

## Results for the Second Quarter and First Half 2017

### Highlights Second Quarter 2017

- > Group total revenues increased by 4.0% (reported: +5.1%), with service revenue growth in all markets except from the Republic of Serbia and the Republic of Macedonia.
- > Group EBITDA growth of 7.8% (reported: 9.1%) mainly due to growth in Belarus, Austria, Bulgaria, Croatia and the Republic of Macedonia.
- > Negative effects from the stepwise abolition of retail roaming in the EU came in slightly lower than expected, while the expected losses for the second half of the year remain the same.
- > CEE:
  - o Bulgaria: EBITDA growth after years of decline driven by higher total service revenues, better equipment margin and cost efficiencies
  - o Ongoing solid operational performance in Croatia and Belarus
  - o Other segments affected by fierce competition and regulatory headwinds
- > Total positive FX effects amounted to EUR 8.9 mn for total revenues and EUR 4.2 mn for EBITDA in Q2 2017, stemming almost entirely from Belarus.
- > Reported net result increased by 36.5% in the second quarter of 2017 from EUR 82.4 mn to EUR 112.5 mn.

#### Key performance indicators Proforma view

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	1,082.9	1,041.2	4.0	2,141.9	2,058.7	4.0
EBITDA	359.3	333.3	7.8	698.9	670.7	4.2
% total revenues	33.2%	32.0%		32.6%	32.6%	
EBIT	146.5	116.4	25.8	272.9	235.9	15.7
% total revenues	13.5%	11.2%		12.7%	11.5%	

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

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

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.

# Disclaimer

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

# Information on alternative performance measures and reporting changes

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

To reflect the performance on an operational basis, the proforma figures present comparison figures for previous periods as if M&A transactions executed between the start of the comparison period and the end of the reporting period had already been fully consolidated in the relevant months of the comparison period. Alternative performance measures are used to describe the operational performance. Please therefore also refer to the financial information presented in the Consolidated Financial Statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 28.

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

# Table of Contents

<b>Group Management Report</b>	<b>4</b>
Quarterly analysis	4
Summary	4
Group Overview (proforma)	7
Segment Information (proforma)	8
Year-To-Date Comparison	19
Outlook	25
Additional information	27
Reconciliation tables	28
<b>Condensed Consolidated Financial Statements</b>	<b>36</b>
Condensed Consolidated Statements of Comprehensive Income	36
Condensed Consolidated Statements of Financial Position	37
Condensed Consolidated Statement of Cash Flows	38
Capital Expenditures	39
Condensed Consolidated Statements of Changes in Stockholders' Equity	39
Net Debt	39
Condensed Operating Statements	40
Selected Explanatory Notes (unaudited)	41
<b>Statement of All Legal Representatives</b>	<b>47</b>

# Group Management Report

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format ("Fact Sheet Q2 2017") are available on the website at [www.telekomaustria.com](http://www.telekomaustria.com).

Results for the third quarter 2017 are expected to be announced in the week of 23 October 2017

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Vienna, 25 July 2017 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the second quarter and first half 2017, ending 30 June 2017.

## Quarterly analysis

### Summary

#### Income Statement

##### Reported view

in EUR million	Q2 2017 reported	Q2 2016 reported	% change	1-6 M 2017 reported	1-6 M 2016 reported	% change
Service revenues	966.4	929.2	4.0	1,922.5	1,842.7	4.3
Equipment revenues	116.6	101.5	14.9	219.4	197.4	11.2
<b>Total revenues</b>	<b>1,082.9</b>	<b>1,030.7</b>	<b>5.1</b>	<b>2,141.9</b>	<b>2,040.1</b>	<b>5.0</b>
Cost of service	-342.7	-333.2	-2.8	-683.8	-659.2	-3.7
Cost of equipment	-128.9	-125.3	-2.9	-256.6	-229.4	-11.9
Selling, general & administrative expenses	-251.0	-245.4	-2.3	-498.7	-487.2	-2.4
Other expenses	-1.0	2.5	n.m.	-3.8	-0.7	n.m.
<b>Total costs and expenses</b>	<b>-723.6</b>	<b>-701.4</b>	<b>-3.2</b>	<b>-1,443.0</b>	<b>-1,376.4</b>	<b>-4.8</b>
<b>EBITDA</b>	<b>359.3</b>	<b>329.3</b>	<b>9.1</b>	<b>698.9</b>	<b>663.6</b>	<b>5.3</b>
% of total revenues	33.2%	31.9%		32.6%	32.5%	
Depreciation and amortisation	-212.8	-214.8	0.9	-425.9	-431.9	1.4
<b>EBIT</b>	<b>146.5</b>	<b>114.5</b>	<b>27.9</b>	<b>272.9</b>	<b>231.7</b>	<b>17.8</b>
% of total revenues	13.5%	11.1%		12.7%	11.4%	
Interest income	3.7	2.9	26.9	7.2	6.3	14.6
Interest expense	-23.5	-27.1	13.3	-48.2	-60.0	19.7
Other financial expense	-2.7	0.9	n.m.	-6.8	-2.8	-143.8
Foreign currency exchange differences	-0.3	1.4	n.m.	4.2	7.2	-42.3
Equity interest in net income of affiliates	-0.6	-0.3	-69.7	-0.7	0.4	n.m.
<b>Earnings before income tax</b>	<b>123.1</b>	<b>92.2</b>	<b>33.5</b>	<b>228.6</b>	<b>182.9</b>	<b>25.0</b>
Income tax	-10.6	-9.8	-8.2	-19.7	-19.5	-1.3
<b>Net result<sup>*)</sup></b>	<b>112.5</b>	<b>82.4</b>	<b>36.5</b>	<b>208.9</b>	<b>163.4</b>	<b>27.9</b>

<sup>\*)</sup> Attributable to equity holders of the parent, non controlling interests and hybrid capital owners

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

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

- > The acquisition of the fixed-line operator Metronet in Croatia, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.
- > The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- > EBITDA growth in Austria was supported by some project-driven revenue contributions in Q2 2017 which cannot be extrapolated for the rest of the financial year 2017 as well as some non-cash relevant items in Q2 2017.

- > Total positive FX effects amounting to EUR 8.9 mn for total revenues and EUR 4.2 mn for EBITDA in the second quarter of 2017, stemming almost entirely from Belarus.

There were no one-off effects included in the second quarter of 2016 and 2017.

As of Q1 2017, the new company 'AI Digital International GmbH' is consolidated as part of the segment 'Corporate & other, eliminations'. The Machine-to-Machine (M2M) business, which has so far been reported in the Austrian Segment, is part of this new company. The new company will focus on the B2B market and offer digital services to actively support companies in the digitalisation process with the goal of enhancing their success in their field of business.

AI digital launched its new OTT Cloud marketplace by end of June with releasing new features and new cloud services to existing customers and users. Furthermore the cloud marketplace became available for the Bulgarian and Croatian markets. During the next few weeks further services will be added and the cloud market place will become available for more markets.

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

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

Group revenues increased by 4.0% year-on-year

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

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

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

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

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

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

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

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

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

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

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

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

EUR 112.5 mn reported net result

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

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

## Group Overview (proforma)

The following tables are presented on a proforma basis and include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period. This affects the segments of Croatia and Belarus. The proforma view is equivalent to the reported view for the other segments. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. The reconciliation tables, including reported and proforma values, as well as the difference thereof, can be found on page 28.

### Key performance indicators

#### Proforma view

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

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

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

\*) Including other operating income

## Segment Information (proforma)

### Segment Austria<sup>1</sup>

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	647.4	631.7	2.5	1,290.7	1,262.9	2.2
thereof total service revenues <sup>*)</sup>	600.4	590.1	1.7	1,210.8	1,182.5	2.4
Wireless revenues	298.6	303.8	-1.7	594.4	609.0	-2.4
thereof service revenues	249.7	254.7	-1.9	502.4	513.2	-2.1
thereof equipment revenues	36.2	35.0	3.7	63.8	68.2	-6.5
Fixed-line and other revenues	348.8	327.9	6.4	696.3	653.9	6.5
EBITDA	229.8	219.4	4.8	458.1	444.6	3.0
% of total revenues	35.5%	34.7%		35.5%	35.2%	
EBIT	108.5	83.3	30.3	217.5	192.7	12.9
% of total revenues	16.8%	13.2%		16.9%	15.3%	

	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless indicators						
Wireless subscribers (thousands)	5,364.0	5,441.3	-1.4	5,364.0	5,441.3	-1.4
thereof postpaid	3,684.3	3,709.2	-0.7	3,684.3	3,709.2	-0.7
thereof prepaid	1,679.8	1,732.1	-3.0	1,679.8	1,732.1	-3.0
MoU (per Ø subscriber)	253.1	254.9	-0.7	254.1	253.1	0.4
ARPU (in EUR)	15.5	15.6	-0.7	15.5	15.7	-1.2
Churn (%)	1.7%	1.5%		1.7%	1.6%	

	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireline indicators						
RGUs (thousands)	3,435.1	3,513.2	-2.2	3,435.1	3,513.2	-2.2

<sup>\*)</sup> Including other operating income

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

In Q2 2017, competition in the Austrian mobile market continued to be driven by aggressive promotions including high data allowances in the mobile no-frills business but also data monetisation in the contract business. In this environment, the company pursues its successful multi-brand strategy: With its premium brand, A1 Telekom Austria AG is monetising the growth in demand for data via high data allowances and including data roaming. At the same time, it addresses the price pressure in the no-frills segment via its no-frills brands bob and YESSS!

In the Austrian broadband market, mobile WiFi routers with unlimited data offers remain a relevant element. A1 introduced a hybrid modem in July 2016 which combines the fixed-line and the mobile network and thereby enables A1 to offer fixed-line products with higher bandwidths. Convenient unlimited mobile

<sup>1</sup> Machine-to-Machine (M2M) is no longer reported in the Austrian segment and is shown in "Corporate & other, eliminations". Comparative figures have been adjusted accordingly.



broadband offers complete A1's data-centric high-value proposition. On 26 June 2017, A1 increased the available download speed in its broadband offers to up to 300 Mbps. As of 1 August 2017, monthly fees will be increased in the fixed-line business.

In the second quarter of 2017, the total number of mobile communication subscribers declined by 1.4% year-on-year, mainly driven by a decrease in the number of prepaid customers. Higher demand for mobile Wifi routers and high-value tariffs helped to slow down the subscriber decline. Mobile broadband customer numbers rose due to the above mentioned growth in WiFi routers which outweighed the ongoing decline in data dongles. Net additions came in negative at -35,100 driven by the prepaid segment.

In the fixed-line business, total fixed-line revenue generating units (RGUs) decreased by 2.2% year-on-year in Q2 2017 due to losses of voice customers. While demand for fibre upgrades remained continuous good and TV RGUs continued to exhibit solid growth (+5.1% year-on-year), fixed-line broadband customers remained stable (-0.1% year-on-year).

TV RGU growth of 5.1% year-on-year

In the second quarter of 2017, total revenues increased by 2.5% year-on-year as higher fixed-line and other revenues outweighed losses in wireless service revenues. Total service revenues increased by 1.7%.

Wireless service revenues decreased due to negative effects on customer roaming after the stepwise abolition of retail roaming within the EU as of 30 April 2016 and 15 June 2017. Excluding the negative roaming impact, wireless service revenues decreased due to losses in the prepaid segment. This was compensated somewhat by increased revenues in the high-value and in the mobile broadband businesses. Wireless equipment revenues rose due to higher prices stemming from a lower retention subsidy level.

Average monthly revenue per user (ARPU) decreased by 0.7% from EUR 15.6 in Q2 2016 to EUR 15.5 in the second quarter of 2017 driven by a lower prepaid ARPU and the losses in roaming revenues. Excluding roaming, ARPU would have risen in Q2 2017 compared to last year.

