Results for the First Half 2013

Highlights

> Group revenues decline by 1.2% year-on-year driven by regulatory burden, fierce competition and macroeconomic headwinds in CEE

> EUR 75.5 mn Group gross cost savings help mitigate higher upfront costs for customer acquisition, retention and marketing activities, and limit EBITDA comparable decline to 8.1%

> Austria: Launch of new A1 and bob tariffs reflects high-value focus; higher subsidies squeeze EBITDA comparable margin to 29.4%

> Bulgaria: Two-thirds of revenue decline caused by MTR cuts while price pressure continues amidst political woes

> Croatia: Cost savings initiatives and one-time effects lead to a rise in the EBITDA comparable margin

> Continued revenue and EBITDA comparable growth in Belarus and the Additional Markets segment

> 2013 Group guidance refined: Revenues of approx. EUR 4.1 bn reiterated and CAPEX* outlook refined to EUR 650-700 mn

in EUR million	Q2 2013	Q2 2012	% change	1–6 M 2013	1–6 M 2012	% change
Revenues	1,043.2	1,063.2	–1.9%	2,092.3	2,118.3	–1.2%
EBITDA comparable	330.3	364.8	–9.5%	667.2	726.2	–8.1%
Operating income	105.5	99.1	6.4%	223.3	211.1	5.8%
Net income	52.5	34.0	54.2%	108.0	80.9	33.5%
Earnings per share (in EUR)	0.10	0.08	29.4%	0.21	0.18	16.4%
Free cash flow per share (in EUR)	0.29	0.22	30.6%	0.39	0.33	17.8%
Capital expenditures	176.4	185.1	–4.7%	325.4	330.9	–1.7%

in EUR million	30 June 2013	31 Dec 2012	% change
Net debt	2,843.4	3,248.9	–12.5%
Net debt / EBITDA comparable (12 months)	2.0x	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 amortisation, restructuring and impairment charges.
* Does not include investments for licenses and spectrum nor acquisitions.

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Group Management Report

Group Review

Vienna, 12 August 2013 – Today the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first half and the second quarter 2013, ending 30 June 2013.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q2 2013") are available on the website at www.telekomaustria.com.

Results for the first nine months 2013 will be announced on 14 November 2013.

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Summary

Year-to-date Comparison

Key Performance Indicators Group

1st Half 2013

Financials in EUR million	1–6 M 2013	1–6 M 2012	% change
Revenues	2,092.3	2,118.3	–1.2%
EBITDA comparable	667.2	726.2	–8.1%
EBITDA incl. effects from restructuring and impairment tests	659.6	715.1	–7.8%
Operating income	223.3	211.1	5.8%
Net income	108.0	80.9	33.5%
Cash flow generated from operations	494.0	475.3	3.9%
Earnings per share (in EUR)	0.21	0.18	16.4%
Free cash flow per share (in EUR)	0.39	0.33	17.8%
Capital expenditures	325.4	330.9	–1.7%

in EUR million	30 June 2013	31 Dec 2012	% change
Net debt	2,843.4	3,248.9	–12.5%
Equity	1,528.6	819.1	86.6%
Net debt / EBITDA comparable (12 months)	2.0x	2.2x	

Fixed access lines (in '000)	30 June 2013	30 June 2012	% change
Total access lines	2,615.5	2,580.4	1.4%
in Austria	2,274.2	2,287.7	–0.6%
in Bulgaria	162.0	138.0	17.4%
in Croatia	179.3	154.7	15.9%
of which broadband lines	1,603.2	1,492.0	7.5%

Mobile communication subscribers (in '000)	30 June 2013	30 June 2012	% change
Total subscribers	21,107.3	20,251.6	4.2%
in Austria	5,789.9	5,120.2	13.1%
in Bulgaria	5,306.8	5,532.4	–4.1%
in Croatia	1,901.8	1,977.5	–3.8%
in Belarus	4,834.1	4,679.4	3.3%
in Slovenia	672.5	646.0	4.1%
in the Republic of Serbia	1,908.1	1,686.8	13.1%
in the Republic of Macedonia	620.9	600.8	3.3%
in Liechtenstein	6.3	6.1	2.7%

Employees (full-time equivalent, period-end)	16,352	16,797	–2.6%

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 amortisation, restructuring and impairment charges.

A highly competitive landscape, a challenging macroeconomic environment in most markets and regulatory burdens impacting mobile termination and roaming rates characterised the operational environment of the Telekom Austria Group in the first half of 2013. These effects translated into a 1.2% year-on-year decline of Group revenues to EUR 2,092.3 mn. To address these challenges, Telekom Austria Group continued its strategic focus on convergence and the high-value customer base throughout the first half of the year.

In the first half of 2013 both the Austrian and the Bulgarian segment were burdened by regulatory pressure as well as ongoing fierce competition, with an additional drag in Bulgaria from the continuing macroeconomic decline. The consolidation of YESSS! as of 1 January 2013 added EUR 22.5 mn to Austrian revenues. While revenues in the Croatian segment declined slightly despite sustained demand for fixed-line and convergent products, both the Belarusian and the Additional Markets segment continued to exhibit strong growth and increasing revenues. Negative effects from foreign exchange translations amounted to EUR 18.6 mn. Consequently, Group revenues declined by 0.3% on a clean basis.

Although the Group managed to partially mitigate revenue pressure via the successful implementation of its cost savings programme, Group EBITDA comparable declined by 8.1% to EUR 667.2 mn in the first half of 2013 as a result of lower revenues as well as increased material as well as marketing and sales expenses. On a gross basis the Group achieved cost savings in the amount of EUR 75.5 mn. The picture painted above for the Group applies especially to the Austrian segment and resulted in a decline of EBITDA comparable by 14.3% after a positive EUR 11.8 mn contribution from YESSS!. In the Bulgarian segment EBITDA comparable declined by 25.1% year-on-year despite EUR 18.0 mn of cost savings. While EBITDA comparable in the Croatian segment remained flat, the Belarusian and the Additional Markets segments increased by 45.1% and 16.2% respectively. Negative effects from foreign exchange translations amounted to EUR 8.9 mn. Consequently, Group EBITDA comparable declined by 6.9% on a clean basis.

In the first half of 2013 a restructuring charge of EUR 7.6 mn was recorded in the Austrian segment, compared to a restructuring charge of EUR 11.1 mn in the first half of 2012. This decline and, above all, substantially lower depreciation and amortisation charges allowed an increase in operating income of 5.8% to EUR 223.3 mn in the first half of 2013 compared to the same period last year.

Financial result improved by 14.9% year-on-year to a negative amount of EUR 90.7 mn, mainly driven by lower interest expenses. Income tax expenses amounted to EUR 24.6 mn in the first half of 2013 compared to EUR 23.6 million in the same period of 2012.

Altogether, this resulted in an increase in net income from EUR 80.9 mn to EUR 108.0 mn.

Group capital expenditures declined by 1.7% year-on-year to EUR 325.4 mn as savings in the Bulgarian segments compensated for the increase in the Austrian segment following the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria.

Summary

Quarterly Comparison

Key Performance Indicators Group

2nd Quarter 2013

Financials

in EUR million	Q2 2013	Q2 2012	% change
Revenues	1,043.2	1,063.2	–1.9%
EBITDA comparable	330.3	364.8	–9.5%
EBITDA incl. effects from restructuring and impairment tests	325.4	358.2	–9.2%
Operating income	105.5	99.1	6.4%
Net income	52.5	34.0	54.2%
Cash flow generated from operations	302.2	282.8	6.9%
Earnings per share (in EUR)	0.10	0.08	29.4%
Free cash flow per share (in EUR)	0.29	0.22	30.6%
Capital expenditures	176.4	185.1	–4.7%

in EUR million	30 June 2013	31 March 2013	% change
Net debt	2,843.4	2,939.8	–3.3%
Equity	1,528.6	1,506.4	1.5%
Net debt / EBITDA comparable (12 months)	2.0x	2.1x	

In the second quarter of 2013 Group revenues fell 1.9% year-on-year to EUR 1,043.2 mn. While Bulgaria saw a substantial revenue decline, Croatia and Austria also came off slightly. Belarus and the Additional Markets segment posted year-on-year growth again.

In Austria the negative effect of customer migration to all-in tariffs and lower customer roaming was exacerbated by a fallout from interconnection, resulting from lower international transit rates and quantities. The consolidation of YESSS! as of 1 January 2013 affected the year-on-year comparison with a positive contribution of EUR 11.0 mn. A new value-based approach to calculating subscriber-related key indicators was also implemented in this quarter and applied retrospectively to previous quarters of 2012 and 2013.

In Bulgaria mobile termination rate cuts from July 2012 were to blame for two-thirds of total revenue loss. Moreover, political and economic instability resulted in a further deterioration in pricing. In Croatia higher fixed fees stemming from contract segment growth could not compensate for lower roaming revenues. While the current benign inflationary environment reduces pricing flexibility in Belarus, subscriber growth and higher usage translated into higher revenues, despite a negative foreign exchange effect of EUR 13.9 mn. The Additional Markets segment benefitted from higher subscriber numbers and higher contract ratios, with Serbia in particular showing a strong performance. At Group level negative effects from foreign exchange translations amounted to EUR 13.7 mn. On a clean basis Group revenues declined by only 0.6% year on year.

Group EBITDA comparable, which does not include any effects from restructuring and impairment testing, decreased by 9.5% year-on-year to EUR 330.3 mn, with Austria and Bulgaria causing the biggest drag. Especially in Austria higher subsidies and marketing costs outweighed the positive effects of cost savings achieved and contributed to the decline in EBITDA comparable. Despite a strong focus on cost optimisation, lower operating expenses in Bulgaria could not compensate the impact of negative revenues in the segment. Croatia's EBITDA comparable also fell despite stable operating expenses and higher other operating income from one-off effects. Belarus reduced operating expenses in the second quarter of 2013, which fed through positively to EBITDA comparable. The Additional Markets segment also saw a rise in EBITDA comparable despite a slightly higher revenue-related cost base both in the Republic of Serbia and the Republic of Macedonia. Nevertheless, the Group EBITDA comparable margin fell from 34.3% in Q2 2012 to 31.7% in the second quarter of 2013. Negative effects from foreign exchange translations amounted to EUR 6.8 mn. On a clean basis Group EBITDA comparable declined by 7.6%.

In the second quarter of 2013 restructuring charges in the Austrian segment amounted to EUR 4.9 mn, EUR 1.7 mn lower than in the second quarter of 2012. Depreciation and amortisation fell by 15.1% versus Q2 2012, primarily because the acquired mobile customer base in Bulgaria was fully amortised by June 2012.

Consequently, the operating result improved to EUR 105.5 mn in Q2 2013, compared to EUR 99.1 mn in Q2 2013. The financial loss decreased from EUR 55.1 mn in Q2 2012 to EUR 42.8 mn in Q2 2013, mainly as a result of a reduction in interest expense. Net income rose by 54.2% to EUR 52.5 mn in the second quarter of 2013 compared to the same period last year.

Group capital expenditure fell 4.7% in the second quarter of 2013 to EUR 176.4 mn. The effect was spread across segments, as a slight increase in Austrian capital expenditure was outweighed by CAPEX reductions primarily in Bulgaria, Croatia and the Republic of Serbia.

The Telekom Austria AG Share

During the first half of 2013 the Telekom Austria AG share fell by 15.4%, reflecting a variety of investor anxieties, some relating to the wider market, while others more specifically concern the Telekom Austria Group.

