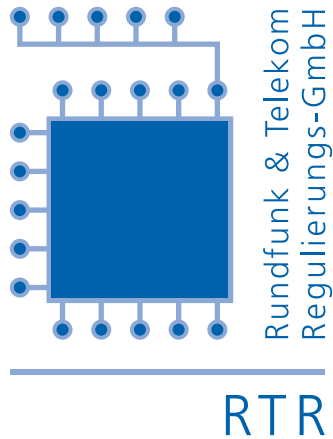


# RTR Telekom Monitor

Annual Review 2014



|  |           |
|--|-----------|
| <b>Preface</b>   | <b>5</b>  |
| <b>1   Mobile communications</b>                                   | <b>7</b>  |
| Mobile penetration   | 8         |
| Retail revenues from mobile communications                         | 9         |
| Call minutes on the retail market                                  | 10        |
| Text messages (SMS)  | 11        |
| Data volume (retail market)  | 12        |
| SIM cards in use   | 13        |
| The average SIM card   | 14        |
| Total mobile communications revenues                               | 15        |
| Porting of mobile telephone numbers                                | 16        |
| Market shares of mobile service providers in Austria               | 17        |
| Price index in mobile communications                               | 18        |
| Tables   | 19        |
| <b>2   Broadband</b>   | <b>23</b> |
| Fixed and mobile broadband connections                             | 24        |
| Broadband penetration  | 25        |
| Retail broadband connections by type of infrastructure             | 26        |
| Retail broadband connections by bandwidth category – fixed network | 27        |
| Number of retail broadband connections – fixed network             | 28        |
| Revenues from retail broadband connections – fixed network         | 29        |
| Unbundled lines of A1 Telekom Austria AG                           | 30        |
| Number of wholesale broadband connections                          | 31        |
| Revenues from wholesale broadband connections                      | 32        |
| Price index for broadband (hedonic)                                | 33        |
| Tables   | 34        |
| <b>3   Fixed network</b>   | <b>41</b> |
| Fixed lines  | 42        |
| Fixed-line penetration   | 43        |
| Development of fixed lines   | 44        |
| Carrier pre-selection and call-by-call customers                   | 45        |
| Retail revenues from access services                               | 46        |
| Retail revenues from carrier services 1/2                          | 47        |
| Retail revenues from carrier services 2/2                          | 48        |
| Call minutes on the retail market                                  | 49        |
| Revenues per call minute   | 50        |
| The average fixed-network subscriber                               | 51        |
| Wholesale revenues   | 52        |
| Wholesale market in minutes  | 53        |
| Total fixed-network revenues                                       | 54        |

|  |            |
|--|------------|
| Geographical numbers in use  | 55         |
| Service numbers in use: (0)800, (0)810, (0)820, (0)821, (0)828, (0)900, (0)930 | 56         |
| Ported geographical numbers and service numbers                                | 57         |
| Tables   | 58         |
| <b>4   Leased lines</b>  | <b>63</b>  |
| Number of retail leased lines in Austria                                       | 64         |
| Revenues from retail leased lines in Austria                                   | 65         |
| Revenues from terminating segments   | 66         |
| Number of terminating segments in Austria                                      | 67         |
| Tables   | 68         |
| <b>5   Comparisons across sectors</b>  | <b>71</b>  |
| Revenues from mobile, broadband, fixed and leased line services                | 72         |
| Real minutes in mobile and fixed networks                                      | 73         |
| <b>6   Business indicators</b>   | <b>75</b>  |
| Investments  | 76         |
| Employees in the telecommunications sector                                     | 77         |
| Tables   | 78         |
| <b>7   International comparisons</b>   | <b>79</b>  |
| Mobile penetration rate (2012 to 2013)   | 80         |
| Interconnection charges for termination in mobile networks                     | 81         |
| Average retail roaming charges for calls within the EU/EEA                     | 82         |
| Average retail SMS roaming charges within the EU/EEA                           | 83         |
| Average retail data roaming charges within the EU/EEA (per megabyte)           | 84         |
| Fixed broadband penetration  | 85         |
| Mobile broadband penetration   | 86         |
| Incumbent operator's share of broadband market                                 | 87         |
| Broadband lines by bandwidth   | 88         |
| Tables   | 89         |
| <b>8   Technology indicators</b>   | <b>93</b>  |
| Computers, Internet access and broadband in households                         | 94         |
| Networked Readiness Index – Austria  | 95         |
| Global Competitiveness Index   | 96         |
| Gross domestic expenditure on R&D  | 97         |
| Digital Economy and Society Index  | 98         |
| <b>9   Explanatory notes and glossary</b>                                      | <b>99</b>  |
| <b>Publishing information</b>  | <b>106</b> |



## Preface

### **Dear readers,**

I am pleased that this RTR Telekom Monitor will offer you again comprehensive data on the Austrian and European telecommunications markets. In contrast to the quarterly editions of the RTR Telekom Monitor, the Annual Review also includes selected international comparisons and evaluations of technology indicators, such as the Networked Readiness Index or the Digital Economy and Society Index.

I would like to underline – and this is illustrated in the first section on mobile communications – the outstanding position of the Austrian mobile communications market that is characterised by very high network coverage and very high usage.

In 2014, the mobile communications sector generated revenues of about EUR 2.5 billion, which is more than 60% of total sector revenues. Some 86% of all call minutes in Austria in the year under review were accounted for by mobile phones. Also, the data volume developed impressively, growing by about 50% from 110,700 to 166,000 terabytes in 2014. It can be assumed that data consumption will further increase enormously in the future, while formerly innovative services such as SMS and MMS will fall behind sharply, losing significance.

To be able to assess market and price developments we have designed the mobile communications price index. It shows how changes in tariffs for new customers affect the price level in mobile communications in Austria. We have published this index in the RTR Telekom Monitor since the beginning of 2014. It remains to be seen whether last year's trend towards price increases has stopped and what impact the market entry of MVNOs will have.

Mobile communications will continue to gain importance, also in view of the fact that expansion of networks in sparsely populated areas will be possible through the increased use of mobile broadband.

The whole sector is driven by rapid technological progress, enabling operators and service providers to develop new, innovative products for their customers. It will depend on the attractiveness of these products and services whether customers are willing to pay more for their usage, thus facilitating further profitable investments. The RTR Telekom Monitor will keep you updated.

We hope this publication makes interesting reading.

Johannes Gungl  
CEO Telecommunications and Postal Services  
Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR)

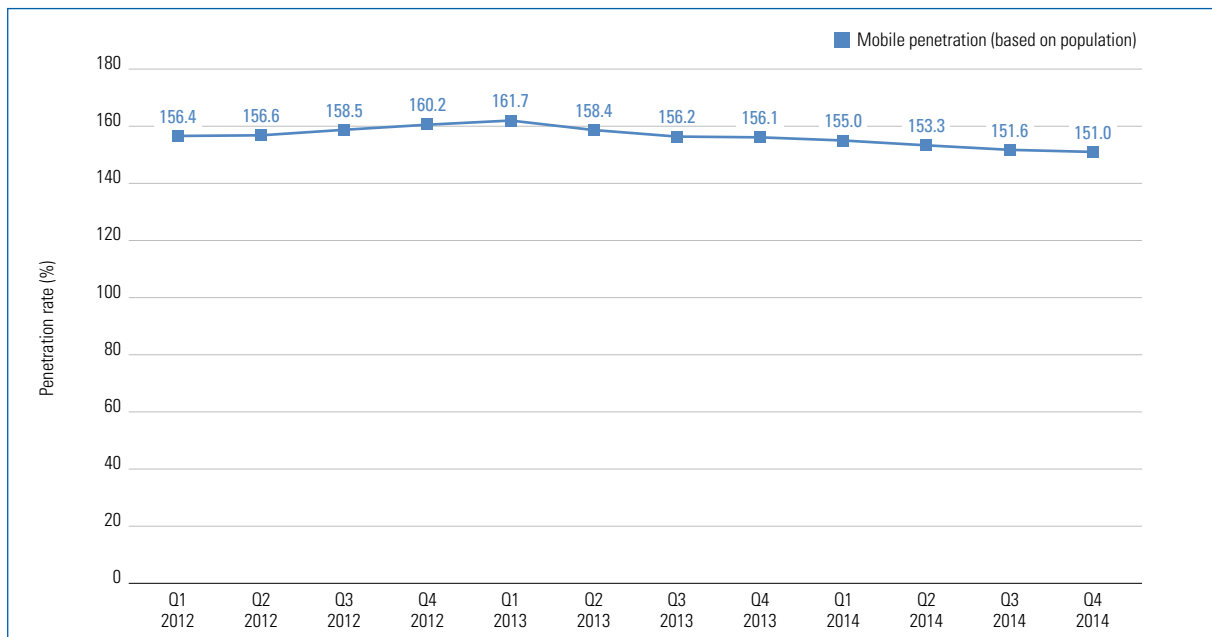


# 1 | Mobile communications



# Mobile penetration

## ➔ PENETRATION RATE DECLINED STEADILY IN 2014



Source for population figure: Statistics Austria

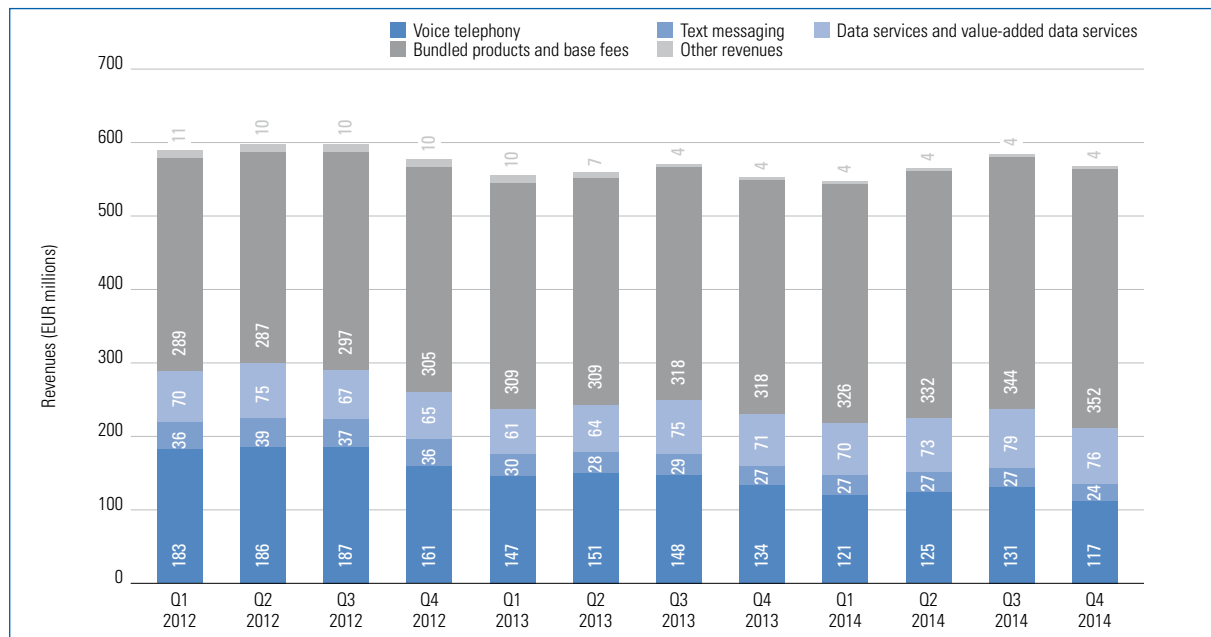
The mobile penetration rate is calculated as the number of activated SIM cards divided by the country's population. This figure therefore represents the (notional) average number of SIM cards owned by every inhabitant. However, it also includes both SIM cards used by businesses and machine-to-machine (M2M) SIM cards.

- In recent years, mobile penetration has declined slowly but steadily. At the beginning of 2013, it reached a peak at 161.7%, continuously falling from then onwards. At the end of 2014, the penetration rate was 151.0%, which means that, on average, one person owns about 1.5 SIM cards.
- The declining penetration rate is due to the fact that – apart from the country's increasing population – data cleansing was carried out by some operators in 2014.



# Retail revenues from mobile communications

## ➔ CLEAR RISE IN REVENUES IN THE COURSE OF THE YEAR



The chart above includes all revenues (base fees, activation charges, service charges, connection charges etc.) earned from (own) retail customers in Austria, including revenues earned from roaming. In line with the amendment to the KEV, mobile services revenues were classified in 2012 as follows:

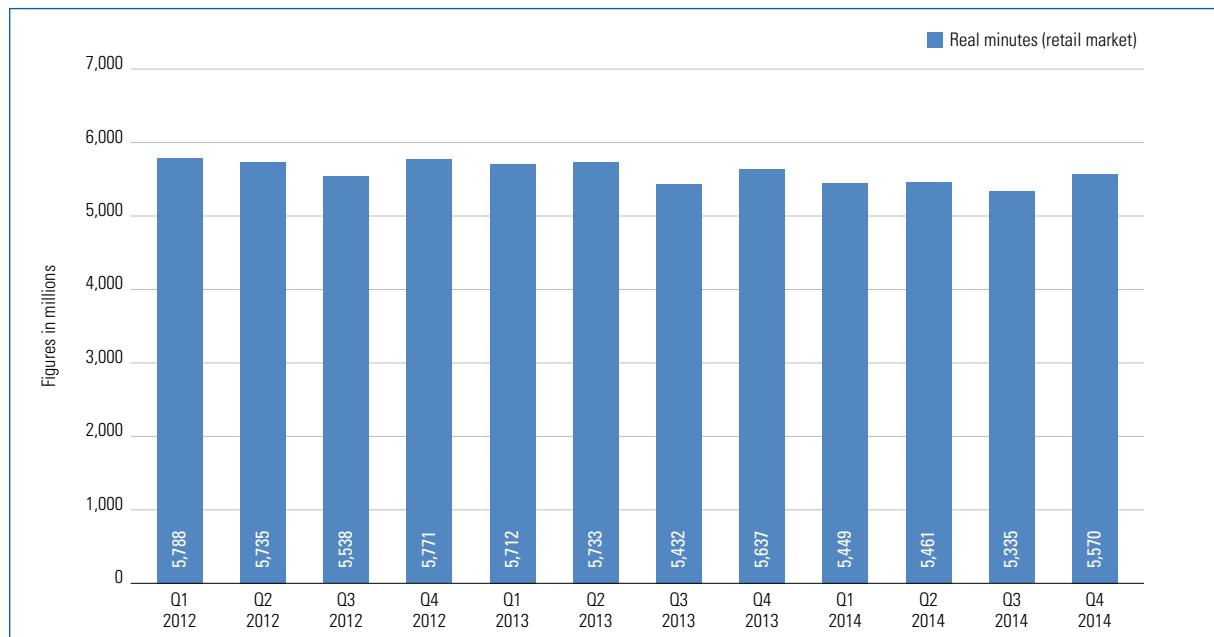
- Revenues clearly attributable to mobile voice telephony or value-added voice services;
- Revenues clearly attributable to text messaging and value-added text messaging services;
- Revenues clearly attributable to mobile data and value-added data services (including multimedia messages);
- Bundled products and base fees: revenues not clearly attributable to one of the aforementioned categories;
- Revenues from "bundled products and base fees" accounted for by data services (excluding text messages);\*
- Other revenues, e.g. reminder charges.

- In Q4 2014, mobile communications generated total revenues of EUR 573.3 million. This was an increase of 3.6% against Q4 2013.
- The rise in revenues was due to an increase in revenues from bundled products and base fees of 10.7% to EUR 352.0 million. At 61.4%, this revenue category also accounted for the largest proportion of total revenues.
- Revenues from data and value-added data services (excluding data revenues contained in bundled products) amounted to EUR 75.9 million at the end of 2014, which is up by 6.9% compared with the end of 2013.
- Revenues from voice services declined. At the end of 2014, they stood at EUR 116.7 million, i.e. down 12.6% on the end of 2013. Revenues from text messaging, too, dropped to EUR 24.3 million (down 9.2%).
- Other revenues were generated from other charges and increased by 12.1% to EUR 4.3 million compared with the end of 2013.
- In 2014, total annual revenues in mobile communications were EUR 2,263.0 million, which is an increase of 1.0% compared with 2013 revenues.

\*These are not shown separately in the chart; however, their share can be seen in the table at the end of the section.

## Call minutes on the retail market

### ➔ FEWER CALL MINUTES IN 2014 THAN IN 2013

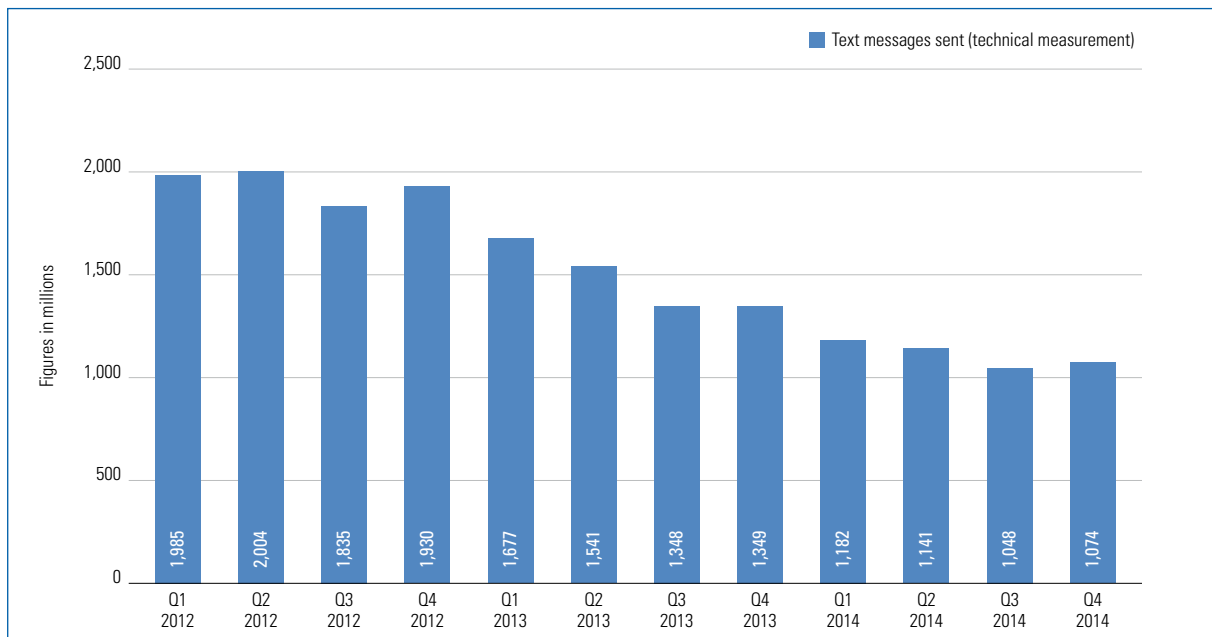


The chart above shows the actual call minutes (real minutes; see Glossary term “technical measurement”) on mobile networks. This includes minutes from voice telephony including value-added voice services, but not non-voice services, video telephony etc.

- In Q4, which is traditionally strong, the number of call minutes increased significantly again compared with Q3. Against the reference period of Q4 2013, however, 5.57 billion minutes mean a slight decline of 1.2%.
- A similar trend is seen if total minutes of both years are compared. While the number of minutes used still amounted to 22.5 billion in 2013, the figure was down by 3.1% at 21.8 billion minutes in 2014.

## Text messages (SMS)

### ➔ NUMBER OF TEXT MESSAGES NEARLY HALVED SINCE 2012

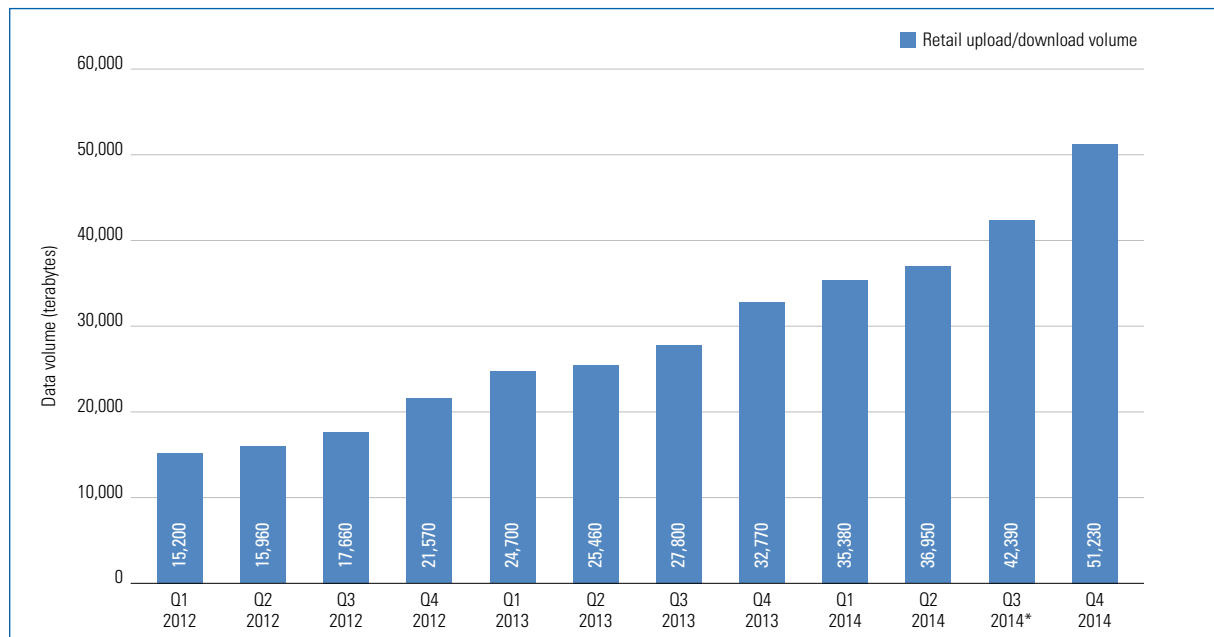


The chart above shows the number of text messages (technical measurement) sent in the respective quarters. For text messages, similar to call minutes, the term “technical measurement” means that the figure also includes text messages that are not charged individually to the retail customer (e. g. text messages included in the base fee or flat rate). Multimedia messages are not included in these figures.

- The trend away from text messages towards usage of data-based messaging services like WhatsApp or iMessage became apparent already in 2012, was clearly seen in 2013 and continued in 2014. At the end of 2014, some 1.07 billion text messages were sent. This figure is down by 20.4% against Q4 2013 and only somewhat more than half of that in Q4 2012.
- Year on year, 4.45 billion text messages in 2014 compared with some 5.92 billion in 2013 mean a decline of 24.9%.

## Data volume (retail market)

### ➔ UNABATED DATA GROWTH



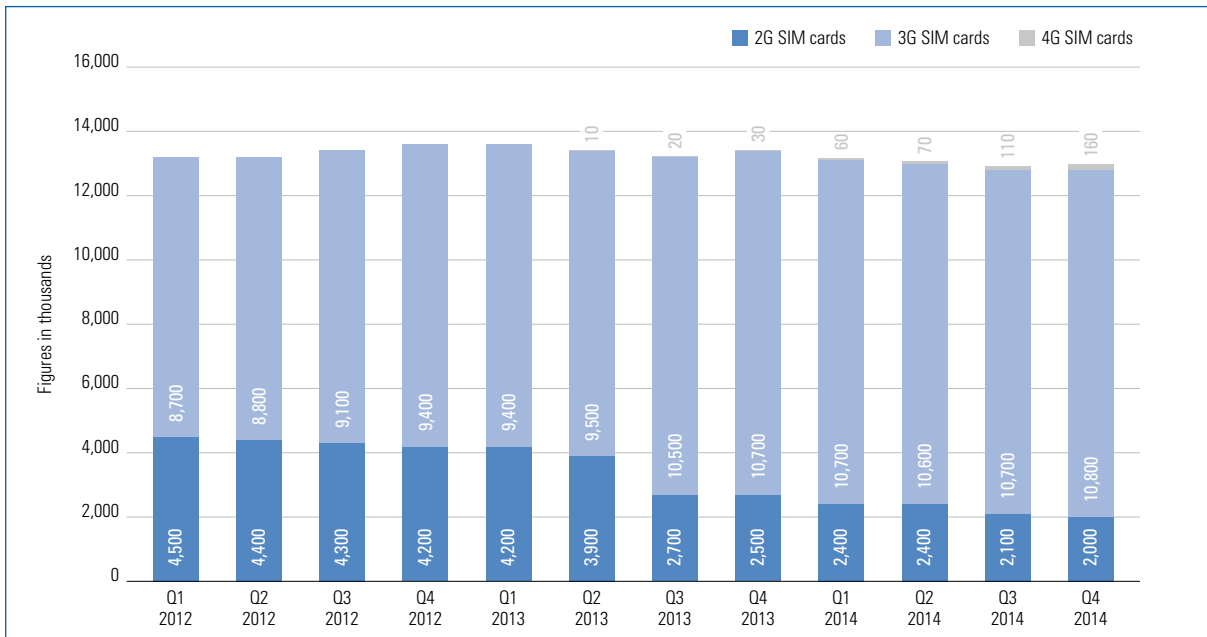
The chart above shows the data volume used for uplink and downlink transmissions on the retail mobile communications market in terabytes (1 terabyte = 1,024 gigabytes = 1,048,576 megabytes). These figures do not include text messages or multimedia messages.

- The data volume developed impressively, reaching a new peak in every quarter. For Q4 2014, it was 51,230 terabytes. Compared with the end of 2013, this was a rise in data volume of 56.3% and of even 137.5% against Q4 2012.
- There appears to be no end to this trend. On the contrary, due to LTE that is now becoming more widely used and the wide range of data-based applications available for mobile terminal devices, the data transfer volume is expected to increase even more significantly in the future.

\* Due to retrospective corrections the figures shown on this page vary by more than 5% from those in the last issue of the RTR Telekom Monitor.

# SIM cards in use

## ➔ NUMBER OF SIM CARDS DROPPED SLIGHTLY YEAR ON YEAR



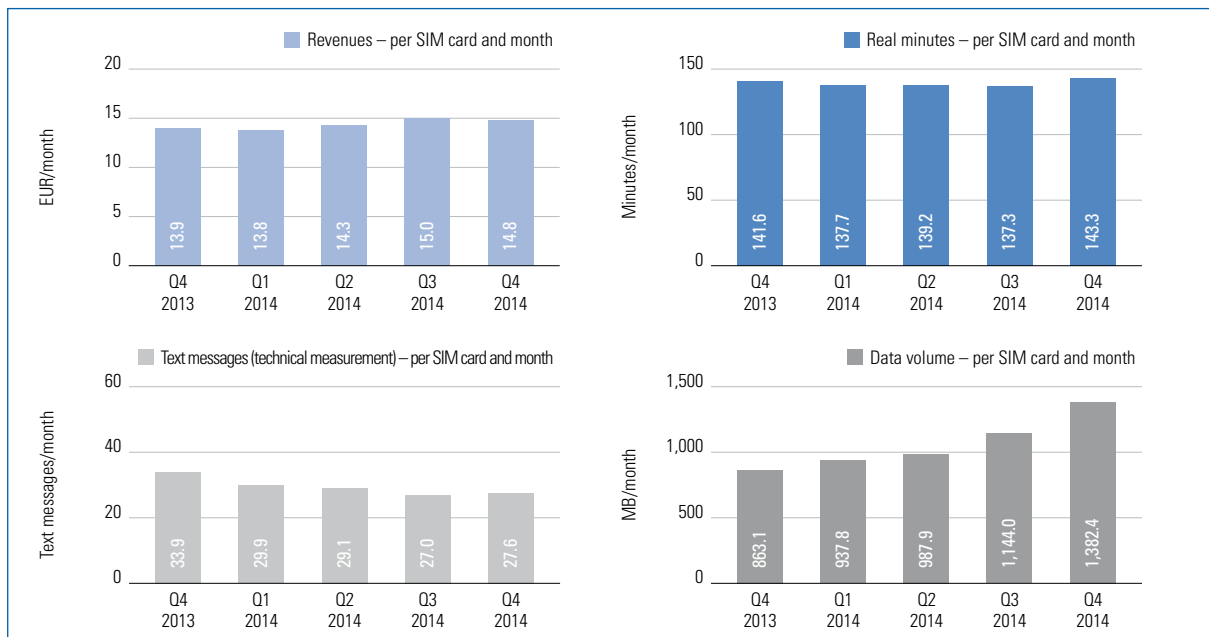
The chart above shows the number of SIM cards activated and in use, broken down into 2G (GSM), 3G (UMTS) and 4G (LTE) cards.

The breakdown of SIM cards into prepaid and postpaid customers can be found in the table at the end of the section.

- In Q4 2014, 12.95 million SIM cards were reported, which was a decrease of 2.4% against Q4 2013.
- This decrease was mostly recorded for 2G SIM cards (down 20.2%). In Q4 2014, about 15.7% of all SIM cards still corresponded to this old GSM standard.
- With an increase of 0.6% against the end of 2013, the number of 3G SIM cards remained practically unchanged, amounting to some 83.1% of all SIM cards in use.
- In contrast, the number of 4G SIM cards climbed almost fivefold within a year (from 32,900 to 162,000). However, at 1.3%, the share of these LTE enabled cards in all SIM cards is still very low.
- The share of machine-to-machine (M2M) SIM cards was 1.2% (close to 150,000 cards) at the end of 2014 (see table at the end of the section).

# The average SIM card

## ➔ ARPU ON THE RISE YEAR ON YEAR

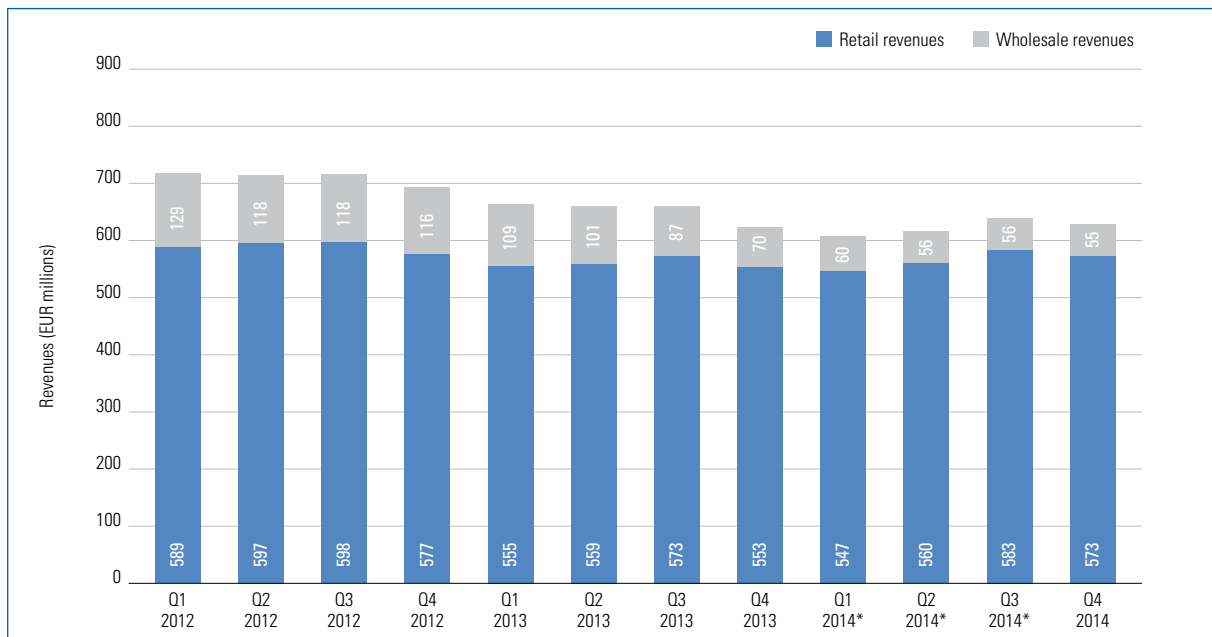


The charts show the average revenues generated (ARPU – Average Revenue per User), the average number of real minutes and text messages sent as well as the data volume used in megabytes per SIM card in an average month for each quarter. The values are therefore based on one-third of retail customer revenues, real minutes, number of text messages sent and data volumes of a quarter, divided by the total number of activated SIM cards (including mobile broadband cards and M2M SIM cards). The revenues per SIM card depicted shall not be interpreted as prices. Information on the price developments can be found in the price index for mobile communications at the end of the section.

- In Q4 2014, the ARPU was EUR 14.8 a month. Even though this value was slightly lower than in the previous quarter, it was up by 6.5% compared with the reference period of 2013. This higher ARPU was due to an increase in revenues (up 3.6%) on the one hand and a decrease in SIM cards (down 2.4%) on the other.
- At the end of 2014, on average 27.6 text messages per SIM card were sent. Compared with Q3, this constituted a slight rise; however, compared with the corresponding Q4 2013, this figure dropped sharply (down 18.6%).
- In the course of 2014, call minutes per SIM card developed constantly without any major fluctuations. Compared with the last quarter of 2013, the number of minutes per SIM card and month was up by about 1.2%.
- The data transfer volume was rising sharply, increasing on average by more than 60% against Q4 2013. At the end of 2014, 1,382.4 megabytes of data were thus used per SIM card and month.

# Total mobile communications revenues

## ➔ WHOLESALE REVENUES DOWN DUE TO TERMINATION DECISION



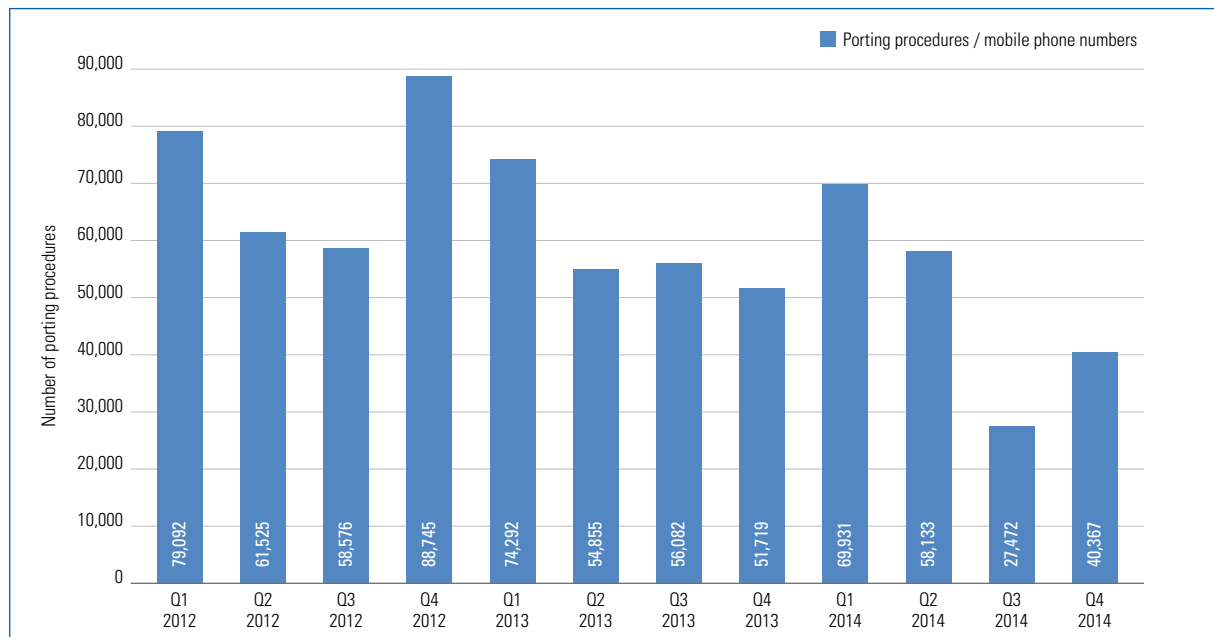
The chart above shows the revenues on the retail and wholesale markets. Retail revenues include all revenues (base fees, activation charges, service charges, connection charges etc.) earned from (own) retail customers in Austria, including revenues earned from roaming. Wholesale revenues are revenues from origination and termination charges, from selling airtime to resellers and revenues from national and international roaming (including MVNO access).

- Compared with 2013, total mobile services revenues remained almost unchanged. In Q4 2014, revenues amounted to EUR 628.2 million, which is up by 0.8% against the corresponding quarter of the previous year.
- Comparing Q4 2013 and Q4 2014, retail revenues increased by 3.6% (to EUR 573.3 million), whereas wholesale revenues dropped significantly (down 21.8% to EUR 54.9 million). This was due to the fact that by the Telekom-Control-Kommission (TKK) decision of 30 September 2013 termination charges were reduced as from November 2013 onwards, which led to a decline in wholesale revenues. This decline also continued at the beginning of 2014 but slowed down steadily in the course of the year.
- In 2014, retail customers generated total revenues of EUR 2.26 billion, i.e. up 1.0% against 2013. Wholesale revenues in 2014 amounted to EUR 226.5 million, down about 38.2% compared with 2013. Thus, in 2014, wholesale revenues accounted for only 9.1% of total mobile services revenues.

