



Financial Statements 2001
Telekom Austria AG
(single financial statements according to
Austrian HGB)



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**MANAGEMENT REPORT OF TELEKOM AUSTRIA AG FOR THE PERIOD
OF JANUARY 1 to DECEMBER 31, 2001**

AUDITOR'S OPINION (TRANSLATION)

**TELEKOM AUSTRIA AG SUPERVISORY BOARD REPORT TO THE
GENERAL MEETING**

Balance Sheet as of December 31, 2001

with prior year's comparative figures in thousand Austrian Schillings (TS)

Assets:

	As of 31 Dec,2001 S	As of 31 Dec,2000 TS
A. Fixed assets		
I. Intangible assets		
Concessions, industrial property rights and similar rights	568.540.666,48	509.842
II. Property, plant and equipment		
1. Land, similar rights and buildings including buildings on non-owned land	6.700.572.473,99	7.427.483
2. Technical plants and machinery	51.682.344.912,06	57.898.201
3. Other plants, furniture and fixtures	1.035.207.820,92	1.147.617
4. Assets under construction	1.204.734.650,34	1.176.743
	60.622.859.857,31	67.650.044
III. Financial assets		
1. Investments in affiliated companies	9.945.956.560,98	12.574.214
2. Investments	165.791.141,83	694.399
3. Securities	4.300.049,72	0
4. Other loans	2.232.935.346,05	0
	12.348.983.098,58	13.268.613
	73.540.383.622,37	81.428.499
B. Other assets		
I. Inventories		
1. Raw material and supplies	649.073.325,03	778.943
2. Merchandise	89.049.094,43	170.057
3. Services not yet chargeable	67.205.071,95	110.915
	805.327.491,41	1.059.915
II. Accounts receivable		
1. Accounts receivable from trade	5.314.516.773,14	6.521.889
2. Accounts receivable from affiliated companies	3.020.401.291,46	2.026.985
3. Accounts receivable from associated companies	2.355.414,02	11.550
4. Other receivables and assets	867.846.801,06	2.478.627
	9.205.120.279,68	11.039.051
III. Securities	102.475.762,35	66.943
IV. Cash on hand and in banks	242.399.262,43	96.842
	10.355.322.795,87	12.262.751
C. Prepaid expenses	217.897.465,99	129.300
	84.113.603.884,23	93.820.550

Liabilities and Shareholders' equity

	As of 31 Dec, 2001 S	As of 31 Dec, 2000 TS
A. Shareholders' equity		
I. Common stock	15.005.607.150,00	15.005.607
II. Additional paid-in capital appropriated	12.918.357.322,27	14.201.632
	27.923.964.472,27	29.207.239
B. Untaxed reserves		
Other untaxed reserves	2.639.019.492,18	3.770.157
C. Accruals		
1. Accrued severance payments	34.077.000,00	4.316
2. Deferred income taxes	150.276.575,00	431.507
3. Other accruals	1.599.563.691,41	2.889.189
	1.783.917.266,41	3.325.012
D. Liabilities		
1. Bonds	3.435.129.375,00	4.312.594
2. Bank loans and overdrafts	29.334.050.598,03	34.108.255
3. Advance payments received	6.655.872,67	8.394
4. Accounts payable from trade	5.220.100.324,89	6.033.765
5. Accounts payable to affiliated companies	9.876.623.787,25	11.496.238
6. Accounts payable to associated companies	65.156.884,12	2.068
7. Other liabilities	2.417.400.961,39	187.430
Thereof due to taxes: S 825.951,86; prior year: TS 315		
Thereof due to social security: S 30.689.199,15;		
Prior year: TS 0		
	50.355.117.803,35	56.148.744
E. Deferred income	1.411.584.850,02	1.369.398
	84.113.603.884,23	93.820.550
Contingent liabilities	18.027.785.366,96	12.027.071

Profit and Loss Accounts for the Business Year 2001

with prior year's comparative figures in thousand Austrian Schillings (TS)

	1 Jan – 31 Dec, 2001		2000	
	S	S	TS	TS
1. Net sales		32.604.006.412,24		35.673.256
2. Change in work in progress and services not yet chargeable		-43.710.117,79		45.573
3. Own work capitalized		512.013.825,41		929.348
4. Other operating income				
a) Gain from disposal of fixed assets excluding financial assets	66.814.062,23		31.572	
b) Income from reversal of accruals	540.615.116,29		597.359	
c) Sundry	1.634.579.226,08	2.242.008.404,60	1.861.735	2.490.666
5. Cost of materials and services received				
a) Cost of materials	-979.436.672,63		-1.284.861	
b) Cost of services	-10.249.816.487,49	-11.229.253.160,12	-12.200.247	-13.485.108
6. Personnel expenses				
a) Salaries	-219.827.490,12		-6.834.559	
b) Expenses for severance payments	-16.334.978,88		-11.463	
c) Expenses for pensions	-18.980.275,20		0	
d) Expenses for statutory social security and payroll related taxes and contributions	-24.429.510,44		-900.132	
e) Other social benefits	-16.723.327,73	-296.295.582,37	-44.674	-7.790.828
7. Depreciation of intangible assets, property, plant and equipment		-11.358.476.725,30		-11.516.289
Thereof: extraordinary depreciation of fixed assets according to § 204 Abs 2 HGB: S 346.433.268,89; prior year: TS 29.522				
8. Other operating expenses				
a) Taxes	-90.625.234,59		-157.679	
b) Other	-12.630.538.882,19	-12.721.164.116,78	-11.106.593	-11.264.272
9. Subtotal from line 1 to 8		-290.871.060,11		-4.917.654
10. Income from investments		3.416.197.501,47		1.580.675
thereof from affiliated companies: S 3.381.930.540,56; prior year: TS 1.252.822				
11. Income from other securities and loans of financial assets		0,00		2.534
12. Other interest and similar income		96.171.085,82		154.483
Thereof from affiliated companies: S 14.807.495,53; Prior year: TS 68.910				
13. Income from disposal of financial assets		44.078.823,26		7.210
14. Expenses for financial assets and short-term securities		-3.273.354.924,55		-738.073
Thereof depreciations: S 2.703.770.319,33				
15. Interest and similar expenses		-2.572.860.721,07		-2.583.514
Thereof for affiliated companies: S 462.003.737,31; Prior year: TS 314.018				
16. Subtotal from line 10 to 15		-2.289.768.235,07		-1.576.685
17. Ordinary business result		-2.580.639.295,18		-6.494.339
18. Extraordinary expenses = extraordinary result		0,00		-65.000
19. Income taxes		166.226.876,07		297.916
Less: income from tax refunds:	-1.620.123,93		38.394	
Less: income from reversal of deferred tax liabilities	167.847.000,00		259.522	
20. Net loss for the year		-2.414.412.419,11		-6.261.423
21. Reversal of untaxed reserves		1.131.137.564,88		950.817
22. Reversal of additional paid-in capital		1.283.274.854,23		2.128.503
23. Reversal of capital reserves		0,00		60
24. Allocation to untaxed reserves		0,00		-636.378
25. Profit carried forward from prior year		0,00		3.818.421
26. Net loss		0,00		0

