

## Results for the First Half 2016

### Highlights Q2 2016

- > In the second quarter of 2016, Telekom Austria Group results benefitted mostly from strong operations in Austria, with additional support from the demand for data-centric services and fixed-line products in CEE
- > Group total revenues were almost flat at -0.2% and Group EBITDA rose by 0.7% year-on-year on a proforma<sup>1</sup> basis in Q2 2016
- > Excluding FX effects, Group total revenues and EBITDA rose by 2.6% and 4.7% year-on-year on a proforma basis
- > Belarus: Revenue and EBITDA growth of 21.9% and 9.5% year-on-year in local currency in Q2 2016; 27.3% year-on-year BYN<sup>2</sup> devaluation overshadowed good operational results in Belarus
- > Negative effects from the abolition of retail roaming in the EU as of 30 April 2016 so far in line with expectations and stemming mostly from Austria
- > Reported total revenue increase in Austria as better equipment revenues outweighed negative roaming impact; 6.0% reported year-on-year EBITDA growth reflect successful cost savings
- > Strong performance in Croatia driven by better trends in mobile and ongoing fixed-line growth
- > Net result rose by 4.9% to EUR 82.4 mn in the second quarter of 2016

#### Key Performance Indicators

##### Proforma view

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Total Revenues	1,030.7	1,032.2	-0.2%	2,040.1	2,065.1	-1.2%
EBITDA	329.3	326.8	0.7%	663.6	670.1	-1.0%
% Total Revenues	31.9%	31.7%		32.5%	32.4%	
EBIT	114.5	117.9	-2.9%	231.7	257.0	-9.8%
% Total Revenues	11.1%	11.4%		11.4%	12.4%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Wireless subscribers (thousands)	20,481.8	20,573.5	-0.4%	20,481.8	20,573.5	-0.4%
Postpaid	14,845.2	14,539.1	2.1%	14,845.2	14,539.1	2.1%
Prepaid	5,636.6	6,034.4	-6.6%	5,636.6	6,034.4	-6.6%
MoU (per Ø subscriber)	309.0	306.3	0.9%	303.7	301.1	0.9%
ARPU (EUR)	8.7	9.1	-4.6%	8.5	8.9	-3.6%
Churn (%)	1.8%	1.8%		1.9%	1.9%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change	1–6 M 2016 reported	1–6 M 2015 proforma	% change
RGUs	5,608.7	5,461.9	2.7%	5,608.7	5,461.9	2.7%

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.

<sup>1</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

<sup>2</sup> Currency reform as of 1 July 2016

# 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 reporting changes

As of Q1 2016, Telekom Austria Group changed its reporting structure to be fully aligned with América Móvil.

The key changes to the reporting structure are as follows (for details see Notes to the Consolidated Interim Financial Statements):

- > Total revenues including OOI: The new “Total revenues” line includes other operating income (excluding own work capitalised), which was previously reported below the revenue line
- > Own work capitalised is now deducted from employee costs while it was previously included in other operating income
- > Switch to cost of sales methodology: Previously OPEX were reported under the cost-type approach
- > EBITDA: Only a single EBITDA figure (EBITDA) is reported. The distinction between ‘EBITDA comparable’ and ‘EBITDA including effects from restructuring and impairment tests’ no longer exists. Restructuring effects (Segment Austria) are included in employee expenses and thus in EBITDA.

In addition to reported results, the main key financial indicators will also be presented in a proforma view: In accordance with América Móvil’s reporting structure, comparison figures of previous quarters will be presented as if M&A transactions executed during the last twelve months had already been fully consolidated in the comparison period.

Please note: The attached condensed financial statements are prepared according to applicable accountings standards; the presentation and analysis of financial information until page 35 may differ substantially from the financial information presented in the condensed financial statements. This is due to the fact that the presentation and analysis are partially based on pro forma figures including prior year figures of M&A transactions made in the last twelve months. Therefore, please also refer to the financial information presented in the condensed financial statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 28.

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# Group Management Report

Vienna, 22 July 2016 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first half year 2016, ending 30 June 2016.

## Year-To-Date-Comparison

The following tables, including revenues, EBITDA and operating income, are presented on a proforma basis, i.e. as if M&A transactions executed during the last twelve months had already been fully consolidated in the comparison period. This affects the segments of Bulgaria, Croatia, Slovenia and the Republic of Macedonia. The proforma view is equivalent to the reported view for Austria, Belarus and the Republic of Serbia. 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 differences between these can be found on page 28.

## Summary

### Key Performance Indicators

#### Proforma view

in EUR million	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Total Revenues	2,040.1	2,065.1	–1.2%
EBITDA	663.6	670.1	–1.0%
% Total Revenues	32.5%	32.4%	
EBIT	231.7	257.0	–9.8%
% Total Revenues	11.4%	12.4%	

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Prepaid	5,636.6	6,034.4	–6.6%
MoU (per Ø subscriber)	303.7	301.1	0.9%
ARPU (EUR)	8.5	8.9	–3.6%
Churn (%)	1.9%	1.9%	

Wireline Indicators	1–6 M 2016 reported	1–6 M 2015 proforma	% change
RGUs	5,608.7	5,461.9	2.7%

**The following analysis is based on proforma<sup>1</sup> figures if not stated otherwise.**

The results of the first half of 2016 reflect, in addition to operational developments, extraordinary effects and the impact of the following, most recent M&A activities to strengthen the market position in the countries the Telekom Austria Group operates in:

- > The acquisition of the fixed-line reseller Amis in Slovenia and in Croatia, consolidated as of 1 September 2015.
- > The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.
- > The merger of Vip operator in the Republic of Macedonia and the 3<sup>rd</sup> operator in the country, ONE, consolidated as of 1 October 2015.

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ('Fact Sheet Q2 2016') are available on the website at [www.telekomaustria.com](http://www.telekomaustria.com).

Results for the third quarter 2016 are expected to be announced in the week of 17 October 2016.

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<sup>1</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

Extraordinary effects in the amount of EUR -2.1 mn for total revenues (1-6M 2015: EUR +28.6 mn) and EUR +7.0 mn for EBITDA (1-6M 2015: EUR +25.3 mn) were included in the results. Thereof, a EUR 20.0 mn positive extraordinary effect in Slovenia in January 2015 had the biggest influence (included in other operating income).

Total FX effects amounted to a negative EUR 54.5 mn for total revenues and negative EUR 26.1 mn for EBITDA in the first half of 2016. Negative effects stemming from the abolition of retail roaming within the EU per 30 April 2016 came in as expected and stem mostly from Austria, while the amount of the negative impact has so far been largely negligible in Bulgaria, Croatia and Slovenia.

In the first half of 2016, Telekom Austria Group saw a slight decrease in the number of mobile subscribers as increases in Austria and Slovenia failed to offset declines in the other segments. In general, CEE markets saw a shift from prepaid to postpaid offers. Fixed RGUs grew by 2.7% year-on-year, mainly due to Bulgaria, Croatia and Slovenia.

**Group total revenue decline of 1.2% year-on-year**

Group total revenues declined by 1.2% year-on-year (reported: +2.3%) primarily due to the positive extraordinary effect in Slovenia in 2015. Growth in Austria, Croatia and the Republic of Serbia was outweighed by lower total revenues in Bulgaria, Belarus, Slovenia and the Republic of Macedonia.

Group total costs and expenses were cut by 1.3% year-on-year (reported: +2.8%) to EUR 1,376.4 mn in the first half of 2016. Restructuring charges came in at EUR 0.9 mn in the first half of 2016 compared to EUR 9.2 mn in the comparison period. This decline was due to a greater number of employees exempt from work ('freigestellte Mitarbeiter') who had re-entered the workforce. This outweighed the negative effect of an interest rate adjustment.

**Group EBITDA decreased by 1.0% year-on-year**

Group EBITDA decreased by 1.0% year-on-year (reported: +1.3%) in the first half of 2016, entirely due to the above-mentioned extraordinary effect in Slovenia.

Depreciation and amortisation rose by 4.5% (reported: +9.0%) to EUR 431.9 mn, mainly driven by Austria due to the depreciation of equipment in Q2 2016 and of spectrum licenses starting in Q1 2016. Altogether, this led to a decline in operating income of 9.8% (reported: -10.5%) to EUR 231.7 mn.

**EUR 163.4 mn reported net result**

The negative reported financial result decreased from EUR 74.5 mn in the first half of 2015 to EUR 48.8 mn in the first half of 2016, resulting from lower interest expenses on financial liabilities. Reported income taxes rose by 47.2% year-on-year to EUR 19.5 mn. In total, this resulted in a 4.6% year-on-year decline in the reported net result to EUR 163.4 mn in the first half of 2016.

## Revenues

### Revenues

#### Proforma view

in EUR million	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Austria	1,264.5	1,254.2	0.8%
Bulgaria	196.9	203.8	–3.4%
Croatia	187.1	177.0	5.7%
Belarus	145.0	164.0	–11.6%
Slovenia	104.0	126.0	–17.5%
Republic of Serbia	105.0	98.8	6.3%
Republic of Macedonia	58.2	60.2	–3.4%
Corporate & Holding, Eliminations	–20.6	–19.0	n.m.
<b>Total Revenues</b>	<b>2,040.1</b>	<b>2,065.1</b>	<b>–1.2%</b>

#### The following analysis is based on proforma<sup>2</sup> figures if not stated otherwise.

In the first half of 2016, Telekom Austria Group saw a reduction in total revenues of 1.2% year-on-year (reported: +2.3%) which was mostly driven by the EUR 20.0 mn positive extraordinary effect in Slovenia in Q1 2015. Negative effects stemming from the abolition of retail roaming within the EU per 30 April 2016 came in as expected and stem mostly from Austria, while the amount of the negative impact has so far largely been negligible in Bulgaria, Croatia and Slovenia. Negative FX effects amounted to EUR 54.5 mn for the period under review.

In the Austrian segment, revenues increased by 0.8% year-on-year on a reported basis as the rise in equipment revenues more than outweighed the decline in service revenues. The former was driven by significantly more gross adds due to the increased subsidy level compared to the same period last year. The decline in service revenues was mainly caused by the abolition of retail roaming within the EU. In the fixed-line business, declining voice traffic continued to negatively impact revenues, but was partly compensated by gains in TV and broadband.

Bulgaria continued to be affected by macroeconomic and competitive pressure. Nevertheless, the decline in revenues has slowed down to 3.4% year-on-year (reported: +9.4%) driven by improved fixed-line revenues. The decrease in wireless service revenues was mainly driven by severe price pressure, especially in the business segment, which was partly compensated by growth in the residential segment following Mobitel's value strategy.

In the Croatian segment, total revenues rose significantly by 5.7% year-on-year (reported: +8.2%) in the first half of 2016. Wireless service revenues rose as higher monthly fees, following the push towards higher tariffs since May 2015, more than compensated for the decline in airtime revenues. Revenues in the fixed-line business came in higher due to fixed RGU growth. Additionally, equipment revenues increased on the back of the enhanced subsidy level.

In the Belarusian segment, reported total revenues declined by 11.6% year-on-year in the first half of 2016, due to a negative FX effect of EUR 54.4 mn. In local currency, total revenues grew by 21.5% year-on-year driven by higher equipment revenues due to higher prices (FX-related) and more handsets sold as well as stronger monthly fees on the back of price increases in December 2015 as well as in April and May 2016.

Total revenues in Slovenia declined by 17.5% year-on-year (reported: –5.0%) due to the positive extraordinary effect in Q1 2015. Excluding this effect wireless revenues remained almost stable as the decline in equipment revenues as well as in ARPU were mostly offset by an increase in the subscriber base.

<sup>2</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

In the Republic of Serbia, reported total revenues rose by 6.3% as growth in equipment revenues outweighed the slight decline in wireless service revenues. The former was caused by more handsets sold due to hardware promotions. The decline in wireless service revenues was driven by negative impacts from a changed distribution model, which led to a different accounting treatment. Without this effect wireless service revenues would have increased driven by higher interconnection revenues due to the introduction of national termination rates for SMS in June 2015.

In the Republic of Macedonia, total revenues decreased by 3.4% year-on-year (reported: +75.7%), which was mainly attributable to a decline in wireless service revenues due to lower visitor roaming and interconnection revenues.

## EBITDA

### EBITDA

#### Proforma view

in EUR million	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Austria	443.3	409.4	8.3%
Bulgaria	64.3	74.4	-13.5%
Croatia	38.2	36.1	5.8%
Belarus	69.5	85.5	-18.7%
Slovenia	26.6	44.3	-39.8%
Republic of Serbia	19.0	22.3	-14.8%
Republic of Macedonia	13.0	12.1	7.7%
Corporate & Holding, Eliminations	-10.3	-13.9	n.m.
<b>Total EBITDA</b>	<b>663.6</b>	<b>670.1</b>	<b>-1.0%</b>

### The following analysis is based on proforma<sup>3</sup> figures if not stated otherwise.

In the first half of 2016, Group EBITDA declined by 1.0% year-on-year (reported: +1.3%) entirely as a consequence of the EUR 20.0 mn positive extraordinary effect in Slovenia in 2015. Gains in Austria, Croatia and the Republic of Macedonia could not offset prior year's positive extraordinary effect in Slovenia. Negative FX effects amounted to EUR 26.1 mn for EBITDA in the first half of 2016.