\*Due to retrospective corrections the figures shown on this page vary by more than 5% from those in the last issue of the RTR Telekom Monitor.

## Porting of mobile telephone numbers

### ➔ CONSIDERABLY FEWER PORTINGS IN 2014 THAN IN 2013



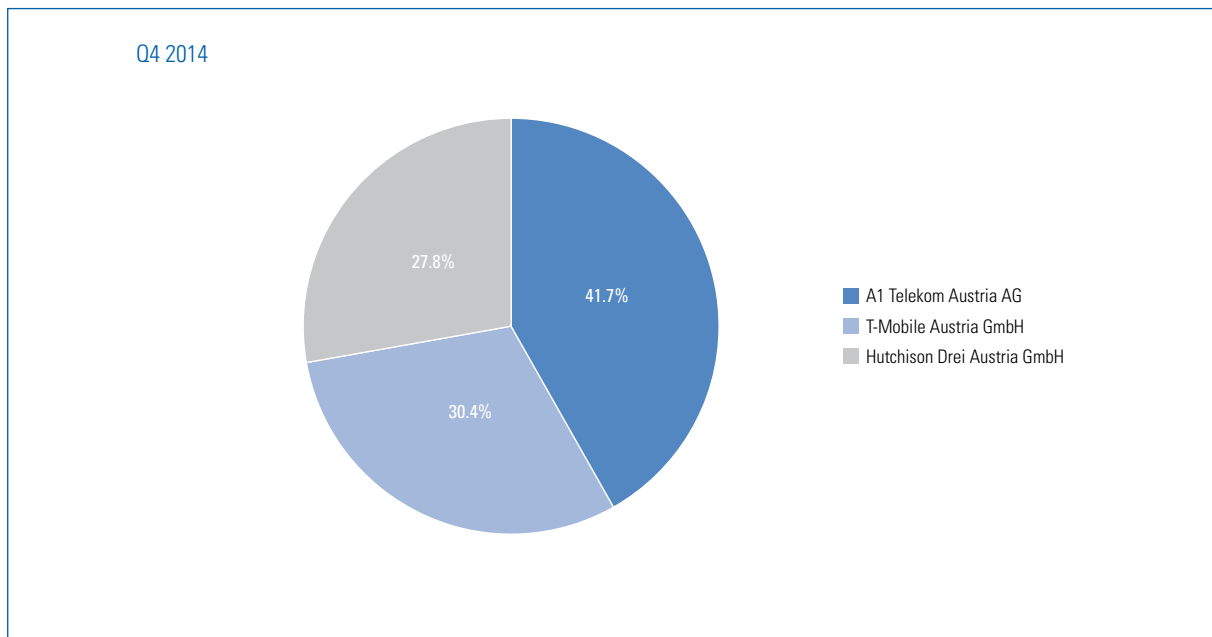
Number porting allows customers to retain their telephone numbers when they switch service providers. The chart above shows the porting procedures/imports of telephone numbers carried out for an operator in one quarter, i.e. SIM cards in the case of mobile operators and subscriber numbers on the fixed network. Reverse portings (e.g. after cancellation by a subscriber) are not considered as porting procedure. If the number of a subscriber is ported several times within a quarter ("subsequent porting"), this is counted separately each time.

- Porting procedures throughout 2014 did not follow a trend. In Q4 2014, 40,367 numbers were ported; this figure was higher by 46.9% than in the previous quarter. Compared with the last quarter of 2013, the number of porting procedures fell by 21.9%.
- In the course of 2014, 195,903 porting procedures were carried out; this is a decline of 17.3% against 2013.



# Market shares of mobile service providers in Austria

## → STABLE SITUATION ON THE MOBILE SERVICES MARKET



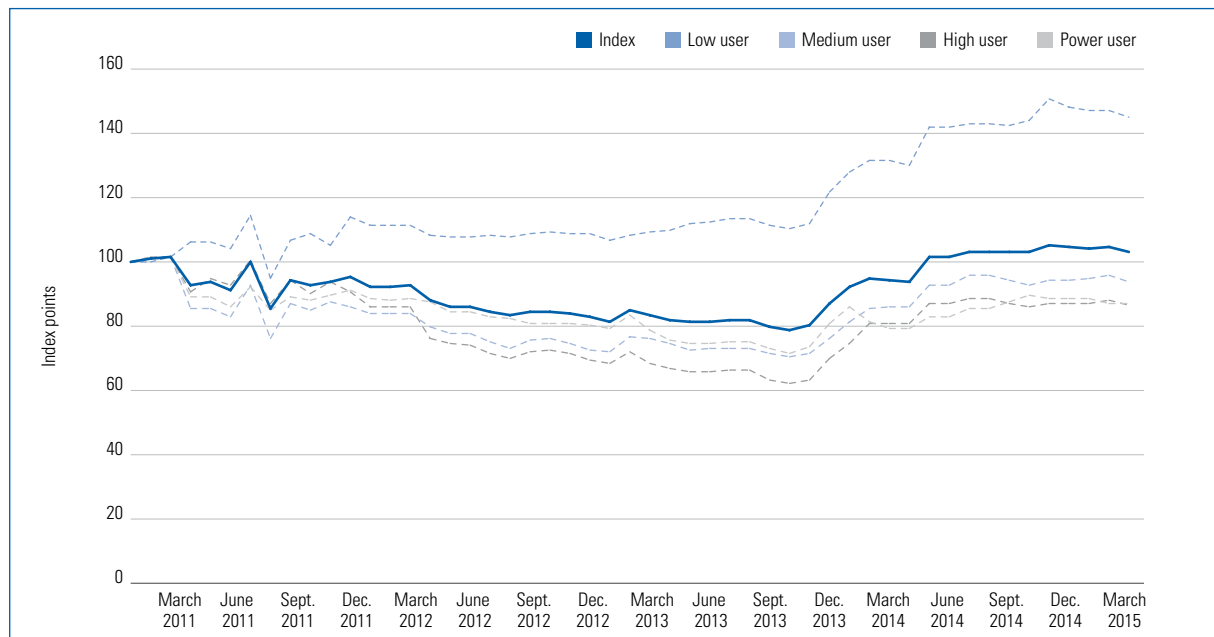
The chart above shows the market shares of mobile operators in Austria based on the number of their subscribers (number of SIM cards used).

Due to rounding differences the percentage total does not add up to exactly 100%.

- The market leader A1 Telekom achieved a market share of 41.7% (5.40 million customers) in Q4 2014. Against the last quarter of 2013, the market share dropped by 1.4 percentage points, which corresponds to some 317,400 SIM cards.
- The market share of T-Mobile was 30.4%, falling by 0.6 percentage points compared with the reference period. In absolute figures, this was a loss of 175,000 SIM cards.
- As a consequence, the market share of Hutchison, the third mobile operator, went up. A market share of 27.8% in Q4 2014 meant an increase of 2.0 percentage points against Q4 2013.

# Price index in mobile communications

## ➔ ATTRACTIVE NEW OFFERS FOR LOW USERS



For the calculation of the average monthly prices the tariff data published by the Austrian Chamber of Labour on a monthly basis are used and average prices are derived for four different user types: three of these user types are so-called "smartphone users" who use both voice and text messaging services as well as data services. The fourth user type (the low user) exclusively uses voice and text messaging services. Up to five of the respective most economical tariffs per brand are used (see Glossary).

In contrast to the other charts in the RTR Telekom Monitor, this chart does not show the price development on a quarterly but on a monthly basis. As data up to March 2015 are already available, they are also included in the chart.

- From December 2014 onwards, a price reduction was seen once again for all user types. The overall index dropped from 104.6 index points in December 2014 to 103.1 index points in March 2015. The prices for the low user registered the strongest decline, dropping by 3.4 index points.
- This decline is not least due to the market entry of HoT (Hofer Telekom) that has shuffled up the mobile telecommunications market with attractive offerings since 2 January 2015, initiating a trend reversal. The established discount brands Yesss!, Bob and Ge.org! already responded to the HoT offering and reduced their tariffs partly considerably.

## RETAIL REVENUES FROM MOBILE COMMUNICATIONS (PAGE 9)

|      |    | EUR             |                |   |                                |  |                |
|------|----|-----------------|----------------|---|--------------------------------|--|----------------|
|      |    | Voice telephony | Text messaging | Data services and value-added data services | Bundled products and base fees | Share of data services in bundled products | Other revenues |
| 2012 | Q1 | 183,393,113     | 35,977,945     | 69,922,551                                  | 289,241,172                    | 18.1%                                      | 10,792,583     |
|      | Q2 | 185,753,927     | 39,396,530     | 74,656,237                                  | 287,283,563                    | 17.5%                                      | 9,893,769      |
|      | Q3 | 186,634,996     | 37,213,168     | 66,780,985                                  | 297,115,537                    | 16.9%                                      | 10,132,284     |
|      | Q4 | 160,461,545     | 36,137,249     | 64,888,265                                  | 305,153,204                    | 16.5%                                      | 10,288,462     |
| 2013 | Q1 | 146,459,491     | 29,730,824     | 60,701,228                                  | 308,466,400                    | 16.5%                                      | 9,644,009      |
|      | Q2 | 150,603,221     | 28,444,167     | 64,444,548                                  | 308,550,091                    | 15.8%                                      | 6,851,369      |
|      | Q3 | 147,712,506     | 28,970,715     | 74,645,871                                  | 317,975,220                    | 16.3%                                      | 3,706,136      |
|      | Q4 | 133,526,449     | 26,827,217     | 71,040,035                                  | 317,931,169                    | 16.1%                                      | 3,837,465      |
| 2014 | Q1 | 120,631,986     | 26,777,086     | 70,131,480                                  | 325,475,670                    | 16.2%                                      | 3,520,683      |
|      | Q2 | 124,999,047     | 26,625,960     | 72,544,340                                  | 332,298,017                    | 16.2%                                      | 3,494,429      |
|      | Q3 | 130,688,351     | 26,727,094     | 78,453,031                                  | 343,834,578                    | 16.2%                                      | 3,557,355      |
|      | Q4 | 116,716,645     | 24,346,787     | 75,917,695                                  | 351,999,691                    | 15.9%                                      | 4,303,151      |

## CALL MINUTES ON THE RETAIL MARKET (PAGE 10)

|      |    | Real minutes  |
|------|----|---------------|
| 2012 | Q1 | 5,788,072,050 |
|      | Q2 | 5,734,784,353 |
|      | Q3 | 5,537,818,294 |
|      | Q4 | 5,771,290,667 |
| 2013 | Q1 | 5,711,663,968 |
|      | Q2 | 5,732,826,273 |
|      | Q3 | 5,431,953,366 |
|      | Q4 | 5,637,233,118 |
| 2014 | Q1 | 5,448,927,110 |
|      | Q2 | 5,461,038,011 |
|      | Q3 | 5,335,100,383 |
|      | Q4 | 5,569,638,361 |

## TEXT MESSAGES (PAGE 11)

|      |    | Text messages sent (technical measurement) |
|------|----|--|
| 2012 | Q1 | 1,984,876,550                              |
|      | Q2 | 2,003,805,415                              |
|      | Q3 | 1,835,394,527                              |
|      | Q4 | 1,929,827,033                              |
| 2013 | Q1 | 1,677,485,280                              |
|      | Q2 | 1,541,179,929                              |
|      | Q3 | 1,348,486,974                              |
|      | Q4 | 1,349,464,137                              |
| 2014 | Q1 | 1,182,412,903                              |
|      | Q2 | 1,141,435,245                              |
|      | Q3 | 1,047,778,887                              |
|      | Q4 | 1,073,631,357                              |

## DATA VOLUME (RETAIL MARKET) (PAGE 12)

|      |    | Retail upload/download volume (megabytes) |                |
|------|----|---|----------------|
| 2012 | Q1 |   | 15,941,607,958 |
|      | Q2 |   | 16,740,230,488 |
|      | Q3 |   | 18,512,934,796 |
|      | Q4 |   | 22,613,660,102 |
| 2013 | Q1 |   | 25,900,761,126 |
|      | Q2 |   | 26,700,365,708 |
|      | Q3 |   | 29,155,606,101 |
|      | Q4 |   | 34,364,913,863 |
| 2014 | Q1 |   | 37,097,557,569 |
|      | Q2 |   | 38,746,697,395 |
|      | Q3 |   | 44,448,830,452 |
|      | Q4 |   | 53,717,925,086 |

## SIM CARDS IN USE (PAGE 13)

|      |    | Number of SIM cards |              |              |                       |
|------|----|---------------------|--------------|--------------|-----------------------|
|      |    | 2G SIM cards        | 3G SIM cards | 4G SIM cards | thereof M2M SIM cards |
| 2012 | Q1 | 4,524,684           | 8,677,898    | 223          | 86,351                |
|      | Q2 | 4,393,808           | 8,838,573    | 287          | 93,497                |
|      | Q3 | 4,346,491           | 9,059,562    | 380          | 100,652               |
|      | Q4 | 4,206,611           | 9,381,291    | 461          | 107,621               |
| 2013 | Q1 | 4,241,772           | 9,421,539    | 628          | 109,343               |
|      | Q2 | 3,909,645           | 9,488,201    | 10,220       | 113,861               |
|      | Q3 | 2,680,314           | 10,538,191   | 17,281       | 117,423               |
|      | Q4 | 2,547,291           | 10,691,826   | 32,905       | 127,797               |
| 2014 | Q1 | 2,447,319           | 10,680,634   | 58,291       | 139,392               |
|      | Q2 | 2,354,056           | 10,648,919   | 70,133       | 142,564               |
|      | Q3 | 2,099,580           | 10,743,490   | 108,688      | 145,988               |
|      | Q4 | 2,033,287           | 10,757,346   | 161,972      | 149,466               |

## PREPAID VS. POSTPAID SIM CARDS

|      |    | Number of SIM cards |           |
|------|----|---------------------|-----------|
|      |    | Postpaid            | Prepaid   |
| 2012 | Q1 | 9,043,684           | 4,159,121 |
|      | Q2 | 9,094,056           | 4,138,612 |
|      | Q3 | 9,185,425           | 4,221,008 |
|      | Q4 | 9,345,338           | 4,243,025 |
| 2013 | Q1 | 9,391,702           | 4,272,237 |
|      | Q2 | 9,172,226           | 4,235,840 |
|      | Q3 | 9,173,165           | 4,062,621 |
|      | Q4 | 9,210,558           | 4,061,464 |
| 2014 | Q1 | 9,199,183           | 3,987,061 |
|      | Q2 | 9,124,882           | 3,948,226 |
|      | Q3 | 9,070,277           | 3,881,481 |
|      | Q4 | 9,066,368           | 3,886,237 |

## TOTAL MOBILE COMMUNICATIONS REVENUES (PAGE 15)

|      |    | EUR             |                    |
|------|----|-----------------|--------------------|
|      |    | Retail revenues | Wholesale revenues |
| 2012 | Q1 | 589,327,364     | 128,953,660        |
|      | Q2 | 596,984,026     | 117,581,408        |
|      | Q3 | 597,876,970     | 118,034,261        |
|      | Q4 | 576,928,725     | 115,801,148        |
| 2013 | Q1 | 555,001,952     | 108,528,286        |
|      | Q2 | 558,893,396     | 100,664,631        |
|      | Q3 | 573,010,448     | 87,314,584         |
|      | Q4 | 553,162,335     | 70,247,758         |
| 2014 | Q1 | 546,536,905     | 59,470,878         |
|      | Q2 | 559,961,793     | 55,907,185         |
|      | Q3 | 583,260,409     | 56,194,143         |
|      | Q4 | 573,283,969     | 54,940,940         |

## PORTING OF MOBILE TELEPHONE NUMBERS (PAGE 16)

|      |    | Porting procedures / mobile phone numbers |
|------|----|---|
| 2012 | Q1 | 79,092                                    |
|      | Q2 | 61,525                                    |
|      | Q3 | 58,576                                    |
|      | Q4 | 88,745                                    |
| 2013 | Q1 | 74,292                                    |
|      | Q2 | 54,855                                    |
|      | Q3 | 56,082                                    |
|      | Q4 | 51,719                                    |
| 2014 | Q1 | 69,931                                    |
|      | Q2 | 58,133                                    |
|      | Q3 | 27,472                                    |
|      | Q4 | 40,367                                    |

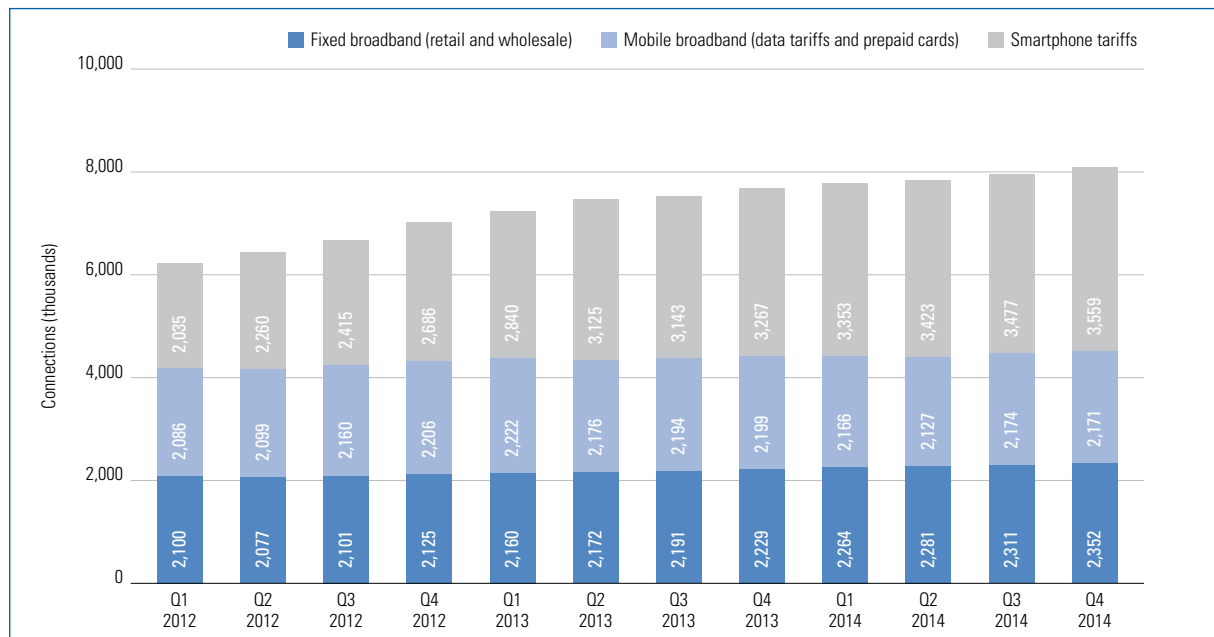


## 2 | Broadband



## Fixed and mobile broadband connections

### ➔ MARKED INCREASE IN SMARTPHONE TARIFFS



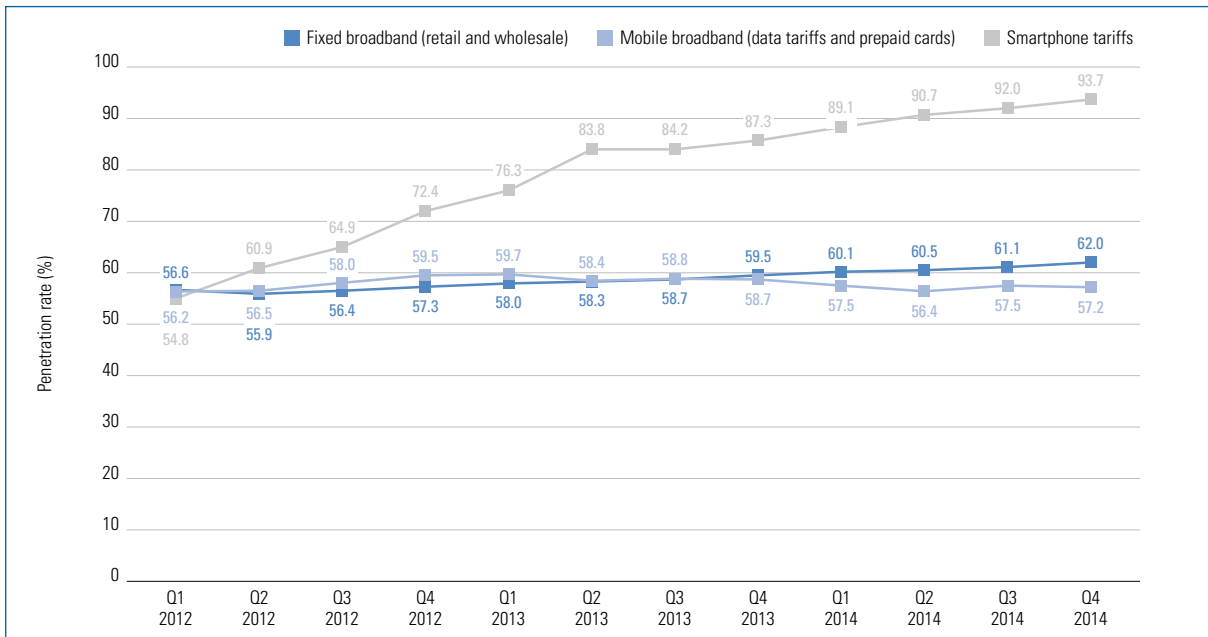
The chart above shows the total number of fixed and mobile broadband connections. With mobile broadband, mobile data tariffs and smartphone tariffs are distinguished. For the definitions of fixed broadband connections as well as mobile data tariffs and smartphone tariffs see Glossary.

- At the end of Q4 2014, there were 8.08 million broadband connections in Austria, 5.0% more than at the same time in 2013.
- 44.0% of them were accounted for by so-called smartphone tariffs, i.e. contracts for bundled products that include at least 250 MB in the monthly charges. In the course of the year, such contracts rose from 3.27 million in Q4 2013 to 3.56 million at the end of 2014 (up 8.9%).
- Fixed broadband connections also increased, accounting for about 29.1% of all broadband connections at the end of 2014. 2.35 million connections were 5.5% more than at the end of 2013.
- Mobile broadband connections, i.e. data tariffs and prepaid tariffs, dropped by 1.3% within one year. 2.17 million of these tariffs existed at the end of Q4 2014, which was equivalent to 26.9% of all broadband connections in Austria.



# Broadband penetration

## ➔ HIGH PENETRATION WITH SMARTPHONE TARIFFS



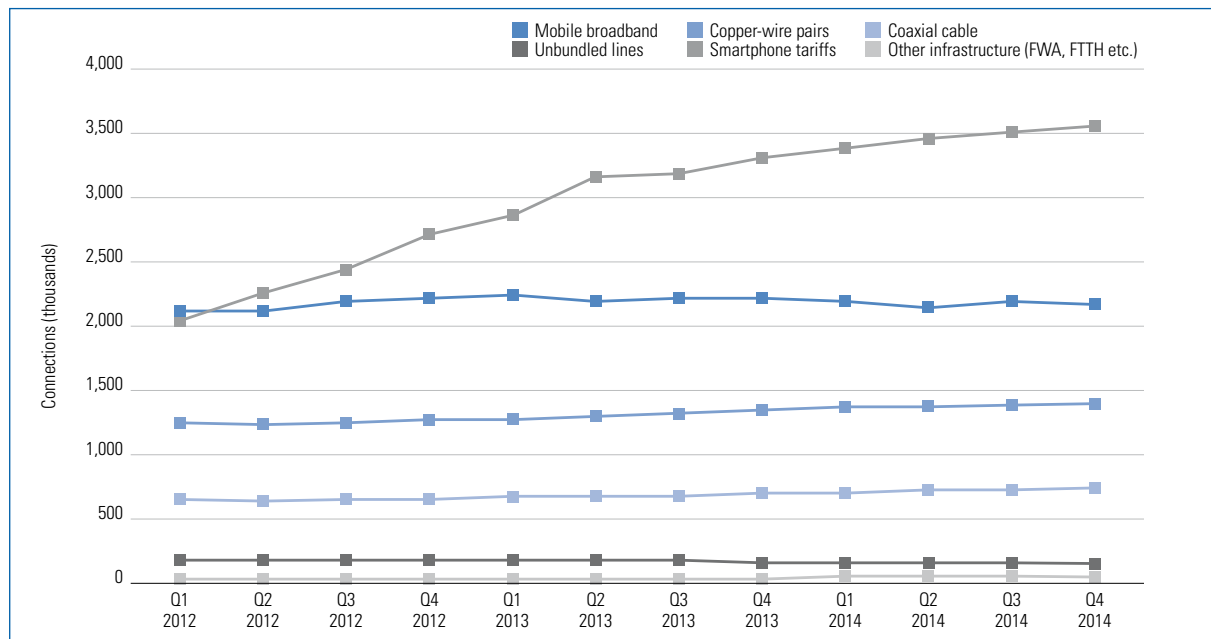
Source for number of households: Statistics Austria

Broadband penetration refers to the ratio of fixed and mobile broadband connections to the total number of households in Austria. Calculation of the penetration rate also includes broadband connections used in businesses.

- The marked increase in smartphone tariffs can be easily seen in the chart above: While at the end of 2013 about 87.3% of all households had a smartphone tariff, this figure increased to about 93.7% at the end of the year under review.
- The penetration rate of fixed broadband, too, increased over this period, from 59.5% at the end of 2013 to 62.0% at the end of 2014.
- In contrast, the distribution of mobile broadband with data and prepaid tariffs slightly decreased by 1.6 percentage points to 57.2% in the period under review.

# Retail broadband connections by type of infrastructure

## ➔ CHANGE ONLY IN THE CASE OF SMARTPHONE TARIFFS

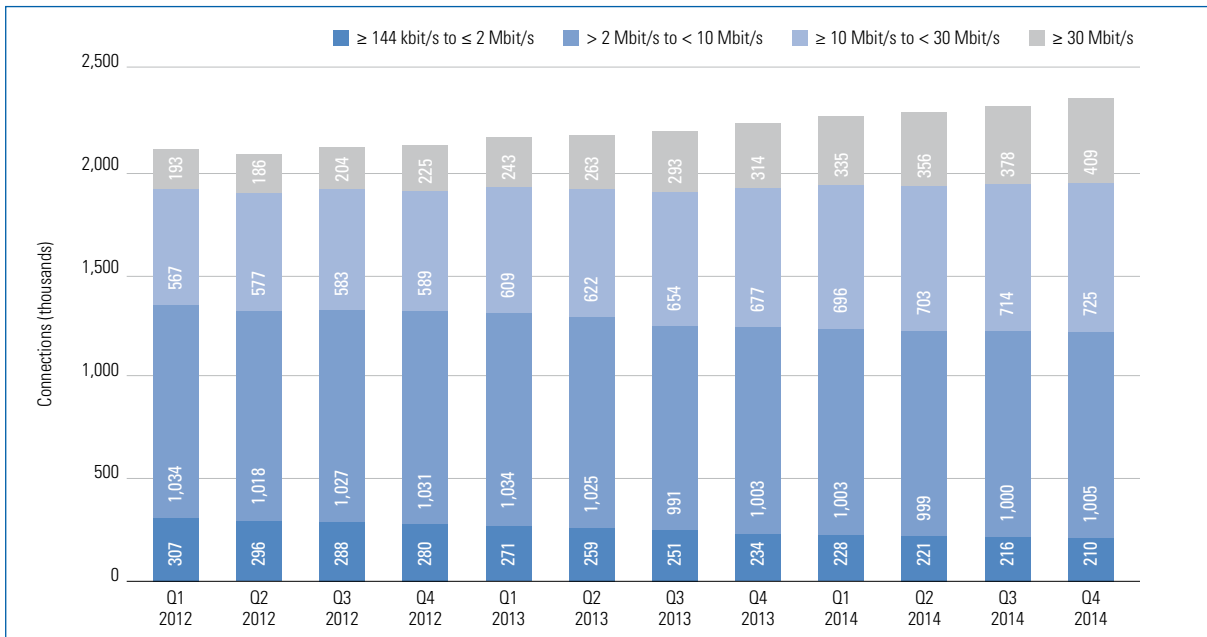


The chart above shows the total number of fixed and mobile broadband connections in Austria by infrastructure used. For the infrastructure of fixed broadband connections see Glossary. The data underlying this chart are contained in the table at the end of the section.

- The development of smartphone tariffs from 3.27 million in Q4 2013 to 3.56 million at the end of 2014 (up 8.9%) has already been described. At 44.0%, they accounted for the lion’s share of all 8.08 million broadband connections. Also, the development of mobile broadband connections (data and prepaid tariffs) that showed a slight decline of 1.3% compared with the end of 2013 has already been mentioned.
- Among fixed broadband connections the ones most widely used are copper-wire pairs. With 1.4 million connections at the end of 2014, they accounted for 17.4% of all broadband connections, increasing by 5.7% against the end of 2013.
- At the end of 2014, 9.2% of broadband connections were coaxial cable connections, numbering 741,600, which is up by 6.9% compared to the year before.
- In Q4 2014, 154,100 connections (1.9%) were unbundled lines, dropping by 5.9% within one year.
- Fixed wireless access (FWA) connections and Fibre to the Home (FTTH) connections accounted for a total of 0.6% of all broadband connections. FTTH connections increased by 30.8% to 33,100 within 2014, while FWA connections rose by 2.5% over the same period and amounted to 16,200 connections in Q4.

# Retail broadband connections by bandwidth category – fixed network

## ➔ SHARP RISE IN BANDWIDTHS ABOVE 30 MBIT/S

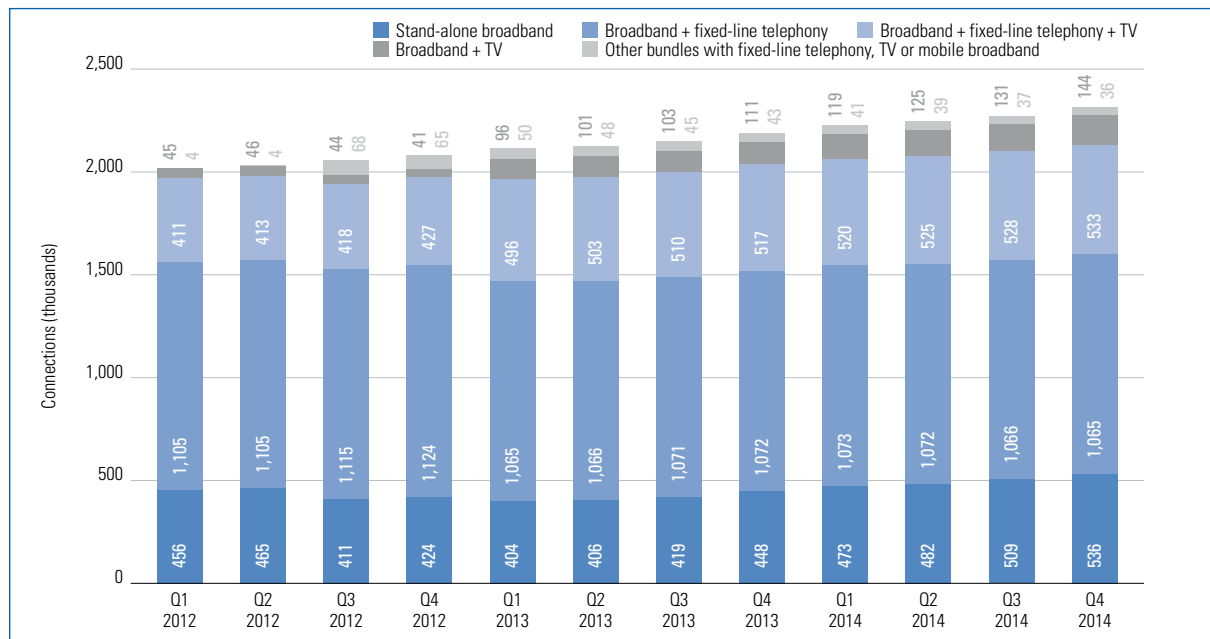


The chart above shows the total number of fixed broadband connections in Austria, broken down by bandwidth categories. Because of the small number of cases, categories with low bandwidths ( $\geq 144$  kbit/s to  $< 2$  Mbit/s and  $= 2$  Mbit/s) and categories with high bandwidths ( $30$  Mbit/s to  $< 100$  Mbit/s and  $\geq 100$  Mbit/s) were combined. The categories in between ( $> 2$  Mbit/s to  $< 10$  Mbit/s and  $10$  Mbit/s to  $< 30$  Mbit/s) are unchanged. All categories are shown separately in the table at the end of the section.

- As expected, connections with high bandwidths rose vigorously while those with low bandwidths declined.
- 73.7% of all fixed broadband connections fell into the  $> 2$  Mbit/s to  $< 30$  Mbit/s bandwidth category. At the end of 2014, 1.73 million connections were reported, up 3.0% against the end of 2013.
- Lower bandwidths ( $\leq 2$  Mbit) dropped by 10.2% to 209,600 connections in the year under review and thus accounted for only 8.9% of fixed broadband connections.
- Connections with bandwidths above 30 Mbit/s, in contrast, climbed by 30.5% to 409,200 connections within one year, after all accounting already for 17.4% of all fixed broadband connections.

# Number of retail broadband connections – fixed network

## ➔ ABOUT 20% MORE STAND-ALONE CONNECTIONS

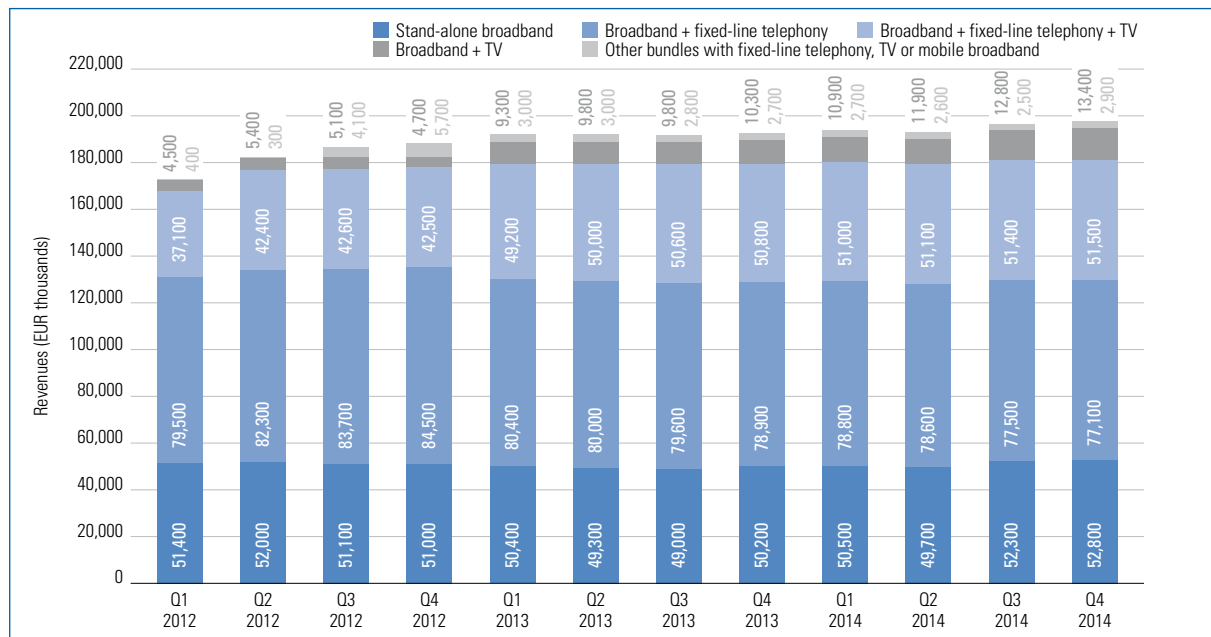


The chart shows the number of broadband products sold to retail customers, using own infrastructure or an unbundled line. Broadband products may be sold without any other product (stand-alone) or can be a combination of broadband with one or more other products (bundled product), for example, broadband and fixed network and/or TV.

- At the end of 2014, some 536,400 (23.2%) broadband connections in Austria were stand-alone connections without any additional product. Compared with the end of 2013, this figure increased by 19.7%.
- Accordingly, the remaining 76.8% of broadband products (1.78 million) were sold as bundled products. Year on year, this was an increase of 1.9%.
- The major share was accounted for by the bundle combining broadband and fixed-line telephony. About 46% of all broadband connections in Austria relied on this combination, some 1.06 million at the end of 2014. Year on year, this type of broadband connection dropped by 0.6%.
- The bundle combining broadband, fixed-line telephony and TV stood at 532,500 connections at the end of 2014, up 3.0% against the end of 2013. Nearly every fourth broadband connection in Austria (23.0%) belonged to this product type.
- Broadband products together with TV (without fixed network) amounted to 143,600 connections (6.2% of all broadband connections) at the end of 2014 and, up 28.9%, showed a marked increase within one year.
- Other products bundled with broadband (e.g. with mobile broadband) increasingly lost ground (down 16.5%) and numbered only about 35,500 connections (1.5%) at the end of 2014.

