

Welcome to the Annual General Meeting of Telekom Austria AG

Vienna, June 3, 2004

Report on the Business Year 2003

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Telekom Austria's Successful Performance

- Turnaround clearly achieved
- Increase in profitability in all areas
- Stable fixed line market position
- Solid growth in mobile communications
- Great interest and trust of financial markets
- Increase in corporate value for the Group as a whole by more than EUR 1 billion since IPO

Telekom Austria Group Strategy

- ➔ Maximizing cash flow through optimization of operational performance, strict cost management and efficient use of resources

Wireline

- Stabilization of business development
- Further cost cutting through headcount reduction and process optimization
- Exploitation of broadband growth opportunities

Wireless

- Leverage strong position in high value customer segment and innovation leadership to enhance profitability in Austria
- Further growth opportunity in Croatia and further increase of profitability in Slovenia
- Selected value-enhancing expansion in growth markets

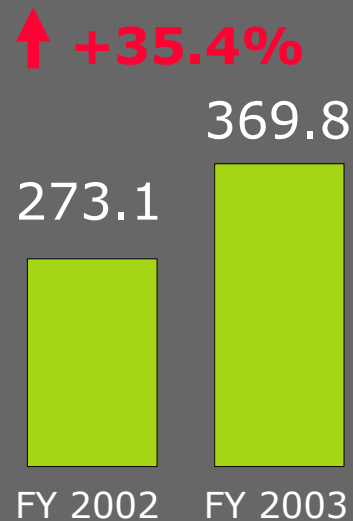
Substantial Improvement of Financial Results

→ First substantial net profit since IPO

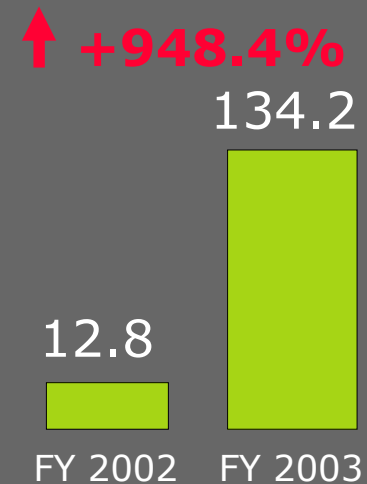
Revenues
(EUR million)