In the Austrian segment, higher total revenues and lower total costs and expenses resulted in reported EBITDA growth of 8.3% year-on-year. The 2.8% year-on-year cut in total costs and expenses was the result of lower employee costs due to a reduced total workforce as well as lower accruals due to the EU court decision on civil servants in Q4 2014. Furthermore, the intensified fibre rollout led to enhanced own work capitalised which also reduced total costs and expenses. These factors more than outweighed the volume-driven higher costs of equipment.

In the Bulgarian segment, an increase in total costs and expenses exacerbated the effects of falling total revenues on EBITDA, which declined by 13.5% year-on-year (reported: -4.0% year-on-year). Total costs and expenses were mainly driven by accounting changes related to capitalisation rules for own work and higher sales incentives for own employees which resulted in higher employee costs. However, through intensified cost cutting initiatives, Management was able to partially offset the above-mentioned cost increases. These efforts were particularly visible through cuts in administration costs as well as sales commissions.

In the Croatian segment, the increase in total revenues more than outweighed higher total costs and expenses and led to 5.8% year-on-year growth in EBITDA (reported: +8.7%). Total costs and expenses were driven by increased costs of equipment due to greater quantities sold as well as the trend toward higher

<sup>3</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.



value handsets which also led to higher bad debts. Furthermore, RGU growth resulted in an increase in wholesale costs mainly stemming from bitstream access.

velcom in Belarus posted a 3.9% year-on-year decline in reported total costs and expenses which somewhat mitigated the impact of lower total revenues. Including negative FX effects in the amount of EUR 26.1 mn, EBITDA declined by 18.7% year-on-year. In local currency, EBITDA came in 11.8% higher year-on-year and total costs and expenses 32.1% higher year-on-year versus the same period last year. This increase in total costs and expenses was primarily the result of the higher equipment costs driven by higher purchase prices (FX-related) and increased sales quantity.

EBITDA in Slovenia declined by 39.8% (reported: -37.4%) due to the above-mentioned positive extraordinary effect in Q1 2015. Total costs and expenses decreased as higher bad debt was more than offset by cluster-initiated cost savings.

In the Republic of Serbia, reported total costs and expenses rose by 12.4% year-on-year, stemming from the introduction of national termination rates for SMS in June 2015 as well as the negative impacts of the different accounting treatment of the changed distribution model. As a result, reported EBITDA declined by 14.8% year-on-year.

In the Republic of Macedonia, EBITDA showed 7.7% year-on-year growth (reported: +81.8%) as lower total costs and expenses more than compensated for the total revenue decline. The savings in total costs and expenses were driven by synergy effects from the merger with ONE and the blizoo acquisition.

## Operating Income

EBIT

Proforma view

in EUR million	1–6 M 2016 reported	1–6 M 2015 proforma	% change
Austria	191.3	173.5	10.2%
Bulgaria	13.3	25.7	-48.5%
Croatia	-2.6	1.7	n.m.
Belarus	36.7	44.3	-17.1%
Slovenia	11.7	31.0	-62.4%
Republic of Serbia	-4.4	-4.1	n.m.
Republic of Macedonia	-16.2	-1.3	n.m.
Corporate & Holding, Eliminations	2.0	-13.9	n.m.
<b>Total EBIT</b>	<b>231.7</b>	<b>257.0</b>	<b>-9.8%</b>

**The following analysis is based on proforma<sup>4</sup> figures if not stated otherwise.**

Operating income declined by 9.8% year-on-year (reported: -10.5%) to EUR 231.7 mn in the first half of 2016. Depreciation and amortisation charges rose by 4.5% (reported: +9.0%) to EUR 431.9 mn versus the same period last year, mainly driven by Austria due to the depreciation of equipment in Q2 2016 and of spectrum licenses starting in Q1 2016. Restructuring charges decreased to EUR 0.9 mn versus EUR 9.2 mn in the first half of 2015.

<sup>4</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

**The following analysis is based on reported figures only.**

### Consolidated Net Result

Telekom Austria Group recorded a negative financial result of EUR 48.8 mn in the period under review, 34.4% lower than in the previous year. This was mainly driven by a EUR 20.6 mn decline in the interest expense on financial liabilities due to the repayment of a EUR 750 mn bond in January 2016. FX differences amounted to EUR 7.2 mn after EUR 1.5 mn in the first half of 2015.

Tax expenses rose from EUR 13.2 mn in the first half of 2015 to EUR 19.5 mn in the period under review due to a higher effective tax rate applied.

Net result of EUR 163.4 mn

Overall, Telekom Austria Group reported a 4.6% decline in the net result to EUR 163.4 mn in the first half of 2016.

### Balance Sheet and Net Debt

As of 30 June 2016, the balance sheet total shrank by 9.8% year-on-year to EUR 7,492.2 mn compared with EUR 8,304.5 mn as of 31 December 2015.

Current assets fell by 39.1% to EUR 1,128.1 mn in the period under review. This was primarily due to lower cash and cash equivalents, which declined as a result of the repayment of a EUR 750 mn bond on 29 January 2016.

Non-current assets declined by 1.4% to EUR 6,364.1 mn as lower other intangible assets more than outweighed higher property, plant and equipment. The former resulted from amortisation outweighing additions in the period under review. The increase in property, plant and equipment came mainly from the development of a solar power plant in Belarus as well as changes in parameters for calculating the asset retirement obligation.

Current liabilities decreased by 14.5% to EUR 1,925.8 mn in the first half of 2016 as a result of the above-mentioned Eurobond redemption. This was partially offset by the reclassification of a EUR 500 mn bond, which will become due on 27 January 2017, to short-term debt. Accounts payable also fell due to lower accrued interest as well as the payment of spectrum in the 800-MHz frequency band in the Republic of Serbia, which was acquired in November 2015 and payments in Austria which were shifted into Q1 2016. As a result of the above-mentioned bond reclassification, non-current liabilities declined by 15.1% to EUR 3,076.4 mn.

The slight rise in stockholders' equity from EUR 2,426.0 mn to EUR 2,490.1 mn was driven by higher retained earnings as the net result outweighed hybrid coupon dividend payments. This increase was reduced by the decrease in other comprehensive income (loss) items stemming from FX translation effects. This also accounted for the increase in the equity ratio as of 30 June 2016 to 33.2% after 29.2% as of 31 December 2015.

#### Net Debt\*

Reported	30 Jun 2016 reported	31 Dec 2015 reported	% change
in EUR million			
Net Debt	2,499.1	2,483.0	0.6%
Net Debt / EBITDA (12 months)	1.8x	1.8x	

\*Accrued interest and purchase price liabilities from business combinations are no longer included in net debt; comparative figures have been adjusted accordingly.

Telekom Austria Group's net debt increased slightly by 0.6% to EUR 2,499.1 mn in the first half of 2016 as the decrease in cash and cash equivalents more than offset the decline in financial debt. Together with higher EBITDA, this resulted in an unchanged net debt to EBITDA ratio of 1.8x as of 30 June 2016.

## Cash Flow

### Cash Flow

Reported in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change
Earnings before income tax (EBT)	182.9	184.6	–0.9%
Net cash flow from operating activities	562.3	690.9	–18.6%
Net cash flow from investing activities	–400.8	–343.9	n.m.
Net cash flow from financing activities	–930.8	–175.8	n.m.
Net change in cash and cash equivalents	–771.9	166.2	n.m.
Adjustment to cash flows due to exchange rate fluctuations	–2.5	–5.0	n.m.

Earnings before income tax (EBT) declined slightly by 0.9% year-on-year, resulting from the positive extraordinary effect in Slovenia in Q1 2015. Depreciation increased due to the depreciation of equipment in Q2 2016 and of frequencies starting in Q1 2016 in Austria as well as due to last year's M&A transactions, of which the merger in the Republic of Macedonia had the strongest impact. Working capital changes of EUR 103.4 mn were primarily driven by the payment for restructuring. Higher income taxes paid, accounts receivable and inventories were only partly offset by an increase in accounts payable and other liabilities. Overall, this led to a year-on-year decline in net cash flow from operating activities of 18.6% to EUR 562.3 mn.

Net cash flow from investing activities rose from EUR 343.9 mn in the comparison period to EUR 400.8 mn in the period under review, primarily driven by the rise in capital expenditure paid which included payments of previous quarters, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities rose from EUR 175.8 mn in the first half of 2015 to EUR 930.8 mn in the period under review, driven by the repayment of a EUR 750 mn bond in January 2016.

Overall, this resulted in a decline in net change in cash and cash equivalents of EUR 771.9 mn in the first half of 2016 compared with a rise of EUR 166.2 mn in the same period last 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, declined from a positive EUR 232.1 mn in the same period of the previous year to a positive EUR 51.2 mn in the first half of 2016. This was primarily due to increased needs for working capital and higher capital expenditures paid.

### Capital Expenditures

In the period under review, capital expenditure rose by 18.9% to EUR 340.8 mn, to a great extent attributable to the solar power plant project in Belarus and the fibre rollout in Austria.

In the first half of 2016, tangible CAPEX rose by 24.9% to EUR 289.2 mn since the decline in the Republic of Serbia was more than offset by higher investments in the other segments. The rise in tangible CAPEX in Austria was above all attributable to the fibre rollout. The increase in tangible CAPEX in Belarus was mainly driven by the development of a solar power plant, which will significantly reduce the company's vulnerability to FX volatility. The integration of ONE and Vip operator into a single company, one.Vip, accounted for a jump in tangible CAPEX in the Republic of Macedonia compared to the previous year.

The reduction in intangible capital expenditures to EUR 51.6 mn (1-6M 2015: EUR 55.3 mn) is largely due to the purchase of frequencies in the 1,800-MHz spectrum in the amount of EUR 6.9 mn in the Republic of Serbia in February 2015. In Bulgaria, intangible CAPEX rose in the first half of 2016 due to the acquisition of spectrum in the 1,800-MHz frequency band in the amount of EUR 6.2 mn. In Slovenia, intangible CAPEX rose due to the integration of Amis.

Decline in net change in cash and cash equivalents of EUR 771.9 mn driven by bond repayment

Total CAPEX rose by 18.9% driven by the solar power plant project in Belarus and the fibre rollout in Austria

## Personnel

### Personnel (Full-time Equivalent)

Reported	30 Jun 2016 reported	30 Jun 2015 reported	% change
End of Period			
Austria	8,464	8,655	-2.2%
International Operations	8,978	7,246	23.9%
Corporate & Other	218	179	21.5%
<b>Total</b>	<b>17,660</b>	<b>16,080</b>	<b>9.8%</b>

### Personnel (Full-time Equivalent)

Reported	1-6 M 2016 reported	1-6 M 2015 reported	% change
Average of Period			
Austria	8,483	8,703	-2.5%
International Operations	8,940	7,329	22.0%
Corporate & Other	214	182	17.1%
<b>Total</b>	<b>17,637</b>	<b>16,215</b>	<b>8.8%</b>

### M&A drove increase in International Operations' headcount

Telekom Austria Group had 17,660 employees at the end of the first half of 2016, 9.8% more than a year earlier. This development was primarily attributable to the acquisitions of Blizoo in Bulgaria and Amis in Croatia and Slovenia as well as the merger of Vip operator with ONE in the Republic of Macedonia. The headcount in the Austrian segment was reduced by 2.2% to 8,464 employees as part of the ongoing restructuring measures. Around 50% of existing employees have civil servant status. The segments outside of Austria saw an increase of 23.9% to 8,978 employees, caused solely by the above-mentioned acquisitions.

## Quarterly Comparison

The following tables, including total revenues, EBITDA and operating income, are presented on a proforma basis, i.e. as if M&A transactions executed during the last twelve months had already been fully consolidated in the comparison period. This affects the segments of Bulgaria, Croatia, Slovenia and the Republic of Macedonia. The proforma view is equivalent to the reported view for Austria, Belarus and the Republic of Serbia. 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 28.

## Summary Quarterly Comparison

### Key Performance Indicators

Proforma view in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	1,030.7	1,032.2	-0.2%
EBITDA	329.3	326.8	0.7%
% Total Revenues	31.9%	31.7%	
EBIT	114.5	117.9	-2.9%
% Total Revenues	11.1%	11.4%	
<b>Wireless Indicators</b>	<b>Q2 2016 reported</b>	<b>Q2 2015 proforma</b>	<b>% change</b>
Wireless subscribers (thousands)	20,481.8	20,573.5	-0.4%
Postpaid	14,845.2	14,539.1	2.1%
Prepaid	5,636.6	6,034.4	-6.6%
MoU (per Ø subscriber)	309.0	306.3	0.9%
ARPU (EUR)	8.7	9.1	-4.6%
Churn (%)	1.8%	1.8%	
<b>Wireline Indicators</b>	<b>Q2 2016 reported</b>	<b>Q2 2015 proforma</b>	<b>% change</b>
RGUs	5,608.7	5,461.9	2.7%

The following analysis is based on proforma<sup>5</sup> figures if not stated otherwise.

