

## Results for the First Quarter 2012

### Highlights

- > Intensified competition in Austria, Bulgaria and Croatia as well as macroeconomic headwinds in the CEE region drive first quarter 2012
- > Group revenues and Group EBITDA comparable declined by 5.6% and 8.9%, respectively
- > On a clean basis, Group revenues increased by 3.0% and Group EBITDA comparable by 0.9%
- > Strict cost control results in Group OPEX savings of EUR 29.1 mn
- > New Ambition Program on track: approximately 87% of measures initiated - majority of financial impact expected in second half 2012
- > Group Guidance 2012 reiterated: revenues approx. EUR 4.4 bn, EBITDA comparable approx. EUR 1.5 bn, CAPEX approx. EUR 0.75 bn, Operating Free Cash Flow approx. EUR 0.75 bn
- > Q1 2012 Operating Free Cash Flow of EUR 215.6 mn provides solid basis for full year target
- > Dividend of EUR 0.38 for 2012

in EUR million	Q1 2012	Q1 2011	% change
Revenues	1,055.0	1,118.0	-5.6%
EBITDA comparable	361.4	396.7	-8.9%
Operating income	112.0	-42.3	n.a.
Net income	46.9	-79.2	n.a.
Earnings per share (in EUR)	0.11	-0.18	n.a.
Free cash flow per share (in EUR)	0.11	0.07	52.7%
Capital Expenditures	145.8	120.4	21.1%

in EUR million	Mar. 31, 2012	Dec. 31, 2011	% change
Net Debt	3,337.3	3,380.3	-1.3%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.2x	2.2x	

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 tax expense, depreciation and amortization, restructuring and effects from impairment tests.

# Group Review

Vienna, 10 May 2012 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first quarter 2012 ending 31 March 2012.

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

Following the classification of Belarus as a hyperinflationary economy in the fourth quarter 2011, hyperinflation accounting according to IAS 29 is applied to the financial statements of the Belarusian segment. Effects from the inflation of assets and the translation into Euro are shown net.

## Summary

In the first quarter of 2012 Group revenues declined by 5.6% to EUR 1,055.0 million and included a negative total net effect from hyperinflation accounting and foreign exchange translations in the amount of EUR 96.5 million, almost entirely from the Belarusian segment. Revenue growth in the Croatian and the Additional markets segments partly offset lower revenues in the Austrian, Bulgarian and Belarusian segments. The Austrian market showed intensified competitive activities during the first quarter of 2012, which together with an ongoing challenging economic environment also characterized the Bulgarian and Croatian mobile market. The contribution of last year's acquired fixed line business led to slightly higher revenues in Croatia in the first quarter of 2012. In the Belarusian segment a strong operational performance driven by subscriber growth and higher usage resulted in a revenue increase of 70.6% in local currency and before hyperinflation accounting adjustments. Excluding the total net effect of hyperinflation accounting and foreign currency translations Group revenues increased by 3.0% and amounted to EUR 1,151.5 million.

Group EBITDA comparable, which does not include effects from restructuring and impairment tests, declined by 8.9% and amounted to EUR 361.4 million, whereof a negative total net effect of EUR 39.1 million was related to hyperinflation accounting and foreign exchange translations. In the Austrian and Bulgarian segments further cost cuts dampened the negative impact of revenue pressure. In the Croatian segment EBITDA comparable increased due to lower OPEX and the contribution of the acquired cable operator. Reported EBITDA comparable in the Belarusian segment decreased, but rose in local currency and before hyperinflation adjustments. The Additional Markets segment showed a further substantial growth in EBITDA comparable.

In the Austrian segment restructuring charges amounted to EUR 4.4 million in the first quarter 2012 compared to EUR 184.1 million in the previous year.

Depreciation and amortization charges declined as a result of lower contribution from the Austrian segment mainly due to fully depreciated assets. Following the substantially lower restructuring charges, operating income turned from a negative amount of EUR 42.3 million in the previous year to a positive amount of EUR 112.0 in the first quarter of 2012.

In the first quarter of 2012 Telekom Austria Group recorded a net gain of EUR 46.9 million compared to a net loss of EUR 79.2 million in the first quarter of 2011 in line with the higher operating income.

Group capital expenditures increased by 21.1% to EUR 145.8 million in the first quarter of 2012. Higher capital expenditures in the Austrian segment were recorded due to investments in LTE and Giganet rollout as planned. Furthermore, fixed network consolidation led to higher capital expenditures in Bulgaria and in Croatia.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q1 2012") are available on our website at [www.telekomaustria.com](http://www.telekomaustria.com).

Results for the second quarter 2012 will be announced on 16 August, 2012.

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## Market Environment

Telekom Austria Group operates in a highly competitive environment both in the fixed line and mobile communication markets impacting pricing levels negatively in all segments. Regulation of termination and roaming tariffs impacts domestic as well as the international activities negatively. With a clear focus on value customer segments as well as an innovative and customer-oriented product portfolio Telekom Austria Group seeks to mitigate these negative external effects. Furthermore, improvements of productivity and the continuous assessment of cost structures are essential for the success of Telekom Austria Group.

The Austrian market is characterized by low mobile pricing levels due to fierce competition and fixed-to-mobile substitution. The competitive environment intensified markedly in the first quarter 2012. Moreover, the Austrian mobile market continues to focus on smartphones and mobile data tariffs. The ongoing demand for convergent bundles led to a further increase of the fixed broadband customer base.

In CEE, the challenging macro-economic environment remains a key driver and negatively impacts demand, particularly in Bulgaria, Belarus and Croatia. In addition, intensified competition led to declining price levels in many markets in this region. In Belarus, the rate of inflation slowed down materially from 108% by year-end 2011 to 5% for the first three months of 2012. Moreover, the EUR-BYR rate stabilized during the first quarter of 2012, however, the Belarus economy remains structurally challenged. In Croatia a telecom sector specific tax levy was abolished in December 2011, but reintroduced at the end of January 2012. Smartphones, mobile broadband and convergent product bundles are key factors of the competitive environment in CEE.

## Telekom Austria Group Reiterates Outlook for Full Year 2012

The Telekom Austria Group continues being impacted by several negative external factors. Intensified competition in many of Telekom Austria Group's markets and the ongoing fixed-to-mobile substitution in Austria pose key challenges. Furthermore, regulatory burden such as lower roaming charges as well as cuts of national and international mobile termination rates will continue to impact the Telekom Austria Group in 2012.

The macroeconomic environment is anticipated to remain challenging in Telekom Austria Group's major markets in the CEE region in 2012. This will continue to impact customer demand and pricing levels. In addition a continuation of increased foreign exchange fluctuations is expected. Belarus, which was classified as a hyperinflation country in 2011, is anticipated to endure high inflation also in 2012.

To mitigate these challenges the management of Telekom Austria Group has introduced a program to intensify the focus on stabilization of the operating free cash flow\*. Via clear focus on customer service as well as innovative and convergent products this program targets revenue generation, operating expense control and capital expenditure efficiency. Whereas most of the defined measures of the program for 2012 were implemented in the first quarter of 2012, its financial effects are expected to materialize predominantly as of the second half of 2012.

The unchanged outlook for the full year 2012 reflects the Group's confidence in its ability to mitigate these external challenges through clear customer focus, innovative and convergent products as well as strict cost management.

For the full year 2012 management expects Group revenues to amount to approximately EUR 4.4 billion. Group EBITDA comparable, which does not include effects from restructuring and impairment tests, is expected to amount to approximately EUR 1.5 billion. Capital expenditures of Telekom Austria Group are anticipated to amount to approximately EUR 0.75 billion and do not include any investments for licenses and spectrum acquisitions. Operating free cash flow\* will remain a key priority for Telekom Austria Group's management and is expected to amount to approximately EUR 0.75 billion.

For 2012, the management intends to distribute a dividend of EUR 0.38 per share. As of 2013, the targeted payout ratio is defined as 55% of free cash flow\*\* to the extent that the dividend does not lead to a deterioration of Group equity. Maintaining a stable investment grade rating of at least "BBB (stable outlook)" remains central to the Telekom Austria Group's financial profile.

DPS of EUR 0.38 in 2012

A leverage corridor of 2.0x – 2.5x Net Debt/EBITDA comparable provides ample financial flexibility. Potential growth projects will be benchmarked to share buybacks based on the potential cash flow generation per share. Share buybacks will take place if leverage falls below 2.0x Net Debt/EBITDA comparable. A stable business and currency environment remains a prerequisite for share buybacks.

