

Telekom Austria Group



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Telekom Austria Group: Results of the 1st Quarter 2001

- Quarterly results confirm the progress of Telekom Austria Group's restructuring program.
- Group revenues, including Mobilkom Austria, rose by 2.3%, EBITDA by 7.1%. The Telekom Austria Group, with Mobilkom Austria at-equity, achieved positive net results.
- Decline in operating costs in the fixed line business reflected successful cost-cutting measures.
- EBITDA margin in the fixed line segment increased from 31.1 % in the 1st quarter 2000 to 32.9% in the 1st quarter 2001.
- Growth in ISDN and ADSL access lines offset a decline in traditional PSTN access lines resulting in almost constant access channels in the fixed line business (3,842mn), the number of ADSL customers alone rose by 40% in the 1st quarter 2001.
- Mobilkom Austria acquired a stake in Si.Mobil in Slovenia: the number of mobile customers grew by 8.1% to 3.6 million in the 1st quarter, compared to year-end 2000.
- In the Internet business, which is shown for the first time as an individual segment, the number of customers in Austria grew by more than 20% to over 353,000 in the 1st quarter.

Summary of Telekom Austria Group's (Including Mobilkom Austria) Financial Results:

In million EUR	1 st Q 2001	1 st Q 2000	Change in %
Revenues	967.4	945.9	2.3
EBITDA	374.6	349.8	7.1
EBIT	96.7	97.7	-1.1

Net income of Telekom Austria AG with Mobilkom Austria at-equity	10.3	14.0	-26.4
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Vienna, May 30, 2001 -- Telekom Austria AG (VSE:TKA; NYSE:TKA) announced today its operating results for the 1st quarter 2001. Revenues of the Telekom Austria Group (including Mobilkom Austria) grew by 2.3% to EUR 967.4 million, compared to the 1st quarter 2000. The

positive development in the mobile communications, data communications and Internet business segments more than offset the market-related decline in the fixed line business.

The decline in operating expenses in the fixed line business reflected the continued successful restructuring measures. The level of personnel at the end of the 1st quarter 2001 was lower than the level budgeted. The increase in mobile communications margins in Austria and Croatia contributed to the 7.1% increase in the Group's EBITDA to EUR 374.6 million.

Net income of Telekom Austria AG with Mobilkom Austria at-equity decreased from EUR 14.0 million to EUR 10.3 million.

With a view to a transparent presentation of the Group's operating results, EBITDA and EBIT will be reported exclusive of idle work force expenses beginning with the 1st quarter 2001. These expenses amounted to EUR 3.9 million in the first quarter 2001 and did not occur in the first quarter 2000. EBIT is calculated from the operating results plus idle work force expenses. EBITDA adds depreciation and amortization.

Highlights of the Business Segments:

- Fixed line: Despite competition-related decline in revenues by 6.3%, EBITDA remained almost at the level of the previous year due to successful cost cutting measures. EBITDA margin increased from 31.1% in the 1st quarter 2000 to 32.9% in 1st quarter 2001.
- Mobile communications: Growth in Croatia and the consolidation of the mobile market in Austria had a positive impact on this segment's margins. Revenues increased by 21.5% and EBITDA by 32.8%.
- Data communications: Revenues grew by 10%, which was within target, and margins declined as a result of restructuring the intersegmental relationship within the Group.
- Internet: After a successful start of the Internet relaunch, revenues in this segment were EUR 18.5 million in the 1st quarter 2001 and customers increased by more than 20% in this time period.

Personnel Down-Sizing Ahead of Budget

Employees*	1 st Q 2001	2000	1 st Q 2000
Fixed line services	14,018	14,982	15,323
Mobile communications	2,977	2,520	2,279
Data communications	946	956	912
Internet	224	102	42
Telekom Austria Group	18,166	18,560	18,556

* Quarterly and annual average of FTE (Full-time equivalents)

Compared to the annual average in 2000, the number of employees declined in the 1st quarter 2001 by 2% to 18,166. In the fixed line business segment, which was the primary focus of restructuring measures, employees decreased by more than 6%. At March 31, 2001 the level of personnel was ahead of schedule and the fixed line segment registered a total of 13,855 employees.