The results of the second quarter 2016 reflect, in addition to operational developments, extraordinary effects and the impact of the following, most recent M&A activities to strengthen the market position in the countries the Telekom Austria Group operates in:

- > The acquisition of the fixed-line reseller Amis in Slovenia and in Croatia, consolidated as of 1 September 2015.
- > The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.
- > The merger of Vip operator in the Republic of Macedonia and the 3<sup>rd</sup> operator in the country, ONE, consolidated as of 1 October 2015.

In Q2 2016, there were no extraordinary effects in total revenues or EBITDA. For the same period last year, positive extraordinary effects in the amount of EUR 3.2 mn for total revenues and EUR 2.8 mn for EBITDA were included in the results.

<sup>5</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

Total negative FX effects amounted to EUR 28.6 mn for total revenues and EUR 13.0 mn for EBITDA in Q2 2016.

In the second quarter of 2016, Telekom Austria Group saw a slight decrease in its mobile subscriber base of 0.4% in a year-on-year comparison (reported: +2.4%). In general, CEE markets saw a shift from prepaid to postpaid offers. The number of revenue generating units (RGUs) rose by 2.7% year-on-year (reported: +26.9%).

**Group revenues declined slightly by 0.2% year-on-year**

Group total revenues declined slightly by 0.2% year-on-year on a proforma basis<sup>6</sup> (reported: +3.5%) as growth in Austria, Bulgaria, Croatia and the Republic of Serbia almost offset declines in Belarus, Slovenia and the Republic of Macedonia. Negative effects stemming from the abolition of retail roaming in the EU as of 30 April 2016 came in as expected and stem mostly from Austria, while the amount of the negative impact has so far largely been negligible in Bulgaria, Croatia and Slovenia.

Reported total revenues in the Austrian segment rose slightly by 0.4% year-on-year in the second quarter of 2016, as higher equipment revenues and an increase in other operating income compensated for the losses in service revenues due to the abolition of retail roaming per 30 April 2016.

In the Bulgarian segment, total revenues increased slightly by 0.3% in a year-on-year comparison (reported: +14.0%), mostly due to higher equipment revenues. Total revenues in the Croatian segment rose by 8.6% year-on-year (reported: +11.1%) and were driven by better trends in the mobile and ongoing growth in the fixed-line business. Reported total revenues in the Belarusian segment came in 11.2% lower year-on-year due to the substantial FX devaluation.

In the Slovenian segment, total revenues declined by 2.3% year-on-year (reported: +15.4%). Reported total revenues in the Serbian segment rose by 0.6% year-on-year and were driven by higher equipment revenues. In the Republic of Macedonia, total revenues were 5.8% lower year-on-year (reported: +70.6%).

Group total costs and expenses declined by 0.6% year-on-year to EUR 701.4 mn in the second quarter of 2016 (reported: +3.7%). Restructuring charges amounted to EUR 0.4 mn in Q2 2016 compared to EUR 5.3 mn in Q2 2015. This decline was due to a greater number of employees exempt from work ('freigestellte Mitarbeiter') who had re-entered the workforce.

**0.7% year-on-year Group EBITDA growth**

Group EBITDA increased by 0.7% year-on-year in the second quarter of 2016 (reported: +2.9%).

Depreciation and amortisation rose by 2.8% to EUR 214.8 mn in a year-on-year comparison, mainly due to the depreciation of equipment as well as spectrum licences in Austria. Altogether, this led to a decline in operating income of 2.9% to EUR 114.5 mn.

**EUR 82.4 mn reported net result**

The reported financial result amounted to a negative EUR 22.3 mn in Q2 2016 compared to a negative EUR 34.6 mn in the same period last year. In summary, this resulted in a reported net result of EUR 82.4 mn in the second quarter of 2016 compared to EUR 78.6 mn in Q2 2015.

<sup>6</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

## Segment Austria

### Key Performance Indicators

Proforma view (= Reported view)

#### Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	632.6	629.8	0.4%
thereof Wireless Revenues	304.5	301.3	1.0%
thereof Service Revenues	255.3	262.6	-2.8%
thereof Equipment Revenues	35.0	28.1	24.4%
thereof Fixed-line and Other Revenues	328.1	328.5	-0.1%
EBITDA	218.8	206.4	6.0%
% of Total Revenues	34.6%	32.8%	
EBIT	82.7	87.0	-5.0%
% of Total Revenues	13.1%	13.8%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	5,869.9	5,629.8	4.3%
thereof Postpaid	4,137.8	3,996.0	3.5%
thereof Prepaid	1,732.1	1,633.7	6.0%
MoU (per Ø subscriber)	237.2	245.7	-3.5%
ARPU (in EUR)	14.5	15.6	-6.7%
Churn (%)	1.4%	1.3%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change
RGUs (in '000)	3,513.2	3,510.0	0.1%

**As there have been no mergers or acquisitions in Austria in the last twelve months, the following analysis is based on reported figures.**

In Q2 2016, competition in Austria remained driven by mobile no-frills offers. In addition, mobile WiFi routers with unlimited data offers are becoming an increasingly relevant element of the Austrian broadband market. At Telekom Austria counters these challenges, on the one hand, with its successful multi-brand strategy that allows it to address price pressure via its no-frills brands bob and YESS!. On the other hand, new high value convergent offers combining fixed-line broadband, TV and smartphone services were launched in March 2016. Convenient unlimited mobile broadband offers complete At's data-centric high-value proposition.

In the second quarter of 2016, the total number of mobile communication subscribers rose by 4.3% year-on-year, mostly due to a greater number of Machine-to-Machine (M2M) SIM cards. Excluding M2M, the subscriber growth resulted mainly from gains in the high-value segment. Mobile broadband customer numbers remained stable due to a change in the methodology of counting mobile broadband subscribers.

Net additions came in at 37,100 as higher gross additions, especially in the contract segment, outweighed higher churn in both the contract and the prepaid business (M2M driven).

In the fixed-line business, total fixed-line revenue generating units (RGUs) increased slightly by 0.1% compared to Q2 2015. Compared to previous quarters, year-on-year growth of fixed-line broadband slowed marginally to 3.1% in a year-on-year comparison, while TV RGUs continued to exhibit strong growth and rose by 6.6% year-on-year in Q2 2016.

Fixed broadband and TV RGU growth of 3.1% and 6.6% year-on-year respectively

In the second quarter of 2016, total revenues increased by 0.4% year-on-year as higher equipment revenues and other operating income outweighed the decline in service revenues. The latter decreased almost entirely due to negative effects on customer roaming after the abolition of retail roaming within the EU per 30 April 2016. Excluding these effects, mobile service revenues profited from higher fees mainly due to more subscribers in higher-value segments despite losses in the low-value segment as well as in the mobile broadband business. Equipment revenues rose due to more devices sold. In the fixed-line business, higher revenues from broadband and TV almost entirely offset the decline in voice revenues.

Other operating income came in 33.2% higher in Q2 2016 compared to the same period last year due to a sale of property.

Average monthly revenue per user (ARPU) declined by 6.7% from EUR 15.6 in Q2 2015 to EUR 14.5 in the second quarter of 2016. This was mainly the result of the losses in roaming revenues as well as due to the higher share of no-frills customers in the subscriber base.

The average monthly revenue per fixed-line (ARPL) continued to fall, from EUR 28.3 in Q2 2015 to EUR 28.0 in Q2 2016, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline.

Total costs and expenses declined by 2.3% in the second quarter of 2016 compared to the same period last year. This reduction was driven by lower workforce costs resulting from the rise in own work capitalised due to the fibre rollout in the quarter under review. Costs of equipment rose due to an increase in the number of handsets sold stemming from more gross additions partly outweighed by fewer replacements. Additionally, the continued focus on intensified cost-cutting benefitted areas like network maintenance. Restructuring charges amounted to EUR 0.4 mn in Q2 2016 compared to EUR 5.3 mn in Q2 2015. This decline was due to a greater number of employees exempt from work ('freigestellte Mitarbeiter') who had re-entered the workforce.

Subsidies for customer acquisition increased from EUR 6.1 mn in Q2 2015 to EUR 7.3 mn in Q2 2016, resulting from higher gross additions. Subsidies for customer retention decreased from EUR 19.1 mn to EUR 17.8 mn due to fewer replacements.

**EBITDA growth of 6.0% year-on-year**

As a result of higher total revenues and a reduction in total costs and expenses, EBITDA rose by 6.0% year-on-year in the second quarter of 2016.

Depreciation and amortisation increased by 14.0% in the quarter under review compared to the same period last year due to a depreciation of equipment in Q2 2016 and spectrum licences starting in Q1 2016. As a result, the Austrian segment reported a decrease in operating income of 5.0% to EUR 82.7 mn in Q2 2016.



## Segment Bulgaria

### Key Performance Indicators

#### Proforma view

#### Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	99.9	99.6	0.3%
thereof Wireless Revenues	78.2	79.1	-1.1%
thereof Service Revenues	67.5	70.1	-3.8%
thereof Equipment Revenues	9.3	7.2	28.6%
thereof Fixed-line and Other Revenues	21.7	20.6	5.5%
EBITDA	30.7	35.4	-13.3%
% of Total Revenues	30.8%	35.6%	
EBIT	5.5	11.2	-50.9%
% of Total Revenues	5.5%	11.2%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	4,071.1	4,304.9	-5.4%
thereof Postpaid	3,476.3	3,433.1	1.3%
thereof Prepaid	594.7	871.7	-31.8%
MoU (per Ø subscriber)	278.6	261.6	6.5%
ARPU (in EUR)	5.5	5.4	1.2%
Churn (%)	2.0%	2.1%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change
RGUs (in '000)	1,025.5	980.4	4.6%

#### The following analysis is based on proforma<sup>7</sup> figures if not stated otherwise.

In the second quarter of 2016, the macroeconomic and competitive environment in Bulgaria remained challenging, which is particularly visible in the business segment. To counter price pressure, MobilTel maintained its focus on value-based management and greater efforts to retain high-value customers. In addition, a shift from prepaid to postpaid offers is taking place. As a result of these factors, MobilTel has achieved a further improvement in its service revenue trends in Q2 2016. In the fixed-line business, the acquisition of Blizoo, which has been fully consolidated as of the beginning of Q4 2015, strengthens MobilTel's position in the market.

Total mobile subscribers declined by 5.4% year-on-year in the second quarter of 2016, driven by losses in the prepaid business due to the above-mentioned shift towards postpaid offers. Smartphone and mobile broadband services continued to grow in Q2 2016 following the rise in demand for mobile data. Total fixed-line revenue generating units (RGUs) increased by 4.6% due to the growing popularity of bundled services with TV and in-creased demand for broadband products.

After several years of decline, total revenues increased slightly by 0.3% in Q2 2016 compared to the same period last year (reported: +14.0%). This was mostly driven by a 28.6% increase in mobile equipment revenues due to more handsets sold. Wireless service revenues are still declining, but are showing improving trends in the residential business which profited from the above-mentioned value-based management. However, severe price pressure remains, especially in the business segment, although the negative trend

<sup>7</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

has slowed down due to successful countermeasures taken in the past. Fixed-line revenues increased due to successful cross- and upselling of the customer base.

Average monthly revenue per user (ARPU) increased by 1.2% to EUR 5.5 in the second quarter of 2016, compared to EUR 5.4 in Q2 2015, driven by an increase in prepaid ARPU. On a reported basis, the average monthly revenue per fixed line (ARPL) fell from EUR 12.2 in Q2 2015 to EUR 10.8 in the second quarter of 2016, stemming from the consolidation of Blizoo customers with a comparably low ARPL.

Total costs and expenses increased by 7.7% year-on-year

Total costs and expenses increased by 7.7% in a year-on-year comparison, resulting to a large extent from higher costs of equipment due to more handsets sold. In the costs of service area, interconnection costs rose following the growing popularity of tariffs including free minutes to all national networks. Intensified cost-cutting measures, i.a. leading to lower costs in the administration area, partly offset the above-mentioned cost increases.

The slight growth in total revenues, together with higher total costs and expenses, led to a decline in EBITDA of 13.3% year-on-year in the second quarter of 2016 (reported: -4.5%).

## Segment Croatia

### Key Performance Indicators

#### Proforma view

#### Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	98.7	90.9	8.6%
thereof Wireless Revenues	75.6	70.2	7.6%
thereof Service Revenues	61.3	60.9	0.6%
thereof Equipment Revenues	12.9	9.4	38.0%
thereof Fixed-line and Other Revenues	23.1	20.7	11.7%
EBITDA	20.8	17.2	20.9%
% of Total Revenues	21.1%	18.9%	
EBIT	1.9	-0.3	n.m.
% of Total Revenues	1.9%	-0.3%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	1,738.5	1,756.2	-1.0%
thereof Postpaid	849.2	824.0	3.1%
thereof Prepaid	889.3	932.1	-4.6%
MoU (per Ø subscriber)	318.1	308.1	3.2%
ARPU (in EUR)	11.9	11.7	1.5%
Churn (%)	2.0%	1.8%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change
RGUs (in '000)	593.7	515.7	15.1%

The following analysis is based on proforma<sup>8</sup> figures if not stated otherwise.

