TELEKOM AUSTRIA GROUP

Results for the First Quarter 2015

Highlights

- Group revenue decline improved to -2.0% year-on-year as growth in Croatia and slowdown of decline in Austria mitigate losses in Bulgaria, Belarus and the Additional Markets segment
- Strong operational performance in Austria and Belarus drive Group EBITDA comparable: 5.8% year-on-year reported growth and +2.7% year-on-year clean of EUR 20.0 mn one-off effect in Slovenia and EUR 10.1 mn FX effects
- Austria
    - Revenue trends further improved to a decline of -0.8% year-on-year due to stabilisation in monthly fees and traffic
    - EUR 14.2 mn reduction in operating expenses led to EBITDA comparable growth of 6.3% year-on-year
- CEE
    - Belarus: Revenue decline due to 10.0% EUR-BYR devaluation but 4.4% EBITDA comparable growth
    - Fierce mobile competition in Bulgaria and Croatia weighed on results despite fixed-line growth. Spectrum fee further burdened EBITDA comparable in Croatia
- Strong operational performance and one-off in Slovenia result in a 127.5% year-on-year growth in net profit to EUR 92.7 mn
- Unchanged Group outlook for 2015 (except for Belarus on a constant currency basis): Revenue growth of approx. +2.0%, CAPEX* of EUR 700 – 750 mn, intended dividend of EUR 0.05/share**

in EUR million	Q1 2015	Q1 2014	% change
Revenues	956.0	975.9	–2.0%
EBITDA comparable	338.5	319.9	5.8%
Operating income	139.7	97.4	43.5%
Net income	92.7	40.8	127.5%
Cash flow generated from operations	272.2	148.9	82.8%
Earnings per share (in EUR)	0.13	0.08	67.0%
Free cash flow per share (in EUR)	0.23	0.12	97.0%
Capital expenditures	121.1	99.4	21.8%

in EUR million	31 Mar 2015	31 Dec 2014	% change
Net debt	2,577.6	2,693.3	–4.3%
Net debt / EBITDA comparable (12 months)	2.0x	2.1x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income taxes, depreciation and amortisation, restructuring and impairment charges.

* Does not include investment in spectrum and acquisitions.

** Intended proposal to the Annual General Meeting 2015.

Disclaimer

Disclaimer for forward-looking statements: This document contains forward-looking statements. These forward-looking statements are usually accompanied by words such as “believe”, “intend”, “anticipate”, “plan”, “expect” and similar expressions. Actual events may differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Neither Telekom Austria Group nor any other person accepts any liability for any such forward-looking statements. Telekom Austria Group will not update these forward-looking statements, whether due to changed factual circumstances, changes in assumptions or expectations. This report does not constitute a recommendation or invitation to purchase or sell securities of Telekom Austria Group.

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Results for the First Quarter 2015

Group Review

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q1 2015') are available on the website at www.telekomaustria.com.

Results for the second quarter 2015 will be announced in the week of 20 July 2015.

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Vienna, 22 April 2015 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first quarter of 2015, ending 31 March 2015.

Quarterly Comparison

Key Performance Indicators Group

1st Quarter 2015

Financials

in EUR million	Q1 2015	Q1 2014	% change
Revenues	956.0	975.9	–2.0%
EBITDA comparable	338.5	319.9	5.8%
EBITDA incl. effects from restructuring and impairment tests	334.6	312.3	7.2%
Operating income	139.7	97.4	43.5%
Net income	92.7	40.8	127.5%
Cash flow generated from operations	272.2	148.9	82.8%
Earnings per share (in EUR)	0.13	0.08	67.0%
Free cash flow per share (in EUR)	0.23	0.12	97.0%
Capital expenditures	121.1	99.4	21.8%

in EUR million	31 Mar 2015	31 Dec 2014	% change
Net debt	2,577.6	2,693.3	–4.3%
Equity	2,240.7	2,218.0	1.0%
Net debt / EBITDA comparable (12 months)	2.0x	2.1x	

Fixed access lines (in '000)	31 Mar 2015	31 Mar 2014	% change
Total access lines	2,764.3	2,644.2	4.5%
in Austria	2,288.9	2,287.7	0.1%
in Bulgaria	170.4	154.4	10.4%
in Croatia	228.9	202.1	13.2%
in the Republic of Macedonia	76.0	63.1	20.5%
of which broadband lines	1,839.4	1,729.4	6.4%

Mobile communication subscribers (in '000)	31 Mar 2015	31 Mar 2014	% change
Total subscribers	19,994.2	19,988.1	0.0%
in Austria	5,375.0	5,646.4	–4.8%
in Bulgaria	4,310.8	4,111.0	4.9%
in Croatia	1,725.8	1,807.1	–4.5%
in Belarus	4,920.6	4,938.9	–0.4%
in Slovenia	684.4	677.9	1.0%
in the Republic of Serbia	2,126.2	2,044.3	4.0%
in the Republic of Macedonia	616.1	622.2	–1.0%
in Liechtenstein*	0.0	6.4	n.a.

Employees (full-time equivalent, period-end)	16,298	16,090	1.3%

* Due to the merger of mobilkom liechtenstein with Telecom Liechtenstein, which closed on 27 August 2014, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets.

Revenues in EUR million	Q1 2015	Q1 2014	% change
Austria	609.5	614.1	−0.8%
Bulgaria	87.5	91.2	−4.1%
Croatia	84.6	83.2	1.6%
Belarus	77.2	81.0	−4.7%
Additional Markets	105.3	115.4	−8.7%
Corporate & Holding, Eliminations	−8.0	−8.9	n.m.
Total	**956.0**	975.9	−2.0%

In the first quarter of 2015 the decline in Group revenues slowed to 2.0% year-on-year to EUR 956.0 mn. While revenues grew in Croatia and the decline slowed in Austria, Bulgaria was influenced by negative mobile pricing trends and Belarus was negatively affected by FX losses. Revenues in the Additional Markets segments declined due to lower contributions from Slovenia and from the Republic of Serbia. Negative regulatory effects amounted to EUR 11.9 mn. Excluding negative FX effects of EUR 20.0 mn, Group revenues remained stable.

In Austria revenues benefitted from improving trends in monthly fee and traffic revenues as growth in premium customer revenues offset the significant decline in the prepaid business as new mobile virtual network operators (MVNOs) led to increased competitive intensity. The reported reduction in Austrian revenues was due to lower wholesale and interconnection revenues.

In Bulgaria higher equipment revenues softened the continuing negative impact of the challenging macro and competitive framework on service revenues. Croatia was also supported by higher equipment sales in addition to strong fixed-line service revenues and higher mobile revenues due to rising fixed fees.

Belarus posted a revenue decline due to the 10.0% FX devaluation in Q1 2015. Operationally, the company profited mostly from inflation-linked price increases in 2014, resulting in local currency revenue growth of 16.8% year-on-year.

The rise in other operating income to EUR 43.8 mn was mostly driven by a positive one-off effect in the amount of EUR 20.0 mn received in January 2015 from Telekom Slovenije under the agreement on settling mutual relations and business collaboration.

Group operating expenses fell by 1.6% to EUR 661.3 mn in the first quarter of 2015, driven by lower marketing and sales costs as well as reduced support services in Austria and lower material expenses in Belarus due to the immediate cancellation of instalment sales and fewer handsets sold. Other costs benefitted from intensified cost-cutting activities.

Group EBITDA comparable increased by 5.8% to EUR 338.5 mn in the first quarter of 2015 due to growth in Austria and Belarus as well as the one-off effect in Slovenia. Negative FX effects on Group EBITDA comparable amounted to EUR 10.1 mn. Group EBITDA comparable increased by 2.7% on a clean basis (excluding FX and the Slovenian one-off effect).

Restructuring expenses amounted to EUR 3.9 mn in the quarter under review after EUR 7.7 mn in Q1 2014. The overall strong performance and the one-off effect in Slovenia resulted in operating income of EUR 139.7 mn versus EUR 97.4 mn in the previous year.

In summary, this resulted in higher net income of EUR 92.7 mn in the first quarter of 2015 compared to net income of EUR 40.8 mn in Q1 2014.

