TELEKOM AUSTRIA GROUP

Results for the First Nine Months 2013

Highlights

- Group revenues down 2.6% year-on-year as growth in Belarus and in the Additional Markets segments partly mitigates decline in Austria, Bulgaria and Croatia
- Gross cost savings of EUR 112.9 mn cannot offset an increase in operating expenses in Austria and the Additional markets segment
- Lower revenues and higher costs for acquisition and retention stemming from the high-value customer segment lead to a Group EBITDA comparable decline of 9.8%
- While overall revenues still decline by 3.6% in Austria, the high-value focus and convergence strategy continue to yield encouraging results
- International businesses see revenues fall by 2.4% due to challenging macroeconomic trends and regulatory burdens
- FY 2013 Group guidance unchanged: Revenues of approx. EUR 4.1 bn, CAPEX* of EUR 650 – 700 mn and an intended dividend of EUR 0.05/share

in EUR million	Q3 2013	Q3 2012	% change	1–9 M 2013	1–9 M 2012	% change
Revenues	1,036.0	1,093.7	–5.3%	3,128.3	3,212.0	–2.6%
EBITDA comparable	357.9	410.4	–12.8%	1,025.1	1,136.6	–9.8%
Operating income	121.5	177.0	–31.4%	344.7	388.1	–11.2%
Net income	51.3	99.2	–48.3%	159.2	180.1	–11.6%
Earnings per share (in EUR)	0.10	0.22	–56.9%	0.31	0.41	–24.0%
Free cash flow per share (in EUR)	0.30	0.37	–20.4%	0.69	0.70	–2.4%
Capital expenditures	167.6	158.4	5.8%	493.0	489.4	0.7%

in EUR million	30 Sept 2013	31 Dec 2012	% change
Net debt	2,708.8	3,248.9	–16.6%
Net debt / EBITDA comparable (12 months)	2.0x	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 reult, income tax expense, depreciation and amortisation, restructuring and impairment charges.
* Does not include investments for spectrum nor acquisitions.

Disclaimer

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The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q3 2013") are available on the website at www.telekomaustria.com.

Results for the full year 2013 will be announced on 26 February 2014.

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Vienna, 14 November 2013 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first nine months and the third quarter 2013, ending 30 September 2013.

Summary

Year-to-date Comparison

Key Performance Indicators Group

1st Nine Months 2013

Financials in EUR million	1–9 M 2013	1–9 M 2012	% change
Revenues	3,128.3	3,212.0	–2.6%
EBITDA comparable	1,025.1	1,136.6	–9.8%
EBITDA incl. effects from restructuring and impairment tests	989.8	1,115.0	–11.2%
Operating income	344.7	388.1	–11.2%
Net income	159.2	180.1	–11.6%
Cash flow generated from operations	789.5	797.3	–1.0%
Earnings per share (in EUR)	0.31	0.41	–24.0%
Free cash flow per share (in EUR)	0.69	0.70	–2.4%
Capital expenditures	493.0	489.4	0.7%

in EUR million	30 Sept 2013	31 Dec 2012	% change
Net debt	2,708.8	3,248.9	–16.6%
Equity	1,562.0	819.1	90.7%
Net debt / EBITDA comparable (12 months)	2.0x	2.2x	–9.6%

Fixed access lines (in '000)	30 Sept 2013	30 Sept 2012	% change
Total access lines	2,620.9	2,586.3	1.3%
in Austria	2,273.6	2,285.1	–0.5%
in Bulgaria	158.6	142.8	11.1%
in Croatia	188.8	158.5	19.1%
of which broadband lines	1,622.5	1,517.8	6.9%

Mobile communication subscribers (in '000)	30 Sept 2013	30 Sept 2012	% change
Total subscribers	21,230.0	20,597.6	3.1%
in Austria	5,739.4	5,121.5	12.1%
in Bulgaria	5,264.1	5,534.9	–4.9%
in Croatia	1,950.0	2,054.7	–5.1%
in Belarus	4,898.2	4,749.5	3.1%
in Slovenia	672.7	653.5	2.9%
in the Republic of Serbia	1,974.7	1,819.0	8.6%
in the Republic of Macedonia	645.4	626.3	3.1%
in Liechtenstein	6.4	6.1	4.2%

Employees (full-time equivalent, period-end)	16,243	16,666	–2.5%

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 amortisation, restructuring and impairment charges.

In the first nine months of 2013 Group revenues amounted to EUR 3,128.3 mn, a reduction of 2.6% compared to the first nine months of 2012. This development was driven by a highly competitive landscape, regulatory burdens and a difficult macroeconomic climate. While the Austrian, Bulgarian and Croatian segments saw a reduction in revenues, Belarus and the Additional Markets segments posted year-on-year revenue growth. Negative effects from foreign exchange translations amounted to EUR 32.6 mn and stemmed primarily from Belarus. Consequently, Group revenues declined by 1.6% on a clean basis.

In the first nine months of 2013 the Austrian operations were affected by continued price pressure and negative regulatory effects. In Bulgaria the effects of further termination rate cuts combined with a weak macroeconomic environment and ongoing price pressure continue to weigh on revenues. Croatia was also heavily impacted by regulatory burdens attributable to mobile termination rate cuts and roaming rate adjustments following the EU accession in July 2013. Strong operational performance in Belarus drove revenue growth, despite a negative effect from foreign exchange translation. A higher number of subscribers and a rise in usage resulted in revenue growth in the Additional markets segment.

Group EBITDA comparable declined by 9.8% during the first nine months of 2013, after a slight increase in total Group OPEX. Total gross cost savings of EUR 112.9 mn only partially mitigated the effects of lower revenues as well as higher costs for acquisition and retention. The latter stemmed from the Group-wide focus on the high value customer segment. These effects led to a net year-on-year OPEX increase of 1.7% in Austria and a 14.5% decrease in EBITDA comparable despite a positive contribution from YESSS!. In the Bulgarian segment cost savings made possible a reduction in operating expenses and partly offset the negative effect of lower revenues on EBITDA comparable. In Croatia EBITDA comparable fell as result of the revenue decline, while operating expenses were almost unchanged. The Belarusian segment provided a strong contribution to Group EBITDA comparable despite a negative effect from foreign exchange translation. In the Additional markets segment EBITDA comparable also increased, as higher revenues offset the rise in revenue-related costs. Total negative effects from foreign exchange translations amounted to EUR 15.6 mn on Group level. On a clean basis Group EBITDA comparable declined by 8.4%.

In the first nine months of 2013 restructuring charges, solely attributable to the Austrian segment, amounted to EUR 35.3 mn and rose by 63.1% compared to the same period last year. At EUR 645.1 mn depreciation and amortisation charges were 11.3% below the first nine months of the previous year. Altogether the operating result of EUR 344.7 mn was 11.2% lower in the first nine months of 2013 compared to the same period last year.

The financial result improved by 11.7% to a negative amount of EUR 142.0 mn due to lower interest expenses resulting from lower average financial debt, despite negative foreign exchange differences of EUR 3.0 mn.

In the period under review Telekom Austria Group reported a net income of EUR 159.2 mn, a decline of 11.6% compared to the first nine months of 2012.

Group capital expenditures remained almost stable at EUR 493.0 mn as increases in the Austrian and Additional markets segments, inter alia resulting from the acquisition of spectrum, were partly mitigated by savings in the Bulgarian segment resulting from lower mobile and fixed-line asset investments in billing and business systems.

Summary

Quarterly Comparison

Key Performance Indicators Group

3rd Quarter 2013

Financials in EUR million	Q3 2013	Q3 2012	% change
Revenues	1,036.0	1,093.7	−5.3%
EBITDA comparable	357.9	410.4	−12.8%
EBITDA incl. effects from restructuring and impairment tests	330.2	399.8	−17.4%
Operating income	121.5	177.0	−31.4%
Net income	51.3	99.2	−48.3%
Cash flow generated from operations	295.5	322.1	−8.3%
Earnings per share (in EUR)	0.10	0.22	−56.9%
Free cash flow per share (in EUR)	0.30	0.37	−20.4%
Capital expenditures	167.6	158.4	5.8%

in EUR million	30 Sept 2013	30 June 2013	% change
Net debt	2,708.8	2,843.4	−4.7%
Equity	1,562.0	1,528.6	2.2%
Net debt / EBITDA comparable (12 months)	2.0x	2.2x	

In the third quarter of 2013 Group revenues fell 5.3% year-on-year to EUR 1,036.0 mn. While Austria, Bulgaria and Croatia saw a substantial revenue decline, Belarusian revenues increased slightly. The Additional Markets segment reported another successful quarter and posted year-on-year growth.

In Austria revenues fell as a result of customer migration into all-in tariffs and roaming, as well as regulatory cuts affecting revenues from international transit. Furthermore, the continued reduction in fixed voice minutes and voice subscribers could be only partly offset by higher broadband and TV revenues. The consolidation of YESSS! as of 1 January 2013 affected the year-on-year comparison positively.

In Bulgaria political and economic instability resulted in a further deterioration in pricing driving the ongoing revenue decline. In Croatia higher fixed fees stemming from contract segment growth could not compensate for lower roaming and interconnection revenues. Revenues in Belarus rose slightly, as the effects from the strong operational performance overlapped those from foreign exchange translation in the amount of EUR 14.8 mn. The Additional Markets segment benefitted from higher subscriber numbers and higher contract ratios, with the Republic of Serbia showing a particularly strong performance. Excluding the negative effects from foreign exchange translations, Group revenues declined by 3.9% year on year.

Group EBITDA comparable, which does not include any effects from restructuring and impairment testing, decreased by 12.8% year-on-year as 0.9% lower operating expenses could only partially dampen the revenue pressure. The decline in operating expenses was mainly the result of regulatory effects and successful cost saving initiatives with the main drivers being Austria and Bulgaria. The biggest drag on EBITDA comparable resulted from the operations in Austria, Bulgaria and Croatia. While operating expenses in Belarus declined driven by foreign exchange effects and lead to a 11.2% increase in EBITDA comparable, Croatia reported a 34.0% decline in EBITDA comparable primarily resulting from regulatory effects. Operating expenses in the Additional Markets segment declined slightly as cost savings in Slovenia outweighed an increase in the Republic of Serbia. Negative effects from foreign exchange translations amounted to EUR 7.3 mn. On a clean basis Group EBITDA comparable declined by 11.0%.

In the third quarter of 2013 restructuring charges in the Austrian segment more than doubled compared to the same period last year and amounted to EUR 27.7 mn. Depreciation and amortisation fell by 6.3% versus the third quarter of 2012, primarily driven by Austria, Bulgaria and Belarus. However, this decline only slightly compensated for lower EBITDA comparable.

Consequently, operating income was reported at EUR 121.5 mn in the third quarter of 2013 and was 31.4% lower compared with the same period last year. Including an improved financial result following lower interest expenses and a decline in tax expenses, net income declined by 48.3% to EUR 51.3 mn.

In the third quarter of 2013 Group capital expenditure increased by 5.8% to EUR 167.6 mn versus the third quarter as Vip operator, Telekom Austria Group's subsidiary in the Republic of Macedonia, obtained spectrum in the 800-MHz and the 1800.MHz frequency bands for a total of EUR 10.3 mn in July 2013.

The Telekom Austria AG Share

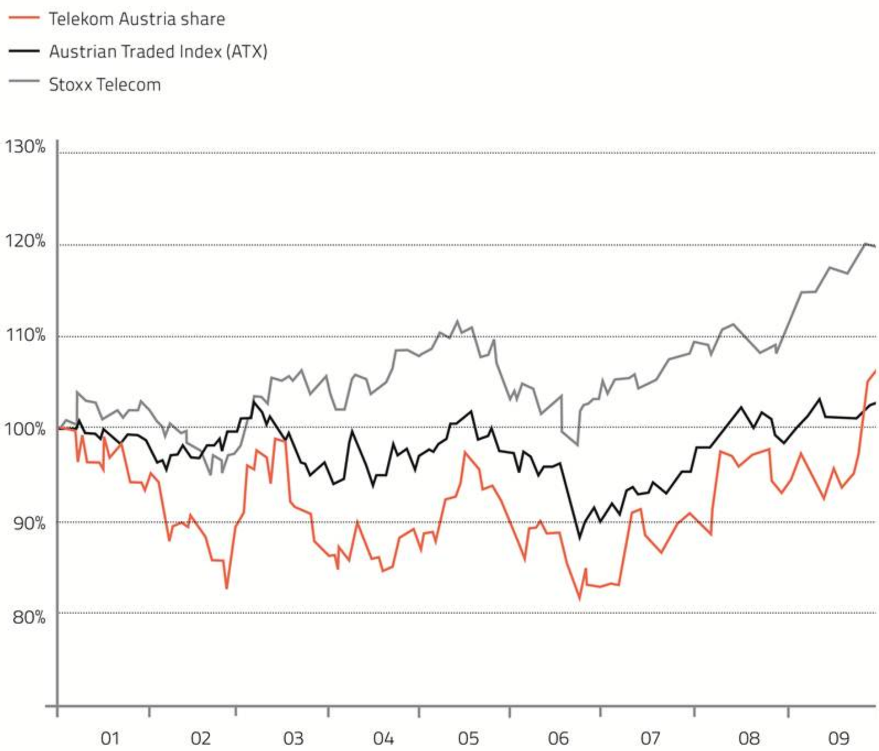
During the first nine months of 2013 the Telekom Austria AG share rose by 8.0%, as its 27.4% rally in the third quarter overcompensated the 15.3% decline during the first half of 2013.