Fixed-line and other revenues increased by 6.4% driven by higher revenues from solutions and connectivity revenues which stem from project-driven contributions. Interconnection revenues also rose due to a changed settlement logic and increased volumes. Retail fixed-line service revenues were only slightly lower as lower voice revenues were almost offset by higher revenues from broadband and TV due to the good demand for higher bandwidth products. Equipment revenues in the fixed-line business rose due to higher ICT equipment revenues.

The average monthly revenue per fixed-line (ARPL) rose from EUR 28.0 in Q2 2016 to EUR 28.6 in Q2 2017, mainly due to upselling measures in the broadband business.

Total costs and expenses increased by 1.3% in the second quarter of 2017 compared to the same period last year. The increase in cost of service was mainly driven by higher interconnection and roaming expenses due to higher quantities, while interconnection expenses were also driven by a changed settlement logic. Content costs increased, which was linked to higher solutions and connectivity revenues, while employee costs were lower due to fewer FTEs and the reversal of an accrual. Commissions were also lower due to fewer gross adds. Cost of equipment declined in Q2 2017 as fewer replacements outweighed higher ICT equipment costs.

Subsidies for acquisition remained stable while subsidies for retention decreased compared to Q2 2016 due to a lower retention subsidy level.

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

EBITDA increase of 4.8% year-on-year

Depreciation and amortisation decreased by 10.9% in the quarter under review compared to the same period last year due to depreciation of equipment in Q2 2016. As a result, the Austrian segment reported an increase in operating income of 30.3% year-on-year to EUR 108.5 mn in Q2 2017.

### Segment Bulgaria

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	103.3	99.9	3.4	206.8	196.9	5.0
thereof total service revenues*)	90.5	90.2	0.3	178.3	178.8	-0.3
Wireless revenues	80.2	78.2	2.6	161.3	153.8	4.9
thereof service revenues	66.4	67.5	-1.6	131.1	133.4	-1.7
thereof equipment revenues	12.5	9.3	33.9	27.6	17.5	58.2
Fixed-line and other revenues	23.1	21.7	6.2	45.5	43.1	5.6
EBITDA	33.4	30.7	8.6	61.6	64.3	-4.3
% of total revenues	32.3%	30.8%		29.8%	32.7%	
EBIT	2.9	5.5	-48.0	2.2	13.3	-83.6
% of total revenues	2.8%	5.5%		1.0%	6.7%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	4,101.3	4,071.1	0.7	4,101.3	4,071.1	0.7
thereof postpaid	3,487.0	3,476.3	0.3	3,487.0	3,476.3	0.3
thereof prepaid	614.3	594.7	3.3	614.3	594.7	3.3
MoU (per Ø subscriber)	273.4	278.6	-1.9	274.9	274.4	0.2
ARPU (in EUR)	5.4	5.5	-1.7	5.3	5.4	-0.7
Churn (%)	2.0%	2.0%		2.0%	2.1%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs (thousands)	1,002.0	1,025.5	-2.3	1,002.0	1,025.5	-2.3

\*) Including other operating income

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

In the second quarter of 2017, the competitive environment in Bulgaria remained challenging. This was still particularly visible in the business segment, which is improving but still negative in a year-on-year comparison. To counter price pressure, Mobilitel maintained its focus on value-based management and enhanced efforts to retain high-value customers. As a result, the improving trends of total service revenues continued in Q2 2017 which contributed to EBITDA growth compared to Q2 2016 after years of decline. The positive development resulted from slightly reduced repricing in the business mobile segment as well as a stable development in the residential mobile segment. In Q1 2017, Mtel included exclusive sports content into its fixed-line product for new and existing customers. As of Q2 2017, this new content has been charged, which supported the growth in fixed-line service revenues.

Total mobile subscribers rose by 0.7% year-on-year in the second quarter of 2017 mainly due to gains in the prepaid and business segments driven by improved sales performance and better churn management. Smartphone and mobile broadband services continued to grow in Q2 2017 compared to Q2 2016 following the rise in demand for mobile data. Total fixed-line revenue generating units (RGUs) decreased by 2.3% year-

on-year as the growth in broadband and TV could only partly compensate the loss in fixed-line voice services.

Total revenues rose by 3.4% in Q2 2017 compared to the same period last year. This was driven by the increase in equipment revenues due to ongoing high demand for smart devices and increased sales prices due to lower subsidies. Total service revenues increased slightly compared to Q2 2016 and continued to profit from the ongoing focus on value-based management. In the mobile business, the positive trend in the residential market, following successful up- and cross-selling measures, was not able to fully offset the decline in business revenues as well as losses from customer roaming. Fixed-line revenues increased, supported by the launch of the exclusive sport TV package and high demand for fixed-line corporate solutions as well as the growth in satellite TV subscribers.

Average monthly revenue per user (ARPU) declined from EUR 5.5 in the second quarter of 2016 to EUR 5.4 in the quarter under review due to the re-pricing in the business segment and the negative roaming impact. The average monthly revenue per fixed line (ARPL) increased from EUR 10.8 in Q2 2016 to EUR 11.3 in Q2 2017 supported by the newly included exclusive sports content and the upselling of existing subscribers.

ARPL increased in Q2 2017 to  
EUR 11.3

Total costs and expenses rose by 1.1% in a year-on-year comparison. This increase was primarily driven by higher cost of equipment stemming from demand for high-value handsets as well as higher bad debt. In addition, higher workforce costs due to the ongoing push of sales activities were offset by cost efficiencies in other areas.

EBITDA rose by 8.6% due to the modest growth in total service revenues and an improved equipment margin following reduced subsidy levels as well as due to cost efficiencies.

## Segment Croatia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	108.6	105.6	2.9	207.0	198.4	4.3
thereof total service revenues <sup>*)</sup>	96.3	92.4	4.3	183.3	176.3	4.0
Wireless revenues	77.1	75.7	1.8	147.5	142.9	3.2
thereof service revenues	63.5	61.3	3.6	121.4	118.4	2.5
thereof equipment revenues	12.0	12.9	-6.9	23.2	21.8	6.8
Fixed-line and other revenues	31.5	29.9	5.4	59.5	55.5	7.2
EBITDA	25.6	23.7	7.7	46.7	43.1	8.5
% of total revenues	23.5%	22.5%		22.6%	21.7%	
EBIT	3.2	3.5	-10.0	3.7	0.2	n.m.
% of total revenues	2.9%	3.4%		1.8%	0.1%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	1,782.0	1,738.5	2.5	1,782.0	1,738.5	2.5
thereof postpaid	902.9	849.2	6.3	902.9	849.2	6.3
thereof prepaid	879.1	889.3	-1.1	879.1	889.3	-1.1
MoU (per Ø subscriber)	304.3	318.1	-4.3	303.6	307.4	-1.2
ARPU (in EUR)	12.2	11.9	-2.6	11.7	11.5	2.4
Churn (%)	1.8%	2.0%		2.2%	2.2%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs (thousands)	667.2	619.3	7.7	667.2	619.3	7.7

<sup>\*)</sup> Including other operating income

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

The Croatian segment continued to exhibit positive operational trends also in Q2 2017, which were based on the ongoing growth of its fixed-line business and enduring solid mobile trends. Competition continues to be mostly visible in the push for larger data packages, bundles and convergent products. While Vipnet's mobile business profited from the push towards the higher tariff portfolio and mobile WiFi routers, 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 has been further strengthened by the acquisition of Metronet, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.

Mobile subscribers increased by 2.5% year-on-year, with losses in the prepaid segment while the contract subscriber base continued to rise due to the strong growth of mobile WiFi routers as well as the ongoing general shift from prepaid to contract in the market. This led to a value enhancement of the customer base. In the fixed-line business, revenue generating units (RGUs) rose by 7.7% year-on-year (reported: +12.4%), driven by the ongoing high demand for fixed-line broadband products.

Total revenue increase of  
2.9% year-on-year

The second quarter of 2017 saw an increase in total revenues in the Croatian segment of 2.9% (reported: +10.1%) year-on-year. Service revenues increased, mostly driven by the ongoing strong growth in fixed-line

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

RGUs but also due to higher fixed fees in the mobile business. Equipment revenues declined due to a greater share of handsets sold with high subsidies.

Average monthly revenue per user (ARPU) increased to EUR 12.2 in the second quarter of 2017 compared to EUR 11.9 in Q2 2016, as higher revenues from fixed fees outweighed the decline in airtime revenues. Average monthly revenue per fixed line (ARPL) rose on a reported basis from EUR 23.6 in Q2 2016 to EUR 28.3 in Q2 2017 due to the consolidation of Metronet with a higher ARPL. Together with the strong growth in fixed-line RGUs this led to a 33.9% increase in reported ARPL-relevant revenues year-on-year.

In the second quarter of 2017, total costs and expenses rose by 1.4% year-on-year (reported: +6.6%). Expenses in the network engineering technical area increased due to Wifi routers, higher network investments and maintenance. This increase was also due to higher cost of services as fixed access line growth also resulted in a rise in wholesale costs mainly stemming from bitstream access. Sales area costs also rose due to more sales staff and higher commissions.

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

EBITDA increase of 7.7% year-on-year

## Segment Belarus

Key performance indicators

Proforma view

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	101.9	79.8	27.6	194.7	152.3	27.8
thereof total service revenues*)	86.0	67.2	28.0	164.7	126.0	30.7
Wireless revenues	94.5	73.5	28.5	180.2	140.2	28.6
thereof service revenues	73.6	59.6	23.6	141.3	111.6	26.6
thereof equipment revenues	15.9	12.7	25.7	30.0	26.3	14.3
Fixed-line and other revenues	7.4	6.3	17.7	14.5	12.2	19.4
EBITDA	52.2	36.0	44.9	98.1	71.7	36.7
% of total revenues	51.3%	45.2%		50.4%	47.1%	
EBIT	40.1	18.5	117.3	73.7	38.1	93.3
% of total revenues	39.4%	23.1%		37.8%	25.0%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	4,855.9	4,901.1	-0.9	4,855.9	4,901.1	-0.9
thereof postpaid	3,932.3	3,971.6	-1.0	3,932.3	3,971.6	-1.0
thereof prepaid	923.6	929.6	-0.6	923.6	929.6	-0.6
MoU (per Ø subscriber)	423.4	405.6	4.4	410.6	393.8	4.3
ARPU (in EUR)	5.0	4.1	24.5	4.8	3.8	27.6
Churn (%)	1.6%	1.6%		1.7%	1.6%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs (thousands)	300.7	268.3	12.1	300.7	268.3	12.1

\*) Including other operating income

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

In Belarus, strong operational developments continued to face macroeconomic headwinds with a still negative GDP development and significantly lower purchasing power. Nevertheless, the decline in GDP is expected to slow down further to 0.8% for 2017 (IMF estimate; 2016: -3.0%). In this context, the government still maintains its focus on stabilising inflation, which came in at 6.5% in June 2017 and introduced, amongst others, caps on certain price increases.

Despite these challenges, velcom continued to show solid operational results in the second quarter of 2017 and benefits from its ability to position itself as a premium operator based on its superior network quality. With the acquisition of Atlant Telecom and its subsidiary TeleSet, which has been consolidated as of 1 December 2016, velcom has developed from a pure mobile provider into a convergent operator. Moreover, inflation-linked price increases of 9% as of 12 April 2017 were implemented for the mobile business, following a price increase for the fixed-line business as of 1 March 2017.

The company's mobile customer base decreased by 0.9% compared to the previous year. Negative net additions were additionally impacted by an adjustment in the counting logic for unused SIMs. Revenue generating units in the fixed-line business amounted to 300,700 after the acquisition of Atlant Telecom. In Q2 2017, there were 17,400 net adds in the fixed-line business.