The Croatian segment continued to exhibit positive operational trends, which were based on the ongoing growth of its fixed-line business, stronger mobile trends as well as the M&A contribution. On the other

<sup>8</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

hand, regulatory pressure remained in the form of high frequency usage fees. The mobile business has profited from the push towards higher tariffs since May 2015. 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 was further strengthened through the acquisition of Amis Croatia on 1 September 2015.

Mobile subscribers declined, driven by a lower prepaid base, due to the general decrease in the prepaid segment of the market. While prepaid customers shrank by 4.6% year-on-year, contract subscriber numbers rose by 3.1% in the quarter under review. In total, this resulted in a decrease in the mobile subscriber base of 1.0% in a year-on-year comparison but also led to a value enhancement of the customer basis. Total fixed-line revenue generating units (RGUs) rose by 15.1% year-on-year, mostly driven by growth in the fixed-line broadband segment.

The second quarter of 2016 saw an increase in total revenues in the Croatian segment of 8.6% year-on-year (reported: +11.1%). Service revenues rose, driven by the ongoing strong growth in fixed-line RGUs as well as higher fixed fees in the mobile business following the above-mentioned push towards new tariffs. Equipment revenues also rose as a result of more handsets sold and a higher average subsidy per device.

Total revenue increase of 8.6% year-on-year

Average monthly revenue per user (ARPU) rose to EUR 11.9 in the second quarter of 2016 compared to EUR 11.7 in Q2 2015, as the increase in fixed fees more than offset the decline in airtime revenues. On a reported basis, average monthly revenue per fixed line (ARPL) was stable at EUR 23.6 due to the upselling of fixed-line customers. Together with a higher number of access lines, this led to an increase in reported ARPL-relevant revenues of 31.2% year-on-year on a reported basis, which also benefitted from the acquisition of Amis.

In the second quarter of 2016, total costs and expenses rose by 5.7% year-on-year. This increase was mostly due to higher costs of equipment, driven by more handsets sold. Furthermore, fixed access line growth also resulted in an increase in wholesale costs mainly stemming from bitstream access as well as higher content costs.

The increase in total revenues more than offset the rise in total costs and expenses which resulted in an EBITDA increase of 20.9% year-on-year (reported: +23.4%).

EBITDA increase of 20.9% year-on-year

## Segment Belarus

Key Performance Indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	76.1	85.7	-11.2%
thereof Wireless Revenues	73.5	82.2	-10.6%
thereof Service Revenues	59.6	72.0	-17.2%
thereof Equipment Revenues	12.7	9.0	41.3%
EBITDA	35.0	43.8	-20.2%
% of Total Revenues	45.9%	51.1%	
EBIT	18.2	22.6	-19.4%
% of Total Revenues	23.9%	26.4%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	4,901.1	4,912.3	-0.2%
thereof Postpaid	3,971.6	3,975.9	-0.1%
thereof Prepaid	929.6	936.3	-0.7%
MoU (per Ø subscriber)	405.6	399.1	1.6%
ARPU (in EUR)	4.1	4.9	-17.0%
Churn (%)	1.6%	1.4%	

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

**As there have been no mergers or acquisitions in Belarus in the last twelve months, the following analysis is based on reported figures.**

Belarusian Rouble stable in Q2 2016; 27.3% decline in a year-on-year comparison

In Belarus, strong operational developments continued to face macroeconomic and regulatory headwinds. In this context, the government is pushing for a stabilisation in inflation, which has increased to 12.4% in June 2016 year-on-year. Additionally, in its reach for cash, the government increased the value added tax on mobile services from 20% to 25% in April 2016. Also, the high devaluation is overshadowing the positive operational results: In a year-on-year comparison, the BYN has devalued by 27.3% (period average used respectively in line with IFRS). However, in Q2 2016 the Belarusian Rouble remained mostly flat compared to Q1 2016, tracking the better development of the oil price and the Russian Rouble.

Against this backdrop, velcom continued to show solid operational results in the second quarter of 2016. These remained driven by the healthy demand for data-centric services, which supported upselling activities as well as velcom's ability to position itself as a premium operator based on its superior network quality. The company's customer base remained mostly stable (-0.2%) compared to the previous year.

The high devaluation compared to the same period last year continued to overshadow the positive operational development also in the second quarter of 2016. Including a negative FX effect of EUR 28.4 mn, total revenues decreased by 11.2% year-on-year on a consolidated basis while they rose by 21.9% on a local currency basis. This rise was driven by higher service and equipment revenues. Service revenues profited from ongoing data growth and inflation-linked price increases in December 2015, April and May 2016 as well as the migration of existing customers from old tariffs to higher-ARPU bundle offers. The latter led to higher churn which has, however, declined again in June. Equipment revenues increased due to higher prices (FX-related) as well as more handsets sold.

Total costs and expenses rose by 34.8% year-on-year on a local currency basis, driven by both the costs of equipment and the service areas. The increase in equipment costs resulted from higher quantities sold as well as higher purchase prices for handsets. Frequency fees were higher, driven by both FX and higher usage. Employee costs also increased, mainly due to inflation-linked salary increases in 2015.

On a local currency basis, EBITDA rose by 9.5% in the second quarter of 2016 compared to the same period last year, as the increase in total revenues more than offset higher total costs and expenses. Consolidated reported EBITDA declined by 20.2%, including an FX translation effect of EUR 13.0 mn.

EBITDA growth of 9.5% year-on-year in local currency

## Segment Slovenia

### Key Performance Indicators

#### Proforma view

#### Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	52.3	53.5	-2.3%
thereof Wireless Revenues	44.0	44.8	-1.9%
thereof Service Revenues	34.2	34.1	0.1%
thereof Equipment Revenues	9.0	9.7	-6.6%
thereof Fixed-line and Other Revenues	8.3	8.6	-4.1%
EBITDA	12.6	11.5	9.5%
% of Total Revenues	24.1%	21.5%	
EBIT	5.2	4.8	7.3%
% of Total Revenues	9.9%	9.0%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	714.8	690.3	3.5%
thereof Postpaid	584.4	555.4	5.2%
thereof Prepaid	130.4	134.9	-3.3%
MoU (per Ø subscriber)	356.7	354.0	0.8%
ARPU (in EUR)	15.9	16.6	-4.0%
Churn (%)	1.6%	1.3%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change
RGUs (in '000)	170.7	147.4	15.8%

The following analysis is based on proforma<sup>9</sup> figures if not stated otherwise.

The Slovenian telecommunications market is characterised by the focus of the fierce competition on convergent products. Si.mobil countered this challenging environment through the acquisition of the fixed-line reseller Amis in September 2015.

In the second quarter of 2016, the number of mobile customers rose by 3.5% year-on-year due to higher gross additions in the business segment as well as more no-frills customers. Total fixed-line revenue generating units (RGUs) increased by 15.8% on a proforma basis to 170,700 in the second quarter of 2016, driven by higher demand for IPTV and broadband.

3.5% year-on-year mobile customer growth in the segment Slovenia

Total revenues in Slovenia declined by 2.3% year-on-year (reported: +15.4%). Mobile service revenues remained stable as higher monthly mobile fees offset lower airtime revenues. Fixed-line revenues declined mostly due to lower fixed-line voice revenues.

Total costs and expenses were lower as cost savings stemming from the established cluster organisation more than offset the higher bad debt in Q2 2016.

<sup>9</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

The decline in total revenues was more than mitigated by the decrease in total costs and expenses, resulting in an EBITDA increase of 9.5% year-on-year (reported: +16.2%).

## Segment Republic of Serbia

Key Performance Indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	52.7	52.4	0.6%
thereof Wireless Revenues	50.9	51.8	-1.6%
thereof Service Revenues	35.5	40.4	-12.2%
thereof Equipment Revenues	14.5	10.8	34.6%
EBITDA	9.5	11.6	-17.6%
% of Total Revenues	18.1%	22.1%	
EBIT	-1.5	-1.5	n.m.
% of Total Revenues	-2.8%	-2.9%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	2,054.7	2,103.2	-2.3%
thereof Postpaid	1,195.0	1,124.8	6.2%
thereof Prepaid	859.6	978.5	-12.1%
MoU (per Ø subscriber)	273.3	279.9	-2.3%
ARPU (in EUR)	5.7	6.4	-10.3%
Churn (%)	3.1%	3.3%	

**As there have been no mergers or acquisitions in the Republic of Serbia in the last twelve months, the following analysis is based on reported figures.**

In Q2 2016, the Republic of Serbia saw an intensification of competition after the launch of new aggressive convergent offers in the market, which Vip mobile counteracted with its focus on the contract segment and hardware promotions. Compared to the same period last year, the contract share increased from 53.5% in 2015 to 58.2% in Q2 2016, which was also attributable to a general market-wide shift from multiple prepaid to single postpaid offers. Total subscribers declined by 2.3% in a year-on-year comparison, stemming from fewer subscribers in the prepaid segment due to the above-mentioned effect.

In Q2 2016, total revenues in the Republic of Serbia grew slightly by 0.6% year-on-year. Total revenues included a negative effect from the changed distribution model which led to a different accounting treatment. Mobile service revenues declined by 12.2% year-on-year in Q2 2016 and were negatively impacted by the before mentioned accounting effect, which was offset by higher equipment revenues. Interconnection revenues increased following the introduction of national termination rates for SMS in June 2015.

Total costs and expenses rose by 5.8% year-on-year in the second quarter of 2016 due to higher interconnection expenses stemming from the above-mentioned introduction of SMS termination rates as well as higher costs of equipment. Other costs remained stable due to cluster activities and intensified cost savings efforts.

**17.6% year-on-year EBITDA decline in the segment Republic of Serbia**

The slight increase in total revenues, together with the higher total costs and expenses, led to an EBITDA decline of 17.6% year-on-year.

## Segment Republic of Macedonia

### Key Performance Indicators

#### Proforma view

#### Financials

in EUR million	Q2 2016 reported	Q2 2015 proforma	% change
Total Revenues	29.1	30.9	-5.8%
thereof Wireless Revenues	22.3	23.8	-6.5%
thereof Service Revenues	20.8	21.5	-3.3%
thereof Equipment Revenues	1.1	1.1	-2.1%
thereof Fixed-line and Other Revenues	6.8	7.0	-3.6%
EBITDA	6.9	6.5	5.5%
% of Total Revenues	23.7%	21.2%	
EBIT	-4.7	-0.3	n.m.
% of Total Revenues	-16.3%	-1.1%	

Wireless Indicators	Q2 2016 reported	Q2 2015 proforma	% change
Wireless Subscribers (in '000)	1,131.7	1,176.9	-3.8%
thereof Postpaid	630.9	629.7	0.2%
thereof Prepaid	500.8	547.1	-8.5%
MoU (per Ø subscriber)	391.3	389.4	0.5%
ARPU (in EUR)	6.1	6.4	-4.9%
Churn (%)	2.2%	2.1%	

Wireline Indicators	Q2 2016 reported	Q2 2015 proforma	% change
RGUs (in '000)	305.7	308.4	-0.9%

#### The following analysis is based on proforma<sup>10</sup> figures if not stated otherwise.

Following the merger of VIP operator with ONE in October 2015, the newly formed operator, one.Vip, is now the leading operator in the mobile segment of the telecommunications market of the Republic of Macedonia. In spite of this consolidation, competition in the mobile market remained strong.

In the Republic of Macedonia, the mobile penetration rate declined as customers continued to move from multiple prepaid to single contract subscriptions. This also resulted in a decline in one.Vip's customer base of 3.8% in a year-on-year comparison. In the fixed-line business, revenue generating units (RGU) decreased by 0.9%.

Total revenues declined by 5.8% year-on-year (reported: +70.6%) driven by lower wireless service revenues, partly due to lower visitor roaming and interconnection revenues.

5.8% year-on-year decline in total revenues

Average monthly revenue per user (ARPU) also decreased by 4.9% year-on-year, mostly due to lower interconnection revenues. Average monthly revenue per fixed line (ARPL) remained stable at EUR 12.4 on a reported basis due to more customers with multi-play products.

Total costs and expenses declined by 8.9% in a year-on-year comparison, due to synergy-related cost savings after the merger.

<sup>10</sup> Proforma figures include effects of M&A transactions executed during the last twelve months.

Overall, the decrease in total revenues was more than mitigated by lower total costs and expenses which led to year-on-year EBITDA growth of 5.5% to EUR 6.9 mn in Q2 2016 (reported: +81.0%).



## Telekom Austria AG Share Performance

During the first half of 2016, Telekom Austria's share price rose by 3.5%, clearly outperforming the sector as well as the Austrian ATX index, which both fell by 12.6%.

