TELEKOM AUSTRIA GROUP

Results for the First Nine Months 2012

Highlights

> Group revenues decline by 3.8% primarily due to pricing and regulatory pressure on the mobile businesses in Austria and Bulgaria

> Almost stable revenues in Croatia and Belarus as well as top line growth in the Additional Markets segment

> Strong fixed line performances in Austria, Bulgaria and Croatia

> OPEX savings of net EUR 86.7 million limit the decline of Group EBITDA comparable at 4.5% and keep the margin almost stable

> EBITDA comparable growth in Croatia and Additional Markets

> Group Outlook 2012 reiterated: Revenues approximately EUR 4.2 bn, EBITDA comparable EUR 1.40 bn to EUR 1.45 bn, CAPEX* EUR 0.70 bn to EUR 0.75 bn, Operating Free Cash Flow** EUR 0.70 bn to EUR 0.75 bn

> Expected dividend per share of EUR 0.05 for 2012 and 2013

in EUR million	Q3 2012	Q3 2011	% change	1-9 M 2012	1-9 M 2011	% change
Revenues	1,093.7	1,111.4	-1.6%	3,212.0	3,338.7	-3.8%
EBITDA comparable	410.4	412.9	-0.6%	1,136.6	1,190.4	-4.5%
Operating income	177.0	166.1	6.5%	388.1	208.8	85.9%
Net income	99.2	127.9	-22.5%	180.1	68.7	162.1%
Earnings per share (in EUR)	0.22	0.29	-22.6%	0.41	0.16	161.7%
Free cash flow per share (in EUR)	0.37	0.44	-15.6%	0.70	0.86	-18.5%
Capital Expenditures	158.4	177.8	-10.9%	489.4	454.9	7.6%

in EUR million	Sept 30, 2012	Dec. 31, 2011	% change
Net Debt	3,261.5	3,380.3	-3.5%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.2x	2.2x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income tax expense, depreciation and amortization, restructuring and impairment charges.
* Does not include investments for licenses and spectrum and acquisitions
** Operating Free Cash Flow = EBITDA comparable – CAPEX (excluding investments for licenses and spectrum and acquisitions)

Interim Management Report

Group Review

Vienna, 14 November 2012 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announced its results for the first nine months and the third quarter 2012 ending 30 September 2012.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q3 2012") are available on our website at www.telekomaustria.com.

Results for the full year 2012 will be announced on 28 February 2013.

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Summary

Year-to-Date Comparison:

A highly competitive landscape, regulatory burdens on mobile termination and roaming rates as well as a challenging economic environment in most of its markets characterized the operational environment of Telekom Austria Group and translated into a decline of Group revenues by 3.8% to EUR 3,212.0 million during the first nine months 2012 compared to the same period last year. While revenues increased in the Additional Markets segment and stayed almost stable in the Croatian and Belarusian segments, they declined in the Austrian and Bulgarian segments. In the first nine months of 2012 the Austrian market was characterized by fierce mobile competition leading to a decline in pricing levels and ongoing fixed-to-mobile substitution. Results in the Bulgarian and in the Croatian segments were negatively impacted by strong macroeconomic headwinds as well as severe pricing pressure. In both markets positive contributions from the fixed line businesses dampened the negative effects from the mobile market. In the Belarusian segment a strong operational performance translated into a stabilization of revenues and almost fully compensated the devaluation of the Belarus ruble in 2011. In the Additional Markets segment growth was primarily driven by a higher number of subscribers and a rise in usage.

Group EBITDA comparable, which does not include effects from restructuring and impairment tests, declined by 4.5% to EUR 1,136.6 million during the first nine months of 2012. Strict cost control led to cost savings of EUR 86.7 million, mostly in the Austrian segment. Cost savings as well as positive fixed line contributions allowed a rise in EBITDA comparable in the Croatian segment. In the Additional markets segment, EBITDA comparable increased strongly as higher revenues offset the rise in revenue related costs.

In the first nine months of 2012 a restructuring charge of EUR 21.6 million was recorded in the Austrian segment compared to a restructuring charge of EUR 224.8 million in the first nine months of 2011.

The financial result improved as foreign exchange losses in the first nine months of 2011, caused by the devaluation of the Belarusian ruble, turned to a gain in the first nine months of 2012. This was offset by higher interest expenses due to the issuance of a EUR 750 million Eurobond. Group net income increased from EUR 68.7 million in the first nine months of 2011 to EUR 180.1 million in the first nine months of 2012.

In the first nine months of 2012 capital expenditures increased by 7.6% to EUR 489.4 million. While in the Austrian segment capital expenditures were driven by network investments, they increased in the Bulgarian and Croatian segments due to the fixed line acquisitions in 2011.

Quarterly Comparison:

In the third quarter of 2012 Group revenues declined by 1.6% to EUR 1,093.7 million. Lower revenues from the Austrian, Bulgarian and Croatian segments were partly offset by higher revenues from the Belarusian and the Additional Markets segments. The decline in revenues in the Austrian segment was primarily driven by lower mobile pricing levels caused by a markedly intensified competitive environment. An ongoing challenging macro-economic environment, regulatory burdens and pricing pressure were the major drivers for the revenue decline in the Bulgarian segment. In the Croatian segment the decline in mobile revenues was cushioned by positive contributions from the fixed line business. In the Belarusian segment a strong operational performance and price adjustments due to inflation more than outweighed the negative effects of the currency devaluation and led to a rise in revenues by 42.5%. A higher subscriber number translated into revenue growth in the Additional Markets segment.

Costs saving lead to almost stable Group EBITDA comparable

Group EBITDA comparable, which does not include effects from restructuring and impairment tests, declined modestly by 0.6% and amounted to EUR 410.4 million. The slowdown in the rate of decline was primarily due to cost savings in the total net amount of EUR 18.1 million, stemming predominantly from the Austrian, Bulgarian and Croatian segments. In the Belarusian segment operating expenses increased due to consumer price index adjustments and partly compensated the net effect from hyperinflation accounting and foreign exchange translation.

In the Austrian segment restructuring charges for civil servants amounted to EUR 10.6 million in the third quarter of 2012 compared to EUR 6.1 million in the previous year. Depreciation and amortization charges declined by 7.4% to EUR 222.9 million as a result of lower contributions from the Austrian and Bulgarian segments. Consequently operating income increased by 6.5% to EUR 177.0 million in the third quarter of 2012.

Group capital expenditures declined by 10.9% to EUR 158.4 million as a result of lower capital expenditures in the Austrian and the Bulgarian segments. In the Croatian segments capital expenditures increased due to the fixed line business. Investments in the network and mobile infrastructure led to higher capital expenditures in the Additional Markets segment.

Market Environment

Telekom Austria Group operates in a highly competitive environment both in the fixed line and the mobile communication markets with negative pricing trends visible in most of its segments. Regulatory measures, particularly on mobile termination rates and roaming tariffs, impact domestic as well as international activities negatively. With a clear focus on high-value customer segments, innovative and customer oriented products in both the fixed line and the mobile businesses Telekom Austria Group seeks to mitigate these negative external effects. Furthermore the improvement of productivity and the continuous assessment of cost structures are essential for the success of Telekom Austria Group.

In Austria, the telecommunication market remains characterized by fierce competition and ongoing fixed-to-mobile substitution. In the first nine months of 2012 the competitive environment in the mobile communication market intensified significantly with limited signs for changes for the foreseeable future. This led to a marked decline in pricing levels for package as well as data tariffs throughout 2012. In the fixed line market the ongoing loss of fixed voice minutes, due to the fixed-to-mobile substitution, remains a key challenge. However, demand for convergent product bundles remains strong.

In CEE, strong macro-economic headwinds as well as intense competition continue to impact operations in Bulgaria as well as in Croatia and increasingly affect the markets of Slovenia, the Republic of Serbia and the Republic of Macedonia. Particularly in Bulgaria and Croatia, competition remains intense focusing on pricing and all-in packages in the mobile markets as well as convergent product bundles. Moreover, regulatory and fiscal burdens affect operations in the CEE region. The Bulgarian operation is severely impacted by a new glide path, effective as of 1 July 2012, which more than halved domestic and international mobile termination rates. With respect to foreign exchange markets uncertainty remained throughout the first nine months of 2012. While the EUR-BYR rate exhibited a stable performance in the first nine months of 2012, the Belarusian Ruble lost 5% as of the end of the third quarter 2012 if compared to the same period last year. The Serbian Dinar lost 9% versus the Euro in the first nine months of 2012.

Telekom Austria Group Reiterates Outlook for Full Year 2012

Telekom Austria Group's operating markets are characterized by a number of negative external factors some of which intensified further during the first nine months of 2012. Increased competition in Telekom Austria Group's major markets, such as Austria, Bulgaria and Croatia, has led to further price erosion and is expected to persist for the foreseeable future. In Telekom Austria Group's home market, the deterioration of mobile pricing spurs the ongoing fixed-to-mobile voice substitution and hampers fixed line data tariff initiatives. In addition, regulatory burdens such as lower roaming charges as well as cuts in national and international mobile termination rates will continue to impact the Group, particularly in the segment Bulgaria.

In the CEE region economic headwinds are anticipated to remain strong. This will continue to impact customer demand and pricing levels. Markets such as Belarus or the Republic of Serbia, are expected to exhibit continued foreign exchange volatility. Furthermore, Belarus, which was classified as a hyperinflation country in 2011, has endured high inflation also in 2012.

The management of Telekom Austria Group reiterates its outlook for the full year 2012: Revenues are anticipated to amount to approximately EUR 4.2 billion and EBITDA comparable is expected to come in a range between EUR 1.40 and 1.45 billion. With expected capital expenditures* of EUR 700 – 750 million, Operating Free Cash Flow** is forecasted to reach EUR 700 – 750 million.

DPS of EUR 0.05 in 2012 and 2013

In this competitive environment maintaining financial flexibility is of overriding importance to the management of Telekom Austria Group. Retaining leverage within the target corridor of 2.0x – 2.5x Net debt/EBITDA comparable and protecting the BBB (stable) investment grade rating is central to Telekom Austria Group's cash use policy. Therefore, the intended dividend for the years 2012 and 2013 has been set to EUR 0.05. Simultaneously, the management has initiated further measures to minimize the negative effects of the above mentioned factors on the Group's Operating Free Cash Flow**.

