TELEKOM AUSTRIA GROUP

Results for the First Nine Months of 2015

Highlights

> Group revenues declined by 1.2% year-on-year to EUR 2,950.4 mn reported (clean: EUR 3,022.6 mn, +0.2%)
> Group EBITDA comparable growth of 1.7% year-on-year to EUR 1,051.7 mn on the back of strict cost cutting (clean: EUR 1,067.5 mn, +3.1%)
> Austria: 7.3% year-on-year clean EBITDA comparable growth despite intensified competition in the mobile market
> International markets burdened by FX effects as well as macro headwinds and price pressure
> Acquisition of Amis closed on 1 September 2015; consolidated as of September 2015 results
> Closing of Vip operator's merger with ONE in the Republic of Macedonia on 1 October 2015 as well as the acquisition of blizoo Bulgaria on 28 September 2015, consolidation as of Q4 2015
> Net income of EUR 308.4 mn (1-9 M 2014: EUR -136.5 mn)
> Group outlook for 2015 unchanged: approx. flat revenue development (on a constant currency basis except for Belarus); CAPEX* of EUR 700 – 750 mn and intended dividend of EUR 0.05/share**

in EUR million	Q3 2015	Q3 2014	% change	1–9 M 2015	1–9 M 2014***	% change
Revenues	1,011.6	1,048.7	−3.5%	2,950.4	2,987.7	−1.2%
EBITDA comparable	386.4	414.6	−6.8%	1,051.7	1,034.0	1.7%
EBITDA comparable margin	38.2%	39.5%		35.6%	34.6%	
Operating income	189.2	200.0	−5.4%	450.0	36.8	n.m.
Net income	137.1	127.8	7.3%	308.4	−136.5	n.m.
Cash flow generated from operations	271.5	300.6	−9.7%	806.0	674.0	19.6%
Earnings per share (in EUR)	0.20	0.27	−28.2%	0.44	−0.35	n.m.
Free cash flow per share (in EUR)	0.15	0.37	−58.1%	0.55	0.47	16.0%
Capital expenditures	171.7	143.6	19.6%	445.5	472.5	−5.7%

in EUR million	30 Sept 2015	31 Dec 2014	% change
Net debt****	2,572.6	2,693.3	−4.5%
Net debt / EBITDA comparable (12 months)****	2.0x	2.1x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income taxes, depreciation and amortisation, restructuring and impairment charges.
* Does not include investment in spectrum and acquisitions.
** Intended proposal to the Annual General Meeting 2016.
*** The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.
**** As of 31 December 2014 long-term financial investments, instalment sales receivables and financial leasing are no longer included in the calculation of net debt; comparative figures have been restated accordingly.

Disclaimer

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

Table of Contents

Group Management Report 4

Year-To-Date Comparison 4

Quarterly Comparison 11

Share 21

Outlook 22

Additional Information 24

Condensed Consolidated Financial Statements 25

Condensed Consolidated Statements of Profit and Loss 25

Condensed Consolidated Statements of Comprehensive Income 26

Condensed Consolidated Statements of Financial Position 27

Condensed Consolidated Statement of Cash Flows 28

Condensed Consolidated Statements of Changes in Stockholders' Equity 29

Net Debt 29

Condensed Operating Statements 30

Results by Segments 31

Capital Expenditures 32

Selected Explanatory Notes 33

Group Management Report

Year-To-Date Comparison

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q3 2015') are available on the website at www.telekomaustria.com.

Results for the fourth quarter 2015 are expected to be announced in the week of 8 February 2016.

Contacts:
Investor Relations
Matthias Stieber
Director Investor Relations
Tel.: +43 (0) 50 664 39126
Email:
matthias.stieber@
telekomaustria.com

Corporate Communications
Ingrid Spörk
Director Group
Communications &
Sustainability
Tel.: +43 (0) 50 664 37295
Email:
Ingrid.Spoerk@
telekomaustria.com

Vienna, 19 October 2015 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first nine months of 2015, ending 30 September 2015.

Summary Year-To-Date Comparison

Key Performance Indicators, Group

First Nine Months 2015

Financials in EUR million	1–9 M 2015	1–9 M 2014*	% change
Revenues	2,950.4	2,987.7	–1.2%
EBITDA comparable	1,051.7	1,034.0	1.7%
EBITDA comparable margin	35.6%	34.6%	
EBITDA incl. effects from restructuring and impairment tests	1,034.8	681.3	51.9%
Operating income	450.0	36.8	n.m.
Net income	308.4	–136.5	n.m.
Cash flow generated from operations	806.0	674.0	19.6%
Earnings per share (in EUR)	0.44	–0.35	n.m.
Free cash flow per share (in EUR)	0.55	0.47	16.0%
Capital expenditures	445.5	472.5	–5.7%

in EUR million	30 Sept 2015	31 Dec 2014	% change
Net debt**	2,572.6	2,693.3	–4.5%
Equity	2,336.7	2,218.0	5.3%
Net debt / EBITDA comparable (12 months)**	2,0x	2.1x	

Fixed access lines (in '000)	30 Sept 2015	30 Sept 2014	% change
Total access lines	2,912.7	2,639.2	10.4%
in Austria	2,284.1	2,275.5	0.4%
in Bulgaria	200.8	151.3	32.7%
in Croatia	273.5	212.3	28.8%
in Slovenia	67.8	n.a.	n.a.
in the Republic of Macedonia	86.0	62.0	38.7%
of which broadband lines	1,992.2	1,765.4	12.8%

Mobile communication subscribers (in '000)	30 Sept 2015	30 Sept 2014	% change
Total subscribers	20,191.6	19,903.4	1.4%
in Austria	5,408.3	5,447.9	–0.7%
in Bulgaria	4,296.7	4,137.2	3.9%
in Croatia	1,804.8	1,823.4	–1.0%
in Belarus	4,937.3	4,948.8	–0.2%
in Slovenia	702.4	683.2	2.8%
in the Republic of Serbia	2,116.7	2,063.9	2.6%
in the Republic of Macedonia	624.3	630.9	–1.0%
in Liechtenstein***	0.0	6.5	n.a.

Employees (full-time equivalent, period-end)	16,249	16,350	–0.6%

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.

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

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

In the first nine months of 2015 Telekom Austria Group saw an increase in subscribers both in the mobile and the fixed-line business. The increase in its mobile customer base was primarily driven by the Bulgarian segment and the Republic of Serbia. Fixed access lines profited from the acquisition of Amis in Slovenia as well as solid organic growth in all other convergent markets.

In the first nine months of 2015 reported Group revenues declined by 1.2% to EUR 2,950.4 mn. In Q2 2014 total negative extraordinary effects of EUR 28.2 mn were included in the Austrian segment. Excluding these extraordinary effects, as well as negative FX translation effects in the amount of EUR 72.2 mn, revenues were stable in the first nine months of 2015.

Other operating income declined by 4.6% year-on-year to EUR 87.5 mn influenced by two one-off effects. In January 2015 Si.mobil received EUR 20.0 mn from Telekom Slovenije under the agreement on settling mutual relations and business collaboration. In August 2014 occurred a positive one-off effect of EUR 26.8 mn resulting from the merger of mobilkom liechtenstein with Telecom Liechtenstein.

With a strong focus on efficiency, operating expenses fell by 2.9%, mostly due to Austria, Croatia and Slovenia.

Reported EBITDA comparable rose by 1.7% to EUR 1,051.7 mn and increased by 3.1% excluding the above mentioned extraordinary effects as well as negative FX translation effects of EUR 35.7 mn in the first nine months of 2015. This growth was driven by the Austrian and the Belarusian segments.

Operating income returned to a positive EUR 450.0 mn in the first nine months of 2015, after a EUR 340.6 mn impairment in the Bulgarian segment in Q2 2014.

In summary, this resulted in a net income of EUR 308.4 mn in the first nine months of 2015 compared to a net loss of EUR 136.5 mn in the same period last year.

Revenues

Revenues

in EUR million	1–9 M 2015	1–9 M 2014	% change
Austria	1,862.4	1,821.8	2.2%
Bulgaria	261.9	276.4	–5.2%
Croatia	274.7	282.3	–2.7%
Belarus	245.6	275.3	–10.8%
Additional Markets	339.0	363.2	–6.7%
Corporate & Holding, Eliminations	–33.3	–31.3	n.m.
Total	**2,950.4**	2,987.7	–1.2%

Stable Group revenues year-on-year on a clean basis

In the first nine months of 2015 revenues of Telekom Austria Group declined by 1.2%, which was mainly a result of the devaluation of the Belarusian Rouble versus the Euro. In the second quarter of 2014 revenues in the Austrian segment included negative extraordinary effects of EUR 28.2 mn in total. Excluding these one-off effects, as well as negative FX translation effects in the amount of EUR 72.2 mn, revenues were stable (+0.2% year-on-year) in the first nine months of 2015.

In the Austrian segment revenues increased by 2.2% year-on-year on a reported basis but also rose slightly excluding the above mentioned negative extraordinary effects in Q2 2014. The increase in revenues on a clean basis was mainly driven by better equipment revenues due to lower retention subsidies in the first half of 2015. On a clean basis, monthly fee and traffic revenues decreased slightly as revenue growth in the high-value mobile customer segment could partly mitigate negative effects from lower prepaid revenues and less customer roaming. In the fixed-line business declining voice traffic continued to negatively impact revenues, but was partly compensated by gains in TV and broadband.

Bulgaria continued to be affected by macroeconomic headwinds as well as competitive pressure, which resulted in a revenue decline of 5.2% year-on-year. The decline in monthly fee and traffic revenues was mainly driven by severe price pressure, especially in the business segment. This was only partly compensated by higher interconnection and visitor roaming revenues.

In the Croatian segment revenues declined 2.7% year-on-year in the first nine months of 2015 as a result of lower equipment revenues and lower interconnection revenues. While the former was due to lower quantities sold, the latter was driven by termination rate cuts in January 2015. In contrast, monthly fee and traffic revenues grew during the first nine months. Revenues in the fixed-line business rose mainly due to access line growth while the increase in mobile revenues was driven by higher fixed fees.

In the Belarusian segment revenues declined by 10.8% year-on-year in the first nine months of 2015, due to a negative FX effect of EUR 66.9 mn. In local currency revenues grew by 19.7%. This was mainly driven by price increases in 2014, as well as upselling to smartphone tariffs and higher data usage.

In the Additional Markets segment revenues decreased by 6.7% year-on-year. Revenues in Slovenia declined by 10.3% due to the competitive environment as well as negative regulatory effects. In the Republic of Serbia revenues decreased by 7.0% as a result of changes in handset accounting. Excluding the negative accounting effects, revenues in the Republic of Serbia continued to grow. In the Republic of Macedonia revenues increased by 12.7%, which was attributable to a EUR 10.1 mn revenue contribution of blizoo Macedonia which was acquired in July 2014.

