TELEKOM AUSTRIA GROUP

Results for the Full Year 2014

Highlights

- Group revenue decline of 4.0% as strong performance in Belarus and the Additional Markets segment partly mitigate losses in Austria, Bulgaria and Croatia
- Stable Group EBITDA comparable, primarily driven by reduced operating expenses in Austria despite net negative one-off effects (EUR -31.5 mn net)
- Austria:
  - Slowdown in monthly fee and traffic revenue decline to 3.6% as ARPU grows
  - Negative regulatory effects of EUR 77.0 mn on revenues
  - Drastic reduction in SACs and SRCs results in EBITDA comparable growth of 1.4%
- CEE
  - Inflation-linked price increases deliver strong operational results in Belarus
  - Macro and competitive pressure weighs on results in Bulgaria and Croatia despite positive fixed-line revenue contributions
  - Higher equipment revenues drive Additional Markets segment growth
- Group outlook for 2015 (except for Belarus on a constant currency basis): Revenue growth of approx. +2.0%, CAPEX* of EUR 700-750 mn, intended dividend of EUR 0.05/share**

in EUR million	Q4 2014	Q4 2013***	% change	1–12 M 2014	1–12 M 2013***	% change
Revenues	1,030.3	1,055.7	−2.4%	4,018.0	4,183.9	−4.0%
EBITDA comparable	252.1	262.3	−3.9%	1,286.1	1,287.4	−0.1%
Operating income	−39.8	−26.6	n.m.	−3.0	318.2	n.m.
Net income	−48.9	−107.1	n.m.	−185.4	52.1	n.m.
Cash flow generated from operations	227.4	262.0	−13.2%	901.4	1,051.6	−14.3%
Earnings per share (in EUR)	−0.10	−0.24	n.m.	−0.46	0.07	n.m.
Free cash flow per share (in EUR)	−0.10	−2.31	n.m.	0.34	−1.62	n.m.
Capital expenditures	284.9	1,286.1	−77.8%	757.4	1,779.1	−57.4%

in EUR million	31 Dec 2014	31 Dec 2013	% change
Net debt****	2,693.3	3,758.7	−28.3%
Net debt / EBITDA comparable (12 months)****	2.1	2.9	−28.3%

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

* Does not include investment in spectrum and acquisitions.

** Intended proposal to the Annual General Meeting 2015

*** The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

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

Disclaimer

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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Results for the Full Year 2014

Group Review

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format (“Fact Sheet Q4 2014”) are available on the website at www.telekomaustria.com.

Results for the first quarter 2015 will be announced in the week of 20 April 2015.

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Vienna, 10 February 2015 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the full year and fourth quarter 2014, ending 31 December 2014.

Summary Year-To-Date Comparison

Key Performance Indicators Group

Full Year 2014

Financials

in EUR million	1–12 M 2014	1–12 M 2013*	% change
Revenues	4,018.0	4,183.9	–4.0%
EBITDA comparable	1,286.1	1,287.4	–0.1%
EBITDA incl. effects from restructuring and impairment tests	850.8	1,182.8	–28.1%
Operating income	–3.0	318.2	n.m.
Net income	–185.4	52.1	n.m.
Cash flow generated from operations	901.4	1,051.6	–14.3%
Earnings per share (in EUR)	–0.46	0.07	n.m.
Free cash flow per share (in EUR)	0.34	–1.62	n.m.
Capital expenditures	757.4	1,779.1	–57.4%

in EUR million	31 Dec 2014	31 Dec 2013*	% change
Net debt	2,693.3	3,758.7	–28.3%
Equity	2,218.0	1,459.1	52.0%
Net debt / EBITDA comparable (12 months)	2.1	2.9	–28.3%

Fixed access lines (in '000)	31 Dec 2014	31 Dec 2013	% change
Total access lines	2,723.3	2,636.9	3.3%
in Austria	2,287.1	2,283.9	0.1%
in Bulgaria	153.6	159.9	–3.9%
in Croatia	219.9	193.1	13.9%
in the Republic of Macedonia	62.6	n.a.	n.a.
of which broadband lines	1,800.5	1,654.4	8.8%

Mobile communication subscribers (in '000)	31 Dec 2014	31 Dec 2013	% change
Total subscribers	20,008.4	20,117.4	–0.5%
in Austria	5,424.1	5,714.5	–5.1%
in Bulgaria	4,221.0	4,181.5	0.9%
in Croatia	1,741.0	1,843.8	–5.6%
in Belarus	4,949.9	4,947.4	0.0%
in Slovenia	681.5	679.2	0.3%
in the Republic of Serbia	2,159.5	2,017.7	7.0%
in the Republic of Macedonia	622.0	629.7	–1.2%
in Liechtenstein**	n.m.	6.4	n.m.

Employees (full-time equivalent, period-end)	16,240	16,045	1.2%

* The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.

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

In the financial year 2014 Telekom Austria Group saw a reduction in revenues of 4.0% to EUR 4,018.0 mn. Higher revenues in the Belarus and Additional Markets segments were offset by declines in Austria, Bulgaria and Croatia. Negative regulatory effects amounted to EUR 128.2 mn. Adjusted for negative extraordinary effects relating to the introduction of a fixed-line billing system interface in Austria in the amount of EUR 28.2 mn and negative FX effects in the amount of EUR 46.0 mn, revenues declined by 2.2% compared with the previous year.

In Austria management followed the restructuring of the mobile tariff portfolio implemented in the previous year with measures aimed at existing mobile and fixed-line customers and a significant reduction in handset subsidies. These operational measures were, however, not sufficient to offset negative regulatory effects and lower equipment revenues due to lower subsidies. Excluding the above-mentioned one-off effect the reduction in monthly fee and traffic revenues slowed.

In 2014 the Bulgarian segment suffered from pronounced macroeconomic pressure and an uncertain political situation. In combination with tough competition and regulatory pressure, this led to an adjustment of the medium-term expectations for Mobiltel and the recognition of the resulting impairment charge of EUR 400 mn, of which EUR 59.4 mn were recognised in 2013 and EUR 340.6 mn in 2014.[1] In Croatia business operations were also negatively affected by the difficult economic environment, intense competition and regulatory intervention. Positive fixed-line trends helped to offset some of the losses in the mobile business. Despite the political crisis in Ukraine, velcom in Belarus showed strong operating results based on price increases to offset inflation as well as strong demand for smartphone and data services. The Additional Markets segment saw revenue growth with the exception of Vip operator in the Republic of Macedonia, which suffered from significant reductions in mobile termination rates.

The Additional Markets segment also saw a range of structural changes. The acquisition of blizoo Macedonia, which closed on 30 July 2014, will allow Telekom Austria Group to also offer convergent services in the Macedonian market. Furthermore, Telekom Austria Group and Telekom Slovenije Group agreed to merge their Macedonian subsidiaries Vip operator and One in October 2014. The transaction requires approval by the competent authorities, which is expected for the first quarter of 2015. Due to the merger of mobilkom liechtenstein with Telecom Liechtenstein, which closed on 27 August of 2014, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets. The 24.9% shareholding, which Telekom Austria Group holds in the merged entity Telecom Liechtenstein, is reported on an at-equity basis.

In mobile communications the Telekom Austria Group saw a slight decline in customers of 0.5%, mainly driven by the prepaid business. The company also gained around 86,400 fixed access lines, corresponding to growth of 3.3%, which stemmed primarily from the acquisition of blizoo Macedonia.

An increase in other operating income of 36.7% to EUR 119.0 mn was primarily due to a one-off effect in the amount of EUR 26.8 mn relating to the merger in Liechtenstein.

Operating expenses fell by 4.5% to EUR 2,850.9 mn, mostly due to a EUR 197.7 mn reduction in Austria stemming from lower subsidies and termination rates. Employee costs in Austria included a one-off provision for potential back-payments for civil servants in the amount of EUR 30.1 mn.

Despite the negative net effects from the above-mentioned one-offs, EBITDA comparable remained almost flat at EUR 1,286.1 mn in the 2014 financial year, largely as a result of the reduction in operating expenses. The segments Austria and Belarus saw growth in EBITDA comparable of 1.4% and 10.6% respectively, thereby offsetting declines of 9.8%, 28.3% and 1.1% respectively in Bulgaria, Croatia and the Additional Markets segment. Excluding the extraordinary effects from the fixed-line business and employee costs in Austria as

[1] The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.

well as the one-off effect in Liechtenstein, and adjusted for negative FX effects in the amount of EUR 20.1 mn, EBITDA comparable increased by 3.9% year-on-year.

Restructuring expenses amounted to EUR 89.6 mn in the year under review after EUR 45.2 mn in 2013. After a negative financial result which came in slightly lower, as well as lower income taxes due to deferred tax gains, the above translated into a net loss of EUR 185.4 mn for Telekom Austria Group in 2014, compared with net income of EUR 52.1 mn in 2013.

Group capital expenditures fell 57.4% versus the same period last year to EUR 757.4 mn, as spectrum outlay in Bulgaria and Slovenia was more than mitigated by a reduction in Austrian CAPEX of 73.6% relating to the high costs for Austrian mobile spectrum and the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria in 2013.

Following the EUR 1bn capital increase in November 2014, the Groups equity increased by 52.0% to EUR 2,218.0 mn, while net debt was reduced by 28.3% to EUR 2,693.3 mn.

Summary Quarterly Comparison

Key Performance Indicators Group

4th Quarter 2014

Financials

in EUR million	Q4 2014	Q4 2013*	% change
Revenues	1,030.3	1,055.7	–2.4%
EBITDA comparable	252.1	262.3	–3.9%
EBITDA incl. effects from restructuring and impairment tests	169.5	193.0	–12.2%
Operating income	–39.8	–26.6	n.m.
Net income	–48.9	–107.1	n.m.
Cash flow generated from operations	227.4	262.0	–13.2%
Earnings per share (in EUR)	–0.10	–0.24	n.m.
Free cash flow per share (in EUR)	–0.10	–2.31	n.m.
Capital expenditures	284.9	1,286.1	–77.8%

in EUR million	31 Dec 2014	30 Sept 2014*	% change
Net debt	2,693.3	3,633.7	–25.9%
Equity	2,218.0	1,302.9	70.1%
Net debt / EBITDA comparable (12 months)	2.1	2.8	–25.3%

* The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.

In the fourth quarter of 2014 the decline in Group revenues slowed to 2.4% year-on-year to EUR 1,030.3 mn. Higher revenues in Croatia and the Additional Markets segment only partly compensated declines in Austria, Bulgaria and Belarus. Negative regulatory effects amounted to EUR 17.6 mn. Excluding negative FX effects of EUR 15.3 mn Group revenues fell by -1.0%.

In Austria the revenue decline slowed to 2.4% year-on-year versus 7.6% in Q4 2013, as improving trends in monthly fees increasingly mitigated revenue pressure from regulation and lower voice revenues. Equipment revenues were also reduced due to lower subsidies and gross additions.