The outlook for the full year 2012 is given on a constant currency basis for all markets of the Telekom Austria Group and without any effects of hyperinflation accounting in the Belarusian segment.

	Outlook 2012 as of 10 May 2012
Telekom Austria Group	
Revenues	approximately EUR 4.4 bn
EBITDA comparable	approximately EUR 1.5 bn
Capital Expenditures	approximately EUR 0.75 bn
Operating Free Cash Flow*	approximately EUR 0.75 bn
Dividend	DPS of EUR 0.38

\* Operating Free cash flow = EBITDA comparable minus capital expenditures in existing business

\*\* Free cash flow = Cash flow from operating activities minus capital expenditures in existing business

Note: Detailed data of the segments are shown in the appendix on page 20

## Quarterly Analysis Segment Austria

### Key Performance Indicators Austria

in EUR million	Q1 2012	Q1 2011	% change
Revenues	706.3	738.3	-4.3%
EBITDA comparable	244.1	259.2	-5.8%
EBITDA incl. effects from restructuring and impairment tests	239.6	75.1	218.9%
EBIT	106.8	-77.3	n.a.
<b>Fixed Line Market</b>			
ARPL (in EUR)	31.9	32.5	-2.0%
Total Access Lines ('000)	2,319.9	2,322.2	-0.1%
Fixed Broadband Lines ('000)	1,283.0	1,199.8	6.9%
Fixed Line Voice Minutes (in million)	628.8	693.5	-9.3%
<b>Mobile Communication Market</b>			
Mobile Subscribers ('000)	5,286.2	5,145.4	2.7%
Mobile Market Share	39.5%	41.0%	
Mobile Penetration	158.2%	149.0%	
Mobile Broadband Customers ('000)	764.1	687.5	11.1%
ARPU (in EUR)	18.5	20.1	-8.1%

In the first quarter of 2012 competition in the Austrian mobile market intensified markedly with a focus on unsubsidized SIM-only tariffs. In contrast A1 did not follow these price movements and sharpened its focus on its existing customer base in order to limit pricing induced negative effects on its results. On the back of this environment the trend of fixed-to-mobile substitution continued and fixed voice minutes declined by 9.3% in Q1 2012.

Increase of fixed broadband lines and A1 TV customers due to ongoing demand for convergent products

Moreover, A1 continued its successful convergence strategy, based on the demand for bundle solutions, fixed broadband and IPTV. Tariff adjustment activities that started in 2011 were continued in Q1 2012 and supported the trend towards stabilization in ARPL. The share of broadband lines of total access lines grew from 52% to 55% year-on-year as the number of product bundles increased by 8.7% to more than 1.0 million. The A1TV subscriber base rose by 23.9% to almost 205,000 customers. This development mirrors the continued growth in multiplay products with the focus on up-and cross-selling while a more pronounced decline in voice-only fixed access lines resulted in a net reduction of total fixed access lines of 16,400. The mobile subscriber base increased by 2.7% to almost 5.3 million subscribers on the back of higher numbers of no-frills customers and mobile broadband subscribers in the first quarter 2012.

Total revenues declined by 4.3% to EUR 706.3 million in the Austrian segment and were mainly driven by intensified competition and regulatory burden. Monthly Fee and Traffic revenues fell by 3.9% to EUR 486.0 million due to the ongoing shift to mobile package tariffs, lower prices as well as lower roaming tariffs. Furthermore higher revenues from broadband and A1TV products could partially mitigate lower fixed voice minutes which fell by 9.3% to 628.8 million minutes and a higher loss of fixed voice-only lines. Mobile service revenues declined by 5.3% primarily due to further migration of customers to package tariffs and lower prices. Fixed line service revenues declined by 1.5% to EUR 222.7 million as a higher number of broadband and A1 TV subscribers could partially compensate for the declines of fixed voice minutes as well as fixed voice-only lines.

Revenues from Data & ICT solutions increased by 6.6% to EUR 52.6 million in the first quarter 2012 due to a higher contribution from ICT projects. Wholesale (including Roaming) revenues decreased by 10.5% to EUR 46.1 million as prices for data products declined and higher volumes could not compensate the regulatory cuts of roaming tariffs. Interconnection revenues rose by 6.6% to EUR 93.3 million and included a positive one-off effect of EUR 10.1 million. Equipment revenues declined by 17.4% to EUR 25.8 million as

the number of handsets sold decreased. Other revenues declined by EUR 10.6 million as revenues from the former subsidiary Mass Response were included in the first quarter 2011.

In the first quarter of 2012, other operating income declined by 6.9% to EUR 20.2 million due to lower own work capitalized.

Average revenue per fixed access line (ARPL) stabilized further and declined only by 2.0% to EUR 31.9 as the higher number of broadband access lines could partially compensate the decline of fixed voice minutes. With respect to the mobile market, blended average revenue per user (ARPU) declined by 8.1% to EUR 18.5 mainly due to the migration of existing customers to package tariffs and further lower termination rates. Data ARPU amounted to EUR 6.3.

In the first quarter of 2012 EBITDA comparable decreased by 5.8% to EUR 244.1 million as lower operating expenses could partially mitigate the impact of declining revenues. The sale of the former subsidiary Mass Response and strict cost management, which was mainly driven by lower expenses for Maintenance and Repair and marketing spending, resulted in a reduction of operating expenses of EUR 18.4 million.

Material expenses declined by 2.3% to EUR 64.1 million due to a lower number of handsets sold. Personnel expenses remained almost stable at EUR 172.6 million as lower FTEs nearly offset wage increases. Lower national and international termination rates resulted in a reduction of Interconnection expenses by 4.4% to EUR 71.8 million. A negative one-off effect of EUR 3.1 million was included in Interconnection expenses. Strict cost control resulted in a decline of Maintenance and Repair costs by 12.3%. Costs of Services received declined by 25.5% to EUR 28.8 million as costs from the former subsidiary Mass Response were included in the first quarter 2011. Costs for Other Support services increased by EUR 5.1 million to EUR 37.7 million to meet short term capacity spikes. Synergies from the unified brand A1 resulted in lower marketing and sales expenses and led to a 7.0% decline of Other expenses to EUR 85.3 million.

Mobile subscriber acquisition costs (SAC) increased by 5.4% to EUR 11.1 million due to higher commissions. Mobile subscriber retention costs (SRC) decreased by 13.3% to EUR 17.3 million as a result of a lower volume of handsets sold and lower subsidies.

In the first quarter of 2012 restructuring charges amounted to EUR 4.4 million compared to EUR 184.1 million in the first quarter of 2011 as 9 civil servants were transferred to government agencies.

Operating income turned from a loss of EUR 77.3 million to a gain of EUR 106.8 million primarily as a result of a lower restructuring charges and lower depreciation and amortization charges mainly due to fully depreciated assets.

## Segment Bulgaria\*

### Key Performance Indicators Bulgaria

in EUR million	Q1 2012	Q1 2011	% change
Revenues	115.9	133.4	- 13.1%
EBITDA comparable	49.1	64.7	- 24.1%
EBITDA incl. effects from restructuring and impairment tests	49.1	64.7	- 24.1%
EBIT	1.6	18.8	- 91.2%
<b>Mobile Communication Market</b>			
Mobile Subscribers ('000)	5,486.1	5,277.4	4.0%
Mobile Market Share	48.4%	49.3%	
Mobile Penetration	151.7%	142.6%	
Mobile Broadband Customers ('000)	242.4	141.8	70.9%
ARPU (in EUR)	6.1	7.6	- 20.0%
<b>Fixed Line Market</b>			
ARPL (in EUR)	13.3	16.7	- 20.5%
Total Access Lines ('000)	132.6	99.1	33.8%
Fixed Broadband Lines ('000)	127.1	93.4	36.1%

\* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

### Multi brand strategy to benefit from market segmentation

In Bulgaria macroeconomic headwinds and intensified competitive pressure posed the key challenges in the first quarter 2012. Weaker domestic demand led to a decline in usage and impacted MobilTel's ability to charge a premium versus its competitors. Nevertheless, MobilTel was able to limit the negative impact of price declines by successful market segmentation via its no-frills brand "bob", that was launched in 2011, as well as its focus on the postpaid segment and convergent bundles.

With a focus on the value customer segment, MobilTel increased its contract share to 69.2%. This resulted in mobile subscribers growth of 4.0% to almost 5.5 million in the first quarter 2012. Furthermore, strong demand for mobile broadband solutions led to a 70.9% rise in mobile broadband customers. The fixed line business continued to increase its revenue contribution due to higher access lines as a consequence of the strong demand for fixed broadband solutions and convergent offerings.