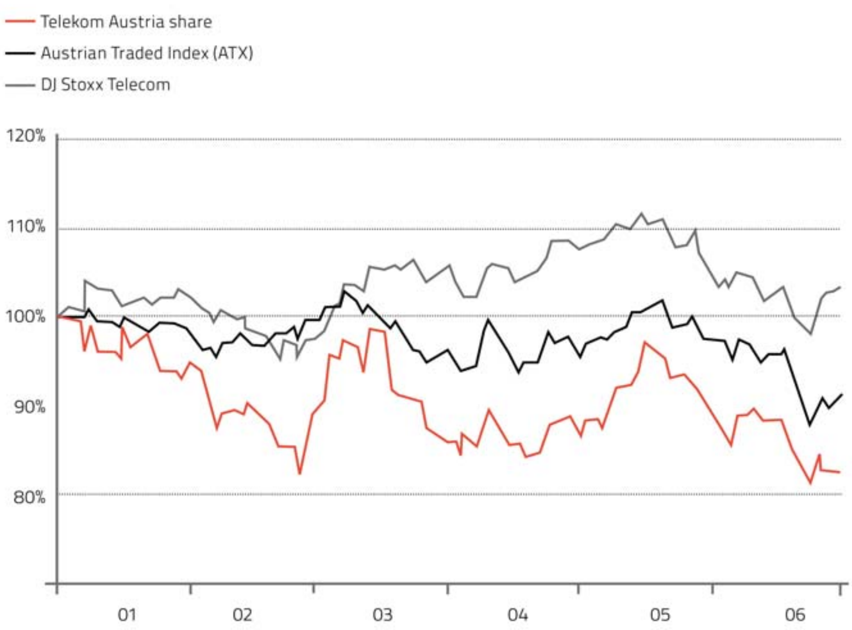
Speculation surrounding the upcoming Austrian spectrum auction and the possibility of a new market entrant was no doubt the single most powerful driving factor for the stock this quarter. Moreover, uncertainty surrounding further termination and roaming rate cuts as well as political and macroeconomic headwinds in the CEE markets exerted further downward pressure on the share.

While investors reacted positively to the release of the annual results at the end of February, the publication of the Austrian spectrum auction details in the middle of March renewed fears relating to Austrian mobile market dynamics. The publication of a solid set of first quarter results in early May temporarily provided upward momentum for the stock. The share did not, however, reach its annual peak of EUR 5.96 from 7 January again and gradually fell away in the second half of May and throughout June amidst the European telecom regulation debate but also a wider market rout. It closed at EUR 4.86 on 28 June.

In contrast, the DJ Stoxx Telecom Index performed strongly so far this year, especially in the wake of respective full year 2012 and first quarter 2013 earnings seasons. The index also lost traction in June, but salvaged a six-monthly gain of 4.7%.

Meanwhile, after being cautiously positive in the first three months of the year, European capital markets rallied in May, when a series of positive economic data releases was followed by a European Central Bank interest rate cut. This resulting buoyancy came to an abrupt halt at the end of May, however, when Federal Reserve Chairman Ben Bernanke inferred that the US central bank might begin to taper its bond buying programme. The Austrian Traded Index picked up volatility around March, then mirrored the general downtrend in June, closing 7.4% lower at the end of the first half of 2013.

Development of the Telekom Austria Share Price
indexed from 1 Jan 2013



Market Environment

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

Fierce competition presents an issue in almost all markets, exerting downward pressure on mobile prices. The economic success of Telekom Austria Group thus hinges to a great extent on its ability to safeguard margins by continuously increasing cost efficiency. 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 EU regulation. In addition to existing glidepaths, a potential new regulatory framework for a single European telecommunications market poses a significant financial threat.

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. The Austrian telecoms sector contains full-scale as well as mobile virtual network operators. Spectrum auctions taking place this September will redistribute existing spectrum as well as make available new spectrum in the 800-Mhz band to potential new and existing players. In terms of product offerings, all-in smartphone deals and mobile broadband solutions drive an ongoing fixed-to-mobile substitution, which is visible in the highly advanced but continual decline of fixed-line voice minutes. Attractive convergent bundle offers, incorporating fixed-line broadband and IPTV solutions, are key to the fixed-line business.

In the CEE markets political and macroeconomic headwinds remain challenging, as they affect demand and suppress usage. In Bulgaria the election of a new government has done little to calm political turmoil, as protesters continue to lambast corruption and a lack of transparency. The new prime minister himself cites continued economic depression, resulting in low wages and high unemployment, as the reason for increasing societal disintegration. Meanwhile Croatia became the 28th member of the European Union on 1st July 2013. However, the outlook for growth remains fragile there also, as a high tax burden and restrictive monetary policy have reduced consumer confidence and caused soaring unemployment.

In Belarus inflation and FX effects have been relatively benign in the first half of 2013, but continue to present risk factors. Struggling banks and a deepening public deficit in Slovenia have recently called into question that country’s solvency, after Moody’s downgraded Slovenian bonds to junk status in April. In contrast, Serbia has been emerging out of recession this year with growing exports and a more balanced Serbian dinar in the first half, except for a spike in volatility in June, when it dropped to the lowest level against the Euro this year. The IMF also recently projected 2.0% of growth for Macedonian GDP, which currently benefits from low debt levels and a stable banking sector.

Outlook

Telekom Austria Group refines outlook for the full year 2013

The results for the first half 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.

Throughout 2013 the management of Telekom Austria Group intends to address these challenges 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. As a result of the successful Group focus on optimising investment efficiency, Group capital expenditure is revised to a range of EUR 650 – 700 mn from approximately EUR 700 mn previously.

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.

DPS of EUR 0.05 intended for distribution in 2013

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 12 August 2013	as of 7 May 2013
Revenues	approx. EUR 4.1 bn	approx. EUR 4.1 bn
Capital expenditures*	EUR 0.65 bn - EUR 0.7 bn	approx. EUR 0.7 bn
Dividend**	DPS of EUR 0.05	DPS of EUR 0.05

* Does not include investments for licenses and spectrum nor acquisitions.
** Proposal to the Annual General Meeting 2014.

Year-to-Date Comparison
Revenues

Revenues

in EUR million	1–6 M 2013	1–6 M 2012	% change
Austria	1,345.5	1,379.9	–2.5%
Bulgaria	198.8	243.0	–18.2%
Croatia	190.2	194.3	–2.1%
Belarus	162.8	136.9	18.9%
Additional Markets	220.1	203.3	8.3%
Corporate & Holding, Eliminations	–25.2	–39.2	n.m.
Total	2,092.3	2,118.3	–1.2%

Group revenues decline by 1.2% driven by the Austrian and Bulgarian segments

In the first half of 2013 Telekom Austria Group revenues fell by 1.2% to EUR 2,092.3 mn as higher revenues from the Belarusian and the Additional Markets segments could only partly mitigate the revenue decline in the segments Austria, Bulgaria and Croatia. Negative effects from foreign exchange translations amounted to EUR 18.6 mn. Consequently, Group revenues declined by 0.3% on a clean basis.

The Austrian segment was burdened by regulatory pressure as well as ongoing fierce competition resulting in 2.5% lower revenues, despite a EUR 22.5 mn contribution from YESSS! which was consolidated as of January 2013. The biggest decline was reported in monthly fee and traffic revenues which fell by 3.7% to EUR 927.2 mn due to the migration to all-in tariffs and lower roaming intakes following regulatory cuts. Revenues from wholesale including roaming fell by EUR 6.0 mn to EUR 78.1 mn due to lower prices following the EU glidepath, while data and ICT solution revenues remained stable at EUR 106.1 mn. Interconnection revenues declined considerably by 20.3% to EUR 139.1 mn as a result of a positive one-off effect in the first quarter of 2012 amounting to EUR 10.1 mn and lower international transit rates as well as lower usage. Interconnection revenues include a positive contribution from YESSS! of EUR 3.5 mn. A 74.8% year-on-year increase in equipment revenues was the result of a higher number of gross additions in the A1 contract segment and more replaced handsets.

The continued difficult general market conditions in the Bulgarian segment resulted in a 18.2% revenue decline to EUR 198.8 mn. Lower national and international mobile termination rates were the primary reason for this decline as they were cut in two steps starting on 1 July 2012 and resulted in a EUR 26.4 mn reduction in interconnection revenues, despite an increase in interconnection traffic. In addition, lower prices negatively impacted monthly fee and traffic revenues, which could not be compensated by an increase in equipment revenues resulting from a greater number of handset sales and a shift to higher-value handsets. Fixed-line service revenues rose by 7.2% year-on-year to EUR 11.0 mn.

In the first half of 2013 the Croatian segment was characterised by strong macroeconomic headwinds and fierce competition in the mobile market. Revenues declined slightly by 2.1% to EUR 190.2 mn as strong demand for fixed-line and convergent products could partly offset the effects of strong price pressure in the mobile market. The decline in monthly fee and traffic revenues was mostly driven by lower prices and migration to all-in tariffs, while equipment revenues grew in line with the trend towards smartphones and a focus on high-value customers. Wholesale including roaming revenues declined due to lower inter-operator tariffs. In the first half of 2013 fixed-line service revenues amounted to EUR 23.6 mn and rose by 11.0% year-on-year.

In the Belarusian segment revenues continued to grow in the first half of 2013. The increase of 18.9% to EUR 162.8 mn, including EUR 17.0 mn negative effects from foreign exchange translations, was primarily driven by inflation-based price increases as well as upselling and usage effects. On a local currency basis revenues increased by 31.3% mostly due to higher monthly fee and traffic as well as equipment revenues. The latter were driven by a continued strong demand for smartphones.

Revenues in the Additional Markets segment continued to exhibit strong growth and increased by 8.3% to EUR 220.1 mn as all markets reported subscriber growth during the first half of 2013. In Slovenia revenues grew modestly by 1.2% to EUR 97.6 mn, as higher monthly fee and traffic revenues due to an increased contract subscriber share compensated for lower interconnection revenues resulting from the EU glidepath. In the Republic of Serbia and in the Republic of Macedonia revenues increased by 15.7% and 12.7% respectively, and were mainly driven by a higher share of contract subscribers, which resulted in higher monthly fee and traffic revenues. A negative effect of EUR 1.0 mn from foreign exchange translations was recorded in the first half of 2013 in the Additional Markets segment

EBITDA

EBITDA comparable

in EUR million	1–6 M 2013	1–6 M 2012	% change
Austria	396.0	462.2	–14.3%
Bulgaria	82.4	110.0	–25.1%
Croatia	60.8	60.8	0.0%
Belarus	80.3	55.3	45.1%
Additional Markets	62.1	53.5	16.2%
Corporate & Holding, Eliminations	–14.4	–15.6	n.m.
Total	667.2	726.2	–8.1%

Group EBITDA comparable declines on the back of revenue pressure

In the first half of 2013 Group EBITDA comparable declined by 8.1% to EUR 667.2 mn following lower revenues and higher operating expenses. The net increase in operating expenses was mostly driven by higher material expenses in the Austrian segment, while on a gross basis operating expense savings of EUR 75.5 mn were realised. Negative effects from foreign exchange translations amounted to EUR 8.9 mn. Consequently, Group EBITDA comparable declined by 6.9% on a clean basis.

In the Austrian segment EBITDA comparable amounted to EUR 396.0 mn and was 14.3% lower compared to the same period of 2012, despite a EUR 11.8 mn contribution from YESSS!. Operating expenses increased by 3.1% to EUR 990.1 mn, primarily driven by a 36.8% increase in material expenses and higher marketing activities. This resulted from A1 Telekom Austria's strategic focus on protecting its high-value customer base against the backdrop of continued fierce mobile price pressure. Interconnection costs declined by 10.1% year-on-year including a negative one-off effect of EUR 3.1 mn recorded in the first quarter of 2012. This effect and additional cost savings mainly as a result of optimisations in customer services partly compensated for the above-mentioned increase. Personnel costs rose slightly following the collective bargaining agreement despite a lower average headcount during the first half of 2013 compared to the same period of the previous year. Marketing and sales costs increased by 15.2%.

