TELEKOM AUSTRIA GROUP

Results for the First Half 2015

Highlights

- > Group revenue stable at EUR 1,938.8 mn reported (clean: EUR 1,975.1 mn) beating company consensus of EUR 1,929.3 mn
- > Group EBITDA comparable growth of 7.4% to EUR 665.3 mn (clean: EUR 663.2 mn) on the back of stringent cost cutting and regulatory cost declines; beats company consensus of EUR 653.1 mn
- > Austria: 6.2% clean EBITDA comparable growth despite intensified competition in the mobile market
- > International markets burdened by FX effects as well as macro headwinds and price pressure
- > Planned acquisition of Amis will allow convergence in Slovenia
- > Consolidation in the Republic of Macedonia through merger with ONE approved
- > Net income of EUR 171.4 mn
- > Group revenues outlook for 2015 revised to approx. flat development, mainly due to CEE (on a constant currency basis except for Belarus); outlook for CAPEX* of EUR 700 – 750 mn and intended dividend of EUR 0.05/share** unchanged

in EUR million	Q2 2015	Q2 2014***	% change	1–6 M 2015	1–6 M 2014***	% change
Revenues	982.8	963.0	2.1%	1,938.8	1,939.0	0.0%
EBITDA comparable	326.8	299.4	9.1%	665.3	619.4	7.4%
Operating income	121.0	–260.6	n.m.	260.8	–163.2	n.m.
Net income	78.6	–305.1	n.m.	171.4	–264.3	n.m.
Cash flow generated from operations	262.3	224.5	16.8%	534.5	373.4	43.1%
Earnings per share (in EUR)	0.11	–0.70	n.m.	0.24	–0.63	n.m.
Free cash flow per share (in EUR)	0.17	–0.01	n.m.	0.40	0.11	263.0%
Capital expenditures	152.8	229.5	–33.4%	273.9	329.0	–16.7%

in EUR million	30 June 2015	31 Dec 2014	% change
Net debt****	2,508.0	2,693.3	–6.9%
Net debt / EBITDA comparable (12 months)****	1.9x	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 2016.
*** The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.
**** As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures have been restated accordingly.

Disclaimer

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The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q2 2015') are available on the website at www.telekomaustria.com.

Results for the third quarter 2015 will be announced in the week of 20 October 2015.

Contacts:
Investor Relations
Matthias Stieber
Director Investor Relations
Tel.: +43 (0) 50 664 39126
Email:
matthias.stieber@
telekomaustria.com

Corporate Communications
Peter Schiefer
Director Group
Communications &
Sustainability
Tel.: +43 (0) 50 664 39131
Email:
peter.schiefer@
telekomaustria.com

Vienna, 16 July 2015 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first half of 2015, ending 30 June 2015.

Summary Year-To-Date Comparison

Key Performance Indicators Group

First Half 2015

Financials in EUR million	1–6 M 2015	1–6 M 2014*	% change
Revenues	1,938.8	1,939.0	0.0%
EBITDA comparable	665.3	619.4	7.4%
EBITDA incl. effects from restructuring and impairment tests	656.1	272.1	141.2%
Operating income	260.8	–163.2	n.m.
Net income	171.4	–264.3	n.m.
Cash flow generated from operations	534.5	373.4	43.1%
Earnings per share (in EUR)	0.24	–0.63	n.m.
Free cash flow per share (in EUR)	0.40	0.11	263.0%
Capital expenditures	273.9	329.0	–16.7%

in EUR million	30 June 2015	31 Dec 2014	% change
Net debt**	2,508.0	2,693.3	–6.9%
Equity	2,262.0	2,218.0	2.0%
Net debt / EBITDA comparable (12 months)**	1.9x	2.1x	

Fixed access lines (in '000)	30 June 2015	30 June 2014	% change
Total access lines	2,791.0	2,636.1	5.9%
in Austria	2,282.2	2,275.1	0.3%
in Bulgaria	183.5	153.0	19.9%
in Croatia	237.8	208.0	14.3%
in the Republic of Macedonia	87.3	-	n.a.
of which broadband lines	1,865.4	1,694.7	10.1%

Mobile communication subscribers (in '000)	30 June 2015	30 June 2014	% change
Total subscribers	20,005.0	19,877.9	0.6%
in Austria	5,369.5	5,509.9	–2.5%
in Bulgaria	4,304.9	4,108.4	4.8%
in Croatia	1,756.2	1,829.5	–4.0%
in Belarus	4,912.3	4,939.8	–0.6%
in Slovenia	690.3	680.0	1.5%
in the Republic of Serbia	2,103.2	2,036.5	3.3%
in the Republic of Macedonia	608.5	619.9	–1.8%
in Liechtenstein***	-	6.5	n.a.

Employees (full-time equivalent, period-end)	16,080	16,044	0.2%

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.
** As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures have been restated accordingly.
*** 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.

In the first half of 2015 Telekom Austria Group saw an increase in subscribers both in the mobile and the fixed-line business. The increase in its mobile customer base was primarily driven by the Bulgarian segment and the Republic of Serbia. Fixed access lines profited mainly from the acquisition of blizoo Macedonia as well as solid growth in the Austrian, the Bulgarian and the Croatian segments.

In the first half of 2015 reported Group revenues remained mostly stable at EUR 1,938.8 mn. However, total negative one-off effects of EUR 28.2 mn were included in the Austrian segment in Q2 2014. Excluding these one-off effects, as well as negative FX translation effects in the amount of EUR 36.3 mn, revenues increased by 0.4% in the first half of 2015. The clean growth was driven by growth in the Belarusian segment and a stabilisation in the Austrian segment, while revenues in the other segments declined.

The increase in other operating income to EUR 64.4 mn was primarily due to a positive one-off effect in the amount of EUR 20.0 mn, which was recorded in Slovenia in Q1 2015.

With a strong focus on efficiency, operating expenses fell by 1.5%, mostly due to Austria, Belarus and Slovenia.

Reported EBITDA comparable rose by 7.4% to EUR 665.3 mn and increased by 2.4% on a clean basis, which excludes the above mentioned extraordinary effects from Austria in Q2 2014 and from Slovenia in Q1 2015 as well as negative FX translation effects of EUR 17.9 mn in the first half of 2015. The growth in clean EBITDA comparable was driven by the Austrian and the Belarusian segments.

Operating income turned to a positive EUR 260.8 mn in the first half of 2015, after a EUR 340.6 mn impairment in the Bulgarian segment in Q2 2014.

In summary, this resulted in higher net income of EUR 171.4 mn in the first half of 2015 compared to a net loss of EUR 264.3 mn in the same period last year.

Revenues

Revenues in EUR million	1–6 M 2015	1–6 M 2014	% change
Austria	1,228.0	1,197.6	2.5%
Bulgaria	173.6	182.7	−5.0%
Croatia	174.7	175.8	−0.6%
Belarus	161.5	166.3	−2.8%
Additional Markets	219.3	235.6	−6.9%
Corporate & Holding, Eliminations	−18.4	−19.0	n.m.
Total	**1,938.8**	1,939.0	**0.0%**

Group revenue increase of 0.4% year-on-year on a clean basis

In the first half of 2015 Telekom Austria Group saw a stabilisation in revenues, as higher revenues in the Austrian segment were offset by declines in the other segments. In the second quarter of 2014 revenues in the Austrian segment included negative extraordinary effects of EUR 28.2 mn in total. Excluding these one-off effects, as well as negative FX translation effects in the amount of EUR 36.3 mn in the first half of 2015, revenues increased by 0.4%.

In the Austrian segment revenues increased by 2.5% year-on-year on a reported basis and remained stable excluding the above mentioned negative one-off effects in Q2 2014. The stabilisation in revenues on a clean basis was mainly due to a strong increase in equipment revenues as a result of lower retention subsidies until April 2015. On a clean basis, monthly fee and traffic revenues remained stable as revenue growth in the high-value segment mitigated negative effects from a lower prepaid customer base and less customer roaming. In the fixed business declining voice traffic continued to negatively impact revenues, but was partly compensated by gains in TV and broadband.

Bulgaria continued to be affected by macroeconomic and competitive pressure, which resulted in a revenue decline of 5.0% year-on-year. The sharp decline in lower monthly fee and traffic revenues was mainly driven by severe price pressure especially in the business segment and was only partly compensated by higher interconnection and roaming revenues.

In the Croatian segment revenues declined 0.6% year-on-year in the first half of 2015 as lower interconnection revenues following a mobile termination rate cut in January 2015 were almost offset by growth in monthly fee and traffic revenues. Revenues in the fixed-line business rose mainly due to access line growth while the increase in mobile revenues was driven by higher fixed fees.

In the Belarusian segment revenues declined by 2.8% year-on-year in the first half of 2015, due to a negative FX effect of EUR 31.8 mn. In local currency revenues grew by 20.6%, mainly driven by price increases in 2014, as well as upselling to smartphone tariffs and higher data usage.

In the Additional Markets segment revenues decreased by 6.9% year-on-year. Revenues in Slovenia declined by 13.0% due to the intensified competitive environment as well as negative regulatory effects. In the Republic of Serbia revenues decreased by 5.1% as a result of changes in handset accounting. Excluding the negative accounting effects revenues in the Republic of Serbia continued to grow. In the Republic of Macedonia revenues increased by 17.8% which was mainly attributable to a EUR 7.4 mn revenue contribution of blizoo Macedonia which was acquired in July 2014.