In the first quarter of 2012 revenues in the Bulgarian segment decreased by 13.1% to EUR 115.9 million primarily due to lower Monthly Fee and Traffic revenues. This was a result of a decline in prices due to the fierce competition, customer migration towards lower priced package tariffs and a decline in usage driven by the challenging macroeconomic environment. Lower roaming rates resulted in a decline of Wholesale (incl. Roaming) revenues. Interconnection revenues declined as higher revenues generated through fixed line services could only partially mitigate lower incoming international interconnection revenues. The decline is due to provisioning for anticipated future cuts of international termination rates. Equipment revenues fell due to a decline in the number of handsets sold. Revenues from fixed line solutions and services amounted to EUR 5.2 million in the first quarter 2012. With respect to the mobile business, average revenue per user (ARPU) fell by 20.0% to EUR 6.1 as a result of lower prices and lower volumes. Average revenues per fixed line (ARPL) amounted to EUR 13.3.

Strict cost management resulted in a reduction of OPEX by 1.7% and overcompensated additional costs from the fixed line operators, which were consolidated as of February 2011. A reduction in handsets sold resulted in lower Material expenses and strict cost control led to a decline of costs for Maintenance and Repair as well as Marketing and Sales. Nevertheless, intensified revenue pressure translated into a decline in EBITDA comparable by 24.1% to EUR 49.1 million. The fixed line business contributed an amount of EUR 2.3 million to EBITDA comparable. Operating income declined to EUR 1.6 million as a result of lower revenues and higher depreciation and amortization charges following the fixed network consolidation.

## Segment Croatia\*

### Key Performance Indicators Croatia

in EUR million	Q1 2012	Q1 2011	% change
Revenues	92.5	90.3	2.5%
EBITDA comparable	27.4	24.9	9.9%
EBITDA incl. effects from restructuring and impairment tests	27.4	24.9	9.9%
EBIT	10.6	8.6	23.2%
<b>Mobile Communication Market</b>			
Mobile Subscribers ('000)	1,964.0	2,001.6	-1.9%
Mobile Market Share	39.0%	38.9%	
Mobile Penetration	117.4%	116.8%	
Mobile Broadband Customers ('000)	169.5	147.8	14.7%
ARPU (in EUR)	11.7	12.5	-6.6%
<b>Fixed Line Market</b>			
ARPL (in EUR)	27.2	n.a.	n.a.
Total Access Lines ('000)	148.8	n.a.	n.a.
Fixed Broadband Lines ('000)	72.7	n.a.	n.a.

\* Due to a new definition on prepaid subscribers, the counting method of active prepaid SIM cards was changed from a 15-month rolling average to a 90 day active methodology. Following this implementation historic KPI's have been restated as of Q1 2010. The reported result in 2012 includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Persistent economic headwinds as well as regulatory and fiscal burdens remained the key drivers of the Croatian market in the first quarter 2012. Lower pricing levels on the back of fierce competition put additional pressure on Vipnet's operational performance. The competitive environment intensified through the launch of an additional no-frills MVNO. A telecom sector specific tax levy in the amount of 6% was abolished in December 2011 but reintroduced at the end of January 2012. Nevertheless, demand for convergent products remained strong which Vipnet successfully capitalized on with its cable operator B.net.

In the first quarter of 2012 Vipnet continued its focus on the value customer segment which resulted in a 6.3% rise in the contract subscriber base. Mobile subscribers declined by 1.9% to almost 2.0 million customers, primarily due to the decrease of the number of multi SIM-card users. Ongoing strong demand for mobile broadband resulted in a growth of the mobile broadband customer base to almost 169,500 subscribers.

Mobile broadband customer growth of 14.7%

In the first quarter of 2012, revenues in the Croatian segment rose by 2.5% to EUR 92.5 million as EUR 11.9 million of fixed line service revenues offset the revenue decline in the mobile market. Lower prices could be only partially offset by the growth in contract subscribers and higher usage and led to lower Monthly Fee and Traffic revenues. Roaming revenues were negatively impacted by a cut in roaming tariffs. Interconnection revenues declined as further cuts in the mobile termination rates could not be compensated by higher usage and a positive contribution from the fixed line business.

Revenue growth in the first quarter 2012

Average revenue per user (ARPU) decreased by 6.6% to EUR 11.7 as a higher number of contract customers could only partially offset the negative effects from lower pricing levels and lower termination rates. Average revenue per fixed line (ARPL) amounted to EUR 27.2 in the first quarter of 2012.

EBITDA comparable increased by 9.9% to EUR 27.4 million on the back of higher revenues and cost savings in the first quarter of 2012. The decline in operating expenses was driven by lower Material expenses, due to lower quantities sold, lower Interconnection expenses and lower Other expenses, due to reduction of marketing activities. Cable operator B.net contributed with EUR 3.6 million to EBITDA comparable. Operating income increased by 23.2% to EUR 10.6 million.

EBITDA comparable margin increases to 29.6%



## Segment Belarus\*

### Key Performance Indicators Belarus

in EUR million	Q1 2012	Q1 2011	% change
Revenues	60.2	89.9	-33.1%
EBITDA comparable	23.5	42.1	-44.2%
EBITDA incl. effects from restructuring and impairment tests	23.5	42.1	-44.2%
EBIT	1.6	22.1	-92.8%
Mobile Subscribers ('000)	4,637.3	4,415.4	5.0%
Mobile Market Share	41.1%	41.1%	
Mobile Penetration	119.4%	113.5%	
Mobile Broadband Customers ('000)	518.6	197.5	162.6%
ARPU (in EUR)	3.7	6.1	-39.2%

\* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

Hyperinflation accounting is applicable in Belarus since the fourth quarter 2011. Financial figures were adjusted based on the indexed inflation rate and converted from the Belarusian ruble into Euro with the period end exchange rate. At the end of the first quarter of 2012, the exchange rate amounted to 10.750 BYR/1 EUR. The inflation rate was 5% for the first quarter 2012. The first quarter of 2011 was not restated.

The first quarter of 2012 was primarily impacted by FX translation effects that overshadowed a strong operational performance. While the first quarter of 2012 showed a stable development, the BYR devaluated by 60% on a year-on-year comparison. Operationally velcom was able to increase prices by 16% on average in the first quarter of 2012 and focused on a further optimization of its handset portfolio and strict cost control.

Mobile broadband customers increased by 162.6%. Total subscriber base rose by 5.0% to more than 4.6 million subscribers on the back of velcom's focus on the contract segment.

Revenues declined by 33.1% in the Belarusian segment, whereof a negative amount of EUR 93.2 million was attributable to the net effect of hyperinflation accounting and foreign exchange translations. Before any adjustments for hyperinflation accounting and in local currency, revenues increased by 70.6%. This resulted mainly from subscriber growth, a higher usage and higher prices which led to higher Monthly Fee and Traffic revenues. Equipment revenues increased due to higher prices for handsets and Interconnection revenues rose due to higher volumes. Average revenue per user (ARPU) amounted to EUR 3.7. On a local currency basis and excluding effects from hyperinflation accounting ARPU increased by 55.1% mainly due to higher prices and higher data usage.

In the first quarter of 2012, EBITDA comparable amounted to EUR 23.5 million whereof a negative amount of EUR 38.1 million is related to the net effect of hyperinflation accounting and foreign exchange translations. In local currency and before any hyperinflation accounting adjustments EBITDA comparable increased by 46.4% as a result of higher revenues. On the same basis operating expenses increased primarily due to higher Material expenses as well as costs denominated in hard currency. Furthermore higher tariffs and usage led to an increase of Interconnection expenses.

Operating income amounted to EUR 1.6 million with a negative net impact of hyperinflation accounting and foreign exchange translations on EBIT amounting to EUR 41.0 million.

Strong operational performance despite challenging environment

Revenues and EBITDA comparable increase in local currency and before hyperinflation adjustments

## Segment Additional Markets

### Slovenia

#### Key Performance Indicators Slovenia

in EUR million	Q1 2012	Q1 2011	% change
Revenues	46.6	42.6	9.3%
EBITDA comparable	12.1	10.9	10.3%
EBITDA incl. restructuring and impairment test	12.1	10.9	10.3%
EBIT	6.9	5.8	19.9%
Mobile Subscribers ('000)	643.2	629.9	2.1%
Mobile Market Share	29.6%	29.6%	
Mobile Penetration	106.6%	104.2%	
Mobile Broadband Customers	16,429	15,194	8.1%
ARPU (in EUR)	20.7	19.1	8.3%

Despite a deteriorating macro-economic environment Si.mobil continued its successful marketing activities with a focus on the value customer segment via attractive smartphone offerings.

