

Trading Statement for the 2nd Quarter and the 1st Half of 2017¹⁾

Vienna, 18 July 2017 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its highlights for the second quarter and the first half of 2017, ending 30 June 2017. The full earnings release including the results for the second quarter and the first half of 2017 will be published on 25 July 2017.

Group Review

The following analysis is presented on a proforma²⁾ basis if not stated otherwise.

Key performance indicators

Proforma view

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	1,082.9	1,041.2	4.0	2,141.9	2,058.7	4.0
thereof total service revenues ^{*)}	966.4	939.8	2.8	1,922.5	1,861.3	3.3
Wireless revenues	663.2	646.9	2.5	1,307.2	1,275.8	2.5
thereof service revenues	536.1	531.9	0.8	1,060.2	1,051.7	0.8
thereof equipment revenues	105.2	94.3	11.6	201.8	184.2	9.6
Fixed-line and other revenues	419.7	394.3	6.5	834.6	783.0	6.6
EBITDA	359.3	333.3	7.8	698.9	670.7	4.2
% total revenues	33.2%	32.0%		32.6%	32.6%	
EBIT	146.5	116.4	25.8	272.9	235.9	15.7
% total revenues	13.5%	11.2%		12.7%	11.5%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	20,677.0	20,481.8	1.0	20,677.0	20,481.8	1.0
Postpaid	15,140.2	14,845.2	2.0	15,140.2	14,845.2	2.0
Prepaid	5,536.8	5,636.6	-1.8	5,536.8	5,636.6	-1.8
MoU (per Ø subscriber)	307.0	309.0	-0.6	304.7	303.7	0.3
ARPU (EUR)	8.7	8.7	0.0	8.6	8.5	0.4
Churn (%)	1.9%	1.8%		1.9%	1.9%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs	5,899.0	5,902.6	-0.1	5,899.0	5,902.6	-0.1

^{*)} Including other operating income

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA is defined as net income excluding financial result, income taxes, depreciation and amortisation and impairment charges.

¹⁾ The highlights for the second quarter and the first half of 2017 are published in line with the reporting date of our parent company América Móvil, S.A.B. de C.V. The detailed information will be published on 25 July 2017.

²⁾ Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

Highlights for the second quarter of 2017

- > Group total revenues increased by 4.0% (reported: +5.1%), with service revenue growth in all markets except from the Republic of Serbia and the Republic of Macedonia.
- > Group EBITDA growth of 7.8% (reported: 9.1%) mainly due to growth in Belarus, Austria, Bulgaria, Croatia and the Republic of Macedonia.
- > Negative effects from the stepwise abolition of retail roaming in the EU came in slightly lower than expected in Q2 2017, while the expected losses for the second half of the year remain the same.
- > EBITDA growth in Austria was supported by some project-driven revenue contributions which cannot be extrapolated for the rest of the financial year 2017 as well as some non-cash relevant items.
- > Total positive FX effects amounted to EUR 8.9 mn for total revenues and EUR 4.2 mn for EBITDA in Q2 2017, stemming almost entirely from Belarus.
- > Reported net result increased by 36.5% in the second quarter of 2017 from EUR 82.4 mn to EUR 112.5 mn.
- > Results on a reported basis were supported by:
 - o The acquisition of the fixed-line operator Metronet in Croatia, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.
 - o The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- > There were no one-off effects included in the second quarter of 2016 and 2017.

In the second quarter of 2017, Telekom Austria Group saw an increase in the mobile subscriber base of 1.0% in a year-on-year comparison, coming mainly from M2M subscribers and the Republic of Serbia as well as growth in Croatia and Bulgaria, while the subscriber numbers in Belarus and the Republic of Macedonia declined. In Austria mobile subscribers decreased by 1.4% in the second quarter of 2017. Almost all CEE markets saw a shift from prepaid to postpaid offers. The number of revenue generating units (RGUs) of the Group was almost stable (-0.1% year-on-year; reported: +5.2%). The decline in RGUs in Austria and Bulgaria driven by voice RGUs was fully offset by increases in all other markets.

Group revenues increased by 4.0% year-on-year

Group total revenues increased by 4.0% year-on-year (reported: +5.1%). Excluding FX effects amounting to positive EUR 8.9 mn in the second quarter 2017, Group total revenues increased by 3.2% year-on-year (reported: +4.2%). Negative effects stemming from the stepwise abolition of retail roaming in the EU as of 30 April 2016 and 15 June 2017 came in slightly lower than expected and derive mostly from Austria, with further impacts in Slovenia and Bulgaria. The deviations do not affect the expectation of roaming losses for the second half of the year which remains the same.

Total revenues in the Austrian segment increased by 2.5% year-on-year in the second quarter of 2017. Higher fixed-line and other revenues rose partly due to project-driven contributions from solutions and connectivity as well as higher interconnection revenues which outweighed losses in wireless service revenues. The latter were driven by the negative effects on customer roaming due to the above mentioned abolition of retail roaming as well as losses in the prepaid segment.