The Telekom Austria share started the year comparably weak, trading down 7.6% and reaching its low at EUR 4.66 on 9 February 2016. Following the release of the full year results, the Telekom Austria Group stock started to rise, reaching its high at EUR 5.73 on 15 March 2016. In April and May, the Telekom Austria share traded mostly sideways with a slight upward trend. Ahead of the UK referendum on leaving the European Union, the stock came under selling pressure and dropped sharply on 23 June, when the UK voted clearly for a Brexit against market expectations.

The Stoxx Telecom industry index and the ATX, the benchmark index of the Vienna Stock Exchange, declined during the first quarter of 2016 due to macroeconomic concerns and the weakness of the oil price. In early Q2, both indices started to rise again, supported by the recovery of the oil price, but declined again at the end of June driven by the UK referendum.

### Development of Telekom Austria share price

indexed from 1 Jan 2016

- Telekom Austria share
- Austrian Traded Index (ATX)
- Stoxx Telecom



## Financial outlook unchanged, new dividend outlook

### Telekom Austria Group outlook for the full year 2016

During the first half of 2016, Telekom Austria Group managed to grow its total revenues on a reported basis. This was achieved despite strong competition in the Austrian mobile market as well as ongoing challenges in the CEE region. The Belarusian Rouble stabilised in Q2 2016 but the devaluation of 8.6% in the first half of 2016 dampened total revenue growth in EUR terms in Belarus. Moreover, fragile economies in CEE continued to impact demand and resulted in intense competition across most of the Group's mobile markets. A further burden on Telekom Austria Group arises from the abolition of retail roaming in the EU as of 30 April 2016, which overshadows operational improvements. Additional regulatory headwinds, in particular the high frequency usage fee in Croatia, have been hampering operations. On a positive note, demand for fixed-line services is expected to remain supportive across Telekom Austria Group's convergent markets.

For the remaining months of 2016, the above-mentioned business conditions are expected to remain intact.

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: Excelling 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 increase operating efficiency.

For the year 2016, the Management of Telekom Austria Group aims to offset the negative revenue impact of the abolition of retail roaming and remains confident of achieving modest growth in Group total revenues.

In order to monetise the strong growth of data-centric solutions, Telekom Austria Group will further invest in the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. This means that CAPEX before spectrum investments and acquisitions will increase moderately to approximately EUR 750 mn in 2016.

On 22 July, Telekom Austria Group announced that América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) agreed that day 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 20% versus the EUR in 2016.

With regard to frequencies, the governments of Belarus, Slovenia, the Republic of Serbia and the Republic of Macedonia are expected to sell spectrum in 2016: in the 1,800-MHz spectrum in Belarus and Slovenia, in the 900, 1,800 and 2,100-MHz spectrums in the Republic of Serbia and in the 800-MHz spectrum in Macedonia.

Outlook 2016	as of 22 July 2016
Total Reported Revenues <sup>1</sup>	approx. +1%
Capital Expenditures <sup>2</sup>	approx. EUR 750 mn
Dividend	DPS of EUR 0.20

<sup>1</sup> Except for Belarus, on a constant currency basis

<sup>2</sup> Does not include investments in spectrum or acquisitions

## 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.

### Other and Subsequent Events

There were no subsequent events.

### 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 – Results on a reported and proforma basis

The following tables present all the 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 in 2015 mentioned on page 5.

### Year-to-date Comparison

#### Group Summary

Key Performance Indicators

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	2,040.1	1,993.5	2.3%	2,065.1	-1.2%	71.6
EBITDA	663.6	655.1	1.3%	670.1	-1.0%	15.0
% Total Revenues	32.5%	32.9%		32.4%		
EBIT	231.7	259.0	-10.5%	257.0	-9.8%	-2.1
% Total Revenues	11.4%	13.0%		12.4%		

Wireless Indicators	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,481.8	20,005.1	2.4%	20,573.5	-0.4%	568.4
Postpaid	14,845.2	14,244.2	4.2%	14,539.1	2.1%	294.9
Prepaid	5,636.6	5,760.9	-2.2%	6,034.4	-6.6%	273.4
MoU (per Ø subscriber)	303.7	299.5	1.4%	301.1	0.9%	1.6
ARPU (EUR)	8.5	8.95	-0.05	8.85	-3.6%	-0.1
Churn (%)	1.9%	1.9%		1.9%		

Wireline Indicators	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs	5,608.7	4,418.6	26.9%	5,461.9	2.7%	1,043.3

**Revenues**

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	1,264.5	1,254.2	0.8%	1,254.2	0.8%	0.0
Bulgaria	196.9	179.9	9.4%	203.8	-3.4%	23.9
Croatia	187.1	172.9	8.2%	177.0	5.7%	4.1
Belarus	145.0	164.0	-11.6%	164.0	-11.6%	0.0
Slovenia	104.0	109.4	-5.0%	126.0	-17.5%	16.5
Republic of Serbia	105.0	98.8	6.3%	98.8	6.3%	0.0
Republic of Macedonia	58.2	33.1	75.7%	60.2	-3.4%	27.1
Corporate & Holding, Eliminations	-20.6	-19.0	n.m.	-19.0	n.m.	0.0
<b>Total Revenues</b>	<b>2,040.1</b>	<b>1,993.5</b>	<b>2.3%</b>	<b>2,065.1</b>	<b>-1.2%</b>	<b>71.6</b>

**EBITDA**

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	443.3	409.4	8.3%	409.4	8.3%	0.0
Bulgaria	64.3	67.0	-4.0%	74.4	-13.5%	7.4
Croatia	38.2	35.2	8.7%	36.1	5.8%	1.0
Belarus	69.5	85.5	-18.7%	85.5	-18.7%	0.0
Slovenia	26.6	42.5	-37.4%	44.3	-39.8%	1.7
Republic of Serbia	19.0	22.3	-14.8%	22.3	-14.8%	0.0
Republic of Macedonia	13.0	7.2	81.8%	12.1	7.7%	4.9
Corporate & Holding, Eliminations	-10.3	-13.9	n.m.	-13.9	n.m.	0.0
<b>Total EBITDA</b>	<b>663.6</b>	<b>655.1</b>	<b>1.3%</b>	<b>670.1</b>	<b>-1.0%</b>	<b>15.0</b>

**Depreciation and Amortisation**

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	-252.0	-235.9	n.m.	-235.9	n.m.	0.0
Bulgaria	-51.1	-41.0	n.m.	-48.7	n.m.	-7.6
Croatia	-40.8	-33.9	n.m.	-34.4	n.m.	-0.6
Belarus	-32.8	-41.1	n.m.	-41.1	n.m.	0.0
Slovenia	-15.0	-11.2	n.m.	-13.2	n.m.	-2.0
Republic of Serbia	-23.4	-26.4	n.m.	-26.4	n.m.	0.0
Republic of Macedonia	-29.2	-6.6	n.m.	-13.4	n.m.	-6.8
Corporate & Holding, Eliminations	12.3	0.0	n.m.	0.0	n.m.	0.0
<b>Total D&amp;A</b>	<b>-431.9</b>	<b>-396.1</b>	<b>n.m.</b>	<b>-413.1</b>	<b>n.m.</b>	<b>-17.0</b>

**EBIT**

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	191.3	173.5	10.2%	173.5	10.2%	0.0
Bulgaria	13.3	26.0	-49.0%	25.7	-48.5%	-0.3
Croatia	-2.6	1.3	n.m.	1.7	n.m.	0.4
Belarus	36.7	44.3	-17.1%	44.3	-17.1%	0.0
Slovenia	11.7	31.3	-62.7%	31.0	-62.4%	-0.3
Republic of Serbia	-4.4	-4.1	n.m.	-4.1	n.m.	0.0
Republic of Macedonia	-16.2	0.5	n.m.	-1.3	n.m.	-1.9
Corporate & Holding, Eliminations	2.0	-13.9	n.m.	-13.9	n.m.	0.0
<b>Total EBIT</b>	<b>231.7</b>	<b>259.0</b>	<b>-10.5%</b>	<b>257.0</b>	<b>-9.8%</b>	<b>-2.1</b>

**Capital Expenditures\***

in EUR million	1–6 M 2016 reported	1–6 M 2015 reported	% change	1–6 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	195.7	178.7	9.5%	178.7	9.5%	0.0
Bulgaria	35.3	29.2	21.1%	34.5	2.5%	5.3
Croatia	30.4	21.7	40.5%	22.5	35.3%	0.8
Belarus	42.1	18.3	130.2%	18.3	130.2%	0.0
Slovenia	11.1	9.3	20.1%	11.4	-2.4%	2.1
Republic of Serbia	10.9	24.2	-55.0%	24.2	-55.0%	0.0
Republic of Macedonia	18.0	5.5	230.1%	7.9	129.7%	2.4
Corporate & Holding, Eliminations	-2.8	0.0	n.m.	0.0	n.m.	0.0
<b>Total Capital Expenditures</b>	<b>340.8</b>	<b>286.7</b>	<b>18.9%</b>	<b>297.4</b>	<b>14.6%</b>	<b>10.7</b>
thereof Tangible	289.2	231.5	24.9%	n.a.	n.a.	n.a.
thereof Intangible	51.6	55.3	-6.6%	n.a.	n.a.	n.a.

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

## Quarterly Analysis

### Group Summary

#### Key Performance Indicators

in EUR million	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	1,030.7	996.1	3.5%	1,032.2	-0.2%	36.1
EBITDA	329.3	319.8	2.9%	326.8	0.7%	7.0
% Total Revenues	31.9%	32.1%		31.7%		
EBIT	114.5	119.3	-4.0%	117.9	-2.9%	-1.4
% Total Revenues	11.1%	12.0%		11.4%		

Wireless Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,481.8	20,005.1	-0.4%	20,573.5	-0.4%	568.4
thereof Postpaid	14,845.2	14,244.2	2.1%	14,539.1	2.1%	294.9
thereof Prepaid	5,636.6	5,760.9	-6.6%	6,034.4	-6.6%	273.4
MoU (per Ø subscriber)	309.0	304.5	0.9%	306.3	0.9%	1.8
ARPU (EUR)	8.7	9.2	-3.6%	9.1	-4.6%	-0.1
Churn (%)	1.8%	1.8%		1.8%	0.0%	

Wireline Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs	5,608.7	4,418.6	26.9%	5,461.9	2.7%	1,043.3

## Segment Bulgaria

### Key Performance Indicators

in EUR million	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	99.9	87.6	14.0%	99.6	0.3%	12.0
thereof Wireless Revenues	78.2	78.9	-0.9%	79.1	-1.1%	0.2
thereof Service Revenues	67.5	70.1	-3.8%	70.1	-3.8%	0.0
thereof Equipment Revenues	9.3	7.2	28.6%	7.2	28.6%	0.0
thereof Fixed-line and Other Revenues	21.7	8.8	148.2%	20.6	5.5%	11.8
EBITDA	30.7	32.2	-4.5%	35.4	-13.3%	3.3
% of Total Revenues	30.8%	36.7%		35.6%		
EBIT	5.5	11.6	-52.7%	11.2	-50.9%	-0.4
% of Total Revenues	5.5%	13.3%		11.2%		

Wireless Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	4,071.1	4,304.9	-5.4%	4,304.9	-5.4%	0.0
thereof Postpaid	3,476.3	3,433.1	1.3%	3,433.1	1.3%	0.0
thereof Prepaid	594.7	871.7	-31.8%	871.7	-31.8%	0.0
MoU (per Ø subscriber)	278.6	261.6	6.5%	261.6	6.5%	0.0
ARPU (in EUR)	5.5	5.4	1.2%	5.4	1.2%	0.0
Churn (%)	2.0%	2.1%		2.1%		

Wireline Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	1,025.5	264.4	287.9%	980.4	4.6%	716.0



## Segment Croatia

### Key Performance Indicators

in EUR million	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	98.7	88.8	11.1%	90.9	8.6%	2.1
thereof Wireless Revenues	75.6	70.2	7.6%	70.2	7.6%	0.0
thereof Service Revenues	61.3	60.9	0.6%	60.9	0.6%	0.0
thereof Equipment Revenues	12.9	9.4	38.0%	9.4	38.0%	0.0
thereof Fixed-line and Other Revenues	23.1	18.6	24.1%	20.7	11.7%	2.1
EBITDA	20.8	16.8	23.4%	17.2	20.9%	0.4
% of Total Revenues	21.1%	18.9%		18.9%		
EBIT	1.9	-0.3	n.m.	-0.3	n.m.	0.0
% of Total Revenues	1.9%	-0.4%		-0.3%		

Wireless Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	1,738.5	1,756.2	-1.0%	1,756.2	-1.0%	0.0
thereof Postpaid	849.2	824.0	3.1%	824.0	3.1%	0.0
thereof Prepaid	889.3	932.1	-4.6%	932.1	-4.6%	0.0
MoU (per Ø subscriber)	318.1	308.1	3.2%	308.1	3.2%	0.0
ARPU (in EUR)	11.9	11.7	1.5%	11.7	1.5%	0.0
Churn (%)	2.0%	1.8%		1.8%		

Wireline Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	593.7	460.1	29.0%	515.7	15.1%	55.6