**Belarusian Rouble appreciated by 10.2% in Q2 2017 in a year-on-year comparison**

In Q2 2017, the Belarusian Rouble appreciated by 10.2% compared to the same period last year (period average used respectively, in line with IFRS). Including a positive FX effect of EUR 7.7 mn, total revenues grew by 27.6% (reported: +33.9%) year-on-year in Euro terms, while they rose by 18.0% (reported: 23.8%) on a local currency basis. This rise was driven by higher service revenues which profited from inflation-linked price increases and ongoing data growth. Other operating income increased following the commissioning of the solar power plant, which reduced the company's vulnerability to the volatility of FX and energy prices. Equipment revenues also rose on the back of higher prices for handsets.

Total costs and expenses rose on a local currency basis driven by higher cost of equipment and administrative expenses. Cost of equipment increased due to higher purchasing prices, while the rise in administrative expenses was caused by higher bad debts due to worsening customer payment behaviour on the back of dwindling purchasing power.

**EBITDA growth of 34.1% year-on-year in local currency**

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

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<sup>3</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

## Segment Slovenia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	53.5	52.3	2.5	106.4	104.0	2.4
thereof total service revenues*)	43.4	43.1	0.7	86.2	85.0	1.5
Wireless revenues	44.8	44.0	1.8	89.0	87.2	2.0
thereof service revenues	33.7	34.2	-1.3	66.8	66.8	0.1
thereof equipment revenues	10.0	9.0	10.7	20.0	18.7	7.1
Fixed-line and other revenues	8.8	8.3	5.9	17.5	16.8	4.0
EBITDA	10.2	12.6	-19.0	22.3	26.6	-16.1
% of total revenues	19.1%	24.1%		21.0%	25.6%	
EBIT	3.1	5.2	-39.9	6.9	11.7	-41.3
% of total revenues	5.8%	9.9%		6.4%	11.2%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	714.3	714.8	-0.1	714.3	714.8	-0.1
thereof postpaid	604.9	584.4	3.5	604.9	584.4	3.5
thereof prepaid	109.4	130.4	-16.1	109.4	130.4	-16.1
MoU (per Ø subscriber)	346.3	356.7	-2.9	348.5	353.6	-1.4
ARPU (in EUR)	15.7	15.9	-1.2	15.6	15.6	0.0
Churn (%)	1.7%	1.6%		1.7%	1.6%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs (thousands)	177.1	170.7	3.8	177.1	170.7	3.8

\*) Including other operating income

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

In the second quarter of 2017, the Slovenian telecommunications market was still characterised by the fierce competition in the mobile market with a focus on convergent tariffs with high discounts and competitive mobile tariffs including higher data allowances. Additionally, a new MVNO entered the market with aggressive mobile offers. During April 2017, Si.mobil was successfully rebranded into A1 Slovenija. The rebranding affects the entire brand presence in Slovenia and strengthens the positioning in the market as a convergent brand with convergent products after the final integration of the fixed-line operator Amis.

In the second quarter of 2017, the number of mobile customers remained stable (-0.1%), as losses in the prepaid segment were outweighed by a campaign-driven increasing number of postpaid subscribers. Total fixed-line revenue generating units (RGUs) increased by 3.8% year-on-year in the second quarter of 2017, mainly driven by higher demand for IPTV.

**RGUs increased by 3.8% year-on-year in Slovenia**

Total revenues in Slovenia rose by 2.5% year-on-year, primarily driven by equipment revenues on the back of higher sales prices due to higher value handsets. Fixed-line service revenues increased due to price adjustments for all tariffs as of 1 March 2017 and RGU growth. Mobile service revenues decreased as higher monthly mobile fees could only partly offset the decrease in airtime revenues and lower customer roaming revenues due to the stepwise abolition of retail roaming in the EU.

Total costs and expenses increased by 9.3% year-on-year, mainly driven by higher costs such as for equipment due to a shift towards higher value handsets. Content costs rose following more TV RGUs and price

increases for TV rights. Advertising costs grew due to the above-mentioned rebranding, while the increase in employee costs was driven by the sales push.

Higher revenues in the Slovenian segment were more than outweighed by higher equipment costs and costs from rebranding activities which led to an EBITDA decline of 19.0%.

### Segment Republic of Serbia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	54.2	52.7	2.8	105.2	105.0	0.1
thereof total service revenues*)	36.6	38.2	-4.0	70.2	75.6	-7.2
Wireless revenues	52.7	50.9	3.4	102.4	101.4	1.0
thereof service revenues	34.0	35.5	-4.0	65.1	70.2	-7.3
thereof equipment revenues	17.5	14.5	20.6	34.9	29.4	18.8
EBITDA	9.1	9.5	-4.3	16.8	19.0	-11.2
% of total revenues	16.9%	18.1%		16.0%	18.1%	
EBIT	-2.0	-1.5	-37.3	-5.4	-4.4	-22.0
% of total revenues	-3.7%	-2.8%		-5.1%	-4.2%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	2,158.7	2,054.7	5.1	2,158.7	2,054.7	5.1
thereof postpaid	1,271.9	1,195.0	6.4	1,271.9	1,195.0	6.4
thereof prepaid	886.8	859.6	3.2	886.8	859.6	3.2
MoU (per Ø subscriber)	278.2	273.3	1.8	271.4	271.2	0.0
ARPU (in EUR)	5.3	5.7	-8.2	5.0	5.6	-10.4
Churn (%)	2.9%	3.1%		3.0%	3.4%	

\*) Including other operating income

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

Vip mobile continued its focus on the repositioning with the introduction of flat tariffs for voice and SMS to address the highly competitive market with its aggressive convergent offers including high discounts. Additionally, results were impacted by regulatory headwinds due to termination rate cuts.

Compared to the same period last year, the contract share increased further from 58.2% in Q2 2016 to 58.9% in Q2 2017. Total subscribers increased by 5.1% year-on-year, largely driven by the postpaid segment.

**Total revenues increased by 2.8% year-on-year.**

In Q2 2017, total revenues increased by 2.8% year-on-year as higher equipment revenues more than offset the decline in mobile service revenues. The latter declined mostly due to lower interconnection revenues resulting from termination rate cuts in May 2016 and January 2017. Excluding these cuts, mobile service revenues would have been higher due to higher retail service revenues. Equipment revenues rose due to more quantities sold at higher sales prices.

Total costs and expenses rose by 4.3% year-on-year in the second quarter of 2017 mostly due to investments in the market concerning vip mobile's repositioning and due to sales initiatives. This continued to be reflected by higher cost of equipment resulting from higher quantities sold and higher average purchase prices. Furthermore, workforce costs due to a higher number of FTEs as well as advertising expenses also



rose. These increases were partly compensated by lower interconnection expenses due to the above-mentioned termination rate cuts.

EBITDA in the Republic of Serbia declined by 4.3% year-on-year as the rise in revenues driven by equipment revenues was more than offset by increased costs related to the repositioning of the company as well as additional sales initiatives.

### Segment Republic of Macedonia

Key performance indicators

Proforma view (= Reported view)

Financials

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Total revenues	28.0	29.1	-3.8	55.3	58.2	-5.0
thereof total service revenues*)	26.6	27.9	-4.9	52.3	55.6	-5.8
Wireless revenues	21.5	22.3	-3.5	42.3	44.3	-4.5
thereof service revenues	20.0	20.8	-4.1	39.1	41.0	-4.5
thereof equipment revenues	1.4	1.1	24.4	2.8	2.6	10.5
Fixed-line and other revenues	6.5	6.8	-4.7	13.0	13.9	-6.5
EBITDA	8.2	6.9	19.5	14.2	13.0	8.8
% of total revenues	29.4%	23.7%		25.6%	22.4%	
EBIT	0.5	-4.7	n.m.	-5.3	-16.2	n.m.
% of total revenues	1.7%	-16.3%		-9.6%	-27.9%	

Wireless indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
Wireless subscribers (thousands)	1,088.3	1,131.7	-3.8	1,088.3	1,131.7	-3.8
thereof postpaid	644.5	630.9	2.2	644.5	630.9	2.2
thereof prepaid	443.8	500.8	-11.4	443.8	500.8	-11.4
MoU (per Ø subscriber)	379.7	391.3	-3.0	390.0	386.7	0.9
ARPU (in EUR)	6.1	6.1	-1.0	5.9	6.0	-0.7
Churn (%)	2.3%	2.2%		2.0%	2.3%	

Wireline indicators	Q2 2017 reported	Q2 2016 proforma	% change	1-6 M 2017 reported	1-6 M 2016 proforma	% change
RGUs (thousands)	316.9	305.7	3.7	316.9	305.7	3.7

\*) Including other operating income

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

The development in the Macedonian segment remained driven by high competition in the mobile market as well as regulatory decisions. Both the consumer and business segments face a fierce competitive environment, also driven by an MVNO which was launched in July 2016. In the fixed-line market, customers are leaning towards multiple-play offers rather than maintaining multiple single-play subscriptions, which increases the competitive advantage of convergent operators. At the same time, TV content quality becomes a more dominant topic in the market.

one.Vip's customer base declined by 3.8% year-on-year in the second quarter of 2017 as customers continued to move from multiple prepaid to single contract subscriptions. In the fixed-line business, the number of revenue generating units (RGU) increased by 3.7% compared to the previous year.

Total revenues decreased by 3.8% year-on-year mainly due to a decline in interconnection revenues in both the mobile and the fixed-line business. In the mobile business, this results from a mobile termination rate cut in December 2016 and lower international traffic revenues, while interconnection revenues in the fixed-line business declined due to reduced international traffic and transit revenues.

Total costs and expenses fell by 11.0% in a year-on-year comparison, mainly driven by lower interconnection expenses and savings in the cost of equipment due to a volume discount on handsets as well as cost synergies deriving from the merger with ONE.

EBITDA grew by 19.5% in Q2  
2017

In the Republic of Macedonia, the equipment margin improvement and cost efficiencies drove EBITDA growth of 19.5% year-on-year.

## Year-To-Date-Comparison

### Summary

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

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

- > The acquisition of the fixed-line operator Metronet in Croatia, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.
- > The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.
- > One-off effects included in the first half of 2017:
  - o A positive one-off effect in Austria in the amount of EUR 10.6 mn in Q1 2017 in fixed-line and other revenues (in solutions & connectivity) stemming from the reversal of an accrual for wholesale services.
  - o A positive one-off effect of EUR 3.6 mn in the Austrian segment in Q1 2017 in other operating income, stemming from a release of an asset retirement obligation.
- > One-off effects included in the first half of 2016:
  - > A positive EUR 7.0 mn one-off effect in Austria in cost of equipment in Q1 2016, stemming from the harmonisation of value adjustments for handsets.
- > EBITDA growth in Austria was supported by some project-driven revenue contributions in Q2 2017 which cannot be extrapolated for the rest of the financial year 2017 as well as some non-cash relevant items in Q2 2017.
- > Total positive FX effects amounting to EUR 20.7 mn for total revenues and EUR 9.7 mn for EBITDA in the first half of 2017, stemming almost entirely from Belarus.

In the first half of 2017, Telekom Austria Group saw an increase in the mobile subscriber base of 1.0%. The number of revenue generating units (RGUs) of the Group was almost stable (-0.1% year-on-year; reported: +5.2%).

