TELEKOM AUSTRIA GROUP

Results for the First Quarter 2017

Highlights First Quarter 2017

- Group total revenues and EBITDA increased by 4.1% and 0.6% respectively on a proforma basis
- Revenues and EBITDA included the following one-off and FX effects:
    - A positive one-off effect in Austria in the amount of EUR 10.6 mn in fixed-line and other revenues in Q1 2017, stemming from the reversal of an accrual for wholesale services.
    - A positive one-off effect of EUR 3.6 mn in the Austrian segment in other operating income in Q1 2017, stemming from a release of an asset retirement obligation.
    - A positive EUR 7.0 mn one-off effect in Austria in cost of equipment in Q1 2016, stemming from the harmonisation of value adjustments for handsets.
    - Positive FX effects in Q1 2017: EUR 11.9 mn in revenues and EUR 5.5 mn in EBITDA.
- Operationally, revenue growth was mostly a consequence of improved service revenue trends, but also higher equipment revenues; negative roaming impact in line with expectations
- EBITDA excl. one-off and FX effects was driven by roaming losses and an increase in revenue-related service costs and cost of equipment, despite better service revenues
- Austria: Excluding one-off effects revenues remained almost stable while EBITDA decreased by 1.9% due to roaming losses.
- CEE: Ongoing strong operational trends in Croatia and Belarus, continuing improvements in Bulgaria
- Group outlook[1] 2017 unchanged: approx. +1% total revenues, CAPEX[2] of approx. EUR 725 mn

Key performance indicators
Proforma view

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	1,058.9	1,017.5	4.1
EBITDA	339.5	337.4	0.6
% total revenues	32.1%	33.2%	
EBIT	126.4	119.5	5.9
% total revenues	11.9%	11.7%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	20,621.7	20,529.2	0.5
thereof postpaid	15,074.4	14,803.5	1.8
thereof prepaid	5,547.4	5,725.8	–3.1
MoU (per Ø subscriber)	302.4	298.4	1.3
ARPU (EUR)	8.5	8.4	0.7
Churn (%)	2.0%	2.0%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	5,920.0	5,888.1	0.5

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] Outlook based on reported numbers and on a constant currency basis, except for Belarus
[2] Does not include investment in spectrum and acquisitions.

Disclaimer

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

Information on alternative performance measures and reporting changes

The Consolidated Financial Statements are prepared according to applicable accounting standards. The presentation and analysis of financial information and key performance indicators may differ substantially from the financial information presented in the Consolidated Financial Statements. This is due to the fact that the presentation and analysis are partially based on proforma figures which include M&A transactions between the start of the comparison period and the end of the reporting period.

To reflect the performance on an operational basis, the proforma figures present comparison figures for previous periods as if M&A transactions executed between the start of the comparison period and the end of the reporting period had already been fully consolidated in the relevant months of the comparison period. Alternative performance measures are used to describe the operational performance. Please therefore also refer to the financial information presented in the Consolidated Financial Statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 23.

As of Q1 2017, the new company ‘A1 digital international GmbH’ is consolidated as part of the segment ‘Corporate & other, eliminations‘. The Machine-to-Machine (M2M) business, which has so far been reported in the Austrian Segment, is part of this new company. Therefore, previously reported numbers in the segments Austria as well as in ‘Corporate & other, eliminations’ will be affected, while Group numbers will not change. Comparative figures have been adjusted accordingly. The new company will focus on the B2B market and offer digital services to actively support companies in the digitalisation process with the goal of enhancing their success in their field of business.

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First quarter results

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q1 2017') are available on the website at www.telekomaustria.com.

Results for the second quarter 2017 are expected to be announced in the week of 17 July 2017

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Vienna, 24 April 2017 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first quarter 2017, ending 31 March 2017.

Group Review

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

Income Statement

Income Statement

Reported view

in EUR million	Q1 2017 reported	Q1 2016 reported	% change
Service revenues incl. OOI	956.1	913.5	4.7
Equipment revenues	102.8	95.9	7.2
Total revenues	**1,058.9**	1,009.4	**4.9**
Cost of service	−341.1	−326.0	−4.6
Cost of equipment	−127.7	−104.0	−22.8
Selling, general & administrative expenses	−247.7	−241.7	−2.5
Other expenses	−2.8	−3.2	13.6
Total costs and expenses	**−719.4**	−675.0	**−6.6**
EBITDA	**339.5**	334.4	**1.5**
% of total revenues	32.1%	33.1%	
Depreciation and amortisation	−213.1	−217.2	1.9
EBIT	**126.4**	117.2	**7.9**
% of total revenues	11.9%	11.6%	
Interest income	3.5	3.4	3.9
Interest expense	−24.7	−32.9	24.9
Other financial expense	−4.1	−3.7	−11.5
Foreign currency exchange differences	4.5	5.8	−23.8
Equity interest in net income of affiliates	−0.1	0.8	n.m.
Earnings before income tax	**105.5**	90.6	**16.4**
Income tax	−9.1	−9.6	5.7
Net result*	**96.4**	81.0	**19.0**

*) Attributable to equity holders of the parent, non controlling interests and hybrid capital owners

Following factors impact the year-on-year comparison of the operating results of the Telekom Austria Group in the first quarter 2017 and should be considered in the analysis:

> 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.

> The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

- One-off effects included in the first quarter of 2017:
  - A positive one-off effect in Austria in the amount of EUR 10.6 mn in fixed-line and other revenues stemming from the reversal of an accrual for wholesale services.
  - A positive one-off effect of EUR 3.6 mn in the Austrian segment in other operating income, stemming from a release of an asset retirement obligation.
- One-off effects included in the first quarter of 2016:
  - A positive EUR 7.0 mn one-off effect in Austria in cost of equipment, stemming from the harmonisation of value adjustments for handsets.

In the first quarter of 2017, the CEE markets, except from Belarus, continued to see a shift from prepaid to postpaid offers. This resulted in a slightly higher mobile subscriber base in the Group (+0.5% year-on-year), as the increase in postpaid subscribers more than offset the losses in the prepaid segment. The number of revenue generating units (RGUs) in the fixed-line business rose by 5.8% year-on-year (proforma[1]: +0.5%), driven by the acquisitions of the fixed-line operators Atlant Telecom in Belarus and Metronet in Croatia. Operationally, RGU growth in the Croatian, Belarusian, Slovenian and Macedonian segments more than offset declines in Austria and Bulgaria.

Reported group revenues increased by 4.9% year-on-year (proforma: +4.1%)

Group total revenues increased by 4.9% year-on-year on a reported basis (proforma: +4.1%). Excluding one-off and FX effects in Q1 2017 and in the comparison period, reported revenues grew by 2.3% (proforma: +1.5%). Total revenue growth was driven by the strong operational performance in Belarus, which additionally benefitted from a favourable FX development, as well as higher total revenues in Austria, Croatia, Bulgaria and Slovenia. This increases were partly offset by lower total revenues in the Republic of Serbia and in the Republic of Macedonia. In total, Group service revenues increased by 4.7% (proforma: +3.7%) and rose by 2.2% on a proforma basis excluding both of the above-mentioned one-off effects.

Negative effects stemming from the stepwise abolition of retail roaming in the EU as of 30 April 2016 came in as expected and derive mostly from Austria, with smaller impacts in Bulgaria, Croatia and Slovenia.

Reported total revenues in the Austrian segment increased by 1.9% year-on-year in the first quarter of 2017. This was driven by the above-mentioned positive one-off effects in the total amount of EUR 14.2 mn in fixed-line and other revenues as well as other operating income. Excluding these effects total revenues were almost stable (-0.3%) despite negative roaming impacts as increased fixed-line revenues were able to offset lower equipment revenues.

In the Bulgarian segment, total revenues rose by 6.7% in Q1 2017 compared to the same period last year and were entirely driven by the increase in equipment revenues while service revenues were almost stable. Reported total revenues in the Croatian segment rose by 11.2% year-on-year (proforma: +5.9%) and continued to profit especially from the strong growth in the fixed-line business as well as better trends in the mobile business. Additionally, fixed-line revenues in the Croatian segment benefitted from the acquisition of Metronet in Q1 2017.

Total revenues in the Belarusian segment increased by 34.8% year-on-year (proforma: +28.1%), driven by continuing solid operational growth and the acquisition of Atlant Telecom in Q4 2016 as well as the supportive FX development in Q1 2017. The Belarusian rouble appreciated by 12.5% compared to the same period last year. Total revenues still rose by 19.9% on a local currency basis (proforma: +13.9%).

[1] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

In the Slovenian segment, total revenues increased by 2.3% year-on-year, driven by higher mobile service revenues as well as higher fixed-line service revenues due to the growth in fixed-line RGUs. Total revenues in the Serbian segment decreased by 2.6% year-on-year as the competitive and regulatory environment remained challenging which led to lower mobile service revenues. In the Republic of Macedonia, total revenues decreased by 6.2% year-on-year mostly due to a decline in interconnection revenues.

Group total costs and expenses increased by 6.6% year-on-year to EUR 719.4 mn in the first quarter of 2017 (proforma: +5.8%), driven by revenue-related costs and investments in high-value customers, reflected in the rise of cost of equipment and higher sales area costs. RGU growth drove content and bitstream costs higher. Additionally, a EUR 7.0 mn positive one-off effect in Austria in the Q1 2016 comparision period, stemming from the harmonisation of value adjustments for handsets, negatively impacted the year-on-year change in costs and expenses. Excluding this one-off effect, group total costs and expenses rose by 5.5% (proforma: +4.7%).

Group EBITDA increase of 1.5% year-on-year (proforma: +0.6%)

Group EBITDA increased by 1.5% year-on-year to EUR 339.5 mn in the first quarter of 2017 (proforma: +0.6%). Excluding one-off and FX effects Group EBITDA decreased by 2.3% (proforma: -3.2%), driven by the above-mentioned increase in revenue-related service costs and cost of equipment.

Depreciation and amortisation declined by 1.9% to EUR 213.1 mn in a year-on-year comparison (proforma: -2.2%), mainly due to decreases in the Republic of Macedonia and Belarus, which were only partly offset by higher depreciation in Austria and in Bulgaria. Altogether, this led to an increase in operating income of 7.9% year-on-year to EUR 126.4 mn (proforma:+5.9%).