## Segment Slovenia

### Key Performance Indicators

in EUR million	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	52.3	45.3	15.4%	53.5	-2.3%	8.2
thereof Wireless Revenues	44.0	44.6	-1.5%	44.8	-1.9%	0.2
thereof Service Revenues	34.2	34.1	0.1%	34.1	0.1%	0.0
thereof Equipment Revenues	9.0	9.7	-6.6%	9.7	-6.6%	0.0
thereof Fixed-line and Other Revenues	8.3	0.6	n.m.	8.6	-4.1%	8.0
EBITDA	12.6	10.9	16.2%	11.5	9.5%	0.7
% of Total Revenues	24.1%	24.0%		21.5%		
EBIT	5.2	5.2	0.1%	4.8	7.3%	-0.3
% of Total Revenues	9.9%	11.4%		9.0%		

Wireless Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	714.8	690.3	3.5%	690.3	3.5%	0.0
thereof Postpaid	584.4	555.4	5.2%	555.4	5.2%	0.0
thereof Prepaid	130.4	134.9	-3.3%	134.9	-3.3%	0.0
MoU (per Ø subscriber)	356.7	354.0	0.8%	354.0	0.8%	0.0
ARPU (in EUR)	15.9	16.6	-4.0%	16.6	-4.0%	0.0
Churn (%)	1.6%	1.3%		1.3%		

Wireline Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change	Absolute change (proforma - reported)
RGUs (in '000)	170.7	n.a.	n.a.	147.4	15.8%	147.4

## Segment Republic of Macedonia

### Key Performance Indicators

in EUR million	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	29.1	17.0	70.6%	30.9	-5.8%	13.8
thereof Wireless Revenues	22.3	13.6	63.7%	23.8	-6.5%	10.2
thereof Service Revenues	20.8	12.9	61.9%	21.5	-3.3%	8.7
thereof Equipment Revenues	1.1	0.6	84.0%	1.1	-2.1%	0.5
thereof Fixed-line and Other Revenues	6.8	3.4	98.2%	7.0	-3.6%	3.6
EBITDA	6.9	3.8	81.0%	6.5	5.5%	2.7
% of Total Revenues	23.7%	22.3%		21.2%		
EBIT	-4.7	0.4	n.m.	-0.3	n.m.	-0.7
% of Total Revenues	-16.3%	2.1%		-1.1%		

Wireless Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	1,131.7	608.5	86.0%	1,176.9	-3.8%	568.4
thereof Postpaid	630.9	334.8	88.4%	629.7	0.2%	294.9
thereof Prepaid	500.8	273.7	83.0%	547.1	-8.5%	273.4
MoU (per Ø subscriber)	391.3	407.9	-4.1%	389.4	0.5%	-18.5
ARPU (in EUR)	6.1	7.0	-13.1%	6.4	-4.9%	-0.6
Churn (%)	2.2%	2.1%		2.1%		

Wireline Indicators	Q2 2016 reported	Q2 2015 reported	% change	Q2 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	305.7	184.1	66.0%	308.4	-0.9%	124.2

# Condensed Consolidated Financial Statements

## Telekom Austria Group

### Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q2 2016 unaudited	Q2 2015 unaudited	1–6 M 2016 unaudited	1–6 M 2015 unaudited
Service Revenues (incl. other operating income)	929.2	915.6	1,842.7	1,834.1
Equipment revenues	101.5	80.5	197.4	159.3
<b>Total revenues (incl. other operating income - 00I)</b>	<b>1,030.7</b>	<b>996.1</b>	<b>2,040.1</b>	<b>1,993.5</b>
Cost of service	-333.2	-325.8	-659.2	-641.2
Cost of equipment	-125.3	-102.1	-229.4	-194.5
Selling, general & administrative expenses	-245.4	-247.9	-487.2	-500.7
Others	2.5	-0.6	-0.7	-2.0
<b>Total cost and expenses</b>	<b>-701.4</b>	<b>-676.3</b>	<b>-1,376.4</b>	<b>-1,338.4</b>
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA</b>	<b>329.3</b>	<b>319.8</b>	<b>663.6</b>	<b>655.1</b>
Depreciation and amortisation	-214.8	-200.5	-431.9	-396.1
<b>Operating income - EBIT</b>	<b>114.5</b>	<b>119.3</b>	<b>231.7</b>	<b>259.0</b>
Interest income	2.9	8.4	6.3	13.2
Interest expense on financial liabilities	-27.1	-40.4	-60.0	-80.6
Interest on employee benefits and restructuring and other financial items, net	0.9	-4.2	-2.8	-8.9
Foreign currency exchange differences, net	1.4	1.3	7.2	1.5
Equity interest in net income of associated companies	-0.3	0.2	0.4	0.3
<b>Financial result</b>	<b>-22.3</b>	<b>-34.6</b>	<b>-48.8</b>	<b>-74.5</b>
<b>Earnings before income tax - EBT</b>	<b>92.2</b>	<b>84.7</b>	<b>182.9</b>	<b>184.6</b>
Income tax	-9.8	-6.1	-19.5	-13.2
<b>Net result</b>	<b>82.4</b>	<b>78.6</b>	<b>163.4</b>	<b>171.4</b>
Attributable to:				
Equity holders of the parent	76.0	72.3	150.7	158.7
Non-controlling interests	0.1	0.0	0.1	0.1
Hybrid capital owners	6.3	6.3	12.6	12.6
<b>Basic and diluted earnings per share attributable to equity holders of the parent</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841	664,084,841	664,084,841
<b>Other comprehensive income items:</b>				
<b>Items that may be reclassified to profit or loss:</b>				
Effect of translation of foreign entities	5.7	-25.9	-32.6	-64.2
Realised result on hedging activities, net of tax	1.1	1.1	2.2	2.2
Unrealised result on securities available-for-sale, net of tax	0.0	-0.3	0.0	-0.2
<b>Items that will not be reclassified to profit or loss:</b>	<b>6.8</b>	<b>-25.0</b>	<b>-30.4</b>	<b>-62.2</b>
Remeasurements of defined benefit obligations, net of tax	-1.2	-1.1	-6.0	-2.2
<b>Total other comprehensive income (loss)</b>	<b>5.6</b>	<b>-26.1</b>	<b>-36.4</b>	<b>-64.4</b>
<b>Total comprehensive income (loss)</b>	<b>88.0</b>	<b>52.5</b>	<b>127.0</b>	<b>106.9</b>
Attributable to:				
Equity holders of the parent	81.6	46.2	114.3	94.3
Non-controlling interests	0.1	0.0	0.1	0.1
Hybrid capital owners	6.3	6.3	12.6	12.6

## Condensed Consolidated Statements of Financial Position

in EUR million	30. June 2016 unaudited	31 Dec. 2015 audited	1 Jan. 2015 audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	137.3	909.2	1,018.1
Short-term investments	1.9	2.4	14.4
Accounts receivable: Subscribers, distributors and other, net	645.3	624.6	600.1
Receivables due from related parties	0.9	0.9	1.3
Inventories, net	97.2	78.9	91.7
Income tax receivable	5.5	4.4	27.4
Other current assets, net	239.9	232.7	245.6
<b>Total current assets</b>	<b>1,128.1</b>	<b>1,853.1</b>	<b>1,998.9</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	2,434.9	2,409.4	2,294.5
Intangibles, net	2,389.2	2,507.9	2,570.1
Goodwill	1,231.1	1,229.7	1,189.5
Investments in associated companies	40.5	40.4	38.3
Long-term investments	8.1	8.2	7.4
Deferred income tax assets	208.6	206.7	170.9
Other non-current assets, net	51.8	49.0	46.9
<b>Total non-current assets</b>	<b>6,364.1</b>	<b>6,451.4</b>	<b>6,317.5</b>
<b>TOTAL ASSETS</b>	<b>7,492.2</b>	<b>8,304.5</b>	<b>8,316.4</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term debt and current portion of long-term debt	-597.1	-810.4	-247.4
Accounts payable	-789.7	-905.2	-748.5
Accrued liabilities and current provisions	-336.5	-335.5	-337.3
Income tax payable	-38.6	-38.9	-33.4
Payables due to related parties	-1.4	-1.8	-7.1
Deferred revenues	-162.6	-161.5	-163.9
<b>Total current liabilities</b>	<b>-1,925.8</b>	<b>-2,253.3</b>	<b>-1,537.5</b>
<b>Non-current liabilities</b>			
Long-term debt	-2,041.3	-2,584.1	-3,385.0
Deferred income tax liabilities	-62.5	-71.4	-90.8
Deferred revenues and other non-current liabilities	-21.5	-22.8	-16.6
Asset retirement obligation and restructuring	-740.4	-750.3	-867.5
Employee benefits	-210.6	-196.5	-200.9
<b>Total non-current liabilities</b>	<b>-3,076.4</b>	<b>-3,625.2</b>	<b>-4,560.8</b>
<b>Stockholders' equity</b>			
Capital stock	-1,449.3	-1,449.3	-1,449.3
Treasury shares	7.8	7.8	7.8
Additional paid-in capital	-1,100.1	-1,100.1	-1,100.1
Hybrid capital	-591.2	-591.2	-591.2
Retained earnings	-52.6	48.0	382.1
Other comprehensive income (loss) items	697.1	660.7	533.9
<b>Equity attributable to equity holders of the parent</b>	<b>-2,488.2</b>	<b>-2,424.1</b>	<b>-2,216.8</b>
Non-controlling interests	-1.8	-1.9	-1.2
<b>Total stockholders' equity</b>	<b>-2,490.1</b>	<b>-2,426.0</b>	<b>-2,218.0</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,492.2</b>	<b>-8,304.5</b>	<b>-8,316.4</b>

## Condensed Consolidated Statements of Cash Flows

in EUR million	Q2 2016 unaudited	Q2 2015 unaudited	1–6 M 2016 unaudited	1–6 M 2015 unaudited
Earnings before income tax - EBT	92.2	84.7	182.9	184.6
<b>Items not requiring the use of cash:</b>				
Depreciation	134.0	125.8	271.7	248.3
Amortisation of intangible assets	80.8	74.7	160.3	147.8
Equity interest in net income of associated companies	0.3	-0.2	-0.4	-0.3
Result on sale of investments	-3.8	0.0	-3.8	0.0
Result on sale of property, plant and equipment	-4.4	-0.2	-3.3	0.5
Net period cost of labor obligations and restructuring	5.3	10.0	11.2	18.9
Foreign currency exchange differences, net	-1.4	-1.3	-7.2	-1.5
Interest income	-2.9	-8.4	-6.3	-13.2
Interest expense	27.6	40.9	61.1	81.8
Other adjustments	-0.2	-1.2	-0.4	-2.3
<b>Working capital changes:</b>				
Accounts receivable from subscribers, distributors and other	-17.2	-17.1	-22.1	20.6
Prepaid expenses	5.1	-0.4	-5.6	-1.0
Due from related parties	0.1	-0.3	0.0	0.3
Inventories	11.7	8.1	-19.0	20.2
Other assets	-2.5	2.6	-3.9	4.0
Employee benefits and restructuring	-26.6	-25.4	-52.8	-51.8
Accounts payable and accrued liabilities	-28.0	-2.2	18.2	32.6
Due to related parties	-0.8	0.1	-0.5	-1.6
Deferred revenues	-0.5	-3.4	0.1	-4.6
Interest received	2.9	8.0	6.3	12.0
Income taxes paid	-16.6	0.4	-24.1	-4.4
<b>Net cash flow from operating activities</b>	<b>255.1</b>	<b>295.1</b>	<b>562.3</b>	<b>690.9</b>
Capital expenditures paid	-171.7	-147.4	-416.9	-354.3
Dividends received from associates	0.3	0.0	0.3	0.0
Proceeds from sale of plant, property and equipment	7.4	1.2	12.1	3.6
Purchase of investments	-1.0	-0.2	-1.5	-1.8
Proceeds from sale of investment	3.7	1.1	5.1	13.7
Acquisition of businesses, net of cash acquired	0.0	-2.8	0.0	-5.6
<b>Net cash flow from investing activities</b>	<b>-161.2</b>	<b>-147.5</b>	<b>-400.8</b>	<b>-343.9</b>
Repayments of long-term debt	0.0	0.0	-752.7	-2.7
Interest paid	-32.4	-34.3	-105.9	-108.1
Change in short-term debt	0.2	1.1	-5.1	2.1
Dividends paid	-33.2	-33.2	-67.1	-67.1
<b>Net cash flow from financing activities</b>	<b>-65.4</b>	<b>-66.5</b>	<b>-930.8</b>	<b>-175.8</b>
<b>Adjustment to cash flows due to exchange rate fluctuations, net</b>	<b>0.0</b>	<b>-5.5</b>	<b>-2.5</b>	<b>-5.0</b>
<b>Net change in cash and cash equivalents</b>	<b>28.5</b>	<b>75.5</b>	<b>-771.9</b>	<b>166.2</b>
Cash and cash equivalents beginning of period	108.8	1,108.7	909.2	1,018.1
Cash and cash equivalents end of period	137.3	1,184.3	137.3	1,184.3