In the Bulgarian segment EBITDA comparable declined by 25.1% to EUR 82.4 mn, as EUR 18.0 mn in cost savings did not compensate for a EUR 44.2 mn reduction in revenues. Negative effects from regulatory cuts since July 2012 amounted to EUR 13.8 mn. Apart from the lower interconnection costs following the above mentioned termination rate cuts, lower marketing and sales costs were the biggest driver of declining operating expenses, following reductions of campaigns, sponsorships and events. Personnel expenses declined by 13.4%, supported by headcount reductions carried out in 2012 which were continued throughout the first half of 2013.

EBITDA comparable remained stable in the Croatian segment at EUR 60.8 mn in the first half of 2013, as slightly lower revenues were compensated by a higher other operating income due to a one-time acquisition and collection effect as well as by lower operating expenses. The latter were primarily driven by lower "other" costs, reflecting savings after the abolition of the mobile tax. These savings mitigated the increase in material expenses driven by a larger number of handsets sold and higher average prices, as well as the increased interconnection costs following greater usage.

In the Belarusian segment EBITDA comparable continued to exhibit strong growth and increased by 45.1% to EUR 80.3 mn despite slightly higher operating expenses. On a local currency basis operating expenses increased by 15.5%, mainly driven by higher material expenses following the continued strong demand for smartphones. In addition, personnel expenses increased as a result of inflation-based salary increases throughout 2012 and the first half of 2013. Interconnection costs were higher following greater usage and increased interconnection rates. Negative effects from foreign exchange translations on EBITDA comparable amounted to EUR 8.4 mn.

In the Additional Markets segment EBITDA comparable continued to grow and increased by 16.2% to EUR 62.1 mn. In Slovenia operating expenses remained stable in the first half of 2013, as higher material expenses resulting from ongoing strong demand for smartphones was compensated by a decline in interconnection costs following lower termination rates. In the Republic of Serbia and in the Republic of Macedonia the increases in operating expenses were primarily driven by higher interconnection costs following higher usage and subscriber numbers. In addition, material expenses increased considerably in the Republic of Macedonia as a result of higher average prices and quantities of handsets sold. A negative effect of EUR 0.3 million from foreign exchange translations was recorded in the first half of 2013 in the Additional Markets segment.

EBITDA incl. effects from restructuring and impairment tests

in EUR million	1–6 M 2013	1–6 M 2012	% change
Austria	388.4	451.2	–13.9%
Bulgaria	82.4	110.0	–25.1%
Croatia	60.8	60.8	0.0%
Belarus	80.3	55.3	45.1%
Additional Markets	62.1	53.5	16.2%
Corporate & Holding, Eliminations	–14.4	–15.6	n.m.
Total	659.6	715.1	–7.8%

EUR 7.6 mn restructuring charge in the first half of 2013

In the first half of 2013 restructuring charges amounted to EUR 7.6 mn compared to EUR 11.1 mn in the same period of 2012. Thus Group EBITDA incl. effects from restructuring and impairment tests declined by 7.8% to EUR 659.6 mn.

Operating Income

EBIT

in EUR million	1–6 M 2013	1–6 M 2012	% change
Austria	128.2	174.0	–26.3%
Bulgaria	35.2	13.6	158.4%
Croatia	28.0	27.2	2.9%
Belarus	35.9	7.7	n.m.
Additional Markets	10.0	2.7	267.1%
Corporate & Holding, Eliminations	–14.0	–14.1	n.m.
Total	223.3	211.1	5.8%

In the first half of 2013 Group operating income increased from EUR 211.1 mn to EUR 223.3 mn as 13.4% lower depreciation and amortisation charges compensated for the decline in EBITDA comparable. The reduction in depreciation and amortisation charges came from the Bulgarian and Austrian segments.

Consolidated Net Income

In the first half of 2013 the financial result improved by 14.9% to a negative amount of EUR 90.7 mn, mainly driven by lower interest expense which was reduced as a result of the repayment of financial liabilities in 2012, as well as a reduction of the discount rate applied to the calculation of the restructuring provision in Q4 2012.

Consequently, earnings before income taxes increased by 26.9% to EUR 132.6 mn. Income tax expenses amounted to EUR 24.6 mn in the first half of 2013 compared to EUR 23.6 mn in the same period of 2012.

As a result of the better financial result as well as lower depreciation and amortisation charges, net income increased from EUR 80.9 mn to EUR 108.0 mn.

Balance Sheet and Net Debt

In the first half of 2013 total assets rose by 7.9% from EUR 7,257.1 mn as of 31 December 2012 to EUR 7,832.6 mn as of 30 June 2013 due to higher current and non-current assets. Total current assets increased 17.2%, mainly as a result of an increase in short-term investments. Total non-current assets also rose by 4.9% to EUR 5,712.5 mn as lower property, plant and equipment was more than offset by higher goodwill and other intangible assets mainly resulting from the YESSS! acquisition.

While current liabilities remained almost stable at -0.7% in the first half 2013, total non-current liabilities declined by 2.9% and amounted to EUR 3,997.7 mn. This was primarily due to a reclassification of maturing long-term debt to current liabilities, as well as the closing of cash-flow hedges relating to three forward-starting-interest-rate-swap contracts.

Total stockholder's equity increased from EUR 819.1 mn to EUR 1,528.6 mn as of 30 June 2013 due to the EUR 600 mn hybrid bond issue in January 2013 as well as the net profit for the first half of 2013.

Net debt

in EUR million	30 June 2013	31 Dec 2012	% change
Net debt	2,843.4	3,248.9	−12.5%
Net debt / EBITDA comparable (12 months)	2.0x	2.2x	

As of 30 June 2013 net debt had decreased by 12.5% versus the end of 2012 to EUR 2,843.4 mn, as the proceeds from the issuance of the EUR 600 mn hybrid bond and the operating cash flow were higher than the cash outflow for the acquisition of subsidiaries as well as tangible and intangible assets. Net Debt to EBITDA comparable (last 12 months) decreased from 2.2x on 31 December 2012 to 2.0x on 30 June 2013.

Cash Flow

Cash flow

in EUR million	1–6 M 2013	1–6 M 2012	% change
Cash flow from operating activities	494.0	475.3	3.9%
Cash flow from investing activities	−988.6	−831.6	n.m.
Cash flow from financing activities	428.6	204.6	109.5%
Effect of exchange rate changes	−3.4	−1.1	n.m.
Monetary loss on cash and cash equivalents	−0.6	−0.6	n.m.
Net increase / decrease in cash and cash equivalents	−70.0	−153.4	n.m.

In the first half of 2013 cash flow from operations increased by 3.9% to EUR 494.0 mn as a lower gross cash flow was compensated by an improvement in change in working capital mainly driven by a lower cash outflow for repayment of accounts payable. Furthermore, lower levels of prepaid expenses and other assets contributed to the decline in cash-out from working capital.

Cash outflow from investing activities increased from EUR 831.6 mn to EUR 988.6 mn, as the acquisition of YESSS! in the first quarter of 2013 compensated for the lower purchase of investments. The latter was higher in the first half of 2012 due to the short-term investments of the proceeds of a EUR 750 mn bond issuance.

Cash inflow from financing activities increased by 109.5% to EUR 428.6 mn in the first half of 2013 versus the previous year. This was primarily the result of a lower dividend payment and a decline in payments of long-term borrowings. While the first half of 2012 a high cash inflow from the issuance of a EUR 750 mn bond was recorded, the first half of 2013 saw a cash inflow from the EUR 600 mn hybrid bond.

Capital Expenditures

Capital expenditures

in EUR million	1–6 M 2013	1–6 M 2012	% change
Austria	224.5	214.9	4.4%
Bulgaria	23.8	39.4	–39.5%
Croatia	29.1	30.1	–3.6%
Belarus	11.5	12.5	–8.0%
Additional Markets	36.5	34.2	6.8%
Corporate & Holding, Eliminations	0.0	–0.2	n.a.
Total capital expenditures	**325.4**	330.9	–1.7%
thereof tangible	219.4	266.1	–17.5%
thereof intangible	106.0	64.9	63.3%

Capital expenditures decline by 1.7% year-on-year

In the first half of 2013 capital expenditures remained almost stable at EUR 325.4 mn as savings in the Bulgarian segment compensated for the increase in the Austrian segment. The latter was primarily due to the acquisition of intellectual property rights, frequencies and collocation rights for base stations from Orange Austria, which added an amount of EUR 37.0 mn and increased total capital expenditures in the segment, despite higher capital expenditures stemming from the Giganet rollout in the first half last year. In the Bulgarian segment lower mobile and fixed-line asset investments on billing and business systems resulted in a 39.5% year-on-year reduction in capital expenditures. While the Croatian and the Belarusian segments remained flat, capital expenditures in the Additional Markets segment increased due to facility renovations in Slovenia and higher network investments in Serbia.

Quarterly Analysis
Segment Austria

Key Performance Indicators

Financials

in EUR million	Q2 2013	Q2 2012	% change
Revenues	665.4	673.6	–1.2%
EBITDA comparable	189.3	218.2	–13.3%
EBITDA incl. effects from restructuring and impairment tests	184.3	211.5	–12.9%
EBIT	52.1	67.2	–22.4%

Revenue detail	Q2 2013	Q2 2012	% change
Monthly fee and traffic	457.6	476.5	–4.0%
Data & ICT solutions	53.0	50.9	4.0%
Wholesale (incl. roaming)	36.3	38.0	–4.4%
Interconnection	70.7	81.4	–13.1%
Equipment	42.2	23.2	82.0%
Other operating income	5.6	3.6	55.8%

Mobile communication business	Q2 2013	Q2 2012	% change
ARPU (in EUR)*	16.3	18.9	–14.0%
Mobile service revenues (in EUR million)	283.8	290.7	–2.4%
thereof interconnection share	9.8%	9.8%	
Subscriber acquisition cost (SAC, in EUR million)	10.4	5.4	92.8%
Subscriber retention cost (SRC, in EUR million)	28.3	18.9	49.9%
Churn (3 months)	4.6%	3.6%	

	Q2 2013	Q2 2012	% change
Mobile communication subscribers (in '000)*	5,789.9	5,120.2	13.1%
Mobile market share*	42.5%	38.5%	
Mobile contract share*	69.1%	76.7%	
Mobile broadband subscribers (in '000)*	850.3	743,5	14,4%
Mobile penetration - total market*	160.6%	157.4%	
Mobile broadband penetration - total market*	119.4%	114.5%	

Fixed line business	Q2 2013	Q2 2012	% change
ARPL (in EUR)	30.8	31.5	–2.1%
Fixed service revenues (in EUR million)	210.4	217.2	–3.1%
Fixed line voice minutes (in million)	519.4	573.8	–9.5%

in '000	Q2 2013	Q2 2012	% change
Access lines (without broadband lines)	927.8	1,007.1	–7.9%
Fixed broadband lines	1,346.4	1,280.6	5.1%
thereof fixed broadband retail lines	1,305.5	1,238.2	5.4%
thereof fixed broadband wholesale lines	40.9	42.4	–3.4%
Total access lines	2,274.2	2,287.7	–0.6%
Lines unbundled	257.1	270.3	–4.9%

Austrian voice and broadband shares

Voice market share*	Q2 2013	Q2 2012	% change
Fixed Line A1 Telekom Austria	8.5%	9.5%	
Fixed Line Others	5.2%	5.6%	
Mobile	86.2%	84.9%	

Broadband market share	Q2 2013	Q2 2012	% change
Fixed line retail A1 Telekom Austria	29.6%	29.5%	
Fixed line wholesale A1 Telekom Austria	0.9%	1.0%	
Mobile broadband A1 Telekom Austria	19.3%	17.7%	
Mobile broadband other operators	29.7%	31.0%	
Cable	15.3%	15.0%	
Unbundled lines	5.2%	5.8%	

* As of Q2 2013 the methodology for counting subscribers was changed. Previous quarters of 2012 and 2013 were adjusted retrospectively.