**Notes
for the business year 2001**

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1. Preliminary statements

In accordance with the ÖIAG Act 2000 (ÖIAG-Gesetz 2000) the provisions concerning affiliated companies of sect. 228 subsect. 3 HGB (Handelsgesetzbuch - Commercial Code) are not applicable. Therefore only direct and indirect subsidiaries and equity investments are classified as affiliated companies of Telekom Austria Aktiengesellschaft where the requirements of Sect. 228 subsect. 3 HGB are met.

2. Accounting principles

2.1. General Principles

The annual financial statements was made in conformity with generally accepted accounting principles in Austria and in compliance with the general rule to give in all material respects as much as possible a true and fair view of the financial position and operational results of the Company.

The principle of completeness was maintained in the preparation of the annual financial statements.

The principle of single asset evaluation was observed in the valuation of individual assets and liabilities; the going concern principle was assumed.

The principle of prudence was observed in so far as only those profits actually realized on the balance sheet date are recognized. All recognizable risks and contingent losses were taken into account.

The statements of operations were prepared in accordance with the "expense format". The data presented in the notes are in thousand Austrian shillings (ATS '000s omitted). The balance sheet date is December 31.

2.2. Changes in accounting principles

Assets with single acquisition cost of up to ATS 5' were expensed as incurred on principle in the year of acquisition in accordance with Sect. 13 EStG (Einkommensteuergesetz - Income Tax Act). From the business year 2000 onwards, ADSL modems have been excluded from this immediate write-off for the first time and are amortized over a useful life of 3 years.

2.3. Fixed assets

Intangible assets are valued at cost less depreciation following the straight line method. A period from 4 to 10 years was set for useful lives, fixed line rights are amortized over the term of the agreements. In the year 2001, software licenses were subject to non-scheduled amortization in the amount of ATS 27,458'.

Property, plant and equipment were valued at cost less accumulated depreciation. Besides direct costs also pro rata overheads - but neither social security costs within the meaning of Sect. 203 Subsect. 3 HGB nor directly attributable interest on borrowed capital - are included in the production costs for self-constructed plant and equipment. The remaining useful life for the assets of the copper long-distance traffic cable network was reduced until the end of 2004 as a result of the planned phasing out. Depreciation thus increased up to ATS 75,846'.

Scheduled depreciation was calculated by applying the straight line method on the basis of the following useful life and depreciation rates:

	useful life in years	depreciation rate in %
Buildings	20 – 50	2 – 5
Technical plant and building construction	3 – 20	5 – 33
Tools, measuring and testing equipment	5 – 10	10 – 20
Computer equipment	4 – 5	20 – 25
Vehicle fleet	4 – 8	12,5 – 25
Social and office equipment	10	10
Office machinery and other small machines	5	20

Full annual depreciation was calculated for the additions in the 1st half-year in accordance with Sect. 7 Subsect. 2 EStG and half the annual depreciation for additions of the 2nd half year. With the exception of low value tools measuring and testing equipment and ADSL modems, low value assets (single acquisition cost up to ATS 5') were expensed as incurred in the year of acquisition in accordance with Sect. 13 EStG. In the development schedule of the fixed assets they are shown as additions and retirements. In the opening balance sheet of May 1, 1996 a constant value was set for office and fittings in customer reception areas, small non-motorized vehicles, as also for the processing and office machinery used by Telekom

Austria Aktiengesellschaft. A constant value inventory was carried out in the business year 2001. Due to the inventory, count asset retirements were recorded totaling ATS 45,848'. The constant value totaling ATS 123,682' now includes office equipment only in accordance with Sect. 209 subsect. 1 HGB.

Non-scheduled depreciation of ATS 318,975' (31.12.2000: ATS 29.522') was recorded for fixed assets for the business year 2001.

Following the conclusion of several sales contracts the Company sold digital switching equipment to several US trusts in 1998 and 1999. These assets were then later leased back by Telekom Austria Aktiengesellschaft on the basis of leasing contracts. Telekom Austria Aktiengesellschaft is entitled to re-purchase the assets at a contractually fixed price after the expiry of approx. 10 years.

The Company leased digital switching equipment to a US trust upon conclusion of a leasing contract on December 28, 2001. The Company leased back these equipment items on the basis of leasing contracts. Telekom Austria Aktiengesellschaft remains beneficial owner of the assets.

Cross border lease transactions for 1998, 1999 and 2001 are recognized in the annual financial statements of December 31, 2001 as follows:

1. The gain on the sale of a tax benefit of 67.4 million USD (thereof 46.9 million USD from 1999 and 7.7 million USD from 1998) is recognized in the deferred income and is reversed over a term of about 10 years pro rata temporis and shown as interest income, amounting to 64,9 million ATS in 2001 (2000: 64.9 million ATS).
2. The total of not yet redeemed leasing obligations that can be set-off with the payments from the headlease based on the "Payment Undertaking Agreements", is recognized as contingent liabilities, that is ATS 13,823,804' (31.12.2000: ATS 12,027,071').
3. The amount of not yet redeemed leasing obligations that are not set-off with the payments from the headlease is recognized as a leasing obligation among Other liabilities.
4. The up-front rental payments from the headlease that as a result of the Payment Undertaking Agreements cannot be set-off with the leasing obligation are recognized as a loan in the fixed assets.

5. The leasing obligation and the up-front rental payments from the headlease together form a valuation unit.

The share in affiliated companies, equity investments and securities of the fixed assets are stated in principle at cost. Non-scheduled depreciation is effected when the fair value on the balance sheet date is lower than the carrying amount and the impairment is considered not to be only temporary. Non-scheduled depreciation of ATS 2,703,770' (31.12.2000: ATS 676,238') was recorded in the business year 2001.