## Capital expenditures

in EUR million	Q2 2016 unaudited	Q2 2015 unaudited	% change	1–6 M 2016 unaudited	1–6 M 2015 unaudited	% change
<b>Capital expenditures paid</b>	<b>171.7</b>	<b>147.4</b>	<b>16.5%</b>	<b>416.9</b>	<b>354.3</b>	<b>17.7%</b>
Reconciliation of additions in accounts payable	34.7	13.2	162.7%	–76.1	–67.6	12.6%
<b>Total capital expenditures</b>	<b>206.3</b>	<b>160.6</b>	<b>28.5%</b>	<b>340.8</b>	<b>286.7</b>	<b>18.9%</b>
Thereof tangible	177.1	134.5	31.6%	289.2	231.5	24.9%
Thereof intangible	29.3	26.1	12.3%	51.6	55.3	–6.6%

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
<b>Balance at 1 January 2016</b>	<b>1,449.3</b>	<b>–7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>–48.0</b>	<b>–660.7</b>	<b>2,424.1</b>	<b>1.9</b>	<b>2,426.0</b>
Net Result	0.0	0.0	0.0	0.0	163.3	0.0	163.3	0.1	163.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–36.4	–36.4	0.0	–36.4
<b>Total comprehensive income (loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>163.3</b>	<b>–36.4</b>	<b>126.9</b>	<b>0.1</b>	<b>127.0</b>
Distribution of dividends	0.0	0.0	0.0	0.0	–62.8	0.0	–62.8	–0.2	–62.9
<b>Balance at 30 June 2016</b>	<b>1,449.3</b>	<b>–7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>52.6</b>	<b>–697.1</b>	<b>2,488.2</b>	<b>1.8</b>	<b>2,490.1</b>

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
<b>Balance at 1 January 2015</b>	<b>1,449.3</b>	<b>–7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>–382.1</b>	<b>–533.9</b>	<b>2,216.8</b>	<b>1.2</b>	<b>2,218.0</b>
Net Result	0.0	0.0	0.0	0.0	171.3	0.0	171.3	0.1	171.4
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	–64.4	–64.4	0.0	–64.4
<b>Total comprehensive income (loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>171.3</b>	<b>–64.4</b>	<b>106.9</b>	<b>0.1</b>	<b>107.0</b>
Distribution of dividends	0.0	0.0	0.0	0.0	–62.8	0.0	–62.8	–0.2	–62.9
<b>Balance at 30 June 2015</b>	<b>1,449.3</b>	<b>–7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>–273.5</b>	<b>–598.3</b>	<b>2,260.9</b>	<b>1.1</b>	<b>2,262.0</b>

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

## Net Debt

in EUR million	30. June 2016 unaudited	31 Dec. 2015 audited
Long-term debt	2,041.3	2,584.1
Short-term debt and current portion of long-term debt	597.1	810.4
Cash and cash equivalents and short-term investments	–139.2	–911.5
<b>Net debt</b>	<b>2,499.1</b>	<b>2,483.0</b>
<b>Net debt/EBITDA (last 12 months)</b>	<b>1.8x</b>	<b>1.8x</b>

## Condensed Operating Segments

1–6 M 2016									
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	1,253.7	195.5	183.6	144.7	102.7	101.4	57.6	0.8	2,040.1
Intersegmental revenues	10.9	1.4	3.5	0.3	1.3	3.6	0.6	-21.5	0.0
<b>Total revenues (incl. OOI)</b>	<b>1,264.5</b>	<b>196.9</b>	<b>187.1</b>	<b>145.0</b>	<b>104.0</b>	<b>105.0</b>	<b>58.2</b>	<b>-20.6</b>	<b>2,040.1</b>
Segment expenses	-821.3	-132.6	-148.9	-75.5	-77.3	-86.1	-45.1	10.3	-1,376.4
<b>EBITDA</b>	<b>443.3</b>	<b>64.3</b>	<b>38.2</b>	<b>69.5</b>	<b>26.6</b>	<b>19.0</b>	<b>13.0</b>	<b>-10.3</b>	<b>663.6</b>
Depreciation and amortisation	-252.0	-51.1	-40.8	-32.8	-15.0	-23.4	-29.2	12.3	-431.9
<b>Operating income - EBIT</b>	<b>191.3</b>	<b>13.3</b>	<b>-2.6</b>	<b>36.7</b>	<b>11.7</b>	<b>-4.4</b>	<b>-16.2</b>	<b>2.0</b>	<b>231.7</b>
Interest income	1.0	1.4	1.7	1.2	1.2	0.2	0.2	-0.4	6.3
Interest expense	-10.5	-0.5	-6.0	-1.5	-0.7	-0.8	-0.4	-39.6	-60.0
Other financial result	-2.3	0.0	4.2	0.2	0.0	-1.1	0.0	3.6	4.4
Equity interest in net income of associated companies	0.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.4
<b>Earnings before income tax - EBT</b>	<b>180.2</b>	<b>14.0</b>	<b>-2.7</b>	<b>36.6</b>	<b>12.1</b>	<b>-6.1</b>	<b>-16.5</b>	<b>-34.7</b>	<b>182.9</b>
Income taxes									-19.5
<b>Net result</b>									<b>163.4</b>
EBITDA margin	35.1%	32.7%	20.4%	47.9%	25.6%	18.1%	22.4%	n.a.	32.5%
Capital expenditures - intangible	29.5	12.3	1.4	2.7	3.7	0.9	1.1	-0.1	51.6
Capital expenditures - tangible	166.2	23.0	29.0	39.4	7.4	10.0	16.9	-2.7	289.2
<b>Total capital expenditures</b>	<b>195.7</b>	<b>35.3</b>	<b>30.4</b>	<b>42.1</b>	<b>11.1</b>	<b>10.9</b>	<b>18.0</b>	<b>-2.8</b>	<b>340.8</b>

1–6 M 2015									
in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	1,243.7	178.8	170.9	164.0	108.3	96.5	31.4	-0.1	1,993.5
Intersegmental revenues	10.5	1.2	2.0	0.0	1.1	2.4	1.7	-18.9	0.0
<b>Total revenues (incl. OOI)</b>	<b>1,254.2</b>	<b>179.9</b>	<b>172.9</b>	<b>164.0</b>	<b>109.4</b>	<b>98.8</b>	<b>33.1</b>	<b>-19.0</b>	<b>1,993.5</b>
Segment expenses	-844.8	-112.9	-137.8	-78.5	-66.9	-76.6	-25.9	5.1	-1,338.4
<b>EBITDA</b>	<b>409.4</b>	<b>67.0</b>	<b>35.2</b>	<b>85.5</b>	<b>42.5</b>	<b>22.3</b>	<b>7.2</b>	<b>-13.9</b>	<b>655.1</b>
Depreciation and amortisation	-235.9	-41.0	-33.9	-41.1	-11.2	-26.4	-6.6	0.0	-396.1
<b>Operating income - EBIT</b>	<b>173.5</b>	<b>26.0</b>	<b>1.3</b>	<b>44.3</b>	<b>31.3</b>	<b>-4.1</b>	<b>0.5</b>	<b>-13.9</b>	<b>259.0</b>
Interest income	1.2	1.0	3.2	5.7	0.9	0.1	0.1	0.9	13.2
Interest expense	-7.7	-0.1	-4.3	-1.1	-0.9	-0.4	-0.3	-65.8	-80.6
Other financial result	-7.6	0.1	2.3	0.4	0.0	0.2	-0.3	-2.3	-7.4
Equity interest in net income of associated companies	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
<b>Earnings before income tax - EBT</b>	<b>159.8</b>	<b>27.0</b>	<b>2.5</b>	<b>49.4</b>	<b>31.4</b>	<b>-4.3</b>	<b>0.0</b>	<b>-81.1</b>	<b>184.6</b>
Income taxes									-13.2
<b>Net result</b>									<b>171.4</b>
EBITDA margin	32.6%	37.3%	20.3%	52.1%	38.9%	22.5%	21.7%	n.a.	32.9%
Capital expenditures - intangible	30.9	7.7	1.6	2.5	2.5	9.6	0.5	0.0	55.3
Capital expenditures - tangible	147.8	21.5	20.1	15.8	6.8	14.6	5.0	0.0	231.5
<b>Total capital expenditures</b>	<b>178.7</b>	<b>29.2</b>	<b>21.7</b>	<b>18.3</b>	<b>9.3</b>	<b>24.2</b>	<b>5.5</b>	<b>0.0</b>	<b>286.7</b>



## 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 2015. 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 2015.

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.

The Company has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2015. The following standards/interpretations are initially applied beginning on 1 January 2016:

		Effective*	Effective**
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	1 February 2015
all IFRSs	Annual Improvements 2010 – 2012	1 July 2014	1 February 2015
IFRS 14	Regulatory Deferral Accounts	1 January 2016	will not be endorsed
IFRS 11	Amendments Accounting for Acquisitions of Interests in Joint operations	1 January 2016	1 January 2016
IAS 16.38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 January 2016
IAS 41	Agriculture: Bearer Plants	1 January 2016	1 January 2016
all IFRSs	Annual Improvements 2012 – 2014	1 January 2016	1 January 2016
IAS 27	Equity Method in Separate Financial Statements	1 January 2016	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016	1 January 2016
IFRS 10	Investment Entities - Applying the Consolidation Exception	1 January 2016	not endorsed
	Amendments as a Result of Improvements Project 2011 – 2013	1 January 2016	not endorsed

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

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

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

Compared to other economic sectors, the telecommunications industry is in general less cyclical. Within the telecommunication sector, the seasonality of the 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.

### Format of the Condensed Consolidated Financial Statements

Starting 2016, Telekom Austria Group has aligned its financial reporting structure to its parent company América Móvil, S.A.B. de C.V. (‘América Móvil’), which is located in Mexico. The new presentation provides reliable and more relevant information to better understand the entity’s financial performance.

In prior periods, the condensed consolidated statements of profit or loss were presented in a separate statement according to the nature of expense method and are now presented in the statements of comprehensive income according to the cost of sales method as the management considers this presentation to provide more relevant information on Telekom Austria Group’s financial performance in the telecommunication industry. Material, employee and other expenses are now presented according to their function as cost of service, cost of equipment,

selling, general & administrative expenses and others (mainly including loss on retirement of equipment, fines and penalties). Depreciation and amortisation is not allocated to functions.

Additionally reclassifications between some line items were done in the course of the harmonisation with América Móvil's financial reporting structure. These changes (besides the change to the cost of sales method) in the condensed consolidated statements of comprehensive income are presented in the following table:

	1–6 M 2015 As previously reported	Reclassifications	1–6 M 2015 New reporting structure
Total revenues (incl. other operating income - OOI)	2,003.2	-9.7	1,993.5
Total cost and expenses	-1,347.1	8.7	-1,338.4
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA</b>	<b>656.1</b>	<b>-1.0</b>	<b>655.1</b>
Depreciation and amortisation	-395.4	-0.7	-396.1
<b>Operating income - EBIT</b>	<b>260.8</b>	<b>-1.7</b>	<b>259.0</b>
Interest income	10.3	2.9	13.2
Interest expense on financial liabilities	-88.5	7.9	-80.6
Interest on employee benefits and restructuring and other financial items, net	0.2	-9.1	-8.9
Foreign currency exchange (gain) loss, net	1.5	0.0	1.5
Equity interest in net income of associated companies	0.3	0.0	0.3
<b>Earnings before income tax - EBT</b>	<b>184.6</b>	<b>0.0</b>	<b>184.6</b>
Income tax	-13.2	0.0	-13.2
<b>Net result</b>	<b>171.4</b>	<b>0.0</b>	<b>171.4</b>

The shift in revenues (incl. other operating income - OOI) and cost and expenses mainly results from own work capitalised previously reported on a gross basis in the original expenses and the corresponding amount in other operating income – OOI. In the new reporting format the original expenses are directly offset by the amounts capitalised. Income from penalties and collection fees was reported in other operating expenses and is now presented in OOI.

Following the reclassification of spare parts, cables and supplies from inventories to property, plant and equipment the measurement of these materials is not reported in material expense anymore but in depreciation. In the Segment Croatia penalty interest charged to customers was reported in other operating expense and is now reported in interest income.

Total interest expense was reported in one line item and is now split into interest expense on financial liabilities (including interest expense on debt, interest charged by suppliers and the unwinding of asset retirement obligation) and interest on employee benefits and restructuring and other financial items, net. Fees related to issuance of bank debt and fees for unused credit lines were presented in other operating expenses and are now reported in interest on employee benefits and restructuring and other financial items, net as these expenses represent financing cost.

