

Results for the First Nine Months 2016

Highlights Q3 2016

- > Group total revenues increased to EUR 1,073.2 mn (+1.4% year-on-year on a proforma¹ basis, reported: +4.7%) in the third quarter as higher equipment revenues more than outweighed the negative roaming impact
- > Group EBITDA rose by 7.5% year-on-year on a proforma¹ basis (reported: +9.4%)
- > Reported net result increased by 4.5% to EUR 143.2 mn
- > Negative effects from the abolition of retail roaming in the EU as of 30 April 2016 so far in line with expectations with the biggest impact stemming from Austria
- > Austria: 11.6% reported year-on-year EBITDA growth including a positive one-off as well as a positive restructuring effect
- > Ongoing strong performance in Croatia driven by better trends in mobile and ongoing fixed-line growth
- > Belarus: Total revenue and EBITDA growth of 20.5% and 19.5% year-on-year in local currency; 16.9% year-on-year BYN² devaluation in Q3 2016 still overshadowed good operational results in Belarus
- > Group outlook³ 2016 unchanged: approx. +1% total revenues, CAPEX⁴ of approx. EUR 750 mn and intended dividend⁵ of EUR 0.20/share

Key Performance Indicators

Proforma view

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	1,073.2	1,058.8	1.4%
EBITDA	415.5	386.3	7.5%
% Total Revenues	38.7%	36.5%	
EBIT	202.7	187.3	8.3%
% Total Revenues	18.9%	17.7%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless subscribers (thousands)	20,731.7	20,786.0	-0.3%
Postpaid	14,912.8	14,642.4	1.8%
Prepaid	5,819.0	6,143.6	-5.3%
MoU (per Ø subscriber)	303.5	301.3	0.7%
ARPU (EUR)	9.0	9.2	-1.8%
Churn (%)	1.9%	1.7%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs	5,5607.1	5,512.5	1.7%

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

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

² Currency reform as of 1 July 2016

³ Outlook based on reported numbers

⁴ Does not include investment in spectrum and acquisitions.

⁵ Intended proposal to the Annual General Meeting 2017.

Disclaimer

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

Information on reporting changes

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

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

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

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

Please note: The attached condensed financial statements are prepared according to applicable accountings standards; the presentation and analysis of financial information until page 36 may differ substantially from the financial information presented in the condensed financial statements. This is due to the fact that the presentation and analysis are partially based on pro forma figures including prior year figures of M&A transactions made in the last twelve months. Alternative performance measures are used to describe the operational performance. Therefore, please also refer to the financial information presented in the condensed financial statements, which do not contain proforma figures, as well as the reconciliation tables provided on page 28.

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Group Management Report

Vienna, 27 October 2016 – Today, Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the first nine months 2016, ending 30 September 2016.

Year-To-Date Comparison

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

Summary

Key Performance Indicators

Proforma view

in EUR million	1–9 M 2016 reported	1–9 M 2015 proforma	% change
Total Revenues	3,113.3	3,123.8	–0.3%
EBITDA	1,079.1	1,056.4	2.1%
% Total Revenues	34.7%	33.8%	
EBIT	434.4	444.2	–2.2%
% Total Revenues	14.0%	14.2%	

Wireless Indicators	1–9 M 2016 reported	1–9 M 2015 proforma	% change
Wireless subscribers (thousands)	20,731.7	20,786.0	–0.3%
Postpaid	14,912.8	14,642.4	1.8%
Prepaid	5,819.0	6,143.6	–5.3%
MoU (per Ø subscriber)	303.7	301.2	0.8%
ARPU (EUR)	8.7	9.0	–2.9%
Churn (%)	1.9%	1.8%	

Wireline Indicators	1–9 M 2016 reported	1–9 M 2015 proforma	% change
RGUs	5,607.1	5,512.5	1.7%

The following analysis is based on proforma¹ figures if not stated otherwise.

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

- > The acquisition of the fixed-line reseller Amis in Slovenia and in Croatia, consolidated as of 1 September 2015.
- > The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.

The presentation for the conference call and key figures of Telekom Austria Group in Excel format ('Fact Sheet Q3 2016') are available on the website at www.telekomaustria.com.

Results for the fourth quarter 2016 are expected to be announced in the week of 20 February 2017

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

- > The merger of Vip operator in the Republic of Macedonia and the 3rd operator in the country, ONE, consolidated as of 1 October 2015.

Additionally, the performance in 2016 compared to the previous year was impacted by the following one-off effects:

- > EUR 14.4 mn derive from the reversal of an accrual for copyrights in Austria in Q3 2016
- > EUR 7.0 mn positive one-off EBITDA effects in Austria in Q1 2016 stemming from the harmonisation of value adjustments for handsets
- > EUR 20.0 mn positive one-off effect in Slovenia in January 2015 (included in other operating income).

In total, one-off effects in the first nine months 2016 amounted to EUR -2.1 mn for total revenues (1-9M 2015: EUR +30.2 mn) and EUR +21.4 mn for EBITDA (1-9M 2015: EUR +26.7 mn) were included in the results.

Moreover, restructuring charges in Austria amounted to a positive EUR 19.5 mn in the first nine months of 2016 stemming from a revaluation due to changed parameters, compared to negative EUR 17.0 mn in the same period last year.

Total FX effects amounted to a negative EUR 72.0 mn for total revenues and a negative EUR 34.5 mn for EBITDA in the first nine months of 2016, thereof EUR 71.7 mn and EUR 34.5 mn respectively stem from Belarus. Negative effects stemming from the abolition of retail roaming within the EU per 30 April 2016 came in as expected and stem mostly from Austria with smaller negative impacts in Bulgaria, Croatia and Slovenia.

In the first nine months of 2016, Telekom Austria Group saw a slight decrease in the number of mobile subscribers as increases in Austria, Croatia and Slovenia almost outweighed declines in the other segments. In general, CEE markets saw a shift from prepaid to postpaid offers, while Austria registered an increase in the prepaid share of the customer base. Fixed RGUs grew by 1.7% year-on-year, mainly due to Bulgaria, Croatia and Slovenia.

Group total revenue decline of 0.3% year-on-year

Group total revenues declined slightly by 0.3% year-on-year (reported: +3.1%) due to the positive one-off effect in Slovenia in 2015. Growth in Austria, Croatia and the Republic of Serbia almost outweighed lower total revenues in the other segments.

Group total costs and expenses declined by 1.6% year-on-year (reported: +2.5%) to EUR 2,034.1 mn in the first nine months of 2016 driven by the above mentioned positive one-off effects and the positive restructuring charge in Austria. Excluding these effects, Group total costs and expenses rose due to higher costs of equipment and interconnection expenses in almost all markets, while the other positions remained stable.

Group EBITDA rose by 2.1% year-on-year (reported: +4.3%) in the first nine months of 2016. Excluding the one-off and restructuring effects as well as the FX impact, Group EBITDA grew by 2.5% despite the negative impact of the abolition of retail roaming in the EU as of 30 April 2016.

Depreciation and amortisation rose by 5.3% year-on-year (reported: +9.8%) to EUR 644.7 mn, mainly driven by Austria due to spectrum licenses starting in Q1 2016, an accelerated depreciation related to an equipment swap in Bulgaria as well as M&A-driven higher D&A in the Republic of Macedonia. Altogether, this led to a decline in operating income of 2.2% (reported: -3.0%) to EUR 434.4 mn.

EUR 306.7 mn reported net result

The negative reported financial result decreased from EUR 115.7 mn in the first nine months of 2015 to EUR 91.3 mn in the first nine months of 2016, resulting from lower interest expenses on financial liabilities. Reported income taxes rose by 53.5% year-on-year to EUR 36.5 mn due to a higher effective tax rate applied. In total, the reported net result remained almost stable at EUR 306.7 mn in the first nine months of 2016.

Revenues

Revenues

Proforma view

in EUR million	1–9 M 2016 reported	1–9 M 2015 proforma	% change
Austria	1,913.2	1,901.3	0.6%
Bulgaria	303.3	305.7	-0.8%
Croatia	295.2	276.6	6.7%
Belarus	230.3	249.3	-7.6%
Slovenia	159.0	180.7	-12.0%
Republic of Serbia	161.1	152.2	5.9%
Republic of Macedonia	88.4	92.7	-4.6%
Corporate & Holding, Eliminations	-37.4	-34.7	n.m.
Total Revenues	3,113.3	3,123.8	-0.3%

The following analysis is based on proforma² figures if not stated otherwise.

In the first nine months of 2016, Telekom Austria Group saw a slight reduction in total revenues of 0.3% year-on-year (reported: +3.1%) which was to a large extent driven by the EUR 20.0 mn positive one-off effect in Slovenia in Q1 2015. Negative effects stemming from the abolition of retail roaming within the EU per 30 April 2016 came in as expected and stem mostly from Austria with smaller negative impacts in Bulgaria, Croatia and Slovenia. Higher equipment sales in almost all markets mitigated these negative effects. Negative FX effects amounted to EUR 72.0 mn for the period under review.