EBITDA

EBITDA comparable

in EUR million	1–6 M 2015	1–6 M 2014	% change
Austria	419.8	367.1	14.4%
Bulgaria	66.8	75.8	–11.8%
Croatia	38.1	44.9	–15.2%
Belarus	85.4	81.8	4.4%
Additional Markets	70.2	66.1	6.2%
Corporate & Holding, Eliminations	–15.1	–16.4	n.m.
Total	**665.3**	619.4	7.4%

Group EBITDA comparable growth of 2.4% y-o-y on a clean basis

In the first half of 2015 Group EBITDA comparable grew by 7.4%. Gains in Austria, Belarus and the Additional Markets segment more than offset the declines in Bulgaria and Croatia. Excluding the above-mentioned one-off effects in Austria in Q2 2014 and a EUR 20.0 mn one-off effect in Slovenia in Q1 2015 as well as negative FX effects of EUR 17.9 mn in the first half of 2015, Group EBITDA comparable rose by 2.4%.

In the Austrian segment higher revenues and lower operating expenses resulted in an EBITDA comparable growth of 14.4%. Excluding the impact from the negative EUR 28.2 mn one-off effects in Q2 2014, clean EBITDA comparable rose by 6.2%. Lower marketing and sales costs as well as lower expenses for roaming and interconnection more than offset higher material expenses, resulting mainly from the focus on high-value gross additions, as well as higher employee costs.

In the Bulgarian segment a 3.8% increase in operating expenses exacerbated the effects of falling revenues on EBITDA comparable, which declined by 11.8% year-on-year. Operating expenses were mainly driven by an increase in roaming expenses as well as interconnection costs.

In the Croatian segment slightly lower revenues and higher operating expenses led to a 15.2% decline in EBITDA comparable. Operating expenses continued to be mostly driven by higher frequency usage fees, which were partly compensated by lower interconnection costs following a mobile termination rate cut in January 2015.

velcom in Belarus posted 4.4% EBITDA comparable growth despite a decrease in revenues and a negative FX effect of EUR 16.8 mn as operating expenses were 9.4% lower year-on-year. In local currency, EBITDA comparable came in 27.0% higher and operating expenses 14.7% higher versus the same period last year. This increase in operating expenses was primarily the result of higher maintenance and repair expenses as well as other FX denominated costs.

In the Additional Markets segment EBITDA comparable grew by 6.2% year-on year in the first half of 2015 on a reported basis and declined 24.1% excluding a EUR 20.0 mn positive one-off effect in Slovenia in Q1 2015. On a clean basis EBITDA comparable in Slovenia declined by 28.3% as a reduction in operating expenses, primarily due to lower interconnection costs, partly mitigated the loss in revenues. In the Republic of Serbia higher operating expenses, stemming mainly from higher roaming expenses together with the revenue decline, resulted in 28.9% lower EBITDA comparable. In the Republic of Macedonia EBITDA comparable showed a 45.2% growth resulting from the acquisition of blizoo Macedonia in July 2014.

Other operating income rose by EUR 25.7 mn to EUR 64.4 mn, primarily due the above mentioned 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.

Operating Income

EBIT

in EUR million	1–6 M 2015	1–6 M 2014*	% change
Austria	175.3	99.6	76.0%
Bulgaria	26.0	–310.1	n.m.
Croatia	4.2	10.8	–60.8%
Belarus	44.3	38.2	16.1%
Additional Markets	26.0	14.2	82.3%
Corporate & Holding, Eliminations	–15.1	–16.0	n.m.
Total	**260.8**	–163.2	n.m.

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.

Operating income turned from a negative EUR 163.2 mn in the first half of 2014 to a positive EUR 260.8 mn in the first half of 2015, primarily due to a EUR 340.6 mn impairment in the Bulgarian segment in Q2 2014. Depreciation and amortisation charges declined by 9.2% to EUR 395.4 mn versus the same period last year while restructuring charges increased to EUR 9.2 mn versus EUR 6.7 mn in the first half of 2014.

Consolidated Net Income

The negative financial result was lower in the first half of 2015 than in the previous year, mainly due to a EUR 10.4 mn reduction in interest expenses due to lower financial debt and lower interest rates applied to the restructuring provision.

In summary, the above mentioned effects resulted in a rise in net income to EUR 171.4 mn in the first half of 2015 compared to a net loss of EUR 264.3 mn last year.

Balance Sheet and Net Debt

The balance sheet of Telekom Austria Group shrank by 1.2% to EUR 8,218.7 mn as of 30 June 2015.

Higher cash and cash equivalents led to an increase in current assets of 5.3% to EUR 2,155.1 mn in the first half of 2015. Accounts receivable, which were high at year-end due to the Christmas season, fell by 3.8% compared to 31 December 2014. Non-current assets fell by 3.3% to EUR 6,063.5 mn, due to lower intangible assets as well as property, plant and equipment. The former was a result of amortisation and depreciation exceeding CAPEX as well as FX differences. The latter decline was driven by a downward adjustment of the expected inflation rate applied to the calculation of asset retirement obligations.

Current liabilities increased by 44.3% to EUR 2,218.6 mn in the first half 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 the reclassification, long-term debt declined by 22.2% to EUR 2,635.1 mn.

The rise in equity from EUR 2,218.0 mn to EUR 2,262.0 mn was a result of an increase in retained earnings. This also entailed a slight increase in the equity ratio as at 30 June 2015 to 27.5% from 26.7% as of 31 December 2014.

Net debt*

in EUR million	30 June 2015	31 Dec 2014	% change
Net debt	2,508.0	2,693.3	–6.9%
Net debt / EBITDA comparable (12 months)	1.9x	2.1x	

* As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures have been restated accordingly.

Net debt of the Telekom Austria Group fell by 6.9% to EUR 2,508.0 mn in the period under review as a result the increase in cash and cash equivalents. Together with the higher EBITDA comparable, this resulted in a reduction of the net debt to EBITDA comparable ratio from 2.1x as of 31 December 2014 to 1.9x in first half of 2015.

Cash Flow

Cash flow in EUR million	1–6 M 2015	1–6 M 2014	% change
Cash flow from operating activities	534.5	373.4	43.1%
Cash flow from investing activities	–263.7	–326.7	n.m.
Cash flow from financing activities	–99.6	–136.0	n.m.
Effect of exchange rate changes	–5.0	–1.5	n.m.
Monetary loss on cash and cash equivalents	0.0	0.3	n.a.
Net increase / decrease in cash and cash equivalents	166.2	–90.5	n.m.

Cash flow from operating activities increased by 43.1% to EUR 534.5 mn in the first half year of 2015, which was mostly attributable to the large decrease in working capital requirements compared to the same period last year. The gross cash flow increased by 2.3% after a EUR 20.0 mn cash-relevant one-off effect in Slovenia in Q1. Moderate working capital needs were primarily driven by lower accounts payable. Provisions and accrued liabilities pertaining to restructuring provisions in Austria also decreased while other liabilities and deferred income rose due to higher tax liabilities.

Cash flow for investing activities decreased from EUR 326.7 mn to EUR 263.7 mn in the first half of 2015. This development was mainly due to lower CAPEX in the period under review, as EUR 30.6 mn and EUR 63.9 mn were spent on spectrum in Bulgaria and Slovenia respectively in Q2 2014.

Cash outflow from financing activities decreased from EUR 136.0 mn to EUR 99.6 mn mostly due to lower principal payments on long-term debt.

As a result, cash and cash equivalents increased to EUR 166.2 mn at the end of the first half of 2015, compared with a negative EUR 90.5 mn in the same period last year.

Capital Expenditures

Capital expenditures in EUR million	1–6 M 2015	1–6 M 2014	% change
Austria	166.1	141.4	17.5%
Bulgaria	29.2	47.8	–39.0%
Croatia	21.7	31.0	–30.2%
Belarus	18.2	15.6	16.7%
Additional Markets	38.8	93.2	–58.4%
Corporate & Holding, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**273.9**	**329.0**	**–16.7%**
thereof tangible	218.6	177.7	23.0%
thereof intangible	55.3	151.3	–63.5%

Total CAPEX declines after EUR 30.6 mn and EUR 63.9 mn spent on spectrum in first half of 2014

In the first half of 2015 Group capital expenditures decreased by 16.7% versus the same period last year to EUR 273.9 mn.

In the Austrian segment total capital expenditures were higher than in the same period last year mainly due to an increase in tangible CAPEX as a result of the smart fibre roll-out. In the Bulgarian segment capital expenditures declined compared to the same period last year mainly due to EUR 30.6 mn investments for spectrum license prolongation in Q2 2014. Capital expenditures in the Croatian segment declined mainly due to lower CAPEX for the mobile network, while the Belarusian segment increased spending on network modernisation. In the Additional Markets segment capital expenditures declined compared to the same period last year due to EUR 63.9 mn spent in Slovenia on mobile spectrum in Q2 2014 while additional spectrum in the 1800 MHz band was purchased for EUR 7.0 mn in the Republic of Serbia in February 2015.

