Results for the First Nine Months 2014

Highlights

> Group revenue decline improves to -4.5% supported by better trends in Austria in Q3 as well as strong growth in Belarus and the Additional Markets segment
>
> > Subsidy-driven equipment revenues support revenue trends in CEE
>
> EUR 110.6 mn negative regulatory effects on Group revenues
>
> Group EBITDA comparable margin improves to 34.6% driven by lower OPEX in Austria and strong margin in Belarus
>
> Austria:
>
> > Continuously improving ARPU trends in 2014 driven by high-value focus
> >
> > 75.7% and 23.4% cuts in SACs and SRCs respectively drive margin improvement to 33.0%
>
> CEE:
>
> > Continued strong performance in Belarus on the back of inflation-linked price increases in 2013 and 2014 (FX development better than expected) and higher data usage
> >
> > Macro and regulatory factors (e.g. higher frequency usage fee in Croatia) and fierce competition drive other CEE markets
>
> Merger of mobilkom liechtenstein with Telecom Liechtenstein completed on 27 August 2014 results in a positive one-off effect on EBITDA comparable of EUR 26.8 mn
>
> Group outlook for FY 2014 unchanged: Revenues of approx. -3.5%, CAPEX* of EUR 650 – 700 mn, intended dividend of EUR 0.05/share

in EUR million	Q3 2014	Q3 2013	% change	1–9 M 2014	1–9 M 2013	% change
Revenues	1,048.7	1,036.0	1.2%	2,987.7	3,128.3	–4.5%
EBITDA comparable	414.6	357.9	15.8%	1,034.0	1,025.1	0.9%
Operating income	200.0	121.5	64.7%	–22.6	344.7	n.m.
Net income	127.8	51.3	149.2%	–190.0	159.2	n.m.
Cash flow generated from operations	300.6	295.5	1.7%	674.0	789.5	–14.6%
Earnings per share (in EUR)	0.27	0.10	183.9%	–0.47	0.31	n.m.
Free cash flow per share (in EUR)	0.37	0.30	23.4%	0.47	0.69	–30.8%
Capital expenditures	143.6	167.6	–14.4%	472.5	493.0	–4.2%

in EUR million	30 Sept 2014	31 Dec 2013	% change
Net debt	3,530.9	3,695.8	–4.5%
Net debt / EBITDA comparable (12 months)	2.7	2.9	–5.1%

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

* Does not include investment in spectrum and acquisitions

Disclaimer

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

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Group Management Report

Group Review

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q3 2014") are available on the website at www.telekomaustria.com.

Results for the full year 2014 will be announced in February 2015.

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Vienna, 23 October 2014 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first nine months and third quarter 2014, ending 30 September 2014.

Summary Year-To-Date Comparison

Key Performance Indicators Group

First Nine Months 2014

Financials

in EUR million	1–9 M 2014	1–9 M 2013	% change
Revenues	2,987.7	3,128.3	–4.5%
EBITDA comparable	1,034.0	1,025.1	0.9%
EBITDA incl. effects from restructuring and impairment tests	621.9	989.8	–37.2%
Operating income	–22.6	344.7	n.m.
Net income	–190.0	159.2	n.m.
Cash flow generated from operations	674.0	789.5	–14.6%
Earnings per share (in EUR)	–0.47	0.31	n.m.
Free cash flow per share (in EUR)	0.47	0.69	–30.8%
Capital expenditures	472.5	493.0	–4.2%

in EUR million	30 Sept 2014	31 Dec 2013	% change
Net debt	3,530.9	3,695.8	–4.5%
Equity	1,302.9	1,512.6	–13.9%
Net debt / EBITDA comparable (12 months)	2.7	2.9	–5.1%

Fixed access lines (in '000)	30 Sept 2014	30 Sept 2013	% change
Total access lines	2,639.2	2,622.7	0.6%
in Austria	2,275.5	2,273.6	0.1%
in Bulgaria	151.3	160.4	–5.6%
in Croatia	212.3	188.8	12.5%
of which broadband lines	1,716.3	1,623.1	5.7%

Mobile communication subscribers (in '000)	30 Sept 2014	30 Sept 2013	% change
Total subscribers	19,903.4	20,187.3	–1.4%
in Austria	5,447.9	5,739.4	–5.1%
in Bulgaria	4,137.2	4,221.4	–2.0%
in Croatia	1,823.4	1,950.0	–6.5%
in Belarus	4,948.8	4,898.2	1.0%
in Slovenia	683.2	672.7	1.6%
in the Republic of Serbia	2,063.9	1,974.7	4.5%
in the Republic of Macedonia	630.9	645.4	–2.2%
in Liechtenstein*	6.5	6.4	2.1%

Employees (full-time equivalent, period-end)	16,350	16,243	0.7%

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income taxes, depreciation and amortisation, restructuring and impairment charges.
*Latest available subscriber numbers for Liechtenstein from 31 July 2014

In the first nine months of 2014 the Telekom Austria Group saw a reduction in revenues of 4.5% year-on-year to EUR 2,987.7 mn. Revenue declines in Austria, Bulgaria and Croatia outweighed higher revenues from Belarus and the Additional Markets segments. Excluding extraordinary effects relating to the fixed-line billing system in Austria in the second quarter of 2014 and negative FX translation effects of EUR 33.7 mn, Group revenues declined by 2.5%.

The revenue decline in Austria was due to lower monthly fee and traffic revenues, as higher monthly fees could not mitigate the effect of lower airtime revenues. The termination rate cut in November 2013 also weighed on interconnection revenues. Lower subsidies helped to support profitability but hurt equipment revenues. Growth in TV and fixed-line broadband helped to stem the decline in fixed-line service revenues.

The Bulgarian segment continued to suffer from macroeconomic challenges, subscriber base erosion, pricing pressure and regulatory cuts. In Croatia positive fixed-line trends only partly compensated for weakness in the mobile business, negative regulatory effects and the increase in frequency usage fees in July. Price increases by all operators resulted in churn, which Vipnet counteracted with higher subsidies, resulting in higher equipment revenues. Belarus saw a continuation of strong operational trends driven by price increases, upselling effects and high demand for tablets and data. In the Additional Markets segment the strategic focus on the contract business reaped positive results for Slovenia and the Republic of Serbia, while the Republic of Macedonia struggled with competitive price pressure and falling prepaid subscriber numbers, as well as the effects of termination rate cuts which weighed on revenues.

Group mobile subscribers fell 1.4% year-on-year, mainly driven by the prepaid business. Meanwhile, Group fixed access lines increased slightly versus last year, mainly driven by acquisitions in Croatia.

An increase in other operating income to EUR 91.7 mn was primarily due to a one-off effect in the amount of EUR 26.8 mn relating to the merger of mobilkom liechtenstein with Telecom Liechtenstein, which closed on 27 August of 2014. As of the closing, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets, but the 24.9% shareholding, which Telekom Austria Group holds in the merged entity Telecom Liechtenstein, is reported on an at-equity basis.

Operating expenses fell by 5.3% to EUR 2,045.4 mn, mostly due to a EUR 169.3 mn reduction in Austria stemming from lower subsidies and termination rates.

Reported EBITDA comparable rose by 0.9% to EUR 1,034.0 mn, and by 2.5% excluding the extraordinary revenue effects in Austria, the one-off effect in Liechtenstein and the negative FX translations effects of EUR 15.2 mn. Excluding the extraordinary effects, the Austrian segment posted EBITDA comparable growth of 4.7%. Belarus and the Additional Markets segment achieved EBITDA comparable gains of 15.1% and 1.9%, while Bulgaria and Croatia saw reductions of 10.5% and 22.9% respectively.

Restructuring charges declined and depreciation and amortisation expenses remained roughly unchanged; however, the Bulgarian impairment of EUR 400.0 mn in the second quarter of 2014 resulted in a negative operating income of EUR 22.6 mn for the first nine months of 2014.

After a negative financial result which came in slightly lower as well as lower income taxes, the above translated into a negative net income of EUR 190.0 mn for Telekom Austria Group in the first nine months of 2014, compared with a positive EUR 159.2 mn in the first nine months of 2013.

Group capital expenditures fell 4.2% versus the same period last year to EUR 472.5 mn, as spectrum outlay in Bulgaria and Slovenia was more than mitigated by a reduction in Austrian CAPEX of EUR 99.5 mn relating to optimisation efforts and the higher cost for the YESSS! integration in 2013.

Summary Quarterly Comparison

Key Performance Indicators Group

3rd Quarter 2014

Financials

in EUR million	Q3 2014	Q3 2013	% change
Revenues	1,048.7	1,036.0	1.2%
EBITDA comparable	414.6	357.9	15.8%
EBITDA incl. effects from restructuring and impairment tests	409.3	330.2	23.9%
Operating income	200.0	121.5	64.7%
Net income	127.8	51.3	149.2%
Cash flow generated from operations	300.6	295.5	1.7%
Earnings per share (in EUR)	0.27	0.10	183.9%
Free cash flow per share (in EUR)	0.37	0.30	23.4%
Capital expenditures	143.6	167.6	–14.4%

in EUR million	30 Sept 2014	30 June 2014	% change
Net debt	3,530.9	3,688.1	–4.3%
Equity	1,302.9	1,158.9	12.4%
Net debt / EBITDA comparable (12 months)	2.7	3.0	-8.5%

In the third quarter of 2014 Group revenues increased 1.2% year-on-year to EUR 1,048.7 mn, as higher revenues from Belarus, the Additional Markets segment and Croatia more than offset a much smaller reduction in Austria and lower revenues in Bulgaria. Excluding FX effects Group revenues rose by 0.6%.

In Austria revenues fell by 3.5% year-on-year, resulting from a decrease in interconnection revenues as well as lower equipment revenues due to lower subsidies. Higher revenues from monthly fees helped to keep monthly fee and traffic revenues stable despite the fact that higher fixed broadband lines and TV subscribers could not compensate lower fixed voice revenues.

Bulgaria remained affected by political and economic instability, severe price pressure and regulatory effects resulting in lower revenues. In Croatia revenues increased by 2.9% year-on-year as higher equipment revenues more than offset negative effects from regulation and lower mobile airtime revenues.

Belarus posted strong revenue results, including a positive FX translation effect of EUR 9.1 mn, as the company was again able to implement inflation-linked price increases over the year and profited from upselling as well as higher demand for handsets and data usage. In the Additional Markets segment Slovenia and the Republic of Serbia continued to show solid increases in revenue, while revenues in the Republic of Macedonia fell primarily due to lower interconnection revenues following termination rate cuts.

The increase in other operating income to EUR 53.1 mn was primarily due to a one-off effect in the amount of EUR 26.8 mn relating to the merger of mobilkom liechtenstein with Telecom Liechtenstein, which closed on 27 August. As of the closing mobilkom liechtenstein is no longer consolidated in the segment Additional Markets, but the 24.9% shareholding, which Telekom Austria Group holds in the merged entity Telecom Liechtenstein, is reported on an at-equity basis.

Group operating expenses fell by 1.7% to EUR 687.2 mn in the third quarter of 2014, driven by lower interconnection expenses in most segments which more than outweighed generally higher material expenses and higher employee costs in Belarus, the Republic of Serbia and Croatia.

In the third quarter of 2014 Group EBITDA comparable increased by 15.8% to EUR 414.6 mn, substantially impacted by lower operating expenses, higher revenues and the one-off effect in Liechtenstein. On a clean basis, i.e. excluding the Liechtenstein one-off effect as well as positive FX effects in the amount of EUR 4.0 mn, Group EBITDA comparable increased by 7.2%.