The negative financial result decreased from EUR 26.6 mn in Q1 2016 to EUR 20.9 mn in Q1 2017, resulting from lower interest expenses on financial liabilities. Income taxes declined by 5.7% year-on-year to EUR 9.1 mn. In total, the reported net result increased by 19.0% to EUR 96.4 mn in Q1 2017.

Balance Sheet and Net Debt

Balance sheet

Reported view

in EUR million	31 Mar 2017 reported	31 Dez 2016 reported	% change		31 Mar 2017 reported	31 Dez 2016 reported	% change
Cash, cash equivalents & other short term investments	61.1	464.2	−86.8	Short-term debt*	166.1	500.1	−66.8
Accounts receivable	650.2	636.5	2.2	Accounts payable	803.3	852.6	−5.8
Other current assets	262.5	255.7	2.7	Other current liabilites	487.8	495.1	−1.5
Inventories	93.4	82.5	13.2	**Current liabilities**	**1,457.1**	1,847.8	**−21.1**
Current assets	**1,067.2**	1,438.9	**−25.8**				
Property, plant & equipment	2,598.5	2,550.8	1.9	Long-term debt	2,304.9	2,303.5	0.1
Intangibles	2,316.3	2,321.4	−0.2	Other liabilities	1,028.3	1,021.2	0.7
Goodwill	1,263.6	1,241.8	1.8	**Non current liabilities**	**3,333.1**	3,324.7	**0.3**
Investments in affiliates & long-term investments	48.6	49.2	−1.3				
Other non-current assets	339.2	341.2	−0.6	**Shareholder's equity**	**2,843.0**	2,770.7	**2.6**
Non current assets	**6,566.0**	6,504.3	**0.9**				
Total assets	**7,633.3**	7,943.2	**−3.9**	**Total liabilites and equity**	**7,633.3**	7,943.2	**−3.9**

*) Includes current portion of long term debt.

As of 31 March 2017, the balance sheet total declined by 3.9% year-on-year to EUR 7,633.3 mn.

Current assets fell by 25.8% to EUR 1,067.2 mn in the reported period resulting from the reduction in cash and cash equivalents. This was primarily driven by the repayment of a EUR 500 mn bond on 27 January 2017, partially offset by the drawing of commercial papers and credit lines.

Non-current assets increased slightly by 0.9% to EUR 6,566.0 mn, due to the growth in property, plant and equipment as well as in goodwill which was only partially offset by the reduction in other intangible assets and other non-current assets. The increase in goodwill as well as property, plant and equipment was above all attributable to the acquisition of Metronet in Croatia, the latter was also impacted by the fibre rollout in Austria. The reduction in other intangible assets resulted from the amortisation of licences which was partly compensated by the first consolidation of intangible assets of Metronet. Other non-current assets declined due to the expiration of an IRU (Indefeasible Rights of Use) contract.

Current liabilities decreased by 21.1% to EUR 1,457.1 mn in the reporting period as a result of the aforementioned repayment of the Eurobond which was partly offset by the drawing of commercial papers and credit lines. Accounts payable also decreased due to payments for capital expenditures from the previous year. This was partly offset by tax effects in Austria and Belarus.

Non-current liabilities rose slightly by 0.3% to EUR 3,333.1 mn in the reported period as lower non-current provisions were more than offset by higher other non-current liabilities and deferred income as well as deferred tax liabilities. Non-current provisions were mainly driven by payments for restructuring. The purchase of an IRU contract was the main reason for higher non-current liabilities, while the Metronet acquisition impacted deferred tax liabilities.

The rise in equity from EUR 2,770.7 mn to EUR 2,843.0 mn derives from the net result in Q1 2017 combined with a positive currency translation adjustment stemming from Belarus. This also entailed an increase in the equity ratio as of 31 March 2017 to 37.2% after 34.9% as of 31 December 2016.

Net Debt

Net debt

Reported view

in EUR million	31 Mar 2017 reported	31 Dez 2016 reported	% change
Net debt	2,409.8	2,339.4	3.0%
Net Debt / EBITDA (12 months)	1.8x	1.7x	

Telekom Austria Group's net debt increased by 3.0% to EUR 2,409.8 mn in the reported period as the decrease in cash and cash equivalents more than offset the decline in financial debt. Combined with an almost flat EBITDA, this resulted in a slight increase of the net debt to EBITDA ratio from 1.7x as of 31 December 2016 to 1.8x as of 31 March 2017.

Cash Flow

Cash flow

Reported view

in EUR million	Q1 2017 reported	Q1 2016 reported	% change
Earnings before income tax (EBT)	105.5	90.6	16.4
Net cash flow from operating activities	261.9	307.1	−14.7
Net cash flow from investing activities	−273.1	−239.6	−14.0
Net cash flow from financing activities	−392.4	−865.5	54.7
Net change in cash and cash equivalents	−403.7	−800.3	49.6
Adjustment to cash flows due to exchange rate fluctuations	0.0	−2.4	n.m.

Earnings before income tax (EBT) rose by 16.4% year-on-year to EUR 105.5 mn. Additional needs for working capital in Q1 2017 in the amount of EUR 76.4 mn were to a large extent driven by the payments for restructuring as well as prepaid expenses due to payments for site rentals. Furthermore, accounts payable and accrued liabilities, mainly due to the payment for handsets as well as inventories, as stocks at year-end 2016 were comparably low, also contributed to the change in working capital. All in all, this resulted in a reduction in net cash flow from operating activities of 14.7% year-on-year to EUR 261.9 mn.

Net cash flow from investing activities rose by 14.0% to EUR 273.1 mn in the reporting period as the impact from the acquisition of Metronet was only partly compensated by a decrease in capital expenditures paid. The latter declined compared to the same period last year as in Q1 2016 capital expenditures paid included substantial payments for capital expenditures from 2015, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities decreased from EUR -865.5 mn in Q1 2016 by 54.7% to EUR -392.4 mn in the reported period. This was driven by the principal payments on long-term debt with a EUR 500 mn bond maturing in Q1 2017 and a EUR 750 mn bond in Q1 2016. The payment for the bond in Q1 2017 was partly mitigated by higher short-term borrowings due to the above-mentioned drawing of commercial papers and credit lines as well as lower interest paid.

Overall, this resulted in a decrease in cash and cash equivalents of EUR 403.7 mn in the reported period compared to a decrease of EUR 800.3 mn in the previous year.

Free cash flow, which is calculated as net cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of equipment, increased from EUR -6.9 mn in the previous year to EUR 37.5 mn in the reported period. This was attributable to the lower levels of interest paid and of capital expenditures paid, while net cash flow from operating activities decreased due to a build-up in working capital needs.

Capital Expenditures

In Q1 2017 capital expenditures increased by 33.8% year-on-year to EUR 180.0 mn from a comparibly low CAPEX amount of EUR 134.5 mn in Q1 2016. This was mainly driven by higher investments in the Austrian and Slovenian segment which could only be partly offset by lower capital expenditures in Belarus and the Republic of Macedonia.

Tangible capital expenditures rose by 23.4% in Q1 2017 to EUR 138.4 mn, entirely driven by the Austrian segment and partly mitigated by lower investment in Belarus. The increase in Austria in tangible capital expenditures was resulting from a low comparable in Q1 2016 and was attributable to higher investments for both the LTE roll-out and the fixed-line network. In Belarus, tangible CAPEX declined compared to Q1 2016 as last year's quarter was affected by the solar power plant project.

The significant increase of intangible capital expenditures to EUR 41.6 mn (Q1 2016: EUR 22.4 mn) was almost entirely driven by the capitalisation of a long-term IRU (Indefeasible Rights of Use) contract for fiber-optic lines in Slovenia.

Personnel

Personnel (full-time equivalent)

Reported view

End of period	31 Mar 2017 reported	31 Mar 2016 reported	% change
Austria	8,322	8,482	−1.9
International operations	10,045	8,917	12.7
Corporate & other	246	214	14.5
Total	**18,613**	17,614	**5.7**

Personnel (full-time equivalent)

Reported view

Average of period	Q1 2017 reported	Q1 2016 reported	% change
Austria	8,314	8,499	−2.2
International operations	9,811	8,908	10.1
Corporate & other	242	212	14.3
Total	**18,367**	17,619	**4.2**

Telekom Austria Group had 18,613 employees at the end of Q1 2017. The 5.7% year-on-year growth resulted mainly from M&A activities as well as a higher salesforce in Bulgaria. Headcount in the Austrian segment was reduced by 1.9% to 8,322 employees as part of restructuring measures. Around 47% of existing employees have civil servant status. The segments outside of Austria saw an increase of 12.7% to 10,045 employees with rising headcount across all countries except from the Republic of Macedonia.

M&A drove the increase in International Operations' headcount

Proforma Comparison

The following tables are presented on a proforma basis and include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period. This affects the segments of Croatia and Belarus. The proforma view is equivalent to the reported view for the other segments. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. The reconciliation tables, including reported and proforma values, as well as the difference thereof, can be found on page 23.

Group Overview

Key performance indicators
Proforma view

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	1,058.9	1,017.5	4.1
thereof total service revenues*	956.1	921.6	3.7
Wireless revenues	644.0	628.8	2.4
thereof service revenues	524.0	519.8	0.8
thereof equipment revenues	96.6	89.9	7.5
Fixed-line and other revenues	414.9	388.7	6.7
EBITDA	339.5	337.4	0.6
% total revenues	32.1%	33.2%	
EBIT	126.4	119.5	5.9
% total revenues	11.9%	11.7%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	20,621.7	20,529.2	0.5
thereof postpaid	15,074.4	14,803.5	1.8
thereof prepaid	5,547.4	5,725.8	−3.1
MoU (per Ø subscriber)	302.4	298.4	1.3
ARPU (EUR)	8.5	8.4	0.7
Churn (%)	2.0%	2.0%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	5,920.0	5,888.1	0.5

*) Including other operating income

The following analysis is based on proforma[2] figures if not stated otherwise.

