

Sustainability Report

Fact Sheet 2005

The Telekom Austria Group is committed to the principles of sustainability and to a policy of transparent communications with its stakeholders.

Key Sustainability Figures	2005	2004	2003
Customers			
Wireline			
Fixed access lines (in '000s)	2,801.9	2,906.7	3,010.8
Thereof ADSL access lines (in '000s)	574.3	383.6	261.1
Fixed access channels (in '000s)	3,443.7	3,570.7	3,684.2
Internet customers in Austria (in '000s)	1,424.2	1,187.0	1,026.6
Customers Czech On Line (in '000s)	187.9	247.1	279.4
Wireless - Customers			
in Austria (in '000s)	3,392.2	3,273.6	3,163.2
in Bulgaria (in '000s)	3,594.2	-	-
in Croatia (in '000s)	1,612.9	1,308.6	1,210.5
in Slovenia (in '000s)	359.6	363.3	361.5
in Liechtenstein (in '000s)	4.2	3.5	2.5
Total (in '000s)	8,963.1	4,949.0	4,737.7
Financial Data			
Telekom Austria Group¹⁾			
Total managed revenues (in EUR million)	4,377.3	4,056.3	3,969.8
Total managed revenues per employee (in EUR thousand)	303.9	297.4	270.8
Operating income (in EUR million)	620.0	452.7	369.8
Net income (in EUR million)	417.1	227.3	134.2
Adjusted EBITDA ²⁾ (in EUR million)	1,757.2	1,568.8	1,509.8
Total managed EBITDA ²⁾ per employee (in EUR thousand)	122.0	115.0	103.0
Adjusted EBITDA margin (in %) ²⁾³⁾	40.1	38.7	38.5
Earnings per share in EUR	0.85	0.46	0.27
ROIC (in %) ⁴⁾	8.2	5.2	3.9
Environmental Data			
Telecommunications waste (in tons)	2,578.1	2,727.6	2,556.3
Non-hazardous commercial waste (in tons) ⁵⁾	2,754.1	2,895.3	612.0
Energy consumption (in kWh million) ⁶⁾	285.9	239.8	228.8
CO ₂ emissions vehicle fleet (in tons)	14,468.6	13,428.6	13,361.0
NO _x emissions vehicle fleet (in tons)	56.8	52.8	54.0
Personnel Data			
Total number of employees ⁷⁾	15,595	13,307	13,890
Total number of employees in Austria ⁷⁾	11,562	11,752	12,371
Percentage of women in workforce in Austria	27.3	27.0	26.5
Percentage of women in management in Austria	16.6	16.2	15.6
Training costs per employee (in %)	829.0	810.7	841.0
Accidents	173	186	192

Since 2002 the Telekom Austria Group has documented its sustainability activities in a sustainability report which is published every two years. The Sustainability Report Fact Sheet 2005 is a short report which updates the Sustainability Report 2004 in a compact form designed to spare natural resources. All Telekom Austria Group publications on sustainability are available for downloading at www.telekom.at under the menu item "Responsibility."

- 1) The consolidated financial results for 2005 include the financial results of Mobiltel for the period July 12, 2005 to December 31, 2005. The financial results of Mobiltel are not included in the results for 2004 and 2003.
- 2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), adjusted: Telekom Austria defines adjusted EBITDA as net result excluding interest, taxes, depreciation and amortization, impairment charges, dividend income, income from investments in associates, other non-operating income and expenses, minority interests and the cumulative effect of the change in accounting principles. This equals operating income before depreciation, amortization and impairment charges.
- 3) EBITDA margin: Ratio of EBITDA to revenues as a percentage.
- 4) ROIC (Return on Invested Capital): Return on invested capital, this is calculated by dividing operating income by the average invested capital.
- 5) The figures for 2004 and 2005 include the municipal system disposal of the wireline segment.
- 6) The figures for 2005 include energy consumption at Mobiltel.
- 7) Full-time employees