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

	Outlook 2012 as of 16 August 2012	Outlook 2012 as of 14 November 2012
Revenues	approximately EUR 4.2 bn	approximately EUR 4.2 bn
EBITDA comparable	EUR 1.40 – 1.45 bn	EUR 1.40 – 1.45 bn
Capital Expenditures*	EUR 0.70 – 0.75 bn	EUR 0.70 – 0.75 bn
Operating Free Cash Flow**	EUR 0.70 – 0.75 bn	EUR 0.70 – 0.75 bn
Dividend	DPS of EUR 0.38	DPS of EUR 0.05

* Does not include investments for licenses and spectrum and acquisitions.
** Operating Free cash flow = EBITDA comparable minus capital expenditures (excluding investments for licenses and spectrum auctions)

Year-to-Date Comparison
Revenues

Revenues in EUR million	1–9 M 2012	1–9 M 2011	% change
Austria	2,066.1	2,190.1	–5.7%
Bulgaria	358.3	395.1	–9.3%
Croatia	313.9	314.4	–0.2%
Belarus	217.9	219.7	–0.8%
Additional Markets	315.3	290.9	8.4%
Corporate & Holding, Eliminations	–59.6	–71.5	–16.6%
Total	**3,212.0**	3,338.7	**–3.8%**

Stable revenues in Croatia and Belarus partly compensate revenues decline in Austria and Bulgaria

In the first nine months of 2012 Group revenues declined by 3.8% to EUR 3,212.0 million, as higher revenues from the Additional markets segment could only partly compensate for lower results from the Austrian and Bulgarian segments. In the Croatian and the Belarusian segments revenues remained almost stable in the first nine months of 2012. Fierce mobile competition translated into lower pricing levels particularly in the Austrian, Bulgarian and Croatian segments. In the Belarusian segment hyperinflation accounting has been applicable since the fourth quarter 2011, following inflation reaching 108% in 2011.

In the Austrian segment a highly competitive environment, particularly in the mobile market, led to severe pricing pressure and translated into a 5.7% decline in revenues in the first nine months of 2012. Fierce competition and the continued shift to package tariffs impacted Monthly Fee and Traffic revenues, which declined by 5.3% to EUR 1,443.5 million. Furthermore, the ongoing fixed-to-mobile substitution and regulatory cuts on roaming added to the decline. While revenues from Data & ICT Solutions increased due to the higher number of ICT projects, Wholesale (including roaming) revenues declined. This was primarily a result of lower roaming revenues as a higher usage could only partly offset lower inter-operator tariffs. Interconnection revenues declined modestly due to a positive one-off effect of EUR 10.1 million recorded in the first quarter of 2012 as well as a negative one-off effect of EUR 8.3 million recorded in the first nine months of 2011. On a clean basis Interconnection revenues declined by 22,7 million due to lower usage and prices in the transit business. Equipment revenues remained stable. Other revenues declined by 70.1% following the sale of A1 subsidiary Mass Response Service GmbH in September 2011.

The Bulgarian segment was characterized by a laggard domestic economy, a fierce competitive environment and regulatory burdens in the first nine months of 2012. Consequently revenues declined by 9.3% primarily due to lower Monthly Fee and Traffic revenues as a result of a lower usage and a decline in prices. Wholesale (including roaming) revenues declined as a result of lower roaming tariffs. A new glidepath for national and international termination rates was introduced as of 1 July 2012 and spurred the decline of Interconnection revenues. Fixed line service revenues amounted to EUR 14.9 million in the first nine months of 2012 compared to EUR 12.7 million during the same period in 2011.

In the first nine months of 2012 the Croatian segment continued to exhibit strong macro-economic headwinds and a fierce competition in the mobile market. Nevertheless, backed by a positive contribution from the fixed line business, which was acquired in August 2011, revenues remained almost stable in the first nine months of 2012. Monthly Fee and Traffic revenues as well as Interconnection revenues increased as the fixed line business compensated for lower mobile prices and the decline in termination rates. Wholesale (including roaming) revenues declined due to lower inter-operator tariffs. In the first nine months of 2012 fixed line service revenues amounted to EUR 32.4 million. Negative foreign exchange translations amounted to EUR 4.2 million in the first nine months of 2012.

In the Belarusian segment revenues remained almost stable and declined only by 0.8% in first nine months of 2012, including a negative net amount of EUR 156.6 million from hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting revenues rose by 70.5% which was a result of inflation driven price increases as well as continued subscriber growth and strong demand for mobile broadband solutions.

In the Additional Markets segment revenues grew by 8.4% in the first nine months of 2012 primarily as a result of a higher subscriber base. In Slovenia, attractive smartphone offerings and a focus on the high-value customer segment translated into higher Monthly Fee and Traffic as well as Equipment revenues. Moreover, in the Republic of Serbia and in the Republic of Macedonia a rise in contract share and higher usage translated into revenue growth. In the Additional Markets segment a negative effect from foreign exchange translations in the amount of EUR 12.5 million was recorded in the first nine months of 2012, stemming predominantly from a 12% decline of the Serbian Dinar versus the Euro.

EBITDA

EBITDA comparable

in EUR million	1–9 M 2012	1–9 M 2011	% change
Austria	703.1	746.1	–5.8%
Bulgaria	164.5	203.8	–19.3%
Croatia	114.1	104.2	9.5%
Belarus	89.6	99.7	–10.1%
Additional Markets	87.5	63.1	38.5%
Corporate & Holding, Eliminations	–22.1	–26.5	–16.5%
Total	**1,136.6**	**1,190.4**	**–4.5%**

EBITDA comparable growth in the Croatian and Additional markets segments

In the first nine months of 2012 Group EBITDA comparable declined by 4.5%, as growth from the Croatian and Additional Markets segments could only partly compensate for the declines in the Austrian, Bulgarian and Belarusian segments.

In the Austrian segment EBITDA comparable declined by 5.8% as a strict focus on cost control could partly compensate for the decline in revenues. Total cost reductions amounted to EUR 82.7 million and were primarily a result of lower Costs for Services received and Other costs as well as lower Interconnection costs. Material expenses declined due to a lower number of handsets sold. Personnel expenses increased by 2.0% due to actuarial adjustments in the calculation of the service award provision as well as a higher collective bargaining agreement for 2012 which offset the positive impact from a lower number of average full time equivalents. The service award provision is a part of the employee benefit obligations, which are measured on a yearly basis using actuarial methods. Changes in these assumptions have to be recorded in the period they occur. Interconnection expenses include a negative one-off effect of EUR 3.1 million recorded during the first quarter of 2012. In the first nine months of 2011 a positive one-off effect of EUR 6.3 million was included in Interconnection expenses. On a clean basis Interconnection expenses declined by EUR 28.6 million due to lower tariffs and a decline in volumes. Costs for Services received declined due to the sale of A1 subsidiary Mass Response Service GmbH in September 2011 following lower roaming costs due to lower inter-operator tariffs. The decline in Other costs was primarily driven by a reduction of marketing expenses.

In the Bulgarian segment EBITDA comparable declined by 19.3% in the first nine months of 2012, as a strict focus on cost control could only partly offset the negative impact of revenue pressure on EBITDA comparable. While Material expenses and Personnel expenses increased, Other costs declined primarily as a result of lower marketing and sales costs as well as lower bad debt provisions. Interconnection expenses declined due to regulatory cuts. Other operating income declined in the first nine months of 2012 due to an exceptional warranty payment that was recorded in the first nine months of 2011.

In the Croatian segment EBITDA comparable increased by 9.5% as a strict focus on costs control more than compensated for the decline in revenues. In the first nine months of 2012 operating expenses declined by 4.9%. This was primarily driven by lower Material expenses due to lower subscriber acquisition and retention costs lower Personnel expenses due to headcount reductions in the second quarter of 2011 and lower Other costs. While Interconnection expenses remained almost stable in the first nine months of 2012, costs for Services received increased primarily due to the integration of the fixed line operator B.net. Lower marketing and sales costs and a reduction of overhead costs led to a decline of Other costs. A negative effect of EUR 1.5 million from foreign exchange translations was recorded in the Croatian segment in the first nine months of 2012.

In the Belarusian segment EBITDA comparable declined by 10.1% in the first nine months of 2012, whereof a negative net amount of EUR 68.9 million resulted from hyperinflation accounting and foreign exchange translations. On a local currency basis and before any hyperinflation accounting adjustments EBITDA comparable increased by 59.0%. In local currency operating expenses increased mainly due to revenue related expenses such as Material expenses, Interconnection expenses and higher costs for Services received. Personnel expenses increased due to higher salaries. Furthermore, continued efforts to reduce foreign exchange denominated costs mitigated the negative impacts from the currency devaluation.

In the Additional Markets segment EBITDA comparable continued to exhibited strong growth and increased by 38.5% in the first nine months in 2012. Operating expenses increased in Slovenia and the Republic of Serbia as higher revenues translated into higher revenue related expenses. In Slovenia, the strong demand for Smartphones led to a rise of Material expenses. While Personnel expenses increased due to a higher number of full time employees, Interconnection expenses declined as higher volumes were offset by lower termination rates. In the Republic of Macedonia EBITDA comparable growth benefited from a decline in operating expenses, which was primarily driven by lower marketing and sales costs. A negative effect of EUR 3.7 million from foreign exchange translations was recorded in the first nine months of 2012 in the Additional Markets segment.

EBITDA incl. effects from restructuring and impairment tests

in EUR million	1–9 M 2012	1–9 M 2011	% change
Austria	681.4	521.4	30.7%
Bulgaria	164.5	203.8	–19.3%
Croatia	114.1	104.2	9.5%
Belarus	89.6	99.7	–10.1%
Additional Markets	87.5	63.1	38.5%
Corporate & Holding, Eliminations	–22.1	–26.5	–16.5%
Total	**1,115.0**	965.7	15.5%

Group EBITDA incl. effects from restructuring and impairment tests increased by 15.5%. This was primarily a result of the reduction in restructuring charges in the Austrian segment from EUR 224.8 million in the first nine months of 2011 to EUR 21.6 million in the first nine months of 2012. In the first nine months 2012, 30 civil servants were transferred to the government and 17 civil servants accepted social plans.

EUR 21.6 million restructuring charge in the first nine months of 2012

Operating Income

EBIT

in EUR million	1–9 M 2012	1–9 M 2011	% change
Austria	272.6	68.5	298.1%
Bulgaria	40.6	56.1	–27.6%
Croatia	63.7	54.9	16.1%
Belarus	18.0	57.7	–68.8%
Additional Markets	13.0	–4.1	n.a.
Corporate & Holding, Eliminations	–19.9	–24.3	–18.2%
Total	**388.1**	208.8	85.9%

In the first nine months of 2012 Group operating income increased to EUR 388.1 million, mainly as a result of the above mentioned lower restructuring charges. Depreciation and amortization charges declined by 4.0% mainly due to reductions in the Austrian and Bulgarian segments.

Consolidated Net Income

In the first nine months of 2012 net interest expense increased by 10.3% to EUR 164.9 million due to higher average financial debt. Foreign exchange differences turned from a loss of EUR 50.5 million to a gain of EUR 4.6 million due to the devaluation of the Belarus ruble in 2011 and compared to a relatively stable exchange rate 2012 to date. In the first nine months of 2012 the net monetary gain from hyperinflation accounting amounted to EUR 3.2 million.

Substantially lower restructuring charges as well as the improvement of the exchange rate for the Belarusian ruble during the first nine months of 2012 led to rise of earnings before income taxes to EUR 227.3 million from EUR 5.9 million in the previous year. Income tax expenses amounted to EUR 47.3 million in the first nine months of 2012.

Net income increased from EUR 68.7 million in the first nine months of 2011 to EUR 180.1 million in the first nine months of 2012.