EBITDA

EBITDA comparable in EUR million	1–9 M 2015	1–9 M 2014	% change
Austria	675.7	601.6	12.3%
Bulgaria	101.2	113.4	–10.8%
Croatia	67.2	74.0	–9.2%
Belarus	126.9	136.3	–6.9%
Additional Markets	100.6	105.2	–4.5%
Corporate & Holding, Eliminations	–19.9	3.4	n.m.
Total	**1,051.7**	1,034.0	1.7%

In the first nine months of 2015 Group EBITDA comparable grew by 1.7%. However, the following extraordinary effects impacted that performance:

Group EBITDA comparable growth of 3.1% y-o-y on a clean basis

> EUR 20.0 mn positive one-off effect in the other operating income of Slovenia in Q1 2015: Agreement on settling mutual relations and business collaboration with Telekom Slovenije

> EUR 28.2 mn negative extraordinary revenue effects in Austria in Q2 2014: Introduction of new fixed-line billing system interface

> EUR 26.8 mn positive one-off effect in the other operating income in Q3 2014: Merger of mobilkom liechtenstein with Telecom Liechtenstein

> Negative FX effects of EUR 35.7 mn, with EUR 34.6 mn stemming from Belarus

Excluding the above mentioned effects Group EBITDA comparable rose by 3.1% year-on-year.

In the Austrian segment higher revenues and lower operating expenses resulted in clean EBITDA comparable growth of 7.3%. Lower marketing and sales costs as well as lower expenses for roaming and interconnection more than offset higher employee costs and material expenses. The latter resulted mainly from high-value gross additions.

In the Bulgarian segment a 1.1% increase in operating expenses exacerbated the effects of falling revenues on EBITDA comparable, which declined by 10.8% year-on-year. The increase in operating expenses was mainly driven by higher roaming expenses as well as interconnection costs.

In the Croatian segment the cut in OPEX was partially able to reduce the effects of lower revenues. As a result EBITDA comparable declined by 9.2%. Operating expenses continued to be negatively impacted by higher frequency usage fees. These were more than compensated by lower interconnection costs following a mobile termination rate cut in January 2015 as well as lower material expenses due to lower quantities sold.

velcom in Belarus posted a 6.9% EBITDA comparable decline as 14.2% lower operating expenses could not offset a decrease in revenues and a negative FX effect of EUR 34.6 mn. In local currency, EBITDA comparable rose by 22.5% while operating expenses were 17.2% higher versus the same period last year. This increase in operating expenses was primarily the result of higher maintenance and repair expenses as well as other FX-denominated costs.

In the Additional Markets segment EBITDA comparable declined by 23.5% year-on year on a clean basis in the first nine months of 2015. On a clean basis EBITDA comparable in Slovenia declined by 21.4%. A reduction in operating expenses, primarily due to lower interconnection costs, partly mitigated the lower revenues. In the Republic of Serbia higher operating expenses, stemming mainly from higher roaming expenses together with the revenue decline, resulted in 33.7% lower EBITDA comparable. In the Republic of Macedonia EBITDA comparable showed 25.4% growth resulting from the acquisition of blizoo Macedonia in July 2014.

Other operating income declined by 4.6% year-on-year to EUR 87.5 mn, influenced by the EUR 26.8 mn one-off effect due to the merger in Liechtenstein in August 2014 and the EUR 20.0 mn one-off effect in Slovenia in January 2015.

Operating Income

EBIT in EUR million	1–9 M 2015	1–9 M 2014*	% change
Austria	311.8	208.4	49.7%
Bulgaria	40.2	–293.2	n.m.
Croatia	16.3	23.3	–30.1%
Belarus	67.3	65.7	2.4%
Additional Markets	34.3	28.7	19.6%
Corporate & Holding, Eliminations	–19.9	4.0	n.m.
Total	**450.0**	36.8	n.m.

* The 2014 comparison period was adjusted according to IAS 8, see page 33 for details.

Operating income rose from EUR 36.8 mn in the first nine months of 2014 to EUR 450.0 mn in the first nine months of 2015, primarily due to a EUR 340.6 mn impairment in the Bulgarian segment in Q2 2014. Depreciation and amortisation charges declined by 9.3% to EUR 584.8 mn versus the same period last year while restructuring charges increased to EUR 17.0 mn versus EUR 12.1 mn in the first nine months of 2014.

Consolidated Net Income

The negative financial result improved in the first nine months of 2015 compared to the previous year, mainly due to a EUR 14.1 mn reduction in interest expenses due to lower financial debt and lower interest rates applied to the restructuring provision.

In summary, the above mentioned effects resulted in a rise in net income to EUR 308.4 mn in the first nine months of 2015 compared to a net loss of EUR 136.5 mn last year.

Balance Sheet and Net Debt

The balance sheet of Telekom Austria Group shrank by 0.9% to EUR 8,237.6 mn as of 30 September 2015.

Higher cash and cash equivalents led to an increase in current assets of 2.6% to EUR 2,101.4 mn in the first nine months of 2015. Accounts receivable, which were high at year-end due to the Christmas season, fell by 2.9% compared to 31 December 2014. Non-current assets fell by 2.1% to EUR 6,136.1 mn, due to lower intangible assets as well as property, plant and equipment. The former was a result of amortisation exceeding CAPEX as well as FX differences. The latter decline was mainly driven by FX differences as well as a downward adjustment of the expected inflation rate applied to the calculation of asset retirement obligations.

Current liabilities increased by 42.5% to EUR 2,190.4 mn in the first nine months of 2015, largely as a result of the reclassification of a EUR 750 million bond maturing in January 2016 to short-term borrowings. This was somewhat mitigated by a reduction in accounts payable due to lower OPEX and CAPEX compared to 31 December 2014. As a result of the reclassification, non-current liabilities declined by 18.6% to EUR 3,710.5 mn.

The rise in equity from EUR 2,218.0 mn to EUR 2,336.7 mn was a result of an increase in retained earnings. This also entailed a slight increase in the equity ratio as at 30 September 2015 to 28.4% from 26.7% as of 31 December 2014.

Net debt*

in EUR million	30 Sept 2015	31 Dec 2014	% change
Net debt	2,572.6	2,693.3	–4.5%
Net debt / EBITDA comparable (12 months)	2.0x	2.1x	–5.8%

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

Net debt of the Telekom Austria Group fell by 4.5% to EUR 2,572.6 mn in the period under review as a result of the increase in cash and cash equivalents. Together with the higher EBITDA comparable, this resulted in a reduction in the net debt to EBITDA comparable ratio from 2.1x as of 31 December 2014 to 2.0x in the first nine months of 2015.

Cash Flow

Cash flow

in EUR million	1–9 M 2015	1–9 M 2014	% change
Cash flow from operating activities	806.0	674.0	19.6%
Cash flow from investing activities	–586.8	–491.0	n.m.
Cash flow from financing activities	–83.3	–119.1	n.m.
Effect of exchange rate changes	–12.5	–0.4	n.m.
Monetary loss on cash and cash equivalents	0.0	0.5	n.a.
Net increase / decrease in cash and cash equivalents	123.3	64.1	92.4%

Cash flow from operating activities increased by 19.6% to EUR 806.0 mn in the first nine months of 2015, which was mostly attributable to the large decrease in working capital requirements compared to the same period last year. The gross cash flow increased by 3.6% after a EUR 20.0 mn cash-relevant one-off effect in Slovenia in Q1 2015. Moderate working capital needs were primarily driven by lower accounts payable. Restructuring provisions in Austria also decreased while other liabilities and deferred income rose due to higher tax liabilities.

Cash flow for investing activities rose from EUR 491.0 mn to EUR 586.8 mn in the first nine months of 2015 compared to the previous year. This development was mainly due to the acquisitions of Amis in Slovenia and blizoo in Bulgaria.

Cash outflow from financing activities decreased from EUR 119.1 mn to EUR 83.3 mn, mostly due to lower principal payments on long-term debt.

As a result, cash and cash equivalents increased to EUR 123.3 mn at the end of the first nine months of 2015, compared with EUR 64.1 mn at the end of the same period last year.

Capital Expenditures

Capital expenditures in EUR million	1–9 M 2015	1–9 M 2014	% change
Austria	287.0	232.4	23.5%
Bulgaria	43.1	59.3	–27.4%
Croatia	34.7	44.2	–21.5%
Belarus	30.2	26.7	12.9%
Additional Markets	50.6	109.9	–53.9%
Corporate & Holding, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**445.5**	472.5	–5.7%
thereof tangible	363.7	290.3	25.3%
thereof intangible	81.8	182.2	–55.1%

In the first nine months of 2015 Group capital expenditures decreased by 5.7% versus the same period last year to EUR 445.5 mn.

Total CAPEX declines after EUR 30.6 mn and EUR 63.9 mn spent on spectrum in first nine months of 2014

In the Austrian segment capital expenditures were higher than in the same period last year mainly due to an increase in tangible CAPEX as a result of the smart fibre roll-out. In the Bulgarian segment capital expenditures declined compared to the same period last year mainly due to EUR 30.6 mn for investments in spectrum license prolongation in Q2 2014. Capital expenditures in the Croatian segment declined mainly due to lower CAPEX for the mobile network, while the Belarusian segment increased spending on network modernisation. In the Additional Markets segment capital expenditures declined compared to the same period last year due to EUR 63.9 mn spent in Slovenia on mobile spectrum in Q2 2014 while additional spectrum in the 1800-MHz band was purchased for EUR 7.0 mn in the Republic of Serbia in February 2015. In the Republic of Macedonia CAPEX was driven by investments in the mobile and fixed networks.

Personnel

Personnel (full-time equivalent) End of period	30 Sept 2015	30 Sept 2014	% change
Austria	8,628	8,806	–2.0%
International Operations	7,441	7,371	0.9%
Total	**16,249**	16,350	**–0.6%**

Personnel (full-time equivalent) Average of period	1–9 M 2015	1–9 M 2014	% change
Austria	8,688	8,846	–1.8%
International Operations	7,315	7,081	3.3%
Total	**16,184**	16,099	**0.5%**

Acquisition of Amis in Slovenia drives increase in International Operations' headcount

Per 30 September 2015 Telekom Austria Group saw a decline in full-time employees (FTEs) to 16,249 from 16,350 per 30 September 2014. While the Austrian, Bulgarian and Belarusian segments saw a reduction of 178, 102 and 57 FTEs respectively, the Additional Markets segment gained 166 FTEs. The latter was a result of the closing of the acquisition of Amis in Slovenia in September 2015.