2.4. Other assets

Inventories are valued at cost applying the lower of cost or market principle. The value of the stock is determined on the basis of the weighted average cost.

Depreciation was necessary particularly as a result of decreased market prices on the balance sheet date due to limited negotiability and excessive storage periods.

Services not yet invoiced are recorded at production cost. The production cost includes the direct material and manufacturing costs as well as reasonable parts of the material and manufacturing overheads.

Receivables and other assets are reported at nominal value as long as in cases of recognizable individual risk not the lower fair value is recorded. Specific and general valuation allowances are set up to cover general credit risk. The later maturity of receivables is taken into account through the discount rate as required.

Foreign currency receivables are stated at the average exchange rate applicable on the transaction date or at the lower average exchange rate on the balance sheet date. Receivables due from European Monetary Union member states were recorded in accordance with Sect. 6 EuroJuBeG (Eurojustizbegleitgesetz – Act on introductory actions by judiciary regarding the Euro) at the irrevocably fixed euro exchange rates as of December 31, 1998.

Foreign interconnection receivables were set against liabilities per carrier, the resulting balance was recorded in accordance with the lower of cost or market principle.

2.5. Prepaid expenses

In this item prepaid expenses and deferred financing costs that were capitalized in the opening balance sheet as of May 1, 1996 are shown; these are reversed ratably with effect on income over the term.

2.6. Accruals

Accruals for severance pay are set up for the statutory and contractual claims of management as also for those employees retransferred from Telekom Austria Personalmanagement GmbH by December 31, 2001. The calculation is made in accordance with the principles of financial mathematics using the entry age normal method and on the basis of an interest rate of 4 % and also a fluctuation deduction of 4 %.

The other accruals were set up in the amount of the expected utilization taking into account all foreseeable risks and liabilities of a not yet determined amount.

2.7. Liabilities

Liabilities are recorded at their repayment amount considering the principle of prudence. Foreign currency liabilities are recorded at the average exchange rate on the balance sheet date, unless the carrying amount is lower. Foreign interconnection, receivables were set against liabilities, the resulting balance was recorded in accordance with the higher value principle.

Liabilities due to European Monetary Union member states were recorded in accordance with Sect. 6 EuroJuBeG to the irrevocably fixed euro exchange rates of December 31, 1998.

3. Balance sheet notes

3.1. Fixed assets

The development of individual items of the fixed assets and the breakdown of annual depreciation to individual items is reported in the fixed assets movement schedule (Attachment 1).

In property, plant and equipment the value of land for property is stated at ATS 863,282' (31.12.2000: ATS 865.947').

Affiliated companies and equity investments of Telekom Austria Aktiengesellschaft with equity of at least 20 %:

Name and corporate seat of the company	Share in capital as of 31.12.2001 %	Book equity as of 31.12.2001 ATS (‘000 omitted)	Net income/ net loss 2001 ATS (‘000 omitted)
Affiliated companies			
Mobilkom Austria AG & Co KG, Vienna	75.0 ¹	16,132,134 ²	4,013,038
Mobilkom Austria AG, Vienna	75.0	1,445	69
Datakom Austria GmbH, Vienna ³	100.0	980,655 ²	350,219
Österreichische Fernmeldetechnische Entwicklungs- and Fördergesellschaft mbH, Vienna	100.0	9,330	1,996
Telekom Beteiligungs- and Entwicklungs GmbH, Vienna	100.0	1,362	881
Telekom Austria Personalmanagement GmbH, Vienna ³	100.0	4,912	254,727
Jet2Web Internet Services GmbH, Vienna	97.5	98,150	-606,331
Jet2Web Net Internet Betriebs GmbH, Vienna	100.0	241	-20
Jet2Web Network Services GmbH, Vienna ³	100.0	1,052	31,920
Czech On Line a.s., Prague ⁴	100.0	47,671	-19,164
Output Service GmbH, Vienna	100.0	682	0
Telekom Building Systems GmbH, Vienna	100.0	14,512	4,549
Other investments			
Omnimedia Werbegesellschaft mbH, Vienna	26.0	36,417 ⁵	29,149
Herold Business Data AG, Mödling ⁶	26.0	209,406	96,886

1 75 % less one share

2 including untaxed reserves

3 The result for this period was recorded by Telekom due to the transfer contract

4 Values in accordance with US-GAAP package, local column

5 Balance sheet date 30.6.2001

6 Values in accordance with US-GAAP package

3.2. Receivables and other assets

	31.12.2001		31.12.2000	
	with a maturity of		with a maturity	
	up to 1 year	over 1 year	up to 1 year	over 1 year
	ATS	ATS	ATS	ATS
	('000 omitted)	('000 omitted)	('000 omitted)	('000 omitted)
Trade receivables	5,314,517	0	6,521,889	0
Receivables from affiliated companies	2,772,715	247,686	1,986,222	40,763
Receivables from companies in which the company has a participating interest	2,355	0	11,550	0
Other receivables and assets	756,317	111,530	2,335,530	143,097
	<u>8,845,904</u>	<u>359,216</u>	<u>10,855,191</u>	<u>183,860</u>

Receivables due from affiliated companies include trade receivables in the amount of ATS 1,254,655' (31.12.2000: ATS 443,659') and other receivables in the amount of ATS 1,765,746' (31.12.2000: ATS 1,583,326'). Receivables due from companies in which the company has a participating interest include trade receivables in the amount of ATS 2,355' (31.12.2000: ATS 9,307') and other receivables in the amount of ATS 0 (31.12.2000: ATS 2,243').

The other receivables and assets include deferred interest in the amount of ATS 151,802' (31.12.2000: ATS 160,127') as substantial income that will first affecting payment after the balance sheet date.

At the end of the year a global valuation allowance for trade receivables amounting to ATS 44,840' (31.12.2000: ATS 66,823') was set up.

3.3. Prepaid expenses

Prepaid expenses consist principally of deferrals in connection with the stock option plan, from insurance and rental costs as also financing costs. The total sum of unamortized financing costs amounted to ATS 6,337' (31.12.2000: ATS 13,064') as of December 31, 2001.

3.4. Stockholders' equity

The common stock of Telekom Austria Aktiengesellschaft amounts to EUR 1,090,500' (ATS 15,005,607') and is split into 500,000,000 no-par shares. ÖIAG holds 47.8 % and STET International Netherlands N.V. 29.8 % of the shares. 22.4 % of the shares are widespread held stock.