The Telekom Austria AG Share

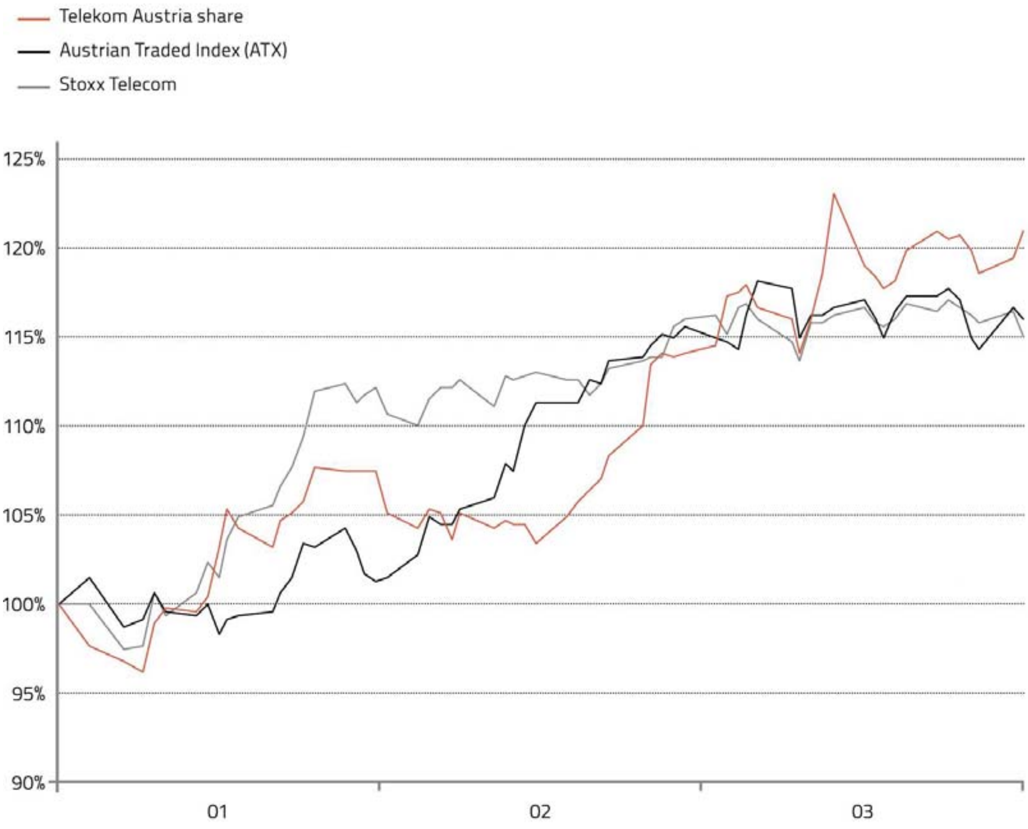
During the first quarter of 2015 the Telekom Austria share rose 20.9%, outperforming the sector as well as the Austrian ATX index. The share's development in Q1 2015 was primarily driven by a favourable reception of the company's full year 2014 results, which were announced on 10 February 2015.

The Telekom Austria share started the year on a comparatively weak note, reaching its quarterly low at EUR 5.30 on 7 January 2015. Following the management roadshow after the publication of the full-year results on 10 February, the Telekom Austria share started to rally, reaching its quarterly high at EUR 6.77 on 13 March 2015.

Both the Austrian ATX and the Stoxx Telecom exhibited continuous positive performance in Q1 2015 on the back of the European Central Bank's (ECB) announcement to buy public and private sector securities with a volume of EUR 60 bn per month. Additionally, supportive Eurozone macro data generally outweighed investor fears of an adverse outcome to Greek debt negotiations.

Development of Telekom Austria share price

indexed from 1 Jan 2015



Outlook unchanged

Telekom Austria Group outlook for the full year 2015

The past financial year saw the implementation of a number of important strategic measures for the future development of Telekom Austria Group. The support provided by the new majority shareholder América Móvil and the additional flexibility following the successful conclusion of the capital increase in November 2014 serve to strengthen management's confidence in reinforcing the stabilisation that was initiated in the past financial year and returning to growth.

Challenges such as macroeconomic headwind, regulatory intervention and severe price pressure are expected to remain in place for the time being.

In order to further support operational developments, an extensive transformation programme has been initiated. A range of measures relating to market activities, costs and technology is intended to generate growth in revenues as well as in EBITDA comparable. This will be accompanied by an increase in free cash flow.

Particularly in the Group's home market of Austria, the expansion of LTE coverage and its fibre network will allow the growing monetisation of demand for data, and hence the more intensive marketing of new products and services. However, the introduction of new services from mobile virtual network operators (MVNOs) entails additional risks in Austria.

The return to growth will depend to a large extent on the recovery of the strained economic situation in the CEE region. Operationally, Telekom Austria Group pursues continued growth in the mobile-only markets of Belarus, Slovenia and the Republic of Serbia and the successful continuation of its convergence strategy in Bulgaria, Croatia and the Republic of Macedonia. Regulatory cuts will also have a negative impact in the coming year. Furthermore, management expects the Belarusian rouble to decline against the euro by approximately 20% in 2015.

In order to continue to grow margins, management is targeting extensive cost-cutting activities in 2015, with the aim of achieving total gross savings of around EUR 90 mn. In order to achieve this, planned activities include measures to further optimise market-related costs as well as structural efficiency improvements in areas such as procurement and technology in particular. Restructuring costs for civil servants in Austria are expected to amount to approximately EUR 40 mn.

Following the completion of the capital increase, Telekom Austria Group is planning to invest approximately EUR 400 mn in the accelerated expansion of the fibre network between 2015 and 2018, in addition to its regular CAPEX investments. The investment volume is expected to increase throughout the ramp-up phase in 2015 and 2016, with the majority of investment taking place in 2017 and 2018. This plan is subject to the announced government broadband subsidy programme as well as annual budget approvals by the supervisory board. Accordingly, the accelerated expansion of the fibre network in Austria will lead to a higher level of investment despite further CAPEX efficiency improvements.

Frequency purchases are expected for Bulgaria, Croatia, Belarus and the Republic of Serbia in 2015. Frequencies in the 1800 MHz spectrum are expected to be sold in Bulgaria as well as in Croatia, while the sale of 2100 MHz band is scheduled in Belarus. In the Republic of Serbia sales of the 800 MHz band are still expected in 2015, in addition to the 1800 MHz band, which were purchased in February.

In sum, the Management of Telekom Austria Group continues to expect Group revenues to increase by approximately 2.0% year-on-year in 2015. Expectations for Group capital expenditures* also remain unchanged at EUR 700 – 750 mn, including the planned fibre investments.

Telekom Austria Group is committed to maintaining its ratings of Baa2 (stable outlook) with Moody's and BBB (stable outlook) with Standard & Poor's, in line with its conservative financial profile, in order to secure the Group's financial flexibility. Telekom Austria Group intends to pay a dividend of EUR 0.05 per share for each of the 2014 and 2015 financial years.

DPS of EUR 0.05 intended for distribution for the financial year 2014

Outlook 2015	as of 22 April 2015
Revenues*	approx. 2.0%
Capital expenditures**	approx. EUR 700 – 750 mn
Dividend***	DPS of EUR 0.05

* Except for Belarus on a constant currency basis
** Does not include investments in spectrum or acquisitions.
*** Intended proposal to the Annual General Meeting 2015

Quarterly Comparison
Segment Austria

Key Performance Indicators

Financials in EUR million	Q1 2015	Q1 2014	% change
Revenues	609.5	614.1	–0.8%
EBITDA comparable	207.1	194.8	6.3%
EBITDA incl. effects from restructuring and impairment tests	203.2	187.1	8.6%
EBIT	87.4	58.1	50.5%

Revenue detail	Q1 2015	Q1 2014	% change
Monthly fee and traffic	447.8	446.4	0.3%
Data & ICT solutions	55.2	54.4	1.5%
Wholesale (incl. roaming)	33.1	40.7	–18.6%
Interconnection	43.3	44.9	–3.6%
Equipment	24.5	23.0	6.5%
Other revenue	5.5	4.6	19.5%

Mobile communication business	Q1 2015	Q1 2014	% change
ARPU (in EUR)	15.7	15.2	3.3%
Mobile service revenues (in EUR million)*	254.1	259.2	–2.0%
thereof interconnection	4.8%	5.5%	
Subscriber acquisition cost (SAC, in EUR million)	2.3	6.8	–65.9%
Subscriber retention cost (SRC, in EUR million)	12.3	22.5	–45.3%
Churn (3 months)**	1.5%	1.6%	