Balance Sheet: Decline in Asset Investments, Increase in Financial Liabilities Following Acquisition of Si.Mobil

Additions to Property, Plant and Equipment

In million EUR	1 st Q 2001	1 st Q 2000	Change in %
Telekom Austria	78.1	123.5	-36.8
Mobilkom Austria	48.3	72.4	-33.3
Additions to Property, Plant and Equipment - Group	126.4	195.9	-35.5

Additions to property, plant and equipment in the 1st quarter 2001 are not representative for the entire year 2001. The 35% decline compared to the 1st quarter 2000, however, clearly reflects the Group's objective of reducing its overall investments in property, plant and equipment.

Net financial liabilities of the entire Telekom Austria Group, including Mobilkom Austria, increased by EUR 146 million to EUR 3,690 million due to the acquisition of shares in the Slovenian mobile operator Si.Mobil.

Future Developments - Overview

The 1st quarter results constitute a solid basis to achieve the planned targets of the Telekom Austria Group.

The tariff measures undertaken towards the end of the quarter are expected to lead to a leveling off in the loss of market share in the fixed line segment. Together with further cost-cutting measures, this constitutes the basis for the expected growth in results and margins in the fixed line segment.

The mobile communications business continues to be dominated by market saturation in Austria and by the relatively persistent high growth in Croatia. Despite the fact that the dynamic trend of earnings in the 1st quarter is not expected to continue, market conditions for the mobile segment are likely to remain positive.

In its data communications business, Telekom Austria expects growth in revenues to continue. The results are affected by the higher prices for intersegmental activities, whereby cost-cutting effects will increase in the remaining quarters.

The launch of a new portal is an important milestone in the new positioning of the Internet business. The intense efforts devoted to exploiting the expected market growth in the current year are reflected in higher marketing expenses.

Business Segments

Fixed Line Services:

(in million EUR)	1 st Q 2001	1 st Q 2000	Change in %
Revenues	638.8	682.1	-6.3%
EBITDA	210.0	211.8	-0.8%
EBIT	9.6	5.0	92%

The intensification of competition led to a 6.3% decline in sales revenues to EUR 638.8 million. The tariff measures, which went into effect in the 2nd half of 2000, and the continued shifting of importance in traffic minutes from voice telephony towards less expensive Internet traffic, resulted in a 30.7% decline in traffic tariff revenues to EUR 163.6 million. The declining number of access lines led to lower monthly rental revenues (EUR 157.6 million; -6.4%). At the same time, despite lower tariffs, interconnection revenues rose by 10.8% to EUR 161.4 million due to the increased traffic volume of alternative network operators.

In comparison to revenues, EBITDA remained almost unchanged due to successful cost-cutting measures. Personnel costs as well as personnel-related operating expenses contributed in particular to this development. With a 92% increase, EBIT in the fixed line segment almost doubled totaling EUR 9.6 million.

(in thousands)	March 31, 2001	Dec. 31, 2000	March 31, 2000
PSTN access lines	2,865.2	2,929.1	3,101.4
ISDN basic access lines	362.4	331.9	282.4
ISDN multi access lines	8.4	8.0	6.3
Total access lines	3,236.0	3,269.0	3,390.1
ADSL access lines	53.9	38.5	5.6
Total access channels	3,842.0	3,832.9	3,855.2

The rise in ISDN channels and ADSL access lines offset the decline in traditional PSTN access lines, so that the number of access channels as of March 31, 2001 appears almost unchanged compared to the 1st quarter 2000 and even slightly higher as compared to December 31, 2000. Despite increased Internet traffic, the decline in voice-related minutes led to a decrease in minute volume by 5% to 3.8 billion minutes compared to the 1st quarter 2000.

The introduction of seconds-based tariffs for business and residential customers, which did not take place until March 2001 following the regulatory decision in February 2001, did not affect the development of the market share in the 1st quarter 2001. The market share in the fixed line segment (based on minutes including Internet) sank from 63.4% to 60.3% compared with year-end 2000.