Si.mobil's mobile subscriber base grew by 2.1% to more than 643,000 customer supported by an increase of its contract share. The mobile broadband customer base rose by 8.1%.

In the first quarter of 2012, revenues increased by 9.3% to EUR 46.6 million. Attractive package tariffs and the rise in contract customers resulted in higher revenues. The decline in Interconnection and Roaming revenues was offset by higher Equipment revenues on the back of a higher number of smartphones sold. Average revenue per user (ARPU) increased by 8.3% to EUR 20.7 as the contract subscriber base increased.

EBITDA comparable increased by 10.3% to EUR 12.1 million as revenues grew more than operating expenses. Higher material expenses as a result of a higher number of smartphones sold resulted in a rise in operating expenses in the amount of EUR 2.8 million. Regulatory cuts in termination rates led to lower Interconnection expenses. Operating income increased by 19.9% to EUR 6.9 million in the first quarter of 2012.

### Republic of Serbia

#### Key Performance Indicators Republic of Serbia

in EUR million	Q1 2012	Q1 2011	% change
Revenues	37.3	30.2	23.5%
EBITDA comparable	10.3	4.3	139.2%
EBITDA incl. restructuring and impairment test	10.3	4.3	139.2%
EBIT	-6.8	-8.9	22.7%
Mobile Subscribers ('000)	1,672.4	1,428.1	17.1%
Mobile Market Share	16.1%	14.2%	
Mobile Penetration	141.1%	135.6%	
ARPU (in EUR)	6.9	6.5	5.3%

Vip mobile's subscriber number increased by 17.1% to more than 1.6 million customers driven by the contract and mobile broadband segments in the first quarter 2012. Mobile market share rose to 16.1%.

Revenues increased by 23.5% to EUR 37.3 million in the first quarter of 2012. A higher number of customers and a higher usage pushed up Monthly Fee and Traffic revenues as well as Interconnection revenues. Foreign exchange translation negatively impacted revenues by an amount of EUR 1.4 million in the first quarter of 2012. Average revenue per user (ARPU) increased by 5.3% to EUR 6.9 as a result of contract subscriber growth and higher volumes.

Growth of customer base driven by focus on contract subscribers

ARPU rises by 5.3%

Operating expenses increased by 6.0% to EUR 28.4 million due to higher Personnel expenses which were driven by a higher headcount and due to higher Interconnection expenses following increased volumes. In the first quarter of 2012 EBITDA comparable increased from EUR 4.3 million to EUR 10.3 million and included a negative FX translation effect of EUR 0.4 million. Operating loss improved from EUR 8.9 million to EUR 6.8 million in the first quarter of 2012.

### Republic of Macedonia

#### Key Performance Indicators Republic of Macedonia

in EUR million	Q1 2012	Q1 2011	% change
Revenues	13.6	11.1	22.5%
EBITDA comparable	3.0	-0.4	n.a.
EBITDA incl. restructuring and impairment test	3.0	-0.4	n.a.
EBIT	-1.9	-3.0	35.7%
Mobile Subscribers ('000)	581.1	490.5	18.5%
Mobile Market Share	26.1%	21.5%	
Mobile Penetration	108.8%	110.8%	
ARPU (in EUR)	7.2	6.6	9.6%

Vip operator's subscriber base increased to more than 581,000 customers

In the first quarter of 2012 Vip operator increased its mobile subscriber base by 18.5% to more than 581,000 subscribers. Vip operator strengthened its position as second largest operator on the market by increasing its market share from 21.5% to 26.1%.

Strong revenues and EBITDA comparable growth in the first quarter of 2012

Revenues increased by 22.5% to EUR 13.6 million. Monthly Fee and Traffic revenues as well as Interconnection revenues increased as a result of a higher mobile subscriber base and an increase in volumes. Average revenue per user (ARPU) increased by 9.6% to EUR 7.2.

EBITDA comparable grew from a negative amount of EUR 0.4 million to EUR 3.0 million following higher revenues and a reduction of operating expenses. Lower Material expenses due to a lower number of handsets sold, a decline in Interconnection expenses following lower tariffs and lower marketing expenses led to a decrease of operating expenses. Operating loss improved to EUR 1.9 million in the first quarter of 2012.

### Consolidated Net Income

In the first quarter of 2012 depreciation and amortization charges declined by 3.9% mainly driven by the Austrian segment. The financial result decreased slightly to a negative amount of EUR 51.4 million. While net interest expenses increased by 10.6% to EUR 53.4 million, foreign exchange differences amounted to a gain of EUR 2.2 million in the first quarter of 2012. This was primarily a result of a gain on monetary items due to the application of hyperinflation accounting in the Belarusian segment. Income tax expenses amounted to EUR 13.7 million in the first quarter of 2012. Net income improved to EUR 46.9 million in the first quarter of 2012 compared to a net loss of EUR 79.2 million in the previous year, primarily as a result of substantially lower restructuring charges in 2012.

### Balance Sheet and Net Debt

In the first quarter of 2012 total assets decreased by 1.6% from EUR 7,448.8 million as of 31 December 2011 to 7,331.9 as of 31 March 2012 due to lower current assets and lower other intangible assets. Current assets declined by 2.7% to EUR 1,703.6 million mainly due to lower accounts receivables. A 7.8% decline in current liabilities to EUR 2,224.4 million was primarily driven by lower accounts payable due to higher investments at end of Q4 2011. Non-current liabilities increased slightly by 0.6% to EUR 4,177.0 million as non-current provisions increased due to a lower discount rate applied to the calculation of asset retirement obligation.

As of 31 March 2012 stockholders' equity increased by 5.4% to EUR 930.6 million as a consequence of the net income.

Stockholders' equity increases by 5.4%

As of 31 March 2012, net debt decreased by 1.3% to EUR 3,337.3 million due to a decline in short-term borrowings. Net debt to EBITDA comparable (last 12 months) remained unchanged at 2.2x as of March 31, 2012.

## Cash Flow and Capital Expenditures

### Cash Flow

in EUR million	Q1 2012	Q1 2011	% change
Cash flow from operating activities	192.5	150.5	27.9%
Cash flow from investing activities	18.0	-168.7	n.a.
Cash flow from financing activities	-44.3	243.1	n.a.
Effect of exchange rate changes	-0.6	8.2	n.a.
Monetary loss on cash and cash-equivalents	-0.5	0.0	n.a.
<b>Net increase/decrease in cash and cash equivalents</b>	<b>165.1</b>	<b>233.2</b>	<b>-29.2%</b>

In the first quarter of 2012 cash flow from operating activities increased by EUR 42.0 million to EUR 192.5 million and benefitted from the change in working capital which was primarily driven by a decline in accounts receivables and lower inventories in the Austrian segment due to a decline in handset volumes.

Cash flow from operating activities increases by 27.9%

Cash flow from investing activities turned from an outflow in the amount of EUR 168.7 million in the first quarter of 2011 to an inflow of EUR 18.0 million in the first quarter of 2012. This mainly resulted from higher proceeds from the sale of investments primarily due to the redemption of fixed term deposits.

Cash flow from financing activities turned from an inflow of EUR 243.1 million in the first quarter of 2011 to an outflow of EUR 44.3 million in the first quarter of 2012. This was primarily driven by the issuance of a EUR 500 million loan in the first quarter of 2011.

### Capital Expenditures

in EUR million	Q1 2012	Q1 2011	% change
Austria	93.7	78.4	19.5%
Bulgaria	23.2	13.9	66.8%
Croatia	13.3	8.6	54.1%
Belarus	5.1	3.1	65.2%
Additional Markets	10.7	16.4	-34.5%
Corporate & Other, Eliminations	-0.2	0.0	n.a.
<b>Total capital expenditures</b>	<b>145.8</b>	<b>120.4</b>	<b>21.1%</b>
Thereof tangible	112.1	96.0	16.8%
Thereof intangible	33.7	24.4	38.1%

In the first quarter of 2012 capital expenditures increased by 21.1% to EUR 145.8 million. An amount of EUR 0.3 million is related to the effect of hyperinflation accounting in the Belarusian segment.

CAPEX increase driven by Austrian, Bulgarian and Croatian segments

In the Austrian, Bulgarian and Croatian segments capital expenditures increased whereas they declined in the Additional markets segment. Investments in LTE and Giganet rollout as planned led to higher capital expenditures in the Austrian segment. Consolidation of fixed net capital expenditures led to higher capital expenditures in the Bulgarian and Croatian segments.