Personnel

Personnel (full-time equivalent) End of period	30 June 2015	30 June 2014	% change
Austria	8,655	8,837	–2.1%
International Operations	7,246	7,035	3.0%
Total	**16,080**	**16,044**	**0.2%**

Personnel (full-time equivalent) Average of period	1–6 M 2015	1–6 M 2014	% change
Austria	8,703	8,860	–1.8%
International Operations	7,328	7,054	3.9%
Total	**16,214**	**16,086**	**0.8%**

Acquisition of blizoo Macedonia drives increase in Group headcount

As of 30 June 2015 Telekom Austria Group saw a rise in full-time employees (FTEs) to 16,080 from 16,044 as of 30 June 2014. While the Austrian, Bulgarian and Croatian segments saw a reduction of 182, 115 and 39 FTEs respectively, the Additional Markets segment gained 349 FTEs following the closing of the acquisition of blizoo Macedonia in July 2014.

Quarterly Comparison

Summary Quarterly Comparison

Key Performance Indicators Group

2nd Quarter 2015

Financials

in EUR million	Q2 2015	Q2 2014*	% change
Revenues	982.8	963.0	2.1%
EBITDA comparable	326.8	299.4	9.1%
EBITDA incl. effects from restructuring and impairment tests	321.5	–40.2	n.m.
Operating income	121.0	–260.6	n.m.
Net income	78.6	–305.1	n.m.
Cash flow generated from operations	262.3	224.5	16.8%
Earnings per share (in EUR)	0.11	–0.70	n.m.
Free cash flow per share (in EUR)	0.17	–0.01	n.m.
Capital expenditures	152.8	229.5	–33.4%

in EUR million	30 June 2015	31 March 2015	% change
Net debt**	2,507.6	2,577.6	–6.9%
Equity	2,262.0	2,240.7	2.0%
Net debt / EBITDA comparable (12 months)**	1.9x	2.0x	

Revenues

in EUR million	Q2 2015	Q2 2014	% change
Austria	618.5	583.5	6.0%
Bulgaria	86.1	91.5	–5.9%
Croatia	90.2	92.6	–2.6%
Belarus	84.4	85.3	–1.1%
Additional Markets	114.0	120.2	–5.2%
Corporate & Holding, Eliminations	–10.3	–10.1	n.m.
Total	**982.8**	**963.0**	**2.1%**

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.
** As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures have been restated accordingly.

In the second quarter of 2015 Telekom Austria Group saw an increase in subscribers both in the mobile and the fixed-line business. The increase in its mobile customer base was primarily driven by the Bulgaria and the Republic of Serbia. Fixed access lines profited mainly from the acquisition of blizoo Macedonia as well as solid growth in the Austrian, the Bulgarian and the Croatian segments.

In the second quarter of 2015 Group revenues rose of by 2.1% year-on-year to EUR 982.8 mn. In Q2 2014 revenues in the Austrian segment included negative extraordinary effects in the amount of EUR 28.2 mn. Excluding these effects, and excluding the negative effects from FX translations amounting to EUR 16.4 mn, Group revenues rose by 0.8%.

While revenues in the Austrian segment grew by 1.1% year-on-year also excluding the above mentioned extraordinary effects from Q2 2014, they declined in the other segments. The clean increase in the Austrian segment was mostly driven by equipment revenues due to lower retention subsidies. The Bulgarian segment posted a fall in revenues of 5.9% year-on-year due to fierce competition especially in the business segment. The Croatian segment experienced a decline in handsets sold and lower termination rates which resulted in a revenue decline of 2.6% year-on-year. The Belarusian segment was negatively affected by FX losses which offset the strong operational growth and led to a 1.1% revenue reduction compared to the same period last year. Revenues in the Additional Markets segment fell by 5.2% year-on-year due to lower contributions from Slovenia and from the Republic of Serbia.

Group operating expenses declined by 1.4% year-on-year to EUR 676.6 mn in the second quarter of 2015 mainly due to lower costs in Austria.

Group EBITDA comparable increased by 9.1% year-on-year to EUR 326.8 mn in the second quarter of 2015 due to the growth in the Austrian and in the Belarusian segments. Negative FX effects on Group EBITDA comparable amounted to EUR 7.9 mn. Group EBITDA comparable rose by 2.2% on a clean basis, which excludes FX effects as well as the extraordinary effects in Austria.

Restructuring expenses amounted to EUR 5.3 mn in the quarter under review after restructuring gains of EUR 0.9 mn in Q2 2014. This led to operating income of EUR 121.0 mn versus an operating loss of EUR 260.6 mn in the previous year, which included an impairment of EUR 340.6 mn in the Bulgarian segment.

In summary, this resulted in net income of EUR 78.6 mn in the second quarter of 2015 compared to a net loss of EUR 305.1 mn in Q2 2014.

Segment Austria

Key Performance Indicators

Financials

in EUR million	Q2 2015	Q2 2014	% change
Revenues	618.5	583.5	6.0%
EBITDA comparable	212.7	172.3	23.5%
EBITDA incl. effects from restructuring and impairment tests	207.5	173.2	19.8%
EBIT	88.0	41.6	111.6%

Revenue detail	Q2 2015	Q2 2014	% change
Monthly fee and traffic	450.2	413.6	8.8%
Data & ICT solutions	54.2	45.7	18.6%
Wholesale (incl. roaming)	34.2	48.1	−29.0%
Interconnection	44.7	47.3	−5.5%
Equipment	27.8	20.3	37.0%
Other revenue	7.5	8.4	−11.5%

Mobile communication business	Q2 2015	Q2 2014	% change
ARPU (in EUR)*	16.0	16.2	−0.9%
Mobile service revenues (in EUR million)*	257.9	270.2	−4.6%
thereof interconnection	4.7%	5.1%	
Subscriber acquisition cost (SAC, in EUR million)	8.3	0.5	n.m.
Subscriber retention cost (SRC, in EUR million)	18.8	21.3	−11.7%
Churn (3 months)**	1.4%	1.9%	

	Q2 2015	Q2 2014	% change
Mobile communication subscribers (in '000)	5,369.5	5,509.9	−2.5%
Mobile market share	40.1%	41.5%	
Mobile contract share	69.6%	69.3%	
Mobile broadband subscribers (in '000)	682.1	743.9	−8.3%
Mobile penetration – total market	156.5%	156.3%	
Broadband penetration (mobile and fixed) – total market	125.5%	121.8%	

Fixed line business	Q2 2015	Q2 2014	% change
ARPL (in EUR)	29.3	30.3	−3.5%
Fixed service revenues (in EUR million)	200.5	207.4	−3.3%
Fixed line voice minutes (in million)	405.8	448.0	−9.4%

in '000	Q2 2015	Q2 2014	% change
Access lines (without broadband lines)	785.4	849.9	−7.6%
Fixed broadband lines	1,496.8	1,425.2	5.0%
thereof fixed broadband retail lines	1,461.5	1,388.3	5.3%
thereof fixed broadband wholesale lines	35.3	36.9	−4.3%
Total access lines	2,282.2	2,275.1	0.3%
Lines unbundled	237.8	244.6	−2.8%

Austrian voice and broadband shares

Voice market share	Q2 2015	Q2 2014	% change
Fixed Line A1 Telekom Austria	7.8%	8.2%	
Fixed Line Others	4.8%	5.2%	
Mobile	87.4%	86.7%	

Broadband market share	Q2 2015	Q2 2014	% change
Fixed line retail A1 Telekom Austria	30.8%	30.6%	
Fixed line wholesale A1 Telekom Austria	0.7%	0.8%	
Mobile broadband A1 Telekom Austria	14.4%	16.4%	
Mobile broadband other operators	33.1%	30.8%	
Cable	16.7%	16.6%	
Unbundled lines	4.3%	4.7%	

* As of Q1 2015 ARPU and ARPU-relevant revenues exclude mobile value-added services.
** 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.

During recent months several new mobile virtual network operators (MVNOs) have launched pay-as-you-go and smartphone as well as data tariffs. This intensification of the competitive environment in the no-frills business of the Austrian mobile market, which started at the beginning of the year 2015, also continued in the second quarter.

Operators, including A1 Telekom Austria AG, responded to this new competitive intensity by widening existing tariffs, e.g. with increased data allowances as well as higher speeds. Moreover, the Austrian market saw a material increase in handset subsidies in an attempt to strengthen the differentiation between the premium and the no-frills business. Tariff adjustments were confined mostly to the no-frills business.

As a result, A1's customer number trends in the mobile segment improved in Q2 2015, reflected by the slowdown in the decline of its mobile subscribers to 2.5% year-on-year, versus declines of 4.8% in Q1 2015 and 5.1% in Q4 2014. Net additions declined by only 5,500 in Q2 2015 (compared to negative net additions of 49,100 in Q1 2015 and 23,800 in Q4 2014) due to lower churn in the residential contract business and growth in gross additions in the no-frills business.

Fixed broadband line and TV subscriber growth of 5.0% and 7.2% respectively

In the fixed-line business demand for broadband and IPTV services remained healthy with 5.0% and 7.2% year-on-year growth respectively in Q2 2015. However, total access lines declined by 6,700 since Q1 2015 as a result of price increases for existing customers, which were implemented in April 2015. Nevertheless, churn remained in line with expectations.