Operating Income

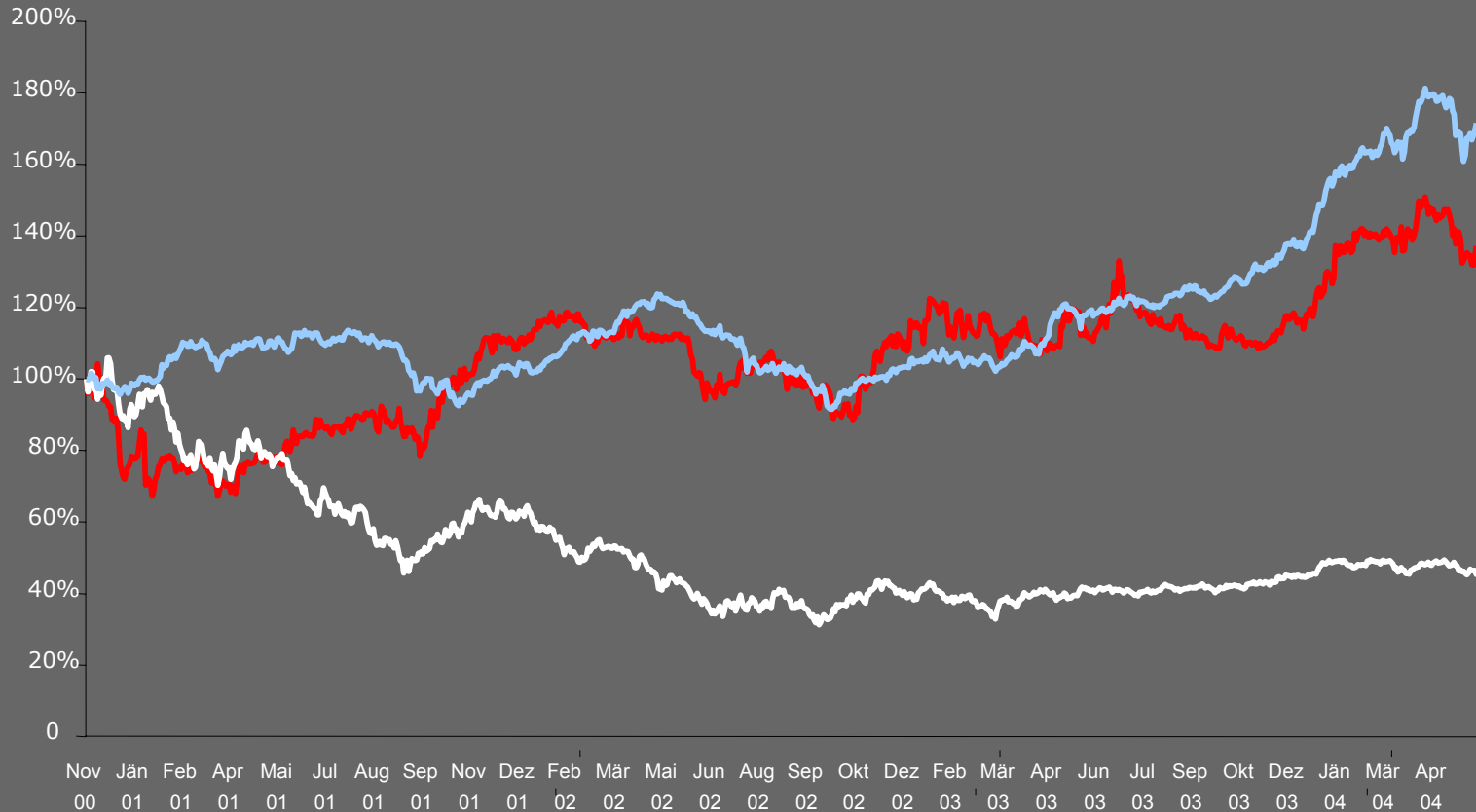


Net income



Share Price Performance Since IPO

→ Clear out-performance of telecommunications sector



Note: in comparison with

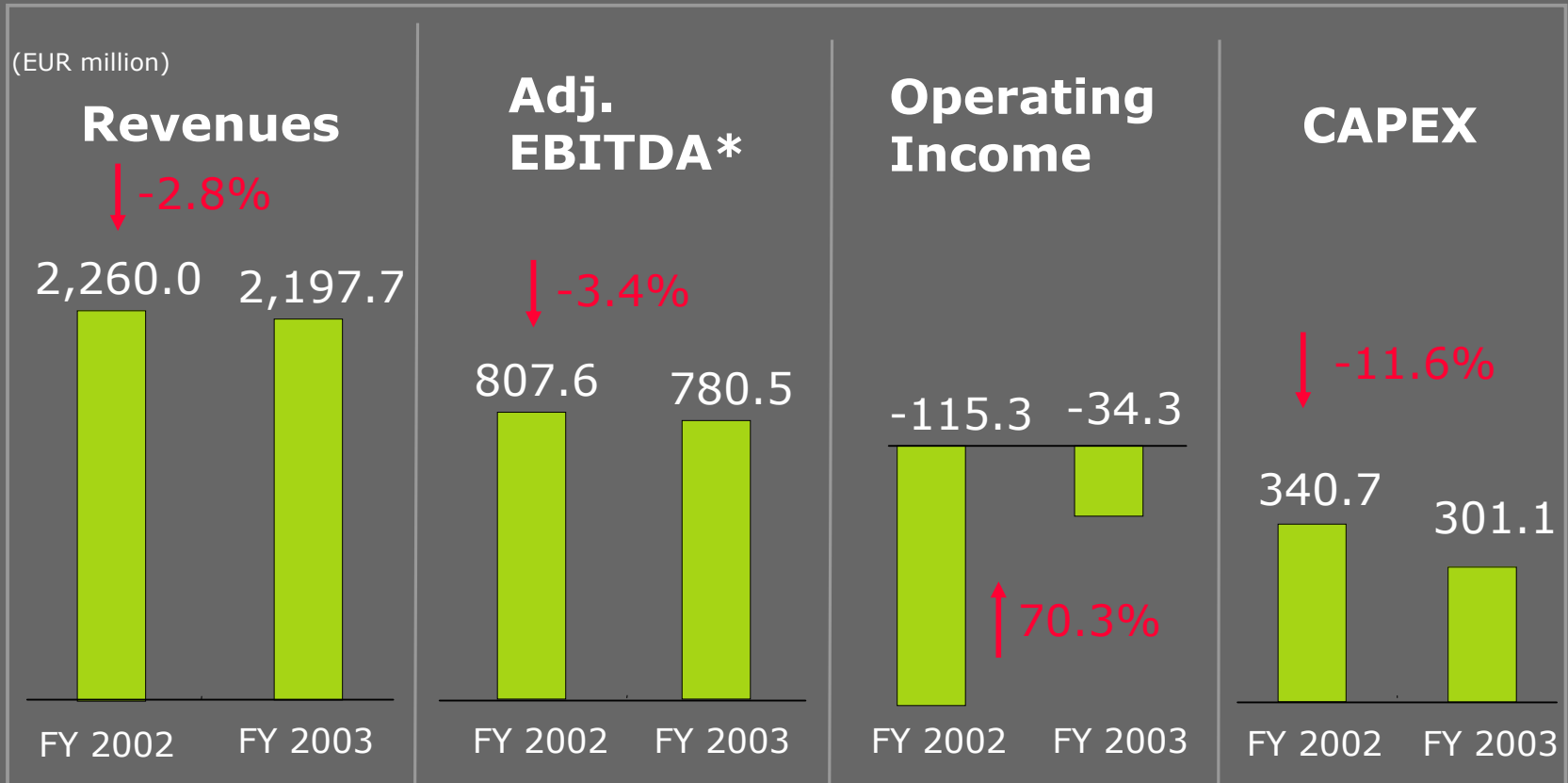
— **Telekom Austria** — **ATX** — **DJ Euro Stoxx Telecom**

Corporate Governance at Telekom Austria

- Telekom Austria commits to the principles of the Austrian Corporate Governance Code
- Far-reaching implementation of US Sarbanes-Oxley Act via
 - Disclosure Committee
 - Code of Ethics
 - Audit Committee
- Telekom Austria's compliance guidelines fulfill US capital market requirements and exceed Austrian standards

Wireline

Wireline: Revenue Decline Diminished, Operating Income Greatly Improved



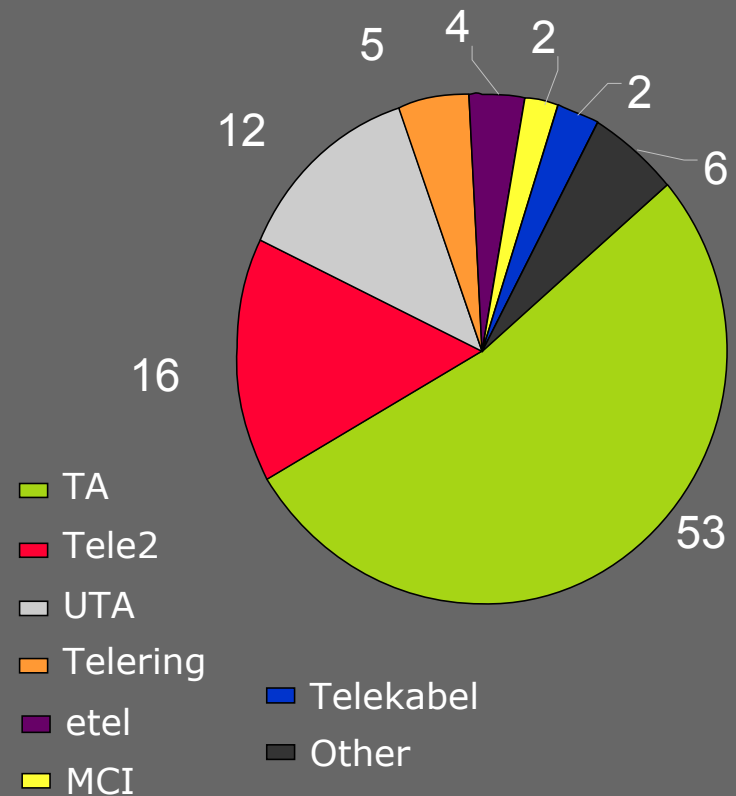
*Adjusted EBITDA: net income excluding interest, taxes, depreciation, amortization, impairment charges, dividend income, equity in earnings of affiliates, other non-operating income/expense, minority interests and the cumulative effect of changes in accounting principle. This equals operating income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