Economic Footprint

Sustainable Growth

Following the successful expansion of recent years, the Telekom Austria Group now operates not only in Austria but also in Bulgaria, Croatia, Slovenia, Liechtenstein and the Czech Republic. In Austria and in all mobile communications markets it is either the first or second ranking company on the market. With revenues of approximately EUR 4.4 billion and almost 15,600 employees, the Telekom Austria Group is one of the leading corporations in the country. While the wireline segment focuses on generating stable cash flows and developing innovative product areas, the wireless segment utilizes the experience it has gained on the competitive Austrian market to fully exploit the potential of its existing international markets and realize further value-enhancing investments in southeast Europe. The company plans to spend approximately EUR 5 billion on acquisitions, share buy-backs and dividend payments by 2009.

The most important strategic milestone in the financial year 2005 was the successful acquisition and rapid integration of Mobiltel, the leading Bulgarian mobile operator. At the time the deal was concluded it was the largest acquisition ever by an Austrian company abroad (total enterprise value approximately EUR 1.6 billion).

Despite slight declines in the wireline segment, total revenues rose by 7.9% to EUR 4,377.3 million, supported by the acquisition of the Bulgarian provider Mobiltel. Operating income in 2005 improved by 37.0% to EUR 620.0 million, net income by 83.5% to EUR 417.1 million. The dividend per eligible share was more than doubled to EUR 0.55 compared to 2004.

Net debt increased by EUR 1,108.2 million to EUR 3,082.1, mainly due to the acquisition of Mobiltel. As a result, the net gearing ratio rose from 72.0% to 107.4% at year-end 2005, although it still remains below the self-imposed leverage ratio of 120% of equity.

Corporate Governance

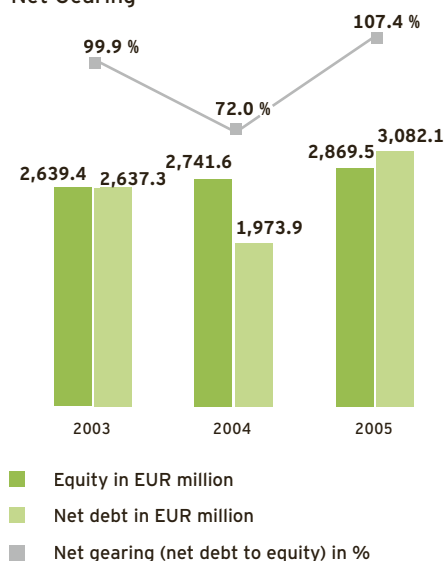
Telekom Austria has made a voluntary commitment to compliance with the Austrian Corporate Governance Code. Due to its listing on the New York Stock Exchange the provisions of the Sarbanes-Oxley Act also apply. A cornerstone of these rules are the provisions requiring the establishment and monitoring of the internal control system for financial reporting (SOA-ICS), which must be implemented by the end of 2006.

Research and Development

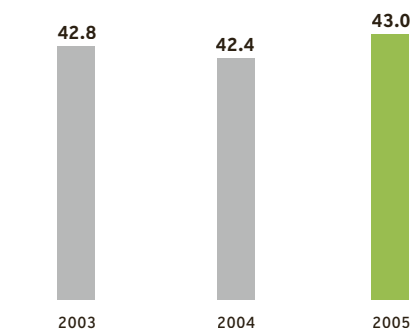
Research and development activities in the wireline segment were concentrated upon the customer-focused shaping and development of the product portfolio. New application opportunities are being opened up by broadband technologies, the integration of communications and information technologies, and content digitalization. In February 2005, for example, the roll-out of the e-card commenced, ushering in a new information age in the Austrian healthcare system.

The wireless segment consistently pushed ahead with the further development of mobile broadband technologies with the Vodafone mobile connect card. mobilkom austria is the first and only network operator in Austria to offer mobile high-speed services on the basis of UMTS and EDGE through a nationwide 3G network. In 2005 preparations also started for the roll-out of High-Speed Downlink Packet Access (HSDPA) technology introduced at the end of January 2006, which represents a further building block in the multi-layer strategy of mobilkom austria's network. The HSDPA network with download speeds of 3.6 Mbit/s was launched in June 2006.