In the second quarter of 2013 A1 witnessed the continuation of various trends which also characterised previous quarters. Competitive pressures continued to impact the mobile pricing environment, with the trend of customer migration to low-cost all-in tariffs and highly subsidised handsets unbroken. The company's strategy of ring-fencing the high-value customer segment in order to protect margins was reflected in a continuation of the acquisition and retention measures already employed in the last two quarters. New tariff structures for the no-frills brand bob and the premium brand A1 were launched in January and April respectively. First indications show that customers have responded well to the new tariffs, as visible e.g. in higher gross additions and lower churn in the A1 classic contract segment. Furthermore, convergence remained at the core of the operational strategy in Q2 2013. Fixed-to-mobile substitution continued to impact the fixed-line business, where broadband and TV growth contrasted with the decline in voice. The acquisition and consolidation of YESSS! in early 2013 affected year-on-year comparisons in this quarter also.

Mobile subscribers grow 13.1% year-on-year

Including YESSS! subscribers and after the retrospective adjustment of the methodology for counting subscribers for previous quarters in 2012 and 2013, A1's mobile subscriber base grew 13.1% to almost 5.8 mn subscribers in the second quarter of 2013 compared to the second quarter of 2012. Negative net additions of 56,300 were also recorded, with two thirds of the loss stemming from the prepaid segment. Mobile broadband increased 14.4% year-on-year to approximately 850,300 subscribers by the end of this quarter.

Fixed line trends remained relatively steady overall, with a total access line loss of approximately 6,800 in the second quarter of 2013 versus the same quarter last year. Broadband continued to develop well with year-on-year growth of 5.1% and net additions of approximately 13,400 in the second quarter of 2013. Total fixed voice minutes, however, continued to fall by 9.5% year-on-year.

Total revenues fell marginally by 1.2% to EUR 665.4 mn in the second quarter of 2013 versus the second quarter last year, as higher equipment revenues almost offset negative regulatory and pricing effects. YESSS! contributed EUR 11.0 mn in the second quarter of 2013. Monthly fee and traffic revenues fell EUR 19.0 mn including a positive impact from YESSS! amounting to EUR 9.2 mn. This fall came mainly as a result of customer migration into all-in contracts and lower customer roaming revenues. The decline in interconnection revenues presented the second largest negative factor, resulting primarily from lower international transit termination rates and quantities. These negative drivers were partly negated by equipment revenue, mainly as a result of a higher number of A1 gross additions in the contract segment as well as a greater number of handset replacements.

Average revenue per user also declined in Q2 2013 versus the same period last year due to customer migration, regulatory changes and the effects of the YESSS! acquisition. Correspondingly, mobile service revenue also fell 2.4% y-o-y to EUR 283.8 mn. The decline in average revenue per fixed access line of 2.1% year-on-year to EUR 30.8 contributed to the reduction in Fixed-line service revenue of 3.1% to EUR 210.4 mn. Higher broadband and TV revenues could not compensate the negative effects of lower voice minutes and reduced access lines.

Despite ongoing cost savings initiatives, operating expenses increased by EUR 19.4 mn in the second quarter of 2013 compared to the same quarter last year. This increase was primarily driven by material expenses which rose by 48.7% as a result of higher subsidies and quantities, in line with the focus on the high-value customer segment. Marketing and sales costs were also up 33.3% year-on-year. Personnel costs increased slightly as a result of the collective bargaining agreement. The impact of the above was softened somewhat by a EUR 10.2 mn reduction in interconnection costs. In addition, A1 focused on optimisation measures including customer service, network and IT.

Resulting from this combination of lower revenues and higher operating expenses, EBITDA comparable declined 13.3% in the first quarter of 2013 to EUR 189.3 mn versus the same quarter last year.

In consequence to A1's strategic focus on the high-value customer segment and the subsequent increase in subsidies, mobile subscriber acquisition and retention costs were considerably higher in the second quarter of 2013 than in Q2 2012. Mobile subscriber acquisition costs almost doubled compared to the same period in 2013 to EUR 10.4 mn, while mobile subscriber retention costs rose 49.9% year-on-year to EUR 28.3 mn. Compared to the first quarter 2013, however, subscriber acquisitions costs declined and subscriber retention costs remained almost stable.

At EUR 4.9 mn restructuring charges were EUR 1.7 mn lower during the second quarter of 2013 compared to the second quarter of 2012. Full-time equivalent employees transferred to the government or into social plans amounted to 68, compared with 18 in the same period last year. The positive effect of lower depreciation and amortisation, inter alia for network and intangible assets, was partly negated by the charge originating from the consolidation of YESSS! in the amount of EUR 3.4 mn. In sum depreciation and amortisation fell by 8.4% year-on-year to EUR 132.2 mn. Operating income, however, still declined by EUR 15.0 mn year-on-year to EUR 52.1 mn in the period April to June 2013.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	101.3	127.2	–20.3%
EBITDA comparable	43.0	60.9	–29.4%
EBITDA incl. effects from restructuring and impairment tests	43.0	60.9	–29.4%
EBIT	19.8	12.0	64.9%

Mobile communication business	Q2 2013	Q2 2012	% change
ARPU (in EUR)	5.3	6.6	–19.2%
Mobile communication subscribers (in '000)	5,306.8	5,532.4	–4.1%
Mobile market share	45.3%	47.7%	
Mobile contract share	71.8%	68.9%	
Mobile broadband subscribers (in '000)*	163.9	127.4	28.7%
Mobile penetration - total market	157.7%	155.4%	

Fixed line business	Q2 2013	Q2 2012	% change
ARPL (in EUR)	11.1	12.4	–10.5%
Total access lines ('000)	162.0	138.0	17.4%
Fixed broadband lines ('000)	157.8	132.7	19.0%

* 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 a number of challenges burdened Mobiltel's financial performance in the second quarter of 2013. Primarily, the effects of termination rates cuts continued to weigh on results. In addition, consumer confidence as well as demand remain suppressed by a weak macroeconomic backdrop, including rising unemployment, a declining population and shrinking foreign direct investments. Following the collapse of the previous government in February 2013, the newly elected government has not yet been able to provide the stability needed to address the above-mentioned macroeconomic issues. Furthermore, the competitive landscape of the telecom sector recently saw another change in ownership, as Norwegian Telenor acquired the no.2 mobile operator Globul. The deal was approved by the European Commission in July 2013.

Operationally Mobiltel sought to tackle these challenges by focusing on the high-value customer segment. Mobiltel continues to capitalise on the demand for mobile as well as fixed-line data products by means of value-enhancing smartphone offers and convergent product bundles. At the same time management fortified its business by intensifying cost reduction efforts.

Mobile broadband growth of 28.7% year-on-year

In the second quarter of 2013 Mobiltel performed a reassessment of its active prepaid customer base , which together with a continued focus on the high-value postpaid segment, brought the prepaid customer base down. This resulted in a 4.1% year-on-year decline in total mobile customers, as well as a market share reduction to 45.3%. As a result, net additions versus Q1 2013 were also negative. In contrast, the contract segment remained largely stable year-on-year. The combination of a reduced mobile subscriber base and flat contract subscribers pushed up Mobiltel's contract ratio to 71.8%. Mobile broadband showed a positive trend with 28.7% year-on-year growth to approximately 163,900 subscribers. The bob subscriber base more than doubled versus the same period last year.

Fixed access lines continued to grow at a rate of 17.4% compared to the same period last year. In contrast, sequential access line net additions reflected the slowdown. Broadband lines rose 19.0% to 157,800 versus Q2 2012, with positive broadband net additions also.

The second quarter revenue decline of 20.3% versus Q2 2012 was driven primarily by interconnection as well as monthly fee and traffic revenues. The reduction of termination rates in July 2012 was mostly to blame. Lower mobile service revenue stemming from lower price levels caused most of the drop in monthly fee and traffic revenues, with lower prepaid prices and traffic also playing a role. Equipment revenues increased on the back of a higher number of smartphones and other equipment sold, but could not outweigh the negative effect of lower tariffs and reduced traffic elsewhere.

Subsequently average revenue per user declined by 19.2% to EUR 5.3 versus the second quarter last year, with both prepaid and postpaid ARPU falling as a result of termination rate cuts and lower prices. A 10.5% year-on-year reduction in average revenue per fixed line was mainly due to a decrease in the share of business subscribers. In contrast, fixed-line service revenue continued to rise and came in at EUR 5.4 mn in the second quarter of 2013, 7.3% above the same quarter last year.

Operating expenses reduced by EUR 8.5 mn

As part of its campaign to optimise costs, Mobiltel was able to shave EUR 8.5 mn off total operating expenses during the second quarter of 2013, a reduction of 12.6% versus the same quarter last year. While a fall in interconnection costs played a major part, personnel expenses as well as marketing and consulting costs were substantially reduced also. An improvement in the collection rate lowered bad debt expense. 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. The overall cost reduction could only partially contain the effect on EBITDA comparable resulting from the revenue fallout. Consequently, EBITDA comparable declined 29.4% year-on-year to EUR 43.0 mn. Regulatory provisions accounted for a negative EUR 11.8 mn or 66.1% of the fall in EBITDA comparable.

Operating income of EUR 19.8 mn

Operating income benefitted from the EUR 25.7 mn reduction in depreciation and amortisation charges stemming mainly from the completion of the amortisation of the acquired mobile customer base in June 2012, and amounted to EUR 19.8 mn. This constituted an increase of 64.9% from the second quarter of 2012.

Segment Croatia

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	98.1	101.8	–3.5%
EBITDA comparable	31.5	33.4	–5.6%
EBITDA incl. effects from restructuring and impairment tests	31.5	33.4	–5.6%
EBIT	15.0	16.6	–9.4%

Mobile communication business	Q2 2013	Q2 2012	% change
ARPU (in EUR)	12.0	12.6	–4.4%
Mobile communication subscribers (in '000)	1,901.8	1,977.5	–3.8%
Mobile market share	37.7%	38.6%	
Mobile contract share	43.3%	39.9%	
Mobile broadband subscribers (in '000)*	178.2	166.8	6.8%
Mobile penetration - total market	117.5%	119.3%	

Fixed line business	Q2 2013	Q2 2012	% change
ARPL (in EUR)	22.7	23.7	– 4.3%
Total access lines ('000)	179.3	154.7	15.9%
Fixed broadband lines ('000)	99.0	78.8	25.6%

* 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 macroeconomic headwinds continued to negatively impact consumption, which in turn exacerbated competition among operators. In consequence, Vipnet introduced a new tariff structure in March, designed to better fit economic and market conditions, and is now also dealing with issues arising from the country's accession to the EU. A number of provisions relating to the new transparency and consumer protection regime have already been enacted proactively. As of 1 July 2013 the EU roaming glidepath is fully applicable to Croatian operators, and will impact roaming revenues going forward.