> Group total revenues increased by 4.1% year-on-year.

> Group EBITDA increased by 0.6% year-on-year to EUR 339.5 mn in the first quarter of 2017.

> EBIT rose by 5.9% year-on-year to EUR 126.4 mn.

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

Segment Information

Segment Austria[3]

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	643.3	631.2	1.9
thereof total service revenues*	610.4	592.3	3.1
Wireless revenues	295.8	305.2	–3.1
thereof service revenues	252.7	258.5	–2.2
thereof equipment revenues	27.6	33.3	–17.1
Fixed-line and other revenues	347.5	326.0	6.6
EBITDA	228.3	225.3	1.3
% of total revenues	35.5%	35.7%	
EBIT	109.0	109.4	–0.4
% of total revenues	16.9%	17.3%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	5,399.2	5,447.3	–0.9
thereof postpaid	3,697.6	3,713.5	–0.4
thereof prepaid	1,701.6	1,733.8	–1.9
MoU (per Ø subscriber)	255.1	251.4	1.5
ARPU (in EUR)	15.6	15.8	–1.6
Churn (%)	1.7%	1.7%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	3,476.8	3,530.8	–1.5

*) Including other operating income

As there have been no mergers or acquisitions in Austria between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

While in Q1 2017 competition in Austria continued to be driven by mobile no-frills offers, data allowances included in tariffs were increased across the market both in the no-frills and the premium tariffs. The company counters these challenges with its successful multi-brand strategy: With its premium brand, A1 Telekom Austria AG is monetising the growth in demand for data via higher data allowances. At the same time, it addresses the price pressure in the no-frills segment via its no-frills brands bob and YESSS!.

In the Austrian broadband market mobile WiFi routers with unlimited data offers remained a relevant element. A1 introduced a hybrid modem in July 2016 which combines the fixed-line and the mobile network and thereby enables A1 to offer fixed-line products with higher bandwidths. Convenient unlimited mobile broadband offers complete A1's data-centric high-value proposition.

In the first quarter of 2017, the total number of mobile communication subscribers declined by 0.9% year-on-year, mainly driven by a decrease in prepaid customers. A higher demand for mobile Wifi routers and high-value tariffs helped to slow down the subscriber decline. Mobile broadband customer numbers rose

[3] Machine-to-Machine (M2M) is no longer reported in the Austrian segment and is shown in "Corporate & other, eliminations". Comparative figures have been adjusted accordingly.

due to a change in the counting methodology. Net additions came in negative at -39,500 driven by the prepaid segment.

Fixed broadband and TV RGU growth of 0.8% and 6.0% year-on-year respectively

In the fixed-line business, total fixed-line revenue generating units (RGUs) decreased by 1.5% year-on-year in Q1 2017. While the demand for fibre upgrades remained strong and TV RGUs continued to exhibit solid growth (+6.0% in Q1 2017 year-on-year), the rise of fixed-line broadband customers came in at 0.8% in a year-on-year comparison.

In the first quarter of 2017, total revenues increased by 1.9% year-on-year. This was driven by a positive one-off effect in the amount of EUR 10.6 mn in fixed-line and other revenues stemming from the reversal of an accrual for wholesale services as well as a positive one-off effect of EUR 3.6 mn in other operating income, stemming from a release of an asset retirement obligation. Excluding these effects total revenues were almost stable (-0.3%) despite negative roaming impacts as increased fixed-line revenues due to upselling were able to offset lower equipment revenues.

In total, service revenues increased by by 3.1% and rose by 0.7% excluding both of the above-mentioned one-off effects.

Wireless service revenues decreased due to negative effects on customer roaming after the stepwise abolition of retail roaming within the EU as of 30 April 2016. Excluding the negative roaming impact, wireless service revenues remained stable as increased revenues in the high-value and in the mobile broadband businesses outweighed losses in the prepaid segment. Wireless equipment revenues declined, mostly due to lower gross additions.

Average monthly revenue per user (ARPU) declined by 1.6% from EUR 15.8 in Q1 2016 to EUR 15.6 in the first quarter of 2017. This was entirely the result of the losses in roaming revenues. Excluding roaming, ARPU would have risen in Q1 2017 compared to last year.

Fixed-line and other revenues increased by 6.6%, driven to a large extent by the above mentioned reversal of an accrual for wholesale services. Adjusted for this effect, fixed-line and other revenues still rose by 3.3%. This increase stemmed primarily from higher interconnection revenues due to a changed settlement logic and increased quantities. Retail fixed-line service revenues remained almost stable as lower voice revenues were almost mitigated by higher revenues from TV and broadband due to the strong demand for higher bandwith products.

The average monthly revenue per fixed-line (ARPL) rose from EUR 28.1 in Q1 2016 to EUR 28.3 in Q1 2017, mainly due to upselling measures in the broadband business.

Total costs and expenses increased by 2.2% in the first quarter of 2017 compared to the same period last year. Q1 2016 was affected by a EUR 7.0 mn positive one-off effect in cost of equipment stemming from the harmonisation of value adjustments for handsets. Excluding this effect, cost of equipment decreased in Q1 2017 due to less handsets sold. Intensified cost-cutting again benefitted areas like administration and maintenance costs while interconnection expenses increased due to the changed settlement logic as well as higher quantities. Excluding the above-mentioned one-off effect, total costs and expenses increased by 0.5%, driven by interconnection.

Customer subsidies decreased compared to Q1 2016. While lower gross adds and reduced subsidies per device led to lower acquisition subidies, subsidies for replacements increased compared to Q1 2016.

EBITDA increase of 1.3% year-on-year; EBITDA decrease of 1.9% excl. one-offs

As rising total revenues more than offset the increase in total costs and expenses, EBITDA increased by 1.3% year-on-year in the first quarter of 2017. Excluding the above-mentioned one-off effects in Q1 2016 and Q1 2017, EBITDA decreased by 1.9%.

Depreciation and amortisation increased by 2.9% in the quarter under review compared to the same period last year. As a result, the Austrian segment reported an almost stable operating income of EUR 109.0 mn in Q1 2017 (-0.4% year-on-year).

Segment Bulgaria

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	103.5	97.0	6.7
thereof total service revenues*	87.8	88.6	–0.9
Wireless revenues	81.1	75.6	7.2
thereof service revenues	64.8	65.9	–1.8
thereof equipment revenues	15.2	8.2	85.7
Fixed-line and other revenues	22.4	21.4	4.9
EBITDA	28.2	33.6	–16.0
% of total revenues	27.3%	34.6%	
EBIT	–0.7	7.8	n.m.
% of total revenues	–0.7%	8.0%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	4,090.3	4,125.3	–0.8
thereof postpaid	3,491.3	3,483.2	0.2
thereof prepaid	599.1	642.1	–6.7
MoU (per Ø subscriber)	276.4	270.3	2.2
ARPU (in EUR)	5.3	5.3	0.2
Churn (%)	2.1%	2.1%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	1,006.8	1,019.1	–1.2

*) Including other operating income

As there have been no mergers or acquisitions in Bulgaria between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

In the first quarter of 2017, the competitive environment in Bulgaria remained challenging, which was again particularly visible in the business segment. To counter price pressure, Mobiltel maintained its focus on value-based management and enhanced efforts to retain high-value customers. In addition, a shift from prepaid to postpaid offers is taking place in the market as a whole. The improving trends of Mobiltel's service revenues continued also in Q1 2017 and resulted from reduced repricing in the business segment as well as successful up- & cross-selling activities in the residential segment.

Total mobile subscribers declined slightly by 0.8% year-on-year in the first quarter of 2017, driven by losses in the prepaid segment due to the above-mentioned shift towards postpaid offers. Smartphone and mobile broadband services continued to grow in Q1 2017 compared to Q1 2016 following the rise in demand for mobile data. Total fixed-line revenue generating units (RGUs) decreased by 1.2% year-on-year, driven by the decrease in fixed voice services, partly offset by positive trends in broadband and TV.

Total revenues continued the positive trend from the last quarters and rose by 6.7% in Q1 2017 compared to the same period last year, driven by the increase in equipment revenues. Service revenues decreased only slightly compared to Q1 2016 and profited again from the ongoing focus on value-based management. However, the positive trend in the mobile residential market, following successful up- and cross-selling measures, was not able to fully offset the decline in mobile business revenues as well as losses from the stepwise abolition of retail roaming in the EU. The reduction of mobile IC termination charges imposed by the national regulation authority as of December 2016 exerted additional negative pressure on the year-on-year trend of service revenues. Fixed-line revenues increased following the higher demand for fixed-line corporate solutions and growth in satellite TV subscribers.

ARPU remained stable in Q1 2017 at EUR 5.3

Average monthly revenue per user (ARPU) was stable at EUR 5.3 in the first quarter of 2017, supported by the residential ARPU uplift and reduced re-pricing in the business segment. The average monthly revenue per fixed line (ARPL) increased slightly from EUR 10.8 in Q1 2016 to EUR 10.9 in Q1 2017.

Total costs and expenses rose by 18.7% in a year-on-year comparison. The increase was primarily caused by volume-driven higher costs of equipment stemming from customer retention measures as well as increased workforce costs, driven by the ongoing sales push.

The growth in total revenues was more than offset by higher total costs and expenses, which led to a decline in EBITDA of 16.0% year-on-year in the first quarter of 2017, mostly due to the above-mentioned revenue-related increase in costs.

Segment Croatia

Key performance indicators

Proforma view

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	98.4	92.9	5.9
thereof total service revenues*	87.0	84.0	3.6
Wireless revenues	70.4	67.3	4.6
thereof service revenues	57.9	57.1	1.4
thereof equipment revenues	11.2	8.8	26.8
Fixed-line and other revenues	28.0	25.6	9.4
EBITDA	21.2	19.4	9.4
% of total revenues	21.5%	20.8%	
EBIT	0.5	–3.4	n.m.
% of total revenues	0.5%	–3.6%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	1,706.3	1,714.2	–0.5
thereof postpaid	865.9	841.1	2.9
thereof prepaid	840.4	873.0	–3.7
MoU (per Ø subscriber)	302.9	296.7	2.1
ARPU (in EUR)	11.3	11.1	2.2
Churn (%)	2.7%	2.4%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	662.3	602.3	10.0

*) Including other operating income

The following analysis is based on proforma[4] figures if not stated otherwise.