This rally was fuelled by a strong performance of the telecom sector, which the Telekom Austria AG share nevertheless outperformed by 11 percentage points in the third quarter of 2013. The potential for a recovery of the company's domestic mobile market, as well as expectations that no fourth mobile operator would enter the market outweighed fears over an expensive outcome to the spectrum auctions in Austria. In addition, América Móvil's bid for Dutch incumbent KPN, which was later withdrawn, fuelled speculations about the former's intention in Austria and thus provided a floor at points of weakness in the performance of the share. Volatility and trading volumes increased in September as EU Commissioner Kroes moderated her position on roaming cuts. In the last week of September 2013 the one-year pricing restrictions following America Movil's purchase of Telekom Austria Group shares in 2012 were lifted, which helped to push the stock to EUR 6.19 on 30 September 2013.

After temporarily losing traction in June, the Stoxx Telecom Index performed strongly in the third quarter of 2013. Sector M&A as well as the regulatory debate surrounding the EU single market proposal provided momentum. The index finished the first nine months of 2013 up 21.8% and the quarter up 16.4%

European markets also resumed their ascent in early July after Federal Reserve Chairman Ben Bernanke assured investors that any tapering of the bond buying programme would not be immediately followed by an interest rate hike. Political turmoil in Italy and a potential US intervention in Syria caused a temporary breather in August, but in September the Austrian Traded Index reached highs last seen in 2011. It closed up 5.2% year-to-date on 30 September 2013.

Development of the Telekom Austria Share Price
indexed from 1 Jan 2013



Market Environment

The Telekom Austria Group operates in eight markets across Central and Eastern Europe. In its mature markets Austria, Bulgaria and Croatia Telekom Austria Group offers mobile and fixed-line services, allowing the company to pursue a successful convergence strategy. In its mobile-only markets Telekom Austria Group seeks to capitalise on the existing growth potential for smartphone offers and mobile data products.

Fierce competition presents an issue in almost all markets, exerting downward pressure on mobile prices. The economic success of Telekom Austria Group thus hinges to a great extent on its ability to safeguard margins by continuously increasing cost efficiency. Furthermore, regulatory provisions in the form of interconnection and roaming rate reductions cause added drag on revenues, especially in those segments which must conform to EU regulation. In addition to existing glide paths, the proposal for a single European telecommunications market currently awaiting approval by the European parliament poses a threat.

Austria is among the most competitive markets of the Telekom Austria Group, with one of the most sophisticated yet low-priced mobile markets in Europe. The Austrian telecoms sector contains full-scale as well as mobile virtual network operators. A multiband spectrum auction took place in September and October, redistributing existing spectrum in the 900 and 1800-MHz bands and making available new spectrum in the 800-MHz band. In terms of product offerings, all-in smartphone deals and mobile broadband solutions drive an ongoing fixed-to-mobile substitution, which is visible in the highly advanced but continual decline of fixed-line voice minutes. Attractive convergent bundle offers, incorporating fixed-line broadband and IPTV solutions, are key to the fixed-line business.

In the CEE markets political and macroeconomic headwinds remain challenging, as they affect demand and suppress usage. In Bulgaria GDP growth forecast has recently been cut to 0.6% from a previous estimate of 1.0%, as domestic consumption shrank. Meanwhile Croatia became the 28th member of the European Union on 1 July 2013, requiring the country to comply with the EU's prevailing interconnection and roaming regulation. The outlook for growth remains fragile there also, as the government reduced its GDP growth forecast to 0.2% for 2013. Domestic consumption, however, has recently strengthened, supported by low inflation.

In Belarus inflation and FX effects were relatively benign in the first half of 2013; however, the Belarusian rouble has fallen visibly against the Euro in the third quarter of 2013. Against a backdrop of stagnating GDP growth and the 'potash' conflict with Russia, the government recently issued a plan for structural economic reforms largely in line with World Bank and IMF recommendations. As the banking crisis continues, Slovenia's government has also extended austerity measures. While Serbia had an encouraging start of the year with a relatively balanced Serbian dinar, the latter fell against the EUR at the end of May. In the third quarter the government unveiled severe austerity measures. In contrast, the central bank of the Republic of Macedonia recently raised that country's GDP growth forecast to 3.3% for 2013, as the country benefits from low debt levels and a stable banking sector.

Outlook

Telekom Austria Group reiterates outlook for the full year 2013

The results for the first nine months of the year have largely confirmed Telekom Austria Group expectations for the full year 2013.

A number of external factors including competitive markets, regulatory burdens and macroeconomic headwinds will likely continue to impact results. In the major Group markets Austria, Bulgaria and Croatia fierce competition exacerbates mobile pricing pressure. In the Group's home market Austria the latter encourages the ongoing fixed-to-mobile voice substitution and hampers fixed-line data tariff initiatives. Moreover, regulatory provisions such as lower roaming and interconnection rates will continue to burden operations in all major markets.

In the CEE region adverse macroeconomic trends are expected to further impact customer demand and pricing levels. In markets such as Belarus foreign exchange volatility will continue to present a risk factor.

Throughout 2013 the management of Telekom Austria Group has continued and will continue to address these challenges by means of its successful convergence strategy and a clear focus on the high-value customer segment in its mature mobile markets. In its mobile only markets Telekom Austria Group concentrates on achieving its growth targets. Moreover, fostering operational excellence remains a core focus to counteract the effects of margins pressure, which is reflected in a gross cost savings target of at least EUR 100 mn for the year 2013.

For the financial year 2013 Telekom Austria Group reiterates its existing outlook of approximately EUR 4.1 bn in Group revenues. As a result of the successful Group focus on optimising investment efficiency, Group capital expenditure* is expected to range between EUR 650 mn and EUR 700 mn.

Following the EUR 1.0 bn acquisition of spectrum in Austria on 21 October 2013, Telekom Austria Group's leverage is expected to reach approximately 3.0x net debt/EBITDA comparable by the end of 2013. In light of the resulting impact on its balance sheet, Telekom Austria Group's credit rating has been downgraded to Baa2 (stable) from Baa1 (negative) by Moody's and to BBB- (stable) from BBB (stable) by Standard & Poor's. Telekom Austria Group intends to achieve deleveraging via operational cash flow generation to return to its target credit rating of BBB (stable) by Standard & Poor's over the medium term.

DPS of EUR 0.05 intended for distribution for the financial year 2013

For the year 2013 the management of Telekom Austria Group intends to distribute a dividend of 5 Eurocents per share.

This outlook is given on a constant currency basis for all markets of Telekom Austria Group and excludes any effects of hyperinflation accounting in the Belarusian segment.

Outlook 2013	as of 14 November 2013
Revenues	approx. EUR 4.1 bn
Capital expenditures*	EUR 650 mn – EUR 700 mn
Dividend**	DPS of EUR 0.05

* Does not include investments for spectrum nor acquisitions.
** Intended proposal to the Annual General Meeting 2014.

Year-to-Date Comparison
Revenues

Revenues

in EUR million	1–9 M 2013	1–9 M 2012	% change
Austria	1,992.3	2,066.1	–3.6%
Bulgaria	300.0	358.3	–16.3%
Croatia	293.7	313.9	–6.4%
Belarus	244.0	217.9	12.0%
Additional Markets	337.4	315.3	7.0%
Corporate & Holding, Eliminations	–39.2	–59.6	n.m.
Total	3,128.3	3,212.0	–2.6%

Growth in Belarus and Additional markets partly compensates revenue decline in Austrian, Bulgarian and Croatian segment

In the first nine months of 2013 Telekom Austria Group posted a revenue decline of 2.6% to EUR 3,128.3 mn, as higher revenues from the Belarus and the Additional Markets segments were not sufficient to offset lower results from the segments Austria, Bulgaria and Croatia. Negative effects from foreign exchange translations stemming primary from Belarus amounted to EUR 32.6 mn. Consequently, Group revenues declined by 1.6% on a clean basis.

In the first nine months of 2013 Austrian revenues fell by 3.6% to 1,992.3 mn. The Austrian revenue decline was mainly driven by a 3.9% reduction in monthly fee and traffic revenues as a result of customer migration to all-in tariffs and lower customer roaming revenues resulting from regulatory cuts. The decline in interconnection revenues presented the second largest negative factor. This decline can be explained by a positive one-off effect from Q1 2012 accounting to EUR 10.1 mn on the one hand, and lower international transit termination rates as well as lower usage on the other. The fall in wholesale revenues (incl. roaming) of 15.3% is attributable to lower roaming rates due to regulatory cuts. The above mentioned drivers were partly negated by a 49.4% increase in equipment revenues as a result of higher gross additions in the A1 contract segment and strong demand for high-value handsets.

Bulgaria was characterised by macroeconomic headwinds, a fierce competitive environment and heavy regulatory burdens in the first nine months of 2013. Consequently revenues declined by 16.3% to EUR 300.0 mn primarily due to lower interconnection revenues following several reductions of mobile termination rates. Altogether regulatory effects accounted for EUR 36.9 mn of the Bulgarian revenue decline in the first nine months of 2013. The second largest negative factor stemmed from decreased monthly fee and traffic revenues, which were mainly driven by lower traffic and lower pricing levels deriving from continued heavy competition. These declines were partly compensated by increased equipment revenues as result of the focus on smart devices for high-value customers.

In Croatia the continued difficult general market conditions and fierce competition in combination with the new EU roaming glidepath, now fully applicable to Croatian operators after the EU accession on 1 July 2013, resulted in a 6.4% revenue decline to EUR 293.7 mn in the first nine months of 2013. Despite higher usage, reduced prices and a greater number of all-in tariffs resulted in lower monthly fee and traffic revenues. The effect was aggravated by a decline in roaming revenues. The fall in wholesale (incl. roaming) revenues by 40.6% is attributable to the reduction in wholesale roaming tariffs. Interconnection revenues fell by 11.6% stemming from the mobile termination rate cut in January 2013. The higher share of contract customers and focus on higher-value handsets resulted in higher equipment revenues.

In Belarus total revenues increased by 12.0% to EUR 244.0 mn following a strong operational performance and despite a negative currency translation effect of EUR 31.0 mn. Operationally, inflation related price increases in 2012 and 2013, steady customer growth, as well as upselling and usage effects led to an increase in monthly fee and traffic revenues by 12.3% to EUR 196.8 mn. An increase in equipment revenues of 22.1% is attributable to continued strong demand for smartphones. In local currency revenues grew by 26.2% compared to the first nine months of 2012.

In the Additional Markets segment revenues grew by 7.0% to EUR 337.4 mn in the first nine months of 2013 as slightly lower revenues in Slovenia were more than offset by strong revenue growth in the Republic of Serbia and the Republic of Macedonia. In Slovenia the negative impact from regulation resulted in lower interconnection and wholesale revenues which outweighed the increase in monthly fee and traffic revenues due to a rise in the contract share rate. In the Republic of Serbia and the Republic of Macedonia increases in the customer base coupled with growing contract share rates translated into revenue growth of 15.5% and 10.5%, respectively.

EBITDA

EBITDA comparable

in EUR million	1–9 M 2013	1–9 M 2012	% change
Austria	601.4	703.1	–14.5%
Bulgaria	126.7	164.5	–23.0%
Croatia	96.0	114.1	–15.9%
Belarus	118.4	89.6	32.2%
Additional Markets	103.2	87.5	18.0%
Corporate & Holding, Eliminations	–20.6	–22.1	n.m.
Total	1,025.1	1,136.6	**–9.8%**

EBITDA comparable growth in the Belarusian and Additional markets segments

In the first nine months of 2013 Group EBITDA comparable declined by 9.8% to EUR 1,025.1 mn. Increases of 32.2% in the Belarusian segment and of 18.0% in the Additional Markets segment could not offset the revenue-related reduction in EBITDA comparable in the segments Austria, Bulgaria and Croatia. Negative effects from foreign exchange translations amounted to EUR 15.6 mn and stemmed almost solely from Belarus. Consequently, Group EBITDA comparable declined by 8.4% on a clean basis.

In Austria lower revenues and higher operating expenses led to a 14.5% reduction in EBITDA comparable to EUR 601.4 mn, despite a positive contribution from YESSS!. Excluding the one-off effects from the first quarter 2012 amounting to EUR 7.0 mn, EBITDA comparable declined by 13.6%. The increase in operating expenses of 1.7% to EUR 1,454.4 mn was mainly driven by higher material expenses and higher marketing activities as a result of a continued focus on the high-value customer segment. Despite a lower number of average full time equivalent employees personnel expenses increased by 1.3% to EUR 503.6 mn mainly due to the collective bargaining agreement for 2013. Interconnection costs fell due to further price cuts and lower quantities in the international traffic. In addition the strict focus on cost control resulted in optimisations in customer service, network and IT.