	Q1 2015	Q1 2014	% change
Mobile communication subscribers (in '000)	5,375.0	5,646.4	–4.8%
Mobile market share	40.4%	42.1%	
Mobile contract share	70.0%	69.6%	
Mobile broadband subscribers (in '000)	692.1	788.3	–12.2%
Mobile penetration – total market	155.3%	157.3%	
Broadband penetration (mobile and fixed) – total market	124.1%	121.8%	

Fixed-line business	Q1 2015	Q1 2014	% change
ARPL (in EUR)	29.5	30.6	–3.7%
Fixed service revenues (in EUR million)	202.7	210.2	–3.6%
Fixed-line voice minutes (in million)	433.2	484.4	–10.6%

in '000	Q1 2015	Q1 2014	% change
Access lines (without broadband lines)	800.0	872.8	–8.3%
Fixed broadband lines	1,488.9	1,414.9	5.2%
thereof fixed broadband retail lines	1,453.3	1,377.5	5.5%
thereof fixed broadband wholesale lines	35.5	37.4	–5.0%
Total access lines	2,288.9	2,287.7	0.1%
Lines unbundled	239.5	246.7	–2.9%

Austrian voice and broadband shares

Voice market share	Q1 2015	Q1 2014	% change
Fixed-line A1 Telekom Austria	8.1%	8.5%	
Fixed-line Others	5.0%	5.3%	
Mobile	87.0%	86.2%	

Broadband market share	Q1 2015	Q1 2014	% change
Fixed-line retail A1 Telekom Austria	30.9%	30.4%	
Fixed-line wholesale A1 Telekom Austria	0.8%	0.8%	
Mobile broadband A1 Telekom Austria	14.7%	17.4%	
Mobile broadband other operators	32.5%	30.2%	
Cable	16.8%	16.3%	
Unbundled lines	4.4%	4.8%	

* As of Q1 2015 ARPU relevant revenues excludes mobile value-added services (immaterial).

** In Q4 2014 the methodology for presenting churn rates was changed from an accumulative view to a monthly average view. The previous quarters of 2014 have been restated accordingly.

The year 2015 started with an intensification of the competitive environment in the no-frills business of the Austrian mobile market. New mobile virtual network operators (MVNOs) launched pay-as-you-go and smartphone packages as well as data tariffs.

In the premium mobile market business, A1 Telekom Austria's core customer business, competition remains mostly focused on handset subsidies. Overall, the total number of mobile communication subscribers fell 4.8% year-on-year in the first quarter of 2015, driven by the residential contract business.

Fixed broadband line and TV subscriber growth of 5.2% and 6.6% respectively

The fixed-line business remains driven by healthy demand for bandwidth upgrades and IPTV services. These encouraging trends helped to slow the decline in fixed-line service revenues resulting from the ongoing loss of fixed-line voice minutes and legacy contracts. In sum, fixed access lines rose by 1,800 lines as fixed broadband and TV subscribers continued to grow by 5.2% and 6.6% respectively versus the same period last year.

A1 Telekom Austria reduced the ongoing revenue decline to 0.8% year-on-year in the first quarter of 2015 due to stable monthly fee and traffic revenues. This development was above all a consequence of higher mobile contract revenues which mitigated lower prepaid and customer roaming revenues. Revenues from monthly fees were also positively impacted by the reduction in subsidies throughout 2014. Thus, the negative revenue impact of subsidies also diminished gradually. Fixed-line service revenues declined by 3.6% as lower voice revenues were not offset by higher broadband and A1 TV revenues. Moreover, lower wholesale (incl. roaming) and interconnection revenues drove the bulk of the overall revenue decline. Equipment revenues increased as the effect of lower handset subsidies, which led to higher sales prices, more than offset a lower number of handset replacements.

Average monthly revenue per user (ARPU) growth slowed to 3.3% year-on-year compared to Q4 2014 from EUR 15.2 in Q1 2014 to EUR 15.7 in the first quarter of 2015 as the effect of higher fixed fees and a greater share of higher-value subscribers was dampened by the sharp decline in prepaid ARPU and interconnection revenues. The average monthly revenue per fixed line (ARPL) continued to fall from EUR 30.6 in Q1 2014 to EUR 29.5 in Q1 2015, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline.

Operating expenses fell by 3.3% year-on-year as higher material expenses driven by a value adjustment of stocked handsets due to a realignment of the subsidy policy and higher employee expenses were more than offset by lower marketing and sales costs. Interconnection expenses also declined somewhat due to lower text message quantities and fewer outgoing voice minutes. Other operating expenses were also lower, mainly due to reduced costs for support services, consulting and transport.

As a result of the slowdown in revenue decline and successful cost cutting efforts, EBITDA comparable rose 6.3% year-on-year in the first quarter of 2015.

EBITDA comparable growth of 6.3% year-on-year

Restructuring charges amounted to EUR 3.9 mn in Q1 2015 compared to EUR 7.7 mn in Q1 2014. This was mainly caused by fewer employees accepting social plans and lower costs per addressed FTE as no early retirements were offered in Q1 2015. Depreciation and amortisation fell by 10.3% due to the completed write-off of various assets. As a result of the increased EBITDA comparable and lower depreciation and amortisation, A1 Telekom Austria reported an operating gain of EUR 87.4 mn versus a result of EUR 58.1 mn in Q1 2014.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q1 2015	Q1 2014	% change
Revenues	87.5	91.2	–4.1%
EBITDA comparable	34.8	37.1	–6.2%
EBITDA incl. effects from restructuring and impairment tests	34.8	37.1	–6.2%
EBIT	14.4	14.1	2.4%

Mobile communication business	Q1 2015	Q1 2014	% change
ARPU (in EUR)	5.5	6.0	–8.5%
Mobile communication subscribers (in '000)	4,310.8	4,111.0	4.9%
Mobile market share	39.2%	38.5%	
Mobile contract share	78.5%	79.4%	
Mobile broadband subscribers (in '000)	271.2	207.6	30.6%
Mobile penetration – total market	149.8%	144.6%	

Fixed-line business	Q1 2015	Q1 2014	% change
ARPL (in EUR)	13.4	14.3	–6.7%
Total access lines ('000)	170.4	154.4	10.4%
Fixed broadband lines ('000)	150.8	149.7	0.7%

In the first quarter of 2015 the Bulgarian business continued to be negatively affected by the weak macro-economic backdrop and fierce competition in the mobile market. Mobiltel counteracted these challenges through value-based management in the business segment and greater efforts to retain high-value customers. Sales force training and the door-to-door promotion of fixed-line services helped to improve fixed access line trends.

Total mobile subscribers increased by 4.9% in the first quarter of 2015, mainly driven by the prepaid and no-frills business and supported by lower churn in the residential contract business. The growing demand for data translated into mobile broadband subscriber growth of 30.6% year-on-year. As a consequence of the abovementioned trends, Mobiltel's market share increased to 39.2% in the first quarter of 2015. In the fixed-line business total access lines rose by 10.4% year-on-year, due to an increase in satellite TV subscribers. As a result, the TV customer base also exhibited strong growth, with a 25.8% gain mainly driven by DTH promotions.

The decline in revenues slowed further to 4.1% year-on-year in Q1 2015 as higher equipment revenues due to enhanced customer retention activities lessened the negative effect of lower monthly fee and traffic revenues resulting from price pressure in the contract customer business. Average monthly revenue per user (ARPU) fell to EUR 5.5 from EUR 6.0 in the same quarter last year, driven by the negative pricing trend in the business and no-frills market. Average monthly revenue per fixed line (ARPL) declined from EUR 14.3 in Q1 2014 to EUR 13.4 in the first quarter of 2015, stemming from a decline in residential ARPL.

Slowdown in revenue decline to 4.1% despite significant price pressure.

Operating expenses grew by 4.7% year-on-year in the first quarter of 2015 based on higher material expenses following increased sales of smartphones and customer retention activities and due to higher sales commissions in line with customer growth. In addition, interconnection costs increased year-on-year following the growing popularity of tariffs with included free minutes to all national networks. This was partly mitigated by reduced costs for services received as well as a decrease in maintenance and repair expenses.

The decline in revenues and the growth in operating expenses were partly mitigated by the positive effect from the termination of the existing loyalty program for residential customers which led to an increase in other operating income year-on-year. As a result, EBITDA comparable experienced a reduction of 6.2% year-on-year in the first quarter of 2015.