Balance Sheet and Net Debt

In the first nine months of 2012 total current assets remained almost stable and increased by 0.4% to EUR 1,758.7 million. Total non-current assets declined by 3.4% as Other intangible assets and Property, Plant and Equipment declined due to higher depreciation and amortization than additions to assets.

Total current liabilities declined by 8.4% to EUR 2,209.1 million following a decline in accounts payable and lower short–term borrowings. Total non-current liabilities remained almost stable and declined by 0.4%.

Total Stockholder's equity increased from EUR 883.1 million to EUR 914.8 million as of 30 September 2012 as net income more than offset the dividend payment as well as due to a positive effect from hyperinflation accounting.

Net Debt

in EUR million	Sept 30, 2012	Dec. 31, 2011	% change
Net Debt	3,261.5	3,380.3	–3.5%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.2x	2.2x	

As of 30 September 2012 Net Debt declined by 3.5% to EUR 3,261.5 million as the proceeds of a Eurobond in the amount of EUR 750 million, which was settled on 2 April 2012, was used for the repayment of bank debt. Net Debt to EBITDA comparable (last 12 months) remained stable at 2.2x.

Cash Flow

Cash Flow

in EUR million	1–9 M 2012	1–9 M 2011	% change
Cash generated from operations	797.3	834.7	–4.5%
Cash used in investing activities	–441.4	–571.4	–22.7%
Cash used in financing activities	–306.4	–37.0	n.m.
Effect of exchange rate changes	–2.1	–27.9	–92.5%
Monetary loss on cash and cash equivalents	–1.1	0.0	n.a.
Net increase/decrease in cash and cash equivalents	46.4	198.5	–76.6%

In the first nine months of 2012 cash flow from operations declined by 4.5% to EUR 797.3 million as a result of a lower gross cash flow and increased requirements for working capital. Gross cash flow declined due to lower operational performance. Cash requirements for working capital were driven by higher levels of accounts receivables, a rise in the usage of provisions and accrued liabilities, which was partly compensated by declines in inventories.

The 22.7% lower cash outflow from investing activities was primarily a result of the payments for the acquisitions of the fixed line operators in Bulgaria and Croatia during the first nine months of 2011.

Cash outflow from financing activities increased to EUR 306.4 million due to higher payments of long-term debt, which was partly compensated by a lower payment for dividends and short-term borrowings.

As a result of the hyperinflation accounting in the Belarusian segment the monetary loss on cash and cash equivalents amounted to EUR 1.1 million.

Capital Expenditures

Capital Expenditures

in EUR million	1–9 M 2012	1–9 M 2011	% change
Austria	321.5	318.6	0.9%
Bulgaria	49.0	48.4	1.3%
Croatia	40.9	25.9	58.0%
Belarus	18.3	14.4	26.8%
Additional Markets	59.9	47.7	25.7%
Corporate & Holding, Eliminations	–0.2	0.0	n.a.
Total capital expenditures	**489.4**	**454.9**	**7.6%**
Thereof tangible	392.8	368.3	6.7%
Thereof intangible	96.5	86.6	11.5%

In the first nine months of 2012 capital expenditures increased by 7.6% to EUR 489.4 million. An amount of EUR 1.6 million is related to the indexation effect of hyperinflation accounting in the Belarusian segment.

EUR 1.6 million included in Group Capital expenditures due to inflation of assets

In the Austrian segment capital expenditures increased due to planned investments in the LTE and Giganet rollout in the first nine months of 2012. In the Bulgarian and Croatian segments higher investments were driven by the fixed line businesses. In the Additional Markets segment capital expenditures increased due to higher infrastructure investments, such as network upgrades in the Republic of Macedonia.

Quarterly Analysis
Segment Austria

Note: Detailed data of the segments are shown in the appendix on page 26

Key Performance Indicators Austria

in EUR million	Q3 2012	Q3 2011	% change
Revenues	686.2	720.7	–4.8%
EBITDA comparable	240.8	248.3	–3.0%
EBITDA incl. effects from restructuring and impairment tests	230.3	242.2	–4.9%
EBIT	98.6	99.8	–1.2%
Fixed Line Market			
ARPL (in EUR)	32.2	31.8	1.3%
Total Access Lines ('000)	2,285.1	2,326.7	–1.8%
Fixed Broadband Lines ('000)	1,298.6	1,246.9	4.1%
Fixed Line Voice Minutes (in million)	557.5	628.3	–11.3%
Mobile Communication Market			
Mobile Subscribers ('000)	5,311.7	5,211.8	1.9%
Mobile Market Share	39.0%	40.3%	
Mobile Penetration	161.0%	153.5%	
Mobile Broadband Customers ('000)	770.5	721.4	6.8%
ARPU (in EUR)	18.3	20.0	–8.6%

The third quarter of 2012 was characterized by continued fierce mobile competition while fixed line trends improved markedly. In the mobile market pricing pressure remained intense with an emphasis on low-cost SIM-only offers as well as highly subsidized smartphone tariffs. To limit the resulting pressure on revenues, A1 focused its marketing activities on an innovative tariff portfolio to protect its existing customer base and to capitalize on the high value segment. A higher number of no-frills and mobile broadband customers led to an increase of the total mobile subscriber base by 1.9% by the end of the third quarter of 2012.

Intensified competition continued in the third quarter of 2012

On the other hand, driven by the strong demand for convergent product bundles, A1 increased its fixed broadband lines by 4.1%. This reduced the loss of total access lines to only 2,600 lines in the third quarter of 2012. The total number of product bundles increased to more than 1 million, while the A1TV subscriber base rose by 14.6% to more than 213,000 customers.

In the third quarter of 2012 total revenues declined by 4.8% primarily as a result of lower Monthly fee and Traffic revenues, which fell due to the continued migration of customers to mobile package tariffs, lower mobile prices and the negative impact from roaming regulation. Strong demand for fixed broadband solutions translated into higher revenues from broadband services and compensated for the decline of fixed voice minutes which fell by 11.3% during the third quarter 2012 compared to the same period last year. As a result fixed line service revenues almost stabilized and declined by only 0.4% to EUR 220.6 million. Mobile service revenues fell by 6.8% to EUR 290.8 million primarily as a result of the aggressive pricing environment and the ongoing migration to lower priced mobile package tariffs.

Revenues from Data & ICT solutions increased by 2.0% to EUR 49.1 million in the third quarter of 2012 as a result of higher demand for ICT solutions. Wholesale (including roaming) revenues declined by 10.2% to EUR 42.3 million as higher volumes could not compensate for lower inter-operator-tariffs which declined as a result of regulatory cuts.

Interconnection revenues declined by 5.8% to EUR 77.6 million as a result of further price cuts and lower quantities in the transit business. While national termination rates remained stable in the third quarter 2012, international termination rates declined due to regulatory cuts. In the third quarter of 2011 Interconnection revenues included a negative one-off effect of EUR 8.3 million. In the third quarter of 2012 Equipment revenues increased by 22.2% to EUR 31.0 million due to a higher unit price for handsets. Other revenues declined to EUR 5.3 million mainly due to the sale of A1 subsidiary Mass Response Service GmbH in September 2011.

Other operating income increased by 2.9% to EUR 23.8 million in the third quarter of 2012.

Average revenue per fixed access line (ARPL) stabilized and increased by 1.3% as higher revenues from broadband products more than compensated for the loss of fixed voice minutes. With respect to the mobile business, the migration of existing customers to package tariffs and the ongoing pricing pressure resulted in a decline of blended average revenue per user (ARPU) by 8.6%. Data ARPU declined to EUR 6.0 in the third quarter 2012 from EUR 6.7 in the third quarter of 2011.

EBITDA comparable declined by 3.0% in the third quarter of 2012. Cost savings in the amount of EUR 26.3 million allowed for a rise of EBITDA comparable margin from 34.5% during the third quarter 2011 to 35.1% during the third quarter 2012. Cost savings were mainly driven by lower Marketing expenses, lower Interconnection expenses as well as lower expenses for Maintenance and repair. Material expenses increased by 2.9% to EUR 64.3 million as a result of higher prices. Personnel expenses increased by 7.3% to EUR 157.0 million due to actuarial adjustments in the calculation of the provision for service award as well as higher collective bargaining agreement for 2012. The service award provision is a part of the employee benefit obligations, which are measured on a yearly basis using actuarial methods. Changes in these assumptions have to be recorded in the period they occur. Interconnection expenses fell by 12.5% to EUR 70.3 million as a result of lower quantities and prices in the transit business. In the third quarter of 2011 Interconnection expenses included a positive one-off effect of EUR 6.3 million. In the third quarter of 2012 costs for Maintenance and repair declined by 10.0%, primarily due to cost optimizations in the maintenance of networks. Costs for Service received declined by 8.7% to EUR 34.8 million as a result of the sale of A1 subsidiary Mass Response Service GmbH in September 2011. Costs for Other support services declined by 8.1% to EUR 34.2 million as results for the third quarter 2011 include special promotions which were related to the launch of the A1 brand in June 2011. A strict focus on cost control resulted in lower marketing costs and led to a 19.3% decline of Other costs to EUR 80.5 million.

Mobile subscriber acquisition costs (SAC) declined by 41.1% to EUR 8.9 million on the back of a reduction in handset subsidies and a decline in the above mentioned special promotions for the launch of the A1 brand in June 2011. Mobile subscriber retention costs (SRC) increased by 7.2% to EUR 21.2 million as a result of a higher demand for smartphones.

In the third quarter of 2012 restructuring charges amounted to EUR 10.6 million compared to EUR 6.1 million in the third quarter of 2011. 3 civil servants were transferred to the government and 17 accepted social plans. Lower depreciation and amortization expenses, which declined mainly due to fully depreciated assets, led to a decline of operating income by only 1.2% to EUR 98.6 million.

Segment Bulgaria

Key Performance Indicators Bulgaria

in EUR million	Q3 2012	Q3 2011	% change
Revenues	115.2	131.2	–12.2%
EBITDA comparable	54.5	68.3	–20.2%
EBITDA incl. effects from restructuring and impairment tests	54.5	68.3	–20.2%
EBIT	27.0	18.4	46.8%
Mobile Communication Market			
Mobile Subscribers ('000)	5,534.9	5,291.3	4.6%
Mobile Market Share	47.2%	48.4%	
Mobile Penetration	157.5%	145.9%	
Mobile Broadband Customers ('000)	324.7	177.6	82.8%
ARPU (in EUR)	5.7	7.0	–18.4%
Fixed Line Market			
ARPL (in EUR)	11.0	14.5	–24.4%
Total Access Lines ('000)	142.8	109.5	30.4%
Fixed Broadband Lines ('000)	137.9	103.8	32.9%

In Bulgaria a cut of 57.5% of national and of 70.6% of international termination rates following the introduction of a new glidepath as of 1 July 2012, was the main burden for the financial performance in the third quarter of 2012. In addition, strong macro-economic headwinds and a fierce competitive environment remained key characteristics in the Bulgarian market in the third quarter of 2012. Consequently, this resulted in lower usage and a decline in pricing levels. Mobiltel partly compensated the negative impacts from the pressure on prices with a continued focus on the postpaid segment and a marketing emphasis on the high value customer segment. This allowed a rise of the total mobile subscriber base by 4.6% whilst mobile broadband customers increased by 82.8%.