In Bulgaria EBITDA comparable dropped by 23.0% to EUR 126.7 mn in the first nine months of 2013, despite a considerable reduction in operating expenses. Regulatory effects accounted for EUR 19.6 mn of the EBITDA comparable reduction. The fall in interconnection costs was the most significant driver of the OPEX reduction. Management efforts to optimise the cost structure and increase cost efficiency resulted in lower marketing and sales costs as well as reduced employee costs following a headcount reduction. Lower bad debt provisions also made a positive contribution. In contrast, material expenses rose as a result of the strong demand for high-value handsets. In total Mobiltel was able to shave EUR 21.3 mn off total operating expenses in the first nine months of 2013, a reduction of 10.7% compared to the same period last year.

In Croatia EBITDA comparable fell by 15.9% to EUR 96.0 mn in the first nine months of 2013, primarily driven by negative regulatory effects on revenues following the EU accession on 1 July 2013, while operating expenses remained almost stable. Higher material expenses resulting from a larger number of handsets sold to postpaid customer were partly compensated by a reduction in other costs, which was driven, inter alia, by the abolition of a mobile tax in July 2012.

In Belarus EBITDA comparable showed strong growth and increased by 32.2% to EUR 118.4 mn after a negative FX effect of EUR 15.0 mn. Operating expenses were 10.6% higher in local currency due to higher material expenses following a greater number of handsets sold as well as higher average costs. Higher employee costs resulting from inflation-based salary increases together with growth in interconnection costs resulting from higher tariffs for outgoing international traffic, also impacted operating costs negatively. This was partly offset by other costs which fell after the introduction of a VAT charge for retail telecoms customers as well as cost savings in maintenance and repair. In EUR operating expenses fell by 1.8%.

In the Additional Markets segment EBITDA comparable continued to show strong growth and increased by 18.0% to EUR 103.2 mn. In Slovenia a reduction in bad debt expenses as well as consulting and training costs in combination with lower interconnection and roaming costs fully offset the revenue decline and resulted in a 4.7% higher EBITDA comparable. In contrast, in the Republic of Serbia and the Republic of Macedonia operating expenses were higher due to increased interconnection costs related to a larger subscriber base and higher usage. EBITDA comparable, however, also increased by 40.3% and 10.0% respectively.

EBITDA incl. effects from restructuring and impairment tests

in EUR million	1–9 M 2013	1–9 M 2012	% change
Austria	566.1	681.4	–16.9%
Bulgaria	126.7	164.5	–23.0%
Croatia	96.0	114.1	–15.9%
Belarus	118.4	89.6	32.2%
Additional Markets	103.2	87.5	18.0%
Corporate & Holding, Eliminations	–20.6	–22.1	n.m.
Total	989.8	1,115.0	–11.2%

Group EBITDA incl. effects from restructuring and impairment tests decreased by 11.2% to EUR 989.8 mn. This was primarily the result of an increase in the restructuring charges Austria from EUR 21.6 mn in the first nine months of 2012 to EUR 35.3 mn in the first nine months of 2013. This was a result of the intensification of the social plans activities in an attempt to limit future OPEX increases. In the first nine months of 2013 186 FTEs were addressed versus 47 in the first nine months of 20 12.

EUR 35.3 mn restructuring charge in the first nine months of 2013

Operating Income

EBIT

in EUR million	1–9 M 2013	1–9 M 2012	% change
Austria	181.7	272.6	–33.3%
Bulgaria	56.6	40.6	39.2%
Croatia	46.8	63.7	–26.6%
Belarus	54.4	18.0	202.1%
Additional Markets	25.3	13.0	94.2%
Corporate & Holding, Eliminations	–20.0	–19.9	n.m.
Total	344.7	388.1	–11.2%

In the first nine months of 2013 Group operating income decreased 11.2% to EUR 344.7 mn. The reduction in depreciation and amortisation was driven by Austria and Bulgaria. In Bulgaria the effect was due to the completion of the amortisation of the mobile customer base in July 2012.

Consolidated Net Income

In the first nine months of 2013 the financial result improved by 11.7% to a negative amount of EUR 142.0 mn. This was mainly driven by lower interest expenses due to lower average financial debt. Foreign exchange differences turned from a gain of EUR 4.6 mn to a loss of EUR 3.0 mn due to the weakness of the Belarusian rouble against EUR especially in the third quarter of 2013 and a higher net monetary gain in 2012.

Income tax expenses amounted to EUR 43.5 mn in the first nine months of 2013 compared to EUR 47.3 mn in the same period last year and in the period under review Telekom Austria Group reported a net income of EUR 159.2 mn, a decline of 11.6% compared to the first nine months of 2012.

Balance Sheet and Net Debt

Total assets of the Telekom Austria Group amounted to EUR 7,363.6 mn as of 30 September 2013, an increase of 1.5% compared to EUR 7,257.1 mn as of 31 December 2012. This was mainly driven by higher non-current assets, which fully offset the decline in current assets. Total non-current assets increased by 3.2% to EUR 5,621.1 mn as a result of an increase in goodwill and other intangible assets following the acquisition of YESSS! in Austria and the acquisition of 800-MHz and 1800-MHz spectrum in the Republic of Macedonia. Property, plant and equipment fell due to higher depreciation and amortisation than additions to assets. Total current assets declined by 3.7% from 31 December 2012 to EUR 1,742.5 mn, primarily driven by a fall in cash and cash equivalents and short term investments as the repayment of the EUR 750.0 mn bond was higher then the issue of a new EUR 300.0 mn bond in July 2013.

The repayment of the above-mentioned Eurobond together with lower accounts payable and a reduction in current provisions led to the reduction of current liabilities, which declined by 34.5% to EUR 1,522.1 mn. In contrast total non-current liabilities increased by 4.0% to EUR 4,279.5 mn on the back of the new EUR 300.0 mn bond issue.

Total stockholder's equity increased from EUR 819.1 mn to EUR 1,562.0 mn as of 30 September 2013 due to the EUR 600 mn hybrid bond issue in January 2013, as well as net profit from the first nine months of 2013.

Net debt

in EUR million	30 Sept 2013	31 Dec 2012	% change
Net debt	2,708.8	3,248.9	−16.6%
Net debt / EBITDA comparable (12 months)	2.0x	2.2x	

As of 30 September 2013 net debt decreased by 16.6% versus the end of 2012 to EUR 2,708.8 mn as the cash flow outflow from the acquisition of YESSS! and other assets of Orange Austria was more than offset by the cash inflow from the hybrid bond issuance, which is qualified as equity. Net debt to EBITDA comparable (last 12 months) decreased from 2.2x on 31 December 2012 to 2.0x on 30 September 2013.

Cash Flow

Cash flow

in EUR million	1–9 M 2013	1–9 M 2012	% change
Cash flow from operating activities	789.5	797.3	−1.0%
Cash flow from investing activities	−780.8	−441.4	n.m.
Cash flow from financing activities	−24.8	−306.4	n.m.
Effect of exchange rate changes	1.3	−2.1	n.m.
Monetary loss on cash and cash equivalents	−0.2	−1.1	n.m.
Net increase / decrease in cash and cash equivalents	−15.0	46.4	n.m.

In the first nine months of 2013 cash flow from operations decreased by 1.0% to EUR 789.5 mn as 43.1% lower cash requirements for working capital partly mitigated a 9.8% decline in gross cash flow resulting from lower operating results. In the first nine months the change in working capital was mainly caused by cash needs for restructuring payments, lower levels of accounts payable as well as an increase in accounts receivable.

The 76.9% higher cash outflow from investing activities resulted primarily from the payments for the YESSS! acquisition in the first quarter of 2013.

The cash outflow from financing activities in the first nine months of 2013 decreased by 91.9% to EUR 24.8 mn versus the first nine months of 2012. This was primarily driven by the repayment of the EUR 750.0 mn bond in July 2013 which was partly offset by lower dividend payments in 2013 as well as the issuance of a EUR 600 mn hybrid bond in January and a EUR 300.0 mn bond in July 2013.

In summary the increase in cash and cash equivalents of EUR 46.4 mn in the first nine months of 2012 turned to a decrease of 15.0 mn in the first nine months of 2013.

Capital Expenditures

Capital expenditures

in EUR million	1–9 M 2013	1–9 M 2012	% change
Austria	331.9	321.5	3.2%
Bulgaria	34.2	49.0	–30.2%
Croatia	41.0	40.9	0.4%
Belarus	17.6	18.3	–3.6%
Additional Markets	68.3	59.9	13.9%
Corporate & Holding, Eliminations	0.0	–0.2	n.a.
Total capital expenditures	**493.0**	**489.4**	**0.7%**
thereof tangible	335.8	392.8	–14.5%
thereof intangible	157.2	96.5	62.8%

Capital expenditures virtually stable

In the first nine months of 2013 capital expenditure totaled EUR 493.0 mn, almost stable compared to the first nine months of 2012. CAPEX development in the first nine months of 2013 was mainly driven by savings in Bulgaria, which more than compensated for CAPEX increases in Austria and the Additional Markets segments. The 3.2% increase in capital expenditures in Austrian segment was primarily due to the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria, which added an amount of EUR 46.0 mn and increased total capital expenditures in the segment, despite higher capital expenditures stemming from the Giganet rollout in the first nine months of 2012. In Bulgaria lower mobile and fixed-line asset investments in billing and business systems affected a reduction in CAPEX by 30.2%. In contrast in the Additional Markets segment the capital expenditures increased by 13.9 % as a result of facility renovations in Slovenia and the acquisition of 800MHz and 1800 MHz frequencies in the Republic of Macedonia.

Quarterly Analysis
Segment Austria

Key Performance Indicators

Financials

in EUR million	Q3 2013	Q3 2012	% change
Revenues	646.8	686.2	–5.7%
EBITDA comparable	205.4	240.8	–14.7%
EBITDA incl. effects from restructuring and impairment tests	177.7	230.3	–22.8%
EBIT	53.5	98.6	–45.8%

Revenue detail	Q3 2013	Q3 2012	% change
Monthly fee and traffic	459.6	480.9	–4.4%
Data & ICT solutions	54.6	49.1	11.3%
Wholesale (incl. roaming)	28.9	42.3	–31.7%
Interconnection	65.5	77.6	–15.6%
Equipment	33.8	31.0	9.0%
Other operating income	4.4	5.3	–17.4%

Mobile communication business	Q3 2013	Q3 2012	% change
ARPU (in EUR)*	16.3	18.9	–13.8%
Mobile service revenues (in EUR million)	282.3	290.8	–2.9%
thereof interconnection share	8.9%	9.2%	
Subscriber acquisition cost (SAC, in EUR million)	10.1	8.9	13.2%
Subscriber retention cost (SRC, in EUR million)	26.2	21.2	23.9%
Churn (3 months)	4.9%	3.4%	

	Q3 2013	Q3 2012	% change
Mobile communication subscribers (in '000)*	5,739.4	5,121.5	12.1%
Mobile market share*	42.7%	38.2%	
Mobile contract share*	69.3%	76.7%	
Mobile broadband subscribers (in '000)*	831.0	740.2	12.3%
Mobile penetration - total market*	158.4%	158.8%	
Mobile broadband penetration - total market*	119.8%	116.5%	

Fixed line business	Q3 2013	Q3 2012	% change
ARPL (in EUR)	30.9	32.2	–4.0%
Fixed service revenues (in EUR million)	210.6	220.6	–4.5%
Fixed line voice minutes (in million)	496.3	557.5	–11.0%

in '000	Q3 2013	Q3 2012	% change
Access lines (without broadband lines)	909.6	986.4	–7.8%
Fixed broadband lines	1,364.0	1,298.6	5.0%
thereof fixed broadband retail lines	1,323.7	1,256.4	5.4%
thereof fixed broadband wholesale lines	40.3	42.3	–4.8%
Total access lines	2,273.6	2,285.1	–0.5%
Lines unbundled	253.5	269.2	–5.8%

Austrian voice and broadband shares

Voice market share*	Q3 2013	Q3 2012	% change
Fixed Line A1 Telekom Austria	9.0%	9.3%	
Fixed Line Others	5.4%	5.6%	
Mobile	85.6%	85.1%	

Broadband market share*	Q3 2013	Q3 2012	% change
Fixed line retail A1 Telekom Austria	29.9%	29.4%	
Fixed line wholesale A1 Telekom Austria	0.9%	1.0%	
Mobile broadband A1 Telekom Austria	18.8%	17.3%	
Mobile broadband other operators	29.9%	31.6%	
Cable	15.4%	15.0%	
Unbundled lines	5.1%	5.7%	

* As of Q2 2013 the methodology for counting subscribers was changed. Previous quarters of 2012 and 2013 were adjusted retrospectively.

