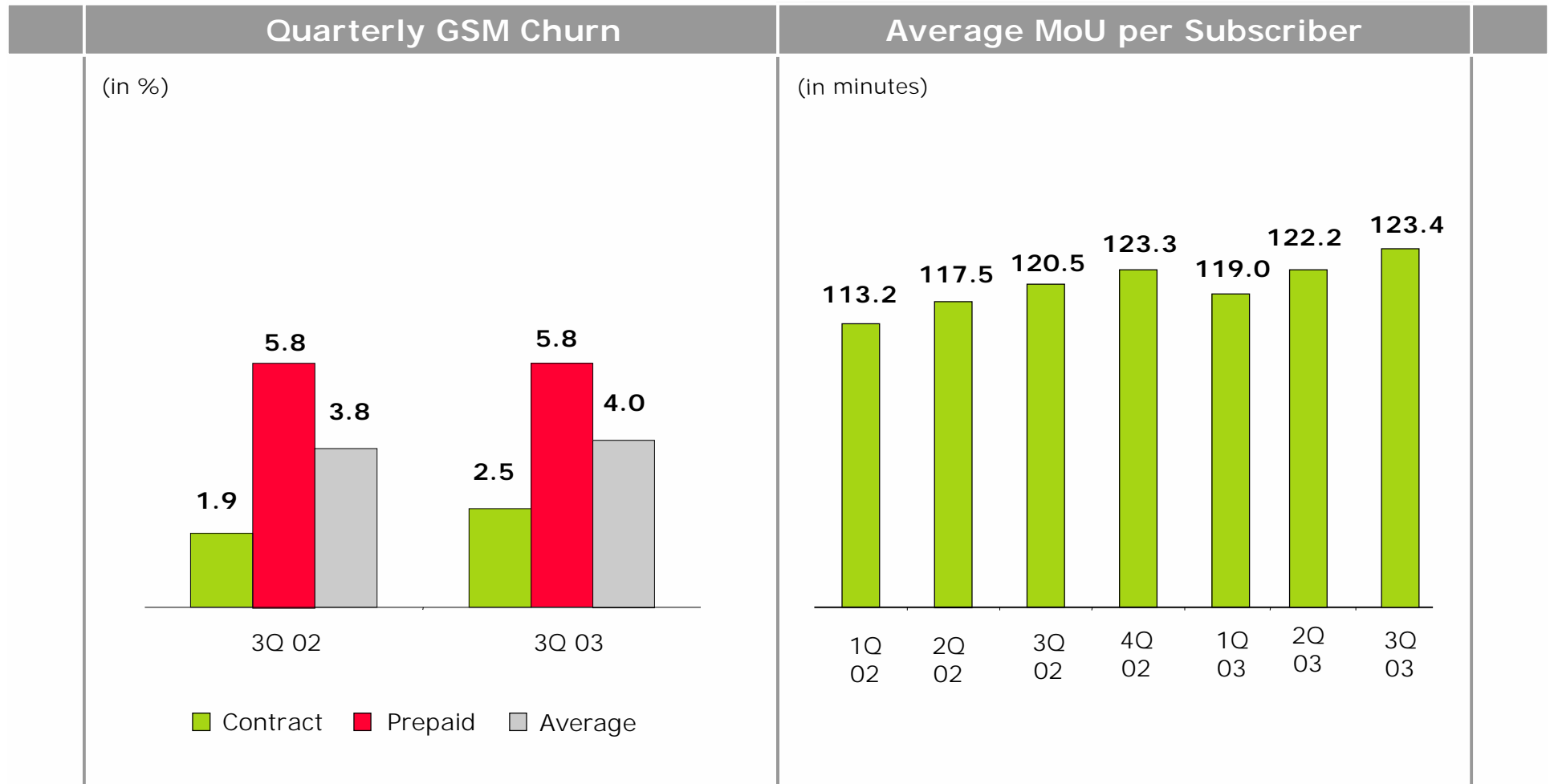
Customers ('000s)	Sept. 30, 2003	Sept. 30, 2002	% change
<b>Austria</b>			
Contract	1,648.6	1,528.4	7.9%
Prepaid	1,447.9	1,408.2	2.8%
<b>Total</b>	<b>3,096.5</b>	<b>2,936.6</b>	<b>5.4%</b>
<b>Croatia</b>			
Contract	186.0	151.8	22.5%
Prepaid	990.1	864.0	14.6%
<b>Total</b>	<b>1,176.1</b>	<b>1,015.8</b>	<b>15.8%</b>
<b>Slovenia</b>			
Contract	158.6	135.0	17.5%
Prepaid	195.7	174.4	12.2%
<b>Total</b>	<b>354.3</b>	<b>309.4</b>	<b>14.5%</b>
<b>Liechtenstein</b>	2.3	1.8	24.9%
<b>Total Group</b>	<b>4,629.2</b>	<b>4,263.6</b>	<b>8.6%</b>