Contract share reaches 43.3%, while prepaid customer base continue to shrink

Vipnet's strategic focus on the high-value segment resulted in unabated year-on-year as well as quarter-on-quarter growth of the contract segment to approximately 822,900 subscribers by the end of the second quarter of 2013. The contract share rose to 43.3%, 3.4 percentage points above the same period last year. With the prepaid market shrinking overall, prepaid subscriber churn negatively impacted total subscriber numbers, which contracted 3.8% year-on-year to approximately EUR 1.9 bn. Consequently, Vipnet's market share dropped slightly also. Net additions, however, turned positive again after negative spells in Q4 2012 and Q1 2013 respectively. The mobile broadband segment posted strong year-on-year growth at 6.8%, reaching approximately 178,200 subscribers by the end of the second quarter of 2013.

Fixed access lines continued to thrive following efforts to extend the existing footprint, with accelerating growth in the fixed-line broadband segment, which expanded 25.6% year-on-year.

Strong contract subscriber growth converted into higher equipment revenues, while monthly fee and traffic revenues fell. The latter was due to the fact that higher fixed fees could not compensate for lower mobile service revenues resulting from a reduction in prepaid subscribers and a greater number of all-in tariffs, as well as lower customer roaming revenues. The effect was aggravated by a decline in visitor roaming revenues stemming from reduced inter-operator tariffs. In consequence, total revenues fell 3.5% to EUR 98.1 mn. Other operating income came in higher due to overspill from the one-off positive acquisition and collection effect already recorded in the first quarter of 2013.

Reduced airtime and interconnection revenues also deflated average revenue per user, which declined further to EUR 12.0. Average revenue per fixed line fell in a year-on-year comparison due to the acquisition of Digi TV in March 2013 with lower average revenue per customer. Nevertheless, fixed-line service revenue increased 10.2% year-on-year to EUR 11.9 mn, driven mainly by the greater number of broadband lines.

Fixed-line service revenue increase of 10.2% driven by growth in broadband

Total operating expenses came in flat in the second quarter of 2013, as higher material expense from post-paid handsets as well as higher fixed-net-related content and interconnection costs were partly offset by lower personnel expenses stemming from the realisation of operational synergies with B.net. The biggest positive effect, however, came from "other" costs, which reflected the abolition of a mobile tax in July 2012 as well as further efficiency improvements in sales and marketing.

As a consequence EBITDA comparable declined by 5.6% to EUR 31.5 mn versus the same quarter last year. At 32.1% the margin came in slightly below the prior year Q2 margin. Despite a slightly lower depreciation charge, the operating result also fell by 9.4% to EUR 15.0 mn.

Segment Belarus

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	81.2	76.7	5.9%
EBITDA comparable	40.8	31.8	28.1%
EBITDA incl. effects from restructuring and impairment tests	40.8	31.8	28.1%
EBIT	18.9	6.1	211.1%

	Q2 2013	Q2 2012	% change
ARPU (in EUR)	4.9	4.9	1.0%
Mobile communication subscribers (in '000)	4,834.1	4,679.4	3.3%
Market share	43.7%	43.0%	
Contract share	80.7%	80.0%	
Mobile broadband subscribers (in '000)*	227.0	221.2	2.6%
Market penetration - total market	117.1%	115.0%	

* 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.

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 second quarter of 2013 the local exchange rate stood at 11,450 BYR / 1 compared to EUR 10,370 BYR / 1 EUR at the end of the second quarter of 2012. Over the course of the second quarter of 2013 the Belarusian Rouble fell 3.0% against the Euro. The inflation rate remained benign at 1.6% in the second quarter of 2013, considerably below the 5.5% recorded in the second quarter of 2012.

While the low inflation reduces velcom's pricing flexibility, an additional price increase of approximately 3% was announced on 26 June and implemented at the end of July 2013.

velcom remained operationally strong in the second quarter of 2013 with total subscriber base growth of 3.3% versus Q2 2012, which helped to push the company's market share to 43.7%. Said growth stemmed mainly from residential contract customers, who continued to respond well to smartphone offerings. Consequently, the contract share edged up to 80.7% of total subscribers. Mobile broadband subscribers also increased 2.6% year-on-year, primarily as a result of business and prepaid data cards.

Strong operational performance reflected in revenue and EBITDA comparable growth

Total revenues increased 5.9% year-on-year to EUR 81.2 mn, despite a negative FX effect of EUR 13.9 mn as a result of the depreciation of the Belarusian Rouble against the Euro in the second half of last year, after which it continued to exhibit a volatile sideways movement. Operationally the result was driven by fixed fees and equipment revenues which benefitted from price increases, upselling and higher usage, as well as a higher quantity of handsets and tablets sold. In local currency revenues grew 30.1% year- on-year. While average revenue per user came in flat on a consolidated basis, it increased by 23.8% in local currency compared to the same quarter last year.

Operating expenses fell considerably in the second quarter of 2013, mainly as a result of the introduction of a VAT charge for retail telecoms customers which reduced VAT non-refundable expenses, as well as a reduction in costs for maintenance and repair. This contrasted with an increase in handset costs, rising personnel costs resulting from inflation-based salary increases, as well as higher interconnection costs from higher tariffs for outgoing international traffic.

Consequently, and despite a negative FX effect of EUR 6.8 mn, EBITDA comparable for the second quarter of 2013 was reported as EUR 40.8 mn, 28.1% higher than last year. In local currency EBITDA comparable rose 54.5% year-on-year. A considerable reduction in depreciation and amortisation boosted the operating result, which more than doubled to EUR 18.9 mn versus the previous year.

Segment Additional Markets

Slovenia

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	48.4	49.8	−2.7%
EBITDA comparable	15.1	14.4	5.4%
EBITDA incl. effects from restructuring and impairment tests	15.1	14.4	5.4%
EBIT	9.1	9.2	−1.5%

	Q2 2013	Q2 2012	% change
ARPU (in EUR)	20.8	21.6	−3.9%
Mobile communication subscribers (in '000)	672.5	646.0	4.1%
Market share	29.9%	29.9%	
Contract share	77.5%	76.0%	
Mobile broadband subscribers (in '000)	19.4	17.4	11.4%
Market penetration - total market	107.7%	105.7%	

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

In the second quarter of 2013 Si.mobil continued to weather the pressures exerted by the macroeconomic slowdown and competitive landscape in Slovenia. Mobile subscriber growth remained positive in the quarter, driven mainly by the successful contract segment, now at 77.5% of total subscribers. The no-frills segment continued to form a successful element of Si.mobil's multibrand strategy and more than tripled subscribers versus Q2 2012. Si.mobil also successfully maintained its market share of almost 30%.

While the contract segment supported an increase in monthly fee and traffic revenues, reduced equipment revenues resulting from fewer replaced handsets, as well as lower interconnection revenues and visitor roaming constituted a drag on total revenues, which came down 2.7% year-on-year to EUR 48.4 mn. The fall in interconnection revenues was mainly due to reduced transit business as well as lower average prices after the termination rate cuts in July 2012 and January 2013. Average revenue per user also fell to EUR 20.8, primarily driven by the reduction in interconnection.

On a positive note, operating expenses also fell by EUR 2.2 mn versus the same period last year. The reduction was the result of lower interconnection, material and IT maintenance costs, while an increase in full-time employees slightly raised personnel costs. As a result, EBITDA comparable climbed 5.4% to EUR 15.1 mn in Q2 2013, accompanied by a margin improvement of 2.4 percentage points to 31.3%.

Due to the higher depreciation of equipment, the EBITDA comparable growth did not, however, filter through to the operating result, which was largely flat.

Republic of Serbia

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	44.7	38.2	16.9%
EBITDA comparable	15.8	11.4	38.0%
EBITDA incl. restructuring and impairment test	15.8	11.4	38.0%
EBIT	–2.3	–5.2	n.m.

	Q2 2013	Q2 2012	% change
ARPU (in EUR)	7.4	7.1	4.4%
Mobile communication subscribers (in '000)	1,908.1	1,686.8	13.1%
Market share*	20.6%	16.5%	
Contract share	49.5%	45.3%	
Market penetration - total market	128.6%	139.1%	

*2.4 percentage points of this increase were due to competitor restatements of subscriber numbers.

In the Republic of Serbia Vip mobile booked another successful quarter in pursuit of value generation through its focus on the contract segment. The number of total subscribers continued to grow both in year-on-year and quarter-on-quarter terms to over 1.9 mn, primarily driven by a significant increase in contract subscribers, which now constitute almost half of Vip mobile's subscriber base.

The higher number of fixed-fee subscribers helped monthly fees and revenues, but was not the only factor driving the 16.9% year-on-year revenue increase to EUR 44.7 mn. Higher interconnection revenues also contributed significantly, with higher usage and a larger subscriber base outweighing the effects of a termination rate cut in January 2013. Another step-down is expected for early 2014. The increase in the contract share was also reflected in an improvement of average revenue per user to EUR 7.4, versus EUR 7.1 in Q2 2012.

EBITDA comparable grows EUR 4.4 mn year-on-year driven by 16.9 % revenue growth

With strict cost management ongoing, including efforts to minimise foreign currency exposure in its cost base, Vip mobile managed to limit the increase in operating expenses to only EUR 1.8 mn in the second quarter of 2013. Increased interconnection costs were partly offset by lower marketing expenses resulting from reduced trade marketing and media spending. Such efforts were reflected in another EBITDA comparable improvement of EUR 4.4 mn year-on-year to EUR 15.8 mn.

Furthermore, Vip mobile reduced its operating loss by almost three million to EUR 2.3 mn in the first quarter of 2013, despite a higher depreciation and amortisation charge.

The Serbian dinar fell 1.9% versus the Euro over the course of Q2 2013, but was slightly stronger versus the same period last year. Consequently, the positive effect from foreign exchange translations amounted to EUR 0.6 mn on total revenues and EUR 0.2 mn on EBITDA comparable.

Republic of Macedonia

Key Performance Indicators

in EUR million	Q2 2013	Q2 2012	% change
Revenues	16.5	14.6	12.9%
EBITDA comparable	3.3	2.5	32.8%
EBITDA incl. effects from restructuring and impairment tests	3.3	2.5	32.8%
EBIT	1.3	0.3	267.2%

	Q2 2013	Q2 2012	% change
ARPU (in EUR)	8.2	7.5	9.0%
Mobile communication subscribers (in '000)	620.9	600.8	3.3%
Market share	28.0%	26.0%	
Contract share	45.1%	39.5%	
Market penetration - total market	107.9%	112.9%	

Double-digit revenue growth of 12.9% year-on-year

In Macedonia Vip operator continued to focus on the consolidation of its operations in a strongly contested market. The company was able to defend its year-on-year market share increase from the first quarter. Nevertheless, the contraction of the mobile market – visible in the reduced mobile market penetration rate – continued to show in subscriber numbers. The latter fell from their peak at year-end 2012 to approximately 620,900 at the end of Q2 2013, still a plus of 3.3% in a year-on-year comparison.

While new regulation on prepaid SIM registration hampered growth in the prepaid segment, leading to negative net additions, the contract segment performed well in the second quarter of 2013. Strong efforts to focus on the growth of the high-value segment helped accelerate contract share growth to 45.1%, more than 5 percentage points above the contract share in the second quarter of 2012.

The above led to an improvement in average revenue per user of over 9.0% year-on-year to EUR 8.2, which in turn drove monthly fee and traffic revenues higher. Together with higher interconnection revenues resulting from a higher number of users as well as minutes of use (MoU) per user, these effects generated revenue growth of 12.9% versus the same quarter last year, to EUR 16.5 mn.

Higher interconnection costs were mostly to blame for higher operating expenses this quarter, but material expenses also increased. However, lower marketing expenses resulting from joint vendor advertising (e.g. with handset vendors), as well as lower costs for national roaming and higher roaming discounts, supported EBITDA comparable growth of 32.8% year-on-year to EUR 3.3 mn, with an improved EBITDA comparable margin of 20.2%.