Segment Croatia

Key Performance Indicators in EUR million	Q1 2015	Q1 2014	% change
Revenues	84.6	83.2	1.6%
EBITDA comparable	19.1	22.7	–15.9%
EBITDA incl. effects from restructuring and impairment tests	19.1	22.7	–15.9%
EBIT	2.4	5.9	–59.5%

Mobile communication business	Q1 2015	Q1 2014	% change
ARPU (in EUR)	10.7	10.5	1.9%
Mobile communication subscribers (in '000)	1,725.8	1,807.1	–4.5%
Mobile market share	36.3%	37.0%	
Mobile contract share	47.3%	46.0%	
Mobile broadband subscribers (in '000)	140.4	160.3	–12.4%
Mobile penetration – total market	110.9%	113.7%	

Fixed-line business	Q1 2015	Q1 2014	% change
ARPL (in EUR)	21.2	21.6	–1.5%
Total access lines ('000)	228.9	202.1	13.2%
Fixed broadband lines ('000)	145.5	115.9	25.5%

In the first quarter of 2015 operational trends in Croatia were driven by fierce competition and regulatory pressure in the form of reduced mobile termination rates as well as higher frequency usage fees. In order to support revenue trends and to compensate for the threefold increase in frequency fee (June 2014), Vipnet launched new mobile tariffs at the end of March 2015 focusing on LTE and data monetisation. Additionally, encouraging trends in the fixed-line business helped to mitigate negative regulatory effects in the mobile business.

Vipnet's total mobile subscriber base declined by 4.5% year-on-year as a result of intense competition and an adjustment of prepaid customer base for inactive customers. Fixed access lines rose significantly by 13.2% year-on-year driven by customer growth in broadband and TV, with year-on-year growth of 25.5% and 7.4% respectively.

1.6% year-on-year revenue growth

Revenues rose in the first quarter of 2015 by 1.6% year-on-year, mainly due to higher equipment revenues driven by instalment sales introduced in April 2014 which pushed sales of high value handsets. Additionally, monthly fee and traffic revenues increased due to strong growth in fixed access lines while, in the mobile business, monthly fees grew more than airtime revenues declined. These positive trends were partially offset by a decline in interconnection revenues due to mobile termination rate cuts.

Average monthly revenues per user (ARPU) rose slightly from EUR 10.5 in Q1 2014 to EUR 10.7 in the first quarter of 2015 due to higher prepaid ARPU. Average monthly revenue per fixed-line (ARPL) declined from

EUR 21.6 to EUR 21.2 due to lower tariffs. Nevertheless, due to the greater number of access lines fixed-line service revenues increased by 11.7% year-on-year.

Operating expenses rose by 8.3% year-on-year in the first quarter of 2015. This increase was mostly driven by higher frequency fees and higher marketing and sales costs due to increased subsidies and a higher value of sold handsets as well as higher content and higher wholesale costs attributable to a higher number of access lines. Material expenses also rose as a result of an increase in volume as well as the average value of handsets sold. These effects were partly compensated by lower interconnection expenses. The increase in operating expenses more than offset the rise in revenues. Thus, EBITDA comparable declined by 15.9% year-on-year.

Segment Belarus

Key Performance Indicators

in EUR million	Q1 2015	Q1 2014	% change
Revenues	77.2	81.0	–4.7%
EBITDA comparable	41.7	39.9	4.4%
EBITDA incl. effects from restructuring and impairment tests	41.7	39.9	4.4%
EBIT	21.7	19.7	10.3%

	Q1 2015	Q1 2014	% change
ARPU (in EUR)	4.6	4.7	–1.0%
Mobile communication subscribers (in '000)	4,920.6	4,938.9	–0.4%
Market share	42.6%	42.9%	
Contract share	80.8%	80.8%	
Mobile broadband subscribers (in '000)	282.9	252.6	12.0%
Market penetration – total market	121.9%	121.6%	

By the end of 2014, the cumulative inflation rate over the past three years in Belarus had slowed to 64.9% (16.2% for the full year 2014). With the accumulated inflation rate below 100%, and taking other factors into account, a committee of the big four audit firms has ruled that hyperinflation accounting according to IAS 29 is no longer applicable for Belarus. As a result, period-average FX rates are being used for consolidation purposes as of Q1 2015.

Nevertheless, FX risks remain substantial in Belarus. The BYR devalued by 10.0% against the Euro in the first quarter of 2015, prompting the government to issue a ban on price increases which has since been lifted again. The devaluation and the ensuing impact on purchasing power resulted in a slow down in consumer demand in Q1 2015.

Operationally, velcom mitigated some of the effects of the devaluation through an increase in prices that took place in 2014. In addition, management launched a series of counter measures, such as the immediate cancellation of instalment sales, payment of liabilities, revision of CAPEX plans, etc to limit negative translation effects. During March a stabilisation of the BYR took place in line with the Russian Rouble. Nevertheless, the risk of a further devaluation remains.

Revenues increased by 16.8% on a local currency basis, as higher value smartphone tariffs and inflation-linked price increases in 2014 led to growth in monthly fee and traffic revenues. Interconnection revenues rose due to higher tariffs charged for incoming international traffic. In contrast, equipment revenues showed a decline as instalment sales were suspended. After a negative FX effect of EUR 17.4 mn, revenues fell by 4.7% on a consolidated basis.

Operating expenses increased by 6.4% year-on-year on a local currency basis. Lower material expenses somewhat mitigated the increase in maintenance and repair costs as well as FX denominated costs such as rental expenses, frequencies and energy. Additionally, employee expenses also increased, stemming from inflation-based salary increases and a greater number of employees.

EBITDA comparable growth of 28.0% year-on-year in local currency

On a local currency basis EBITDA comparable rose by 28.0% in the first quarter of 2015 compared to the same period last year as the increase in revenues more than offset higher operating expenses. After a negative FX translation effect of EUR 9.4 mn, the consolidated EBITDA comparable rose by 4.4%.

Segment Additional Markets

Slovenia

Key Performance Indicators

in EUR million	Q1 2015	Q1 2014	% change
Revenues	43.4	50.4	–13.8%
EBITDA comparable	31.7	15.1	110.3%
EBITDA incl. effects from restructuring and impairment tests	31.7	15.1	110.3%
EBIT	26.1	9.8	168.0%

	Q1 2015	Q1 2014	% change
ARPU (in EUR)	15.8	19.8	–20.0%
Mobile communication subscribers (in '000)	684.4	677.9	1.0%
Market share	29.2%	29.9%	
Contract share	79.9%	78.3%	
Mobile broadband subscribers (in '000)	25.0	21.7	15.5%
Market penetration – total market	112.2%	108.9%	

Republic of Serbia

Key Performance Indicators

in EUR million	Q1 2015	Q1 2014	% change
Revenues	45.5	49.3	–7.8%
EBITDA comparable	10.7	15.3	–30.4%
EBITDA incl. restructuring and impairment test	10.7	15.3	–30.4%
EBIT	–2.6	–3.1	n.m.

	Q1 2015	Q1 2014	% change
ARPU (in EUR)	6.0	6.7	–9.8%
Mobile communication subscribers (in '000)	2,126.2	2,044.3	4.0%
Market share	22.5%	21.5%	
Contract share	52.0%	51.8%	
Market penetration – total market	131.4%	132.4%	

Republic of Macedonia

Key Performance Indicators

in EUR million	Q1 2015	Q1 2014	% change
Revenues	15.9	13.5	17.6%
EBITDA comparable	3.4	2.5	36.6%
EBITDA incl. effects from restructuring and impairment tests	3.4	2.5	36.6%
EBIT	0.2	0.3	–48.1%

Mobile communication business	Q1 2015	Q1 2014	% change
ARPU (in EUR)	6.1	6.6	–6.9%
Mobile communication subscribers (in '000)	616.1	622.2	–1.0%
Market share	28.4%	28.3%	
Contract share	54.7%	49.2%	
Market penetration – total market	105.7%	107.1%	

Fixed-line business	Q1 2015	Q1 2014	% change
ARPL (in EUR)	13.9	0.0	n.a.
Total access lines ('000)	76.0	63.1	20.5%
Fixed broadband lines ('000)	54.3	48.9	11.0%

In the first quarter of 2015, the Additional Markets segment benefitted from continued customer growth driven by gains in Slovenia and the Republic of Serbia. In the Republic of Serbia Vip mobile was the first operator to launch LTE services at end of March. While mobile customer numbers declined in the Republic of Macedonia, that business benefitted from the move to convergence in Q3 2014. Following the acquisition of blizoo Macedonia, which closed on 30 July 2014, the Macedonian segment also reported 76,000 fixed access lines as of 31 March 2015.