In the Austrian segment, revenues increased by 0.6% year-on-year on a reported basis as the rise in equipment revenues more than outweighed the decline in service revenues. The former was driven by significantly more gross adds due to the increased subsidy level compared to the same period last year. The decline in service revenues was mainly caused by the abolition of retail roaming within the EU. In the fixed-line business, declining voice traffic continued to negatively impact revenues, but was partly compensated by gains in TV and broadband. Together with increasing interconnection revenues due to a changed settlement logic as well as higher quantities, this resulted in a slight increase in fixed service revenues.

Bulgaria continued to be affected by macroeconomic and competitive pressure. Nevertheless, the decline in total revenues has slowed down to 0.8% year-on-year (reported: +12.4%) driven by higher equipment as well as fixed-line revenues. The decrease in wireless service revenues was mainly driven by severe price pressure, especially in the business segment, which was partly compensated by growth in the residential segment following Mobitel's value strategy.

In the Croatian segment, total revenues rose significantly by 6.7% year-on-year (reported: +8.9%) in the first nine months of 2016. Wireless service revenues rose as higher monthly fees, following the push towards higher tariffs since May 2015, more than compensated for the decline in airtime revenues. Revenues in the fixed-line business came in higher due to fixed-line RGU growth. Additionally, equipment revenues increased due to more handsets sold.

In the Belarusian segment, reported total revenues declined by 7.6% year-on-year in the first nine months of 2016, due to a negative FX effect of EUR 71.7 mn. In local currency, total revenues grew by 21.2% year-on-year driven by higher equipment revenues due to higher prices (FX-related) and more handsets sold as well as stronger monthly fees on the back of price increases in December 2015 as well as in April and May 2016.

Total revenues in Slovenia declined by 12.0% year-on-year (reported: +0.1%) due to the positive one-off effect in Q1 2015. Excluding this effect, wireless revenues remained almost stable as a volume-driven increase

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

in monthly mobile fees outweighed lower retail customer roaming revenues due to the abolition of EU-retail roaming.

In the Republic of Serbia, reported total revenues rose by 5.9% year-on-year as growth in equipment revenues outweighed the decline in wireless service revenues. Growth in equipment revenues attributable to more handsets sold due to hardware promotions. The decline in wireless service revenues was driven by negative impacts from a changed distribution model, which led to a different accounting treatment. This negative effect was partly outweighed by higher interconnection revenues due to the introduction of national termination rates for SMS in June 2015.

In the Republic of Macedonia, total revenues decreased by 4.6% year-on-year (reported: +73.1%), which was mainly attributable to a decline in fixed-line service revenues.

EBITDA

EBITDA

Proforma view

in EUR million	1–9 M 2016 reported	1–9 M 2015 proforma	% change
Austria	721.1	658.4	9.5%
Bulgaria	100.4	112.3	-10.6%
Croatia	69.3	64.5	7.5%
Belarus	110.9	127.0	-12.7%
Slovenia	42.7	60.2	-29.1%
Republic of Serbia	30.5	33.1	-8.0%
Republic of Macedonia	20.2	19.5	5.4%
Corporate & Holding, Eliminations	-16.0	-18.2	n.m.
Total EBITDA	1,079.1	1,056.4	2.1%

The following analysis is based on proforma³ figures if not stated otherwise.

In the first nine months of 2016, Group EBITDA rose by 2.1% year-on-year (reported: +4.3%) as gains in Austria, Croatia and the Republic of Macedonia more than offset losses in the other segments. Negative FX effects amounted to EUR 34.5 mn for EBITDA in the first nine months of 2016.

In the Austrian segment, higher total revenues and lower total costs and expenses resulted in reported EBITDA growth of 9.5% year-on-year. The 4.1% year-on-year decline in total costs and expenses was driven by the above-mentioned positive one-off as well restructuring effects. Excluding these effects, total costs and expenses rose on a year-on-year comparison. Higher costs of equipment and advertising-related costs as well as higher interconnection expenses due to a changed settlement logic and higher quantities were only partly outweighed by enhanced own work capitalised due to the intensified fibre rollout as well as lower workforce costs. Restructuring charges were at positive EUR 19.5 mn versus negative EUR 17.0 mn in the first nine months of 2015. Excluding the positive effect from the above-mentioned parameter changes, the lower restructuring charge was driven by fewer transfers to the government.

In the Bulgarian segment, lower total revenues and a 4.9% year-on-year increase in total costs and expenses resulted in a 10.6% EBITDA decline (reported: -1.1%). The increase in total costs and expenses was mainly driven by higher costs of equipment due to more handsets sold as well as higher interconnection expenses. However, through intensified cost-cutting initiatives, Management was able to partially offset the above-mentioned cost increases. These efforts were particularly visible in cuts in administration costs as well as sales commissions.

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

In the Croatian segment, the increase in total revenues more than outweighed 6.5% higher total costs and expenses and led to 7.5% year-on-year growth in EBITDA (reported: +9.1%). Total costs and expenses were driven by increased costs of equipment due to greater quantities sold as well as the trend towards higher value handsets which also led to higher bad debts. Furthermore, RGU growth resulted in an increase in wholesale costs mainly stemming from bitstream access.

velcom in Belarus posted a 2.4% year-on-year decline in reported total costs and expenses which somewhat mitigated the impact of lower total revenues. Including negative FX effects in the amount of EUR 34.5mn, reported EBITDA declined by 12.7% year-on-year. In local currency, EBITDA came in 14.5% higher year-on-year and total costs and expenses were also higher versus the same period last year. This increase in total costs and expenses was primarily the result of the higher equipment costs driven by higher purchase prices (FX-related) and increased sales quantity.

EBITDA in Slovenia declined by 29.1% year-on-year (reported: -26.4%) mostly due to the above-mentioned positive one-off effect in Q1 2015. Total costs and expenses decreased by 3.5% year-on-year as cluster-initiated cost savings compensated for higher costs of equipment.

In the Republic of Serbia, reported total costs and expenses rose by 9.7% year-on-year, stemming from the introduction of national termination rates for SMS in June 2015 as well as higher costs of equipment. The reported EBITDA decline of 8.0% year-on-year is mainly a result of the above mentioned negative impacts from a changed distribution model, which led to a different accounting treatment.

In the Republic of Macedonia, EBITDA showed a 5.4% year-on-year growth (reported: +73.8%) as 7.3% lower total costs and expenses more than compensated for the total revenue decline. The savings in total costs and expenses were mainly driven by lower administration expenses.

Operating Income

EBIT

Proforma view

in EUR million	1–9 M 2016 reported	1–9 M 2015 proforma	% change
Austria	353.0	309.4	14.1%
Bulgaria	18.1	39.6	-54.3%
Croatia	10.6	12.7	-16.4%
Belarus	60.9	67.3	-9.5%
Slovenia	18.7	40.2	-53.5%
Republic of Serbia	-4.0	-5.5	n.m.
Republic of Macedonia	-19.6	-1.2	n.m.
Corporate & Holding, Eliminations	-3.3	-18.2	n.m.
Total EBIT	434.4	444.2	-2.2%

The following analysis is based on proforma⁴ figures if not stated otherwise.

Operating income declined by 2.2% year-on-year (reported: -3.0%) to EUR 434.4 mn in the first nine months of 2016. Depreciation and amortisation charges rose by 5.3% (reported: +9.8%) to EUR 644.7 mn versus the same period last year, mainly driven by Austria due to spectrum licenses starting in Q1 2016 as well as an accelerated depreciation related to an equipment swap in Bulgaria and M&A-driven higher D&A in the Republic of Macedonia.

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

The following analysis is based on reported figures only.

Consolidated Net Result

Telekom Austria Group recorded a negative financial result of EUR 91.3 mn in the period under review, 21.1% lower than in the previous year. This was mainly driven by a EUR 18.1 mn decline in the interest expense on financial liabilities due to the repayment of a EUR 750 mn bond in January 2016. FX differences amounted to positive EUR 8.2 mn after negative EUR 1.7 mn in the first nine months of 2015.

Tax expenses rose, from EUR 23.8 mn in the first nine months of 2015 to EUR 36.5 mn in the period under review, due to a higher effective tax rate applied.

Overall, the net result remained almost stable at EUR 306.7 mn in the first nine months of 2016 compared to EUR 308.4 mn in the same period last year. **Net result of EUR 306.7 mn**

Balance Sheet and Net Debt

As of 30 September 2016, the balance sheet total shrank by 10.5% year-on-year to EUR 7,429.6 mn compared to EUR 8,304.5 mn as of 31 December 2015.

Current assets fell by 41.2% to EUR 1,089.4 mn in the period under review. This was primarily due to lower cash and cash equivalents, which declined as a result of the repayment of a EUR 750 mn bond on 29 January 2016.