In the third quarter of 2013 business development in Austria was characterised by a continuation of various trends already witnessed in previous quarters. Competitive pressures continued to impact the mobile pricing environment, with the trend of customer migration to all-in tariffs and highly subsidised handsets unbroken. Higher gross additions and lower churn in the A1 classic contract segment show that customers are responding well to the new "A1 GO!" tariffs, which were introduced in April this year. While the ongoing fixed-to-mobile substitution continued to impact the fixed-line business, broadband and TV growth managed to partly balance the decline in voice.

Including YESSS! subscribers and after the retrospective adjustment of the methodology for counting subscribers for previous quarters in 2012 and 2013, A1's mobile subscriber base grew 12.1% in the third quarter of 2013 compared to the third quarter of 2012. The above mentioned effects as well as a change in subscriber counting by a competitor also resulted in an increase in market share by 4.5 percentage points year-on-year. The number of mobile broadband subscribers increased 12.3% year-on-year to approximately 831,000 subscribers by the end of this quarter.

In the third quarter of 2013 fixed-line business trends showed an encouraging development in total access line net loss which amounted to only 600 lines compared to 2,600 in the same period last year and 6,800 in the previous quarter. This was mainly driven by the increase in fixed broadband lines. These grew by 5.0% year-on-year with net additions of approximately 17,600 in the third quarter of 2013. Total fixed voice minutes, however, continued to fall by 11.0% year-on-year.

Austrian revenues fell by 5.7% to EUR 646.8 mn in the third quarter of 2013, including a positive contribution from YESSS!. Regulatory effects accounted for EUR 17.6 mn of this reduction in revenues. The revenue decline was driven inter alia by a reduction in monthly fee and traffic revenues of 4.4% or EUR 21.3 mn mainly as a result of customer migration into all-in contracts and lower customer roaming revenues. The decline in wholesale (incl. roaming) revenues presented the second largest negative factor behind monthly fee and traffic revenues and resulted mainly from lower roaming rates. In addition, lower international transit termination rates and quantities resulted in 15.6% lower interconnection revenues. These negative drivers were partly negated by equipment revenues, mainly as a result of a higher number of gross additions in the A1 contract segment as well as a larger number of handset replacements.

The above mentioned customer migration, regulatory changes and the integration of YESSS! customers also burdened the average revenue per user (ARPU) and resulted in its 13.8% decline. Correspondingly, mobile service revenues also fell by 2.9% y-o-y to EUR 282.3 mn. In the fixed line business, higher broadband and TV revenues could not offset the negative effects of lower voice minutes and slightly reduced access lines. Subsequently, average revenue per line (ARPL) and fixed service revenues declined by 4.0% and 4.5% year-on-year, respectively. However, as access lines and ARPL were almost stable quarter on quarter, fixed service revenue was also almost stable versus Q2 2013.

In the third quarter of 2013, regulatory effects and ongoing cost saving initiatives resulted in a 1.0% decline in operating expenses to EUR 464.3 mn. The main drivers were interconnection and roaming expenses, with the former resulting primarily from lower international transit rates and quantities, and the latter from roaming rate cuts. In addition, employee costs declined by 3.2 mn including a positive effect due to lower FTE and actuarial adjustments in the calculation of the provision for service awards. These savings were partly compensated by higher material expenses which rose by 14.3% as a result of higher subsidies and quantities as well as increased marketing and sales costs following more campaigns in the third quarter of 2013.

In consequence to A1's strategic focus on the high-value customer segment and the subsequent increase in subsidies, mobile subscriber acquisition and retention costs continued to increase by 13.2% and 23.9%, respectively.

Altogether, this development translated into a fall in EBITDA comparable of 14.7% to EUR 205.4 mn in the third quarter of 2013.

In the third quarter of 2013 restructuring charges more than doubled compared to the same period last year and were reported at EUR 27.7 mn as a result of an intensification of social plan activities in September 2013 in an attempt to limit future employee cost increases. The decline in depreciation and amortisation, inter alia from network and intangible assets could only partly mitigate the pressure on operating income, which was reported at EUR 53.5 mn and almost halved compared to the third quarter of 2012.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	101.2	115.2	–12.2%
EBITDA comparable	44.3	54.5	–18.6%
EBITDA incl. effects from restructuring and impairment tests	44.3	54.5	–18.6%
EBIT	21.4	27.0	–20.9%

Mobile communication business	Q3 2013	Q3 2012	% change
ARPU (in EUR)	5.3	5.7	–8.6%
Mobile communication subscribers (in '000)	5,264.1	5,534.9	–4.9%
Mobile market share	44.8%	47.2%	
Mobile contract share	72.5%	68.7%	
Mobile broadband subscribers (in '000)*	174.1	137.8	26.4%
Mobile penetration - total market	158.7%	157.5%	

Fixed line business	Q3 2013	Q3 2012	% change
ARPL (in EUR)	10.9	11.0	–0.8%
Total access lines ('000)	158.6	142.8	11.1%
Fixed broadband lines ('000)	154.8	137.9	12.2%

* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs. Previous quarters were adjusted retrospectively.

In Bulgaria the financial performance in the third quarter of 2013 was again afflicted by a number of challenges. The main driver were the effects of termination rate cuts which continued to weigh on results. In addition, a weak macroeconomic backdrop, a declining population and shrinking foreign direct investments affected consumer confidence as well as demand.

Operationally Mobiltel sought to deal with these challenges by continuing its focus on the high-value customer segment as well as strict cost management. Value-enhancing smartphones offers and convergent product bundles are designed to attract high-value customers in the mobile as well as the fixed-line business.

Mobile broadband growth of 26.4% year-on-year

As a consequence of the reassessment of the active prepaid customer base in the second quarter of 2013, Mobiltel's total mobile subscriber base declined by 4.9% to 5.3 mn. Consequently, the market share dropped by 2.4 percentage points versus the third quarter of the last year. The combination of a reduced mobile subscriber base and an increased contract subscriber base allowed Mobiltel's contract ratio to rise to 72.5%. The growth in mobile broadband customers was a key contributor here.

As price pressure remains strong, lower promotion activities resulted in sequential fixed access line decline. Hovewer, total fixed access lines continued to grow at a rate of 11.1% compared to the same period last year. Broadband lines rose by 12.2% year-on-year.

In the third quarter of 2013 total revenues declined by 12.2% versus the same period last year primarily driven by monthly fee and traffic as well as interconnection revenues. The latter declined mainly due to the reduction of termination rates, while monthly fee and traffic revenues were negatively impacted by lower postpaid prices and lower prepaid usage. A higher number of smartphones sold drove the ongoing increase in equipment revenues. However, this rise could not outweigh the negative effect of lower tariffs and reduced traffic.

Subsequently average revenue per user (ARPU) declined by 8.6% versus the third quarter last year, but remained stable versus the first and second quarter of 2013. Average revenue per fixed line (ARPL) declined by 0.8% year-on-year mainly due to a decrease in the share of business subscribers. In contrast, fixed-line service revenues continued to rise year-on-year and amounted to EUR 5.2 mn in the third quarter of 2013 mostly driven by the higher number of broadband lines and TV customers.

Operating expenses reduced by EUR 3.2 mn

In the third quarter Mobiltel shaved EUR 3.2 mn off total operating expenses, a reduction of 5.1% versus the same quarter last year. While a fall in interconnection and roaming costs played the major part, management also continued to follow its strict cost control policy and was able to achieve a substantial reduction in marketing and sales costs. These positive effects were partly offset by higher material expenses as well as higher content costs following an increase in the TV customer base.

In addition to the cost savings, the sale of 'dark fibre' amounting to EUR 2.0 mn, which are included in other operating income, positively impacted EBITDA comparable. However, the reduction in total revenues outweighed the positive effect of lower OPEX and resulted in an 18.6% EBITDA comparable decline. Regulatory provisions contributed a negative EUR 7.0 mn to the fall in EBITDA comparable.

Operating income of EUR 21.4 mn

In consequence, operating income amounted to EUR 21.4 mn in the third quarter of 2013 compared to EUR 27.0 mn in the same period last year.

Segment Croatia

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	103.5	119.6	–13.5%
EBITDA comparable	35.2	53.3	–34.0%
EBITDA incl. effects from restructuring and impairment tests	35.2	53.3	–34.0%
EBIT	18.8	36.5	–48.6%

Mobile communication business	Q3 2013	Q3 2012	% change
ARPU (in EUR)	11.7	12.8	–8.5%
Mobile communication subscribers (in '000)	1,950.0	2,054.7	–5.1%
Mobile market share	37.5%	38.7%	
Mobile contract share	42.5%	38.4%	
Mobile broadband subscribers (in '000)*	199.8	192.2	3.9%
Mobile penetration - total market	121.0%	123.7%	

Fixed line business	Q3 2013	Q3 2012	% change
ARPL (in EUR)	22.6	23.8	–4.9%
Total access lines ('000)	188.8	158.5	19.1%
Fixed broadband lines ('000)	103.8	81.2	27.7%

* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to exclude M2M customers. Previous quarters were adjusted retrospectively.

In Croatia the third quarter of 2013 was the first quarter since the country's accession to the EU in July 2013. Consequently, the EU roaming glidepath, which is fully applicable to Croatian operators since that date, has added further pressure to revenues in addition to ongoing macroeconomic headwinds. The latter continued to negatively impact consumption, which in turn exacerbated competition among operators and drove price erosion in the Croatian market.

Focus on high-value segment results in contract share of 42.5%

Vipnet's total subscriber base declined as the overall prepaid market shrank in a year-on-year comparison. Seasonal effects nevertheless resulted in 48,200 net additions in the third quarter 2013. The ongoing strategic focus on the high-value segment lead to a year-on-year as well as a quarter-on-quarter growth of mobile contract customers to approximately 828,200 subscribers by the end of the third quarter of 2013. Consequently, the contract share rose by 4.1 percentage points versus the same period last year. The mobile broadband segment also posted strong year-on-year growth at 3.9%, reaching approximately 199,800 subscribers by the end of the third quarter of 2013.

Following efforts to extend the existing footprint, fixed-line broadband segment showed significant growth of 27.7% year-on-year.

In the third quarter of 2013 revenues in Croatia declined mainly due to regulatory cuts, but also due to mobile pricing pressure. Monthly fee and traffic revenues declined by 6.2% as lower prepaid subscriber numbers and a migration to all-in tariffs depressed mobile service revenues. Interconnection and Wholesale (incl. Roaming) revenues fell by EUR 13.2 mn in total, inter alia following the introduction of the roaming glidepath since Croatia's accession to the EU in July 2013. These declines could not be compensated by higher equipment revenues stemming from the continued rise in contract share.

Fixed-line service revenue increase of 11.4% driven by growth in broadband

Average revenue per user (ARPU) declined further to EUR 11.7 in the third quarter of 2013 driven by reduced airtime and interconnection revenues. Average revenue per fixed-line fell in a year-on-year comparison due to the consolidation of Digi TV customers in March 2013 which reported lower average revenue per customer than Vipnet's traditional fixed-line customers. However, total fixed-line service revenues increased to EUR 12.4 mn, 11.4% above the third quarter of 2012, driven mainly by the greater number of broadband lines.

The implementation of the EU roaming glidepath resulted in a roaming cost reduction of 51.9%. Termination rate cuts versus the same period last year reduced interconnection costs by 10.7%. However, the ongoing increase in material expenses following larger quantities of handsets sold to postpaid customers, higher marketing and sales costs as well as the impact of new acquisitions led to a 3.6% rise in total operating expenses to EUR 69.3 mn.

As a consequence of the drop in revenues and higher operating expenses, EBITDA comparable declined by 34.0% to EUR 35.2 mn versus the same quarter last year. Despite slightly lower depreciation, the operating result also fell by 48.6% to EUR 18.8 mn.

Segment Belarus

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	81.2	81.0	0.2%
EBITDA comparable	38.1	34.3	11.2%
EBITDA incl. effects from restructuring and impairment tests	38.1	34.3	11.2%
EBIT	18.6	10.3	79.5%

	Q3 2013	Q3 2012	% change
ARPU (in EUR)	4.7	4.9	–3.8%
Mobile communication subscribers (in '000)	4,898.2	4,749.5	3.1%
Market share	42.9%	43.9%	
Contract share	80.4%	80.0%	
Mobile broadband subscribers (in '000)*	235.4	226.5	3.9%
Market penetration - total market	120.7%	114.3%	

* As of the first quarter of 2013 the definition for the calculation of mobile broadband customers was changed to include solely data-only tariffs. Previous quarters were adjusted retrospectively.

Since the fourth quarter of 2011 Belarus has been classified as a hyperinflationary economy, and hyperinflation accounting according to IAS 29 has been applied to the Belarusian segment. Over the course of the third quarter of 2013 the Belarusian Rouble fell 6.5% against the Euro and 11.3 % year-on-year. At the end of the third quarter of 2013 the local exchange rate stood at BYR 12,250 / EUR 1 compared to BYR 10,870 /EUR 1 at the end of the third quarter of 2012. The inflation in the third quarter of 2013 amounted to 2.8%.

velcom continued to exhibit a strong operational performance in the third quarter of 2013 driven by a growing contract share, growing usage and ongoing strong demand for smartphones. Consequently, the contract share increased to 80.4% of total subscribers. Mobile broadband subscribers increased by 3.9% year-on-year, primarily as a result of prepaid and business data cards.

