TELEKOM AUSTRIA GROUP

Results for the First Quarter 2013

Highlights

> Group revenues fell slightly by 0.6% to EUR 1,049.0 mn, benefitting from growth in the Belarusian and Additional Markets segments

> Declining revenues in the Austrian and Bulgarian segments as a consequence of continuing difficult market conditions and regulatory provisions

> High-value customer focus in most segments translates into contract subscriber and mobile data product growth

> The successful convergence strategy continues to support the fixed-line subscriber base in the Austrian, Bulgarian and Croatian segments

> Group EBITDA comparable declines by 6.8% to EUR 336.9 mn mainly due to regulation and strategic investments in subsidies

> Austrian segment: YESSS! closing in January 2013; integration ongoing

> Group guidance 2013 unchanged: revenues of approximately EUR 4.1 bn and CAPEX* of approximately EUR 700 mn

in EUR million	Q1 2013	Q1 2012	% change
Revenues	1,049.0	1,055.0	-0.6%
EBITDA comparable	336.9	361.4	-6.8%
Operating income	117.8	112.0	5.2%
Net income	55.5	46.9	18.4%
Earnings per share (in EUR)	0.11	0.11	6.9%
Free cash flow per share (in EUR)	0.10	0.11	-8.5%
Capital Expenditures	149.0	145.8	2.2%

in EUR million	Mar. 31, 2013	Dec. 31, 2012	% change
Net Debt	2,939.8	3,248.9	-9.5%
Net Debt/EBITDA comparable (12 months) excluding restructuring program	2.1x	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 nor acquisitions

Group Review

Vienna, 7 May 2013 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first quarter 2013 ending 31 March 2013.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q1 2013") are available on our website at www.telekomaustria.com.

Results for the first half of 2013 will be announced on 12 August 2013.

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Summary

In the first quarter of 2013 Group revenues amounted to EUR 1,049.0 mn, a reduction of 0.6% compared to the first quarter 2012. While Austria and Bulgaria saw a reduction in revenues, Belarus and the Additional Markets segments posted year-on-year revenue growth. Regulatory effects amounted to a negative EUR 20.9 mn at Group level in the first quarter of 2013.

In Austria the negative effect of customer migration to all-in tariffs on monthly fee and traffic revenues was exacerbated by a positive one-off effect relating to interconnection revenues in the first quarter of 2012. The consolidation of YESSS! as of 1 January 2013 contributed positively to revenues and increased subscribers and market share, while reducing average revenue per user (ARPU).

Among the international segments Bulgaria was impacted by a deterioration in pricing as well as the effect of mobile termination and roaming rate cuts in July 2012. In Croatia revenues were largely stable as negative effects from lower mobile prices were offset by higher interconnection revenues and growth in the fixed-line subscriber base. Subscriber growth coupled with prior year price increases and higher data usage translated into higher revenues for Belarus, where FX and inflation effects were comparatively benign in the first quarter of 2013. The Additional Markets segment benefited from higher subscriber numbers and higher contract ratios, resulting from the continued focus on the high-value customer segment.

The described fall in revenues was aggravated by an increase in Group operating expenses of EUR 18.2 mn, driven primarily by Austria and the Additional Markets segment inter alia due to higher subsidies and higher-value handsets sold. Subsequently, Group EBITDA comparable, which does not include any effects from restructuring and impairment tests, decreased by 6.8% year-on-year to EUR 336.9 mn, with Austria causing the biggest drag. Lower operating expenses in Bulgaria could not compensate the impact from negative revenues in the segment. Belarus and the Republic of Serbia saw a continued rise in EBITDA comparable even despite higher costs. With stable revenues and costs the Croatian EBITDA comparable rose due to several one-off effects in the amount of EUR 1.9 mn. In the first quarter of 2013 regulatory effects accounted for 46.6% of the Group EBITDA decline.

The Group EBITDA comparable margin fell from 34.3% in Q1 2012 to 32.1% in the first quarter of 2013. Moreover, the Group interconnection margin turned negative for the first time.

In the first quarter of 2013 restructuring charges in the Austrian segment amounted to EUR 2.7 mn compared to an amount of EUR 4.4 mn the same period last year. Depreciation and amortisation charges fell by 11.7% versus Q1 2012, as the acquired mobile customer base in Bulgaria was fully amortised by June 2012.

Consequently, the operating result improved to EUR 117.8 mn in the first quarter of 2013, compared to EUR 112.0 mn in the same period of last year. The financial loss decreased to EUR 47.9 mn mainly as a result of a reduction in interest expense versus the first quarter of 2012.

Group capital expenditures increased by 2.2% to EUR 149.0 mn, as a capital expenditure increase in Austria stemming from the acquisition of intellectual property rights and frequencies from Orange Austria was partly mitigated by a 52.2% CAPEX reduction in Bulgaria, resulting from lower mobile and fixed-line access investments as well as lower IT spending.

Market Environment

The Telekom Austria Group operates in eight markets across Western, Central and Eastern Europe, each of which presents a challenge in its own way. Nevertheless these markets also have a number of general trends in common, which shape company strategy. In its mature markets Austria, Bulgaria and Croatia Telekom Austria Group offers mobile and fixed-line services, allowing the company to pursue a successful convergence strategy. In its mobile-only markets Telekom Austria Group seeks to capitalise on the existing growth potential for smartphone offers and mobile data products.

Fierce competition presents an issue in all major Group markets, exerting downward pressure on mobile prices. The economic success of Telekom Austria Group thus hinges to a great extent on its ability to safeguard margins by continuously increasing cost efficiency. Furthermore, regulatory provisions in the form of interconnection and roaming rate reductions cause added drag on revenues, especially in those segments which must conform to the EU mobile termination glidepath.

Austria is among the most competitive markets of the Telekom Austria Group, with one of the most sophisticated yet low-priced mobile markets in Europe, both in the premium and no-frills segment. All-in smartphone offers and mobile broadband solutions drive an ongoing fixed-to-mobile substitution, which is visible in the highly advanced but ongoing decline of fixed-line voice minutes. Attractive convergent bundle offers, incorporating fixed-line broadband and IPTV solutions, are key to stabilising fixed-line revenue trends.

In the CEE markets political and macroeconomic headwinds remain a key challenge, as they affect demand and suppress usage. In Bulgaria the combination of low disposable income, youth unemployment and political turmoil create an unsavoury mix. High levels of household debt, among other factors, recently caused a downward revision of the growth outlook in Croatia. FX volatility continues to present a concern in Belarus and the Republic of Serbia, in particular. In Belarus inflation in the first quarter of 2013 was roughly at the same level as it was in the first quarter of 2012. Slovenia is also currently experiencing a reduction in growth momentum, with austerity measures impacting retail consumption.

Telekom Austria Group Reiterates Outlook for the Full Year 2013

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

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

In the CEE region adverse macroeconomic trends are expected to further impact customer demand and pricing levels. Markets such as Belarus or the Republic of Serbia will likely exhibit more foreign exchange volatility.

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

For the financial year 2013 Telekom Austria Group reiterates its existing outlook of approximately EUR 4.1 bn in Group revenues. Group CAPEX, before investments for licenses and spectrum as well as acquisitions, is expected to amount to approximately EUR 700 mn.

DPS of EUR 0.05 intended for distribution in 2012 and 2013

A conservative financial profile based on a solid investment-grade rating of BBB (stable) remains the highest strategic priority of Telekom Austria Group, with a medium-term leverage target of approximately 2.0x Net Debt/EBITDA comparable forming part of this strategy. For the year 2013 the management of Telekom Austria Group intends to distribute a dividend of 5 Eurocents per share.

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

	Outlook 2013 as of 7 May 2013
Revenues	approximately EUR 4.1 bn
Capital Expenditures*	approximately EUR 700 mn
Dividend	DPS of EUR 0.05

* Does not include investments for licenses and spectrum nor acquisitions.

Quarterly Analysis
Segment Austria

Note: Detailed segment data is available in the appendix from page 22.