Stabilization of Market Position

Market Share Losses*
(in %)



Voice Market Share **
(in %)



* Voice telephony based on minutes incl. Internet dial-up

**Telekom Austria's estimates

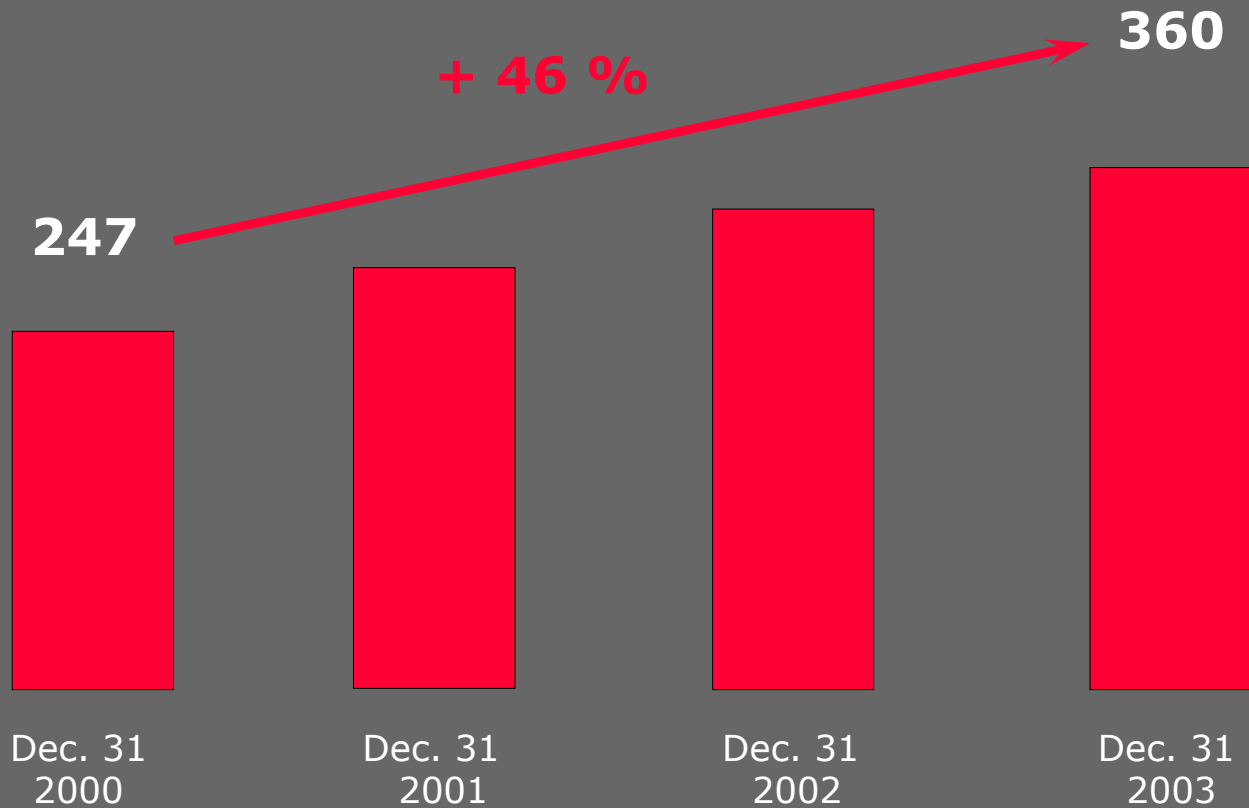
Revenue Growth from Monthly Rentals, Internet and Wholesale

Revenues 2003 (EUR million)

Switched voice base traffic	428.8	-9.4%
Switched voice monthly & other voice revenues	567.9	+1.0%
Payphones & value added services	57.8	-13.9%
Data & IT solutions	338.3	-0.7%
Internet access & media	198.4	+2.4%
Wholesale voice & Internet	331.4	+1.9%
Wholesale data	103.8	+6.6%
Other	158.6	-10.5%
Total wireline revenues	2,165.0	-2.4%