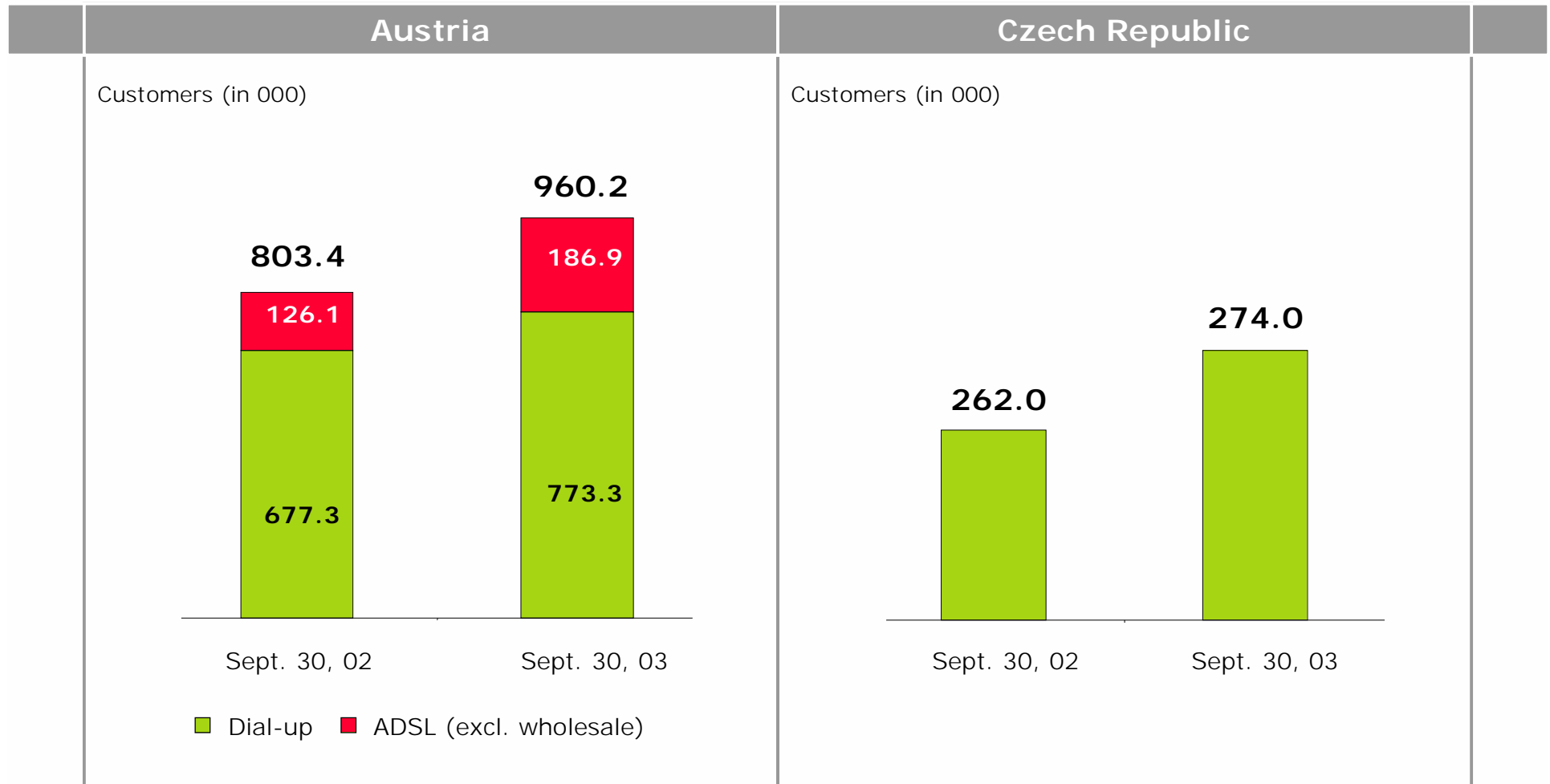
# mobilkom austria - ARPU and Costs



# mobilkom austria - Churn, MoU



# Internet Subscribers



# Headcount\* Development

(average of period)	1-9M 2003	1-9M 2002	Change
Wireline	11,135	12,406	-1,271
Wireless	3,625	3,512	113
<b>Telekom Austria Group</b>	<b>14,760</b>	<b>15,918</b>	<b>-1,158</b>