Non-current assets declined by 1.7% to EUR 6,340.2 mn as lower other intangible assets more than outweighed higher property, plant and equipment. The former resulted from amortisation outweighing additions in the period under review. The increase in property, plant and equipment came mainly from the development of a solar power plant in Belarus as well as changes in parameters for calculating the asset retirement obligation.

Current liabilities decreased by 20.1% to EUR 1,801.0 mn in the first nine months of 2016 as a result of the above-mentioned Eurobond redemption. This was partially offset by the reclassification of a EUR 500 mn bond, which will become due on 27 January 2017, to short-term debt. Accounts payable also fell due to lower accrued interest as well as the payment of spectrum in the 800-MHz frequency band in the Republic of Serbia in January 2016, which was acquired in November 2015, and payments in Austria which were due in Q1 2016. As a result of the above-mentioned bond reclassification, non-current liabilities declined by 17.4% to EUR 2,995.5 mn.

The rise in stockholders' equity from EUR 2,426.0 mn to EUR 2,633.2 mn was driven by higher retained earnings as the net result outweighed hybrid coupon as well as dividend payments. Other comprehensive income (loss) items declined due to FX translation effects and the revaluation of the restructuring provision due to changed underlying parameters. This also accounted for the increase in the equity ratio as of 30 September 2016 to 35.4% after 29.2% as of 31 December 2015.

Net Debt*

Reported	30 Sep 2016 reported	31 Dec 2015 reported	% change
in EUR million			
Net Debt	2,417.3	2,483.0	-2.6%
Net Debt / EBITDA (12 months)	1.7x	1.8x	

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

Telekom Austria Group's net debt declined by 2.6% to EUR 2,417.3 mn in the first nine months of 2016 as the decrease in financial debt more than offset the decline in cash and cash equivalents. Together with higher

EBITDA, this resulted in a lower net debt to EBITDA ratio of 1.7x as of 30 September 2016 compared to 1.8x as of 31 December 2015.

Cash Flow

Cash Flow

Reported in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change
Earnings before income tax (EBT)	343.2	332.2	3.3%
Net cash flow from operating activities	867.8	1,000.0	–13.2%
Net cash flow from investing activities	–601.8	–666.0	n.m.
Net cash flow from financing activities	–1,106.0	–198.2	n.m.
Net change in cash and cash equivalents	–841.7	123.3	n.m.
Adjustment to cash flows due to exchange rate fluctuations	–1.8	–12.5	n.m.

Earnings before income tax (EBT) rose by 3.3% year-on-year, resulting from the improved financial result. Depreciation increased due to depreciation of frequencies in Austria which started in Q1 2016 as well as due to last year's M&A transactions, of which the merger in the Republic of Macedonia had the strongest impact. Working capital changes of EUR 196.3 mn were primarily driven by the payment for restructuring. Additionally, the increase in accounts receivables, income taxes paid and inventories also drove working capital changes. Overall, this led to a year-on-year decline in net cash flow from operating activities of 13.2% to EUR 867.8 mn.

Net cash flow from investing activities decreased, from EUR 666.0 mn in the comparison period to EUR 601.8 mn in the period under review, as the acquisition of businesses in Q3 2015 outweighed the rise in capital expenditures paid. The latter included payments for expenditures from previous quarters, such as the spectrum investment in the Republic of Serbia in Q4 2015.

Net cash flow from financing activities rose, from EUR 198.2 mn in the first nine months of 2015 to EUR 1,106.0 mn in the period under review, driven by the repayment of a EUR 750 mn bond in January 2016 as well as EUR 155 mn bank credits.

Overall, this resulted in a decline in net change in cash and cash equivalents of EUR 841.7 mn in the first nine months of 2016 compared to a rise of EUR 123.3 mn in the same period last year.

Free cash flow, which is calculated as net cash flow from operating activities less capital expenditures paid and interest paid plus proceeds from the sale of equipment, declined from EUR 354.2 mn in the same period of the previous year to EUR 130.4 mn in the first nine months of 2016. This was primarily due to increased needs for working capital and higher capital expenditures paid.

Capital Expenditures

In the period under review, capital expenditures rose by 16.5% year-on-year to EUR 537.4 mn, to a great extent attributable to the solar power plant project in Belarus and the fibre rollout in Austria.

In the first nine months of 2016, tangible CAPEX rose by 21.4% year-on-year to EUR 460.7 mn since the slight decline in the Republic of Serbia was more than offset by higher investments in the other segments. The rise in tangible CAPEX in Austria was above all attributable to the fibre rollout. The increase in tangible CAPEX in Belarus was mainly driven by the development of a solar power plant, which will significantly reduce the company's vulnerability to FX volatility. In Slovenia, tangible CAPEX rose due to the LTE rollout. The integration of ONE and Vip operator into a single company, one.Vip, accounted for a jump in tangible CAPEX in the Republic of Macedonia compared to the previous year.

Intangible capital expenditures declined slightly to EUR 76.7 mn (1–9M 2015: EUR 81.8 mn). In Bulgaria, intangible CAPEX rose in the first nine months of 2016 due to the acquisition of spectrum in the 1,800-MHz

Net change in cash and cash equivalents of EUR 841.7 mn driven by bond repayment

Total CAPEX rose by 16.5% driven by the solar power plant project in Belarus and the fibre rollout in Austria

frequency band in the amount of EUR 6.2 mn. In the Republic of Serbia intangible CAPEX declined due to the purchase of frequencies in the 1,800-MHz spectrum in the amount of EUR 6.9 mn in February 2015.

Personnel

Personnel (Full-time Equivalent)

Reported	30 Sep 2016 reported	30 Sep 2015 reported	% change
End of Period			
Austria	8,422	8,628	-2.4%
International Operations	9,040	7,441	21.5%
Corporate & Other	222	181	22.9%
Total	17,684	16,249	8.8%

Personnel (Full-time Equivalent)

Reported	1-9 M 2016 reported	1-9 M 2015 reported	% change
Average of Period			
Austria	8,468	8,688	-2.5%
International Operations	8,968	7,315	22.6%
Corporate & Other	215	182	18.7%
Total	17,651	16,185	9.1%

M&A drove increase in International Operations' headcount

Telekom Austria Group had 17,684 employees at the end of the first nine months of 2016, 8.8% more than a year earlier. This development was primarily attributable to the acquisitions of Blizoo in Bulgaria and Amis in Croatia and Slovenia as well as the merger of Vip operator with ONE in the Republic of Macedonia. The headcount in the Austrian segment was reduced by 2.4% year-on-year to 8,422 employees as part of the ongoing restructuring measures. Around 50% of existing employees have civil servant status. The segments outside of Austria saw an increase of 21.5% to 9,040 employees, caused solely by the above-mentioned acquisitions.

Quarterly Comparison

The following tables, including total revenues, EBITDA and operating income, are presented on a proforma basis, i.e. as if M&A transactions executed during the last twelve months had already been fully consolidated in the comparison period. This affects the segments of Bulgaria, Croatia, Slovenia and the Republic of Macedonia. The proforma view is equivalent to the reported view for Austria, Belarus and the Republic of Serbia. Average monthly revenue per fixed-line (ARPL) is available on a reported basis only. The reconciliation tables, including reported and proforma values, as well as the difference thereof, can be found on page 28.

Summary Quarterly Comparison

Key Performance Indicators

Proforma view in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	1,073.2	1,058.8	1.4%
EBITDA	415.5	386.3	7.5%
% Total Revenues	38.7%	36.5%	
EBIT	202.7	187.3	8.3%
% Total Revenues	18.9%	17.7%	
Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless subscribers (thousands)	20,731.7	20,786.0	-0.3%
Postpaid	14,912.8	14,642.4	1.8%
Prepaid	5,819.0	6,143.6	-5.3%
MoU (per Ø subscriber)	303.5	301.3	0.7%
ARPU (EUR)	9.0	9.2	-1.8%
Churn (%)	1.9%	1.7%	
Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs	5,607.1	5,512.5	1.7%

The following analysis is based on proforma⁵ figures if not stated otherwise.

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

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

Additionally, the performance in Q3 2016 compared to the same period previous year was impacted by a EUR 14.4 mn one-off effect which derived from the reversal of an accrual for copyrights in Austria. In the comparison period, there were one-off effects in amount of EUR +1.6 mn in total revenues and EUR +1.4 mn in

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

EBITDA stemming from a changed distribution model, which led to a different accounting treatment in the Republic of Serbia.

Moreover, restructuring charges in Austria amounted to a positive EUR 20.4 mn in the third quarter of 2016 stemming from a revaluation due to changed parameters, compared to negative EUR 7.8 mn in the same period last year.

Total negative FX effects amounted to EUR 17.6 mn for total revenues and EUR 8.2 mn for EBITDA in Q3 2016, thereof EUR 17.4 mn and EUR 8.2 mn respectively stem from Belarus.