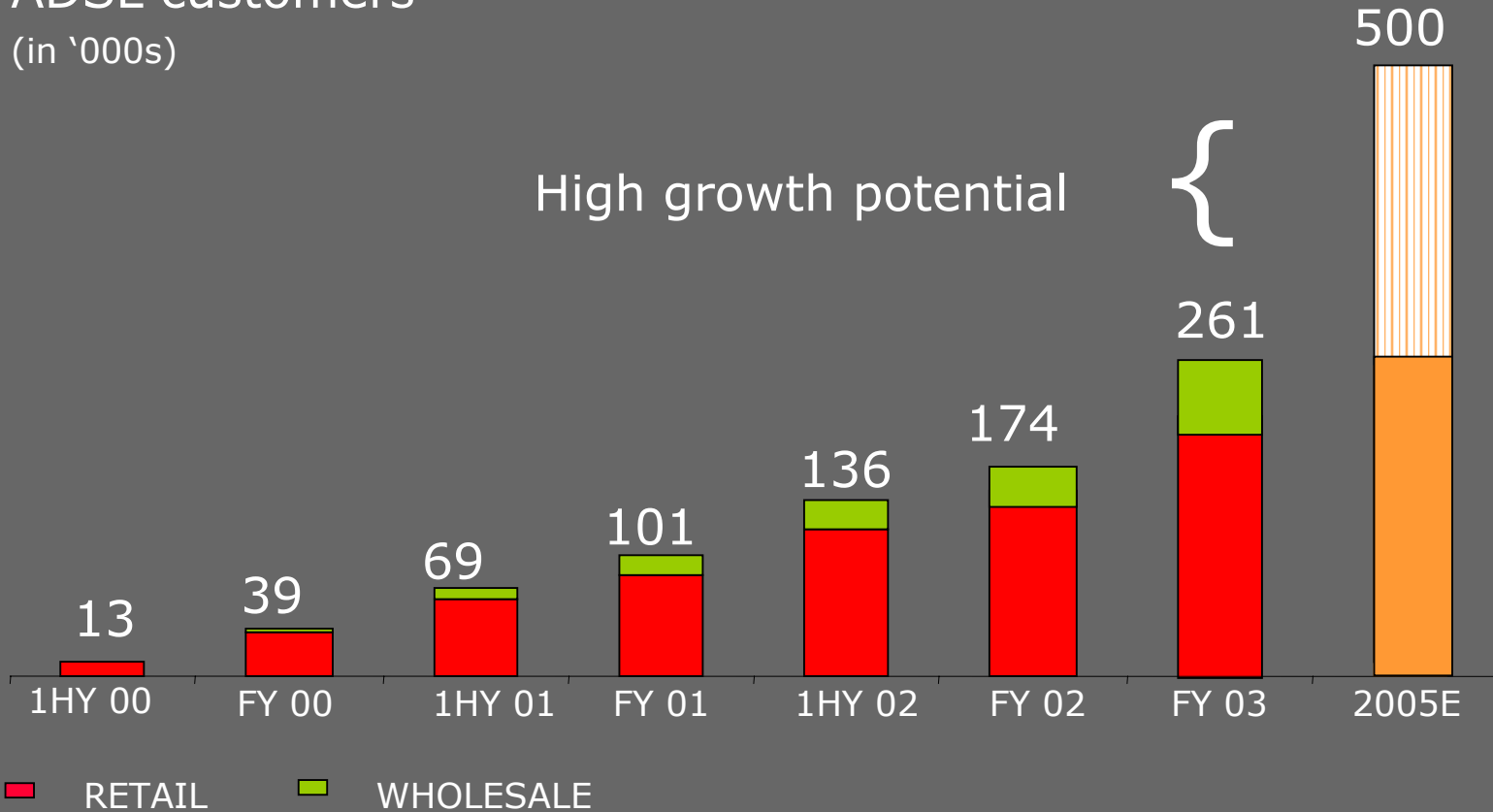
Increase in Productivity

Access channels per employee



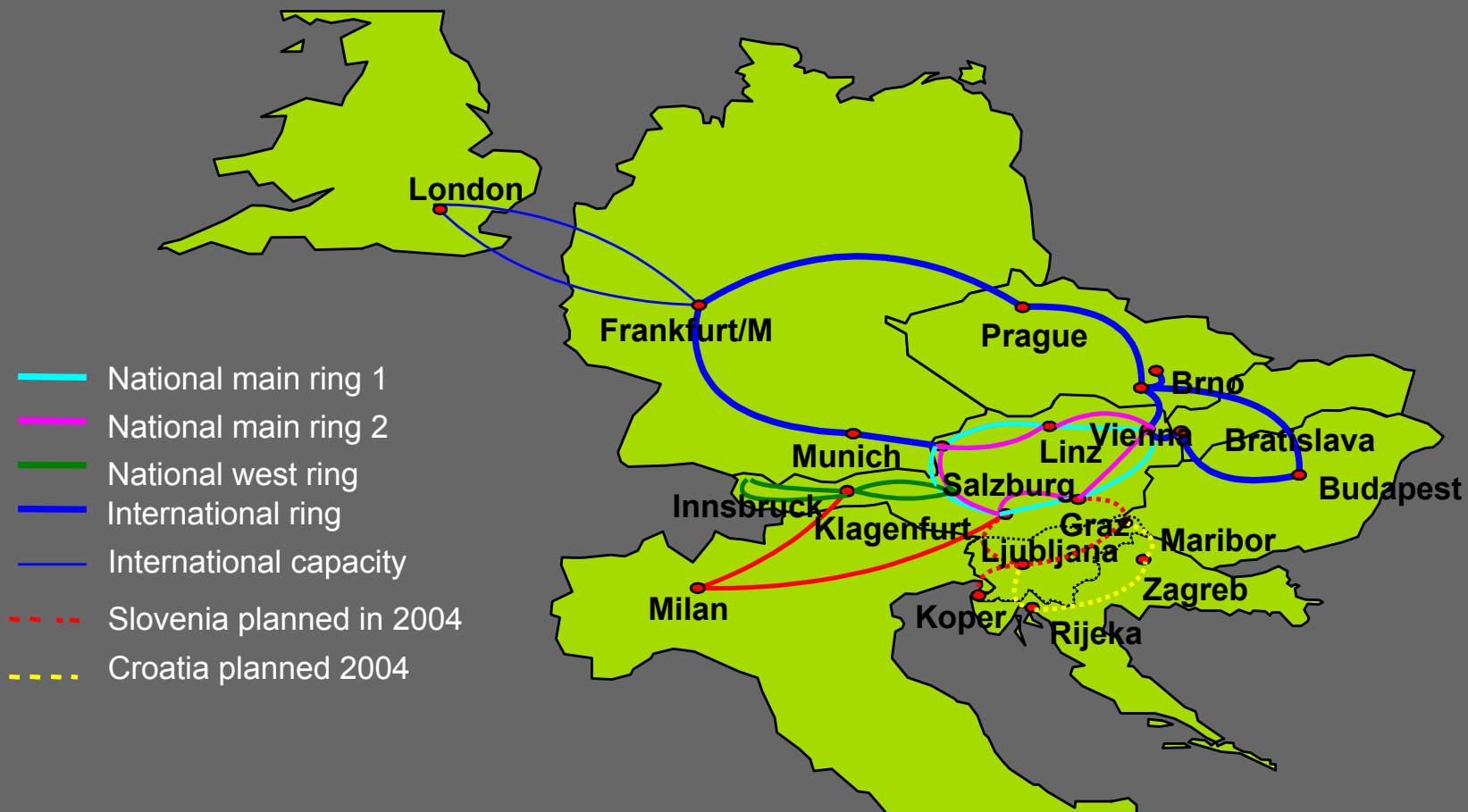
Fixed Line Future Lies in Broadband

ADSL customers
(in '000s)