Mobile customer base increased by 1.0%

### Revenues

In the first half of 2017, group total revenues increased by 4.0% year-on-year on a proforma basis (reported: +5.0%). Excluding one-off and FX effects in the first half of 2017 and in the comparison period, revenues grew by 2.3% (reported: +3.3%). Total revenue growth was driven by the strong operational performance in Belarus, as well as higher total revenues in Austria, Croatia, Bulgaria and Slovenia. These increases were only partly offset by lower total revenues in the Republic of Macedonia. In total, Group service revenues increased by 3.3% (reported: +4.3%) and rose by 2.5% (reported: 3.6%) excluding the above-mentioned one-off effects.

Group total revenues rose by 4.0% year-on-year (reported: +5.0%)

<sup>4</sup> Proforma figures include effects of M&A transactions executed between the start of the comparison period and the end of the reporting period.

Negative effects stemming from the stepwise abolition of retail roaming in the EU as of 30 April 2016 and 15 June 2017 came in slightly lower than expected and derive mostly from Austria, with further impacts in Slovenia and Bulgaria. The deviations do not affect the expectation of roaming losses for the second half of the year, which remains the same.

Total revenues in the Austrian segment increased by 2.2% year-on-year in the first half of 2017, including the above-mentioned positive one-off effects in the total amount of EUR 14.2 mn in Q1 2017. Excluding these effects, total revenues rose by 1.1%. Higher fixed-line and other revenues rose partly due to project-driven contributions from solutions and connectivity as well as higher interconnection revenues and outweighed losses in wireless service revenues which suffered from roaming losses and a decline in the pre-paid segment.

In the Bulgarian segment, total revenues rose by 5.0% in the first half of 2017 compared to the same period last year and were entirely driven by the increase in equipment revenues. Total service revenues remained stable (-0.3%), as higher fixed-line service revenues compensated for lower mobile service revenues. Total revenues in the Croatian segment rose by 4.3% year-on-year (reported: +10.6%) and continued to profit especially from strong growth in the fixed-line business as well as a continuing solid performance in the mobile business. Additionally, reported fixed-line revenues in the Croatian segment benefitted from the acquisition of Metronet in Q1 2017.

Total revenues in the Belarusian segment increased by 27.8% year-on-year (reported: +34.3%), driven by continuing solid operational growth on the back of inflation-linked price increases and strong demand for data as well as the supportive FX development in the first half of 2017. The Belarusian rouble appreciated by 10.2% compared to the same period last year. Total revenues still rose by 16.0% on a local currency basis (reported: +21.9%).

In the Slovenian segment, total revenues increased by 2.4% year-on-year, driven by higher mobile equipment revenues as well as increased fixed-line service revenues while competition in the mobile business remained fierce. Total revenues in the Serbian segment remained stable (+0.1%) as lower mobile service revenues were offset by higher equipment revenues. In the Republic of Macedonia, total revenues decreased by 5.0% year-on-year, mostly due to a decline in interconnection revenues, mainly stemming from a termination rate cut.

### Total Costs and Expenses

Group total costs and expenses increased by 4.0% year-on-year to EUR 1,443.0 mn in the first half of 2017 (reported: +4.8%). Investments in high-value customers led to a rise in cost of equipment and higher sales area costs. The cost of service increased, amongst others, due to network engineering costs, while RGU growth drove content and bitstream costs higher.

Additionally, a EUR 7.0 mn positive one-off effect in Austria in the Q1 2016 comparison period, stemming from the harmonisation of value adjustments for handsets, negatively impacted the year-on-year change in costs and expenses. Excluding this one-off effect, group total costs and expenses rose by 3.4% (reported: +4.3%).

### EBITDA

Group EBITDA increased by 4.2% year-on-year to EUR 698.9mn in the first half of 2017 (reported: +5.3%). Excluding one-off and FX effects Group EBITDA increased by 1.7% (reported: 2.8%), as higher total revenues more than compensated the above-mentioned increase in costs.

In the Austrian segment, EBITDA increased by 3.0% in the first half of 2017. Adjusted for the above mentioned one-off effects in total revenues and costs, EBITDA grew by 1.4% in a year-on-year comparison. Costs and expenses in the Austrian segment increased by 1.8% year-on-year in the first half of 2017, driven by higher interconnection expenses due to a changed settlement logic and increased volumes as well as reve-

Group EBITDA increase of  
4.2% year-on-year  
(reported: +5.3%)

nue growth-related cost of services. These increases were partly compensated by lower administration expenses due lower workforce costs. Adjusted for the above mentioned one-off effect in Q1 2016 cost of equipment was below prior year's level, mainly due to lower sold quantities of mobile devices. On a reported basis cost of equipment rose. Overall, the increase in revenues more than compensated for the increase in costs, partly helped by some project-driven contribution in Q2 2017 in revenues and reversal of accruals which cannot be extrapolated for the rest of the financial year 2017. Excluding these effects as well as the above-mentioned one-off effects, EBITDA was growing.

In the Bulgarian segment, increased total revenues were more than offset by higher costs and expenses which resulted in an EBITDA decline of 4.3% in the first half of 2017. The increase in total costs and expenses was almost entirely driven by higher cost of equipment following increased sales of smart devices. Furthermore, higher sales area costs and increased bad debts were partly compensated by a decrease in interconnection costs and network maintenance.

In the Croatian segment, the increase in total revenues more than outweighed higher total costs and expenses which led to 8.5% year-on-year growth in EBITDA (reported: +22.2%). Total costs and expenses increased by 3.2% (reported: +7.6%) and were driven by intensified sales initiatives as well as costs related to the growth in RGUs.

EBITDA increase of 8.5%  
(reported: +22.5%) in Croatia

In the Belarusian segment, EBITDA rose by 24.1% (reported: +28.0%) on a local currency basis in the first half of 2017 compared to the same period last year, as the increase in total revenues more than offset higher total costs and expenses which increased by 8.8% (reported: +16.2%) on a local currency basis. The increase resulted mostly from higher employee costs due to inflation-linked salary increases as well as higher bad debt and corporate network expenses. In Euro terms, EBITDA increased by 36.7% (reported: +41.1%), including a positive FX translation effect of EUR 9.1 mn.

EBITDA in Slovenia declined by 16.1% year-on-year as the increase in total costs and expenses more than outweighed the increase in total revenues. Total costs and expenses rose by 8.7%, driven by higher costs for content due to the RGU growth and higher equipment costs as well as rising costs for employees due to rising FTE numbers in the customer service and sales area. Furthermore, costs increased due to the rebranding.

In the Republic of Serbia, stable total revenues and an increase in total costs and expenses led to a decline in EBITDA of 11.2%. Total costs and expenses increased by 2.6% year-on-year in the first half of 2017. This development was mostly driven by increased costs related to the repositioning of the company as well as additional sales initiatives.

In the Republic of Macedonia, EBITDA showed 8.8% year-on-year growth as 9.0% lower total costs and expenses more than compensated the total revenue decline. The savings in total costs and expenses were driven by lower interconnection expenses due to termination rate cuts as well as savings in technical and sales area costs due to cost synergies following the merger with ONE.

## Operating Income

Depreciation and amortisation declined by 2.0% to EUR 425.9mn in the first half of 2017 in a year-on-year comparison (reported: -1.4%), mainly due to decreases in the Republic of Macedonia and Belarus which were only partly offset by higher depreciation in Bulgaria and Croatia. The decrease in Austria was related to the depreciation of equipment in Q2 2016 related to intercompany transactions and therefore was eliminated and did not affect numbers on a Group level. Altogether, this led to an increase in operating income of 15.7% year-on-year to EUR 272.9 mn (reported: +17.8%).

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

Reported net result of  
EUR 208.9 mn

## Consolidated Net Result

The negative financial result decreased from EUR 48.8 mn in the first half of 2016 to EUR 44.3 mn in the year under review, mainly resulting from lower interest expenses on financial liabilities as a consequence of the repayment of a EUR 500 mn bond. Income taxes increased by 1.3% year-on-year to EUR 19.7 mn. In total, the reported net result increased by 27.9% to EUR 208.9 mn in the first half of 2017.

## Balance Sheet

Balance sheet

Reported view

in EUR million	30 Jun 2017 reported	31 Dez 2016 reported	% change		30 Jun 2017 reported	31 Dez 2016 reported	% change
Cash, cash equivalents & other							
short term investments	53.7	464.2	-88.4	Short-term debt*	197.9	500.1	-60.4
Accounts receivable	698.7	636.5	9.8	Accounts payable	827.6	852.6	-2.9
Other current assets	258.4	255.7	1.0	Other current liabilities	479.7	495.1	-3.1
Inventories	90.6	82.5	9.9	<b>Current liabilities</b>	<b>1,505.2</b>	<b>1,847.8</b>	<b>-18.5</b>
<b>Current assets</b>	<b>1,101.4</b>	<b>1,438.9</b>	<b>-23.5</b>				
Property, plant & equipment	2,584.0	2,550.8	1.3	Long-term debt	2,283.4	2,303.5	-0.9
Intangibles	2,265.0	2,321.4	-2.4	Other liabilities	1,010.5	1,021.2	-1.0
Goodwill	1,263.1	1,241.8	1.7	<b>Non current liabilities</b>	<b>3,293.9</b>	<b>3,324.7</b>	<b>-0.9</b>
Investments in affiliates & long-term investments	43.5	49.2	-11.6				
Other non-current assets	343.4	341.2	0.7	Shareholder's equity	<b>2,801.3</b>	<b>2,770.7</b>	<b>1.1</b>
<b>Non current assets</b>	<b>6,499.0</b>	<b>6,504.3</b>	<b>-0.1</b>				
<b>Total assets</b>	<b>7,600.4</b>	<b>7,943.2</b>	<b>-4.3</b>	<b>Total liabilities and equity</b>	<b>7,600.4</b>	<b>7,943.2</b>	<b>-4.3</b>

\*) Includes current portion of long term debt.

As of 30 June 2017, the balance sheet total declined by 4.3% to EUR 7,600.4 mn compared with EUR 7,943.2 mn as of 31 December 2016.

Current assets fell by 23.5% to EUR 1,101.4 mn in the reported period resulting from the reduction in cash and cash equivalents which was partly offset by an increase in accounts receivables. This was primarily driven by the repayment of a EUR 500 mn bond on 27 January 2017, partially offset by the drawing of commercial papers and credit lines.

Non-current assets remained stable at EUR 6,499.0 mn (-0.1%) as the growth in property, plant and equipment as well as in goodwill was offset by the reduction in other intangible assets. The increase in goodwill as well as in property, plant and equipment was above all attributable to the acquisition of Metronet in Croatia. The increase in property, plant and equipment was also impacted by the fibre rollout in Austria. The reduction in other intangible assets resulted from the amortisation of licences and software which was partly compensated by the increase of intangible assets due to the acquisition of Metronet and a new IRU (Indefeasible Rights of Use) contract in Slovenia.

Current liabilities decreased by 18.5% to EUR 1,505.2 mn in the reporting period, primarily as a result of the aforementioned repayment of the Eurobond which was partly offset by the drawing of commercial papers and credit lines. Accounts payable also decreased mainly due to payments for capital expenditures from the previous year.

Non-current liabilities declined slightly by 0.9% to EUR 3,293.9 mn in the reported period. Non-current provisions declined, mainly driven by payments for restructuring and social plans which were only partly offset by an increase in asset retirement obligation. Long-term debt decreased due to the early redemption

of a loan. These declines were only partly offset by higher employee benefit obligations and higher other non-current liabilities due to the purchase of an IRU contract in Slovenia which will be paid in instalments.

The rise in stockholder's equity from EUR 2,770.7 mn to EUR 2,801.3 mn was driven by higher retained earnings as the net result outweighed the dividend and hybrid coupon payments. This increase was partly reduced by the decrease in other comprehensive income (loss) items stemming from FX translation effects. The equity ratio increased from 34.9% as of 31 December 2016 to 36.9% as of 30 June 2017.