(end of period)	Sept. 30, 03	Sept. 30, 02	Change
Wireline	10,970	11,704	-734
Wireless	3,655	3,576	79
<b>Telekom Austria Group</b>	<b>14,625</b>	<b>15,280</b>	<b>-655</b>

\* = Full-time-equivalents

# Wireline - Revenue Breakdown

(EUR million)	3Q 2003	3Q 2002	% Change	1-9M 2003	1-9M 2002	% Change
Switched voice base traffic	109.4	120.3	-9.1%	342.5	372.7	-8.1%
Switched voice monthly & other voice revenues	140.4	145.9	-3.8%	417.6	415.1	0.6%
Payphones & VAS	19.2	22.9	-16.2%	55.0	62.1	-11.4%
Data & IT-solutions	86.6	82.1	5.5%	249.2	246.4	1.1%
Internet access & media	49.6	47.5	4.4%	145.8	140.3	3.9%
Wholesale voice & Internet	74.8	71.1	5.2%	227.2	228.9	-0.7%
Wholesale data	25.5	22.9	11.4%	77.9	70.3	10.8%
Other	42.3	43.0	-1.6%	116.6	127.6	-8.6%
<b>Total wireline operating revenues</b>	<b>547.8</b>	<b>555.7</b>	<b>-1.4%</b>	<b>1,631.8</b>	<b>1,663.4</b>	<b>-1.9%</b>

# Wireless - Revenue Breakdown

(EUR million)	3Q 2003	3Q 2002	% Change	1-9M 2003	1-9M 2002	% Change
Traffic revenues	291.8	262.8	11.0%	818.5	737.7	11.0%
Monthly rental	74.9	72.6	3.2%	222.1	208.8	6.3%
Equipment	41.5	46.6	-10.9%	114.5	117.9	-2.9%
Roaming	53.6	53.6	0.0%	126.3	128.5	-1.7%
Interconnection	80.8	71.3	13.4%	225.0	205.7	9.4%
Other	-1.1	6.2	-	13.9	24.8	-44.0%
Discounts	-4.4	-3.2	-35.5%	-10.0	-6.6	-50.4%
<b>Total wireless operating revenues</b>	<b>537.1</b>	<b>509.8</b>	<b>5.4%</b>	<b>1,510.3</b>	<b>1,416.8</b>	<b>6.6%</b>

# Operating Revenues by Segment

(EUR million)	3Q 2003	3Q 2002	% Change
Wireline	547.8	555.7	-1.4%
Wireless	537.1	509.8	5.4%
Other & eliminations	-65.5	-63.5	-3.1%
<b>Total operating revenues</b>	<b>1,019.4</b>	<b>1,002.0</b>	<b>1.7%</b>

# Adjusted EBITDA\* by Segment

(EUR million)	3Q 2003	3Q 2002	% Change
Wireline	214.7	208.3	3.1%
Wireless	208.0	202.9	2.5%
Other & eliminations	0.4	-0.1	-
<b>Total adjusted EBITDA*</b>	<b>423.1</b>	<b>411.1</b>	<b>2.9%</b>

\* 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.



# Operating Income by Segment

(EUR million)	3Q 2003	3Q 2002	% Change
Wireline	21.9	8.1	170.4%
Wireless	129.0	128.9	0.1%
Other & eliminations	0.5	0.0	-
<b>Total operating income</b>	<b>151.4</b>	<b>137.0</b>	<b>10.5%</b>