Quarterly Comparison

Summary Quarterly Comparison

Key Performance Indicators Group

3rd Quarter 2015

Financials

in EUR million	Q3 2015	Q3 2014	% change
Revenues	1,011.6	1,048.7	–3.5%
EBITDA comparable	386.4	414.6	–6.8%
EBITDA comparable margin	38.2%	39.5%	
EBITDA incl. effects from restructuring and impairment tests	378.7	409.3	–7.5%
Operating income	189.2	200.0	–5.4%
Net income	137.1	127.8	7.3%
Cash flow generated from operations	271.5	300.6	–9.7%
Earnings per share (in EUR)	0.20	0.27	–28.2%
Free cash flow per share (in EUR)	0.15	0.37	–58.1%
Capital expenditures	171.7	143.6	19.6%

in EUR million	30 Sept 2015	30 June 2015	% change
Net debt*	2,572.6	2,508.0	–2.6%
Equity	2,336.7	2,262.0	3.3%
Net debt / EBITDA comparable (12 months)*	2.0x	1.9x	

Revenues

in EUR million	Q3 2015	Q3 2014	% change
Austria	634.5	624.2	1.6%
Bulgaria	88.3	93.7	–5.8%
Croatia	99.9	106.5	–6.2%
Belarus	84.1	109.0	–22.8%
Additional Markets	119.7	127.6	–6.2%
Corporate & Holding, Eliminations	–14.9	–12.3	n.m.
Total	**1,011.6**	**1,048.7**	**–3.5%**

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

In the third quarter of 2015 Telekom Austria Group saw an increase in subscribers both in the mobile and the fixed-line business. The increase in its mobile customer base was primarily driven by the Bulgarian segment and the Republic of Serbia. Fixed access lines profited from the acquisition of Amis in Slovenia as well as organic growth in all other convergent markets.

Stable Group revenues on a clean basis

In the third quarter of 2015 Group revenues declined by 3.5% year-on-year to EUR 1,011.6 mn. While revenues in the Austrian segment grew by 1.6% year-on-year, they declined in the international segments. Excluding negative FX translation effects in the amount of EUR 35.5 mn, revenues were stable (-0.2% year-on-year) on a clean basis in the third quarter of 2015.

Austrian revenues increased by 1.6% year-on-year, in the third quarter of 2015, which was mostly driven by higher equipment revenues. The Bulgarian segment posted a decline in revenues of 5.8% year-on-year due to ongoing fierce competition, especially in the business segment. In the Croatian segment the decrease in handsets sold and lower termination rates resulted in a revenue decline of 6.2% year-on-year. Revenues in the Belarusian segment were again negatively affected by a substantial FX devaluation, which offset the strong operational growth and led to 22.8% lower revenues compared to the same period last year. In the

Additional Markets segment revenues fell by 6.2% year-on-year due to lower contributions from Slovenia and from the Republic of Serbia.

Other operating income decreased from EUR 53.1 mn in Q3 2014 to EUR 23.1 mn in Q3 2015 due to a positive one-off effect from the merger of mobilkom liechtenstein and Telecom Liechtenstein in the third quarter of 2014.

In the third quarter of 2015 Group operating expenses declined by 5.7% year-on-year to EUR 648.3 mn, mainly due to lower costs in Austria, Croatia and Bulgaria.

9.1% EBITDA comparable growth in Austria

Group EBITDA comparable decreased by 6.8% year-on-year to EUR 386.4 mn in the third quarter of 2015 due to losses in the segments Belarus, Additional Markets and Bulgaria, while the Austrian segment showed a strong growth of 9.1%. Negative FX effects on Group EBITDA comparable amounted to EUR 17.4 mn. Group EBITDA comparable rose by 4.1% on a clean basis, which excludes FX effects as well as one-off effects from the merger in Liechtenstein.

Restructuring expenses amounted to EUR 7.8 mn in the quarter under review after EUR 5.4 mn in Q2 2014. This led to an operating income of EUR 189.2 mn versus EUR 200.0 mn in the previous year.

EUR 137.1 mn net income

In summary, this resulted in a net income of EUR 137.1 mn in the third quarter of 2015 compared to EUR 127.8 mn in Q3 2014.

Segment Austria

Key Performance Indicators

Financials

in EUR million	Q3 2015	Q3 2014	% change
Revenues	634.5	624.2	1.6%
EBITDA comparable	255.9	234.5	9.1%
EBITDA comparable margin	40.3%	37.6%	
EBITDA incl. effects from restructuring and impairment tests	248.1	229.1	8.3%
EBIT	136.5	108.7	25.5%

Revenue detail	Q3 2015	Q3 2014	% change
Monthly fee and traffic	454.6	461.5	–1.5%
Data & ICT solutions	56.4	56.1	0.5%
Wholesale (incl. roaming)	36.5	30.3	20.5%
Interconnection	45.9	49.4	–7.1%
Equipment	33.0	24.0	37.3%
Other revenue	8.0	2.9	181.3%

Mobile communication business	Q3 2015	Q3 2014	% change
ARPU (in EUR)*	16.3	16.9	–3.5%
Mobile service revenues (in EUR million)*	263.4	277.4	–5.1%
thereof interconnection	4.5%	4.7%	
Subscriber acquisition cost (SAC, in EUR million)	6.6	1.9	254.2%
Subscriber retention cost (SRC, in EUR million)	18.6	19.1	–2.5%
Churn (3 months)**	1.4%	1.4%	

	Q3 2015	Q3 2014	% change
Mobile communication subscribers (in '000)	5,408.3	5,447.9	–0.7%
Mobile market share	40.0%	41.0%	
Mobile contract share	68.9%	70.0%	
Mobile broadband subscribers (in '000)	670.8	722.9	–7.2%
Mobile penetration – total market	157.9%	156.2%	
Broadband penetration (mobile and fixed) – total market	127.4%	122.9%	

Fixed-line business	Q3 2015	Q3 2014	% change
ARPL (in EUR)	29.4	30.2	–2.8%
Fixed service revenues (in EUR million)	201.1	206.0	–2.4%
Fixed-line voice minutes (in million)	398.9	441.9	–9.7%

in '000	Q3 2015	Q3 2014	% change
Access lines (without broadband lines)	771.9	834.2	–7.5%
Fixed broadband lines	1,512.2	1,441.2	4.9%
thereof fixed broadband retail lines	1,477.1	1,404.7	5.2%
thereof fixed broadband wholesale lines	35.1	36.5	–4.0%
Total access lines	2,284.1	2,275.5	0.4%
Lines unbundled	236.6	242.0	–2.2%

Austrian voice and broadband shares

Voice market share	Q3 2015	Q3 2014	% change
Fixed-line A1	7.9%	8.3%	
Fixed-line Others	4.8%	5.0%	
Mobile	87.3%	86.7%	

Broadband market share	Q3 2015	Q3 2014	% change
Fixed-line retail A1	30.6%	30.7%	
Fixed-line wholesale A1	0.7%	0.8%	
Mobile broadband A1	13.9%	15.8%	
Mobile broadband other operators	33.7%	31.4%	
Cable	16.7%	16.7%	
Unbundled lines	4.3%	4.6%	

* As of Q1 2015 ARPU and ARPU-relevant revenues exclude mobile value-added services.
** In Q4 2014 the methodology for presenting churn rates was changed from an accumulative view to a monthly average view. The previous quarters of 2014 have been restated accordingly.

2015 to date has been dominated by an intensification of competition in the Austrian mobile market, in particular in the no-frills segment. This was driven by the emergence of a number of new mobile virtual network operators (MVNOs).

Operators, including A1 Telekom Austria AG, responded to this new competitive intensity by enriching existing tariffs, e.g. with increased data allowances as well as higher speeds. In an attempt to strengthen the differentiation between the premium and the no-frills business, the Austrian market has seen a material increase in handset subsidies since early Q2 2015. Tariff adjustments were confined mostly to the no-frills business.

In the third quarter of 2015, the decline in total mobile communication subscribers continued to slow down to 0.7% year-on-year versus declines of 2.5% year-on-year in Q2 2015, 4.8% in Q1 2015 and 5.1% in Q4 2014. The increase in prepaid subscribers offset some of the losses in the no-frills contract segment. Net additions increased to 38,800, mainly due to higher gross additions in both the contract and prepaid segment as well as lower churn in the prepaid segment.

Fixed broadband line and TV subscriber growth of 4.9% and 7.9% respectively

In the fixed-line business, total access lines increased by 8,700 versus Q3 2014 and by 1,900 versus Q2 2015. Fixed broadband lines and TV subscribers continued to show strong growth and rose by 4.9% and 7.9% year-on-year respectively in Q3 2015.

In the third quarter of 2015 revenues increased by 1.6% year-on-year as equipment revenues rose due to higher gross additions and more than offset the decline in monthly fee and traffic revenues. The decrease in the latter was mostly driven by lower mobile broadband and no-frills contract subscribers as well as lower revenues from prepaid customers and customer roaming. In the fixed-line business, higher revenues from broadband and TV partly offset the decline in voice revenues.

Average monthly revenue per user (ARPU) declined from EUR 16.9 in Q3 2014 to EUR 16.3 in the third quarter of 2015. This is partly due to a decline in the prepaid ARPU as well as a change in ARPU definition as value-added services are no longer included in the ARPU as of Q1 2015. Without the latter effect ARPU would have decreased by approximately 0.8%. ARPU-relevant revenues fell by 5.1% year-on-year due the subscriber decline, lower revenues from customer roaming as well as the above mentioned change in ARPU definition.

The average monthly revenue per fixed-line (ARPL) continued to fall from EUR 30.2 in Q3 2014 to EUR 29.4 in Q3 2015, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline. ARPL-relevant revenues also declined as higher broadband and TV revenues were more than offset by continuous losses in voice revenues.

In the third quarter of 2015 operating expenses declined by 2.7% in Q3 2015 compared to the same period last year. The increase in material expenses resulting from more gross additions was more than offset by a reduction in employee costs, interconnection costs as well as reduced services received. Employee costs declined due to a partial reversal of the accrual regarding the EU court decision on civil servants in Q4 2014. The continued focus on intensified cost-cutting, i.e. in marketing and sales as well as support services, made an additional contribution to the reduction in operating expenses.

Subscriber acquisition costs increased from EUR 1.9 mn in Q3 2014 to EUR 6.6 mn in Q3 2015. This resulted from significantly higher gross additions as well as an increase in the subsidy level, which was reduced substantially in Q2 2014. Subscriber retention costs remained mostly stable due to fewer replacements and an efficient retention strategy.

As a result of higher revenues and a reduction in operating expenses, EBITDA comparable rose by 9.1% year-on-year in the third quarter of 2015.