Wireline Activities in Central Europe

High performance backbone: Jet2Web Stream



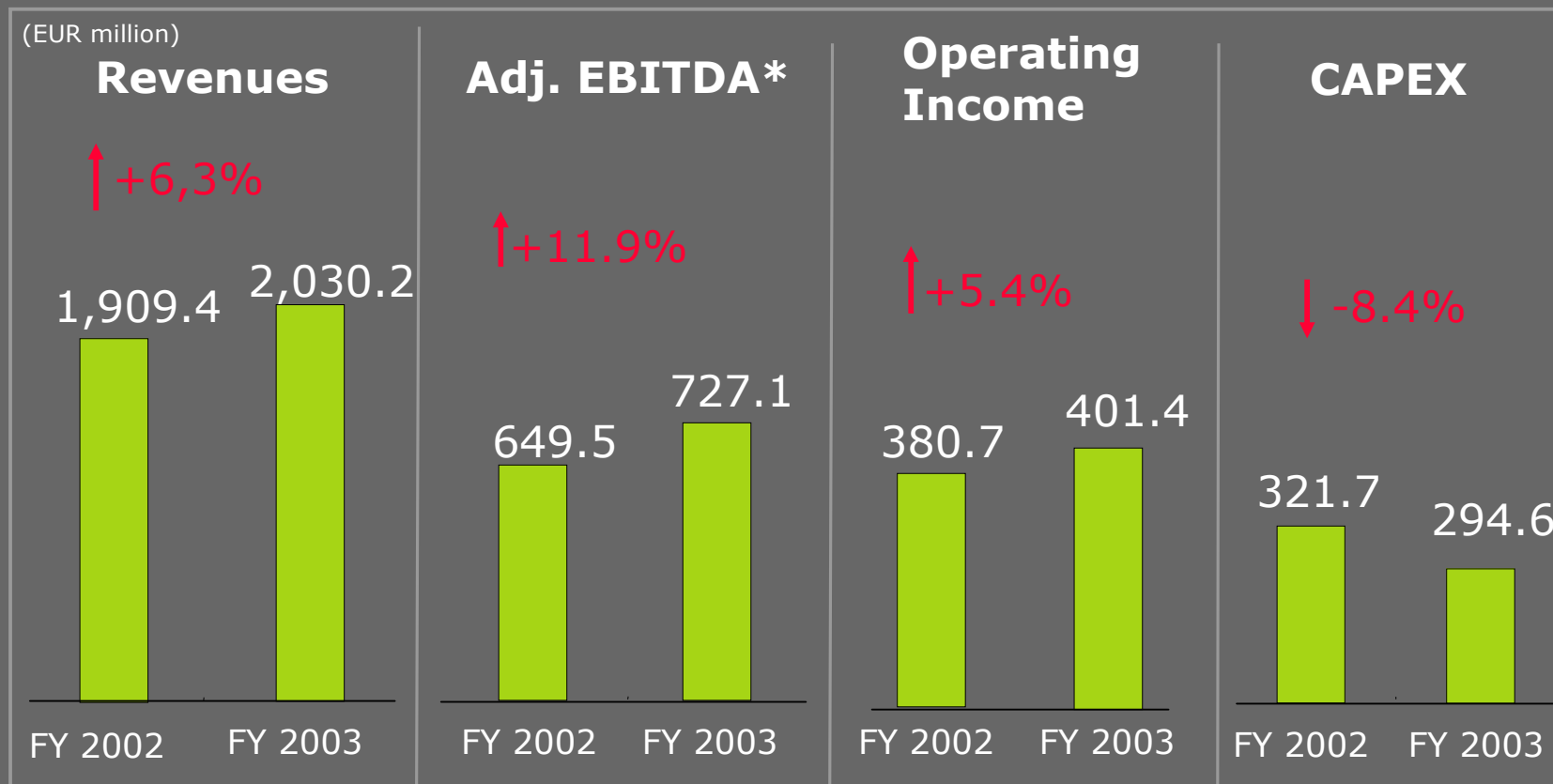
Goals 2007 – The Wireline Top Program

- Most profitable incumbent in Europe
- Market and innovation leader in Austria
- 5% revenues from new businesses
- Most attractive high-tech employer in Austria



Wireless

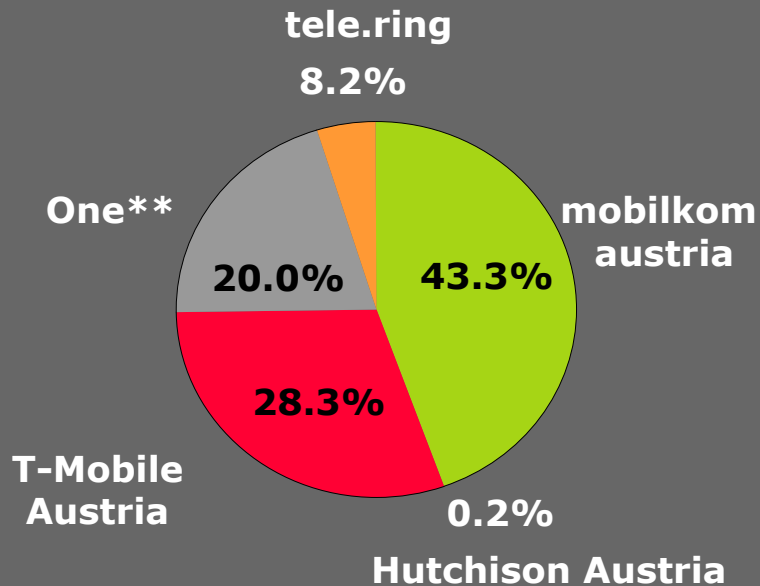
Wireless Segment: Increase in Revenues, EBITDA and Operating Income



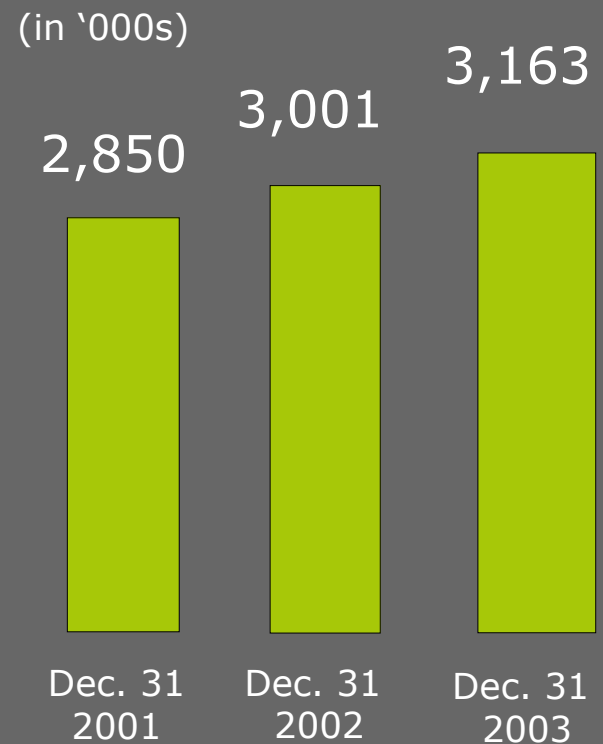
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mobilkom austria: Successful on the Austrian Market