8.7% year-on-year revenue decline in Additional Markets segment

Total revenues in the Additional Markets segment fell by 8.7% year-on-year as lower revenues from Slovenia and the Republic of Serbia were only partly offset by a revenue increase in the Republic of Macedonia. These declines were mostly driven by negative pricing trends and regulatory cuts in the mobile markets. In addition, negative effects of handset accounting on monthly fees weighed on revenue development in the Republic of Serbia. Without the accounting effect, revenue growth continued following strong subscriber trends. In the Republic of Macedonia the acquisition of blizoo Macedonia contributed EUR 2.9 mn to revenues. Excluding FX, translation effects of EUR 2.2 mn in total the segment revenues fell by 6.8%.

Other operating income rose by EUR 20.4 mn in Q1 2015 after a positive one-off effect in the amount of EUR 20.0 mn from the settlement of relations with Telekom Slovenije in January 2015.

Operating expenses declined by 2.7% year-on year in the Additional Markets segment in Q1 2015, mainly driven by lower interconnection costs in Slovenia. In the Republic of Serbia material expenses were higher, caused by a gradual change in the revenue recognition for handsets. In the Republic of Macedonia operating expenses rose due to higher employee expenses resulting from the blizoo Macedonia acquisition and an increase in services received.

Lower operating expenses could not offset the revenue decline and resulted in an EBITDA comparable decline for the segment of 22.9% year-on-year excluding the one-off effect in Slovenia (39.1% growth reported).

Consolidated Net Income

The negative financial result was lower in the first quarter of 2015, mainly due to a EUR 4.9 mn reduction in interest expenses stemming mostly from interest rate changes. In summary, the lower restructuring charge and the higher operating income in the Austrian segment as well as the one-off effect in Slovenia resulted in a rise in net income to EUR 92.7 mn in the first quarter of 2015 compared to net income of EUR 40.8 mn last year.

Balance Sheet and Net Debt

The balance sheet of Telekom Austria Group remained mostly stable at EUR 8,227.8 mn as of 31 March 2015.

Higher cash and cash equivalents led to a slight increase in current assets of 1.1% to EUR 2,069.0 mn in the quarter under review. Accounts receivable fell by 6.5% compared to 31 December 2014, mainly as a result of lower revenues in Austria. Non-current assets fell by 1.8% to EUR 6,158.8 mn, mainly due to amortisation and depreciation exceeding CAPEX as well as FX differences.

Current liabilities increased by 43.2% to EUR 2,202.3 mn in the first quarter of 2015, largely as a result of the reclassification of a EUR 750 million bond maturing in January 2016 to short-term borrowings. This was somewhat mitigated by a reduction in accounts payable due to lower OPEX and CAPEX compared to 31 December 2014. As a result of this reclassification, long-term debt declined by 22.2% to EUR 2,634.3 mn.

The rise in equity from EUR 2,218.0 mn to EUR 2,240.7 mn was driven by an increase in retained earnings. This also entailed a slight increase in the equity ratio as at 31 March 2015 to 27.2% after 26.7% as at 31 December 2014.

Net debt

in EUR million	31 Mar 2015	31 Dec 2014	% change
Net debt	2,577.6	2,693.3	–4.3%
Net debt / EBITDA comparable (12 months)	2.0x	2.1x	

Net debt of the Telekom Austria Group fell by 4.3% to EUR 2,577.6 mn in the quarter under review as a result the increase in cash and cash equivalents. Together with the increased EBITDA comparable, this resulted in a reduction of the net debt to EBITDA comparable ratio from 2.1x in the previous quarter to 2.0x in Q1 2015.

Cash Flow

Cash flow

in EUR million	1–3 M 2015	1–3 M 2014	% change
Cash flow from operating activities	272.2	148.9	82.8%
Cash flow from investing activities	–110.8	–94.3	n.m.
Cash flow from financing activities	–71.2	–13.0	n.m.
Effect of exchange rate changes	0.5	0.6	–18.9%
Monetary loss on cash and cash equivalents	0.0	–0.1	n.a.
Net increase / decrease in cash and cash equivalents	90.7	42.1	115.5%

Cash flow from operating activities increased by 82.8% in the reporting quarter to EUR 272.2 mn. This development was largely driven by the significant decrease in the needs for working capital. The EUR 20.0 mn cash-relevant one-off in Slovenia led to a 6.9% increase in gross cash flow. The moderate increase in working capital during Q1 2015 was primarily due to the fact that the reduction in accounts payable in the quarter under review was partly mitigated by the decrease in accounts receivable. Other liabilities and deferred income mainly rose due to higher liabilities to the tax authority.

Cash flow used for investing activities increased from EUR 94.3 mn in Q1 2014 to EUR 110.8 mn in the quarter under review, primarily due to higher CAPEX in Austria as investments were comparably low in Q1 2014.

Cash outflow from financing activities rose from EUR 13.0 mn in Q1 2014 to EUR 71.2 mn in Q1 2015. Cash outflows stemmed mostly from the interest payment for bonds.

As a result, cash and cash equivalents increased to EUR 90.7 mn compared with EUR 42.1 mn at the end of Q1 2015.

Capital Expenditures

Capital expenditures in EUR million	Q1 2015	Q1 2014	% change
Austria	68.5	61.5	11.4%
Bulgaria	13.6	6.6	105.5%
Croatia	9.4	12.6	–25.8%
Belarus	7.6	8.3	–7.8%
Additional Markets	22.0	10.4	111.1%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**121.1**	**99.4**	**21.8%**
thereof tangible	91.9	71.4	28.6%
thereof intangible	29.2	28.0	4.3%

Total CAPEX growth driven by fibre roll-out in Austria

In the first quarter of 2015 Group capital expenditures grew 21.8% year-on-year, due to CAPEX growth in Austria, Bulgaria and the Additional Markets segment.

In Austria CAPEX in Q1 2014 was comparatively low as much of the year's investments were shifted towards the second half of the year. Moreover, the increase in tangible capital expenditures was a result of the launch of the fibre roll-out. The fall in intangible capital expenditures was mainly driven by lower mobile network CAPEX.

In Bulgaria capital expenditures increased versus the same period last year mainly as a result of investments in the modernisation of the GSM mobile network. Croatia saw a considerable reduction in CAPEX due to higher expenditure for local projects like CRM implementation. In Belarus capital expenditures declined as network investments were delayed as a result of FX risks.

In the Additional Markets segment capital expenditures rose by EUR 11.6 mn, driven by an additional 1800 MHz frequency purchased in February 2015 in the Republic of Serbia and a CAPEX contribution of blizoo Macedonia of EUR 2.0 mn.

Personnel

Personnel (full-time equivalent) End of period	31 Mar 2015	31 Mar 2014	% change
Austria	8,746	8,895	–1.7%
International Operations	7,365	7,020	4.9%
Total	**16,298**	**16,090**	**1.3%**

Personnel (full-time equivalent) Average of period	1–3 M 2015	1–3 M 2014	% change
Austria	8,724	8,866	–1.6%
International Operations	7,362	7,073	4.1%
Total	**16,270**	**16,111**	**1.0%**

Acquisition of blizoo Macedonia drives increase in Group headcount

As of 31 March 2015 Telekom Austria Group the number of full-time employees (FTEs) had risen to 16,298 from 16,090 as of 31 March 2015, mainly as a result of the acquisition of blizoo Macedonia. Austria saw a reduction of 149 FTEs owing to ongoing restructuring efforts. While Bulgaria reduced its headcount by 57 FTEs, Belarus saw net additions of 74 FTEs versus 31 March 2014. The Additional Markets segment gained 359 FTEs following the closing of the acquisition of blizoo Macedonia in July 2014.

Additional Information

Risks and Uncertainties

The Telekom Austria Group faces various risks and uncertainties which could affect its results. For further details about these risks and uncertainties, please refer to the Telekom Austria Group Annual Report 2014, pp. 101 ff.

Other and Subsequent Events

There were no subsequent events.

Waiver of Review

This financial report of the Telekom Austria Group contains quarterly results which have not been audited or reviewed by a certified public accountant.

Other

The use of automated calculation systems may give rise to rounding differences.

Following the classification of Belarus as a hyperinflationary economy, financial reporting in hyperinflationary countries according to IAS 29 was applied to the financial statements of the Belarusian segment from 2011 to 2014.