In the Bulgarian segment, total revenues increased by 3.4% in a year-on-year comparison, due to higher equipment revenues as well as a slight increase in service revenues. Total revenues in the Croatian segment rose by 2.9% year-on-year (reported: +10.1%) and continued to profit from the ongoing solid performance in the mobile and continuing growth in the fixed-line business. Total revenues in the Belarusian segment increased by 27.6% year-on-year (reported: +33.9%), driven by continuing solid operational growth and an improving FX environment. Excluding the positive FX impact of EUR 7.7 mn, total revenues in Belarus rose by 18.0% year-on-year (reported: 23.8%).

In the Slovenian segment, total revenues rose by 2.5% year-on-year in the second quarter of 2017 due to the increases in equipment and in fixed-line service revenues while competition in the mobile segment remained fierce. Total revenues in the Serbian segment rose by 2.8% year-on-year, as higher equipment sales more than offset the decline in mobile service revenues. In the Republic of Macedonia, total revenues came in 3.8% lower year-on-year mainly due to a decline in interconnection revenues in both the mobile and the fixed-line business.

Group total costs and expenses rose by 2.2% year-on-year to EUR 723.6 mn in the second quarter of 2017 (reported: +3.2%) due to increases in all markets but the Republic of Macedonia.

Group EBITDA grew by 7.8% year-on-year to EUR 359.3 mn in the second quarter of 2017 (reported: +9.1%) with positive contributions from Belarus, Austria, Bulgaria, Croatia, and the Republic of Macedonia. Excluding FX effects amounting to positive EUR 4.2 mn in the second quarter 2017, Group EBITDA increased by 6.6% year-on-year (reported: +7.9%).

Group EBITDA growth of 7.8% year-on-year; 6.6% EBITDA increase excl. FX effects

In Austria, EBITDA growth of 4.8% was driven by fixed-line and other revenues as well as reduced subsidies and lower workforce costs. The project-driven contribution on EBITDA growth can not be extrapolated for the rest of the financial year 2017. Additionally, EBITDA benefitted from some non-cash relevant items, namely reversals of accruals and effects which led to a better equipment margin.

In Bulgaria, EBITDA rose by 8.6% due to the slight growth in total service revenues and an improved equipment margin as well as due to costs efficiencies.

Higher service revenues in Croatia more than compensated for the increase in costs resulting from intensified sales initiatives as well costs related to the growth in RGUs. This led to an increase in EBITDA of 7.7% year-on-year (reported: +23.0%).

In Belarus, a solid operational performance together with a positive FX impact resulted in a 44.9% higher EBITDA compared to Q2 2016 (reported: +49.4%). Excluding the positive FX impact of EUR 3.9 mn, EBITDA in Belarus rose by 34.1% year-on-year (reported: 38.2%).

In Slovenia, EBITDA declined by 19.0% as higher equipment costs and costs from rebranding activities more than offset higher revenues. The EBITDA in the Republic of Serbia declined by 4.3% year-on-year as the rise in revenues driven by equipment revenues was more than offset by increased costs related to the repositioning of the company as well as additional sales initiatives. In the Republic of Macedonia, the equipment margin improvement and cost efficiencies drove the EBITDA growth of 19.5% year-on-year.

Depreciation and amortisation decreased by 1.9% to EUR 212.8 mn in the second quarter of 2017 (reported: -0.9%), mainly due to FX-driven lower D&A in Belarus in Q2 2017 and M&A-driven higher D&A in the Republic of Macedonia in Q2 2016. Altogether, this led to a growth in operating income of 25.8% year-on-year (reported: +27.9%) to EUR 146.5 mn.

The reported financial result amounted to a negative EUR 23.4 mn in Q2 2017 compared to a negative EUR 22.3 mn in the same period last year. Reported income taxes amounted to EUR 10.6 mn in Q2 2017 compared to EUR 9.8 mn in Q2 2016. In summary, this resulted in a reported net result of EUR 112.5 mn in the second quarter of 2017 compared to EUR 82.4 mn in Q2 2016.

EUR 112.5 mn reported net result

Capital expenditures declined by 17.0% year-on-year to EUR 171.3 mn in the second quarter 2017, while they rose by 3.1% to EUR 351.3 mn in the first half of 2017.

Highlights for the first half of 2017

- > Group total revenues increased by 4.0% (reported: +5.0%), with service revenue growth in Austria, Croatia, Belarus and Slovenia.
- > Group EBITDA growth of 4.2% (reported: +5.3%) mainly due to growth in Belarus, Austria, Croatia and the Republic of Macedonia.
- > Negative effects from the stepwise abolition of retail roaming in the EU came in slightly lower than expected in the first half of 2017, while the expected losses for the second half of the year remain the same.
- > Total positive FX effects amounted to EUR 20.7 mn for total revenues and EUR 9.7 mn for EBITDA in the first half of 2017, stemming almost entirely from Belarus.
- > Results on a reported basis were supported by:
 - o The acquisition of the fixed-line operator Metronet in Croatia, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.
 - o The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- > Reported net result increased by 27.9% in the first half of 2017 from EUR 163.4 mn to EUR 208.9 mn.