## Additional Information

### Risks and Uncertainties

The Telekom Austria Group faces various risks and uncertainties that could affect its results. These risks include, but are not limited to, a further reduction of prices for mobile communication services in all of the Telekom Austria Group's markets as well as an acceleration of fixed-to-mobile substitution resulting in further access line losses and a further decline in fixed line minutes. The Telekom Austria Group is also subject to risks related to reduction of the number of employees. Furthermore, the Telekom Austria Group is subject to intensive regulation on fixed and mobile termination rates and roaming tariffs.

Through its activities in the Eastern and South-Eastern European region, the company operates in markets that have been experiencing political and economic change. This circumstance has affected and may continue to affect the activities of enterprises operating in this environment. Consequently, operations in the Eastern and South-Eastern European region involve uncertainties, including foreign exchange, tax and macroeconomic uncertainties that typically do not exist in other markets. As of the fourth quarter 2011, Belarus was classified as a hyperinflationary economy. In recent years, the growth of the Telekom Austria Group's business was marked by an expansion to various markets in Eastern and South-Eastern Europe. However, further growth will be affected by a number of factors over which the Telekom Austria Group has no influence. Further organic growth also depends on the growth of the respective economies and individual telecommunication markets in which the Telekom Austria Group operates.

Further impacts of the economic downturn on the Telekom Austria Group's results cannot be ruled out. In the mobile communication business there are uncertainties with regards to lower roaming revenues as a result of regulation. Moreover, customer usage behavior might change as a result of the economic crisis impacting the financial results of the Telekom Austria Group. Since December 31, 2011 no other material risks than those mentioned above occurred. For further details on risks and uncertainties with respect to the Telekom Austria Group please refer to the annual report 2011.

### Personnel

The total number of employees of the Telekom Austria Group decreased by 9 FTE to 17,153 employees by the end of March 2012 compared to the same period of the previous year. The workforce in Austria declined by 314 full-time equivalents and offset the increase in the number of employees in Bulgaria, Croatia and Republic of Serbia. The increases in Croatia and Bulgaria were triggered by the acquisition of fixed line operators.

### Other and Subsequent Events

For details on other and subsequent events please refer to page 26.

### Waiver of Review

This financial report of the Telekom Austria Group contains quarterly results which were not audited nor reviewed by a certified public accountant.

FTE reduced despite acquisition of fixed line operators in the Bulgarian and Croatian segments

# Condensed Consolidated Financial Statements Telekom Austria Group

## Condensed Consolidated Statements of Operations

in EUR million, except per share information	Q1 2012 unaudited	Q1 2011 unaudited
Operating revenues	1,055.0	1,118.0
Other operating income	17.0	18.4
<b>Operating expenses</b>		
Materials	-102.5	-104.5
Employee expenses, including benefits and taxes	-211.5	-209.5
Other operating expenses	-396.6	-425.8
<b>EBITDA comparable</b>	<b>361.4</b>	<b>396.7</b>
Restructuring	-4.4	-184.1
Impairment and reversal of impairment	0.0	0.0
<b>EBITDA incl. effects from restructuring and impairment tests</b>	<b>357.0</b>	<b>212.7</b>
Depreciation and amortization	-245.0	-255.0
<b>Operating result</b>	<b>112.0</b>	<b>-42.3</b>
<b>Financial result</b>		
Interest income	3.8	3.8
Interest expense	-57.3	-52.1
Foreign exchange differences	2.2	-5.9
Other financial result	0.0	0.0
Equity in earnings of affiliates	-0.2	0.8
<b>Earnings before income taxes</b>	<b>60.5</b>	<b>-95.8</b>
Income taxes	-13.7	16.6
<b>Net Result</b>	<b>46.9</b>	<b>-79.2</b>
Attributable to:		
Owners of the parent	46.9	-79.2
Non-controlling interests	0.0	0.0
<b>Basic and fully diluted earnings per share</b>	<b>0.11</b>	<b>-0.18</b>
<b>Weighted-average number of ordinary shares outstanding</b>	<b>442,563,969</b>	<b>442,563,969</b>

## Condensed Statement of Comprehensive Income

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited
<b>Net Result</b>	<b>46.9</b>	<b>-79.2</b>
Unrealized result on securities available-for-sale	0.5	-0.1
Income tax (expense) benefit	-0.1	0.0
Unrealized result on hedging activities	-3.3	7.2
Income tax (expense) benefit	0.8	-1.8
Foreign currency translation adjustment	-19.6	-45.3
<b>Other comprehensive income (loss)</b>	<b>-21.7</b>	<b>-40.0</b>
<b>Total comprehensive income (loss)</b>	<b>25.2</b>	<b>-119.2</b>
Attributable to:		
Owners of the parent	25.2	-119.2
Non-controlling interests	0.0	0.0

## Condensed Consolidated Statements of Financial Position

in EUR million	March 31, 2012 unaudited	Dec. 31, 2011 audited
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	625.0	460.0
Short-term investments	2.0	166.0
Accounts receivable - trade, net of allowances	648.8	708.3
Receivables due from related parties	0.1	0.1
Inventories	141.6	157.7
Prepaid expenses	153.3	130.3
Income tax receivable	39.2	40.6
Non-current assets held for sale	0.1	0.1
Other current assets	93.3	88.3
<b>Total current assets</b>	<b>1,703.6</b>	<b>1,751.4</b>
<b>Non-current assets</b>		
Investments in associates	3.5	3.7
Financial assets long-term	13.7	13.9
Goodwill	1,290.1	1,289.7
Other intangible assets, net	1,573.4	1,619.3
Property, plant and equipment, net	2,444.0	2,462.2
Other non-current assets	38.8	34.5
Deferred tax assets	264.9	273.9
Receivables due from related parties, finance	0.1	0.1
<b>Total non-current assets</b>	<b>5,628.4</b>	<b>5,697.4</b>
<b>TOTAL ASSETS</b>	<b>7,331.9</b>	<b>7,448.8</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	-974.1	-1,014.2
Accounts payable - trade	-500.2	-642.2
Current provisions and accrued liabilities	-291.5	-311.6
Payables to related parties	-5.0	-9.8
Income tax payable	-40.8	-41.3
Other current liabilities	-251.4	-226.5
Deferred income	-161.3	-166.5
<b>Total current liabilities</b>	<b>-2,224.4</b>	<b>-2,412.0</b>
<b>Non-current liabilities</b>		
Long-term debt	-2,932.3	-2,934.9
Lease obligations and Cross Border Lease	-0.1	-0.1
Employee benefit obligation	-132.2	-129.0
Non-current provisions	-907.2	-888.2
Deferred tax liabilities	-127.6	-127.3
Other non-current liabilities and deferred income	-77.6	-74.2
<b>Total non-current liabilities</b>	<b>-4,177.0</b>	<b>-4,153.7</b>
<b>Stockholders' equity</b>		
Common stock	-966.2	-966.2
Treasury shares	8.2	8.2
Additional paid-in capital	-582.9	-582.9
Retained earnings	150.6	219.8
Available-for-sale reserve	0.4	0.8
Hedging reserve	30.3	27.9
Translation adjustments	429.9	410.2
<b>Equity attributable to equity holders of the parent</b>	<b>-929.7</b>	<b>-882.2</b>
Non-controlling interests	-0.9	-0.9
<b>Total stockholders' equity</b>	<b>-930.6</b>	<b>-883.1</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,331.9</b>	<b>-7,448.8</b>



## Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited
<b>Cash flow from operating activities</b>		
Net Result	46.9	-79.2
Adjustments to reconcile net result to operating cash flow		
Depreciation, amortization, impairment and reversal of impairment	245.0	255.0
Employee benefit obligation - non-cash	4.1	-0.5
Bad debt expenses	12.8	14.4
Change in deferred taxes	6.7	-37.7
Equity in earnings of affiliates - non-cash	0.2	-0.1
Share-based compensation	0.1	0.6
Change in asset retirement obligation - non-cash	2.1	1.7
Provision for restructuring - non-cash	9.5	182.3
Result on disposal / retirement of equipment	0.7	0.8
Gain on monetary items - non cash	-2.1	0.0
Other	0.8	-1.5
<b>Gross cash flow</b>	<b>326.9</b>	<b>335.8</b>
Changes in assets and liabilities		
Accounts receivable - trade	46.6	-10.1
Inventories	16.6	-15.6
Prepaid expenses and other assets	-25.0	6.2
Accounts payable - trade	-142.5	-151.9
Employee benefit obligation	-1.3	0.0
Provisions and accrued liabilities	-40.5	-20.7
Other liabilities and deferred income	16.5	13.4
Payables due to related parties	-4.8	-6.4
Changes in assets and liabilities	-134.4	-185.2
<b>Cash flow from operating activities</b>	<b>192.5</b>	<b>150.5</b>
<b>Cash flow from investing activities</b>		
Capital expenditures	-145.8	-120.4
Acquisitions of subsidiaries, net of cash acquired	0.0	-68.8
Proceeds from sale of property, plant, equipment and intangible assets	1.4	1.3
Proceeds from sale of investments	162.5	19.2
<b>Cash flow from investing activities</b>	<b>18.0</b>	<b>-168.7</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of long term debt	0.0	500.0
Principal payments on long-term debt	0.0	-4.7
Changes in short-term borrowings	-44.3	-236.4
Deferred consideration paid for business combinations	0.0	-15.8
<b>Cash flow from financing activities</b>	<b>-44.3</b>	<b>243.1</b>
<b>Effect of exchange rate changes</b>	<b>-0.6</b>	<b>8.2</b>
<b>Monetary loss on cash and cash equivalents</b>	<b>-0.5</b>	<b>0.0</b>
<b>Change in cash and cash equivalents</b>	<b>165.1</b>	<b>233.2</b>
Cash and cash equivalents at beginning of period	460.0	120.2
Cash and cash equivalents at end of period	625.0	353.4



## Condensed Operating Segments

	1–3 M 2012							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	701.8	108.6	89.8	60.1	94.7	0.0	0.0	1,055.0
Intersegmental revenues	4.5	7.3	2.8	0.0	4.2	0.0	-18.8	0.0
<b>Total revenues</b>	<b>706.3</b>	<b>115.9</b>	<b>92.5</b>	<b>60.2</b>	<b>98.9</b>	<b>0.0</b>	<b>-18.8</b>	<b>1,055.0</b>
Other operating income	20.2	1.5	0.4	1.1	1.5	5.7	-13.5	17.0
Segment expenses	-482.5	-68.3	-65.6	-37.8	-75.2	-13.4	32.1	-710.6
<b>EBITDA comparable</b>	<b>244.1</b>	<b>49.1</b>	<b>27.4</b>	<b>23.5</b>	<b>25.2</b>	<b>-7.7</b>	<b>-0.2</b>	<b>361.4</b>
Restructuring	-4.4	0.0	0.0	0.0	0.0	0.0	0.0	-4.4
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA incl. effects from restructuring and impairment tests</b>	<b>239.6</b>	<b>49.1</b>	<b>27.4</b>	<b>23.5</b>	<b>25.2</b>	<b>-7.7</b>	<b>-0.2</b>	<b>357.0</b>
Depreciation and amortization	-132.8	-47.5	-16.8	-21.9	-26.8	0.0	0.7	-245.0
<b>Operating result</b>	<b>106.8</b>	<b>1.6</b>	<b>10.6</b>	<b>1.6</b>	<b>-1.6</b>	<b>-7.7</b>	<b>0.6</b>	<b>112.0</b>
Interest income	1.5	0.3	0.2	0.6	0.4	9.6	-8.8	3.8
Interest expense	-16.3	-2.0	-1.5	-0.8	-0.3	-45.2	8.8	-57.3
Equity in earnings of affiliates	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Other financial result	0.0	0.0	0.1	2.7	-0.3	184.9	-185.2	2.2
<b>Earnings before income taxes</b>	<b>91.8</b>	<b>0.0</b>	<b>9.4</b>	<b>4.1</b>	<b>-1.8</b>	<b>141.6</b>	<b>-184.6</b>	<b>60.5</b>
Income taxes								-13.7
<b>Net result</b>								<b>46.9</b>
Segment assets	4,372.9	1,436.1	500.2	574.8	773.0	7,861.2	-8,186.3	7,331.9
Segment liabilities	-2,778.6	-276.7	-303.4	-74.4	-156.7	-5,162.2	2,350.6	-6,401.4
Capital expenditures - intangible	23.7	7.1	1.7	0.3	1.2	0.0	-0.2	33.7
Capital expenditures - tangible	70.0	16.1	11.6	4.9	9.5	0.0	0.0	112.1
<b>Total capital expenditures</b>	<b>93.7</b>	<b>23.2</b>	<b>13.3</b>	<b>5.1</b>	<b>10.7</b>	<b>0.0</b>	<b>-0.2</b>	<b>145.8</b>

  

	1–3 M 2011							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Eliminations	Consolidated
External revenues	732.4	127.9	87.1	89.9	80.7	0.0	0.0	1,118.0
Intersegmental revenues	5.9	5.5	3.2	0.0	5.0	0.0	-19.6	0.0
<b>Total revenues</b>	<b>738.3</b>	<b>133.4</b>	<b>90.3</b>	<b>89.9</b>	<b>85.7</b>	<b>0.0</b>	<b>-19.6</b>	<b>1,118.0</b>
Other operating income	21.6	0.8	0.9	1.7	1.0	4.9	-12.5	18.4
Segment expenses	-500.8	-69.5	-66.2	-49.5	-71.4	-14.4	32.1	-739.7
<b>EBITDA comparable</b>	<b>259.2</b>	<b>64.7</b>	<b>24.9</b>	<b>42.1</b>	<b>15.3</b>	<b>-9.5</b>	<b>0.0</b>	<b>396.7</b>
Restructuring	-184.1	0.0	0.0	0.0	0.0	0.0	0.0	-184.1
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA incl. effects from restructuring and impairment tests</b>	<b>75.1</b>	<b>64.7</b>	<b>24.9</b>	<b>42.1</b>	<b>15.3</b>	<b>-9.5</b>	<b>0.0</b>	<b>212.7</b>
Depreciation and amortization	-152.4	-45.9	-16.3	-19.9	-20.7	0.0	0.3	-255.0
<b>Operating result</b>	<b>-77.3</b>	<b>18.8</b>	<b>8.6</b>	<b>22.1</b>	<b>-5.5</b>	<b>-9.5</b>	<b>0.3</b>	<b>-42.3</b>
Interest income	2.4	0.6	0.3	0.2	0.4	6.3	-6.4	3.8
Interest expense	-14.3	-1.4	-0.1	-0.4	-0.2	-42.0	6.4	-52.1
Equity in earnings of affiliates	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Other financial result	-0.4	0.0	-0.5	-3.0	0.3	408.7	-411.1	-5.9
<b>Earnings before income taxes</b>	<b>-88.7</b>	<b>18.1</b>	<b>8.3</b>	<b>18.9</b>	<b>-5.0</b>	<b>363.5</b>	<b>-410.8</b>	<b>-95.8</b>
Income taxes								16.6
<b>Net result</b>								<b>-79.2</b>
Segment assets	4,083.2	1,684.6	443.8	808.4	740.7	7,520.2	-7,587.3	7,693.6
Segment liabilities	-2,663.7	-312.1	-115.2	-117.3	-126.9	-4,569.6	1,568.7	-6,336.2
Capital expenditures - intangible	17.3	3.6	0.9	0.3	2.3	0.0	0.0	24.4
Capital expenditures - tangible	61.0	10.3	7.8	2.8	14.0	0.0	0.0	96.0
<b>Total capital expenditures</b>	<b>78.4</b>	<b>13.9</b>	<b>8.6</b>	<b>3.1</b>	<b>16.4</b>	<b>0.0</b>	<b>0.0</b>	<b>120.4</b>

## Results by Segments

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
<b>Revenues</b>			
Austria	706.3	738.3	-4.3%
Bulgaria	115.9	133.4	-13.1%
Croatia	92.5	90.3	2.5%
Belarus	60.2	89.9	-33.1%
Additional markets	98.9	85.7	15.5%
Corporate, Other & Eliminations	-18.8	-19.6	-4.0%
<b>Revenues</b>	<b>1,055.0</b>	<b>1,118.0</b>	<b>-5.6%</b>
<b>EBITDA comparable</b>			
Austria	244.1	259.2	-5.8%
Bulgaria	49.1	64.7	-24.1%
Croatia	27.4	24.9	9.9%
Belarus	23.5	42.1	-44.2%
Additional markets	25.2	15.3	65.3%
Corporate, Other & Eliminations	-7.8	-9.4	-17.1%
<b>EBITDA comparable</b>	<b>361.4</b>	<b>396.7</b>	<b>-8.9%</b>
<b>EBITDA incl. effects from restructuring and impairment tests</b>			
Austria	239.6	75.1	218.9%
Bulgaria	49.1	64.7	-24.1%
Croatia	27.4	24.9	9.9%
Belarus	23.5	42.1	-44.2%
Additional markets	25.2	15.3	65.3%
Corporate, Other & Eliminations	-7.8	-9.4	-17.1%
<b>EBITDA incl. effects from restructuring and impairment tests</b>	<b>357.0</b>	<b>212.7</b>	<b>67.9%</b>
<b>Operating result</b>			
Austria	106.8	-77.3	n.a.
Bulgaria	1.6	18.8	-91.2%
Croatia	10.6	8.6	23.2%
Belarus	1.6	22.1	-92.8%
Additional markets	-1.6	-5.5	-71.1%
Corporate, Other & Eliminations	-7.1	-9.2	-22.5%
<b>Operating result</b>	<b>112.0</b>	<b>-42.3</b>	<b>n.a.</b>