Market Share in Austria*



Subscribers

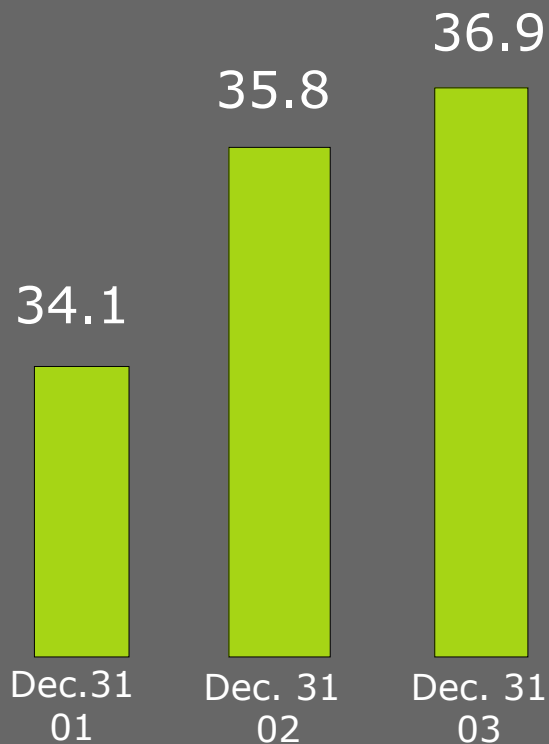


* Source: market research, mobilkom austria, Dec. 31. 2003
** including 33,600 Tele2 customers

mobilkom austria: Revenue Increase in an Extremely Competitive Environment

mobilkom austria ARPU

(in EUR)

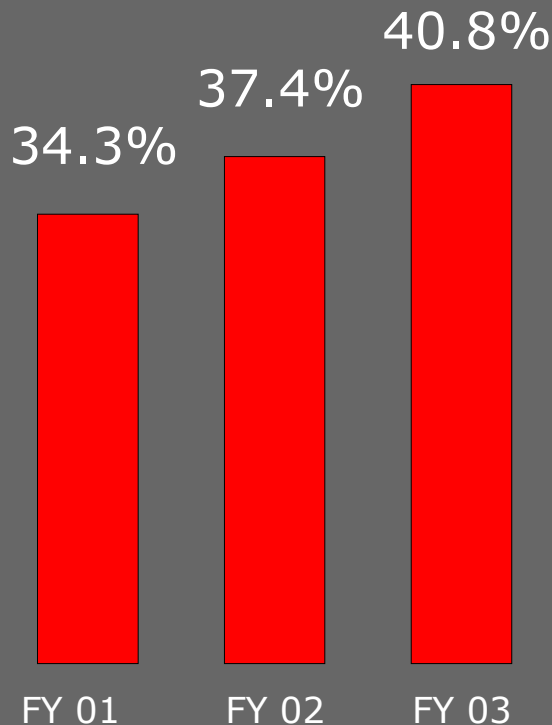


- Market leader in Austria with a 43.3% market share
- Almost 3.2 million subscribers though targeted marketing and CRM measures
- Highest share of business customers: more than 2/3 of all business customers
- Increase in adjusted revenues* by 5.6% to 1,598.6million EUR
- EBITDA growth by 7.7% to EUR 576.6 million through higher cost efficiency

*excluding third party value-added service revenues

VIPnet: High Profitability; Adjusted EBITDA Margin 40.8%

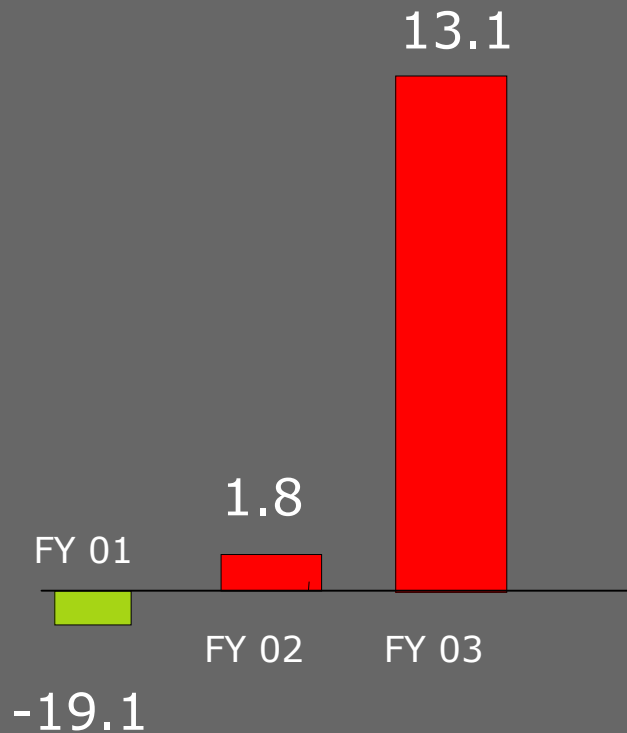
EBITDA margin
(EUR million)



- 50.0% market share
- Customer base per 31.12.2003: +10.3% to more than 1.2 million
- Adjusted revenues 2003: +12.5% to EUR 341.3 million
- EBITDA 2003: +22.5% to EUR 139.2 million
- EBITDA margin 2003: 40.8%
- VIPnet intends to acquire UMTS license
- Potential additional competitors through award of GSM license

Si.mobil: Increase in Profitability; EBITDA Margin Increases to 16%

EBITDA
(EUR million)