# Revenues from retail broadband connections – fixed network

## ➔ YEAR-ON-YEAR GROWTH IN REVENUES FROM BROADBAND PRODUCTS

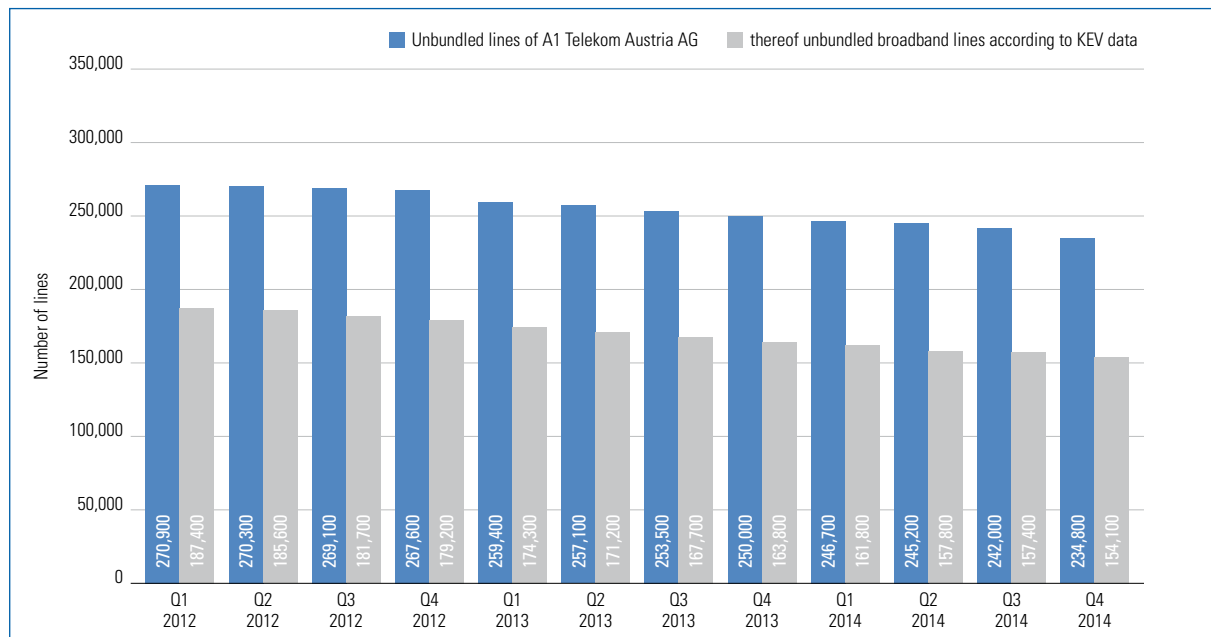


The chart shows the revenues from broadband connections sold to retail customers using own infrastructure or an unbundled line. This includes broadband stand-alone products and bundled products where broadband is offered in combination with another product (voice telephony and/or TV and/or other products).

- In Q4 2014, broadband products generated revenues of EUR 197.8 million. Compared with Q4 2013, this is a growth in revenue of 2.5%.
- EUR 52.8 million (26.7%) of these came from the sale of stand-alone products. This was 5.2% more than at the end of 2013.
- EUR 77.15 million (39.0%) of revenues were generated from the bundled product combining broadband and fixed-line telephony (down 2.2% against the reference period).
- The combination of broadband, fixed-line telephony and TV contributed EUR 51.5 million (26.1%) to total revenues, 1.5% more than in Q4 2013.
- Revenues of EUR 13.4 million – and thus as much as 30.3% more than in the corresponding period of 2013 – came from the bundle combining broadband and TV. However, at 6.8%, this share in total revenues is still low.
- Other combinations with broadband generated revenues of about EUR 2.9 million (1.4%), up 6.6% compared with the end of 2013.
- In total, broadband products generated revenues of nearly EUR 782.1 million in 2014, which is a growth in revenues of 1.7% against 2013.

# Unbundled lines of A1 Telekom Austria AG

## ➔ NUMBER OF UNBUNDLED LINES CONTINUED TO DECLINE IN 2014

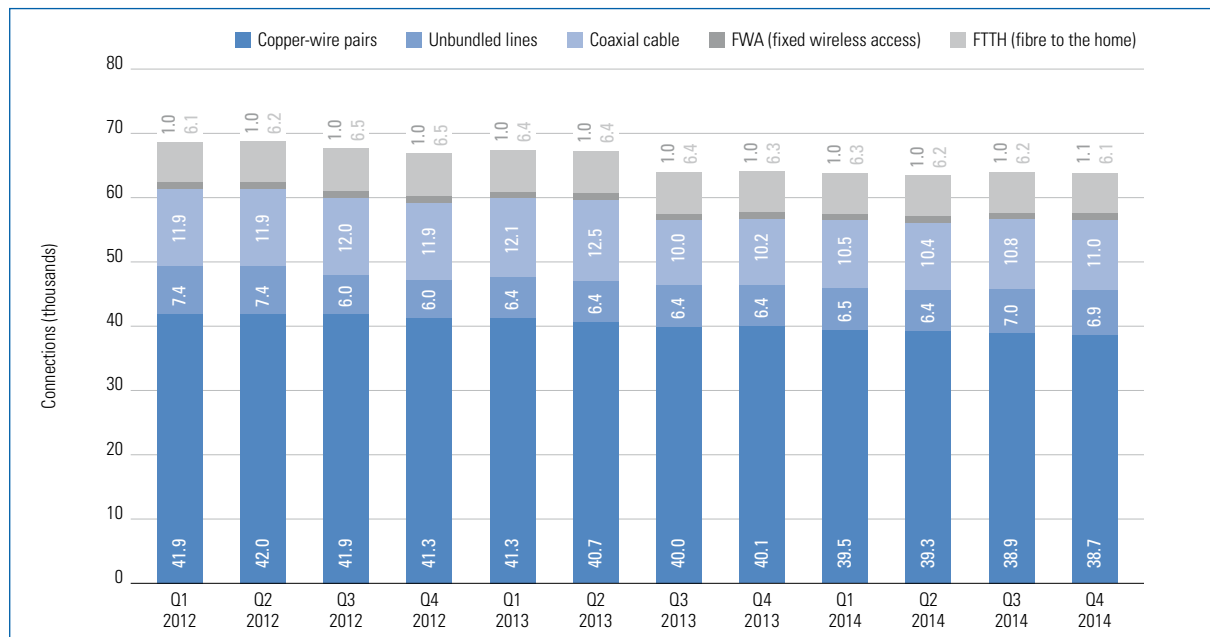


The chart above shows all unbundled lines in the network of A1 Telekom Austria AG and the unbundled broadband lines thereof that are used by the operators according to the KEV sample. This means that all lines unbundled by A1 Telekom (supply-side) are depicted in comparison to the broadband lines unbundled by the other operators (demand-side) according to the KEV. The difference between the two bars relates to those unbundled lines that are exclusively used for voice or for leased lines and are therefore not attributable to broadband.

- The number of unbundled lines is still declining. This applies to both the figures reported by A1 Telekom (234,800 unbundled lines at the end of 2014, down 6.1% compared with Q4 2013) and the unbundled broadband lines collected under the KEV (154,100 at the end of 2014, down 5.9% against the reference period).

# Number of wholesale broadband connections

## ➔ OVERALL ALMOST NO CHANGE IN WHOLESAL BROADBAND CONNECTIONS

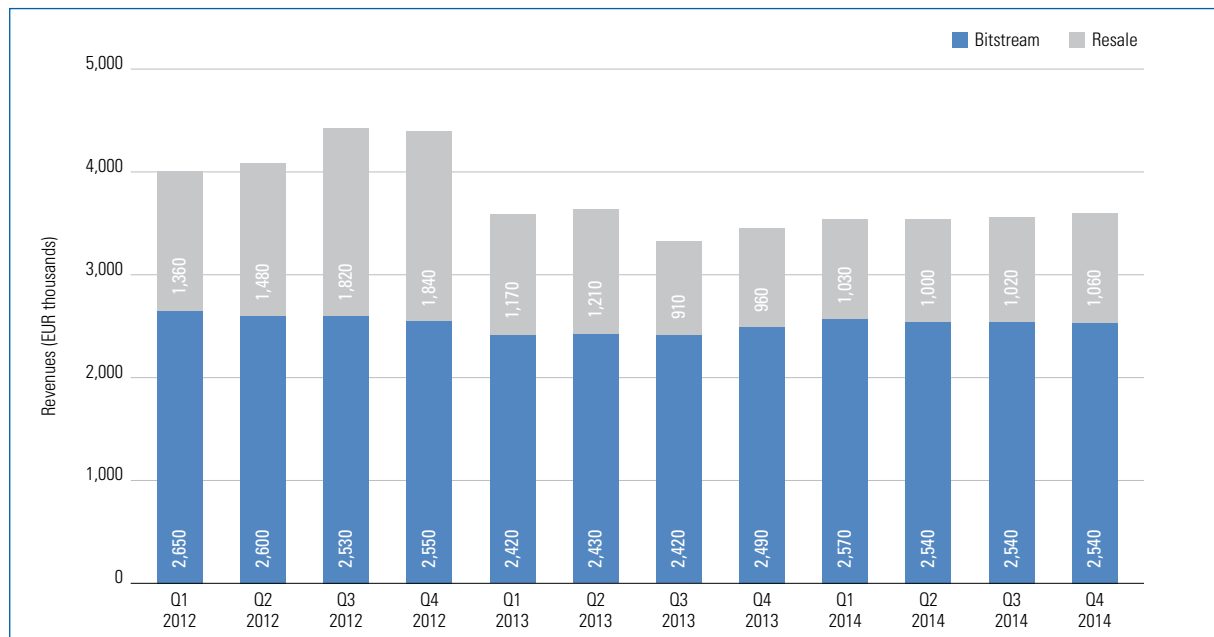


This chart shows the number of broadband connections provided as bitstream or resale products to other communications service providers on the wholesale market on their own or on leased infrastructure (unbundled) for connecting to retail customers (or for resale) – classified by the infrastructure used. The data underlying this chart can be found in the table at the end of the section.

- At the end of the year under review, there existed some 65,290 wholesale broadband connections in Austria. Thus, the number of realised connections was only just below that at the end of 2013 (down 0.3%). 91% of broadband connections at the wholesale level were sold as bitstream products, 9% were mere resale products.
- At the end of 2014, close to 60% of wholesale broadband connections were copper-wire pairs. 38,650 lines constituted a decline of 3.6% against the end of 2013.
- Over the same period, unbundled lines rose from 6,420 to 6,900, which is an increase of 7.5%.
- Even more significant is the increase in wholesale broadband connections using cable connections. Here, the number of connections rose to 11,030 during 2014 (up 8.3%). At the end of 2014, this connection type accounted for about 16.9% of all broadband connections at the wholesale level.
- FWA and FTTH connections amounted to some 10.9% of all wholesale broadband connections. In the period under review, FWA connections increased by 6.1% to some 1,050, whereas FTTH connections dropped by 2.6% to 6,090.
- The remaining wholesale broadband connections were other connections numbering 1,570, up 1.3% compared to the end of 2013.
- The slight drop from Q2 to Q3 2013 was due to the takeover of an operator, which is why its connections no longer qualified as wholesale connections.

## Revenues from wholesale broadband connections

### ➔ WHOLESALE REVENUES UP AGAINST 2013



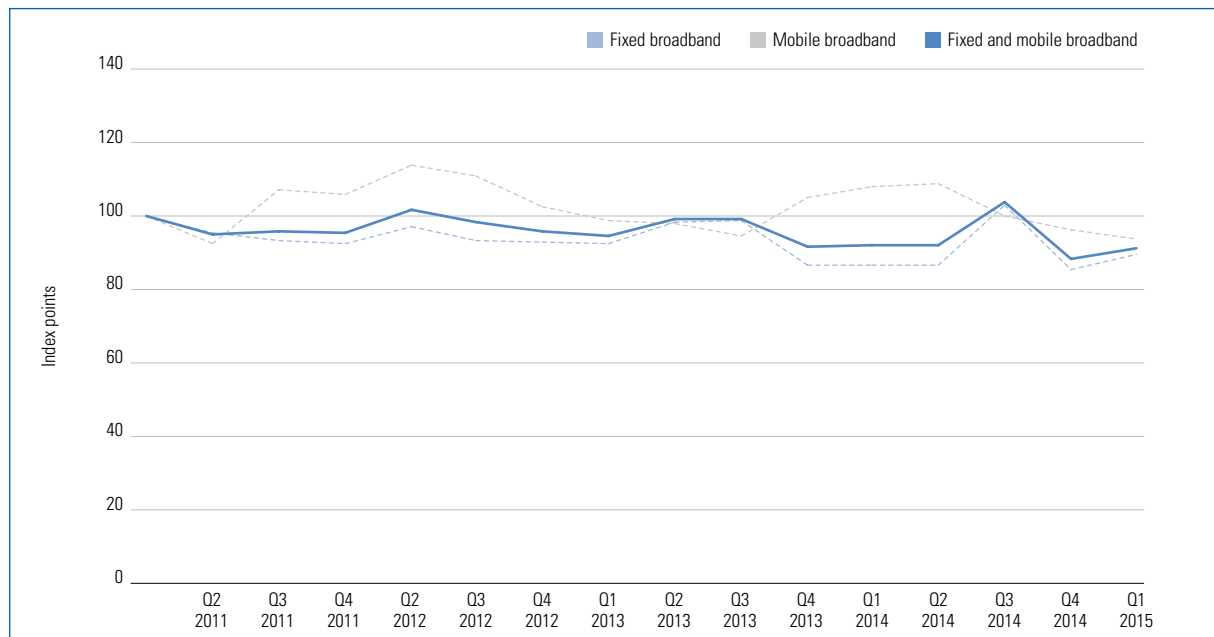
Revenues from broadband connections supplied on the wholesale market include one-off charges (e.g. installation charges, setup and activation charges) and ongoing charges plus any charges for data transfer etc. A distinction is made between bitstream and resale (see Glossary).

- In Q4 2014, at EUR 3.6 million, wholesale revenues were higher by 4.5% than in Q4 2013.
- Bitstream revenues, whose share in wholesale revenues was about 70.5% at the end of 2014, increased by 2.2% to EUR 2.5 million. Revenues from mere resale of broadband connections rose by 10.5% to EUR 1.06 million in the reference period.
- Throughout 2014, wholesale broadband connections generated revenues of EUR 14.3 million, which was an increase of 2.1% compared with 2013.



## Price index for broadband (hedonic)

### ➔ PRICE INDEX RISING AGAIN



The broadband index is a hedonic price index for fixed and mobile broadband products. Hedonic means that both price changes and changes in the product characteristics (in particular download rate and download volume) are taken into account. For this purpose, a regression of prices on product characteristics and on time variables is performed.

For the calculation, tariffs and product characteristics of the broadband products of the major suppliers (currently A1 Telekom, UPC, Tele2, LIWEST, Salzburg AG, Kabelplus, Russmedia IT, T-Mobile, Hutchison Drei Austria) are collected quarterly (up to 2012 only three times a year). All tariffs available to new customers at the respective time are collected. Both stand-alone broadband products and products bundled with fixed-line telephony or TV are captured. In the case of mobile broadband, prepaid tariffs are not included. In addition to monthly charges, also one-off charges and annual charges as well as special offers are taken into account. The most expensive 10% of the tariffs (currently tariffs exceeding EUR 65) are not included in the calculation, as they can be assumed to be in low demand by customers. The remaining tariffs are weighted in proportion to the operators' market shares in the respective quarter. In the calculation all tariffs of an operator are given the same weights in a quarter. The reference basis is 2010.

As data up to March 2015 are already available, they are also included in the chart.

- The index for fixed broadband slightly increased in Q1 2015 compared with the previous quarter, that for mobile broadband decreased. Altogether, the overall index was up 3.7 index points.
- The rise in the case of fixed broadband can be mainly explained by price increases of A1 Telekom at the beginning of March 2015.
- The decrease in the case of mobile broadband is mostly due to the fact that T-Mobile did not charge activation charges in March.

## FIXED AND MOBILE BROADBAND CONNECTIONS (PAGE 24)

|      |    | Number of connections                     |  |                    |
|------|----|---|--|--------------------|
|      |    | Fixed broadband<br>(retail and wholesale) | Mobile broadband<br>(data tariffs and prepaid cards) | Smartphone tariffs |
| 2012 | Q1 | 2,103,600                                 | 2,085,900  | 2,034,600          |
|      | Q2 | 2,080,500                                 | 2,099,000  | 2,260,100          |
|      | Q3 | 2,104,000                                 | 2,159,500  | 2,415,100          |
|      | Q4 | 2,127,800                                 | 2,206,300  | 2,685,600          |
| 2013 | Q1 | 2,159,500                                 | 2,221,600  | 2,839,600          |
|      | Q2 | 2,172,100                                 | 2,176,000  | 3,125,000          |
|      | Q3 | 2,191,000                                 | 2,194,100  | 3,143,100          |
|      | Q4 | 2,228,800                                 | 2,199,100  | 3,267,000          |
| 2014 | Q1 | 2,264,100                                 | 2,166,100  | 3,352,600          |
|      | Q2 | 2,281,200                                 | 2,127,400  | 3,423,100          |
|      | Q3 | 2,310,700                                 | 2,173,600  | 3,477,400          |
|      | Q4 | 2,352,100                                 | 2,170,700  | 3,558,500          |

## RETAIL BROADBAND CONNECTIONS BY TYPE OF INFRASTRUCTURE (PAGE 26)

|      |    | Number of connections |                    |               |                                |                             |                     |                       |
|------|----|-----------------------|--------------------|---------------|--------------------------------|-----------------------------|---------------------|-----------------------|
|      |    | Copper-wire<br>pairs  | Unbundled<br>lines | Coaxial cable | FWA (fixed<br>wireless access) | FTTH (fibre to<br>the home) | Mobile<br>broadband | Smartphone<br>tariffs |
| 2012 | Q1 | 1,224,500             | 187,400            | 650,900       | 20,600                         | 16,700                      | 2,085,900           | 2,034,600             |
|      | Q2 | 1,221,600             | 185,600            | 632,800       | 19,600                         | 17,500                      | 2,099,000           | 2,260,100             |
|      | Q3 | 1,238,500             | 181,700            | 641,600       | 18,700                         | 20,300                      | 2,159,500           | 2,415,100             |
|      | Q4 | 1,251,700             | 179,200            | 654,800       | 18,200                         | 21,000                      | 2,206,300           | 2,685,600             |
| 2013 | Q1 | 1,271,800             | 174,300            | 670,700       | 17,800                         | 22,100                      | 2,221,600           | 2,839,600             |
|      | Q2 | 1,283,600             | 171,200            | 673,900       | 17,200                         | 23,700                      | 2,176,000           | 3,125,000             |
|      | Q3 | 1,300,000             | 167,700            | 679,200       | 16,800                         | 24,800                      | 2,194,100           | 3,143,100             |
|      | Q4 | 1,328,000             | 163,800            | 693,700       | 15,800                         | 25,300                      | 2,199,100           | 3,267,000             |
| 2014 | Q1 | 1,351,600             | 161,800            | 705,000       | 15,800                         | 27,500                      | 2,166,100           | 3,352,600             |
|      | Q2 | 1,361,500             | 157,800            | 713,800       | 16,000                         | 29,100                      | 2,127,400           | 3,423,100             |
|      | Q3 | 1,376,800             | 157,400            | 726,300       | 16,100                         | 30,900                      | 2,173,600           | 3,477,400             |
|      | Q4 | 1,403,600             | 154,100            | 741,600       | 16,200                         | 33,100                      | 2,170,700           | 3,558,500             |

**RETAIL BROADBAND CONNECTIONS BY TYPE OF INFRASTRUCTURE – RESIDENTIAL CUSTOMERS**

|      |    | Number of connections |                 |               |                             |                          |                  |                    |
|------|----|-----------------------|-----------------|---------------|-----------------------------|--------------------------|------------------|--------------------|
|      |    | Copper-wire pairs     | Unbundled lines | Coaxial cable | FWA (fixed wireless access) | FTTH (fibre to the home) | Mobile broadband | Smartphone tariffs |
| 2012 | Q1 | 1,070,400             | 142,900         | 641,000       | 18,800                      | 9,100                    | 1,905,700        | 1,803,600          |
|      | Q2 | 1,069,100             | 141,400         | 622,800       | 17,800                      | 9,400                    | 1,869,600        | 2,014,300          |
|      | Q3 | 1,085,100             | 139,000         | 631,400       | 16,900                      | 10,100                   | 1,924,900        | 2,156,400          |
|      | Q4 | 1,099,800             | 136,900         | 644,500       | 16,400                      | 10,100                   | 1,964,900        | 2,410,900          |
| 2013 | Q1 | 1,120,400             | 132,900         | 660,000       | 16,000                      | 11,000                   | 1,974,600        | 2,554,900          |
|      | Q2 | 1,132,300             | 130,400         | 662,200       | 15,400                      | 11,600                   | 1,915,000        | 2,816,400          |
|      | Q3 | 1,149,700             | 127,000         | 666,500       | 15,000                      | 11,700                   | 1,939,100        | 2,831,400          |
|      | Q4 | 1,177,100             | 123,400         | 673,200       | 13,900                      | 11,700                   | 1,939,600        | 2,943,400          |
| 2014 | Q1 | 1,200,600             | 120,000         | 685,300       | 14,000                      | 12,600                   | 1,878,200        | 2,988,400          |
|      | Q2 | 1,210,100             | 116,600         | 693,600       | 14,100                      | 13,500                   | 1,820,900        | 3,007,200          |
|      | Q3 | 1,225,900             | 113,400         | 705,200       | 14,300                      | 14,700                   | 1,859,500        | 3,046,000          |
|      | Q4 | 1,253,600             | 110,800         | 719,900       | 14,300                      | 15,300                   | 1,857,700        | 3,113,800          |

**RETAIL BROADBAND CONNECTIONS BY TYPE OF INFRASTRUCTURE – BUSINESS CUSTOMERS**

|      |    | Number of connections |                 |               |                             |                          |                  |                    |
|------|----|-----------------------|-----------------|---------------|-----------------------------|--------------------------|------------------|--------------------|
|      |    | Copper-wire pairs     | Unbundled lines | Coaxial cable | FWA (fixed wireless access) | FTTH (fibre to the home) | Mobile broadband | Smartphone tariffs |
| 2012 | Q1 | 154,100               | 44,500          | 9,900         | 1,800                       | 7,600                    | 180,200          | 231,000            |
|      | Q2 | 152,500               | 44,200          | 10,000        | 1,800                       | 8,100                    | 229,400          | 245,800            |
|      | Q3 | 153,400               | 42,700          | 10,200        | 1,800                       | 10,200                   | 234,600          | 258,700            |
|      | Q4 | 151,900               | 42,300          | 10,300        | 1,800                       | 10,900                   | 241,400          | 274,700            |
| 2013 | Q1 | 151,400               | 41,400          | 10,700        | 1,800                       | 11,100                   | 247,000          | 284,700            |
|      | Q2 | 151,300               | 40,800          | 11,700        | 1,800                       | 12,100                   | 261,000          | 308,600            |
|      | Q3 | 150,300               | 40,700          | 12,700        | 1,800                       | 13,100                   | 255,000          | 311,700            |
|      | Q4 | 150,900               | 40,400          | 20,500        | 1,900                       | 13,600                   | 259,500          | 323,600            |
| 2014 | Q1 | 151,000               | 41,800          | 19,700        | 1,800                       | 14,900                   | 287,900          | 364,200            |
|      | Q2 | 151,400               | 41,200          | 20,200        | 1,900                       | 15,600                   | 306,500          | 415,900            |
|      | Q3 | 150,900               | 44,000          | 21,100        | 1,800                       | 16,200                   | 314,100          | 431,400            |
|      | Q4 | 150,000               | 43,300          | 21,700        | 1,900                       | 17,800                   | 313,000          | 444,700            |

## RETAIL BROADBAND CONNECTIONS BY BANDWIDTH CATEGORY – FIXED NETWORK (PAGE 27)

|      |    | Number of connections         |            |                              |                               |                                |              |
|------|----|-------------------------------|------------|------------------------------|-------------------------------|--------------------------------|--------------|
|      |    | ≥ 144 kbit/s<br>to < 2 Mbit/s | = 2 Mbit/s | > 2 Mbit/s<br>to < 10 Mbit/s | ≥ 10 Mbit/s<br>to < 30 Mbit/s | ≥ 30 Mbit/s<br>to < 100 Mbit/s | ≥ 100 Mbit/s |
| 2012 | Q1 | 25,800                        | 281,000    | 1,034,100                    | 566,700                       | 158,700                        | 33,800       |
|      | Q2 | 23,600                        | 272,400    | 1,018,200                    | 577,100                       | 153,500                        | 32,300       |
|      | Q3 | 21,900                        | 266,100    | 1,026,800                    | 582,500                       | 169,700                        | 33,800       |
|      | Q4 | 19,900                        | 260,300    | 1,031,000                    | 588,700                       | 189,900                        | 35,000       |
| 2013 | Q1 | 18,200                        | 252,700    | 1,034,100                    | 608,700                       | 206,700                        | 36,200       |
|      | Q2 | 15,900                        | 243,400    | 1,025,400                    | 622,300                       | 225,100                        | 37,500       |
|      | Q3 | 14,200                        | 236,600    | 991,200                      | 653,800                       | 252,800                        | 39,900       |
|      | Q4 | 13,100                        | 220,400    | 1,002,900                    | 676,600                       | 273,300                        | 40,300       |
| 2014 | Q1 | 13,000                        | 214,800    | 1,002,900                    | 695,800                       | 294,200                        | 41,100       |
|      | Q2 | 11,900                        | 208,900    | 998,700                      | 702,500                       | 315,400                        | 40,700       |
|      | Q3 | 11,200                        | 204,800    | 1,000,200                    | 713,800                       | 334,400                        | 43,100       |
|      | Q4 | 10,400                        | 199,200    | 1,005,100                    | 724,600                       | 338,900                        | 70,300       |

## NUMBER OF RETAIL BROADBAND CONNECTIONS – FIXED NETWORK (PAGE 28)

|      |    | Number of connections    |                                     |  |                |   |
|------|----|--------------------------|-------------------------------------|--|----------------|---|
|      |    | Stand-alone<br>broadband | Broadband + fixed-line<br>telephony | Broadband + fixed-line<br>telephony + TV | Broadband + TV | Other bundles with<br>fixed-line telephony, TV<br>or mobile broadband |
| 2012 | Q1 | 455,500                  | 1,105,100                           | 410,700                                  | 45,200         | 3,500   |
|      | Q2 | 464,800                  | 1,104,700                           | 412,500                                  | 45,700         | 3,500   |
|      | Q3 | 410,900                  | 1,115,300                           | 417,500                                  | 44,400         | 68,300  |
|      | Q4 | 424,100                  | 1,123,700                           | 427,000                                  | 41,100         | 64,900  |
| 2013 | Q1 | 404,400                  | 1,065,100                           | 496,200                                  | 96,400         | 49,800  |
|      | Q2 | 406,100                  | 1,066,200                           | 503,400                                  | 100,800        | 47,800  |
|      | Q3 | 418,900                  | 1,070,600                           | 509,600                                  | 103,400        | 45,300  |
|      | Q4 | 448,300                  | 1,071,700                           | 517,100                                  | 111,400        | 42,500  |
| 2014 | Q1 | 472,800                  | 1,073,300                           | 520,400                                  | 118,800        | 40,900  |
|      | Q2 | 482,100                  | 1,072,100                           | 524,800                                  | 125,200        | 38,800  |
|      | Q3 | 508,800                  | 1,066,100                           | 528,100                                  | 131,000        | 37,200  |
|      | Q4 | 536,400                  | 1,064,900                           | 532,500                                  | 143,600        | 35,500  |

## REVENUES FROM RETAIL BROADBAND CONNECTIONS – FIXED NETWORK (PAGE 29)

|      |    | EUR                   |                                  |                                       |                |   |
|------|----|-----------------------|----------------------------------|---------------------------------------|----------------|---|
|      |    | Stand-alone broadband | Broadband + fixed-line telephony | Broadband + fixed-line telephony + TV | Broadband + TV | Other bundles with fixed-line telephony, TV or mobile broadband |
| 2012 | Q1 | 51,396,000            | 79,534,300                       | 37,086,800                            | 4,542,500      | 439,900   |
|      | Q2 | 52,006,200            | 82,274,900                       | 42,433,600                            | 5,447,300      | 318,500   |
|      | Q3 | 51,103,300            | 83,702,800                       | 42,580,700                            | 5,111,100      | 4,111,800   |
|      | Q4 | 50,996,000            | 84,542,700                       | 42,484,700                            | 4,747,700      | 5,692,600   |
| 2013 | Q1 | 50,375,800            | 80,383,900                       | 49,224,900                            | 9,267,300      | 3,028,500   |
|      | Q2 | 49,281,300            | 79,994,600                       | 49,993,700                            | 9,817,000      | 3,009,800   |
|      | Q3 | 48,994,800            | 79,604,500                       | 50,561,200                            | 9,786,800      | 2,829,300   |
|      | Q4 | 50,240,000            | 78,878,200                       | 50,777,400                            | 10,262,100     | 2,676,300   |
| 2014 | Q1 | 50,524,700            | 78,807,600                       | 50,971,300                            | 10,936,400     | 2,737,400   |
|      | Q2 | 49,690,500            | 78,567,300                       | 51,121,500                            | 11,879,800     | 2,604,700   |
|      | Q3 | 52,267,100            | 77,526,800                       | 51,446,200                            | 12,764,300     | 2,503,200   |
|      | Q4 | 52,835,000            | 77,146,400                       | 51,545,100                            | 13,369,900     | 2,854,000   |

## NUMBER OF WHOLESALE BROADBAND CONNECTIONS (PAGE 31)

|      |    | Number of connections |                 |               |                             |                          |                         |
|------|----|-----------------------|-----------------|---------------|-----------------------------|--------------------------|-------------------------|
|      |    | Copper-wire pairs     | Unbundled lines | Coaxial cable | FWA (fixed wireless access) | FTTH (fibre to the home) | Others (satellite etc.) |
| 2012 | Q1 | 41,910                | 7,430           | 11,880        | 980                         | 6,060                    | 1,490                   |
|      | Q2 | 41,950                | 7,380           | 11,930        | 970                         | 6,190                    | 1,490                   |
|      | Q3 | 41,870                | 5,990           | 11,980        | 970                         | 6,480                    | 1,480                   |
|      | Q4 | 41,330                | 6,030           | 11,850        | 970                         | 6,530                    | 1,480                   |
| 2013 | Q1 | 41,290                | 6,410           | 12,050        | 980                         | 6,370                    | 1,550                   |
|      | Q2 | 40,710                | 6,360           | 12,460        | 980                         | 6,400                    | 1,540                   |
|      | Q3 | 40,010                | 6,440           | 9,970         | 990                         | 6,440                    | 1,530                   |
|      | Q4 | 40,110                | 6,420           | 10,180        | 990                         | 6,250                    | 1,550                   |
| 2014 | Q1 | 39,490                | 6,470           | 10,500        | 1,000                       | 6,250                    | 1,560                   |
|      | Q2 | 39,300                | 6,370           | 10,410        | 1,020                       | 6,210                    | 1,560                   |
|      | Q3 | 38,860                | 7,020           | 10,780        | 1,020                       | 6,180                    | 1,570                   |
|      | Q4 | 38,650                | 6,900           | 11,030        | 1,050                       | 6,090                    | 1,570                   |

## NUMBER OF WHOLESALE BROADBAND CONNECTIONS – BITSTREAM

|      |    | Number of connections |                 |               |                             |                          |
|------|----|-----------------------|-----------------|---------------|-----------------------------|--------------------------|
|      |    | Copper-wire pairs     | Unbundled lines | Coaxial cable | FWA (fixed wireless access) | FTTH (fibre to the home) |
| 2012 | Q1 | 41,880                | 5,640           | 8,400         | 950                         | 6,050                    |
|      | Q2 | 41,920                | 5,510           | 8,490         | 950                         | 6,180                    |
|      | Q3 | 41,840                | 3,430           | 8,550         | 950                         | 6,450                    |
|      | Q4 | 41,300                | 3,450           | 8,420         | 940                         | 6,490                    |
| 2013 | Q1 | 41,270                | 3,430           | 8,560         | 950                         | 6,360                    |
|      | Q2 | 40,680                | 3,380           | 11,260        | 950                         | 6,390                    |
|      | Q3 | 39,980                | 3,320           | 8,750         | 960                         | 6,430                    |
|      | Q4 | 40,080                | 3,200           | 8,940         | 970                         | 6,240                    |
| 2014 | Q1 | 39,460                | 3,100           | 9,090         | 980                         | 6,240                    |
|      | Q2 | 39,270                | 2,990           | 9,160         | 1,000                       | 6,200                    |
|      | Q3 | 38,830                | 2,890           | 9,260         | 1,000                       | 6,160                    |
|      | Q4 | 38,620                | 2,860           | 9,410         | 1,020                       | 6,080                    |

### NUMBER OF WHOLESALE BROADBAND CONNECTIONS – RESALE

|      |    | Number of connections |                 |               |                             |                          |
|------|----|-----------------------|-----------------|---------------|-----------------------------|--------------------------|
|      |    | Copper-wire pairs     | Unbundled lines | Coaxial cable | FWA (fixed wireless access) | FTTH (fibre to the home) |
| 2012 | Q1 | 29                    | 1,790           | 3,480         | 23                          | 10                       |
|      | Q2 | 29                    | 1,870           | 3,440         | 23                          | 11                       |
|      | Q3 | 29                    | 2,560           | 3,430         | 23                          | 33                       |
|      | Q4 | 29                    | 2,580           | 3,430         | 23                          | 33                       |
| 2013 | Q1 | 29                    | 2,980           | 3,490         | 23                          | 12                       |
|      | Q2 | 29                    | 2,980           | 1,200         | 23                          | 12                       |
|      | Q3 | 29                    | 3,120           | 1,210         | 23                          | 13                       |
|      | Q4 | 29                    | 3,220           | 1,240         | 23                          | 12                       |
| 2014 | Q1 | 29                    | 3,370           | 1,420         | 23                          | 12                       |
|      | Q2 | 29                    | 3,390           | 1,250         | 23                          | 13                       |
|      | Q3 | 29                    | 4,130           | 1,520         | 23                          | 13                       |
|      | Q4 | 29                    | 4,040           | 1,610         | 23                          | 12                       |

### REVENUES FROM WHOLESALE BROADBAND CONNECTIONS (PAGE 32)

|      |    | EUR       |           |
|------|----|-----------|-----------|
|      |    | Bitstream | Resale    |
| 2012 | Q1 | 2,652,500 | 1,360,400 |
|      | Q2 | 2,604,500 | 1,477,800 |
|      | Q3 | 2,527,000 | 1,819,800 |
|      | Q4 | 2,551,400 | 1,841,200 |
| 2013 | Q1 | 2,418,900 | 1,169,100 |
|      | Q2 | 2,431,900 | 1,208,100 |
|      | Q3 | 2,420,500 | 910,900   |
|      | Q4 | 2,489,800 | 961,000   |
| 2014 | Q1 | 2,568,700 | 1,030,100 |
|      | Q2 | 2,542,500 | 995,500   |
|      | Q3 | 2,543,200 | 1,021,700 |
|      | Q4 | 2,544,100 | 1,062,000 |

### NUMBER OF RETAIL FIXED BROADBAND CONNECTIONS BY CUSTOMER TYPE

|      |    | Number of connections |                    |           |
|------|----|-----------------------|--------------------|-----------|
|      |    | Residential customers | Business customers | Total     |
| 2012 | Q1 | 1,822,000             | 198,100            | 2,020,100 |
|      | Q2 | 1,834,500             | 196,700            | 2,031,200 |
|      | Q3 | 1,857,600             | 198,800            | 2,056,400 |
|      | Q4 | 1,883,700             | 197,200            | 2,080,900 |
| 2013 | Q1 | 1,916,500             | 195,500            | 2,112,000 |
|      | Q2 | 1,929,400             | 195,000            | 2,124,400 |
|      | Q3 | 1,953,300             | 194,400            | 2,147,700 |
|      | Q4 | 1,996,700             | 194,300            | 2,191,000 |
| 2014 | Q1 | 2,032,500             | 193,800            | 2,226,300 |
|      | Q2 | 2,050,900             | 192,100            | 2,243,000 |
|      | Q3 | 2,076,800             | 194,400            | 2,271,200 |
|      | Q4 | 2,118,500             | 194,500            | 2,313,000 |