The Croatian segment continued to exhibit positive operational trends also in Q1 2017, which were based on the ongoing growth of its fixed-line business and enduring solid mobile trends. Competition continues to be mostly visible in the push for higher data packages, bundles and convergent products and was additionally impacted by prolonged Christmas promotions in early Q1. While the mobile business profited from the push towards the higher tariff portfolio, trends in the fixed-line business remained encouraging on the back of the strong sales focus on broadband and TV services. The fixed-line business segment has been further strengthened by the acquisition of Metronet, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.

Mobile subscribers decreased by 0.5% year-on-year, with losses in the prepaid segment while the contract subscriber base continued to grow due to the ongoing general shift from prepaid to contract in the market. This led to a value enhancement of the customer base. In the fixed-line business, revenue generating units (RGUs) rose by 10.0% year-on-year (reported: +14.8%), driven by the ongoing high demand for fixed-line broadband products.

Total revenue increase of 5.9% year-on-year

The first quarter of 2017 saw an increase in total revenues in the Croatian segment of 5.9% (reported: 11.2%) year-on-year. Equipment revenues came in higher due to more handsets sold amidst prolonged Christmas promotions into January 2017. Service revenues increased, mostly driven by the ongoing strong growth in fixed-line RGUs but also due to higher fixed fees in the mobile business.

Average monthly revenue per user (ARPU) increased to EUR 11.3 in the first quarter of 2017 compared to EUR 11.1 in Q1 2016, as higher revenues from fixed fees outweighed the decline in airtime revenues. Average monthly revenue per fixed line (ARPL) rose on a reported basis from EUR 23.3 in Q1 2016 to EUR 26.5 in Q1 2017 and together with the strong growth in fixed-line RGUs led to a 28.8% increase in reported ARPL-relevant revenues year-on-year.

In the first quarter of 2017, total costs and expenses rose by 5.0% year-on-year (reported: +8.8%). This increase was mostly due to higher costs of equipment, driven by more handsets sold as well as increased selling and marketing expenses. Furthermore, fixed access line growth also resulted in a rise in wholesale costs mainly stemming from bitstream access as well as higher content costs.

EBITDA increase of 9.4% year-on-year

The increase in total revenues, both in the mobile and the fixed-line segment, more than offset the rise in total costs and expenses which resulted in an EBITDA increase of 9.4% year-on-year (reported: +21.3%).

[4] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

Segment Belarus

Key performance indicators

Proforma view

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	92.9	72.5	28.1
thereof total service revenues*	78.7	58.9	33.7
Wireless revenues	85.8	66.6	28.7
thereof service revenues	67.6	52.0	30.1
thereof equipment revenues	14.1	13.6	3.7
Fixed-line and other revenues	7.1	5.9	21.3
EBITDA	45.9	35.7	28.5
% of total revenues	49.4%	49.2%	
EBIT	33.6	19.7	70.8
% of total revenues	36.2%	27.1%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	4,881.6	4,919.8	–0.8
thereof postpaid	3,945.9	3,986.3	–1.0
thereof prepaid	935.7	933.5	0.2
MoU (per Ø subscriber)	397.9	382.1	4.1
ARPU (in EUR)	4.6	3.5	31.2
Churn (%)	1.8%	1.6%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	283.3	269.1	5.3

*) Including other operating income

The following analysis is based on proforma[5] figures if not stated otherwise.

Belarusian Rouble appreciated by 12.5% in Q1 2017 in a year-on-year comparison

In Belarus, strong operational developments continued to face macroeconomic headwinds with a still negative GDP development and significantly lower purchasing power. Nevertheless, the decline in GDP is expected to slow down further to 0.8% for 2017 (IMF estimate; 2016: -3.0%). In this context, the government still maintains its focus on stabilising inflation which came in at 6.4% in March 2017 and introduced, amongst others, caps on certain price increases.

Despite these challenges, velcom continued to show solid operational results in the first quarter of 2017 and benefits from its ability to position itself as a premium operator based on its superior network quality. Moreover, inflation-linked price increases by 9% as of 12 April 2017 have been announced for the mobile business. This follows several price increases in 2016. Additionally, with the acquisition of Atlant Telecom and its subsidiary TeleSet, which has been consolidated as of 1 December 2016, velcom has developed from a pure mobile provider into a convergent operator.

The company's mobile customer base decreased slightly by 0.8% compared to the previous year. This was driven by a lower number of multiple SIM cards as a result of the reduced purchasing power. Moreover, negative net additions were additionally impacted by an adjustment of the counting logic for unused SIMs.

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[5] Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

Revenue generating units in the fixed-line business amounted to 283,300 after the acquisition of Altant Telecom.

In Q1 2017, the Belarusian Rouble appreciated by 12.5% compared to the same period last year (period average used respectively, in line with IFRS). Including a positive FX effect of EUR 10.3 mn, total revenues grew by 28.1% (reported: +34.8%) year-on-year in Euro terms while they rose by 13.9% (reported: 19.9%) on a local currency basis. This rise was driven by higher service revenues which profited from ongoing data growth and inflation-linked price increases. Other operating income increased following the commissioning of the solar power plant, which reduced the company's vulnerability to the volatility of FX and energy prices.

Total costs and expenses rose on a local currency basis, almost entirely due to higher costs of services. The increase resulted mostly from higher employee costs due to inflation-linked salary increases in 2016, a usage-driven increase in frequency fees as well as higher advertising expenses.

On a local currency basis, EBITDA rose by 14.2% (reported: +18.0%) in the first quarter of 2017 compared to the same period last year, as the increase in total revenues more than offset higher total costs and expenses. In Euro terms, EBITDA increased by 28.5% (reported: +32.7%), including a positive FX translation effect of EUR 5.1 mn.

EBITDA growth of 14.2% year-on-year in local currency

Segment Slovenia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	52.9	51.7	2.3
thereof total service revenues*	42.8	41.8	2.2
Wireless revenues	44.2	43.2	2.3
thereof service revenues	33.1	32.6	1.5
thereof equipment revenues	10.1	9.7	3.8
Fixed-line and other revenues	8.7	8.5	2.2
EBITDA	12.1	14.0	−13.5
% of total revenues	22.9%	27.1%	
EBIT	3.7	6.5	−42.4
% of total revenues	7.1%	12.6%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	717.0	717.7	−0.1
thereof postpaid	601.7	581.6	3.5
thereof prepaid	115.3	136.2	−15.3
MoU (per Ø subscriber)	350.7	350.6	0.0
ARPU (in EUR)	15.5	15.3	1.2
Churn (%)	1.7%	1.5%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	176.4	159.7	10.4

*) Including other operating income

As there have been no mergers or acquisitions in Slovenia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

In the first quarter of 2017, the Slovenian telecommunications market was still characterised by the fierce competition in the mobile market with a focus on convergent tariffs with high discounts and competitive mobile tariffs including higher data allowances. Si.mobil is addressing these challenges as a convergent operator after the acquisition of Amis in 2015. In April 2017, the Slovenian company Si.mobil introduced the A1 product brand. The rebranding affects the entire brand presence in Slovenia and strengthens the positioning in the market.

RGUs increased by 10.4% year-on-year in Slovenia

In the first quarter of 2017, the number of mobile customers remained almost stable (-0.1% year-on-year), as losses in the prepaid segment were mitigated by an increasing number of postpaid subscribers. Total fixed-line revenue generating units (RGUs) increased by 10.4% year-on-year in the first quarter of 2017, driven by higher demand for IPTV, voice and broadband.

Total revenues in Slovenia rose by 2.3% year-on-year, primarily due to the volume-driven increase in fixed-line service revenues. Mobile service revenues increased due to higher interconnection revenues, while higher monthly mobile fees could only partly offset the decrease in airtime revenues and lower customer roaming revenues due to the stepwise abolition of retail roaming in the EU.

Total costs and expenses increased by 8.1% year-on-year, mainly driven by higher revenue-related costs such as for content and equipment as well as rising costs for employees, and for advertising due to the above-mentioned rebranding.

EBITDA decreased by 13.5% year-on-year in the first quarter of 2017 as higher total revenues could not compensate the rise in total costs and expenses which were driven by the above-mentioned increase in revenue-related costs and the rebranding.

Segment Republic of Serbia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	51.0	52.3	−2.6
thereof total service revenues*	33.6	37.5	−10.4
Wireless revenues	49.7	50.5	−1.5
thereof service revenues	31.0	34.7	−10.6
thereof equipment revenues	17.4	14.9	17.0
EBITDA	7.7	9.4	−18.2
% of total revenues	15.1%	18.0%	
EBIT	−3.3	−2.9	−14.3
% of total revenues	−6.5%	−5.6%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	2,155.8	2,073.0	4.0
thereof postpaid	1,254.9	1,175.9	6.7
thereof prepaid	900.9	897.1	0.4
MoU (per Ø subscriber)	264.5	269.2	−1.7
ARPU (in EUR)	5.3	5.5	−2.9
Churn (%)	3.2%	3.6%	

*) Including other operating income

As there have been no mergers or acquisitions in the Republic of Serbia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

In Q1 2017, the Serbian segment was still facing intense competition with a focus on aggressive convergent offers including high discounts. Additionally, results were impacted by regulatory headwinds. Vip mobile continued to counteract the competitive challenges with its focus on the contract segment and hardware promotions. Compared to the same period last year, the contract share increased from 56.7% in Q1 2016 to 58.2% in Q1 2017. Total subscribers increased by 4.0% year-on-year, driven by the postpaid segment.

Total revenues decreased by 2.6% year-on-year.

In Q1 2017, total revenues decreased by 2.6% year-on-year as higher equipment revenues could not offset the decline in mobile service revenues. The latter declined mostly due to lower interconnection revenues resulting from termination rate cuts in January 2017 and May 2016, excluding these cuts total revenues would have been higher. Equipment revenues rose due to more quantities sold at higher sales prices.