Bulgaria remained negatively affected by political and economic instability and severe price pressure, resulting in lower monthly fee and traffic revenues, although the overall revenue decline slowed considerably. In Croatia higher equipment and monthly fee and traffic revenues offset the drag on revenues from the reduction in termination rates in January 2014, resulting in slightly higher total revenues.

Belarus posted a revenue decline after a negative FX translation effect of EUR 11.9 mn. Operationally, the company was again able to implement inflation-linked price increases and profited from the strong demand for smartphones and tablets, resulting in local currency revenue growth of 15.0%. The Additional Markets segment reported higher revenues due to growth in the Republic of Serbia and the Republic of Macedonia, which compensated for the decline in Slovenia.

As of the closing of the merger of mobilkom liechtenstein with Telecom Liechtenstein on 27 August 2014, the former is no longer consolidated in the segment Additional Markets. Instead, the 24.9% shareholding which Telekom Austria Group holds in the merged entity is reported on an at-equity basis.

The reduction in other operating income to EUR 27.3 mn stemmed mainly from lower revenues from the sale of unused copper lines in Austria as well as own work capitalisation effects in Bulgaria. Other operating income in Slovenia fell by EUR 1.5 mn in Q4 2014 after a positive one-off effect from the settlement of payments with Telekom Slovenia in Q4 2013. Croatia reported an increase due to higher collection revenues.

Group operating expenses fell by 2.2% to EUR 805.5 mn in the fourth quarter of 2014, driven by lower material expenses in Austria and lower interconnection expenses in most segments, which more than offset higher employee costs in Austria. The latter was the result of a provision for back-payments to civil servants in the amount of EUR 30.1 mn.

Impacted by the above-mentioned one-off effect, Group EBITDA comparable fell by 3.9% to EUR 252.1 mn in the fourth quarter of 2014. After excluding this one-off effect as well as negative FX effects in the amount of EUR 6.2 mn, Group EBITDA comparable increased by 10.0% on a clean basis. Operationally this was primarily driven by EBITDA comparable growth in Austria.

Restructuring expenses amounted to EUR 77.5 mn in the year under review after EUR 9.9 mn in 2013. In addition, in the Republic of Macedonia Telekom Austria Group recognised an impairment of EUR 5.1 mn in the fourth quarter of 2014 as a result of changes in the weighted average cost of capital (WACC) for Vip operator. These effects resulted in an operating loss of EUR 39.8 mn versus EUR 26.6 mn in the previous year.

The negative financial result was lower in the fourth quarter of 2014, mainly stemming from a lower interest expense. Telekom Austria Group further recorded an income tax gain of EUR 34.8 mn versus income taxes of EUR 29.6 mn in Q4 2013 due to deferred tax gains. In summary, the higher restructuring charge together with the lower operating income in the CEE markets resulted in a net loss of EUR 48.9 mn in the fourth quarter of 2014 compared to a net loss of EUR 107.1 mn last year.

The Telekom Austria AG Share

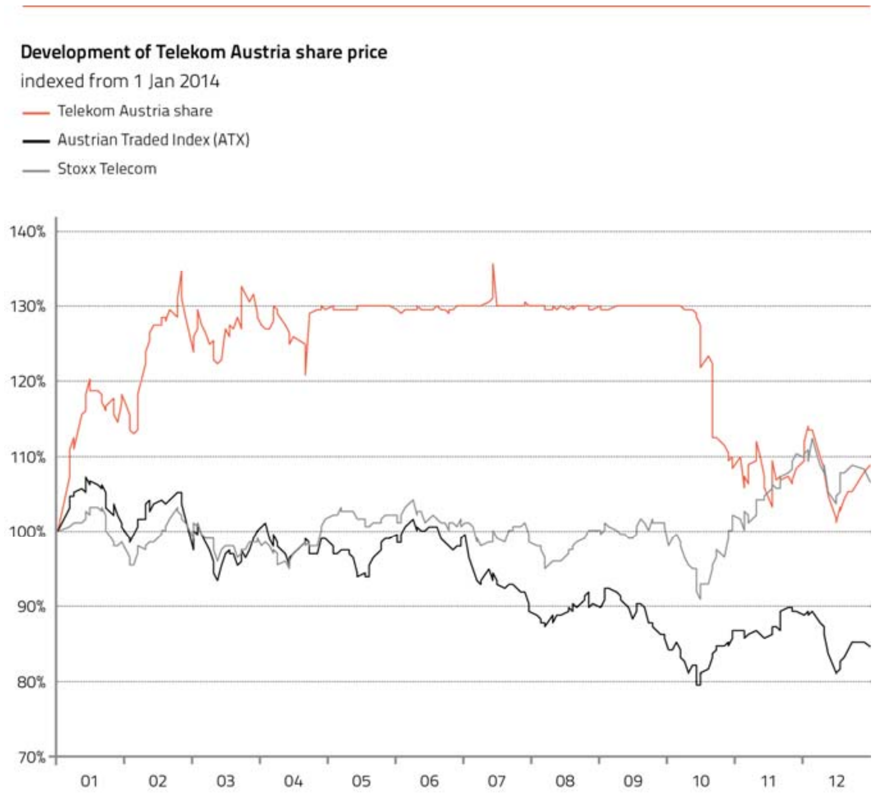
During 2014 the Telekom Austria share rose 8.9%, outperforming the sector as well as the Austrian ATX index. The share's development in 2014 was primarily driven by the prospect of recover y in the Austrian mobile market, the takeover offer by América Móvil and the capital increase in November 2014.

After a positive start to the year the Telekom Austria share continued to rally until the publication of the full year results on 26 February, when it also reached its annual high point at EUR 6.99 intra-day. 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 (before retrospective share price adjustment) until the publication of the takeover offer results on 15 July. The stock briefly spiked the day after, but continued to trade at around the offer price for the remainder of the sell-out period until 16 October, which showed América Móvil reaching a shareholding of 59.7%. The share fell away thereafter due to the pre-announced capital increase until the publication of the subscription price of EUR 4.57 (before retrospective share price adjustment), but remained volatile thereafter. Following the successful completion of the capital increase on 27 November the share resumed trading at EUR 5.40 and closed the year at EUR 5.51 on 30 December 2014.

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 August and September before rallying strongly from the latter half of October. It lost some ground again in the run-up to Christmas with the wider market, but nevertheless closed the year up 7.5%.

After a volatile first quarter the Stoxx 600 settled into an extended rally from late April until mid-June. 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%. The index dipped again in the first half of October on account of global growth concerns and the sliding oil price, but settled into another rally thereafter until December, when the Russian economic crisis and the possibility of a Greek Euro exit caused renewed volatility. On 31 December 2014 the Stoxx 600 finished the year 4.4% 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 October. The ensuing recovery was less pronounced than those of other European markets, as the index was held back by the sliding oil price and the crisis in Russia. The ATX eventually closed 2014 15.2% lower.



Market Environment

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

Fierce competition exerts downward pressure on mobile prices in almost all markets. 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 regulations. In addition to existing glidepaths, the proposal for a digital single market, which EU decision makers have not yet agreed on, poses a threat."

The Austrian telecoms sector contains full-scale as well as mobile virtual network operators (MVNOs). 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 emergence of new MVNOs in late 2014 and early 2015 has resulted in additional competitive intensity. 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. Following a banking crisis in June, the Bulgarian president dissolved parliament in August and called elections for 5 October, causing a renewed crisis of confidence. The worsening of long-term macroeconomic expectations, which were the result of structural impediments and negatively affected economic development, resulted in a downgrade of Bulgaria's long-term sovereign credit rating by S&P to BBB- in June 2014 and to BB+ in December 2014. 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. GDP growth expectations were revised several times, from 0.2% of growth initially to a contraction of 0.7% in October 2014. The telecoms regulator also increased a fee for frequency usage in July 2014, which burdens all operators. Elections took place at the end of the year and were won by the candidate of the Democratic Union in a run-off vote in January 2015.

The Belarusian Rouble fell 9.0% year-on-year in 2014, followed by a sharp devaluation in January 2015. The economic slowdown in Russia also resulted in a downgrade of Belarus' growth expectations from 2.0% to 0.2-0.7% in 2015. After Slovenia narrowly avoided a bailout in December 2013 and expanded at an accelerated pace in the first three quarters of 2014, the government's reform agenda could hurt economic growth in 2015, as it includes an amended budget for 2015 proposing a considerable reduction of the fiscal deficit. In September the central bank forecast 2015 growth of 1.3%, down from 1.6% for 2014.

While the Serbian Dinar was relatively stable in the first half of 2014, it picked up volatility in the second half and fell 3.6% against the Euro in 2014. In December 2014 the government finally approved a 2015 budget which targets a much reduced budget deficit to secure a EUR 1 bn loan from the IMF. The Serbian economy is forecast to contract 2.0% in 2014 and 0.5% in 2015. In comparison, the Republic of Macedonia is benefitting from economic growth, low public debt levels and a stable banking sector. In November 2014 the European Commission raised its expectations for Macedonian GDP growth to 3.3% in 2014 and 3.4% in 2015 on the back of strengthening domestic demand and dynamic export activity.

Outlook

Telekom Austria Group outlook for the full year 2015

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

Challenges such as macroeconomic headwind, regulatory intervention and severe price pressure are expected to remain in place for the time being. In 2014, however, the increasingly positive impact of the strategic measures initiated by the Management in response to these challenges has been confirmed.

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

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

The return to growth will depend to a large extent on the recovery of the strained economic situation in the CEE region. Operationally, the Telekom Austria Group will pursue continued growth in the mobile-only markets of Belarus, Slovenia and the Republic of Serbia and the successful continuation of its convergence strategy in Bulgaria, Croatia and the Republic of Macedonia. Regulatory cuts will have a negative impact in the coming year also. Furthermore, Management expects the Belarusian rouble to decline against the euro (by approximately 20% in 2015). As the devaluation which took place in early 2015 fully reflected the assumptions for the full year 2015, a potential further decline of the Belarusian rouble presents an additional risk factor.

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

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

Frequency purchases are expected for Bulgaria, Slovenia and the Republic of Serbia in 2015. Frequencies in the 1800 MHz spectrum are expected to be sold in Bulgaria, while the sale of the 700, 1400, 1800, 2100, 2300, 3500 and 3700 MHz bands is scheduled in Slovenia. In the Republic of Serbia the sale of the 1800 MHz band is planned for mid-March 2015; sales of the 800 and 900 MHz band (digital dividend frequencies) are also expected in 2015.

In sum, the Management of Telekom Austria Group expects Group revenues to increase by approximately 2.0% year-on-year in 2014. Group capital expenditures* are expected to amount to EUR 700-750 mn, including the planned fibre investments.