Key Performance Indicators Austria

in EUR million	Q1 2013	Q1 2012	% change
Revenues	680.0	706.3	–3.7%
EBITDA comparable	206.8	244.1	–15.3%
EBITDA incl. effects from restructuring and impairment tests	204.1	239.6	–14.8%
EBIT	76.1	106.8	–28.8%
Fixed Line Market			
ARPL (in EUR)	32.2	31.9	1.2%
Total Access Lines ('000)	2,281.0	2,319.9	–1.7%
Fixed Broadband Lines ('000)	1,333.0	1,283.0	3.9%
Fixed Line Voice Minutes (in million)	556.1	628.8	–11.6%
Mobile Communication Market			
Mobile Subscribers ('000)	6,084.6	5,286.2	15.1%
Mobile Market Share	43.8%	39.5%	
Mobile Penetration	163.5%	158.2%	
Mobile Broadband Customers ('000)	909.0	764.1	19.0%
ARPU (in EUR)	15.5	18.5	–16.2%

In the first quarter of 2013 business development in the Austrian segment was characterised by a continuation of various trends already witnessed in previous quarters. The mobile pricing environment remained driven by competitive pressures, with the trend of customer migration to low-cost all-in tariffs and highly subsidised handsets unbroken. The company's strategy of ringfencing the margin-enhancing high-value customer segment was reflected in a continuation of the acquisition and retention measures put in place in the fourth quarter of 2012. New tariff structures for the no-frills brand bob and the premium brand A1 were launched in January and April respectively. These measures epitomise intensified efforts to respond to the trend towards increased data usage and halt further ARPU erosion. Convergent offers remained at the core of the operational strategy also in Q1 2013. The ongoing fixed-to-mobile substitution continued to impact the fixed-line business, with broadband and TV growth largely balancing the decline in voice. After the closing of the acquisition of YESSS! in early 2013, that business has been fully consolidated from January.

Mobile market share of 43.8% after YESSS! consolidation

After the inclusion of the YESSS! subscribers, which are almost 90% prepaid, A1's mobile subscriber base increased by 15.1% to almost 6.1 mn subscribers in the first quarter of 2013 versus the same quarter last year, pushing market share to 43.8%. Without YESSS!, subscriber growth stemmed from contract before prepaid and amounted to 2.3%. Mobile broadband subscribers increased 19.0% year-on-year to 909,000 subscribers as of the end of March 2013 including YESSS; excluding YESSS! the year-on-year growth rate was 2.7%.

Fixed line trends remained steady, with a total access line loss of only 1,260 in the first quarter of 2013 due to higher gross additions and lower churn. Fixed-line broadband gained 20,900 customers net in the same period. A1 TV also continued strong with a 10.0% year-on-year increase to 225,200 subscribers in the first quarter of 2013. Fixed-line bundles showed marginal growth to 1,040,700 packages as of the end of March 2013.

In the first quarter of 2013 Austrian revenues fell by 3.7% to EUR 680.0 mn, including a positive revenue contribution of EUR 11.6 mn from YESSS!. Regulatory effects accounted for 31.5% or EUR 8.3 mn of this reduction in revenues. Excluding a positive one-off interconnection revenue effect amounting to EUR 10.1 mn in the first quarter of 2012, revenues declined by 2.3% year-on-year in the first quarter of 2013.

The Austrian revenue decline was driven inter alia by a reduction in monthly fee and traffic revenues of 3.4% to EUR 469.7 mn, as a result of customer migration to all-in tariffs, as well as lower customer roaming revenue resulting from the EU glidepath. Concurrently, lower minutes reduced fixed-line voice traffic revenues. Interconnection revenues decreased considerably by 26.7% to EUR 68.4 mn, partly as a result of the above-mentioned one-off effect from Q1 2012 and partly due to lower usage. A 68.4% increase in equipment revenues to EUR 43.5 mn came as a result of higher gross adds and a greater number of replaced handsets.

In the first quarter of 2013 average revenue per fixed line (ARPL) increased 1.2% compared to the same period last year to EUR 32.2. Fixed-line service revenues fell by 0.8% year-on-year to EUR 220.8 mn. In mobile, average revenue per user (ARPU) fell from EUR 18.5 in Q1 2012 to EUR 15.5, due to a lower ARPU for the newly consolidated YESSS! customers, as well as the migration to all-in tariffs and regulatory effects. Excluding YESSS! ARPU for the first quarter of 2013 fell 8.9% year-on-year to EUR 16.9. Mobile service revenues also declined by 3.2% to EUR 284.1 mn.

Despite ongoing cost savings initiatives, operating expenses increased by EUR 10.2 mn in the first quarter of 2013 compared to the same quarter last year. This increase was primarily driven by material expenses which grew by 26.6% as a result of higher subsidies and quantities, in line with the focus on the high-value customer segment. The impact of the above was softened somewhat by a 6.4% reduction in interconnection costs parallel to revenues; adding back the negative one-off effect of EUR 3.1 mn booked in the first quarter of 2012 lessened this reduction to 2.1%. Personnel costs increased slightly as a result of the collective bargaining agreement. Cost savings in customer services helped reduce costs for other support services. In addition, A1 focuses on optimisation measures in IT and network.

Resulting from this combination of lower revenues and higher operating expenses, EBITDA comparable declined 15.3% in the first quarter of 2013 to EUR 206.8 mn versus the same quarter last year, including a positive effect of EUR 6.4 mn from YESSS!. Excluding the one-off effects from the first quarter of 2012, EBITDA comparable declined by 12.8%. Regulatory effects accounted for EUR 6.0 mn, or 16.0 % of the reduction in EBITDA comparable.

In consequence to A1's strategic focus on the high-value customer segment and subsequent increase in subsidies, mobile subscriber acquisition and retention costs were considerably higher in the first quarter of 2013 than in Q1 2012. Mobile subscriber acquisition costs increased by 51.6 % year-on-year to EUR 16.9 mn, while mobile subscriber retention costs rose 58.7% year-on-year to EUR 27.5 mn.

At EUR 2.7 mn restructuring charges were 40.2% lower in the first three months of 2013 than in the first quarter of 2012. FTEs transferred to the government or into social plans amounted to 20, compared with 9 in the same period last year. The positive effect of lower depreciation costs for tangible assets, radio access, switching technologies and customer premises equipment was partly offset by an increase in depreciation expense due to the consolidation of YESSS! in the amount of EUR 4.3 mn. In sum depreciation and amortisation costs fell by 3.6% year-on-year. Operating income, however, still declined by EUR 30.7 mn year-on-year to EUR 76.1 mn for the first three months of 2013.

Segment Bulgaria

Key Performance Indicators Bulgaria

in EUR million	Q1 2013	Q1 2012	% change
Revenues	97.5	115.9	–15.8%
EBITDA comparable	39.4	49.1	–19.8%
EBITDA incl. effects from restructuring and impairment tests	39.4	49.1	–19.8%
EBIT	15.5	1.6	n.m.
Mobile Communication Market			
Mobile Subscribers ('000)	5,402.7	5,486.1	–1.5%
Mobile Market Share	45.9%	48.4%	
Mobile Penetration	158.3%	151.7%	
Mobile Broadband Customers ('000)*	155.1	119.9	29.4%
ARPU (in EUR)	5.0	6.1	–16.9%
Fixed Line Market			
ARPL (in EUR)	11.6	13.3	–12.6%
Total Access Lines ('000)	162.1	132.6	22.3%
Fixed Broadband Lines ('000)	157.6	127.1	24.0%

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

In Bulgaria Mobiltel continued to focus on the convergence strategy and high-value customer segment to counteract increasingly difficult general market conditions. In the first quarter of 2013 the political backdrop worsened with the collapse of the government in February and nationwide protest in response to higher electricity prices. Pricing pressure was felt in the telecoms market also with last year's steep MTR cuts adding strain. With changing ownership structures among competitors and a fourth mobile license sold to satellite operator Bulsatcom in January, competition is expected to remain severe. Mobiltel management launched new tariffs in February and March in order to improve customer segmentation.

Mobile broadband growth of 29.4% y-o-y (solely data-only tariffs)

In the first quarter of 2013 Mobiltel sharpened its focus on value-based customer management and increased contract subscribers by 1.0% to 3.8 mn versus the same quarter last year, reaching a contract share of 71.0%. Consequently, prepaid subscribers decreased by 7.2% versus Q1 2012. The result was an overall reduction in mobile subscribers of 1.5% year-on-year to 5.4 mn. Market share also fell from 48.4% in Q1 2012 to 45.9% in the first quarter 2013. Mobile broadband (solely data-only tariffs) increased 29.4% versus the end of March 2012. Subscribers of the no-frills brand bob more than quadrupled in comparison to the same period last year to 164,300.

Fixed access lines developed well in the first quarter of 2013, growing 22.3% year-on-year to 162,100. This growth was largely grounded in fixed-line broadband with an increase of 24.0% versus the same quarter last year.

First quarter revenues fell 15.8% to EUR 97.5 mn, primarily driven by lower interconnection revenues following the adoption of lower mobile termination rates from July 2012. This was partly compensated by increased interconnection traffic. Altogether regulatory effects accounted for 60.5% or EUR 11.1 mn of the Bulgarian revenue decline in the first quarter of 2013. In addition, lower prices adversely impacted monthly fee and traffic revenues. The above-mentioned effects could not be compensated by higher equipment revenues resulting from higher handset sales and a greater average price per handset.