## Net Debt

Net debt

Reported

in EUR million	30 Jun 2017 reported	31 Dez 2016 reported	% change
Net debt	2,427.6	2,339.4	3.8
Net Debt / EBITDA (12 months)	1.7x	1.7x	

Telekom Austria Group's net debt increased by 3.8% to EUR 2,427.6 mn in the reported period as the dividend payments and the outflow from the acquisition of Metronet could not be fully covered by the free cash flow. Combined with a higher EBITDA, this resulted in a stable net debt to EBITDA ratio of 1.7x as of 30 June 2017.

## Cash Flow

Cash flow

Reported

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change
Earnings before income tax (EBT)	228.6	182.9	25.0
Net cash flow from operating activities	576.1	562.3	2.5
Net cash flow from investing activities	-438.2	-400.8	-9.3
Net cash flow from financing activities	-548.1	-930.8	41.1
Net change in cash and cash equivalents	-411.2	-771.9	46.7
Adjustment to cash flows due to exchange rate fluctuations	-0.9	-2.5	61.7

Earnings before income tax (EBT) rose by 25.0% year-on-year to EUR 228.6 mn. Additional needs for working capital in the first half of 2017 in the amount of EUR 123.8 mn were to a large extent driven by the payments for restructuring and increased accounts receivables which rose mainly due to a shift of billing and payment cycles. Furthermore, prepaid expenses due to payments for site rentals and frequency fees as well as an increase in inventories also contributed to the change in working capital. All in all, this resulted in an increase in net cash flow from operating activities of 2.5% year-on-year to EUR 576.1 mn.

Net cash flow from investing activities rose by 9.3% to EUR 438.2 mn in the reporting period as the impact from the acquisition of Metronet was only partly compensated by a decrease in capital expenditures paid. The latter declined compared to the same period last year as in the first half of 2016 capital expenditures paid included substantial payments for capital expenditures from 2015, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities decreased from EUR -930.8 mn in the first half of 2016 by 41.1% to EUR -548.1 mn in the reported period. This was driven by the principal payments on long-term debt with a EUR 500 mn bond maturing in Q1 2017 and a EUR 750 mn bond in Q1 2016. The payment for the bond in Q1 2017 was partly mitigated by higher short-term borrowings due to the above-mentioned drawing of commercial papers and credit lines as well as lower interest paid. The dividend and hybrid coupon payments increased from EUR 67.1 mn in the first half of 2016 to EUR 166.7 mn in the first half of 2017 due to the increase in the dividend from EUR 0.05 to EUR 0.20 per share.

Overall, this resulted in a decrease in cash and cash equivalents of EUR 411.2 mn in the reported period compared to a decrease of EUR 771.9 mn in the previous year.

Free cash flow, which is calculated as net cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of equipment, increased from EUR 51.6 mn in the previous year to EUR 151.9 mn in the reported period. This was mainly attributable to the lower levels of interest paid and of capital expenditures paid, while the higher net cash flow from operating activities also supported the increase in the free cash flow.

### Capital Expenditures

In the first half of 2017, capital expenditures increased by 3.1% year-on-year to EUR 351.3 mn. This was driven by higher investments in Austria, Slovenia, Croatia, the Republic of Serbia and Bulgaria which could only be partly offset by lower capital expenditures in Belarus and the Republic of Macedonia.

Tangible capital expenditures declined by 4.2% in the first half of 2017 to EUR 277.0 mn, as higher investments in Austria, Croatia, Bulgaria and the Republic of Serbia were more than outweighed by lower tangible CAPEX in Belarus and the Republic of Macedonia. The increase in Austria in tangible capital expenditures resulted from higher investments in both the fibre and the LTE roll-out as well as the construction of a data-centre. In Belarus, tangible CAPEX declined compared to the first half of 2016 as last year's comparison period was affected by the solar power plant project.

The increase in intangible capital expenditures to EUR 74.2 mn (1-6M 2016: EUR 51.6 mn) was mainly driven by the capitalisation of a long-term IRU (Indefeasible Rights of Use) contract for fibre-optic lines in Slovenia as well as higher investments in Austria, the Republic of Serbia and Croatia.

### Personnel

Personnel (full-time equivalent)

Reported	1-6 M 2017 reported	1-6 M 2016 reported	% change
<u>Average of period</u>			
Austria	8,285	8,468	-2.2
International operations	10,059	8,971	12.1
Corporate & other	256	216	18.5
<b>Total</b>	<b>18,600</b>	<b>17,655</b>	<b>5.4</b>

Personnel (full-time equivalent)

Reported	30 Jun 2017 reported	30 Jun 2016 reported	% change
<u>End of period</u>			
Austria	8,274	8,464	-2.2
International operations	10,050	8,978	11.9
Corporate & other	256	218	17.6
<b>Total</b>	<b>18,580</b>	<b>17,660</b>	<b>5.2</b>

M&A drove the increase in International Operations' headcount

Telekom Austria Group had 18,580 employees at the end of Q2 2017. The 5.2% year-on-year growth resulted mainly from M&A activities. Headcount in the Austrian segment was reduced by 2.2% to 8,274 employees as part of restructuring measures. Around 47% of existing employees have civil servant status. The segments outside of Austria saw an increase of 11.9% to 10,050 employees with rising headcount across all countries except from the Republic of Macedonia, which was mainly driven by M&A as well as higher salesforce numbers.



## Outlook

### Telekom Austria Group outlook for the full year 2017

In the first half of 2017, Telekom Austria Group managed to increase revenues and EBITDA with a focus on high-value customers and attractive fixed-line propositions. Nevertheless, most of the Group's mobile markets continued to be characterised by intense competition, partly resulting from ongoing macroeconomic headwinds, which however, continued to flatten out a bit in some segments. Also, results in the first half of 2017 were supported by a 10.2% appreciation of the Belarusian Rouble versus the EUR, and cost efficiencies which allowed to translate service revenue growth into EBITDA increase. Results were negatively affected by regulatory headwinds, especially from the stepwise abolition of retail roaming in the EU as of 30 April 2016 and 15 June 2017. Nevertheless, the roaming impact came in slightly lower than expected. EBITDA growth was also supported from project-driven revenue contribution in Austria as well as higher-than-usual non-cash relevant items.

For the remaining months of 2017, most of these business conditions are expected to remain intact. In Austria, strong competition in the mobile market will persist and is anticipated to remain. The project-driven revenue contribution in the second quarter of the year cannot be extrapolated to the rest of the financial year. In the CEE region, a mixed economic forecast is expected to lend only weak support while high competition on the mobile markets is anticipated to remain. Moreover, operational improvements continue to be overshadowed by negative impacts from the abolition of roaming, which are expected to amount to approximately EUR 35 mn in Group EBITDA in 2017. The lower than expected loss in roaming does not affect the expectation for the losses in the second half of the year which remains the same.

On a positive note, demand for fixed-line services is expected to remain supportive across Telekom Austria Group's convergent markets with additional support from acquisitions of fixed-service providers in Croatia and Belarus in February 2017 and December 2016 respectively.

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

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

For the year 2017, the Management of Telekom Austria Group aims to more than offset the negative roaming impact and is confident that the result of the first half will support the Management's expectation of achieving modest growth in Group revenues (on a reported basis).

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

On 22 July 2016, América Móvil and Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) agreed on a new expected dividend level starting with the financial year 2016. This decision was 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. For the financial year 2017, Management intends to propose again a dividend of EUR 0.20 per share to the Annual General Meeting in 2018.

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 by approximately 0-5% versus the EUR (period average) in 2017.

With regards to frequencies, the government of Belarus is expected to sell spectrum in the 2,100 MHz band. Moreover, there might be some tenders in Bulgaria for frequencies in the 800 MHz and 1,800 MHz bands as well as in Slovenia for 3,500 MHz and 10-12 GHz bands. In the Republic of Macedonia, NRA announced that tenders for 2x10MHz on 900 MHz band and 2x10MHz on 1800 MHz band will be published in 2017, but the procedure has not yet started.

Please note that this is a list of expected spectrum awards procedures. Whether Telekom Austria Group is planning and sees a need to participate and acquire spectrum in the above-mentioned procedures the Group is not permitted to comment on.

## 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 2016, pp. 74 ff.

### Waiver of Review

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

### Other

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

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

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

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

## Reconciliation tables – Proforma values and additional performance measures

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

### ARPL (reported)

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

ARPL-relevant revenues (in EUR million)	Q2 2017 reported	Q2 2016 reported	% change
Austria	186.5	186.9	-0.2
Bulgaria	18.3	17.6	4.0
Croatia	26.0	19.4	33.9
Belarus	4.5	n.a.	n.a.
Slovenia	7.5	7.7	-3.5
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	5.3	5.3	0.5

Access lines (in '000)	Q2 2017 reported	Q2 2016 reported	% change
Austria	2,160.2	2,216.1	-2.5
Bulgaria	535.6	544.8	-1.7
Croatia	305.3	277.0	10.2
Belarus	179.3	n.a.	n.a.
Slovenia	70.5	71.8	-1.8
Republic of Serbia	n.a.	n.a.	n.a.
Republic of Macedonia	143.5	141.4	1.5

### ARPU (proforma)

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

### Free Cashflow (reported)

(in EUR million)	1-6 M 2017 reported	1-6 M 2016 reported	% change
Net cash flow from operating activities	576.1	562.3	2.5
Capital expenditures paid	-378.2	-416.9	9.3
Proceeds from sale of plant, property and equipment	10.1	12.1	-16.5
Interest paid	-56.1	-105.9	47.0
<b>Free cash flow</b>	<b>151.9</b>	<b>51.6</b>	<b>194.5</b>

**Belarus Key Financials in EUR und BYN**

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

in EUR million	Q2 2017 reported	Q2 2016 reported	% change
Total revenues	101.9	76.1	33.9
Total costs and expenditures	-49.6	-41.1	-20.7
EBITDA	52.2	35.0	49.4

in BYN million	Q2 2017 reported	Q2 2016 reported	% change
Total revenues	210.3	170.0	23.8
Total costs and expenditures	-102.5	-92.0	-11.5
EBITDA	107.8	78.0	38.2

in EUR million	Q2 2017 reported	Q2 2016 proforma	% change
Total revenues	101.9	79.8	27.6
Total costs and expenditures	-49.6	-43.8	-13.4
EBITDA	52.2	36.0	44.9

in BYN million	Q2 2017 reported	Q2 2016 proforma	% change
Total revenues	210.3	178.3	18.0
Total costs and expenditures	-102.5	-97.9	-4.8
EBITDA	107.8	80.4	34.1

## Proforma and reported results

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

- > The acquisition of the fixed-line operator Metronet in Croatia, which was closed on 15 February 2017. The company has been consolidated as of 1 February 2017.
- > The acquisition of the fixed-line provider Atlant Telecom and its subsidiary TeleSet in Belarus, consolidated as of 1 December 2016.

### Group Overview – Second Quarter of 2017

Key performance indicators

in EUR million	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	1,082.9	1,030.7	5.1	1,041.2	4.0	10.6
thereof total service revenues*)	966.4	929.2	4.0	939.8	2.8	10.6
Wireless revenues	663.2	646.9	2.5	646.9	2.5	0.0
thereof service revenues	536.1	531.9	0.8	531.9	0.8	0.0
thereof equipment revenues	105.2	94.3	11.6	94.3	11.6	0.0
Fixed-line and other revenues	419.7	383.8	9.4	394.3	6.5	10.5
EBITDA	359.3	329.3	9.1	333.3	7.8	4.0
% total revenues	33.2%	31.9%		32.0%		
EBIT	146.5	114.5	27.9	116.4	25.8	1.9
% total revenues	13.5%	11.1%		11.2%		

Wireline indicators	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	5,899.0	5,608.7	5.2	5,902.6	-0.1	293.9

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&A transactions only comprise the fixed-line business.