Total costs and expenses rose by 0.9% year-on year in the first quarter of 2017 mostly due to investments into the market concerncing vip mobile's repositioning. This continued to be reflected by higher costs of equipment due to higher quantities sold and higher average purchase prices. Furthermore, workforce costs in the technical and administration area increased as well as advertising expenses. These increases were partly compensated by lower interconnection expenses due to the above-mentioned termination rate cuts.

The decline in total revenues and rising total costs and expenses resulted in an EBITDA decrease of 18.2% year-on-year, mostly due to higher costs resulting from the repositioning, stemming above all from higher cost of equipment.

Segment Republic of Macedonia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Total revenues	27.3	29.1	–6.2
thereof total service revenues*	25.7	27.6	–6.8
Wireless revenues	20.8	22.0	–5.5
thereof service revenues	19.2	20.2	–4.9
thereof equipment revenues	1.5	1.5	0.0
Fixed-line and other revenues	6.5	7.1	–8.3
EBITDA	5.9	6.1	–3.2
% of total revenues	21.8%	21.1%	
EBIT	–5.8	–11.5	49.6
% of total revenues	–21.2%	–39.5%	

Wireless indicators	Q1 2017 reported	Q1 2016 proforma	% change
Wireless subscribers (thousands)	1,105.8	1,146.4	–3.5
thereof postpaid	651.4	636.5	2.3
thereof prepaid	454.4	509.9	–10.9
MoU (per Ø subscriber)	400.3	382.2	4.7
ARPU (in EUR)	5.8	5.8	–0.4
Churn (%)	1.7%	2.4%	

Wireline indicators	Q1 2017 reported	Q1 2016 proforma	% change
RGUs (thousands)	314.5	307.2	2.4

*) Including other operating income

As there have been no mergers or acquisitions in the Republic of Macedonia between the beginning of the comparison period and the end of the period under review, the following analysis is based on reported figures.

Competition in the mobile market remained intense, driven by convergent bundle offers and price erosion in the business segment. In the fixed-line market customers are leaning towards multiple-play offers rather than maintaining multiple single-play subscriptions.

one.Vip's customer base declined by 3.5% year-on-year in the first quarter of 2017 as customers continued to move from multiple prepaid to single contract subscriptions. In the fixed-line business, the number of revenue generating units (RGU) increased by 2.4% compared to the previous year.

Total revenues decreased by 6.2% year-on-year mainly due to a decline in interconnection revenues in both the mobile and the fixed-line business. In the mobile business this results from a mobile termination rate cut in December 2016, while interconnection revenues in the fixed-line business declined due to reduced international traffic revenues.

Total costs and expenses fell by 7.0% in a year-on-year comparison, mainly driven by lower interconnection expenses as well as savings in the technical area and in administrative expenses. These decreases were partly offset by a growth in costs of equipment due to higher quantities sold.

EBITDA decreased by 3.2% in Q1 2017

Overall, the decrease in total revenues, could not be fully outweighed by the decline in total costs and expenses which led to a year-on-year EBITDA decrease of 3.2% in Q1 2017.

Outlook unchanged
Telekom Austria Group outlook for the full year 2017

In the first quarter of 2017, Telekom Austria Group again managed to increase revenues both on a reported and proforma basis. This was achieved via successful cross-and upselling as well as value-based management with a focus on high-value customers and attractive fixed-line propositions. Nevertheless, most of the Group's mobile markets continued to be characterised by intense competition, partly resulting from ongoing macroeconomic headwinds, which however, continued to flatten out a bit in some segments. Also, results in the first quarter were supported by a 12.5% appreciation of the Belarusian Rouble versus the EUR, while regulatory headwinds remained, especially from the stepwise abolition of retail roaming in the EU as of 30 April 2016.

For the remaining months of 2017, most of these business conditions are expected to remain intact. In Austria, strong competition in the mobile market will persist and is anticipated to remain. In the CEE region, a mixed economic forecast is expected to lend only weak support while high competition on the mobile market is anticipated to remain. Moreover, operational improvements continue to be overshadowed by negative impacts from the abolition of roaming, which are expected to amount to approximately EUR 40 mn in Group EBITDA in 2017. On a positive note, demand for fixed-line services is expected to remain supportive across Telekom Austria Group's convergent markets with additional support from acquisitions of fixed-service providers in Croatia and Belarus in February 2017 and December 2016 respectively.

In spite of the illustrated challenges, the Management of Telekom Austria Group remains committed to its growth strategy by concentrating on the following focus areas: Exceling in the core business, expansion of products and services as well as value-accretive mergers and acquisitions.

These activities will be coupled with ongoing efforts to continuously increase operating efficiency.

For the year 2017, the Management of Telekom Austria Group aims to offset the negative roaming impact and achieve modest growth in Group revenues (on a reported basis).

In order to monetise the strong data growth, Telekom Austria Group will further invest in the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. Despite the ongoing intensified investment into these areas, CAPEX before spectrum investments and acquisitions will decrease moderately to approximately EUR 725 mn in 2017.

On 22 July 2016, América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) agreed on a new expected dividend level starting with the financial year 2016. This decision is based on the improved operational and financial performance of the Group. This new dividend expectation entails the payment of EUR 0.20 per share to be maintained or increased on a sustainable basis in line with the operational and financial developments of the Group.

In order to ensure its financial flexibility, Telekom Austria Group remains committed to maintaining its Baa2/BBB ratings from Moody's and Standard & Poor's.

The outlook is based on constant exchange rates, with the exception of the Belarusian Rouble. Whilst the Management of Telekom Austria Group acknowledges the limited predictability of the Belarusian Rouble, it expects the currency to devalue close to inflation by approximately 10% versus the EUR in 2017.

With regards to frequencies, the government of Belarus is expected to sell spectrum in the 2,100 MHz band. Moreover, there might be some tenders in Bulgaria for frequencies in the 800 MHz band and in Slovenia for 3,500 MHz and 10-12 GHz bands. In the Republic of Macedonia, NRA announced that tenders for 2X10MHz on 900 MHz band and 2X10MHz on 1800 MHz band will be published in 2017, but procedure has not yet started.

Additional Information

Risks and Uncertainties

The Telekom Austria Group faces various risks and uncertainties which could affect its results. For further details about these risks and uncertainties, please refer to the Telekom Austria Group Annual Report 2015, pp. 66 ff.

Waiver of Review

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

Other

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

The reported results include depreciation and amortisation of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

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

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

Reconciliation tables – Proforma values and additional performance measures

The following tables present all the proforma tables from the previous section on a reported as well as on a proforma basis. Additionally, the difference between reported and proforma values is also provided and is stemming from the M&A-activities between the start of the comparison period and the end of the reporting period mentioned on page 4. Alternative performance measures are used to describe the operational performance. Further explanations are provided to give additional, useful and relevant detail on the company's performance.

ARPL (reported)

ARPL-relevant revenues are fixed retail revenues and fixed interconnection revenues. The ARPL is calculated by dividing ARPL-relevant revenues through average fixed access lines in a certain period. The difference to fixed-line and other revenues are interconnection transit revenues, solutions & connectivity revenues, fixed equipment revenues and other revenues.

ARPL-relevant revenues (in EUR million)	Q1 2017 reported	Q1 2016 reported	% change
Austria	186.7	188.3	–0.9
Bulgaria	17.7	17.4	1.7
Croatia	23.7	18.4	28.8
Belarus	4.1	n.a.	n.a.
Slovenia	7.7	7.4	4.3
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	5.3	5.3	–0.9

Access lines (in '000)	Q1 2017 reported	Q1 2016 reported	% change
Austria	2,187.5	2,231.2	–2.0
Bulgaria	537.0	540.9	–0.7
Croatia	305.0	269.8	13.0
Belarus	174.4	n.a.	n.a.
Slovenia	70.7	69.2	2.2
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	142.7	143.3	–0.5

ARPU (proforma)

ARPU-relevant revenues are wireless service revenues, i.e. mobile retail revenues (incl. customer roaming) and mobile interconnection as well as visitor roaming and national roaming revenues. The ARPU is calculated based on ARPU-relevant revenues divided by the average subscribers in a certain period.

in EUR million	Q1 2017 reported	Q1 2016 proforma	% change
Wireless service revenues	524.0	519.9	0.8

Free Cashflow (reported)

(in EUR million)	Q1 2017 reported	Q1 2016 reported	% change
Net cash flow from operating activities	261.9	307.1	–14.7
Capital expenditures paid	–208.9	–245.2	14.8
Proceeds from sale of plant, property and equipment	8.5	4.7	80.7
Interest paid	–23.9	–73.5	67.4
Free cash flow	**37.5**	–6.9	**n.m.**

Belarus Key Financials in EUR und BYN

Due to the impact on the consolidated results of occasionally substantial fluctuations in the Belarusian Rouble, the performance for the Belarusian segment is also presented in local currency.

in EUR million	Q1 2017 reported	Q1 2016 reported	% change
Total revenues	92.9	68.9	34.8
Total costs and expenditures	−47.0	−34.3	−37.0
EBITDA	45.9	34.6	32.7

in BYN million	Q1 2017 reported	Q1 2016 reported	% change
Total revenues	189.2	157.8	19.9
Total costs and expenditures	−95.8	−78.6	−21.8
EBITDA	93.4	79.2	18.0

Proforma and reported results

The following section provides for the proforma values in the previous section the corresponding reported values as well as the difference between both. The difference stems from the M&A-activities listed below.

> 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.