3.5. Untaxed reserves

Investment allowances pursuant to Sect. 10 EStG

	as of 1.1.2001	release from retirement to group	release	as of 31.12.2001
from the year	ATS (‘000 omitted)	ATS (‘000 omitted)	ATS (‘000 omitted)	ATS (‘000 omitted)
1996	592,993	0	499,991	93,002
1997	1,131,109	773	594,606	535,730
1998	739,843	120	14,726	724,997
1999	670,742	498	8,183	662,061
2000	635,470	805	11,436	623,229
	<u>3,770,157</u>	<u>2,196</u>	<u>1,128,942</u>	<u>2,639,019</u>

The untaxed reserves of Telekom Austria Aktiengesellschaft are exclusively investment allowances pursuant to Sect. 10 EStG.

3.6. Accrued liabilities

The accrued tax liabilities as per December 31, 2001 largely relate to municipality dues and payroll-related taxes. The accrued liability for deferred taxes was consumed in this business year. Pursuant to commercial law provisions a capitalization of deferred taxes going beyond was not permitted in the loss situation.

The other accrued liabilities include provisions as:

	31.12.2001 ATS (('000 omitted)	31.12.2000 ATS (('000 omitted)
Customer discounts	747,799	952,844
Outstanding purchase invoices	394,247	836,826
Exit costs	0	340,000
Employees	83,210	9,022
Other	374,308	750,497
	<u>1,599,564</u>	<u>2,889,189</u>

3.7. Accounts payable

	31.12.2001 maturity		
	up to 1 year ATS (('000 omitted)	from 1 to 5 years ATS (('000 omitted)	over 5 years ATS (('000 omitted)
Bonds	1,060,129	2,375,000	0
Bank loans and overdrafts	4,717,443	19,792,559	4,824,049
Customer advances	6,656	0	0
Trade payables	5,219,061	1,005	34
Payables to affiliated companies	3,554,290	6,322,334	0
Payables to companies in which the company has a participating interest	65,157	0	0
Other liabilities	88,637	494,491	1,834,273
	<u>14,711,373</u>	<u>28,985,389</u>	<u>6,658,356</u>

	31.12.2000 maturity		
	up to 1 year ATS (('000 omitted)	from 1 to 5 years ATS (('000 omitted)	over 5 years ATS (('000 omitted)
Borrowing	937,594	3,375,000	0
Bank loans and overdrafts	5,798,193	17,327,335	10,982,727
Customer advances	8,394	0	0
Trade payables	6,013,494	20,247	24
Payables to affiliated companies	5,570,103	5,926,135	0
Payables in which the company has a participating interest	2,068	0	0
Other liabilities	99,508	87,923	0
	<u>18,429,354</u>	<u>26,736,640</u>	<u>10,982,751</u>

Payables due to affiliated companies of Telekom Austria Aktiengesellschaft are trade payables in the amount of ATS 832,829' (31.12.2000: ATS 673,466') and other liabilities including cash pooling ATS 9,043,795' (31.12.2000: ATS 10,822,771'). Payables in which the company has a participating interest include trade payables in the amount to ATS 64,299' (31.12.2000: ATS 2,068') and other payables in the amount of ATS 858' (31.12.2000: ATS 0').

3.8. Other financial commitments

	31.12.2001 ATS (^{'000 omitted})	31.12.2000 ATS (^{'000 omitted})
Bank guarantee for credits of Mobilkom International GmbH & Co KEG	4,196,892	0
Order obligations for investments	327,000	522,354 ⁷
Cross border obligation	13,823,804	12,027,071
Repurchase commitment for corporate shares	180,000	180,000
Rents and leasing in subsequent year ⁸	502,552	606,007
Rental and leasing in the subsequent 5 years ⁸	2,008,783	2,348,939
Liability for Jet2Web Network Services GmbH	1,376	0
Bank liability	5,714	0
	<u>21,046,121</u>	<u>15,684,371</u>

⁷ statistical survey, partially estimated

⁸ The sum was in part established in the form of a projection

4. Notes on the consolidated statement of operations

4.1. Revenue

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Voice	17,653,566	21,262,133
Interconnection/International Carrier	8,765,443	8,599,733
Leased lines	3,854,591	3,885,970
Terminal equipment	1,334,218	1,454,044
Pay phones	772,381	914,761
Value added services	476,432	612,263
Information services	386,656	284,174
Telekom projects	92,040	93,806
Online services	75,436	178,795
Satellite services	55,274	54,255
Revenue from services	40,625	310,291
Other	40,828	78,564
Revenue curtailment	-943,484	-2,055,534
	32,604,006	35,673,255

4.2. Other operating income

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Gain from retirement of fixed assets with the exception of financial assets	66,814	31,572
Income from the release of accrued liabilities	540,615	597,359
Other	1,634,579	1,861,735
	2,242,008	2,490,666

Other operational income are as follows:

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Income from affiliated companies	713,482	628,187
Income from previous periods	213,439	282,676
Proceeds commissions Mobilkom	184,315	190,829
Income from rent and leasing	150,011	138,529
Exchange gains	88,607	171,140
Settlement of damages claims	87,304	87,489
Other sales revenues	80,339	55,590
Income from reminder fees	50,731	60,570
Income from the release of valuation allowances	21,982	11,725
Public reimbursements	21,308	120,634
Advertising income	0	91,900
Other	23,061	22,467
	<u>1,634,579</u>	<u>1,861,736</u>

4.3. Expenses for material and other cost of purchased manufacturing services

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Material costs	979,437	1,284,861
Costs of services received	10,249,816	12,200,246
	<u>11,229,253</u>	<u>13,485,107</u>

4.4. Staff costs

Staff costs are as follows:

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Salaries	219,827	6,834,559
Expenses for severance pay	16,335	11,463
Expenses for pension funds	18,980	0
Expenses for statutory social security contributions as also for pay related dues and compulsory contributions	24,430	900,132
Other social expenses	16,723	44,674
	<u>296,295</u>	<u>7,790,828</u>

The entire staff of Telekom Austria Aktiengesellschaft – with the exception of management – was transferred to Telekom Austria Personalmanagement GmbH as of the closing date June 30, 2000. In the third quarter of 2001 a phased transfer back was made of a total of 634 staff from Telekom Austria Personalmanagement GmbH to Telekom Austria Aktiengesellschaft. There is thus no basis of comparison with the previous year. The staff costs charged by Telekom Austria Personalmanagement GmbH to Telekom Austria Aktiengesellschaft are included in the items "other operating expenses" as purchased external services.