In the third quarter of 2016, Telekom Austria Group saw a slight decrease in its mobile subscriber base of 0.3% in a year-on-year comparison (reported: +2.7%). In general, CEE markets saw a shift from prepaid to postpaid offers while Austria registered an increase in the prepaid share of the customer base. The number of revenue generating units (RGUs) rose by 1.7% year-on-year (reported: +19.9%).

Group revenues grew by 1.4% year-on-year

Group total revenues grew by 1.4% year-on-year (reported: +4.7%). All segments, apart from the Republic of Macedonia, contributed to this increase. Negative effects stemming from the abolition of retail roaming in the EU as of 30 April 2016 came in as expected and stem mostly from Austria with smaller negative impacts in Bulgaria, Croatia and Slovenia. Higher equipment sales in almost all markets mitigated these negative effects.

Reported total revenues in the Austrian segment remained stable (+0.2% year-on-year) in the third quarter of 2016, as higher equipment sales and fixed-line service revenues offset the losses in airtime revenues due to the abolition of retail roaming per 30 April 2016.

In the Bulgarian segment, total revenues increased by 4.5% in a year-on-year comparison (reported: +18.5%), mostly due to higher equipment revenues. Total revenues in the Croatian segment rose by 8.5% year-on-year (reported: +10.0%) and were driven by better trends in the mobile and ongoing growth in the fixed-line business. Reported total revenues in the Belarusian segment came in stable at +0.1% year-on-year, as the substantial FX devaluation offset the operational growth.

In the Slovenian segment, total revenues rose by 0.5% year-on-year (reported: +11.3%). Reported total revenues in the Serbian segment rose by 5.2% year-on-year and were driven by higher equipment revenues. In the Republic of Macedonia, total revenues were 7.0% lower year-on-year (reported: +68.4%).

Group total costs and expenses declined by 2.2% year-on-year to EUR 657.7 mn in the third quarter of 2016 (reported: +1.9%) driven by the above mentioned positive one-off and restructuring effect in Austria. Excluding these effects, Group total costs and expenses rose due to higher costs of equipment in almost all markets.

Group EBITDA increase of 7.5% year-on-year

Group EBITDA rose by 7.5% year-on-year to EUR 415.5 mn in the third quarter of 2016 (reported: +9.4%). Excluding the one-off and restructuring effects as well as the FX impact, Group EBITDA decreased by 1.0% driven by the abolition of retail roaming in the EU as of 30 April 2016.

Depreciation and amortisation rose by 6.9% to EUR 212.8 mn in a year-on-year comparison, mainly driven by Austria due to spectrum licenses starting in Q1 2016, an accelerated depreciation related to an equipment swap in Bulgaria and M&A-driven higher D&A in the Republic of Macedonia. Altogether, this led to growth in operating income of 8.3% year-on-year (reported: +7.3%) to EUR 202.7 mn.

EUR 143.2 mn reported net result

The reported financial result amounted to a negative EUR 42.4 mn in Q3 2016 compared to a negative EUR 41.2 mn in the same period last year. In summary, this resulted in a reported net result of EUR 143.2 mn in the third quarter of 2016 compared to EUR 137.1 mn in Q3 2015.

Segment Austria

Key Performance Indicators

Proforma view (= Reported view)

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	648.7	647.1	0.2%
thereof Wireless Revenues	311.8	315.3	-1.1%
thereof Service Revenues	264.3	271.4	-2.6%
thereof Equipment Revenues	35.8	32.2	11.1%
thereof Fixed-line and Other Revenues	336.8	331.8	1.5%
EBITDA	277.8	249.0	11.6%
% of Total Revenues	42.8%	38.5%	
EBIT	161.8	135.9	19.0%
% of Total Revenues	24.9%	21.0%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	5,919.2	5,709.5	3.7%
thereof Postpaid	4,181.9	4,028.3	3.8%
thereof Prepaid	1,737.3	1,681.2	3.3%
MoU (per Ø subscriber)	225.7	237.8	-5.1%
ARPU (in EUR)	14.9	16.0	-6.4%
Churn (%)	1.6%	1.3%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs (in '000)	3,501.4	3,521.2	-0.6%

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

In Q3 2016, competition in Austria remained driven by mobile no-frills offers. In addition, mobile WiFi routers with unlimited data offers are becoming an increasingly relevant element of the Austrian broadband market. At Telekom Austria counters these challenges, on the one hand, with its successful multi-brand strategy that allows it to address price pressure via its no-frills brands bob and YESSS!. On the other hand, At introduced a hybrid modem in July 2016 which combines the fixed-line and the mobile network and thereby enables At to offer higher fixed-line bandwidth products. Convenient unlimited mobile broadband offers complete At's data-centric high-value proposition.

In the third quarter of 2016, the total number of mobile communication subscribers rose by 3.7% year-on-year, mostly due to a greater number of Machine-to-Machine (M2M) SIM cards. Excluding M2M, the subscriber growth resulted from gains in the high-value customer base. Mobile broadband customer numbers rose due to a change in the methodology of counting mobile broadband subscribers.

Net additions came in at 49,300 as higher gross additions, especially in the contract segment, outweighed higher churn in both the contract (M2M-driven) and the prepaid business. Excluding M2M, net additions were at 2,600 due to a positive development in the high-value customer business.

In the fixed-line business, total fixed-line revenue generating units (RGUs) decreased by 0.6% year-on-year in Q3 2016. Compared to previous quarters, year-on-year growth of fixed-line broadband slowed further to 2.3%, while TV RGUs continued to exhibit strong growth and rose by 5.9% year-on-year in Q3 2016.

Fixed broadband and TV RGU growth of 2.3% and 5.9% year-on-year respectively

In the third quarter of 2016, total revenues remained mostly stable (+0.2% year-on-year) as higher equipment and fixed-line revenues outweighed the decline in wireless service revenues. The latter decreased almost entirely due to negative effects on customer roaming after the abolition of retail roaming within the EU per 30 April 2016. Excluding these effects, wireless service revenues profited from higher fees mainly due to more subscribers in the higher-value business as well as tariff indexation measures. This outweighed losses in the low-value business as well as in the mobile broadband business. Equipment revenues rose due to more devices sold. In the fixed-line business, higher revenues from broadband and TV partly offset the decline in voice revenues. Together with increasing interconnection revenues due to a changed settlement logic as well as higher quantities, this resulted in an increase in fixed-line service revenues.

Average monthly revenue per user (ARPU) declined by 6.4% from EUR 16.0 in Q3 2015 to EUR 14.9 in the third quarter of 2016. This was mainly the result of the losses in roaming revenues but was partly compensated by higher revenues from fixed fees due to the growing high-value base.

The average monthly revenue per fixed-line (ARPL) continued to fall, from EUR 28.3 in Q3 2015 to EUR 27.9 in Q3 2016, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline.

Total costs and expenses declined by 6.8% in the third quarter of 2016 compared to the same period last year. This reduction was driven by the above-mentioned positive one-off effect in the amount of EUR 14.4 mn as well as a positive restructuring charge. Excluding these effects, total costs and expenses rose due to increases in interconnection, advertising and equipment. The former resulted from a changed settlement logic as well as higher quantities. The costs of equipment rose due to an increase in the number of handsets sold stemming from more gross additions compared to the same period last year. However, the continued focus on intensified cost-cutting benefitted areas like network maintenance. Excluding the above-mentioned parameter change, the lower restructuring charge was driven by less social plans for civil servants as well as less transfers to the government.

Subsidies for customer acquisition increased from EUR 5.9 mn in Q3 2015 to EUR 6.8 mn in Q3 2016, resulting from higher gross additions. Subsidies for customer retention rose from EUR 17.4 mn in Q3 2015 to EUR 19.3 mn in Q3 2016 mainly due to more replacements at a higher price.

EBITDA growth of 11.6% year-on-year

As a result of stable total revenues and a reduction in total costs and expenses, EBITDA rose by 11.6% year-on-year in the third quarter of 2016. Excluding the above mentioned positive one-off and restructuring effect, EBITDA declined by 5.4%.

Depreciation and amortisation increased by 2.6% in the quarter under review compared to the same period last year due to spectrum licences starting in Q1 2016. As a result, the Austrian segment reported an increase in operating income of 19.0% year-on-year to EUR 161.8 mn in Q3 2016.