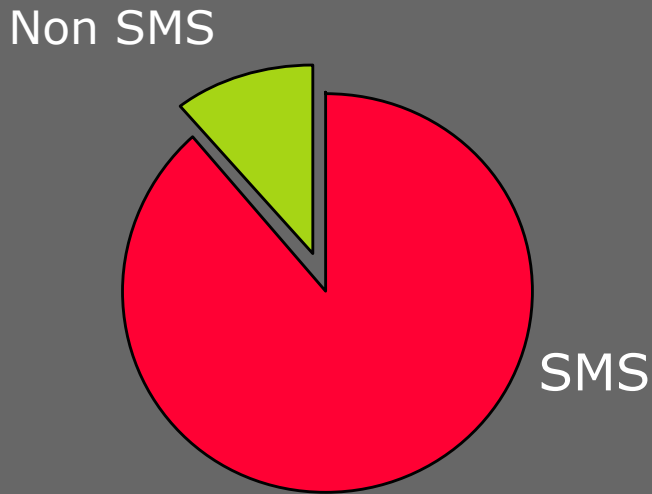


- 23.6% market share
- Customer base 2003: +3.3% to 362,000
- Adjusted revenues 2003: +3.3% to EUR 81.8 million
- Adjusted EBITDA 2003: +637.9% to EUR 13.1 million
- Agreement with incumbent for low-priced interconnection rates stipulated in November 03
- Change of regulatory framework conditions following Slovenia's EU accession in May 2004

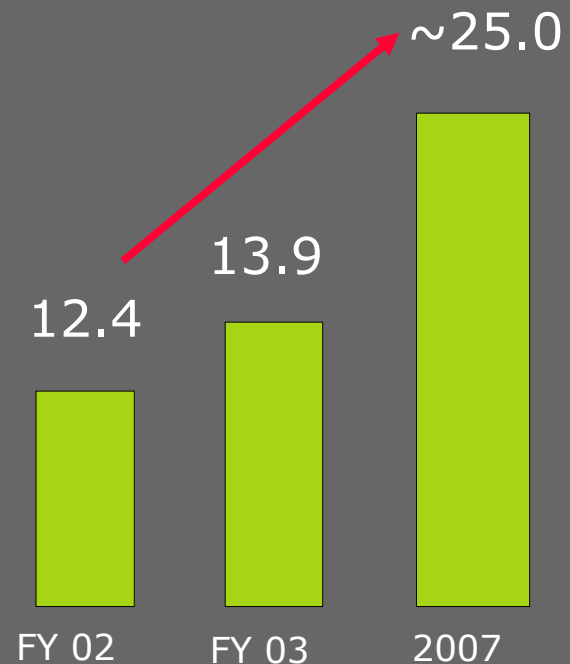
Expanding Data Product Portfolio

- More than 150 million EUR revenues generated through data products

Structure of data revenues



Data in % of airtime*



*Traffic related revenues

Vodafone Partnership – Successful Cooperation

Launch Vodafone *live!*



- Roaming: Increase in market share, securing revenues and margins
- Cost savings through joint product development and promotional activities
- Advantage through Vodafone's purchasing power and therefore "first delivery" benefits when launching new technologies
- Efficient provisioning of global accounts
- Technical platforms: quicker and easier launch of products and services

Financial Overview

Overview of Financial Results 2003

(EUR million)	2003	2002	
Total managed revenues	3,969.8	3,908.2	1.6%
Adjusted EBITDA	1,509.8	1,464.4	3.1%
Adjusted EBITDA margin*	38.5%	38.0%	
Operating income (loss)	369.8	273.1	35.4%
Net income (loss)	134.2	12.8	948.4%
Earnings per share (EUR)	0.27	0.03	948.4%

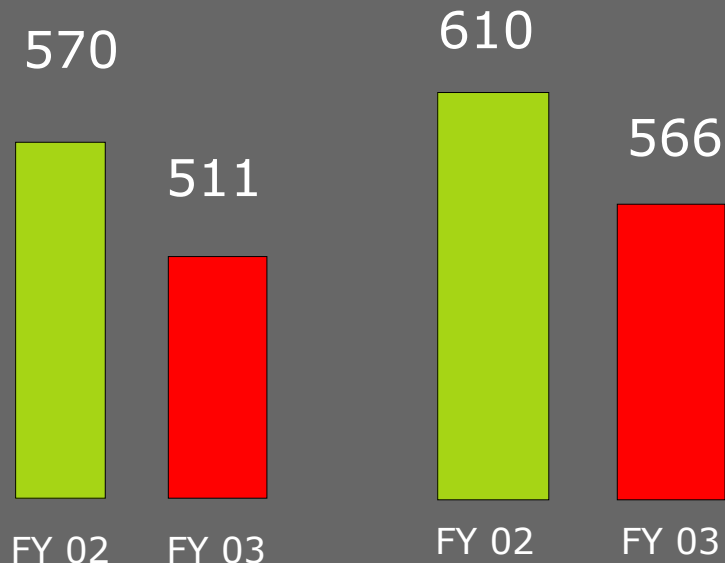
* For comparative purposes, prior periods were adjusted to reflect the change in the accounting for third party value added services. Revenues excluding third party value added services revenues are the basis for the calculation of the adjusted EBITDA margin.

Our Focus on Profitability

Cost cutting in wireline segment

Personnel *
(EUR million)

Other opex**



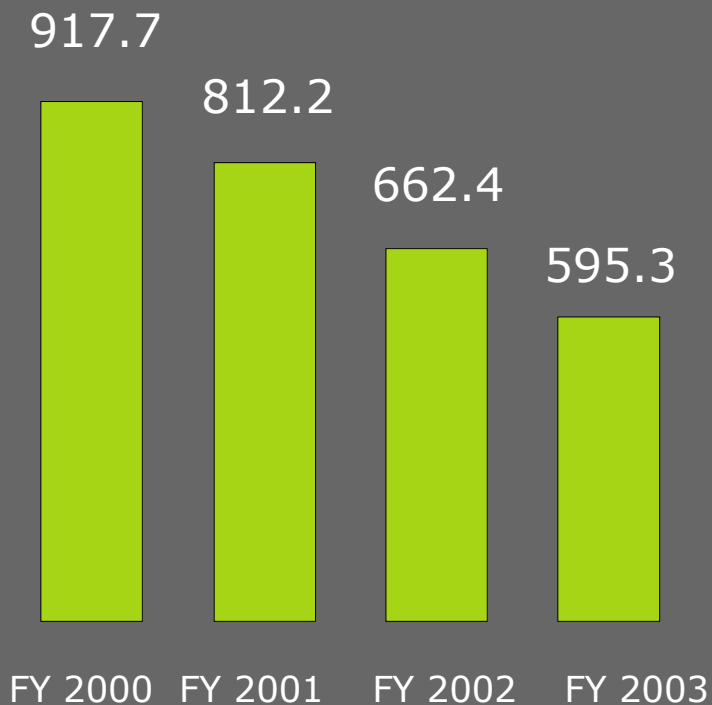
- Fixed line employees
31.12.2003: 10,234 (-1,125)
- Personnel costs decreased by
EUR 59 million**
- Other opex fell by EUR 44
million due to lower
personnel and integration of
subsidiaries
- Wireless personnel
31.12.2003: 3,656 (+66)