EBITDA comparable growth of 9.1% year-on-year

Restructuring charges amounted to EUR 7.8 mn in Q3 2015 compared to EUR 5.4 mn in Q3 2014. Depreciation and amortisation fell by 7.3% due to the full depreciation of various assets. As a result of the increased EBITDA comparable and lower depreciation and amortisation, the Austrian segment reported operating income of EUR 136.5 mn in Q3 2015 versus EUR 108.7 mn in Q3 2014.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q3 2015	Q3 2014	% change
Revenues	88.3	93.7	–5.8%
EBITDA comparable	34.4	37.6	–8.6%
EBITDA comparable margin	38.9%	40.1%	
EBITDA incl. effects from restructuring and impairment tests	34.4	37.6	–8.6%
EBIT	14.2	16.9	–15.9%

Mobile communication business	Q3 2015	Q3 2014	% change
ARPU (in EUR)	5.6	6.2	–10.0%
Mobile communication subscribers (in '000)	4,296.7	4,137.2	3.9%
Mobile market share	38.6%	37.8%	
Mobile contract share	80.5%	79.1%	
Mobile broadband subscribers (in '000)	302.5	227.8	32.8%
Mobile penetration – total market	151.7%	148.6%	

Fixed-line business	Q3 2015	Q3 2014	% change
ARPL (in EUR)	11.5	14.4	–19.9%
Total access lines ('000)	200.8	151.3	32.7%
Fixed broadband lines ('000)	160.9	147.5	9.0%

In the third quarter of 2015 the Bulgarian segment remained negatively affected by the weak macroeconomic backdrop and fierce competition in the mobile market. Mobiltel continued its focus on value-based management in the business segment and greater efforts to retain high-value customers. On 28 September 2015, the acquisition of the cable operator blizoo Bulgaria was closed. blizoo Bulgaria will be fully consolidated as of Q4 2015. The acquisition of the second largest fixed-line operator in Bulgaria will strengthen Mobiltel's position in the fixed-line market.

Total mobile subscribers increased by 3.9% in the third quarter of 2015, mainly driven by the no-frills and business segments as well as continued strong year-on-year growth in terms of mobile broadband subscribers. Mobiltel's market share increased to 38.6% in the third quarter of 2015. In the fixed-line business, total access lines rose by 32.7% year-on-year, mostly driven by strong growth in TV subscriber numbers following the launch of satellite TV at the end of 2014.

In the third quarter of 2015 revenues declined by 5.8% on a year-on-year comparison. The decline in monthly fee and traffic revenues, which primarily resulted from severe price pressure in the business segment, was only partially offset by higher interconnection revenues.

The average monthly revenue per user (ARPU) declined from EUR 6.2 in Q3 2014 to EUR 5.6 in the third quarter of 2015, still driven by the negative pricing trends in the business and in the no-frills markets. The average monthly revenue per fixed-line (ARPL) fell from EUR 14.4 in Q3 2014 to EUR 11.5 in the third quarter of 2015, stemming from an increasing share of TV satellite customers with a low ARPL.

Operating expenses decline by 4.1% year-on-year

Operating expenses declined by 4.1% year-on-year in the third quarter of 2015 mainly due to intensified cost optimisation efforts resulting in lower expenses for maintenance and repair, employees, marketing and sales as well as bad debts, while material expenses also declined. This was partly offset by an increase in interconnection costs following the growing popularity of tariffs including free minutes to all national networks.

The fall in revenues was not fully offset by lower operating expenses and led to an EBITDA comparable decline of 8.6% year-on-year in the third quarter of 2015.

Segment Croatia

Key Performance Indicators in EUR million	Q3 2015	Q3 2014	% change
Revenues	99.9	106.5	−6.2%
EBITDA comparable	29.2	29.2	0.1%
EBITDA comparable margin	29.2%	27.4%	
EBITDA incl. effects from restructuring and impairment tests	29.2	29.2	0.1%
EBIT	12.1	12.6	−3.8%

Mobile communication business	Q3 2015	Q3 2014	% change
ARPU (in EUR)	11.8	11.4	3.5%
Mobile communication subscribers (in '000)	1,804.8	1,823.4	−1.0%
Mobile market share	36.3%	36.1%	
Mobile contract share	45.8%	44.0%	
Mobile broadband subscribers (in '000)	175.0	178.4	−1.9%
Mobile penetration – total market	117.6%	117.6%	

Fixed-line business	Q3 2015	Q3 2014	% change
ARPL (in EUR)	22.5	21.1	6.3%
Total access lines ('000)	273.5	212.3	28.8%
Fixed broadband lines ('000)	189.0	127.6	48.2%

In the third quarter of 2015 operational trends in Croatia remained impacted by significant regulatory pressure in the form of reduced mobile termination rates as well as a threefold increase in frequency usage fees in June 2014. In order to dampen the negative effects on revenues and to compensate for the increase in frequency fees, Vipnet launched new mobile tariffs at the end of March 2015 focusing on LTE and data monetisation, which are having an increasingly positive effect on revenues. Trends in the fixed-line business remained encouraging on the back of the strong sales push for broadband and TV services.

In the Croatian mobile market, the introduction of flat tariffs in the first half of 2014 has led to fewer multi-SIM cards and, in combination with a cleaning of the customer base in September 2014, has contributed to a general shrinking of the mobile market. Nevertheless, in the third quarter of 2015 the decline of Vipnet's total mobile subscriber base slowed down markedly to 1.0% year-on-year. In the fixed-line business, total access lines increased by 28.8% year-on-year, mostly driven by a 48.2% customer growth in the fixed broadband segment.

6.2% year-on-year revenue decline

Revenues declined by 6.2% year-on-year in the third quarter of 2015. This was almost entirely the result of lower equipment and interconnection revenues. While the former was driven by a lower number of handsets sold, the latter was caused by mobile termination rate cuts in January 2015. Much more importantly, monthly fee and traffic revenues continued to rise and were driven by the ongoing strong growth in fixed access lines as well as higher fixed fees in the mobile business following the above mentioned introduction of a new tariff structure.

Average monthly revenues per user (ARPU) rose from EUR 11.4 in Q3 2014 to EUR 11.8 in the third quarter of 2015 due to higher average monthly fixed fees. Average monthly revenue per fixed-line (ARPL) increased from EUR 21.1 to EUR 22.5 due to the upselling of fixed-line customers. Together with a higher number of access lines, this led to an increase in ARPL-relevant revenues of 25.2% year-on-year.

In the third quarter of 2015 operating expenses declined by 8.9% year-on-year. This decrease was mostly due to lower material expenses as a result of fewer handsets sold as well as lower interconnection costs following the mobile termination rate cut in January 2015. While employee as well as marketing and sales costs also decreased, other costs were higher driven by the increase in the frequency usage fee.

Lower operating expenses offset the decline in revenues which resulted in a stabilisation of EBITDA comparable (+0.1% year-on-year).

Segment Belarus

Key Performance Indicators

in EUR million	Q3 2015	Q3 2014	% change
Revenues	84.1	109.0	−22.8%
EBITDA comparable	41.5	54.6	−23.9%
EBITDA comparable margin	49.4%	50.1%	
EBITDA incl. effects from restructuring and impairment tests	41.5	54.6	−23.9%
EBIT	22.9	27.5	−16.7%

	Q3 2015	Q3 2014	% change
ARPU (in EUR)*	4.6	6.2	−25.9%
Mobile communication subscribers (in '000)	4,937.3	4,948.8	−0.2%
Market share	42.5%	42.5%	
Contract share	80.9%	80.6%	
Mobile broadband subscribers (in '000)	298.2	272.4	9.5%
Market penetration – total market	122.6%	123.1%	

*As per September 2015 the presentation for value-added services has been changed, which negatively impacts ARPU.

Belarusian Rouble devalues by 14.7% in Q3 2015

Since 1 January 2015 hyperinflation accounting according to IAS 29 is no longer applicable for Belarus. This was ruled by a committee of the big four audit firms as the accumulated inflation rate fell below 100% as well as due to other factors that were taken into account. As a result, period-average FX rates are being used for consolidation purposes as of Q1 2015. The BYR devalued substantially by 14.7% against the Euro in the third quarter of 2015 compared to 5.9% in the previous quarter.

In the third quarter of 2015 velcom continued to show strong operational results. This remains driven by the healthy demand for data-centric services as well as velcom's ability to position itself as a premium operator based on its superior network quality.

However, the devaluation of the Belarusian Rouble versus the Euro further accelerated in Q3 2015 and continued to overshadow the positive operational developments. Due to a ban on price increases velcom was not able to offset negative FX translation effects. On a local currency basis revenues increased by 18.1%, as data growth and inflation-linked price increases in 2014 led to higher monthly fee and traffic revenues. After a negative FX effect of EUR 34.6 mn, revenues fell by 22.8% on a consolidated basis.

Operating expenses rose by 21.6% year-on-year on a local currency basis, mostly driven by an increase in material expenses due to higher prices for equipment handsets, higher interconnection costs as a result of an increase in interconnection rates as well as higher FX-denominated costs.

EBITDA comparable growth of 15.0% year-on-year in local currency

On a local currency basis, EBITDA comparable rose by 15.0% in the third quarter of 2015 compared to the same period last year as the increase in revenues more than offset higher operating expenses. After a negative FX translation effect of EUR 17.2 mn, consolidated EBITDA comparable declined by 23.9%.

Segment Additional Markets

Additional Markets

Key Performance Indicators in EUR million	Q3 2015	Q3 2014	% change
Revenues	119.7	127.6	–6.2%
EBITDA comparable	30.3	39.1	–22.4%
EBITDA comparable margin	25.3%	30.6%	

Slovenia

Key Performance Indicators in EUR million	Q3 2015	Q3 2014	% change
Revenues	48.8	51.5	–5.2%
EBITDA comparable	15.5	17.1	–8.9%
EBITDA comparable margin	31.8%	33.1%	
EBITDA incl. effects from restructuring and impairment tests	15.5	17.1	–8.9%
EBIT	9.4	11.3	–16.4%

Mobile communication business	Q3 2015	Q3 2014	% change
ARPU (in EUR)	17.1	19.6	–12.6%
Mobile communication subscribers (in '000)	702.4	683.2	2.8%
Market share	30.0%	29.6%	
Contract share	80.4%	79.1%	
Mobile broadband subscribers (in '000)	32.0	23.4	37.2%
Market penetration – total market	112.2%	110.8%	

Fixed-line business	Q3 2015	Q3 2014	% change
Total access lines ('000)	67.8	n.a.	n.a.
Fixed broadband lines ('000)	67.8	n.a.	n.a.

Republic of Serbia

Key Performance Indicators in EUR million	Q3 2015	Q3 2014	% change
Revenues	52.1	58.0	–10.3%
EBITDA comparable	10.9	18.6	–41.7%
EBITDA comparable margin	20.9%	32.1%	
EBITDA incl. restructuring and impairment tests	10.9	18.6	–41.7%
EBIT	–1.4	2.6	n.m.