Mobile communications:

(in million EUR)	1 st Q 2001	1 st Q 2000	Change in %
Revenues	411.9	339.0	21.5
EBITDA	159.0	119.7	32.8
EBIT	102.3	81.5	25.5

Revenues in the mobile communications business segment increased by 21.5% to EUR 411.9 million in the 1st quarter 2001. This was mainly due to the rise in the number of customers, which was reflected in a 37.5% increase in monthly rental revenues (EUR 83.6 million) as well as in a 7.7% rise in traffic tariff revenues (EUR 173.8 million). Despite lower fees, interconnection revenues rose by 16.9% to EUR 65 million.

EBITDA in the mobile communications segment increased by 32.8% to EUR 159.0 million due to a relatively low rise in operating expenses. Lower fees, declining interconnection expenses, sinking marketing and advertising costs as well as lower material costs led to the reduced expenses. EBIT rose by 25.5% to EUR 102.3 million.

Customer development (in thousands)	March 31, 2001	March 31, 2000	Change in %
Contract customers	1,354.0	1,246.4	8.6
Prepaid customers	1,480.4	1,158.0	27.8
Total customers Mobilkom Austria	2,834.4	2,404.4	17.9
VIP-Net (Croatia)	603.6	228.7	164.0
Si.Mobil (Slovenia)	167.7		
Total customers mobile communications	3,605.6	2,633.1	36.9

In Austria mobile penetration rose from 76.7%, at the end of the year 2000, to 79.7% as of March 31, 2001. As a result of a trend towards market saturation, Mobilkom Austria intensified its focus on contract customers. Compared to prepaid customers, contract customers slightly increased to 47.8% in the 1st quarter 2001. At March 31, 2001 market share in Austria was 43.9%.

In Croatia, VIP-Net's customers increased by 13.6% to over 600,000 in the 1st quarter 2001. Since the penetration rate in Croatia is 27.7%, the Croatian market still offers sufficient potential. In the 1st quarter 2001 the market share of VIP-Net amounted to 51%.

The most recent acquisition in the mobile communications segment - Si.Mobil in Slovenia - achieved customer growth of 28.9% in the 1st quarter 2001, totaling almost 168,000 customers. The penetration rate in Slovenia was 54% at March 31, 2001 and Si.Mobil's market share increased from 13.5% at year-end 2000 to 16% at March 31, 2001.

Data communications

(in million EUR)	1 st Q 2001	1 st Q 2000	Change in %
Revenues	73.6	66.9	10.0
EBITDA	7.9	15.1	-47.7
EBIT	0.0	8.2	-

Revenues in the data communications business segment increased by 10% to EUR 73.6 million, within budgeted plans. There was strong growth in the areas of bundled products and enterprise solutions.

A decline in EBITDA to EUR 7.9 million was particularly attributable to an increase in services received. The new positioning of Datakom Austria as solution provider and network integrator within the Telekom Austria Group went hand in hand with the restructuring of intersegmental relationship within the Group. This led to a rise in prices for the purchase of fixed line services.

Margins in this segment are expected to improve over the rest of the year as a result of the personnel down-sizing measures which Datakom Austria will undertake in the next few months.

Internet

(in million EUR)	1 st Q 2001	1 st Q 2000	Change in %
revenues	18.5	12.9	43.4
EBITDA	-2.3	3.2	-
EBIT	-5.5	3.1	-

Since the beginning of the 1st quarter 2001, the Internet segment has been presented as an individual segment. On June 30, 2000, Telekom Austria AG transferred its entire Internet residential business to Jet2Web Internet Services GmbH. This business segment also comprises the activities of Czech On Line a.s., which was wholly acquired in 2000.

Revenues in the Internet segment were EUR 18.5 million in the 1st quarter 2001. EBITDA was EUR -2.3 million and EBIT was EUR -5.5 million.

In the 1st quarter 2001, Jet2Web Internet intensified its marketing activities focusing on a more comprehensive Internet presence. In the next few weeks the launch of a new portal is going to be a major milestone. Numerous content partnerships were initiated and ORF (the Austria Broadcasting Company) acquired a 2.5% share in Jet2Web Internet in the 1st quarter 2001. Parallel to this, broadband cooperation on the basis of the content provided by ORF began testing.