In consequence of the above-mentioned trends, average revenue per user (ARPU) also declined 16.9% from EUR 6.1 in the first quarter of 2012 to EUR 5.0 in the current quarter. Average revenue per line (ARPL) was down 12.6% from EUR 13.3 in the first quarter 2012 to EUR 11.6 currently. This reduction mainly resulted from a decrease in the share of business subscribers versus Q1 2012, while residential ARPL also exhibited some downward drag in reaction to aggressive market offers by competitors. Resulting from a higher number of access lines as well as the doubling of TV customers, however, ARPL-relevant revenues increased 7.0 % year-on-year to EUR 5.6 mn in the first quarter of 2013.

Operating expenses reduced by almost EUR 10 mn

Despite a reduction in operating expenses of 14.0% year-on-year or EUR 9.6 mn, the negative trends in revenues were reflected in a 19.8% fall in EBITDA comparable to EUR 39.4 mn. Regulatory provisions accounted for a negative EUR 5.0 mn or 51.4% of the fall in EBITDA comparable. Lower operating expenses were a result of interconnection costs which almost halved versus Q1 2012 to EUR 6.4 mn, as a result of the reduced interconnection tariffs. Other factors were lower personnel costs due to a reduction in employees, lower marketing expenses and lower bad debt following an improvement in the collection rate. These - positive effects were partly offset by higher material expenses as well as higher network and IT maintenance costs, inter alia due to outsourcing fees.

Operating income of EUR 15.5 mn

In contrast, operating income benefitted from the 49.6% reduction in depreciation and amortisation charges stemming from the completion of the amortisation of the acquired mobile customer base in June 2012, and amounted to EUR 15.5 mn versus EUR 1.6 mn in the first quarter of 2012.

Segment Croatia

Key Performance Indicators Croatia in EUR million	Q1 2013	Q1 2012	% change
Revenues	92.1	92.5	–0.5%
EBITDA comparable	29.3	27.4	6.9%
EBITDA incl. effects from restructuring and impairment tests	29.3	27.4	6.9%
EBIT	12.9	10.6	22.1%
Mobile Communication Market			
Mobile Subscribers ('000)	1,878.2	1,964.0	–4.4%
Mobile Market Share	37.8%	39.0%	
Mobile Penetration	115.7%	117.4%	
Mobile Broadband Customers ('000)*	161.4	155,4	3,9%
ARPU (in EUR)	11.4	11.7	–2.4%
Fixed Line Market			
ARPL (in EUR)	23.4	24.0	–2.1%
Total Access Lines ('000)	172.1	148.8	15.7%
Fixed Broadband Lines ('000)	93.5	72.7	28.6%

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

In Croatia Vipnet continued to successfully defend against a variety of adverse influences including macroeconomic and competitive headwinds in the first quarter of 2013. In February the European Commission revised down their growth outlook for the Croatian economy, citing inter alia high levels of household debt and weak domestic demand. These factors continued to exacerbate competitive pricing pressures in the local telecoms market, which was already characterised by a number of unlimited min/SMS all-net tariffs in 2012. In response Vipnet introduced a new tariff structure in early March, consisting of SIM-only basic packages with options for data, international roaming, LTE and subsidised handsets on a contractual basis. As part of its convergence strategy, Vipnet also acquired the satellite provider Digi TV in March 2013.

Increase in contract customers of 6.1%

Convergence and a focus on the high-value segment helped Vipnet to increase the number of contract customers by 6.1% year-on-year to 815,700 and the contract share to 43.4% in the first quarter of 2013. In contrast, customers still continued to churn out of prepaid, resulting in a reduction of prepaid subscribers by 11.1% versus Q1 2012. However, the actual number of prepaid customers lost in the first three months of the year amounted to 48,600 versus 155,300 in the fourth quarter of 2012. Mobile broadband customers grew by 3.9% to 161.400 versus Q1 2012. Overall, total subscribers fell by 4.4% to just under 1.9 mn versus the same period last year.

In contrast, fixed access lines continued to thrive, driven by fixed-line broadband and growing 15.7% to 172,100 in the first three months of 2013, compared to the first quarter of 2012.

In terms of revenues the Croatian segment was effectively flat in the first quarter of 2013 at EUR 92.1 mn. A reduction in monthly fee and traffic revenues was due to lower prices, partly mitigated by an increase in revenues from monthly fees. The effect on total revenues was balanced by equipment revenue growth resulting from high-value handsets, as well as an increase from interconnection revenues. The latter stemmed from higher usage due to unlimited min/SMS all-net tariffs offered by the competition, which outweighed mobile termination rate cuts from January 2013. A one-off positive acquisition and collection effect, the latter relating to the collection of bad debt from previous periods, increased other operating income by EUR 1.9 mn.

ARPL-relevant revenue increase of 11.7% driven by growth in broadband

Mobile pricing pressures also resulted in a further reduction in average revenue per user (ARPU) from EUR 11.7 in Q1 2012 to EUR 11.4 in this quarter. Average revenue per fixed line (ARPL) fell from EUR 24.0 in Q1 2012 to EUR 23.4 in the current quarter as a result of the acquisition of Digi TV with a lower average revenue per customer. ARPL-relevant revenues, however, increased 11.7% to EUR 11.7 mn in the first quarter of 2013, driven mainly by the higher number of broadband access lines.

In the first quarter of 2013 Vipnet had higher material expenses due to more valuable handsets and higher interconnection costs from higher usage. These factors, however, were balanced out by a reduction in roaming costs. There was also an improvement in other expenses driven by the collection of outstanding receivables previously included in bad debt, as well as the abolition of a mobile tax in July 2012. Overall, at EUR 65.3 mn operating expenses were slightly below the EUR 65.6 mn recorded in the first quarter 2012.

With regard to EBITDA comparable, higher other operating income and slightly lower operating expense compensated for lower revenues, resulting in an EBITDA comparable increase of 6.9% to EUR 29.3 mn versus the first quarter last year. The EBITDA comparable margin came in at 31.8% this quarter versus 29.6% in Q1 2012. A slight reduction in the depreciation charge enhanced the positive effect for operating income, which mounted to EUR 12.9 mn compared to EUR 10.6 mn in Q1 2012.

Segment Belarus

Key Performance Indicators Belarus in EUR million	Q1 2013	Q1 2012	% change
Revenues	81.6	60.2	35.6%
EBITDA comparable	39.5	23.5	68.2%
EBITDA incl. effects from restructuring and impairment tests	39.5	23.5	68.2%
EBIT	16.9	1.6	n.m.
Mobile Communication Market			
Mobile Subscribers ('000)	4,818.0	4,637.3	3.9%
Mobile Market Share	43.6%	41.1%	
Mobile Penetration	116.8%	119.4%	
Mobile Broadband Customers ('000)*	227.6	215.4	5.7%
ARPU (in EUR)	4.8	3.7	30.3%

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

Since the fourth quarter of 2011 Belarus has been classified as a hyperinflationary economy, and hyperinflation accounting according to IAS 29 has been applied to the Belarusian segment. At the end of the first quarter of 2013 the local exchange rate stood at 11.110 BYR / 1 compared to EUR 10.750 BYR / 1 EUR at the end of the first quarter of 2012. Over the course of this first quarter the Belarusian Rouble gained 2.1%. The inflation rate reached 5.38% and 5.01% for the first quarter of 2013 and 2012 respectively.

In the first quarter of 2013 velcom continued to benefit from the price increases which the company enacted in March, August and November 2012 in response to the hyperinflationary environment. The introduction of VAT for retail telecoms customers in early 2013 does not appear to have had an adverse effect on usage so far.

velcom increased its mobile customer base by 3.9% to 4.8 mn subscribers and its market share to 43.6%, primarily driven by additions in the contract segment as a result of popular smartphone offers. In the first quarter of 2013 contract customers constituted 80.6% of total subscribers. Mobile broadband subscribers increased at a rate of 5.7% year-on-year to reach 227,600 customers by March 2013 (solely data-only tariffs).

Revenue growth of 35.6% primarily as a result of price increases in 2012

In the first quarter of 2013 revenues in the Belarusian segment increased by 35.6%to EUR 81.6 mn versus the same period in 2012, primarily as a result of the above-mentioned price increases, as well as upselling and usage effects. On a local currency basis this growth amounted to 40.1% and was driven by monthly fee and traffic as well as equipment revenues. The latter was due to a higher quantity of and mark-up on handsets sold, especially smartphones. A reduction in visitor roaming revenues resulting from lower inter-operator tariffs and higher partner discounts, as well as a negative FX effect of EUR 2.7 mn, had little overall effect.

The above-mentioned trends led to a year-on-year ARPU increase of 30.3%, from EUR 3.7 in Q1 2012 to EUR 4.8 in this quarter.