In the third quarter of 2012 strong demand for fixed broadband solutions and convergent bundles led a rise of fixed broadband lines by 32.9%. In September 2012 Mobiltel relaunched its brand to underline its transition from a mobile-only to a fully convergent operator, which becomes of increasing importance in the Bulgarian market.

In the third quarter of 2012 revenues in the Bulgarian segment fell by 12.2%. A decline in the amount of EUR 12.9 million was due to lower national and international termination rates following the introduction of the above mentioned new glidepath. In addition, lower prices and a reduction in usage added to the revenue reduction and translated into lower Monthly fee and Traffic revenues. Wholesale (incl. roaming) revenues decreased as higher volumes could only partially mitigate the negative impact of regulatory cuts on roaming rates. Lower termination rates led to a significant reduction of Interconnection revenues. Equipment revenues increased due to higher quantities sold and due to higher prices per handset. Despite an ongoing strong demand for fixed broadband solutions, revenues from fixed line solutions and services declined modestly by 1.5%to EUR 4.6 million in the third quarter of 2012, due to lower prices.

In the third quarter of 2012 average revenue per user (ARPU) fell by 18.4% primarily as a result of regulatory cuts and lower prices. Excluding the negative impact from regulatory cuts ARPU declined by 8.0% in the third quarter of 2012. With respect to the fixed line business, the highly competitive environment and the migration to lower priced bundle products led to a 24.4% decline of average revenue per fixed line (ARPL).

Other operating income declined to EUR 2.0 million in the third quarter of 2012 due to an extraordinary effect related to warranty issues in the third quarter of 2011.

Continued efforts to reduce costs led to a reduction by 8.5% of operating expenses and limited the impact of lower revenues on EBITDA comparable which declined by 20.2% in the third quarter of 2012. The cost reduction stemmed primarily from lower Other costs, due to a decline in bad debt provisions, and lower Interconnection costs and overcompensated the effects of the relaunch of the Mtel brand Material expenses increased due to higher quantities sold. The negative impact of cuts of mobile terminations rates on EBITDA comparable amounted to EUR 8.5 million. Operating income increased by 46.8%, primarily due to a decline depreciation and amortization charges.

Segment Croatia

Key Performance Indicators Croatia in EUR million	Q3 2012	Q3 2011	% change
Revenues	119.6	123.7	−3.2%
EBITDA comparable	53.3	52.2	2.2%
EBITDA incl. effects from restructuring and impairment tests	53.3	52.2	2.2%
EBIT	36.5	35.2	3.7%
Mobile Communication Market			
Mobile Subscribers ('000)	2,054.7	2,137.0	−3.9%
Mobile Market Share	38.7%	39.2%	
Mobile Penetration	123.7%	127.0%	
Mobile Broadband Customers ('000)	206.5	192.9	7.1%
ARPU (in EUR)	12.8	13.4	−4.7%
Fixed Line Market			
ARPL (in EUR)	23.8	21.5	10.6%
Total Access Lines ('000)	158.5	132.4	19.6%
Fixed Broadband Lines ('000)	81.2	63.1	28.8%

* As of Q3 2012 calculation method of mobile and fixed service revenues has been harmonized to Group standards and have been restated as of Q3 2011.

In the third quarter of 2012 the Croatian market remained impacted by persistent macro-economic headwinds and regulatory burdens. Vipnet was faced with an intense competitive environment as temporarily introduced aggressive all-in tariff packages led to lower pricing levels. However, a continued focus on the high value customer base allowed the contract subscriber base to rise by 6.0%.

Mobile broadband customer growth of 7.1%

Although a lower number of prepaid customers led to a year on year decline in the number of mobile subscribers, the figure increased by 3.9% compared to the end of the second quarter of 2012. The mobile broadband customer base increased by 7.1% by the end of the third quarter of 2012. Demand for convergent products remained strong which Vipnet addressed via the integration of its cable operator B.net.

Revenues supported by fixed line business

In the Croatian segment revenues declined by 3.2% to EUR 119.6 million in the third quarter of 2012 primarily due to lower Monthly Fee and Traffic revenues as well as Wholesale (incl. roaming) revenues. A higher contribution from fixed line service revenues in the amount of EUR 11.1 million could only partly offset the negative pricing trends in the mobile market. Roaming revenues declined due to lower inter-operator tariffs. Interconnection revenues increased as a higher usage outweighed the negative effects of further cuts in termination rates. In the third quarter of 2012 Equipment revenues remained stable.

In the mobile business, average revenue per user (ARPU) declined by 4.7% primarily as a result of lower prices as well as lower mobile termination rates and the migration to all-inclusive bundles. Average revenue per fixed line (ARPL) increased to EUR 23.8 in the third quarter of 2012 from EUR 21.5 in the third quarter of 2011 due to higher prices.

EBITDA comparable rises by 2.2%

In the third quarter of 2012 EBITDA comparable increased by 2.2% supported by the fixed line contributions and cost savings in the amount of EUR 5.1 million that more than compensated for the decline in revenues. In the third quarter of 2012 cost savings resulted from lower Material expenses, due to lower quantities sold, and lower Other costs, partly due to the abolishment of the mobile tax. Operating income increased by 3.7%.

Segment Belarus

Key Performance Indicators Belarus

in EUR million	Q3 2012	Q3 2011	% change
Revenues	81.0	56.9	42.5%
EBITDA comparable	34.3	24.2	41.4%
EBITDA incl. effects from restructuring and impairment tests	34.3	24.2	41.4%
EBIT	10.3	15.7	–34.3%
Mobile Communication Market			
Mobile Subscribers ('000)	4,749.5	4,532.8	4.8%
Mobile Market Share	43.9%	41.3%	
Mobile Penetration	114.3%	116.0%	
Mobile Broadband Customers ('000)	713.7	349.6	104.2%
ARPU (in EUR)	4.9	3.5	37.7%

Since the fourth quarter 2011 hyperinflation accounting has been applicable for the Belarusian segment. Financial figures were adjusted with indexes according to inflation rate and were converted from the Belarusian ruble into Euro with the period end exchange rate. At the end of the third quarter 2012, the exchange rate was 10.870 BYR/1 EUR. The inflation rate amounted to 5.05% during the third quarter of 2012. The third quarter of 2011 has not been restated.

Strong operational performance outweighed FX devaluation

While the Belarusian ruble declined by 5.1%versus the Euro in a year-on-year comparison, the macro-economic environment has shown a more stable development. Operationally velcom continued its strong performance and was able to increase its prices by 10% in August 2012. In addition, a strict cost control and a further optimization of its tariff and handset portfolios outweighed the negative currency translation effects on its results.

In the third quarter of 2012 velcom focused on smartphone offers which translated into a rise of total mobile subscribers by 4.8%. An increase in the number of mobile broadband subscribers by 104.2% underlined the strong operational performance.

Revenue growth of 69.4% in local currency and before inflation adjustments

In the Belarusian segment revenues increased by 42.5%, whereof a negative amount of EUR 15.4 million was attributable to the net effect of hyperinflation accounting and foreign exchange translations. In local currency and before any adjustments for hyperinflation accounting, revenues increased by 69.4%. This was a result of inflation driven price increases since the end of 2011 as well as a higher usage and a higher subscriber number, which translated into a rise of Monthly Fee and Traffic revenues. Interconnection revenues increased due to higher international tariffs and Equipment revenues rose due to higher prices for handsets and a higher number of handsets sold.

Average revenue per user (ARPU) increased to EUR 4.9 primarily as a result of price increases and a higher usage. Furthermore, an optimization of velcom's broadband portfolio, which includes upselling initiatives for data products, added to the rise. On a local currency basis and excluding effects from hyperinflation accounting ARPU rose by 60.3%.

This strong operational performance led to an increase in EBITDA comparable by 41.4% in the third quarter of 2012. This includes the negative effects from hyperinflation accounting and foreign exchange translations in the amount of EUR 6.3 million. In local currency and before any hyperinflation accounting adjustments EBITDA comparable increased by 67.3% as a result of higher revenues. On the same basis, operating expenses increased primarily due to higher Material, Interconnection and Personnel expenses as well as costs of Services received. In the third quarter of 2012 operating income declined to EUR 10.3 million as a result of higher depreciation and amortization charges due to the hyperinflation adjustments of assets. The negative net impact of hyperinflation accounting and foreign exchange translations on EBIT in the Belarusian segment amounts to EUR 23.1 million.

Segment Additional Markets

Slovenia

Key Performance Indicators Slovenia

in EUR million	Q3 2012	Q3 2011	% change
Revenues	52.6	51.9	1.2%
EBITDA comparable	17.8	16.2	10.0%
EBITDA incl. restructuring and impairment test	17.8	16.2	10.0%
EBIT	12.7	11.2	12.6%
Mobile Subscribers ('000)	653.5	631.0	3.6%
Mobile Market Share	30.0%	29.7%	
Mobile Penetration	106.6%	104.1%	
Mobile Broadband Customers ('000)	17,793	15,248	16.7%
ARPU (in EUR)	23.0	22.7	1.3%

In a highly competitive market, Si.mobil continued its successful focus on the high value segment and managed to increase its ARPU by 1.3%.

Si.mobil customer base grows by 3.6%

A higher number of contract subscribers and an increase in mobile broadband customers by 16.7% led to a rise in Si.mobil's total subscriber number by 3.6%.

In the third quarter of 2012 revenues increased by 1.2% as Monthly Fee and Traffic revenues rose driven by a higher contract share and attractive smartphone offers. Interconnection revenues declined as a higher usage could not compensate for regulatory cuts. Equipment revenues increased due to a higher number of smartphones sold. Average revenue per user (ARPU) increased by 1.3% driven by a higher contract subscriber share. Operating expenses declined by 2.7% primarily as a result of lower Interconnection expenses and costs for Services received. Material expenses and Personnel expenses increased due to a higher number of smartphones sold and higher number of full time employees, respectively. EBITDA comparable increased by 10.0% as a result of higher revenues.

In the third quarter of 2012 operating income increased by 12.6%.

Republic of Serbia

Key Performance Indicators Republic of Serbia

in EUR million	Q3 2012	Q3 2011	% change
Revenues	41.6	38.6	7.8%
EBITDA comparable	13.4	9.7	37.9%
EBITDA incl. restructuring and impairment test	13.4	9.7	37.9%
EBIT	–2.9	–6.7	–57.0%
Mobile Subscribers ('000)	1,819.0	1,588.8	14.5%
Mobile Market Share	17.4%	15.3%	
Mobile Penetration	141.9%	140.6%	
ARPU (in EUR)	7.2	7.4	–3.4%

In the third quarter of 2012 Vip mobile's focus on the postpaid customers segment resulted in an increase of the mobile subscriber base by 14.5%. Furthermore, Vip mobile's market share increased to 17.4% at the end of the third quarter of 2012.