The reported results in the Austrian, Bulgarian, Croatian, Belarusian segments as well as the Republic of Macedonia in the Additional Markets segment include depreciation and amortisation of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

n.m. – not meaningful, used for percentage changes >300% and others which are not meaningful.

n.a. – not applicable, e.g. for divisions by zero.

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Profit or Loss

in EUR million, except per share information	Q1 2015 unaudited	Q1 2014 unaudited
Operating revenues	956.0	975.9
Other operating income	43.8	16.2
Material expenses	–109.1	–104.6
Employee expenses, including benefits and taxes	–224.7	–218.6
Other operating expenses	–327.5	–349.0
Operating expenses	**–661.3**	–672.2
EBITDA comparable	**338.5**	319.9
Restructuring	–3.9	–7.7
Impairment and reversal of impairment	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**334.6**	312.3
Depreciation and amortisation	–194.9	–214.9
Operating result	**139.7**	97.4
Interest income	4.0	3.3
Interest expense	–44.2	–49.1
Foreign exchange differences	0.2	–0.7
Other financial result	0.0	0.1
Result from investments in affiliates	0.1	0.0
Financial result	**–39.8**	–46.4
Earnings before income taxes	**99.9**	51.0
Income taxes	–7.2	–10.2
Net Result	**92.7**	40.8
Attributable to:		
Owners of the parent	86.5	34.5
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.2	6.2
Basic and fully diluted earnings per share	**0.13**	0.08
Weighted-average number of ordinary shares outstanding	**664,084,841**	442,584,841

Condensed Consolidated Statements of Comprehensive Income

in EUR million	Q1 2015 unaudited	Q1 2014 unaudited
Net Result	**92.7**	**40.8**
Realised result on hedging activities	1.5	1.6
Income tax (expense) benefit	−0.4	−0.4
Foreign currency translation adjustment	−38.3	−2.5
Items that may be reclassified to profit or loss	**−37.2**	**−1.3**
Remeasurements of defined benefit obligations	−1.4	−1.2
Income tax (expense) benefit	0.3	0.3
Items that are not reclassified to profit or loss	**−1.1**	**−0.9**
Other comprehensive income (loss)	**−38.3**	**−2.2**
Total comprehensive income (loss)	**54.4**	**38.6**
Attributable to:		
Owners of the parent	48.2	32.3
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.2	6.2

Condensed Consolidated Statements of Financial Position

in EUR million	31 March 2015 unaudited	31 Dec. 2014 audited
ASSETS		
Current assets		
Cash and cash equivalents	1,108.7	1,018.1
Short-term investments	2.0	14.4
Accounts receivable - trade, net of allowances	561.1	600.1
Receivables due from related parties	0.6	1.3
Inventories	130.9	140.1
Prepaid expenses	126.0	125.4
Income tax receivable	25.5	27.4
Non-current assets held for sale	0.4	0.4
Other current assets	113.7	120.1
Total current assets	**2,069.0**	**2,047.3**
Non-current assets		
Investments in associates	42.0	38.3
Long-term investments	7.1	7.4
Goodwill	1,190.2	1,189.5
Other intangible assets, net	2,506.3	2,570.1
Property, plant and equipment, net	2,193.7	2,246.1
Other non-current assets	49.9	46.9
Deferred tax assets	169.7	170.9
Total non-current assets	**6,158.8**	**6,269.1**
TOTAL ASSETS	**8,227.8**	**8,316.4**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−1,054.1	−340.8
Accounts payable - trade	−440.8	−522.3
Current provisions and accrued liabilities	−344.4	−337.3
Payables due to related parties	−5.4	−7.1
Income tax payable	−32.5	−33.4
Other current liabilities	−161.8	−132.7
Deferred income	−163.3	−163.9
Total current liabilities	**−2,202.3**	**−1,537.5**
Non-current liabilities		
Long-term debt	−2,634.3	−3,385.0
Employee benefit obligation	−204.9	−200.9
Non-current provisions	−852.0	−867.5
Deferred tax liabilities	−77.2	−90.8
Other non-current liabilities and deferred income	−16.4	−16.6
Total non-current liabilities	**−3,784.8**	**−4,560.8**
Stockholders' equity		
Common stock	−1,449.3	−1,449.3
Treasury shares	7.8	7.8
Additional paid-in capital	−1,100.1	−1,100.1
Hybrid capital	−591.2	−591.2
Retained earnings	358.1	418.0
Available-for-sale reserve	0.0	0.1
Hedging reserve	36.1	37.2
Translation adjustments	499.0	460.6
Equity attributable to equity holders of the parent	**−2,239.6**	**−2,216.8**
Non-controlling interests	−1.1	−1.2
Total stockholders' equity	**−2,240.7**	**−2,218.0**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−8,227.8**	**−8,316.4**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2015 unaudited	Q1 2014 unaudited
Net Result	92.7	40.8
Adjustments to reconcile net result to operating cash flow		
Depreciation, amortisation and impairment	194.9	214.9
Employee benefit obligation - non-cash	2.7	1.9
Bad debt expenses	8.6	8.5
Change in deferred taxes	−5.8	−0.6
Result from investments in affiliates	−0.1	0.9
Share-based compensation	0.4	1.0
Change in asset retirement obligation - non-cash	1.4	1.7
Provision for restructuring - non-cash	6.3	12.0
Result on sale of investments	0.0	−0.1
Result on disposal / retirement of equipment	0.6	0.4
Other	2.0	2.6
Gross cash flow	**303.7**	**284.0**
Accounts receivable - trade	29.5	13.3
Receivables due from related parties	0.5	−0.1
Inventories	8.0	−6.6
Prepaid expenses and other assets	1.1	−27.7
Accounts payable - trade	−79.9	−116.8
Employee benefit obligation	−1.8	0.0
Provisions and accrued liabilities	−16.9	−23.7
Other liabilities and deferred income	29.1	28.4
Payables due to related parties	−1.0	−1.9
Changes in assets and liabilities	**−31.5**	**−135.1**
Cash flow from operating activities	**272.2**	**148.9**
Capital expenditures	−121.1	−99.4
Acquisitions of subsidiaries, net of cash acquired	−2.8	0.0
Sale of property, plant, equipment and intangible assets	2.1	2.3
Purchase of investments	−1.6	−0.2
Sale of investments	12.6	2.9
Cash flow from investing activities	**−110.8**	**−94.3**
Principal payments on long-term debt	−2.7	−3.3
Changes in short-term borrowings	−34.7	24.1
Dividends paid	−33.9	−33.8
Cash flow from financing activities	**−71.2**	**−13.0**
Effect of exchange rate changes	**0.5**	**0.6**
Monetary loss on cash and cash equivalents	**0.0**	**−0.1**
Change in cash and cash equivalents	**90.7**	**42.1**
Cash and cash equivalents at beginning of period	1,018.1	201.3
Cash and cash equivalents at end of period	1,108.7	243.4

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2015	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**–418.0**	**–497.9**	**2,216.8**	**1.2**	**2,218.0**
Net Result	0.0	0.0	0.0	0.0	92.7	0.0	92.7	0.0	92.7
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–1.1	–37.2	–38.3	0.0	–38.3
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**91.6**	**–37.2**	**54.4**	**0.0**	**54.4**
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.1	–31.8
Balance at 31 March 2015	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**–358.1**	**–535.1**	**2,239.6**	**1.1**	**2,240.7**

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2014	966.2	–7.8	582.6	591.2	–190.2	–483.9	1,458.1	1.1	1,459.1
Net Result	0.0	0.0	0.0	0.0	40.8	0.0	40.8	0.0	40.8
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–0.9	–1.3	–2.2	0.0	–2.2
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	39.9	–1.3	38.6	0.0	38.6
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.1	–31.8
Hyperinflation adjustment	0.0	0.0	0.0	0.0	5.5	0.0	5.5	0.0	5.5
Balance at 31 March 2014	966.2	–7.8	582.6	591.2	–176.5	–485.2	1,470.5	1.0	1,471.5

For further details on the hybrid bond coupon payment and the tax benefit relating to the amount of interest attributable to hybrid bond owners, which is recognised as distribution of dividends, see "Stockholders' Equity".