Net Gearing



Total Managed Expenses for Research and Development in EUR million



Environment

Waste

The sparing use of resources and optimal recycling are important building blocks for effective environmental protection at Telekom Austria. In 2005 the volume of telecommunications waste was reduced by 1.3%, that of non-hazardous commercial waste by 13%. The goal "reduction of non-hazardous commercial waste at all locations by 3% from 2004 to 2006" and "reduction of telecommunications waste by 3% from 2004 to 2006" have thus almost already been achieved or even exceeded.

The spectrum of environmental protection measures at Telekom Austria ranges from the targeted separation and avoidance of waste, to an environmentally-conscious purchasing policy, employee information campaigns and the use of products with the longest possible lifecycles. The implementation of electronic workflows and the introduction of electronic delivery receipts in the Customer Service department had a positive impact, leading to a 2.8% reduction in paper consumption in the wireline segment in 2005. The goal of "reducing paper consumption by 3% from 2004 to 2006" was therefore almost achieved in 2005.

In fall 2005 mobilkom austria took part in the City of Vienna's Ecoprofit project, the purpose of which is to implement environmental protection in a manner which is sustainable, integrative and profitable. The goal of reducing the quantity of residual waste at mobilkom austria from three quarters of the total waste volume to one eighth, was accompanied by an internal communications campaign. From the 53.4% reduction achieved in the first two months of this program, it can be inferred that there is still substantial potential for further savings.

The Environment and Mobile Communications

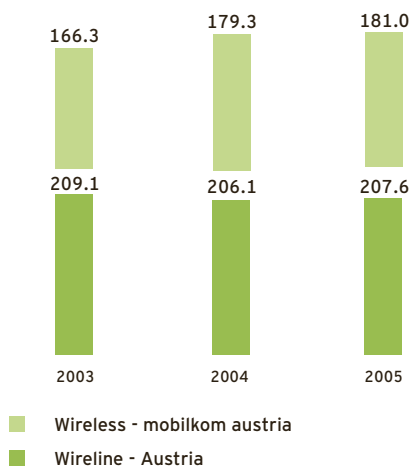
Environmental activities at mobilkom austria continue to focus on projects investigating the impacts of electromagnetic fields. Brochures on safety, UMTS, limit values, health and infrastructure can be ordered free of charge from umweltteam@mobilkom.at. A newsletter that can be ordered from www.mobilkomaustria.com/umwelt provides information about the latest research results.

Eco Balance of the Vehicle Fleet – Modernization and Calculation of Emissions

The systematic modernization of the vehicle fleet from 2000 onwards has had an increasingly positive impact since 2002. The use of EURO-4 engines in the respective vehicle categories and reductions in the mileage of vehicles in the heavy-duty category led to a 38% decline in total emissions of particulates. Sharp cut-backs in the number of petrol-fuelled cars led to a 35% reduction in carbon monoxide emissions. The slight increase in NOx emissions of 8% was attributable to higher levels of fuel consumption per kilometer in 2005 compared to previous years. Emissions of NMVOC (volatile organic compounds) declined in the same period by 84%.

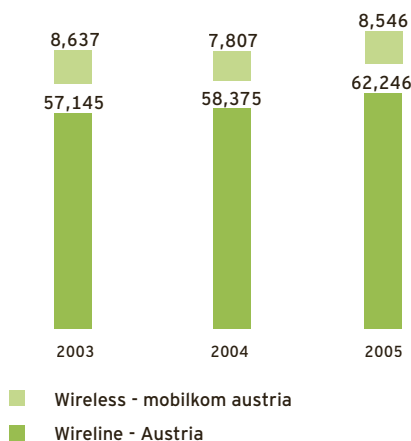
In the period 2002 to 2005 the increased use of cars with a lower average fuel consumption than trucks and vans resulted in a under-proportional increase in emissions of greenhouse gases and air pollutants compared to the development of mileage.

Average CO₂-Emissions of the Vehicle Fleet¹⁾ in gram per km in Austria



1) The Federal Environment Agency calculated the emissions of the vehicle fleet of the Telekom Austria Group in Austria in 2005 using the GEMIS Austria 4.3 model and the Handbook Emissions Factor for Road Traffic 2.1.