## Capital Expenditures

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Austria	93.7	78.4	19.5%
Bulgaria	23.2	13.9	66.8%
Croatia	13.3	8.6	54.1%
Belarus	5.1	3.1	65.2%
Additional markets	10.7	16.4	-34.5%
Corporate & Elimination	-0.2	0.0	n.a.
<b>Total capital expenditures</b>	<b>145.8</b>	<b>120.4</b>	<b>21.1%</b>
Thereof tangible	112.1	96.0	16.8%
Thereof intangible	33.7	24.4	38.1%

## Net Debt

in EUR million	March 31, 2012 unaudited	Dec. 31, 2011 audited
Long-term debt	2,956.8	2,960.4
Short-term borrowings	1,011.6	1,052.4
Cash and cash equivalents, short-term and long-term investments, finance lease receivables	-658.7	-657.7
Derivative financial instruments for hedging purposes	27.6	25.2
<b>Net debt*</b>	<b>3,337.3</b>	<b>3,380.3</b>
<b>Net debt/EBITDA comparable (last 12 months)</b>	<b>2.2x</b>	<b>2.2x</b>

\* Finance lease obligations are included in long-term debt and short-term borrowings. The remaining performance based considerations related to the acquisition of SBT and Megalan/Spectrumnet are included in short-term borrowings and long-term debt.

## Personnel

Personnel (full-time equivalent)	End of period			Average of period		
	Mar. 31, 2012	Mar. 31, 2011	% change	Q1 2012	Q1 2011	% change
Austria	9,335	9,649	-3.3%	9,328	9,699	-3.8%
International Operations	7,660	7,351	4.2%	7,721	6,745	14.5%
<b>Total</b>	<b>17,153</b>	<b>17,162</b>	<b>-0.1%</b>	<b>17,211</b>	<b>16,600</b>	<b>3.7%</b>

## Key Data Segment Austria

### Financials - Segment Austria

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	706.3	738.3	-4.3%
EBITDA comparable	244.1	259.2	-5.8%
EBITDA incl. effects from restructuring and impairment tests	239.6	75.1	218.9%
EBIT	106.8	-77.3	n.a.

Revenue detail - Austria	Q1 2012 unaudited	Q1 2011 unaudited	% change
Monthly Fee and Traffic	486.0	505.7	-3.9%
Data & ICT Solutions	52.6	49.3	6.6%
Wholesale (incl. Roaming)	46.1	51.5	-10.5%
Interconnection	93.3	87.5	6.6%
Equipment	25.8	31.2	-17.4%
Other Operating Income	2.6	13.2	-80.5%
<b>Total revenues Austria</b>	<b>706.3</b>	<b>738.3</b>	<b>-4.3%</b>

## Key Data Segment Austria

Key Data Fixed Line - Austria	Q1 2012	Q1 2011	% change
Average revenues per access line (in EUR)	31.9	32.5	-2.0%
Fixed line service revenues (in EUR mn)	222.7	226.2	-1.5%
Fixed line voice minutes (in million)	628.8	693.5	-9.3%
<b>Lines (in '000)</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change</b>
Access lines (without broadband lines)	1,036.8	1,122.5	-7.6%
Fixed broadband retail lines	1,240.7	1,155.2	7.4%
Fixed broadband wholesale lines	42.3	44.6	-5.1%
Fixed broadband lines	1,283.0	1,199.8	6.9%
Total access lines	2,319.9	2,322.2	-0.1%
Lines unbundled	270.8	277.5	-2.4%

## Austrian Telecommunications Market

Broadband Market Shares	Q1 2012	Q1 2011	% change
A1 Telekom Austria Fixed Line Retail	29.9%	30.5%	
A1 Telekom Austria Fixed Line Wholesale	1.0%	1.2%	
Mobile broadband A1 Telekom Austria	18.4%	18.2%	
Mobile broadband other operators	30.4%	28.3%	
Cable	14.3%	15.1%	
Unbundled lines	5.9%	6.7%	

Broadband penetration - Total market	113.0%	106.2%	
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Voice Market Shares	Q1 2012	Q1 2011	% change
Fixed Line A1 Telekom Austria	10.2%	12.0%	
Fixed Line Others	5.9%	7.1%	
Mobile	83.9%	80.9%	

Key Data Mobile Communication	Q1 2012	Q1 2011	% change
Mobile Communication Customers ('000)	5,286.2	5,145.4	2.7%
Contract share	77.5%	76.4%	
Mobile Broadband Customers	764,124	687,549	11.1%
Mobile Market Share	39.5%	41.0%	
Mobile Penetration	158.2%	149.0%	

	Q1 2012	Q1 2011	% change
Average monthly revenue per User (in EUR)	18.5	20.1	-8.1%
Mobile service revenues (in EUR mn)	293.6	309.9	-5.3%
thereof interconnection share	9.8%	9.9%	
Data as percentage of traffic-related revenues	48.5%	46.0%	
Subscriber acquisition cost (SAC)	11.1	10.6	5.4%
Subscriber retention cost (SRC)	17.3	20.0	-13.3%
Churn (3 Months)	4.0%	3.9%	

## Key Data Segment Bulgaria\*

### Bulgaria

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	115.9	133.4	-13.1%
EBITDA comparable	49.1	64.7	-24.1%
EBITDA incl. effects from restructuring and impairment tests	49.1	64.7	-24.1%
EBIT	1.6	18.8	-91.2%
<b>Mobile Communication Market</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change</b>
Mobile Subscribers ('000)	5,486.1	5,277.4	4.0%
Mobile Market Share	48.4%	49.3%	
Mobile Penetration	151.7%	142.6%	
Mobile Broadband Customers	242,411	141,815	70.9%
Average monthly revenue per User (in EUR)	6.1	7.6	-20.0%
Data as percentage of traffic-related revenues	25.4%	24.3%	
<b>Fixed Line Market</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change</b>
ARPL (in EUR)	13.3	16.7	-20.5%
Total Access Lines ('000)	132.6	99.1	33.8%
Fixed Broadband Lines ('000)	127.1	93.4	36.1%

\* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

## Key Data Segment Croatia\*

### Croatia

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	92.5	90.3	2.5%
EBITDA comparable	27.4	24.9	9.9%
EBITDA incl. effects from restructuring and impairment tests	27.4	24.9	9.9%
EBIT	10.6	8.6	23.2%
Average monthly revenue per User (in EUR)	11.7	12.5	-6.6%
Data as percentage of traffic-related revenues	28.5%	27.8%	
<b>Mobile Communication Market</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change</b>
Mobile Communication Subscribers ('000)	1,964.0	2,001.6	-1.9%
Contract share	39.2%	36.1%	
Mobile Market Share	39.1%	38.9%	
Mobile Penetration	117.1%	116.8%	
Mobile Broadband Customers	169,481	147,814	14.7%
<b>Fixed Line Market</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change</b>
ARPL (in EUR)	27.2	n.a.	n.a.
Total Access Lines ('000)	148.8	n.a.	n.a.
Fixed Broadband Lines ('000)	72.7	n.a.	n.a.

\* The reported result of 2012 includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements. Due to a new definition on prepaid subscribers, the counting method of active prepaid SIM cards was changed from a 15-month rolling average to a 90 day active methodology. Following this implementation historic KPI's have been restated as of Q1 2010. As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011.