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

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

Outlook 2015*	as of 10 February 2015
Revenues	approx. 2.0%
Capital expenditures**	approx. EUR 700–750 mn
Dividend***	DPS of EUR 0.05

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

Year-To-Date Comparison
Revenues

Revenues

in EUR million	1–12 M 2014	1–12 M 2013	% change
Austria	2,472.0	2,658.6	–7.0%
Bulgaria	371.3	399.4	–7.1%
Croatia	378.2	389.2	–2.8%
Belarus	355.0	331.7	7.0%
Additional Markets	481.1	453.5	6.1%
Corporate & Holding, Eliminations	–39.6	–48.5	n.m.
Total	**4,018.0**	4,183.9	–4.0%

Group revenue decline slows to 2.2% year-on-year on a clean basis

In the financial year 2014 Telekom Austria Group saw a reduction in revenues of 4.0%. Higher revenues in the Belarus and Additional Markets segments were offset by declines in Austria, Bulgaria and Croatia. Negative regulatory effects amounted to EUR 128.2 mn. Revenues in Austria included negative extraordinary net effects from the second quarter in the amount of EUR 28.2 mn, primarily as a result of changes in revenue accounting estimates relating to the introduction of a new fixed-line billing system interface. Adjusted for these extraordinary and negative FX effects in the amount of EUR 46.0 mn, revenue decline slowed to 2.2% compared with the previous year.

The Austrian segment reported a revenue reduction of 7.0% for 2014, including the above-mentioned negative extraordinary net effects from the second quarter of 2014. Operationally the downturn in revenues is primarily attributable to interconnection and equipment, as well as monthly fee and traffic revenues. Interconnection revenues declined as a result of lower termination rates. All in all, regulatory effects negatively impacted revenues by EUR 77.0 mn. Lower gross additions due to lower subsidies reduced equipment revenues. Excluding the above-mentioned one-off effect the reduction in monthly fee and traffic revenues slowed. However, increased monthly fixed fees could not quite offset lower customer roaming and airtime revenues. Declining voice minutes continued to negatively impact fixed-line revenues, but were partly compensated by gains in TV and broadband.

Bulgarian revenues were impacted by a further reduction in prices and termination rates, declining by 7.1% year-on-year despite positive momentum from the growing importance of mobile data traffic. Monthly fee and traffic revenues fell as a result of price pressure in the retail and business segments. Higher fixed-line service revenues could not compensate for the weak trend in the mobile business. The further reduction in termination and roaming rates had a negative impact on interconnection and roaming revenues.

In Croatia revenues declined by 2.8% in the year under review, including a negative FX effect of EUR 2.8 mn. The most significant factor by far was regulation, which served to reduce interconnection and roaming revenues by a total of EUR 18.9 mn. Monthly fee and traffic revenues also declined. This was attributable to lower variable mobile revenues due to the smaller number of prepaid customers and year-on-year price reductions, which could not be compensated by the increased revenues from mobile fixed fees and fixed-line services. Increased revenues from the sale of equipment, which were the result of the focus on contract customers, helped to partially offset some of the aforementioned losses.

In Belarus revenues increased by 7.0% year-on-year in 2014, including negative currency effects in the amount of EUR 35.3 mn. In local currency revenues rose by 19.8%. Inflation-related price adjustments, upselling effects and increased data usage were the main reasons for the growth in monthly fee and traffic revenues. Equipment revenues also climbed as a result of the increased demand for smartphones as well as tablets. velcom also generated higher interconnection revenues, primarily as a result of higher international tariffs.

Continued revenue growth in Additional Markets of 6.1% y-o-y

In the Additional Markets segment revenues increased by 6.1% year-on-year in the financial year 2014 as gains in Slovenia and the Republic of Serbia more than offset declines in the Republic of Macedonia. Revenues in Slovenia increased slightly by 0.4% to EUR 199.6 mn, benefitting from strong growth in equipment revenues due to the sale of high-value equipment to new customers. Despite negative FX effects of EUR 7.9 mn, resulting from the 3.6% decline of the Serbian Dinar versus the Euro in 2014, the Serbian segment increased revenues by 16.8% to EUR 213.2 mn. This was primarily driven by higher customer numbers and the associated growth in service revenues. Equipment revenues increased due to a change in the revenue recognition for handsets. Despite a revenue contribution of EUR 4.4 mn from blizoo Macedonia, Vip operator's revenues fell by 4.4% year-on-year to EUR 62.0 mn. This was due to the lower level of interconnection revenues as a result of national termination rate cuts in November 2013 and September 2014. Operationally, earnings were also impacted by price pressure and lower prepaid revenues.

Following the closing of the merger of mobilkom liechtenstein and Telecom Liechtenstein, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets, with the 24.9% shareholding, which Telekom Austria Group holds in the merged entity Telecom Liechtenstein, reported on an at-equity basis. Up until 31 July 2014 Liechtenstein contributed EUR 4.2 mn in revenues.

EBITDA

EBITDA comparable

in EUR million	1–12 M 2014	1–12 M 2013	% change
Austria	755.4	745.3	1.4%
Bulgaria	143.1	158.6	–9.8%
Croatia	84.3	117.6	–28.3%
Belarus	172.4	155.9	10.6%
Additional Markets	137.0	138.5	–1.1%
Corporate & Holding, Eliminations	–6.0	–28.5	n.m.
Total	**1,286.1**	1,287.4	–0.1%

Group EBITDA comparable growth of 3.9% y-o-y on a clean basis

In the financial year 2014 Group EBITDA comparable remained almost stable at 0.1% year-on-year, despite negative net effects from extraordinary effects and FX. Growth in Austria and Belarus almost offset declines in Bulgaria, Croatia and the Additional Markets segment. Excluding the extraordinary effects from the above-mentioned change in Austrian revenue accounting estimates, the effect of changes in employee costs in Austria (described below) and the one-off effect in Liechtenstein, and adjusted for negative FX effects in the amount of EUR 20.1 mn, EBITDA comparable increased by 3.9% compared with the previous year. The EBITDA comparable margin also improved from 30.8% in 2013 to 32.0% in the year under review.

In Austria negative effects from lower revenues were mitigated by a reduction in operating expenses and resulted in an increase in EBITDA comparable of 1.4%. Regulatory effects had a negative impact of EUR 19.5 mn on EBITDA comparable. Adjusted for the extraordinary effects in fixed-line and employee costs, EBITDA comparable grew by 9.2%. The considerable reduction in operating expenses of EUR 197.7 mn was mainly the result of lower material expenses from lower subsidies, as well as lower termination rates. Employee costs in Austria included a one-off provision for potential back-payments for civil servants in the amount of EUR 30.1 mn. This provision was the result of a European Court of Justice decision from 11 November 2014, which ruled that the legal framework for the years of service and, consequently, the term to promotion for Austrian civil servants was not in line with Union law.

In Bulgaria an improved cost base helped to partly mitigate the negative impact of lower revenues on EBITDA comparable, which fell by 9.8%. Increased material expenses from the sale of higher-quality equipment due to increased subsidies for customer retention were party balanced by lower fines and penalties. Interconnection and roaming expenses fell as a result of regulatory cuts; employee costs were also reduced by means of restructuring and outsourcing.

In Croatia EBITDA comparable declined by 28.3% as a result of the negative revenue and cost developments. Operating expenses rose due to the considerable increase in frequency usage fees together with higher expenses for bad debt and outsourcing. Material expenses also increased as a result of higher demand for high-value equipment after the introduction of instalment sales, while the intensification of marketing activities led to a higher level of marketing and sales expenses.

velcom in Belarus posted 10.6% EBITDA comparable growth despite an increase in operating expenses and after a negative FX effect of EUR 17.1 mn. In local currency EBITDA comparable rose 23.5%. The increase in operating expenses was primarily due to higher employee costs as well as maintenance and repair, rental and bad debt expenses.

In the Additional Markets segment EBITDA comparable fell 1.1% year-on-year in the financial year 2014. In Slovenia slightly higher revenues resulted in an EBITDA comparable increase of 1.2% year-on-year to EUR 63.6 mn despite slightly higher operating expenses stemming from the higher number of high-value handsets sold. In the Republic of Serbia higher revenues outweighed increased operating expenses from material costs due to a change to the revenue recognition for handsets in 2014, leading to a stable EBITDA comparable of EUR 64.0 mn, including a negative FX effect of EUR 2.4 mn. In the Republic of Macedonia reduced operating expenses could not offset the negative effects of lower revenues due to regulatory effects. This led to a 14.6% reduction in EBITDA comparable to EUR 12.6 mn, EUR 1.4 mn of which were generated by blizoo Macedonia. Liechtenstein contributed EUR 0.6 mn in EBITDA comparable up until 31 July 2014.

Other operating income rose by 36.7% to EUR 119.0 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	1–12 M 2014	1–12 M 2013*	% change
Austria	665.8	700.1	–4.9%
Bulgaria	–197.5	99.2	n.m.
Croatia	84.3	117.6	–28.3%
Belarus	172.4	155.9	10.6%
Additional Markets	131.9	138.5	–4.8%
Corporate & Holding, Eliminations	–6.0	–28.5	n.m.
Total	**850.8**	1,182.8	–28.1%

* The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.

Group EBITDA incl. effects from restructuring and impairment tests decreased by 28.1% year-on-year to EUR 850.8 mn. Due to a change in the weighted average cost of capital (WACC) of the Bulgarian segment and the revised expectations for the development of Mobiltel, the Telekom Austria Group reported an impairment charge of EUR 400.0 mn for Mobiltel, of which EUR 59.4 mn were recognised in 2013 and EUR 340.6 mn in 2014. In addition, in the Republic of Macedonia Telekom Austria Group also recognised an impairment of EUR 5.1 mn in the fourth quarter of 2014 as a result of changes in the weighted average cost of capital (WACC) for Vip operator.

Restructuring expenses almost doubled due to interest adjustment and ECJ provision

Restructuring expenses amounted to EUR 89.6 mn in the year under review after EUR 45.2 mn previously. The effect of fewer employees accepting social plans was offset by the negative effects of an interest rate adjustment affecting the valuation of the restructuring provision in the amount of EUR 42.6 mn as well as a provision for payments to civil servants in the amount of EUR 15.0 mn. This provision was the result of a European Court of Justice decision from 11 November 2014, which ruled that the legal framework for years of service and, consequently, the term to promotion for Austrian civil servants was not in line with Union law.

Operating Income

EBIT

in EUR million	1–12 M 2014	1–12 M 2013*	% change
Austria	157.2	184.0	–14.6%
Bulgaria	–284.9	4.6	n.m.
Croatia	15.9	51.8	–69.4%
Belarus	82.2	71.6	14.9%
Additional Markets	31.8	33.8	–5.8%
Corporate & Holding, Eliminations	–5.2	–27.7	n.m.
Total	**–3.0**	318.2	n.m.

* The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.