### Group Overview – First Half of 2017

Key performance indicators

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	2,141.9	2,040.1	5.0	2,058.7	4.0	18.7
thereof total service revenues*)	1,922.5	1,842.7	4.3	1,861.3	3.3	18.6
Wireless revenues	1,307.2	1,275.7	2.5	1,275.8	2.5	0.1
thereof service revenues	1,060.2	1,051.8	0.8	1,051.7	0.8	0.0
thereof equipment revenues	201.8	184.2	9.6	184.2	9.6	0.0
Fixed-line and other revenues	834.6	764.4	9.2	783.0	6.6	18.6
EBITDA	698.9	663.6	5.3	670.7	4.2	7.1
% total revenues	32.6%	32.5%		32.6%		
EBIT	272.9	231.7	17.8	235.9	15.7	4.2
% total revenues	12.7%	11.4%		11.5%		

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&A transactions only comprise the fixed-line business.

## Revenues

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	1,290.7	1,262.9	2.2	1,262.9	2.2	0.0
Bulgaria	206.8	196.9	5.0	196.9	5.0	0.0
Croatia	207.0	187.1	10.6	198.4	4.3	11.3
Belarus	194.7	145.0	34.3	152.3	27.8	7.4
Slovenia	106.4	104.0	2.4	104.0	2.4	0.0
Republic of Serbia	105.2	105.0	0.1	105.0	0.1	0.0
Republic of Macedonia	55.3	58.2	-5.0	58.2	-5.0	0.0
Corporate & other, eliminations	-24.3	-19.1	-27.3	-19.1	-27.3	0.0
<b>Total revenues</b>	<b>2,141.9</b>	<b>2,040.1</b>	<b>5.0</b>	<b>2,058.7</b>	<b>4.0</b>	<b>18.7</b>

## EBITDA

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	458.1	444.6	3.0	444.6	3.0	0.0
Bulgaria	61.6	64.3	-4.3	64.3	-4.3	0.0
Croatia	46.7	38.2	22.2	43.1	8.5	4.8
Belarus	98.1	69.5	41.1	71.7	36.7	2.2
Slovenia	22.3	26.6	-16.1	26.6	-16.1	0.0
Republic of Serbia	16.8	19.0	-11.2	19.0	-11.2	0.0
Republic of Macedonia	14.2	13.0	8.8	13.0	8.8	0.0
Corporate & other, eliminations	-19.0	-11.7	-61.9	-11.7	-61.9	0.0
<b>Total EBITDA</b>	<b>698.9</b>	<b>663.6</b>	<b>5.3</b>	<b>670.7</b>	<b>4.2</b>	<b>7.1</b>

## Depreciation and Amortisation

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	240.6	251.9	-4.5	251.9	-4.5	0.0
Bulgaria	59.4	51.1	16.4	51.1	16.4	0.0
Croatia	43.0	40.8	5.3	42.9	0.3	2.1
Belarus	24.4	32.8	-25.6	33.6	-27.5	0.8
Slovenia	15.5	15.0	3.5	15.0	3.5	0.0
Republic of Serbia	22.2	23.4	-5.0	23.4	-5.0	0.0
Republic of Macedonia	19.5	29.2	-33.3	29.2	-33.3	0.0
Corporate & other, eliminations	1.3	-12.3	n.m.	-12.3	n.m.	0.0
<b>Total D&amp;A</b>	<b>425.9</b>	<b>431.9</b>	<b>-1.4</b>	<b>434.8</b>	<b>-2.0</b>	<b>2.9</b>

**EBIT**

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	217.5	192.7	12.9	192.7	12.9	0.0
Bulgaria	2.2	13.3	-83.6	13.3	-83.6	0.0
Croatia	3.7	-2.6	n.m.	0.2	n.m.	2.8
Belarus	73.7	36.7	100.6	38.1	93.3	1.4
Slovenia	6.9	11.7	-41.3	11.7	-41.3	0.0
Republic of Serbia	-5.4	-4.4	-22.0	-4.4	-22.0	0.0
Republic of Macedonia	-5.3	-16.2	67.2	-16.2	67.2	0.0
Corporate & other, eliminations	-20.3	0.6	n.m.	0.6	n.m.	0.0
<b>Total EBIT</b>	<b>272.9</b>	<b>231.7</b>	<b>17.8</b>	<b>235.9</b>	<b>15.7</b>	<b>4.2</b>

**Capital Expenditures<sup>\*)</sup>**

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Austria	218.7	195.7	11.7	195.7	11.7	0.0
Bulgaria	39.9	35.3	13.0	35.3	13.0	0.0
Croatia	37.2	30.4	22.2	32.6	14.0	2.2
Belarus	14.3	42.1	-66.0	43.3	-66.9	1.1
Slovenia	26.3	11.1	136.4	11.1	136.4	0.0
Republic of Serbia	15.7	10.9	44.1	10.9	44.1	0.0
Republic of Macedonia	5.6	18.0	-69.1	18.0	-69.1	0.0
Corporate & other, eliminations	-6.4	-2.8	-130.3	-2.8	-130.3	0.0
<b>Total capital expenditures</b>	<b>351.3</b>	<b>340.8</b>	<b>3.1</b>	<b>344.2</b>	<b>2.1</b>	<b>3.3</b>

<sup>\*)</sup> Additions to property, plant and equipment and intangible assets, excluding asset retirement obligations

**Capital Expenditures – Tangible**

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change
Austria	185.9	166.2	11.8
Bulgaria	26.7	23.0	16.2
Croatia	33.5	29.0	15.6
Belarus	12.2	39.4	-69.1
Slovenia	6.9	7.4	-6.5
Republic of Serbia	12.0	10.0	20.4
Republic of Macedonia	4.7	16.9	-72.1
Corporate & other, eliminations	-5.0	-2.7	-81.6
<b>Total capital expenditures - tangible</b>	<b>277.0</b>	<b>289.2</b>	<b>-4.2</b>



**Capital Expenditures – Intangible**

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change
Austria	32.8	29.5	11.2
Bulgaria	13.2	12.3	7.0
Croatia	3.7	1.4	156.6
Belarus	2.1	2.7	-20.2
Slovenia	19.4	3.7	n.m.
Republic of Serbia	3.7	0.9	n.m.
Republic of Macedonia	0.9	1.1	-23.1
Corporate & other, eliminations	-1.5	-0.1	n.m.
<b>Total capital expenditures - intangible</b>	<b>74.2</b>	<b>51.6</b>	<b>43.8</b>

**Segment Croatia – Second Quarter of 2017**

Key performance indicators

in EUR million	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	108.6	98.7	10.1	105.6	2.9	6.9
thereof total service revenues*)	96.3	85.5	12.7	92.4	4.3	6.9
Wireless revenues	77.1	75.6	1.9	75.7	1.8	0.1
thereof service revenues	63.5	61.3	3.6	61.3	3.6	0.0
thereof equipment revenues	12.0	12.9	-6.9	12.9	-6.9	0.0
Fixed-line and other revenues	31.5	23.1	36.6	29.9	5.4	6.8
EBITDA	25.6	20.8	23.0	23.7	7.7	2.9
% of total revenues	23.5%	21.1%		22.5%		
EBIT	3.2	1.9	71.1	3.5	-10.0	1.7
% of total revenues	2.9%	1.9%		3.4%		

Wireline indicators	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	667.2	593.7	12.4	619.3	7.7	25.6

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&amp;A transaction in the segment only comprises the fixed-line business.

### Segment Croatia – First Half of 2017

Key performance indicators

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	207.0	187.1	10.6	198.4	4.3	11.3
thereof total service revenues*)	183.3	165.0	11.1	176.3	4.0	11.3
Wireless revenues	147.5	142.9	3.2	142.9	3.2	0.1
thereof service revenues	121.4	118.4	2.5	118.4	2.5	0.0
thereof equipment revenues	23.2	21.8	6.7	21.8	6.8	0.0
Fixed-line and other revenues	59.5	44.2	34.5	55.5	7.2	11.2
EBITDA	46.7	38.2	22.2	43.1	8.5	4.8
% of total revenues	22.6%	20.4%		21.7%		
EBIT	3.7	-2.6	n.m.	0.2	n.m.	2.8
% of total revenues	1.8%	-1.4%		0.1%		

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&A transaction in the segment only comprises the fixed-line business.

### Segment Belarus – Second Quarter of 2017

Key performance indicators

in EUR million	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	101.9	76.1	33.9	79.8	27.6	3.7
thereof total service revenues*)	86.0	63.4	35.5	67.2	28.0	3.7
Wireless revenues	94.5	73.5	28.5	73.5	28.5	0.0
thereof service revenues	73.6	59.6	23.6	59.6	23.6	0.0
thereof equipment revenues	15.9	12.7	25.7	12.7	25.7	0.0
Fixed-line and other revenues	7.4	2.6	186.0	6.3	17.7	3.7
EBITDA	52.2	35.0	49.4	36.0	44.9	1.1
% of total revenues	51.3%	45.9%		45.2%		
EBIT	40.1	18.2	120.2	18.5	117.3	0.2
% of total revenues	39.4%	23.9%		23.1%		

Wireline indicators	Q2 2017 reported	Q2 2016 reported	% change	Q2 2016 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (thousands)	300.7	n.a.	n.a.	268.3	12.1	n.a.

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&A transaction in the segment only comprises the fixed-line business.

**Segment Belarus – First Half of 2017**

Key performance indicators

in EUR million	1-6 M 2017 reported	1-6 M 2016 reported	% change	1-6 M 2016 proforma	% change proforma	Absolute change (proforma - reported)
Total revenues	194.7	145.0	34.3	152.3	27.8	7.4
thereof total service revenues*)	164.7	118.7	38.8	126.0	30.7	7.4
Wireless revenues	180.2	140.1	28.6	140.2	28.6	0.1
thereof service revenues	141.3	111.6	26.6	111.6	26.6	0.0
thereof equipment revenues	30.0	26.3	14.3	26.3	14.3	0.0
Fixed-line and other revenues	14.5	4.8	199.9	12.2	19.4	7.3
EBITDA	98.1	69.5	41.1	71.7	36.7	2.2
% of total revenues	50.4%	47.9%		47.1%		
EBIT	73.7	36.7	100.6	38.1	93.3	1.4
% of total revenues	37.8%	25.4%		25.0%		

\*) Including other operating income

The reconciliation table does not show wireless indicators as the M&A transaction in the segment only comprises the fixed-line business.