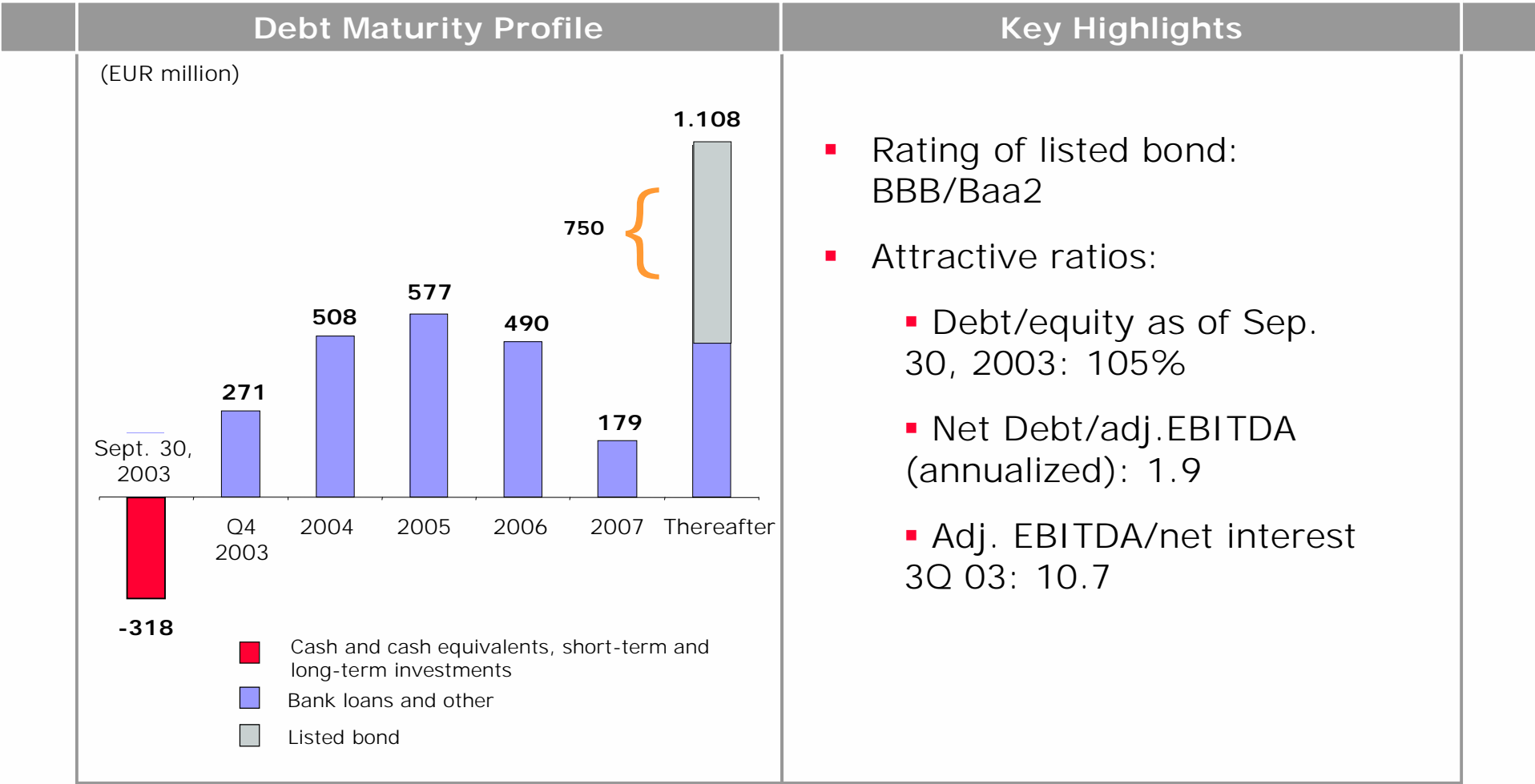
# Capital Expenditures

(EUR million)	3Q 03	3Q 02	% change
Wireline	69.0	71.5	-3.4%
Wireless	60.4	66.5	-9.2%
<b>Telekom Austria Group</b>	<b>129.4</b>	<b>138.0</b>	<b>-6.2%</b>
mobikom austria	49.0	46.2	6.0%
VIPnet	8.9	13.6	-34.7%
Si.mobil	2.3	6.7	-65.8%

# Net Debt - Telekom Austria Group

(EUR million)	Sept. 30, 03	Dec. 31, 02
Long-term debt	2,409.2	2,079.9
Short-term debt	825.9	1,309.9
- Short-term portion of capital and cross border lease	-96.5	-107.9
+ Capital lease obligations (short-term and long-term)	2.8	7.3
+ Payables to related parties	0.5	0.4
+ Receiveables from related parties	0.0	-0.1
Cash and cash equivalents, short-term and long-term investments	-317.9	-46.6
Financial instruments, included in other assets	-22.2	-38.7
<b>Net debt of Telekom Austria Group</b>	<b>2,801.8</b>	<b>3,204.2</b>
Shareholders' equity	2,660.5	2,509.5
<b>Net debt/equity</b>	<b>105.3%</b>	<b>127.7%</b>