Operating income turned from a positive EUR 318.2 mn in the previous year to a negative EUR 3.0 mn, primarily as a result of the Bulgarian impairment and the higher restructuring charge. Depreciation and amortisation fell slightly year-on-year by 1.2%.

Consolidated Net Income

The Telekom Austria Group recorded a negative financial result of EUR 181.1 mn in the year under review, 6.1% lower than in the previous year. This was primarily attributable to the EUR 11.8 mn reduction in interest expenses due to the recognition of a net loss in connection with the forward starting interest rate swaps in 2013. Interest income declined slightly to around EUR 14.6 mn. FX differences amounted to a negative EUR 1.9 mn after a negative EUR 4.3 mn in 2013 as a result of the higher level of FX gains in the year under review.

Tax expenses fell from EUR 73.1 mn in 2013 to EUR 1.3 mn in the year under review due to the higher level of deferred tax assets.

Overall, the Telekom Austria Group reported a negative net income of EUR 185.4 mn in 2014 compared with a positive EUR 52.1 mn in the previous year.

Balance Sheet and Net Debt

In 2014 the balance sheet of Telekom Austria Group grew by EUR 515.8 mn or 6.6% to EUR 8,316.4 mn as at 31 December 2014, after the successful completion of the capital increase in November 2014.

Higher cash and cash equivalents were also the main reason for current assets rising by 67.6% to EUR 2,047.3 mn in the year under review. Accounts receivable fell by 12.3% year-on-year as a result of lower revenues as well as a change in revenue accounting estimates relating to the introduction of a new fixed-line billing system interface. Non-current assets fell by 4.7% to EUR 6,269.1 mn, mainly due to a reduction in goodwill following the impairment at Mobiltel in Bulgaria. This was only partially offset by the increase in deferred tax assets and investments in associations following the merger of mobilkom liechtenstein and Telecom Liechtenstein, in which the Telekom Austria Group now holds a 24.9% equity interest.

Current liabilities increased by 6.6% to EUR 1.537.5 mn in 2014, largely as a result of the reclassification of upcoming loan redemptions from long-term debt to short-term borrowings. As a result of this as well as the early repayments of loans, long-term debt declined by 9.4% to EUR 3,385.0 mn. Employee benefit obligations increased by EUR 36.6 mn following the reduction in the interest rate applied in their valuation.

Dividend payments included first-time payments to the creditors of the EUR 600 mn hybrid bond for the 2014 reporting year and amounted to EUR 56.0 mn compared with EUR 22.2 mn in the previous year. The rise in equity from EUR 1,459.1 mn to EUR 2,218.0 mn was primarily attributable to the capital increase in November 2014, which compensated the reduction in retained earnings. This also entailed an increase in the equity ratio as at 31 December 2014 to 26.7% after 18.7% as at 31 December 2013.

Net debt*

in EUR million	31 Dec 2014	31 Dec 2013	% change
Net debt	2,693.3	3,758.7	–28.3%
Net debt / EBITDA comparable (12 months)	2.1x	2.9x	–28.3%

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

Net debt of the Telekom Austria Group fell by 28.3% to EUR 2,693.3 mn in the year under review as a result of the lower level of long-term debt and the increase in cash and cash equivalents following the EUR 996.6 mn capital increase. Together with the stable EBITDA comparable, this resulted in a reduction of the net debt to EBITDA comparable ratio from 2.9x in the previous year to 2.1x in 2014.

Cash Flow

Cash flow

in EUR million	1–12 M 2014	1–12 M 2013	% change
Cash flow from operating activities	901.4	1,051.6	–14.3%
Cash flow from investing activities	–781.6	–2,021.4	n.m.
Cash flow from financing activities	696.5	569.6	22.3%
Effect of exchange rate changes	–0.1	1.8	n.m.
Monetary loss on cash and cash equivalents	0.5	–1.0	n.m.
Net increase / decrease in cash and cash equivalents	816.7	–399.4	n.m.

Cash flow from operating activities fell by 14.3% in the reporting year to EUR 901.4 mn. As the gross cash flow rose by 4.7% for operational reasons, this downturn was attributable to the large increase in working capital. The higher working capital requirements were primarily due to the increase in prepaid expenses as a result of increased demand for installment plans for handsets in Croatia, Austria, Belarus, Slovenia and the Republic of Serbia, as well as the continued utilisation of the restructuring provision. In addition, accounts payable declined in the year under review due to the lower level of outstanding liabilities to suppliers.

Cash flow used for investing activities fell from EUR 2,021.4 mn in the previous year to EUR 781.6 mn in the year under review, consisting primarily of regular CAPEX and expenditure for spectrum acquisitions in Bulgaria and Slovenia as well as the acquisition of blizoo Macedonia. The year-on-year reduction was mainly due to the acquisition of mobile frequencies and intellectual property rights, frequencies and collocation rights for base stations from Orange Austria in 2013.

Cash flow from financing activities increased from EUR 569.6 mn in the previous year to EUR 696.5 mn in the year under review. Cash outflows for the repayment of liabilities and the increased dividend due to payments to owners of the hybrid bond were more than offset by the EUR 996.6 mn capital increase.

As a result, cash and cash equivalents increased to EUR 816.7 mn compared with a negative EUR 399.4 mn at year-end 2013.

Capital Expenditures

Capital expenditures

in EUR million	1–12 M 2014	1–12 M 2013	% change
Austria	398.7	1509.8	–73.6%
Bulgaria	102.9	60.2	71.0%
Croatia	70.0	82.4	–15.1%
Belarus	48.5	34.0	42.6%
Additional Markets	137.4	92.8	48.2%
Corporate & Holding, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**757.4**	1779.1	**–57.4%**
thereof tangible	488.6	487.0	0.3%
thereof intangible	268.8	1292.1	–79.2%

Capital expenditure declined significantly to EUR 757.4 mn in the year under review. This was primarily due to the costs in connection with the Austrian multiband auction and the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria in 2013.

Significant reduction in Austrian CAPEX of 73.6% y-o-y

The reduction in tangible CAPEX in Austria was driven by the end of the project relating to switching the Austrian fixed-line network to all-IP in 2013, as well as reduced expenditure on customer premises equipment and infrastructure. Intangible capital expenditures also fell by 90.8% on a comparative basis following the Austrian multiband auction and the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria in 2013.

In Bulgaria capital expenditure increased year-on-year following the prolongation of 900 and 1800-MHz frequency bands for EUR 30.6 mn in April 2014. In Croatia Vipnet reported lower CAPEX in 2014 due to the EUR 23.1 mn acquisition of mobile frequencies in 2013. Belarus increased spending on, inter alia, network and IT infrastructure. Capital expenditures in the Additional Markets segment almost doubled due to the Slovenian multiband auction, in the process of which Si.mobil spent EUR 63.9 mn on mobile spectrum. The Serbian and Macedonian segments both reduced CAPEX, the former on account of the changed revenue recognition for handsets and the latter on account of the acquisition of LTE spectrum in 2013 for EUR 10.3 mn.

Personnel

Personnel (full-time equivalent)

End of period	31 Dec 2014	31 Dec 2013	% change
Austria	8,635	8,804	–1.9%
International Operations	7,424	7,076	4.9%
Total	**16,240**	16,045	**1.2%**

Personnel (full-time equivalent)

Average of period	1–12 M 2014	1–12 M 2013	% change
Austria	8,818	9,159	–3.7%
International Operations	7,164	7,031	1.9%
Total	**16,155**	16,347	**–1.2%**

As of 31 December 2014 Telekom Austria Group saw a rise in full-time employees (FTEs) to 16,240 from 16,045 as of 31 December 2013, mainly as a result of the acquisition of blizoo Macedonia. Austria saw a reduction of 169 FTEs owing to ongoing restructuring efforts. While Bulgaria reduced its headcount by 121 FTEs, Belarus saw net additions of 131 FTEs versus 31 December 2013 owing to an increase in marketing and sales and IT. The Additional Markets segment gained 324 FTEs following the closing of the acquisition of blizoo Macedonia in July 2014.

Acquisition of blizoo Macedonia drives increase in Group headcount

Quarterly Comparison
Segment Austria

Key Performance Indicators

Financials

in EUR million	Q4 2014	Q4 2013	% change
Revenues	650.2	666.3	–2.4%
EBITDA comparable	153.8	143.9	6.9%
EBITDA incl. effects from restructuring and impairment tests	76.3	134.0	–43.0%
EBIT	–51.2	2.4	n.m.

Revenue detail	Q4 2014	Q4 2013	% change
Monthly fee and traffic	455.6	456.4	–0.2%
Data & ICT solutions	64.5	63.9	0.9%
Wholesale (incl. roaming)	28.5	33.9	–15.8%
Interconnection	50.2	55.9	–10.1%
Equipment	45.6	50.6	–9.9%
Other revenues	5.7	5.6	2.0%

Mobile communication business	Q4 2014	Q4 2013	% change
ARPU (in EUR)	16.5	15.7	5.2%
Mobile service revenues (in EUR million)	268.6	268.8	–0.1%
thereof interconnection	5.1%	7.1%	
Subscriber acquisition cost (SAC, in EUR million)	2.7	11.6	–76.9%
Subscriber retention cost (SRC, in EUR million)	20.4	32.3	–36.9%
Churn*	1.5%	1.6%	

	Q4 2014	Q4 2013	% change
Mobile communication subscribers (in '000)	5,424.1	5,714.5	–5.1%
Mobile market share	41.1%	42.6%	
Mobile contract share	70.2%	69.4%	
Mobile broadband subscribers (in '000)	714.9	816.4	–12.4%
Mobile penetration - total market	155.1%	158.1%	
Broadband penetration (mobile and fixed) - total market	124.3%	121.2%	

Fixed line business	Q4 2014	Q4 2013	% change
ARPL (in EUR)	30.5	31.3	–2.5%
Fixed service revenues (in EUR million)	208.5	213.7	–2.4%
Fixed line voice minutes (in million)	447.5	518.3	–13.7%

in '000	Q4 2014	Q4 2013	% change
Access lines (excluding broadband lines)	818.0	893.7	–8.5%
Fixed broadband lines	1,469.1	1,390.2	5.7%
thereof fixed broadband retail lines	1,433.1	1,352.2	6.0%
thereof fixed broadband wholesale lines	36.1	38.0	–5.1%
Total access lines	2,287.1	2,283.9	0.1%
Lines unbundled	239.3	250.0	–4.3%

Austrian voice and broadband shares

Voice market share	Q4 2014	Q4 2013	% change
Fixed Line A1 Telekom Austria	8.2%	8.7%	
Fixed Line Others	5.0%	5.3%	
Mobile	86.9%	86.1%	

Broadband market share	Q4 2014	Q4 2013	% change
Fixed line retail A1 Telekom Austria	31.0%	30.2%	
Fixed line wholesale A1 Telekom Austria	0.8%	0.8%	
Mobile broadband A1 Telekom Austria	15.5%	18.2%	
Mobile broadband other operators	31.4%	30.0%	
Cable	16.9%	15.8%	
Unbundled lines	4.5%	4.9%	

* In Q4 2014 the methodology for presenting churn rates was changed from an accumulative view to a monthly average view. The previous quarters of 2013 and 2014 have been restated accordingly.