The average number of employees during the business year is as follows:

	<u>2001</u>	<u>2000</u>
Civil servants	0	12,242
Employees	142	3,337
Apprentices	0	219
	<u>142</u>	<u>15,798</u>
Corresponding full-time staff	<u>142</u>	<u>15,227</u>

In the course of the business year 1 member of staff (2000: 440 member of staff) was on long-term leave.

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Remuneration for management	21,776	20,278
Remuneration for former management members	0	1,622
Remuneration for members of the Supervisory Board	1,858	2,330
	<u>23,634</u>	<u>24,230</u>

4.5. Expenses for severance pay

The expenses for severance pay are comprised as follows:

	2001 ATS (‘000 omitted)	2000 ATS (‘000 omitted)
Management	1,526	5,688
Executives	803	0
Other employees	14,006	5,775
	<u>16,335</u>	<u>11,463</u>

4.6. Depreciation and amortization of fixed assets

In the fixed assets of the Telekom Austria Aktiengesellschaft value added tax is capitalized that was amortized in the business year in the amount of ATS 60,221' (2000: ATS 76,342'). The reimbursement of value added tax pursuant to Sect. 12 Subsect. 10 and Subsect. 11 UStG (Umsatzsteuergesetz - Turnover Tax Act) are set off against the depreciation in the same amount.

The details on depreciation are in the exhibit "development of fixed assets".

4.7. Other operating expenses

	2001 ATS (<u>'000 omitted</u>)	2000 ATS (<u>'000 omitted</u>)
Other operational taxes	90,625	157,679
Other	12,630,539	11,106,592
	<u>12,721,164</u>	<u>11,264,271</u>

Losses from the retirement of fixed assets of ATS 602,604' (2000: ATS 557,392') are included in other operating expenses.

4.8. Income from investments

The income from investments includes dividends in the amount of ATS 1,554,729' for the year 2000 from Mobilkom Austria AG, withdrawals in the amount of ATS 278,610' in the year 2000 from Mobilkom Austria AG & Co KG and withdrawals in the amount of ATS 909,107' in the year 2001 from Mobilkom Austria AG & Co KG. The taxable result (on a pro rata temporis basis) of Mobilkom Austria AG & Co KG for the year 2000 was ATS 818,781' and for the year 2001 ATS 2,601,218'.

4.9. Income taxes

	2001 ATS (<u>'000 omitted</u>)	2000 ATS (<u>'000 omitted</u>)
Corporate income tax	0	0
Corporate income tax previous periods	1,620	-38,394
Deferred taxes	<u>-167,847</u>	<u>-259,521</u>
	<u><u>-166,227</u></u>	<u><u>-297,915</u></u>

The deferred taxes relate to differing carrying amounts of assets in the commercial and tax balance sheet or their changes in the previous business years. For explanation see item 3.6.

The tax effective release in the amount of ATS 52,139' (Telekom Austria Aktiengesellschaft) and ATS 1,826' (Datakom Austria GmbH) of untaxed reserves results in an income tax burden in the amount of ATS 18,348'.

5. Other statements

Stock Option

On October 4, 2000 the shareholders of Telekom Austria Aktiengesellschaft approved a stock option plan. Under this plan the Company granted a total of 2,071,014 options each of which entitle eligible grantees upon exercise of the option to receive at their choice either cash equal to the difference between the average quoted price for Telekom stock during the five trading days preceding the exercise and the IPO price of EUR 9 or shares at an exercise price of EUR 9. One option is convertible into one share. The options granted may be exercised on specific dates between May 31, 2002 and February 27, 2004, as long as the average share price during the five days prior the exercise exceeds the initial public offering price by 30 % or more.

In order to be able to service the share options granted on the one hand and to hedge the risk of a price increase on the other, TA has itself purchased an option from Merrill Lynch. This option expires on February 27, 2004. Contrary to the option granted, this option may be exercised at any time within this period independent of the quoted share price.

The purchase costs of the option were capitalized as marketable securities and valued on the balance sheet date. An accrual for personnel expenses has been set up at the same amount of ATS 79,355'. Personnel expenses are to be deferred for the duration of the share option. New options have neither been granted nor exercised in the year 2001.

6. Members of Management Board and the Supervisory Board

Management Board:

CEO Heinz Sundt		(Chairman of the Board)
Deputy CEO Dr. Stefano Colombo		(Deputy Chairman of Management)
Ing. Mag. Rudolf Fischer		
Dr. Heinz Alois Brasic	until 10.4.2001	

Consortium partners:

ÖIAG (represented by Dr. Peter Michaelis)
Telecom Italia (represented by Dr. Marco De Benedetti)

Supervisory Board:

Dr. Peter Michaelis	from 28.6.2001	(Chairman of the Supervisory Board)
Dr. Johannes Ditz (Chairman)	until 28.6.2001	
Dr. Edith Hlawati	from 28.6.2001	(Deputy Chairman)
Prof. DI Dr. Rudolf Streicher (Dep. Chair.)	until 28.6.2001	
Ing. Oscar Cicchetti	until 28.6.2001	
Dr. Enzo Badalotti	from 28.6.2001	
Gerhard Zeiler		
Dr. Günther Chaloupek		
Mag. Dr. Stephan Koren		
Dr. Giulia Nobili	until 28.6.2001	
Dr. Marco De Benedetti	from 28.6.2001	
GD DI Otto G. Zich		
Robert Sulzbacher	until 30.4.2001	
Helmut Hospodar		
Josef Ebner	until 7.6.2001	
Ing. Karl-Heinz Muik		
Wilhelm Eidenberger	from 30.4.2001	
Erich Huhndorf	from 7.6.2001	