Total Mileage of the Telekom Austria Group in Austria (in 1,000 km)



Social Responsibility

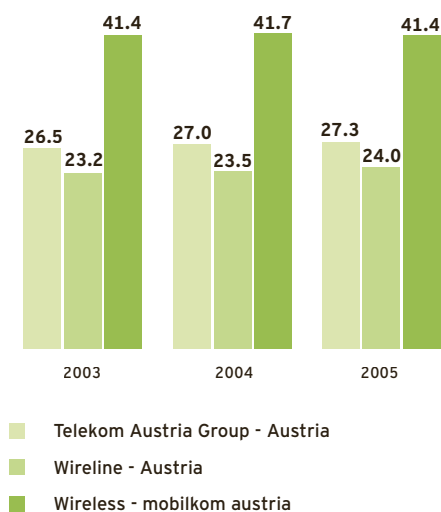
One key aspect of the human resources strategy in Austria is the exchange of employees between the individual business segments. Successful expansion in south-east Europe and increased cooperation between the regional business units are creating interesting international career opportunities. In 2005 internal job markets enabled the wireline segment to fill 88% of 380 vacancies from within the company, while the wireless segment was able to fill 29% of 830 vacancies. The wireline segment has also set itself the goal of further improving the qualifications of its employees. The wireless segment is focusing upon its development into a high performance organization, with priority in 2005 being given to identifying top performers.

Continuing Training and Further Education

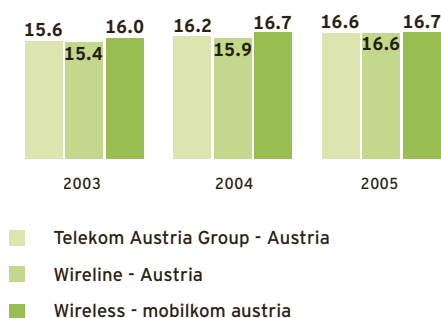
In the financial year 2005 the Telekom Austria Group invested some EUR 12.8 million (EUR 829 per employee) in continuing education and training. In the wireline segment employees attended a total of 33,400 seminar days (3.5 seminar days per employee) focusing on technology, electronic data processing, management and project management. Employees of mobilkom austria attended some 12,000 seminar days (5.4 seminar days per employee). In addition to expanding its range of e-learning courses, the main areas of emphasis were customer relations management, and technology and project management training.

Telekom Austria attaches great importance to training young people, both in order to meet its own needs for skilled specialists, but also out of a sense of social responsibility. Every year from fall 2006 onward, 100 apprentices will be able to start their careers in information and communications technologies (ICT) in the wireline segment. At the end of 2005, 138 apprentices, including 41 young women, were being trained as communications technicians for electronic data processing and telecommunications at the two training centers in Vienna and Graz.

Development of the Percentage of Women Employed by the Telekom Austria Group in Austria (as a Percentage of Total Employees)



Development of the Number of Female Executives¹⁾ in Austria (as a Percentage of Total Employees)



1) Executive refers to the first three management levels.

Equality

The percentage of women in the workforce at technology companies is traditionally a small one. Telekom Austria has for many years therefore implemented a variety of measures designed to increase enthusiasm among women for careers in the technical and engineering professions and improve their career opportunities. The company also takes care to ensure an even ratio of men and women in its continuing education and training measures and when hiring apprentices. The aim of these efforts is to increase the percentage of women at the Telekom Austria Group in the long term. In 2005 the number of female employees in Austria rose slightly from 27% in the previous year to 27.3%. The percentage of women holding management positions in Austria improved from 16.2% to 16.6% in 2005. With the support of FemTech - an initiative of the Austrian Council for Research and Technology Development - the A-Gender Technology Management project was started in 2005. The project aims to increase the percentage of women in the scientific and engineering professions. In 2005 Telekom Austria also participated in the competition to be the "Most Women and Family-Friendly Company in Vienna" and was ranked among the three best companies.