With regard to operating expenses, velcom remains committed to the optimisation of its cost base. However, in the first quarter of 2013 operating expenses increased 14.4% compared to the same period last year. Analogous to the growth in equipment revenues, this increase was primarily driven by material expenses. Other contributing factors were higher interconnection costs resulting from higher tariffs for international traffic and higher volumes, as well as greater personnel expenses due to salary increases intended to make up the inflation-induced loss of purchasing power. The introduction of a VAT charge for retail telecoms customers in 2013 resulted in a reduction of VAT non-refundable expenses (other costs) of EUR 2.8 mn.

Despite this increase in operating expenses and a negative FX effect of EUR 1.3 mn, EBITDA comparable for the quarter came in 68.2% above the result for the same quarter last year at EUR 39.5 mn. This led to higher EBITDA comparable margin of 48.4% versus 39.0% for the same period a year earlier. On a local currency basis EBITDA comparable growth was 73.8% year-on-year.

With depreciation and amortisation largely flat, the above-mentioned operational gains translated into an operating income of EUR 16.9 mn, over ten times the operating income in Q1 2012.

Segment Additional Markets

Slovenia

Key Performance Indicators Slovenia in EUR million	Q1 2013	Q1 2012	% change
Revenues	49.2	46.6	5.5%
EBITDA comparable	12.8	12.1	6.1%
EBITDA incl. restructuring and impairment test	12.8	12.1	6.1%
EBIT	7.6	6.9	9.8%
Mobile Subscribers ('000)	669.6	643.2	4.1%
Mobile Market Share	30.0%	29.6%	
Mobile Penetration	107.2%	106.6%	
Mobile Broadband Customers (absolute)	19,380	16,429	18.0%
ARPU (in EUR)	20.3	20.7	–2.2%

Si.mobil customer base grows by 4.1% y-o-y

Despite a difficult macroeconomic environment and fierce competition, Si.mobil maintained the momentum of its multi-brand strategy in the first quarter of 2013, as well as its market share of around 30.0%. With a current share of total subscribers amounting to 77.0%, the contract segment has been driving subscriber growth at a rate of 6.4% year-on-year, resulting in 669,600 total mobile subscribers at the end of this quarter, up 4.1% from the end of the first quarter last year.

This trend was mirrored in revenues, where higher monthly fee and traffic revenues from a greater number of contract subscribers, as well as higher equipment revenues from contract renewals were only partly offset by lower interconnection revenues resulting from the interconnection glide path. Overall, revenues increased by 5.5% year-on-year to EUR 49.2 mn.

In parallel, operating expenses increased 5.3% versus the same period in 2012, driven mainly by material expenses. This was partly offset by lower interconnection costs as a result of lower transit and average prices, leading to an EBITDA comparable growth of 6.1% year-on-year to EUR 12.8 mn in the first quarter of 2013. With depreciation and amortisation stable, operating income also came in higher at EUR 7.6mn versus EUR 6.9 mn in Q1 2012.

Republic of Serbia

Key Performance Indicators Republic of Serbia in EUR million	Q1 2013	Q1 2012	% change
Revenues	42.6	37.3	14.5%
EBITDA comparable	15.0	10.3	46.7%
EBITDA incl. restructuring and impairment test	15.0	10.3	46.7%
EBIT	–3.2	–6.8	n.m.
Mobile Subscribers ('000)	1,903.5	1,672.4	13.8%
Mobile Market Share	20.5%*	16.1%	
Mobile Penetration	130.6%	141.1%	
ARPU (in EUR)	7.1	6.9	2.5%

* 240 bps of this increase were due to competitor restatements of subscriber numbers.

Contract subscriber base grows by 24.3% y-o-y

In the first quarter of 2013 Vip mobile saw a considerable enlargement of its subscriber base as a result of its continued strategic focus on the contract segment. The latter posted a year-on-year increase of 24.3% to 912.500, reaching a contract share of 47.9%. Mobile subscribers grew by 13.8% to just over 1.9 mn in the first quarter of 2013 versus the same quarter last year, driven by business and residential. Mobile broadband also grew 24.3% versus Q1 2012, helping to push Vip mobile's overall market share up.

The higher contract subscriber base in turn led to an increase in revenues from monthly fees, which supported revenue growth of 14.5% to EUR 42.6 mn, despite a negative FX effect of EUR 1.5 mn. Interconnection revenues were also up, as higher usage compensated for lower prices following the set-up fee abolishment in Q2 2012.

As a result of the growing contract customer base, average revenue per user (ARPU) also increased from EUR 6.9 in the first quarter of 2012 to EUR 7.1 in this quarter.

EBITDA comparable margin increased to 35.3%

As a result of rigid cost management, operating expenses increased by only EUR 0,9 mn largely due to interconnection costs, which were partly offset by a reduction in personnel expenses and roaming costs. The benefits of the higher contract subscriber base nevertheless filtered through to EBITDA comparable, which swelled by 46.7% in the first quarter of 2013 to EUR 15.0 mn. Included therein was a negative FX effect of EUR 0.5 mn. Consequently, the EBITDA comparable margin also increased from 27.5% in the first quarter of 2012 to 35.3% in the current quarter.

Vip mobile also posted a lower operating loss of EUR 3.2 mn in the first quarter of 2013 than the negative EUR 6.8 mn seen in Q1 2012, despite a higher depreciation and amortisation charge.

Republic of Macedonia

Key Performance Indicators
Republic of Macedonia

in EUR million	Q1 2013	Q1 2012	% change
Revenues	15.3	13.6	12.5%
EBITDA comparable	1.8	3.0	–39.1%
EBITDA incl. restructuring and impairment test	1.8	3.0	–39.1%
EBIT	–0.3	–1.9	n.m.
Mobile Subscribers ('000)	626.5	581.1	7.8%
Mobile Market Share	28.1%	26.1%	
Mobile Penetration	108.7%	108.8%	
ARPU (in EUR)	7.5	7.2	4.4%

Vip operator reaches market share of 28.1%

In Macedonia Vip operator was able to consolidate its position as second-largest telecoms operator with a market share of 28.1% in the first quarter of 2013 versus 26.1% a year ago. As the mobile market contracted overall, the company saw a slight reduction in mobile subscribers from year-end 2012 to 626,500. However, the contract segment continued to grow steadily to 43.4% of total subscribers at the end of this quarter.

The higher contract ratio translated into higher monthly fee and traffic revenues, which helped push revenues up by 12.5% to EUR 15.3 mn compared to the same period last year. This was further driven by an increase in interconnection revenues due to higher minutes of use (MoU) per user. Thus ARPU also increased from EUR 7.2 in the first quarter of 2012 to EUR 7.5 in this quarter.

EBITDA comparable margin reduction on the back of negative OPEX trends

Conversely, material expenses increased as higher subsidies for subscriber retention and the boost in the contract ratio pushed up the number of high-value handsets sold. The effect was compounded by higher purchase prices paid per handset. Together with higher interconnection costs the resulting 27.1% year-on-year increase in operating expenses led to a considerable reduction in EBITDA comparable, which fell by 39.1% to EUR 1.8 mn in the first quarter of 2013, compared to Q1 2012. The EBITDA comparable margin subsequently contracted from 22.2% in the same period last year to 12.0% this year. The resulting operating loss of EUR 0.3 mn, however, was still above the loss of EUR 1.9 mn incurred in the first quarter of 2012.

Consolidated Net Income

In the first quarter of 2013 the financial result improved from a negative from EUR 51.4 mn in Q1 2012 to a negative EUR 47.9 mn, mainly as a result of lower interest expense versus the first quarter of 2012. This was primarily due to a reduction of the discount rate applied to the calculation of the restructuring provision, employee benefit obligations and asset retirement obligation from the fourth quarter of 2012.

In the first quarter of 2013 income tax expenses increased slightly to EUR 14.5 mn from EUR 13.7 mn in Q1 2012. Overall, net income increased 18.4% to EUR 55.5 mn in the first quarter of 2013 versus the same quarter last year.

Balance Sheet and Net Debt

In the first quarter of 2013 total assets increased by 8.3% from EUR 7,257.1 mn as of 31 December 2012 to 7,857.4 due to an increase in both current and non-current assets. Current assets increased 15.1% from the end of the fourth quarter 2012 to EUR 2,082.1, primarily driven by an increase in short-term investments which was partly compensated by a decrease in cash and cash equivalents. Non-current assets also grew 6.0% from 31 December 2012 to 5,775.2 mn as a result of an increase in goodwill relating to the acquisition of YESSS!. A reduction in accounts payable was balanced by an increase in other current liabilities, which resulted in a slight reduction of total current liabilities of 1.2% during the quarter to 2,293.8 mn. Total non-current liabilities fell by 1.4% during the quarter to 4,057.2 mn, primarily due to the reclassification of cash flow hedges to other current liabilities.

