

# Telekom Austria Group Results for the First Quarter 2005

May 18, 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.

# Agenda

- Key Developments
- Operational Highlights
  - Wireline
  - Wireless
- Financial Overview
- Outlook

# Key Developments

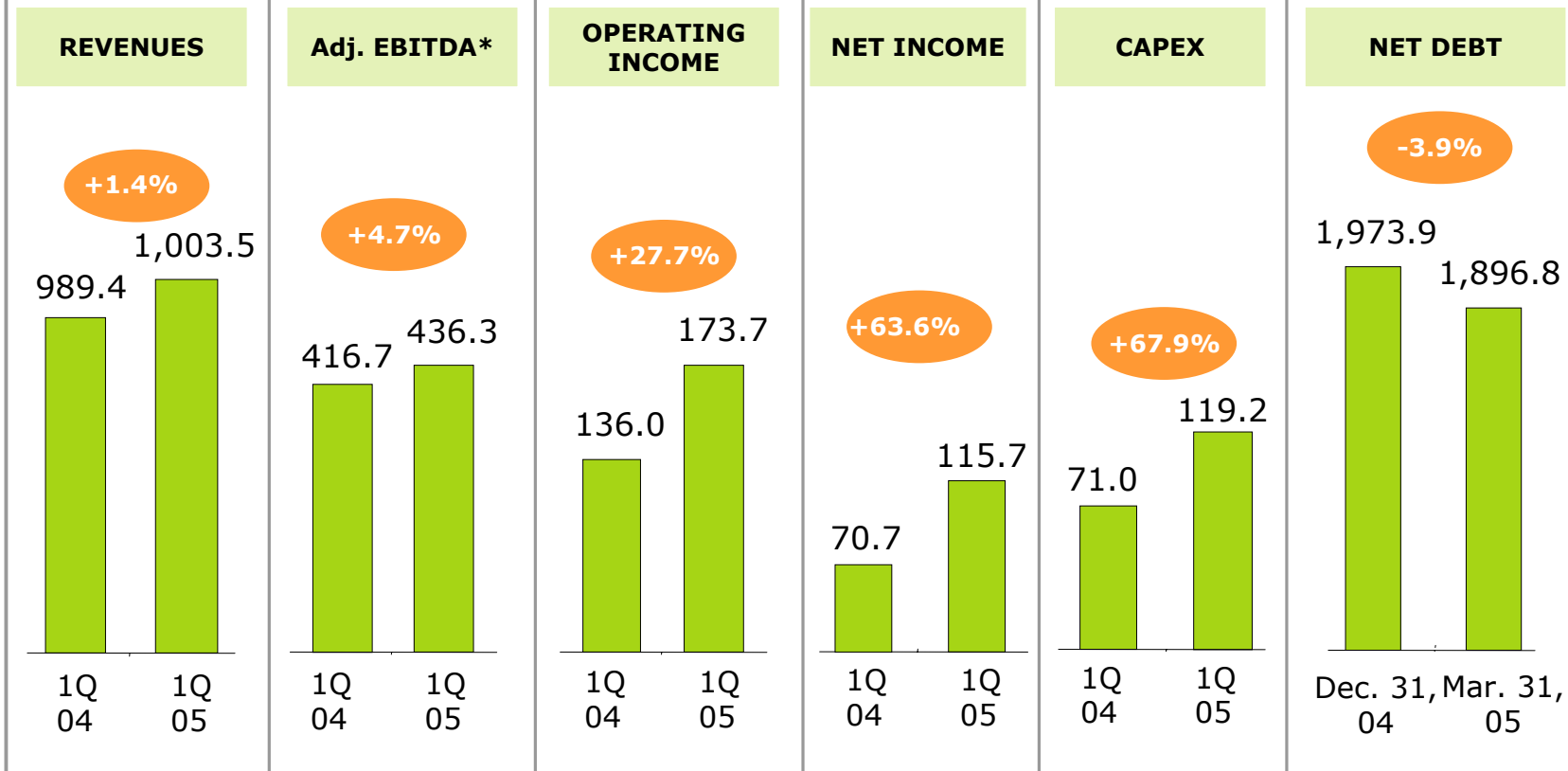
# Telekom Austria – Highlights 1Q 2005

- Rising operating results and profitability in both business segments
- Acceleration of share buyback during March and April 2005
- Higher capex due to EDGE roll-out, broadband push and legal requirements
- Net debt declines despite seasonally higher working capital and payment of call option price for MobilTel
- 1Q results confirm outlook for FY earnings

# Telekom Austria – 1Q 2005 Results

## Key Financial Indicators

(EUR million)



\* Operating income before depreciation, amortization and impairment charges

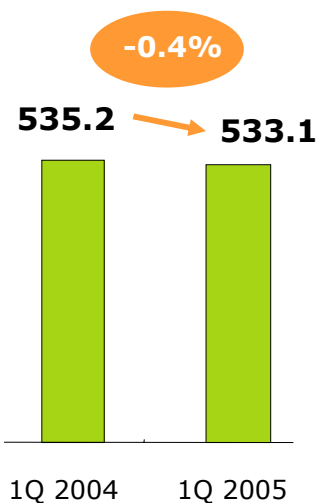
# Wireline

# Wireline Results 1Q 05

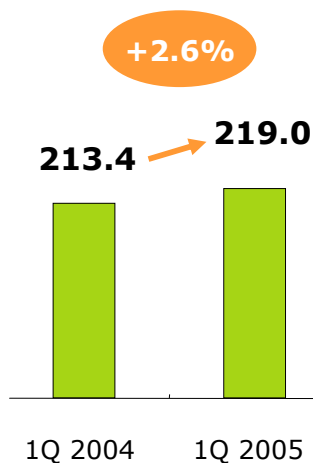
## 1Q 2005 Results

(EUR million)

### Revenues



### Adj. EBITDA



## Key Highlights

- Strong ADSL net adds support revenues
- Over 60,000 ADSL net adds
- Increase in average voice tariff
- Continuing positive impact from bonus packages
- EBITDA margin rises by 1.2pp to 41.1%
- Higher wholesale revenues compensate decline in voice revenues due to higher international transit



# Continuing Gain of Voice Market Share

1Q 2005

TIK TAK Bonus Packages

- Voice market share grows by 0.6 pp to 55.0% vs. year end 04

- Further rise of Bonus packages by 100,000

- Bonus Packages improve price perception and support voice revenues

- Average Voice Tariffs increased by 2.7% y.o.y due to the sale of bonus packages and an improved call mix