In the third quarter of 2014 restructuring charges were considerably lower versus the same period last last year, resulting from a lower number of employees accepting social plans. Depreciation and amortisation charges were largely stable versus the same period last year.

An increase in operating income to EUR 200.0 mn in the third quarter of 2014 was the result of growth in EBITDA comparable and lower restructuring charges.

The Telekom Austria AG Share

During the first nine months of 2014 the Telekom Austria share rose 29.6%, outperforming the sector as well as the Austrian ATX index. The share's buoyancy in early 2014 was partly driven by the prospect of a recovery in the Austrian mobile market and partly by speculation surrounding the company's shareholder structure.

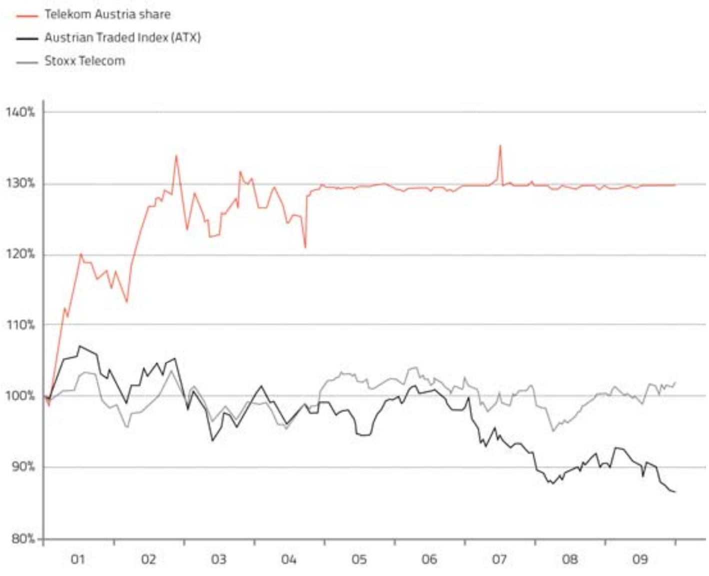
After a positive start at the beginning of 2014 the Telekom Austria share continued to rally as major shareholders América Móvil and ÖIAG confirmed early talks about forming a syndicate agreement. The share reached its high point of the first nine months at EUR 7.59 intra-day on 26 February, when the results for the financial year 2013 were published. Volatility and trading volumes remained high until the signing of the syndicate agreement and the publication of a takeover offer by América Móvil at the end of April. Thereafter, the share traded around the offer price of EUR 7.15 until the publication of the takeover offer results on 15 July, which showed América Móvil reaching a majority shareholding of 50.8%. The stock briefly spiked the day after, but fell back to trading at around the offer price of EUR 7.15 for the remainder of the third quarter as the sell-out period continued until 16 October. The stock closed at EUR 7.13 on 30 September.

The Stoxx Telecom Index had a volatile first quarter amidst drawn-out regulatory processes relating to sector M&A. It then settled into a steadier uptrend in late April and held on to these gains, before dipping to annual lows in August together with major indices. The index did, however, recover most of these losses in the latter half of the third quarter and closed the first nine months up 1.4% on 30 September.

After a volatile first quarter the Stoxx 600 settled into an extended rally from late April until mid-June, reaching highs last seen in 2008. Encouraging economic data, dovish Federal Reserve comments and a cut of the ECB refinancing rate to 0.15% in early June supported investor optimism. However, the index dipped in the first half of August as violence escalated in the Middle East. It then saw a strong recovery into September, helped by easing tensions in the Ukraine, and ECB measures including another rate cut to 0.05% and an ABS purchase programme. European sanctions on Russia and the Scottish independence referendum caused further volatility in September but the Stoxx 600 still finished the first nine months 4.5% higher.

In contrast, the Austrian ATX reached highs last seen in 2011 in early 2014 but fell away in March as investors reacted negatively to potential spill-over effects from the Ukraine crisis given the high CEE exposure of the index. The ATX dropped further in mid-July as the crisis intensified and reached annual lows in early August. The recovery which followed was less pronounced than those of other European markets, and the ATX eventually closed the first nine months 13.5% lower on 30 September.

Development of Telekom Austria share price
indexed from 1 Jan 2014



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. Telekom Austria Group also recently acquired blizoo Macedonia and merged mobilkom liechtenstein with Telecom Liechtenstein, adding a fourth and fifth convergent market to its footprint.

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. In addition, 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 glidepaths, the proposal for a single European telecommunications market, currently awaiting approval by the European Council, poses a threat.

As one of the most sophisticated yet low-priced mobile markets in Europe, Austria is among the most competitive markets of the Telekom Austria Group. The Austrian telecoms sector contains full-scale as well as mobile virtual network operators. In terms of product offerings, all-in smartphone deals and mobile broadband solutions drive ongoing fixed-to-mobile substitution, which is visible in the highly advanced but continual decline in the fixed-line voice business. Attractive convergent bundle offers, incorporating fixed-line broadband and IPTV solutions, are key to the business.

In the CEE markets political and macroeconomic headwinds remain challenging, as they affect demand and usage. In June Standard & Poor's downgraded Bulgaria's sovereign credit rating to BBB-/A3, stating that growth is likely to remain lacklustre and unemployment high in the absence of any meaningful structural reform. Following a banking crisis in June, the president dissolved parliament in August and called elections for 5 October, causing a renewed crisis of confidence. Croatia last achieved GDP growth in 2008 and is struggling to meet EU budget-deficit limits. In April the government cut investments and subsidies to reduce the deficit. As this will also stifle growth, GDP growth expectations were revised downward, from 0.2% to zero. The telecoms regulator also increased a fee for frequency usage in July 2014, which burdens all operators.

After a relatively weak first quarter followed by a stable performance mid-year, the Belarusian Rouble strengthened slightly versus the Euro in the third quarter of 2014. This strength, however, is not expected to be sustainable, as the Belarusian Rouble lost 4.6% versus the US Dollar over the same period. In Slovenia the July election of constitutional law professor Miro Cerar might change the country's economic policy, as the new prime minister says he will strive to reduce Slovenia's budget deficit. The previous government was optimistic that Slovenia might return to growth in 2014, after the country narrowly avoided a bailout in December 2013.

While the Serbian Dinar was relatively stable in the first half of 2014, it picked up volatility in the third quarter, falling 2.7% versus the Euro by 30 September. Industrial damage caused by the floods in May as well as government efforts to narrow the budget gap to qualify for an IMF loan will result in a 0.5% GDP contraction in 2014, according to the Central Bank in Belgrade. In comparison, the Republic of Macedonia is benefitting from economic growth, low public debt levels and a stable banking sector. According to the World Bank, real GDP growth is expected to reach 3.0% in 2014.

Outlook Unchanged

Telekom Austria Group outlook for the full year 2014

Telekom Austria Group's outlook for the year 2014 reflects Management's continued confidence in achieving its ambitious targets, even though the overall conditions in most of the Group markets remain challenging. The continued implementation of the turnaround strategy is expected to yield further results, targeting enhanced profitability and revenue inflection in the midterm. A number of recent developments support the success of this strategy.

Adverse external factors such as macro-economic headwinds, regulatory cuts and severe price pressure continue to weigh on revenue trends in 2014. At the same time, Management expects an increasingly positive impact from the strategic steps already taken to deal with these external factors.

In its mature markets Telekom Austria Group will proceed with its focus on the successful implementation of its convergence strategy, as well as on products for the high-value customer segment. Management also remains confident about its ability to monetise increasing data usage in both the fixed-line and mobile networks, and to add value by upgrading prepaid customers to the contract segment. The ongoing trend towards smartphones in all markets of the Telekom Austria Group, as well as penetration and market share growth in the Group's mobile-only markets, is expected to persist.

Operations in Austria, the domestic market of the Group, will continue to be impacted by low mobile price levels. The expected introduction of new services from mobile virtual network operators (MVNOs) entails additional risks. Management is seeking to address these challenges through the continuation of its convergence strategy, by means of which the Group offers superior services to its customers, which is expected to support a further stabilisation of the fixed-line business. Lower revenues from roaming and termination will continue to burden revenues in Austria.

In the CEE region ongoing macro-economic headwinds will remain a key driver impacting businesses and customer demand. Despite Management's GDP growth expectations of approximately 2.0% in Bulgaria for the year 2014, the population reduction will further burden business development. In Croatia Management expects a minor GDP decrease, after a decline of 1.0% in 2013. In both countries regulatory interventions will continue to affect results negatively and these will be most prominently felt in Croatia, as the country became subject to EU regulation through its accession to the European Union in July 2013. In addition, Croatia increased frequency usage fees in July, which burdens operators' margins.

Growth in the Belarusian segment remains driven by the demand for smartphones also in 2014. Management expects the Belarusian Rouble to decline by between 10% and 20% compared to the level seen at year-end 2013. The expected growth in the Additional Markets segment will be mostly driven by targeted market share gains by the Serbian subsidiary Vip mobile.

In order to mitigate the impact of the above-mentioned negative factors on Group profitability, strict cost management remains key. In line with the continued focus on the high-value customer segment, Management will periodically review its subsidy policy in the mature markets. In addition to OPEX savings, the realisation of further CAPEX efficiency gains is critical, as safeguarding cashflow generation is crucial to the business. Altogether, Management is targeting gross OPEX and CAPEX savings of approximately EUR 100 mn in 2014. The restructuring expense for civil servants in the Austrian segment is expected to amount to approximately EUR 30 mn.

Altogether, the Management of Telekom Austria Group continues to expect Group revenues to decline by approximately 3.5% year-on-year in 2014. Group capital expenditures* are expected to amount to EUR 650-700 mn.

Maintaining a conservative financial profile remains the number one priority of Telekom Austria Group's finance strategy, which is based on a target rating of BBB (stable) with Standard & Poor's. This will also strengthen the financial flexibility of the Group. As a result, the Management of Telekom Austria Group intends to distribute a dividend of 5 Eurocents per share for the year 2014.

Outlook 2014	as of 23 October 2014
Revenues	approx. –3.5%
Capital expenditures*	approx. EUR 650 – 700 mn
Dividend**	DPS of EUR 0.05

* Does not include investments in spectrum or acquisitions
** Intended proposal to the Annual General Meeting 2015

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

Year-To-Date Comparison
Revenues

Revenues

in EUR million	1–9 M 2014	1–9 M 2013	% change
Austria	1,821.8	1,992.3	–8.6%
Bulgaria	276.4	300.0	–7.9%
Croatia	282.3	293.7	–3.9%
Belarus	275.3	244.0	12.8%
Additional Markets	363.2	337.4	7.7%
Corporate & Holding, Eliminations	–31.3	–39.2	n.m.
Total	**2,987.7**	3,128.3	–4.5%

Group revenue decline slows to 2.5% year-on-year on a clean basis

In the first nine months of 2014 Telekom Austria Group saw a revenue decline of 4.5%, as declines in Austria, Bulgaria and Croatia outweighed higher revenues from Belarus and the Additional Markets segments. Austrian revenues included negative extraordinary effects of EUR 28.2 mn net from the second quarter of 2014, relating to the fixed-line billing system. Negative FX translation effects stemming mostly from Belarus amounted to EUR 33.7 mn. Excluding both of these effects, Group revenues declined by 2.5% on a clean basis.