> The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

Group Overview

Key performance indicators

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	1,058.9	1,009.4	4.9	1,017.5	4.1	8.1
thereof total service revenues*	956.1	913.5	4.7	921.6	3.7	8.1
Wireless revenues	644.0	628.7	2.4	628.8	2.4	0.1
thereof service revenues	524.0	519.9	0.8	519.8	0.8	0.0
thereof equipment revenues	96.6	89.9	7.5	89.9	7.5	0.0
Fixed-line and other revenues	414.9	380.7	9.0	388.7	6.7	8.0
EBITDA	339.5	334.4	1.5	337.4	0.6	3.0
% total revenues	32.1%	33.1%		33.2%		
EBIT	126.4	117.2	7.9	119.5	5.9	2.2
% total revenues	11.9%	11.6%		11.7%		

*) Including other operating income

Wireless indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,621.7	20,529.2	0.5	20,529.2	0.5	0.0
thereof postpaid	15,074.4	14,803.5	1.8	14,803.5	1.8	0.0
thereof prepaid	5,547.4	5,725.8	−3.1	5,725.8	−3.1	0.0
MoU (per Ø subscriber)	302.4	298.4	1.3	298.4	1.3	0.0
ARPU (EUR)	8.5	8.4	0.7	8.4	0.7	0.0
Churn (%)	2.0%	2.0%		2.0%		

Wireline indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	5,920.0	5,593.5	5.8	5,888.1	0.5	294.5

Revenues

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	643.3	631.2	1.9	631.2	1.9	0.0
Bulgaria	103.5	97.0	6.7	97.0	6.7	0.0
Croatia	98.4	88.4	11.2	92.9	5.9	4.5
Belarus	92.9	68.9	34.8	72.5	28.1	3.6
Slovenia	52.9	51.7	2.3	51.7	2.3	0.0
Republic of Serbia	51.0	52.3	–2.6	52.3	–2.6	0.0
Republic of Macedonia	27.3	29.1	–6.2	29.1	–6.2	0.0
Corporate & other, eliminations	–10.3	–9.3	–11.2	–9.3	–11.2	0.0
Total revenues	**1,058.9**	1,009.4	**4.9**	1,017.5	**4.1**	**8.1**

EBITDA

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	228.3	225.3	1.3	225.3	1.3	0.0
Bulgaria	28.2	33.6	–16.0	33.6	–16.0	0.0
Croatia	21.2	17.4	21.3	19.4	9.4	1.9
Belarus	45.9	34.6	32.7	35.7	28.5	1.1
Slovenia	12.1	14.0	–13.5	14.0	–13.5	0.0
Republic of Serbia	7.7	9.4	–18.2	9.4	–18.2	0.0
Republic of Macedonia	5.9	6.1	–3.2	6.1	–3.2	0.0
Corporate & other, eliminations	–9.8	–6.1	–60.4	–6.1	–60.4	0.0
Total EBITDA	**339.5**	334.4	**1.5**	337.4	**0.6**	**3.0**

Depreciation and Amortisation

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	119.3	115.9	2.9	115.9	3.0	0.0
Bulgaria	28.9	25.8	11.9	25.8	11.9	0.0
Croatia	20.7	21.9	–5.8	22.7	–9.1	0.8
Belarus	12.3	16.0	–23.4	16.4	–25.4	0.4
Slovenia	8.4	7.5	11.4	7.5	11.4	0.0
Republic of Serbia	11.1	12.4	–10.5	12.4	–10.5	0.0
Republic of Macedonia	11.7	17.6	–33.4	17.6	–33.4	0.0
Corporate & other, eliminations	0.8	0.0	n.m.	0.0	n.m.	0.0
Total D&A	**213.1**	217.2	**–1.9**	218.0	**–2.2**	**0.8**

EBIT

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	109.0	109.4	–0.4	109.4	–0.4	0.0
Bulgaria	–0.7	7.8	n.m.	7.8	n.m.	0.0
Croatia	0.5	–4.5	n.m.	–3.4	n.m.	1.1
Belarus	33.6	18.5	81.2	19.7	70.8	1.1
Slovenia	3.7	6.5	–42.4	6.5	–42.4	0.0
Republic of Serbia	–3.3	–2.9	–14.3	–2.9	–14.3	0.0
Republic of Macedonia	–5.8	–11.5	49.6	–11.5	49.6	0.0
Corporate & other, eliminations	–10.6	–6.1	–73.4	–6.1	–73.4	0.0
Total EBIT	**126.4**	117.2	**7.9**	119.5	**5.9**	**2.2**

Capital Expenditures*

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	118.5	79.7	48.7	79.7	48.7	0.0
Bulgaria	14.7	13.3	10.3	13.3	10.3	0.0
Croatia	17.0	14.5	17.3	15.4	10.1	0.9
Belarus	4.1	13.5	–69.9	14.0	–71.1	0.6
Slovenia	21.7	3.6	n.m.	3.6	n.m.	0.0
Republic of Serbia	6.5	3.7	76.2	3.7	76.2	0.0
Republic of Macedonia	1.5	6.4	–76.2	6.4	–76.2	0.0
Corporate & other, eliminations	–3.9	–0.2	n.m.	–0.2	n.m.	0.0
Total capital expenditures	**180.0**	134.5	**33.8**	136.0	**32.3**	**1.5**

*) Additions to property, plant and equipment and intangible assets, excluding asset retirement obligations

Capital Expenditures – Tangible

in EUR million	Q1 2017 reported	Q1 2016 reported	% change
Austria	100.2	63.7	57.3
Bulgaria	11.7	9.9	17.9
Croatia	16.6	14.5	14.5
Belarus	3.8	11.6	–67.1
Slovenia	3.8	3.4	13.4
Republic of Serbia	5.1	3.3	57.4
Republic of Macedonia	1.1	6.0	–81.6
Corporate & other, eliminations	–3.9	–0.2	n.m.
Total capital expenditures - tangible	**138.4**	112.1	**23.4**

Capital Expenditures – Intangible

in EUR million	Q1 2017 reported	Q1 2016 reported	% change
Austria	18.3	16.0	14.2
Bulgaria	3.1	3.5	–11.3
Croatia	0.4	0.0	n.m.
Belarus	0.2	1.9	–87.0
Slovenia	17.9	0.2	n.m.
Republic of Serbia	1.3	0.4	229.5
Republic of Macedonia	0.4	0.4	6.8
Corporate & other, eliminations	0.0	0.0	n.a.
Total capital expenditures - intangible	**41.6**	22.4	**86.0**

Segment Croatia

Key performance indicators

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	98.4	88.4	11.2	92.9	5.9	4.5
thereof total service revenues*	87.0	79.5	9.4	84.0	3.6	4.5
Wireless revenues	70.4	67.3	4.6	67.3	4.6	0.1
thereof service revenues	57.9	57.1	1.3	57.1	1.4	0.0
thereof equipment revenues	11.2	8.8	26.7	8.8	26.8	0.0
Fixed-line and other revenues	28.0	21.2	32.2	25.6	9.4	4.4
EBITDA	21.2	17.4	21.3	19.4	9.4	1.9
% of total revenues	21.5%	19.7%		20.8%		
EBIT	0.5	–4.5	n.m.	–3.4	n.m.	1.1
% of total revenues	0.5%	–5.1%		–3.6%		

*) Including other operating income

Wireless indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	1,706.3	1,714.2	–0.5	1,714.2	–0.5	0.0
thereof postpaid	865.9	841.1	2.9	841.1	2.9	0.0
thereof prepaid	840.4	873.0	–3.7	873.0	–3.7	0.0
MoU (per Ø subscriber)	302.9	296.7	2.1	296.7	2.1	0.0
ARPU (in EUR)	11.3	11.1	2.2	11.1	2.2	0.0
Churn (%)	2.7%	2.4%		2.4%		

Wireline indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	662.3	576.8	14.8	602.3	10.0	25.5

Segment Belarus

Key performance indicators

in EUR million	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	92.9	68.9	34.8	72.5	28.1	3.6
thereof total service revenues*	78.7	55.3	42.5	58.9	33.7	3.6
Wireless revenues	85.8	66.6	28.7	66.6	28.7	0.0
thereof service revenues	67.6	52.0	30.1	52.0	30.1	0.0
thereof equipment revenues	14.1	13.6	3.7	13.6	3.7	0.0
Fixed-line and other revenues	7.1	2.3	215.7	5.9	21.3	3.6
EBITDA	45.9	34.6	32.7	35.7	28.5	1.1
% of total revenues	49.4%	50.2%		49.2%		
EBIT	33.6	18.5	81.2	19.7	70.8	1.1
% of total revenues	36.2%	26.9%		27.1%		

*) Including other operating income

Wireless indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	4,881.6	4,919.8	−0.8	4,919.8	−0.8	0.0
thereof postpaid	3,945.9	3,986.3	−1.0	3,986.3	−1.0	0.0
thereof prepaid	935.7	933.5	0.2	933.5	0.2	0.0
MoU (per Ø subscriber)	397.9	382.1	4.1	382.1	4.1	0.0
ARPU (in EUR)	4.6	3.5	31.2	3.5	31.2	0.0
Churn (%)	1.8%	1.6%		1.6%		

Wireline indicators	Q1 2017 reported	Q1 2016 reported	% change	Q1 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	283.3	n.a.	n.a.	269.1	5.3	14.2

Condensed Consolidated Financial Statements Telekom Austria Group

Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q1 2017 unaudited	Q1 2016 unaudited
Service Revenues (incl. other operating income)	956.1	913.5
Equipment revenues	102.8	95.9
Total revenues (incl. other operating income - OOI)	**1,058.9**	**1,009.4**
Cost of service	−341.1	−326.0
Cost of equipment	−127.7	−104.0
Selling, general & administrative expenses	−247.7	−241.7
Other expenses	−2.8	−3.2
Total cost and expenses	**−719.4**	**−675.0**
Earnings before interest, tax, depreciation and amortisation - EBITDA	**339.5**	**334.4**
Depreciation and amortisation	−213.1	−217.2
Operating income - EBIT	**126.4**	**117.2**
Interest income	3.5	3.4
Interest expense on financial liabilities	−24.7	−32.9
Interest on employee benefits and restructuring and other financial items, net	−4.1	−3.7
Foreign currency exchange differences, net	4.5	5.8
Equity interest in net income of associated companies	−0.1	0.8
Financial result	**−20.9**	**−26.6**
Earnings before income tax - EBT	**105.5**	**90.6**
Income tax	−9.1	−9.6
Net result	**96.4**	**81.0**
Attributable to:		
Equity holders of the parent	90.1	74.7
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.2	6.3
Basic and diluted earnings per share attributable to equity holders of the parent	**0.1**	**0.1**
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841
Other comprehensive income items:		
Items that may be reclassified to profit or loss:		
Effect of translation of foreign entities	6.9	−38.3
Realised result on hedging activities, net of tax	1.1	1.1
Unrealised result on securities available-for-sale, net of tax	0.2	0.0
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligations, net of tax	−0.9	−4.9
Total other comprehensive income (loss)	**7.2**	**−42.0**
Total comprehensive income (loss)	**103.7**	**39.0**
Attributable to:		
Equity holders of the parent	97.4	32.6
Non-controlling interests	0.0	0.0
Hybrid capital owners	6.2	6.3