In the fourth quarter of 2014 A1 Telekom Austria maintained its focus on the high-value customer base in order to mitigate the negative effects of competitive and regulatory pressure. A1 Telekom Austria successfully maintained a lower level of handset subsidies throughout the quarter, which continued to support profitability. After a European Court of Justice decision from 11 November 2014, which ruled that the legal framework for the years of service and, consequently, the term to promotion for Austrian civil servants was not in line with Union law, the company had to book a provision of EUR 30.1 mn for potential back-payments.

Fixed access line growth of 11,600 lines in Q4 2014

The total number of mobile communication subscribers fell 5.1% year-on-year in the fourth quarter of 2014, as lower gross additions in the contract and prepaid business outweighed lower churn. Fixed access lines rose with 11.600 lines gained versus Q3 2014. Fixed broadband lines and TV subscribers continued to grow by 5.7% and 6.9% respectively versus the same period last year.

A1 Telekom Austria was able to reduce the ongoing revenue decline to 2.4% year-on-year in the fourth quarter of 2014, as the regression in monthly fee and traffic revenues slowed considerably. Growth in mobile revenues from monthly fees mostly offset lower mobile airtime and customer roaming revenues. However, lower wholesale (incl. roaming), interconnection and equipment revenues drove the bulk of the overall revenue decline, with the former due to lower visitor and national roaming. The reduction in interconnection revenues was due to a decline in 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) rose from EUR 15.7 to EUR 16.5 in the fourth quarter of 2014, primarily driven by higher fixed fees in contract as well as the increasing share of higher-value subscribers which mitigated negative regulatory effects. This was also reflected in the stabilisation of mobile service revenues. The average monthly revenue per fixed line (ARPL) continued to fall from EUR 31.3 to EUR 30.5 in Q4 2014, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline.

The Austrian segment also saw a reduction of EUR 2.3 mn in other operating income, resulting from lower revenues from the sale of dismantled copper lines in the fourth quarter of 2014.

Operating expenses fell by 5.2% year-on-year even including the one-off effect in personal costs from the Court of Justice ruling, as the successful reduction of subsidies for acquisition and retention more than offset its negative impact. Other operating expenses were also lower, mainly due to reduced costs for maintenance, services received, consulting and transport. Operating expenses in Q4 2013 included one-off effects in the amount of EUR 11.0 mn.

EBITDA comparable growth of 27.8 % y-o-y on a clean basis

As a result of the slowdown in revenue decline and successful cost cutting efforts, EBITDA comparable rose 6.9% year-on-year in the fourth quarter of 2014. Excluding the personnel cost provision EBITDA comparable increased by 27.8%.

At EUR 77.5 mn restructuring charges were considerably higher in Q4 2014 than the EUR 9.9 mn booked in Q4 2013. The effect of fewer employees accepting social plans was offset by negative effects of an interest rate adjustment affecting the valuation of the restructuring provision as well as a provision for payments to civil servants in the amount of EUR 15.0 mn. In contrast, depreciation and amortisation fell by 3.2% as lower costs for fixed-line network infrastructure more than mitigated higher costs for the mobile spectrum purchased in October 2013. As a result of the higher restructuring costs, A1 Telekom Austria reported an operating loss of EUR 51.2 mn versus a gain of EUR 2.4 mn in Q4 2013.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013*	% change
Revenues	94.8	99.4	−4.6%
EBITDA comparable	29.6	31.9	−7.1%
EBITDA incl. effects from restructuring and impairment tests	29.6	−27.5	n.m.
EBIT	8.4	−52.0	n.m.

Mobile communication business**	Q4 2014	Q4 2013	% change
ARPU (in EUR)	5.9	6.3	−6.2%
Mobile communication subscribers (in '000)	4,221.0	4,181.5	0.9%
Mobile market share	37.6%	39.0%	
Mobile contract share	78.7%	78.7%	
Mobile broadband subscribers (in '000)	248.9	192.9	29.0%
Mobile penetration - total market	152.7%	144.8%	

Fixed line business**	Q4 2014	Q4 2013	% change
ARPL (in EUR)	14.4	14.0	3.2%
Total access lines ('000)	153.6	159.9	−3.9%
Fixed broadband lines ('000)	145.1	155.0	−6.4%

* The 2013 comparison period was adjusted according to IAS 8, please see page 29 for details.
** 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 fourth quarter of 2014 the Bulgarian business continued to be negatively affected by the weak macroeconomic backdrop and fierce competition in the mobile market. The worsening of long-term macroeconomic expectations, which were the result of structural impediments and negatively affected economic development, resulted in a downgrade of Bulgaria's long-term sovereign credit rating by S&P to BBB- in June 2014 and to BB+ in December 2014. Mobiltel counteracted 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.

Total mobile subscribers increased slightly in the fourth quarter of 2014, driven mainly by the business and no-frills segments. The growing demand for data translated into mobile broadband subscriber growth of 29.0% year-on-year. Subscribers of smartphone offers including voice and data almost doubled year-on-year as a result of successful upselling efforts. Mobiltel's market share fell to 37.6% in the fourth quarter of 2014 after 39.0% in Q4 2013. In the fixed-line business, total access lines fell by 3.9% year-on-year, mainly driven by losses in the residential segment. Mobitel did, however, achieve net additions of 2,300 access lines versus Q3 2014.

The decline in revenues slowed to 4.6% year-on-year in Q4 2014 and was mainly due to lower monthly fee and traffic revenues as a result of price pressure in the business segment and the loss of residential mobile voice customers. Average monthly revenue per user (ARPU) fell slightly to EUR 5.9 from EUR 6.3 in the same quarter last year, driven by the negative pricing trend in the business and no-frills segments. Average monthly revenue per fixed line (ARPL) increased from EUR 14.0 to EUR 14.4 in the fourth quarter of 2014, stemming from a higher ARPL for business customers.

Slowdown in revenue decline to 4.6% despite massive price pressure.

Other operating income fell by EUR 2.0 mn year-on-year, primarily as a result of own work capitalised, which is also reflected in operating expenses.

Operating expenses were reduced by 5.8% in the fourth quarter of 2014, as higher material costs from a larger number of smart handsets sold were more than offset by reduced employee costs as well as lower fines and penalties, inter alia after a one-off effect in Q4 2013. The improvement in operating expenses could not offset the reduction in revenues and other operating income, however, which resulted in an EBITDA comparable reduction of 7.1% for the fourth quarter of 2014.

Segment Croatia

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013	% change
Revenues	95.9	95.5	0.5%
EBITDA comparable	10.3	21.7	–52.5%
EBITDA incl. effects from restructuring and impairment tests	10.3	21.7	–52.5%
EBIT	–7.5	5.0	n.m.

Mobile communication business	Q4 2014	Q4 2013	% change
ARPU (in EUR)	11.2	11.1	1.2%
Mobile communication subscribers (in '000)	1,741.0	1,843.8	–5.6%
Mobile market share	36.0%	37.3%	
Mobile contract share	46.8%	45.1%	
Mobile broadband subscribers (in '000)	144.2	168.8	–14.6%
Mobile penetration - total market	112.6%	115.1%	

Fixed line business	Q4 2014	Q4 2013	% change
ARPL (in EUR)	21.4	22.1	–3.3%
Total access lines ('000)	219.9	193.1	13.9%
Fixed broadband lines ('000)	136.0	109.2	24.5%

In the fourth quarter of 2014 operational trends in Croatia remained impacted by macro-economic headwinds and a highly competitive telecommunications market. Regulatory pressure in the form of reduced mobile termination and roaming rates as well as higher frequency usage fees continued to weigh on results. In contrast, encouraging trends in the fixed-line business helped to mitigate some of the negative effects in the mobile business.

Vipnet's total mobile subscriber base declined by 5.6% year-on-year, mainly as a result of the prepaid business. The ongoing reduction in the overall prepaid market was exacerbated by customer rotation following price increases by all operators after the increase in frequency usage fees. Fixed access lines increased significantly by 13.9% year-on-year driven by both broadband and TV with annual growth of 24.5% and 6.8% respectively, partly driven by acquisitions in 2013.

Fixed access line growth of 13.9% y-o-y

Revenues were largely stable in the fourth quarter of 2014 as lower interconnection and roaming revenues were mostly offset by higher equipment revenues resulting from the sale of handsets to contract customers. Monthly fee and traffic revenues also rose due to higher revenues from mobile fixed fees and the growing fixed-line business, which compensated lower variable mobile revenues.

Average monthly revenues per user (ARPU) rose slightly from EUR 11.1 to EUR 11.2 in the fourth quarter of 2014, mainly on account of price increases by all providers in the aftermath of the increase in frequency usage fees. Average monthly revenue per fixed-line (ARPL) declined from EUR 22.2 to EUR 21.4, as customers acquired in 2013 generated a lower ARPL than Vipnet's traditional customer base. Nevertheless, due to the greater number of access lines fixed-line service revenues increased by 9.2% year-on-year.

Other operating income was EUR 3.8 mn higher in the fourth quarter of 2014 due to higher positive collection effects in the quarter compared to the same quarter last year.

Operating expenses rose by 21.0% year-on-year in the fourth quarter of 2014. This increase was mostly due to the higher frequency usage fees as well as higher costs for bad debts. Marketing and sales costs also rose as a result of the introduction of instalment offers in combination with Christmas sales. Employment costs rose due to restructuring efforts. This was partly compensated by lower interconnection and roaming expenses. As a result of the increase in operating expenses, EBITDA comparable declined by 52.5% year-on-year.

Segment Belarus

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013	% change
Revenues	79.7	87.7	–9.1%
EBITDA comparable	36.0	37.5	–3.9%
EBITDA incl. effects from restructuring and impairment tests	36.0	37.5	–3.9%
EBIT	16.5	17.1	–3.7%

	Q4 2014	Q4 2013	% change
ARPU (in EUR)	4.5	4.7	–4.4%
Mobile communication subscribers (in '000)	4,949.9	4,947.4	0.0%
Market share	42.4%	42.5%	
Contract share	80.6%	80.6%	
Mobile broadband subscribers (in '000)	284.1	246.5	15.2%
Market penetration - total market	123.3%	123.0%	

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 9.0% against the Euro over the year and 6.7% over the fourth quarter of 2014. Inflation amounted to 2.4% in the fourth quarter and to 16.2% in the full year 2014.

velcom continued to show strong operational results in the fourth quarter of 2014, as high demand for smartphones and tablets supported upselling activities, especially in data-linked services. Its customer base remained largely stable year-on-year.