# Condensed Consolidated Financial Statements

## Telekom Austria Group

### Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q2 2017 unaudited	Q2 2016 unaudited	1-6 M 2017 unaudited	1-6 M 2016 unaudited
Service Revenues (incl. other operating income)	966.4	929.2	1,922.5	1,842.7
Equipment revenues	116.6	101.5	219.4	197.4
<b>Total revenues (incl. other operating income - 00I)</b>	<b>1,082.9</b>	<b>1,030.7</b>	<b>2,141.9</b>	<b>2,040.1</b>
Cost of service	-342.7	-333.2	-683.8	-659.2
Cost of equipment	-128.9	-125.3	-256.6	-229.4
Selling, general & administrative expenses	-251.0	-245.4	-498.7	-487.2
Other expenses	-1.0	2.5	-3.8	-0.7
<b>Total cost and expenses</b>	<b>-723.6</b>	<b>-701.4</b>	<b>-1,443.0</b>	<b>-1,376.4</b>
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA</b>	<b>359.3</b>	<b>329.3</b>	<b>698.9</b>	<b>663.6</b>
Depreciation and amortisation	-212.8	-214.8	-425.9	-431.9
<b>Operating income - EBIT</b>	<b>146.5</b>	<b>114.5</b>	<b>272.9</b>	<b>231.7</b>
Interest income	3.7	2.9	7.2	6.3
Interest expense on financial liabilities	-23.5	-27.1	-48.2	-60.0
Interest on employee benefits and restructuring and other financial items, net	-2.7	0.9	-6.8	-2.8
Foreign currency exchange differences, net	-0.3	1.4	4.2	7.2
Equity interest in net income of associated companies	-0.6	-0.3	-0.7	0.4
<b>Financial result</b>	<b>-23.4</b>	<b>-22.3</b>	<b>-44.3</b>	<b>-48.8</b>
<b>Earnings before income tax - EBT</b>	<b>123.1</b>	<b>92.2</b>	<b>228.6</b>	<b>182.9</b>
Income tax	-10.6	-9.8	-19.7	-19.5
<b>Net result</b>	<b>112.5</b>	<b>82.4</b>	<b>208.9</b>	<b>163.4</b>
Attributable to:				
Equity holders of the parent	106.1	76.0	196.3	150.7
Non-controlling interests	0.1	0.1	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>0.2</b>	<b>0.1</b>	<b>0.3</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	-22.6	5.7	-15.8	-32.6
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	-0.1	0.0	0.1	0.0
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurements of defined benefit obligations, net of tax	-0.9	-1.2	-1.8	-6.0
<b>Total other comprehensive income (loss)</b>	<b>-22.5</b>	<b>5.6</b>	<b>-15.3</b>	<b>-36.4</b>
<b>Total comprehensive income (loss)</b>	<b>90.0</b>	<b>88.0</b>	<b>193.6</b>	<b>127.0</b>
Attributable to:				
Equity holders of the parent	83.6	81.6	181.0	114.3
Non-controlling interests	0.1	0.1	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 2017 unaudited	31 Dec. 2016 audited
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	46.3	457.5
Short-term investments	7.4	6.7
Accounts receivable: Subscribers, distributors and other, net	698.7	636.5
Receivables due from related parties	1.0	0.9
Inventories, net	90.6	82.5
Income tax receivable	1.9	12.8
Assets held for sale	3.7	0.0
Other current assets, net	251.8	242.0
<b>Total current assets</b>	<b>1,101.4</b>	<b>1,438.9</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	2,584.0	2,550.8
Intangibles, net	2,265.0	2,321.4
Goodwill	1,263.1	1,241.8
Investments in associated companies	36.0	40.8
Long-term investments	7.5	8.4
Deferred income tax assets	292.8	286.4
Other non-current assets, net	50.5	54.7
<b>Total non-current assets</b>	<b>6,499.0</b>	<b>6,504.3</b>
<b>TOTAL ASSETS</b>	<b>7,600.4</b>	<b>7,943.2</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short-term debt and current portion of long-term debt	-197.9	-500.1
Accounts payable	-827.6	-852.6
Accrued liabilities and current provisions	-288.2	-299.0
Income tax payable	-27.6	-26.5
Payables due to related parties	-2.2	-6.4
Deferred revenues	-161.7	-163.2
<b>Total current liabilities</b>	<b>-1,505.2</b>	<b>-1,847.8</b>
<b>Non-current liabilities</b>		
Long-term debt	-2,283.4	-2,303.5
Deferred income tax liabilities	-65.2	-63.1
Deferred revenues and other non-current liabilities	-39.9	-20.0
Asset retirement obligation and restructuring	-692.4	-731.8
Employee benefits	-213.1	-206.3
<b>Total non-current liabilities</b>	<b>-3,293.9</b>	<b>-3,324.7</b>
<b>Stockholders' equity</b>		
Capital stock	-1,449.3	-1,449.3
Treasury shares	7.8	7.8
Additional paid-in capital	-1,100.1	-1,100.1
Hybrid capital	-591.2	-591.2
Retained earnings	-352.3	-306.3
Other comprehensive income (loss) items	685.7	670.4
<b>Equity attributable to equity holders of the parent</b>	<b>-2,799.4</b>	<b>-2,768.7</b>
Non-controlling interests	-1.9	-2.0
<b>Total stockholders' equity</b>	<b>-2,801.3</b>	<b>-2,770.7</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>-7,600.4</b>	<b>-7,943.2</b>

## Condensed Consolidated Statements of Cash Flows

in EUR million	Q2 2017 unaudited	Q2 2016 unaudited	1-6 M 2017 unaudited	1-6 M 2016 unaudited
Earnings before income tax - EBT	123.1	92.2	228.6	182.9
<b>Items not requiring the use of cash and other reconciliation:</b>				
Depreciation	135.3	134.0	266.2	271.7
Amortisation of intangible assets	77.6	80.8	159.7	160.3
Equity interest in net income of associated companies	0.6	0.3	0.7	-0.4
Result on sale of investments	0.0	-3.8	-0.1	-3.8
Result on sale of property, plant and equipment	0.3	-4.4	2.6	-3.3
Net period cost of labor obligations and restructuring	4.1	5.3	7.7	11.2
Foreign currency exchange differences, net	0.3	-1.4	-4.2	-7.2
Interest income	-3.7	-2.9	-7.2	-6.3
Interest expense	24.2	27.6	51.0	61.1
Other adjustments	-0.1	-0.2	-5.2	-0.4
<b>Changes in working capital and other financial positions:</b>				
Accounts receivable from subscribers, distributors and other	-49.6	-17.2	-57.5	-22.1
Prepaid expenses	2.6	5.1	-14.1	-5.6
Due from related parties	0.0	0.1	-0.1	0.0
Inventories	2.0	11.7	-8.5	-19.0
Other assets	-2.7	-2.5	8.3	-3.9
Employee benefits and restructuring	-26.6	-26.6	-53.4	-52.8
Accounts payable and accrued liabilities	25.9	-28.0	10.6	18.2
Due to related parties	-1.2	-0.8	-4.2	-0.5
Deferred revenues	4.0	-0.5	-1.1	0.1
Interest received	3.7	2.9	7.2	6.3
Income taxes paid	-5.6	-16.6	-11.0	-24.1
<b>Net cash flow from operating activities</b>	<b>314.2</b>	<b>255.1</b>	<b>576.1</b>	<b>562.3</b>
Capital expenditures paid	-169.4	-171.7	-378.2	-416.9
Dividends received from associates	0.0	0.3	0.0	0.3
Proceeds from sale of plant, property and equipment	1.6	7.4	10.1	12.1
Purchase of investments	0.0	-1.0	0.0	-1.5
Proceeds from sale of investment	0.2	3.7	0.5	5.1
Acquisition of businesses, net of cash acquired	2.5	0.0	-70.5	0.0
<b>Net cash flow from investing activities</b>	<b>-165.1</b>	<b>-161.2</b>	<b>-438.2</b>	<b>-400.8</b>
Repayments of long-term debt	-22.0	0.0	-522.0	-752.7
Interest paid	-32.1	-32.4	-56.1	-105.9
Change in short-term debt	32.3	0.2	197.7	-5.1
Dividends paid	-132.8	-33.2	-166.7	-67.1
Acquisition of non-controlling interest	-1.0	0.0	-1.0	0.0
<b>Net cash flow from financing activities</b>	<b>-155.7</b>	<b>-65.4</b>	<b>-548.1</b>	<b>-930.8</b>
<b>Adjustment to cash flows due to exchange rate fluctuations, net</b>	<b>-0.9</b>	<b>0.0</b>	<b>-0.9</b>	<b>-2.5</b>
<b>Net change in cash and cash equivalents</b>	<b>-7.5</b>	<b>28.5</b>	<b>-411.2</b>	<b>-771.9</b>
Cash and cash equivalents beginning of period	53.8	108.8	457.5	909.2
Cash and cash equivalents end of period	46.3	137.3	46.3	137.3

## Capital expenditures

in EUR million	Q2 2017 unaudited	Q2 2016 unaudited	% change	1-6 M 2017 unaudited	1-6 M 2016 unaudited	% change
<b>Capital expenditures paid</b>	<b>169.4</b>	<b>171.7</b>	<b>-1.4%</b>	<b>378.2</b>	<b>416.9</b>	<b>-9.3%</b>
Reconciliation of additions in accounts payable	1.9	34.7	-94.4%	-27.0	-76.1	-64.5%
<b>Total capital expenditures</b>	<b>171.3</b>	<b>206.3</b>	<b>-17.0%</b>	<b>351.3</b>	<b>340.8</b>	<b>3.1%</b>
Thereof tangible	138.6	177.1	-21.7%	277.0	289.2	-4.2%
Thereof intangible	32.6	29.3	11.5%	74.2	51.6	43.8%

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 2017</b>	<b>1,449.3</b>	<b>-7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>306.3</b>	<b>-670.4</b>	<b>2,768.7</b>	<b>2.0</b>	<b>2,770.7</b>
Net Result	0.0	0.0	0.0	0.0	208.8	0.0	208.8	0.1	208.9
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	-15.3	-15.3	0.0	-15.3
<b>Total comprehensive income (loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>208.8</b>	<b>-15.3</b>	<b>193.5</b>	<b>0.1</b>	<b>193.6</b>
Distribution of dividends	0.0	0.0	0.0	0.0	-162.4	0.0	-162.4	-0.2	-162.6
Acquisition of non-controlling interests	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5	0.0	-0.5
<b>Balance at 30 June 2017</b>	<b>1,449.3</b>	<b>-7.8</b>	<b>1,100.1</b>	<b>591.2</b>	<b>352.3</b>	<b>-685.7</b>	<b>2,799.4</b>	<b>1.9</b>	<b>2,801.3</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 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>

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 2017 unaudited	31 Dec. 2016 audited
Long-term debt	2,283.4	2,303.5
Short-term debt and current portion of long-term debt	197.9	500.1
Cash and cash equivalents and short-term investments	-53.7	-464.2
<b>Net debt</b>	<b>2,427.6</b>	<b>2,339.4</b>
<b>Net debt/EBITDA (last 12 months)</b>	<b>1.7x</b>	<b>1.7x</b>

## Condensed Operating Segments

1-6 M 2017

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	1,279.5	203.1	203.4	193.2	104.6	101.8	54.5	1.9	2,141.9
Intersegmental revenues	11.3	3.7	3.6	1.6	1.8	3.3	0.8	-26.1	0.0
<b>Total revenues (incl. OOI)</b>	<b>1,290.7</b>	<b>206.8</b>	<b>207.0</b>	<b>194.7</b>	<b>106.4</b>	<b>105.2</b>	<b>55.3</b>	<b>-24.3</b>	<b>2,141.9</b>
Segment expenses	-832.7	-145.2	-160.3	-96.7	-84.1	-88.3	-41.1	5.3	-1,443.0
<b>EBITDA</b>	<b>458.1</b>	<b>61.6</b>	<b>46.7</b>	<b>98.1</b>	<b>22.3</b>	<b>16.8</b>	<b>14.2</b>	<b>-19.0</b>	<b>698.9</b>
Depreciation and amortisation	-240.6	-59.4	-43.0	-24.4	-15.5	-22.2	-19.5	-1.3	-425.9
<b>Operating income - EBIT</b>	<b>217.5</b>	<b>2.2</b>	<b>3.7</b>	<b>73.7</b>	<b>6.9</b>	<b>-5.4</b>	<b>-5.3</b>	<b>-20.3</b>	<b>272.9</b>
Interest income	1.0	1.6	2.6	0.3	1.2	0.4	0.1	0.0	7.2
Interest expense	-10.4	-0.4	-4.8	-1.5	-0.5	-0.8	-0.7	-29.0	-48.2
Other financial result	-4.2	-3.8	6.1	-2.8	0.0	1.6	0.4	0.0	-2.7
Equity interest in net income of associated companies	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7
<b>Earnings before income tax - EBT</b>	<b>203.3</b>	<b>-0.5</b>	<b>7.6</b>	<b>69.7</b>	<b>7.5</b>	<b>-4.1</b>	<b>-5.5</b>	<b>-49.4</b>	<b>228.6</b>
Income taxes									-19.7
<b>Net result</b>									<b>208.9</b>
EBITDA margin	35.5%	29.8%	22.6%	50.4%	21.0%	16.0%	25.6%	n.a.	32.6%
Capital expenditures - intangible	32.8	13.2	3.7	2.1	19.4	3.7	0.9	-1.5	74.2
Capital expenditures - tangible	185.9	26.7	33.5	12.2	6.9	12.0	4.7	-5.0	277.0
<b>Total capital expenditures</b>	<b>218.7</b>	<b>39.9</b>	<b>37.2</b>	<b>14.3</b>	<b>26.3</b>	<b>15.7</b>	<b>5.6</b>	<b>-6.4</b>	<b>351.3</b>