Stockholders' equity increases by 83.9%

As of 31 March 2013 stockholders' equity increased by 83.9% to EUR 1,506.4 mn as a consequence of the EUR 600 mn hybrid bond issued in January 2013.

As of 31 March 2013 net debt decreased by 9.5% or EUR 309.0 mn to EUR 2,939.8 mnn due to an increase in short-term investments, as the cash outflow from the acquisition of YESSS! and other assets of Orange Austria was more than offset by the cash inflow from the hybrid bond issuance. Net debt to EBITDA comparable (last 12 months) fell from 2.2x as of 31 December 2012 to 2.1x as of March 31, 2013.

Cash Flow and Capital Expenditures

Cash Flow

in EUR million	Q1 2013	Q1 2012	% change
Cash flow from operating activities	191.8	192.5	–0.4%
Cash flow from investing activities	–892.7	18.0	n.m.
Cash flow from financing activities	520.4	–44.3	n.m.
Effect of exchange rate changes	1.0	–0.6	n.m.
Monetary loss on cash and cash-equivalents	–0.8	–0.5	n.m.
Net increase/decrease in cash and cash equivalents	**–180.3**	165.1	n.m.

Cash flow from operations practically stable

In the first quarter of 2013 cash flow from operating activities was practically stable at EUR 191.8 mn. The cash outflow from working capital of EUR 105.4 mn, however, was noticeably below the cash outflow of EUR 134.4 mn recorded in the first quarter of 2012. The change in working capital over the first quarter of 2013 was mostly a consequence of a reduction of accounts payable, an increase in prepaid expenses and increased usage of restructuring provisions, as well as an increase in other liabilities due to the introduction of VAT for retail telecoms customers in Belarus.

The cash inflow from investing activities in the first quarter of 2012 turned to a cash outflow of EUR 892.7 mn, driven by the purchase of investments and the acquisitions of YESSS! in January 2013.

Conversely, the cash outflow from financing activities in the first quarter of 2012 turned to a cash inflow of EUR 520.4 mn, resulting from the issuance of the EUR 600 mn hybrid bond, also in January 2013.

In summary, the increase in cash and cash equivalents of EUR 165.1 mn in Q1 2012 in the first quarter of 2012 turned to a decrease of EUR 180.3 mn in the first quarter of 2013.

Capital Expenditures

in EUR million	Q1 2013	Q1 2012	% change
Austria	102.1	93.7	9.0%
Bulgaria	11.1	23.2	–52.2%
Croatia	14.4	13.3	8.3%
Belarus	4.2	5.1	–18.8%
Additional Markets	17.2	10.7	60.6%
Corporate & Other, Eliminations	0.0	–0.2	n.m.
Total capital expenditures	**149.0**	145.8	2.2%
Thereof tangible	97.2	112.1	–13.3%
Thereof intangible	51.7	33.7	53.5%

Total capital expenditures increased 2.2%

In the first quarter of 2013 Group capital expenditure increased by 2.2% to EUR 149.0 mn versus the first quarter last year.

In Austria the acquisition of intellectual property rights and frequencies from Orange Austria added EUR 23.0 mn to intangible CAPEX in the first quarter, while lower investments in fibre access brought about a reduction in tangible CAPEX by EUR 12.1 mn. In sum Austrian CAPEX increased by 9.0% in the first quarter of 2013 compared to the same period last year. In the Bulgarian segment lower mobile and fixed-line asset investment spending on billing and business systems effected a reduction in CAPEX by 52.2%. Croatia saw an 8.3% year-on-year increase in CAPEX driven by higher fixed-line and radio access investments, which were partly mitigated by lower IT spending. Capital expenditure in Belarus decreased by 18.8% in the quarter, inter alia through a delay in the delivery of equipment. In contrast, capital expenditure in the Additional Markets segment increased by 60.6% versus Q1 2012, primarily as a result of higher network and handset investments in Serbia.

Additional Information

Risks and Uncertainties

The Telekom Austria Group faces various risks and uncertainties which could affect its results. For further details about these risks and uncertainties please refer to the Telekom Austria Group Annual Report 2012, pp. 68 ff.

Personnel

The total number of employees of the Telekom Austria Group decreased by 654 to 16,498 full-time employees (FTEs) by March 2013 compared to March 2012. This change can be explained by the outsourcing of services in Bulgaria which reduced the Bulgarian headcount by 485 FTEs, a reduction of 97 FTEs in Belarus and the continued restructuring in Austria, which reduced the Austrian workforce by 100 FTEs (net after the inclusion of 16 YESSS! FTEs). This was partly offset by hiring activities in the Additional Markets segment.

Headcount fell by 654 full-time employees primarily as a result of Bulgarian outsourcing

Other and Subsequent Events

For details on other and subsequent events please refer to page 30.

Waiver of Review

This financial report of the Telekom Austria Group contains quarterly results which were not audited nor reviewed by a certified public accountant.

Other

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

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

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

The reported result in the Austrian, Bulgarian, Croatian and Belarusian segments include depreciation and 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% and for percentage changes which are not meaningful

n.a. – not applicable

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Profit or Loss

in EUR million, except per share information	Q1 2013 unaudited	Q1 2012 unaudited
Operating revenues	1,049.0	1,055.0
Other operating income	16.6	17.0
Operating expenses		
Materials	−131.1	−102.5
Employee expenses, including benefits and taxes	−213.2	−211.5
Other operating expenses	−384.5	−396.6
EBITDA comparable	**336.9**	**361.4**
Restructuring	−2.7	−4.4
Impairment and reversal of impairment	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**334.2**	**357.0**
Depreciation and amortization	−216.4	−245.0
Operating result	**117.8**	**112.0**
Financial result		
Interest income	3.7	3.8
Interest expense	−51.3	−57.3
Foreign exchange differences	−0.2	2.2
Other financial result	−0.1	0.0
Result from investments in affiliates	0.0	−0.2
Earnings before income taxes	**69.9**	**60.5**
Income taxes	−14.5	−13.7
Net Result	**55.5**	**46.9**
Attributable to:		
Owners of the parent	50.1	46.9
Non-controlling interests	0.0	0.0
Hybrid capital owners	5.4	0.0
Basic and fully diluted earnings per share	**0.11**	**0.11**
Weighted-average number of ordinary shares outstanding	**442,563,969**	**442,563,969**

Condensed Statements Comprehensive Income

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited
Net Result	**55.5**	46.9
Items that may be reclassified to profit or loss		
Unrealized result on securities available-for-sale	0.0	0.5
Income tax (expense) benefit	0.0	−0.1
Unrealized result on hedging activities	1.0	−3.3
Income tax (expense) benefit	−0.3	0.8
Foreign currency translation adjustment	3.8	−19.6
Items that are not reclassified to profit or loss		
Actuarial gains (losses)	−0.7	0.0
Income tax (expense) benefit	0.2	0.0
Other comprehensive income (loss)	4.1	−21.7
Total comprehensive income (loss)	59.5	25.2
Attributable to:		
Owners of the parent	54.2	25.2
Non-controlling interests	0.0	0.0
Hybrid capital owners	5.4	0.0