As a result of several price increases as well as higher usage and a larger subscriber base, monthly fee and traffic revenues rose by 22.6% on a local currency basis. Combined with higher equipment revenues following the ongoing focus on smartphones and tablets, total revenues increased by 18.5% on a local currency basis. However, negative foreign exchange effects amounted to EUR 14.8 mn and resulted in stable revenues at EUR 81.2 mn.

EBITDA comparable growth despite EUR 7.4 mn negative foreign exchange impact

On a local currency basis, operating expenses increased by 8.6% despite the introduction of a VAT charge for retail telecom customers which reduced VAT non-refundable expenses. The primary drivers of this increase were material expenses which rose following the focus on smartphones and tablets. Nevertheless, the gross margin on devices remains healthy at 18.0% in Belarus and in absolute terms increased by 86.1% year-on-year to BYR 31.4 mn. In addition, personnel expenses and interconnection costs rose due to inflation based salary increases and higher tariffs for outgoing international traffic. However, foreign exchange effects outweighed these increases and resulted in EUR 3.6 mn lower operating expenses in the third quarter of 2013 compared to the same period last year.

Consequently, EBITDA comparable for the third quarter of 2013 was reported at EUR 38.1 mn, 11.2% higher than last year, despite a negative FX effect of EUR 7.4 mn. The EBITDA comparable margin improved to 47.0% compared to 42.3% in the third quarter of 2012. In local currency EBITDA comparable rose by 32.7% year-on-year.

A considerable reduction in depreciation and amortisation due to hyperinflation and FX effects boosted the operating result, which almost doubled to EUR 18.6 mn versus the previous year.

Segment Additional Markets

Slovenia

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	50.0	52.6	−4.8%
EBITDA comparable	18.4	17.8	3.2%
EBITDA incl. effects from restructuring and impairment tests	18.4	17.8	3.2%
EBIT	12.7	12.7	0.3%

	Q3 2013	Q3 2012	% change
ARPU (in EUR)	21.4	23.0	−7.3%
Mobile communication subscribers (in '000)	672.7	653.5	2.9%
Market share	29.9%	30.0%	
Contract share	77.4%	76.1%	
Mobile broadband subscribers (in '000)	19.9	17.8	11.7%
Market penetration – total market	107.9%	106.6%	

Si.mobil customer base grew by 2.9 % y-o-y

In Slovenia, Si.mobil continued to successfully defend itself against a difficult macroeconomic environment and fierce competition by focusing on its successful multi-brand strategy. The mobile subscriber base increased by 2.9% mostly driven by the contract segment, now at 77.4% of total subscribers, and the no-frill segment, which almost tripled year-on-year. The market share remained almost flat at 29.9%, while the market penetration increased to 107.9%.

Monthly fee and traffic revenues remained almost stable as a higher contract subscriber base almost fully compensated for lower airtime prices. However, declining equipment revenues following fewer replaced handsets and lower visitor roaming continued its drag on revenues. Consequently, total revenues declined by 4.8% to EUR 50.0 mn. Average revenue per user (ARPU) also fell to EUR 21.4.

The lower amount of replaced handsets positively impacted material expenses which declined by 23.5%. In addition, the interconnection and roaming costs were lower following a cut in interconnection rates and lower inter-operator tariffs, respectively. Consequently, total operating expenses declined by EUR 2.4 mn more than offsetting the revenue decline and resulting in a 3.2% increase in EBITDA comparable. The EBITDA comparable margin improved to 36.7%, 2.9 percentage points above the third quarter of 2012.

Following higher depreciation and amortisation charges, EBIT remained stable at EUR 12.7 mn.

Republic of Serbia

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	47.9	41.6	15.0%
EBITDA comparable	18.4	13.4	37.4%
EBITDA incl. restructuring and impairment test	18.4	13.4	37.4%
EBIT	0.5	–2.9	n.m.

	Q3 2013	Q3 2012	% change
ARPU (in EUR)	7.6	7.2	6.0%
Mobile communication subscribers (in '000)	1,974.7	1,819.0	8.6%
Market share*	20.9%	17.4%	
Contract share	49.5%	45.5%	
Market penetration - total market	131.5%	141.9%	

*2.4 percentage points of this increase were due to competitor restatements of subscriber numbers in Q2 2013.

In the Republic of Serbia the pursuit of value generation through the focus on the contract segment drove another successful quarter for Vip mobile and resulted in an increase in the total subscriber base as well as a high contract share. The restatement of a competitor's subscriber numbers caused market penetration to fall year-on-year from 141.9% to 131.5% and in turn supported VIP mobile's market share growth.

The 15.0% increase in total revenues was mainly driven by the increase in the contract subscriber share that resulted in a 15.8% increase in monthly fees and traffic revenues. The larger subscriber base as well as higher usage also outweighed the effects of a termination rate cut in January 2013 and resulted in significantly higher interconnection revenues. The larger contract subscriber base was also reflected in an improvement of average revenue per user (ARPU) to EUR 7.6 compared to EUR 7.2 in same period last year.

EBITDA comparable grows EUR 5.0 mn year-on-year driven by 15.0% revenue growth

Strict cost management, including efforts to minimise foreign currency exposure in its cost base, limited the increase in operating expenses to only EUR 1.0 mn in the third quarter of 2013. Lower marketing and sales costs stemming from operational efficiency measures regarding marketing and media spending partly mitigated increased interconnection costs. The limited rise in operating expenses combined with significantly higher revenues drove a 37.4% increase in EBITDA comparable to EUR 18.4 mn.

The increase in EBITDA comparable fully compensated for higher depreciation and amortisation charges and lead to a rise in operating income to EUR 0.5 mn.

The Serbian dinar was slightly stronger versus the Euro compared to the same period last year. Consequently, the positive effect from foreign exchange translations amounted to EUR 1.0 mn on total revenues and EUR 0.3 mn on EBITDA comparable.

Republic of Macedonia

Key Performance Indicators

in EUR million	Q3 2013	Q3 2012	% change
Revenues	17.7	16.6	6.7%
EBITDA comparable	5.1	3.8	33.6%
EBITDA incl. effects from restructuring and impairment tests	5.1	3.8	33.6%
EBIT	3.0	1.5	93.8%

	Q3 2013	Q3 2012	% change
ARPU (in EUR)	8.6	8.0	8.1%
Mobile communication subscribers (in '000)	645.4	626.3	3.1%
Market share	28.2%	27.2%	
Contract share	44.9%	40.6%	
Market penetration - total market	110.9%	112.3%	

Revenue growth of 6.7% year-on-year

In the Republic of Macedonia Vip operator continued to focus on the consolidation of its operations in a strongly contested market. The company was able to increase its market share slightly to 28.2%. The mobile subscriber base increased by 3.1% mostly driven the contract segment, which now amounts for 44.9% of total customers.

The increased contract share lead to 8.7% higher monthly fee and traffic revenues. Together with higher interconnection revenues resulting from a higher number of subscribers as well as minutes of use (MoU) per user, these increases generated revenue growth of 6.7% versus the same quarter last year. The average revenue per user also rose and amounted to EUR 8.6 compared to EUR 8.0 in the same period last year.

In the third quarter of 2013 material expenses declined following fewer sold handsets resulting from the new SIM-only product portfolio. In addition, lower bad debts, the end of national roaming and lower customer roaming costs drove the decline in total operating expenses of 3.2%. Combined with the increasing revenues, the EBITDA comparable rose by 33.6% to EUR 5.1 mn.

As depreciation and amortisation charges remained largely stable, the operating result doubled compared to the same period of last year and amounted to EUR 3.0 mn.

Consolidated Net Income

The financial result improved from a negative EUR 54.1 mn in Q3 2012 to a negative EUR 51.3 mn in Q3 2013, mainly as a result of lower interest expense. This was primarily due to lower average debt as well as a reduction of the discount rate applied to the calculation of the restructuring provision. Said decline more than compensated for the negative foreign exchange difference stemming primarily from fluctuations of the HRK in the third quarter.

Income tax expenses decreased to EUR 18.9 mn in the third quarter of 2013 from EUR 23.7 mn in the same period last year. However, this only partly mitigated top line pressure and net income declined by 48.3% to EUR 51.3 mn.

Cash Flow

Cash flow

in EUR million	Q3 2013	Q3 2012	% change
Cash flow from operating activities	295.5	322.1	–8.3%
Cash flow from investing activities	207.8	390.2	–46.7%
Cash flow from financing activities	–453.4	–511.0	n.m.
Effect of exchange rate changes	4.8	–1.0	n.m.
Monetary loss on cash and cash-equivalents	0.4	–0.5	n.m.
Net increase / decrease in cash and cash equivalents	**55.0**	199.8	–72.5%

In the third quarter of 2013 cash flow from operating activities declined by 8.3% to EUR 295.5 mn versus the same period last year as a lower cash outflow from working capital could not outweigh the decline in gross cash flow. The change in working capital over the third quarter of 2013 was mostly a consequence of a decline in accounts payable and the use of provisions and accrued liabilities. The negative effects were partly mitigated by lower levels of inventories as well as a reduction in prepaid expenses and other assets.

Cash flow from operating activities declined to EUR 295.5 mn

The cash inflow from investing activities fell to EUR 207.8 mn in the third quarter of 2013 versus EUR 390.2 mn in the third quarter of 2012, mainly as a result of lower proceeds from sale of investments, which were higher in the third quarter of 2012 following sales of fixed term deposits.

Conversely, the cash outflow from financing activities in the third quarter of 2013 fell to EUR 453.4 mn. While the third quarter of 2012 was driven by payments of long term debt, the repayment of a EUR 750 mn bond in July was inter alia financed through the issuance of a EUR 300 mn bond in July 2013.

In summary, cash and cash equivalents declined to EUR 55.0 mn in the third quarter of 2013 and were 72.5% lower compared to the same period of last year.

Capital Expenditures

Capital expenditures

in EUR million	Q3 2013	Q3 2012	% change
Austria	107.4	106.6	0.8%
Bulgaria	10.4	9.6	8.2%
Croatia	12.0	10.7	11.4%
Belarus	6.1	5.8	6.2%
Additional Markets	31.7	25.7	23.3%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**167.6**	158.4	5.8%
thereof tangible	116.4	126.8	–8.2%
thereof intangible	51.2	31.7	61.8%

Total capital expenditures increased by 5.8%

In the third quarter of 2013 Group capital expenditures increased by 5.8% to EUR 167.6 mn versus the third quarter last year.

In Austria the acquisition of frequencies from Orange Austria and higher investments for IT projects lead to a EUR 11.4 mn increase in intangible CAPEX in the third quarter of 2013, while tangible CAPEX was EUR 10.6 mn lower than in the third quarter of 2012 stemming from the effects of the Giganet rollout in the third quarter last year. In total CAPEX in the segment Austria remained almost flat.

In Bulgaria CAPEX rose by 8.2% due to higher mobile and fixed-line asset investments relating to rollout and modernisation works which more than offset lower non-technical investments (e.g. shops). Croatia saw a 11.4% rise in CAPEX versus last year, due to higher IT investments. Capital expenditures in Belarus rose by 6.2% and the Additional Markets segment posted a significant CAPEX increase as Vip operator obtained spectrum in the 800 MHz and the 1800 MHz frequency bands for a total of EUR 10.3 mn in July 2013.

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 2012, pp. 68 ff.

Personnel

The total number of employees of the Telekom Austria Group decreased by 423 to 16,243 full-time employees (FTEs) by 30 September 2013 compared to 30 September 2012. This primary driver of this change was the ongoing outsourcing of services in Bulgaria, which reduced the Bulgarian headcount by 343 FTEs, as well as a reduction of 151 FTEs in Austria following continued restructuring effort. Notable net additions took place only in Croatia and Slovenia.

Headcount reduced by 423 full-time employees, primarily resulting from Bulgarian outsourcing

Personnel (full-time equivalent)

End of period	30 Sept 2013	30 Sept 2012	% change
Austria	9,136	9,287	−1.6%
International Operations	6,948	7,213	−3.7%
Total	**16,243**	16,666	−2.5%

Personnel (full-time equivalent)

Average of period	Q3 2013	Q3 2012	% change
Austria	9,190	9,287	−1.0%
International Operations	6,929	7,276	−4.8%
Total	**16,274**	16,724	−2.7%

Other and Subsequent Events

For details on other and subsequent events please refer to page 42.

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.

Other

As of 1 January 2013 IAS 19 - Employee Benefits (amended) - became effective. Accordingly, the reported results for the interim and full year 2012 were adjusted retrospectively.

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 is applied to the financial statements of the Belarusian segment starting 2011.