Segment Bulgaria

Key Performance Indicators

Proforma view

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	106.4	101.9	4.5%
thereof Wireless Revenues	84.5	80.3	5.2%
thereof Service Revenues	71.1	71.2	-0.1%
thereof Equipment Revenues	12.2	7.4	64.0%
thereof Fixed-line and Other Revenues	21.9	21.5	1.9%
EBITDA	36.1	37.9	-4.7%
% of Total Revenues	33.9%	37.2%	
EBIT	4.8	13.8	-65.3%
% of Total Revenues	4.5%	13.6%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	4,116.8	4,296.7	-4.2%
thereof Postpaid	3,496.1	3,459.5	1.1%
thereof Prepaid	620.7	837.2	-25.9%
MoU (per Ø subscriber)	275.6	263.5	4.6%
ARPU (in EUR)	5.8	5.5	5.0%
Churn (%)	1.6%	1.8%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs (in '000)	1,019.3	999.0	2.0%

The following analysis is based on proforma⁷ figures if not stated otherwise.

In the third quarter of 2016, the macroeconomic and competitive environment in Bulgaria remained challenging, which is particularly visible in the business segment. To counter price pressure, MobilTel maintained its focus on value-based management and greater efforts to retain high-value customers. In addition, a shift from prepaid to postpaid offers is taking place. As a result of these factors, MobilTel has achieved a further improvement in its service revenue trends in Q3 2016. In the fixed-line business, the acquisition of Blizoo, which has been fully consolidated as of the beginning of Q4 2015, strengthens MobilTel's position in the market.

Total mobile subscribers declined by 4.2% year-on-year in the third quarter of 2016, driven by losses in the prepaid business due to the above-mentioned shift towards postpaid offers. Smartphone and mobile broadband services continued to grow in Q3 2016 compared to Q3 2015 following the rise in demand for mobile data. Total fixed-line revenue generating units (RGUs) increased by 2.0% year-on-year due to the growing popularity of bundled services with TV and increased demand for broadband products.

After the slight increase in the previous quarter total revenues rose by 4.5% in Q3 2016 compared to the same period last year (reported: +18.5%). This was mostly driven by a 66.1% increase in equipment revenues due to more higher-value handsets sold. Wireless service revenues were stable due to higher interconnection revenues and improving trends in the residential business which profited from the above-mentioned

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

value-based management. However, severe price pressure remains, especially in the business segment, although the negative trend has slowed down due to successful countermeasures. Fixed-line revenues increased due to growth of DTH revenues and fixed-line solutions for the corporate business.

Average monthly revenue per user (ARPU) increased by 5.0% to EUR 5.8 in the third quarter of 2016, compared to EUR 5.5 in Q3 2015, driven by an increase in residential ARPU. On a reported basis, the average monthly revenue per fixed line (ARPL) fell from EUR 12.5 in Q3 2015 to EUR 10.9 in the third quarter of 2016, stemming from the consolidation of Blizoo customers with a comparably low ARPL.

Total costs and expenses increased by 9.9% year-on-year

Total costs and expenses increased by 9.9% in a year-on-year comparison, resulting to a large extent from higher costs of equipment due to more handsets sold and higher average subsidy per handset. In the costs of service area, interconnection expenses rose following the growing popularity of tariffs including free minutes to all national networks as well as higher roaming expenses. Intensified cost-cutting measures, i.a. leading to lower costs in the administration area, partly offset the above-mentioned cost increases.

Higher total costs and expenses led to a decline in EBITDA of 4.7% year-on-year in the third quarter of 2016 (reported: +4.7%) in spite of the growth in total revenues.

Segment Croatia

Key Performance Indicators

Proforma view

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	108.1	99.6	8.5%
thereof Wireless Revenues	85.4	80.1	6.6%
thereof Service Revenues	71.5	68.8	3.9%
thereof Equipment Revenues	12.2	10.2	19.9%
thereof Fixed-line and Other Revenues	22.7	19.5	16.6%
EBITDA	31.1	28.4	9.6%
% of Total Revenues	28.8%	28.5%	
EBIT	13.3	11.1	19.9%
% of Total Revenues	12.3%	11.1%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	1,822.8	1,804.8	1.0%
thereof Postpaid	836.4	825.8	1.3%
thereof Prepaid	986.4	979.1	0.7%
MoU (per Ø subscriber)	302.7	302.5	0.1%
ARPU (in EUR)	13.3	12.8	3.6%
Churn (%)	2.4%	2.1%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs (in '000)	607.4	535.8	13.4%

The following analysis is based on proforma⁸ figures if not stated otherwise.

The Croatian segment continued to exhibit positive operational trends, which were based on the ongoing growth of its fixed-line business, stronger mobile trends as well as the M&A contribution. On the other hand, regulatory pressure remained in the form of high frequency usage fees. The mobile business has profited from the push towards higher tariffs since May 2015. Trends in the fixed-line business remained encouraging on the back of the strong sales focus on broadband and TV services. The fixed-line business was further strengthened through the acquisition of Amis Croatia on 1 September 2015.

Mobile subscribers increased by 1.0% year-on-year driven by the contract subscriber base due to the general shift from prepaid to contract in the market. Despite this trend, prepaid customers increased slightly in the quarter under review due to summer promotions focusing on tourists. Contract subscriber numbers rose by 1.3% in the same period. This led to a value enhancement of the customer basis. Total fixed-line revenue generating units (RGUs) rose by 13.4% year-on-year, mostly driven by growth in the fixed-line broadband segment.

The third quarter of 2016 saw an increase in total revenues in the Croatian segment of 8.5% year-on-year (reported: +10.0%). Service revenues rose, driven by the ongoing strong growth in fixed-line RGUs as well as higher fixed fees in the mobile business following the above-mentioned push towards new tariffs. Equipment revenues also rose as a result of more handsets sold and a higher subsidy level.

Total revenue increase of 8.5% year-on-year

Average monthly revenue per user (ARPU) rose to EUR 13.3 in the third quarter of 2016 compared to EUR 12.8 in Q3 2015, as the increase in fixed fees more than offset the decline in airtime revenues. On a reported basis, average monthly revenue per fixed line (ARPL) declined from EUR 24.2 in Q3 2015 to EUR 23.6 in the quarter under review due to higher competition in the fixed-line market. As a higher number of revenue generating units outweighed the decline in ARPL, reported ARPL-relevant revenues rose 23.4% year-on-year on a reported basis, which also benefitted from the acquisition of Amis.

In the third quarter of 2016, total costs and expenses rose by 8.1% year-on-year. This increase was mostly due to higher costs of equipment, driven by more handsets sold. Furthermore, fixed access line growth also resulted in an increase in wholesale costs mainly stemming from bitstream access as well as higher content costs.

The increase in total revenues more than offset the rise in total costs and expenses which resulted in an EBITDA increase of 9.6% year-on-year (reported: +9.6%).

EBITDA increase of 9.6% year-on-year

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

Segment Belarus

Key Performance Indicators

Proforma view (= Reported view)

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	85.4	85.3	0.1%
thereof Wireless Revenues	82.6	82.5	0.1%
thereof Service Revenues	63.2	66.8	-5.5%
thereof Equipment Revenues	15.8	14.5	8.9%
EBITDA	41.4	41.5	-0.2%
% of Total Revenues	48.5%	48.7%	
EBIT	24.1	22.9	5.2%
% of Total Revenues	28.2%	26.9%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	4,913.6	4,937.3	-0.5%
thereof Postpaid	3,965.6	3,992.9	-0.7%
thereof Prepaid	948.1	944.4	0.4%
MoU (per Ø subscriber)	409.8	399.8	2.5%
ARPU (in EUR)*	4.3	4.5	-5.1%
Churn (%)	1.6%	1.3%	

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

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

Belarusian Rouble improved slightly in Q3 2016; 16.9% decline in a year-on-year comparison

In Belarus, strong operational developments continued to face macroeconomic and regulatory headwinds. In this context, the government is pushing for a stabilisation in inflation, which has slowed down to 8.3% year-to-date in September 2016. The government increased the value added tax on mobile services from 20% to 25% in April 2016. Also, the high devaluation is overshadowing the positive operational results: In a year-on-year comparison, the BYN has devalued by 16.9% (period average used respectively in line with IFRS). However, the Belarusian Rouble improved slightly since the end of the first quarter, tracking the better development of the oil price and the Russian Rouble.

Against this backdrop, velcom continued to show solid operational results in the third quarter of 2016. These remained driven by the healthy demand for data-centric services, which supported upselling activities as well as velcom's ability to position itself as a premium operator based on its superior network quality. The company's customer base slightly declined by 0.5% compared to the previous year.

The high devaluation compared to the same period last year continued to overshadow the positive operational development also in the third quarter of 2016. Including a negative FX effect of EUR 17.4 mn, total revenues remained stable at +0.1% year-on-year on a consolidated basis while they rose by 20.5% on a local currency basis. This rise was mostly driven by higher service revenues as well as increased equipment revenues and other operating income. Service revenues profited from ongoing data growth and inflation-linked price increases in December 2015, April and May 2016 as well as the migration of existing customers from old tariffs to higher-ARPU bundle offers. At the end of September, prices were again increased in all segments. Equipment revenues rose due to higher prices (FX-related) as well as more handsets sold. Other operating income also increased following the activation of the solar power plant, which reduces the company's vulnerability to FX volatility.