Austrian revenues fell by 8.6% year-on-year in the first nine months of 2014 on a reported basis, and by 7.1% excluding the above-mentioned extraordinary effects. The decline was driven by monthly fee and traffic, interconnection and equipment revenues. Lower termination rates drove the decline in interconnection revenues; lower gross adds, resulting from lower subsidies, reduced equipment revenues. The extraordinary effects from the fixed-line billing system affected mainly monthly fee and traffic revenues. Excluding these effects, these fell by EUR 25.9 mn as higher revenues from monthly mobile fees could not compensate lower customer roaming and airtime revenues. Declining voice traffic continued to negatively impact fixed-line revenues, but was partly compensated by gains in TV and broadband.

Bulgaria continued to be affected by macroeconomic and competitive pressure as well as negative regulatory effects, which resulted in a revenue decline of 7.9% year-on-year. Monthly fee and traffic revenues fell due to lower mobile voice revenues stemming from price pressure in the business segment as well as the ongoing prepaid subscriber base erosion. An increase in fixed-line service revenues only partly mitigated this effect. Termination rate cuts in January 2014 further reduced interconnection revenues.

In Croatia a revenue decline of 3.9% was the result of lower interconnection revenues following the EU accession and lower monthly fee and traffic revenues, partly outweighed by higher equipment revenues. Despite higher mobile usage and higher fixed fees, reduced prices resulted in lower mobile airtime and customer roaming revenues. This was partly mitigated by increased fixed-line service revenues stemming partly from acquisitions in 2013. The increase in frequency usage fees in July 2014 resulted in price increases by all operators and extraordinary cancellation rights for the affected customers. Vipnet counteracted the resulting churn through higher subsidies in the third quarter of 2014, which increased equipment revenues.

In Belarus revenues grew 12.8% year-on-year in the first nine months of 2014, despite a negative FX effect of EUR 26.3 mn. In local currency revenues grew 21.6% compared with the same period last year, mainly driven by price increases in 2013 and 2014, upselling to smartphone tariffs and higher data usage, which lifted monthly fee and traffic revenues.

Continued revenue growth in Additional Markets of 7.7% y-o-y

In the Additional Markets segment revenues increased by 7.7% year-on-year in the first nine months of 2014 as gains in the Republic of Serbia and Slovenia more than offset declines in the Republic of Macedonia. Revenues in Slovenia grew 3.5% to EUR 152.8 mn, benefitting from strong growth in equipment revenues resulting from higher-value handset sales. In the Republic of Serbia revenues increased 18.5% to EUR 160.3 mn, primarily driven by higher equipment revenues due to a change to the revenue recognition for handsets. In the Republic of Macedonia a 9.3% reduction in revenues to EUR 44.8 mn stemmed from a national termination rate cut in November 2013. Operationally the segment also suffered from competitive price pressure and falling prepaid subscriber numbers.

Following the closing of the merger of mobilkom liechtenstein and Telecom Liechtenstein, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets, but the 24.9% shareholding, which Telekom Austria Group holds in the merged entity Telecom Liechtenstein, is reported on an at-equity basis.

EBITDA

EBITDA comparable

in EUR million	1–9 M 2014	1–9 M 2013	% change
Austria	601.6	601.4	0.0%
Bulgaria	113.4	126.7	–10.5%
Croatia	74.0	96.0	–22.9%
Belarus	136.3	118.4	15.1%
Additional Markets	105.2	103.2	1.9%
Corporate & Holding, Eliminations	3.4	–20.6	n.m.
Total	**1,034.0**	1,025.1	0.9%

Group EBITDA comparable growth of 2.5% y-o-y on a clean basis

In the first nine months of 2014 Group EBITDA comparable rose by 0.9%. Gains in Belarus and the Additional Markets segment offset the declines in Bulgaria and Croatia, while Austria was mostly flat. Excluding the negative extraordinary revenue effects in Austria from the second quarter of 2014, the positive one-off effect from the Liechtenstein merger and negative FX effects of EUR 15.2 mn, Group EBITDA comparable rose 2.5% year-on-year.

In Austria the negative effect from lower revenues were mitigated by reduced operating expenses, which resulted in a flat EBITDA comparable. Excluding the negative extraordinary revenue effects from the second quarter of 2014, the Austrian segment even saw EBITDA comparable growth of 4.7%. The considerable reduction in operating expenses of EUR 169.3 mn was mainly the result of lower material expenses from lower subsidies, as well as lower interconnection costs.

In Bulgaria EBITDA comparable fell 10.5% in the first nine months of 2014 on account of lower revenues, as Mobiltel achieved a reduction in operating expenses of 3.8% year-on-year. Lower interconnection and roaming costs contributed the bulk of the positive change; marketing and maintenance costs were also reduced. This was partly offset by higher material costs from higher-value handsets sold. Other operating income almost doubled to EUR 7.6 mn, stemming mainly from own work capitalisation effects.

In Croatia a 4.1% increase in operating expenses exacerbated the effect of falling revenues on EBITDA comparable, which declined 22.9% year-on-year. Operating expenses were mainly driven by higher material costs from higher subsidies as well as higher other costs, inter alia from concessions and TV content, partly netted by lower interconnection costs.

velcom in Belarus posted 15.1% EBITDA comparable growth despite an increase in operating expenses of 10.9% year-on-year and after a negative FX effect of EUR 13.0 mn. In local currency, EBITDA comparable came in 24.3% higher and operating expenses 19.3% higher versus the same period last year. This increase in operating expenses was primarily the result of bad debt, maintenance and repair as well as rental expenses.

In the Additional Markets segment EBITDA comparable continued to show growth of 1.9% year-on-year in the first nine months of 2014. In Slovenia EBITDA comparable rose 4.6% year-on-year to EUR 48.5 mn as higher operating expenses stemming from the higher number of high-value handsets sold partly reduced the impact of solid revenue growth. Equally, in the Republic of Serbia the growth in operating expenses from material costs due to a change to the revenue recognition for handsets offset much of the positive revenue trend, resulting in EBITDA comparable growth of 1.5% to EUR 50.0 mn. In the Republic of Macedonia EBITDA comparable fell 9.5% year-on-year, to EUR 9.3 mn, despite lower operating expenses primarily from lower interconnection costs.

Other operating income rose by 34.8 mn to EUR 91.7 mn, primarily due to a one-off effect in the amount of EUR 26.8 mn relating to the merger of mobilkom liechtenstein with Telecom Liechtenstein.

EBITDA incl. effects from restructuring and impairment tests

in EUR million	1–9 M 2014	1–9 M 2013	% change
Austria	589.5	566.1	4.1%
Bulgaria	–286.6	126.7	n.m.
Croatia	74.0	96.0	–22.9%
Belarus	136.3	118.4	15.1%
Additional Markets	105.2	103.2	1.9%
Corporate & Holding, Eliminations	3.4	–20.6	n.m.
Total	**621.9**	989.8	–37.2%

EUR 400 mn impairment for Mobiltel booked in the second quarter

Group EBITDA incl. effects from restructuring and impairment tests decreased by 37.2% year-on-year to EUR 621.9mn. This was primarily the result of an impairment of EUR 400.0 mn booked for Mobiltel following a change in the weighted average cost of capital (WACC) of the Bulgarian segment as well as changed medium-term macroeconomic expectations for Bulgaria. Restructuring charges came in lower than in the same period last year at EUR 12.1 mn versus EUR 35.3 mn previously.

Operating Income

EBIT

in EUR million	1–9 M 2014	1–9 M 2013	% change
Austria	208.4	181.7	14.7%
Bulgaria	–352.6	56.6	n.m.
Croatia	23.3	46.8	–50.1%
Belarus	65.7	54.4	20.7%
Additional Markets	28.7	25.3	13.5%
Corporate & Holding, Eliminations	4.0	–20.0	n.m.
Total	**–22.6**	344.7	n.m.

Operating income turned from a positive EUR 344.7 mn in the first nine months of 2013 to a negative EUR 22.6 mn in the first nine months of 2014, primarily as a result of the Bulgarian impairment. Depreciation and amortisation charges remained largely flat versus the same period last year.

Consolidated Net Income

The negative financial result of the Telekom Austria Group fell 3.3%, mainly on account of a reduction in the restructuring provision as well as the asset retirement obligation. FX differences were also substantially reduced, mainly due to higher realised FX gains in Croatia. The income tax expenses amounted to EUR 30.2 mn versus EUR 43.5 mn in the first nine months of 2013, inter alia as a result of a deferred tax benefit in the amount of EUR 9.7 mn relating to the impairment of goodwill in Bulgaria.

Overall, however, the Bulgarian impairment resulted in a negative net income of EUR 190.0 mn for Telekom Austria Group, compared with a positive EUR 159.2 mn in the first nine months of 2013.

Balance Sheet and Net Debt

Total assets of the Telekom Austria Group amounted to EUR 7,413.7 mn as of 30 September 2014, a reduction of 5.7% compared to EUR 7,860 mn as of 31 December 2013. While current assets rose 1.7% year-to-date, non-current assets fell 7.0%. The change in current assets was the result of an increase in cash and other current assets versus last year, mainly due to a reduced investment outflow. This was partly offset by a reduction in accounts receivable stemming inter alia from lower revenues as well as the non-cash change in revenue accounting estimate from the second quarter of 2014 relating to the fixed-line billing system in Austria. The reduction in non-current assets was driven by the impairment in Bulgaria of EUR 400.0 mn, which reduced goodwill by 24.5%. Property, plant and equipment also came in lower due to higher depreciation and amortisation than additions to assets.

Current liabilities fell 5.1% to EUR 1,369.1 mn in the first nine months of 2014, driven by a considerable reduction in accounts payable resulting mainly from lower CAPEX in Austria and a lesser reduction in current provisions and accrued liabilities due to the reversal of provisions for customer allowances as well as the usage of employee provisions. At the same time, the reclassification of long-term loans to short-term borrowings, which took place last quarter as a result of "change of control"- clauses triggered by the shareholders' agreement between ÖIAG and América Móvil, was mostly reversed as lenders agreed to waive payment. Short-term borrowings nevertheless remained slightly elevated due to the remaining outstanding waivers. Non-current liabilities fell 3.3% to EUR 4,741.7 mn resulting from lower long-term debt due to the "change of control"- clauses mentioned above as well as the repayment of EUR 57.3 mn of debt, with no new debt issued.

Total stockholders' equity fell from EUR 1,512.6 mn as of 31 December 2013 to EUR 1,302.9 mn as of 30 September 2014, primarily due to the Bulgarian impairment, which was partly offset by higher retained earnings.

Net debt

in EUR million	30 Sept 2014	31 Dec 2013	% change
Net debt	3,530.9	3,695.8	–4.5%
Net debt / EBITDA comparable (12 months)	2.7x	2.9x	–5.1%

As of 30 September of 2014 net debt fell 4.5% compared with 31 December 2013 and was reported at EUR 3,530.9 mn. This was mainly due to a 3.0% reduction on long-term debt as described above, as well as higher cash and cash-equivalents of 29.3%. As a result, net debt/EBITDA comparable (last 12 months) also improved from 2.9x as at 31 December 2013 to 2.7x as at 30 September 2014.

Cash Flow

Cash flow

in EUR million	1–9 M 2014	1–9 M 2013	% change
Cash flow from operating activities	674.0	789.5	–14.6%
Cash flow from investing activities	–491.0	–780.8	n.m.
Cash flow from financing activities	–119.1	–24.8	n.m.
Effect of exchange rate changes	–0.4	1.3	n.m.
Monetary loss on cash and cash equivalents	0.5	–0.2	n.m.
Net increase / decrease in cash and cash equivalents	64.1	–15.0	n.m.