Mobile subscriber base grows by 14.5%

Revenues increased by 7.8% as a result of a larger mobile subscriber base, which boosted Monthly Fee and Traffic revenues as well as Interconnection revenues. A negative effect from foreign exchange translations in the amount of EUR 6.0 million was recorded in the third quarter of 2012 as the Serbian Dinar fell by 12% versus the Euro year on year. On a local currency basis revenues increased by 23.3% in the third quarter of

2012. Average revenue per user (ARPU) declined by 3.4%, due to negative foreign exchange translation effects. ARPU in local currency increased by 10.5% mainly due to a higher contract share and a rise in usage.

In the third quarter of 2012 operating expenses remained almost stable, but increased on a local currency basis as a result of an improved operational performance. Material expenses and cost for Services received declined due to lower quantities sold and lower roaming tariffs respectively. On the back of higher revenues and stable operating expenses EBITDA comparable increased by 37.9%. The negative impact from foreign currency translations on EBITDA comparable amounted to EUR 1.9 million.

Operating loss improved from EUR 6.7 million to EUR 2.9 million due to a rise in EBITDA comparable and a lower depreciation and amortization expenses in the third quarter of 2012.

Republic of Macedonia

Key Performance Indicators Republic of Macedonia in EUR million	Q3 2012	Q3 2011	% change
Revenues	16.6	15.1	9.8%
EBITDA comparable	3.8	1.1	255.1%
EBITDA incl. restructuring and impairment test	3.8	1.1	255.1%
EBIT	1.5	–1.6	n.a.
Mobile Subscribers ('000)	626.3	548.5	14.2%
Mobile Market Share	27.2%	24.6%	
Mobile Penetration	112.3%	108.7%	
ARPU (in EUR)	8.0	8.3	–4.1%

Vip operator's market share up to 27.2%

In the third quarter of 2012 Vip operator increased its mobile subscriber base by 14.2% to more than 626,300 subscribers. Vip operator reinforced its position as second largest operator in the market by increasing it's market share to 27.2%. A higher mobile subscriber base and an increase in volumes translated into higher Monthly Fee and Traffic revenues as well as Interconnection revenues and led to an increase in revenues by 9.8% in the third quarter of 2012. Average revenue per user (ARPU) declined by 4.1% due to lower prices.

Strong EBITDA comparable growth in the third quarter 2012

EBITDA comparable grew 3,5 fold compared to the third quarter of 2011 as a result of higher revenues and a strict focus on cost control. Total costs declined by 7.1% in the third quarter of 2012. Cost savings were primarily driven by lower marketing expenses and Other costs. Operating income amounted to EUR 1.5 million and improved from a loss of EUR 1.6 million in the third quarter of the previous year.

Consolidated Net Income

In the third quarter of 2012 depreciation and amortization charges declined by 7.4% to EUR 222.9 million. While net interest expense increased by 4.5%, due to the issuance of EUR 750 million of Euro-bonds, foreign exchange differences turned from a loss of EUR 44.0 million to a gain of EUR 0.3 million. This was primarily as a result of the devaluation of the Belarusian ruble in 2011 and a rather stable exchange rate since beginning of 2012 and the net monetary gain.

Including income taxes in the amount of EUR 23.7 million, net income declined by 22.5% to EUR 99.2 million in the third quarter of 2012.

Cash Flow and Capital Expenditures

Cash Flow in EUR million	Q3 2012	Q3 2011	% change
Cash flow from operations	322.1	371.6	–13.3%
Cash flow from investing	390.2	–243.4	n.a.
Cash flow from financing	–511.0	27.8	n.a.
Effect of exchange rate changes	–1.0	–5.7	–82.8%
Monetary loss on cash and cash-equivalents	–0.5	0.0	n.a.
Net increase/decrease in cash and cash equivalents	**199.8**	150.2	33.0%

In the third quarter of 2012 cash flow from operating activities declined by 13.3%. While gross cash flow increased by 7.3%, cash requirements for working capital amounted to EUR 55.0 million during the third quarter 2012. This was primarily a result of declines in accounts payable as well as of provisions and accrued liabilities.

Cash flow from operations declined to EUR 322.1 million

Cash flow from investing activities turned to an inflow of EUR 390.2 million in the third quarter of 2012 due to sale of fixed term deposits. In the third quarter of 2011 an amount of EUR 66.9 million was settled for the acquisition of the Croatian cable operator B.net.

Cash flow from financing activities turned from an inflow of EUR 27.8 million to an outflow of EUR 511.0 as a result of the payment of long term debt.

Capital Expenditures in EUR million	Q3 2012	Q3 2011	% change
Austria	106.6	125.6	–15.1%
Bulgaria	9.6	17.7	–46.0%
Croatia	10.7	8.4	27.3%
Belarus	5.8	6.9	–16.5%
Additional Markets	25.7	19.0	35.1%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**158.4**	177.8	–10.9%
Thereof tangible	126.8	148.1	–14.4%
Thereof intangible	31.7	29.7	6.7%

In the third quarter of 2012 capital expenditures declined by 10.9% to EUR 158.4 million. An amount of EUR 0.7 million is related to the indexation effect of hyperinflation accounting in the Belarusian segment.

Total capital expenditures declined by 10.9%

In the Austrian segment capital expenditures declined by 15.1% to EUR 106.6 million due to lower network investments in the third quarter of 2012. In the Bulgarian segment capital expenditure almost halved due to postponements of investments. In the Croatian segment higher capital expenditures were driven by the fixed line business and infrastructure investments. A rise in network and mobile infrastructure investments the Republic of Serbia and the Republic of Macedonia led to an increase of capital expenditures in the Additional Markets segment.

Headcount fell by 397 full-time employees mainly driven by the Bulgarian segment

Additional Information

Personnel

The total number of employees of the Telekom Austria Group declined by 397 to 16,666 employees by the end of September 2012 compared to the same period of the previous year. This was primarily driven by workforce reductions in the Bulgarian segment, which offset the increase of workforce in the Additional markets segment.

Subsequent and Other Events

Please refer to page 33.

Waiver of Review

This financial report of the Telekom Austria Group contains results for the first nine months of 2012 which were not audited nor 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 in the fourth quarter of 2011, hyperinflation accounting according to IAS 29 is applied to the financial statements of the Belarusian segment. Effects from the inflation of assets and the translation into Euro are shown net.

The reported result in the Bulgarian, Croatian and Belarusian segments include depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

n.m. – not meaningful, used for changes >300%

n.a. – not applicable

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Operations

in EUR million, except per share information	Q3 2012 unaudited	Q3 2011 unaudited	1–9 M 2012 unaudited	1–9 M 2011 unaudited
Operating revenues	1,093.7	1,111.4	3,212.0	3,338.7
Other operating income	22.2	25.1	60.0	73.9
Operating expenses				
Materials	–109.3	–100.2	–305.4	–304.2
Employee expenses, including benefits and taxes	–193.6	–178.2	–610.5	–599.5
Other operating expenses	–402.5	–445.1	–1,219.5	–1,318.5
EBITDA comparable	**410.4**	412.9	**1,136.6**	1,190.4
Restructuring	–10.6	–6.1	–21.6	–224.8
Impairment and reversal of impairment	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	**399.8**	406.8	**1,115.0**	965.7
Depreciation and amortization	–222.9	–240.7	–726.9	–756.9
Operating result	**177.0**	166.1	**388.1**	208.8
Financial result				
Interest income	4.0	4.1	13.5	11.3
Interest expense	–58.3	–56.0	–178.4	–160.7
Foreign exchange differences	0.3	–44.0	4.6	–50.5
Other financial result	0.0	0.0	–0.5	–3.8
Equity in earnings of affiliates	–0.2	0.0	0.0	0.9
Earnings before income taxes	**122.8**	70.3	**227.3**	5.9
Income taxes	–23.7	57.6	–47.3	62.8
Net Result	**99.2**	127.9	**180.1**	68.7
Attributable to:				
Owners of the parent	99.1	128.0	180.0	68.8
Non-controlling interests	0.0	–0.1	0.1	–0.1
Basic and fully diluted earnings per share	**0.22**	0.29	**0.41**	0.16
Weighted-average number of ordinary shares outstanding	**442,563,969**	442,563,969	**442,563,969**	442,563,969

Condensed Statement of Comprehensive Income

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	1–9 M 2012 unaudited	1–9 M 2011 unaudited
Net Result	**99.2**	127.9	**180.1**	68.7
Unrealized result on securities available-for-sale	0.2	–0.4	0.3	–0.6
Income tax (expense) benefit	0.0	0.1	–0.1	0.2
Realized result on securities available-for-sale	0.0	0.0	0.5	0.0
Income tax (expense) benefit	0.0	0.0	–0.1	0.0
Unrealized result on hedging activities	–5.9	–28.3	–19.7	–24.6
Income tax (expense) benefit	1.5	7.1	4.9	6.2
Foreign currency translation adjustment	4.0	–100.2	–28.1	–433.2
Income tax (expense) benefit	0.0	6.3	0.0	6.3
Other comprehensive income (loss)	**–0.4**	–115.3	**–42.3**	–445.8
Total comprehensive income (loss)	98.8	12.6	137.8	–377.1
Attributable to:				
Owners of the parent	98.7	12.7	137.7	–377.1
Non-controlling interests	0.0	–0.1	0.1	–0.1