As depreciation remained largely stable, the operating result was also EUR 0.9 mn higher than the corresponding figure for the same period last year.

Consolidated Net Income

The financial result improved from EUR -55.1 mn in Q2 2012 to EUR -42.8 mn in Q2 2013, mainly as a result of lower interest expense versus the second quarter of 2012. This was primarily due to refinancing activities and positive interest rate effects, as well as a reduction of the discount rate applied to the calculation of the restructuring provision.

Income tax expenses increased slightly to EUR 10.2 mn in Q2 2013 from EUR 9.9 mn in Q2 2012. Overall, net income increased by 54.2% to EUR 52.5 mn in the second quarter of 2013 versus the same quarter last year.

Cash Flow

Cash flow from operations practically stable

Cash flow in EUR million	Q2 2013	Q2 2012	% change
Cash flow from operating activities	302.2	282.8	6.9%
Cash flow from investing activities	–96.0	–849.6	n.m.
Cash flow from financing activities	–91.8	248.9	n.m.
Effect of exchange rate changes	–4.5	–0.5	n.m.
Monetary loss on cash and cash-equivalents	0.2	–0.1	n.m.
Net increase / decrease in cash and cash equivalents	**110.3**	–318.5	n.m.

In the second quarter of 2013 cash flow from operating activities increased 6.9% to EUR 302.2 mn versus Q2 2012. The cash outflow from working capital of EUR 21.3 mn in Q2 2012 turned to a cash inflow of EUR 2.9 mn in the second quarter of 2013. The change in working capital over the second quarter of 2013 was mostly a consequence of an increase in accounts payable as well as a reduction in prepaid expenses and other assets, the positive effects of which were partly mitigated by an increase in accounts receivable and the use of provisions recorded in Q2 2012.

The cash outflow from investing activities fell to EUR 96.0 mn in the second quarter of 2013 versus EUR 849.6 mn in the second quarter of 2012, mainly as a result of reduced purchase of investments, which in the second quarter of 2012 reflected the short-term investment of Eurobond issue proceeds.

Conversely, the cash inflow from financing activities in the second quarter of 2012, resulting from the issuance of the EUR 750 mn Eurobond in April 2012, turned to a cash outflow of EUR 91.8 mn in the second quarter of 2013, also resulting from lower interest and dividend payments.

In summary, cash and cash equivalents increased by EUR 110.3 mn in the first quarter of 2013, versus a fall of EUR 318.5 mn in the second quarter of 2012.

Capital Expenditures

Capital expenditures in EUR million	Q2 2013	Q2 2012	% change
Austria	122.4	121.2	0.9%
Bulgaria	12.7	16.2	–21.4%
Croatia	14.7	16.8	–12.9%
Belarus	7.3	7.4	–0.6%
Additional Markets	19.3	23.5	–17.8%
Corporate & Other, Eliminations	0.0	0.0	n.a.
Total capital expenditures	**176.4**	185.1	–4.7%
thereof tangible	122.2	154.0	–20.7%
thereof intangible	54.2	31.2	74.0%

Total capital expenditures fell 4.7%

In the second quarter of 2013 Group capital expenditure fell 4.7% to EUR 176.4 mn versus the second quarter last year.

In Austria the acquisition of collocation rights for base stations from Orange Austria added EUR 14.0 mn to intangible CAPEX in the second quarter of 2013, while tangible CAPEX was EUR 21.1 mn lower than in the second quarter of 2012 stemming from the effects of the Giganet rollout in the second quarter last year. In sum Austrian CAPEX increased by 0.9% in the second quarter of 2013 compared to the same period last year.

In Bulgaria lower mobile and fixed-line asset investments relating to rollout and modernisation works, as well as lower IPTV and IT infrastructure spend, effected a reduction in CAPEX of 21.4% year-on-year. Croatia saw a 12.9% reduction in CAPEX versus last year, as higher radio access investments and fixed net spending were more than offset by a reduction in infrastructure versus Q2 2012. While capital expenditures in Belarus remained at the same level as last year, the Additional Markets segment posted a significant CAPEX decline. The latter was primarily due to significant prior year investments in tangible assets, as well as lower IT spending, 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 444 to 16,352 full-time employees (FTEs) by 30 June 2013 compared to 30 June 2012. This change can be explained by the outsourcing of services in Bulgaria, which reduced the Bulgarian headcount by 320 FTEs, as well as a reduction of 75 FTEs in both Belarus and Austria. The latter was part of the continued Austrian restructuring effort. Notable net additions took place only in Slovenia.

Headcount reduced by 444 full-time employees, primarily resulting from Bulgarian outsourcing

Personnel (full-time equivalent) End of period	30 June 2013	30 June 2012	% change
Austria	9,225	9,300	–0.8%
International Operations	6,975	7,340	–5.0%
Total	**16,352**	16,797	–2.6%

Personnel (full-time equivalent) Average of period	Q2 2013	Q2 2012	% change
Austria	9,234	9,308	–0.8%
International Operations	7,029	7,443	–5.6%
Total	**16,418**	16,908	–2.9%

Other and Subsequent Events

For details on other and subsequent events please refer to page 41.

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 percentage changes >300% and others which are not meaningful.

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

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Profit or Loss

in EUR million, except per share information	Q2 2013 unaudited	Q2 2012 unaudited	1–6 M 2013 unaudited	1–6 M 2012 unaudited
Operating revenues	1,043.2	1,063.2	2,092.3	2,118.3
Other operating income	19.2	20.8	35.8	37.8
Operating expenses				
Materials	–124.4	–93.5	–255.5	–196.0
Employee expenses, including benefits and taxes	–212.7	–205.4	–425.9	–416.9
Other operating expenses	–395.0	–420.4	–779.5	–817.0
EBITDA comparable	**330.3**	**364.8**	**667.2**	**726.2**
Restructuring	–4.9	–6.6	–7.6	–11.1
Impairment and reversal of impairment	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**325.4**	**358.2**	**659.6**	**715.1**
Depreciation and amortisation	–219.9	–259.0	–436.3	–504.0
Operating result	**105.5**	**99.1**	**223.3**	**211.1**
Financial result				
Interest income	4.4	5.6	8.1	9.5
Interest expense	–51.0	–62.8	–102.3	–120.1
Foreign exchange differences	3.6	2.1	3.4	4.3
Other financial result	0.0	–0.4	0.0	–0.5
Result from investments in affiliates	0.0	0.4	0.1	0.2
Earnings before income taxes	**62.7**	**44.0**	**132.6**	**104.5**
Income taxes	–10.2	–9.9	–24.6	–23.6
Net Result	**52.5**	**34.0**	**108.0**	**80.9**
Attributable to:				
Owners of the parent	44.0	34.0	94.1	80.8
Non-controlling interests	0.1	0.1	0.1	0.1
Hybrid capital owners	8.4	0.0	13.8	0.0
Basic and fully diluted earnings per share	**0.10**	**0.08**	**0.21**	**0.18**
Weighted-average number of ordinary shares outstanding	**442,563,969**	**442,563,969**	**442,563,969**	**442,563,969**

Condensed Statements of Comprehensive Income

in EUR million	Q2 2013 unaudited	Q2 2012 unaudited	1–6 M 2013 unaudited	1–6 M 2012 unaudited
Net Result	**52.5**	34.0	108.0	80.9
Items that may be reclassified to profit or loss				
Unrealised result on securities available-for-sale	–0.1	–0.3	–0.1	0.2
Income tax (expense) benefit	0.0	0.1	0.0	0.0
Realised result on securities available-for-sale	0.0	0.5	0.1	0.5
Income tax (expense) benefit	0.0	–0.1	0.0	–0.1
Unrealised result on hedging activities	–0.6	–10.5	0.4	–13.8
Income tax (expense) benefit	0.1	2.6	–0.1	3.4
Foreign currency translation adjustment	–2.8	–12.4	0.9	–32.1
Items that are not reclassified to profit or loss				
Actuarial gains (losses)	–0.7	0.0	–1.3	0.0
Income tax (expense) benefit	0.2	0.0	0.3	0.0
Other comprehensive income (loss)	**–3.8**	–20.2	0.3	–41.9
Total comprehensive income (loss)	**48.7**	13.9	108.2	39.0
Attributable to:				
Owners of the parent	40.2	13.8	94.3	39.0
Non-controlling interests	0.1	0.1	0.1	0.1
Hybrid capital owners	8.4	0.0	13.8	0.0

Condensed Consolidated Statements of Financial Position

in EUR million	30 June 2013 unaudited	31 Dec. 2012 audited
ASSETS		
Current assets		
Cash and cash equivalents	530.8	600.8
Short-term investments	427.5	85.1
Accounts receivable - trade, net of allowances	757.7	746.9
Receivables due from related parties	0.0	0.0
Inventories	162.2	152.9
Prepaid expenses	126.3	106.7
Income tax receivable	20.0	21.1
Non-current assets held for sale	0.8	0.9
Other current assets	94.8	94.8
Total current assets	**2,120.1**	**1,809.3**
Non-current assets		
Investments in associates	3.4	3.7
Financial assets long-term	5.1	7.9
Goodwill	1,583.1	1,289.5
Other intangible assets, net	1,570.5	1,522.6
Property, plant and equipment, net	2,357.8	2,426.4
Other non-current assets	24.0	30.8
Deferred tax assets	168.6	167.1
Total non-current assets	**5,712.5**	**5,447.9**
TOTAL ASSETS	**7,832.6**	**7,257.1**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	−1,056.0	−1,049.4
Accounts payable - trade	−543.6	−567.1
Current provisions and accrued liabilities	−287.2	−301.8
Payables to related parties	−11.6	−7.8
Income tax payable	−34.1	−37.2
Other current liabilities	−205.7	−195.1
Deferred income	−168.2	−163.7
Total current liabilities	**−2,306.3**	**−2,322.1**
Non-current liabilities		
Long-term debt	−2,785.5	−2,832.0
Employee benefit obligation	−168.3	−161.7
Non-current provisions	−898.2	−923.1
Deferred tax liabilities	−127.5	−115.2
Other non-current liabilities and deferred income	−18.3	−84.0
Total non-current liabilities	**−3,997.7**	**−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	119.2	236.1
Available-for-sale reserve	0.2	0.2
Hedging reserve	48.1	48.5
Translation adjustments	437.1	438.1
Equity attributable to equity holders of the parent	**−1,527.4**	**−818.0**
Non-controlling interests	−1.2	−1.1
Total stockholders' equity	**−1,528.6**	**−819.1**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,832.6**	**−7,257.1**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q2 2013 unaudited	Q2 2012 unaudited	1–6 M 2013 unaudited	1–6 M 2012 unaudited
Net Result	52.5	34.0	108.0	80.9
Adjustments to reconcile net result to operating cash flow				
Depreciation, amortisation, impairment and reversal of impairment	219.9	259.0	436.3	504.0
Employee benefit obligation - non-cash	3.3	3.4	5.3	7.5
Bad debt expenses	11.3	13.2	23.4	26.0
Change in deferred taxes	−2.9	1.3	1.1	8.0
Equity in earnings of affiliates	0.0	−0.4	0.2	−0.2
Share-based compensation	1.1	0.0	−0.7	0.1
Change in asset retirement obligation - non-cash	2.0	2.1	3.8	4.3
Provision for restructuring - non-cash	9.4	9.5	16.8	19.0
Result on sale of investments	0.0	0.5	0.1	0.5
Result on disposal / retirement of equipment	−0.4	1.7	0.4	2.4
Gain on monetary items - non cash	0.4	−1.2	0.2	−3.3
Other	2.8	−18.9	1.6	−18.1
Gross cash flow	**299.4**	**304.1**	**596.5**	**631.0**
Accounts receivable - trade	−34.7	−88.0	−29.1	−41.4
Inventories	1.7	−0.8	−8.1	15.7
Prepaid expenses and other assets	22.9	4.0	−9.6	−21.0
Accounts payable - trade	36.2	62.2	−29.5	−80.3
Employee benefit obligation	0.0	−1.0	−0.1	−2.3
Provisions and accrued liabilities	−31.7	−11.2	−60.4	−51.8
Other liabilities and deferred income	2.9	14.0	30.6	30.5
Payables due to related parties	5.6	−0.4	3.8	−5.2
Changes in assets and liabilities	2.9	−21.3	−102.5	−155.7
Cash flow from operating activities	**302.2**	**282.8**	**494.0**	**475.3**
Capital expenditures	−176.4	−185.1	−325.4	−330.9
Acquisitions of subsidiaries, net of cash acquired	−2.8	0.0	−328.4	0.0
Sale of subsidiary, net of cash disposed	0.0	0.0	0.0	0.0
Sale of property, plant, equipment and intangible assets	2.7	0.8	3.8	2.1
Purchase of investments	0.0	−672.0	−504.5	−672.0
Sale of investments	80.6	6.8	165.9	169.2
Cash flow from investing activities	**−96.0**	**−849.6**	**−988.6**	**−831.6**
Proceeds from issuance of long term debt	0.0	738.4	0.0	738.4
Principal payments on long-term debt	−4.0	−324.0	−4.0	−324.0
Changes in short-term borrowings	−0.5	35.6	−39.1	−8.7
Issuance of hybrid bond	0.0	0.0	588.2	0.0
Dividends paid	−22.1	−168.2	−22.2	−168.2
Settlement of derivative financial instruments	−65.1	0.0	−65.1	0.0
Deferred consideration paid for business combinations	0.0	−32.9	−29.3	−32.9
Cash flow from financing activities	−91.8	**248.9**	**428.6**	**204.6**
Effect of exchange rate changes	−4.5	**−0.5**	**−3.4**	**−1.1**
Monetary loss on cash and cash equivalents	**0.2**	**−0.1**	**−0.6**	**−0.6**
Change in cash and cash equivalents	**110.3**	**−318.5**	**−70.0**	**−153.4**
Cash and cash equivalents at beginning of period	420.5	625.0	600.8	460.0
Cash and cash equivalents at end of period	530.8	306.6	530.8	306.6