# Telekom Austria Debt Maturity Profile



# Adjustments during 3Q 03

EBITDA excluding adjustments	3Q 2003	3Q 2002	% Change
Adjusted wireline EBITDA	214.7	208.3	3.1%
Idle workforce	6.8	3.0	
Net loss of retirement of long-lived assets	9.8	0.7	
Voluntary retirement provision	-2.7	-11.6	
<b>Adjusted wireline EBITDA excl. certain items</b>	<b>228.6</b>	<b>200.4</b>	<b>14.1%</b>
Adjusted wireless EBITDA	208.0	202.9	2.5%
Net loss of retirement of long-lived assets	0.2	1.6	
<b>Adjusted wireless EBITDA excl certain items</b>	<b>208.2</b>	<b>204.5</b>	<b>1.8%</b>
<b>Adjusted Group EBITDA</b>	<b>423.1</b>	<b>411.1</b>	<b>2.9%</b>
Idle workforce costs	6.8	3.0	
Net loss of retirement of long-lived assets	10.0	2.3	
Voluntary retirement provision	-2.7	-11.6	
<b>Adjusted Group EBITDA excl certain items</b>	<b>437.2</b>	<b>404.8</b>	<b>8.0%</b>

# Reconciliation from (total managed) EBITDA to consolidated cash flow

(EUR million)	3Q 03	3Q 02
<b>Adjusted EBITDA (total managed for 1-9M 2002)</b>	<b>423.1</b>	<b>411.1</b>
Wireless adjusted EBITDA 3Q 2002	0.0	0.0
Impairment charges for 2003	-0.6	0.0
Intersegmental eliminations for 2002	0.0	0.0
<b>Adjusted EBITDA consolidated (including impairment charges)</b>	<b>422.5</b>	<b>411.1</b>
Impairment charges	0.6	0.0
Other income net	2.6	3.0
Net interest	-39.5	-46.2
Income from investments	18.4	1.0
Income taxes	-48.7	-29.7
Effect of change in accounting principles	0.0	0.0
Minority interest	0.0	-7.5
Employee benefit obligation - non cash	-11.2	-14.8
Allowance for doubtful accounts	3.5	13.4
change in deferred taxes	33.6	30.6
Dividends from affiliates, greater than (less than) equity in income	0.1	-1.7
Asset retirement obligation - accretion expenses	0.3	0.0
Gain on settlement of ARO	0.0	0.0
Cash from settlement of ARO	-0.5	0.0
Cumulative effect of changes in accounting principle	0.0	0.0
Loss on sales of investments and disposal of equipment	-7.9	4.7
Changes in assets and liabilities, net of effect of business acquired	-103.6	-131.9
<b>Cash generated from operations on consolidated basis</b>	<b>270.2</b>	<b>232.0</b>

# Reconciliation of Total Managed to U.S. GAAP Consolidated Statements of Operations

September 30, 2003 and September 30, 2002 (in EUR millions)	Total managed results in 2003 equals consolidated results	Total managed results	Reconciliation		Consolidated results
			Elimination of the results of mobilkom austria	Other Eliminations *	
	2003	2002	2002		2002
Total managed operating revenues	2,951.3	2,899.8	-906.9	116.8	2,109.7
Total managed operating expenses					
Materials	-198.4	-200.1	103.7	-6.2	-102.6
Employee costs, including benefits and taxes	-505.9	-504.3	77.3	0.0	-427.0
Depreciation and amortization incl. impairment charges	-847.1	-825.4	133.2	-0.1	-692.3
Other operating expenses	-1,044.3	-1,015.8	376.8	-110.3	-749.2
<b>TOTAL MANAGED OPERATING INCOME</b>	<b>355.6</b>	<b>354.2</b>	<b>-215.9</b>	<b>0.2</b>	<b>138.5</b>
Total managed other income (expense)					
Interest income	58.7	72.7	-10.9	5.8	67.6
Interest expense	-178.7	-202.5	26.8	-5.8	-181.5
Dividend income	0.3	0.0	0.0	0.0	0.0
Equity in earnings of affiliates	18.9	1.1	0.6	142.7	144.4
Other, net	3.5	3.3	1.1	0.1	4.5
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	<b>258.3</b>	<b>228.8</b>	<b>-198.3</b>	<b>143.0</b>	<b>173.5</b>
Income tax expense	-93.2	-57.0	2.7	0.0	-54.3
Minority interests	-3.4	-59.8	5.1	47.5	-7.2
<b>INCOME BEFORE CUMMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE</b>	<b>161.7</b>	<b>112.0</b>	<b>-190.5</b>	<b>190.5</b>	<b>112.0</b>
Cumulative effect of change in accounting principle, net of tax	-6.3	0.0	0.0	0.0	0.0
<b>NET INCOME</b>	<b>155.4</b>	<b>112.0</b>	<b>-190.5</b>	<b>190.5</b>	<b>112.0</b>

\* Eliminations required to consolidate mobilkom austria and recognize equity in earnings of mobilkom austria for the period from January 1, 2002 to June 30, 2002.