	Q3 2015	Q3 2014	% change
ARPU (in EUR)	7.5	7.3	3.6%
Mobile communication subscribers (in '000)	2,116.7	2,063.9	2.6%
Market share	22.5%	21.9%	
Contract share	53.8%	51.6%	
Market penetration – total market	130.7%	131.0%	

Republic of Macedonia

Key Performance Indicators in EUR million	Q3 2015	Q3 2014	% change
Revenues	17.8	17.0	4.5%
EBITDA comparable	4.5	4.3	2.9%
EBITDA comparable margin	25.2%	25.5%	
EBITDA incl. effects from restructuring and impairment tests	4.5	4.3	2.9%
EBIT	0.9	1.6	–41.9%

Mobile communication business	Q3 2015	Q3 2014	% change
ARPU (in EUR)	6.9	7.2	–4.6%
Mobile communication subscribers (in '000)	624.3	630.9	–1.0%
Market share	28.5%	27.6%	
Contract share	54.1%	49.8%	
Market penetration – total market	106.8%	111.4%	

Fixed-line business	Q3 2015	Q3 2014	% change
ARPL (in EUR)	12.0	n.a.	n.a.
Total access lines ('000)*	86.0	62.0	38.7%
Fixed broadband lines ('000)	62.4	49.1	27.0%

In the third quarter of 2015 the Additional Markets segment saw continued mobile customer growth driven by gains in Slovenia and in the Republic of Serbia. In Slovenia the acquisition of Amis, a fixed-line reseller, was closed on 1 September 2015. The third quarter results thus include revenues and EBITDA of EUR 2.7 mn and EUR 0.6 mn respectively for the month September. This will allow Si.mobil to develop its operations from a mobile-only player into a fully converged operator.

In the Republic of Macedonia the merger with ONE was closed on 1 October 2015. ONE will be fully consolidated as of Q4 2015. The merger with the former number three mobile operator will strengthen Vip operator's position as the number one player in the mobile market.

6.2% year-on-year revenue decline in Additional Markets segment

Total revenues in the Additional Markets segment fell by 6.2% year-on-year as lower revenues from Slovenia and the Republic of Serbia were only partly offset by a revenue increase in the Republic of Macedonia. These declines were mostly driven by negative pricing trends due to an intensified competitive environment in these markets as well as the negative effects of a change in handset accounting in Serbia. In Slovenia, revenues were also negatively impacted by regulatory cuts in the mobile market. In Serbia, the change in handset accounting weighed on monthly fees while interconnection revenues rose following the introduction of national termination rates for SMS in June 2015. In the Republic of Macedonia, the acquisition of blizoo Macedonia, which was closed in July 2014, contributed EUR 3.5 mn to revenues. Excluding FX translation effects of EUR 1.4 mn in total, segment revenues fell by 5.2%.

Operating expenses rose by 1.0% year-on year in the Additional Markets segment in Q3 2015 as increases in the Republic of Serbia and in the Republic of Macedonia were partly offset by cost declines in Slovenia. In the Republic of Serbia the increase resulted from higher interconnection costs stemming from the above mentioned introduction of SMS termination rates. In the Republic of Macedonia operating expenses rose due to higher employee expenses resulting from the blizoo Macedonia acquisition as well as an increase in interconnection and content costs.

The increase in operating expenses exacerbated the decrease in revenues which resulted in an EBITDA comparable decline for the segment of 22.4% year-on-year.

The Telekom Austria AG Share

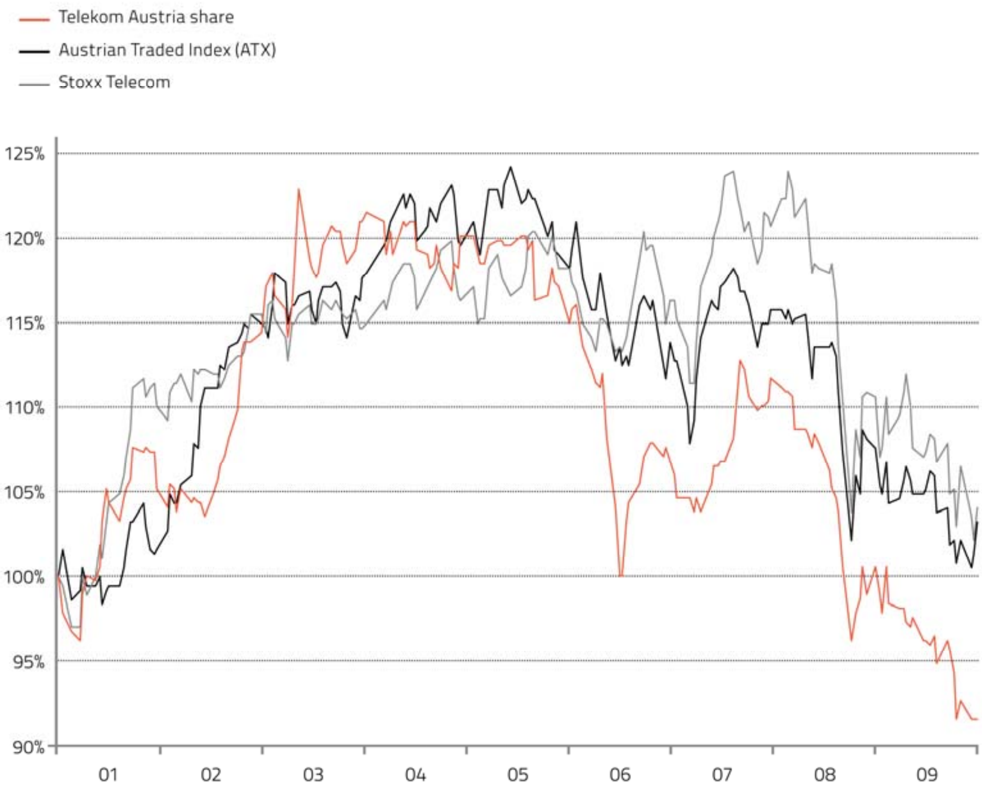
In the first nine months of 2015 the Telekom Austria AG share price declined by 8.6% and was outperformed both by the telecom sector as well as the Austrian ATX index, which gained 3.2% and 3.9% respectively.

During the first three months the share price performed strongly, rising by up to 22.8% on the back of encouraging full year 2014 results. The year-to-date high was reached on 13 March 2015 with a share price of EUR 6.77. Subsequently the share price moved sideways until May when it declined by approximately 16% amidst rising macroeconomic concerns over Greece as well as increasing competitive challenges in Telekom Austria Group's home market. The shares of Telekom Austria recovered 13% in mid-July supported by the Group's half year 2015 results. From August onwards the stock again came under pressure after the People's Bank of China unexpectedly devalued its currency, causing widespread concerns about emerging markets and weaker CEE economies.

In the first half 2015 both the Austrian ATX and the Stoxx Telecom posted solid gains supported by the European Central Bank's (ECB) announcement to buy public and private sector securities as well as encouraging Eurozone macro data. Whilst the ATX started falling away around mid-June due to increasing tensions about Greece, the telecom sector continued to rise, albeit with increased volatility. In August concerns around the health of the Chinese economy emerged, causing global stock markets to tumble, dragging both the ATX and the telecom sector down.

Development of Telekom Austria share price

indexed from 1 Jan 2015



Outlook Unchanged

Telekom Austria Group outlook for the full year 2015

In Q3 2015, the operational development of Telekom Austria Group has confirmed Management's expectations for the remainder of 2015.

In the Group's domestic market the emergence of new mobile virtual network operators (MVNOs) has increased the competitive intensity. However, the activities launched by Management to limit the negative effects have proven successful so far. These include measures to protect existing tariff structures in the high-value customer segment and some tariff adjustments in the no-frills segment to halt customer erosion. Operational trends in the Austrian fixed-line market have progressed as anticipated. Overall, the performance of the Austrian segment has been broadly in line with expectations in the first nine months of 2015 and, subject to no major further intensification of competition, Management remains confident that its targets for the Austrian segment for the full year remain achievable.

In the international markets a number of operational and macroeconomic challenges remain.

Macroeconomic headwinds in the CEE region continue to negatively impact demand, which results in an intensely competitive environment. This is particularly true for Bulgaria, Slovenia and the Republic of Serbia. Furthermore, the weak Belarusian Rouble continues to overshadow positive operational trends. In the first nine months of 2015 the Belarusian Rouble devalued by 27.8% versus the Euro and by 14.7% in Q3 alone.

In order to counteract the revenue pressure on EBITDA comparable and cash flow generation, additional cost efficiency activities have been initiated across the Group with considerable success. These initiatives are aimed at all areas, including marketing and sales, technical areas and IT as well as employee costs, and should make it possible to exceed the original cost-savings target.

Telekom Austria Group Management also remains committed to investments in future growth opportunities. On the back of the ongoing demand for high bandwidth broadband offers, the Telekom Austria Group plans to invest, as announced, approximately EUR 400 mn in the accelerated expansion of the fibre network between 2015 and 2018 in addition to its regular CAPEX investments. The investment volume is expected to increase throughout the ramp-up phase in 2015 and 2016, with the majority of investment taking place in 2017 and 2018. This plan is subject to the announced government broadband subsidy programme as well as annual budget approvals by the Supervisory Board. Accordingly, the accelerated expansion of the fibre network in Austria will lead to a higher level of investment, while the regular CAPEX investments will result in efficiency improvements.

Frequency purchases are expected for Bulgaria, Croatia, Belarus, Slovenia and the Republic of Serbia in the fourth quarter of 2015. Frequencies in the 1800-MHz spectrum are expected to be sold in Bulgaria as well as in Croatia, while the sale of 2100-MHz band is scheduled in Belarus and Slovenia. In the Republic of Serbia sales of the 800-MHz band are still expected in 2015, in addition to the 1800-MHz spectrum, which was purchased in February.

In sum, the Management of Telekom Austria Group continues to expect Group revenues to remain approximately flat year-on-year. Expectations for Group capital expenditures** also remain unchanged at EUR 700-750 mn, including the planned fibre investments.

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

Outlook 2015*	as of 19 October 2015
Revenues	approx. flat
Capital expenditures**	EUR 700 – 750 mn
Dividend***	DPS of EUR 0.05

* Except for Belarus, on a constant currency basis
** Does not include investments in spectrum or acquisitions
*** Intended proposal to the Annual General Meeting 2016

DPS of EUR 0.05 intended for distribution for the financial year 2015

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 2014, pp. 101 ff.

Other and Subsequent Events

For details on other and subsequent events, please refer to page 39.

Waiver of Review

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

Other

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

Following the classification of Belarus as a hyperinflationary economy, financial reporting in hyperinflationary countries according to IAS 29 was applied to the financial statements of the Belarusian segment from 2011 to 2014.