## Key Data Segment Belarus\*

### Belarus

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	60.2	89.9	-33.1%
EBITDA comparable	23.5	42.1	-44.2%
EBITDA incl. effects from restructuring and impairment tests	23.5	42.1	-44.2%
EBIT	1.6	22.1	-92.8%
Average monthly revenue per User (in EUR)	3.7	6.1	-39.2%

	Q1 2012	Q1 2011	% change
Mobile Communication Subscribers ('000)	4,637.3	4,415.4	5.0%
Contract Share	80.0%	78.4%	
Market Share	41.1%	41.1%	
Market Penetration	119.4%	113.5%	
Mobile broadband subscribers	518,604	197,495	162.6%

\* The reported result includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

## Key Data Segment Additional Markets

### Slovenia

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	46.6	42.6	9.3%
EBITDA comparable	12.1	10.9	10.3%
EBITDA incl. effects from restructuring and impairment tests	12.1	10.9	10.3%
EBIT	6.9	5.8	19.9%
Average monthly revenue per User (in EUR)	20.7	19.1	8.3%
Data as percentage of traffic-related revenues	44.8%	31.4%	

	Q1 2012	Q1 2011	% change
Mobile Communication Subscribers ('000)	643.2	629.9	2.1%
Contract Share	75.3%	71.4%	
Market Share	29.6%	29.6%	
Market Penetration	106.6%	104.2%	
Mobile broadband subscribers	16,429	15,194	8.1%



## Key Data Segment Additional Markets

### Republic of Serbia

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	37.3	30.2	23.5%
EBITDA comparable	10.3	4.3	139.2%
EBITDA incl. effects from restructuring and impairment tests	10.3	4.3	139.2%
EBIT	-6.8	-8.9	22.7%
Average monthly revenue per User (in EUR)	6.9	6.5	5.3%
	Q1 2012	Q1 2011	% change
Mobile Communication Subscribers ('000)	1,672.4	1,428.1	17.1%
Market Share	16.1%	14.2%	
Market Penetration	141.1%	135.6%	

### Republic of Macedonia

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	13.6	11.1	22.5%
EBITDA comparable	3.0	-0.4	n.a.
EBITDA incl. effects from restructuring and impairment tests	3.0	-0.4	n.a.
EBIT	-1.9	-3.0	35.7%
Average monthly revenue per User (in EUR)	7.2	6.6	9.6%
	Q1 2012 unaudited	Q1 2011 unaudited	% change
Mobile Communication Subscribers ('000)	581.1	490.5	18.5%
Market Share	26.1%	21.5%	
Market Penetration	108.8%	110.8%	

### Liechtenstein

in EUR million	Q1 2012 unaudited	Q1 2011 unaudited	% change
Revenues	1.4	1.9	-24.1%
EBITDA comparable	0.4	0.5	-15.1%
EBITDA incl. effects from restructuring and impairment tests	0.4	0.5	-15.1%
EBIT	0.2	0.2	-32.8%
	Q1 2012 unaudited	Q1 2011 unaudited	% change
Mobile Communication Subscribers ('000)	6.1	6.5	-6.7%

## Selected Explanatory Notes to the Consolidated Interim Financial Statements (unaudited)

### Basis of Presentation

The consolidated interim financial statements, in the opinion of management, include all adjustments necessary for a fair presentation in accordance with International Financial Reporting Standards (IFRS).

These financial results in accordance with IAS 34 "Interim Financial Reporting" are not audited or reviewed and should be read in connection with the Company's annual consolidated financial statements according to IFRS for the year ended December 31, 2011. 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 occurred since December 31, 2011.

The preparation of the interim financial statements in conformity with IFRS requires the Company to make 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 December 31, 2011, except IFRS 7 "Financial Instruments: Disclosures (amended)", which became effective and was endorsed by the EU as of July 1, 2011. The effects, if any, on the consolidated financial statements were insignificant. The following standards/interpretations became effective during 2011 and as of January 1, 2012, but were not endorsed by the EU and therefore have not been adopted as of January 1, 2012:

		Effective *
IAS 12	Income Taxes (amended)	January 1, 2012
IFRS 1	Regulations for Hyperinflationary Economies	July 1, 2011

\* This standard/interpretation is effective for annual periods beginning on or after the presented date (in accordance with IASB), but has not been endorsed by EU.

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 Operations

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment tests are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring program and from impairment testing, if any. The restructuring program 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 2012 and 2011 see "provisions and accrued liabilities".

### Business Combinations

On February 3, 2012, Telekom Austria Group agreed to acquire assets currently owned by Orange Austria Telecommunication GmbH ("Orange Austria") for a total amount of up to EUR 390.0 million. Following the acquisition of Orange Austria by Hutchison 3G Austria, Telekom Austria Group will acquire the assets from Hutchison 3G Austria. These assets comprise frequencies, base station sites, the mobile phone operator YESSS! Telekommunikation GmbH ("YESSS!") as well as certain intangible assets. The acquisition of Orange Austria by Hutchison 3G Austria is conditional on the approval of Telekom Austria Group's acquisition of YESSS! by the relevant regulatory and anti-trust authorities. The transaction is expected to be closed in mid 2012.

### Non-Current and Current Liabilities

In the first quarter 2012 no long term debt were issued or repaid. Short-term borrowings decreased mainly due to the payment of accrued interest. In March 2012, Telekom Austria Group initiated a Euro Medium Term Note ("EMTN") Program, with a maximum volume of EUR 2,500 million.

The decrease in current liabilities is due to the repayment of accounts payable - trade in first quarter 2012.

### Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 820.9 million as of December 31, 2011 decreased to EUR 808.5 million as of March 31, 2012 mainly due to the usage of the provision, partly compensated by the accretion. No restructuring expense was recorded in the first quarter 2012. In the first quarter 2011 a restructuring expense of EUR 174.9 million was recognized.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 54.4 million as of December 31, 2011 decreased to EUR 52.0 million as of March 31, 2012. In the first quarter 2012 and 2011 a restructuring expense of EUR 4.4 million and EUR 9.2 million, respectively was recorded.

In the first quarter 2012 the discount rate applied to the calculation of asset retirement obligation was changed from 6.0% to 4.5% to reflect current market conditions in the individual countries. The anticipated inflation rate remained unchanged at 3.0%. The change of this parameter resulted in an increase of the asset retirement obligation and a corresponding increase in related tangible assets in the amount of EUR 28.3 million.

### Income Taxes

The effective tax rate for the first quarter 2012 and 2011 was 22.6% and 17.3%. In the first quarter 2012 and 2011 the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 146.6 million as of December 31, 2011 decreased to EUR 137.3 million as of March 31, 2012 mainly due to the recognition of the deferred impairments of investments in subsidiaries for tax purposes over seven years according to Austrian legislation.

### Foreign Currency Translation Adjustment

The foreign currency translation adjustment mainly results from the consolidation of velcom in Belarus and Vip mobile in Serbia. In the first quarter 2012 the devaluation of the Serbian Dinar led to a negative adjustment of EUR 20.7 million. Due to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the subsidiaries in Belarus starting in fourth quarter 2011, the relating translation adjustment of EUR 302.1 million as of December 31, 2011 remains unchanged. In the first quarter 2011 the devaluation of the Belarusian Ruble resulted in a negative adjustment of EUR 50.6 million whereas the appreciation of the Serbian Dinar lead to a positive adjustment of EUR 5.4 million.

### Subsequent and Other Events

On April 2, 2012, Telekom Austria Group issued a Bond under the EMTN-Program with a face value of EUR 750.0 million, a maturity of ten years, and a coupon of 4.0%. The discount and the issue costs of EUR 10.6 million are amortized over the related term.

On April 18, 2012, EUR 28.7 million of the outstanding performance-based deferred consideration for the acquisition of SB Telecom Limited (SBT), the sole owner of FE VELCOM ("velcom"), was paid, to the extent the predetermined performance criteria agreed at the acquisition in 2007 had been fulfilled. The next evaluation for the settlement of the remaining EUR 27.9 million (present value as of March 31, 2012) will be performed in the first quarter 2013 based on the annual net income for 2012 of SBT and velcom. As of December 31, 2011 this consideration was recorded in other current and other long-term liabilities.

On April 23, 2012, the Telekom-Control-Kommission (TKK) has postponed the frequency auction of the 800 MHz, 900 MHz and 1800 MHz band, which was scheduled for September 2012, due to the planned takeover of Orange Austria by Hutchison 3G Austria and the planned acquisition of assets of Orange Austria by Telekom Austria Group. A new timeline for the auction has not been announced due to the uncertainty regarding the duration of the merger proceedings. The TKK reserves the right to initiate the frequency allocation at any time.

The Annual General Meeting 2012 of Telekom Austria AG takes place on May 23, 2012. For further information please visit the Group's website at <http://www.telekomaustria.com/ir/annual-general-meeting.php>.