The growth in revenues in the Austrian segment of 6.0% year-on-year in the second quarter of 2015 was mostly driven by negative extraordinary effects of EUR 28.2 mn in Q2 2014. However, revenues of A1 Telekom Austria AG increased also excluding these effects by 1.1% year-on-year. This revenue increase on a clean basis was mostly caused by higher equipment revenues due to lower retention subsidies. Monthly fee and traffic revenues in the mobile business declined slightly on a clean basis as higher revenues from high-value customers mostly compensated for lower revenues in the prepaid and customer roaming business. ARPL-relevant revenues also declined as continuous losses in voice revenues could only partly be offset by higher broadband and TV revenues. Total fixed-line revenues including data and ICT business came out nearly flat year-on-year in the second quarter of 2015.

Average monthly revenue per user (ARPU) declined slightly from EUR 16.2 in Q2 2014 to EUR 16.0 in the second quarter of 2015 due to a change in accounting for value-added services. Without this effect ARPU would have increased by approximately 1%. ARPU-relevant revenues fell by 3.3% year-on-year due to interconnection and roaming as well as the subscriber decline, mainly in the prepaid segment. The average monthly revenue per fixed line (ARPL) continued to fall from EUR 30.3 in Q2 2014 to EUR 29.3 in Q2 2015, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline.

The continued cost-cutting efforts made it possible to lower operating expenses by 1.4% year-on-year. Higher employee and material expenses resulting from more gross additions as well as high-value hardware were primarily offset by reduced services received. Interconnection expenses also declined due to a lower number of SMS and fewer outgoing voice minutes.

As a result of higher revenues and lower operating expenses, EBITDA comparable rose by 6.1% year-on-year in the second quarter of 2015 excluding the above mentioned extraordinary negative revenue effects from Q2 2014. On a reported basis EBITDA comparable rose 23.5% year-on-year.

EBITDA comparable growth of 6.1% year-on-year on a clean basis

Restructuring charges amounted to EUR 5.3 mn in Q2 2015 compared to gain of EUR 0.9 mn in Q2 2014. Depreciation and amortisation fell by 9.0% 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 AG reported operating income of EUR 88.0 mn in Q2 2015 versus EUR 41.6 mn in Q2 2014.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q2 2015	Q2 2014*	% change
Revenues	86.1	91.5	–5.9%
EBITDA comparable	32.1	38.8	–17.2%
EBITDA incl. effects from restructuring and impairment tests	32.1	–301.8	n.m.
EBIT	11.6	–324.2	n.m.

Mobile communication business	Q2 2015	Q2 2014	% change
ARPU (in EUR)	5.5	6.2	–11.8%
Mobile communication subscribers (in '000)	4,304.9	4,108.4	4.8%
Mobile market share	39.0%	38.1%	
Mobile contract share	79.8%	79.4%	
Mobile broadband subscribers (in '000)	287.4	217.1	32.4%
Mobile penetration – total market	150.5%	146.1%	

Fixed line business	Q2 2015	Q2 2014	% change
ARPL (in EUR)	11.7	14.5	–19.3%
Total access lines ('000)	183.5	153.0	19.9%
Fixed broadband lines ('000)	152.6	148.5	2.8%

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.

In the second quarter of 2015 the Bulgarian business was again negatively affected by the weak macro-economic backdrop and fierce competition in the mobile market. Mobiltel continued to counteract these challenges through value-based management in the business segment and greater efforts to retain high-value customers.

Total mobile subscribers increased by 4.8% in the second quarter of 2015, mainly driven by the no-frills and the business segments as well as 32.4% year-on-year growth in mobile broadband subscribers. However, net additions turned negative after a positive development in Q1 2015 as churn in the prepaid business increased due to the intensified price pressure in the no-frills segment. In the fixed-line business total access lines rose by 19.9% year-on-year driven by a 41.8% increase in TV subscribers impacted by the launch of satellite TV at the end of 2014.

Revenues declined by 5.9% year-on-year in Q2 2015 as higher wholesale revenues (incl. roaming) and interconnection revenues only partly mitigated the negative effect of lower monthly fee and traffic revenues primarily due to price pressure in the business segment. Average monthly revenue per user (ARPU) fell to EUR 5.5 from EUR 6.2 in the same quarter last year, driven by the negative pricing trends in the business and

Revenue decline of 5.9% year-on-year

in the no-frills markets. Average monthly revenue per fixed line (ARPL) declined from EUR 14.5 in Q2 2014 to EUR 11.7 in the second quarter of 2015, stemming from an increasing share of TV satellite customers with a low ARPL.

Operating expenses grew by 3.0% year-on-year in the second quarter of 2015, primarily due to higher roaming expenses. In addition, interconnection costs increased year-on-year following the growing popularity of tariffs that include free minutes to all national networks. These increases were diminished by operational cost-cutting measures.

The decline in revenues and the growth in operating expenses led to an EBITDA comparable reduction of 17.2% year-on-year in the second quarter of 2015.

Segment Croatia

Key Performance Indicators in EUR million	Q2 2015	Q2 2014	% change
Revenues	90.2	92.6	–2.6%
EBITDA comparable	19.0	22.2	–14.4%
EBITDA incl. effects from restructuring and impairment tests	19.0	22.2	–14.4%
EBIT	1.8	4.9	–62.3%

Mobile communication business	Q2 2015	Q2 2014	% change
ARPU (in EUR)	11.5	11.1	3.7%
Mobile communication subscribers (in '000)	1,756.2	1,829.5	–4.0%
Mobile market share	36.5%	36.7%	
Mobile contract share	46.9%	43.9%	
Mobile broadband subscribers (in '000)	154.7	173.6	–10.9%
Mobile penetration – total market	113.8%	116.1%	

Fixed line business	Q2 2015	Q2 2014	% change
ARPL (in EUR)	21.9	21.3	2.8%
Total access lines ('000)	237.8	208.0	14.3%
Fixed broadband lines ('000)	154.5	121.0	27.7%

In the second quarter of 2015 operational trends in Croatia were again 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 dampen the negative effects on revenues and to compensate for the threefold increase in frequency fees in June 2014, Vipnet had launched new mobile tariffs at the end of March 2015 focusing on LTE and data monetisation. Trends in the fixed-line business remained encouraging on the back of the strong demand for broadband and TV services.

Vipnet's total mobile subscriber base declined by 4.0% year-on-year as a result of intense competition and an adjustment in the prepaid customer base for inactive customers. However, positive total net additions of 30,300 in Q2 2015, which were mainly driven by residential contract customers, highlight the success of better churn management and new retention processes. Fixed access lines rose again significantly by 14.3% year-on-year and were driven by customer growth in broadband and TV, with year-on-year growth rates of 27.7% and 7.0% respectively.

2.6% year-on-year revenue decline

In the second quarter of 2015 revenues declined by 2.6% year-on-year, due to lower equipment and interconnection revenues. While the former was driven by a lower quantity of handsets sold, the latter was caused by mobile termination rate cuts. Monthly fee and traffic revenues increased due to strong growth in fixed access lines and the above mentioned introduction of a new tariff structure. In the mobile business, higher monthly fees were balanced by lower airtime revenues.

Average monthly revenues per user (ARPU) rose from EUR 11.1 in Q2 2014 to EUR 11.5 in the second quarter of 2015 due to a higher prepaid ARPU. Average monthly revenue per fixed-line (ARPL) increased from EUR 21.3 to EUR 21.9 due to upselling of fixed-line customers. Together with a higher number of access lines this led to an increase in ARPL-relevant revenues of 16.5% year-on-year.

Operating expenses decreased by 1.3% year-on-year in the second quarter of 2015. This decrease was driven by lower interconnection costs due to mobile termination rate cuts as well as lower material expenses. The latter was caused by the above mentioned lower quantity of handsets sold, which compensated the increase in frequency fees and higher marketing and sales costs driven by higher deferred expenses.

The decline in revenues could be slightly mitigated by lower operating expenses which led to an EBITDA comparable decline of 14.4 % year-on-year.

Segment Belarus

Key Performance Indicators

in EUR million	Q2 2015	Q2 2014	% change
Revenues	84.4	85.3	–1.1%
EBITDA comparable	43.7	41.9	4.5%
EBITDA incl. effects from restructuring and impairment tests	43.7	41.9	4.5%
EBIT	22.6	18.5	22.2%

	Q2 2015	Q2 2014	% change
ARPU (in EUR)	5.0	5.0	0.2%
Mobile communication subscribers (in '000)	4,912.3	4,939.8	–0.6%
Market share	42.4%	42.5%	
Contract share	80.9%	80.8%	
Mobile broadband subscribers (in '000)	289.2	262.3	10.2%
Market penetration – total market	122.1%	122.8%	

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. The BYR devalued by 5.9% against the Euro in the second quarter of 2015 compared to 10.0% in the previous quarter. Nevertheless, FX risks remain substantial in Belarus.

Operationally, strong demand for data services was the key driver for the results of the Belarusian segment. velcom continues to benefit from this factor as well as its ability to position itself as a premium operator based on its superior network quality.

However, severe currency volatility overshadowed the positive operational developments in Q2 2015 and due to a ban on price increases velcom was not able to offset negative FX translation effects. On a local currency basis revenues increased by 21.6%, as data growth and inflation-linked price increases in 2014 led to higher monthly fee and traffic revenues. After a negative FX effect of EUR 14.5 mn, revenues fell by 1.1% on a consolidated basis.