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	1,252.2	195.5	183.6	144.7	102.7	101.4	57.6	2.4	2,040.1
Intersegmental revenues	10.8	1.4	3.5	0.3	1.3	3.6	0.6	-21.4	0.0
<b>Total revenues (incl. OOI)</b>	<b>1,262.9</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>-19.1</b>	<b>2,040.1</b>
Segment expenses	-818.3	-132.6	-148.9	-75.5	-77.3	-86.1	-45.1	7.3	-1,376.4
<b>EBITDA</b>	<b>444.6</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>-11.7</b>	<b>663.6</b>
Depreciation and amortisation	-251.9	-51.1	-40.8	-32.8	-15.0	-23.4	-29.2	12.3	-431.9
<b>Operating income - EBIT</b>	<b>192.7</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>0.6</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>181.6</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>-36.1</b>	<b>182.9</b>
Income taxes									-19.5
<b>Net result</b>									<b>163.4</b>
EBITDA margin	35.2%	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>



## Selected Explanatory Notes to the Consolidated Interim Financial Statements

### Basis of Presentation

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

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

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

Telekom Austria Group has applied the same accounting policies and methods of computation in the interim financial statements as in the annual financial statements as of and for the year ended 31 December 2016. The following standards are effective from 1 January 2017:

all IFRSs	Annual Improvements 2014 – 2016
IAS 7	Statement of Cash Flows – Disclosure Initiative (Amendments to IAS 7)
IAS 12	Income taxes – Recognition of Deferred Tax Assets for Unrealised Losses

At the time of preparation of these condensed interim financial statements, the EU endorsement was still pending. None of these changes are expected to have a material impact on the condensed consolidated interim financial statements.

Regarding IFRS 15 Telekom Austria Group is currently in phase II of the project. The relevant IT-systems that allow for the evaluation of mass data are currently implemented and their functionality verified in a dry run with test data only. The effects of the first-time application of IFRS 15 therefore cannot be quantified yet, because the major effects will result from the mass data.

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

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

### Business combinations

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

Acquisition of Metronet in EUR million (unaudited)	Fair values on acquisition
Property, plant and equipment	28.9
Intangible assets	29.7
Other assets and receivables	9.6
Cash and cash equivalents	0.1
Short-term debt and current portion of long-term debt	-2.0
Debt due to related parties	-34.1
Deferred income tax liabilities	-3.4
Accounts payable - trade and other liabilities	-7.9
<b>Net identifiable assets and liabilities</b>	<b>20.9</b>
Goodwill on acquisition	20.0
Debt paid on behalf of Metronet	34.1
Non-controlling interest	-0.5
<b>Total purchase consideration</b>	<b>74.6</b>
Purchase price not yet paid	-3.9
Cash acquired	-0.1
<b>Net cash outflow</b>	<b>70.5</b>

The final allocation of consideration transferred will be determined once all necessary information regarding identifiable assets is available (IFRS 3.45). The factors contributing to goodwill are expectations of positive returns due to a favourable development of the market share in Croatia and cost synergies. Since the acquisition date, Metronet has contributed revenues of EUR 11.7 million and a net income of EUR 1.3 million. Since the effect of the acquired entity on the Consolidated Financial Statements of Telekom Austria Group is not considered significant, no pro-forma information is presented. The gross contractual amounts of acquired receivables are EUR 5.9 million. Management's best estimate at the acquisition date of the contractual cash flows not expected to be collected is EUR 0.7 million, thus the fair value amounts to EUR 5.2 million. Acquisition-related costs of EUR 0.4 million are reported in selling, general and administrative expenses.

In the second quarter 2017 the non-controlling interest of Metronet of 2.32% amounting to EUR 0.5 million, was acquired for a consideration of EUR 1.0 million. The excess of the purchase price over the book value of the non-controlling interest is recorded in retained earnings.

### Comprehensive Income

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

	1-6 M 2017	1-6 M 2016
Other operating income	45.2	39.7
Write-down/ reversals of write-down of inventories	-2.0	4.7
Employee benefit expenses	-413.4	-404.3

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 contract term used for calculating the selling price from 12 to 24 months in the Segment Austria.

### Non-Current and current assets

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

Holidays in June 2017 caused a shift in billing cycles resulting in an increase in Accounts receivable: Subscribers, distributors and other, net as their due date was shifted to July.

## Non-Current and Current Liabilities

In the first half 2017 a EUR 500 million bond was repaid. This decrease in short-term debt was partly compensated by the issuance of multi-currency notes (commercial papers) and the increase in short-term bank debt. Multi-currency notes were issued in Euro in the amount of EUR 120.0 million. Long-term bank debt amounting to EUR 22.0 million was redeemed prematurely in the first half 2017.

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

In 2010, Telekom Austria Group has introduced a Long Term Incentive Programme (LTI). On 26 April 2017, the Supervisory Board approved the seventh tranche (LTI 2017). Grant date was 1 June 2017, the performance period is 1 January 2017 to 31 December 2019. Return on Invested Capital (ROIC) and Telekom Austria Group Revenue Market Share (weighted with 50% each) were defined as key performance indicators. Participants of LTI 2017 are only the Members of the Management Board of Telekom Austria Group, Alejandro Plater and Siegfried Mayrhofer. As of reporting date a liability for LTI 2017 measured at fair value for the portion of expected future expense, which has already vested, in the amount of EUR 0.1 million is recognised.

## 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 2017 unaudited	31 Dec. 2016 audited
Restructuring and social plans	543.6	589.5
Civil servants changed to the government	21.9	24.1
<b>Total restructuring</b>	<b>565.5</b>	<b>613.5</b>

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

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

## Income Taxes

	1-6 M 2017	1-6 M 2016
Effective tax rate	8.6%	10.6%

in EUR million	30 June 2017	31 Dec. 2016
Net deferred taxes	227.7	223.4

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

## Stockholders' Equity

In February 2017 and 2016, the Telekom Austria Group paid the annual coupon of 5.625% of the hybrid bond in the amount of EUR 33.8 million. The coupon payment, as well as the related tax benefit of the interest in the amount of EUR 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 4.2 million, which is recognised in stockholders' equity according to IAS 12.

In June 2017 and 2016, Telekom Austria Group paid dividend to its shareholders in the amount of EUR 132.8 million and EUR 33.2 million.

Other comprehensive income (loss) items in the Condensed Consolidated Statements of Changes in Stockholders' Equity 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 2017 and 2016 is mainly a result of the development 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 2017 Carrying amount unaudited	Fair value unaudited	31 Dec. 2016 Carrying amount audited	Fair value audited
<b>Cash and cash equivalents</b>	<b>46.3</b>	<b>46.3</b>	<b>457.5</b>	<b>457.5</b>
Accounts receivable: Subscribers, distributors and other, net	698.7	698.7	636.5	636.5
Receivables due from related parties	1.0	1.0	0.9	0.9
Other current financial assets	90.1	90.1	93.1	93.1
Other non-current financial assets	44.6	44.6	46.2	46.2
<b>Loans and receivables</b>	<b>834.5</b>	<b>834.5</b>	<b>776.7</b>	<b>776.7</b>
Long-term investments	6.0	6.0	6.9	6.9
Short-term investments	7.4	7.4	6.7	6.7
<b>Available-for-sale investments</b>	<b>13.3</b>	<b>13.3</b>	<b>13.6</b>	<b>13.6</b>
<b>Investments at cost</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</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 decreased by allowance for financial assets.

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

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

in EUR million	30 June 2017 Carrying amount unaudited	Fair value unaudited	31 Dec. 2016 Carrying amount audited	Fair value audited
Liabilities to financial institutions	77.0	77.0	0.0	0.0
Bonds	2,282.9	2,555.6	2,781.4	3,093.8
Other current financial liabilities	164.6	164.6	162.8	162.8
Multi-Currency Notes	120.0	120.0	0.0	0.0
Non-current liabilities to financial institutions	0.0	0.0	22.0	23.6
Lease obligations	1.3	1.3	0.1	0.1
Other non-current liabilities	3.8	3.8	0.8	0.8
Accounts payable - trade	523.0	523.0	553.7	553.7
Payables due to related parties	2.2	2.2	6.4	6.4
Accrued interest	35.2	35.2	49.6	49.6
<b>Financial liabilities at amortised cost</b>	<b>3,210.0</b>	<b>3,482.7</b>	<b>3,577.0</b>	<b>3,891.1</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 and Multi-Currency Notes are measured at the present values of the cash flows associated with the debt and are thus classified as Level 2 of the fair value hierarchy.

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

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

30 June 2017 in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	12.6	0.7	0.0	13.3
<b>Financial assets measured at fair value</b>	<b>12.6</b>	<b>0.7</b>	<b>0.0</b>	<b>13.3</b>

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

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

On 14 July 2017 a tap issuance in the amount of EUR 250 million relating to Telekom Austria Group's benchmark bond issued in December 2016, maturing in 2026, was settled. The coupon of 1.5% p.a., will be paid together with the coupon payment of the benchmark bond in December each year. The outstanding bond and the tap will be fungible within 40 days after settlement.

Regarding the tax audit in Mobiltel in Bulgaria described in Note (34) Commitments and Contingent Assets and Liabilities in the Consolidated Financial Statements 2016 Mobiltel has won the amount regarding the amortisation of customer base of EUR 15.0 million including interest and lost the amount of EUR 7.7 million for brand name for amortisation and interest for the year 2007 at Supreme Administrative Court. Furthermore Mobiltel received tax assessments for the years 2008 and 2009, which once again included brand name and customer base not to be tax deductible totalling EUR 41.6 million including interest calculated as per 30 June 2017. On July 14 2017 Mobiltel filed an appeal to the administrative court in Sofia and subsequently to the Supreme Administrative Court if necessary. As of 30 June 2017 Mobiltel has issued bank guarantees covering up to EUR 40.7 million covering the tax assessment acts for the financial years 2008 and 2009 to secure the possible tax claims and interest.

Moreover, the subsequent tax audit covering the years 2010 to 2013 is still ongoing, and Mobiltel expects the final outcome to be based on the decision of the supreme administrative court for the year 2007. Tax and interest for brand name for the years 2008 to 2012 is provided for. In case of an unfavourable outcome, Mobiltel might face a further potential additional claim for the years 2010 to 2012 for customer base and brand name of up to EUR 45.0 million including penalty interest, calculated till 30 June 2017.

On 9 May 2017 Telekom Austria Group agreed to sell its 25.3% stake in media.at. The investment so far presented in investments in associated companies was therefore reclassified to assets held for sale as of 30 June 2017. The closing was subject to merger clearance and took place on 18 June 2017.

Vienna, 25. July 2017

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, 25. July 2017

The Management Board



CEO and COO Alejandro Plater



CFO Siegfried Mayrhofer