## REVENUES FROM RETAIL FIXED BROADBAND CONNECTIONS BY CUSTOMER TYPE

|      |    | EUR                   |                    |             |
|------|----|-----------------------|--------------------|-------------|
|      |    | Residential customers | Business customers | Total       |
| 2012 | Q1 | 138,006,500           | 34,993,000         | 172,999,500 |
|      | Q2 | 146,830,700           | 35,649,700         | 182,480,400 |
|      | Q3 | 148,581,400           | 38,028,200         | 186,609,600 |
|      | Q4 | 150,229,200           | 38,234,500         | 188,463,700 |
| 2013 | Q1 | 154,498,900           | 37,781,600         | 192,280,500 |
|      | Q2 | 154,464,900           | 37,631,500         | 192,096,400 |
|      | Q3 | 154,281,800           | 37,494,900         | 191,776,700 |
|      | Q4 | 155,209,300           | 37,624,800         | 192,834,100 |
| 2014 | Q1 | 156,914,400           | 37,062,900         | 193,977,300 |
|      | Q2 | 156,920,400           | 36,943,500         | 193,863,900 |
|      | Q3 | 158,892,200           | 37,615,200         | 196,507,400 |
|      | Q4 | 160,003,000           | 37,747,400         | 197,750,400 |



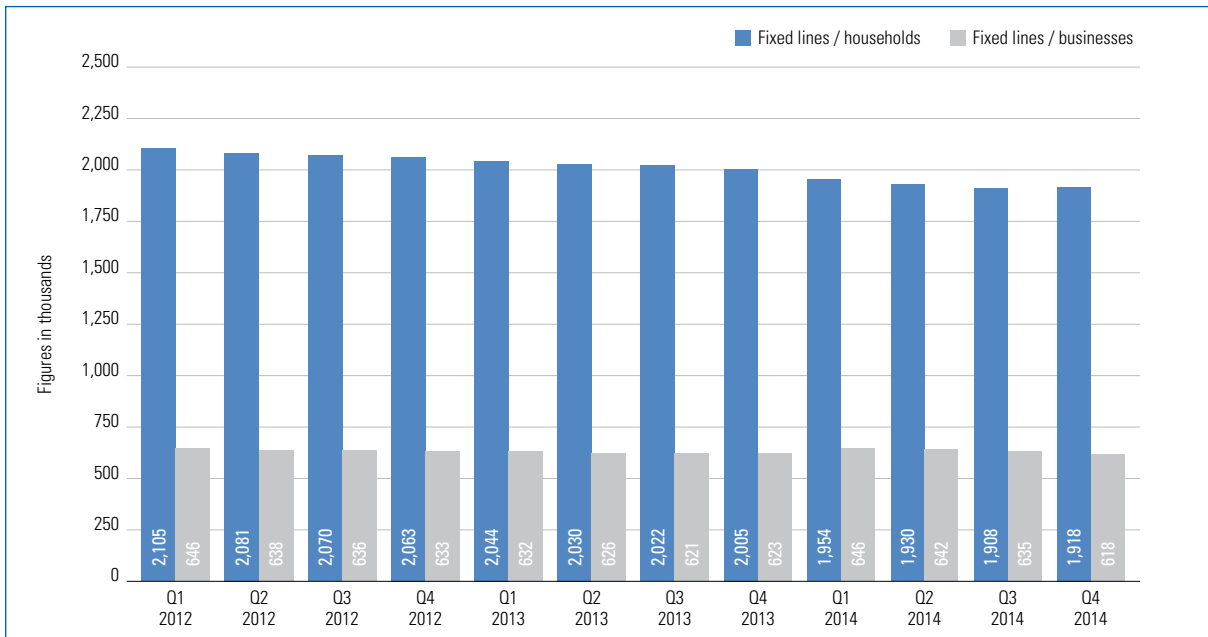


# 3 | Fixed network



# Fixed lines

➔ **FIXED LINES IN HOUSEHOLDS AND BUSINESSES DECREASED IN 2014**

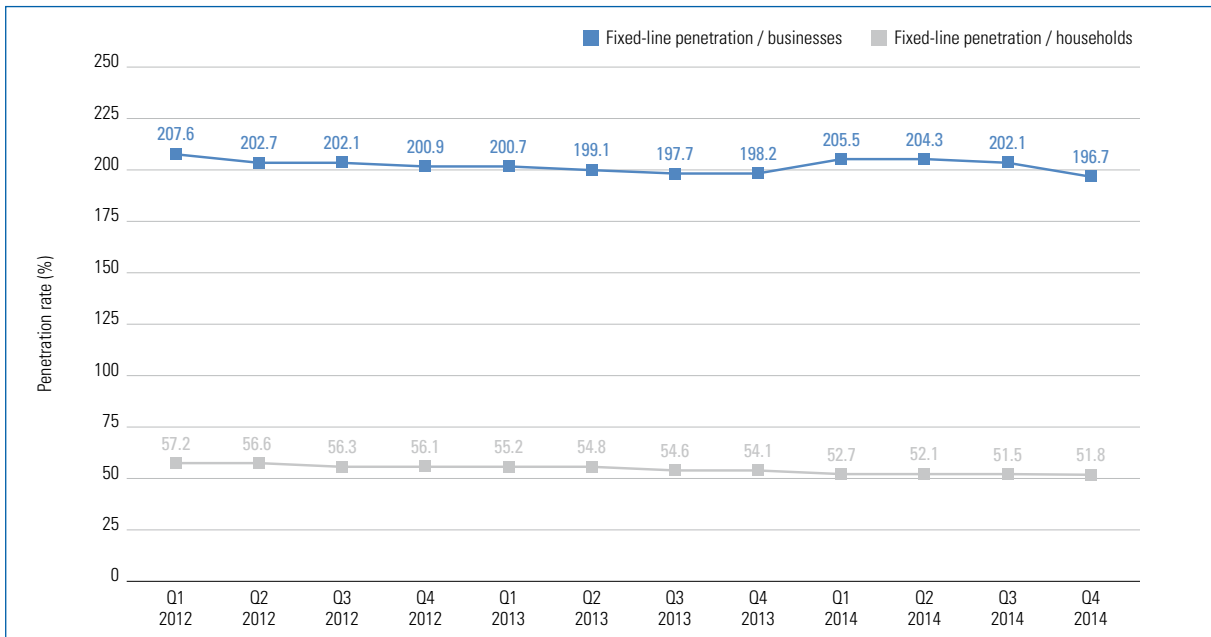


The chart above shows the total number of fixed telephone lines in households and businesses, regardless of the infrastructure on which those lines are based (e.g. copper-wire pairs, coaxial cable or optical fibre).

- The number of fixed lines is continuously declining. At the end of 2014, in Austria there existed about 2.54 million fixed lines, which is a decrease of 3.5% against the end of 2013.
- The decline concerns residential and business customers: Connections in households dropped by 4.3% to 1.92 million, business connections fell by 0.7% to 618,400.

# Fixed-line penetration

➔ **PENETRATION SLIGHTLY DECLINING**



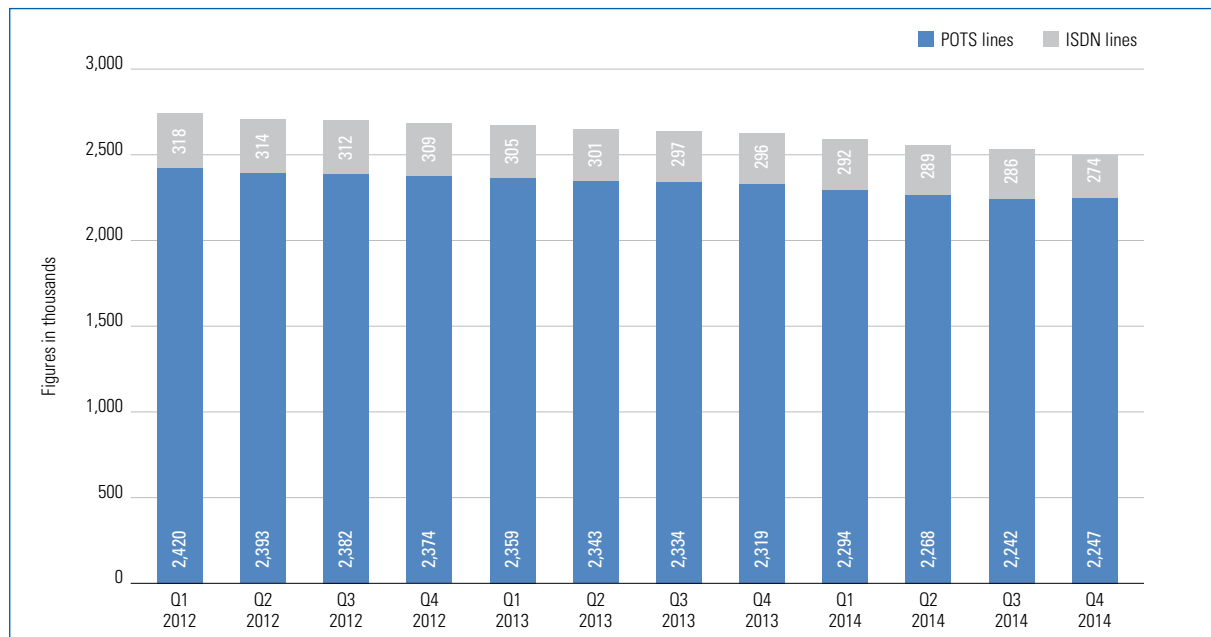
Source for number of households and businesses: Statistics Austria

The chart shows fixed-line penetration rates among households and businesses. The higher penetration rate for businesses is due to the - in most cases - greater number of fixed lines per business and is therefore not strictly comparable with that of households.

- Fixed-line penetration of businesses declined by 1.4 percentage points compared with Q4 2013 and was 196.7% in Q4.
- Fixed-line penetration of households was at 51.8% in Q4 2014, thus down by 2.4 percentage points against the end of 2013.

## Development of fixed lines

### ➔ NUMBER OF FIXED LINES FELL YEAR ON YEAR



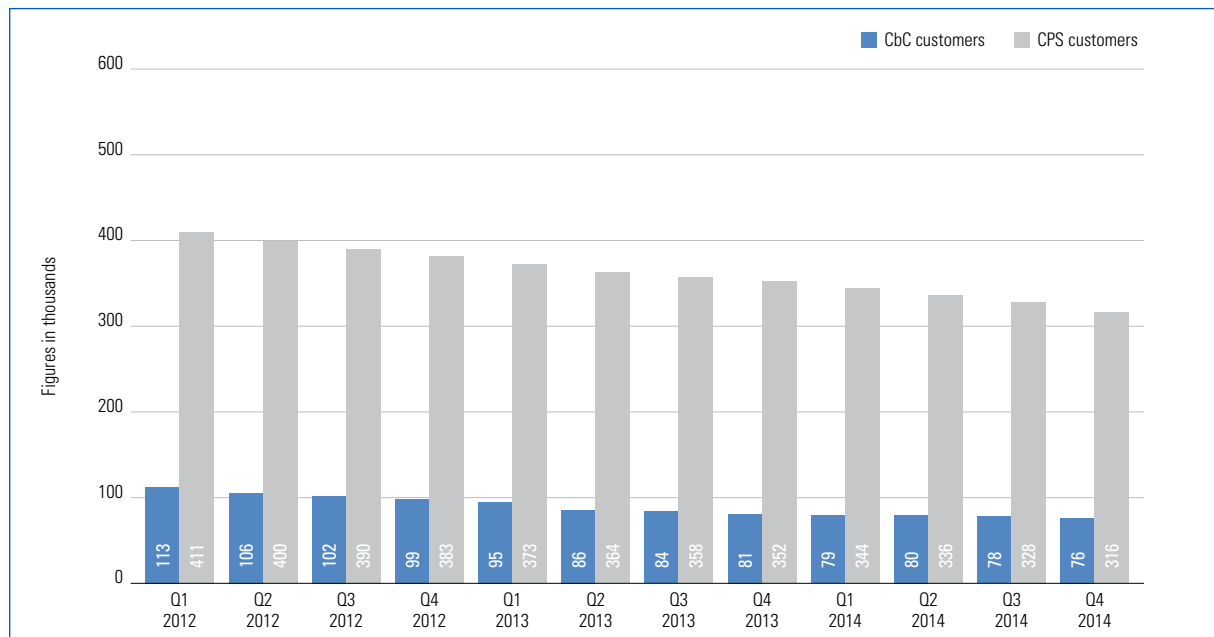
A POTS (“plain old telephone service”) line is a conventional telephone line as found in many households. An ISDN line provides two channels so that two calls can be made at the same time. In the case of multi-ISDN lines, which are almost exclusively used by businesses, more than two channels are available at the same time.

The chart shows the number of fixed lines in Austria, broken down by type (POTS and ISDN). Multi-ISDN lines (only in businesses) cannot be shown in the chart because the figure is too small.

- Fixed lines (2.54 million) in Austria are mostly POTS lines: at the end of 2014, they amounted to 88.6% or 2.25 million lines. This figure decreased by 3.1% compared with the end of 2013.
- ISDN lines accounted for some 274,400 lines (10.8%) in Q4 2014, which was a drop of 7.2% against the end of 2013.
- In contrast, multi-ISDN lines grew by 8.5%. However, with 15,300 lines, they accounted for only 0.6% of all fixed lines in Austria.
- At the end of 2014, about 645,000 of all fixed lines were voice-over-broadband lines (up 6.2% against 2013), radio transmission was used for 30,700 lines (up 4.8%). (See the table at the end of the section.)

# Carrier pre-selection and call-by-call customers

## ➔ CONTINUING DOWNWARD TREND OF CPS AND CBC ALSO IN 2014

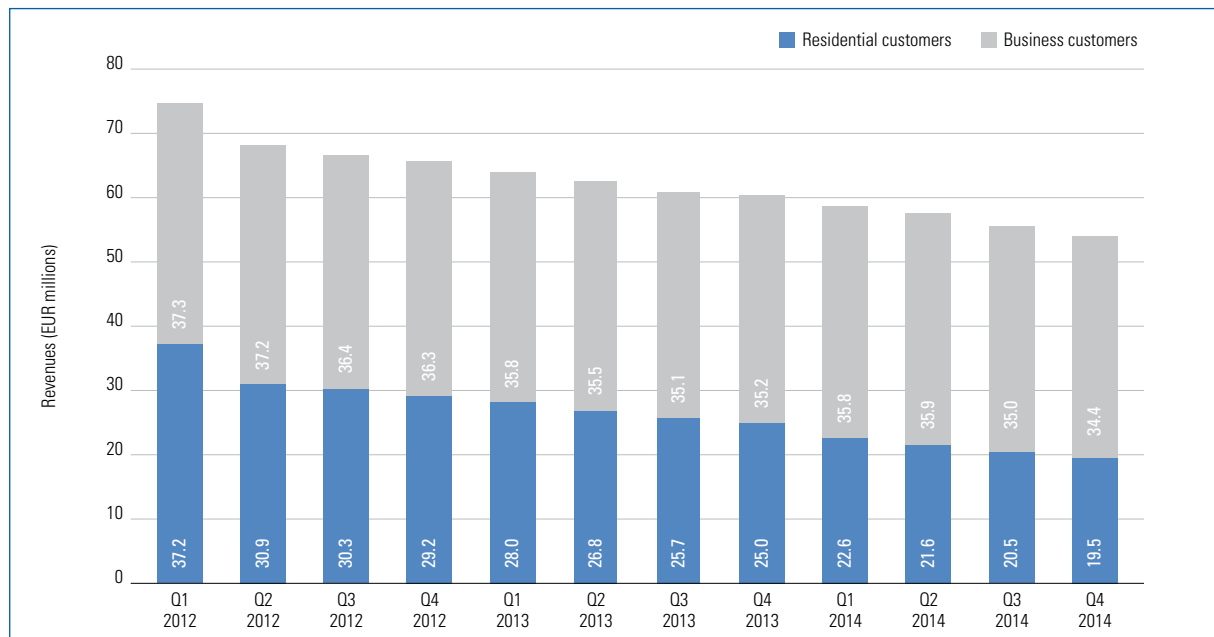


The chart shows the number of customers with lines on which carrier pre-selection (CPS) is used and the number of call-by-call (CbC) customers who used CbC at least once in each quarter (see Glossary).

- Within one year, the number of CPS customers dropped by 10.2% to 316,100. Thus, the share of carrier pre-selection in all fixed lines was 12.5% at the end of Q4 2014.
- The number of CbC customers is also declining. Within the year 2014, they declined in number to 76,400 (down 5.9%).
- The ratio between CPS and CbC is stable. Also in 2014, pre-set CPS connections amounted to 80.5%, while the remaining 19.5% were variable CbC connections.

## Retail revenues from access services

### ➔ SIGNIFICANT DROP IN REVENUES FROM RESIDENTIAL CUSTOMERS



Retail revenues from access services include base fees and setup charges.

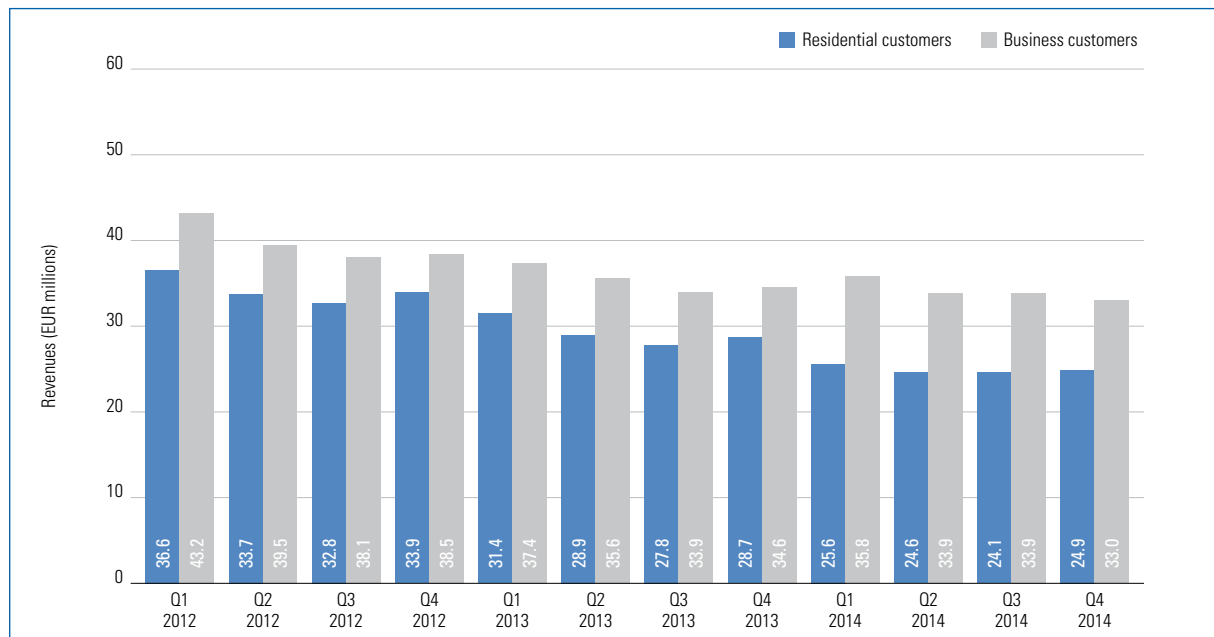
Base fees refer to revenues that are earned periodically and do not depend on the actual use of the subscriber line. They also include revenues from monthly flat rates (e.g. packages which include a certain number of minutes), but such rates do not play a significant role in fixed-network services. Not included are so-called "optional tariffs" and "flat-rate tariffs" as well as revenues from products bundled with broadband.

Setup charges include revenues generated from the setup, transfer and termination of fixed telephone lines.

- In the previous year, total revenues of EUR 225.3 million were generated from access services. This corresponds to a decrease of 8.8% against 2013. The decrease affected mainly revenues from residential customers, which dropped by 20.2% over that period. In contrast, revenues from business customers remained quite stable throughout 2014, declining only by 0.2%.
- The fact that revenues from residential customers tend to decline more significantly than those from business customers leads to a continuous decline in the share of residential customer revenues in total revenues from access services. While the ratio had been still 50% in Q1 2012, it was only 36.2% at the end of 2014.
- The decrease in revenues is partly due to the fact that fixed-network access is more frequently obtained in combination with a broadband product.

## Retail revenues from carrier services 1/2

### ➔ YEAR-ON-YEAR DECLINE IN REVENUES FROM RESIDENTIAL AND BUSINESS CUSTOMERS



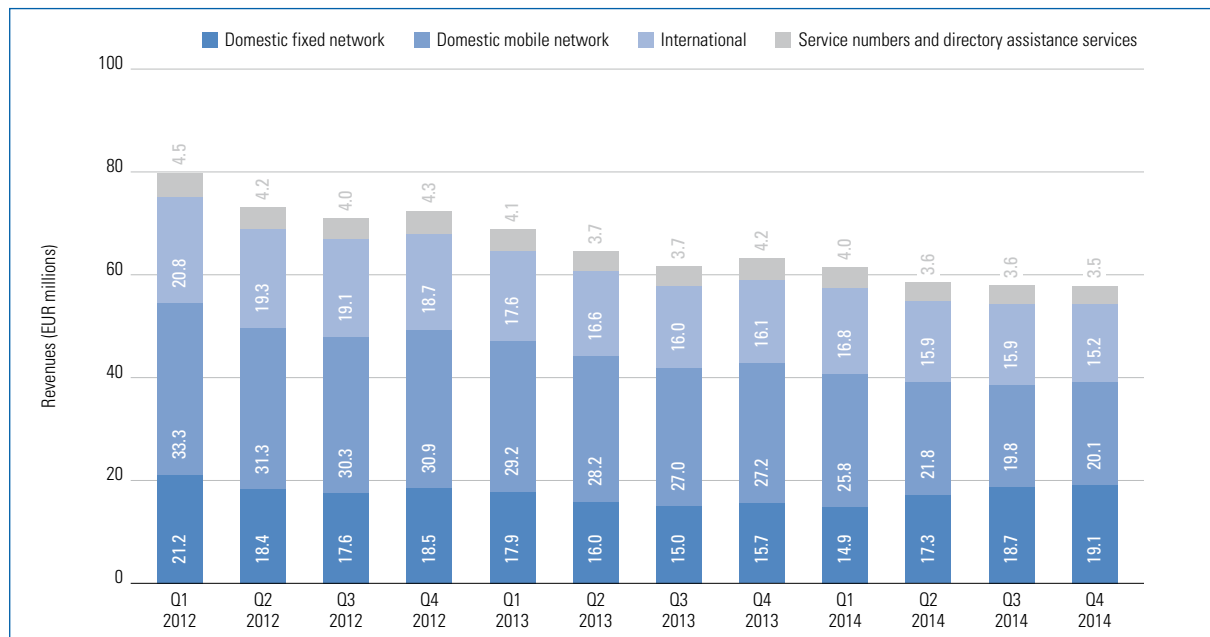
Retail revenues from carrier services depend on the number of call minutes used, i.e. the more telephone calls a fixed subscriber makes, the higher their bill normally is.

The revenues shown above include the retail fees charged by operators for calls to the domestic fixed network, domestic mobile networks, international destinations and service numbers. Revenues from fixed monthly flat rates (e.g. packages including a certain number of minutes) are not included in the figures above.

- Carrier services follow a trend that is similar to that of access services. Here, too, annual revenues are on the decline (by 8.7% from EUR 258.3 million in 2013 to EUR 235.8 million in 2014). This is due to the fact that on 1 May 2014 a change in fixed-network tariffs for residential customers of A1 Telekom took effect, harmonising the prices for telephone calls to the Austrian mobile network and to the Austrian fixed network. By this, call minutes to the mobile network became cheaper while those to the fixed network became more expensive (see also the following page).
- Like revenues from access services, also those from carrier services declined more significantly for residential customers than for business customers. Revenues from carrier services for residential customers dropped by 15.1% to EUR 99.2 million in the previous year, those for business customers, in contrast, only by 3.4% to EUR 136.6 million.

# Retail revenues from carrier services 2/2

## ➔ SHIFTS BETWEEN REVENUES FROM THE FIXED AND THE MOBILE NETWORKS



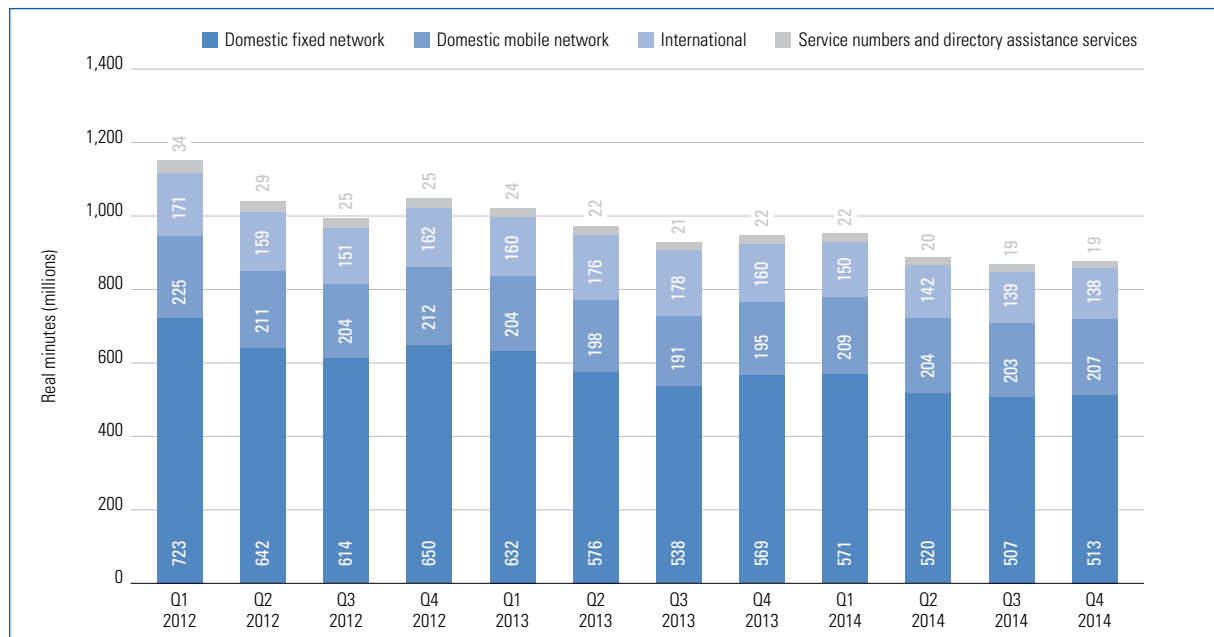
The chart above shows the revenues earned by operators from calls from fixed networks to various destinations (national fixed network, national mobile networks, international destinations and service numbers). Revenues from fixed monthly flat rates (e.g. packages including a certain number of minutes) are not included in the figures above.

- In line with the aforementioned change in the price structure of A1 Telekom in mid-2014, revenues clearly shifted from calls to mobile networks to calls to the fixed network. Comparing Q4 2013 and Q4 2014, there was a noticeable increase in revenues from carrier services to the domestic fixed network by 21.8% in Q4 2014 compared with the reference period of 2013. In contrast, revenues from calls to the mobile network dropped by 26.2% in Q4 2014 against Q4 2013. Altogether, these changes more or less offset each other.
- Revenues from international calls decreased by 5.9% at the end of 2014 against the end of 2013, amounting to EUR 15.2 million. Thus, revenues from international calls contributed 26.2% to revenues from carrier services.
- Within one year, revenues from calls to service numbers declined by 16.2% to EUR 3.5 million in Q4 2014, accounting for 6.1% of revenues from carrier services.



# Call minutes on the retail market

## ➔ FEWER CALL MINUTES IN THE FIXED NETWORK IN 2014

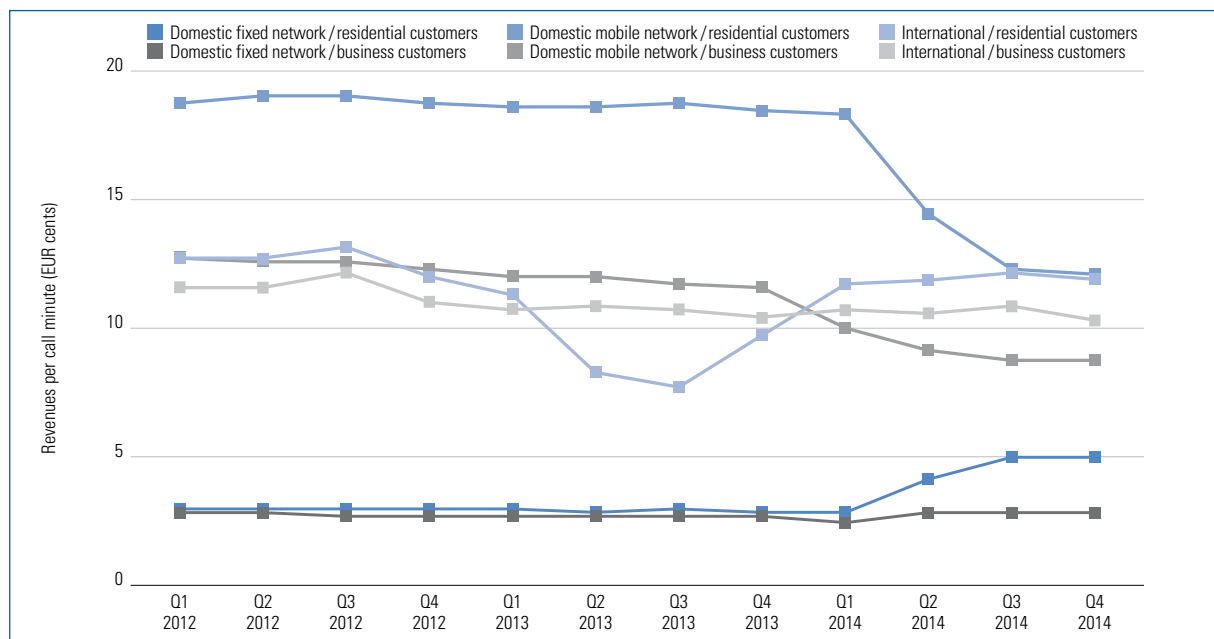


The chart above shows the number of real minutes (see Glossary) in the fixed network, broken down by destination.

- In 2014, calls corresponding to some 3.58 billion minutes were made from the domestic fixed network. This means a decline of 7.3% on 2013.
- Close to 60% of these minutes were accounted for by calls to the domestic fixed network, i.e. 2.11 billion minutes (down 8.8% against 2013). The decline can be partly explained by the fact that A1 Telekom raised the fixed-network tariffs in the course of a tariff change in mid-2014.
- Due to the same tariff change by A1 Telekom (by which also the tariffs to the domestic mobile network were lowered), the number of fixed-network minutes to the mobile network rose (up 4.5% against 2013). 823.7 million minutes in 2014 accounted for 23% of total call minutes from the fixed network.
- Calls to international networks amounted to 569.9 million minutes (15.9%). Compared with 2013, this figure was down by 15.6%.
- Calls to service numbers and directory assistance services totalled 79.9 million minutes in 2014, which was 10.7% less than in 2013.

# Revenues per call minute

## ➔ SIGNIFICANT CHANGES DUE TO ADJUSTMENT OF TARIFFS

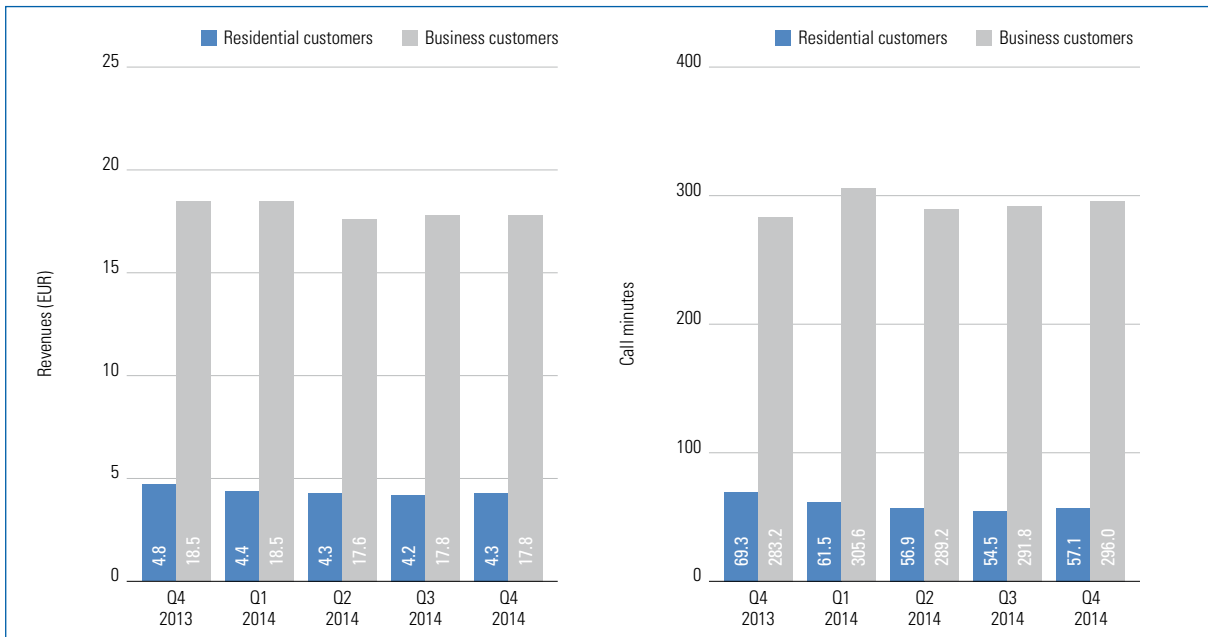


The chart above shows the revenues per call minute for telephone calls from the fixed network to various destinations, broken down into residential and business customers. Revenue per call minute is calculated from retail revenues from carrier services (charts “Retail revenues from carrier services 1/1 and 1/2”), divided by the number of real minutes (chart “Call minutes on the retail market”). The data underlying this chart can be found in the table at the end of the section.

- The chart illustrates the developments already described for revenues from carrier services and call minutes. Striking are the changes in revenues from residential customers per call minute to the domestic fixed and mobile networks, which are due to the changed tariff structure of A1 Telekom in mid-2014.
- Revenues from carrier services per call minute to the mobile network for residential customers levelled off at 12.1 EUR cents in Q4 2014, those for calls to the domestic fixed network at 5.0 EUR cents. Thus, the values for the fixed network increased by 74.1% against the end of 2013, those for mobile services dropped by 34.8%.
- At the end of 2014, calls to international networks generated higher revenues per minute by 21.8% than at the end of 2013. The kink in 2013 for revenues from residential customers per international call minute can be explained by the fact that due to a special offer one operator recorded substantially more international call minutes than usual, with revenues remaining constant.
- The changes in the business customer segment are much less striking. Revenues per call minute to the fixed network grew by 8.6% on the end of 2013, those for calls to domestic mobile networks declined by 24.7%. For business customers, revenues from carrier services per minute for international calls remained virtually unchanged.