Operating expenses increased by 17.7% year-on-year on a local currency basis driven by higher maintenance and repair expenses due to further network roll-out and high FX dependency, as well as by growth in material expenses.

EBITDA comparable growth of 26.3% year-on-year in local currency

On a local currency basis EBITDA comparable rose by 26.3% in the second 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 7.5 mn, consolidated EBITDA comparable rose by 4.5%.

Segment Additional Markets

Additional Markets

Key Performance Indicators

in EUR million	Q2 2015	Q2 2014	% change
Revenues	114.0	120.2	–5.2%
EBITDA comparable	25.3	33.9	–25.2%

Slovenia

Key Performance Indicators

in EUR million	Q2 2015	Q2 2014	% change
Revenues	44.7	50.9	–12.1%
EBITDA comparable	10.9	16.4	–33.7%
EBITDA incl. effects from restructuring and impairment tests	10.9	16.4	–33.7%
EBIT	5.2	10.5	–50.6%

	Q2 2015	Q2 2014	% change
ARPU (in EUR)	16.2	19.8	–18.2%
Mobile communication subscribers (in '000)	690.3	680.0	1.5%
Market share	29.5%	29.8%	
Contract share	80.5%	78.9%	
Mobile broadband subscribers (in '000)	27.1	22.0	23.3%
Market penetration – total market	112.2%	109.5%	

Republic of Serbia

Key Performance Indicators

in EUR million	Q2 2015	Q2 2014	% change
Revenues	51.6	53.0	–2.5%
EBITDA comparable	11.6	16.0	–27.4%
EBITDA incl. restructuring and impairment test	11.6	16.0	–27.4%
EBIT	–1.5	–1.7	n.m.

	Q2 2015	Q2 2014	% change
ARPU (in EUR)	6.7	7.1	–5.3%
Mobile communication subscribers (in '000)	2,103.2	2,036.5	3.3%
Market share	22.4%	22.0%	
Contract share	53.5%	52.0%	
Market penetration – total market	130.3%	129.1%	

Republic of Macedonia

Key Performance Indicators in EUR million	Q2 2015	Q2 2014	% change
Revenues	16.9	14.3	17.9%
EBITDA comparable	3.8	2.5	53.7%
EBITDA incl. effects from restructuring and impairment tests	3.8	2.5	53.7%
EBIT	0.4	0.3	8.5%

Mobile communication business	Q2 2015	Q2 2014	% change
ARPU (in EUR)	6.7	7.0	–3.1%
Mobile communication subscribers (in '000)	608.5	619.9	–1.8%
Market share	28.4%	28.2%	
Contract share	55.0%	50.6%	
Market penetration – total market	104.4%	107.1%	

Fixed line business	Q2 2015	Q2 2014	% change
ARPL (in EUR)	12.4	–	n.a.
Total access lines ('000)	87.3	–	n.a.
Fixed broadband lines ('000)	61.5	–	n.a.

In the second quarter of 2015 the Additional Markets segment saw continued mobile customer growth driven by gains in Slovenia and in the Republic of Serbia. In Slovenia the planned acquisition of Amis, a fixed-line reseller, will allow the company to develop its operations from a mobile-only player into a fully converged operator. Regulatory approval and closing is expected for Q3 2015.

5.2% year-on-year revenue decline in Additional Markets segment

Total revenues in the Additional Markets segment fell by 5.2% 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 the revenue development in the Republic of Serbia. In the Republic of Macedonia the acquisition of blizoo Macedonia, which was closed in July 2014, contributed EUR 3.5 mn to revenues. Excluding FX translation effects of EUR 2.2 mn in total, segment revenues fell by 3.3%.

Operating expenses rose by 2.9% year-on year in the Additional Markets segment in Q2 2015 as increases in the Republic of Serbia and in the Republic of Macedonia were only partly offset by a cost decline in Slovenia. The latter was driven by a fall in interconnection costs. In the Republic of Serbia the increase resulted from higher roaming expenses. 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.

Higher operating expenses coupled with a decrease in revenues resulted in an EBITDA comparable decline for the segment of 25.2% year-on-year.

The Telekom Austria AG Share

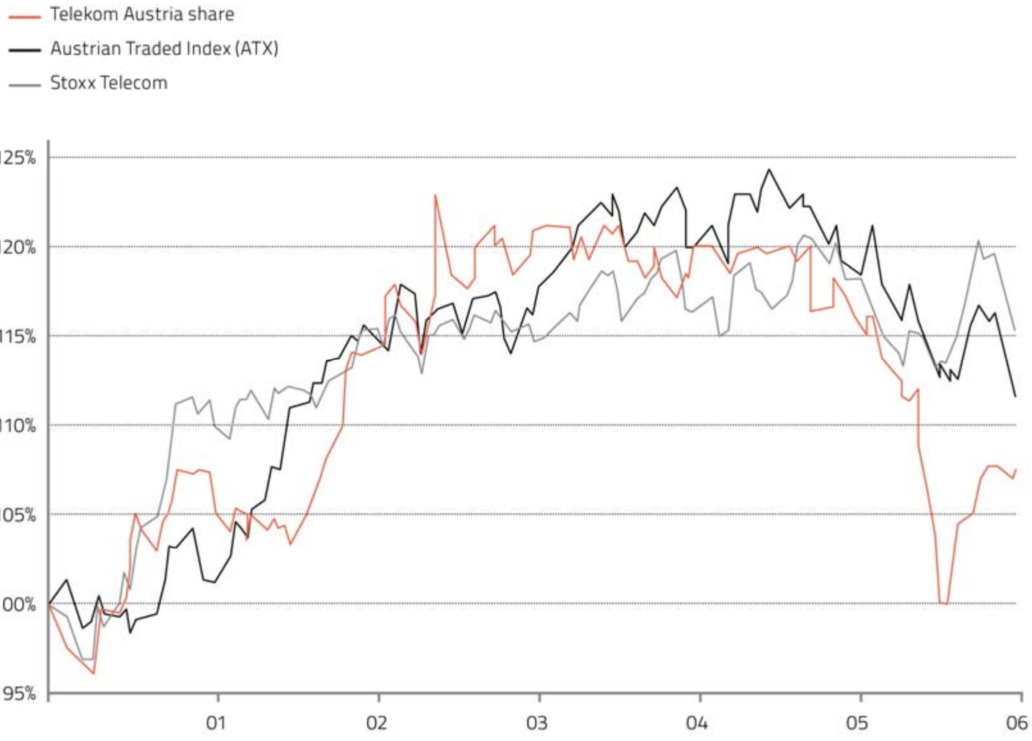
In the first half of 2015 the Telekom Austria AG share price increased by 7.6% but was outperformed both by the telecom sector as well as the Austrian ATX Index, which gained 15.6% and 11.7% respectively.

During the first three months the share price performed strongly, rising by up to 22.8% on the back of strong full year 2014 results. The year-to-date high was reached on 13 March 2015 with a share price of EUR 6.77. Subsequently the share price moved sideways until May when it declined by approximately 16% amidst rising macroeconomic concerns over Greece as well as increasing competitive challenges in Telekom Austria Group's home market. However, some of these losses were recovered in June.

In the first quarter both the Austrian ATX and the Stoxx Telecom posted solid gains supported by the European Central Bank's (ECB) announcement to buy public and private sector securities as well as encouraging Eurozone macro data. In Q2 2015 both indices halted their gains due to investor fears over a Greek bailout and fell away in June when the situation in Greece escalated.

Development of Telekom Austria share price

indexed from 1 Jan 2015



Outlook revised

Telekom Austria Group outlook for the full year 2015

In the first half of 2015 a number of downside risks materialised and impacted Telekom Austria Group's performance, which is particularly true for its international markets.

In the Group's domestic market the emergence of new mobile virtual network operators (MVNOs) has increased the competitive intensity. However, the activities launched by Management to limit the negative effects have proven successful so far. These include measures to protect existing tariff structures in the high-value customer segment and some tariff adjustments in the no-frills segment to halt customer erosion. Operational trends in the Austrian fixed-line market have progressed as anticipated. Overall, the performance of the Austrian segment has been broadly in line with expectations in H1 2015 and, subject to no major further intensification of competition, Management remains confident that its targets for the Austrian segment for the full year remain achievable.

In the international markets a number of negative developments have led to worse than expected performance during the first half of 2015 and cloud the outlook for the full year.

Macroeconomic headwinds in the CEE region have been stronger than anticipated. This has led to weaker demand as well as a harsher than expected competitive environment, which is particularly true for Bulgaria, Slovenia and the Republic of Serbia. Furthermore, the weaker than expected Belarusian Rouble has added a further downside. While Management anticipated a gradual decline of the BYR versus the EUR of approximately 20% throughout the year, the currency had already devalued by 17.1% in January 2015 and, after a short period of relative strength, closed the first six months down 15.3%. Thus, Management now anticipates a currency devaluation of approximately 25% for the full year 2015. Furthermore, a ban on price increases does not permit Management to offset this downside.

In order to counteract the revenue pressure on EBITDA comparable and cash flow generation, additional cost efficiency activities have been initiated across the Group with considerable success. These initiatives are aimed at all areas including marketing and sales, technical areas and IT as well as employee costs and should make it possible to exceed the original cost-savings target.