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

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

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

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Profit or Loss

in EUR million, except per share information	Q3 2015 unaudited	Q3 2014 unaudited	1–9 M 2015 unaudited	1–9 M 2014 unaudited
Operating revenues	1,011.6	1,048.7	2,950.4	2,987.7
Other operating income	23.1	53.1	87.5	91.7
Material expenses	–119.9	–124.3	–342.5	–341.7
Employee expenses, including benefits and taxes	–189.1	–196.0	–628.2	–626.2
Other operating expenses	–339.3	–366.8	–1,015.6	–1,077.5
Operating expenses	–648.3	–687.2	–1,986.2	–2,045.4
EBITDA comparable	386.4	414.6	1,051.7	1,034.0
Restructuring	–7.8	–5.4	–17.0	–12.1
Impairment and reversal of impairment*	0.0	0.0	0.0	–340.6
EBITDA incl. effects from restructuring and impairment testing*	378.7	409.3	1,034.8	681.3
Depreciation and amortisation	–189.5	–209.2	–584.8	–644.5
Operating result*	189.2	200.0	450.0	36.8
Interest income	6.6	3.8	16.9	10.5
Interest expense	–44.8	–48.5	–133.3	–147.4
Foreign exchange differences	–3.2	–2.0	–1.7	–0.6
Other financial result	0.0	0.0	0.2	0.1
Result from investments in affiliates	–0.2	0.0	0.1	0.1
Financial result	–41.5	–46.8	–117.7	–137.2
Earnings before income taxes*	147.7	153.3	332.2	–100.4
Income taxes*	–10.6	–25.5	–23.8	–36.1
Net Result*	137.1	127.8	308.4	–136.5
Attributable to:				
Owners of the parent*	130.7	121.3	289.4	–155.6
Non-controlling interests	0.0	0.1	0.1	0.1
Hybrid capital owners	6.4	6.4	18.9	18.9
Basic and fully diluted earnings per share*	0.20	0.27	0.44	–0.35
Weighted-average number of ordinary shares outstanding	664,084,841	442,584,841	664,084,841	442,584,841

* The comparison period 1-9 M 2014 was adjusted according to IAS 8 (see “Changes according to IAS 8”).

Condensed Consolidated Statements of Comprehensive Income

in EUR million	Q3 2015 unaudited	Q3 2014 unaudited	1–9 M 2015 unaudited	1–9 M 2014 unaudited
Net Result*	137.1	127.8	308.4	–136.5
Unrealised result on securities available-for-sale	–0.1	0.0	–0.4	0.2
Income tax (expense) benefit	0.0	0.0	0.1	0.0
Realised result on hedging activities	1.5	1.6	4.4	4.8
Income tax (expense) benefit	–0.4	–0.4	–1.1	–1.2
Foreign currency translation adjustment	–64.5	–11.8	–128.7	–13.5
Items that may be reclassified to profit or loss	–63.5	–10.5	–125.7	–9.8
Remeasurements of defined benefit obligations	–1.4	–1.2	–4.3	–3.5
Income tax (expense) benefit	0.3	0.3	1.0	0.9
Items that are not reclassified to profit or loss	–1.1	–0.9	–3.3	–2.6
Other comprehensive income (loss)	–64.6	–11.4	–129.0	–12.4
Total comprehensive income (loss)*	72.5	116.4	179.5	–149.0
Attributable to:				
Owners of the parent*	66.1	109.9	160.4	–168.0
Non-controlling interests	0.0	0.1	0.1	0.1
Hybrid capital owners	6.4	6.4	18.9	18.9

* The comparison period 1-9 M 2014 was adjusted according to IAS 8 (see “Changes according to IAS 8”).

Condensed Consolidated Statements of Financial Position

in EUR million	30 Sept. 2015 unaudited	31 Dec. 2014 audited
ASSETS		
Current assets		
Cash and cash equivalents	1,141.3	1,018.1
Short-term investments	1.7	14.4
Accounts receivable - trade, net of allowances	582.6	600.1
Receivables due from related parties	1.0	1.3
Inventories	132.1	140.1
Prepaid expenses	117.1	125.4
Income tax receivable	19.7	27.4
Non-current assets held for sale	0.0	0.4
Other current assets	105.9	120.1
Total current assets	2,101.4	2,047.3
Non-current assets		
Investments in associates	40.1	38.3
Long-term investments	41.8	7.4
Goodwill	1,208.9	1,189.5
Other intangible assets, net	2,383.5	2,570.1
Property, plant and equipment, net	2,164.0	2,246.1
Other non-current assets	130.7	46.9
Deferred tax assets	167.3	170.9
Total non-current assets	6,136.1	6,269.1
TOTAL ASSETS	8,237.6	8,316.4
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities		
Short-term borrowings	–1,081.9	–340.8
Accounts payable - trade	–414.4	–522.3
Current provisions and accrued liabilities	–327.8	–337.3
Payables due to related parties	–3.4	–7.1
Income tax payable	–43.5	–33.4
Other current liabilities	–153.2	–132.7
Deferred income	–166.2	–163.9
Total current liabilities	–2,190.4	–1,537.5
Non-current liabilities		
Long-term debt	–2,633.5	–3,385.0
Employee benefit obligation	–210.9	–200.9
Non-current provisions	–792.6	–867.5
Deferred tax liabilities	–58.9	–90.8
Other non-current liabilities and deferred income	–14.5	–16.6
Total non-current liabilities	–3,710.5	–4,560.8
Stockholders’ equity		
Common stock	–1,449.3	–1,449.3
Treasury shares	7.8	7.8
Additional paid-in capital	–1,100.1	–1,100.1
Hybrid capital	–591.2	–591.2
Retained earnings	173.6	418.0
Available-for-sale reserve	0.4	0.1
Hedging reserve	33.9	37.2
Translation adjustments	589.3	460.6
Equity attributable to equity holders of the parent	–2,335.6	–2,216.8
Non-controlling interests	–1.1	–1.2
Total stockholders’ equity	–2,336.7	–2,218.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	–8,237.6	–8,316.4

Condensed Consolidated Statements of Cash Flows

in EUR million	Q3 2015 unaudited	Q3 2014 unaudited	1–9 M 2015 unaudited	1–9 M 2014 unaudited
Net Result*	137.1	127.8	308.4	–136.5
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation and impairment*	189.5	209.2	584.8	985.1
Employee benefit obligation - non-cash	0.4	–0.2	6.3	3.1
Bad debt expenses	9.5	9.3	27.3	29.9
Change in deferred taxes*	–1.0	8.8	–9.9	0.7
Result from investments in affiliates	0.9	0.0	0.6	0.8
Share-based compensation	0.1	0.4	1.0	2.4
Change in asset retirement obligation - non-cash	1.3	1.5	4.0	5.0
Provision for restructuring - non-cash	7.2	7.4	20.3	21.4
Result on sale of investments	0.0	0.0	0.0	–0.1
Result on disposal / retirement of equipment	1.7	–3.0	2.1	–2.8
Gain on monetary items - non-cash	0.0	0.4	0.0	0.6
Other	1.4	–32.4	4.3	6.9
Gross cash flow	348.3	329.2	949.2	916.6
Accounts receivable - trade	–10.7	29.8	–6.9	–5.3
Receivables due from related parties	0.1	–0.6	0.3	–0.7
Inventories	–3.7	1.4	4.5	4.3
Prepaid expenses and other assets	15.9	–24.8	22.7	–55.5
Accounts payable - trade	–43.7	–13.7	–109.6	–126.1
Employee benefit obligation	–0.5	0.0	–3.5	0.0
Provisions and accrued liabilities	–37.9	–30.4	–77.1	–95.0
Other liabilities and deferred income	6.8	10.7	30.0	37.4
Payables due to related parties	–3.1	–1.1	–3.7	–1.5
Changes in assets and liabilities	–76.8	–28.6	–143.2	–242.6
Cash flow from operating activities	271.5	300.6	806.0	674.0
Capital expenditures	–171.7	–143.6	–445.5	–472.5
Acquisitions of subsidiaries, net of cash acquired	–153.0	–24.7	–158.6	–24.7
Sale of subsidiary, net of cash disposed	0.0	–4.5	0.6	–4.5
Sale of property, plant, equipment and intangible assets	2.0	4.7	5.4	8.7
Purchase of investments	–0.1	–2.1	–2.0	–7.0
Sale of investments	–0.3	5.9	13.3	9.0
Cash flow from investing activities	–323.2	–164.2	–586.8	–491.0
Principal payments on long-term debt	–2.7	–8.6	–5.3	–57.3
Changes in short-term borrowings	19.0	25.5	–10.9	–3.9
Dividends paid	0.0	0.0	–67.1	–56.0
Deferred consideration paid for business combinations	0.0	0.0	0.0	–1.9
Cash flow from financing activities	16.3	16.9	–83.3	–119.1
Effect of exchange rate changes	–7.5	1.1	–12.5	–0.4
Monetary loss on cash and cash equivalents	0.0	0.2	0.0	0.5
Change in cash and cash equivalents	–42.9	154.6	123.3	64.1
Cash and cash equivalents at beginning of period	1,184.3	110.8	1,018.1	201.3
Cash and cash equivalents at end of period	1,141.3	265.4	1,141.3	265.4

* The comparison period 1-9 M 2014 was adjusted according to IAS 8 (see “Changes according to IAS 8”).

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2015	1,449.3	–7.8	1,100.1	591.2	–418.0	–497.9	2,216.8	1.2	2,218.0
Net Result*	0.0	0.0	0.0	0.0	308.3	0.0	308.3	0.1	308.5
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–3.3	–125.7	–129.0	0.0	–129.0
Total comprehensive income (loss)*	0.0	0.0	0.0	0.0	305.1	–125.7	179.4	0.1	179.5
Distribution of dividends	0.0	0.0	0.0	0.0	–60.6	0.0	–60.6	–0.2	–60.8
Sale of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–0.1	–0.1
Balance at 30 Sept. 2015	1,449.3	–7.8	1,100.1	591.2	–173.6	–623.6	2,335.6	1.1	2,336.7

in EUR million (unaudited)	Common stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2014*	966.2	–7.8	582.6	591.2	–190.2	–483.9	1,458.1	1.1	1,459.1
Net Result*	0.0	0.0	0.0	0.0	–136.7	0.0	–136.7	0.1	–136.5
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	–2.6	–9.8	–12.4	0.0	–12.4
Total comprehensive income (loss)*	0.0	0.0	0.0	0.0	–139.3	–9.8	–149.1	0.1	–149.0
Distribution of dividends	0.0	0.0	0.0	0.0	–49.6	0.0	–49.6	–0.1	–49.7
Hyperinflation adjustment	0.0	0.0	0.0	0.0	42.3	0.0	42.3	0.0	42.3
Balance at 30 Sept. 2014*	966.2	–7.8	582.6	591.2	–336.7	–493.7	1,301.7	1.1	1,302.9

* The comparison period 1-9 M 2014 was adjusted according to IAS 8 (see "Changes according to IAS 8").

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

Net Debt

in EUR million	30 Sept. 2015 unaudited	31 Dec. 2014 audited
Long-term debt	2,633.5	3,385.0
Short-term borrowings	1,082.1	340.8
Cash and cash equivalents and short-term investments	–1,143.0	–1,032.5
Net debt	2,572.6	2,693.3
Net debt/EBITDA comparable (last 12 months)	2.0x	2.1x

As of 30 September 2015 a deferred consideration for the acquisitions of the cable operators in Macedonia in the amount of EUR 0.1 million is included in short-term borrowings.