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

On a local currency basis, EBITDA rose by 19.5% in the third quarter of 2016 compared to the same period last year, as the increase in total revenues more than offset higher total costs and expenses. Consolidated EBITDA declined by 0.2%, including an FX translation effect of EUR 8.2 mn.

EBITDA growth of 19.5% year-on-year in local currency

Segment Slovenia

Key Performance Indicators

Proforma view

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	55.0	54.8	0.5%
thereof Wireless Revenues	46.5	45.9	1.2%
thereof Service Revenues	35.9	36.6	-2.0%
thereof Equipment Revenues	9.6	8.3	15.9%
thereof Fixed-line and Other Revenues	8.5	8.8	-3.3%
EBITDA	16.1	16.0	0.8%
% of Total Revenues	29.2%	29.1%	
EBIT	7.0	9.2	-23.2%
% of Total Revenues	12.8%	16.7%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	716.6	702.4	2.0%
thereof Postpaid	588.8	564.5	4.3%
thereof Prepaid	127.8	137.8	-7.3%
MoU (per Ø subscriber)	328.3	331.8	-1.1%
ARPU (in EUR)	16.7	17.5	-4.6%
Churn (%)	1.3%	1.3%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs (in '000)	172.0	147.5	16.6%

The following analysis is based on proforma⁹ figures if not stated otherwise.

In the third quarter of 2016, the Slovenian telecommunications market was still characterised by the focus of the fierce competition on convergent products. Si.mobil countered this challenging environment through the acquisition of the fixed-line reseller Amis in September 2015.

In the third quarter of 2016, the number of mobile customers rose by 2.0% year-on-year due to higher gross additions in the business segment as well as more no-frills customers. Total fixed-line revenue generating units (RGUs) increased by 16.6% year-on-year to 172,000 in the third quarter of 2016, driven by higher demand for IPTV, broadband and voice.

2.0% year-on-year mobile customer growth in the segment Slovenia

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

Total revenues in Slovenia rose by 0.5% year-on-year (reported: +11.3%) as a result of higher equipment sales due to more handsets sold at a higher price. Mobile service revenues declined driven by lower customer roaming revenues due to the abolition of EU-roaming despite higher interconnection revenues and a volume-driven increase in monthly mobile fees. Fixed-line revenues declined mostly due to intensified competition.

Total costs and expenses increased slightly by 0.3% year-on-year as higher costs of equipment due to the above mentioned rise in handsets sold at a higher price were offset by savings in the cost of service area.

The rise in total revenues together with lower total costs and expenses, resulted in an EBITDA increase of 0.8% year-on-year (reported: +3.5%).

Segment Republic of Serbia

Key Performance Indicators

Proforma view (= Reported view)

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	56.1	53.3	5.2%
thereof Wireless Revenues	54.4	52.4	3.8%
thereof Service Revenues	35.8	39.4	-9.2%
thereof Equipment Revenues	17.7	12.0	47.4%
EBITDA	11.5	10.9	5.9%
% of Total Revenues	20.5%	20.4%	
EBIT	0.4	-1.4	n.m.
% of Total Revenues	0.7%	-2.7%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	2,105.3	2,116.7	-0.5%
thereof Postpaid	1,214.2	1,138.0	6.7%
thereof Prepaid	891.1	978.8	-9.0%
MoU (per Ø subscriber)	268.0	266.3	0.6%
ARPU (in EUR)	5.7	6.2	-8.0%
Churn (%)	3.0%	3.4%	

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

In Q3 2016, competition in the Republic of Serbia remained intense after the launch of new aggressive convergent offers in the market during the first half of 2016, which Vip mobile counteracted with its focus on the contract segment and hardware promotions. Compared to the same period last year, the contract share increased from 53.8% in Q3 2015 to 57.7% in Q3 2016, which was also attributable to a general market-wide shift from multiple prepaid to single postpaid offers. Total subscribers declined by 0.5% in a year-on-year comparison, stemming from fewer subscribers in the prepaid segment due to the above-mentioned effect.

In Q3 2016, total revenues in the Republic of Serbia grew by 5.2% year-on-year, which was entirely driven by higher equipment revenues. Total revenues included a negative effect from the changed distribution model which led to a different accounting treatment. Wireless service revenues declined by 9.2% year-on-year in Q3 2016 and were negatively impacted by the before mentioned accounting effect as well as lower interconnection revenues which were partly offset by higher revenues from monthly fees.

Total costs and expenses rose by 5.0% year-on-year in the third quarter of 2016 due to higher costs of equipment as well as higher selling and marketing expenses which were partly compensated by lower interconnection expenses.

The increase in total revenues allowed - in spite of higher total costs and expenses - an EBITDA growth of 5.9% year-on-year.

5.9% year-on-year EBITDA growth in the segment Republic of Serbia

Segment Republic of Macedonia

Key Performance Indicators

Proforma view

Financials

in EUR million	Q3 2016 reported	Q3 2015 proforma	% change
Total Revenues	30.3	32.5	-7.0%
thereof Wireless Revenues	23.6	24.3	-2.5%
thereof Service Revenues	21.8	22.2	-1.9%
thereof Equipment Revenues	1.7	1.4	21.7%
thereof Fixed-line and Other Revenues	6.6	8.3	-20.0%
EBITDA	7.2	7.1	1.4%
% of Total Revenues	23.8%	21.9%	
EBIT	-3.3	0.2	n.m.
% of Total Revenues	-11.0%	0.5%	

Wireless Indicators	Q3 2016 reported	Q3 2015 proforma	% change
Wireless Subscribers (in '000)	1,137.5	1,218.6	-6.7%
thereof Postpaid	629.8	633.4	-0.6%
thereof Prepaid	507.7	585.1	-13.2%
MoU (per Ø subscriber)	409.2	374.1	9.4%
ARPU (in EUR)	6.4	6.1	3.6%
Churn (%)	2.6%	1.7%	

Wireline Indicators	Q3 2016 reported	Q3 2015 proforma	% change
RGUs (in '000)	307.1	309.0	-0.6%

The following analysis is based on proforma¹⁰ figures if not stated otherwise.

Following the merger of Vip operator with ONE in October 2015, the combined entity, one.Vip, is now the leading operator in the mobile segment of the telecommunications market of the Republic of Macedonia. In spite of this consolidation, competition in the mobile market accelerated with the entry of a MVNO as of July 2016.

In the Republic of Macedonia, the mobile penetration rate declined as customers continued to move from multiple prepaid to single contract subscriptions. This also resulted in a decline in one.Vip's customer base of 6.7% in a year-on-year comparison. In the fixed-line business, revenue generating units (RGU) decreased by 0.6% year-on-year.

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

7.0% year-on-year decline in total revenues

Total revenues declined by 7.0% year-on-year (reported: +68.4%) driven by a decrease in in wholesale inter-connection revenues and visitor roaming.

Average monthly revenue per user (ARPU) increased by 3.6% year-on-year, mostly due to the increased contract customer share. Average monthly revenue per fixed line (ARPL) rose by 4.5% year-on-year to EUR 12.5 on a reported basis due to more customers with multi-play products.

Total costs and expenses declined by 9.3% in a year-on-year comparison mainly driven by realised synergies primarily in advertising expenses and subsidies.

Overall, the decrease in total revenues was more than mitigated by lower total costs and expenses which led to year-on-year EBITDA growth of 1.4% to EUR 7.2 mn in Q3 2016 (reported: +61.2%).

Telekom Austria AG Share Performance

During the first nine months of 2016, Telekom Austria's share price declined by 0.4% and the Austrian ATX index rose by 0.4% while the sector fell by 15.1%.