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	107.8	0.0	107.8	0.1	108.0
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	−1.0	1.3	0.3	0.0	0.3
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**106.8**	**1.3**	**108.1**	**0.1**	**108.2**
Distribution of dividends	0.0	0.0	0.0	0.0	−18.7	0.0	−18.7	0.0	−18.7
Hyperinflation adjustment	0.0	0.0	0.0	0.0	28.8	0.0	28.8	0.0	28.8
Issuance of hybrid capital	0.0	0.0	0.0	591.2	0.0	0.0	591.2	0.0	591.2
Balance at 30 June 2013	**966.2**	**−8.2**	**582.9**	**591.2**	**−119.2**	**−485.4**	**1,527.4**	**1.2**	**1,528.6**

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	80.8	0.0	80.8	0.1	80.9
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	−41.9	−41.9	0.0	−41.9
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	80.8	−41.9	39.0	0.1	39.0
Distribution of dividends	0.0	0.0	0.0	0.0	−168.2	0.0	−168.2	0.0	−168.2
Hyperinflation adjustment	0.0	0.0	0.0	0.0	61.2	0.0	61.2	0.0	61.2
Balance at 30. Juni 2012	966.2	−8.2	582.9	0.0	−251.4	−480.8	808.7	1.0	809.7

The tax benefit relating to the amount of interest attributable to hybrid bond owner is included in distribution of dividends in 2013

Net Debt

in EUR million	30 June 2013 unaudited	31 Dec. 2012 audited
Long-term debt	2,785.5	2,832.0
Short-term borrowings	1,057.9	1,078.6
Cash and cash equivalents and short-term investments	−958.3	−685.9
Long-term investments and finance lease receivables	−28.6	−29.5
Derivative financial instruments for hedging purposes	−13.2	53.6
Net debt*	**2,843.4**	3,248.9
Net debt/EBITDA comparable (last 12 months)	**2.0x**	2.2x

*As of 30 June 2013 the purchase price not yet paid related to the acquisition of SOBS is included in short-term borrowings.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.

Condensed Operating Segments

in EUR million (unaudited)	1–6 M 2013 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,335.3	196.1	184.2	162.8	213.9	0.0	0.0	2,092.3
Intersegmental revenues	10.1	2.7	6.0	0.0	6.2	0.0	−25.2	0.0
Total revenues	**1,345.5**	**198.8**	**190.2**	**162.8**	**220.1**	**0.0**	**−25.2**	**2,092.3**
Other operating income	40.6	1.2	4.3	2.5	3.4	12.0	−28.2	35.8
Segment expenses	−990.1	−117.7	−133.7	−85.0	−161.3	−26.4	53.3	−1,460.9
EBITDA comparable	**396.0**	**82.4**	**60.8**	**80.3**	**62.1**	**−14.4**	**0.0**	**667.2**
Restructuring	−7.6	0.0	0.0	0.0	0.0	0.0	0.0	−7.6
Impairment and reversal of impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA incl. effects from restructuring and impairment testing	**388.4**	**82.4**	**60.8**	**80.3**	**62.1**	**−14.4**	**0.0**	**659.6**
Depreciation and amortisation	−260.2	−47.2	−32.8	−44.4	−52.1	0.0	0.5	−436.3
Operating result	**128.2**	**35.2**	**28.0**	**35.9**	**10.0**	**−14.4**	**0.5**	**223.3**
Interest income	1.4	0.5	0.5	3.7	0.5	12.2	−10.7	8.1
Interest expense	−21.3	−1.5	−5.6	−0.9	−0.2	−83.4	10.6	−102.3
Result from investments in affiliates	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial result	−0.1	0.0	3.7	−0.2	0.0	124.7	−124.8	3.4
Earnings before income taxes	**108.3**	**34.1**	**26.5**	**38.6**	**10.3**	**39.1**	**−124.4**	**132.6**
Income taxes								−24.6
Net result								**108.0**
Segment assets	4,389.7	1,290.2	550.4	647.5	788.0	7,892.0	−7,725.1	7,832.6
Segment liabilities	−2,199.9	−176.5	−374.8	−45.5	−184.2	−4,719.1	1,396.0	−6,304.0
Capital expenditures - intangible	87.2	9.2	2.8	1.6	5.1	0.0	0.0	106.0
Capital expenditures - tangible	137.3	14.6	26.2	9.9	31.4	0.0	0.0	219.4
Total capital expenditures	**224.5**	**23.8**	**29.1**	**11.5**	**36.5**	**0.0**	**0.0**	**325.4**
EBITDA comparable margin	29.4%	41.4%	32.0%	49.3%	28.2%	n.a.	n.a.	31.9%

in EUR million (unaudited)	1–6 M 2012 Austria	Bulgaria	Croatia	Belarus	Additional Markets	Corporate & Other	Elimina-tions	Consoli-dated
External revenues	1,370.1	228.0	188.0	136.9	195.3	0.0	0.0	2,118.3
Intersegmental revenues	9.8	15.1	6.3	0.0	8.0	0.0	−39.2	0.0
Total revenues	**1,379.9**	**243.0**	**194.3**	**136.9**	**203.3**	**0.0**	**−39.2**	**2,118.3**
Other operating income	42.8	2.7	1.0	2.3	3.4	11.5	−26.0	37.8
Segment expenses	−960.5	−135.7	−134.5	−83.9	−153.2	−26.9	65.0	−1,429.9
EBITDA comparable	**462.2**	**110.0**	**60.8**	**55.3**	**53.5**	**−15.4**	**−0.1**	**726.2**
Restructuring	−11.1	0.0	0.0	0.0	0.0	0.0	0.0	−11.1
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	451.2	110.0	60.8	55.3	53.5	−15.4	−0.1	**715.1**
Depreciation and amortisation	−277.2	−96.4	−33.6	−47.6	−50.7	0.0	1.5	−504.0
Operating result	174.0	13.6	27.2	7.7	2.7	−15.4	1.3	**211.1**
Interest income	2.7	0.6	0.4	1.5	0.8	20.5	−17.1	9.5
Interest expense	−32.1	−3.9	−3.1	−1.5	−0.6	−96.1	17.1	−120.1
Result from investments in affiliates	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Other financial result	−0.9	−0.1	0.2	4.7	−0.5	187.2	−186.8	3.9
Earnings before income taxes	143.9	10.3	24.7	12.5	2.4	96.2	−185.4	**104.5**
Income taxes								−23.6
Net result								**80.9**
Segment assets	4,581.9	1,441.4	529.3	606.6	771.7	8,309.3	−8,525.3	7,714.9
Segment liabilities	−2,941.8	−271.6	−318.5	−52.9	−164.7	−5,835.8	2,678.5	−6,907.0
Capital expenditures - intangible	44.5	10.7	3.0	2.0	4.9	0.0	−0.2	64.9
Capital expenditures - tangible	170.4	28.7	27.1	10.5	29.3	0.0	0.0	266.1
Total capital expenditures	214.9	39.4	30.1	12.5	34.2	0.0	−0.2	**330.9**
EBITDA comparable margin	33.5%	45.3%	31.3%	40.4%	26.3%	n.a	n.a	34.3%

Results by Segments

in EUR million	Q2 2013 unaudited	Q2 2012 unaudited	% change	1–6 M 2013 unaudited	1–6 M 2012 unaudited	% change
Revenues						
Austria	665.4	673.6	–1.2%	1,345.5	1,379.9	–2.5%
Bulgaria	101.3	127.2	–20.3%	198.8	243.0	–18.2%
Croatia	98.1	101.8	–3.5%	190.2	194.3	–2.1%
Belarus	81.2	76.7	5.9%	162.8	136.9	18.9%
Additional markets	111.3	104.4	6.7%	220.1	203.3	8.3%
Corporate & Other & Eliminations	–14.2	–20.4	–30.1%	–25.2	–39.2	–35.8%
Total revenues	**1,043.2**	**1,063.2**	**–1.9%**	**2,092.3**	**2,118.3**	**–1.2%**
EBITDA comparable						
Austria	189.3	218.2	–13.3%	396.0	462.2	–14.3%
Bulgaria	43.0	60.9	–29.4%	82.4	110.0	–25.1%
Croatia	31.5	33.4	–5.6%	60.8	60.8	0.0%
Belarus	40.8	31.8	28.1%	80.3	55.3	45.1%
Additional markets	33.2	28.2	17.7%	62.1	53.5	16.2%
Corporate & Other & Eliminations	–7.5	–7.7	–2.8%	–14.4	–15.6	–7.2%
Total EBITDA comparable	**330.3**	**364.8**	**–9.5%**	**667.2**	**726.2**	**–8.1%**
EBITDA incl. effects from restructuring and impairment testing						
Austria	184.3	211.5	–12.9%	388.4	451.2	–13.9%
Bulgaria	43.0	60.9	–29.4%	82.4	110.0	–25.1%
Croatia	31.5	33.4	–5.6%	60.8	60.8	0.0%
Belarus	40.8	31.8	28.1%	80.3	55.3	45.1%
Additional markets	33.2	28.2	17.7%	62.1	53.5	16.2%
Corporate & Other & Eliminations	–7.5	–7.7	–2.8%	–14.4	–15.6	–7.2%
Total EBITDA incl. effects from restructuring and impairment testing	**325.4**	**358.2**	**–9.2%**	**659.6**	**715.1**	**–7.8%**
Operating result						
Austria	52.1	67.2	–22.4%	128.2	174.0	–26.3%
Bulgaria	19.8	12.0	64.9%	35.2	13.6	158.4%
Croatia	15.0	16.6	–9.4%	28.0	27.2	2.9%
Belarus	18.9	6.1	211.1%	35.9	7.7	367.2%
Additional markets	6.9	4.3	59.5%	10.0	2.7	267.1%
Corporate & Other & Eliminations	–7.3	–7.0	3.9%	–14.0	–14.1	–1.1%
Total operating result	**105.5**	**99.1**	**6.4%**	**223.3**	**211.1**	**5.8%**
EBITDA comparable margin						
Austria	28.4%	32.4%		29.4%	33.5%	
Bulgaria	42.4%	47.9%		41.4%	45.3%	
Croatia	32.1%	32.8%		32.0%	31.3%	
Belarus	50.2%	41.5%		49.3%	40.4%	
Additional markets	29.9%	27.1%		28.2%	26.3%	
EBITDA comparable margin total	**31.7%**	**34.3%**		**31.9%**	**34.3%**	