Relaunch  
TIK TAK  
Tariff



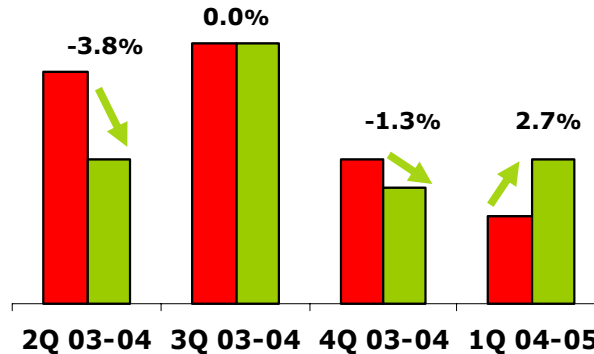
July  
2004

100,471

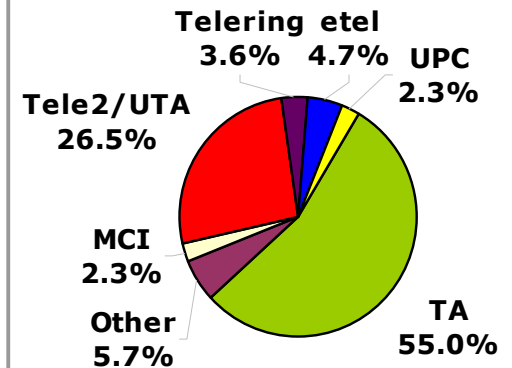
422,829

March  
2005

Wireline Average Voice Tariffs



Voice Market Shares\*

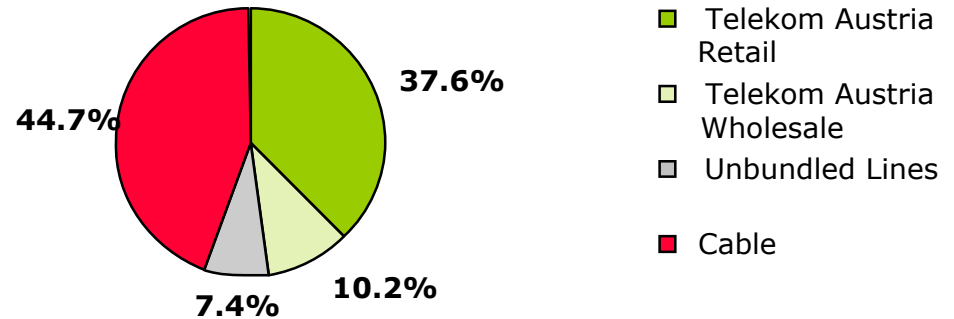


\* Telekom Austria estimates

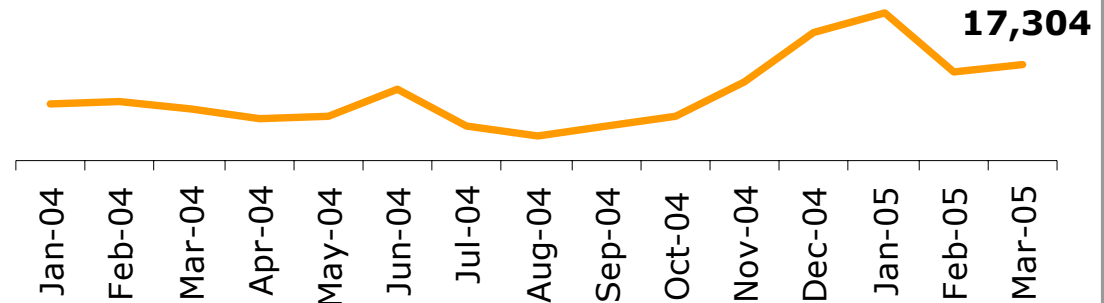
# Substantial Increase in ADSL Net Adds

- Attractive ADSL entry-level offering fuels ADSL growth
- 60,300 ADSL net adds in 1Q 05
- Telekom Austria overtakes cable operators, market share of 47.8% vs. 44.7%
- 87% of ADSL household coverage as USP against cable
- Further growth potential in rural areas – Telekom Austria has superior coverage

## Broadband Market Share



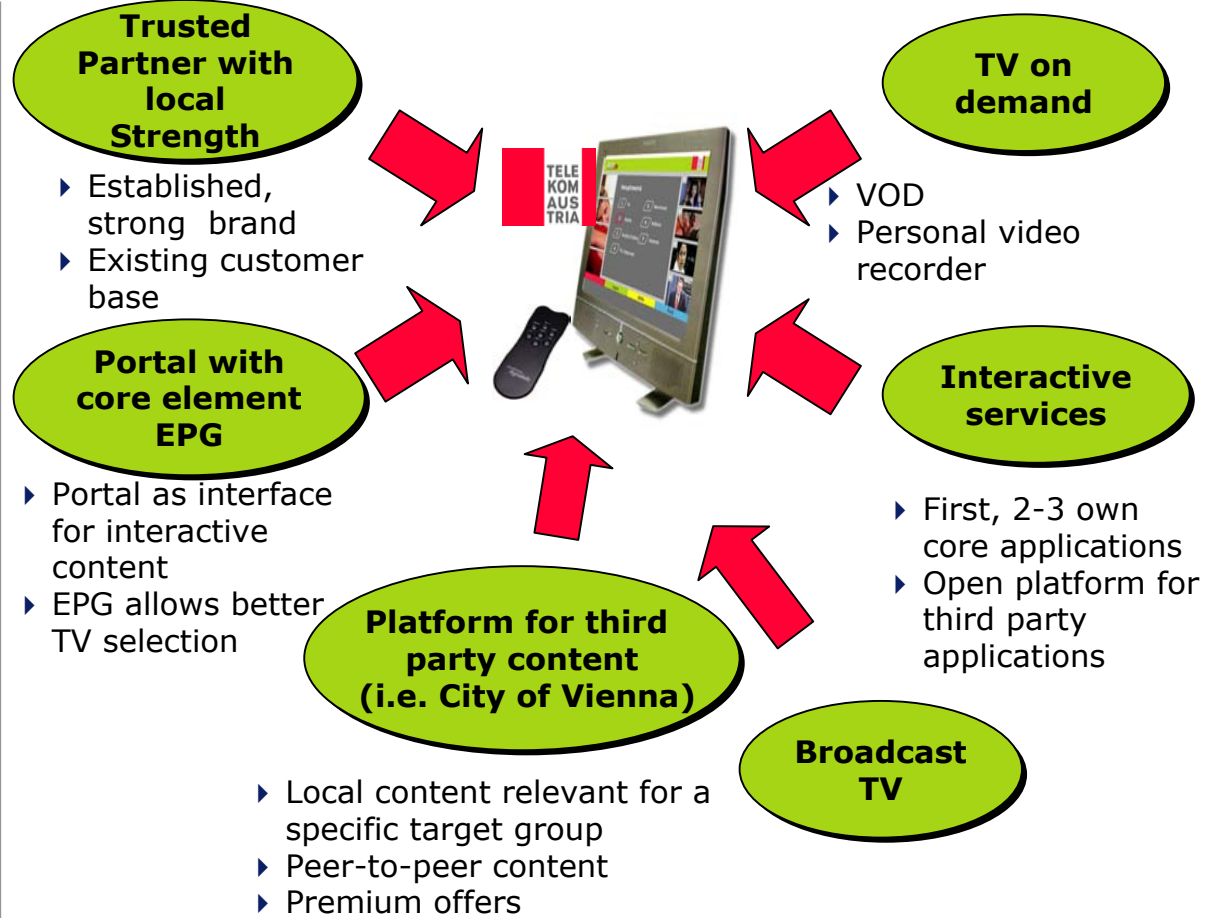
## Monthly ADSL Net Adds



# Broadband-Based TV - Provide Customers with an Entertainment Experience

## USP of BB TV Products

- Launch targeted for 4Q 2005
- Commercial roll out during first half 2006
- Protects access lines
- Increase attractiveness of broadband offer
- Delivers better customer value than cable operators product portfolios