Vienna, March 1, 2002

The Board

CEO Heinz Sundt

Deputy CEO Dr. Stefano Colombo

Ing. Mag. Rudolf Fischer

Telekom Austria Aktiengesellschaft, Vienna, Austria

	1 Jan,2001	purchase/construction costs			31 Dec,2001	accumulated	Book values		Depreciation
		additions	disposals	changes		depreciations	31 Dec,2001	31 Dec,2000	Fiscal year
	TS	TS	TS	TS	TS	TS	TS	TS	2001
									TS
I. Intangible assets									
Concessions, industrial property rights and similar rights	979.278	308.914	5.277	3.516	1.286.431	717.890	568.541	509.842	253.302
II. Property, plant and equipment									
1. Land, similar rights and buildings including buildings on non-owned land	9.708.675	162.346	126.107	43.217	9.788.131	3.087.559	6.700.572	7.427.483	827.311
2. Technical plants and machinery	99.060.483	3.303.828	1.886.307	986.815	101.464.819	49.782.474	51.682.345	57.898.201	9.941.968
3. Other plants, furniture and fixtures	2.604.258	425.613	319.729	4.845	2.714.987	1.679.779	1.035.208	1.147.617	455.896
4. Assets under construction	1.176.743	1.069.584	3.199	-1.038.393	1.204.735	0	1.204.735	1.176.743	0
	112.550.159	4.961.371	2.335.342	-3.516	115.172.672	54.549.812	60.622.860	67.650.044	11.225.175
III. Financial assets									
1. Investments in affiliated companies	12.574.468	75.513	0	0	12.649.981	2.704.024	9.945.957	12.574.214	2.703.770
2. Investments	1.370.665	58.422	1.263.268	0	165.819	28	165.791	694.399	0
3. Securities	0	4.300	0	0	4.300	0	4.300	0	0
4. Other loans	0	2.233.124	189	0	2.232.935	0	2.232.935	0	0
	13.945.133	2.371.359	1.263.457	0	15.053.035	2.704.052	12.348.983	13.268.613	2.703.770
	127.474.570	7.641.644	3.604.076	0	131.512.138	57.971.754	73.540.384	81.428.499	14.182.247
Less: reversal of provision for depreciation	0	0	0	0	0	0	0	0	-120.000
	127.474.570	7.641.644	3.604.076	0	131.512.138	57.971.754	73.540.384	81.428.499	14.062.248

Exhibit 1

Management Report of Telekom Austria Aktiengesellschaft for the Period of January 1 to December 31, 2001

1. Business Developments

Like previous years in the telecommunications sector, the year 2001 was marked by competition for market shares, a struggle which, in the long run, only companies with a strong financial basis will be able to win. It was also marked by gradual price reductions and decreasing margins. Due to the asymmetric regulation of the sector intentionally introduced in the year 1997 as well as keen competition on the part of alternative providers, Telekom Austria has been forced to restructure itself in order to improve its competitiveness. Moreover, measures have been taken toward making the company more customer-oriented and more efficient, thus rendering it more profitable.

Along with its subsidiaries, in particular Mobilkom Austria AG & Co KG, Datakom Austria GmbH and Jet2Web Internet Services GmbH, Telekom Austria AG provides its customers with a wide variety of products and services. The strategy of offering voice, data, multi-media and content communication services with the aid of modern broadband technologies under the brand name "Jet2Web" has already proven its worth. As a main thrust in its marketing activities in the year 2001, Telekom Austria continued to emphasize its position as the only reliable provider for all customer groups, bearing a special responsibility toward them on account of its singular legal obligation to provide universal service.

In the wake of the complete liberalisation of the Austrian telecommunications sector in the year 1998, alternative fixed telephone providers entered the market and their number has continued to increase on up until today. The Telecommunications Act ("Telekommunikationsgesetz" TKG), along with a number of ancillary ordinances issued since, intentionally regulates the market asymmetrically, primarily providing fledgling providers with easy access to the market, prohibiting cross-subsidisation, committing Telekom Austria AG to provide universal service (an obligation which only applies to it at present) and regulating terms for interconnecting networks.

Since 1999 the conditions under which the company operates have been strongly affected by decisions taken by the Rundfunk und Telekom Regulierungs-GmbH (RTR-GmbH – Austrian Regulatory Authority for Telecommunications and Broadcasting) on the question of whether fixed and mobile telephone providers have attained a dominant market position. In June 1999 it was established that Telekom Austria AG dominated the market in the area of fixed voice telephone network, and leased lines while the same was established for the area of interconnection in July 1999 and 2000. Rundfunk und Telekom Regulierungs-GmbH passed decisions on the issues of: interconnection; unbundling the local loop; indirect interconnection of networks; number portability; carrier pre-selection; special and value-added services; special regulations for interconnecting networks; access to internet service providers. Further regulatory proceedings addressing the above-mentioned issues are pending at present. Pending or imminent legal proceedings concern regulatory decisions for the most part.

For Telekom Austria AG the year 2001 was characterised mainly by implementing the restructuring of the company and by consolidating its market lead. During the year Telekom Austria AG launched a major market offensive. The primary goal was to limit future losses of market shares in the area of fixed network telephone. In the course of the year 2001 the rate at which Telekom Austria AG lost market shares in the area of fixed network telephone was seen to slow down. At the end of December 2001 its market share in the area of voice and data traffic was 56.2 %.

Telekom Austria AG's main competitors, having marked their entry into the market in 1998 with inexpensive offers for business customers, have since 1999 been focussing on acquiring private customers; in the meantime they have achieved a significant market position in this sector. Telekom Austria AG has opposed this trend by means of attractive optional tariffs and special offers on tariffs. In particular, Telekom Austria AG introduced a number of new business and private tariffs (i.e. the so-called "Tik Tak" tariffs) in 2001 which provide customers with savings of approximately 30 % due to charging calls down to the second. These new tariffs have found good market acceptance, a fact evidenced by 225,000 subscribers changing to the new Tik Tak tariffs by year's end.

New fees for leased lines have been in effect since September 1, 2001, entailing price reductions of up to 43 %. A study by the EU Commission shows that with these new tariffs for leased lines Telekom Austria AG is one of the most inexpensive telecommunications companies in all of Europe.

At the end of the year 1999 Telekom Austria AG became one of the first providers in Europe to offer ADSL technology. A means of fast access to the internet, this type of connection continued to enjoy a tremendous growth rate in 2001. By the end of December 2001, 100,600 ADSL customers had been connected to their network.

The ADSL services offered by Telekom Austria AG at present allow transmission rates of up to 10 times that of comparable analogue modems.

Not only does this new platform allow the most reasonably-priced access to ADSL available today, in the future it may be enhanced to become a multi-service platform. Thus, all pre-conditions have been met for it to develop to SHDSL and VDSL.

In the year 2001 Telekom Austria AG remained the leading provider of telecommunications services in Austria with a turnover of 32,604.0 million ATS.

2. Equity Interests

Telekom Austria AG's two most important equity interests, Mobilkom Austria AG & Co KG and Datakom Austria GmbH, continued to exert a decisive influence on the condition of the financial results and operations of the company in 2001.

During the first quarter of 2001, Mobilkom Austria AG was transformed into a partnership, Mobilkom Austria AG & Co KG. This change took effect retroactively 30 June 2000 and, as a result, the company is no longer a taxable entity. Thus, Mobilkom Austria's tax results are directly reported in the partners' tax returns.