Condensed Consolidated Statements of Financial Position

in EUR million	Sept. 30, 2012 unaudited	Dec. 31, 2011 audited
ASSETS		
Current assets		
Cash and cash equivalents	506.3	460.0
Short-term investments	127.8	166.0
Accounts receivable - trade, net of allowances	734.6	708.3
Receivables due from related parties	0.0	0.1
Inventories	146.9	157.7
Prepaid expenses	126.3	130.3
Income tax receivable	31.7	40.6
Non-current assets held for sale	1.0	0.1
Other current assets	84.0	88.3
Total current assets	**1,758.7**	**1,751.4**
Non-current assets		
Investments in associates	3.8	3.7
Financial assets long-term	6.1	13.9
Goodwill	1,290.9	1,289.7
Other intangible assets, net	1,508.3	1,619.3
Property, plant and equipment, net	2,407.9	2,462.2
Other non-current assets	31.2	34.5
Deferred tax assets	255.1	273.9
Receivables due from related parties, finance	0.1	0.1
Total non-current assets	**5,503.4**	**5,697.4**
TOTAL ASSETS	**7,262.2**	**7,448.8**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−937.6	−1,014.2
Accounts payable - trade	−526.9	−642.2
Current provisions and accrued liabilities	−277.7	−311.6
Payables to related parties	−3.9	−9.8
Income tax payable	−45.1	−41.3
Other current liabilities	−250.3	−226.5
Deferred income	−167.5	−166.5
Total current liabilities	**−2,209.1**	**−2,412.0**
Non-current liabilities		
Long-term debt	−2,906.7	−2,935.1
Employee benefit obligation	−133.3	−129.0
Non-current provisions	−899.5	−888.2
Deferred tax liabilities	−129.1	−127.3
Other non-current liabilities and deferred income	−69.6	−74.2
Total non-current liabilities	**−4,138.3**	**−4,153.7**
Stockholders' equity		
Common stock	−966.2	−966.2
Treasury shares	8.2	8.2
Additional paid-in capital	−582.9	−582.9
Retained earnings	146.0	219.8
Available-for-sale reserve	0.2	0.8
Hedging reserve	42.6	27.9
Translation adjustments	438.4	410.2
Equity attributable to equity holders of the parent	**−913.7**	**−882.2**
Non-controlling interests	−1.0	−0.9
Total stockholders' equity	**−914.8**	**−883.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,262.2**	**−7,448.8**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	1–9 M 2012 unaudited	1–9 M 2011 unaudited
Cash flow from operating activities				
Net Result	99.2	127.9	180.1	68.7
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortization, impairment and reversal of impairment	222.9	240.7	726.9	756.9
Employee benefit obligation - non-cash	3.3	1.5	10.8	6.4
Bad debt expenses	11.7	21.5	37.7	50.2
Change in deferred taxes	8.0	−79.1	16.0	−107.8
Equity in earnings of affiliates - non-cash	0.1	0.0	−0.1	−0.2
Share-based compensation	−0.5	−0.1	−0.4	0.2
Change in asset retirement obligation - non-cash	2.1	2.6	6.4	5.9
Provision for restructuring - non-cash	27.4	0.4	46.4	215.8
Result on sale of investments	0.0	0.3	0.5	0.3
Result on disposal / retirement of equipment	0.3	0.6	2.7	3.1
Gain on monetary items - non cash	0.2	0.0	−3.2	0.0
Other	2.4	35.0	−15.7	38.1
Gross cash flow	**377.1**	**351.3**	**1,008.1**	**1,037.7**
Changes in assets and liabilities				
Accounts receivable - trade	−23.2	−0.5	−64.6	−35.1
Inventories	−3.4	7.4	12.3	−3.8
Prepaid expenses and other assets	38.1	11.7	17.1	4.6
Accounts payable - trade	−36.5	20.3	−116.8	−132.0
Employee benefit obligation	−3.1	−7.1	−5.5	−7.3
Provisions and accrued liabilities	−33.4	−18.7	−85.1	−52.6
Other liabilities and deferred income	7.3	10.2	37.9	31.3
Payables due to related parties	−0.7	−3.0	−5.9	−8.0
Changes in assets and liabilities	−55.0	20.3	−210.7	−203.0
Cash flow from operating activities	**322.1**	**371.6**	**797.3**	**834.7**
Cash flow from investing activities				
Capital expenditures	−158.4	−177.8	−489.4	−454.9
Acquisitions of subsidiaries, net of cash acquired	0.0	−66.9	0.0	−135.7
Sale of property, plant, equipment and intangible assets	1.0	1.2	3.2	2.2
Purchase of investments	−92.6	0.0	−764.5	−2.0
Sale of investments	640.2	0.2	809.4	19.1
Cash flow from investing activities	**390.2**	**−243.4**	**−441.4**	**−571.4**
Cash flow from financing activities				
Proceeds from issuance of long term debt	0.0	45.3	738.4	755.3
Principal payments on long-term debt	−499.0	−2.7	−823.0	−224.1
Changes in short-term borrowings	−10.3	−12.8	−18.9	−218.5
Dividends paid	0.0	0.0	−168.2	−331.9
Deferred consideration paid for business combinations	−1.8	−2.0	−34.7	−17.8
Cash flow from financing activities	**−511.0**	**27.8**	**−306.4**	**−37.0**
Effect of exchange rate changes	−1.0	−5.7	−2.1	−27.9
Monetary loss on cash and cash equivalents	−0.5	0.0	−1.1	0.0
Change in cash and cash equivalents	199.8	150.2	46.4	198.5
Cash and cash equivalents at beginning of period	306.6	168.4	460.0	120.2
Cash and cash equivalents at end of period	506.3	318.7	506.3	318.7

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Fair value reserves	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2012	**966.2**	**−8.2**	**582.9**	**−219.8**	**−28.7**	**−410.2**	**882.2**	**0.9**	**883.1**
Net Result	0.0	0.0	0.0	180.0	0.0	0.0	180.0	0.1	180.1
Net unrealized result on securities	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2
Net realized result on securities	0.0	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.4
Net unrealized result on heding activities	0.0	0.0	0.0	0.0	−14.7	0.0	−14.7	0.0	−14.7
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	−28.1	−28.1	0.0	−28.1
Other comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**−14.1**	**−28.1**	**−42.3**	**0.0**	**−42.3**
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**180.0**	**−14.1**	**−28.1**	**137.7**	**0.1**	**137.8**
Distribution of dividends	0.0	0.0	0.0	−168.2	0.0	0.0	−168.2	0.0	−168.2
Hyperinflation adjustment	0.0	0.0	0.0	62.0	0.0	0.0	62.0	0.0	62.0
Balance at Septebmer 30, 2012	**966.2**	**−8.2**	**582.9**	**−146.0**	**−42.8**	**−438.4**	**913.7**	**1.0**	**914.8**

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Retained earnings	Fair value reserves	Translation adjustment	Total	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2011	966.2	−8.2	582.9	346.3	−7.7	−405.1	1,474.4	2.5	1,476.9
Net Result	0.0	0.0	0.0	68.8	0.0	0.0	68.8	−0.1	68.7
Net unrealized result on securities	0.0	0.0	0.0	0.0	−0.5	0.0	−0.5	0.0	−0.5
Net unrealized result on heding activities	0.0	0.0	0.0	0.0	−18.5	0.0	−18.5	0.0	−18.5
Foreign currency translation adjustment	0.0	0.0	0.0	0.0	0.0	−426.9	−426.9	0.0	−426.9
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	−18.9	−426.9	−445.8	0.0	−445.8
Total comprehensive income (loss)	0.0	0.0	0.0	68.8	−18.9	−426.9	−377.1	−0.1	−377.1
Distribution of dividends	0.0	0.0	0.0	−331.9	0.0	0.0	−331.9	0.0	−331.9
Hyperinflation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.3	−0.3
Balance at Septemer 30, 2011	966.2	−8.2	582.9	83.2	−26.6	−832.0	765.4	2.1	767.5

	Sept. 30, 2012	Sept. 30, 2011	Dec. 31, 2011
Number of shares of common stock	443,000,000	443,000,000	443,000,000
Number of treasury shares	436,031	436,031	436,031
Average purchase price of treasury shares	18.80	18.80	18.80

Condensed Operating Segments

	1–9 M 2012							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	2,048.4	340.1	301.9	217.9	303.6	0.0	0.0	3,211.9
Intersegmental revenues	17.7	18.2	12.0	0.0	11.7	0.0	−59.6	0.0
Total revenues	**2,066.1**	**358.3**	**313.9**	**217.9**	**315.3**	**0.0**	**−59.6**	**3,212.0**
Other operating income	66.6	4.7	1.6	3.2	5.6	17.4	−39.2	60.0
Segment expenses	−1,429.7	−198.5	−201.5	−131.6	−233.4	−39.4	98.7	−2,135.4
EBITDA comparable	**703.1**	**164.5**	**114.1**	**89.6**	**87.5**	**−22.0**	**−0.1**	**1,136.6**
Restructuring	−21.6	0.0	0.0	0.0	0.0	0.0	0.0	−21.6
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	**681.4**	**164.5**	**114.1**	**89.6**	**87.5**	**−22.0**	**−0.1**	**1,115.0**
Depreciation and amortization	−408.9	−123.8	−50.3	−71.6	−74.5	0.0	2.2	−726.9
Operating result	**272.6**	**40.6**	**63.7**	**18.0**	**13.0**	**−22.0**	**2.1**	**388.1**
Interest income	3.6	0.9	0.6	2.6	1.1	28.5	−23.9	13.5
Interest expense	−47.1	−5.4	−4.9	−1.9	−0.8	−142.2	24.0	−178.4
Equity in earnings of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result	−0.8	−0.1	0.6	4.6	−0.5	225.8	−225.3	4.1
Earnings before income taxes	**228.3**	**36.1**	**60.0**	**23.3**	**12.8**	**90.1**	**−223.2**	**227.3**
Income taxes								−47.3
Net result								**180.1**
Segment assets	4,408.9	1,332.5	558.1	592.9	790.7	7,618.8	−8,039.7	7,262.2
Segment liabilities	−2,683.7	−217.0	−320.9	−61.1	−172.4	−5,151.3	2,259.0	−6,347.4
Capital expenditures - intangible	63.2	14.4	4.1	2.4	12.6	0.0	−0.2	96.5
Capital expenditures - tangible	258.4	34.5	36.8	15.8	47.4	0.0	0.0	392.8
Total capital expenditures	**321.5**	**49.0**	**40.9**	**18.3**	**59.9**	**0.0**	**−0.2**	**489.4**

	1–9 M 2011							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	2,172.4	375.3	300.2	219.6	271.3	0.0	0.0	3,338.7
Intersegmental revenues	17.7	19.8	14.2	0.1	19.6	0.0	−71.5	0.0
Total revenues	**2,190.1**	**395.1**	**314.4**	**219.7**	**290.9**	**0.0**	**−71.5**	**3,338.7**
Other operating income	68.4	17.0	1.7	5.4	3.3	15.1	−37.1	73.9
Segment expenses	−1,512.4	−208.3	−211.9	−125.4	−231.1	−41.6	108.5	−2,222.1
EBITDA comparable	**746.1**	**203.8**	**104.2**	**99.7**	**63.1**	**−26.5**	**0.0**	**1,190.4**
Restructuring	−224.8	0.0	0.0	0.0	0.0	0.0	0.0	−224.8
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment tests	**521.4**	**203.8**	**104.2**	**99.7**	**63.1**	**−26.5**	**0.0**	**965.7**
Depreciation and amortization	−452.9	−147.6	−49.3	−41.9	−67.2	0.0	2.1	−756.9
Operating result	**68.5**	**56.1**	**54.9**	**57.7**	**−4.1**	**−26.5**	**2.1**	**208.8**
Interest income	7.6	1.8	0.8	2.3	1.4	20.7	−23.4	11.3
Interest expense	−42.7	−5.4	−1.5	−2.1	−0.7	−131.5	23.2	−160.7
Equity in earnings of affiliates	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Other financial result	−3.7	−0.1	−0.5	−17.5	0.0	278.8	−311.3	−54.3
Earnings before income taxes	**30.5**	**52.5**	**53.7**	**40.4**	**−3.4**	**141.5**	**−309.3**	**5.9**
Income taxes								62.8
Net result								**68.7**
Segment assets	4,257.5	1,685.9	550.8	365.9	772.5	7,421.2	−7,879.3	7,174.5
Segment liabilities	−2,729.3	−284.6	−240.8	−84.7	−141.3	−5,033.5	2,107.3	−6,407.0
Capital expenditures - intangible	64.9	11.4	2.4	0.3	7.6	0.0	0.0	86.6
Capital expenditures - tangible	253.7	37.0	23.5	14.1	40.1	0.0	0.0	368.3
Total capital expenditures	**318.6**	**48.4**	**25.9**	**14.4**	**47.7**	**0.0**	**0.0**	**454.9**