In the first nine months of 2014 cash flow from operating activities fell by 14.6% year-on-year to EUR 674.0 mn, as a slight increase in gross cash flow was offset by higher cash requirements for working capital, which more than doubled versus the same period last year.

Changes in working capital in the first nine months of 2014 were caused by lower levels of accounts payable as a result of lower Austrian CAPEX as well as lower provisions and accrued liabilities relating to the usage of restructuring provisions in Austria. Prepaid expenses rose mainly due to concession prepayments and deferred commissions in Croatia; other assets rose as a result of higher instalment sales. An increase in other liabilities and deferred income only partly offset the above.

Cash outflow from investing activities changed from EUR 780.8 mn in the first nine months of 2013 to a lesser EUR 491.0 mn in the first nine months of 2014, consisting almost entirely of cash outflow for CAPEX in Austria, Bulgaria (spectrum) and Slovenia (spectrum). The year-on-year change was driven by the acquisition of YESSS! and other assets from Orange Austria, as well as the investments of the proceeds from the issuance of a EUR 600 mn hybrid bond, both in January 2013.

Cash outflow from financing activities rose from EUR 24.8 mn in the first nine months of 2013 to EUR 119.1 mn in the first nine months of 2014, consisting of interest and dividend payments, including to hybrid bond holders. The year-on-year change was driven by the issuance of the EUR 600 mn hybrid bond in January 2013, as well as the issuance of another EUR 300 mn bond in June 2013 and the repayment of a EUR 750 mn bond in July 2013. The result from financial instruments was also lower than in the same period last year due to the closing of hedging positions in 2013.

In summary, the improvement in investing cash outflow mitigated the negative cash effects from the higher requirements for working cashflow and the increase in financing cash outflow, which resulted in an increase in cash and cash equivalents of EUR 64.1 mn as opposed to a reduction of EUR 15.0 mn in the same period last year.

Capital Expenditures

Capital expenditures

in EUR million	1–9 M 2014	1–9 M 2013	% change
Austria	232.4	331.9	–30.0%
Bulgaria	59.3	34.2	73.4%
Croatia	44.2	41.0	7.8%
Belarus	26.7	17.6	51.8%
Additional Markets	109.9	68.3	61.1%
Corporate & Holding, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**472.5**	**493.0**	**–4.2%**
thereof tangible	290.3	335.8	–13.5%
thereof intangible	182.2	157.2	15.9%

Significant reduction in Austrian CAPEX of EUR 99.5 mn y-o-y

In the first nine months of 2014 Group capital expenditures fell 4.2% versus the same period last year to EUR 472.5 mn, as spectrum outlay in Bulgaria and Slovenia was more than offset by CAPEX reductions of EUR 99.5 mn in Austria.

In Austria tangible capital expenditures were significantly lower than in the same period last year, resulting from lower transport and fixed-line network investment as various projects came to an end and others were moved back, as well as the optimisation of spending on customer premises equipment and the core service network. Intangible capital expenditures also almost halved on a comparative basis, stemming primarily from the integration of YESSS! in the second quarter of 2013.

In Bulgaria capital expenditures rose following the prolongation of 900-MHz and 1800-MHz frequency bands for EUR 30.6 mn in April 2014. In Croatia Vipnet reported slightly higher CAPEX due to fixed-line construction spending and higher investments in customer premises equipment, as well as an upgrade of storage capacities, and Belarus increased spending on, inter alia, site construction and IT infrastructure.

Capital expenditures in the Additional Markets segment rose 61.1% primarily due to the Slovenian multiband auction, in the process of which Si.mobil spent EUR 63.9 mn on mobile spectrum. The Republic of Serbia and the Republic of Macedonia both reduced CAPEX.

Personnel

Personnel (full-time equivalent)

End of period	30 Sept 2014	30 Sept 2013	% change
Austria	8,806	9,136	–3.6%
International Operations	7,371	6,948	6.1%
Total	**16,350**	16,243	0.7%

Personnel (full-time equivalent)

Average of period	1-9M 2014	1-9M 2013	% change
Austria	8,846	9,205	–3.9%
International Operations	7,081	7,034	0.7%
Total	**16,099**	16,396	–1.8%

Acquisition of blizoo Macedonia drives up Group headcount

As of 30 September 2014 Telekom Austria Group saw a rise in full-time employees (FTEs) to 16,350 from 16,243 as of 30 September 2013. Austria saw a reduction of 331 FTEs owing to ongoing restructuring efforts. While Bulgaria reduced its headcount by 89 FTEs as a result of the ongoing outsourcing of services, Belarus saw net additions of 150 FTEs versus 30 September 2013 owing to an increase in the residential sales, customer service and IT divisions. The Republic of Macedonia gained 318 FTEs following the closing of the blizoo Macedonia acquisition in July 2014. The Republic of Serbia also saw an increase of 49 FTEs, mainly as a result of growth in the business segment and network development. The other segments remained largely flat.

Quarterly Analysis
Segment Austria

Key Performance Indicators

Financials

in EUR million	Q3 2014	Q3 2013	% change
Revenues	624.2	646.8	–3.5%
EBITDA comparable	234.5	205.4	14.2%
EBITDA incl. effects from restructuring and impairment tests	229.1	177.7	29.0%
EBIT	108.7	53.5	103.3%

Revenue detail	Q3 2014	Q3 2013	% change
Monthly fee and traffic	461.5	459.6	0.4%
Data & ICT solutions	56.1	54.6	2.6%
Wholesale (incl. roaming)	30.3	28.9	5.0%
Interconnection	49.4	65.5	–24.6%
Equipment	24.0	33.8	–28.9%
Other operating income	2.9	4.4	–35.3%

Mobile communication business	Q3 2014	Q3 2013	% change
ARPU (in EUR)	16.9	16.3	3.4%
Mobile service revenues (in EUR million)	277.4	282.3	–1.7%
thereof interconnection	4.7%	8.9%	
Subscriber acquisition cost (SAC, in EUR million)	1.9	10.1	–81.6%
Subscriber retention cost (SRC, in EUR million)	19.1	26.2	–27.4%
Churn (3 months)	4.3%	4.9%	

	Q3 2014	Q3 2013	% change
Mobile communication subscribers (in '000)	5,447.9	5,739.4	–5.1%
Mobile market share	41.0%	42.7%	
Mobile contract share	70.0%	69.3%	
Mobile broadband subscribers (in '000)	722.9	831.0	–13.0%
Mobile penetration - total market	156.2%	158.4%	
Broadband penetration (mobile and fixed) - total market	122.3%	119.8%	

Fixed line business	Q3 2014	Q3 2013	% change
ARPL (in EUR)	30.2	30.9	–2.2%
Fixed service revenues (in EUR million)	206.0	210.6	–2.1%
Fixed line voice minutes (in million)	441.9	496.3	–11.0%

in '000	Q3 2014	Q3 2013	% change
Access lines (without broadband lines)	834.2	909.6	–8.3%
Fixed broadband lines	1,441.2	1,364.0	5.7%
thereof fixed broadband retail lines	1,404.7	1,323.7	6.1%
thereof fixed broadband wholesale lines	36.5	40.3	-9.3%
Total access lines	2,275.5	2,273.6	0.1%
Lines unbundled	242.0	253.5	–4.6%

Austrian voice and broadband shares

Voice market share	Q3 2014	Q3 2013	% change
Fixed line A1 Telekom Austria	8.3%	9.0%	
Fixed line Others	5.0%	5.4%	
Mobile	86.7%	85.6%	

Broadband market share	Q3 2014	Q3 2013	% change
Fixed line retail A1 Telekom Austria	30.9%	29.9%	
Fixed line wholesale A1 Telekom Austria	0.8%	0.9%	
Mobile broadband A1 Telekom Austria	15.9%	18.8%	
Mobile broadband other operators	31.5%	29.9%	
Cable	16.3%	15.4%	
Unbundled lines	4.6%	5.1%	

In the third quarter of 2014 A1 Telekom Austria maintained its focus on the high-value customer base in order to mitigate the negative effects from competitive and regulatory pressure. A1 Telekom Austria successfully maintained a lower level of handset subsidies throughout the quarter, which continued to support profitability. As a result, A1 Telekom Austria managed to achieve year-on-year EBITDA comparable growth. While churn increased and net additions were negative following the tariff adjustments for existing fixed-line and mobile customers in Q2 2014, these trends normalised in the third quarter of 2014.

The number of total mobile communication subscribers fell 5.1% year-on-year in the third quarter of 2014, as lower gross additions mainly in the residential contract segment due to lower subsidies outweighed lower churn.

Fixed access lines increased slightly with 1,900 lines more versus Q3 2013. Fixed broadband lines and TV subscribers continued to grow compared to the same period last year as well as to Q2 2014.

Fixed access lines growth of 1,900 lines

In the third quarter of 2014 the revenue decline slowed to 3.5% year-on-year, as monthly fee and traffic revenues stabilised following higher mobile revenues from monthly fees in spite of lower contract airtime and customer roaming revenues. The overall decline was however primarily driven by lower interconnection revenues due to the cut in mobile as well as fixed-line termination rates in November 2013. Equipment revenues decreased as a result of lower subsidies and thus gross additions in the residential contract business.

Average monthly revenue per user (ARPU) returned to growth, rising from EUR 16.3 to EUR 16.9 in the third quarter of 2014, primarily driven by the contract segment as higher fixed fees overcompensated negative impacts from regulatory cuts. This was also reflected in the slowing decline of mobile service revenues versus the last quarter. The average monthly revenue per fixed line (ARPL) declined as lower voice revenues could not be compensated by higher broadband and TV revenues.

Operating expenses declined by 10.8% year-on-year in the third quarter of 2014 as successful subsidy reduction brought down material expenses and mobile termination rate cuts reduced interconnection costs. Other operating expenses declined mainly due to lower costs for consulting, bad debts and maintenance.

In the Austrian segment EBITDA comparable grew 14.2% year-on-year in the third quarter of 2014 as a result of the above mentioned slowdown in revenue decline and successful cost cutting efforts.

EBITDA comparable growth achieved in Austria with 14.2% y-o-y gain

Restructuring charges came in considerably lower than in the same period last year primarily due to a lower number of full-time employees accepting social plans, while depreciation and amortisation expenses were also slightly lower. This additionally benefited operating income, which more than doubled in the third quarter of 2014 versus the same period last year.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	93.7	101.2	–7.4%
EBITDA comparable	37.6	44.3	–15.2%
EBITDA incl. effects from restructuring and impairment tests	37.6	44.3	–15.2%
EBIT	16.9	21.4	–20.9%

Mobile communication business*	Q3 2014	Q3 2013	% change
ARPU (in EUR)	6.2	6.5	–4.6%
Mobile communication subscribers (in '000)	4,137.2	4,221.4	–2.0%
Mobile market share	37.8%	39.5%	
Mobile contract share	79.1%	78.0%	
Mobile broadband subscribers (in '000)	227.8	174.1	30.8%
Mobile penetration - total market	148.6%	144.2%	

Fixed line business*	Q3 2014	Q3 2013	% change
ARPL (in EUR)	14.4	13.2	8.9%
Total access lines ('000)	151.3	160.4	–5.6%
Fixed broadband lines ('000)	147.5	155.4	–5.1%

* As of Q4 2013 the methodology for counting mobile and fixed lines subscribers has been changed, resulting in a total reduction of 1,026 mn mobile communication subscribers. Previous quarters of 2013 have been adjusted retrospectively.