Telekom Austria Group Management also remains committed to investments in future growth opportunities. On the back of the ongoing demand for high bandwidth broadband offers, the Telekom Austria Group plans to invest, as announced, 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, while the regular CAPEX investments will result in efficiency improvements.

Frequency purchases are expected for Bulgaria, Croatia, Belarus and the Republic of Serbia in the second half of 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 spectrum, which was purchased in February.

In sum, the Management of Telekom Austria Group revises its expectations for Group revenues downwards to an approximately flat year-on-year development in 2015 versus an initially expected growth of approximately 2%. Expectations for Group capital expenditures* remain unchanged at EUR 700-750 mn, including the planned fibre investments.

The Telekom Austria Group remains 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. The Telekom Austria Group intends to pay a dividend of EUR 0.05 per share for the 2015 financial year.

Outlook 2015	as of 16 July 2015
Revenues	approx. flat
Capital expenditures	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 2016

DPS of EUR 0.05 intended for distribution for the financial year 2015

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
For details on other and subsequent events, please refer to page 38.

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	Q2 2015 unaudited	Q2 2014 unaudited	1–6 M 2015 unaudited	1–6 M 2014 unaudited
Operating revenues	982.8	963.0	1,938.8	1,939.0
Other operating income	20.6	22.5	64.4	38.7
Material expenses	−113.5	−112.8	−222.6	−217.4
Employee expenses, including benefits and taxes	−214.4	−211.5	−439.1	−430.1
Other operating expenses	−348.7	−361.7	−676.2	−710.7
Operating expenses	**−676.6**	−686.1	**−1,337.9**	−1,358.3
EBITDA comparable	**326.8**	299.4	**665.3**	619.4
Restructuring	−5.3	0.9	−9.2	−6.7
Impairment and reversal of impairment*	0.0	−340.6	0.0	−340.6
EBITDA incl. effects from restructuring and impairment testing*	**321.5**	−40.2	**656.1**	272.1
Depreciation and amortisation	−200.5	−220.4	−395.4	−435.3
Operating result*	**121.0**	−260.6	**260.8**	−163.2
Interest income	6.2	3.4	10.3	6.7
Interest expense	−44.3	−49.8	−88.5	−98.9
Foreign exchange differences	1.3	2.1	1.5	1.5
Other financial result	0.1	0.1	0.2	0.1
Result from investments in affiliates	0.2	0.1	0.3	0.1
Financial result	**−36.4**	−44.1	**−76.2**	−90.5
Earnings before income taxes*	**84.7**	−304.7	**184.6**	−253.7
Income taxes*	−6.1	−0.4	−13.2	−10.6
Net Result*	**78.6**	−305.1	**171.4**	−264.3
Attributable to:				
Owners of the parent*	72.3	−311.5	158.7	−276.9
Non-controlling interests	0.0	0.0	0.1	0.1
Hybrid capital owners	6.3	6.3	12.6	12.6
Basic and fully diluted earnings per share*	**0.11**	−0.70	**0.24**	−0.63
Weighted-average number of ordinary shares outstanding	**664,084,841**	442,584,841	**664,084,841**	442,584,841

* The comparison periods 2014 were adjusted according to IAS 8 (see "Changes according to IAS 8").

Condensed Consolidated Statements of Comprehensive Income

in EUR million	Q2 2015 unaudited	Q2 2014 unaudited	1–6 M 2015 unaudited	1–6 M 2014 unaudited
Net Result*	**78.6**	−305.1	**171.4**	−264.3
Unrealised result on securities available-for-sale	−0.3	0.1	−0.3	0.1
Income tax (expense) benefit	0.1	0.0	0.1	0.0
Realised result on hedging activities	1.5	1.6	2.9	3.2
Income tax (expense) benefit	−0.4	−0.4	−0.7	−0.8
Foreign currency translation adjustment	−25.9	0.8	−64.2	−1.7
Items that may be reclassified to profit or loss	**−25.0**	2.0	**−62.2**	0.7
Remeasurements of defined benefit obligations	−1.4	−1.2	−2.9	−2.3
Income tax (expense) benefit	0.3	0.3	0.7	0.6
Items that are not reclassified to profit or loss	**−1.1**	−0.9	**−2.2**	−1.8
Other comprehensive income (loss)	**−26.1**	1.2	**−64.4**	−1.0
Total comprehensive income (loss)*	**52.5**	−303.9	**106.9**	−265.4
Attributable to:				
Owners of the parent*	46.2	−310.3	94.3	−278.0
Non-controlling interests	0.0	0.0	0.1	0.1
Hybrid capital owners	6.3	6.3	12.6	12.6

* The comparison periods 2014 were adjusted according to IAS 8 (see “Changes according to IAS 8”).

Condensed Consolidated Statements of Financial Position

in EUR million	30 June 2015 unaudited	31 Dec. 2014 audited
ASSETS		
Current assets		
Cash and cash equivalents	1,184.3	1,018.1
Short-term investments	1.5	14.4
Accounts receivable - trade, net of allowances	577.4	600.1
Receivables due from related parties	0.9	1.3
Inventories	129.7	140.1
Prepaid expenses	126.6	125.4
Income tax receivable	20.6	27.4
Non-current assets held for sale	0.4	0.4
Other current assets	113.9	120.1
Total current assets	**2,155.1**	**2,047.3**
Non-current assets		
Investments in associates	42.3	38.3
Long-term investments	6.6	7.4
Goodwill	1,191.7	1,189.5
Other intangible assets, net	2,446.9	2,570.1
Property, plant and equipment, net	2,160.1	2,246.1
Other non-current assets	47.1	46.9
Deferred tax assets	168.8	170.9
Total non-current assets	**6,063.5**	**6,269.1**
TOTAL ASSETS	**8,218.7**	**8,316.4**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	–1,058.2	–340.8
Accounts payable - trade	–454.5	–522.3
Current provisions and accrued liabilities	–349.1	–337.3
Payables due to related parties	–5.5	–7.1
Income tax payable	–40.7	–33.4
Other current liabilities	–149.4	–132.7
Deferred income	–161.2	–163.9
Total current liabilities	**–2,218.6**	**–1,537.5**
Non-current liabilities		
Long-term debt	–2,635.1	–3,385.0
Employee benefit obligation	–209.1	–200.9
Non-current provisions	–808.6	–867.5
Deferred tax liabilities	–69.4	–90.8
Other non-current liabilities and deferred income	–15.9	–16.6
Total non-current liabilities	**–3,738.1**	**–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	311.7	418.0
Available-for-sale reserve	0.3	0.1
Hedging reserve	35.0	37.2
Translation adjustments	524.8	460.6
Equity attributable to equity holders of the parent	**–2,260.9**	**–2,216.8**
Non-controlling interests	–1.1	–1.2
Total stockholders' equity	**–2,262.0**	**–2,218.0**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**–8,218.7**	**–8,316.4**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q2 2015 unaudited	Q2 2014 unaudited	1–6 M 2015 unaudited	1–6 M 2014 unaudited
Net Result*	78.6	–305.1	171.4	–264.3
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation and impairment*	200.5	561.0	395.4	775.9
Employee benefit obligation - non-cash	3.2	1.4	5.9	3.3
Bad debt expenses	9.2	12.1	17.7	20.6
Change in deferred taxes*	–3.2	–7.4	–9.0	–8.1
Result from investments in affiliates	–0.2	–0.1	–0.3	0.8
Share-based compensation	0.5	1.0	0.9	2.0
Change in asset retirement obligation - non-cash	1.2	1.8	2.7	3.6
Provision for restructuring - non-cash	6.8	2.0	13.0	14.0
Result on sale of investments	0.0	0.0	0.0	–0.1
Result on disposal / retirement of equipment	–0.2	–0.1	0.5	0.2
Gain on monetary items - non-cash	0.0	0.2	0.0	0.2
Other	0.9	36.7	2.8	39.3
Gross cash flow	**297.3**	303.4	**600.9**	587.4
Accounts receivable - trade	–25.7	–48.5	3.8	–35.2
Receivables due from related parties	–0.3	–0.1	0.2	–0.1
Inventories	0.3	9.6	8.2	2.9
Prepaid expenses and other assets	5.7	–3.0	6.8	–30.8
Accounts payable - trade	14.0	4.3	–65.9	–112.4
Employee benefit obligation	–1.2	0.0	–3.0	0.0
Provisions and accrued liabilities	–22.2	–40.9	–39.2	–64.6
Other liabilities and deferred income	–5.9	–1.7	23.2	26.7
Payables due to related parties	0.4	1.4	–0.6	–0.4
Changes in assets and liabilities	**–35.0**	–78.8	**–66.5**	–213.9
Cash flow from operating activities	**262.3**	224.5	**534.5**	373.4
Capital expenditures	–152.8	–229.5	–273.9	–329.0
Acquisitions of subsidiaries, net of cash acquired	–2.8	0.0	–5.6	0.0
Sale of subsidiary, net of cash disposed	0.6	0.0	0.6	0.0
Sale of property, plant, equipment and intangible assets	1.3	1.7	3.4	4.0
Purchase of investments	–0.2	–4.7	–1.8	–4.9
Sale of investments	1.1	0.2	13.7	3.1
Cash flow from investing activities	**–152.9**	–232.4	**–263.7**	–326.7
Principal payments on long-term debt	0.0	–45.5	–2.7	–48.7
Changes in short-term borrowings	4.9	–53.5	–29.8	–29.4
Dividends paid	–33.2	–22.1	–67.1	–56.0
Deferred consideration paid for business combinations	0.0	–1.9	0.0	–1.9
Cash flow from financing activities	**–28.4**	–123.0	**–99.6**	–136.0
Effect of exchange rate changes	**–5.5**	–2.2	**–5.0**	–1.5
Monetary loss on cash and cash equivalents	**0.0**	0.5	**0.0**	0.3
Change in cash and cash equivalents	**75.5**	–132.6	**166.2**	–90.5
Cash and cash equivalents at beginning of period	1,108.7	243.4	1,018.1	201.3
Cash and cash equivalents at end of period	1,184.3	110.8	1,184.3	110.8

* The comparison periods 2014 were adjusted according to IAS 8 (see "Changes according to IAS 8").