# The average fixed-network subscriber

## ➔ MINUTES FOR BUSINESS CUSTOMERS INCREASED

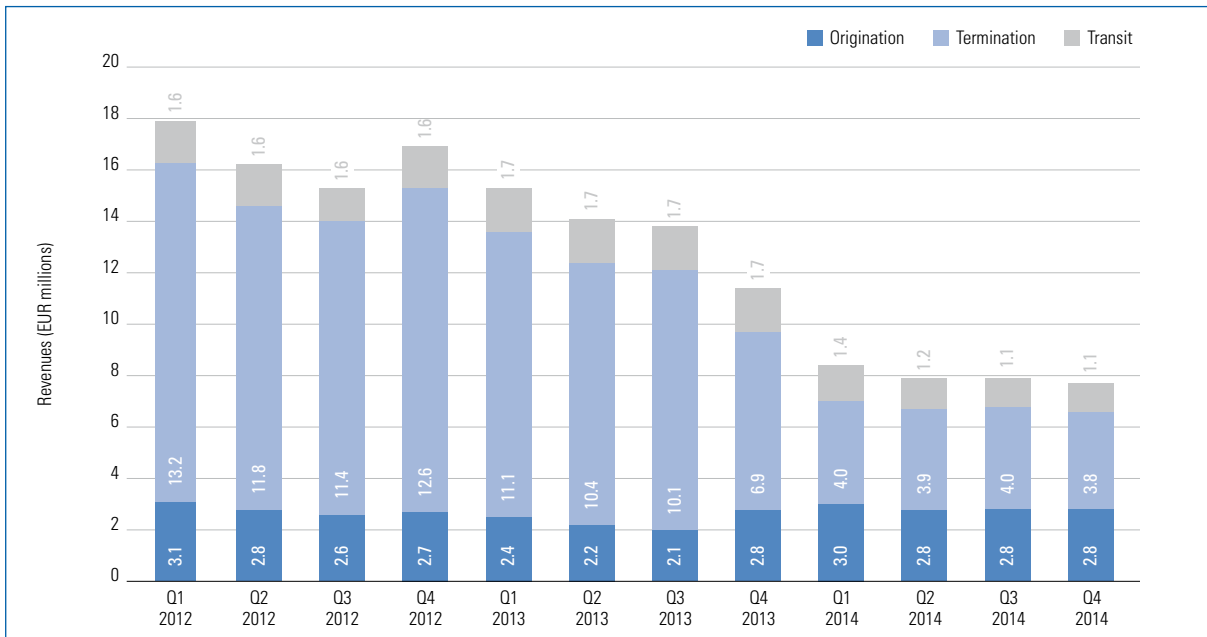


The chart shows the average number of active call minutes (real minutes) on the fixed network for business and residential customers per month in the respective quarter as well as the average revenues from carrier service charges generated per month in the quarter. The monthly values are calculated from a third of revenues from carrier service charges and a third of the call minutes, divided in each case by the total number of fixed-network lines in the respective quarter. Since the KEV amendment revenues from access services have no longer been exactly attributable to fixed-line voice telephony (products bundled with broadband), for this reason they are not shown in the chart.

- Compared with Q4 2013, average revenues from carrier service charges declined by 9.2% to EUR 4.3 per month for residential customers. For business customers the drop was 3.9% to EUR 17.8 per month.
- Over the last year, call minutes declined on average by 17.6% to 57.1 minutes per month for residential customers, whereas they increased by 4.5% to 296.0 minutes per month for business customers.

# Wholesale revenues

## ➔ WHOLESALE REVENUES DOWN DUE TO LOWER TERMINATION CHARGES

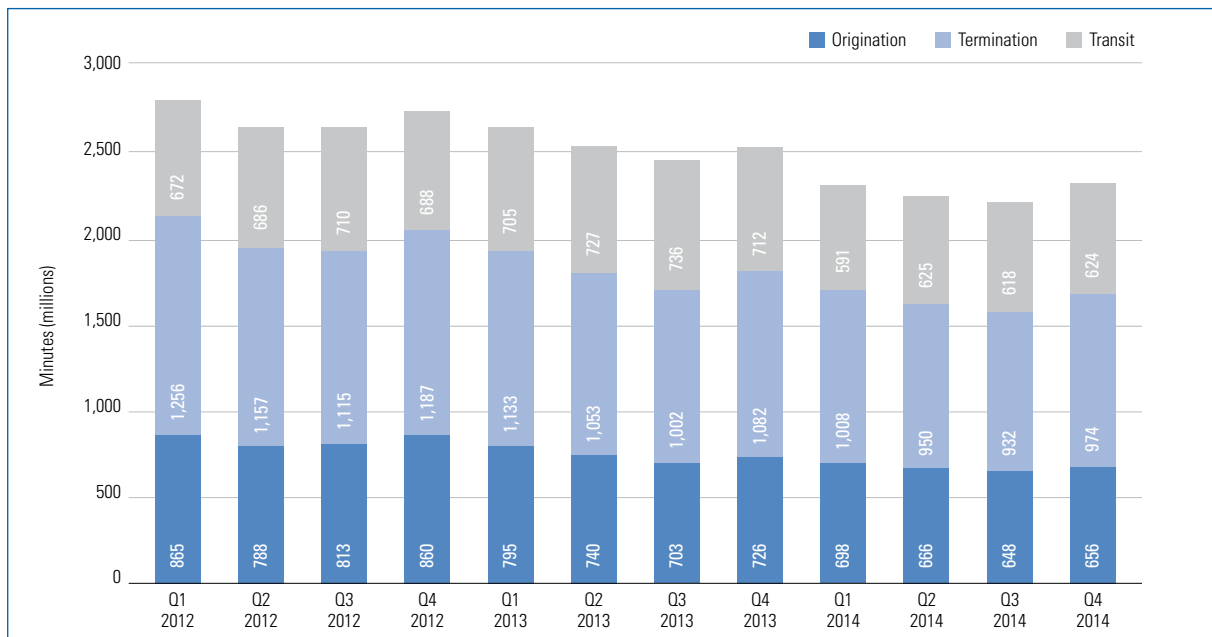


The fixed wholesale market for voice telephony includes three sub-services: origination, termination and transit services (see Glossary).

- After the clear drop in wholesale revenues since 1 November 2013 due to the reduction of termination charges, wholesale revenues stabilised in 2014 at a new level, totalling EUR 31.96 million for 2014. The marked fall against 2013 (down 41.6%) is due to the mentioned reduction of termination charges.
- Almost half of wholesale revenues (EUR 15.73 million) were accounted for by termination charges. Due to the reduction they dropped by 59.2% against 2013.
- At EUR 4,89 million in 2014, transit revenues fell by 28.5% compared with 2013. In 2014, the contribution of transit revenues to wholesale revenues was 15.3%.
- In contrast, at EUR 11.34 million, origination revenues increased in 2014 by 21.4% compared with 2013. About 35.5% of total wholesale revenues were accounted for by origination charges.

# Wholesale market in minutes

## ➔ FROM 2013 TO 2014 DECLINE IN ALL CATEGORIES

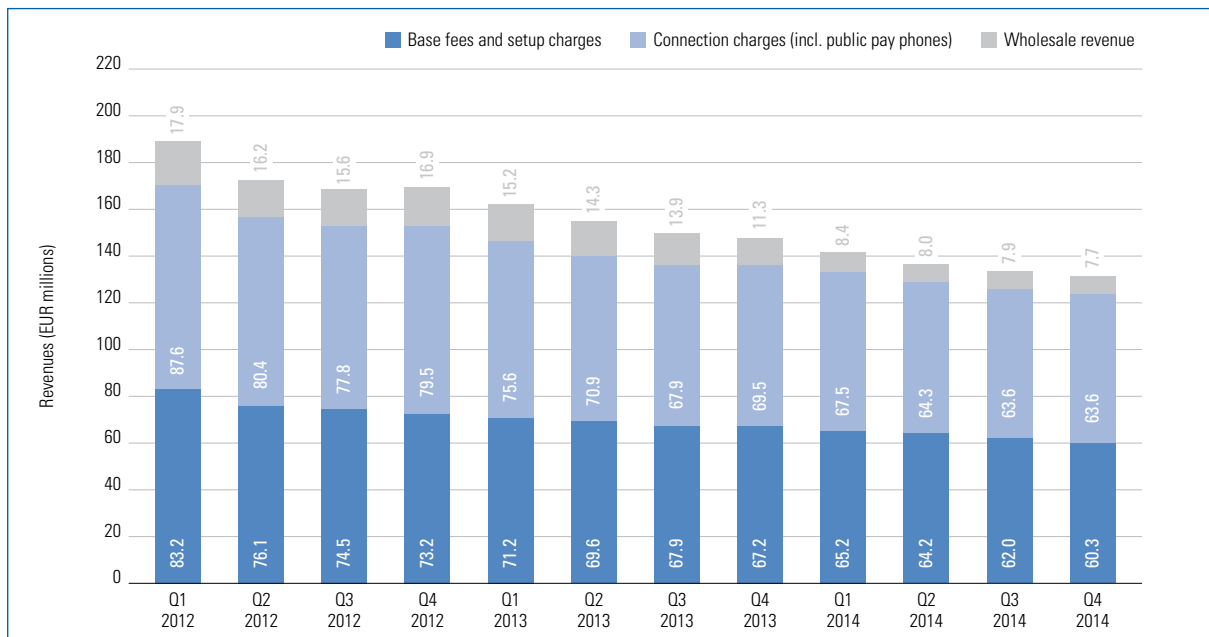


In line with wholesale revenues, the wholesale market includes origination, termination and transit minutes (see Glossary).

- Wholesale minutes totalled 8.99 billion in 2014. Against 2013, this means a decline of 11.1%.
- About 43% of them were accounted for by termination minutes (3.86 billion), which dropped by 9.5% compared with the reference period.
- Nearly 30% of all wholesale minutes in 2014 were origination minutes, falling from 2.96 billion in 2013 to 2.67 billion in 2014 (down 10%).
- In 2014, transit minutes declined by 14.7% to 2.46 billion minutes, accounting for 27.3% of all wholesale minutes.

# Total fixed-network revenues

## ➔ TOTAL REVENUES FALLING ACROSS THE BOARD

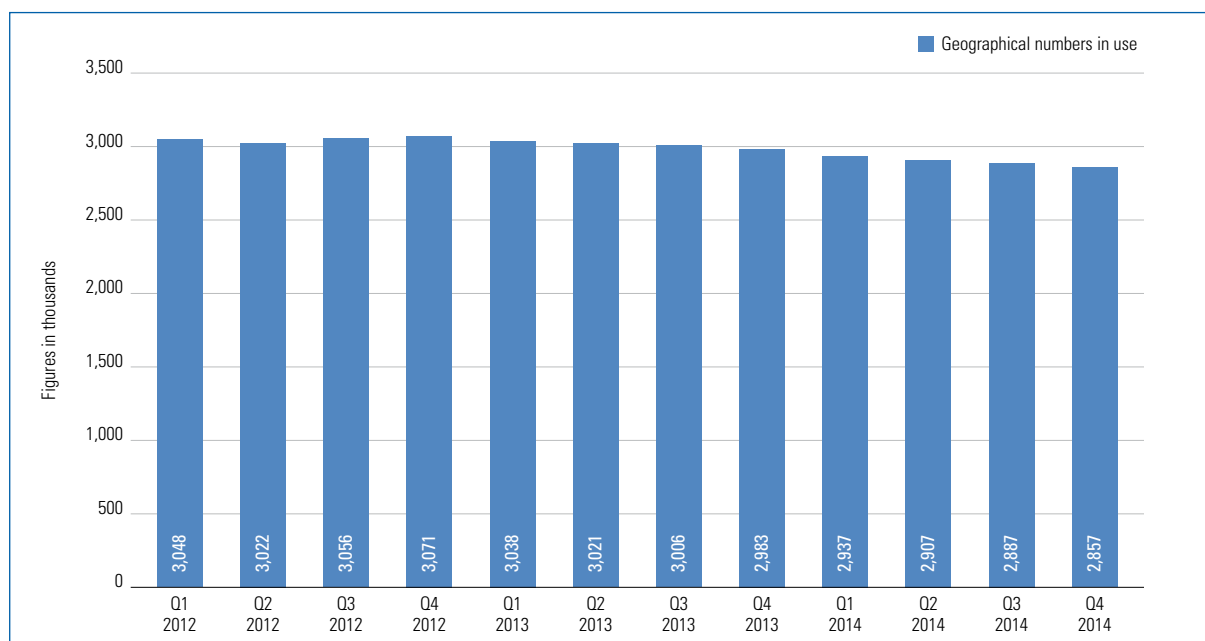


Total fixed-network revenue is calculated from the total of all base fees and setup charges including other charges (revenues from optional tariffs, calling cards, charges stipulated by the Telecommunications Fee Subsidies Act and other charges such as invoicing, additional services etc.), connection charges (including public pay phones) and revenues from origination, termination and transit charges. Not included are revenues from fixed-network voice telephony that were earned from products bundled with broadband.

- Base fees and setup charges as well as connection charges including public pay phones (retail revenues) and wholesale revenues taken together generated revenues of EUR 542.7 million in 2014 for fixed-network operators, i.e. 11.7% less than in 2013.
- The lower revenues were attributable in part to the decline in wholesale revenues by 41.6% due to the reduction of termination charges. However, wholesale revenues contributed only 5.9% to total revenues. At approx. 47% each, base fees and setup charges as well as connection charges accounted for by far the bigger proportion in total revenues.
- In 2014, base fees and setup charges amounted to EUR 251.6 million, down by 8.8% compared with the result for 2013. Connection charges contributed EUR 259.1 million to total revenues and thus fell short of 2013 revenues by 8.7%.

## Geographical numbers in use

➔ DOWNWARD TREND ALSO CONTINUED IN 2014



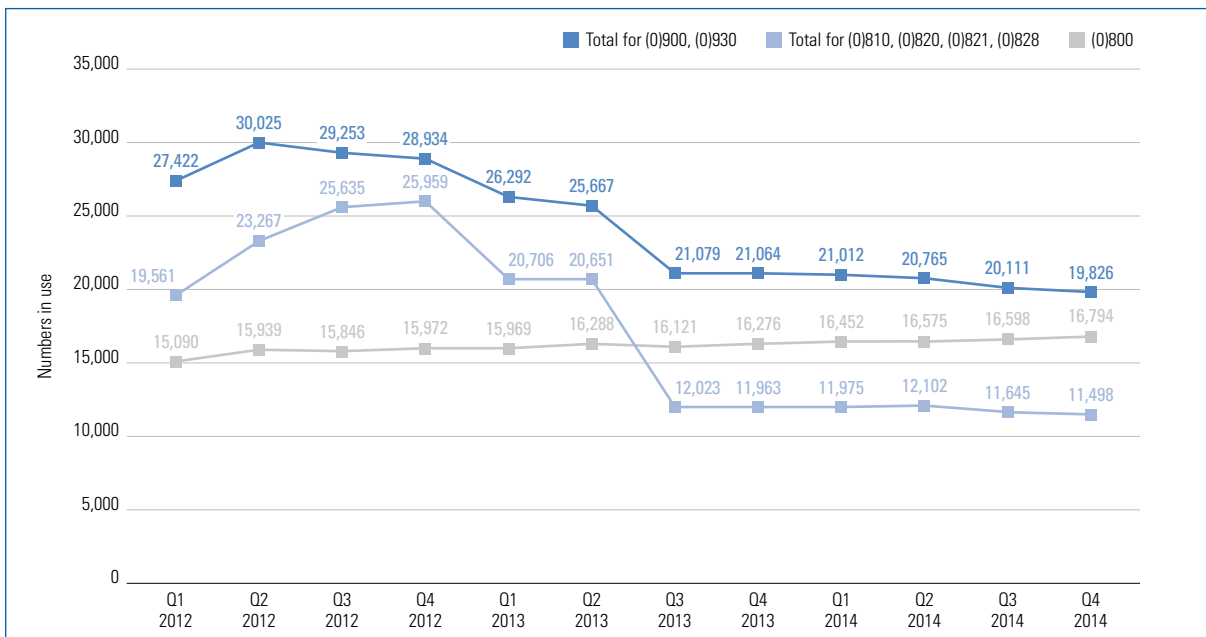
Geographical numbers are domestic telephone numbers prefixed by a local area code (e.g. 01 for Vienna).

As more than one number may be assigned to a single line, the number of geographical numbers is not identical to the number of fixed subscriber lines.

- In the course of 2014, geographical numbers in use dropped by 4.2% to 2.86 million, thus continuing the long-term downward trend.

# Service numbers in use: (0)800, (0)810, (0)820, (0)821, (0)828, (0)900, (0)930

➔ LITTLE CHANGE IN 2014



The chart above shows the number of service numbers in use in the following ranges:

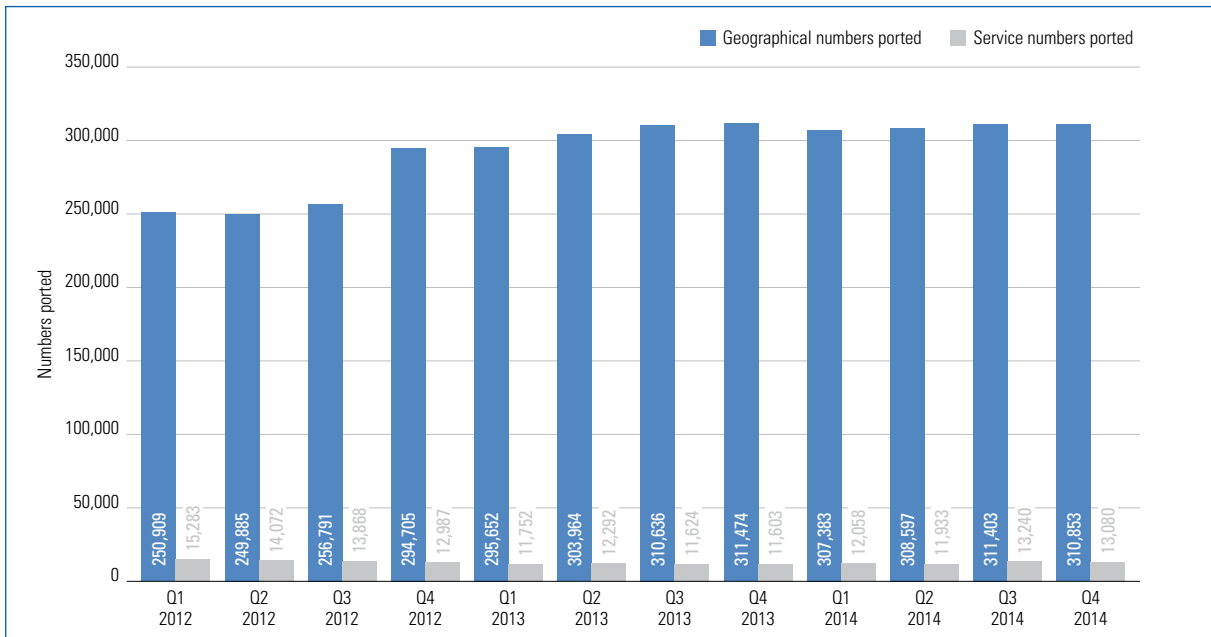
- (0)800 range: toll-free services
- (0)810 range: max. EUR 0.10 per minute or text message
- (0)820 range: max. EUR 0.20 per minute or text message
- (0)821 range: max. EUR 0.20 per call or text message
- (0)828 range: text messages only; standard charges apply
- (0)900 range: max. EUR 3.64 per minute or max. EUR 10.00 per text message
- (0)930 range: max. EUR 3.64 per minute or max. EUR 10.00 per text message (erotic hotlines)

- Service numbers in use saw little change throughout 2014. Within one year, (0)800 numbers climbed by 3.2% to 16,794 at the end of 2014.
- All (0)810, (0)820, (0)821 and (0)828 numbers taken together dropped by 3.9% to 11,498 in Q4 2014.
- (0)900 and (0)930 numbers amounted to 19,826 at the end of 2014 and thus were 5.9% below the level of Q4 2013.



# Ported geographical numbers and service numbers

## ➔ HARDLY ANY CHANGES IN PORTED GEOGRAPHICAL NUMBERS



Number porting allows customers to retain their telephone numbers when they switch service providers. This means that customers can keep their original geographical telephone numbers (within the same local area code) when they switch to a new provider.

The chart above shows the total number of geographical telephone numbers and service numbers ported (which is not equal to the total number of porting procedures, as a single number may be ported several times).

- The number of ported geographical numbers hardly changed compared with the end of 2013: In Q4 2014, it was at 310,853 and thus 0.2% below the value of the reference period.
- On the other hand, ported service numbers increased quite significantly to 13,080 and were up 12.7% against the end of 2013.

## FIXED LINES (PAGE 42)

|      |    | Number of lines          |                          |
|------|----|--------------------------|--------------------------|
|      |    | Fixed lines / households | Fixed lines / businesses |
| 2012 | Q1 | 2,104,800                | 645,700                  |
|      | Q2 | 2,081,400                | 638,200                  |
|      | Q3 | 2,070,300                | 636,200                  |
|      | Q4 | 2,062,800                | 632,700                  |
| 2013 | Q1 | 2,044,200                | 631,900                  |
|      | Q2 | 2,030,400                | 625,800                  |
|      | Q3 | 2,022,100                | 621,400                  |
|      | Q4 | 2,005,400                | 622,900                  |
| 2014 | Q1 | 1,954,000                | 645,800                  |
|      | Q2 | 1,929,500                | 642,100                  |
|      | Q3 | 1,907,700                | 635,300                  |
|      | Q4 | 1,918,200                | 618,400                  |

## FIXED-LINE PENETRATION (PAGE 43)

|      |    | in %                                |                                     |
|------|----|-------------------------------------|-------------------------------------|
|      |    | Fixed-line penetration / households | Fixed-line penetration / businesses |
| 2012 | Q1 | 57.2%                               | 207.6%                              |
|      | Q2 | 56.6%                               | 202.7%                              |
|      | Q3 | 56.3%                               | 202.1%                              |
|      | Q4 | 56.1%                               | 200.9%                              |
| 2013 | Q1 | 55.2%                               | 200.7%                              |
|      | Q2 | 54.8%                               | 199.1%                              |
|      | Q3 | 54.6%                               | 197.7%                              |
|      | Q4 | 54.1%                               | 198.2%                              |
| 2014 | Q1 | 52.7%                               | 205.5%                              |
|      | Q2 | 52.1%                               | 204.3%                              |
|      | Q3 | 51.5%                               | 202.1%                              |
|      | Q4 | 51.8%                               | 196.7%                              |

## DEVELOPMENT OF FIXED LINES (PAGE 44)

|      |    | Number of lines |         |            |         |          |
|------|----|-----------------|---------|------------|---------|----------|
|      |    | POTS            | ISDN    | Multi-ISDN | VoB     | Wireless |
| 2012 | Q1 | 2,420,200       | 317,900 | 12,300     | 547,100 | 26,200   |
|      | Q2 | 2,393,300       | 313,900 | 12,300     | 557,000 | 26,800   |
|      | Q3 | 2,382,200       | 311,800 | 12,500     | 563,100 | 27,400   |
|      | Q4 | 2,373,900       | 309,000 | 12,600     | 574,000 | 28,000   |
| 2013 | Q1 | 2,358,600       | 304,800 | 12,600     | 579,900 | 28,500   |
|      | Q2 | 2,342,800       | 300,700 | 12,600     | 586,500 | 28,700   |
|      | Q3 | 2,333,700       | 297,100 | 12,600     | 593,900 | 28,900   |
|      | Q4 | 2,318,500       | 295,600 | 14,100     | 607,400 | 29,300   |
| 2014 | Q1 | 2,293,700       | 291,800 | 14,200     | 614,300 | 29,500   |
|      | Q2 | 2,267,800       | 288,800 | 15,000     | 627,200 | 30,300   |
|      | Q3 | 2,242,300       | 285,600 | 15,100     | 640,700 | 30,400   |
|      | Q4 | 2,246,900       | 274,400 | 15,300     | 645,000 | 30,700   |

**CARRIER PRE-SELECTION AND CALL-BY-CALL CUSTOMERS (PAGE 45)**

|      |    | Number of customers |         |
|------|----|---------------------|---------|
|      |    | CbC                 | CPS     |
| 2012 | Q1 | 112,700             | 411,300 |
|      | Q2 | 106,300             | 399,900 |
|      | Q3 | 102,400             | 389,500 |
|      | Q4 | 98,700              | 383,000 |
| 2013 | Q1 | 95,000              | 372,700 |
|      | Q2 | 86,100              | 364,400 |
|      | Q3 | 84,200              | 357,500 |
|      | Q4 | 81,200              | 351,900 |
| 2014 | Q1 | 78,600              | 344,200 |
|      | Q2 | 80,000              | 335,700 |
|      | Q3 | 78,100              | 327,700 |
|      | Q4 | 76,400              | 316,100 |

**RETAIL REVENUES FROM ACCESS SERVICES (PAGE 46)**

|      |    | EUR                   |                    |
|------|----|-----------------------|--------------------|
|      |    | Residential customers | Business customers |
| 2012 | Q1 | 37,203,500            | 37,325,200         |
|      | Q2 | 30,938,300            | 37,196,400         |
|      | Q3 | 30,307,600            | 36,426,400         |
|      | Q4 | 29,249,500            | 36,311,600         |
| 2013 | Q1 | 27,991,200            | 35,775,600         |
|      | Q2 | 26,824,800            | 35,471,000         |
|      | Q3 | 25,727,200            | 35,066,500         |
|      | Q4 | 24,975,100            | 35,168,500         |
| 2014 | Q1 | 22,572,600            | 35,819,300         |
|      | Q2 | 21,575,600            | 35,902,800         |
|      | Q3 | 20,512,200            | 34,985,400         |
|      | Q4 | 19,533,100            | 34,426,300         |

**RETAIL REVENUES FROM CARRIER SERVICES 1/2 (PAGE 47)**

|      |    | EUR                   |                    |
|------|----|-----------------------|--------------------|
|      |    | Residential customers | Business customers |
| 2012 | Q1 | 36,584,100            | 43,201,400         |
|      | Q2 | 33,727,700            | 39,454,400         |
|      | Q3 | 32,772,400            | 38,112,200         |
|      | Q4 | 33,944,400            | 38,469,500         |
| 2013 | Q1 | 31,399,100            | 37,379,800         |
|      | Q2 | 28,934,300            | 35,569,600         |
|      | Q3 | 27,841,400            | 33,911,900         |
|      | Q4 | 28,646,700            | 34,592,700         |
| 2014 | Q1 | 25,623,600            | 35,803,300         |
|      | Q2 | 24,644,700            | 33,911,400         |
|      | Q3 | 24,068,300            | 33,865,300         |
|      | Q4 | 24,878,600            | 33,012,400         |

## RETAIL REVENUES FROM CARRIER SERVICES 2/2 (PAGE 48)

|      |    | EUR                    |                         |               |   |
|------|----|------------------------|-------------------------|---------------|---|
|      |    | Domestic fixed network | Domestic mobile network | International | Service numbers and directory assistance services |
| 2012 | Q1 | 21,150,000             | 33,298,500              | 20,835,500    | 4,501,500   |
|      | Q2 | 18,357,400             | 31,285,100              | 19,295,500    | 4,244,100   |
|      | Q3 | 17,562,200             | 30,253,200              | 19,058,100    | 4,011,000   |
|      | Q4 | 18,463,500             | 30,909,400              | 18,728,300    | 4,312,700   |
| 2013 | Q1 | 17,856,800             | 29,178,700              | 17,643,300    | 4,100,000   |
|      | Q2 | 15,972,400             | 28,222,000              | 16,641,700    | 3,667,800   |
|      | Q3 | 15,043,000             | 26,950,300              | 16,022,100    | 3,737,900   |
|      | Q4 | 15,673,900             | 27,241,700              | 16,118,900    | 4,204,900   |
| 2014 | Q1 | 14,925,600             | 25,784,400              | 16,763,100    | 3,953,800   |
|      | Q2 | 17,267,500             | 21,785,000              | 15,917,100    | 3,566,600   |
|      | Q3 | 18,713,200             | 19,784,900              | 15,880,400    | 3,555,100   |
|      | Q4 | 19,089,500             | 20,112,600              | 15,167,100    | 3,521,700   |

## CALL MINUTES ON THE RETAIL MARKET (PAGE 49)

|      |    | Minutes                |                         |               |   |
|------|----|------------------------|-------------------------|---------------|---|
|      |    | Domestic fixed network | Domestic mobile network | International | Service numbers and directory assistance services |
| 2012 | Q1 | 722,745,000            | 225,154,000             | 170,739,000   | 34,388,000  |
|      | Q2 | 642,077,000            | 210,516,000             | 158,519,000   | 29,090,000  |
|      | Q3 | 614,083,000            | 203,787,000             | 151,002,000   | 25,261,000  |
|      | Q4 | 649,816,000            | 211,656,000             | 162,310,000   | 24,763,000  |
| 2013 | Q1 | 632,224,000            | 204,322,000             | 160,165,000   | 24,479,000  |
|      | Q2 | 575,980,000            | 197,702,000             | 176,390,000   | 21,547,000  |
|      | Q3 | 538,089,000            | 191,404,000             | 178,401,000   | 21,116,000  |
|      | Q4 | 568,571,000            | 195,173,000             | 159,958,000   | 22,358,000  |
| 2014 | Q1 | 571,216,000            | 209,067,000             | 150,420,000   | 21,815,000  |
|      | Q2 | 519,701,000            | 204,275,000             | 142,486,000   | 19,836,000  |
|      | Q3 | 506,894,000            | 203,107,000             | 138,701,000   | 19,402,000  |
|      | Q4 | 513,244,000            | 207,308,000             | 138,285,000   | 18,860,000  |

## REVENUES PER CALL MINUTE (PAGE 50)

|      |    | EUR cents                                      |   |                                       |   |  |                                    |
|------|----|--|---|---------------------------------------|---|--|------------------------------------|
|      |    | Domestic fixed network / residential customers | Domestic mobile network / residential customers | International / residential customers | Domestic fixed network / business customers | Domestic mobile network / business customers | International / business customers |
| 2012 | Q1 | 3.03   | 18.76   | 12.81                                 | 2.83  | 12.73  | 11.65                              |
|      | Q2 | 2.92   | 19.04   | 12.71                                 | 2.81  | 12.63  | 11.68                              |
|      | Q3 | 2.97   | 19.05   | 13.13                                 | 2.76  | 12.58  | 12.16                              |
|      | Q4 | 2.94   | 18.79   | 12.11                                 | 2.75  | 12.33  | 10.99                              |
| 2013 | Q1 | 2.95   | 18.61   | 11.30                                 | 2.71  | 12.08  | 10.74                              |
|      | Q2 | 2.85   | 18.72   | 8.33                                  | 2.71  | 12.06  | 10.83                              |
|      | Q3 | 2.93   | 18.81   | 7.73                                  | 2.69  | 11.75  | 10.69                              |
|      | Q4 | 2.86   | 18.52   | 9.75                                  | 2.68  | 11.64  | 10.44                              |
| 2014 | Q1 | 2.87   | 18.31   | 11.78                                 | 2.45  | 10.02  | 10.68                              |
|      | Q2 | 4.19   | 14.45   | 11.92                                 | 2.78  | 9.23   | 10.63                              |
|      | Q3 | 5.00   | 12.30   | 12.18                                 | 2.91  | 8.77   | 10.96                              |
|      | Q4 | 4.97   | 12.08   | 11.88                                 | 2.91  | 8.76   | 10.31                              |

## WHOLESALE REVENUES (PAGE 52)

|      |    | EUR         |             |           |
|------|----|-------------|-------------|-----------|
|      |    | Origination | Termination | Transit   |
| 2012 | Q1 | 3,081,300   | 13,208,600  | 1,644,400 |
|      | Q2 | 2,808,200   | 11,808,200  | 1,583,700 |
|      | Q3 | 2,583,200   | 11,373,100  | 1,599,000 |
|      | Q4 | 2,653,300   | 12,606,700  | 1,645,300 |
| 2013 | Q1 | 2,354,300   | 11,098,600  | 1,737,700 |
|      | Q2 | 2,172,100   | 10,439,400  | 1,721,800 |
|      | Q3 | 2,054,500   | 10,120,600  | 1,683,700 |
|      | Q4 | 2,756,700   | 6,890,700   | 1,699,300 |
| 2014 | Q1 | 2,967,300   | 4,025,900   | 1,407,600 |
|      | Q2 | 2,847,700   | 3,857,800   | 1,249,800 |
|      | Q3 | 2,761,500   | 4,008,600   | 1,124,500 |
|      | Q4 | 2,762,900   | 3,837,300   | 1,107,300 |

## WHOLESALE MARKET IN MINUTES (PAGE 53)

|      |    | Minutes     |               |             |
|------|----|-------------|---------------|-------------|
|      |    | Origination | Termination   | Transit     |
| 2012 | Q1 | 864,651,400 | 1,256,422,200 | 672,175,800 |
|      | Q2 | 787,578,100 | 1,156,754,400 | 685,781,000 |
|      | Q3 | 813,145,000 | 1,115,162,100 | 709,712,900 |
|      | Q4 | 860,146,600 | 1,187,139,200 | 688,330,100 |
| 2013 | Q1 | 795,410,200 | 1,132,829,800 | 705,273,700 |
|      | Q2 | 739,686,300 | 1,052,605,100 | 727,228,000 |
|      | Q3 | 702,590,100 | 1,001,917,000 | 735,807,200 |
|      | Q4 | 725,639,400 | 1,082,231,100 | 712,272,600 |
| 2014 | Q1 | 697,907,500 | 1,007,849,100 | 590,609,500 |
|      | Q2 | 666,073,700 | 950,153,400   | 625,252,700 |
|      | Q3 | 647,579,300 | 931,898,300   | 618,289,900 |
|      | Q4 | 656,254,400 | 974,432,300   | 624,081,700 |

## TOTAL FIXED NETWORK REVENUES (PAGE 54)

|      |    | EUR                         |   |                   |
|------|----|-----------------------------|---|-------------------|
|      |    | Base fees and setup charges | Connection charges<br>(incl. public pay phones) | Wholesale revenue |
| 2012 | Q1 | 83,234,100                  | 87,627,500                                      | 17,934,400        |
|      | Q2 | 76,092,200                  | 80,374,400                                      | 16,200,100        |
|      | Q3 | 74,527,900                  | 77,832,800                                      | 15,555,200        |
|      | Q4 | 73,217,800                  | 79,510,900                                      | 16,905,300        |
| 2013 | Q1 | 71,213,800                  | 75,552,600                                      | 15,190,500        |
|      | Q2 | 69,570,700                  | 70,886,800                                      | 14,333,300        |
|      | Q3 | 67,893,100                  | 67,858,400                                      | 13,958,800        |
|      | Q4 | 67,166,900                  | 69,483,500                                      | 11,346,700        |
| 2014 | Q1 | 65,209,900                  | 67,539,700                                      | 8,400,800         |
|      | Q2 | 64,189,600                  | 64,347,200                                      | 7,955,300         |
|      | Q3 | 61,977,400                  | 63,641,100                                      | 7,894,700         |
|      | Q4 | 60,259,500                  | 63,588,200                                      | 7,707,400         |

## GEOGRAPHICAL NUMBERS IN USE AND FIXED-LINE PORTING (PAGES 55/57)

|      |    | Number of telephone numbers |                             |                        |
|------|----|-----------------------------|-----------------------------|------------------------|
|      |    | Geographical numbers in use | Geographical numbers ported | Service numbers ported |
| 2012 | Q1 | 3,047,746                   | 250,909                     | 15,283                 |
|      | Q2 | 3,022,379                   | 249,885                     | 14,072                 |
|      | Q3 | 3,055,918                   | 256,791                     | 13,868                 |
|      | Q4 | 3,071,401                   | 294,705                     | 12,987                 |
| 2013 | Q1 | 3,037,523                   | 295,652                     | 11,752                 |
|      | Q2 | 3,020,653                   | 303,964                     | 12,292                 |
|      | Q3 | 3,006,438                   | 310,636                     | 11,624                 |
|      | Q4 | 2,983,373                   | 311,474                     | 11,603                 |
| 2014 | Q1 | 2,936,986                   | 307,383                     | 12,058                 |
|      | Q2 | 2,907,113                   | 308,597                     | 11,933                 |
|      | Q3 | 2,887,446                   | 311,403                     | 13,240                 |
|      | Q4 | 2,857,400                   | 310,853                     | 13,080                 |

## SERVICE NUMBERS IN USE (PAGE 56)

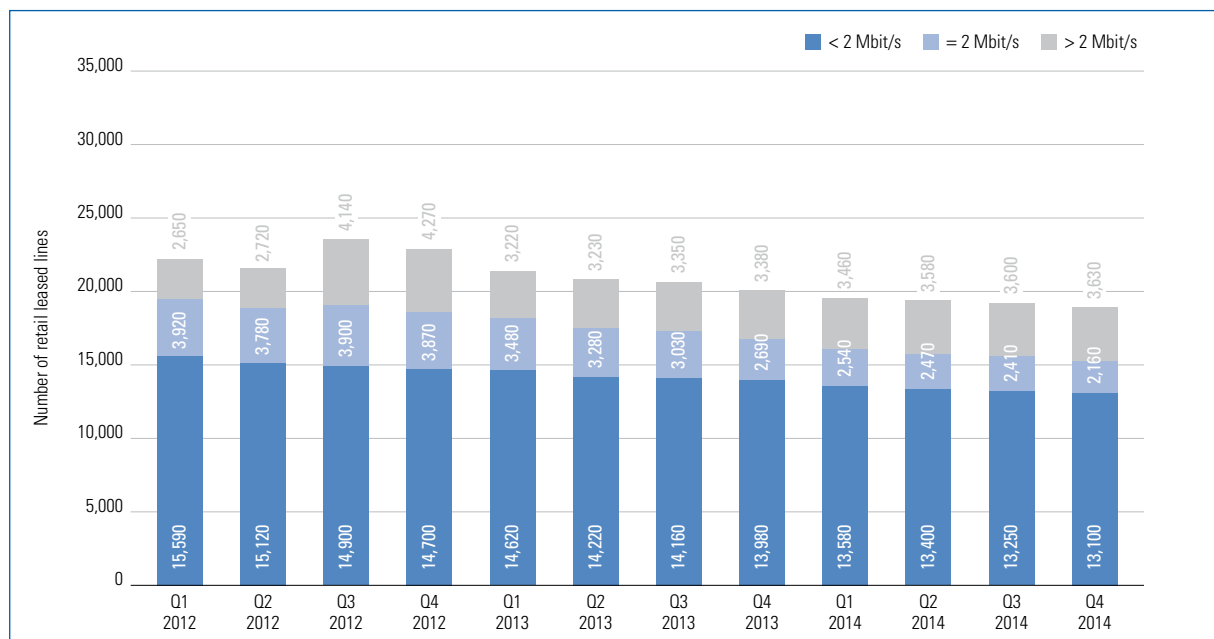
|      |    | Numbers in use |        |        |                                   |                |
|------|----|----------------|--------|--------|-----------------------------------|----------------|
|      |    | (0)720         | (0)780 | (0)800 | (0)810, (0)820,<br>(0)821, (0)828 | (0)900, (0)930 |
| 2012 | Q1 | 64,687         | 1,917  | 15,090 | 19,561                            | 27,422         |
|      | Q2 | 66,073         | 1,906  | 15,939 | 23,267                            | 30,025         |
|      | Q3 | 68,037         | 1,901  | 15,846 | 25,635                            | 29,253         |
|      | Q4 | 68,079         | 1,900  | 15,972 | 25,959                            | 28,934         |
| 2013 | Q1 | 66,657         | 1,902  | 15,969 | 20,706                            | 26,292         |
|      | Q2 | 68,451         | 1,890  | 16,288 | 20,651                            | 25,667         |
|      | Q3 | 71,126         | 1,078  | 16,121 | 12,023                            | 21,079         |
|      | Q4 | 71,507         | 551    | 16,276 | 11,963                            | 21,064         |
| 2014 | Q1 | 42,342         | 549    | 16,452 | 11,975                            | 21,012         |
|      | Q2 | 43,255         | 549    | 16,575 | 12,102                            | 20,765         |
|      | Q3 | 46,107         | 545    | 16,598 | 11,645                            | 20,111         |
|      | Q4 | 46,450         | 542    | 16,794 | 11,498                            | 19,826         |

## 4 | Leased lines



## Number of retail leased lines in Austria

### ➔ HIGH BANDWIDTHS GROWING, LOW BANDWIDTHS DECREASING



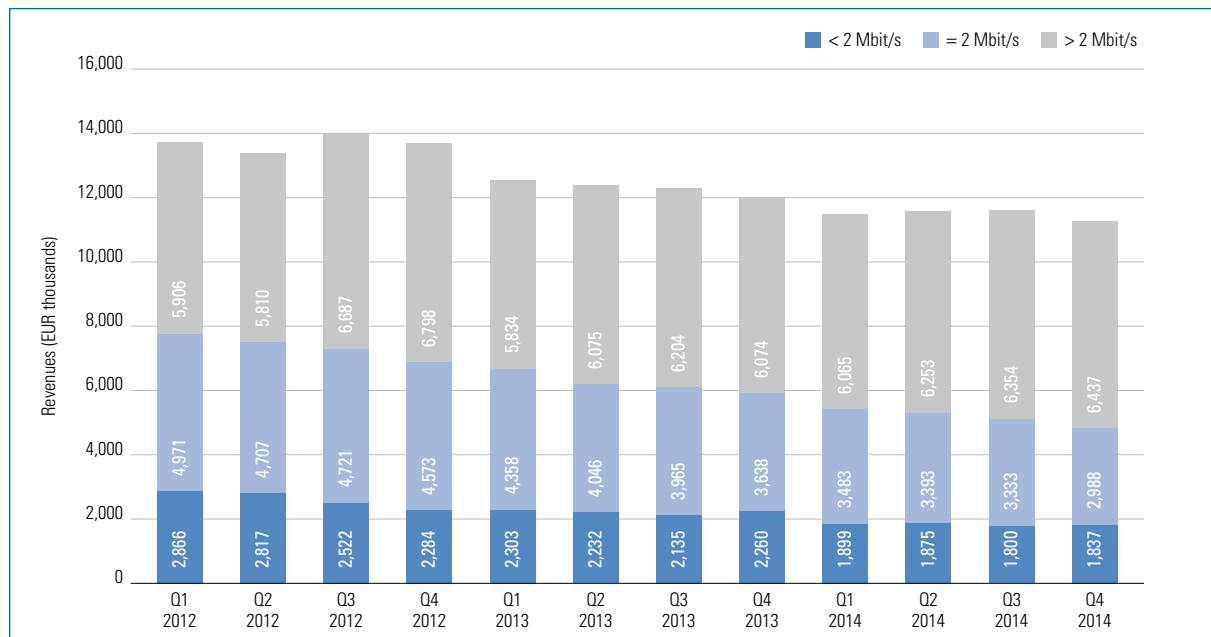
The chart above shows the number of retail leased lines (see Glossary), broken down into data rates of < 2 Mbit/s, = 2 Mbit/s and > 2 Mbit/s. A differentiation between the > 2 Mbit/s to 155 Mbit/s and > 155 Mbit/s categories can be found in the table at the end of the section.