# Wireless

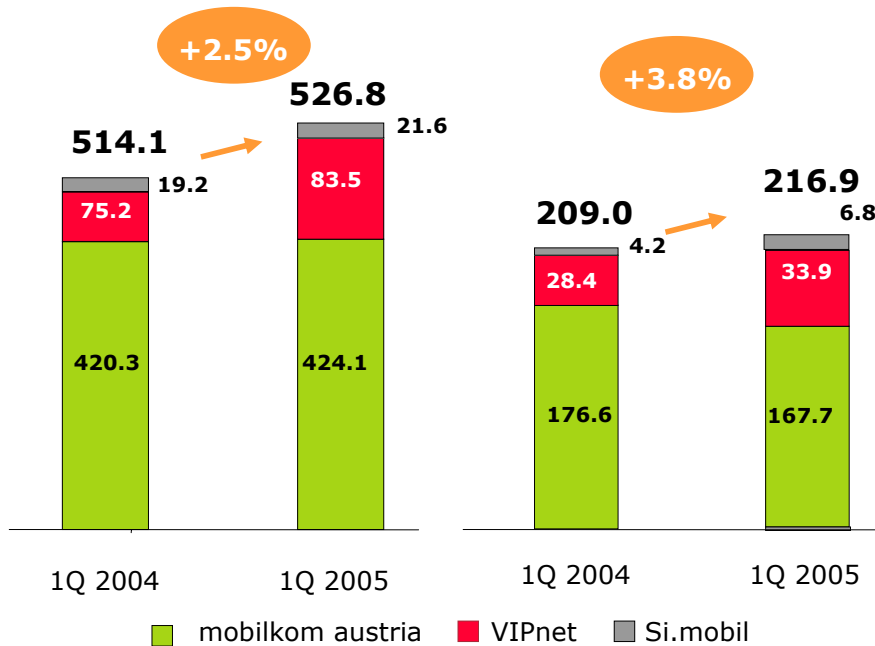
# Wireless Results 1Q 05

## 1Q 2005 Results

(EUR million)

### Revenues

### Adj. EBITDA



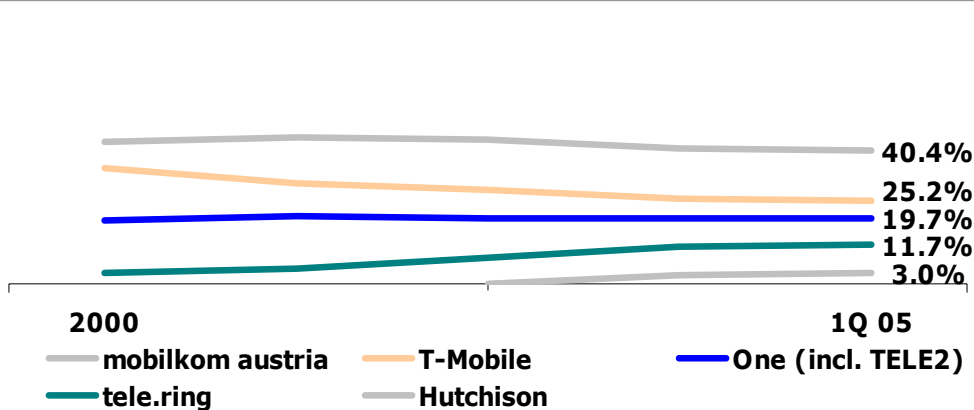
## Key Highlights

- Domestic subscriber uptake continues in 1Q 05
- EBITDA margin rises above 41% including one-time\* positive effect
- Increasing profitability in VIPnet and Si.mobil, Si.mobil's margin rises above 30%
- Higher Capex requirements due to EDGE roll-out in Austria
- Operating income includes one-time effect from sale of UMTS frequency package to T-Mobile

\* One-time total gain from retirement of long-lived assets in the amount of EUR 13.1 million (sale of UMTS frequency package and GSM equipment) in 1Q 05, compared to one-time positive effect in 1Q 04 (reversal of provisions for universal service) in the amount of EUR 5.6 million

# Market and Subscribers in Austria

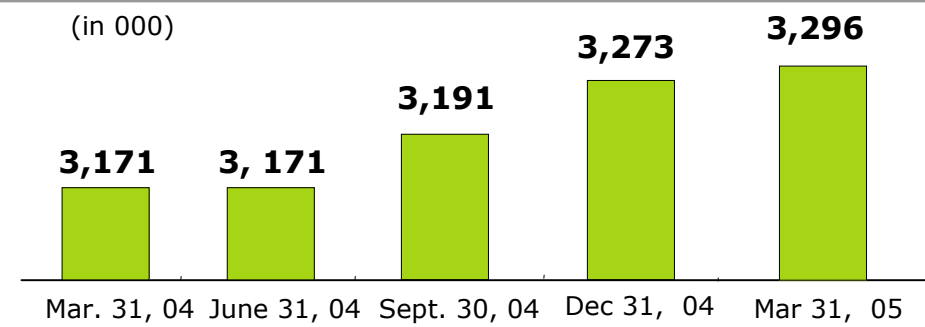
## Market Share and Subscribers



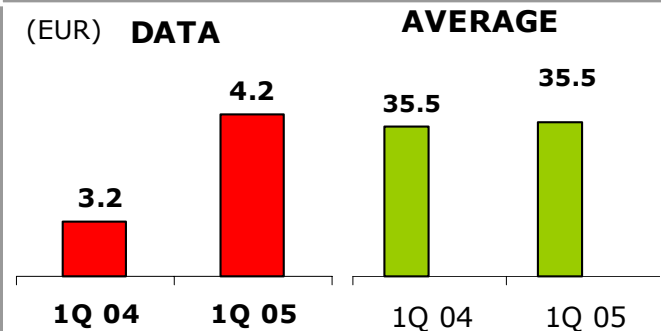
## Key Highlights

- Subscriber base increases by 22,100; churn fell to 4.4% (vs. 4.6% in Q1 04)
- Increasing data usage offsets decline in voice ARPU resulting in almost flat average ARPU
- SAC/SRC rise due to intense market competition and as more data enabled handsets were sold