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	171.3	0.0	171.3	0.1	171.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–2.2	–62.2	–64.4	0.0	–64.4
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**169.1**	**–62.2**	**106.9**	**0.1**	**107.0**
Distribution of dividends	0.0	0.0	0.0	0.0	–62.8	0.0	–62.8	–0.2	–62.9
Sale of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–0.1	–0.1
Balance at 30 June 2015	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**–311.7**	**–560.2**	**2,260.9**	**1.1**	**2,262.0**

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	–264.4	0.0	–264.4	0.1	–264.3
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–1.8	0.7	–1.0	0.0	–1.0
Total comprehensive income (loss)*	**0.0**	**0.0**	**0.0**	**0.0**	**–266.2**	**0.7**	**–265.4**	**0.1**	**–265.4**
Distribution of dividends	0.0	0.0	0.0	0.0	–51.7	0.0	–51.7	–0.1	–51.8
Hyperinflation adjustment	0.0	0.0	0.0	0.0	16.9	0.0	16.9	0.0	16.9
Balance at 30 June 2014*	966.2	–7.8	582.6	591.2	–491.2	–483.2	1,157.9	1.1	1,158.9

* The comparison periods 2014 were adjusted according to IAS 8 (see “Changes according to IAS 8”).

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	30 June 2015 unaudited	31 Dec. 2014 audited
Long-term debt	2,635.1	3,385.0
Short-term borrowings	1,058.6	340.8
Cash and cash equivalents and short-term investments	–1,185.7	–1,032.5
Net debt	**2,508.0**	2,693.3
Net debt/EBITDA comparable (last 12 months)	**1.9x**	2.1x

As of 30 June 2015 a deferred consideration for the acquisitions of the cable operators in Macedonia in the amount of EUR 0.4 million is included in short-term borrowings.

Condensed Operating Segments

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
				1–6 M 2015				
External revenues	1,219.1	172.4	170.9	161.5	214.8	0.0	0.0	1,938.8
Intersegmental revenues	8.9	1.2	3.8	0.0	4.5	0.0	–18.4	0.0
Total revenues	**1,228.0**	**173.6**	**174.7**	**161.5**	**219.3**	**0.0**	**–18.4**	**1,938.8**
Other operating income	42.3	9.1	0.5	2.9	25.9	13.9	–30.3	64.4
Segment expenses	–850.5	–115.9	–137.2	–79.0	–175.0	–29.0	48.7	–1,337.9
EBITDA comparable	**419.8**	**66.8**	**38.1**	**85.4**	**70.2**	**–15.1**	**0.0**	**665.3**
Restructuring	–9.2	0.0	0.0	0.0	0.0	0.0	0.0	–9.2
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	**410.7**	**66.8**	**38.1**	**85.4**	**70.2**	**–15.1**	**0.0**	**656.1**
Depreciation and amortisation	–235.3	–40.8	–33.9	–41.1	–44.3	0.0	0.0	–395.4
Operating result	**175.3**	**26.0**	**4.2**	**44.3**	**26.0**	**–15.1**	**0.0**	**260.8**
Interest income	1.2	1.0	0.3	5.7	1.1	17.9	–16.9	10.3
Interest expense	–15.5	–0.1	–4.3	–1.1	–1.6	–82.7	16.9	–88.5
Result from investments in affiliates	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Other financial result	0.2	0.1	2.3	0.4	–0.2	–1.2	0.1	1.7
Earnings before income taxes	**161.6**	**27.0**	**2.5**	**49.4**	**25.3**	**–81.2**	**0.1**	**184.6**
Income taxes								–13.2
Net result								**171.4**
Segment assets	4,934.8	895.4	573.5	519.7	837.7	7,776.2	–7,318.7	8,218.7
Segment liabilities	–2,615.2	–82.7	–391.8	–56.2	–198.9	–4,486.1	1,874.2	–5,956.7
Capital expenditures - intangible	30.9	7.7	1.6	2.5	12.6	0.0	0.0	55.3
Capital expenditures - tangible	135.2	21.5	20.1	15.7	26.2	0.0	0.0	218.6
Total capital expenditures	**166.1**	**29.2**	**21.7**	**18.2**	**38.8**	**0.0**	**0.0**	**273.9**
EBITDA comparable margin	34.2%	38.5%	21.8%	52.9%	32.0%	n.a	n.a	34.3%

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
				1–6 M 2014				
External revenues	1,188.2	181.4	171.9	166.3	231.3	0.0	0.0	1,939.0
Intersegmental revenues	9.4	1.3	4.0	0.0	4.3	0.0	–19.0	0.0
Total revenues	**1,197.6**	**182.7**	**175.8**	**166.3**	**235.6**	**0.0**	**–19.0**	**1,939.0**
Other operating income	40.3	4.7	2.0	2.7	5.3	13.2	–29.7	38.7
Segment expenses	–870.8	–111.6	–133.0	–87.2	–174.7	–29.6	48.7	–1,358.3
EBITDA comparable	**367.1**	**75.8**	**44.9**	**81.8**	**66.1**	**–16.4**	**0.1**	**619.4**
Restructuring	–6.7	0.0	0.0	0.0	0.0	0.0	0.0	–6.7
Impairment and reversal of impairment*	0.0	–340.6	0.0	0.0	0.0	0.0	0.0	–340.6
EBITDA incl. effects from restructuring and impairment testing*	**360.4**	**–264.8**	**44.9**	**81.8**	**66.1**	**–16.4**	**0.1**	**272.1**
Depreciation and amortisation	–260.7	–45.4	–34.1	–43.6	–51.9	0.0	0.4	–435.3
Operating result*	**99.6**	**–310.1**	**10.8**	**38.2**	**14.2**	**–16.4**	**0.5**	**–163.2**
Interest income	1.1	0.6	0.0	4.7	0.5	17.6	–17.7	6.7
Interest expense	–22.8	–0.3	–5.2	–1.2	–0.9	–86.0	17.6	–98.9
Result from investments in affiliates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial result	0.4	0.0	1.7	0.3	–0.1	–61.3	60.6	1.6
Earnings before income taxes*	**78.5**	**–309.9**	**7.3**	**41.9**	**13.7**	**–146.2**	**61.0**	**–253.7**
Income taxes*								–10.6
Net result*								**–264.3**
Segment assets	4,765.6	889.2	581.2	571.7	781.8	7,444.0	–7,753.3	7,280.2
Segment liabilities	–2,621.9	–123.3	–394.9	–45.8	–178.3	–4,350.8	1,593.9	–6,121.3
Capital expenditures - intangible	38.1	36.7	3.5	1.8	71.2	0.0	0.0	151.3
Capital expenditures - tangible	103.2	11.2	27.5	13.8	22.0	0.0	0.0	177.7
Total capital expenditures	**141.4**	**47.8**	**31.0**	**15.6**	**93.2**	**0.0**	**0.0**	**329.0**
EBITDA comparable margin	30.7%	41.5%	25.5%	49.2%	28.1%	n.a	n.a	31.9%