The reported result in the Austrian, Bulgarian, Croatian and Belarusian segments 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, i.e. 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	Q3 2013 unaudited	Q3 2012 unaudited	1–9 M 2013 unaudited	1–9 M 2012 unaudited
Operating revenues	1,036.0	1,093.7	3,128.3	3,212.0
Other operating income	21.1	22.2	56.9	60.0
Operating expenses				
Materials	–120.4	–109.3	–376.0	–305.4
Employee expenses, including benefits and taxes	–192.4	–193.6	–618.3	–610.5
Other operating expenses	–386.3	–402.5	–1,165.8	–1,219.5
EBITDA comparable	**357.9**	**410.4**	**1,025.1**	**1,136.6**
Restructuring	–27.7	–10.6	–35.3	–21.6
Impairment and reversal of impairment	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**330.2**	**399.8**	**989.8**	**1,115.0**
Depreciation and amortisation	–208.8	–222.9	–645.1	–726.9
Operating result	**121.5**	**177.0**	**344.7**	**388.1**
Financial result				
Interest income	4.4	4.0	12.5	13.5
Interest expense	–49.4	–58.3	–151.6	–178.4
Foreign exchange differences	–6.4	0.3	–3.0	4.6
Other financial result	0.0	0.0	–0.1	–0.5
Result from investments in affiliates	0.1	–0.2	0.2	0.0
Earnings before income taxes	**70.2**	**122.8**	**202.8**	**227.3**
Income taxes	–18.9	–23.7	–43.5	–47.3
Net Result	**51.3**	**99.2**	**159.2**	**180.1**
Attributable to:				
Owners of the parent	42.7	99.1	136.8	180.0
Non-controlling interests	0.0	0.0	0.2	0.1
Hybrid capital owners	8.5	0.0	22.3	0.0
Basic and fully diluted earnings per share	**0.10**	**0.22**	**0.31**	**0.41**
Weighted-average number of ordinary shares outstanding	**442,570,548**	**442,563,969**	**442,566,170**	**442,563,969**

Condensed Consolidated Statements of Comprehensive Income

in EUR million	Q3 2013 unaudited	Q3 2012 unaudited	1–9 M 2013 unaudited	1–9 M 2012 unaudited
Net Result	**51.3**	99.2	159.2	180.1
Items that may be reclassified to profit or loss				
Unrealised result on securities available-for-sale	0.1	0.2	0.0	0.3
Income tax (expense) benefit	0.0	0.0	0.0	–0.1
Realised result on securities available-for-sale	0.0	0.0	0.1	0.5
Income tax (expense) benefit	0.0	0.0	0.0	–0.1
Unrealised result on hedging activities	0.0	–5.9	0.4	–19.7
Income tax (expense) benefit	0.0	1.5	–0.1	4.9
Realised result on heding activities	1.6	0.0	1.6	0.0
Income tax (expense) benefit	–0.4	0.0	–0.4	0.0
Foreign currency translation adjustment	–4.8	4.0	–3.9	–28.1
Items that are not reclassified to profit or loss				
Actuarial gains (losses)	2.3	–3.9	1.0	–3.9
Income tax (expense) benefit	–0.6	1.0	–0.3	1.0
Other comprehensive income (loss)	**–1.8**	–3.3	–1.5	–45.2
Total comprehensive income (loss)	**49.5**	95.9	157.7	134.9
Attributable to:				
Owners of the parent	40.9	95.8	135.3	134.8
Non-controlling interests	0.0	0.0	0.2	0.1
Hybrid capital owners	8.5	0.0	22.3	0.0

Condensed Consolidated Statements of Financial Position

in EUR million	30 Sept. 2013 unaudited	31 Dec. 2012 audited
ASSETS		
Current assets		
Cash and cash equivalents	585.8	600.8
Short-term investments	51.2	85.1
Accounts receivable - trade, net of allowances	746.5	746.9
Receivables due from related parties	0.0	0.0
Inventories	146.1	152.9
Prepaid expenses	109.7	106.7
Income tax receivable	21.6	21.1
Non-current assets held for sale	1.1	0.9
Other current assets	80.4	94.8
Total current assets	**1,742.5**	**1,809.3**
Non-current assets		
Investments in associates	3.5	3.7
Financial assets long-term	5.9	7.9
Goodwill	1,582.0	1,289.5
Other intangible assets, net	1,540.6	1,522.6
Property, plant and equipment, net	2,312.6	2,426.4
Other non-current assets	23.8	30.8
Deferred tax assets	152.8	167.1
Total non-current assets	**5,621.1**	**5,447.9**
TOTAL ASSETS	**7,363.6**	**7,257.1**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−294.3	−1,049.4
Accounts payable - trade	−525.5	−567.1
Current provisions and accrued liabilities	−280.0	−301.8
Payables to related parties	−5.6	−7.8
Income tax payable	−37.9	−37.2
Other current liabilities	−209.2	−195.1
Deferred income	−169.6	−163.7
Total current liabilities	**−1,522.1**	**−2,322.1**
Non-current liabilities		
Long-term debt	−3,080.5	−2,832.0
Employee benefit obligation	−163.4	−161.7
Non-current provisions	−907.2	−923.1
Deferred tax liabilities	−109.9	−115.2
Other non-current liabilities and deferred income	−18.5	−84.0
Total non-current liabilities	**−4,279.5**	**−4,116.0**
Stockholders' equity		
Common stock	−966.2	−966.2
Treasury shares	7.8	8.2
Additional paid-in capital	−582.6	−582.9
Hybrid capital	−591.2	0.0
Retained earnings	82.4	236.1
Available-for-sale reserve	0.1	0.2
Hedging reserve	46.9	48.5
Translation adjustments	442.0	438.1
Equity attributable to equity holders of the parent	**−1,560.9**	**−818.0**
Non-controlling interests	−1.2	−1.1
Total stockholders' equity	**−1,562.0**	**−819.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,363.6**	**−7,257.1**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q3 2013 unaudited	Q3 2012 unaudited	1–9 M 2013 unaudited	1–9 M 2012 unaudited
Net Result	51.3	99.2	159.2	180.1
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation, impairment and reversal of impairment	208.8	222.9	645.1	726.9
Employee benefit obligation - non-cash	5.6	3.3	11.0	10.8
Bad debt expenses	11.0	11.7	34.3	37.7
Change in deferred taxes	1.5	8.0	2.6	16.0
Equity in earnings of affiliates	–0.1	0.1	0.1	–0.1
Share-based compensation	–0.3	–0.5	–1.0	–0.4
Change in asset retirement obligation - non-cash	2.2	2.1	5.9	6.4
Provision for restructuring - non-cash	29.2	27.4	46.0	46.4
Result on sale of investments	0.0	0.0	0.1	0.5
Result on disposal / retirement of equipment	–0.9	0.3	–0.4	2.7
Gain on monetary items - non cash	–0.3	0.2	–0.1	–3.2
Other	5.1	2.4	6.7	–15.7
Gross cash flow	**313.0**	**377.1**	**909.5**	**1,008.1**
Accounts receivable - trade	–1.7	–23.2	–30.8	–64.6
Inventories	15.4	–3.4	7.2	12.3
Prepaid expenses and other assets	15.6	38.1	6.0	17.1
Accounts payable - trade	–17.1	–36.5	–46.6	–116.8
Employee benefit obligation	–8.2	–3.1	–8.3	–5.5
Provisions and accrued liabilities	–27.5	–33.4	–87.9	–85.1
Other liabilities and deferred income	12.1	7.3	42.7	37.9
Payables due to related parties	–6.0	–0.7	–2.2	–5.9
Changes in assets and liabilities	**–17.5**	**–55.0**	**–120.0**	**–210.7**
Cash flow from operating activities	**295.5**	**322.1**	**789.5**	**797.3**
Capital expenditures	–167.6	–158.4	–493.0	–489.4
Acquisitions of subsidiaries, net of cash acquired	–2.4	0.0	–330.8	0.0
Sale of subsidiary, net of cash disposed	0.0	0.0	0.0	0.0
Sale of property, plant, equipment and intangible assets	3.3	1.0	7.1	3.2
Purchase of investments	–50.9	–92.6	–555.4	–764.5
Sale of investments	425.5	640.2	591.3	809.4
Cash flow from investing activities	**207.8**	**390.2**	**–780.8**	**–441.4**
Proceeds from issuance of long term debt	297.5	0.0	297.5	738.4
Principal payments on long-term debt	–753.3	–499.0	–757.2	–823.0
Changes in short-term borrowings	2.4	–10.3	–36.7	–18.9
Issuance of hybrid bond	0.0	0.0	588.2	0.0
Dividends paid	0.0	0.0	–22.2	–168.2
Settlement of derivative financial instruments	0.0	0.0	–65.1	0.0
Deferred consideration paid for business combinations	0.0	–1.8	–29.3	–34.7
Cash flow from financing activities	**–453.4**	**–511.0**	**–24.8**	**–306.4**
Effect of exchange rate changes	**4.8**	**–1.0**	**1.3**	**–2.1**
Monetary loss on cash and cash equivalents	**0.4**	**–0.5**	**–0.2**	**–1.1**
Change in cash and cash equivalents	**55.0**	**199.8**	**–15.0**	**46.4**
Cash and cash equivalents at beginning of period	530.8	306.6	600.8	460.0
Cash and cash equivalents at end of period	585.8	506.3	585.8	506.3

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 2013	**966.2**	**−8.2**	**582.9**	**0.0**	**−236.2**	**−486.7**	**818.0**	**1.1**	**819.0**
Net Result	0.0	0.0	0.0	0.0	159.1	0.0	159.1	0.2	159.2
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.7	−2.2	−1.5	0.0	−1.5
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**159.8**	**−2.2**	**157.5**	**0.2**	**157.7**
Distribution of dividends	0.0	0.0	0.0	0.0	−16.6	0.0	−16.6	0.0	−16.6
Hyperinflation adjustment	0.0	0.0	0.0	0.0	10.5	0.0	10.5	0.0	10.5
Issuance of hybrid capital	0.0	0.0	0.0	591.2	0.0	0.0	591.2	0.0	591.2
Issuance of treasury shares	0.0	0.4	−0.3	0.0	0.0	0.0	0.1	0.0	0.1
Balance at 30 Sept. 2013	**966.2**	**−7.8**	**582.6**	**591.2**	**−82.4**	**−489.0**	**1,560.9**	**1.2**	**1,562.0**

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 2012	966.2	−8.2	582.9	0.0	−225.2	−438.9	876.7	0.9	877.7
Net Result	0.0	0.0	0.0	0.0	180.0	0.0	180.0	0.1	180.1
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	−2.9	−42.3	−45.2	0.0	−45.2
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	180.0	−42.3	137.7	0.1	137.8
Distribution of dividends	0.0	0.0	0.0	0.0	−168.2	0.0	−168.2	0.0	−168.2
Hyperinflation adjustment	0.0	0.0	0.0	0.0	62.0	0.0	62.0	0.0	62.0
Balance at 30. Sept. 2012	966.2	−8.2	582.9	0.0	−154.3	−481.2	905.4	1.0	906.4

The tax benefit relating to the amount of interest attributable to hybrid bond owners is included in the distribution of dividends in 2013

Net Debt

in EUR million	30 Sept. 2013 unaudited	31 Dec. 2012 audited
Long-term debt	3,080.5	2,832.0
Short-term borrowings	296.2	1,078.6
Cash and cash equivalents and short-term investments	−637.0	−685.9
Long-term investments and finance lease receivables	−30.9	−29.5
Derivative financial instruments for hedging purposes	0.0	53.6
Net debt*	**2,708.8**	3,248.9
Net debt/EBITDA comparable (last 12 months)	**2.0x**	2.2x

*As of 30 September 2013 the purchase price not yet paid related to the acquisition of SOBS is included in short-term borrowings.The remaining performance based consideration related to the acquisition of SBT which was paid in Q1 2013 was included in short-term borrowings as of 31 December 2012.