## Subscribers mobilkom austria



## ARPU



# Profitable Growth in Croatia and Slovenia

Subscribers (eoP)		Key Highlights													
<p>(in 000)</p> <p><b>VIPnet</b></p> <table border="1"> <tr> <th>Period</th> <th>Subscribers (in 000)</th> </tr> <tr> <td>Mar. 31, 04</td> <td>1,240</td> </tr> <tr> <td>Mar. 31, 05</td> <td>1,317</td> </tr> </table>	Period	Subscribers (in 000)	Mar. 31, 04	1,240	Mar. 31, 05	1,317	<p><b>Si.mobil</b></p> <table border="1"> <tr> <th>Period</th> <th>Subscribers (in 000)</th> </tr> <tr> <td>Mar. 31, 04</td> <td>362</td> </tr> <tr> <td>Mar. 31, 05</td> <td>365</td> </tr> </table>	Period	Subscribers (in 000)	Mar. 31, 04	362	Mar. 31, 05	365	<p><b>VIPnet</b></p> <ul style="list-style-type: none"> <li>Revenues increase by 11.0%</li> <li>EBITDA Margin rises to 40.6%</li> <li>Launch of UMTS network in January</li> </ul>	
Period	Subscribers (in 000)														
Mar. 31, 04	1,240														
Mar. 31, 05	1,317														
Period	Subscribers (in 000)														
Mar. 31, 04	362														
Mar. 31, 05	365														
EBITDA Margin - Focused on Profitability		<p><b>Si.mobil</b></p> <ul style="list-style-type: none"> <li>Revenues increase by 12.5%</li> <li>Further profitability improvement, EBITDA margin rises above 30%</li> <li>Higher interconnection revenues as asymmetry widens</li> </ul>													
<p><b>VIPnet</b></p> <table border="1"> <tr> <th>Period</th> <th>EBITDA Margin</th> </tr> <tr> <td>1Q 04</td> <td>37.8%</td> </tr> <tr> <td>1Q 05</td> <td>40.6%</td> </tr> </table>	Period	EBITDA Margin	1Q 04	37.8%	1Q 05	40.6%	<p><b>Si.mobil</b></p> <table border="1"> <tr> <th>Period</th> <th>EBITDA Margin</th> </tr> <tr> <td>1Q 04</td> <td>21.9%</td> </tr> <tr> <td>1Q 05</td> <td>31.5%</td> </tr> </table>	Period	EBITDA Margin	1Q 04	21.9%	1Q 05	31.5%		
Period	EBITDA Margin														
1Q 04	37.8%														
1Q 05	40.6%														
Period	EBITDA Margin														
1Q 04	21.9%														
1Q 05	31.5%														

# Next steps in Bulgaria

## Key Highlights

- On March 22, 2005 Telekom Austria paid EUR 80 million as option price under the call option agreement concluded in December 2004
- Confirmatory Due Dilligence took place and gave valuable insights in MobilTel's business
- mobilkom austria has set up the strategic core team which will lead the integration of MobilTel
- Exercise of call option in 3Q 2005 expected

## Target Region

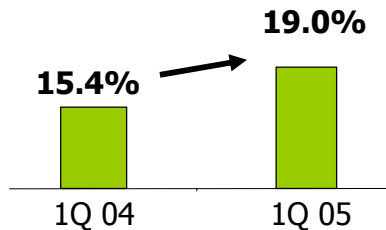




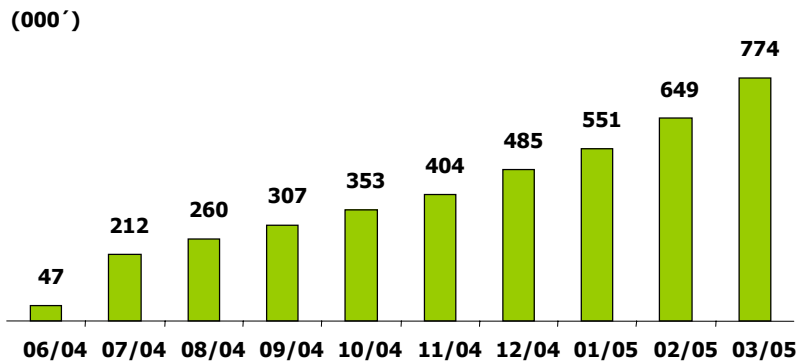
# Steady Growth of Data Business

## Key Development

### Data as a portion of traffic-related revenues



## Vodafone live! Customers



## Highlights

- Data as a portion of traffic-related revenues increased significantly by 3,6 pp.
- Over 50% of data traffic is already carried over UMTS network
- More than 770,000 Vodafone live! active customers at the end of 1Q 2005 in the wireless segment
- Groupwide already 15 % of wireless customers use Vodafone live! as of March
- m-commerce services are fully integrated in Vodafone live! portal. Revenues from m-commerce services rose by 130 % compared to Q1 2004.