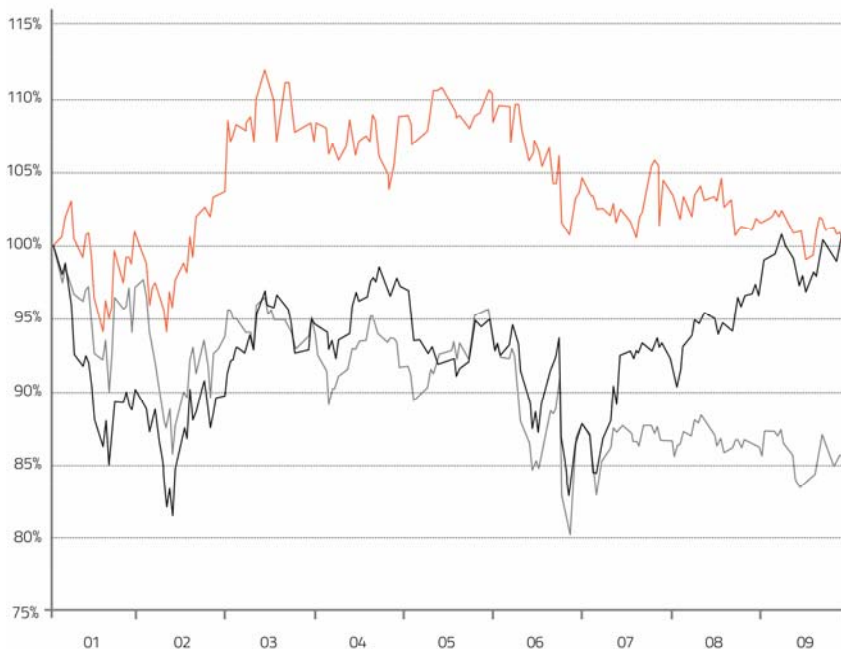
The Telekom Austria share started the year comparably weak, trading down 7.6% and reaching its low at EUR 4.66 on 9 February 2016. Following the release of the full year results, the Telekom Austria Group stock started to rise and reached its highest price during the first nine months at EUR 5.73 on 15 March 2016. In April and May, the Telekom Austria share traded mostly sideways with a slight upward trend. Ahead of the UK referendum on leaving the European Union, the stock came under selling pressure in June. On 23 June, when the UK voted clearly for a Brexit against market expectations, the shares dropped sharply. On 29 July and on 23 August, América Móvil announced its sale of 7.81% and 0.89% respectively of Telekom Austria shares and to keep the remaining 51% in TKA shares. Thereafter, the Telekom Austria stock moved mostly sideways with a slight downward drift.

The Stoxx Telecom industry index and the ATX, the benchmark index of the Vienna Stock Exchange, declined during the first quarter of 2016 due to macroeconomic concerns and the weakness of the oil price. In early Q2, both indices started to rise again, supported by the recovery of the oil price, but declined again at the end of June driven by the UK referendum. While European indices and the sector traded mostly sideways, the ATX rose on the back of strong company results.

Development of Telekom Austria share price

indexed from 1 Jan 2016

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



Outlook unchanged

Telekom Austria Group outlook for the full year 2016

During the first nine months of 2016, Telekom Austria Group managed to grow its total revenues on a reported basis. This was achieved despite strong competition in the Austrian mobile market as well as ongoing challenges in the CEE region. The Belarusian Rouble slightly improved since the end of the first quarter 2016 but the devaluation in the first nine months (-23.7% year-on-year) dampened total revenue growth in EUR terms in Belarus. Moreover, fragile economies in CEE continued to impact demand and resulted in intense competition across most of the Group's mobile markets. A further burden on Telekom Austria Group arises from the abolition of retail roaming in the EU as of 30 April 2016, which overshadows operational improvements. Additional regulatory headwinds, in particular the high frequency usage fee in Croatia, have been hampering operations. On a positive note, demand for fixed-line services is expected to remain supportive across Telekom Austria Group's convergent markets.

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

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

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

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

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

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

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

The outlook is based on constant exchange rates, with the exception of the Belarusian Rouble. Whilst the Management of Telekom Austria Group acknowledges the limited predictability of the Belarusian Rouble, it expects the currency to devalue by approximately 20% versus the EUR in 2016.

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

Outlook ¹ 2016	as of 27 October 2016
Total Revenues ²	approx. +1%
Capital Expenditures ³	approx. EUR 750 mn
Dividend ⁴	DPS of EUR 0.20

¹ Outlook based on reported numbers

² Except for Belarus, on a constant currency basis

³ Does not include investments in spectrum or acquisitions

⁴ Intended proposal to the Annual General Meeting 2017.

Additional Information

Risks and Uncertainties

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

Other and Subsequent Events

There were no subsequent events.

Waiver of Review

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

Other

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

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

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

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

Reconciliation tables –

Additional performance measures and further details on above mentioned figures

The following tables present all the tables from the previous section on a reported as well as on a proforma basis. Additionally, the difference between reported and proforma values is also provided and is stemming from the M&A-activities in 2015 mentioned on page 5. Further explanations are provided to give additional, useful and relevant detail on the company's performance.

ARPL

ARPL-relevant revenues are Fixed Retail Revenues and Fixed Interconnection Revenues. The ARPL is calculated by ARPL-relevant Revenues divided by 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)	Q3 2016 reported	Q3 2015 reported	% change
Austria	184.9	189.3	-2.3%
Bulgaria	17.7	5.9	199.5%
Croatia	19.7	16.0	23.4%
Belarus	n.a.	n.a.	n.m.
Slovenia	7.3	2.5	191.6%
Republic of Serbia	n.a.	n.a.	n.m.
Republic of Macedonia	5.3	3.1	69.7%

Fixed access lines (in '000)	Q3 2016 reported	Q3 2015 reported	% change
Austria	2,208.0	2,233.7	-1.2%
Bulgaria	541.6	160.9	236.7%
Croatia	281.2	247.0	13.8%
Belarus	n.a.	n.a.	n.m.
Slovenia	71.5	65.7	8.9%
Republic of Serbia	n.a.	n.a.	n.m.
Republic of Macedonia	140.5	86.0	63.4%

ARPU

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. The ARPU is calculated based on ARPU-relevant revenues divided by the average subscribers in a certain period.

Group (in EUR million)	1-9 M 2016 reported	1-9 M 2015 proforma	% change proforma	Q3 2016 reported	Q3 2015 proforma	% change proforma
Wireless Service Revenues	1,609.9	1,660.1	-3.0%	558.1	570.3	-2.1%

Belarus Key Financials in EUR und BYN

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	Q3 2016 reported	Q3 2015 reported	% change
Total Revenues	230.3	249.3	–7.6%	85.4	85.3	0.1%
Total Costs and Expenditures	–119.4	–122.3	n.m.	–44.0	–43.8	n.m.
EBITDA	110.9	127.0	–12.7%	41.4	41.5	–0.2%

in BYN billion	1–9 M 2016 reported	1–9 M 2015 reported	% change	Q3 2016 reported	Q3 2015 reported	% change
Total Revenues	5,157.1	4,256.8	21.2%	1,879.3	1,559.8	20.5%
Total Costs and Expenditures	–2,673.6	–2,088.5	n.m.	–967.4	–797.0	n.m.
EBITDA	2,483.6	2,168.3	14.5%	911.8	762.8	19.5%

Year-to-date Comparison

Group Summary

Key Performance Indicators

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	3,113.3	3,019.0	3.1%	3,123.8	–0.3%	104.9
EBITDA	1,079.1	1,035.0	4.3%	1,056.4	2.1%	21.5
% Total Revenues	34.7%	34.3%		33.8%		
EBIT	434.4	447.9	–3.0%	444.2	–2.2%	–3.6
% Total Revenues	14.0%	14.8%		14.2%		

Wireless Indicators	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,731.7	20,191.7	2.7%	20,786.0	–0.3%	594.3
Postpaid	14,912.8	14,346.9	3.9%	14,642.4	1.8%	295.5
Prepaid	5,819.0	5,844.8	–0.4%	6,143.6	–5.3%	298.8
MoU (per Ø subscriber)*	303.7	299.6	1.4%	301.2	0.8%	1.6
ARPU (EUR)	8.7	9.1	–4.1%	9.0	–2.9%	–0.1
Churn (%)	1.9%	1.8%		1.8%		

Wireline Indicators	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs	5,607.1	4,677.4	19.9%	5,512.5	1.7%	835.1

* 1-9M 2015 Minutes of Use value has been adjusted retrospectively.

Revenues

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	1,913.2	1,901.3	0.6%	1,901.3	0.6%	0.0
Bulgaria	303.3	269.8	12.4%	305.7	-0.8%	35.9
Croatia	295.2	271.2	8.9%	276.6	6.7%	5.4
Belarus	230.3	249.3	-7.6%	249.3	-7.6%	0.0
Slovenia	159.0	158.8	0.1%	180.7	-12.0%	21.9
Republic of Serbia	161.1	152.2	5.9%	152.2	5.9%	0.0
Republic of Macedonia	88.4	51.1	73.1%	92.7	-4.6%	41.7
Corporate & Holding, Eliminations	-37.4	-34.7	n.m.	-34.7	n.m.	0.0
Total Revenues	3,113.3	3,019.0	3.1%	3,123.8	-0.3%	104.9

EBITDA

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	721.1	658.4	9.5%	658.4	9.5%	0.0
Bulgaria	100.4	101.5	-1.1%	112.3	-10.6%	10.8
Croatia	69.3	63.5	9.1%	64.5	7.5%	1.0
Belarus	110.9	127.0	-12.7%	127.0	-12.7%	0.0
Slovenia	42.7	58.1	-26.4%	60.2	-29.1%	2.2
Republic of Serbia	30.5	33.1	-8.0%	33.1	-8.0%	0.0
Republic of Macedonia	20.2	11.6	73.8%	19.2	5.4%	7.6
Corporate & Holding, Eliminations	-16.0	-18.2	n.m.	-18.2	n.m.	0.0
Total EBITDA	1,079.1	1,035.0	4.3%	1,056.4	2.1%	21.5