Condensed Operating Segments

in EUR million (unaudited)	1–9 M 2013 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,976.0	296.1	284.0	243.9	328.2	0.0	0.0	3,128.3
Intersegmental revenues	16.3	3.9	9.7	0.0	9.2	0.0	–39.2	0.0
Total revenues	**1,992.3**	**300.0**	**293.7**	**244.0**	**337.4**	**0.0**	**–39.2**	**3,128.3**
Other operating income	63.5	3.9	5.4	3.6	5.8	17.9	–43.1	56.9
Segment expenses	–1,454.4	–177.2	–203.1	–129.1	–240.0	–38.5	82.2	–2,160.1
EBITDA comparable	**601.4**	**126.7**	**96.0**	**118.4**	**103.2**	**–20.6**	**0.0**	**1,025.1**
Restructuring	–35.3	0.0	0.0	0.0	0.0	0.0	0.0	–35.3
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	**566.1**	**126.7**	**96.0**	**118.4**	**103.2**	**–20.6**	**0.0**	**989.8**
Depreciation and amortisation	–384.4	–70.1	–49.2	–64.0	–78.0	0.0	0.7	–645.1
Operating result	**181.7**	**56.6**	**46.8**	**54.4**	**25.3**	**–20.6**	**0.7**	**344.7**
Interest income	1.9	0.8	0.7	6.3	0.8	16.8	–14.7	12.5
Interest expense	–29.8	–2.2	–8.4	–1.5	–0.5	–123.9	14.7	–151.6
Result from investments in affiliates	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Other financial result	–0.1	0.0	–1.8	0.1	–0.1	205.0	–206.2	–3.1
Earnings before income taxes	**153.9**	**55.0**	**37.3**	**59.4**	**25.4**	**77.3**	**–205.6**	**202.8**
Income taxes								–43.5
Net result								**159.2**
Segment assets	4,167.9	1,297.5	562.9	579.9	809.5	7,326.0	–7,380.1	7,363.6
Segment liabilities	–1,935.3	–164.7	–383.5	–62.5	–192.1	–4,113.3	1,049.8	–5,801.6
Capital expenditures - intangible	117.3	13.0	4.3	1.8	20.8	0.0	0.0	157.2
Capital expenditures - tangible	214.6	21.2	36.8	15.8	47.5	0.0	0.0	335.8
Total capital expenditures	**331.9**	**34.2**	**41.0**	**17.6**	**68.3**	**0.0**	**0.0**	**493.0**
EBITDA comparable margin	30.2%	42.2%	32.7%	48.5%	30.6%	n.a.	n.a.	32.8%

in EUR million (unaudited)	1–9 M 2012 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	2,048.4	340.1	301.9	217.9	303.6	0.0	0.0	3,211.9
Intersegmental revenues	17.7	18.2	12.0	0.0	11.7	0.0	–59.6	0.0
Total revenues	**2,066.1**	**358.3**	**313.9**	**217.9**	**315.3**	**0.0**	**–59.6**	**3,212.0**
Other operating income	66.6	4.7	1.6	3.2	5.6	17.4	–39.2	60.0
Segment expenses	–1,429.7	–198.5	–201.5	–131.6	–233.4	–39.4	98.7	–2,135.4
EBITDA comparable	**703.1**	**164.5**	**114.1**	**89.6**	**87.5**	**–22.0**	**–0.1**	**1,136.6**
Restructuring	–21.6	0.0	0.0	0.0	0.0	0.0	0.0	–21.6
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	**681.4**	**164.5**	**114.1**	**89.6**	**87.5**	**–22.0**	**–0.1**	**1,115.0**
Depreciation and amortisation	–408.9	–123.8	–50.3	–71.6	–74.5	0.0	2.2	–726.9
Operating result	**272.6**	**40.6**	**63.7**	**18.0**	**13.0**	**–22.0**	**2.1**	**388.1**
Interest income	3.6	0.9	0.6	2.6	1.1	28.5	–23.9	13.5
Interest expense	–47.1	–5.4	–4.9	–1.9	–0.8	–142.2	24.0	–178.4
Result from investments in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result	–0.8	–0.1	0.6	4.6	–0.5	225.8	–225.3	4.1
Earnings before income taxes	**228.3**	**36.1**	**60.0**	**23.3**	**12.8**	**90.1**	**–223.2**	**227.3**
Income taxes								–47.3
Net result								**180.1**
Segment assets	4,408.9	1,332.5	558.1	592.9	790.7	7,618.8	–8,039.7	7,262.2
Segment liabilities	–2,694.8	–217.0	–320.9	–61.1	–172.4	–5,151.3	2,259.0	–6,358.5
Capital expenditures - intangible	63.2	14.4	4.1	2.4	12.6	0.0	–0.2	96.5
Capital expenditures - tangible	258.4	34.5	36.8	15.8	47.4	0.0	0.0	392.8
Total capital expenditures	**321.5**	**49.0**	**40.9**	**18.3**	**59.9**	**0.0**	**–0.2**	**489.4**
EBITDA comparable margin	34.0%	45.9%	36.3%	41.1%	27.7%	n.a	n.a	35.4%

Results by Segments

in EUR million	Q3 2013 unaudited	Q3 2012 unaudited	% change	1–9 M 2013 unaudited	1–9 M 2012 unaudited	% change
Revenues						
Austria	646.8	686.2	–5.7%	1,992.3	2,066.1	–3.6%
Bulgaria	101.2	115.2	–12.2%	300.0	358.3	–16.3%
Croatia	103.5	119.6	–13.5%	293.7	313.9	–6.4%
Belarus	81.2	81.0	0.2%	244.0	217.9	12.0%
Additional markets	117.3	112.0	4.8%	337.4	315.3	7.0%
Corporate & Other & Eliminations	–14.0	–20.5	–31.5%	–39.2	–59.6	–34.3%
Total revenues	**1,036.0**	**1,093.7**	**–5.3%**	**3,128.3**	**3,212.0**	**–2.6%**
EBITDA comparable						
Austria	205.4	240.8	–14.7%	601.4	703.1	–14.5%
Bulgaria	44.3	54.5	–18.6%	126.7	164.5	–23.0%
Croatia	35.2	53.3	–34.0%	96.0	114.1	–15.9%
Belarus	38.1	34.3	11.2%	118.4	89.6	32.2%
Additional markets	41.1	34.0	20.8%	103.2	87.5	18.0%
Corporate & Other & Eliminations	–6.2	–6.5	–5.0%	–20.6	–22.1	–6.5%
Total EBITDA comparable	**357.9**	**410.4**	**–12.8%**	**1,025.1**	**1,136.6**	**–9.8%**
EBITDA incl. effects from restructuring and impairment testing						
Austria	177.7	230.3	–22.8%	566.1	681.4	–16.9%
Bulgaria	44.3	54.5	–18.6%	126.7	164.5	–23.0%
Croatia	35.2	53.3	–34.0%	96.0	114.1	–15.9%
Belarus	38.1	34.3	11.2%	118.4	89.6	32.2%
Additional markets	41.1	34.0	20.8%	103.2	87.5	18.0%
Corporate & Other & Eliminations	–6.2	–6.5	–5.0%	–20.6	–22.1	–6.5%
Total EBITDA incl. effects from restructuring and impairment testing	**330.2**	**399.8**	**–17.4%**	**989.8**	**1,115.0**	**–11.2%**
Operating result						
Austria	53.5	98.6	–45.8%	181.7	272.6	–33.3%
Bulgaria	21.4	27.0	–20.9%	56.6	40.6	39.2%
Croatia	18.8	36.5	–48.6%	46.8	63.7	–26.6%
Belarus	18.6	10.3	79.5%	54.4	18.0	202.1%
Additional markets	15.3	10.3	48.4%	25.3	13.0	94.2%
Corporate & Other & Eliminations	–6.0	–5.8	3.6%	–20.0	–19.9	0.3%
Total operating result	**121.5**	**177.0**	**–31.4%**	**344.7**	**388.1**	**–11.2%**
EBITDA comparable margin						
Austria	31.8%	35.1%		30.2%	34.0%	
Bulgaria	43.8%	47.3%		42.2%	45.9%	
Croatia	34.0%	44.5%		32.7%	36.3%	
Belarus	47.0%	42.3%		48.5%	41.1%	
Additional markets	35.0%	30.4%		30.6%	27.7%	
EBITDA comparable margin total	**34.6%**	**37.5%**		**32.8%**	**35.4%**	

Capital Expenditures

in EUR million	Q3 2013 unaudited	Q3 2012 unaudited	% change	1–9 M 2013 unaudited	1–9 M 2012 unaudited	% change
Austria	107.4	106.6	0.8%	331.9	321.5	3.2%
Bulgaria	10.4	9.6	8.2%	34.2	49.0	–30.2%
Croatia	12.0	10.7	11.4%	41.0	40.9	0.4%
Belarus	6.1	5.8	6.2%	17.6	18.3	–3.6%
Additional markets	31.7	25.7	23.3%	68.3	59.9	13.9%
Corporate & Other & Elimination	0.0	0.0	n.a.	0.0	–0.2	n.a
Total capital expenditures	**167.6**	**158.4**	**5.8%**	**493.0**	**489.4**	**0.7%**
Thereof tangible	116.4	126.8	–8.2%	335.8	392.8	–14.5%
Thereof intangible	51.2	31.7	61.8%	157.2	96.5	62.8%

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

Basis of Presentation

The consolidated interim financial statements have been prepared 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 Telekom Austria Group's annual consolidated financial statements according to IFRS for the year ended 31 December 2012. 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 31 December 2012.

The preparation of the interim financial statements in conformity with IFRS requires to make 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 has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2012, except the following standards/interpretations which became effective during 2012 and as of 1 January 2013:

		Effective*	Effective**
IAS 1	Presentation of Financial Statements (amended)	1 July 2012	1 July 2012
IAS 19	Employee Benefits (amended)	1 January 2013	1 January 2013
IAS 27	Separate Financial Statements (amended)	1 January 2013	1 January 2014
IAS 28	Investments in Associates and Joint Ventures (amended)	1 January 2013	1 January 2014
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (amended)	1 January 2013	1 January 2013
IFRS 10	Consolidation	1 January 2013	1 January 2014
IFRS 11	Joint Arrangements	1 January 2013	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2013	1 January 2013
IFRS 1	Government Loans (amended)	1 January 2013	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 January 2013
	Amendments as a Result of Improvements Project 2009 – 2011	1 January 2013	1 January 2013

* 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 adoption of above mentioned IFRS and IFRIC resulted in the following changes compared to 31 December 2012:

IAS 19 Employee Benefits (amended): The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. As Telekom Austria Group does not have any plan assets only the requirement of the recognition of changes in defined benefit obligations when they occur has an effect on the financial statements. The "corridor approach" is not permitted anymore, all actuarial gains or losses have to be recognised immediately in other comprehensive income. The amendments to IAS 19 require retrospective application. Therefore employee benefit obligations as of 31 December 2012 were increased by the accumulated unrecognised actuarial losses in the amount of EUR 22.7 million. Corresponding deferred tax assets were increased by EUR 5.6 million, leading to a net effect of actuarial losses of EUR 17.1 million, which reduced retained earnings as of 31 December 2012. Segment liabilities in Austria as of 30 September 2012 were increased as the accumulated unrecognised actuarial losses lead to an increase in employee benefit obligations in the amount of EUR 11.1 million. Actuarial losses which were amortised in profit or loss statement amounted to EUR 0.2 million for the full year 2012, comparative figures for the first nine months 2012 were not adjusted as the effect is not material.

The adjustments in retained earnings in the condensed consolidated statement of changes in stockholders' equity are summarised in the following table:

in EUR million (unaudited)	Retained earnings
Balance at 1 January 2013 as previously reported	−219.1
Impact of changes in accounting policy IAS 19	−17.1
Balance at 1 January 2013 adjusted	−236.2
Balance at 1 January 2012 as previously reported	−219.8
Impact of changes in accounting policy IAS 19	−5.4
Balance at 1 January 2012 adjusted	−225.2

IAS 1 Presentation of Financial Statements (amended): Under the amendments to IAS 1, the statement of comprehensive income is renamed as statement of profit or loss and other comprehensive income and the income statement is renamed as statement of profit or loss. An entity may use titles other than those used in the Standard. Telekom Austria Group maintains the name statement of comprehensive income. Items of other comprehensive income have to be grouped into two categories: (a) items that may not be reclassified subsequently to profit or loss, and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The initial application of the other standards (IAS, IFRS) and interpretations (IFRIC) mentioned above had an insignificant impact on the consolidated financial statements since the amendments and revisions were not fully applicable.

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

Format of the Condensed Consolidated Statements of Profit or Loss

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment testing are used to better evaluate trends in Telekom Austria Group'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 nine months 2013 and 2012 see "provisions and accrued liabilities".

Business Combinations

On 2 February 2012, Telekom Austria AG and A1 Telekom Austria AG agreed to acquire assets of up to EUR 390.0 million from Orange Austria Telecommunication GmbH („Orange Austria"). The acquisitions include following assets:

- the mobile phone operator YESSS! Telekommunikation GmbH ("YESSS!"), which was conditional to merger control approval (by Telekom Austria AG)
- a company into which base stations of Orange Austria had been demerged (by Telekom Austria AG)
- 2 x 13.2 MHz frequencies in 900 MHz, 2,100 MHz and 2,600 MHz frequency ranges (by A1 Telekom Austria AG)
- collocation rights relating to base stations (by A1 Telekom Austria AG)
- specific intellectual property rights including the brand "One" (by A1 Telekom Austria AG)

On 3 January 2013, Telekom Austria AG acquired 100% of the mobile phone operator YESSS! for a total consideration of EUR 339.5 million. The acquisition enables Telekom Austria Group to enlarge its customer base and to expand its market portfolio by integrating the mobile phone operator YESSS! into the segment Austria. The fair values of the assets acquired and liabilities assumed were determined based on the provisional allocation of the consideration transferred. The factors contributing to the goodwill of EUR 292.1 million are expected future earnings from the development of the customer base (including increase in customer benefit by usage of the A1 network), know-how concerning no-frills and expected synergies in cost, especially by using the A1 network. Acquisition-related costs recognised as expense amounted to EUR 4.4 million. In August 2013 YESSS! was merged into A1 Telekom Austria AG, which had no impact on the consolidated financial statements.