Condensed Consolidated Statements of Financial Position

in EUR million	31 March 2013 unaudited	31 Dec. 2012 audited
ASSETS		
Current assets		
Cash and cash equivalents	420.5	600.8
Short-term investments	507.2	85.1
Accounts receivable - trade, net of allowances	735.0	746.9
Receivables due from related parties	0.3	0.0
Inventories	163.7	152.9
Prepaid expenses	137.7	106.7
Income tax receivable	21.9	21.1
Non-current assets held for sale	0.9	0.9
Other current assets	94.9	94.8
Total current assets	**2,082.1**	**1,809.3**
Non-current assets		
Investments in associates	3.4	3.7
Financial assets long-term	5.4	7.9
Goodwill	1,581.2	1,289.5
Other intangible assets, net	1,592.7	1,522.6
Property, plant and equipment, net	2,392.9	2,426.4
Other non-current assets	33.7	30.8
Deferred tax assets	165.9	167.1
Receivables due from related parties, finance	0.0	0.0
Total non-current assets	**5,775.2**	**5,447.9**
TOTAL ASSETS	**7,857.4**	**7,257.1**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	–1,014.9	–1,049.4
Accounts payable - trade	–507.9	–567.1
Current provisions and accrued liabilities	–298.1	–301.8
Payables to related parties	–5.9	–7.8
Income tax payable	–36.5	–37.2
Other current liabilities	–264.8	–195.1
Deferred income	–165.6	–163.7
Total current liabilities	**–2,293.8**	**–2,322.1**
Non-current liabilities		
Long-term debt	–2,830.6	–2,832.0
Employee benefit obligation	–164.4	–161.7
Non-current provisions	–912.8	–923.1
Deferred tax liabilities	–132.1	–115.2
Other non-current liabilities and deferred income	–17.2	–84.0
Total non-current liabilities	**–4,057.2**	**–4,116.0**
Stockholders' equity		
Common stock	–966.2	–966.2
Treasury shares	8.2	8.2
Additional paid-in capital	–582.9	–582.9
Hybrid capital	–591.2	0.0
Retained earnings	126.8	218.9
Actuarial gains (losses)	17.8	17.3
Available-for-sale reserve	0.1	0.2
Hedging reserve	47.7	48.5
Translation adjustments	434.3	438.1
Equity attributable to equity holders of the parent	**–1,505.3**	**–818.0**
Non-controlling interests	–1.1	–1.1
Total stockholders' equity	**–1,506.4**	**–819.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**–7,857.4**	**–7,257.1**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited
Net Result	55.5	46.9
Adjustments to reconcile net result to operating cash flow		
Depreciation, amortization, impairment and reversal of impairment	216.4	245.0
Employee benefit obligation - non-cash	2.1	4.1
Bad debt expenses	12.1	12.8
Change in deferred taxes	4.0	6.7
Equity in earnings of affiliates	0.2	0.2
Share-based compensation	−1.8	0.1
Change in asset retirement obligation - non-cash	1.7	2.1
Provision for restructuring - non-cash	7.4	9.5
Result on sale of investments	0.1	0.0
Result on disposal / retirement of equipment	0.9	0.7
Gain on monetary items - non cash	−0.2	−2.1
Other	−1.1	0.8
Gross cash flow	297.1	326.9
Accounts receivable - trade	5.7	46.6
Inventories	−9.8	16.6
Prepaid expenses and other assets	−32.5	−25.0
Accounts payable - trade	−65.7	−142.5
Employee benefit obligation	−0.1	−1.3
Provisions and accrued liabilities	−28.7	−40.5
Other liabilities and deferred income	27.7	16.5
Payables due to related parties	−1.8	−4.8
Changes in assets and liabilities	−105.4	−134.4
Cash flow from operating activities	191.8	192.5
Capital expenditures	−149.0	−145.8
Acquisitions of subsidiaries, net of cash acquired	−325.6	0.0
Sale of property, plant, equipment and intangible assets	1.1	1.4
Purchase of investments	−504.5	0.0
Sale of investments	85.3	162.5
Cash flow from investing activities	−892.7	18.0
Changes in short-term borrowings	−38.5	−44.3
Issuance of hybrid bond	588.2	0.0
Deferred consideration paid for business combinations	−29.3	0.0
Cash flow from financing activities	520.4	−44.3
Effect of exchange rate changes	1.0	−0.6
Monetary loss on cash and cash equivalents	−0.8	−0.5
Change in cash and cash equivalents	−180.3	165.1
Cash and cash equivalents at beginning of period	600.8	460.0
Cash and cash equivalents at end of period	420.5	625.0

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2013	**966.2**	**–8.2**	**582.9**	**0.0**	**–236.2**	**–486.7**	**818.0**	**1.1**	**819.0**
Net Result	0.0	0.0	0.0	0.0	55.4	0.0	55.4	0.0	55.5
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–0.5	4.6	4.1	0.0	4.1
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**54.9**	**4.6**	**59.5**	**0.0**	**59.5**
Hyperinflation adjustment	0.0	0.0	0.0	0.0	36.6	0.0	36.6	0.0	36.6
Issuance of hybrid capital	0.0	0.0	0.0	591.2	0.0	0.0	591.2	0.0	591.2
Balance at 31 March 2013	**966.2**	**–8.2**	**582.9**	**591.2**	**–144.6**	**–482.1**	**1,505.3**	**1.1**	**1,506.4**

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2012	966.2	–8.2	582.9	0.0	–225.2	–438.9	876.7	0.9	877.7
Net Result	0.0	0.0	0.0	0.0	46.9	0.0	46.9	0.0	46.9
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–21.7	–21.7	0.0	–21.7
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	46.9	–21.7	25.2	0.0	25.2
Hyperinflation adjustment	0.0	0.0	0.0	0.0	22.3	0.0	22.3	0.0	22.3
Balance at 31 March 2012	966.2	–8.2	582.9	0.0	–156.0	–460.6	924.2	0.9	925.1

Condensed Operating Segments

	Q1 2013							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	675.3	96.3	89.8	81.6	106.1	0.0	0.0	1,049.0
Intersegmental revenues	4.8	1.2	2.3	0.0	2.6	0.0	−10.9	0.0
Total revenues	**680.0**	**97.5**	**92.1**	**81.6**	**108.7**	**0.0**	**−10.9**	**1,049.0**
Other operating income	19.4	0.6	2.5	1.1	1.8	6.0	−14.7	16.6
Segment expenses	−492.6	−58.7	−65.3	−43.2	−81.6	−12.9	25.7	−728.8
EBITDA comparable	**206.8**	**39.4**	**29.3**	**39.5**	**28.9**	**−6.9**	**0.0**	**336.9**
Restructuring	−2.7	0.0	0.0	0.0	0.0	0.0	0.0	−2.7
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**204.1**	**39.4**	**29.3**	**39.5**	**28.9**	**−6.9**	**0.0**	**334.2**
Depreciation and amortization	−128.0	−23.9	−16.4	−22.6	−25.8	0.0	0.2	−216.4
Operating result	**76.1**	**15.5**	**12.9**	**16.9**	**3.1**	**−6.9**	**0.2**	**117.8**
Interest income	0.8	0.3	0.1	1.6	0.3	5.9	−5.2	3.7
Interest expense	−10.8	−0.8	−3.2	−0.4	0.1	−41.4	5.2	−51.3
Result from investments in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result	0.4	0.0	−0.8	0.2	0.2	115.6	−115.9	−0.3
Earnings before income taxes	**66.5**	**14.9**	**9.0**	**18.3**	**3.7**	**73.1**	**−115.7**	**69.9**
Income taxes								−14.5
Net result								**55.5**
Segment assets	4,362.2	1,302.1	518.9	642.4	783.0	7,913.0	−7,664.2	7,857.4
Segment liabilities	−2,214.6	−205.4	−354.1	−43.9	−179.9	−4,685.6	1,332.5	−6,351.0
Capital expenditures - intangible	44.2	3.5	1.1	0.5	2.5	0.0	0.0	51.7
Capital expenditures - tangible	57.9	7.6	13.3	3.7	14.8	0.0	0.0	97.2
Total capital expenditures	**102.1**	**11.1**	**14.4**	**4.2**	**17.2**	**0.0**	**0.0**	**149.0**

	Q1 2012							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	701.8	108.6	89.8	60.1	94.7	0.0	0.0	1,055.0
Intersegmental revenues	4.5	7.3	2.8	0.0	4.2	0.0	−18.8	0.0
Total revenues	**706.3**	**115.9**	**92.5**	**60.2**	**98.9**	**0.0**	**−18.8**	**1,055.0**
Other operating income	20.2	1.5	0.4	1.1	1.5	5.7	−13.5	17.0
Segment expenses	−482.5	−68.3	−65.6	−37.8	−75.2	−13.4	32.1	−710.6
EBITDA comparable	**244.1**	**49.1**	**27.4**	**23.5**	**25.2**	**−7.7**	**−0.2**	**361.4**
Restructuring	−4.4	0.0	0.0	0.0	0.0	0.0	0.0	−4.4
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**239.6**	**49.1**	**27.4**	**23.5**	**25.2**	**−7.7**	**−0.2**	**357.0**
Depreciation and amortization	−132.8	−47.5	−16.8	−21.9	−26.8	0.0	0.7	−245.0
Operating result	**106.8**	**1.6**	**10.6**	**1.6**	**−1.6**	**−7.7**	**0.6**	**112.0**
Interest income	1.5	0.3	0.2	0.6	0.4	9.6	−8.8	3.8
Interest expense	−16.3	−2.0	−1.5	−0.8	−0.3	−45.2	8.8	−57.3
Result from investments in affiliates	−0.2	0.0	0.0	0.0	0.0	0.0	0.0	−0.2
Other financial result	0.0	0.0	0.1	2.7	−0.3	184.9	−185.2	2.2
Earnings before income taxes	**91.8**	**0.0**	**9.4**	**4.1**	**−1.8**	**141.6**	**−184.6**	**60.5**
Income taxes								−13.7
Net result								**46.9**
Segment assets	4,372.9	1,436.1	500.2	574.8	773.0	7,861.2	−8,186.3	7,331.9
Segment liabilities	−2,785.8	−276.7	−303.4	−74.4	−156.7	−5,162.2	2,350.6	−6,408.6
Capital expenditures - intangible	23.7	7.1	1.7	0.3	1.2	0.0	−0.2	33.7
Capital expenditures - tangible	70.0	16.1	11.6	4.9	9.5	0.0	0.0	112.1
Total capital expenditures	**93.7**	**23.2**	**13.3**	**5.1**	**10.7**	**0.0**	**−0.2**	**145.8**