In the third quarter of 2014 the Bulgarian business remained affected by the weak macroeconomic backdrop and fierce competition in the mobile market. Following the banking crisis in June, parliament was dissolved in August and new elections took place on 5 October. Operationally, Mobiltel continued to counteract these challenges by focusing on value creation through up- and cross-selling, convergent bundle products as well as the retention of high-value customers. In addition, management aims to mitigate revenue pressure on profitability by continued strict cost control.

Data demand translates into mobile broadband subscriber growth of 30.8% y-o-y

As a result of severe price competition in the mobile market, total mobile subscribers fell 2.0% year-on-year to 4.1 mn in the third quarter of 2014, mainly driven by the prepaid segment. The growing demand for data translated into mobile broadband subscriber growth of 30.8% year-on-year. Mobiltel's market share declined to 37.8% in the third quarter of 2014. In the fixed line business, total access lines fell by 5.6% year-on-year mainly driven by the residential segment.

Compared to the same period last year, total revenues fell by 7.4% in the third quarter of 2014, mainly due to the decline in monthly fee and traffic revenues which were impacted by the continuous price pressure in both the residential and business segment and lower equipment revenues.

Average monthly revenue per user (ARPU) fell to EUR 6.2 from EUR 6.5 in the same quarter last year, driven by the negative pricing trend in the business and no-frill segments. Average monthly revenue per fixed line (ARPL) increased from EUR 13.2 to EUR 14.4 in the third quarter of 2014, stemming from a higher business ARPL.

Operating expenses remained stable as higher bad debts were compensated by lower marketing and sales costs. The decline in revenues and stable operating expenses resulted in a decrease in EBITDA comparable, which fell 15.2% in the third quarter of 2014 year-on-year.

Segment Croatia

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	106.5	103.5	2.9%
EBITDA comparable	29.2	35.2	–17.1%
EBITDA incl. effects from restructuring and impairment tests	29.2	35.2	–17.1%
EBIT	12.6	18.8	–33.2%

Mobile communication business	Q3 2014	Q3 2013	% change
ARPU (in EUR)	11.4	11.7	–2.9%
Mobile communication subscribers (in '000)	1,823.4	1,950.0	–6.5%
Mobile market share	36.1%	37.5%	
Mobile contract share	44.0%	42.5%	
Mobile broadband subscribers (in '000)	178.4	199.8	–10.7%
Mobile penetration - total market	117.6%	121.0%	

Fixed line business	Q3 2014	Q3 2013	% change
ARPL (in EUR)	21.1	22.6	–6.5%
Total access lines ('000)	212.3	188.8	12.5%
Fixed broadband lines ('000)	127.6	103.8	22.9%

In the third quarter of 2014 operational trends in Croatia remained impacted by macro-economic headwinds and a highly competitive market. Regulatory pressure continued to weigh on results, such as the increase in the frequency usage fees starting from July 2014. Subsequent tariff adjustments by all operators led to higher churn which Vipnet tried to counteract through higher subsidies.

In the third quarter of 2014 Vipnet's total mobile subscriber base declined by 6.5% year-on-year, mainly driven by the prepaid business. The ongoing reduction in the overall prepaid market was exacerbated by the customer rotation following price increases by all operators in the aftermath of the increase in frequency usage fees starting from July 2014. In the meantime, fixed access lines grew by 12.5% year-on-year due to organic growth as well as acquisitions in 2013.

Revenues growth of 2.9% driven by equipment sales

Revenues increased by 2.9% year-on-year in the third quarter of 2014 as higher equipment revenues due to higher subsidies more than offset negative effects from EU regulation on roaming and interconnection revenues. Higher mobile fixed fees and a higher number of fixed access lines could not compensate lower variable mobile revenues leading to lower monthly fee and traffic revenues.

Average monthly revenue per user (ARPU) declined by 2.9% in the third quarter of 2014 on a year-on-year basis primarily due to lower postpaid airtime revenues as a result of customers moving into bundles . Average monthly revenue per fixed-line (ARPL) declined by 6.5%, as customers from recent acquisitions generate a lower ARPL than Vipnet's traditional customer base. Nevertheless, due to the higher number of access lines through organic growth as well as acquisitions, fixed-line service revenues increased from EUR 12.4 in the third quarter of 2013 to EUR 13.3 in the same period this year.

In the third quarter of 2014 operating expenses rose by 13.2% year-on-year. The increase was mostly due to higher material expenses as a consequence of increased subsidies for contract customers as well as due to higher marketing and sales costs. Other operating expenses rose primarily due to higher frequency usage fees.

Despite the increase in revenues, EBITDA comparable declined by 17.1% year-on-year due to higher operating expenses.

Segment Belarus

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	109.0	81.2	34.3%
EBITDA comparable	54.6	38.1	43.1%
EBITDA incl. effects from restructuring and impairment tests	54.6	38.1	43.1%
EBIT	27.5	18.6	48.2%

	Q3 2014	Q3 2013	% change
ARPU (in EUR)	6.2	4.7	32.1%
Mobile communication subscribers (in '000)	4,948.8	4,898.2	1.0%
Market share	42.5%	42.9%	
Contract share	80.6%	80.4%	
Mobile broadband subscribers (in '000)	272.4	235.4	15.7%
Market penetration - total market	123.1%	120.7%	

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. The Belarusian Rouble fell 2.5% against the Euro in the first nine months of 2014, 8.7% year-on-year, but strengthened by 3.5% in the third quarter of 2014. Inflation amounted to 2.9% in the third quarter of 2014 and to 13.4% for the first nine months of 2014.

In the third quarter of 2014 velcom continued to show strong operational results driven by higher prices together with high demand for smartphones and tablets as well as higher usage which supported upselling activities, especially for data. As a result, its customer base continued to grow by 1.0% year-on-year, driven by the contract segment.

In the third quarter of 2014 total revenues increased by 23.4% on a local currency basis, mainly driven by monthly fee and traffic revenues following inflation-linked price increases over the year. Increasing demand for smart devices also led to higher equipment revenues. After a foreign exchange effect of EUR 9.1 mn, revenues grew by 34.3% on a consolidated basis.

Operating expenses increased by 16.9% year-on-year on a local currency basis. This was primarily due to higher material expenses stemming from an increased number of high-value handsets sold and other operating expenses driven by maintenance and repair expenses as well as higher frequency usage fees.

EBITDA comparable growth of 31.0% y-o-y in local currency

On a local currency basis, EBITDA comparable grew by 31.0% in the third quarter of 2014 compared to the same period last year as the increase in revenues more than offset higher operating expenses. After an FX translation effect of EUR 4.8 mn, the consolidated EBITDA comparable rose 43.1% year-on-year.

Segment Additional Markets

Slovenia

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	51.5	50.0	2.9%
EBITDA comparable	17.1	18.4	–7.3%
EBITDA incl. effects from restructuring and impairment tests	17.1	18.4	–7.3%
EBIT	11.3	12.7	–11.3%

	Q3 2014	Q3 2013	% change
ARPU (in EUR)	19.6	21.4	–8.2%
Mobile communication subscribers (in '000)	683.2	672.7	1.6%
Market share	29.6%	29.9%	
Contract share	79.1%	77.4%	
Mobile broadband subscribers (in '000)	23.4	19.9	17.6%
Market penetration - total market	110.8%	107.9%	

Republic of Serbia

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	58.0	47.9	21.2%
EBITDA comparable	18.6	18.4	1.4%
EBITDA incl. restructuring and impairment test	18.6	18.4	1.4%
EBIT	2.6	0.5	n.m.

	Q3 2014	Q3 2013	% change
ARPU (in EUR)	7.3	7.6	–4.5%
Mobile communication subscribers (in '000)	2,063.9	1,974.7	4.5%
Market share	21.9%	20.9%	
Contract share	51.6%	49.5%	
Market penetration - total market	131.0%	131.5%	

Republic of Macedonia

Key Performance Indicators

in EUR million	Q3 2014	Q3 2013	% change
Revenues	17.0	17.7	–3.7%
EBITDA comparable	4.3	5.1	–14.6%
EBITDA incl. effects from restructuring and impairment tests	4.3	5.1	–14.6%
EBIT	1.6	3.0	–45.4%

Mobile communication business	Q3 2014	Q3 2013	% change
ARPU (in EUR)	7.2	8.6	–16.0%
Mobile communication subscribers (in '000)	630.9	645.4	–2.2%
Market share	27.6%	28.2%	
Contract share	49.8%	44.9%	
Market penetration - total market	111.4%	110.9%	

Fixed line business	Q3 2014	Q3 2013	% change
Total access lines ('000)	62.0	62.1	–0.1%

The merger of mobilkom liechtenstein with Telecom Liechtenstein resulted in a 24.9% ownership of the merged entity by Telekom Austria Group. The transaction was closed on 27 August 2014. As of the closing, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets, but the 24.9% shareholding is reported on an at-equity basis.

In the third quarter the Additional Markets segment continued to benefit from the Group's high-value strategy and upselling initiatives. The subscriber base in the Additional Markets segment grew by 2.6% driven by growth in the contract segment in Slovenia and the Republic of Serbia, while in the Republic of Macedonia the reduction in prepaid subscribers was partly offset by higher postpaid subscribers.

8.8% revenue growth in Additional Markets segment

Total revenues in the Additional Markets segment increased by 8.8% year-on-year as higher revenues from the Republic of Serbia and Slovenia more than offset the revenue decline in the Republic of Macedonia. In Slovenia higher equipment revenues stemming from higher gross additions despite lower subsidies mitigated negative effects from lower mobile prices and from regulation after a mobile termination rate cut in September 2014 from EUR 0.0324 to EUR 0.014. In Serbia equipment revenues rose sharply due to a change in revenue recognition for handsets. Meanwhile, lower revenues in the Republic of Macedonia were primarily driven by the decrease in interconnection revenues from national termination rate cuts in November 2013 and September 2014.

The acquisition of blizoo Macedonia closed on 30 July 2014 and the third quarter results thus include revenues of EUR 1.7 mn EUR from blizoo Macedonia for the months of August and September. The Macedonian segment reported 62,000 access lines as of 30 September 2014.

In the third quarter of 2014 operating expenses increased 16.4% year-on year in the Additional Markets segment, mainly driven by higher material expenses in both Slovenia and the Republic of Serbia. In Slovenia this resulted from higher gross additions offsetting reduced average subsidies. In the Republic of Serbia the increase was caused by the changed revenue recognition for handsets. In the Republic of Macedonia higher material expenses driven by a larger number of terminals sold in the post-paid segment were more than offset by lower interconnection costs.

While EBITDA comparable increased by 1.4% in the Republic of Serbia, it declined by 7.3% and 14.6% respectively in Slovenia and the Republic of Macedonia, and includes EUR 0.6 mn from blizoo Macedonia for August and September. This resulted in an overall decline in EBITDA comparable of 4.9% year-on-year in the Additional Markets segment.

Consolidated Net Income

While the negative financial result was lower, mainly stemming from lesser FX differences due to higher realised FX gains in Croatia, income taxes increased by 34.7% due to different effective tax rates applied. In summary, the Telekom Austria Group achieved an increase in net income of EUR 51.3 mn to EUR 127.8 mn in the third quarter of 2014 compared to the same period last year. This increase was primarily the result of the higher operating income of the Group which included the additional benefit from the Liechtenstein merger.