The changes in Condensed Consolidated Statements of Financial Position and net debt calculation are presented in the following table:

in EUR million	31 Dec. 2015 As previously reported	Reclassifications	31 Dec. 2015 New reporting structure
Accounts receivable: Subscribers, distributors and other, net	0.0	624.6	624.6
Accounts receivable - trade, net of allowances	624.6	-624.6	0.0
Inventories	131.0	-52.1	78.9
Prepaid expenses	115.6	-115.6	0.0
Other current assets	117.1	115.6	232.7
<b>Total current assets</b>	<b>1,905.2</b>	<b>-52.1</b>	<b>1,853.1</b>
Property, plant and equipment, net	2,357.4	52.1	2,409.4
<b>Total non-current assets</b>	<b>6,399.3</b>	<b>52.1</b>	<b>6,451.4</b>
<b>TOTAL ASSETS</b>	<b>8,304.5</b>	<b>0.0</b>	<b>8,304.5</b>
Short-term debt and current portion of long-term debt	-903.6	93.2	-810.4
Accounts payable	0.0	-905.2	-905.2
Accounts payable - trade	-573.7	573.7	0.0
Other current liabilities	-238.3	238.3	0.0
<b>Total current liabilities</b>	<b>-2,253.3</b>	<b>0.0</b>	<b>-2,253.3</b>
<b>Total non-current liabilities</b>	<b>-3,625.2</b>	<b>0.0</b>	<b>-3,625.2</b>
Retained earnings	78.7	-30.8	48.0
Other comprehensive income (loss) items	0.0	660.7	660.7
Available-for-sale reserve	0.4	-0.4	0.0
Hedging reserve	32.8	-32.8	0.0
Translation adjustments	596.7	-596.7	0.0
<b>Equity attributable to equity holders of the parent</b>	<b>-2,424.1</b>	<b>0.0</b>	<b>-2,424.1</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-8,304.5</b>	<b>0.0</b>	<b>-8,304.5</b>
Long-term debt	2,584.1	0.0	2,584.1
Short-term debt and current portion of long-term debt	1,003.8	-193.3	810.4
Cash and cash equivalents and short-term investments	-911.5	0.0	-911.5
<b>Net debt</b>	<b>2,676.4</b>	<b>-193.3</b>	<b>2,483.0</b>

Accounts receivable - trade, net of allowances include accounts receivable from subscribers, distributors and mobile phone carriers for network interconnection and other services and therefore the item was solely renamed.

Spare parts, cables and supplies were included in inventories and are now reported in property, plant and equipment in accordance with IAS 16.8 as it is expected to use these items during more than one period.

Prepaid expenses were reported in a separate line item and are now included in other current assets.

Accrued interest was included in short-term debt and is now included in accounts payable. As a consequence accrued interest, as well as purchase price liabilities from business combinations, is not included in net debt anymore.

Accounts payable – trade and other current liabilities were presented in two separate line items and are now presented in one item accounts payable.

Available-for-sale reserve, hedging reserve and translation adjustments were presented in three separate line items and are now presented in one item other comprehensive income (loss) items together with the remeasurement of defined benefit plans which was included in retained

earnings. The reclassification of the remeasurement of defined benefit plans is also reflected in the condensed consolidated statements of changes in stockholders' equity.

The shifts between operating, investing and financing activities in condensed consolidated statements of cash flows are presented in the following table:

	1–6 M 2015 As previously reported	Reclassifications	1–6 M 2015 New reporting structure
Depreciation	395.4	0.7	396.1
Inventories	8.2	12.0	20.2
Accounts payable and accrued liabilities	–100.1	67.6	32.6
Interest expense	5.6	76.2	81.8
<b>Net cash flow from operating activities</b>	<b>534.5</b>	<b>156.5</b>	<b>690.9</b>
Capital expenditures paid	–273.9	–80.4	–354.3
Proceeds from sale of plant, property and equipment	3.4	0.2	3.6
<b>Net cash flow from investing activities</b>	<b>–263.7</b>	<b>–80.2</b>	<b>–343.9</b>
Change in short-term debt	–29.8	31.9	2.1
Interest paid	0.0	–108.1	–108.1
<b>Net cash flow from financing activities</b>	<b>–99.6</b>	<b>–76.2</b>	<b>–175.8</b>
Adjustment to cash flows due to exchange rate fluctuations, net	–5.0	0.0	–5.0
<b>Net change in cash and cash equivalents</b>	<b>166.2</b>	<b>0.0</b>	<b>166.2</b>

Following the reclassification of spare parts, cables and supplies from inventories to property, plant and equipment the measurement effects of these items is not reported in material expense within EBITDA anymore but in depreciation. The reclassification also leads to a shift from inventories within working capital changes to capital expenditures paid (purchase of spare parts, cables and supplies) and proceeds from sale of property, plant and equipment (sale of spare parts, cables and supplies). In previous reporting only total capital expenditures were included in cash flow from investing activities and the change in accounts payable related to capital expenditures was included in cash flow from operating activities. In the new reporting structure capital paid are reported in the cash flow from investing activities in accordance with IAS 7.43 (see also the reconciliation in the table “capital expenditures”).

Interest paid was not reported separately in the cash flow statements reported previously. Interest expense was reported in net cash flow from operating activities while the change of accrued interest was reported in changes in short-term borrowings within net cash flow from financing activities. Only interest expense from the unwinding of asset retirement obligation and from the release of the hedging reserve was adjusted as non-cash. In the new structure total interest paid is reported in net cash flow from financing activities leading to a shift between operating and financing activities.

In addition to the shift between operating, investing and financing activities the structure of cash flow from operating activities was changed. Main changes are as follows: Income taxes paid were previously included in net result and changes in other assets and liabilities and is now reported in a separate line. Payments for restructuring were reported in the line item provisions and accrued liabilities and are now reported together with employee benefits in the item employee benefits and restructuring. Bad debt expense is not adjusted as non-cash item anymore and is included in the changes of accounts receivable from subscribers, distributors and other.

To provide more relevant information Telekom Austria Group's segment reporting on geographical markets was expanded. As a result Telekom Austria Group now reports separately on its 7 operating segments: Austria, Bulgaria, Croatia, Belarus, Slovenia, Republic of Serbia and Republic of Macedonia. In the previous reporting structure Slovenia, the Republic of Serbia and the Republic of Macedonia were summarized in Additional Markets together with the Austrian subsidiary Telekom Austria Group M2M GmbH, which is now presented in Segment Austria.

### Business combinations

On 22 December 2015, Vipnet acquired 100% of CATV-o47 d.o.o Kabela televizija (“CATV”) in Croatia for a purchase price of EUR 0.8 million which was reported in long-term investments as of 31 December 2015 as no statement of financial position as of the acquisition date was avail-

able. In the first quarter 2016 the subsidiary was consolidated. The consideration was provisionally allocated mainly to customer base in the amount of 0.4 million. The goodwill resulting on the acquisition amounts to EUR 0.4 million.

### Comprehensive Income – Additional Information

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:

	1–6 M 2016	1–6 M 2015
Other operating income	39.7	57.1
Write-down/ reversals of write-down of inventories	4.7	-1.4
Employee benefit expenses	-404.3	-424.7

The decrease in other operating income is due to the received payment by Si.mobil in the first quarter 2015 as a condition of the agreement with Telekom Slovenije was fulfilled.

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

In the first half 2016 the estimated useful lives of certain communication network and other equipment were reduced resulting in an increase in depreciation of EUR 12.0 million in the first half 2016. The reduction of useful lives mainly relates to base stations and equipment of the merged company "ONE" in the segment Republic of Macedonia.

Intangibles decreased as amortisation is higher than additions and due to the translation adjustment mainly resulting from the segment Belarus.

### Non-Current and Current Liabilities

In the first half 2016 a EUR 750 million bond and EUR 2.7 million of long-term bank debt were repaid and no long-term debt was issued.

The decrease in long-term debt is due to the shift of a EUR 500 million bond maturing in January 2017 and 42 EUR million of bank debt maturing in June 2017 to short-term borrowings. This shift partly offset the decrease in short-term debt due to the repayment of the bond in January 2016.

The decrease in accounts payable is mainly due to payment of accounts payable – trade and the payment of interest on bonds which was accrued as of 31 December 2015.

### 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	30. June 2016 unaudited	31 Dec. 2015 audited
Restructuring and social plans	626.2	668.5
Civil servants changed to the government	28.4	33.7
<b>Total restructuring</b>	<b>654.6</b>	<b>702.2</b>

The change of restructuring is mainly due to the usage of the provision.

In the first half 2016 the discount rates applied to the calculation of the provision for restructuring and social plans as well as for employee benefit obligations were changed to reflect the current market conditions as follows:

	30. June 2016	31 Dec. 2015
<b>Restructuring</b>		
Employees permanently leaving the service process	1.50%	2.00%
Social plans	1.00%	1.00%
Civil servants changed to the government	1.00%	1.00%
<b>Employee benefit obligations</b>		
Service awards	1.00%	1.25%
Severance	2.00%	2.25%
Pensions	1.00%	1.25%

The effect of the change for service awards in the amount of EUR 1.2 million is recognised in administrative expenses. The effect of the change for severance and pensions in the amount of EUR 4.8million is recognised in other comprehensive income.

In the first half 2016, the discount rate and inflation rate applied to the calculation of asset retirement obligations were changed to reflect the current market conditions in the individual countries:

	Austria	Other countries	Belarus
30. June 2016			
Discount rate	1.0%	1.5%	17.1%
Inflation rate	1.0%	0.5%	11.5%
31 Dec. 2015			
Discount rate	2.0%	2.0%	17.1%
Inflation rate	1.0%	1.0%	11.5%

The change of these parameters resulted in an increase of the asset retirement obligation and the corresponding tangible assets in the amount of EUR 31.1 million.

## Income Taxes

	1–6 M 2016	1–6 M 2015
Effective tax rate	10.6%	7.2%
in EUR million	30. June 2016	31 Dec. 2015
Net deferred taxes	146.1	135.3

Net deferred tax assets increased mainly as a result of the depreciation and amortisation of assets recognised in previous business combinations and foreign exchange differences in the segment Belarus resulting in a reduction of deferred tax liabilities as well as the increase in deferred tax assets resulting from the application of the expected effective tax rate.

## Stockholders' Equity

In February 2016 and 2015, 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 4.2 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 half according to local GAAP amounting to EUR 16.7 million, net of the related tax benefit of EUR 4.2million, which is recognised in stockholders' equity according to IAS 12.

In June 2016 and 2015, the Telekom Austria Group paid dividend to its shareholders in the amount of EUR 33.2 million.

Other comprehensive income (loss) items include the remeasurement of defined benefit plans, available-for-sale reserve, hedging reserve and translation adjustments. The effect of translation of foreign entities in the first half 2016 and 2015 is mainly a result of the devaluation 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	30. June 2016		31 Dec. 2015	
	Carrying amount unaudited	Fair value unaudited	Carrying amount audited	Fair value audited
<b>Cash and cash equivalents</b>	<b>137.3</b>	<b>137.3</b>	<b>909.2</b>	<b>909.2</b>
Accounts receivable: Subscribers, distributors and other, net	645.3	645.3	624.6	624.6
Receivables due from related parties	0.9	0.9	0.9	0.9
Other current financial assets	78.1	78.1	80.5	80.5
Other non-current financial assets	39.4	39.4	36.3	36.3
<b>Loans and receivables</b>	<b>763.7</b>	<b>763.7</b>	<b>742.3</b>	<b>742.3</b>
Long-term investments	6.6	6.6	6.5	6.5
Short-term investments	1.9	1.9	2.4	2.4
<b>Available-for-sale investments</b>	<b>8.5</b>	<b>8.5</b>	<b>8.9</b>	<b>8.9</b>
<b>Investments at cost</b>	<b>1.5</b>	<b>1.5</b>	<b>1.7</b>	<b>1.7</b>

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 reduced 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. At 31 Dec. 2015 additionally the investment in CATV was included (see "Business Combinations").

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

in EUR million	30. June 2016		31 Dec. 2015	
	Carrying amount unaudited	Fair value unaudited	Carrying amount audited	Fair value audited
Liabilities to financial institutions	0.0	0.0	5.1	5.1
Bonds	2,285.5	2,626.3	3,033.9	3,297.4
Other current financial liabilities	151.5	151.5	150.0	150.0
Non-current liabilities to financial institutions	352.6	379.3	355.3	391.6
Other non-current liabilities	0.8	0.8	0.8	0.8
Accounts payable - trade	500.9	500.9	573.7	573.7
Payables due to related parties	1.4	1.4	1.8	1.8
Accrued interest	41.7	41.7	93.2	93.2
<b>Financial liabilities at amortised cost</b>	<b>3,334.5</b>	<b>3,701.9</b>	<b>4,213.9</b>	<b>4,513.7</b>

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 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:

30. June 2016 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.5	1.0	0.0	8.5
Financial assets measured at fair value	7.5	1.0	0.0	8.5

31 Dec. 2015 in EUR million (audited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.1	1.8	0.0	8.9
Financial assets measured at fair value	7.1	1.8	0.0	8.9

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.

Vienna, 22. July 2016

The Management Board



CEO and COO Alejandro Plater



CFO Siegfried Mayrhofer



## Statement of All Legal Representatives

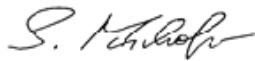
### Declaration of the Management Board according to § 87 Abs 1 Z 4 Börsegesetz

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

Vienna, 22. July 2016  
The Management Board



CEO and COO Alejandro Plater



CFO Siegfried Mayrhofer