- Since the end of 2012, retail leased lines have declined continuously. At the end of Q4 2014, about 18,890 leased lines were recorded in Austria. Compared with the end of 2013, this was a decrease of 5.8%.
- The decline was triggered, in particular, by leased lines with low bandwidths, which in total still account for the lion's share of all leased lines. At the end of 2014, 69.3% (13,100) of leased lines were accounted for by bandwidths below 2 Mbit/s. Against Q4 2013, this was a decrease of 6.3%.
- Even more significant was the drop in leased lines with a bandwidth of 2 Mbit/s (down 19.7%), amounting to 11.4% of leased lines. Here, about 2,160 lines were recorded at the end of 2014.
- At the end of 2014, some 19.2% of leased lines fell into the bandwidth category of > 2 Mbit/s. This figure corresponded to about 3,630 lines, up 7.4% against the end of 2013.



## Revenues from retail leased lines in Austria

### ➔ TOTAL REVENUES DOWN DUE TO SMALL REVENUES FROM LOW BANDWIDTHS



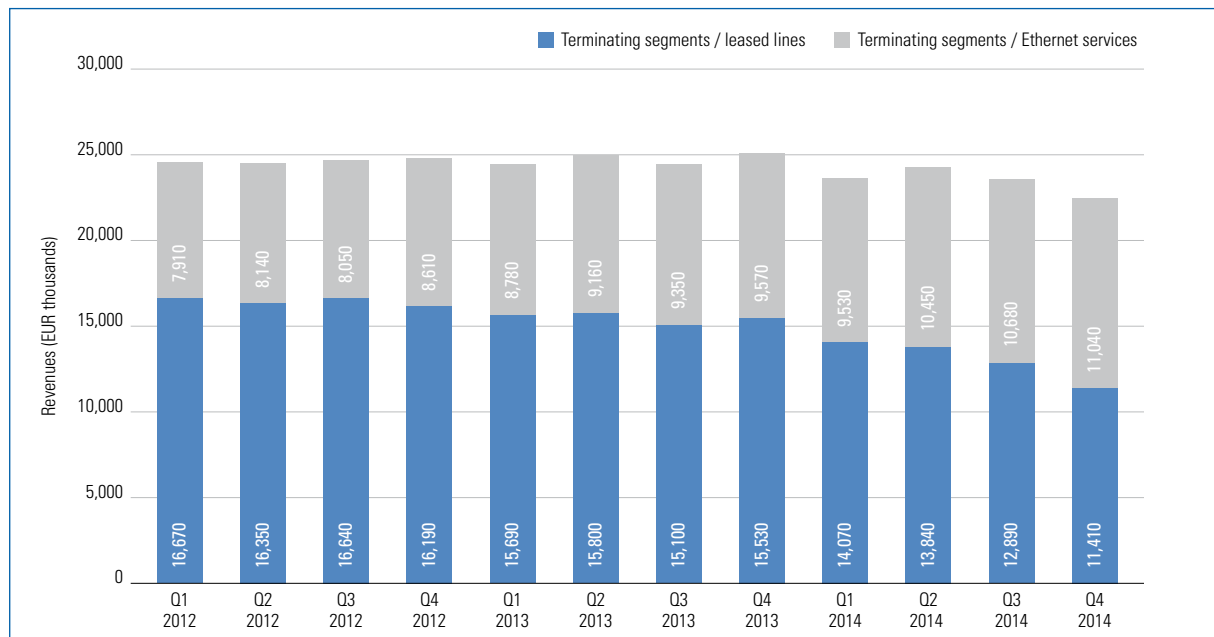
The chart above shows the number of retail leased lines in Austria (see Glossary), broken down into data rates of < 2 Mbit/s, = 2 Mbit/s and > 2 Mbit/s. A differentiation between the > 2 Mbit/s to 155 Mbit/s and > 155 Mbit/s categories can be found in the table at the end of the section.

Changes in revenues are, of course, partly due to the lengths of leased lines, which are not, however, surveyed under the KEV and therefore are not shown separately in the chart.

- The development of revenues is in line with that of leased lines. In 2014, leased lines generated total revenues of some EUR 45.7 million, which is a decline of 5.9% compared with the revenues for 2013.
- Revenues from leased lines with a bandwidth of less than 2 Mbit/s amounted to approx. EUR 7.4 million and were thus lower by 17.0% than in 2013. The situation was similar for revenues from leased lines in the 2 Mbit/s bandwidth category: here, revenues in 2014 dropped by 17.6% to EUR 13.2 million. Since leased lines in these bandwidth categories are declining and, moreover, these leased lines are less expensive than those with high bandwidths, these products contributed only 45.1% to total revenues.
- The remaining 54.9% of revenues from leased lines were generated from leased lines with bandwidths above 2 Mbit/s, namely EUR 25.1 million in 2014, which is an increase in revenues of 3.8%.

# Revenues from terminating segments

## ➔ ETHERNET SERVICES ARE CATCHING UP

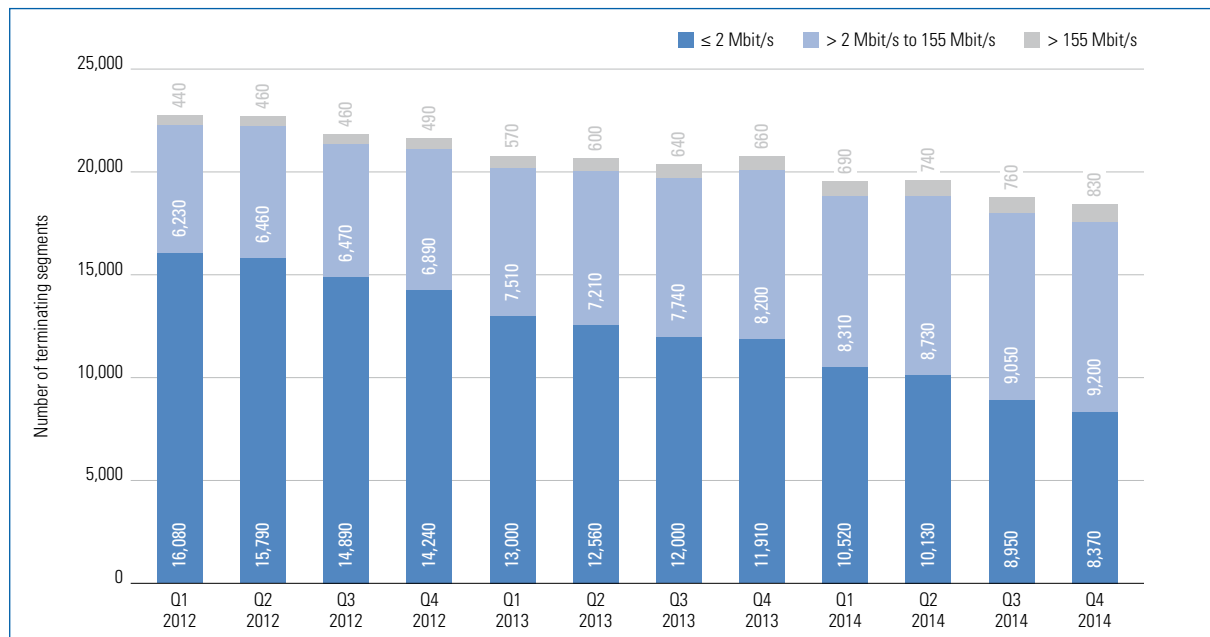


The chart above shows the wholesale revenues from terminating segments. They include all domestic (wholesale) leased lines or Ethernet services with guaranteed bandwidth, which are not classified as trunk segments. Trunk segments (not shown in the chart) refer to leased lines or Ethernet services that normally do not extend to the user's network termination point and link interconnection points in the 28 Austrian towns and cities where A1 Telekom Austria AG has set up network interconnection points to other telecommunications operators (see Glossary). For data on trunk segments please see the table at the end of the section.

- The major part of wholesale revenues (in Q4 2014 some 91.0%) was generated by terminating segments (the remaining 9.0% were achieved by trunk segments). Terminating segments generated EUR 93.9 million in 2014, which is down by 5.1% against 2013.
- Terminating segments can be both leased lines and Ethernet services. In 2014, leased lines generated revenues of EUR 52.2 million, which is a drop of 15.9% on 2013. In contrast, Ethernet revenues climbed by 13.1% to EUR 41.7 million in 2014. Thus, the latter already contributed 44.4% to revenues from terminating segments.
- Total wholesale revenues (terminating segments and trunk segments) amounted to EUR 102.9 million in 2014, which is a decrease of 5.0% against 2013.

# Number of terminating segments in Austria

➔ MORE THAN HALF OF ALL TERMINATING SEGMENTS HAVE BANDWIDTHS ABOVE 2 MBIT/S



The chart above shows the number of terminating segments of leased lines and Ethernet services, broken down into data rates of ≤ 2 Mbit/s, > 2 Mbit/s to 155 Mbit/s and > 155 Mbit/s. In addition, a breakdown into data rates of < 2 Mbit/s and = 2 Mbit/s as well as > 155 Mbit/s to 1 Gbit/s and > 1 Gbit/s can be also found in the table at the end of the section.

- At the end of 2014, terminating segments (leased lines and Ethernet services) numbered 18,400 lines. Compared with Q4 2013, this figure was down by 11.4%.
- This was in particular due to the decline in terminating segments with low bandwidths (≤ 2 Mbit/s) by 29.7% to 8,370 at the end of 2014. They still accounted for 45.5% of terminating segments at the end of the year. Thus, yet more than half of all terminating segments already had bandwidths above 2 Mbit/s.
- The drop in low bandwidths could not be offset despite partly massive gains in terminating segments with higher bandwidths (up 12.2% for > 2 Mbit/s to 155 Mbit/s, up 25.8% for > 155 Mbit/s).

## NUMBER OF RETAIL LEASED LINES IN AUSTRIA (PAGE 64)

|      |    | Number of lines |            |                          |              |
|------|----|-----------------|------------|--------------------------|--------------|
|      |    | < 2 Mbit/s      | = 2 Mbit/s | > 2 Mbit/s to 155 Mbit/s | > 155 Mbit/s |
| 2012 | Q1 | 15,590          | 3,920      | 2,470                    | 180          |
|      | Q2 | 15,120          | 3,780      | 2,530                    | 190          |
|      | Q3 | 14,900          | 3,900      | 3,880                    | 260          |
|      | Q4 | 14,700          | 3,870      | 3,990                    | 280          |
| 2013 | Q1 | 14,620          | 3,480      | 2,940                    | 280          |
|      | Q2 | 14,220          | 3,280      | 2,960                    | 270          |
|      | Q3 | 14,160          | 3,030      | 3,050                    | 300          |
|      | Q4 | 13,980          | 2,690      | 3,090                    | 290          |
| 2014 | Q1 | 13,580          | 2,540      | 3,210                    | 250          |
|      | Q2 | 13,400          | 2,470      | 3,290                    | 290          |
|      | Q3 | 13,250          | 2,410      | 3,300                    | 300          |
|      | Q4 | 13,100          | 2,160      | 3,310                    | 320          |

## REVENUES FROM RETAIL LEASED LINES IN AUSTRIA (PAGE 65)

|      |    | EUR        |            |                          |              |
|------|----|------------|------------|--------------------------|--------------|
|      |    | < 2 Mbit/s | = 2 Mbit/s | > 2 Mbit/s to 155 Mbit/s | > 155 Mbit/s |
| 2012 | Q1 | 2,866,100  | 4,971,000  | 5,364,100                | 541,500      |
|      | Q2 | 2,817,200  | 4,707,200  | 5,274,100                | 535,500      |
|      | Q3 | 2,522,000  | 4,721,200  | 6,056,900                | 629,900      |
|      | Q4 | 2,283,700  | 4,572,600  | 6,175,700                | 622,100      |
| 2013 | Q1 | 2,303,100  | 4,358,300  | 5,202,700                | 631,100      |
|      | Q2 | 2,232,300  | 4,046,100  | 5,334,400                | 740,900      |
|      | Q3 | 2,134,900  | 3,964,800  | 5,365,700                | 838,300      |
|      | Q4 | 2,259,900  | 3,638,400  | 5,288,600                | 785,200      |
| 2014 | Q1 | 1,899,100  | 3,483,400  | 5,456,500                | 608,500      |
|      | Q2 | 1,874,500  | 3,392,700  | 5,536,800                | 716,600      |
|      | Q3 | 1,800,200  | 3,332,700  | 5,571,100                | 783,100      |
|      | Q4 | 1,837,300  | 2,987,900  | 5,650,800                | 786,100      |

## WHOLESALE REVENUES FROM LEASED LINES AND ETHERNET SERVICES (PAGE 66)

|      |    | EUR                                 |  |                               |                                    |
|------|----|-------------------------------------|--|-------------------------------|------------------------------------|
|      |    | Terminating segments / leased lines | Terminating segments / Ethernet services | Trunk segments / leased lines | Trunk segments / Ethernet services |
| 2012 | Q1 | 16,673,500                          | 7,908,500                                | 2,109,400                     | 377,100                            |
|      | Q2 | 16,348,500                          | 8,139,200                                | 1,988,000                     | 415,400                            |
|      | Q3 | 16,640,700                          | 8,047,900                                | 1,979,000                     | 743,600                            |
|      | Q4 | 16,187,300                          | 8,614,800                                | 1,889,500                     | 768,200                            |
| 2013 | Q1 | 15,685,000                          | 8,777,800                                | 1,830,600                     | 522,400                            |
|      | Q2 | 15,804,300                          | 9,161,500                                | 1,728,800                     | 575,200                            |
|      | Q3 | 15,097,600                          | 9,350,900                                | 1,547,800                     | 598,400                            |
|      | Q4 | 15,526,800                          | 9,574,000                                | 1,610,800                     | 930,000                            |
| 2014 | Q1 | 14,069,200                          | 9,528,400                                | 1,374,500                     | 1,054,800                          |
|      | Q2 | 13,840,500                          | 10,453,400                               | 1,291,000                     | 866,300                            |
|      | Q3 | 12,888,500                          | 10,677,700                               | 1,290,700                     | 903,300                            |
|      | Q4 | 11,413,200                          | 11,039,200                               | 1,295,900                     | 931,500                            |

**NUMBER OF TERMINATING SEGMENTS OF LEASED LINES IN AUSTRIA (PAGE 67)**

|      |    | Number of terminating segments |            |                          |                          |            |
|------|----|--------------------------------|------------|--------------------------|--------------------------|------------|
|      |    | < 2 Mbit/s                     | = 2 Mbit/s | > 2 Mbit/s to 155 Mbit/s | > 155 Mbit/s to 1 Gbit/s | > 1 Gbit/s |
| 2012 | Q1 | 490                            | 13,920     | 2,660                    | 180                      | 6          |
|      | Q2 | 490                            | 13,560     | 2,720                    | 190                      | 7          |
|      | Q3 | 460                            | 13,350     | 2,890                    | 200                      | 7          |
|      | Q4 | 450                            | 12,930     | 2,820                    | 200                      | 7          |
| 2013 | Q1 | 390                            | 11,790     | 2,940                    | 270                      | 8          |
|      | Q2 | 350                            | 11,370     | 2,950                    | 280                      | 7          |
|      | Q3 | 330                            | 10,850     | 3,050                    | 290                      | 7          |
|      | Q4 | 320                            | 10,200     | 3,110                    | 290                      | 8          |
| 2014 | Q1 | 320                            | 8,860      | 3,170                    | 290                      | 11         |
|      | Q2 | 360                            | 8,400      | 3,260                    | 330                      | 10         |
|      | Q3 | 340                            | 7,420      | 3,280                    | 320                      | 14         |
|      | Q4 | 330                            | 6,910      | 3,240                    | 340                      | 11         |

**NUMBER OF TERMINATING SEGMENTS OF ETHERNET SERVICES IN AUSTRIA (PAGE 67)**

|      |    | Number of terminating segments |            |                          |                          |            |
|------|----|--------------------------------|------------|--------------------------|--------------------------|------------|
|      |    | < 2 Mbit/s                     | = 2 Mbit/s | > 2 Mbit/s to 155 Mbit/s | > 155 Mbit/s to 1 Gbit/s | > 1 Gbit/s |
| 2012 | Q1 | 580                            | 1,090      | 3,570                    | 230                      | 22         |
|      | Q2 | 620                            | 1,120      | 3,740                    | 240                      | 20         |
|      | Q3 | 36                             | 1,040      | 3,580                    | 250                      | 3          |
|      | Q4 | 59                             | 800        | 4,070                    | 280                      | 3          |
| 2013 | Q1 | 26                             | 790        | 4,270                    | 290                      | 4          |
|      | Q2 | 17                             | 820        | 4,560                    | 300                      | 11         |
|      | Q3 | 14                             | 810        | 4,690                    | 330                      | 12         |
|      | Q4 | 14                             | 1,380      | 5,090                    | 350                      | 12         |
| 2014 | Q1 | 14                             | 1,330      | 5,140                    | 380                      | 12         |
|      | Q2 | 7                              | 1,360      | 5,470                    | 380                      | 25         |
|      | Q3 | 12                             | 1,180      | 5,770                    | 400                      | 27         |
|      | Q4 | 14                             | 1,120      | 5,960                    | 450                      | 30         |

**LEASED LINES – NUMBER OF 64 KBIT/S EQUIVALENTS**

|      |    | Number of 64 kbit/s equivalents |            |                          |                          |            |
|------|----|---------------------------------|------------|--------------------------|--------------------------|------------|
|      |    | < 2 Mbit/s                      | = 2 Mbit/s | > 2 Mbit/s to 155 Mbit/s | > 155 Mbit/s to 1 Gbit/s | > 1 Gbit/s |
| 2012 | Q1 | 5,730                           | 436,550    | 1,645,970                | 1,941,520                | 889,660    |
|      | Q2 | 5,540                           | 425,230    | 1,698,300                | 2,054,500                | 978,120    |
|      | Q3 | 5,180                           | 423,190    | 1,826,740                | 2,208,210                | 978,120    |
|      | Q4 | 4,880                           | 409,790    | 1,863,730                | 2,240,300                | 978,120    |
| 2013 | Q1 | 4,370                           | 388,930    | 1,828,540                | 3,785,350                | 1,029,610  |
|      | Q2 | 4,090                           | 372,370    | 1,786,830                | 3,869,980                | 984,460    |
|      | Q3 | 3,930                           | 360,590    | 1,834,630                | 3,953,990                | 984,460    |
|      | Q4 | 3,790                           | 338,750    | 1,876,180                | 2,777,220                | 1,398,880  |
| 2014 | Q1 | 3,730                           | 297,410    | 1,968,660                | 2,723,900                | 1,390,740  |
|      | Q2 | 4,840                           | 278,470    | 1,900,870                | 3,055,570                | 1,215,070  |
|      | Q3 | 4,750                           | 245,520    | 1,933,300                | 2,919,430                | 2,047,010  |
|      | Q4 | 4,620                           | 231,000    | 1,951,250                | 3,486,180                | 1,505,300  |

## ETHERNET SERVICES – NUMBER OF 64 KBIT/S EQUIVALENTS

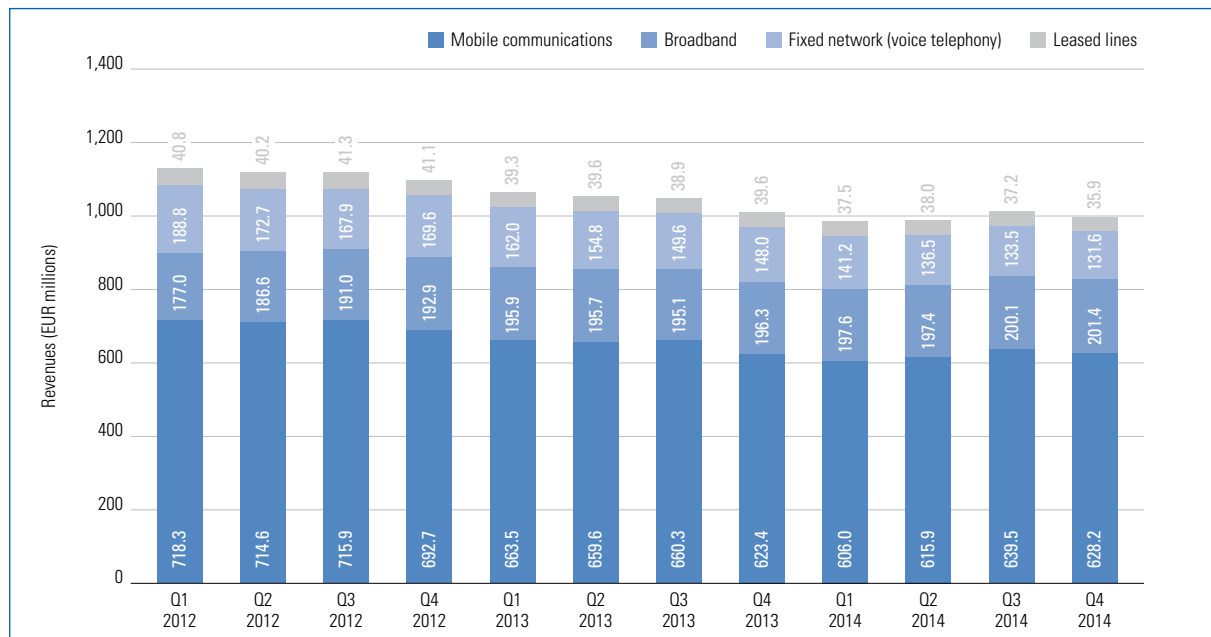
|      |    | Number of 64 kbit/s equivalents |            |                             |                             |            |
|------|----|---------------------------------|------------|-----------------------------|-----------------------------|------------|
|      |    | < 2 Mbit/s                      | = 2 Mbit/s | > 2 Mbit/s to<br>155 Mbit/s | > 155 Mbit/s to<br>1 Gbit/s | > 1 Gbit/s |
| 2012 | Q1 | 5,570                           | 35,630     | 1,453,130                   | 2,596,610                   | 348,350    |
|      | Q2 | 5,910                           | 36,620     | 1,489,580                   | 2,559,310                   | 315,170    |
|      | Q3 | 390                             | 33,940     | 1,377,870                   | 2,596,040                   | 49,760     |
|      | Q4 | 600                             | 26,150     | 1,504,200                   | 2,857,000                   | 49,760     |
| 2013 | Q1 | 300                             | 25,840     | 1,602,770                   | 2,898,370                   | 81,400     |
|      | Q2 | 210                             | 26,690     | 1,739,350                   | 2,959,070                   | 265,830    |
|      | Q3 | 180                             | 26,580     | 1,738,550                   | 3,077,010                   | 299,010    |
|      | Q4 | 180                             | 44,850     | 1,984,540                   | 3,372,790                   | 428,100    |
| 2014 | Q1 | 180                             | 43,350     | 2,024,240                   | 3,486,930                   | 428,100    |
|      | Q2 | 90                              | 44,360     | 2,122,630                   | 3,565,650                   | 877,590    |
|      | Q3 | 150                             | 38,460     | 2,176,420                   | 3,610,930                   | 889,890    |
|      | Q4 | 180                             | 36,500     | 2,276,220                   | 3,800,910                   | 909,840    |

# 5 | Comparisons across sectors



# Revenues from mobile, broadband, fixed and leased line services

## ➔ TOTAL REVENUES IN 2014 DOWN DUE TO SHRINKING REVENUES FROM MOBILE SERVICES



The chart includes revenues from the following categories:

**Mobile communications:** Retail revenues from periodic base fees, activation charges, connection charges and data services, remuneration pursuant to the Telecommunications Fee Subsidies Act, wholesale revenues from termination, origination, international roaming, national roaming, sale of airtime to resellers (see Glossary);

**Broadband (fixed network):** Retail revenues (including revenues from products bundled with broadband) and wholesale revenues from setup charges, ongoing charges and volume-based charges;

**Fixed network (voice telephony):** Retail revenues from residential and business customers (except for bundles with broadband) as well as public pay phones (phone booths), wholesale revenues, revenues from additional services, other fees and remuneration pursuant to the Telecommunications Fee Subsidies Act;

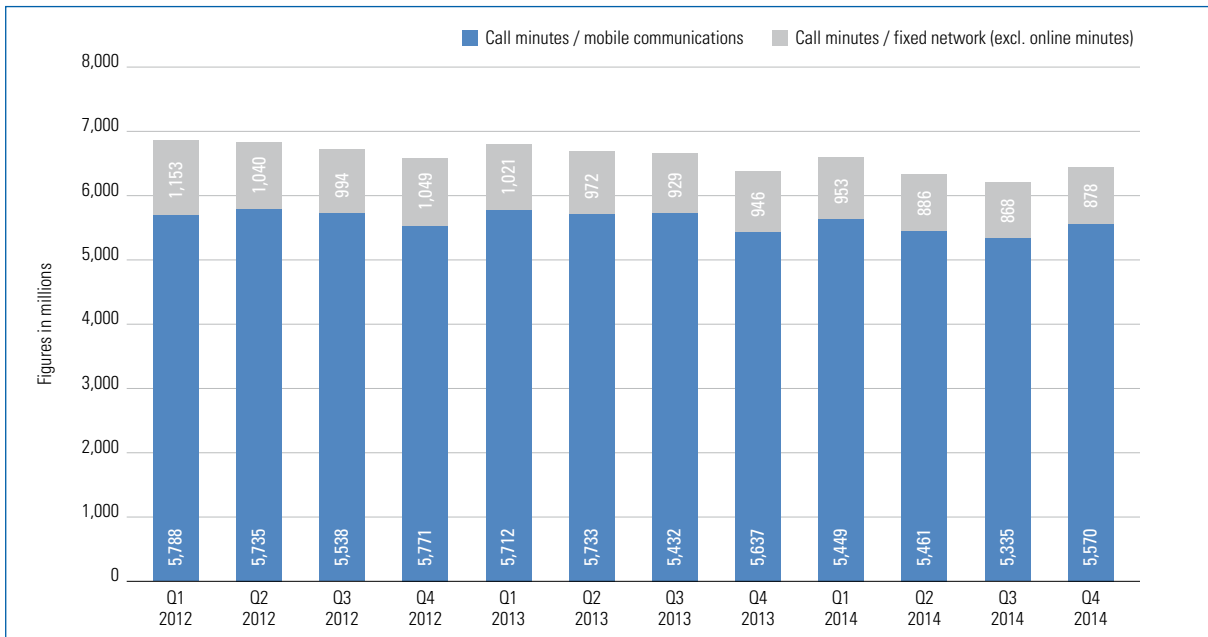
**Leased lines:** Retail revenues from periodic base fees and setup charges for domestic retail leased lines, wholesale revenues from terminating segments and trunk segments (see Glossary).

- In 2014, telecommunications services at the retail and wholesale levels generated total revenues of EUR 3.98 billion. In 2013, this figure was EUR 4.16 billion. Thus, total revenues dropped by 4.4%.
- Revenues from mobile services contributed 62.6% to total revenues. Year on year, revenues from mobile services declined by 4.5% to EUR 2.49 billion in 2014.
- A decrease can also be seen for fixed-network revenues (down 11.7%), amounting to EUR 542.7 million in 2014, i.e. 13.6% of total revenues.
- In contrast, revenues from broadband services, including revenues from products bundled with broadband, recorded a slight increase (up 1.7%): In the year under review, they totalled EUR 796.4 million, which is one fifth of total revenues.
- Revenues from leased lines came to EUR 148.6 million in 2014, this was 3.7% of total revenues and a decline of 5.6% against 2013.



# Real minutes in mobile and fixed networks

## ➔ DECLINE IN MOBILE AND FIXED NETWORKS



The chart above shows the number of real minutes (in million) in the following segments:

**Mobile communications:** Call minutes to the domestic fixed network, domestic mobile networks, international numbers, service numbers and directory assistance services;

**Fixed network:** Call minutes to the domestic fixed network, domestic mobile networks, international numbers, service numbers and directory assistance services.

- The drop in revenues is partly due to the fact that fewer calls were made in 2014 than in 2013. Real minutes in mobile and fixed networks fell by 3.7% to 25.4 billion in 2014.
- The decline affected real minutes both in mobile and fixed networks. Mobile minutes dropped by 3.1% to 21.8 billion, fixed-network minutes by 6.3% to around 3.6 billion.
- Nearly 86% of all minutes in 2014 were accounted for by mobile calls.

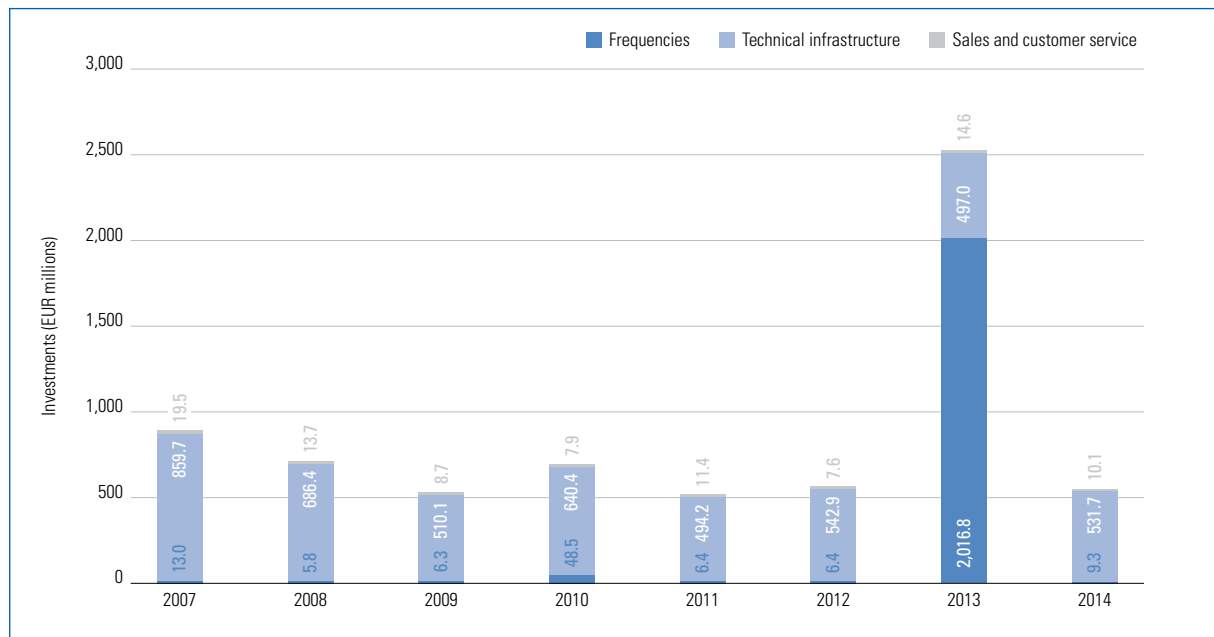


## 6 | Business indicators



# Investments

## ➔ SUBSTANTIALLY HIGHER INVESTMENTS IN NETWORK EXPANSION



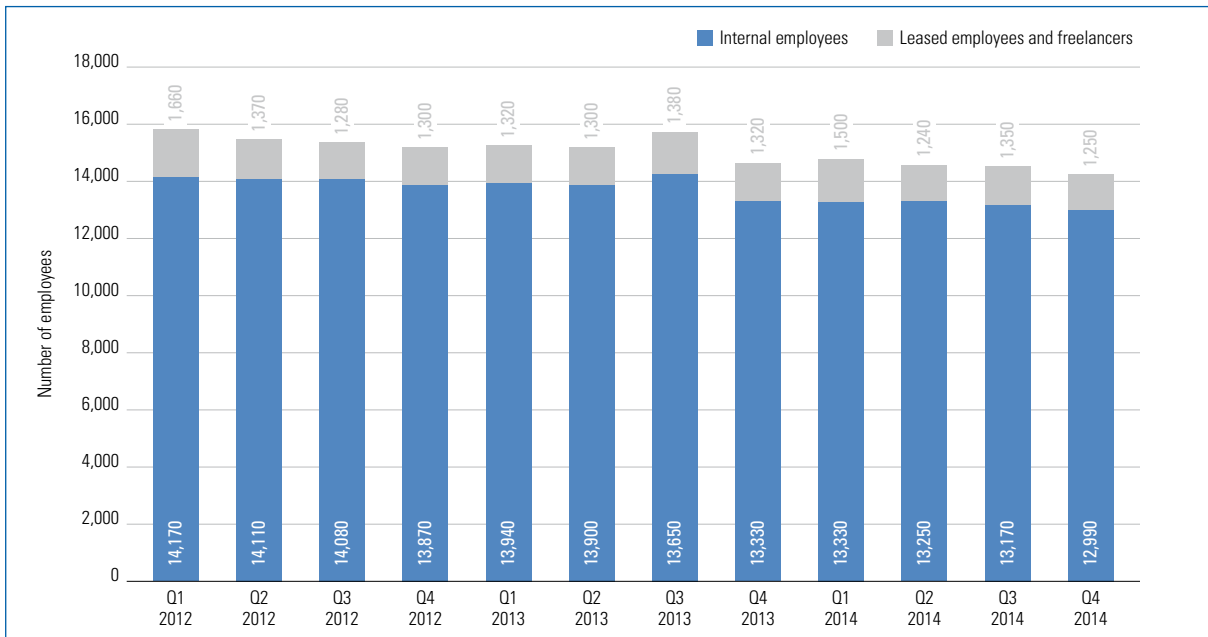
The chart above shows the development of investments in frequencies, technical infrastructure as well as sales and customer service on an annual basis. In this context, it is important to note that the values reported here are partly based on estimates and extrapolations from individual quarters for entire years. As a result, the exact figure for total investments cannot be calculated reliably.