Capital Expenditures

Capital expenditures

in EUR million	Q3 2014	Q3 2013	% change
Austria	91.0	107.4	−15.3%
Bulgaria	11.5	10.4	10.6%
Croatia	13.2	12.0	10.3%
Belarus	11.1	6.1	81.9%
Additional Markets	16.8	31.7	−47.2%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**143.6**	167.6	**−14.4%**
thereof tangible	112.6	116.4	−3.2%
thereof intangible	30.9	51.2	−39.7%

Total capital expenditure decline driven by Austria and Additional Markets

In the third quarter of 2014 Group capital expenditures decreased 14.4% year-on-year, primarily driven by lower expenditures in Austria and in the Additional Markets segment, while CAPEX increased in Belarus.

In Austria lower tangible capital expenditures are mainly stemming from lower expenses for customer premises equipment. Meanwhile, intangible capital expenditures also came in lower in the third quarter of 2014 versus the same period last year as the latter was impacted by higher investments from the YESSS! integration.

In Belarus CAPEX increased due to higher network investments and IT infrastructure costs.

In the Additional Markets segment capital expenditures fell by EUR 15.0 mn. Si.mobil's CAPEX increased by EUR 0.9 mn, while CAPEX in the Republic of Serbia declined by 40.4% year-on-year due to a change in handset recognition in January 2014. Capital expenditures in the Republic of Macedonia declined as a result of EUR 9.9 mn spent on spectrum in Q3 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 2013, pp. 101 ff.

Other and Subsequent Events

For details on other and subsequent events, please refer to page 40.

Waiver of Review

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

Other

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

Following the classification of Belarus as a hyperinflationary economy, financial reporting in hyperinflationary countries according to IAS 29 has been 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 2014 unaudited	Q3 2013 unaudited	1–9 M 2014 unaudited	1–9 M 2013 unaudited
Operating revenues	1,048.7	1,036.0	2,987.7	3,128.3
Other operating income	53.1	21.1	91.7	56.9
Material expenses	–124.3	–120.4	–341.7	–376.0
Employee expenses, including benefits and taxes	–196.0	–192.4	–626.2	–618.3
Other operating expenses	–366.8	–386.3	–1,077.5	–1,165.8
Operating expenses	**–687.2**	**–699.2**	**–2,045.4**	**–2,160.1**
EBITDA comparable	**414.6**	**357.9**	**1,034.0**	**1,025.1**
Restructuring	–5.4	–27.7	–12.1	–35.3
Impairment and reversal of impairment	0.0	0.0	–400.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**409.3**	**330.2**	**621.9**	**989.8**
Depreciation and amortisation	–209.2	–208.8	–644.5	–645.1
Operating result	**200.0**	**121.5**	**–22.6**	**344.7**
Interest income	3.8	4.4	10.5	12.5
Interest expense	–48.5	–49.4	–147.4	–151.6
Foreign exchange differences	–2.0	–6.4	–0.6	–3.0
Other financial result	0.0	0.0	0.1	–0.1
Result from investments in affiliates	0.0	0.1	0.1	0.2
Financial result	**–46.8**	**–51.3**	**–137.2**	**–142.0**
Earnings before income taxes	**153.3**	**70.2**	**–159.8**	**202.8**
Income taxes	–25.5	–18.9	–30.2	–43.5
Net Result	**127.8**	**51.3**	**–190.0**	**159.2**
Attributable to:				
Owners of the parent	121.3	42.7	–209.1	136.8
Non-controlling interests	0.1	0.0	0.1	0.2
Hybrid capital owners	6.4	8.5	18.9	22.3
Basic and fully diluted earnings per share	**0.27**	**0.10**	**–0.47**	**0.31**
Weighted-average number of ordinary shares outstanding	442,584,841	442,570,548	442,584,841	442,566,170

Condensed Consolidated Statements of Comprehensive Income

in EUR million	Q3 2014 unaudited	Q3 2013 unaudited	1–9 M 2014 unaudited	1–9 M 2013 unaudited
Net Result	**127.8**	**51.3**	**−190.0**	**159.2**
Unrealised result on securities available-for-sale	0.0	0.1	0.2	0.0
Income tax (expense) benefit	0.0	0.0	0.0	0.0
Realised result on securities available-for-sale	0.0	0.0	0.0	0.1
Income tax (expense) benefit	0.0	0.0	0.0	0.0
Unrealised result on hedging activities	0.0	0.0	0.0	0.4
Income tax (expense) benefit	0.0	0.0	0.0	−0.1
Realised result on hedging activities	1.6	1.6	4.8	1.6
Income tax (expense) benefit	−0.4	−0.4	−1.2	−0.4
Foreign currency translation adjustment	−11.8	−4.8	−13.5	−3.9
Items that may be reclassified to profit or loss	**−10.5**	**−3.5**	**−9.8**	**−2.2**
Remeasurements of defined benefit obligations	−1.2	2.3	−3.5	1.0
Income tax (expense) benefit	0.3	−0.6	0.9	−0.3
Items that are not reclassified to profit or loss	**−0.9**	**1.7**	**−2.6**	**0.7**
Other comprehensive income (loss)	**−11.4**	**−1.8**	**−12.4**	**−1.5**
Total comprehensive income (loss)	**116.4**	**49.5**	**−202.4**	**157.7**
Attributable to:				
Owners of the parent	109.9	40.9	−221.5	135.3
Non-controlling interests	0.1	0.0	0.1	0.2
Hybrid capital owners	6.4	8.5	18.9	22.3

Condensed Consolidated Statements of Financial Position

in EUR million	30 Sept. 2014 unaudited	31 Dec. 2013 audited
ASSETS		
Current assets		
Cash and cash equivalents	265.4	201.3
Short-term investments	7.6	9.9
Accounts receivable - trade, net of allowances	607.8	683.8
Receivables due from related parties	0.8	0.1
Inventories	124.8	127.3
Prepaid expenses	113.6	101.7
Income tax receivable	23.7	22.2
Non-current assets held for sale	0.7	1.0
Other current assets	98.0	74.0
Total current assets	**1,242.4**	**1,221.2**
Non-current assets		
Investments in associates	39.4	5.0
Long-term investments	6.3	5.2
Goodwill	1,194.6	1,581.9
Other intangible assets, net	2,578.9	2,590.3
Property, plant and equipment, net	2,194.3	2,308.1
Other non-current assets	38.7	25.2
Deferred tax assets	119.1	123.0
Total non-current assets	**6,171.3**	**6,638.8**
TOTAL ASSETS	**7,413.7**	**7,860.0**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	–280.8	–230.3
Accounts payable - trade	–447.2	–573.8
Current provisions and accrued liabilities	–269.3	–301.4
Payables due to related parties	–4.3	–5.9
Income tax payable	–35.6	–34.7
Other current liabilities	–162.2	–137.1
Deferred income	–169.8	–159.1
Total current liabilities	**–1,369.1**	**–1,442.3**
Non-current liabilities		
Long-term debt	–3,625.9	–3,737.7
Employee benefit obligation	–171.0	–164.3
Non-current provisions	–833.6	–881.4
Deferred tax liabilities	–95.2	–105.3
Other non-current liabilities and deferred income	–16.1	–16.4
Total non-current liabilities	**–4,741.7**	**–4,905.1**
Stockholders' equity		
Common stock	–966.2	–966.2
Treasury shares	7.8	7.8
Additional paid-in capital	–582.6	–582.6
Hybrid capital	–591.2	–591.2
Retained earnings	332.6	132.6
Available-for-sale reserve	–0.1	0.0
Hedging reserve	42.1	45.7
Translation adjustments	455.8	442.3
Equity attributable to equity holders of the parent	**–1,301.7**	**–1,511.5**
Non-controlling interests	–1.1	–1.1
Total stockholders' equity	**–1,302.9**	**–1,512.6**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**–7,413.7**	**–7,860.0**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q3 2014 unaudited	Q3 2013 unaudited	1–9 M 2014 unaudited	1–9 M 2013 unaudited
Net Result	127.8	51.3	−190.0	159.2
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation and impairment	209.2	208.8	1,044.5	645.1
Employee benefit obligation - non-cash	−0.2	5.6	3.1	11.0
Bad debt expenses	9.3	11.0	29.9	34.3
Change in deferred taxes	8.8	1.5	−5.2	2.6
Result from investments in affiliates	0.0	−0.1	0.8	0.1
Share-based compensation	0.4	−0.3	2.4	−1.0
Change in asset retirement obligation - non-cash	1.5	2.2	5.0	5.9
Provision for restructuring - non-cash	7.4	29.2	21.4	46.0
Result on sale of investments	0.0	0.0	−0.1	0.1
Result on disposal / retirement of equipment	−3.0	−0.9	−2.8	−0.4
Gain on monetary items - non-cash	0.4	−0.3	0.6	−0.1
Other	−32.4	5.1	6.9	6.7
Gross cash flow	**329.2**	**313.0**	**916.6**	**909.5**
Accounts receivable - trade	29.8	−1.7	−5.3	−30.8
Receivables due from related parties	−0.6	0.0	−0.7	−0.1
Inventories	1.4	15.4	4.3	7.2
Prepaid expenses and other assets	−24.8	15.6	−55.5	6.0
Accounts payable - trade	−13.7	−17.1	−126.1	−46.6
Employee benefit obligation	0.0	−8.2	0.0	−8.3
Provisions and accrued liabilities	−30.4	−27.5	−95.0	−87.9
Other liabilities and deferred income	10.7	12.1	37.4	42.7
Payables due to related parties	−1.1	−6.0	−1.5	−2.2
Changes in assets and liabilities	**− 28.6**	**− 17.5**	**− 242.6**	**− 120.0**
Cash flow from operating activities	**300.6**	**295.5**	**674.0**	**789.5**
Capital expenditures	−143.6	−167.6	−472.5	−493.0
Acquisitions of subsidiaries, net of cash acquired	−24.7	−2.4	−24.7	−330.8
Sale of subsidiary, net of cash disposed	−4.5	0.0	−4.5	0.0
Sale of property, plant, equipment and intangible assets	4.7	3.3	8.7	7.1
Purchase of investments	−2.1	−50.9	−7.0	−555.4
Sale of investments	5.9	425.5	9.0	591.3
Cash flow from investing activities	**−164.2**	**207.8**	**−491.0**	**−780.8**
Proceeds from issuance of long term debt	0.0	297.5	0.0	297.5
Principal payments on long-term debt	−8.6	−753.3	−57.3	−757.2
Changes in short-term borrowings	25.5	2.4	−3.9	−36.7
Issuance of hybrid bond	0.0	0.0	0.0	588.2
Dividends paid	0.0	0.0	−56.0	−22.2
Settlement of derivative financial instruments	0.0	0.0	0.0	−65.1
Deferred consideration paid for business combinations	0.0	0.0	−1.9	−29.3
Cash flow from financing activities	**16.9**	**−453.4**	**−119.1**	**−24.8**
Effect of exchange rate changes	**1.1**	**4.8**	**−0.4**	**1.3**
Monetary loss on cash and cash equivalents	**0.2**	**0.4**	**0.5**	**−0.2**
Change in cash and cash equivalents	**154.6**	**55.0**	**64.1**	**−15.0**
Cash and cash equivalents at beginning of period	110.8	530.8	201.3	600.8
Cash and cash equivalents at end of period	265.4	585.8	265.4	585.8

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2014	966.2	–7.8	582.6	591.2	–132.6	–488.0	1,511.5	1.1	1,512.6
Net Result	0.0	0.0	0.0	0.0	–190.1	0.0	–190.1	0.1	–190.0
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–2.6	–9.8	–12.4	0.0	–12.4
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**–192.8**	**–9.8**	**–202.6**	**0.1**	**–202.4**
Distribution of dividends	0.0	0.0	0.0	0.0	–49.6	0.0	–49.6	–0.1	–49.7
Hyperinflation adjustment	0.0	0.0	0.0	0.0	42.3	0.0	42.3	0.0	42.3
Balance at 30 Sept. 2014	966.2	–7.8	582.6	591.2	–332.6	–497.8	1,301.7	1.1	1,302.9

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

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

Net Debt

in EUR million	30 Sept. 2014 unaudited	31 Dec. 2013 unaudited
Long-term debt	3,625.9	3,737.7
Short-term borrowings	280.8	232.2
Cash and cash equivalents and short-term investments	–273.0	–211.2
Long-term investments, instalment sale and finance lease receivables	–102.8	–62.9
Net debt	**3,530.9**	**3,695.8**
Net debt/EBITDA comparable (last 12 months)	**2.7x**	**2.9x**

The deferred consideration for the acquisition of SOBS paid in June 2014 is included in short-term borrowings as of 31 December 2013.