Condensed Consolidated Statements of Financial Position

in EUR million	31 March 2017 unaudited	31 Dec. 2016 audited
ASSETS		
Current assets		
Cash and cash equivalents	53.8	457.5
Short-term investments	7.4	6.7
Accounts receivable: Subscribers, distributors and other, net	650.2	636.5
Receivables due from related parties	1.1	0.9
Inventories, net	93.4	82.5
Income tax receivable	7.7	12.8
Other current assets, net	253.8	242.0
Total current assets	**1,067.2**	**1,438.9**
Non-current assets		
Property, plant and equipment, net	2,598.5	2,550.8
Intangibles, net	2,316.3	2,321.4
Goodwill	1,263.6	1,241.8
Investments in associated companies	40.8	40.8
Long-term investments	7.7	8.4
Deferred income tax assets	288.9	286.4
Other non-current assets, net	50.3	54.7
Total non-current assets	**6,566.0**	**6,504.3**
TOTAL ASSETS	**7,633.3**	**7,943.2**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	−166.1	−500.1
Accounts payable	−803.3	−852.6
Accrued liabilities and current provisions	−300.3	−299.0
Income tax payable	−25.1	−26.5
Payables due to related parties	−3.4	−6.4
Deferred revenues	−158.9	−163.2
Total current liabilities	**−1,457.1**	**−1,847.8**
Non-current liabilities		
Long-term debt	−2,304.9	−2,303.5
Deferred income tax liabilities	−68.1	−63.1
Deferred revenues and other non-current liabilities	−35.4	−20.0
Asset retirement obligation and restructuring	−715.0	−731.8
Employee benefits	−209.7	−206.3
Total non-current liabilities	**−3,333.1**	**−3,324.7**
Stockholders' equity		
Capital stock	−1,449.3	−1,449.3
Treasury shares	7.8	7.8
Additional paid-in capital	−1,100.1	−1,100.1
Hybrid capital	−591.2	−591.2
Retained earnings	−371.0	−306.3
Other comprehensive income (loss) items	663.2	670.4
Equity attributable to equity holders of the parent	**−2,840.7**	**−2,768.7**
Non-controlling interests	−2.3	−2.0
Total stockholders' equity	**−2,843.0**	**−2,770.7**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**−7,633.3**	**−7,943.2**

Condensed Consolidated Statements of Cash Flows

in EUR million	Q1 2017 unaudited	Q1 2016 unaudited
Earnings before income tax - EBT	105.5	90.6
Items not requiring the use of cash and other reconciliation:		
Depreciation	130.9	137.7
Amortisation of intangible assets	82.2	79.5
Equity interest in net income of associated companies	0.1	−0.8
Result on sale of investments	−0.1	0.0
Result on sale of property, plant and equipment	2.3	1.1
Net period cost of labor obligations and restructuring	3.6	5.9
Foreign currency exchange differences, net	−4.5	−5.8
Interest income	−3.5	−3.4
Interest expense	26.8	33.5
Other adjustments	−5.1	−0.2
Changes in working capital and other financial positions:		
Accounts receivable from subscribers, distributors and other	−8.0	−4.9
Prepaid expenses	−16.7	−10.7
Due from related parties	−0.1	−0.2
Inventories	−10.6	−30.7
Other assets	11.0	−1.4
Employee benefits and restructuring	−26.8	−26.2
Accounts payable and accrued liabilities	−15.3	46.2
Due to related parties	−3.0	0.3
Deferred revenues	−5.1	0.6
Interest received	3.5	3.4
Income taxes paid	−5.4	−7.5
Net cash flow from operating activities	**261.9**	**307.1**
Capital expenditures paid	−208.9	−245.2
Proceeds from sale of plant, property and equipment	8.5	4.7
Purchase of investments	0.0	−0.5
Proceeds from sale of investment	0.3	1.4
Acquisition of businesses, net of cash acquired	−73.0	0.0
Net cash flow from investing activities	**−273.1**	**−239.6**
Repayments of long-term debt	−500.0	−752.7
Interest paid	−23.9	−73.5
Change in short-term debt	165.4	−5.4
Dividends paid	−33.9	−33.9
Net cash flow from financing activities	**−392.4**	**−865.5**
Adjustment to cash flows due to exchange rate fluctuations, net	**0.0**	**−2.4**
Net change in cash and cash equivalents	**−403.7**	**−800.3**
Cash and cash equivalents beginning of period	457.5	909.2
Cash and cash equivalents end of period	53.8	108.8

Capital expenditures

in EUR million	Q1 2017 unaudited	Q1 2016 unaudited	% change
Capital expenditures paid	**208.9**	245.2	–14.8%
Reconciliation of additions in accounts payable	–28.9	–110.7	–73.9%
Total capital expenditures	**180.0**	134.5	33.8%
Thereof tangible	138.4	112.1	23.4%
Thereof intangible	41.6	22.4	86.0%

Total capital expenditures are defined as additions to intangibles and to property, plant and equipment ("tangibles"), excluding additions related to asset retirement obligation and including interest capitalised.
Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43.

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2017	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**306.3**	**–670.4**	**2,768.7**	**2.0**	**2,770.7**
Net Result	0.0	0.0	0.0	0.0	96.4	0.0	96.4	0.0	96.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	7.2	7.2	0.0	7.2
Total comprehensive income (loss)	**0.0**	**0.0**	**0.0**	**0.0**	**96.4**	**7.2**	**103.6**	**0.0**	**103.7**
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.2	–31.9
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Balance at 31 March 2017	**1,449.3**	**–7.8**	**1,100.1**	**591.2**	**371.0**	**–663.2**	**2,840.7**	**2.3**	**2,843.0**

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2016	1,449.3	–7.8	1,100.1	591.2	–48.0	–660.7	2,424.1	1.9	2,426.0
Net Result	0.0	0.0	0.0	0.0	81.0	0.0	81.0	0.0	81.0
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–42.0	–42.0	0.0	–42.0
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	81.0	–42.0	38.9	0.0	39.0
Distribution of dividends	0.0	0.0	0.0	0.0	–31.7	0.0	–31.7	–0.2	–31.8
Balance at 31 March 2016	1,449.3	–7.8	1,100.1	591.2	1.4	–702.8	2,431.4	1.7	2,433.1

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

Net Debt

in EUR million	31 March 2017 unaudited	31 Dec. 2016 audited
Long-term debt	2,304.9	2,303.5
Short-term debt and current portion of long-term debt	166.1	500.1
Cash and cash equivalents and short-term investments	–61.1	–464.2
Net debt	**2,409.8**	2,339.4
Net debt/EBITDA (last 12 months)	**1.8x**	1.7x

Condensed Operating Segments

in EUR million (unaudited)	1–3 M 2017 Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consoli-dated
External revenues	638.4	102.2	97.0	91.7	52.1	49.5	27.0	1.2	1,058.9
Intersegmental revenues	5.0	1.3	1.4	1.2	0.8	1.5	0.3	−11.5	0.0
Total revenues (incl. OOI)	**643.3**	**103.5**	**98.4**	**92.9**	**52.9**	**51.0**	**27.3**	**−10.3**	**1,058.9**
Segment expenses	−415.0	−75.3	−77.2	−47.0	−40.8	−43.3	−21.4	0.5	−719.4
EBITDA	**228.3**	**28.2**	**21.2**	**45.9**	**12.1**	**7.7**	**5.9**	**−9.8**	**339.5**
Depreciation and amortisation	−119.3	−28.9	−20.7	−12.3	−8.4	−11.1	−11.7	−0.8	−213.1
Operating income - EBIT	**109.0**	**−0.7**	**0.5**	**33.6**	**3.7**	**−3.3**	**−5.8**	**−10.6**	**126.4**
Interest income	0.5	0.8	1.2	0.1	0.6	0.2	0.1	0.0	3.5
Interest expense	−5.4	−0.1	−2.4	−0.8	−0.3	−0.4	−0.2	−15.2	−24.7
Other financial result	−2.0	−3.9	4.3	0.5	0.0	−0.3	0.5	1.2	0.4
Equity interest in net income of associated companies	−0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−0.1
Earnings before income tax - EBT	**102.0**	**−3.9**	**3.7**	**33.5**	**4.1**	**−3.8**	**−5.5**	**−24.5**	**105.5**
Income taxes									−9.1
Net result									**96.4**
EBITDA margin	35.5%	27.3%	21.5%	49.4%	22.9%	15.1%	21.8%	n.a.	32.1%
Capital expenditures - intangible	18.3	3.1	0.4	0.2	17.9	1.3	0.4	0.0	41.6
Capital expenditures - tangible	100.2	11.7	16.6	3.8	3.8	5.1	1.1	−3.9	138.4
Total capital expenditures	**118.5**	**14.7**	**17.0**	**4.1**	**21.7**	**6.5**	**1.5**	**−3.9**	**180.0**

in EUR million (unaudited)	1–3 M 2016 Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consoli-dated
External revenues	626.3	96.3	86.9	68.9	51.1	50.4	28.8	0.6	1,009.4
Intersegmental revenues	4.9	0.7	1.5	0.0	0.6	1.9	0.3	−9.9	0.0
Total revenues (incl. OOI)	631.2	97.0	88.4	68.9	51.7	52.3	29.1	−9.3	1,009.4
Segment expenses	−405.9	−63.4	−71.0	−34.3	−37.7	−42.9	−23.0	3.1	−675.0
EBITDA	225.3	33.6	17.4	34.6	14.0	9.4	6.1	−6.1	334.4
Depreciation and amortisation	−115.9	−25.8	−21.9	−16.0	−7.5	−12.4	−17.6	0.0	−217.2
Operating income - EBIT	109.4	7.8	−4.5	18.5	6.5	−2.9	−11.5	−6.1	117.2
Interest income	0.5	0.7	0.9	0.7	0.6	0.1	0.1	−0.1	3.4
Interest expense	−5.4	−0.3	−3.8	−0.6	−0.4	−0.4	−0.2	−21.7	−32.9
Other financial result	−3.4	0.0	4.1	−0.3	0.0	−0.9	0.0	2.7	2.2
Equity interest in net income of associated companies	0.9	0.0	0.0	0.0	0.0	0.0	0.0	−0.1	0.8
Earnings before income tax - EBT	101.9	8.2	−3.2	18.4	6.6	−4.2	−11.6	−25.4	90.6
Income taxes									−9.6
Net result									81.0
EBITDA margin	35.7%	34.6%	19.7%	50.2%	27.1%	18.0%	21.1%	n.a.	33.1%
Capital expenditures - intangible	16.0	3.5	0.0	1.9	0.2	0.4	0.4	0.0	22.4
Capital expenditures - tangible	63.7	9.9	14.5	11.6	3.4	3.3	6.0	−0.2	112.1
Total capital expenditures	79.7	13.3	14.5	13.5	3.6	3.7	6.4	−0.2	134.5