On 17 June 2013, Telekom Austria AG acquired 100% of SOBS Base Stations GmbH ("SOBS"), the company into which the base stations had been demerged, for a total consideration of EUR 3.9 million, which equals net identifiable assets and liabilities. As of 30 September 2013, EUR 2.0 million of the consideration were paid in cash. SOBS was merged into A1 Telekom Austria AG, which had no impact on the consolidated financial statements.

Acquisition of YESSS ! and SOBS

in EUR million (unaudited)	Fair values on acquisition
Property, plant and equipment	4.2
Intangible assets	58.1
Deferred tax assets	0.0
Other assets and receivables	6.3
Cash and cash equivalents	14.8
Deferred tax liabilities	–14.5
Accounts payable - trade and other liabilities	–17.7
Net identifiable assets and liabilities	**51.3**
Goodwill on acquisition	292.1
Total purchase considerations	**343.4**
Purchase price not yet paid	–1.9
Cash acquired	–14.8
Net cash outflow	**326.7**

The following acquisitions of separate assets from Orange Austria, which do not qualify as a business combination, are not included in the above table: In January, March and September 2013 A1 Telekom Austria AG acquired intellectual property rights and part of the frequencies from Orange Austria for a purchase consideration of EUR 32.0 million, which was paid in cash. Additionally, on 17 June 2013 A1 Telekom Austria AG closed the collocation agreement for a purchase price of EUR 14.0 million, which was paid in cash on 2 July 2013. By acquiring base stations and frequencies, the existing geographical allotment of frequencies, especially in rural areas, can be extended and network quality can be improved. The remaining part of the frequencies will be acquired gradually.

In the segment Croatia the following companies were acquired in the first nine months 2013:

On 6 March 2013, 100% of DIGI satelitska televizija d.o.o ("Digi TV"), a provider of satellite television services, was acquired for a total consideration of EUR 0.9 million. With this acquisition Vipnet reinforces the preconditions of convergent communications and TV services to be able to offer complete communication solutions. A gain of EUR 1.1 million, recognised in other operating income, is mainly due to deferred tax assets on loss carry-forwards.

On 4 June 2013, 100% of Optika Kabel Infrastruktura d.o.o. ("OKI") was acquired for a total consideration of EUR 0.8 million. A goodwill of EUR 0.2 million was recognised.

On 10 July 2013, 100% of Metronet Home d.o.o. ("Metronet") was acquired for a total consideration of EUR 1.2 million. A gain of EUR 0.2 million was recognised in other operating income.

On 15 July 2013, 100% of Kabelska Televizija Sibenik d.o.o. ("KTS") was acquired for a total consideration of EUR 0.4 million. A goodwill of EUR 0.3 million was recognised.

On 16 September, 2013 100% of Istarska Kabelska d.o.o. ("Istarska") was acquired for a total consideration of EUR 0.8 million. A goodwill of EUR 0.7 million was recognised.

The acquisitions of the local cable network providers enable Vipnet to offer further convergent solutions in the fixed net business. The factors contributing to the recognised goodwills are expected future earnings from the development of the customer base.

Acquisition-related costs for the acquisitions in the segment Croatia recognised as expense amounted to EUR 0.1 million. In September 2013 Metronet, KTS and OKI were merged into Vipnet, which had no impact on the consolidated financial statements. The fair values of the assets acquired and liabilities assumed were determined based on the provisional allocation of the considerations transferred.

Acquisition of Metronet, KTS, OKI, Istarska and Digi TV

in EUR million (unaudited)	Fair values on acquisition
Property, plant and equipment	1.2
Intangible assets	1.9
Deferred tax assets	1.6
Other assets and receivables	0.4
Cash and cash equivalents	0.0
Deferred tax liabilities	–0.2
Accounts payable - trade and other liabilities	–0.5
Net identifiable assets and liabilities	**4.3**
Goodwill on acquisition	1.1
Gain resulting from bargain purchase	–1.3
Total purchase considerations	**4.2**
Net cash outflow	**4.1**

Since the effect of the acquired entities on the consolidated financial statements of Telekom Austria Group is not considered significant, no pro-forma information is presented.

On 26 February 2013, the remaining performance-based deferred consideration for the acquisition of SB Telecom Limited (SBT), the sole owner of FE VELCOM (“velcom”), in the amount of EUR 29.3 million was paid, as the predetermined performance criteria agreed at the date of acquisition in 2007 had been fulfilled. As of 31 December 2012, this consideration was recorded in other current liabilities.

On 20 June 2013, 100% of Airwin Entertainment GmbH were sold in the segment Austria resulting in a loss of EUR 2.3 million which was recognised in other operating expenses.

Non-Current and Current Liabilities

The decrease in short-term borrowings is due to the repayment of a Eurobond in the amount of EUR 750 million of on 22 July 2013. Telekom Austria Group had entered into fixed-to-floating interest rate swap agreements (fair value hedges) for a face value of EUR 300 million.

On 4 July 2013, Telekom Austria Group issued a Bond under the EMTN-Program with a face value of EUR 300.0 million, a maturity of ten years, and a coupon of 3.5%. Discount and issue costs of EUR 2.6 million are amortised over the related term. The resulting increase in long-term debt was partly compensated by the shift of maturing long-term debt to short-term borrowings.

The reduction of other non-current liabilities is due to the closing of the cash flow hedges relating to the three forward-starting-interest-rate-swap contracts (pre-hedges) on 28 May 2013. An amount of EUR 65.1 million was paid to the contractual partners. As of 28 May 2013 and 31 December 2012, the fair value of the pre-hedges amounted to EUR 64.2 million and EUR 64.6 million. The pre-hedges were accounted as cash flow hedge in equity. The relating hedging reserve will be recognised in profit or loss statement in accordance with the recognition of interest expense on the bond which was issued on 4 July 2013 as the interest rate risk on that bond was hedged. Termination cost in the amount of EUR 0.9 million was recorded in interest expense when incurred.

In 2010, Telekom Austria Group introduced a Long Term Incentive Program (LTI). On 6 May 2013, the Supervisory Board approved the fourth tranche (LTI 2013). Grant date was 1 September 2013, the performance period is 1 January 2013 to 31 December 2015. Net income, total shareholder return and EBITDA were defined as key performance indicators. As of reporting date, a liability for LTI 2013 measured at fair value for expected future expense which is already vested, in the amount of EUR 0.8 million was recorded.

Provisions and Accrued Liabilities

In May 2013, new social plans became effective in the segment Austria providing for early retirement. Additions to the provision for the new social plans were partly compensated by the release of the provision for restructuring as employees having accepted the new social plans were already included in the provision for restructuring. The provision for restructuring amounting to EUR 795.0 million as of 31 December 2012 decreased to EUR 785.2 million as of 30 September 2013 mainly due to the usage of the provision, partly compensated by the accretion and the additions mentioned above. In the first nine months 2013 and 2012, a restructuring expense of EUR 31.9 million and EUR 9.6 million, respectively, 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 42.7 million as of 31 December 2012 decreased to EUR 32.0 million as of 30 September 2013 mainly due to the usage of the provision. In the first nine months 2013 and 2012, a restructuring expense of EUR 3.4 million and EUR 12.0 million, respectively, was recorded.

Income Taxes

The effective tax rate for the first nine months 2013 and 2012 was 21.5% and 20.8%. In the first nine months 2013 and 2012 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 51.9 million as of 31 December 2012 decreased to EUR 42.9 million as of 30 September 2013 mainly due to the recognition of deferred tax liabilities resulting from the purchase price allocation of the acquisition of YESSS!.

Stockholders' Equity

On 24 January 2013, Telekom Austria Group issued a hybrid bond with a volume of EUR 600.0 million. The hybrid bond is a subordinated bond with indefinite maturity which is, based on its conditions, classified as equity according to IFRS. Accordingly, related discount and issue cost in the amount of EUR 11.8 million were recorded net of EUR 2.9 million tax benefit in equity. Therefore equity was increased by EUR 591.2 million. The bond can be redeemed at the earliest after a period of five years. Additionally, there is an early termination right subject to certain conditions. The annual coupon amounts to 5.625% until the first reset date, 1 February 2018. Subsequently there will be a reset date every five years. The coupon is established two days prior to the respective reset dates. Coupon payments will be recognised as dividend payments in equity. The amount of the net result attributable to hybrid capital owners is presented in the Condensed Consolidated Statements of Profit or Loss and equals interest, which has to be accrued in the statement of profit or loss according to local GAAP. The tax benefit resulting from the accrued interest for the first nine months 2013 of EUR 5.6 million is recognized in equity as "distribution of dividend" the consolidated financial statements according to IFRS.

Other reserves in the Condensed Consolidated Statements of Changes in Stockholders' Equity include available-for-sale reserve, hedging reserve and translation adjustments.

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 Sept. 2013 Carrying amount unaudited	Fair value unaudited	31 Dec. 2012 Carrying amount audited	Fair value audited
Cash and cash equivalents	**585.8**	**585.8**	**600.8**	**600.8**
Accounts receivable - trade	746.5	746.5	746.9	746.9
Other current financial assets	47.9	47.9	47.0	47.0
Other non-current financial assets	14.6	14.6	14.2	14.2
Loans and receivables	**809.0**	**809.0**	**808.1**	**808.1**
Long-term investments	5.3	5.3	7.3	7.3
Short-term investments	51.2	51.2	85.1	85.1
Available-for-sale investments	**56.5**	**56.5**	**92.4**	**92.4**
Investments at cost	**0.6**	**0.6**	**0.6**	**0.6**
Hedging instruments (fair value hedges)	0.0	0.0	11.0	11.0
Financial assets carried at fair value	**0.0**	**0.0**	**11.0**	**11.0**

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

in EUR million	30 Sept. 2013 Carrying amount unaudited	Fair value unaudited	31 Dec. 2012 Carrying amount audited	Fair value audited
Liabilities to financial institutions	0.5	0.5	6.8	6.8
Bonds	2,282.9	2,494.1	2,432.8	2,679.9
Other current financial liabilities	114.3	114.3	133.3	133.3
Non-current liabilities to financial institutions	1,024.5	1,089.1	1,031.7	1,127.3
Other non-current liabilities	2.2	2.2	1.4	1.4
Accounts payable - trade	525.5	525.5	567.1	567.1
Payables due from related parties	5.6	5.6	7.8	7.8
Accrued interest	67.0	67.0	103.5	103.5
Financial liabilities at amortised cost	**4,022.4**	**4,298.2**	**4,284.6**	**4,627.3**
Bonds - hedged item	**0.0**	**0.0**	**306.5**	**307.1**
Hedging instruments (cash flow hedges)	0.0	0.0	64.6	64.6
Financial liabilities carried at fair value	**0.0**	**0.0**	**64.6**	**64.6**

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 Sept. 2013

in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.5	50.0	0.0	56.5
Financial assets measured at fair value	**6.5**	**50.0**	**0.0**	**56.5**

31 Dec. 2012

in EUR million (audited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	8.2	84.2	0.0	92.4
Fair value hedges	0.0	11.0	0.0	11.0
Financial assets measured at fair value	**8.2**	**95.2**	**0.0**	**103.4**
Bonds - hedged item	0.0	306.5	0.0	306.5
Cash flow hedges	0.0	64.6	0.0	64.6
Financial liabilities measured at fair value	**0.0**	**371.1**	**0.0**	**371.1**

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.

Bonds representing hedged items were reported in Level 2 as the fair value adjustment relating to the hedged risk (interest rate risk) was based on discounted cash flows using market data (interest curve). Therefore the carrying amount (includes fair value adjustment relating to the interest rate risk only) differed from the fair value (based on stock exchange quotations) reported in the table above.

Subsequent and Other Events

On 21 October 2013, A1 Telekom Austria acquired 4 blocks of the 800 MHz spectrum, 3 blocks of the 900 MHz spectrum and 7 blocks of the 1800 MHz spectrum for a total consideration of EUR 1,030 million at the Austrian spectrum auction. The 800 MHz spectrum band is available immediately until 31 December 2029. The blocks in the 900 MHz and the 1800 MHz band were granted until 31 December 2034 for all operators. The start of the licensing period depends on the existing frequency licenses. The total consideration of EUR 1,030 million for the spectrum will be payable in full within approximately 8 weeks.

On 23 October 2013, Moody's Investors Service downgraded the long-term issuer and senior unsecured ratings of all debts issued by Telekom Austria AG and its guaranteed finance subsidiary Telekom Finanzmanagement GmbH from Baa1 to Baa2. Moody's also downgraded the subordinated rating on Telekom Austria's hybrid instrument from Baa3 to Ba1. Telekom Austria Group's short-term rating of Prime-2 (P-2) is not affected. Standard & Poor's Ratings Services lowered its long- and short-term corporate credit ratings on Telekom Austria AG from BBB/A-2 to BBB-/A-3. The outlook on the ratings is stable. The rating actions follow the above mentioned debt-financed spectrum acquisition, which will have a material negative effect on Telekom Austria Group's financial ratios.