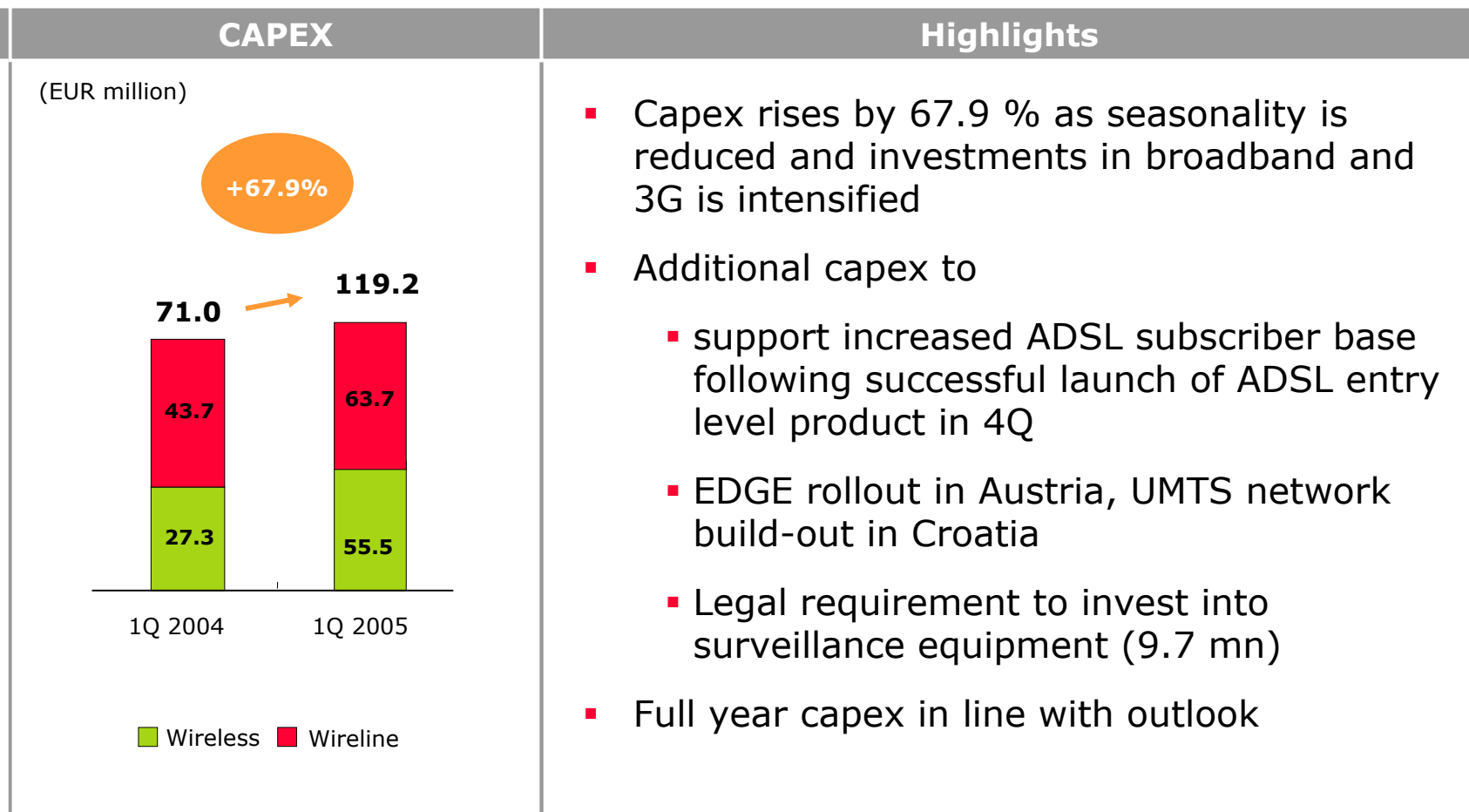
# Financial Overview

# Telekom Austria 1Q 05 Results

(EUR million)	1Q 2005	1Q 2004	% Change
Revenues	1,003.5	989.4	+1.4%
Adjusted EBITDA	436.3	416.7	+4.7%
Operating income	173.7	136.0	+27.7%
Net income	115.7	70.7	+63.6%
Capital expenditures	119.2	71.0	+67.9%

(EUR million)	Mar. 31 2005	Dec. 31 2004	% Change
Net debt (end of period)	1,896.8	1,973.9	-3.9%

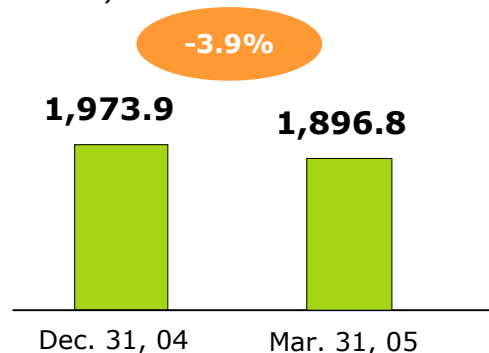
# 1Q 05 Capex rises due to broadband/3G push and surveillance equipment



# Net Debt development

## Net debt declines to below EUR 1.9 bn

(EUR million)



- Further decline of net debt despite seasonally higher working capital and payment of EUR 80 mn call option premium for MobilTel
- Gearing ratio falls below 67%, net debt/EBITDA at 1.1x (annualized)

## EUR 1 bn Bond Transaction

- Largest bond transaction by an Austrian corporate, ever
- Both bonds more than 5x oversubscribed

Conditions	5 Years	12 Years
Maturity	January 27, 2010	January 27, 2017
Issue Amount	EUR 500 million	EUR 500 million
Coupon	3.375% p.a.	4.250% p.a.
Creditspread vs. mid swaps	+ 34 bp	+ 54 bp

# Shareholder Remuneration and Annual General Meeting

## Share Buyback

- Dividend pay out ratio for FY 2005 increased to 65%
- Share Buyback resumed following presentation of full year results
- Acceleration of share buyback continues into April with an buyback amount of EUR 24 mn
- In 1Q 2005 shares in the amount of EUR 14.8 mn were bought back
- Buyback of EUR 73.5 mn or 1.13 % of shares outstanding until May 2005

## AGM – May 25, 2005

- At the upcoming annual general meeting management will ask for
  - Extension of share buyback programm for another 18 months
  - Increase of price range from currently 9-18 EUR to 9-21 EUR
  - Authorization to cancel treasury shares

# Outlook

# Outlook for 2005\*

Wireline	<ul style="list-style-type: none"><li>▪ Slight decrease in revenues and adj. EBITDA, in part due to one-time revenues in 2004. Further rise in operating profit</li></ul>
Wireless	<ul style="list-style-type: none"><li>▪ Further but declining growth in revenues due to increasing contribution from abroad, stable development in Austria</li></ul>
Group	<ul style="list-style-type: none"><li>▪ Compared to previous year, at least stable revenues and adj. EBITDA; net profit rises by around 25%</li><li>▪ Pay-out ratio rises to 65%</li><li>▪ Temporary rise in tangible capex by slightly more than 10% due to UMTS and EDGE as well as legal requirements</li></ul>