Results by Segments

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues						
Austria	686.2	720.7	–4.8%	2,066.1	2,190.1	–5.7%
Bulgaria	115.2	131.2	–12.2%	358.3	395.1	–9.3%
Croatia	119.6	123.7	–3.2%	313.9	314.4	–0.2%
Belarus	81.0	56.9	42.5%	217.9	219.7	–0.8%
Additional markets	112.0	107.3	4.4%	315.3	290.9	8.4%
Corporate, Other & Eliminations	–20.5	–28.4	–27.9%	–59.6	–71.5	–16.6%
Revenues	**1,093.7**	1,111.4	**–1.6%**	**3,212.0**	3,338.7	**–3.8%**
EBITDA comparable						
Austria	240.8	248.3	–3.0%	703.1	746.1	–5.8%
Bulgaria	54.5	68.3	–20.2%	164.5	203.8	–19.3%
Croatia	53.3	52.2	2.2%	114.1	104.2	9.5%
Belarus	34.3	24.2	41.4%	89.6	99.7	–10.1%
Additional markets	34.0	27.1	25.3%	87.5	63.1	38.5%
Corporate, Other & Eliminations	–6.5	–7.3	–10.2%	–22.1	–26.5	–16.5%
EBITDA comparable	**410.4**	412.9	**–0.6%**	**1,136.6**	1,190.4	**–4.5%**
EBITDA incl. effects from restructuring and impairment tests						
Austria	230.3	242.2	–4.9%	681.4	521.4	30.7%
Bulgaria	54.5	68.3	–20.2%	164.5	203.8	–19.3%
Croatia	53.3	52.2	2.2%	114.1	104.2	9.5%
Belarus	34.3	24.2	41.4%	89.6	99.7	–10.1%
Additional markets	34.0	27.1	25.3%	87.5	63.1	38.5%
Corporate, Other & Eliminations	–6.5	–7.3	–10.2%	–22.1	–26.5	–16.5%
EBITDA incl. effects from restructuring and impairment tests	**399.8**	406.8	**–1.7%**	**1,115.0**	965.7	**15.5%**
Operating result						
Austria	98.6	99.8	–1.2%	272.6	68.5	n.a.
Bulgaria	27.0	18.4	46.8%	40.6	56.1	–27.6%
Croatia	36.5	35.2	3.7%	63.7	54.9	16.1%
Belarus	10.3	15.7	–34.3%	18.0	57.7	–68.8%
Additional markets	10.3	3.5	n.a.	13.0	–4.1	n.a.
Corporate, Other & Eliminations	–5.8	–6.5	–11.5%	–19.9	–24.3	–18.2%
Operating result	**177.0**	166.1	**6.5%**	**388.1**	208.8	**85.9%**

Capital Expenditures

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Austria	106.6	125.6	–15.1%	321.5	318.6	0.9%
Bulgaria	9.6	17.7	–46.0%	49.0	48.4	1.3%
Croatia	10.7	8.4	27.3%	40.9	25.9	58.0%
Belarus	5.8	6.9	–16.5%	18.3	14.4	26.8%
Additional markets	25.7	19.0	35.1%	59.9	47.7	25.7%
Corporate & Elimination	0.0	0.0	n.a.	–0.2	0.0	n.a.
Total capital expenditures	**158.4**	177.8	**–10.9%**	**489.4**	454.9	**7.6%**
Thereof tangible	126.8	148.1	–14.4%	392.8	368.3	6.7%
Thereof intangible	31.7	29.7	6.7%	96.5	86.6	11.5%

Net Debt

in EUR million	Sept. 30, 2012 unaudited	Dec. 31, 2011 audited
Long-term debt	2,906.7	2,960.4
Short-term borrowings	966.9	1,052.4
Cash and cash equivalents and short-term investments	−634.1	−625.9
Long-term investments and finance lease receivables	−24.6	−31.8
Derivative financial instruments for hedging purposes	46.6	25.2
Net debt*	**3,261.5**	3,380.3
Net debt/EBITDA comparable (last 12 months)	**2.2x**	2.2x

* Finance lease obligations and the remaining performance based consideration related to the acquisition of SBT are included in long-term debt and short-term borrowings. As of 31 Dec. 2011 the remaining performance based consideration related to the acquisition of Megalan/Spectrumnet is included in short-term borrowings.

Personnel

	End of period			Average of period		
Personnel (full-time equivalent)	Sept 30, 2012	Sept. 30, 2011	% change	Q3 2012	Q3 2011	% change
Austria	9,287	9,282	0.1%	9,287	9,319	−0.3%
International Operations	7,213	7,621	−5.4%	7,276	7,457	−2.4%
Total	**16,666**	17,063	**−2.3%**	**16,724**	16,937	**−1.3%**

Key Data Segment Austria

Financials - Segment Austria

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	686.2	720.7	−4.8%	2,066.1	2,190.1	−5.7%
EBITDA comparable	240.8	248.3	−3.0%	703.1	746.1	−5.8%
EBITDA incl. effects from restructuring and impairment tests	230.3	242.2	−4.9%	681.4	521.4	30.7%
EBIT	98.6	99.8	−1.2%	272.6	68.5	298.1%

Revenue detail - Austria	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Monthly Fee and Traffic	480.9	507.4	−5.2%	1,443.5	1,524.6	−5.3%
Data & ICT Solutions	49.1	48.1	2.0%	152.6	147.0	3.8%
Wholesale (incl. Roaming)	42.3	47.1	−10.2%	126.3	142.8	−11.6%
Interconnection	77.6	82.4	−5.8%	252.3	256.5	−1.7%
Equipment	31.0	25.3	22.2%	80.0	80.7	−0.8%
Other Operating Income	5.3	10.3	−48.2%	11.5	38.5	−70.1%
Total revenues Austria	**686.2**	720.7	**−4.8%**	**2,066.1**	2,190.1	**−5.7%**

Key Data Segment Austria

Key Data Fixed Line - Austria	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Average revenues per access line (in EUR)	32.2	31.8	1.3%	31.8	32.2	–1.0%
Fixed service revenues (in EUR mn)	220.6	221.6	–0.4%	660.4	672.2	–1.8%
Fixed Line Voice Minutes (in million)	557.5	628.3	–11.3%	1,760.0	1,971.7	–10.7%

Lines (in '000)	Q3 2012 unaudited	Q3 2011 unaudited	% change
Access lines (without broadband lines)	986.4	1,079.7	–8.6%
Fixed broadband retail lines	1,256.4	1,203.6	4.4%
Fixed broadband wholesale lines	42.3	43.3	–2.4%
Fixed broadband lines	1,298.6	1,246.9	4.1%
Total access lines	2,285.1	2,326.7	–1.8%
Lines unbundled	269.2	272.1	–1.1%

Austrian Telecommunications Market

Broadband Market Shares	Q3 2012 unaudited	Q3 2011 unaudited
A1 Telekom Austria Fixed Line Retail	29.2%	30.6%
A1 Telekom Austria Fixed Line Wholesale	1.0%	1.1%
Mobile broadband A1 Telekom Austria	17.9%	18.3%
Mobile broadband other operators	31.4%	29.0%
Cable	14.9%	14.7%
Unbundled lines	5.7%	6.3%

Broadband penetration - Total market	117.3%	108.7%

Voice Market Shares	Q3 2012 unaudited	Q3 2011 unaudited
Fixed Line A1 Telekom Austria	9.3%	11.3%
Fixed Line Others	5.6%	6.6%
Mobile	85.1%	82.1%

Key Data Mobile Communication	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Customers ('000)	5,311.7	5,211.8	1.9%
Contract share	77.5%	77.5%	
Mobile Broadband Customers ('000)	770.5	721.4	6.8%
Mobile Market Share	39.0%	40.3%	
Mobile Penetration	161.0%	153.5%	

	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
ARPU (in EUR)	18.3	20.0	–8.6%	18.4	20.2	–9.1%
Mobile service revenues (in EUR mn)	290.8	311.9	–6.8%	875.0	939.2	–6.8%
thereof interconnection share	9.2%	7.6%		9.6%	9.0%	
Subscriber acquisition cost (SAC)	8.9	15.1	–41.1%	25.5	37.4	–31.9%
Subscriber retention cost (SRC)	21.2	19.8	7.2%	57.4	60.2	–4.7%
Churn (3 Months)	3.3%	3.6%		10.8%	11.1%	

Key Data Segment Bulgaria*

Bulgaria

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	115.2	131.2	–12.2%	358.3	395.1	–9.3%
EBITDA comparable	54.5	68.3	–20.2%	164.5	203.8	–19.3%
EBITDA incl. effects from restructuring and impairment tests	54.5	68.3	–20.2%	164.5	203.8	–19.3%
EBIT	27.0	18.4	46.8%	40.6	56.1	–27.6%

Mobile Communication Market	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Subscribers ('000)	5,534.9	5,291.3	4.6%
Mobile Market Share	47.2%	48.4%	
Mobile Penetration	157.5%	145.9%	
Mobile Broadband Customers ('000)	324.7	177.6	82.8%
ARPU (in EUR)	5.7	7.0	–18.4%

Fixed Line Market	Q3 2012 unaudited	Q3 2011 unaudited	
ARPL (in EUR)	11.0	14.5	–24.4%
Total Access Lines ('000)	142.8	109.5	30.4%
Fixed Broadband Lines ('000)	137.9	103.8	32.9%

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

Key Data Segment Croatia*

Croatia

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	119.6	123.7	–3.2%	313.9	314.4	–0.2%
EBITDA comparable	53.3	52.2	2.2%	114.1	104.2	9.5%
EBITDA incl. effects from restructuring and impairment tests	53.3	52.2	2.2%	114.1	104.2	9.5%
EBIT	36.5	35.2	3.7%	63.7	54.9	16.1%

Mobile Communication Market	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	2,054.7	2,137.0	–3.9%
Contract share	38.4%	34.8%	
Mobile Market Share	38.7%	39.2%	
Mobile Penetration	123.7%	127.0%	
Mobile Broadband Customers ('000)	206.5	192.9	7.1%
ARPU (in EUR)	12.8	13.4	–4.7%

Fixed Line Market	Q3 2012 unaudited	Q3 2011 unaudited	% change
ARPL (in EUR)	23.8	21.5	10.6%
Total Access Lines ('000)	158.5	132.4	19.6%
Fixed Broadband Lines ('000)	81.2	63.1	28.8%

* The reported result of 2012 includes depreciation and amortization of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements. As of Q4 2011 calculation method of fixed access lines has been harmonized to Group standards and have been restated as of Q3 2011.