Condensed Operating Segments

	1–9 M 2014							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,805.8	274.4	276.0	275.3	356.2	0.0	0.0	2,987.7
Intersegmental revenues	16.0	2.0	6.3	0.0	7.0	0.0	–31.3	0.0
Total revenues	**1,821.8**	**276.4**	**282.3**	**275.3**	**363.2**	**0.0**	**–31.3**	**2,987.7**
Other operating income	64.8	7.6	3.2	4.3	8.3	48.2	–44.7	91.7
Segment expenses	–1,285.0	–170.6	–211.5	–143.3	–266.3	–44.3	75.4	–2,045.4
EBITDA comparable	**601.6**	**113.4**	**74.0**	**136.3**	**105.2**	**4.0**	**–0.6**	**1,034.0**
Restructuring	–12.1	0.0	0.0	0.0	0.0	0.0	0.0	–12.1
Impairment and reversal of impairment	0.0	–400.0	0.0	0.0	0.0	0.0	0.0	–400.0
EBITDA incl. effects from restructuring and impairment testing	**589.5**	**–286.6**	**74.0**	**136.3**	**105.2**	**4.0**	**–0.6**	**621.9**
Depreciation and amortisation	–381.1	–66.1	–50.7	–70.6	–76.6	0.0	0.6	–644.5
Operating result	**208.4**	**–352.6**	**23.3**	**65.7**	**28.7**	**4.0**	**0.0**	**–22.6**
Interest income	1.7	0.9	0.0	7.4	0.7	26.5	–26.7	10.5
Interest expense	–33.3	–0.4	–7.6	–1.7	–1.6	–129.4	26.7	–147.4
Result from investments in affiliates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial result	0.8	0.0	–0.4	–0.3	–0.6	–7.5	7.7	–0.4
Earnings before income taxes	**177.6**	**–352.2**	**15.3**	**71.1**	**27.1**	**–106.5**	**7.6**	**–159.8**
Income taxes								–30.2
Net result								**–190.0**
Segment assets	4,764.8	879.9	570.2	594.1	803.3	7,573.3	–7,772.0	7,413.7
Segment liabilities	–2,517.5	–97.0	–379.3	–70.3	–193.8	–4,447.9	1,594.9	–6,110.8
Capital expenditures - intangible	58.5	40.4	5.2	2.6	75.4	0.0	0.0	182.2
Capital expenditures - tangible	173.8	18.9	39.0	24.1	34.5	0.0	0.0	290.3
Total capital expenditures	**232.4**	**59.3**	**44.2**	**26.7**	**109.9**	**0.0**	**0.0**	**472.5**
EBITDA comparable margin	33.0%	41.0%	26.2%	49.5%	29.0%	n.a	n.a	34.6%

	1–9 M 2013							
in EUR million (unaudited)	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%

Results by Segments

in EUR million	Q3 2014 unaudited	Q3 2013 unaudited	% change	1–9 M 2014 unaudited	1–9 M 2013 unaudited	% change
Revenues						
Austria	624.2	646.8	−3.5%	1,821.8	1,992.3	−8.6%
Bulgaria	93.7	101.2	−7.4%	276.4	300.0	−7.9%
Croatia	106.5	103.5	2.9%	282.3	293.7	−3.9%
Belarus	109.0	81.2	34.3%	275.3	244.0	12.8%
Additional markets	127.6	117.3	8.8%	363.2	337.4	7.7%
Corporate & Other & Eliminations	−12.3	−14.0	−12.0%	−31.3	−39.2	−20.0%
Total revenues	**1,048.7**	**1,036.0**	**1.2%**	**2,987.7**	**3,128.3**	**−4.5%**
EBITDA comparable						
Austria	234.5	205.4	14.2%	601.6	601.4	0.0%
Bulgaria	37.6	44.3	−15.2%	113.4	126.7	−10.5%
Croatia	29.2	35.2	−17.1%	74.0	96.0	−22.9%
Belarus	54.6	38.1	43.1%	136.3	118.4	15.1%
Additional markets	39.1	41.1	−4.9%	105.2	103.2	1.9%
Corporate & Other & Eliminations	19.7	−6.2	−418.1%	3.4	−20.6	−116.3%
Total EBITDA comparable	**414.6**	**357.9**	**15.8%**	**1,034.0**	**1,025.1**	**0.9%**
EBITDA incl. effects from restructuring and impairment testing						
Austria	229.1	177.7	29.0%	589.5	566.1	4.1%
Bulgaria	37.6	44.3	−15.2%	−286.6	126.7	−326.2%
Croatia	29.2	35.2	−17.1%	74.0	96.0	−22.9%
Belarus	54.6	38.1	43.1%	136.3	118.4	15.1%
Additional markets	39.1	41.1	−4.9%	105.2	103.2	1.9%
Corporate & Other & Eliminations	19.7	−6.2	−418.1%	3.4	−20.6	−116.3%
Total EBITDA incl. effects from restructuring and impairment testing	**409.3**	**330.2**	**23.9%**	**621.9**	**989.8**	**−37.2%**
Operating result						
Austria	108.7	53.5	103.3%	208.4	181.7	14.7%
Bulgaria	16.9	21.4	−20.9%	−352.6	56.6	−723.4%
Croatia	12.6	18.8	−33.2%	23.3	46.8	−50.1%
Belarus	27.5	18.6	48.2%	65.7	54.4	20.7%
Additional markets	14.4	15.3	−5.4%	28.7	25.3	13.5%
Corporate & Other & Eliminations	19.9	−6.0	−432.0%	4.0	−20.0	−119.8%
Total operating result	**200.0**	**121.5**	**64.7%**	**−22.6**	**344.7**	**−106.6%**
EBITDA comparable margin						
Austria	37.6%	31.8%		33.0%	30.2%	
Bulgaria	40.1%	43.8%		41.0%	42.2%	
Croatia	27.4%	34.0%		26.2%	32.7%	
Belarus	50.1%	47.0%		49.5%	48.5%	
Additional markets	30.6%	35.0%		29.0%	30.6%	
EBITDA comparable margin total	**39.5%**	**34.6%**		**34.6%**	**32.8%**	

Capital Expenditures

in EUR million	Q3 2014 unaudited	Q3 2013 unaudited	% change	1–9 M 2014 unaudited	1–9 M 2013 unaudited	% change
Austria	91.0	107.4	–15.3%	232.4	331.9	–30.0%
Bulgaria	11.5	10.4	10.6%	59.3	34.2	73.4%
Croatia	13.2	12.0	10.3%	44.2	41.0	7.8%
Belarus	11.1	6.1	81.9%	26.7	17.6	51.8%
Additional markets	16.8	31.7	–47.2%	109.9	68.3	61.1%
Total capital expenditures	**143.6**	**167.6**	**–14.4%**	**472.5**	**493.0**	**–4.2%**
Thereof tangible	112.6	116.4	–3.2%	290.3	335.8	–13.5%
Thereof intangible	30.9	51.2	–39.7%	182.2	157.2	15.9%

Selected Explanatory Notes to the Consolidated Interim Financial Statements

Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation in accordance with IAS 34 "Interim Financial Reporting" and are not audited or reviewed and should be read in connection with the audited Company's annual consolidated financial statements according to IFRS for the year ended 31 December 2013. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2013.

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

The Company has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2013, except the following standards/interpretations which became effective and were endorsed by EU as of 1 January 2014:

		Effective*	Effective**
IAS 32	Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	1 January 2014	1 January 2014
IFRS 10.12; IAS 27	Investment Entities - Amendments to IFRS 10, 12 and IAS 27	1 January 2014	1 January 2014
IAS 36	Amendment IAS 36 Recoverable Amount Disclosures	1 January 2014	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	1 January 2014
IFRIC 21	Levies	1 January 2014	1 January 2014

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

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

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

Format of the Condensed Consolidated Statements of Profit or Loss

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment testing are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring programme and from impairment testing, if any. The restructuring programme includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. Furthermore, expenses for the transfer of civil servants to the Austrian government are adjusted for the purpose of determining EBITDA comparable. For details on restructuring expenses for the first nine months 2014 and 2013 see "Provisions and Accrued Liabilities".

Business combinations

In June 2014, the Telekom Austria Group has signed an agreement for the merger of its subsidiary mobilkom liechtenstein into Telecom Liechtenstein AG to form a convergent market leader in Liechtenstein. Closing of this non-cash transaction was on 27 August 2014 and resulted in Telekom Austria Group holding a stake of 24.9% and the Principality of Liechtenstein 75.1% in Telecom Liechtenstein AG. The new company offers bundled products out of one hand – fixed line, mobile communications, internet and TV services. The new company is accounted for under the equity method and is presented in the segment Corporate & Other. The fair value of Telekom Austria Group's stake in the new company was EUR 34.3 million and the transaction resulted in a gain of EUR 26.8 million which was recognised in item Other operating income in the Condensed Consolidated Statements of Profit or Loss.

On 30 July 2014, Telekom Austria Group acquired 100% of blizoo DOEL, Macedonia ("blizoo") through its Austrian subsidiary mobilkom Mazedonien Beteiligungsverwaltungs GmbH, for a total consideration of EUR 13.8 million. Additionally, a receivable of the acquiree in the amount of EUR 11.2 million was acquired. Blizoo is presented in the segment Additional Markets and is the leading cable operator in the Republic of Macedonia, offering TV services, broadband and fixed voice. The acquisition represents a significant step in fulfilling the Group´s convergence strategy and enables Vip operator and blizoo to offer bundled fixed and mobile services in Macedonia. A goodwill in the amount of EUR 13.0 million was recognised. The factors contributing to the recognised goodwill are expected future earnings from the positive development of the market share (including increase in customer benefit by usage of the Vip operator network) and expected synergies in cost. Acquisition-related costs recognised as expense amounted to EUR 0.6 million and are presented in line item Other operating expenses in the Condensed Consolidated Statements of Profit or Loss.

The fair values of the assets acquired and liabilities assumed at the acquisition date were determined based on the provisional allocation of the considerations transferred and are shown in the following table:

Acquisition of blizoo

in EUR million (unaudited)	Fair values on acquisition
Property, plant and equipment	12.2
Intangible assets	3.0
Other assets and receivables	1.0
Cash and cash equivalents	0.3
Short-term borrowings	–7.5
Accounts payable - trade and other liabilities	–8.2
Net identifiable assets and liabilities	**0.9**
Goodwill on acquisition	13.0
Total purchase consideration	**13.8**
Cash paid for receivable acquired	11.2
Cash acquired	–0.3
Net cash outflow	**24.7**

Since the acquisition date blizoo contributed revenues in the amount of EUR 1.7 million and EUR 0.1 million net income. Since the effect of the acquired entity on the consolidated financial statements of Telekom Austria Group is not considered significant, no pro-forma information is presented.