\*Excluding any impact of a possible MobilTel consolidation



# Appendix

# Regulatory Issues

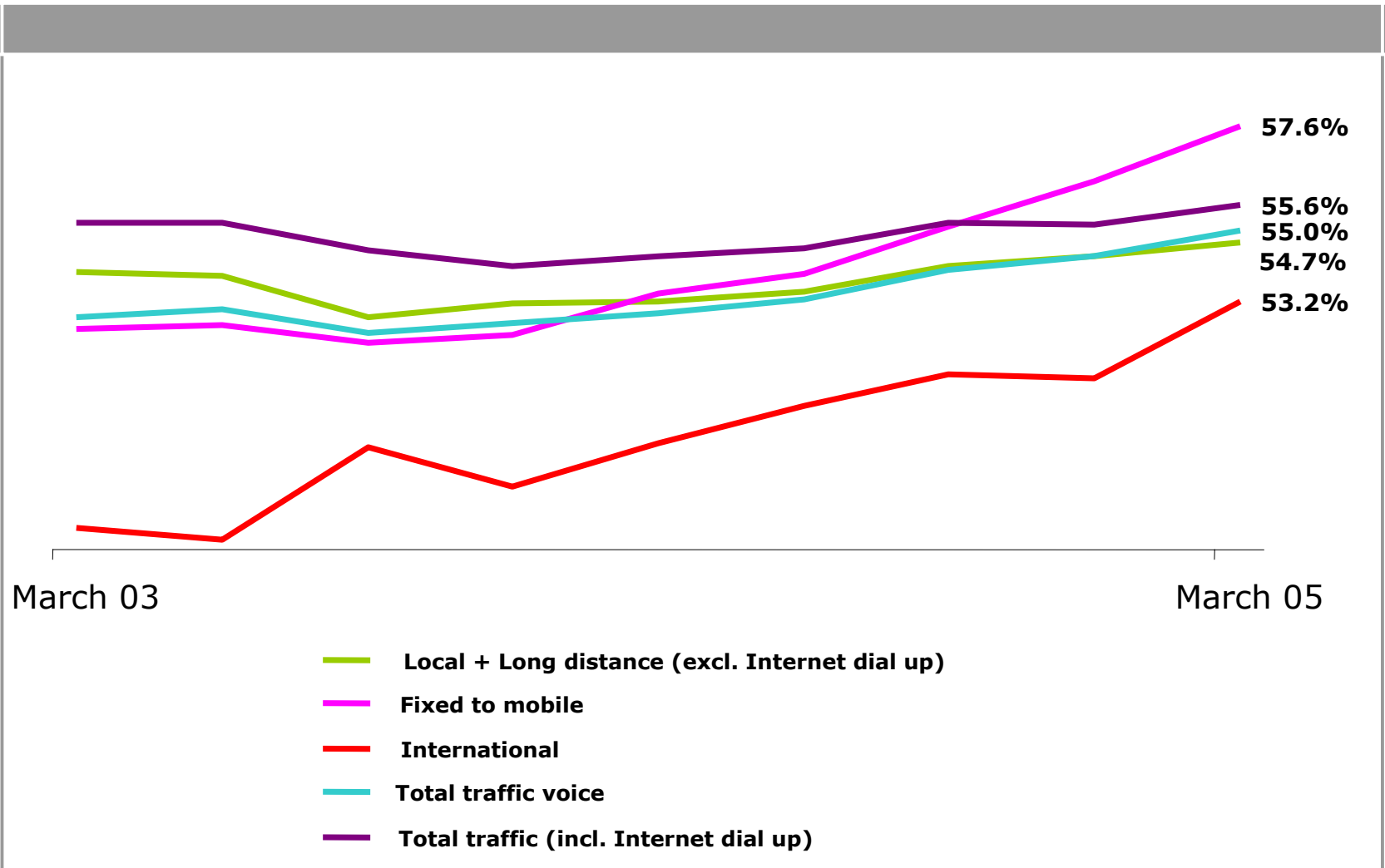
## Key Aspects

- Definition, analysis and remedies for new telecommunication markets finished
- New wholesale broadband market defined and public consultation finished; market analysis on national broadband market (on wholesale level) started in May 05
- Resale of access standard offer by Telekom Austria still not signed by any other operator; implementation not before 4Q 05
- Tele.ring further decreased its mobile termination rate by 10% in April 05
- Regulator (NRA) published regulatory model on mobile termination rates; several proceedings between mobile operators is pending with the NRA
- Proceeding about prices and conditions for unbundling the local loop ongoing; final decision is expected not before 3Q 05

# Wireline - Access Lines

(in thousands)	March 31,2005	March 31,2004	% change
PSTN access lines	2,431.2	2,528.4	-3.8%
Basic ISDN access lines	437.1	448.9	-2.6%
Multi ISDN access lines	7.6	7.8	-3.2%
<b>Total access lines in service</b>	<b>2,875.9</b>	<b>2,985.1</b>	<b>-3.7%</b>
of these ADSL access lines	443.9	291.8	52.1%
thereof ADSL wholesale lines	94.9	64.1	48.0%
(in thousands)	March 31,2005	March 31,2004	% change
<b>Total access channels in service</b>	<b>3,531.9</b>	<b>3,660.2</b>	<b>-3.5%</b>

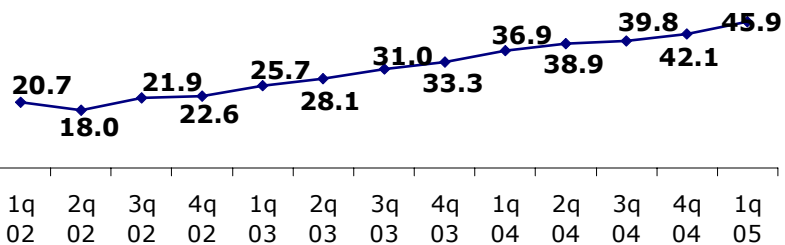
# Fixed Line - Market Shares



# ADSL

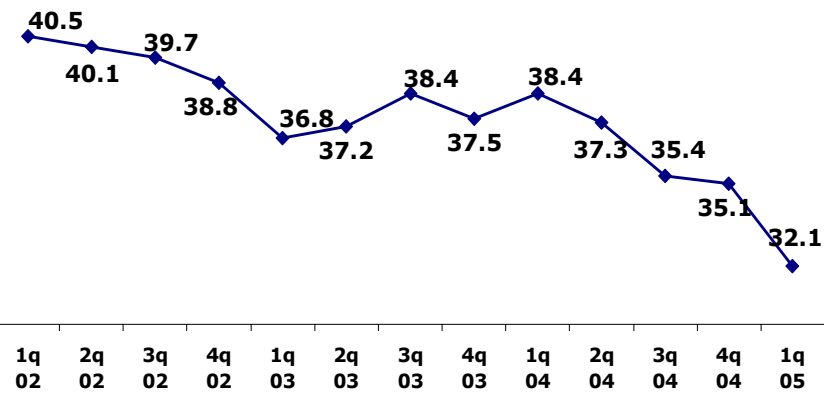
## ADSL/XDSL Revenues (incl. Wholesale)

(EUR million)



## ADSL Residential ARPU

(EUR)



# Wireline - Minutes and Average Tariffs

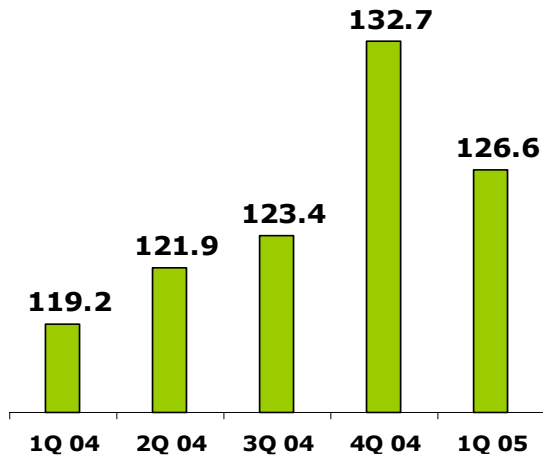
(in millions of minutes)	1Q 05	1Q 04	% change
National	1,029	1,124	-8.5%
Fixed-to-mobile	207	214	-3.4%
International	115	122	-5.9%
<b>Total voice minutes</b>	<b>1,351</b>	<b>1,461</b>	<b>-7.5%</b>
Internet dial up	715	1,021	-29.9%
<b>Total wireline minutes</b>	<b>2,066</b>	<b>2,482</b>	<b>-16.8%</b>
(EUR per minute)	1Q 05	1Q 04	% change
National	0.040	0.039	2.6%
Fixed-to-mobile	0.190	0.184	-3.0%
International	0.182	0.187	-2.8%
<b>Total voice average</b>	<b>0.075</b>	<b>0.073</b>	<b>2.7%</b>
Internet dial up	0.016	0.016	2.5%

# Mobile Subscribers

Customers ('000s)	March 31,2005	March 31,2004	% change
<b>AUSTRIA</b>			
Contract	1,810.5	1,682.6	7.6%
Prepaid	1,485.2	1,488.0	-0.2%
<b>Total</b>	<b>3,295.7</b>	<b>3,170.6</b>	<b>3.9%</b>
<b>CROATIA</b>			
Contract	196.7	185.1	6.3%
Prepaid	1,120.1	1,054.8	6.2%
<b>Total</b>	<b>1,316.8</b>	<b>1,239.9</b>	<b>6.2%</b>
<b>SLOVENIA</b>			
Contract	157.3	150.7	4.4%
Prepaid	207.2	211.0	-1.8%
<b>Total</b>	<b>364.5</b>	<b>361.7</b>	<b>0.8%</b>
<b>LIECHTENSTEIN</b>			
<b>Total</b>	<b>3.5</b>	<b>2.8</b>	<b>25.0%</b>