Selected Explanatory Notes to the Consolidated Interim Financial Statements

Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation in accordance with IAS 34 "Interim Financial Reporting" and are not audited or reviewed and should be read in connection with the audited Telekom Austria Group's annual consolidated financial statements according to IFRS for the year ended 31 December 2016. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2016.

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

Telekom Austria Group has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2016.

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

In the first quarter of 2017 the Austrian subsidiary Telekom Austria Group M2M GmbH (M2M) was renamed to A1 digital International GmbH (A1 digital). A1 digital offers innovative digital products, Cloud and IoT services as well as the Machine-to-Machine (M2M) business. Business activities focus on the CEE region and Germany and will be further expanded internationally. In previous periods M2M was presented in the Segment Austria. Starting 2017 A1 digital is presented in Corporate,Other & Eliminations. Comparative figures were adjusted accordingly.

Business combinations

On 15 February 2017 Telekom Austria Group acquired 97.68% of Metronet telekomunikacije via its Croatian subsidiary Vipnet. Metronet is a leading alternative fixed business solutions provider in Croatia and delivers a diverse product offering, focussed on delivering services to the business segment. The fair values of the assets acquired and liabilities assumed at the acquisition date were determined based on the preliminary allocation of consideration transferred and are reported in the segment Croatia:

Acquisition of Metronet in EUR million (unaudited)	Fair values on acquisition
Property, plant and equipment	28.9
Intangible assets	29.7
Other assets and receivables	9.6
Cash and cash equivalents	0.1
Short-term debt and current portion of long-term debt	–2.0
Debt due to related parties	–34.1
Deferred income tax liabilities	–3.4
Accounts payable - trade and other liabilities	–7.9
Net identifiable assets and liabilities	**20.9**
Goodwill on acquisition	20.0
Debt paid on behalf of Metronet	34.1
Non-controlling interests	–0.5
Total purchase consideration	**74.6**
Purchase price not yet paid	–1.5
Cash acquired	–0.1
Net cash outflow	**73.0**

The final allocation of consideration transferred will be determined once all necessary information regarding identifiable assets is available (IFRS 3.45). The factors contributing to goodwill are expectations of positive returns due to a favourable development of the market share in Croatia and cost synergies. Since the acquisition date, Metronet has contributed revenues of EUR 4.6 million and a net income of EUR 0.5 million. Since the effect of the acquired entity on the Consolidated Financial Statements of Telekom Austria Group is not considered significant, no pro-forma information is presented. The gross contractual amounts of acquired receivables are EUR 5.9 million. Management's best estimate at the acquisition date of the contractual cash flows not expected to be collected is EUR 0.7 million, thus the fair value amounts to EUR 5.2 million. Acquisition-related costs of EUR 0.4 million are reported in selling, general and administrative expenses.

Comprehensive Income

The following table shows the other operating income included in service revenues, the net amount of write-down (negative sign) and reversals of write-down (positive sign) of inventories and employee benefit expenses:

	1–3 M 2017	1–3 M 2016
Other operating income	23.4	19.0
Write-down/ reversals of write-down of inventories	–1.7	7.8
Employee benefit expenses	–210.1	–204.8

Inventories are measured at the lower of cost or net realisable value. Net realisable value of merchandise is the estimated selling price in the ordinary course of business less the estimated selling expense. Starting 2016 the methodology of calculating the net realisable value was changed resulting in a positive effect of EUR 8.2 million. EUR 7.0 million are the result of increasing the term of contract used for calculating the selling price from 12 to 24 months in the Segment Austria.

Non-Current assets

The increase in property, plant and equipment and intangibles is a result of the aquisiton of Metronet in the segment Croatia as well as the fibre-roll-out and the increase in asset retirement obligation (see Provisions and Accrued Liabilities) in Austria.

Non-Current and Current Liabilities

In the first quarter 2017 a EUR 500 million bond was repaid. This decrease in short-term debt was partly compensated by the issuance of multi-currency notes and and the increase in bank debt. Multi currency notes were issued in Euro in the amount of EUR 110.0 million.

The decrease in accounts payable is mainly due to the reduction in accounts payable – trade.

Provisions and Accrued Liabilities

The provision for restructuring (employees who will no longer provide services) and social plans and for civil servants who voluntarily changed to the Austrian government to take on administrative tasks is shown in the following table:

in EUR million	31 March 2017 unaudited	31 Dec. 2016 audited
Restructuring and social plans	566.0	589.5
Civil servants changed to the government	23.4	24.1
Total restructuring	**589.3**	613.5

The reduction of restructuring is mainly due to the usage of the provision. In the first quarter of 2017, the discount rates applied to the calculation of the provision for restructuring and social plans as well as for employee benefit obligations are the same as those applied as of 31 December 2016.

In the first quarter of 2017 the asset retirement obligation and the corresponding tangible assets increased in the amount of EUR 12.7 million in the Segment Austria mainly as a result of increased estimated cost of dismantling of masts and base stations.

Income Taxes

	1–3 M 2017	1–3 M 2016
Effective tax rate	8.6%	10.6%

in EUR million	31 March 2017	31 Dec. 2016
Net deferred taxes	220.8	223.4

Net deferred tax assets remained almost stable as the derecognition of deferred tax liabilities recognised in previous business combination was mainly offset by the recognition of deferred tax liabilities resulting from the acquisition of Metronet in the first quarter of 2017.

Stockholders' Equity

In February 2017 and 2016, the Telekom Austria Group paid the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 2.1 million, which is recognised in profit or loss under local GAAP, is recognised as distribution of dividend in equity. The net result attributable to hybrid capital holders is presented in the allocation of the net result in the condensed consolidated statements of comprehensive income and equals the recognised interest for the first quarter according to local GAAP amounting to EUR 8.3 million, net of the related tax benefit of EUR 2.1 million, which is recognised in stockholders' equity according to IAS 12.

Other comprehensive income (loss) items include the remeasurement of defined benefit, available-for-sale reserve, hedging reserve and translation adjustments. The effect of translation of foreign entities in the first quarter 2016 and 2015 is mainly a result of the devolopment of the Belarusian Rouble.

Financial Instruments

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

in EUR million	31 March 2017 Carrying amount unaudited	Fair value unaudited	31 Dec. 2016 Carrying amount audited	Fair value audited
Cash and cash equivalents	**53.8**	**53.8**	457.5	457.5
Accounts receivable: Subscribers, distributors and other, net	650.2	650.2	636.5	636.5
Receivables due from related parties	1.1	1.1	0.9	0.9
Other current financial assets	92.5	92.5	93.1	93.1
Other non-current financial assets	44.1	44.1	46.2	46.2
Loans and receivables	**787.8**	**787.8**	776.7	776.7
Long-term investments	6.3	6.3	6.9	6.9
Short-term investments	7.4	7.4	6.7	6.7
Available-for-sale investments	**13.6**	**13.6**	13.6	13.6
Investments at cost	**1.5**	**1.5**	1.5	1.5

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

Other current and non-current financial assets comprise instalment sales receivables, finance lease receivables and other financial assets decreased by allowance for financial assets.

Investments at cost mainly relate to the stake in CEESEG AG. As this stake can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost.

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

in EUR million	31 March 2017 Carrying amount unaudited	Fair value unaudited	31 Dec. 2016 Carrying amount audited	Fair value audited
Liabilities to financial institutions	55.2	55.2	0.0	0.0
Bonds	2,282.2	2,570.7	2,781.4	3,093.8
Other current financial liabilities	165.0	165.0	162.8	162.8
Multi-Currency Notes	110.0	110.0	0.0	0.0
Non-current liabilities to financial institutions	22.0	23.4	22.0	23.6
Lease obligations	1.5	1.5	0.1	0.1
Other non-current liabilities	1.4	1.4	0.8	0.8
Accounts payable - trade	487.3	487.3	553.7	553.7
Payables due to related parties	3.4	3.4	6.4	6.4
Accrued interest	47.4	47.4	49.6	49.6
Financial liabilities at amortised cost	**3,175.5**	**3,465.3**	3,577.0	3,891.1

The carrying amounts of accounts payable and other liabilities approximate their fair values, therefore no further information on the classification in the fair value hierarchy is provided.

Non-current liabilities to financial institutions include the current portion of long-term debt. The fair values of liabilities to financial institutions and Multi-Currency Notes are measured at the present values of the cash flows associated with the debt and are thus classified as Level 2 of the fair value hierarchy.

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

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

31 March 2017 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	12.8	0.9	0.0	13.6
Financial assets measured at fair value	**12.8**	**0.9**	**0.0**	**13.6**

31 Dec. 2016 in EUR million (audited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	12.7	0.9	0.0	13.6
Financial assets measured at fair value	12.7	0.9	0.0	13.6

The levels of fair value hierarchy are determined as follows:

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

Subsequent and Other Events

There were no subsequent events.