Change in accounting estimates

In the second quarter of 2014 a new billing system interface was implemented, which enables a largely automatic calculation of unbilled revenues in order to calculate deferred revenues. Additionally by applying a separate “Revenue Assurance Software” an automatic control of these deferred revenues is being performed. Due to the development of the system, the component of estimation could be reduced and the data quality was improved. The new interface accesses directly the billing data, which no longer have to be transferred from multiple different systems and aggregated in several automated and manual interfaces anymore. This change in accounting estimate resulted in a decrease in operating revenues and a decrease in accounts receivable – trade in the amount of EUR 47.5 million in the segment Austria. This change in accounting estimate according to IAS 8 does not have any effect on following periods.

In addition, in the first nine month of 2014, the discount rate applied to the calculation of asset retirement obligations was changed from 3.0% as per December 2013 to 2.0%. The discount rate used for the calculation is based on the risk-free interest rate of Austrian government bonds with a maturity of 25 years. The inflation rate was changed from 2.5% to 2.0% to reflect current market conditions in the individual countries. The obligation related to the disposal of hazardous substances upon retirement of buildings was based on a new external expert opinion. In the first nine months, the change of these parameters resulted in a decrease of the asset retirement obligation and a corresponding decrease in related tangible assets in the amount of EUR 3.0 million while EUR 2.9 million were recognised in Other operating income as the underlying sites were fully depreciated. In the segment Belarus, the inflation rate of 15% and the discount rate of 21% remain unchanged compared to the previous year.

Cash Flow

The item “other”, which is part of the reconciliation of net result to gross cash flow, in the first nine months 2014 mainly relates to the above mentioned non-cash effect of the change in accounting estimate for deferred unbilled revenues, non-cash changes in provisions and profit from the merger of mobilkom liechtenstein into Telecom Liechtenstein which is described under business combinations.

Cash disposed of in merger of mobilkom liechtenstein into Telecom Liechtenstein amounted to EUR 4.5 million and is presented within line item Sale of subsidiary, net of cash disposed.

Goodwill

In the second quarter of 2014 an impairment of goodwill in the amount of EUR 400.0 million was recognised in profit or loss in line item Impairment and reversal of impairment as the carrying amount (including goodwill) of the cash generating unit Bulgaria exceeded its value in use.

Due to a change in the weighted average cost of capital (WACC) of the Bulgarian segment as well as changed medium-term macroeconomic expectations for Bulgaria, leading to changed expectations of the development of the Bulgarian subsidiary Mobiltel, an impairment test had to be carried out in the second quarter 2014. This resulted in a reduction of the value in use of the cash-generating unit Mobiltel.

As of June 2014 Mobiltel's WACC used to measure discounted cash flows increased by over 20% versus the last impairment test in the fourth quarter of 2013. This is the result of a rise in Telekom Austria Group's beta factor (measure of correlation between the performance of a security and the market) and an increase in the estimated Country Risk Premium for Bulgaria. On 13 June 2014 rating agency Standard & Poor's cut its sovereign credit rating for Bulgaria from BBB to BBB-, expecting economic growth to remain mediocre unless there are meaningful political and structural reforms.

These changed medium-term macroeconomic expectations and weak operational performance of Mobiltel in 2014 (after being in line with the budget in the first quarter 2014) also resulted in changed expectations for the entire Bulgarian telecoms market and the development of the Bulgarian subsidiary Mobiltel. While the management expected a mid-term recovery of the region, this expectation appears no longer sustainable. The resulting effects on the business plan for the Bulgarian segment drive the remainder of the impairment.

The WACC used for the calculation of the value in use decreased from 12.6% - 9.1% in June 2014 to 10.4% to 8.2% in September 2014 due to the decrease in the risk free interest rate, the raw Beta levered of Telekom Austria and the inflation spread. This significant decrease in only three months arising from external factors is the main driver of the increase of the value in use by appr. EUR 161 million and shows the current volatility of WACC parameters.

The Croatian market is significantly influenced by regulatory impacts and market conditions. A possible adverse effect of these external factors could potentially cause Vipnet's carrying amount to exceed its value in use. As of 30 September 2014 Vipnet's value in use exceeds its carrying amount by more than EUR 160 million, compared to less than EUR 100 million in June due to both short- and mid-term improvements on budget and the decrease of external WACC parameters.

Other Non-Current and Current Assets

The increase in other non-current and current assets is mostly due to increase of instalment sales receivables in segments Croatia, Belarus and Si.mobil which is allocated to segment Additional Markets.

Non-Current and Current Liabilities

In the first nine months 2014, no long-term debt was issued and EUR 57.3 million of long-term debt was repaid.

Due to "change of control"-clauses, which were triggered by the shareholders' agreement between ÖIAG, America Movil and Carso Telecom B.V., effective since 27 June 2014, long-term loans in the amount EUR 641.7 million had to be presented under short-term borrowings according to IAS 1.74 as of 30 June 2014. For loans in the amount of EUR 541.7 million the lenders agreed not to demand payment as a consequence of the "change of control"-clauses, therefore the loans are presented as long-term debt again. EUR 100 million are still presented as short-term borrowings as Telekom Austria plans to repay them in the fourth quarter of 2014.

The resulting increase in short-term borrowings of these EUR 100 million was partly offset by the repayment of long-term debt classified as short-term as of 31 December 2013.

In August 2014, Asset Backed Security (ABS) programme in Austria was closed and therefore no accounts receivable were sold as of 30 September 2014.

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

In 2010 Telekom Austria Group has introduced a Long Term Incentive Programme (LTI). On 6 May 2014 the Supervisory Board approved the fifth tranche (LTI 2014). Grant date was 1 July 2014 the performance period is 1 January 2014 to 31 December 2016. Net income, total shareholder return and EBITDA were defined as key performance indicators. As of reporting date a liability for LTI 2014 measured at fair value for expected future expense which is already vested, in the amount of EUR 1.0 million is recorded.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 775.4 million as of 31 December 2013 decreased to EUR 724.5 million as of 30 September 2014, mainly due to the usage of the provision, partly compensated by the accretion and additions to the provision. In the first nine months 2014 a positive effect of restructuring of EUR 0.3 million, in the first nine months 2013 a restructuring expense of EUR 31.9 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 26.6 million as of 31 December 2013 decreased to EUR 25.3 million as of 30 September 2014. In the first nine months 2014 and 2013, a restructuring expense of EUR 12.3 million and EUR 3.4 million, respectively, was recorded.

Income Taxes

The effective tax rate for the first nine months 2014 and 2013 was -18.9% and 21.5%, respectively. In the first nine months 2014 and 2013, the effective tax rate was lower than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials. The effective tax rate 2014 does not include the effect of the impairment of the goodwill in the amount of EUR 400.0 million in segment Bulgaria as well as the relating deferred tax benefit in the amount of EUR 9.7 million, since goodwill was tax deductible in Bulgaria until 2006.

Net deferred tax assets of EUR 17.7 million as of 31 December 2013 increased to EUR 24.0 million as of 30 September 2014, mainly due to the recognition of deferred tax assets on loss carry-forwards, which was mostly offset by the deferred recognition of the impairments of investments in subsidiaries for tax purposes over seven years according to Austrian legislation.

Stockholders' Equity

In February 2014, the Telekom Austria Group paid the first annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 6.3 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the Condensed Consolidated Statements of Profit or Loss and equals the recognised interest for the first nine months according to local GAAP amounting to EUR 25.2 million, net of the related tax benefit of EUR 6.3 million, which is recognised in stockholders' equity according to IAS 12.

In June 2014, the Telekom Austria Group distributed dividends to its shareholders in the amount of EUR 22.1 million.

Other reserves in the Condensed Consolidated Statements of Changes in Stockholders' Equity include Available-for-sale reserve, Hedging reserve and Translation adjustments.

On 23 April 2014 Österreichischen Industrieholding AG („ÖIAG") entered into a shareholders' agreement, effective since June 27, 2014, with Carso Telecom B.V., Netherlands ("Carso Telecom") and América Móvil, S.A.B. de C.V., Mexico City ("América Móvil"), by which the parties have contractually undertaken to jointly pursue a long-term policy with regard to the management of Telekom Austria Group, by exercising voting rights on a concerted basis ("Syndicate Agreement"). On 15 May 2014 Carso Telecom, which is controlled by América Móvil, published a voluntary public takeover offer for all shares of Telekom Austria AG ("Offer"). On 17 July 2014 the Offer was settled. After the Offer, América Móvil holds in total 50.8% of the share capital of the Telekom Austria Group, while ÖIAG continues to hold 28.4%. The Syndicate Agreement currently covers 351,002,957 shares of Telekom Austria, which equates to a shareholding of 79.23%. During the 3-months additional acceptance ("sell-out") period following the publication of the Offer results (16 July – 16 October 2014), shareholders could have tendered their shares under the Offer conditions.

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. 2014 Carrying amount unaudited	Fair value unaudited	31 Dec. 2013 Carrying amount audited	Fair value audited
Cash and cash equivalents	**265.4**	**265.4**	**201.3**	**201.3**
Accounts receivable - trade	607.8	607.8	683.8	683.8
Receivables due from related parties	0.8	0.8	0.1	0.1
Other current financial assets	67.5	67.5	42.6	42.6
Other non-current financial assets	30.6	30.6	18.1	18.1
Loans and receivables	**706.7**	**706.7**	**744.6**	**744.6**
Long-term investments	5.1	5.1	4.7	4.7
Short-term investments	7.6	7.6	9.9	9.9
Available-for-sale investments	**12.8**	**12.8**	**14.6**	**14.6**
Investments at cost	**1.2**	**1.2**	**0.6**	**0.6**

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

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

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

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

in EUR million	30 Sept. 2014 Carrying amount unaudited	Fair value unaudited	31 Dec. 2013 Carrying amount audited	Fair value audited
Liabilities to financial institutions	0.1	0.1	0.0	0.0
Bonds	3,028.6	3,403.2	3,025.5	3,206.8
Other current financial liabilities	57.1	57.1	68.2	68.2
Non-current liabilities to financial institutions	791.5	849.1	848.8	911.4
Other non-current liabilities	0.9	0.9	0.9	0.9
Accounts payable - trade	447.2	447.2	573.8	573.8
Payables due to related parties	4.3	4.3	5.9	5.9
Accrued interest	86.5	86.5	93.7	93.7
Financial liabilities at amortised cost	**4,416.1**	**4,848.3**	**4,616.9**	**4,860.8**

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

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

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

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

30 Sept. 2014 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.0	5.5	0.0	12.5
Financial assets measured at fair value	**7.0**	**5.5**	**0.0**	**12.5**

31 Dec. 2013 in EUR million (audited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.4	8.1	0.0	14.6
Financial assets measured at fair value	**6.4**	**8.1**	**0.0**	**14.6**

The levels of fair value hierarchy are determined as follows:

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

Subsequent and Other Events

There were no subsequent events.

Vienna, 17 October 2014

The Management Board

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

Siegfried Mayrhofer, CFO, Telekom Austria Group

Günther Ottendorfer, CTO, Telekom Austria Group