The investment volumes shown above only include those investments made directly by telecommunications enterprises. They do not include investments by upstream or downstream industry sectors.

- Because of the 2-billion investment of the market in frequencies a comparison of total investments in the telecommunications sector with 2013 has little informative value. In 2014, EUR 9.3 million, i.e. 1.7% of the entire investment volume, was spent on frequencies.
- Comparing investments in technical infrastructure, they are seen to be higher by 7.0%. Operators invested around EUR 531.7 million in the expansion of their networks. By this, the “old order” has been kind of restored, according to which the majority of investments (96.5%) are used to roll out and further expand infrastructure.
- Investments in sales and customer service slipped by 30.5% compared with 2013 and amounted to 1.8% of total investments.

# Employees in the telecommunications sector

➔ NUMBER OF EMPLOYEES SLIGHTLY DECLINING IN THE COURSE OF 2014



The chart above shows the number of employees in the telecommunications sector, broken down into internal employees, leased employees and freelancers, and expressed in terms of full-time equivalents.

When interpreting these figures, please note that they only include staff employed directly by telecommunications enterprises. The figures do not include employees in supplier industries, external call-centre employees or out-sourced positions.

- At the end of the year under review, a total of 14,240 persons were employed in the telecom sector. Against 2013, this figure was down by 2.8%.
- In the reference period, the number of permanent employees dropped by 2.6% to 12,990, that of freelancers and leased employees by 5.3% to 1,250.

## INVESTMENTS (PAGE 76)

|      | EUR           |                          |                            |               |
|------|---------------|--------------------------|----------------------------|---------------|
|      | Frequencies   | Technical infrastructure | Sales and customer service | TOTAL         |
| 2006 | 2,581,600     | 743,762,900              | 15,689,100                 | 762,033,600   |
| 2007 | 13,027,200    | 859,669,700              | 19,544,600                 | 892,241,500   |
| 2008 | 5,806,500     | 686,385,700              | 13,681,400                 | 705,873,600   |
| 2009 | 6,266,100     | 510,088,500              | 8,722,600                  | 525,077,200   |
| 2010 | 48,471,900    | 640,352,400              | 7,901,500                  | 696,725,800   |
| 2011 | 6,391,800     | 494,222,700              | 11,412,600                 | 512,027,100   |
| 2012 | 6,417,300     | 542,940,300              | 7,612,700                  | 556,970,300   |
| 2013 | 2,016,843,900 | 497,028,300              | 14,580,800                 | 2,528,453,000 |
| 2014 | 9,325,700     | 531,721,300              | 10,137,600                 | 551,184,600   |

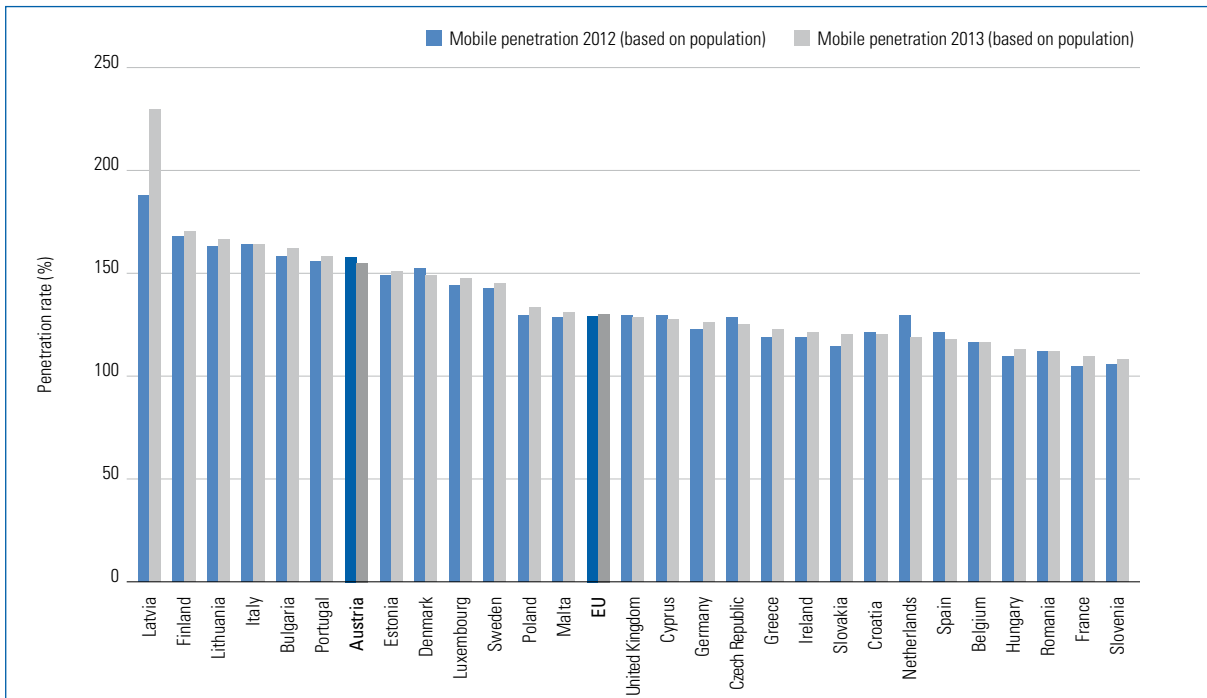
## 7 | International comparisons



This section contains several comparisons of European mobile and broadband services data. The statistics given here are an extended and more in-depth analysis of the data on the Austrian market discussed in Sections 1–6. The data are taken mainly from the Digital Agenda Scoreboard of the European Commission. It contains a series of indicators charting the progress made in achieving the goals of the Digital Agenda of the European Commission. All other graphics in this section show the latest available figures. Regularly updated data and the option to create interactive charts can be found on the website of the Digital Agenda (<http://ec.europa.eu/digital-agenda/en/scoreboard>).

# Mobile penetration rate (2012 to 2013)

➔ NO MAJOR CHANGES IN AUSTRIA FROM 2012 TO 2013



Source: RTR, European Commission – Digital Agenda Scoreboard

The chart above provides an international comparison of mobile penetration rates (as of 2012 and 2013). The respective penetration rate is based on the number of SIM cards per 100 inhabitants.

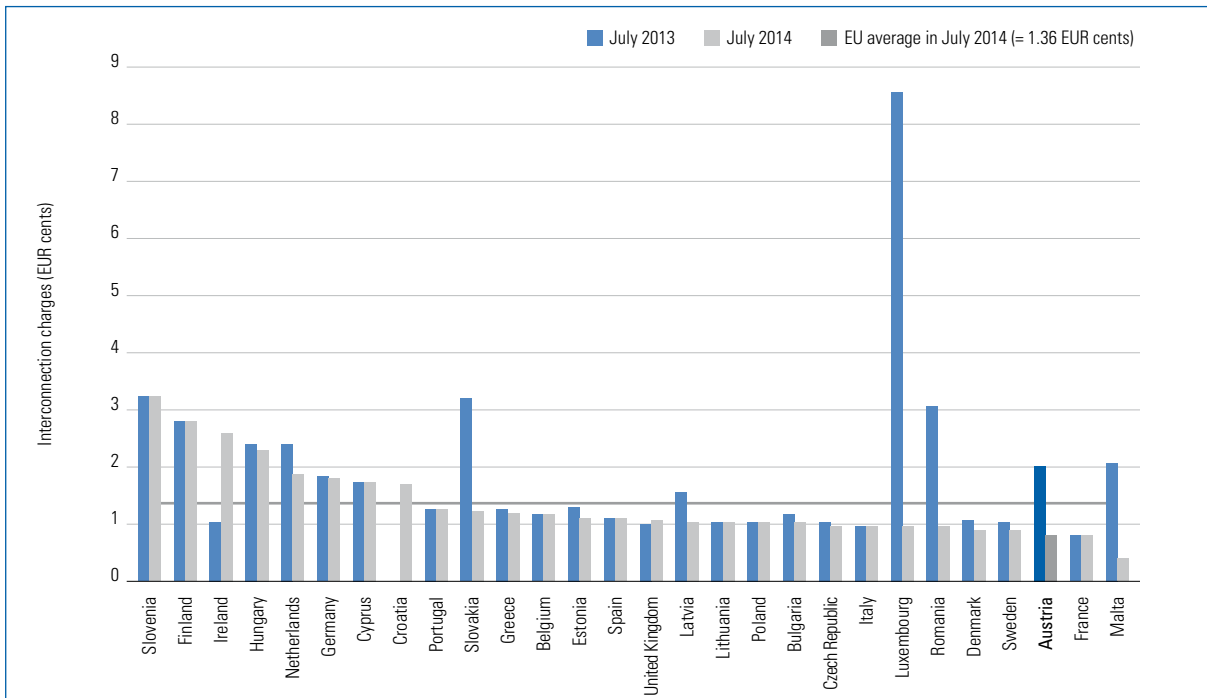
The data underlying this chart can be found at the end of the section.

- In 2013, the mobile penetration rate in Austria, at 156.3%, was again well above the EU average. Thus, Austria managed to hold on to its 7th place in the ranking.
- In line with the figure of 2012, the unweighted EU average was 131.6% in 2013.
- As in 2012, Latvia was at the top of the league with a penetration rate of 231.4%, raising its rate by 41.6 percentage points. The lowest penetration rate was found in Slovenia at 109.4%, behind France, Romania and Hungary.



# Interconnection charges for termination in mobile networks

## ➔ AUSTRIA HAS THIRD LOWEST TERMINATION CHARGES



Source: BEREC – Integrated Report on Mobile Termination Rates & SMS Termination Rates

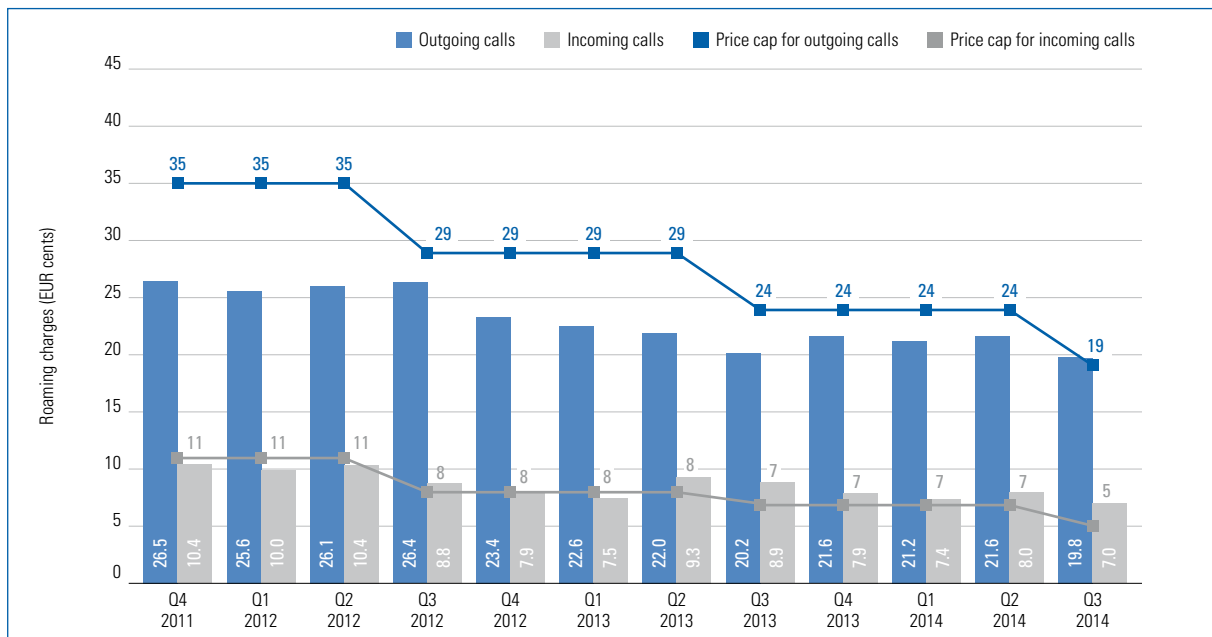
The chart above provides an international comparison of mobile termination charges. Telecommunications service providers charge each other (at the wholesale level) for termination services, that is, the routing of incoming calls to their mobile networks.

The data underlying this chart can be found at the end of the section.

- Due to the reduction of termination charges in Austria by 60% to 0.81 EUR cents, Austria came third in the ranking of the lowest termination charges in the EU in mid-2014. Only in France (0.80 EUR cents) and in Malta (0.41 EUR cents) termination charges were even lower.
- Over the years, the EU average fell from 3.57 EUR cents in 2012 to 2.22 EUR cents in 2013 and amounted last to 1.36 EUR cents (2014).
- It is worth noting that Luxemburg, which in 2013 had had by far the highest termination charges at 8.55 EUR cents, was among the countries with the lowest termination charges (down 88.5% to 0.98 EUR cents) in 2014.
- This time Slovenia was the country with the highest termination charges (3.24 EUR cents), followed by Finland (2.80 EUR cents) and Ireland (2.59 EUR cents).
- Generally, between July 2013 and July 2014, termination charges were once again lowered in many EU countries, in some cases even significantly, due to the implementation of the recommendation on termination rates.

# Average retail roaming charges for calls within the EU/EEA

## → CALLS IN THE EU/EEA AREA ARE GETTING STEADILY CHEAPER



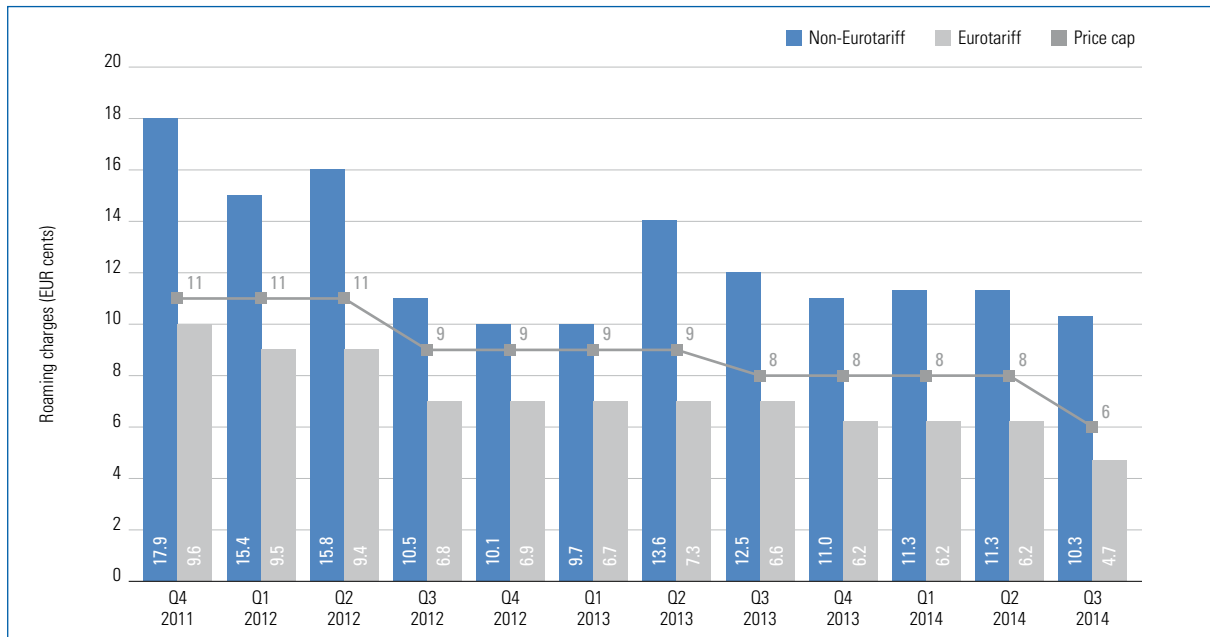
Source: RTR

The chart above shows the average retail roaming rates (excluding VAT) charged to Austrian subscribers for incoming and outgoing calls while roaming within the EU/EEA and the price caps prescribed by the Roaming Regulation.

- Even if in a somewhat flatter form, roaming charges nevertheless declined in 2014 compared with 2013. At the end of Q3 2014, on average they amounted to 19.8 EUR cents for outgoing calls and 7.0 EUR cents for incoming calls.
- For outgoing calls within the EU/EEA, at 19.8 EUR cents, average retail roaming rates in Q3 2014 were slightly above the maximum rate of 19.0 EUR cents permitted under the Roaming Regulation. For incoming calls the charges were 2.0 EUR cents above the prescribed cap of 5.0 EUR cents.
- The price cap is exceeded because subscribers may choose a roaming tariff that is not subject to any price regulation (in contrast to the Eurotariff to be provided by each mobile network operator). Indeed, the prescribed limits are complied with, according to the statutory regulations.

# Average retail SMS roaming charges within the EU/EEA

## ➔ EUROTARIFF SMS WELL BELOW PRICE CAP



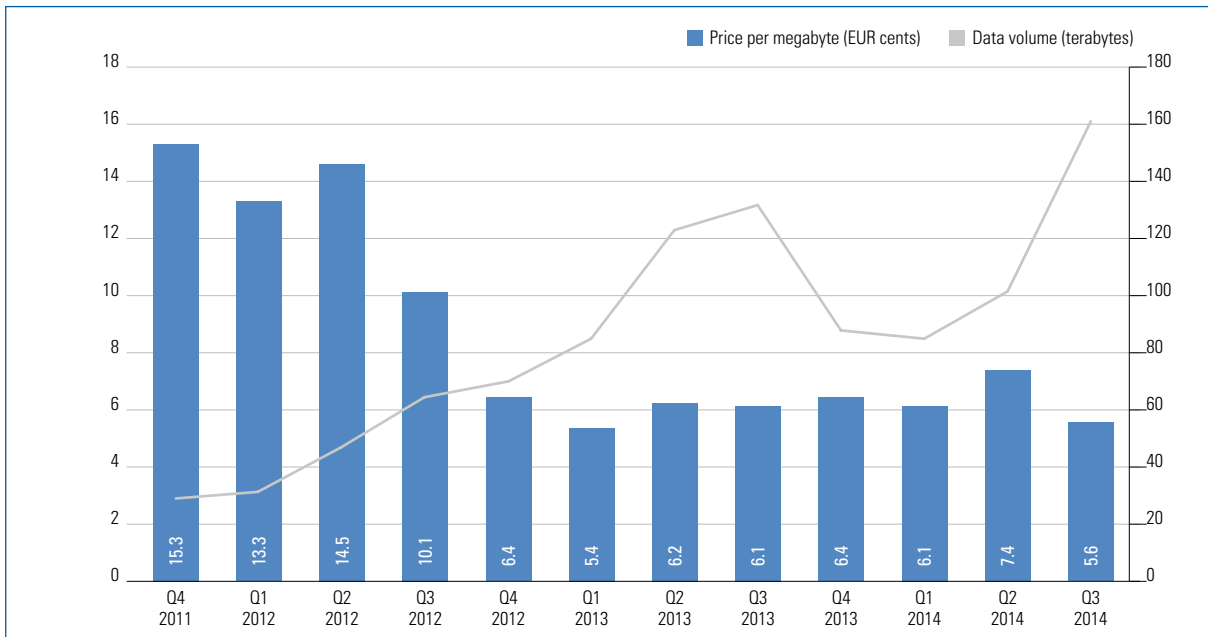
Source: RTR, BEREC International Roaming Benchmark Data Reports

The chart above shows the average amount (excluding VAT) charged to Austrian and EU/EEA subscribers for sending a text message (SMS) within the EU/EEA, as well as the price cap applicable to roaming text messages since the Roaming Regulation was expanded in the summer of 2009.

- In line with the regulation on text message roaming charges in force since 2009, the price cap was lowered in summer 2014 from 8.0 EUR cents to 6.0 EUR cents.
- In Q3 2014, Austrian subscribers paid 4.7 EUR cents on average for one roaming text message according to the Eurotariff (scope of application of the Roaming Regulation).
- For subscribers who chose a tariff other than the Eurotariff, text messages were more expensive. With 10.3 EUR cents, these customers paid on average more than double for one roaming text message within the EU/EEA.

# Average retail data roaming charges within the EU/EEA (per megabyte)

## ➔ USAGE OF DATA ROAMING AT NEW HIGH



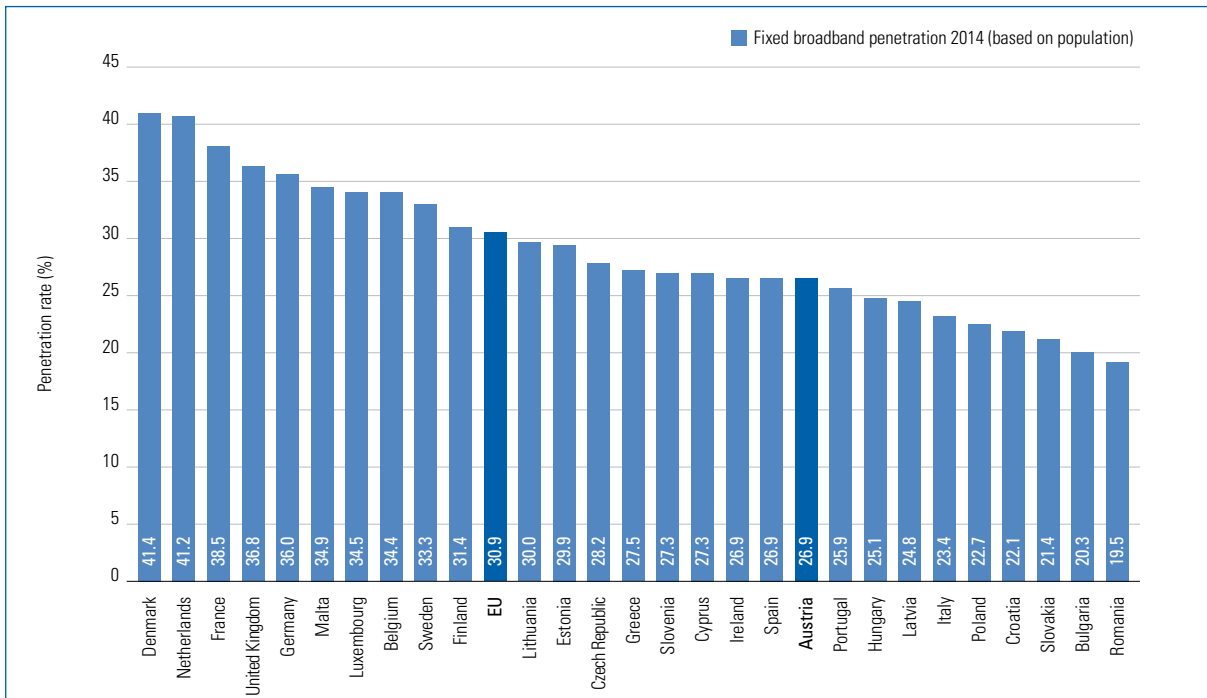
Source: RTR

The chart above shows the average charges per megabyte (excluding VAT) for data roaming within the EU/EEA. A statutory price cap for data roaming came into force on 1 July 2012 (EUR 0.70 maximum excluding VAT per MB transmitted). On 1 July 2013 the price cap was lowered to EUR 0.45 (excluding VAT), on 1 July 2014 to EUR 0.2 (excluding VAT).

- The charges for data roaming remained almost constant from Q2 2013 to Q1 2014. Subsequently, in Q2 2014, the average tariff climbed to 7.4 EUR cents. In Q3 2014, the tariff fell to a similar low (5.6%) as in Q1 2013.
- A different picture is revealed for data volume used abroad. Due to seasonal fluctuations, a peak in summer 2013, a drop by one third in Q4 2013 and a high in Q3 2014 with 161.4 terabytes can be observed. Thus, throughout Europe the data volume increased by 23.5% within one year.

# Fixed broadband penetration

➔ MORE THAN 25% OF AUSTRIANS HAVE FIXED BROADBAND ACCESS



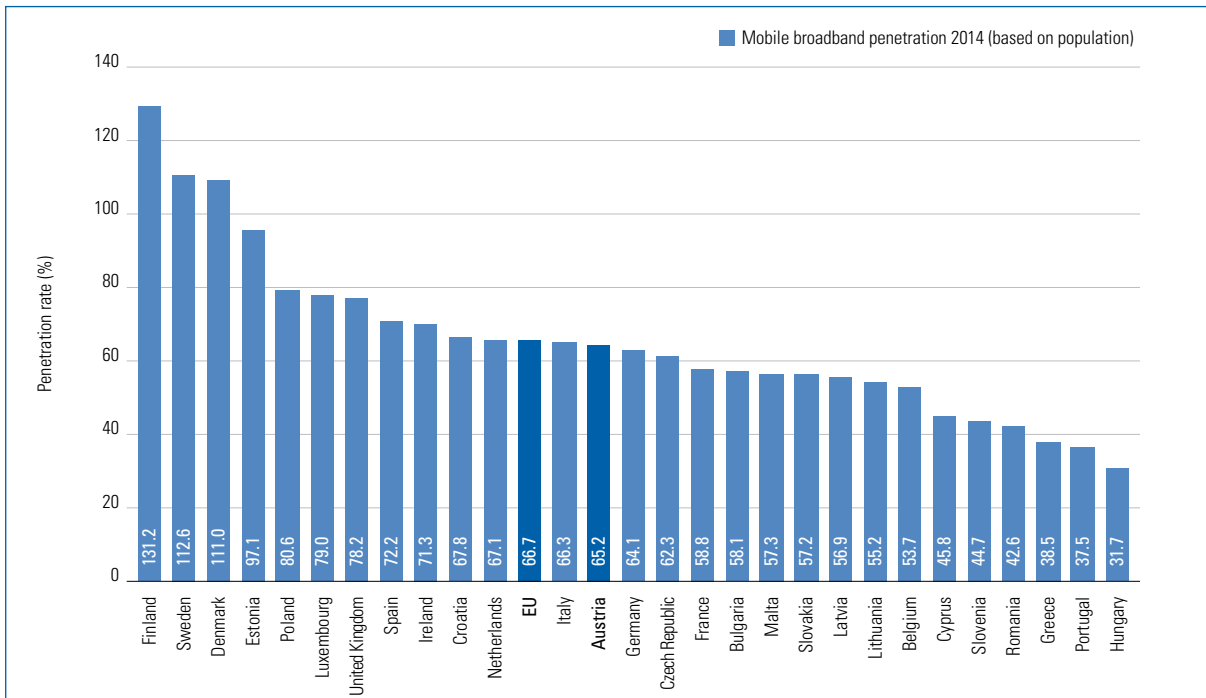
Source: European Commission – Digital Agenda Scoreboard, Broadband

The chart above provides an international comparison of broadband penetration rates based on fixed infrastructure such as DSL, coaxial cable, unbundled line (see Glossary), wireless etc. (as of June 2014). The penetration rate is calculated from the number of broadband connections per 100 inhabitants. Mobile broadband connections are not included in these figures.

- Compared with the previous year, fixed broadband penetration in Austria increased in the same proportion (2 percentage points) as the EU average.
- In 2014, more than one in four Austrians had fixed broadband access. Yet, with a penetration rate of 26.9% (proportion of the population) Austria was below the EU average of 30.9%. The penetration rate was particularly high in Denmark (41.4%) and in the Netherlands (41.2%).
- A low density of fixed broadband connections was reported in Bulgaria (20.3%) and Romania (19.5%).

# Mobile broadband penetration

## ➔ AUSTRIA IN THE MIDDLE RANGE



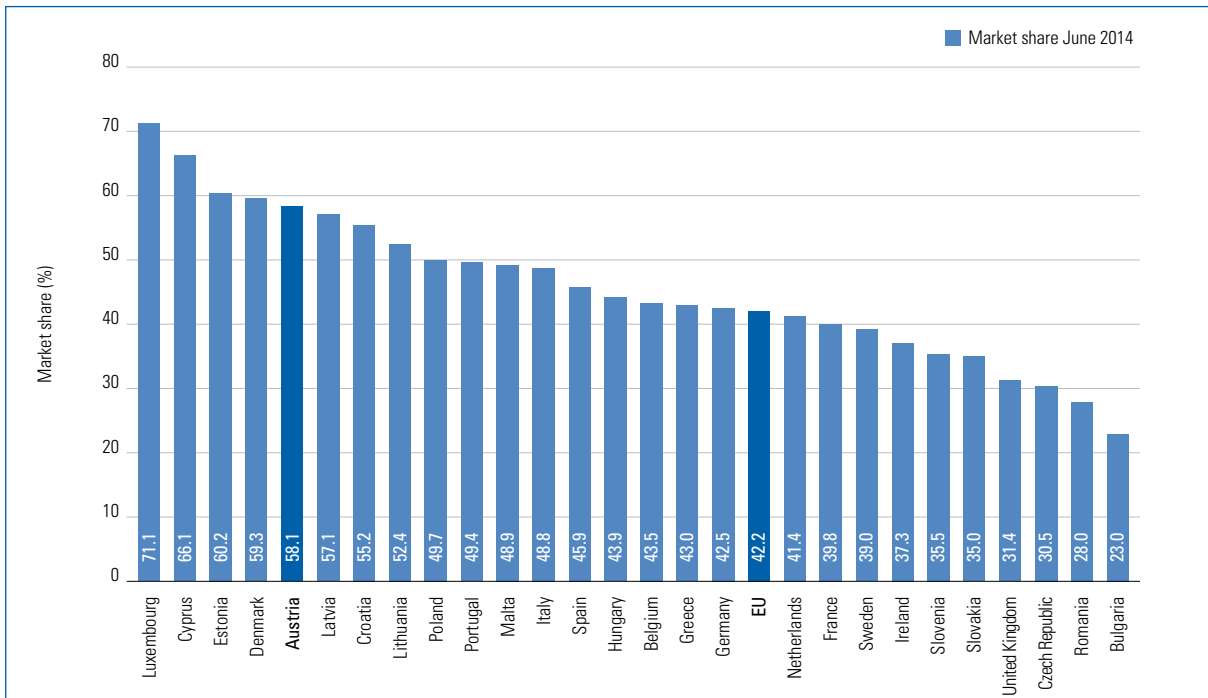
Source: European Commission – Digital Agenda Scoreboard, Broadband

The chart provides an international comparison of mobile broadband penetration rates (as of June 2014). The penetration rate is calculated from the number of mobile broadband connections (active broadband SIM cards) per 100 inhabitants. Broadband connections on fixed infrastructure (such as DSL, coaxial cable etc.) are not included in these figures. The data reported in this chart are not comparable with the data for mobile broadband penetration shown in the Annual Review 2013 because the European Commission has used a new definition of mobile broadband in its data survey since 2014.

- Also in respect of the use of mobile broadband connections Austria ranks below the EU average of 66.7% with a penetration rate of 65.2%. However, in contrast to fixed broadband penetration, Austria is thus around the EU average.
- In June 2014, Finland was top of the league with a penetration rate of 131.2%, followed by Sweden (112.6%) and Denmark (111.0%).
- The lowest density of mobile broadband connections was reported in Hungary (31.7%), Portugal (37.5%) and Greece (38.5%)

# Incumbent operator's share of broadband market

## ➔ MARKET SHARE OF 58% FOR AUSTRIAN INCUMBENT



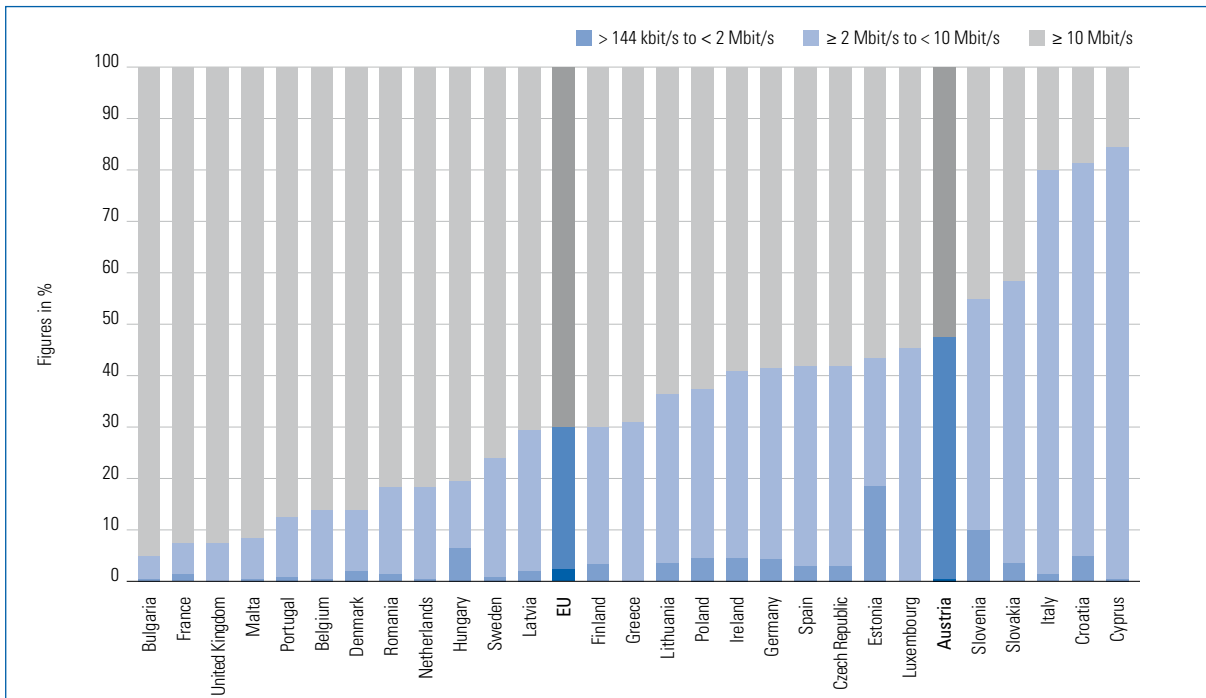
Source: European Commission – Digital Agenda Scoreboard, Electronic Communications Market Indicators

The chart above shows the market shares of the retail broadband market held by national incumbent operators (former monopoly operators) (as of June 2014). It only includes broadband connections based on fixed infrastructure (e.g. DSL, coaxial cable etc.). Mobile broadband connections are not included in these figures.

- In June 2014, the market leader A1 Telekom had a market share of 58.1% on the fixed retail broadband market.
- Thus, throughout Europe, Austria ranked fifth behind Luxemburg (71.1%), Cyprus (66.1%), Estonia (60.2%) and Denmark (59.3%).
- The lowest market shares of the incumbent operator were reported in Bulgaria (23.0%), behind Romania (28.0%) and the Czech Republic (30.5%).