Results by Segments

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues			
Austria	680.0	706.3	–3.7%
Bulgaria	97.5	115.9	–15.8%
Croatia	92.1	92.5	–0.5%
Belarus	81.6	60.2	35.6%
Additional markets	108.7	98.9	9.9%
Corporate, Other & Eliminations	–10.9	–18.8	–41.9%
Revenues	**1,049.0**	**1,055.0**	**–0.6%**
EBITDA comparable			
Austria	206.8	244.1	–15.3%
Bulgaria	39.4	49.1	–19.8%
Croatia	29.3	27.4	6.9%
Belarus	39.5	23.5	n.m.
Additional markets	28.9	25.2	14.6%
Corporate, Other & Eliminations	–6.9	–7.8	–11.5%
EBITDA comparable	**336.9**	**361.4**	**–6.8%**
EBITDA incl. effects from restructuring and impairment testing			
Austria	204.1	239.6	–14.8%
Bulgaria	39.4	49.1	–19.8%
Croatia	29.3	27.4	6.9%
Belarus	39.5	23.5	n.m.
Additional markets	28.9	25.2	14.6%
Corporate, Other & Eliminations	–6.9	–7.8	–11.5%
EBITDA incl. effects from restructuring and impairment testing	**334.2**	**357.0**	**–6.4%**
Operating result			
Austria	76.1	106.8	–28.8%
Bulgaria	15.5	1.6	n.m.
Croatia	12.9	10.6	22.1%
Belarus	16.9	1.6	n.m.
Additional markets	3.1	–1.6	–298.3%
Corporate, Other & Eliminations	–6.7	–7.1	–6.0%
Operating result	**117.8**	**112.0**	**n.m.**

Capital Expenditures

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Austria	102.1	93.7	9.0%
Bulgaria	11.1	23.2	–52.2%
Croatia	14.4	13.3	8.3%
Belarus	4.2	5.1	–18.8%
Additional markets	17.2	10.7	60.6%
Corporate & Elimination	0.0	–0.2	n.a.
Total capital expenditures	**149.0**	**145.8**	**2.2%**
Thereof tangible	97.2	112.1	–13.3%
Thereof intangible	51.7	33.7	53.5%

Net Debt

in EUR million	31 March 2013 unaudited	31 Dec. 2012 audited
Long-term debt	2,830.6	2,832.0
Short-term borrowings	1,014.9	1,078.6
Cash and cash equivalents and short-term investments	–927.8	–685.9
Long-term investments and finance lease receivables	–28.3	–29.5
Derivative financial instruments for hedging purposes	50.4	53.6
Net debt*	**2,939.8**	3,248.9
Net debt/EBITDA comparable (last 12 months)	**2.1x**	2.2x

* The remaining performance based consideration related to the acquisition of SBT which was paid in Q1 2013 was included in short-term borrowings as of 31 December 2012.

Personnel

	End of period			Average of period		
Personnel (full-time equivalent)	Mar. 31, 2013	Mar. 31, 2012	% change	Q1 2013	Q1 2012	% change
Austria	9,235	9,335	–1.1%	9,191	9,328	–1.5%
International Operations	7,105	7,660	–7.2%	7,144	7,721	–7.5%
Total	**16,498**	17,153	–3.8%	**16,495**	17,211	–4.2%

Key Data Segment Austria

Financials - Segment Austria

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	680.0	706.3	–3.7%
EBITDA comparable	206.8	244.1	–15.3%
EBITDA incl. effects from restructuring and impairment tests	204.1	239.6	–14.8%
EBIT	76.1	106.8	–28.8%

Revenue detail - Austria	Q1 2013 unaudited	Q1 2012 unaudited	% change
Monthly Fee and Traffic	469.7	486.0	–3.4%
Data & ICT Solutions	53.1	52.6	1.0%
Wholesale (incl. Roaming)	41.8	46.1	–9.3%
Interconnection	68.4	93.3	–26.7%
Equipment	43.5	25.8	68.4%
Other Operating Income	3.6	2.6	40.2%
Total revenues Austria	**680.0**	706.3	–3.7%

Key Data Segment Austria

Key Data Fixed Line - Austria	Q1 2013 unaudited	Q1 2012 unaudited	% change
Average revenues per access line (in EUR)	32.2	31.9	1.2%
Fixed service revenues (in EUR mn)	220.8	222.7	–0.8%
Fixed Line Voice Minutes (in million)	556.1	628.8	–11.6%

Lines (in '000)	Q1 2013 unaudited	Q1 2012 unaudited	% change
Access lines (without broadband lines)	948.0	1,036.8	–8.6%
Fixed broadband retail lines	1,291.8	1,240.7	4.1%
Fixed broadband wholesale lines	41.3	42.3	–2.6%
Fixed broadband lines	1,333.0	1,283.0	3.9%
Total access lines	2,281.0	2,319.9	–1.7%
Lines unbundled	260.5	270.8	–3.8%

Austrian Telecommunications Market

Broadband Market Shares	Q1 2013 unaudited	Q1 2012 unaudited
A1 Telekom Austria Fixed Line Retail	29.2%	29.9%
A1 Telekom Austria Fixed Line Wholesale	0.9%	1.0%
Mobile broadband A1 Telekom Austria	20.6%	18.4%
Mobile broadband other operators	28.9%	30.4%
Cable	15.1%	14.3%
Unbundled lines	5.3%	5.9%
Broadband penetration - Total market	119.5%	113.0%

Voice Market Shares	Q1 2013 unaudited	Q1 2012 unaudited
Fixed Line A1 Telekom Austria	9.2%	10.2%
Fixed Line Others	5.6%	5.9%
Mobile	85.1%	83.9%

Key Data Mobile Communication	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Customers ('000)	6,084.6	5,286.2	15.1%
Contract share	69.9%	77.5%	
Mobile Broadband Customers ('000)	909.0	764.1	19.0%
Mobile Market Share	43.8%	39.5%	
Mobile Penetration	163.5%	158.2%	

	Q1 2013 unaudited	Q1 2012 unaudited	% change
ARPU (in EUR)	15.5	18.5	–16.2%
Mobile service revenues (in EUR mn)	284.1	293.6	–3.2%
thereof interconnection share	9.4%	9.8%	
Subscriber acquisition cost (SAC)	16.9	11.1	51.6%
Subscriber retention cost (SRC)	27.5	17.3	58.7%
Churn (3 Months)	4.9%	4.0%	

Key Data Segment Bulgaria

Bulgaria

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	97.5	115.9	–15.8%
EBITDA comparable	39.4	49.1	–19.8%
EBITDA incl. effects from restructuring and impairment tests	39.4	49.1	–19.8%
EBIT	15.5	1.6	837.1%

Mobile Communication Market	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Subscribers ('000)	5,402.7	5,486.1	–1.5%
Mobile Market Share	45.9%	48.4%	
Mobile Penetration	158.3%	151.7%	
Mobile Broadband Customers ('000)	155.1	119.9	29.4%
ARPU (in EUR)	5.0	6.1	–16.9%

Fixed Line Market	Q1 2013 unaudited	Q1 2012 unaudited	
ARPL (in EUR)	11.6	13.3	–12.6%
Total Access Lines ('000)	162.1	132.6	22.3%
Fixed Broadband Lines ('000)	157.6	127.1	24.0%

Key Data Segment Croatia

Croatia

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	92.1	92.5	–0.5%
EBITDA comparable	29.3	27.4	6.9%
EBITDA incl. effects from restructuring and impairment tests	29.3	27.4	6.9%
EBIT	12.9	10.6	22.1%

Mobile Communication Market	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	1,878.2	1,964.0	–4.4%
Contract share	43.4%	39.2%	
Mobile Market Share	37.8%	39.0%	
Mobile Penetration	115.7%	117.4%	
Mobile Broadband Customers ('000)	161.4	155.4	3.9%
ARPU (in EUR)	11.4	11.7	–2.4%

Fixed Line Market	Q1 2013 unaudited	Q1 2012 unaudited	% change
ARPL (in EUR)	23.4	24.0	–2.1%
Total Access Lines ('000)	172.1	148.8	15.7%
Fixed Broadband Lines ('000)	93.5	72.7	28.6%

Key Data Segment Belarus

Belarus

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	81.6	60.2	35.6%
EBITDA comparable	39.5	23.5	68.2%
EBITDA incl. effects from restructuring and impairment tests	39.5	23.5	n.m.
EBIT	16.9	1.6	n.m.
ARPU (in EUR)	4.8	3.7	30.3%