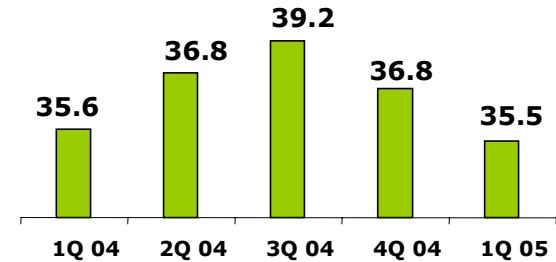
# Operational Data – mobilkom austria

## Average MoU per Subscriber



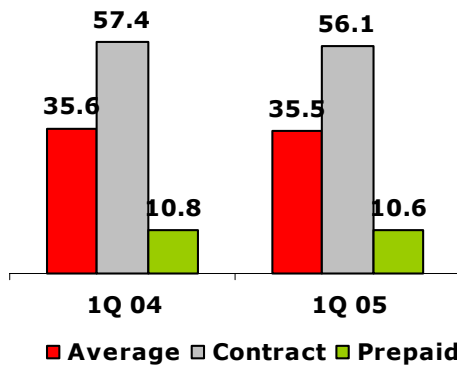
## Blended ARPU

(in EUR)

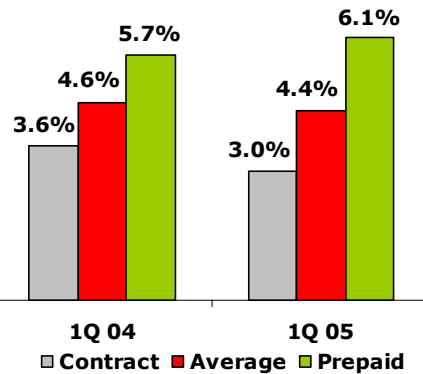


## ARPU

(in EUR)

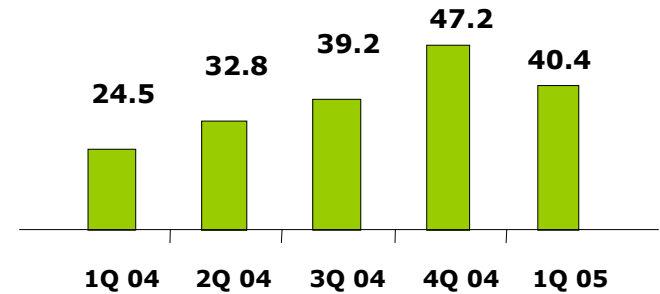


## Quarterly Churn



## SRC+SAC

(in EUR million)

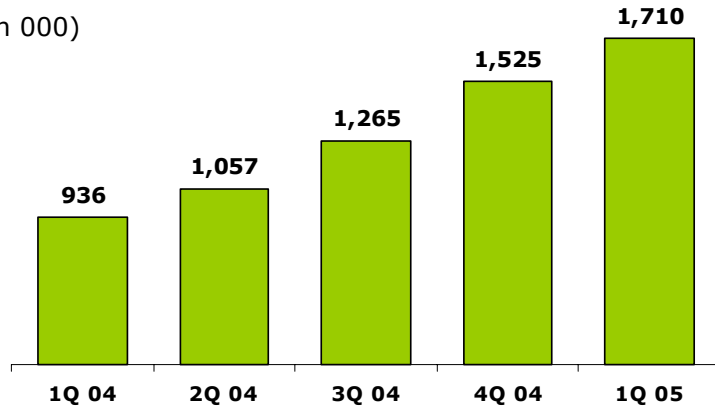




# mobilkom austria - Mobile Data

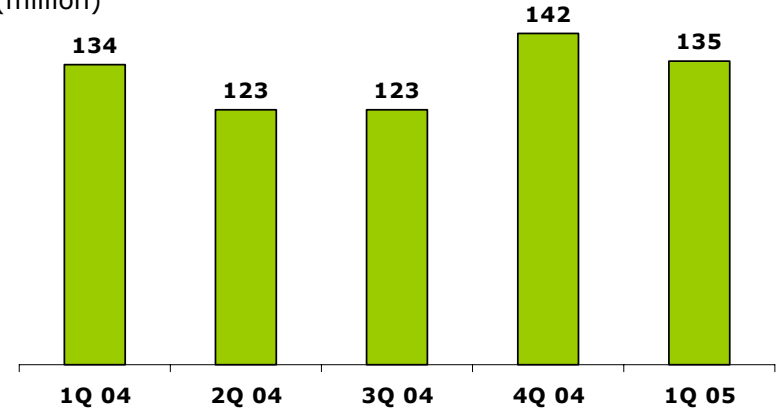
## GPRS Customers

(in 000)



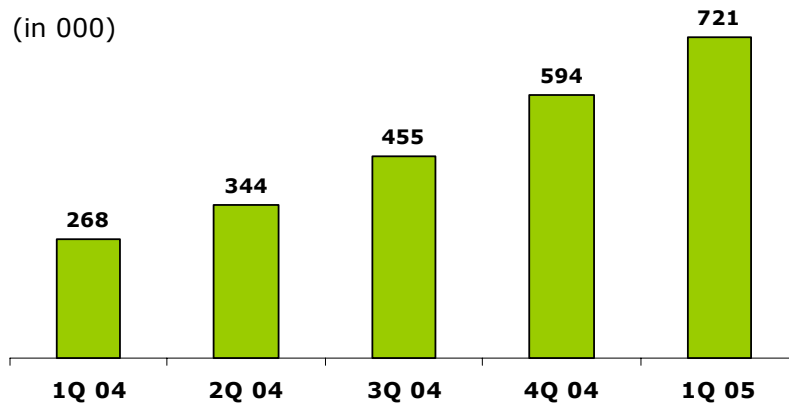
## Number of SMS

(million)



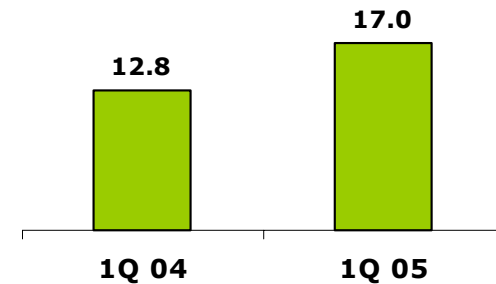
## MMS Users

(in 000)



## Data as a portion of traffic-related revenues

(in %)



# Headcount\* Development

(average of period)	1Q 05	1Q 04	Change
Wireline	9,653	10,252	- 599
Wireless	3,616	3,668	- 52
<b>Telekom Austria Group</b>	<b>13,269</b>	<b>13,920</b>	<b>-651</b>

(end of period)	March 31,2005	March 31,2004	Change
Wireline	9,639	10,252	- 613
Wireless	3,622	3,668	- 46
<b>Telekom Austria Group</b>	<b>13,261</b>	<b>13,920</b>	<b>-659</b>