Condensed Operating Segments

	1–9 M 2015							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,846.8	260.1	266.4	245.6	331.6	0.0	0.0	**2,950.4**
Intersegmental revenues	15.6	1.9	8.3	0.0	7.5	0.0	–33.3	**0.0**
Total revenues	1,862.4	261.9	274.7	245.6	339.0	0.0	–33.3	**2,950.4**
Other operating income	66.8	11.7	1.3	4.2	29.0	20.7	–46.2	**87.5**
Segment expenses	–1,253.5	–172.4	–208.7	–122.9	–267.5	–40.6	79.5	**–1,986.2**
EBITDA comparable	675.7	101.2	67.2	126.9	100.6	–19.9	0.0	**1,051.7**
Restructuring	–17.0	0.0	0.0	0.0	0.0	0.0	0.0	**–17.0**
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*	658.8	101.2	67.2	126.9	100.6	–19.9	0.0	**1,034.8**
Depreciation and amortisation	–346.9	–61.0	–51.0	–59.7	–66.3	0.0	0.0	**–584.8**
Operating result*	311.8	40.2	16.3	67.3	34.3	–19.9	0.0	**450.0**
Interest income	1.7	1.6	0.4	10.0	1.7	26.7	–25.3	**16.9**
Interest expense	–22.8	–0.2	–6.4	–1.6	–3.2	–124.4	25.3	**–133.3**
Result from investments in affiliates	0.3	0.0	0.0	0.0	0.0	–0.2	0.0	**0.1**
Other financial result	–0.1	0.1	0.3	–0.6	0.0	168.7	–169.9	**–1.5**
Earnings before income taxes*	291.1	41.7	10.7	75.0	32.8	50.9	–170.0	**332.2**
Income taxes*								**–23.8**
Net result*								**308.4**
Segment assets	5,010.0	987.0	581.0	459.1	851.6	7,987.3	–7,638.4	**8,237.6**
Segment liabilities	–2,702.3	–159.5	–383.3	–45.0	–210.9	–4,565.3	2,165.5	**–5,900.9**
Capital expenditures - intangible	48.8	12.8	3.1	3.3	13.8	0.0	0.0	**81.8**
Capital expenditures - tangible	238.1	30.3	31.6	26.9	36.9	0.0	0.0	**363.7**
Total capital expenditures	287.0	43.1	34.7	30.2	50.6	0.0	0.0	**445.5**
EBITDA comparable margin	36.3%	38.6%	24.5%	51.7%	29.7%	n.a	n.a	**35.6%**

	1–9 M 2014							
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,805.8	274.4	276.0	275.3	356.2	0.0	0.0	2,987.7
Intersegmental revenues	16.0	2.0	6.3	0.0	7.0	0.0	–31.3	0.0
Total revenues	1,821.8	276.4	282.3	275.3	363.2	0.0	–31.3	2,987.7
Other operating income	64.8	7.6	3.2	4.3	8.3	48.2	–44.7	91.7
Segment expenses	–1,285.0	–170.6	–211.5	–143.3	–266.3	–44.3	75.4	–2,045.4
EBITDA comparable	601.6	113.4	74.0	136.3	105.2	4.0	–0.6	1,034.0
Restructuring	–12.1	0.0	0.0	0.0	0.0	0.0	0.0	–12.1
Impairment and reversal of impairment*	0.0	–340.6	0.0	0.0	0.0	0.0	0.0	–340.6
EBITDA incl. effects from restructuring and impairment testing*	589.5	–227.2	74.0	136.3	105.2	4.0	–0.6	681.3
Depreciation and amortisation	–381.1	–66.1	–50.7	–70.6	–76.6	0.0	0.6	–644.5
Operating result*	208.4	–293.2	23.3	65.7	28.7	4.0	0.0	36.8
Interest income	1.7	0.9	0.0	7.4	0.7	26.5	–26.7	10.5
Interest expense	–33.3	–0.4	–7.6	–1.7	–1.6	–129.4	26.7	–147.4
Result from investments in affiliates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial result	0.8	0.0	–0.4	–0.3	–0.6	–7.5	7.7	–0.4
Earnings before income taxes*	177.6	–292.8	15.3	71.1	27.1	–106.5	7.6	–100.4
Income taxes*								–30.2
Net result*								–130.6
Segment assets	4,764.8	879.9	570.2	594.1	803.3	7,573.3	–7,772.0	7,413.7
Segment liabilities	–2,517.5	–97.0	–379.3	–70.3	–193.8	–4,447.9	1,594.9	–6,110.8
Capital expenditures - intangible	58.5	40.4	5.2	2.6	75.4	0.0	0.0	182.2
Capital expenditures - tangible	173.8	18.9	39.0	24.1	34.5	0.0	0.0	290.3
Total capital expenditures	232.4	59.3	44.2	26.7	109.9	0.0	0.0	472.5
EBITDA comparable margin	33.0%	41.0%	26.2%	49.5%	29.0%	n.a	n.a	34.6%

Results by Segments

in EUR million	Q3 2015 unaudited	Q3 2014 unaudited	% change	1–9 M 2015 unaudited	1–9 M 2014 unaudited	% change
Revenues						
Austria	634.5	624.2	1.6%	1,862.4	1,821.8	2.2%
Bulgaria	88.3	93.7	–5.8%	261.9	276.4	–5.2%
Croatia	99.9	106.5	–6.2%	274.7	282.3	–2.7%
Belarus	84.1	109.0	–22.8%	245.6	275.3	–10.8%
Additional markets	119.7	127.6	–6.2%	339.0	363.2	–6.7%
Corporate & Other & Eliminations	–14.9	–12.3	20.8%	–33.3	–31.3	6.2%
Total revenues	1,011.6	1,048.7	–3.5%	2,950.4	2,987.7	–1.2%
EBITDA comparable						
Austria	255.9	234.5	9.1%	675.7	601.6	12.3%
Bulgaria	34.4	37.6	–8.6%	101.2	113.4	–10.8%
Croatia	29.2	29.2	0.1%	67.2	74.0	–9.2%
Belarus	41.5	54.6	–23.9%	126.9	136.3	–6.9%
Additional markets	30.3	39.1	–22.4%	100.6	105.2	–4.5%
Corporate & Other & Eliminations	–4.8	19.7	–124.6%	–19.9	3.4	–694.3%
Total EBITDA comparable	386.4	414.6	–6.8%	1,051.7	1,034.0	1.7%
EBITDA incl. effects from restructuring and impairment testing*						
Austria	248.1	229.1	8.3%	658.8	589.5	11.8%
Bulgaria	34.4	37.6	–8.6%	101.2	–227.2	–144.6%
Croatia	29.2	29.2	0.1%	67.2	74.0	–9.2%
Belarus	41.5	54.6	–23.9%	126.9	136.3	–6.9%
Additional markets	30.3	39.1	–22.4%	100.6	105.2	–4.5%
Corporate & Other & Eliminations	–4.8	19.7	–124.6%	–19.9	3.4	–694.3%
Total EBITDA incl. effects from restructuring and impairment testing*	378.7	409.3	–7.5%	1,034.8	681.3	51.9%
Operating result*						
Austria	136.5	108.7	25.5%	311.8	208.4	49.7%
Bulgaria	14.2	16.9	–15.9%	40.2	–293.2	–113.7%
Croatia	12.1	12.6	–3.8%	16.3	23.3	–30.1%
Belarus	22.9	27.5	–16.7%	67.3	65.7	2.4%
Additional markets	8.3	14.4	–42.2%	34.3	28.7	19.6%
Corporate & Other & Eliminations	–4.8	19.9	–124.3%	–19.9	4.0	–604.2%
Total operating result*	189.2	200.0	–5.4%	450.0	36.8	1123.1%
EBITDA comparable margin						
Austria	40.3%	37.6%		36.3%	33.0%	
Bulgaria	38.9%	40.1%		38.6%	41.0%	
Croatia	29.2%	27.4%		24.5%	26.2%	
Belarus	49.4%	50.1%		51.7%	49.5%	
Additional markets	25.3%	30.6%		29.7%	29.0%	
EBITDA comparable margin total	38.2%	39.5%		35.6%	34.6%	

* The comparison period 1-9 M 2014 was adjusted according to IAS 8 (see "Changes according to IAS 8").

Capital Expenditures

in EUR million	Q3 2015 unaudited	Q3 2014 unaudited	% change	1–9 M 2015 unaudited	1–9 M 2014 unaudited	% change
Austria	120.9	91.0	32.9%	287.0	232.4	23.5%
Bulgaria	13.9	11.5	21.0%	43.1	59.3	–27.4%
Croatia	13.0	13.2	–1.2%	34.7	44.2	–21.5%
Belarus	12.0	11.1	7.7%	30.2	26.7	12.9%
Additional markets	11.9	16.8	–29.3%	50.6	109.9	–53.9%
Total capital expenditures	171.7	143.6	19.6%	445.5	472.5	–5.7%
Thereof tangible	145.1	112.6	28.8%	363.7	290.3	25.3%
Thereof intangible	26.6	30.9	–14.1%	81.8	182.2	–55.1%

Selected Explanatory Notes to the Consolidated Interim Financial Statements

Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation in accordance with IAS 34 "Interim Financial Reporting" and are not audited or reviewed and should be read in connection with the audited Company's annual consolidated financial statements according to IFRS for the year ended 31 December 2014. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2014.

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

Telekom Austria Group applies 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 2014, except the following standards/interpretations which became effective:

		Effective*	Effective**
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
all IFRSs	Annual Improvements 2011 – 2013	1 July 2014	1 July 2015
all IFRSs	Annual Improvements 2010 – 2012	1 July 2014	1 February 2015

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

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

Until 31 December 2014, hyperinflation accounting according to IAS 29 was applied to the subsidiaries in Belarus. The financial statements of the subsidiaries in Belarus are generally based on historic cost. Since 2011, this basis was restated due to changes in the value of money of its functional currency. The financial statements of the subsidiaries in Belarus are therefore reported at the applicable measuring unit at 31 December 2014. Since 1 January 2015 hyperinflation accounting is discontinued, as the characteristics indicating hyperinflation are not met anymore. All amounts expressed in the measuring unit at 31 December 2014 are treated as the basis for the carrying amounts in 2015. Revenues and expenses are translated using the average exchange rates again after the period-end exchange rates had to be applied for the time hyperinflation accounting was applied.

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.

Changes according to IAS 8

Due to a random sample of Österreichische Prüfstelle für Rechnungslegung (OePR), the Austrian Financial Reporting Enforcement Panel, the consolidated financial statements 2013 as well as the half-year financial statements 2014 of Telekom Austria Group were audited. By letter dated 14 January 2015, Telekom Austria Group was informed that of the total amount of EUR 400.0 million of the impairment of goodwill in Bulgaria, which was recognised in the second quarter of 2014, EUR 59.4 million should already have been recognised in 2013, the recognised amount of goodwill itself at 30 June 2014 was not challenged.