Mobilkom Austria AG & Co KG provides services in the area of mobile communication. In the year 2001 it achieved a net income of 4,013.0 million ATS.

Mobilkom Austria AG & Co KG continues to lead the market in mobile communication. As of 31 December 2001 approx. 4 million subscribers, including customers of subsidiaries, were registered in the mobile network. At year's end Mobilkom Austria held a 42.9 % share in the market.

The interest of Mobilkom Austria AG & Co KG in its Croatian subsidiary VIPnet GSM d.o.o. was increased from an original 61.0 % to 66.0 % in October of 2001. In 2001 VIPnet continued to maintain its position as leader in the Croatian GSM market.

In the course of its business year 2001, Mobilkom Austria AG & Co KG through several step acquisitions acquired interest in Si.mobil d.d., Ljubljana. As of 31 December 2001 the Mobilkom group held an interest of 75 % plus one share in this company. In addition, the Mobilkom group has the right, as well as the obligation, to purchase the rest of the shares from the remaining shareholders by 1 July 2002 at a price of 588.9 million ATS.

Mobilkom Austria AG & Co KG acquired 48.98 % interest in paybox österreich AG, Munich, in November 2001. paybox österreich AG holds a 100 % interest in paybox austria AG, Vienna. While paybox is the world's leading payment method for mobile telephones, paybox austria AG has provided mobile payment in Austria since February 2001. In buying into paybox, Mobilkom Austria AG & Co KG has secured for itself a substantial competitive advantage in the m-commerce market.

Mobilkom Austria AG & Co KG carried out a large-scale customer satisfaction survey in 2001. The customer feedback thus obtained on the complete line of services was very positive. Mobilkom Austria AG & Co KG will continue to devote its attention primarily to improving the quality of its customer base.

Mobilkom Austria AG & Co KG pursues the goal of becoming the leading network operator for voice, data and multi-media applications.

Datakom Austria GmbH, the domestic market leader in data services and network solutions, achieved a net income of 350.2 million ATS in the year 2001.

The company's fastest-growing line of business continues to be in the area of corporate networks.

For the first time ever in Austria, the product LAN Interconnect Plus makes data prioritisation within a corporate network with a coverage over all of Austria in guaranteed quality possible while maintaining 99.9 % availability.

Czech On Line, a wholly-owned subsidiary of Telekom Austria, was able to increase the number of its active users from 188,000 (at the end of 2000) to 238,000. The company realised for the year a net loss of 19.2 million ATS.

In March 2001 ORF acquired 2.5 % of the shares in Jet2Web Internet Services GmbH. ORF and the Telekom Austria group finalised a comprehensive agreement for co-operating in the development of multi-media offerings for broadband internet access (xDSL). In particular, TV and radio programmes produced by ORF are to be processed for broadband use. To this end, certain technical, legal, conceptual and editorial prerequisites need to be met first. The aim of this co-operation is to make attractive new media offerings based on ORF programmes available as quickly as possible to as large a segment of consumers as possible.

Jet2Web Internet Services GmbH and SAP Österreich GmbH have established a joint company in the business-to-business area (B2B) with the business name Jet2Web Bizmarket e-Business Services GmbH. At year's end Jet2Web Internet held an 89.5 % interest in the new firm while SAP Österreich GmbH owned the remainder of the shares.

Jet2Web Internet Services GmbH realised a net loss of 606.3 million ATS for the year.

Due to negative prospects for earnings, in July 2001 Telekom Austria AG sold its shares (25 % plus one share) in Libro AG. All further co-operation was thus terminated, while the entire investment in Libro has been written off.

Increasing the company's competitiveness requires savings in all areas of the company, even among personnel. In the course of measures taken to restructure personnel, in the year 2000 Telekom Personalmanagement GmbH was split off. This company was entrusted with the task of supplying, administering and developing personnel along with transferring all employees, with the exception of the board of directors, to the company. The gradual transfer of employees from Telekom Austria Personalmanagement GmbH back to Telekom Austria AG was begun on 1 July 2001. According to labour laws, Telekom Austria AG and Telekom Austria Personalmanagement GmbH are both parts of one and the same firm.

3. Results

For the year 2001 Telekom Austria AG showed an operating loss of 290.9 million ATS. Compared with the year 2000, turnover fell by 3,069.3 million ATS, while the decrease in revenue from connection fees was able to be only partially compensated for by income from carrier services (interconnection) and leased lines.

Due to the fact that Telekom Austria Personalmanagement GmbH was split off and employees have been partially transferred back to Telekom Austria AG, personnel costs cannot be compared with those of the previous year. In addition, personnel costs for the year 2001 are strongly affected by setting up accruals for the social benefits plan. The remaining operating expenses reveal the costs charged by Telekom Austria Personalmanagement GmbH for supplying personnel in the year 2001 along with movements to personnel accruals therein included.

Earnings derived from equity interest include for the most part profits made by the subsidiaries Mobilkom and Datakom. The company's financial results are affected for the most part to write-offs incurred by the subsidiary Czech Online and by selling the equity interest in Libro AG.

The loss from ordinary operating activities amounts to 2,580.6 million ATS. This amounts to a net loss for the year of 2,414.4 million ATS for the year, which will be balanced by transfers from reserves.

The investments made in intangible and tangible assets amount to 5,270.6 million ATS. For the reporting period, investment activity focussed on the areas of switching technology, cable technology and transmission technology. During the past business year Telekom Austria AG achieved cash flow from operations in the amount of 11,821.8 million ATS. Besides financing the above-mentioned investments, these funds were used to partially pay off bank obligations and bonds.

The equity ratio including non-taxable reserves, calculated according to management principles, increased from 35.2 % to 36.3 %.

4. Research and Development

As the leader in technology in the Austrian telecommunications sector, in the past year Telekom Austria AG continued to focus its research activities on technologies oriented toward the future, in particular on broadband transmission technologies and quality of service in telecommunications networks. Both of these areas are essential for creating new services and efficient network structures as well as for service level agreements, discerning among levels of service quality and thus for discerning among products.

These research emphases are being pursued both in national and in international (Eurescom, EU-funding programme) research initiatives. To this end Telekom Austria AG is involved in key EU projects, playing a decisive role in shaping research and development activities in the telecommunications sector.