Net Debt

in EUR million	31 March 2015 unaudited	31 Dec. 2014 audited
Long-term debt	2,634.3	3,385.0
Short-term borrowings	1,054.1	340.8
Cash and cash equivalents and short-term investments	–1,110.8	–1,032.5
Net debt	**2,577.6**	**2,693.3**
Net debt/EBITDA comparable (last 12 months)	**2.0x**	**2.1x**

Condensed Operating Segments

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
Q1 2015								
External revenues	605.5	87.0	83.4	77.2	102.9	0.0	0.0	956.0
Intersegmental revenues	4.0	0.5	1.1	0.0	2.4	0.0	–8.0	0.0
Total revenues	**609.5**	**87.5**	**84.6**	**77.2**	**105.3**	**0.0**	**–8.0**	**956.0**
Other operating income	19.7	6.2	1.5	1.4	23.2	7.0	–15.1	43.8
Segment expenses	–422.0	–58.9	–67.0	–36.8	–83.6	–16.0	23.2	–661.3
EBITDA comparable	**207.1**	**34.8**	**19.1**	**41.7**	**44.9**	**–9.0**	**0.0**	**338.5**
Restructuring	–3.9	0.0	0.0	0.0	0.0	0.0	0.0	–3.9
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**203.2**	**34.8**	**19.1**	**41.7**	**44.9**	**–9.0**	**0.0**	**334.6**
Depreciation and amortisation	–115.8	–20.4	–16.7	–20.0	–22.0	0.0	0.0	–194.9
Operating result	**87.4**	**14.4**	**2.4**	**21.7**	**22.9**	**–9.0**	**0.0**	**139.7**
Interest income	0.6	0.5	0.1	1.9	0.4	9.0	–8.5	4.0
Interest expense	–8.1	–0.1	–2.1	–0.5	–0.7	–41.1	8.5	–44.2
Result from investments in affiliates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial result	0.6	0.0	0.3	0.7	–0.2	–1.2	0.0	0.2
Earnings before income taxes	**80.7**	**14.8**	**0.7**	**23.7**	**22.4**	**–42.4**	**0.0**	**99.9**
Income taxes								–7.2
Net result								**92.7**
Segment assets	4,889.2	885.1	547.4	522.8	836.0	7,748.0	–7,200.5	8,227.8
Segment liabilities	–2,652.4	–84.3	–373.0	–49.3	–202.9	–4,387.4	1,762.2	–5,987.1
Capital expenditures - intangible	16.0	3.9	0.4	0.5	8.4	0.0	0.0	29.2
Capital expenditures - tangible	52.5	9.7	9.0	7.1	13.6	0.0	0.0	91.9
Total capital expenditures	**68.5**	**13.6**	**9.4**	**7.6**	**22.0**	**0.0**	**0.0**	**121.1**
EBITDA comparable margin	34.0%	39.7%	22.5%	54.0%	42.6%	n.a	n.a	35.4%

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
Q1 2014								
External revenues	609.8	90.6	81.4	80.9	113.2	0.0	0.0	975.9
Intersegmental revenues	4.3	0.6	1.8	0.0	2.2	0.0	–8.9	0.0
Total revenues	**614.1**	**91.2**	**83.2**	**81.0**	**115.4**	**0.0**	**–8.9**	**975.9**
Other operating income	16.9	2.1	1.4	1.4	2.8	6.5	–15.0	16.2
Segment expenses	–436.3	–56.3	–61.9	–42.4	–85.9	–13.3	23.9	–672.2
EBITDA comparable	**194.8**	**37.1**	**22.7**	**39.9**	**32.3**	**–6.8**	**0.0**	**319.9**
Restructuring	–7.7	0.0	0.0	0.0	0.0	0.0	0.0	–7.7
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**187.1**	**37.1**	**22.7**	**39.9**	**32.3**	**–6.8**	**0.0**	**312.3**
Depreciation and amortisation	–129.1	–23.0	–16.8	–20.2	–26.0	0.0	0.2	–214.9
Operating result	**58.1**	**14.1**	**5.9**	**19.7**	**6.2**	**–6.8**	**0.2**	**97.4**
Interest income	0.5	0.3	0.0	2.4	0.2	8.6	–8.6	3.3
Interest expense	–11.5	–0.2	–2.5	–0.5	–0.3	–42.7	8.6	–49.1
Result from investments in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result	0.3	0.0	–0.6	0.3	–0.1	224.0	–224.4	–0.6
Earnings before income taxes	**47.3**	**14.1**	**2.7**	**21.9**	**6.1**	**183.0**	**–224.2**	**51.0**
Income taxes								–10.2
Net result								**40.8**
Segment assets	4,917.0	1,209.0	531.4	565.5	752.0	7,920.1	–8,159.3	7,735.6
Segment liabilities	–2,803.7	–118.6	–353.8	–65.2	–155.9	–4,479.0	1,706.2	–6,270.0
Capital expenditures - intangible	21.2	1.9	1.3	0.8	2.8	0.0	0.0	28.0
Capital expenditures - tangible	40.3	4.7	11.3	7.5	7.6	0.0	0.0	71.4
Total capital expenditures	**61.5**	**6.6**	**12.6**	**8.3**	**10.4**	**0.0**	**0.0**	**99.4**
EBITDA comparable margin	31.7%	40.6%	27.2%	49.3%	28.0%	n.a	n.a	32.8%

Results by Segments

in EUR million	Q1 2015 unaudited	Q1 2014 unaudited	% change
Revenues			
Austria	609.5	614.1	–0.8%
Bulgaria	87.5	91.2	–4.1%
Croatia	84.6	83.2	1.6%
Belarus	77.2	81.0	–4.7%
Additional markets	105.3	115.4	–8.7%
Corporate & Other & Eliminations	–8.0	–8.9	–10.0%
Total revenues	**956.0**	**975.9**	**–2.0%**
EBITDA comparable			
Austria	207.1	194.8	6.3%
Bulgaria	34.8	37.1	–6.2%
Croatia	19.1	22.7	–15.9%
Belarus	41.7	39.9	4.4%
Additional markets	44.9	32.3	39.1%
Corporate & Other & Eliminations	–9.0	–6.8	32.4%
Total EBITDA comparable	**338.5**	**319.9**	**5.8%**
EBITDA incl. effects from restructuring and impairment testing			
Austria	203.2	187.1	8.6%
Bulgaria	34.8	37.1	–6.2%
Croatia	19.1	22.7	–15.9%
Belarus	41.7	39.9	4.4%
Additional markets	44.9	32.3	39.1%
Corporate & Other & Eliminations	–9.0	–6.8	32.4%
Total EBITDA incl. effects from restructuring and impairment testing	**334.6**	**312.3**	**7.2%**
Operating result			
Austria	87.4	58.1	50.5%
Bulgaria	14.4	14.1	2.4%
Croatia	2.4	5.9	–59.5%
Belarus	21.7	19.7	10.3%
Additional markets	22.9	6.2	266.2%
Corporate & Other & Eliminations	–9.0	–6.6	36.3%
Total operating result	**139.7**	**97.4**	**43.5%**
EBITDA comparable margin			
Austria	34.0%	31.7%	
Bulgaria	39.7%	40.6%	
Croatia	22.5%	27.2%	
Belarus	54.0%	49.3%	
Additional markets	42.6%	28.0%	
EBITDA comparable margin total	**35.4%**	**32.8%**	

Capital Expenditures

in EUR million	Q1 2015 unaudited	Q1 2014 unaudited	% change
Austria	68.5	61.5	11.4%
Bulgaria	13.6	6.6	105.5%
Croatia	9.4	12.6	–25.8%
Belarus	7.6	8.3	–7.8%
Additional markets	22.0	10.4	111.1%
Total capital expenditures	**121.1**	**99.4**	**21.8%**
Thereof tangible	91.9	71.4	28.6%
Thereof intangible	29.2	28.0	4.3%

Selected Explanatory Notes to the Consolidated Interim Financial Statements

Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation in accordance with IAS 34 "Interim Financial Reporting" and are not audited or reviewed and should be read in connection with the audited Company's annual consolidated financial statements according to IFRS for the year ended 31 December 2014. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2014.

The preparation of the interim financial statements in conformity with IAS 34 Interim Financial Reporting requires making estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The Company has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2014, except the following standards/interpretations which became effective:

		Effective*	Effective**
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
all IFRSs	Annual Improvements 2011 – 2013	1 July 2014	1 July 2015
all IFRSs	Annual Improvements 2010 – 2012	1 July 2014	1 February 2015

* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB).
** This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with EU endorsement).

The initial application of the IFRS and IFRIC mentioned above had an insignificant impact on the consolidated financial statements since the amendments and revisions were not fully applicable.