Revenues increased by 15.0% on a local currency basis, as inflation-linked price increases over the year as well as the larger proportion of smartphone customers helped to grow monthly fee and traffic revenues. Slightly higher interconnection revenues were due to higher tariffs charged for incoming international traffic. After a negative FX effect of EUR 11.9 mn, revenues fell by 9.1% on a consolidated basis.

Operating expenses increased by 11.3% year-on-year on a local currency basis. This was primarily due to higher employee expenses, stemming from inflation-based salary increases and a greater number of employees. Other operating expenses were also higher, driven, inter alia, by higher costs for services received. velcom also incurred higher costs for commissions for FX purchases due to regulatory changes.

On a local currency basis, EBITDA comparable rose by 21.0% in the fourth quarter of 2014 compared to the same period last year as the increase in revenues more than offset higher operating expenses. After a negative FX translation effect of EUR 5.3 mn, the consolidated EBITDA comparable declined by 3.9%.

EBITDA comparable growth of 21.0% y-o-y in local currency

Segment Additional Markets

Slovenia

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013	% change
Revenues	46.9	51.2	−8.6%
EBITDA comparable	15.1	16.5	−8.6%
EBITDA incl. effects from restructuring and impairment tests	15.1	16.5	−8.6%
EBIT	9.5	10.5	−9.5%

	Q4 2014	Q4 2013	% change
ARPU (in EUR)	17.3	17.2	1.0%
Mobile communication subscribers (in '000)	681.5	679.2	0.3%
Market share	29.2%	30.0%	
Contract share	79.4%	78.0%	
Mobile broadband subscribers (in '000)	24.3	20.8	16.8%
Market penetration - total market	111.8%	108.5%	

Republic of Serbia

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013	% change
Revenues	52.9	47.4	11.6%
EBITDA comparable	14.0	14.8	−5.1%
EBITDA incl. restructuring and impairment test	14.0	14.8	−5.1%
EBIT	−0.8	−3.6	n.m.

	Q4 2014	Q4 2013	% change
ARPU (in EUR)	6.7	7.3	−8.4%
Mobile communication subscribers (in '000)	2,159.5	2,017.7	7.0%
Market share	22.5%	21.1%	
Contract share	50.4%	50.8%	
Market penetration - total market	133.6%	133.1%	

Republic of Macedonia

Key Performance Indicators

in EUR million	Q4 2014	Q4 2013	% change
Revenues	17.2	15.5	11.3%
EBITDA comparable	3.3	4.5	−26.3%
EBITDA incl. effects from restructuring and impairment tests	−1.8	4.5	n.m.
EBIT	−4.9	2.4	n.m.

Mobile communication business	Q4 2014	Q4 2013	% change
ARPU (in EUR)	6.7	7.4	−10.1%
Mobile communication subscribers (in '000)	622.0	629.7	−1.2%
Market share	28.2%	28.0%	
Contract share	52.4%	47.5%	
Market penetration - total market	107.4%	109.2%	

Fixed line business	Q4 2014	Q4 2013	% change
Total access lines ('000)	62.6	n.a.	n.a.

As of the closing of the merger between mobilkom liechtenstein and Telecom Liechtenstein, mobilkom liechtenstein is no longer consolidated in the segment Additional Markets. The 24.9% shareholding of the Telekom Austria Group in the new entity is reported on an at-equity basis.

Operationally the Additional Markets segment continued to benefit from a focus on high-value business and upselling initiatives in the fourth quarter of 2014. Its subscriber base grew by 3.9% driven primarily by contract segment growth in Slovenia and the Republic of Serbia, whereby the Republic of Serbia also saw growth in the prepaid customer base stemming from the strong take-up of a no-frills offer. In the Republic of Macedonia postpaid subscriber growth almost offset a reduction in prepaid subscribers. Following the acquisition of blizoo Macedonia, which closed on 30 July 2014, the Macedonian segment also reported 62,600 fixed access lines as of 31 December 2014.

1.5% y-o-y revenue growth in Additional Markets segment

Total revenues in the Additional Markets segment increased by 1.5% year-on-year as higher revenues from the Republic of Serbia and, to a lesser extent, the Republic of Macedonia more than offset the revenue decline in Slovenia. In the Republic of Serbia monthly fee and traffic revenues exhibited strong organic growth due to continuously rising customer numbers. Even after a negative FX effect of EUR 2.8 mn, total revenues in the Republic of Serbia rose 11.6%. In the Republic of Macedonia revenue of EUR 2.7 mn from the acquisition of blizoo Macedonia helped to offset the negative impact of termination rate cuts in November 2013 and September 2014. In Slovenia higher equipment revenues from a greater number of high-value handsets sold could not compensate the negative effects of lower mobile prices and a mobile termination rate cut in September 2014. Other operating income was reduced by EUR 1.5 mn in Q4 2014 after a positive one-off effect from the settlement of payments with Telekom Slovenia in Q4 2013.

Operating expenses increased by 2.6% year-on year in the Additional Markets segment in Q4 2014, mainly driven by higher material expenses in the Republic of Serbia. This increase was caused by a change in the revenue recognition for handsets. In the Republic of Macedonia lower interconnection expenses only partly mitigated the negative cost impact of a larger number of handsets sold to contract customers as well as an increase in the costs for services received. In contrast, operating expenses in Slovenia fell slightly as lower interconnection as well as marketing and sales costs offset higher material expenses.

The increase in operating expenses resulted in an EBITDA comparable decline for the segment of 9.9% year-on-year, with declines of 8.6%, 5.1% and 26.3% in Slovenia, the Republic of Serbia and the Republic of Macedonia respectively. The latter includes an EBITDA comparable contribution of EUR 0.7 mn from blizoo Macedonia for the fourth quarter of 2014.

In addition, in the Republic of Macedonia Telekom Austria Group also recognised an impairment of EUR 5.1 mn in the fourth quarter of 2014 as a result of changes in the weighted average cost of capital (WACC) for Vip operator.

Consolidated Net Income

The negative financial result was lower in the fourth quarter of 2014, mainly due to the reduction in interest expense of EUR 7.5 mn stemming from the recognition of the net losses in connection with the forward starting interest rate swaps. Telekom Austria Group further recorded an income tax gain of EUR 34.8 mn due to deferred tax gains versus income tax expenses of EUR 29.6 mn in Q4 2013. In summary, the higher restructuring charge and the lower operating income in the CEE segments resulted in a net loss of EUR 48.9 mn in the fourth quarter of 2014 compared to a net loss of EUR 107.1 mn last year.

Capital Expenditures

Capital expenditures

in EUR million	Q4 2014	Q4 2013	% change
Austria	166.3	1,177.9	–85.9%
Bulgaria	43.6	26.0	67.9%
Croatia	25.8	41.4	–37.7%
Belarus	21.7	16.4	32.8%
Additional Markets	27.5	24.5	12.3%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**284.9**	1,286.1	–77.8%
thereof tangible	198.3	151.2	31.1%
thereof intangible	86.6	1,134.9	–92.4%

Total CAPEX reduction driven by acquisition of mobile spectrum in Austria in 2013

In the fourth quarter of 2014 Group capital expenditures fell 77.8% year-on-year, primarily as a result of the acquisition of mobile telecommunications frequencies in the multiband auction in Austria in October 2013.

Higher tangible capital expenditure in Austria was mainly due to higher investments in mobile and fixed-line network infrastructure. Intangible capital expenditures fell by 92.4% following the acquisition of mobile spectrum as well as the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria in 2013.

In Bulgaria capital expenditure increased versus the same period last year mainly as a result of higher investment in radio access infrastructure and the core network. Croatia saw a considerable reduction in CAPEX following the EUR 23.1 mn spent on mobile spectrum in Q4 2013. In Belarus capital expenditure rose on account of higher spending on network and IT infrastructure.

In the Additional Markets segment capital expenditures rose by EUR 3.0 mn, driven by a changed network roll-out plan in the Republic of Macedonia and the change in handset recognition in the Rebublic of Serbia. Si.mobil's CAPEX fell on a comparative basis as a result of a frequency payment in October 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

In October 2014 Telekom Austria Group reached an agreement with Telekom Slovenije Group to merge its subsidiaries Vip operator and One, both operating in the Republic of Macedonia. Telekom Austria Group will hold 55% and have sole control over the newly created company whereas Telekom Slovenije Group will hold 45%. Furthermore, the agreement also includes call and put options for the exit of Telekom Slovenije Group within three years of the closing of the merger. The closing of the merger is subject to merger control clearance in the Republic of Macedonia, which is expected for the first quarter of 2015. One is the third largest mobile network operator in the Republic of Macedonia and achieved revenues of approximately EUR 75.5 mn and EBITDA of approximately EUR 14.4 mn in 2013.

Since 31 December 2014 the Belarusian Rouble lost approximately 20% of its value compared to the Euro. The effect of the devaluation on the inflation rate in Belarus remains to be seen.

On 21 January 2015 a condition of the agreement subject to conditions precedent between Telekom Slovenije and Si.mobil was fulfilled. Thereupon, Si.mobil withdrew its lawsuit and already received a first payment of EUR 20.0 mn.

In its judgement of 11 November 2014 the European Court of Justice (ECJ) decided at the request of the Austrian Administrative Court that the Austrian law determining the reference date for salary increments for Austrian civil servants is not in conformity with European Union law. To compensate the resulting burden on the federal budget the National Assembly passed a law on 21 January 2015, which has not yet entered into force as it still needs to be enacted by the Austrian Federal Assembly and published in the Austrian Federal Law Gazette. Telekom Austria Group will further examine the accounting of this fact based on the judgement by the Austrian Administrative Court as well as the assessment of the existing wording of the law regarding EU conformity.

Waiver of Review

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

Other

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

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

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

Due to a random sample of Österreichische Prüfstelle für Rechnungslegung (OePR), the Austrian Financial Reporting Enforcement Panel, the consolidated financial statements 2013 as well as the half-year financial statements 2014 of Telekom Austria Group were reviewed. By letter dated 14 January 2015, Telekom Austria Group was informed that of the total amount of EUR 400.0 mn relating to the impairment of goodwill in Bulgaria, which was recognised in the second quarter 2014, EUR 59.4 mn should already have been recognised in 2013; the recognised amount of goodwill itself at 30 June 2014 was not challenged. Furthermore, a share of the loss relating to the forward-starting-interest rate-swap contracts ('pre-hedges') amounting to mn 5.8 mn should have been recognised in interest expense in July 2013, at the time of the issuance of the bond representing the hedged item. Thus, the interest expense relating to the release of the hedging reserve between July and December 2013 should have been reduced by approximately EUR 0.3 mn.