In the area of Voice over IP (VoIP), a new, nationwide IP-telephone platform has been set up, utilising a product from Austrian development activities as the controlling element. Within the

framework of the VISIONing Association, Telekom Austria AG is participating in setting up an international test network for VoIP.

Both at a European and an international level, Telekom Austria AG is actively participating in developing standards. Besides the classic bodies, such as the International Telecommunication Union (ITU) and the European Telecommunications Standardization Institute (ETSI), technological change has brought forth a large number of forums and consortia, including the IETF (Internet Engineering Task Force), the ATM Forum, the UMTS Forum (Universal Mobile Telecommunications System), the ADSL Forum etc. Standards and technical specifications are the basis for cost-effectively implementing the newest information and communication technologies in a keenly competitive telephone market.

At a national level, within the framework of the government's Kompetenzcenter (K-plus; Competence Centre Plus) initiative Telekom Austria AG and Mobilkom Austria AG & Co KG are partners in the FTW (Forschungszentrum für Telekommunikation Wien-Vienna Telecommunications Research Centre) where existing know-how in key telecommunications technologies is being bundled and further developed by way of pre-competitive research projects. In the area of broadband access technologies using copper cable (xDSL), laboratory and field tests are being carried to determine how xDSL systems may be implemented using greater band width and involving wider geographical coverage.

Within IP-based networks, quality of service plays an important role if speech is to be transmitted homogeneously. Telekom Austria AG is working on concepts for migrating existing voice telephone services to new networks, thus allowing converged, multi-media services to be offered along with classic voice services within the same network infrastructure. In the context of these research activities, the world's first test of interconnecting signalling networks using IP connections was carried out in 2001.

Packet-oriented voice transmission is viewed as the key to establishing homogeneous voice-data networks. At present, two carrier technologies are available for transporting voice data, ATM and IP. In IP-based networks, quality of service plays a central role. Telekom Austria has contributed

to research activities on the topics of end-to-end scenarios and new routing concepts and has taken part in Europe-wide tests.

5. Personnel

By 31 December 2001 Telekom Austria AG had employed an average of 142 employees, all of them under usual employment contracts. At mid-year the employees of Telekom Austria Personalmanagement GmbH began to be transferred back to Telekom Austria AG, leading to a continual increase in the number of staff members and reaching 634 by December 2001. Drastic cuts in staff had been realised with the aid of Telekom Austria Personalmanagement GmbH. By means of a number of programmes, including models for early retirement, outsourcing, leasing and severance pay, the total number of persons employed by both companies was reduced by about 2,500, thus bringing down the number of employees to a level suited to market requirements.

6. Prospects

By and large, the year 2001 was marked by activities toward restructuring Telekom Austria AG. It may be assumed that the development of turnover and earnings will be consolidated in the year 2002.

At the end of 2001 the Supervisory Board of Telekom Austria voted to re-organise the area of fixed network services. According to this plan, a new organisation for fixed network services oriented along the lines of customer segments is to be put into place. One part of the organisation is to be responsible for the operator market and another for the residential market. The aim is to focus workflows within the organisation upon meeting customers' needs.

Most of the efforts in the area of fixed network services up to now have been devoted to reducing losses in market shares and, in the long term, regaining market shares. The introduction last year of tariff packages based on charging by the second laid the groundwork for new product offensives. A further thrust is given with the marketing of broadband lines. Already at the beginning of 2002 the selection of ADSL products was expanded and service to private homes was improved. Restructuring in the area of personnel, having reached its apex the previous year, will be continued, laying the groundwork for further cost-reduction measures. A fifth operator is expected to enter the Austrian mobile communications field. Mobilkom Austria will meet this increasing competition by more strongly focussing on establishing a high-quality, attractive customer base. In order to expand offerings in the way of complete solutions for large corporate customers, action has already begun to be taken to integrate the Key Account Management into Datakom Austria's sales network. Jet2Web Internet will profit in 2002 from expected growth in numbers among ADSL customers and in the future will focus on portal and content business.

Due to decreases in tariffs made necessary by competition, operating revenues are expected to decline on into 2002. Nevertheless, the goal of increasing income from operations will be pursued by means of continued strenuous efforts to reduce costs. In the face of an increase in cash from operations, continuing to reduce capital expenditures will accelerate the reduction of total debt.

Vienna, March 2002

CEO
Heinz Sundt

Deputy CEO
Dr. Stefano Colombo

Ing. Mag. Rudolf Fischer

Telekom Austria AG's Supervisory Board Report to the General Meeting

In 2001, the Supervisory Board was informed by the Management Board, both verbally and in writing, of the economic and financial situation of the company, the business policy, the investment program and the development of the business, and deliberated accordingly. The main focus was placed on the reorganization as well as on the strategic orientation of the Group to guarantee competitiveness. To activate this, the Supervisory Board approved a new, business-oriented corporate structure for Telekom Austria AG and the resulting changes in the tasks and assignments of the Management Board. A special personnel committee was set up to support restructuring measures. In addition, the Supervisory Board decided to give approval for the acquisition of the stake by Mobilkom Austria in Si.mobil in Slovenia.

In the year under review, the Supervisory Board fulfilled its functions at eight meetings as well as at two meetings of the personnel committee and one of the finance committee. Following Johannes Ditz's resignation at the Annual General Meeting on June 28, 2001, Peter Michaelis was appointed Chairman of the Supervisory Board and Edith Hlawati Deputy Chairperson at the constituent meeting of the Supervisory Board on July 4, 2001.

The Management Board presented to the Supervisory Board the annual financial statements and the management report of Telekom Austria AG, as well as the consolidated financial statements including the Group management report and the reconciliation report, in compliance with sec. 245 Commercial Code (HGB) as of December 31, 2001. The annual financial statements of Telekom Austria AG and the consolidated financial statements were audited by KPMG Austria Wirtschaftsprüfungs-Gesellschaft mbH and Grant Thornton - Jonasch & Platzer Wirtschaftsprüfungs- und Steuerberatungs-OHG, and provided with the auditors' unqualified opinion. The management report of Telekom Austria AG and the Group's management report are consistent with the financial statements and the consolidated financial statements.

The Supervisory Board approves the 2001 annual financial statements in accordance with sec. 125 para. 2 AktG (Stock Corporation Act). Furthermore, the Supervisory Board approves the consolidated financial statements in accordance with sec. 245 Commercial Code (HGB) under U.S. GAAP. Based on retained earnings and the annual net loss, no proposal on the appropriation of earnings was made.

Vienna, April 8, 2002

Peter Michaelis
Chairman of the Supervisory Board