Until 31 December 2014, hyperinflation accounting according to IAS 29 was applied to the subsidiaries in Belarus. The financial statements of the subsidiaries in Belarus are generally based on historic cost. Since 2011, this basis was restated due to changes in the value of money of its functional currency. The financial statements of the subsidiaries in Belarus are therefore reported at the applicable measuring unit at 31 December 2014. Since 1 January 2015 hyperinflation accounting is discontinued, as the characteristics indicating hyperinflation are not met anymore. All amounts expressed in the measuring unit at 31 December 2014 are treated as the basis for the carrying amounts in 2015. Revenues and expenses are translated using the average exchange rates again after the period-end exchange rates had to be applied for the time hyperinflation accounting was applied.

Compared to other economic sectors, the telecommunications industry is in general less cyclical. Within the telecommunication sector, the seasonality of the Company's segments shows the same pattern as other European incumbents, having lower margins in the year-end quarter due to Christmas promotions, equipment provided to customers and increases in sales commissions. However, customer and visitor roaming revenues are above average in the third quarter due to the summer vacation season. In Austria, visitor roaming is also above average in the first quarter due to winter sports tourism.

Format of the Condensed Consolidated Statements of Profit or Loss

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization and impairment. EBITDA comparable and EBITDA incl. effects from restructuring and impairment testing are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring programme and from impairment testing, if any. The restructuring programme includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. Furthermore, expenses for the transfer of civil servants to the Austrian government are adjusted for the purpose of determining EBITDA comparable. For details on restructuring expenses for the first quarter 2015 and 2014 see "Provisions and Accrued Liabilities".

Business combinations

In the first quarter 2015, Telekom Austria Group acquired 100% of six cable operators in Macedonia through its subsidiary blizoo for a total consideration paid in cash of EUR 2.8 million. The consideration was provisionally allocated mainly to property, plant and equipment and customer base. The goodwill resulting on the acquisitions amounts to EUR 0.5 Mio.

Other operating income

In 2011, Si.mobil filed a lawsuit against Telekom Slovenije for alleged violation of competition laws. On 29 December 2014, an agreement on settling mutual relations and business collaboration which was subject to conditions precedent between Telekom Slovenije and Si.mobil was signed. On 21 January 2015, a condition of this agreement was fulfilled. Thereupon, Si.mobil withdrew its lawsuit and already received a first payment of EUR 20.0 million, which is recognised in other operating income in the segment additional markets.

Non-Current and Current Liabilities

In the first quarter 2015, no long-term debt was issued and EUR 2.7 million of long-term debt was repaid.

The decrease in long-term debt is due to the shift of a EUR 750 million bond maturing in January 2016 to short-term borrowings. The resulting increase in short-term borrowings was offset to a small extent only by the payment of interest accrued as of 31 December 2014.

The increase in other current liabilities is mainly due to higher liabilities to fiscal authorities.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 761.9 million as of 31 December 2014 decreased to EUR 742.1 million as of 31 March 2015, mainly due to the usage of the provision. In the first quarter 2015 and 2014 a restructuring expense of EUR 0.1 million and EUR 2.6 million, respectively, was recognised.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 28.8 million as of 31 December 2014 increased to EUR 30.8 million as of 31 March 2015. In the first quarter 2015 and 2014, a restructuring expense of EUR 3.8 million and EUR 5.1 million, respectively, was recognised.

In the first quarter of 2015, the discount rate and inflation rate applied to the calculation of asset retirement obligations were changed to reflect the current market conditions in the individual countries. The change of these parameters resulted in a decrease of the asset retirement obligation in the amount of EUR 3.7 million. EUR 3.0 million resulted in decrease in the corresponding tangible assets while EUR 0.7 million were recognised in Other operating income as the underlying sites are already fully depreciated. The following table sets forth the parameters applied:

	Austria	Other countries	Belarus
31 March 2015			
Discount rate	1.0%	2.0%	21.0%
Inflation rate	1.0%	0.0%	15.0%
31 Dec. 2014			
Discount rate	2.0%	2.0%	21.0%
Inflation rate	2.0%	2.0%	15.0%

Income Taxes

The effective tax rate for the first quarter of 2015 and 2014 was 7.2% and 20.0%, respectively. The decrease of the effective tax rate was mainly due to recognition of deferred tax assets not recognised as of 31 December 2014 due to higher estimated future taxable income.

Net deferred tax assets of EUR 80.1 million as of 31 December 2014 increased to EUR 92.5 million as of 31 March 2015, mainly as a result of the above mentioned recognition of deferred tax assets and foreign exchange differences in Belarus resulting in a reduction of deferred tax liabilities.

Stockholders' Equity

In February 2015 and 2014, the Telekom Austria Group paid the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 2.1 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the Condensed Consolidated Statements of Profit or Loss and equals the recognised interest for the first quarter according to local GAAP amounting to EUR 8.3 million, net of the related tax benefit of EUR 2.1million, which is recognised in stockholders' equity according to IAS 12.

Other reserves in the Condensed Consolidated Statements of Changes in Stockholders' Equity include available-for-sale reserve, hedging reserve and translation adjustments. The change of the translation adjustment in the first quarter 2015 is mainly a result of the devaluation of the Belarusian Rouble as, since 1 January 2015, hyperinflation accounting is discontinued. Due to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the subsidiaries in Belarus until 31 December 2014, the relating translation adjustment remained unchanged at EUR 302.1 million from 2011 until 31 December 2014 and amounts to EUR 346.0 million as of 31 March 2015.

Financial Instruments

The following table shows the carrying amounts and the fair values of financial instruments per class of financial assets:

in EUR million	31 March 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Cash and cash equivalents	**1,108.7**	**1,108.7**	1,018.1	1,018.1
Accounts receivable - trade	561.1	561.1	600.1	600.1
Receivables due from related parties	0.6	0.6	1.3	1.3
Other current financial assets	71.4	71.4	75.7	75.7
Other non-current financial assets	36.6	36.6	37.0	37.0
Loans and receivables	**669.8**	**669.8**	714.0	714.0
Long-term investments	6.5	6.5	6.8	6.8
Short-term investments	2.0	2.0	14.4	14.4
Available-for-sale investments	**8.6**	**8.6**	21.3	21.3
Investments at cost	**0.6**	**0.6**	0.6	0.6

The carrying amounts of cash and cash equivalents, accounts receivable – trade and other financial assets approximate their fair values, therefore no further information on the classification in the fair value hierarchy is provided.

Other current and non-current financial assets comprise instalment sales receivables, finance lease receivables and other financial assets decreased by allowance for financial assets.

Investments at cost mainly relate to the stake in CEESEG AG. As this stake can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost.

The following table shows the carrying amounts and the fair values of financial instruments per class of financial liabilities:

in EUR million	31 March 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Bonds	3,030.7	3,448.2	3,029.7	3,430.1
Other current financial liabilities	54.8	54.8	53.8	53.8
Non-current liabilities to financial institutions	600.0	649.3	602.6	655.5
Other non-current liabilities	1.0	1.0	1.0	1.0
Accounts payable - trade	440.8	440.8	522.3	522.3
Payables due to related parties	5.4	5.4	7.1	7.1
Accrued interest	57.7	57.7	93.5	93.5
Financial liabilities at amortised cost	**4,190.4**	**4,657.2**	4,309.9	4,763.2

The carrying amounts of accounts payable – trade and other liabilities approximate their fair values, therefore no further information on the classification in the fair value hierarchy is provided. Non-current liabilities to financial institutions include the current portion of long-term debt.

The fair values of the quoted bonds (EMTN bonds and Eurobonds) equal the face value multiplied by the price quotations at the reporting date and are thus classified as Level 1 of the fair value hierarchy.

The fair values of liabilities to financial institutions are measured at the present values of the cash flows associated with the debt.

The following table shows financial instruments per class of financial instrument measured at fair value based on a three-level fair value hierarchy that reflects the significance of the inputs in such fair value measurements:

31 March 2015 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.1	1.5	0.0	8.6
Financial assets measured at fair value	**7.1**	**1.5**	**0.0**	**8.6**

31 Dec. 2014 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.3	14.0	0.0	21.3
Financial assets measured at fair value	7.3	14.0	0.0	21.3

The levels of fair value hierarchy are determined as follows:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Fair values measured using inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.
- Level 3: Fair values measured using inputs that are not based on observable market data.

Subsequent and Other Events

There were no subsequent events.