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

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

Extracts from the Consolidated Financial Statements of Telekom Austria Group

Consolidated Statements of Profit or Loss

in EUR million, except per share information	Q4 2014 unaudited	Q4 2013* unaudited	1–12 M 2014 audited	1–12 M 2013* audited
Operating revenues	1,030.3	1,055.7	4,018.0	4,183.9
Other operating income	27.3	30.1	119.0	87.1
Material expenses	–155.6	–171.3	–497.3	–547.3
Employee expenses, including benefits and taxes	–250.2	–227.6	–876.4	–845.9
Other operating expenses	–399.6	–424.7	–1,477.1	–1,590.5
Operating expenses	**–805.5**	–823.6	**–2,850.9**	–2,983.7
EBITDA comparable	**252.1**	262.3	**1,286.1**	1,287.4
Restructuring	–77.5	–9.9	–89.6	–45.2
Impairment and reversal of impairment	–5.1	–59.4	–345.7	–59.4
EBITDA incl. effects from restructuring and impairment testing	**169.5**	193.0	**850.8**	1,182.8
Depreciation and amortisation	–209.3	–219.5	–853.8	–864.6
Operating result	**–39.8**	–26.6	**–3.0**	318.2
Interest income	4.1	3.6	14.6	16.1
Interest expense	–47.1	–54.7	–194.5	–206.3
Foreign exchange differences	–1.4	–1.3	–1.9	–4.3
Other financial result	0.0	–0.1	0.1	–0.1
Result from investments in affiliates	0.6	1.5	0.7	1.7
Financial result	**–43.9**	–51.0	**–181.1**	–192.9
Earnings before income taxes	**–83.7**	–77.5	**–184.1**	125.2
Income taxes	34.8	–29.6	–1.3	–73.1
Net Result	**–48.9**	–107.1	**–185.4**	52.1
Attributable to:				
Owners of the parent	–55.3	–107.8	–210.9	29.0
Non-controlling interests	0.0	–0.1	0.2	0.1
Hybrid capital owners	6.4	0.8	25.3	23.1
Basic and fully diluted earnings per share	**–0.10**	–0.24	**–0.46**	0.07
Weighted-average number of ordinary shares outstanding	**526,851,145**	442,584,841	**461,296,913**	442,570,851

* The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Consolidated Statements of Comprehensive Income

in EUR million	Q4 2014 unaudited	Q4 2013* unaudited	1–12 M 2014 audited	1–12 M 2013* audited
Net Result	**−48.9**	−107.1	**−185.4**	52.1
Unrealised result on securities available-for-sale	−0.2	0.0	−0.1	0.0
Income tax (expense) benefit	0.0	0.0	0.0	0.0
Realised result on securities available-for-sale	0.0	0.1	0.0	0.2
Income tax (expense) benefit	0.0	0.0	0.0	−0.1
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	1.0	7.1	5.8	8.7
Income tax (expense) benefit	−0.3	−1.8	−1.5	−2.2
Foreign currency translation adjustment	−4.8	−0.3	−18.4	−4.2
Items that may be reclassified to profit or loss	**−4.2**	5.0	**−14.0**	2.8
Remeasurements of defined benefit obligations	−22.6	0.4	−26.1	1.4
Income tax (expense) benefit	5.6	−0.1	6.4	−0.4
Items that are not reclassified to profit or loss	**−17.0**	0.3	**−19.7**	1.0
Other comprehensive income (loss)	**−21.3**	5.3	**−33.7**	3.8
Total comprehensive income (loss)	**−70.1**	−101.8	**−219.1**	55.9
Attributable to:				
Owners of the parent	−76.5	−102.5	−244.6	32.8
Non-controlling interests	0.0	−0.1	0.2	0.1
Hybrid capital owners	6.4	0.8	25.3	23.1

*The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Consolidated Statements of Financial Position

in EUR million	31. Dec. 2014 audited	31 Dec. 2013* audited
ASSETS		
Current assets		
Cash and cash equivalents	1,018.1	201.3
Short-term investments	14.4	9.9
Accounts receivable - trade, net of allowances	600.1	683.8
Receivables due from related parties	1.3	0.1
Inventories	140.1	127.3
Prepaid expenses	125.4	101.7
Income tax receivable	27.4	22.2
Non-current assets held for sale	0.4	1.0
Other current assets	120.1	74.0
Total current assets	**2,047.3**	**1,221.2**
Non-current assets		
Investments in associates	38.3	5.0
Long-term investments	7.4	5.2
Goodwill	1,189.5	1,522.5
Other intangible assets, net	2,570.1	2,590.3
Property, plant and equipment, net	2,246.1	2,308.1
Other non-current assets	46.9	25.2
Deferred tax assets	170.9	123.0
Total non-current assets	**6,269.1**	**6,579.4**
TOTAL ASSETS	**8,316.4**	**7,800.6**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−340.8	−230.3
Accounts payable - trade	−522.3	−573.8
Current provisions and accrued liabilities	−337.3	−301.4
Payables due to related parties	−7.1	−5.9
Income tax payable	−33.4	−34.7
Other current liabilities	−132.7	−137.1
Deferred income	−163.9	−159.1
Total current liabilities	**−1,537.5**	**−1,442.3**
Non-current liabilities		
Long-term debt	−3,385.0	−3,737.7
Employee benefit obligation	−200.9	−164.3
Non-current provisions	−867.5	−881.4
Deferred tax liabilities	−90.8	−99.3
Other non-current liabilities and deferred income	−16.6	−16.4
Total non-current liabilities	**−4,560.8**	**−4,899.2**
Stockholders' equity		
Common stock	−1,449.3	−966.2
Treasury shares	7.8	7.8
Additional paid-in capital	−1,100.1	−582.6
Hybrid capital	−591.2	−591.2
Retained earnings	418.0	190.2
Available-for-sale reserve	0.1	0.0
Hedging reserve	37.2	41.6
Translation adjustments	460.6	442.3
Equity attributable to equity holders of the parent	**−2,216.8**	**−1,458.1**
Non-controlling interests	−1.2	−1.1
Total stockholders' equity	**−2,218.0**	**−1,459.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−8,316.4**	**−7,800.6**

*The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Consolidated Statements of Cash Flows

in EUR million	Q4 2014 unaudited	Q4 2013* unaudited	1–12 M 2014 audited	1–12 M 2013* audited
Net Result	–48.9	–107.1	–185.4	52.1
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation and impairment	214.4	278.9	1,199.5	924.0
Employee benefit obligation - non-cash	17.7	0.9	20.8	11.9
Bad debt expenses	18.8	9.7	48.6	44.0
Change in deferred taxes	–42.3	20.0	–41.6	22.6
Result from investments in affiliates	0.3	–1.5	1.1	–1.4
Share-based compensation	–1.7	0.6	0.7	–0.4
Change in asset retirement obligation - non-cash	1.2	1.9	6.2	7.8
Provision for restructuring - non-cash	77.6	8.8	99.0	54.8
Result on sale of investments	0.0	0.1	–0.1	0.2
Result on disposal / retirement of equipment	3.8	9.0	1.0	8.5
Gain on monetary items - non-cash	0.2	–1.0	0.8	–1.1
Other	32.7	7.4	39.6	14.1
Gross cash flow	**273.8**	**227.7**	**1,190.4**	**1,137.2**
Accounts receivable - trade	–6.3	67.1	–11.6	36.3
Receivables due from related parties	–0.5	0.0	–1.3	–0.1
Inventories	–15.6	18.6	–11.3	25.9
Prepaid expenses and other assets	–50.4	–4.8	–106.0	1.2
Accounts payable - trade	76.6	17.9	–49.6	–28.7
Employee benefit obligation	–7.8	0.4	–7.8	–7.9
Provisions and accrued liabilities	–12.2	–4.6	–107.2	–92.5
Other liabilities and deferred income	–33.3	–60.8	4.2	–18.0
Payables due to related parties	3.1	0.4	1.6	–1.8
Changes in assets and liabilities	**–46.4**	**34.3**	**–289.0**	**–85.7**
Cash flow from operating activities	**227.4**	**262.0**	**901.4**	**1,051.6**
Capital expenditures	–284.9	–1,286.1	–757.4	–1,779.1
Acquisitions of subsidiaries, net of cash acquired	–0.5	–0.1	–25.2	–330.9
Sale of subsidiary, net of cash disposed	0.0	0.0	–4.5	0.0
Sale of property, plant, equipment and intangible assets	3.4	3.7	12.1	10.8
Purchase of investments	–9.1	–8.8	–16.1	–564.2
Sale of investments	0.4	50.7	9.5	642.1
Cash flow from investing activities	**–290.6**	**–1,240.5**	**–781.6**	**–2,021.4**
Proceeds from issuance of long term debt	0.0	742.8	0.0	1,040.3
Principal payments on long-term debt	–188.8	–175.0	–246.2	–932.2
Changes in short-term borrowings	7.9	26.6	4.0	–10.1
Issuance of hybrid bond	0.0	0.0	0.0	588.2
Capital icrease	996.6	0.0	996.6	0.0
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	**815.7**	**594.4**	**696.5**	**569.6**
Effect of exchange rate changes	**0.3**	**0.5**	**–0.1**	**1.8**
Monetary loss on cash and cash equivalents	**0.0**	**–0.8**	**0.5**	**–1.0**
Change in cash and cash equivalents	**752.7**	**–384.4**	**816.7**	**–399.4**
Cash and cash equivalents at beginning of period	265.4	585.8	201.3	600.8
Cash and cash equivalents at end of period	1,018.1	201.3	1,018.1	201.3

The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Consolidated Statements of Changes in Stockholders' Equity

in EUR million (audited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2014	**966.2**	**–7.8**	**582.6**	**591.2**	**–190.2**	**–483.9**	**1,458.1**	**1.1**	**1,459.1**
Net Result	0.0	0.0	0.0	0.0	–185.6	0.0	–185.6	0.2	–185.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–19.7	–14.0	–33.7	0.0	–33.7
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**–205.3**	**–14.0**	**–219.3**	**0.2**	**–219.1**
Distribution of dividends	0.0	0.0	0.0	0.0	–47.4	0.0	–47.4	–0.1	–47.5
Hyperinflation adjustment	0.0	0.0	0.0	0.0	24.9	0.0	24.9	0.0	24.9
Capital increase	483.1	0.0	517.5	0.0	0.0	0.0	1,000.6	0.0	1,000.6
Balance at 31 Dec. 2014	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**–418.0**	**–497.9**	**2,216.8**	**1.2**	**2,218.0**

in EUR million (audited)*	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	52.1	0.0	52.1	0.1	52.1
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	1.0	2.8	3.8	0.0	3.8
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**53.1**	**2.8**	**55.9**	**0.1**	**55.9**
Distribution of dividends	0.0	0.0	0.0	0.0	–14.4	0.0	–14.4	0.0	–14.5
Hyperinflation adjustment	0.0	0.0	0.0	0.0	7.3	0.0	7.3	0.0	7.3
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 31 Dec. 2013	966.2	–7.8	582.6	591.2	–190.2	–483.9	1,458.1	1.1	1,459.1

The distribution of dividends includes coupon payments and the tax benefits relating to the amount of interest attributable to hybrid bond owners.
* The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Net Debt*

in EUR million	31. Dec. 2014 audited	31 Dec. 2013 audited
Long-term debt	3,385.0	3,737.7
Short-term borrowings	340.8	232.2
Cash and cash equivalents and short-term investments	–1,032.5	–211.2
Net debt	**2,693.3**	3,758.7
Net debt/EBITDA comparable (last 12 months)	**2.1x**	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.
* As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures were restated accordingly.