* excluding reversals of early retirement costs and additional redundancy costs

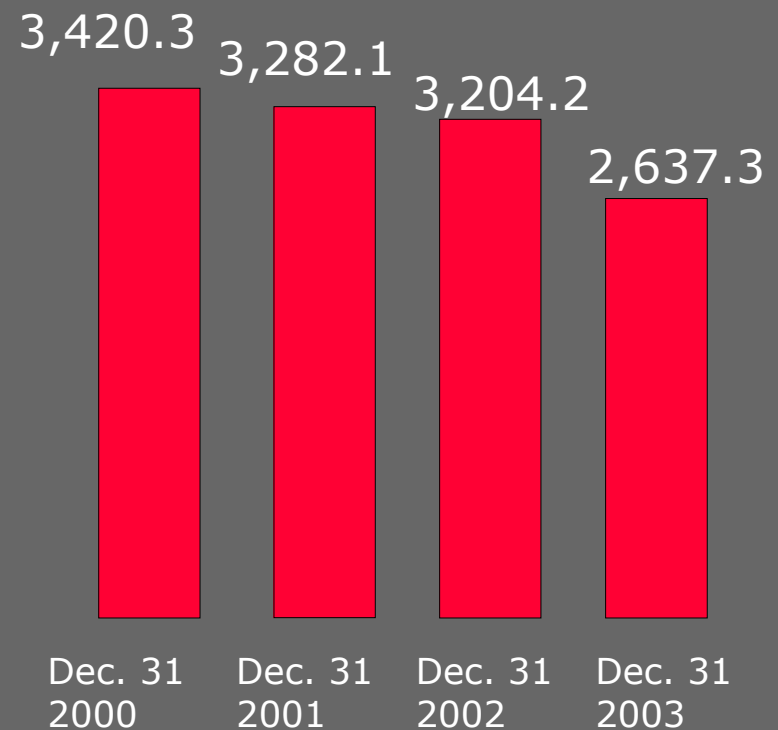
** Operating costs without personnel, interconnection costs, depreciation, amortization and impairment charges

Declining Net Debt Reflects Increasing Financial Power

Capex
(EUR million)



Net Debt
(EUR million)



EUR 750 Million Corporate Bond 2003 - 2013

- In 2003 Telekom Austria issued the largest corporate bond ever placed in Austria
- Our EUR 750 million corporate bond was oversubscribed ten times, almost establishing a record
- Demand by national and international investors reached EUR 7.5 billion
- The corporate bond improved the financial flexibility of the Telekom Austria Group providing the basis for the successful implementation of our strategy
- This bond placement extended the maturity profile of short-term liabilities at attractive conditions by increasing the term by ten years

Successful Rating

- In 2003 Telekom Austria successfully completed the rating process
- International rating agencies (Moody's & Standard & Poor's) acknowledged the Group's accomplishments in the successful restructuring of the company and classified the bond as BBB and Baa2 with stable outlook.
- At the end of March 2004 both agencies changed their rating outlook from stable to positive underpinning the stability of earnings
- The rating allows bond investors to quickly and easily compare companies and therefore it represented a fundamental prerequisite for the successful corporate bond placement

Positive Impact of Tax Reform

- Reduction of corporate tax rate from 34% to 25%
- The major portion of results comes from the domestic business
- Therefore, long-term positive cash impact on the development of earnings and dividends
- Implies an additional accounting charge in 2004 due to the revaluation of tax loss carry-forwards

Ongoing Improvement of Results also in 1Q 2004

(EUR million)	1Q 2004	1Q 2003	
Total managed revenues*	989.4	966.5	2.4%
Adjusted EBITDA	416.7	405.9	2.7%
Operating income (loss)	136.0	121.9	11.6%
Net income (loss)	70.7	37.5	88.5%
Earnings per share (EUR)	0.14	0.08	88.5%
Capital expenditures	71.0	75.2	-5.6%

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

Exercise of IPO Stock Option Program 2000

- Bonus for achieving an above-average performance
- 30% increase in share price since IPO
- 96 participants in the program exercised their options to acquire 3,111,796 shares at a price of EUR 9 each or to demand a cash settlement in the amount of EUR 2.7 per option
- The resulting personnel expenses of EUR 9.4 million for the three-year period following the IPO were taken into account in the 1Q 04; they translate into EUR 3.1 million per year or 0.4% of payroll

Exercise Hurdle of EUR 11.70



Stock Option Plans

- Based on the resolutions of the AGM 2003
- Long-term stock option program in 3 tranches with an exercise period of 4 years each
- The program has been granted to 200 employees of the Telekom Austria Group
- Upfront investment required by participants: 15 options granted per invested share
- Exercise of options depends on two criteria:
 - Achievement of the EPS (performance of basic earnings per share)
 - Increase in share price compared to exercise price
- First tranche was issued on April 19, 2004: 2.54 million options at a strike price of EUR 11.92
- Personnel expenses depend on share price performance; EUR 1 translates into an expense of approx. EUR 1.9 million in 2004

Outlook for 2004

Wireline

- Revenue decline continues to slow down
- Stable adjusted EBITDA thanks to cost reductions

Wireless

- Stable domestic business and rising contributions from international activities
- Further but lower growth in revenues and adjusted EBITDA

Group

- Revenues expected to rise by 0 to 1%
- Adjusted EBITDA expected to rise by 1 to 2%
- Net profit expected to rise substantially by above 10% (excluding non-cash impact from Austrian tax reform)

Thank you for your
attention