The effects on the items concerned and the related deferred taxes for the first half 2014 are presented in the following table:

in EUR million	as previoulsy reported	adjustment	adjusted
Impairment and reversal of impairment	–400.0	59.4	–340.6
Income taxes	–4.7	–31.4	–36.1
NET RESULT	–317.8	181.3	–136.5
Attributable to:			
Owners of the parent	–330.4	174.8	–155.6
Basic and fully diluted earnings per share	–0.75	0.39	–0.35

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 and impairment. EBITDA comparable and EBITDA incl. effects from restructuring and impairment testing are used to better evaluate trends in the Company's underlying operations. EBITDA comparable comprises EBITDA adjusted for effects from the restructuring programme and from impairment testing, if any. The restructuring programme includes social plans for employees whose employment will be terminated in a socially responsible way, and expenses for the future compensation of civil servants, who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. Furthermore, expenses for the transfer of civil servants to the Austrian government are adjusted for the purpose of determining EBITDA comparable. For details on restructuring expenses for the first nine months 2015 and 2014 see "Provisions and Accrued Liabilities".

Business combinations

In the first half 2015, Telekom Austria Group acquired 100% of eight cable operators in Macedonia through its subsidiary blizoo in Skopje for a total consideration of EUR 6.0 million, of which EUR 5.9 million were paid in cash. The consideration was provisionally allocated mainly to property, plant and equipment and customer base. The goodwill resulting on the acquisitions amounts to EUR 1.5 Mio.

In the first half 2015, Telekom Austria Group sold its 90% stake in GPS Bulgaria. A gain of EUR 0.4 million was recognised in other operating income.

On 1 September 2015, Telekom Austria Group acquired 100% of Amisco NV ("Amis"), the holding entity of Amis Slovenia and Amis Croatia. Amis operates as a fixed-line reseller in Slovenia and owns a fibre network in Croatia. The companies offer internet, IPTV and telephony services to approximately 63,000 customers in Slovenia and approximately 23,000 customers in Croatia as of year-end 2014.

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

Acquisition of Amis

in EUR millions (unaudited)	Fair values on acquisition
Property, plant and equipment	12.9
Intangible assets	8.6
Deferred tax assets	1.6
Other assets and receivables	8.8
Cash and cash equivalents	0.6
Short-term borrowings	–5.8
Deferred tax liabilities	–0.5
Accounts payable - trade and other liabilities	–10.3
Net identifiable assets and liabilities	15.8
Goodwill on acquisition	17.8
Total purchase consideration	33.6
Cash acquired	–0.6
Net cash outflow	33.0

Assets and liabilities of Amis Slovenia are presented in the segment Additional markets, those of Amis Croatia in the segment Croatia. Since the acquisition date Amis contributed revenues in the amount of EUR 3.3 million and EUR 0.1 million net income. Since the effect of the acquired entities on the consolidated financial statements of Telekom Austria Group is not considered significant, no pro-forma information is presented.

On 28 September 2015, Telekom Austria Group acquired 100% of of Bultel Cable Bulgaria EAD, the holding company of the cable operator Blizoo Media and Broadband EAD (“blizoo Bulgaria”), which is the second largest fixed-line operator in Bulgaria. The company currently has approximately 373,000 subscribers, which obtain fixed voice, broadband and TV products via DOCSIS 3 technology. As of 30 September 2015 the purchase price of EUR 35.4 million was already paid and is presented in long-term investments as the allocation of the consideration is not yet available. Additionally Telekom Austria Group paid debt on behalf of blizoo Bulgaria in the amount of EUR 84.3 million which are presented in other non-current assets and will be eliminated after first consolidation as blizoo Bulgaria has the corresponding payable due to Mtel. The acquired companies will be fully consolidated starting with 1st October 2015.

Other operating income

In 2011 Si.mobil filed a lawsuit against Telekom Slovenije for alleged violation of competition laws. On 29 December 2014, an agreement on settling mutual relations and business collaboration which was subject to conditions precedent between Telekom Slovenije and Si.mobil was signed. On 21 January 2015, a condition of this agreement was fulfilled. Thereupon, Si.mobil withdrew its lawsuit and already received a first payment of EUR 20.0 million, which is recognised in other operating income in the segment additional markets (see also “Subsequent events”).

Non-Current and Current Liabilities

In the first nine months 2015, no long-term debt was issued and EUR 5.3 million of long-term debt was repaid.

The decrease in long-term debt is due to the shift of a EUR 750 million bond maturing in January 2016 to short-term borrowings. The resulting increase in short-term borrowings was offset to a small extent only by the payment of interest accrued as of 31 December 2014.

In 2010, Telekom Austria Group has introduced a Long Term Incentive Programme (LTI). On 21 April 2015, the Supervisory Board approved the sixth tranche (LTI 2015). Grant date was 1 September 2015, the performance period is 1 January 2015 to 31 December 2017. EBITDA comparable, Free Cash Flow and a revenue based indicator were defined as key performance indicators. As of reporting date a liability for LTI 2015 measured at fair value for expected future expense which is already vested, in the amount of EUR 0.5 million is recorded.

Provisions and Accrued Liabilities

The provision for restructuring amounting to EUR 761.9 million as of 31 December 2014 decreased to EUR 706.8 million as of 30 September 2015, mainly due to the usage of the provision. In the first nine months 2015 a restructuring expense of EUR 4.7 million and in 2014 a positive effect of restructuring of EUR 0.3 million, respectively, was recognised.

The provision for civil servants of the segment Austria who voluntarily changed to the Austrian government to take on administrative tasks amounting to EUR 28.8 million as of 31 December 2014 increased to EUR 31.4 million as of 30 September 2015. In the first nine months 2015 and 2014, a restructuring expense of EUR 12.3 million and EUR 12.3 million, respectively, was recognised.

In the first nine months 2015, inflation rates applied to the calculation of asset retirement obligations were changed to reflect the current market conditions in the individual countries. The change of these parameters as well as adjustments in the estimated cost resulted in a decrease of the asset retirement obligation in the amount of EUR 31.7 million. EUR 30.0 million resulted in a decrease in the corresponding tangible assets while EUR 0.7 million were recognised in other operating income as the underlying sites are already fully depreciated. The following table sets forth the parameters applied:

	Austria	Other countries	Belarus
30 Sept. 2015			
Discount rate	2.0%	2.0%	21.0%
Inflation rate	1.0%	0.0%	15.0%
31 Dec. 2014			
Discount rate	2.0%	2.0%	21.0%
Inflation rate	2.0%	2.0%	15.0%

Income Taxes

The effective tax rate for the first nine months 2015 and 2014 was 7.2% and -18.9%, respectively. The effective tax rate in 2015 is lower than the Austrian statutory rate of 25% mainly due to the recognition of deferred tax assets not recognised as of 31 December 2014 due to higher estimated future taxable income.

Net deferred tax assets of EUR 80.1 million as of 31 December 2014 increased to EUR 108.3 million as of 30 September 2015, mainly as a result of the above mentioned recognition of deferred tax assets and foreign exchange differences in Belarus resulting in a reduction of deferred tax liabilities.

Stockholders' Equity

In February 2015 and 2014, Telekom Austria Group paid the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 6.3 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the Condensed Consolidated Statements of Profit or Loss and equals the recognised interest for the first nine months according to local GAAP amounting to EUR 25.2 million, net of the related tax benefit of EUR 6.3 million, which is recognised in stockholders' equity according to IAS 12.

In June 2015 and 2014, Telekom Austria Group paid dividend to its shareholders in the amount of EUR 33.2 million and EUR 22.1 million, respectively.

Other reserves in the Condensed Consolidated Statements of Changes in Stockholders' Equity include available-for-sale reserve, hedging reserve and translation adjustments. The change of the translation adjustment in the first nine months 2015 is mainly a result of the devaluation of the Belarusian Rouble as, since 1 January 2015 hyperinflation accounting is discontinued. Due to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" to the subsidiaries in Belarus until 31 December 2014, the relating translation adjustment remained unchanged at EUR 302.1 million from 2011 until 31 December 2014 and amounts to EUR 435.9 million as of 30 September 2015.

Financial Instruments

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

in EUR million	30 Sept. 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Cash and cash equivalents	1,141.3	1,141.3	1,018.1	1,018.1
Accounts receivable - trade	582.6	582.6	600.1	600.1
Receivables due from related parties	1.0	1.0	1.3	1.3
Other current financial assets	75.7	75.7	75.7	75.7
Other non-current financial assets	117.4	117.4	37.0	37.0
Loans and receivables	776.8	776.8	714.0	714.0
Long-term investments	5.8	5.8	6.8	6.8
Short-term investments	1.7	1.7	14.4	14.4
Available-for-sale investments	7.5	7.5	21.3	21.3
Investments at cost	36.0	36.0	0.6	0.6

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

Other current and non-current financial assets comprise instalment sales receivables, finance lease receivables and other financial assets net of valuation allowance if any.

Investments at cost mainly relate to the stake in CEESEG AG. As this stake can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost. As of 30 September 2015 the purchase price of EUR 35.4 million which was paid for blizoo Bulgaria is presented in investments at cost (see “business combinations).

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

in EUR million	30 Sept. 2015 Carrying amount unaudited	Fair value unaudited	31 Dec. 2014 Carrying amount audited	Fair value audited
Bonds	3,032.8	3,317.7	3,029.7	3,430.1
Other current financial liabilities	59.3	59.3	53.8	53.8
Non-current liabilities to financial institutions	597.3	633.6	602.6	655.5
Other non-current liabilities	0.8	0.8	1.0	1.0
Accounts payable - trade	414.4	414.4	522.3	522.3
Payables due to related parties	3.4	3.4	7.1	7.1
Accrued interest	85.2	85.2	93.5	93.5
Financial liabilities at amortised cost	4,193.4	4,514.6	4,309.9	4,763.2

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

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

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

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

30 Sept. 2015 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.9	0.6	0.0	7.5
Financial assets measured at fair value	6.9	0.6	0.0	7.5

31 Dec. 2014 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.3	14.0	0.0	21.3
Financial assets measured at fair value	7.3	14.0	0.0	21.3

The levels of fair value hierarchy are determined as follows:

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

Subsequent and Other Events

On 2 October 2015, Vip Operator, a subsidiary of Telekom Austria Group, was merged with Telekom Slovenije's subsidiary ONE, both operating in the Republic of Macedonia. Telekom Austria Group holds 55% and has sole control over the newly created entity ONE.Vip, whereas Telekom Slovenije Group holds 45%. Furthermore, the share purchase agreement also includes call and put options for the exit of Telekom Slovenije Group within three years of the closing of the merger. The total acquisition price will include the fair value of the option and no non-controlling interest will be recorded. ONE is the third largest mobile network operator in the Republic of Macedonia with a mobile market share of 25.4% as of Q4 2014 (Telekom Austria Group estimate) and a total customer base of about 715,000 customers as of 31 December 2014. In 2014, ONE achieved revenues and EBITDA of approximately EUR 75.7 million and EUR 10.6 million respectively. The allocation of the consideration is not yet available.

On 1 October 2015, the second condition of the withdrawn lawsuit against Telekom Slovenije was fulfilled and Si.mobil has received the second and last settlement payment in the amount of EUR 10.0 million (see "Other operating income").

Vienna, 19 October 2015
The Management Board

Alejandro Plater, CEO, Telekom Austria Group

Siegfried Mayrhofer, CFO, Telekom Austria Group