Results by Segments

in EUR million	Q2 2015 unaudited	Q2 2014 unaudited	% change	1–6 M 2015 unaudited	1–6 M 2014 unaudited	% change
Revenues						
Austria	618.5	583.5	6.0%	1,228.0	1,197.6	2.5%
Bulgaria	86.1	91.5	–5.9%	173.6	182.7	–5.0%
Croatia	90.2	92.6	–2.6%	174.7	175.8	–0.6%
Belarus	84.4	85.3	–1.1%	161.5	166.3	–2.8%
Additional markets	114.0	120.2	–5.2%	219.3	235.6	–6.9%
Corporate & Other & Eliminations	–10.3	–10.1	2.8%	–18.4	–19.0	–3.3%
Total revenues	**982.8**	963.0	2.1%	**1,938.8**	1,939.0	0.0%
EBITDA comparable						
Austria	212.7	172.3	23.5%	419.8	367.1	14.4%
Bulgaria	32.1	38.8	–17.2%	66.8	75.8	–11.8%
Croatia	19.0	22.2	–14.4%	38.1	44.9	–15.2%
Belarus	43.7	41.9	4.5%	85.4	81.8	4.4%
Additional markets	25.3	33.9	–25.2%	70.2	66.1	6.2%
Corporate & Other & Eliminations	–6.1	–9.5	–36.3%	–15.1	–16.4	–7.7%
Total EBITDA comparable	**326.8**	299.4	9.1%	**665.3**	619.4	7.4%
EBITDA incl. effects from restructuring and impairment testing*						
Austria	207.5	173.2	19.8%	410.7	360.4	14.0%
Bulgaria	32.1	–301.8	–110.6%	66.8	–264.8	–125.2%
Croatia	19.0	22.2	–14.4%	38.1	44.9	–15.2%
Belarus	43.7	41.9	4.5%	85.4	81.8	4.4%
Additional markets	25.3	33.9	–25.2%	70.2	66.1	6.2%
Corporate & Other & Eliminations	–6.1	–9.5	–36.3%	–15.1	–16.4	–7.7%
Total EBITDA incl. effects from restructuring and impairment testing*	**321.5**	–40.2	–899.6%	**656.1**	272.1	141.2%
Operating result*						
Austria	88.0	41.6	111.6%	175.3	99.6	76.0%
Bulgaria	11.6	–324.2	–103.6%	26.0	–310.1	–108.4%
Croatia	1.8	4.9	–62.3%	4.2	10.8	–60.8%
Belarus	22.6	18.5	22.2%	44.3	38.2	16.1%
Additional markets	3.1	8.0	–61.2%	26.0	14.2	82.3%
Corporate & Other & Eliminations	–6.1	–9.3	–34.9%	–15.1	–16.0	–5.4%
Total operating result*	**121.0**	–260.6	–146.4%	**260.8**	–163.2	–259.7%
EBITDA comparable margin						
Austria	34.4%	29.5%		34.2%	30.7%	
Bulgaria	37.3%	42.4%		38.5%	41.5%	
Croatia	21.1%	24.0%		21.8%	25.5%	
Belarus	51.8%	49.1%		52.9%	49.2%	
Additional markets	22.2%	28.2%		32.0%	28.1%	
EBITDA comparable margin total	**33.3%**	31.1%		**34.3%**	31.9%	

* The comparison periods 2014 were adjusted according to IAS 8 (see "Changes according to IAS 8").

Capital Expenditures

in EUR million	Q2 2015 unaudited	Q2 2014 unaudited	% change	1–6 M 2015 unaudited	1–6 M 2014 unaudited	% change
Austria	97.6	79.9	22.2%	166.1	141.4	17.5%
Bulgaria	15.6	41.2	−62.2%	29.2	47.8	−39.0%
Croatia	12.3	18.4	−33.2%	21.7	31.0	−30.2%
Belarus	10.6	7.3	44.3%	18.2	15.6	16.7%
Additional markets	16.8	82.8	−79.7%	38.8	93.2	−58.4%
Total capital expenditures	**152.8**	**229.5**	**−33.4%**	**273.9**	**329.0**	**−16.7%**
Thereof tangible	126.8	106.3	19.3%	218.6	177.7	23.0%
Thereof intangible	26.1	123.3	−78.9%	55.3	151.3	−63.5%

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.

Telekom Austria Group applies 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.

Changes according to IAS 8

Due to a random sample of Österreichische Prüfstelle für Rechnungslegung (OePR), the Austrian Financial Reporting Enforcement Panel, the consolidated financial statements 2013 as well as the half-year financial statements 2014 of Telekom Austria Group were audited. By letter dated 14 January 2015, Telekom Austria Group was informed that of the total amount of EUR 400.0 million of the impairment of goodwill in Bulgaria, which was recognised in the second quarter of 2014, EUR 59.4 million should already have been recognised in 2013, the recognised amount of goodwill itself at 30 June 2014 was not challenged.

The effects on the items concerned and the related deferred taxes for the first half 2014 are presented in the following table:

in EUR million	as previoulsy reported	adjustment	adjusted
Impairment and reversal of impairment	–400.0	59.4	–340.6
Income taxes	–4.7	–5.9	–10.6
NET RESULT	**–317.8**	**53.5**	**–264.3**
Attributable to:			
Owners of the parent	–330.4	53.5	–276.9
Basic and fully diluted earnings per share	–0.75	0.12	–0.63

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 half 2015 and 2014 see "Provisions and Accrued Liabilities".

Business combinations

In the first half 2015, Telekom Austria Group acquired 100% of eight cable operators in Macedonia through its subsidiary blizoo for a total consideration of EUR 6.0 million, of which EUR 5.6 million were paid in cash. The consideration was provisionally allocated mainly to property, plant and equipment and customer base. The goodwill resulting on the acquisitions amounts to EUR 1.5 Mio.

In the first half 2015, Telekom Austria Group sold its 90% stake in GPS Bulgaria. A gain of EUR 0.4 million was recognised in other operating income.

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 half 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 721.5 million as of 30 June 2015, mainly due to the usage of the provision. In the first half 2015 and 2014 a positive effect of restructuring of EUR 0.7 million and EUR 2.5 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 34.8 million as of 30 June 2015. In the first half 2015 and 2014, a restructuring expense of EUR 9.9 million and EUR 9.2 million, respectively, was recognised.

In the first half 2015, inflation rates 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 28.4 million. EUR 27.7 million resulted in a 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
30 June 2015			
Discount rate	2.0%	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 half 2015 and 2014 was 7.2% and 16.6%, respectively. The decrease of the effective tax rate was mainly due to the 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 99.4 million as of 30 June 2015, mainly as a result of the above mentioned recognition of deferred tax assets partly offset by foreign exchange differences in Belarus resulting in a reduction of deferred tax liabilities.

Stockholders' Equity

In February 2015 and 2014, 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 4.2 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 half according to local GAAP amounting to EUR 16.7 million, net of the related tax benefit of EUR 4.2 million, which is recognised in stockholders' equity according to IAS 12.

In June 2015 and 2014, Telekom Austria Group paid dividend to its shareholders in the amount of EUR 33.2 million and EUR 22.1 million, respectively.

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 half 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 372.1 million as of 30 June 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	30 June 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Cash and cash equivalents	**1,184.3**	**1,184.3**	1,018.1	1,018.1
Accounts receivable - trade	577.4	577.4	600.1	600.1
Receivables due from related parties	0.9	0.9	1.3	1.3
Other current financial assets	72.7	72.7	75.7	75.7
Other non-current financial assets	34.6	34.6	37.0	37.0
Loans and receivables	**685.7**	**685.7**	714.0	714.0
Long-term investments	6.0	6.0	6.8	6.8
Short-term investments	1.5	1.5	14.4	14.4
Available-for-sale investments	**7.5**	**7.5**	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 net of valuation allowance if any.

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	30 June 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Bonds	3,031.8	3,349.7	3,029.7	3,430.1
Other current financial liabilities	58.7	58.7	53.8	53.8
Non-current liabilities to financial institutions	600.0	642.6	602.6	655.5
Other non-current liabilities	0.8	0.8	1.0	1.0
Accounts payable - trade	454.5	454.5	522.3	522.3
Payables due to related parties	5.5	5.5	7.1	7.1
Accrued interest	61.5	61.5	93.5	93.5
Financial liabilities at amortised cost	**4,212.8**	**4,573.4**	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:

30 June 2015 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.8	0.6	0.0	7.4
Financial assets measured at fair value	**6.8**	**0.6**	**0.0**	**7.4**

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

On 8 June 2015 Telekom Austria Group agreed to acquire 100% of Amisco NV, the holding entity of Amis Slovenia and Amis Croatia. Amis operates as a fixed-line reseller in Slovenia and owns a fibre network in Croatia. The companies offer internet, IPTV and telephony services to approximately 63,000 customers in Slovenia and approximately 23,000 customers in Croatia as of year-end 2014. In 2014 Amisco revenues amounted to approximately EUR 41 million, with approximately 80% stemming from Slovenia. The transaction is subject to merger control clearance.

On 8 July 2015, the Macedonian Commission for Protection of Competition approved the merger of Telekom Austria Group's Macedonian subsidiary Vip Operator with Telekom Slovenije's subsidiary ONE. The approval is based on certain commitments, such as MVNO access offered by the merged entity to interested parties. In 2014, Telekom Austria Group agreed with Telekom Slovenije Group to merge their subsidiaries Vip Operator and ONE, both operating in the Republic of Macedonia. Telekom Austria Group will hold 55% and have sole control over the newly created entity, whereas Telekom Slovenije Group will hold 45%. Furthermore, the agreement also includes call and put options for the exit of Telekom Slovenije Group from the joint venture within three years of the closing of the merger. The closing of the transaction is expected for Q4 2015. ONE is the third largest mobile network operator in the Republic of Macedonia with a mobile market share of 25.4% as of Q4 2014 (Telekom Austria Group estimate) and a total customer base of about 715,000 customers as of 31 December 2014. In 2014, ONE achieved revenues and EBITDA of approximately EUR 75.7 million and EUR 10.6 million respectively.

Vienna, 16 July 2015
The Management Board

Hannes Ametsreiter, Chairman of the Management Board,
Telekom Austria Group

Siegfried Mayrhofer, CFO, Telekom Austria Group

Alejandro Plater, COO, Telekom Austria Group

Statement of All Legal Representatives

Declaration of the Management Board according to § 87 Abs 1 Z 4 Börsegesetz

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards (IFRS) and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 16 July 2015
The Management Board

Hannes Ametsreiter, Chairman of the Management Board,
Telekom Austria Group

Siegfried Mayrhofer, CFO, Telekom Austria Group

Alejandro Plater, COO, Telekom Austria Group