Key Data Segment Belarus*

Belarus

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	81.0	56.9	42.5%	217.9	219.7	–0.8%
EBITDA comparable	34.3	24.2	41.4%	89.6	99.7	–10.1%
EBITDA incl. effects from restructuring and impairment tests	34.3	24.2	41.4%	89.6	99.7	–10.1%
EBIT	10.3	15.7	–34.3%	18.0	57.7	–68.8%
ARPU (in EUR)	4.9	3.5	37.7%	4.5	4.8	–7.1%

	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	4,749.5	4,532.8	4.8%
Contract Share	80.0%	79.5%	
Market Share	43.9%	41.3%	
Market Penetration	114.3%	116.0%	
Mobile Broadband Customers ('000)	713.7	349.6	104.2%

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

Key Data Segment Additional Markets

Slovenia

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	52.6	51.9	1.2%	148.9	141.9	5.0%
EBITDA comparable	17.8	16.2	10.0%	44.2	39.1	13.1%
EBITDA incl. effects from restructuring and impairment tests	17.8	16.2	10.0%	44.2	39.1	13.1%
EBIT	12.7	11.2	12.6%	28.8	22.9	25.7%
ARPU (in EUR)	23.0	22.7	1.3%	21.8	20.8	5.0%

	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	653.5	631.0	3.6%
Contract Share	76.1%	72.9%	
Market Share	30.0%	29.7%	
Market Penetration	106.6%	104.1%	
Mobile broadband subscribers	17,793	15,248	16.7%

Key Data Segment Additional Markets

Republic of Serbia

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	41.6	38.6	7.8%	117.1	104.2	12.4%
EBITDA comparable	13.4	9.7	37.9%	35.1	21.6	62.6%
EBITDA incl. effects from restructuring and impairment tests	13.4	9.7	37.9%	35.1	21.6	62.6%
EBIT	–2.9	–6.7	–57.0%	–14.9	–22.2	–33.1%
ARPU (in EUR)	7.2	7.4	–3.4%	7.1	7.1	–0.7%

	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	1,819.0	1,588.8	14.5%
Market Share	17.4%	15.3%	
Market Penetration	141.9%	140.6%	

Republic of Macedonia

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	Q3 2012 unaudited	Q3 2011 unaudited	% change
Revenues	16.6	15.1	9.8%	44.7	39.4	13.6%
EBITDA comparable	3.8	1.1	255.1%	9.3	1.1	n.m.
EBITDA incl. effects from restructuring and impairment tests	3.8	1.1	255.1%	9.3	1.1	n.m.
EBIT	1.5	–1.6	n.a.	0.0	–6.8	n.a.
ARPU (in EUR)	8.0	8.3	–4.1%	7.6	7.5	0.6%

	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	626.3	548.5	14.2%
Market Share	27.2%	24.6%	
Market Penetration	112.3%	108.7%	

Liechtenstein

in EUR million	Q3 2012 unaudited	Q3 2011 unaudited	% change	1–9 M 2012 unaudited	1–9 M 2011 unaudited	% change
Revenues	1.7	1.9	–7.2%	4.9	5.8	–16.0%
EBITDA comparable	0.2	0.3	–36.4%	1.1	1.5	–29.6%
EBITDA incl. effects from restructuring and impairment tests	0.2	0.3	–36.4%	1.1	1.5	–29.6%
EBIT	0.0	0.1	n.a.	0.4	0.9	–51.9%

	Q3 2012 unaudited	Q3 2011 unaudited	% change
Mobile Communication Subscribers ('000)	6.1	6.6	–6.6%

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

Basis of Presentation

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

These financial results in accordance with IAS 34 "Interim Financial Reporting" are not audited or reviewed and should be read in connection with the Company's annual consolidated financial statements according to IFRS for the year ended 31 December 2011. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees occurred since 31 December 2011.

The preparation of the interim financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

The Company has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2011, except IFRS 7 "Financial Instruments: Disclosures (amended)", which became effective and was endorsed by the EU as of 1 July 2011. The effects, if any, on the notes to the consolidated financial statements were insignificant. The following standards/interpretations became effective during 2011 and as of 1 January 2012, but were not endorsed by the EU and therefore have not been adopted as of 1 January 2012:

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

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

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

Format of the Condensed Consolidated Statements of Operations

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment tests are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring program and from impairment testing, if any. The restructuring program includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. Furthermore, expenses for the transfer of civil servants to the Austrian government are adjusted for the purpose of determining EBITDA comparable. For details on restructuring expenses for the first nine months 2012 and 2011 see "provisions and accrued liabilities".

Business Combinations

On 2 February 2012, Telekom Austria Group agreed to acquire assets currently owned by Orange Austria Telecommunication GmbH ("Orange Austria") for a total amount of up to EUR 390.0 million. These assets comprise frequencies, base station sites, the mobile phone operator YESSS! Telekommunikation GmbH ("YESSS!") as well as certain intangible assets. On 28 June 2012 the Austrian Federal Competition Authority and the Federal Cartel Attorney have applied for an in-depth assessment (Phase II) by the Cartel Court of Telekom Austria Group's proposed acquisition of YESSS!. The Phase II of the Austrian merger control proceedings may take up until the end of November 2012.

On 18 April 2012, EUR 28.7 million of the outstanding performance-based deferred consideration for the acquisition of SB Telecom Limited (SBT), the sole owner of FE VELCOM ("velcom"), was paid, to the extent the predetermined performance criteria agreed at the acquisition in 2007 had been fulfilled. The next evaluation for the settlement of the remaining EUR 29.4 million (present value as of 30 September 2012) will be performed in the first quarter 2013 based on the annual net income for 2012 of SBT and velcom. As of 31 December 2011 this consideration was recorded in other current and other long-term liabilities.

On 7 May 2012, EUR 4.2 million and on 21 September 2012, EUR 1.8 million of the outstanding performance-based deferred consideration for the acquisition of Megalan Network in Bulgaria was paid to the extent the predetermined performance criteria agreed at the acquisition in 2011 had been fulfilled.

Non-current Assets

The decrease in non-current assets mainly results from higher depreciation and amortization than additions to intangible assets and property, plant and equipment.

Non-Current and Current Liabilities

In March 2012, Telekom Austria Group initiated a Euro Medium Term Note ("EMTN") Program, with a maximum volume of EUR 2,500 million. On 2 April 2012, Telekom Austria Group issued a Bond under the EMTN-Program with a face value of EUR 750.0 million, a maturity of ten years, and a coupon of 4.0%. The discount and the issue costs of EUR 11.6 million are amortized over the related term.

In the first nine months 2012 EUR 823.0 million of long-term debt, recorded in short-term borrowings as of 31 December 2011, were repaid.

In August 2012, Telekom Austria Group implemented an asset-backed securitization (ABS) program with a maximum volume of EUR 225.0 million. As of 30 September 2012, no amount was drawn, therefore no short-term debt was recorded. EUR 375.1 million accounts receivable - trade were sold to a special purpose entity (SPE) under this program. In accordance with SIC 12.10, the Telekom Austria Group controls the SPE because the activities of the SPE are being conducted on behalf of Telekom Austria Group according to its specific business needs so that Telekom Austria Group obtains the benefits from the SPE's operations. In substance, the Telekom Austria Group retains the majority of the residual or ownership risks related to the SPE or its assets. Consequently, the Telekom Austria Group includes the SPE in the consolidated financial statements. In the first nine months 2012 unutilized fees of EUR 0.2 million were recorded in interest expense.

In 2010 the Telekom Austria Group has introduced a Long Term Incentive Program (LTI). On 7 May 2012, the third tranche of LTI (LTI 2012) was granted. Main conditions remained unchanged compared to LTI 2010. As of the reporting date a liability measured at fair value for the expected future expense of the LTI program, which is already vested, is recorded. The fair value of the liability is measured based on the expected target achievement and the expected share price, as determined by applying a binomial calculation model generally used for share price analysis, taking into account expected dividends. The liability is recognized over the vesting period. As of 30 September 2012 the liability recorded for LTI 2010, LTI 2011 and LTI 2012 amounted to EUR 2.6 million.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 820.9 million as of 31 December 2011 decreased to EUR 798.5 million as of 30 September, 2012 mainly due to the usage of the provision, partly compensated by the accretion and additions to the provision. In the first nine months 2012 and 2011 a restructuring expense of EUR 9.6 million and EUR 198.6 million, respectively was recognized.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 54.4 million as of 31 December 2011 decreased to EUR 42.8 million as of 30 September 2012. In the first nine months 2012 and 2011 a restructuring expense of EUR 12.0 million and EUR 26.2 million, respectively was recorded.

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

Income Taxes

The effective tax rate for the first nine months 2012 and 2011 was 20.8% and 21.1%. In the first nine months 2012 and 2011 the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 146.6 million as of 31 December 2011 decreased to EUR 126.0 million as of 30 September 2012 mainly due to the deferred recognition of the impairments of investments in subsidiaries for tax purposes over seven years according to Austrian legislation.

Foreign Currency Translation Adjustment

The foreign currency translation adjustment mainly results from the consolidation of velcom in Belarus and Vip mobile in Serbia. In the first nine months 2012 the devaluation of the Serbian Dinar led to a negative adjustment of EUR 31.0 million. Due to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the subsidiaries in Belarus starting in the fourth quarter 2011, the relating translation adjustment of EUR 302.1 million as of 31 December 2011 remains unchanged.

Subsequent and Other Events

On 24 September 2012, the Telekom Austria Group announced that it lowers its dividend from EUR 0.38 to EUR 0.05 per share for the year 2012 and sets the planned dividend for the year 2013 to EUR 0.05.

On 25 September 2012, the Telekom Austria Group has been informed that América Móvil Europa B.V., Netherlands holds 16.01% of total shares of Telekom Austria AG as the closing of the stock purchase agreement with the subsidiary of RPR Privatstiftung, Vienna, announced on 15 June 2012, which has been subject to conditions precedent, has taken place. On 15 June 2012, América Móvil S.A.B. de C.V., Mexico ("América Móvil") announced that it holds directly and indirectly 6.75% of total shares of Telekom Austria AG. In addition, it has entered via is 100% sub-subsidiary América Móvil Europa B.V., Netherlands into a stock purchase agreement subject to conditions precedent to purchase up to 16.01% of total shares of Telekom Austria AG. Following the closing of the stock purchase agreement, América Móvil currently holds in total directly and indirectly 100,836,874 shares or 22.76% of total shares of Telekom Austria AG.

On 23 October 2012, an extraordinary general meeting of Telekom Austria AG took place. Resolutions including voting results are available on the website of Telekom Austria Group at http://www.telekomaustria.com/ir/annual-general-meeting.php.

On 29 October 2012, Vipnet in Croatia has obtained a 10 MHz paired frequency block (in total 20 MHz) of the 800 MHz frequency spectrum for a total purchase price of HRK 150 million (which equates to approximately EUR 20 million). The regulatory requirement for these frequencies is to achieve a coverage of at least 50% of the Croatian territory within five years, whereas the starting date has not yet been defined by the Croatian regulatory authority "HAKOM". The licences of the acquired frequencies will expire on 18 October 2024. The acquired frequency block will allow Vipnet to offer broadband services based on 4th generation mobile technology, so called Long Term Evolution (LTE).

The Supreme Administrative Court in Bulgaria overruled the decision of the Commission for Regulation of Communication "CRC" imposing an adjustment of the international termination rates for incoming calls into individual mobile networks to the level of national rates, effective as of 1 April 2011. The Court ruling is final, which means the contingent liability as of 31 December 2011 does not exist anymore.