Operating Segments

in EUR million (audited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
	1–12 M 2014							
External revenues	2,452.2	368.6	369.4	355.0	472.8	0.0	0.0	4,018.0
Intersegmental revenues	19.8	2.6	8.9	0.0	8.3	0.0	−39.6	0.0
Total revenues	**2,472.0**	**371.3**	**378.2**	**355.0**	**481.1**	**0.0**	**−39.6**	**4,018.0**
Other operating income	86.5	13.5	7.5	6.0	11.9	54.5	−60.9	119.0
Segment expenses	−1,803.1	−241.7	−301.4	−188.6	−356.0	−60.0	99.9	−2,850.9
EBITDA comparable	**755.4**	**143.1**	**84.3**	**172.4**	**137.0**	**−5.5**	**−0.5**	**1,286.1**
Restructuring	−89.6	0.0	0.0	0.0	0.0	0.0	0.0	−89.6
Impairment and reversal of impairment	0.0	−340.6	0.0	0.0	−5.1	0.0	0.0	−345.7
EBITDA incl. effects from restructuring and impairment testing	**665.8**	**−197.5**	**84.3**	**172.4**	**131.9**	**−5.5**	**−0.5**	**850.8**
Depreciation and amortisation	−508.6	−87.3	−68.5	−90.2	−100.1	0.0	0.8	−853.8
Operating result	**157.2**	**−284.9**	**15.9**	**82.2**	**31.8**	**−5.5**	**0.3**	**−3.0**
Interest income	2.4	1.3	0.2	9.5	1.3	35.3	−35.4	14.6
Interest expense	−42.8	−0.5	−9.8	−2.0	−2.4	−172.3	35.4	−194.5
Result from investments in affiliates	0.6	0.0	0.0	0.0	0.0	0.1	0.0	0.7
Other financial result	0.6	0.0	−1.1	0.5	−1.1	−662.1	661.5	−1.8
Earnings before income taxes	**118.0**	**−284.2**	**5.2**	**90.1**	**29.6**	**−804.5**	**661.7**	**−184.1**
Income taxes								−1.3
Net result								**−185.4**
Segment assets	4,814.4	881.6	596.4	568.8	807.7	7,701.9	−7,054.4	8,316.4
Segment liabilities	−2,650.2	−95.0	−421.3	−68.2	−198.1	−4,270.1	1,604.6	−6,098.4
Capital expenditures - intangible	110.3	57.6	12.2	6.2	82.5	0.0	0.0	268.8
Capital expenditures - tangible	288.4	45.3	57.7	42.2	55.0	0.0	0.0	488.6
Total capital expenditures	**398.7**	**102.9**	**70.0**	**48.5**	**137.4**	**0.0**	**0.0**	**757.4**
EBITDA comparable margin	30.6%	38.5%	22.3%	48.6%	28.5%	n.a	n.a	32.0%

in EUR million (audited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
	1–12 M 2013*							
External revenues	2,637.5	395.7	377.5	331.7	441.6	0.0	0.0	4,183.9
Intersegmental revenues	21.1	3.7	11.7	0.1	11.9	0.0	−48.5	0.0
Total revenues	**2,658.6**	**399.4**	**389.2**	**331.7**	**453.5**	**0.0**	**−48.5**	**4,183.9**
Other operating income	87.5	11.9	5.8	4.9	12.4	23.9	−59.3	87.1
Segment expenses	−2,000.8	−252.8	−277.4	−180.7	−327.4	−52.4	107.7	−2,983.7
EBITDA comparable	**745.3**	**158.6**	**117.6**	**155.9**	**138.5**	**−28.5**	**−0.1**	**1,287.4**
Restructuring	−45.2	0.0	0.0	0.0	0.0	0.0	0.0	−45.2
Impairment and reversal of impairment	0.0	−59.4	0.0	0.0	0.0	0.0	0.0	−59.4
EBITDA incl. effects from restructuring and impairment testing	**700.1**	**99.2**	**117.6**	**155.9**	**138.5**	**−28.5**	**−0.1**	**1,182.8**
Depreciation and amortisation	−516.1	−94.6	−65.8	−84.3	−104.7	0.0	0.9	−864.6
Operating result	**184.0**	**4.6**	**51.8**	**71.6**	**33.8**	**−28.5**	**0.8**	**318.2**
Interest income	2.4	1.1	0.9	8.2	0.8	21.6	−18.8	16.1
Interest expense	−39.0	−2.8	−11.0	−1.8	−0.8	−169.8	18.8	−206.3
Result from investments in affiliates	1.7	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Other financial result	−0.5	−0.1	−2.1	0.8	−0.1	326.3	−328.7	−4.4
Earnings before income taxes	**148.7**	**2.8**	**39.6**	**78.7**	**33.7**	**149.6**	**−327.9**	**125.2**
Income taxes								−73.1
Net result								**52.1**
Segment assets	4,927.0	1,222.8	544.7	572.5	751.7	7,723.4	−7,941.4	7,800.6
Segment liabilities	−2,695.2	−146.5	−366.1	−58.3	−126.9	−4,435.7	1,481.3	−6,347.4
Capital expenditures - intangible	1,203.5	22.5	30.9	5.2	30.0	0.0	0.0	1,292.1
Capital expenditures - tangible	306.3	37.6	51.5	28.8	62.7	0.0	0.0	487.0
Total capital expenditures	**1,509.8**	**60.2**	**82.4**	**34.0**	**92.8**	**0.0**	**0.0**	**1,779.1**
EBITDA comparable margin	28.0%	39.7%	30.2%	47.0%	30.5%	n.a	n.a	30.8%

*The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Results by Segments

in EUR million	Q4 2014 unaudited	Q4 2013* unaudited	% change	1–12 M 2014 audited	1–12 M 2013* audited	% change
Revenues						
Austria	650.2	666.3	–2.4%	2,472.0	2,658.6	–7.0%
Bulgaria	94.8	99.4	–4.6%	371.3	399.4	–7.1%
Croatia	95.9	95.5	0.5%	378.2	389.2	–2.8%
Belarus	79.7	87.7	–9.1%	355.0	331.7	7.0%
Additional markets	117.9	116.1	1.5%	481.1	453.5	6.1%
Corporate & Other & Eliminations	–8.3	–9.3	–11.6%	–39.6	–48.5	–18.4%
Total revenues	**1,030.3**	1,055.7	–2.4%	**4,018.0**	4,183.9	–4.0%
EBITDA comparable						
Austria	153.8	143.9	6.9%	755.4	745.3	1.4%
Bulgaria	29.6	31.9	–7.1%	143.1	158.6	–9.8%
Croatia	10.3	21.7	–52.5%	84.3	117.6	–28.3%
Belarus	36.0	37.5	–3.9%	172.4	155.9	10.6%
Additional markets	31.8	35.3	–9.9%	137.0	138.5	–1.1%
Corporate & Other & Eliminations	–9.4	–7.9	18.9%	–6.0	–28.5	–78.8%
Total EBITDA comparable	**252.1**	262.3	–3.9%	**1,286.1**	1,287.4	–0.1%
EBITDA incl. effects from restructuring and impairment testing						
Austria	76.3	134.0	–43.0%	665.8	700.1	–4.9%
Bulgaria	29.6	–27.5	–207.7%	–197.5	99.2	–299.1%
Croatia	10.3	21.7	–52.5%	84.3	117.6	–28.3%
Belarus	36.0	37.5	–3.9%	172.4	155.9	10.6%
Additional markets	26.7	35.3	–24.4%	131.9	138.5	–4.8%
Corporate & Other & Eliminations	–9.4	–7.9	18.9%	–6.0	–28.5	–78.8%
Total EBITDA incl. effects from restructuring and impairment testing	**169.5**	193.0	–12.2%	**850.8**	1,182.8	–28.1%
Operating result						
Austria	–51.2	2.4	–2271.0%	157.2	184.0	–14.6%
Bulgaria	8.4	–52.0	–116.1%	–284.9	4.6	–6286.4%
Croatia	–7.5	5.0	–247.9%	15.9	51.8	–69.4%
Belarus	16.5	17.1	–3.7%	82.2	71.6	14.9%
Additional markets	3.2	8.6	–62.9%	31.8	33.8	–5.8%
Corporate & Other & Eliminations	–9.2	–7.7	19.5%	–5.2	–27.7	–81.0%
Total operating result	**–39.8**	–26.6	49.6%	**–3.0**	318.2	–100.9%
EBITDA comparable margin						
Austria	23.7%	21.6%		30.6%	28.0%	
Bulgaria	31.2%	32.1%		38.5%	39.7%	
Croatia	10.7%	22.7%		22.3%	30.2%	
Belarus	45.2%	42.7%		48.6%	47.0%	
Additional markets	27.0%	30.4%		28.5%	30.5%	
EBITDA comparable margin total	**24.5%**	24.8%		**32.0%**	30.8%	

* The 2013 comparison period was adjusted according to IAS 8, see page 29 for details.

Capital Expenditures

in EUR million	Q4 2014 unaudited	Q4 2013 unaudited	% change	1–12 M 2014 audited	1–12 M 2013 audited	% change
Austria	166.3	1,177.9	−85.9%	398.7	1,509.8	−73.6%
Bulgaria	43.6	26.0	67.9%	102.9	60.2	71.0%
Croatia	25.8	41.4	−37.7%	70.0	82.4	−15.1%
Belarus	21.7	16.4	32.8%	48.5	34.0	42.6%
Additional markets	27.5	24.5	12.3%	137.4	92.8	48.2%
Slovenia	9.9	10.4	−4.8%	89.9	23.2	287.6%
Serbia	12.3	11.1	10.2%	37.8	52.7	−28.2%
Macedonia	5.3	2.4	123.1%	9.4	16.1	−41.6%
Liechtenstein	0.0	0.4	−100.0%	0.1	0.5	−89.3%
Elimination Additional markets	0.1	0.2	−71.5%	0.2	0.3	-32.9%
Corporate & Other & Elimination	0.0	0.0	n.a	0.0	0.0	n.a
Total capital expenditures	**284.9**	1,286.1	−77.8%	**757.4**	1,779.1	−57.4%
Thereof tangible	198.3	151.2	31.1%	488.6	487.0	0.3%
Thereof intangible	86.6	1,134.9	−92.4%	268.8	1,292.1	−79.2%