\* = Full-time-equivalents

# Wireline - Revenue Breakdown

(EUR million)	1Q 05	1Q 04	% Change
Switched voice base traffic	101.6	104.5	-2.8%
Switched voice monthly & other voice revenues	139.2	144.4	-3.6%
Internet access & media	58.0	51.2	13.3%
Payphones & VAS	12.6	13.0	-3.1%
Data & IT solutions, incl. Wholesale	102.8	107.1	-4.0%
Wholesale voice & Internet	88.2	82.5	6.9%
Other	30.7	32.5	-5.5%
<b>Total wireline revenues</b>	<b>533.1</b>	<b>535.2</b>	<b>-0.4%</b>

# Wireless - Revenue Breakdown

(EUR million)	1Q 05	1Q 04	% Change
Traffic revenues	271.2	264.5	2.5%
Monthly rental	83.7	74.5	12.3%
Equipment	31.3	41.5	-24.6%
Roaming	56.3	47.6	18.3%
Interconnection	81.1	80.0	1.4%
Other	5.1	5.7	-10.5%
Discounts	-1.9	0.3	-733.3%
<b>Total wireless revenues</b>	<b>526.8</b>	<b>514.1</b>	<b>2.5%</b>

# Results by Segment

(EUR million)	1Q 05	1Q 04	% Change
Wireline	533.1	535.2	-0.4%
Wireless	526.8	514.1	2.5%
Other & eliminations	-56.4	-59.9	-5.8%
<b>Total revenues</b>	<b>1,003.5</b>	<b>989.4</b>	<b>1.4%</b>
(EUR million)	1Q 05	1Q 04	% Change
Wireline	219.0	213.4	2.6%
Wireless	216.9	209.0	3.8%
Intersegmental eliminations & other	0.4	-5.7	
<b>Total adjusted EBITDA</b>	<b>436.3</b>	<b>416.7</b>	<b>4.7%</b>
(EUR million)	1Q 05	1Q 04	% Change
Wireline	43.9	21.2	107.1%
Wireless	129.4	120.4	7.5%
Intersegmental eliminations & other	0.4	-5.6	
<b>Total operating Income</b>	<b>173.7</b>	<b>136.0</b>	<b>27.7%</b>

# Capital Expenditures by Segment

(EUR million)	1Q 05	1Q 04	% Change
Wireline tangible	63.6	43.7	45.5%
Wireless tangible	55.4	26.3	110.6%
<b>Tangible</b>	<b>119.0</b>	<b>70.0</b>	<b>70.0%</b>
Intangible	0.2	1.0	-80.0%
<b>Total</b>	<b>119.2</b>	<b>71.0</b>	<b>67.9%</b>

(EUR million)	1Q 05	1Q 04	% Change
<b>Wireless tangible</b>			
mobilkom austria	45.0	17.1	163.2%
VIPnet	10.2	8.5	20.0%

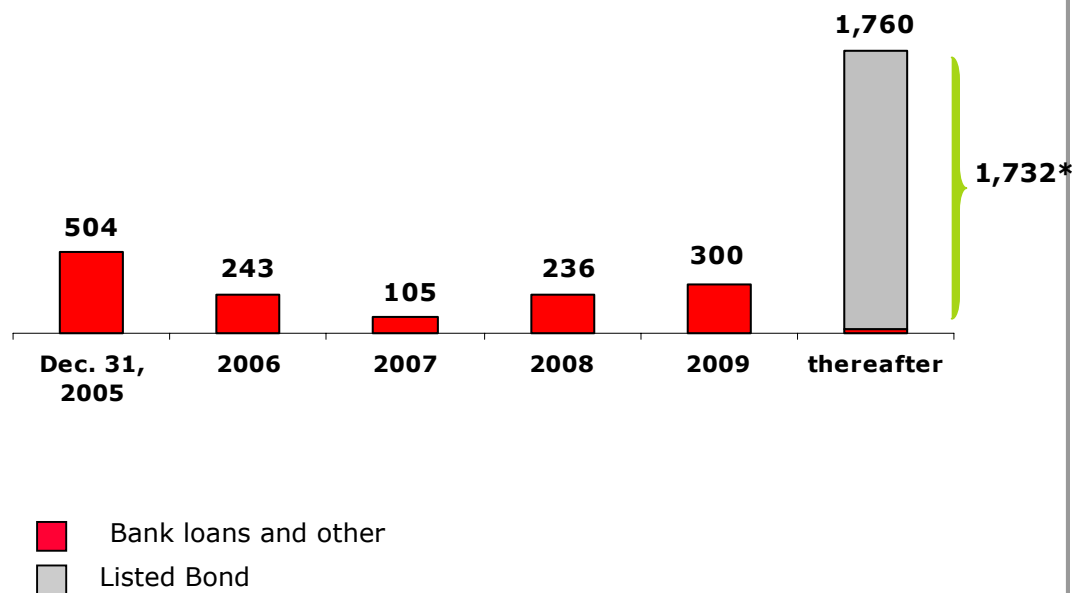
# Net Debt - Telekom Austria Group

(EUR million)	March 31, 2005	Dec. 31, 2004
Long-term debt	2,581.1	1,647.2
Short-term debt	697.9	751.1
- Short-term portion of capital and cross border lease	-106.7	-95.3
+ Capital lease obligations	1.4	1.6
Cash and cash equivalents, short-term and long-term investments	-1,259.8	-312.9
Financial instruments, included in other assets and other current assets	-17.1	-17.8
<b>Net debt of Telekom Austria Group</b>	<b>1,896.8</b>	<b>1,973.9</b>
Shareholders' equity	2,850.4	2,741.6
<b>Net debt/Equity</b>	<b>66.5%</b>	<b>72.0%</b>

# Telekom Austria Debt Maturity Profile

## Debt Maturity Profile

(EUR million)



## Key Highlights

- Rating of listed bond: BBB/Baa2
- Positive outlook
- Ratios:
  - Debt/equity as of March 31, 2005: 66.5%
  - Net Debt /Adj. EBITDA (annualized): 1.1
  - Adj. EBITDA/net interest 1Q 05: 16.5

\*Listed Bonds at amortized costs



# Reconciliation from EBITDA to Consolidated Net Income

(EUR million)	1Q 05	1Q 04
<b>Adjusted EBITDA (excluding impairment charges)</b>	<b>436.3</b>	<b>416.7</b>
Impairment charges	0.0	-0.2
<b>Adjusted EBITDA (including impairment charges)</b>	<b>436.3</b>	<b>416.5</b>
Depreciation and amortization	-262.5	-280.5
Interest income	21.0	18.4
Interest expense	-47.5	-52.8
Equity in earnings of affiliates	0.2	0.2
Other income (expense), net	5.2	7.3
<b>Income before taxes and minority interests</b>	<b>152.7</b>	<b>109.1</b>
Income tax expense	-37.0	-38.3
Minority interests	0.0	-0.1
<b>Net income</b>	<b>115.7</b>	<b>70.7</b>