Capital Expenditures

in EUR million	Q2 2013 unaudited	Q2 2012 unaudited	% change	1–6 M 2013 unaudited	1–6 M 2012 unaudited	% change
Austria	122.4	121.2	0.9%	224.5	214.9	4.4%
Bulgaria	12.7	16.2	–21.4%	23.8	39.4	–39.5%
Croatia	14.7	16.8	–12.9%	29.1	30.1	–3.6%
Belarus	7.3	7.4	–0.6%	11.5	12.5	–8.0%
Additional markets	19.3	23.5	–17.8%	36.5	34.2	6.8%
Corporate & Other & Elimination	0.0	0.0	n.a.	0.0	–0.2	n.m.
Total capital expenditures	**176.4**	**185.1**	**–4.7%**	**325.4**	**330.9**	**–1.7%**
Thereof tangible	122.2	154.0	–20.7%	219.4	266.1	–17.5%
Thereof intangible	54.2	31.2	74.0%	106.0	64.9	63.3%

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

Basis of Presentation

The consolidated interim financial statements have been prepared 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 obligations and plan assets. As Telekom Austria Group does not have any plan assets only the requirement of the recognition of changes in defined benefit obligations 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 retained earnings as of 31 December 2012. Segment liabilities in Austria as of 30 June 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 half 2012 were not adjusted as the effect is not material.

The adjustments in retained earnings in the condensed consolidated statements of change in stockholders' equity are summarised in the following table:

in EUR million (unaudited)	Retained earnings
Balance at 1 January 2013 as previously reported	–219.1
Impact of changes in accounting policy	–17.1
Balance at 1 January 2013 adjusted	–236.2
Balance at 1 January 2012 as previously reported	–219.8
Impact of changes in accounting policy	–5.4
Balance at 1 January 2012 adjusted	–225.2

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 standards (IAS, IFRS) and interpretations (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 half 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 acquisitions include following assets:

- the mobile phone operator YESSS! Telekommunikation GmbH ("YESSS!"), which was conditional to merger control approval (by Telekom Austria AG)
- a company into which base stations of Orange Austria had been 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 22,5 million and net income of EUR 5,8 million.

On 17 June 2013, Telekom Austria AG acquired 100% of SOBS Base Stations GmbH ("SOBS"), the company into which the base stations had been demerged, for a total consideration of EUR 3.9 million, which equals net identifiable assets and liabilities. As of 30 June 2013 EUR 2.0 million of the consideration were paid in cash. SOBS was merged into A1 Telekom Austria AG, which had no impact on the consolidated financial statements.

Acquisiton of YESSS!, SOBS, OKI and Digi TV

in EUR millions (unaudited)	Fair values on acquisition
Property, plant and equipment	4.4
Intangible assets	59.2
Deferred tax assets	1.6
Other assets and receivables	6.6
Cash and cash equivalents	14.8
Deferred tax liabilities	–14.6
Accounts payable - trade and other liabilities	–18.1
Net identifiable assets and liabilities	**54.0**
Goodwill on acquisition	292.3
Gain resulting from bargain purchase	–1.1
Total purchase considerations	**345.2**
Purchase price not yet paid	–1.9
Cash acquired	–14.8
Net cash outflow	**328.4**

Not included in the above table are the following acquisitions of separate assets from Orange Austria which do not qualify as a business combination: In January and March 2013 A1 Telekom Austria AG acquired intellectual property rights and part of the frequencies from Orange Austria for a purchase consideration of EUR 23.0 million, which was paid in cash. Additionally, on 17 June 2013 A1 Telekom Austria AG closed the collocation agreement for a purchase price of EUR 14.0 million, which was paid in cash on 2 July 2013. 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. The remaining part of the frequencies will be acquired gradually.

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. A gain of EUR 1.1 million, recognised in other operating income, is mainly due to deferred tax assets on loss carry-forwards.

On 4 June 2013 100% of Optika Kabel Infrastruktura d.o.o. ("OKI"), a cable network provider, was acquired in the segment Croatia for a total consideration of EUR 0.8 million. This acquisition enables Vipnet to offer further convergent solutions in the fixed net business. The factors contributing to the goodwill of EUR 0.2 million are expected future earnings from the development of the customer base.

Acquisition-related costs for Digi TV and OKI recognised as expense amounted to EUR 0.1 million. Subsequent to the acquisition, Digi TV and OKI generated revenues amounting to EUR 0.4 million and a net loss of EUR 0.2 was contributed. The fair values of the assets acquired and liabilities assumed were determined based on the provisional allocation of the consideration transferred.

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.

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 date of acquisition in 2007 had been fulfilled. As of December 31, 2012 this consideration was recorded in other current liabilities.

On 20 June 2013 100% of Airwin Entertainment GmbH were sold in the segment Austria resulting in a loss of EUR 2.3 million which was recognised in other operating expenses.

Non-Current and Current Liabilities

In the first half 2013 no long term debt were issued or repaid. The decrease in long term debt is due to the shift of maturing long term debt to short term borrowings. This effect in short term borrowings was compensated by the payment of accrued interest.

The reduction of other non-current liabilities is due to the closing of the cash flow hedges relating to the three forward-starting-interest-rate-swap contracts (pre-hedges) on 28 May 2013. An amount of EUR 65.1 million was paid to the contractual partners. As of 28 May 2013 and 31 December 2012 the fair value of the pre-hedges amounted to EUR 64.2 million and EUR 64.6 million. The pre-hedges were accounted as cash flow hedge in equity. The relating hedging reserve will be recognised in profit or loss statement in accordance with the recognition of interest expense on the bond which was issued on 4 July 2013 as the interest rate risk on that bond was hedged. Termination cost in the amount of EUR 0.9 million were recorded in interest expense when incurred.

In 2010 the Telekom Austria Group has introduced a Long Term Incentive Program (LTI). At 6 May 2013 the Supervisory Board approved the fourth tranche (LTI 2013). Grant date will be 1 September 2013, the performance period is 1 January 2013 to 31 December 2015. Net income, total shareholder return and EBITDA were defined as key performance indicators. As of reporting date a liability for LTI 2013 measured at fair value for expected future expense which is already vested, in the amount of EUR 1.1 million is recorded.

Provisions and Accrued Liabilities

In May 2013 new social plans became effective in the segment Austria, providing for early retirement. Additions to the provision for the new social plans were partly compensated by the release of the provision for restructuring as employees having accepted the new social plans were already included in the provision for restructuring. The provision for restructuring amounting to EUR 795.0 million as of 31 December 2012 decreased to EUR 773.6 million as of 30 June 2013 mainly due to the usage of the provision, partly compensated by the accretion and additions mentioned above. In the first half 2013 a restructuring expense of EUR 5.6 million was recognized. No restructuring expense was recorded in the first half 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 35.4 million as of 30 June 2013 mainly due to the usage of the provision. In the first half 2013 and 2012 a restructuring expense of EUR 2.0 million and EUR 11.1 million, respectively, was recorded.

Income Taxes

The effective tax rate for the first half 2013 and 2012 was 18.6% and 22.6%. In the first half 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 41.1 million 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 net result attributable to hybrid capital owners is presented in the Condensed Consolidated Statements of Profit or Loss and equals interest, which has to be accrued in the statement of profit or loss according to local GAAP. The tax benefit resulting from the accrued interest for the first half 2013 of EUR 3.4 million is recognized in equity as "distribution of dividend" the consolidated financial statements according to IFRS.

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

Financial Instruments

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

30 June 2013 in EUR million	Carrying amount unaudited	Fair value unaudited
Cash and cash equivalents	**530.8**	**530.8**
Accounts receivable - trade	757.7	757.7
Other current financial assets	48.5	48.5
Other non-current financial assets	13.7	13.7
Loans and receivables	**819.9**	**819.9**
Long-term investments	4.6	4.6
Short-term investments	427.5	427.5
Available-for-sale investments	**432.1**	**432.1**
Investments at cost	**0.6**	**0.6**
Hedging instruments (fair value hedges)	13.2	13.2
Financial assets carried at fair value	**13.2**	**13.2**

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

30 June 2013 in EUR million	Carrying amount unaudited	Fair value unaudited
Liabilities to financial institutions	4.0	4.0
Bonds	2,434.6	2,785.2
Other current financial liabilities	120.6	120.6
Non-current liabilities to financial institutions	1,027.8	1,107.6
Other non-current liabilities	1.9	1.9
Accounts payable - trade	543.6	543.6
Payables due from related parties	11.6	11.6
Accrued interest	74.4	74.4
Financial liabilities at amortised cost	**4,218.5**	**4,648.9**
Bonds - hedged item	**300.8**	**300.0**

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 June 2013 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	6.4	425.6	0.0	432.0
Fair value hedges	0.0	13.2	0.0	13.2
Financial assets measured at fair value	**6.4**	**438.9**	**0.0**	**445.3**
Bonds - hedged item	0.0	300.8	0.0	300.8
Financial liabilities measured at fair value	**0.0**	**300.8**	**0.0**	**300.8**

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.

Bonds representing hedged items are reported in Level 2 as the fair value adjustment relating to the hedged risk (interest rate risk) is based on discounted cash flows using market data (interest curve). Therefore the carrying amount (includes fair value adjustment relating to the interest rate risk only) differs from the fair value (based on stock exchange quotations) reported in the table above.

Subsequent and Other Events

On 4 July 2013, Telekom Austria Group issued a Bond under the EMTN-Program with a face value of EUR 300.0 million, a maturity of ten years, and a coupon of 3,5%.

On 10 July 2013 Vip operator in Macedonian has obtained a 10 MHz paired frequency block (total of 20 MHz) of the 800 MHz spectrum and a 15 MHz paired block (total of 30 MHz) in the 1800 MHz spectrum for a total of EUR 10.3 million. The spectrum has a validity of 20 years. Vip operator has to ensure 70% population coverage of the Republic of Macedonia within six years from the date of its entrance into force. The acquisition of 800 MHz spectrum will enable provisioning of 4G LTE services, latest by 1 August 2014.

Statement of All Legal Representatives

Declaration of the Management Board according to § 87 Abs 1 Z 4 Börsegesetz

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the International Financial Reporting Standards (IFRS) and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 12 August 2013

The Management Board

Hannes Ametsreiter	Hans Tschuden
CEO Telekom Austria Group	CFO Telekom Austria Group