	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	4,818.0	4,637.3	3.9%
Contract Share	80.6%	80.0%	
Market Share	43.6%	41.1%	
Market Penetration	116.8%	119.4%	
Mobile Broadband Customers ('000)	227.6	215.4	5.7%

Key Data Segment Additional Markets

Slovenia

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	49.2	46.6	5.5%
EBITDA comparable	12.8	12.1	6.1%
EBITDA incl. effects from restructuring and impairment tests	12.8	12.1	6.1%
EBIT	7.6	6.9	9.8%
ARPU (in EUR)	20.3	20.7	–2.2%

	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	669.6	643.2	4.1%
Contract Share	77.0%	75.3%	
Market Share	30.0%	29.6%	
Market Penetration	107.2%	106.6%	
Mobile broadband subscribers	19,380	16,429	18.0%

Key Data Segment Additional Markets

Republic of Serbia

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	42.6	37.3	14.5%
EBITDA comparable	15.0	10.3	46.7%
EBITDA incl. effects from restructuring and impairment tests	15.0	10.3	46.7%
EBIT	–3.2	–6.8	n.m.
ARPU (in EUR)	7.1	6.9	2.5%

	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	1,903.5	1,672.4	13.8%
Market Share	20.5%	16.1%	
Market Penetration	130.6%	141.1%	

Republic of Macedonia

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	15.3	13.6	12.5%
EBITDA comparable	1.8	3.0	–39.1%
EBITDA incl. effects from restructuring and impairment tests	1.8	3.0	–39.1%
EBIT	–0.3	–1.9	n.m.
ARPU (in EUR)	7.5	7.2	4.4%

	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	626.5	581.1	7.8%
Market Share	28.1%	26.1%	
Market Penetration	108.7%	108.8%	

Liechtenstein

in EUR million	Q1 2013 unaudited	Q1 2012 unaudited	% change
Revenues	1.6	1.4	10.5%
EBITDA comparable	0.2	0.4	–54.5%
EBITDA incl. effects from restructuring and impairment tests	0.2	0.4	–54.5%
EBIT	–0.1	0.2	–133.8%

	Q1 2013 unaudited	Q1 2012 unaudited	% change
Mobile Communication Subscribers ('000)	6.2	6.1	2.1%

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 2012. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees occurred since 31 December 2012.

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

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 2012, except the following standards/interpretations which became effective during 2012 and as of 1 January 2013:

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

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

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

IAS 19 Employee Benefits (amended): The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As Telekom Austria Group does not have any plan assets only the requirement of the recognition of changes in defined benefit obligation when they occur has an effect on the financial statements. The "corridor approach" is not permitted anymore, all actuarial gains or losses have to be recognised immediately through other comprehensive income. The amendments to IAS 19 require retrospective application. Therefore employee benefit obligations as of 31 December 2012 were increased by the accumulated unrecognised actuarial losses in the amount of EUR 22.7 million. Corresponding deferred tax assets were increased by EUR 5.6 million, leading to a net effect of actuarial losses of EUR 17.1 million, which reduced stockholders' equity as of 31 December 2012. As of 1 January 2012 the net effect of actuarial losses amounted to EUR 5.4 million. Retained earnings in the condensed consolidated statements of changes in stockholders' equity were reduced accordingly. Segment liabilities as of 31 March 2012 were increased as the accumulated unrecognised actuarial losses lead to an increase in employee benefit obligations in the amount of EUR 7.2 million. Actuarial losses which were amortised in profit or loss statement amounted to EUR 0.2 million for the full year 2012, comparative figures for the first quarter 2012 were not adjusted as the effect is not material.

IAS 1 Presentation of Financial Statements (amended): Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. An entity may use titles other than those used in the Standard. Telecom Austria Group maintains the name statement of comprehensive income. Items of other comprehensive income have to be grouped in two categories: (a) items that may not be reclassified subsequently to profit or loss, and

(b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

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

Format of the Condensed Consolidated Statements of Profit or Loss

Telekom Austria Group defines EBITDA as net income excluding financial result, income taxes and depreciation and amortization. EBITDA comparable and EBITDA incl. effects from restructuring and impairment testing are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring 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 quarter 2013 and 2012 see "provisions and accrued liabilities".

Business Combinations

On 2 February 2012, Telekom Austria AG and A1 Telekom Austria AG agreed to acquire assets of up to EUR 390.0 million from Orange Austria Telecomunication GmbH („Orange Austria"). The acquisition includes following assets, whereby the acquisition of YESSS! was conditional to the merger control approval:

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

On 3 January 2013, Telekom Austria AG acquired 100% of the mobile phone operator YESSS! for a total consideration of EUR 339.5 million. The acquisition enables Telekom Austria Group to enlarge its customer base and to expand its market portfolio by integrating the mobile phone operator YESSS! into the segment Austria. The fair values of the assets acquired and liabilities assumed were determined based on the provisional allocation of the consideration transferred. The factors contributing to the goodwill of EUR 292.1 million are expected future earnings from the development of the customer base (including increase in customer benefit by usage of the A1 network), know-how concerning no-frills and expected synergies in cost, especially by using the A1 network. Acquisition-related costs recognised as expense amounted to EUR 4.4 million. Subsequent to the acquisition, YESSS! generated revenues amounting to EUR 11.6 million and net income of EUR 3.2 million.

Acquisiton of YESSS! and Digi TV

in EUR millions (unaudited)	Fair values on acquisition
Intangible assets	58.3
Deferred tax assets	1.6
Other assets and receivables	5.7
Cash and cash equivalents	14.8
Deferred tax liabilities	–14.5
Accounts payable - trade and other liabilities	–16.7
Net identifiable assets and liabilities	**49.4**
Goodwill on acquisition	292.1
Gain resulting from bargain purchase	–1.1
Total purchase considerations	**340.4**
Cash acquired	–14.8
Net cash outflow	**325.6**

Additionally, A1 Telekom Austria AG acquired intellectual property rights from Orange Austria and part of the frequencies for a purchase consideration of EUR 23.0 million, which has been paid in cash. The remaining assets will be acquired gradually. By acquiring base stations and frequencies, the existing geographical allotment of frequencies, especially in rural areas, can be extended and network quality can be improved.

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

On 6 March 2013, 100% of DIGI satelitska televizija d.o.o ("Digi TV"), a provider of satellite television services, was acquired in the segment Croatia for a total consideration of EUR 0.9 million. With this acquisition Vipnet reinforces the preconditions of convergent communications and TV services to be able to offer complete communication solutions. The fair values of the assets acquired and liabilities assumed were determined based on the provisional allocation of the consideration transferred. A gain of EUR 1.1 million, recognised in other operating income, is mainly due to deferred tax assets on loss carry-forwards. Acquisition-related costs recognized as expense amounted to EUR 0.1 million. Subsequent to the acquisition, Digi TV generated revenues amounting to EUR 0.1 million and no net result was contributed.

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

Non-Current and Current Liabilities

In the first quarter 2013 no long term debt were issued or repaid. Short-term borrowings decreased mainly due to the payment of accrued interest.

The shift from other non-current liabilities to other current liabilities is due to the reclassification of the cash flow hedges relating to the three forward-starting-interest-rate-swap contracts (pre-hedges) as the Management intends to close them. As of 31 March 2013 and 31 December 2012 the fair value of the pre-hedges amounted to EUR 63.6 million and EUR 64.6 million.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 795.0 million as of 31 December 2012 decreased to EUR 781.5 million as of 31 March 2013 mainly due to the usage of the provision, partly compensated by the accretion. In the first quarter 2013 a restructuring expense of EUR 0.9 million was recognized. No restructuring expense was recorded in the first quarter 2012.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 42.7 million as of 31 December 2012 decreased to EUR 40.1 million as of 31 March 2013. In the first quarter 2013 and 2012 a restructuring expense of EUR 1.8 million and EUR 4.4 million, respectively was recorded.

Income Taxes

The effective tax rate for the first quarter 2013 and 2012 was 20.7% and 22.6%. In the first quarter 2013 and 2012 the effective tax rate was less than the Austrian statutory tax rate of 25% mainly due to tax incentives and foreign tax rate differentials.

Net deferred tax assets of EUR 51.9 million as of 31 December 2012 decreased to EUR 33.8 million as of mainly due to the recognition of deferred tax liabilities resulting from the purchase price allocation of the acquisition of YESSS!.

Stockholders' Equity

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

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

Subsequent and Other Events

On 4 April 2013 the Supervisory Board of the Telekom Austria Group y appointed Günther Ottendorfer as new Chief Technology Officer (CTO). The existing Management Board consisting of CEO Hannes Ametsreiter und CFO Hans Tschuden will thus be enhanced by a third member.