Customers of Jet2Web Internet	March 31, 2001	March 31, 2000
Customers via dial-up access	303,613	144,549
ADSL customers	49,932	5,647
total	353,545	150,196

Customers increased by more than 20% to over 353,000 compared with December 31, 2000. The number of ADSL customers of Jet2Web Internet alone rose by over 40% to almost 50,000. Jet2Web Internet's market share amounted to 28% at March 31, 2001. Page impressions in March 2001 rose by 35% as opposed to December 2000.

Czech On Line succeeded in increasing subscriber figures from 139,000 in the 1st quarter 2000 to 204,000 in the 1st quarter 2001.

Disclaimer:

This news release 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. Figures contained in this presentation are unaudited.

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Telekom Austria AG
Consolidated Statements of Operations

(in EUR million)	Three months ended	
	March 31,	
	2001	2000
	unaudited	unaudited
Operating revenues	666.8	714.9
Operating expenses		
Materials	-32.2	-24.4
Employees costs, including benefits and taxes	-164.0	-176.8
Idle Workforce	-3.9	0.0
Depreciation and amortization	-221.3	-213.9
Other operating expenses	-254.9	-283.6
Operating (loss) income	-9.5	16.2
Other income (expense)		
Interest income	19.5	19.3
Interest expense	-65.3	-60.4
Dividend income	0.9	0.3
Other, net	-3.9	-15.3
Loss before income taxes and equity in earnings of affiliates	-58.3	-39.9
Equity in earnings of affiliates	72.1	38.3
Income tax expense (benefit)	-3.5	15.6
Net income	10.3	14.0

Consolidated Balance Sheets

(in EUR million)	March 31, December 31,	
	2001 2000	
	unaudited	unaudited
Current assets	1,179.4	991.2
Fixed assets and investments	5,579.7	5,912.8
Other assets	1,317.5	1,231.9
Total assets	8,076.6	8,135.9
Current liabilities	1,902.6	1,872.7
Long term debt	2,274.5	2,353.9
Lease and employee benefit obligations	1,226.8	1,247.5
Deferred income taxes and other	71.2	58.3
Shareholders' equity	2,601.5	2,603.6
Total liabilities and shareholders' equity	8,076.6	8,135.9

Consolidated Cash Flows

(in EUR million)	Three months ended	
	March 31,	
	2001	2000
	unaudited	unaudited
Cash generated from operations	109.3	382.4
Cash used in investing activities	-75.8	-300.2
Cash from (used in) financing activities	-42.4	-129.7
Effect of exchange rate changes	0.0	0.0
Net increase (decrease) in cash and cash equivalents	-8.9	-47.5

Mobilkom Austria AG
Consolidated Statements of Operations

(in EUR million)	Three months ended	
	March 31,	
	2001	2000
	unaudited	unaudited
Operating revenues	411.9	339.0
Operating expenses		
Materials	-57.7	-51.2
Employee costs, including benefits and taxes	-30.3	-22.1
Depreciation and amortization	-56.6	-38.2
Other operating expenses	-164.9	-146.0
Operating income	102.3	81.5
Other income (expense)		
Interest income	4.9	4.5
Interest expense	-10.9	-7.5
Write offs of investments	-0.5	0.0
Other, net	-1.5	0.6
Income before income taxes and minority interests	94.4	79.1
Income tax expense	-133.8	-25.2
Minority Interests	1.9	0.0
Net Income (Loss)	-37.5	53.9

Consolidated Balance Sheets

(in EUR million)	March 31, December 31,	
	2001	2000
	unaudited	unaudited
Current assets	441.9	401.2
Fixed assets and investments	1,358.8	1,172.3
Other assets	260.5	390.5
Total assets	2,061.2	1,964.0
Current liabilities	768.6	482.3
Long term debt	473.7	430.8
Lease obligations	231.0	215.0
Other liabilities	33.0	34.6
Shareholders' equity	554.8	801.4
Total liabilities and shareholders' equity	2,061.2	1,964.0

Consolidated Cash Flows

(in EUR million)	Three months ended	
	March 31,	
	2001	2000
	unaudited	unaudited
Cash generated from operations	63.4	43.8
Cash used in investing activities	-193.2	-75.7
Cash from (used in) financing activities	154.6	-36.2
Effect of exchange rate changes	1.9	0.4
Net increase (decrease) in cash and cash equivalents	26.7	-67.7