# Broadband lines by bandwidth

➔ AUSTRIA NEEDS TO IMPROVE IN RESPECT OF HIGH BANDWIDTHS



Source: RTR, European Commission – Digital Agenda Scoreboard, Electronic Communications Market Indicators

The chart above provides an international comparison of the different bandwidths of fixed broadband connections (as of June 2014). The data underlying this chart can be found at the end of the section.

- In June 2014, only 0.7% of fixed broadband connections were in the bandwidth category below 2 Mbit/s in Austria, while the EU average was still 2.3% of all broadband connections in the same period.
- Comparing broadband connections with high bandwidths (above 10 Mbit/s), Austria lags far behind the EU average of 70.2% with a penetration rate of 52.5%. Leading in this category are Bulgaria (94.9%), France and Great Britain (92.5% each) and Malta (91,7%). Thus, the broadband billion is to be used here to make up some ground by European comparison.



## MOBILE PENETRATION RATE 2012 TO 2013 (PAGE 80)

| in %           |                       |                       |
|----------------|-----------------------|-----------------------|
| Country        | Penetration rate 2012 | Penetration rate 2013 |
| Latvia         | 189.8%                | 231.4%                |
| Finland        | 169.4%                | 171.6%                |
| Lithuania      | 164.9%                | 167.8%                |
| Italy          | 165.6%                | 166.0%                |
| Bulgaria       | 160.1%                | 162.9%                |
| Portugal       | 157.7%                | 159.6%                |
| Austria        | 159.2%                | 156.3%                |
| Estonia        | 149.9%                | 152.5%                |
| Denmark        | 154.3%                | 150.1%                |
| Luxembourg     | 145.8%                | 148.6%                |
| Sweden         | 144.3%                | 147.1%                |
| Poland         | 131.1%                | 134.8%                |
| Malta          | 129.9%                | 131.6%                |
| EU             | 130.6%                | 131.6%                |
| United Kingdom | 130.7%                | 129.8%                |
| Cyprus         | 131.2%                | 128.6%                |
| Germany        | 124.2%                | 126.9%                |
| Czech Republic | 129.5%                | 126.4%                |
| Greece         | 120.0%                | 123.3%                |
| Ireland        | 119.7%                | 122.3%                |
| Slovakia       | 115.3%                | 121.1%                |
| Croatia        | 123.1%                | 120.8%                |
| Netherlands    | 131.2%                | 120.1%                |
| Spain          | 122.0%                | 118.4%                |
| Belgium        | 118.1%                | 117.9%                |
| Hungary        | 110.7%                | 113.7%                |
| Romania        | 112.9%                | 112.9%                |
| France         | 105.7%                | 110.7%                |
| Slovenia       | 106.9%                | 109.4%                |

## INTERCONNECTION CHARGES FOR TERMINATION IN MOBILE NETWORKS (PAGE 81)

| EUR cents      |           |           |
|----------------|-----------|-----------|
| Country        | July 2013 | July 2014 |
| Slovenia       | 3.24      | 3.24      |
| Finland        | 2.80      | 2.80      |
| Ireland        | 1.04      | 2.59      |
| Hungary        | 2.39      | 2.31      |
| Netherlands    | 2.40      | 1.86      |
| Germany        | 1.85      | 1.79      |
| Cyprus         | 1.73      | 1.74      |
| Croatia        |           | 1.69      |
| Portugal       | 1.27      | 1.27      |
| Slovakia       | 3.18      | 1.23      |
| Greece         | 1.27      | 1.19      |
| Belgium        | 1.18      | 1.18      |
| Estonia        | 1.29      | 1.10      |
| Spain          | 1.09      | 1.09      |
| United Kingdom | 1.00      | 1.05      |
| Latvia         | 1.57      | 1.05      |
| Lithuania      | 1.04      | 1.04      |
| Poland         | 1.02      | 1.03      |
| Bulgaria       | 1.18      | 1.02      |
| Czech Republic | 1.05      | 0.98      |
| Italy          | 0.98      | 0.98      |
| Luxembourg     | 8.55      | 0.98      |
| Romania        | 3.07      | 0.96      |
| Denmark        | 1.07      | 0.90      |
| Sweden         | 1.05      | 0.89      |
| Austria        | 2.01      | 0.81      |
| France         | 0.80      | 0.80      |
| Malta          | 2.07      | 0.41      |

## BROADBAND LINES BY BANDWIDTH (PAGE 88)

| in %           |                            |                           |             |
|----------------|----------------------------|---------------------------|-------------|
| Country        | > 144 kbit/s to < 2 Mbit/s | ≥ 2 Mbit/s to < 10 Mbit/s | ≥ 10 Mbit/s |
| Bulgaria       | 0.2%                       | 5.0%                      | 94.9%       |
| France         | 1.4%                       | 6.1%                      | 92.5%       |
| United Kingdom | 0.0%                       | 7.5%                      | 92.5%       |
| Malta          | 0.0%                       | 8.3%                      | 91.7%       |
| Portugal       | 1.2%                       | 11.5%                     | 87.3%       |
| Belgium        | 0.6%                       | 13.5%                     | 85.9%       |
| Denmark        | 1.8%                       | 12.5%                     | 85.7%       |
| Romania        | 1.5%                       | 16.9%                     | 81.6%       |
| Netherlands    | 0.6%                       | 17.9%                     | 81.5%       |
| Hungary        | 6.3%                       | 13.2%                     | 80.5%       |
| Sweden         | 1.0%                       | 23.2%                     | 75.8%       |
| Latvia         | 2.1%                       | 27.2%                     | 70.7%       |
| EU             | 2.3%                       | 27.5%                     | 70.2%       |
| Finland        | 3.5%                       | 26.6%                     | 70.0%       |
| Greece         | 0.0%                       | 31.1%                     | 68.9%       |
| Lithuania      | 3.5%                       | 33.0%                     | 63.5%       |
| Poland         | 4.3%                       | 33.2%                     | 62.5%       |
| Ireland        | 4.7%                       | 36.5%                     | 58.7%       |
| Germany        | 4.8%                       | 36.7%                     | 58.6%       |
| Spain          | 2.9%                       | 39.1%                     | 58.0%       |
| Czech Republic | 2.8%                       | 39.4%                     | 57.8%       |
| Estonia        | 18.6%                      | 24.8%                     | 56.6%       |
| Luxembourg     | 0.0%                       | 45.4%                     | 54.6%       |
| Austria        | 0.7%                       | 46.8%                     | 52.5%       |
| Slovenia       | 10.0%                      | 45.0%                     | 44.9%       |
| Slovakia       | 3.4%                       | 55.1%                     | 41.5%       |
| Italy          | 1.5%                       | 78.4%                     | 20.0%       |
| Croatia        | 5.1%                       | 76.7%                     | 18.2%       |
| Cyprus         | 0.1%                       | 84.7%                     | 15.2%       |



## 8 | Technology indicators

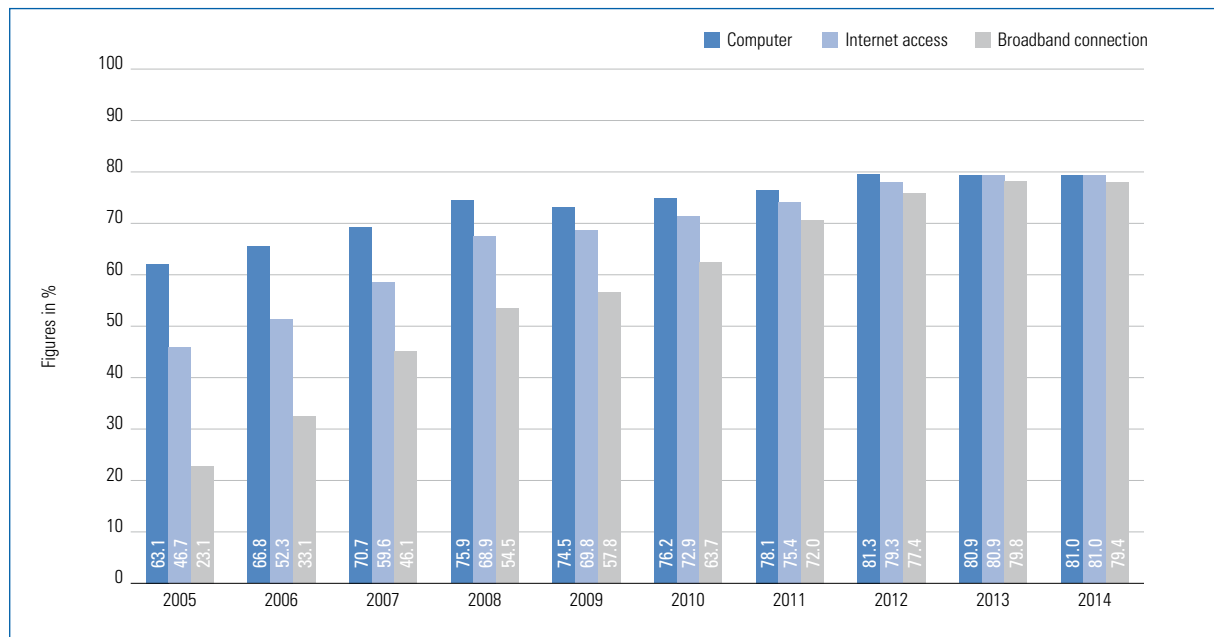


Information and communications systems are the pillars of the knowledge society and form the basis for the interaction of industry, politics and society. Technologies driving and underpinning information and communications are therefore increasingly important. Coupled with this is the need to quantify the developmental levels of societies with respect to the use of information and communications technologies (ICT). The intention is to make comparisons between countries, chart developments over time and create the basis for economic and political decision-makers. One method of responding to all these requirements is to map the relevant technology and communications parameters in the form of indices.

There are various technology indices used internationally with differing methodological approaches and emphasis. This section will discuss the main indices and Austria's performance by international standards.

# Computers, Internet access and broadband in households

## ➔ SATURATION LEVEL APPARENTLY REACHED



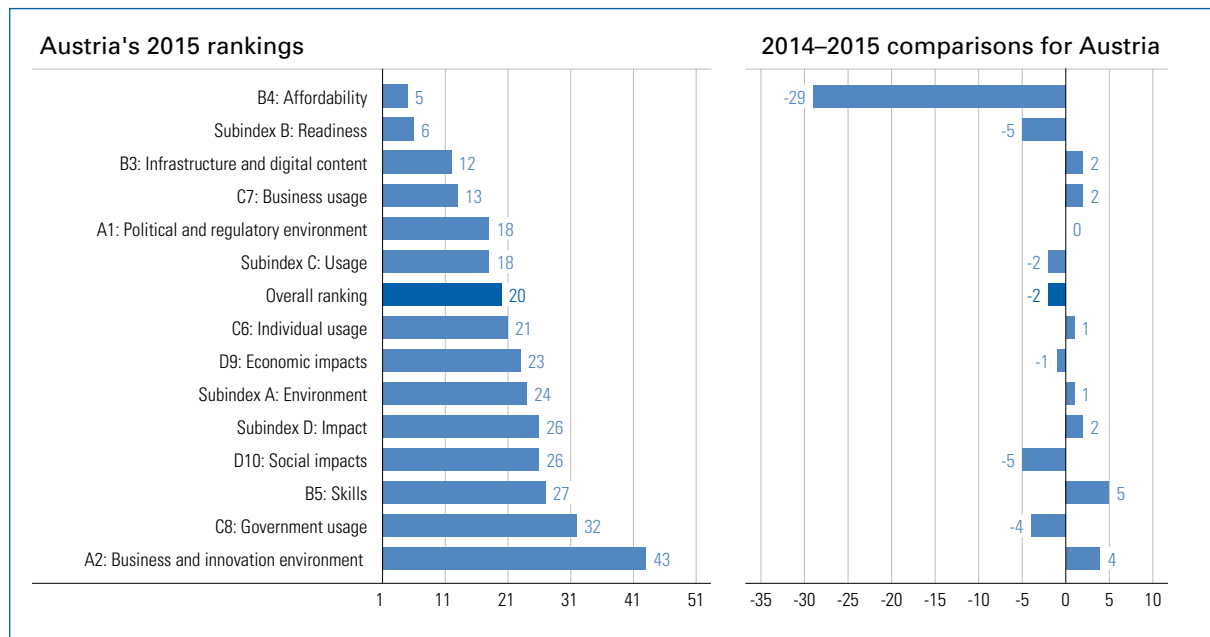
Source: Statistics Austria

This chart shows the percentages of Austrian households with computers, Internet access and (fixed or mobile) broadband connection over the years.

- The development in recent years has continuously approached a saturation level that seems to have been reached now. With about 20% of the population, the proportion of those in Austria who persistently refuse computers and thus also the Internet appears to be quite high. It remains to be seen if and to what extent new technologies (e.g. smart TV, i.e. Internet via TV set) will find their way into these household segments, thus giving fresh impetus to Internet penetration.
- 81.0% of households are equipped with computers. In statistical terms, by now each of these households is also connected to the Internet and 98.0% of them via broadband. However, it was broadband that declined slightly against 2013. It is not clear yet how the use of the broadband billion will influence the share of broadband.

# Networked Readiness Index – Austria

➔ AUSTRIA IS BACK AMONG THE TOP 20 ICT NATIONS



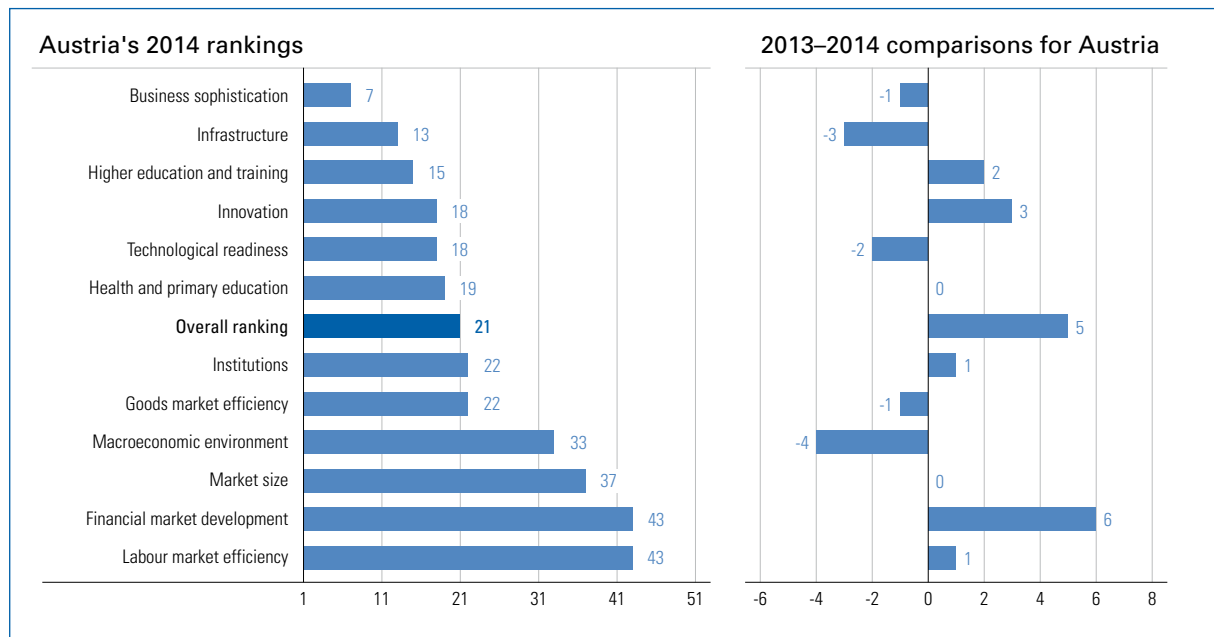
Source: World Economic Forum, The Global Information Technology Report 2015

The Networked Readiness Index (NRI) of the World Economic Forum is one of the most important indices that measures the extent to which a country is equipped with and uses information and communications technologies. The coding in the above chart (e.g. B3) relates the pillars (e.g. 3: Infrastructure and digital content) to the respective subindex (e.g. B: Readiness).

- Austria improved from place 22 to place 20 and is back among the top 20 nations in the field of ICTs.
- In the “Affordability” subindex Austria jumped by as many as 29 places. Ranking fifth, this is the best ranking among all subindexes. This is due to the fact that, for one thing, Austria was able to maintain its price level in view of increasing mobile tariffs by international comparison and, for another, that the actual broadband tariff of the incumbent A1 Telekom was no longer classified non-competitively as a special offer price. Also, in the “Government usage” subindex, in particular regarding the “Importance of ICTs to government vision” indicator, Austria managed to make up a few places.
- In the “Skills” subindex Austria lost the most ranks, slipping from place 22 to place 27. In the “Business and innovation environment” subindex Austria achieved the worst result among all subindexes (rank 43).
- Singapore tops the ranking for the first time, thus ending Scandinavian dominance at the top of the NRI ranking. The previous top nations Finland and Sweden take the second and third places, followed by the Netherlands, ahead of Norway.

# Global Competitiveness Index

## ➔ AUSTRIA LOST FIVE PLACES BY INTERNATIONAL COMPARISON



Source: World Economic Forum, Global Competitiveness Report 2014–2015

The World Economic Forum defines competitiveness as the set of institutions, policies and production factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. In other words, the greater a country's competitiveness, the more likely it is that it can produce high incomes. Productivity is by definition an input-output ratio, i.e. it is a measure of the best possible output that can be achieved with the existing production factors.

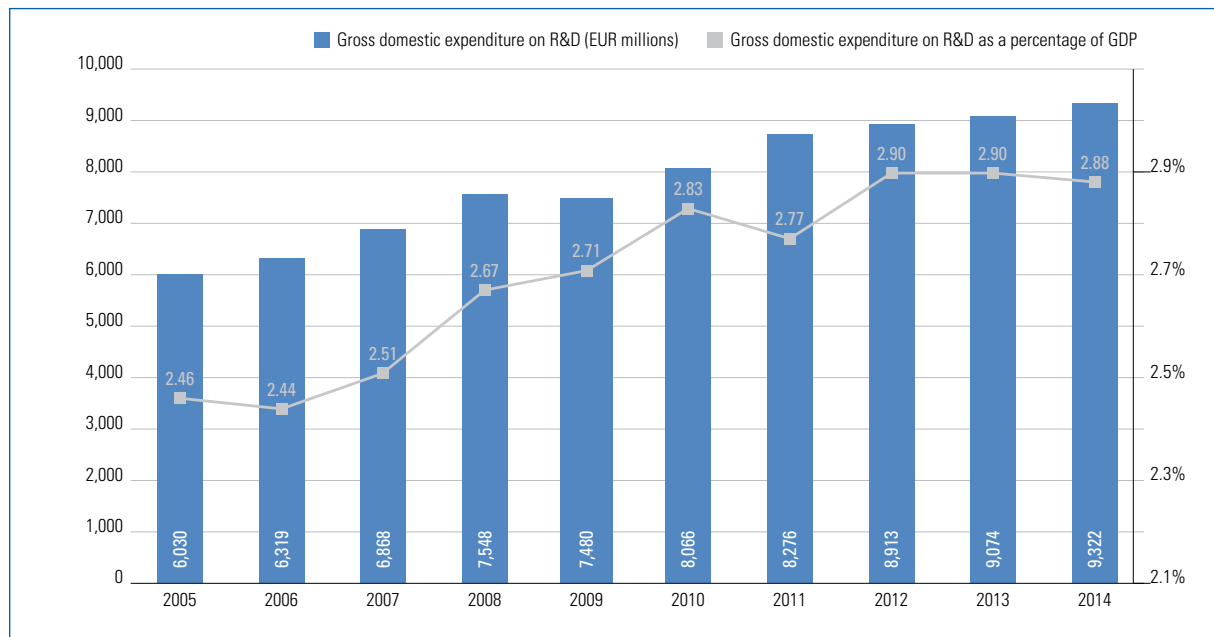
The twelve parameters are measured either by questioning or by observation. The index also takes into account a country's level of development. Accordingly, it distinguishes between factor-driven, efficiency-driven and innovation-driven economies. Developing countries are among the factor-driven economies, while western industrial nations represent innovation-driven economies.

- In the overall ranking of the Global Competitiveness Index for 2014, Austria takes 21st place (of 144), thus losing as many as five places compared with 2013. And yet, Austria managed to expand its strengths even further. In the "Business sophistication" category Austria improved once again by one place to 7th position. In the "Infrastructure" category Austria advanced by even three places, coming 13th. In addition, improvements were also seen in the fields of "Technological readiness" (18th), "Goods market efficiency" (22nd) and "Macroeconomic environment" (33rd).
- In contrast, deterioration was seen for the "Financial market development" (43rd) and "Labour market efficiency" (also 43rd) parameters, in the same way as for the "Higher education and training" (15th), "Innovation" (18th) and "Institutions" (22nd) categories.
- The ranking is headed – as in previous years – by Switzerland, followed by Singapore, the United States and Finland.



# Gross domestic expenditure on R&D

## ➔ RESEARCH-SPENDING RATIO DECLINED SLIGHTLY



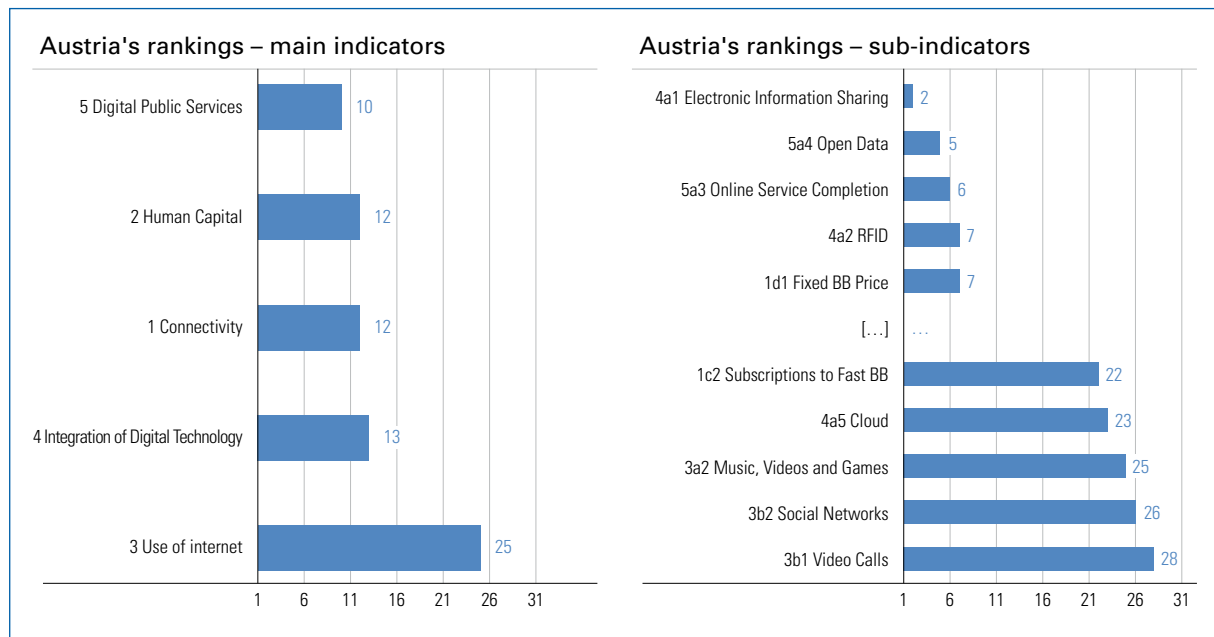
Source: Statistics Austria

The annual overall estimate of gross domestic expenditure on research and development (R&D) is derived from the detailed structural data of Statistics Austria obtained from primary-data surveys on R&D and the research-related analyses and evaluations of the budgets of the federal and provincial governments of Austria, also conducted annually. Gross domestic expenditure on R&D (sometimes referred to as „research-spending ratio“), expressed as a percentage of gross domestic product, is an indicator of major political relevance.

- In 2014, EUR 9.32 billion were spent on R&D in Austria. With a GDP of EUR 324.14 billion, this corresponds to a research-spending ratio of 2.88% of GDP. Even though expenditure on R&D increased by 2.7% against 2013, the share in GDP nevertheless declined slightly because GDP, up 3.5%, grew more strongly than expenditure on R&D.
- The largest share of expenditure on R&D, EUR 4.15 billion (44.5%), came from Austrian businesses, followed by EUR 3.06 billion (32.8%) from the Austrian federal government and EUR 1.53 billion (about 16.4%) from other countries. The remaining expenditure came from the Austrian provinces and other funding sources.

# Digital Economy and Society Index

## ➔ AUSTRIA RANKS 13<sup>TH</sup> IN EUROPE



Source: <http://digital-agenda-data.eu/charts/>

The new index for digital economy and society (Digital Economy and Society Index – DESI) is compiled annually by the EU Commission. Different technology parameters are used to compare the 28 EU Member States. In the course of the evaluation by the European Commission, Member States were surveyed according to 33 different performance indicators that altogether showed the degree of their digitisation.

- In the current DESI ranking Austria was only in 13th place out of the 28 EU Member States. The EU Commission concluded: “Austria falls into the cluster of medium-performance countries, where it performs below average.” In general, the Commission attested that on the way towards a digital Europe more “progress is needed”.
- Austria scored well for “Digital Public Services”, a category comprising e-government services and electronic healthcare. In particular, in the field of “Open Data” and “Online Service Completion” Austria achieved good scores by EU comparison. Austria even ranked 2nd for “Electronic Information Sharing”.
- In contrast, Austria was at the bottom of the ranking in Europe for “Use of Internet” comprising video calls, participation in social networks as well as downloads of music, video and games. In cloud computing and supply of fixed broadband lines above 30 Mbit/s Austria was also lagging behind most EU nations.
- In 2014, Denmark ranked 1st, while Romania was at the bottom of the current ranking.

# 9 | Explanatory notes and glossary





**Explanatory notes**

The rationale for the data survey on which the quarterly issues of the RTR Telekom Monitor are based is the Communications Survey Ordinance (KEV), Federal Law Gazette II No. 365/2004, which came into force on 1 October 2004. RTR is obliged by this Ordinance to carry out statistical surveys of communications markets on a quarterly basis, compile the statistics and publish them.

With effect from April 2013 the KEV was last amended; prior to that, in March 2012, there had been a major amendment, replacing the previous KEV dating from 2004. The amendment had become necessary because in such a highly dynamic field as telecommunications a great deal happened both on the markets and in the technology and this fact had to be properly reflected. In addition, RTR was keen to standardise the type of questions asked in the operator surveys (BAF) and the KEV. To do this it was necessary to bring terms and definitions into line with those from the operator surveys.

In order to reduce the burden on the individual operators, RTR specified the sample in line with Art. 4 Par. 1 KEV in such a way that, on the basis of the statistical population of the most recent market analyses, a market share of at least 90% is covered for each cluster (mobile communications, broadband, fixed network and leased lines). From this sample, RTR extrapolates the data for the statistical population.

The charts in the RTR Telekom Monitor contain for the most part heavily rounded values. Tables with data underlying the charts as well as some additional tables can be found at the end of each section. The retail revenues referred to are always net revenues. Due to occasional post-hoc data corrections, the values in the charts presented here may differ slightly from the information provided in earlier issues of the RTR Telekom Monitor. Where major deviations (> 5%) arise in individual data values, a comment to this effect is provided for the figure in question.

**Airtime (mobile communications)**

Airtime refers to a service which mobile network operators provide for domestic resellers. A reseller is a communications service provider that offers public mobile services to retail customers but does not provide those services using its own network. This includes all mobile service providers (such as resellers or [enhanced] service providers) that do not operate their own communications network – neither a radio network nor a core network – in providing mobile communications services.

**Bitstream and resale**

Bitstream and resale are wholesale products at different levels of the value chain, on the basis of which Internet connections can be provided to the end user. Bitstream access is provided at predefined (regional or national) handover points, the wholesale customer provides Internet connectivity to the end user. In contrast, in the case of resale, Internet connectivity is provided by the wholesale supplier, the wholesale customer acting merely as reseller.

**Broadband**

Broadband Internet access or broadband Internet connections are Internet connections (technology neutral) with a download speed of > 144 kbit/s. The Internet connection can also be offered as part of a bundle with other services. The connection can be made in the following ways:

- as a dedicated line (copper-wire pairs in the A1 Telekom Austria AG network),
- on an unbundled line (see unbundling),
- as virtual unbundling (see virtual unbundling),
- via coaxial cable (cable modem),
- as fixed wireless access, e.g. W-LAN, WiFi, WLL ("fixed" access, not via hot spots),
- or on another infrastructure. This includes e.g. powerline carrier broadband (PWL) and broadband access via satellite (SAT).

**Carrier Pre-Selection and Call-by-Call**

Carrier pre-selection (CPS) refers to a pre-set carrier network code (10xx) which routes all of a subscriber's traffic (except for calls to value-added services and public service numbers) via the pre-selected carrier network.

In contrast, call-by-call carrier selection (CbC) makes it possible to route individual telephone calls via a service provider other than the network which provides the subscriber line. In this case, the subscriber is required to enter the carrier network code (10xx) before each call.

**Ethernet services**

Ethernet services with guaranteed bandwidth are lines that provide guaranteed bandwidth between two network termination points, excluding leased lines with Ethernet user interfaces at the user's end (because, for example, on-demand switching functionality is provided).

**Fixed wholesale market for voice telephony**

The fixed wholesale market includes three sub-services: origination, termination and transit services.

Origination refers to calls that originate from a fixed-network termination point in a carrier's own network. Termination refers to the routing of calls to a fixed-network termination point in a carrier's own network. Transit refers to calls between two networks or between two interconnectable exchanges in a network. These services can be provided internally (i.e. as self-provided services, e.g. in an intra-network call) or externally between network operators (e.g. origination to services and carrier network operators or termination from an external network). Origination, termination and transit services are not charged to the customer directly but are settled between network operators (at the wholesale level). The RTR Telekom Monitor reports both revenues and corresponding origination, termination and transit minutes.

**International roaming**

In connection with mobile communications, the term “roaming” refers to the use of a mobile telephone outside the coverage area of one’s own network operator (the home network), in which case the mobile phone uses the service of another network (the visited network). In international roaming, the home and visited networks are located in different countries and their coverage areas generally do not overlap.

**Leased lines**

Leased lines provide symmetrical transmission capacity with a guaranteed bandwidth between two points without switching functions. Leased lines may also be referred to as “dedicated lines” or “point-to-point connections”. A distinction is made between retail and wholesale leased lines.

Retail leased lines refer to leased lines which are not provided for operators or providers of communications networks or services (i.e. holders of general approvals) but for companies outside the telecommunications sector (e.g. banks, insurance companies, retail stores etc.).

Wholesale leased lines are leased lines provided for other operators or providers of communications networks or services. A distinction is made between trunk segments and terminating segments (see trunk segments and terminating segments).

Where leased lines are concerned, it must be borne in mind that there are often time lags in leased lines markets between revenues and demand, frequently resulting in strong fluctuations between months and, indeed, quarters, caused by the billing of project business, billbacks and credits.

**Mobile broadband**

Mobile broadband comprises pure data tariffs, data products not based on a fixed monthly charge and smartphone tariffs.

Pure data tariffs (no voice services or text messaging) are mobile services including at least 250 MB in the monthly charges.

Products not based on a fixed monthly charge (e.g. prepaid data products or data/voice products) are products that are used by customers to access the Internet at least one time each quarter.

Smartphone tariffs are all contracts for voice and text messaging services that include at least 250 MB of data services in the monthly charges and that are used by customers to access the Internet at least one time each quarter.

**Number porting**

Number porting allows customers to retain their telephone numbers when they switch service providers. The RTR Telekom Monitor only includes the porting procedures/imports of telephone numbers carried out for an operator in one quarter, i.e. SIM cards in the case of mobile operators and subscriber numbers on the fixed network. Reverse portings (e.g. after cancellation by a subscriber) are not considered porting procedures. If the number of a subscriber is ported several times within a quarter (subsequent porting), this is counted separately each time.

**Price index in mobile communications**

For the calculation of the monthly prices for different user types RTR uses the tariff data published by the Austrian Chamber of Labour on a monthly basis. Only new tariffs available in the respective month are considered because this allows immediate detection of changes in tariffs (price increases and reductions).

The details about minutes, text messages (SMS) and data services used monthly by the respective user types and about handset subsidies per tariff are supplied by the mobile operators; with regard to information not provided, RTR makes every effort to estimate such information on the basis of available data. Average prices per month are calculated for four different user types. The medium user, high user and power user types also use data services; therefore, for these user types only so-called smartphone tariffs (with included data volume) are applied. The fourth user type, the so-called low user, exclusively relies on voice and text messaging services.

The user types were classified as follows: for each service (voice, SMS, data) the users were ranked according to the frequency of use and divided into four groups of equal size (quartiles). One quartile each represents one user type and the median of the respective quartile is used for the underlying number of used minutes, SMS and megabytes. The user type data are fed into the tariff data by means of the following procedure: the usage values of the previous year are used for the respective tariffs of the current year (e.g. usage 2012 for calculation of the prices per tariff for 2013). It is determined which new tariffs available are the most inexpensive ones for the respective user type per brand. Apart from the monthly base fees and included the minutes, SMS and data volume, the following tariff components are reflected in the calculation: activation charge, SIM/service charge, minimum revenue, where appropriate, as well as the price per minute, SMS and megabyte beyond the included quantities and the handset subsidies (written off over 24 months).

An average price from the respective up to five most inexpensive tariffs per brand is calculated. The following brands are reflected: A1, T-Mobile, Drei, tele.ring, Yesss!, Bob, Ge.org!, Red Bull Mobile, S-Budget. Subsequently, the price per brand is weighted with the brand's market share.

The calculated price index is a linked index, where usage is adjusted regularly, in this case annually, similarly to the Consumer Price Index.

#### **Residential customers – business customers**

"Business customers" are all legal persons and corporations under public or private law, partnerships, registered companies and partnerships under the Civil Code [eingetragene Erwerbsgesellschaften, Gesellschaften bürgerlichen Rechts], as well as natural and legal persons who are entrepreneurs within the meaning of Art. 1 of the Austrian Consumer Protection Act (Federal Law Gazette 140/1979 as amended), including start-up activities within the meaning of Art. 1 Par. 3 leg. cit). In this context, business shall mean any organisation that is intended to be permanent for the purposes of independent commercial activity, even though it may be a non-profit enterprise.

"Residential customers" are all customers not captured by the above definition.

For the distinction between residential customers and business customers all relevant information available shall be used.

#### **Technical measurement (real minutes)**

Real minutes refer to the actual duration of calls made by customers. In contrast, billed call minutes indicate the number of minutes actually charged to those customers. The main factors accounting for the difference between these two figures are the number of free minutes included in the base fee, which carry considerably more weight in mobile networks than in the fixed network, and the billing increment.

#### **Trunk segments and terminating segments (leased lines and Ethernet services)**

At the wholesale level a distinction is made between trunk segments and terminating segments. Trunk segments refer to leased lines or Ethernet services that normally do not extend to the user's network termination point and link interconnection points in the 28 Austrian towns and cities where A1 Telekom Austria AG has set up network interconnection points to other telecommunications operators. In contrast, terminating segments refer to leased lines or Ethernet services at the wholesale level, which are not to be classified as trunk segments.

#### **Unbundling**

In telecommunications, unbundling refers to the separate provision of specific services which were previously available only in conjunction with other services. For example, the unbundling of subscriber lines from fixed-network access offered by the incumbent operator gives alternative service providers direct access to the customer without requiring the latter to install the "last mile" themselves, as they can lease the (naked) subscriber line from the incumbent at a regulated price. Unbundled network elements are made available if the regulatory authority has identified in a market analysis procedure that one company has significant market power and has imposed on it the obligation of granting access to its telecommunications network and unbundled elements thereof.



**Virtual unbundling**

According to an official TTK decision, A1 Telekom Austria AG is obliged to offer virtual unbundling in areas where it expands the fibre optic cable network (Next Generation Access - NGA). Virtual unbundling is a wholesale service that enables alternative providers (as in the case of physical unbundling) to offer their own (broadband) products to end users.

**Voice-over-Broadband (VoB)**

VoB are voice telephony services based on a broadband connection (stand-alone or bundled). VoB does not include voice-over-Internet, where services are provided on the basis of the (public) Internet, but the Internet connection is provided by an independent third party (e.g. Skype).

# Publishing information

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Although the contributions to the RTR Telekom Monitor Annual Review 2014 were reviewed with the utmost care, it is not possible to rule out errors. Therefore, no guarantee of accuracy can be provided for this information.

The text in this report was prepared with due attention to gender neutrality. Any and all deviations from this policy are exclusively for the sake of improving the text's readability.

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