Depreciation and Amortisation

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	-368.0	-349.0	n.m.	-349.0	n.m.	0.0
Bulgaria	-82.4	-61.3	n.m.	-72.7	n.m.	-11.4
Croatia	-58.6	-51.0	n.m.	-51.7	n.m.	-0.8
Belarus	-50.1	-59.7	n.m.	-59.7	n.m.	0.0
Slovenia	-24.0	-17.4	n.m.	-20.0	n.m.	-2.7
Republic of Serbia	-34.5	-38.7	n.m.	-38.7	n.m.	0.0
Republic of Macedonia	-39.8	-10.2	n.m.	-20.4	n.m.	-10.2
Corporate & Holding, Eliminations	12.7	0.0	n.m.	0.0	n.m.	0.0
Total D&A	-644.7	-587.1	n.m.	-612.2	n.m.	-25.1

EBIT

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	353.0	309.4	14.1%	309.4	14.1%	0.0
Bulgaria	18.1	40.2	-55.1%	39.6	-54.3%	-0.6
Croatia	10.6	12.5	-15.1%	12.7	-16.4%	0.2
Belarus	60.9	67.3	-9.5%	67.3	-9.5%	0.0
Slovenia	18.7	40.7	-54.1%	40.2	-53.5%	-0.5
Republic of Serbia	-4.0	-5.5	n.m.	-5.5	n.m.	0.0
Republic of Macedonia	-19.6	1.5	n.m.	-1.2	n.m.	-2.7
Corporate & Holding, Eliminations	-3.3	-18.2	n.m.	-18.2	n.m.	0.0
Total EBIT	434.4	447.9	-3.0%	444.2	-2.2%	-3.6

Capital Expenditures*

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change	1–9 M 2015 proforma	% change proforma	Absolute change (proforma - reported)
Austria	328.1	302.5	8.5%	302.5	8.5%	0.0
Bulgaria	49.1	43.1	14.0%	51.1	-4.0%	8.1
Croatia	49.7	34.7	43.4%	35.6	39.9%	0.9
Belarus	56.4	30.4	85.3%	30.4	85.3%	0.0
Slovenia	17.4	11.2	55.4%	13.5	28.6%	2.3
Republic of Serbia	17.6	29.7	-40.8%	29.7	-40.8%	0.0
Republic of Macedonia	23.7	9.9	139.0%	13.4	76.5%	3.5
Corporate & Holding, Eliminations	-4.7	0.0	n.a.	0.0	n.m.	0.0
Total Capital Expenditures	537.4	461.4	16.5%	476.2	12.9%	14.8

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

Capital Expenditures – Tangible

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change
Austria	282.1	253.6	11.2%
Bulgaria	33.9	30.3	11.9%
Croatia	45.9	31.6	45.0%
Belarus	52.8	27.1	94.8%
Slovenia	13.1	8.4	56.6%
Republic of Serbia	16.0	19.2	-16.9%
Republic of Macedonia	21.6	9.4	130.6%
Corporate & Holding, Eliminations	-4.6	0.0	n.a.
Total Capital Expenditures - Tangible	460.7	379.6	21.4%

Capital Expenditures – Intangible

in EUR million	1–9 M 2016 reported	1–9 M 2015 reported	% change
Austria	46.0	48.8	–5.7%
Bulgaria	15.2	12.8	19.0%
Croatia	3.9	3.1	26.5%
Belarus	3.6	3.3	8.8%
Slovenia	4.2	2.8	51.8%
Republic of Serbia	1.6	10.5	–84.7%
Republic of Macedonia	2.1	0.5	283.3%
Corporate & Holding, Eliminations	–0.1	0.0	n.a.
Total Capital Expenditures - Intangible	76.7	81.8	–6.3%

Free Cash Flow

(in EUR million)	1–9 M 2016 reported	1–9 M 2015 reported	% change
Net cash flow from operating activities	867.8	1,000.0	–13.2%
Capital expenditures paid	–622.0	–525.8	n.m.
Proceeds from sale of plant, property and equipment	15.4	5.7	168.6%
Interest paid	–130.8	–125.8	n.m.
Free Cash Flow	130.4	354.2	–63.2%

Quarterly Analysis**Group Summary**

Key Performance Indicators

in EUR million	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	1,073.2	1,025.5	4.7%	1,058.8	1.4%	33.3
EBITDA	415.5	379.9	9.4%	386.3	7.5%	6.5
% Total Revenues	38.7%	37.0%		36.5%		
EBIT	202.7	188.9	7.3%	187.3	8.3%	–1.6
% Total Revenues	18.9%	18.4%		17.7%		

Wireless Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless subscribers (thousands)	20,731.7	20,191.7	2.7%	20,786.0	–0.3%	594.3
thereof Postpaid	14,912.8	14,346.9	3.9%	14,642.4	1.8%	295.5
thereof Prepaid	5,819.0	5,844.8	–0.4%	6,143.6	–5.3%	298.8
MoU (per Ø subscriber)	303.5	299.8	1.2%	301.3	0.7%	1.5
ARPU (EUR)	9.0	9.3	–3.1%	9.2	–1.8%	–0.1
Churn (%)	1.9%	1.7%		1.7%		

Wireline Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs	5,607.1	4,677.4	19.9%	5,512.5	1.7%	835.1

* Q3 2015 Minutes of Use value has been adjusted retrospectively.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	106.4	89.8	18.5%	101.9	4.5%	12.0
thereof Wireless Revenues	84.5	80.2	5.4%	80.3	5.2%	0.2
thereof Service Revenues	71.1	71.2	-0.1%	71.2	-0.1%	0.0
thereof Equipment Revenues	12.2	7.4	64.0%	7.4	64.0%	0.0
thereof Fixed-line and Other Revenues	21.9	9.7	126.7%	21.5	1.9%	11.9
EBITDA	36.1	34.5	4.7%	37.9	-4.7%	3.4
% of Total Revenues	33.9%	38.4%		37.2%		
EBIT	4.8	14.2	-66.2%	13.8	-65.3%	-0.4
% of Total Revenues	4.5%	15.8%		13.6%		

Wireless Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	4,116.8	4,296.7	-4.2%	4,296.7	-4.2%	0.0
thereof Postpaid	3,496.1	3,459.5	1.1%	3,459.5	1.1%	0.0
thereof Prepaid	620.7	837.2	-25.9%	837.2	-25.9%	0.0
MoU (per Ø subscriber)*	275.6	263.5	4.6%	263.5	4.6%	0.0
ARPU (in EUR)	5.8	5.5	5.0%	5.5	5.0%	0.0
Churn (%)	1.6%	1.8%		1.8%		

Wireline Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	1,019.3	285.0	257.7%	999.0	2.0%	714.1

* Q3 2015 Minutes of Use value has been adjusted retrospectively.

Segment Croatia

Key Performance Indicators

in EUR million	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	108.1	98.2	10.0%	99.6	8.5%	1.4
thereof Wireless Revenues	85.4	80.1	6.6%	80.1	6.6%	0.0
thereof Service Revenues	71.5	68.8	3.9%	68.8	3.9%	0.0
thereof Equipment Revenues	12.2	10.2	19.9%	10.2	19.9%	0.0
thereof Fixed-line and Other Revenues	22.7	18.1	25.3%	19.5	16.6%	1.4
EBITDA	31.1	28.3	9.6%	28.4	9.6%	0.0
% of Total Revenues	28.8%	28.9%		28.5%		
EBIT	13.3	11.2	18.0%	11.1	19.9%	-0.2
% of Total Revenues	12.3%	11.4%		11.1%		

Wireless Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	1,822.8	1,804.8	1.0%	1,804.8	1.0%	0.0
thereof Postpaid	836.4	825.8	1.3%	825.8	1.3%	0.0
thereof Prepaid	986.4	979.1	0.7%	979.1	0.7%	0.0
MoU (per Ø subscriber)*	302.7	302.5	0.1%	302.5	0.1%	0.0
ARPU (in EUR)	13.3	12.8	3.6%	12.8	3.6%	0.0
Churn (%)	2.4%	2.1%		2.1%		

Wireline Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	607.4	535.8	13.4%	535.8	13.4%	0.0

* Q3 2015 Minutes of Use value has been adjusted retrospectively.

Segment Slovenia

Key Performance Indicators

in EUR million	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	55.0	49.4	11.3%	54.8	0.5%	5.3
thereof Wireless Revenues	46.5	45.8	1.4%	45.9	1.2%	0.1
thereof Service Revenues	35.9	36.6	-2.0%	36.6	-2.0%	0.0
thereof Equipment Revenues	9.6	8.3	15.9%	8.3	15.9%	0.0
thereof Fixed-line and Other Revenues	8.5	3.6	136.2%	8.8	-3.3%	5.2
EBITDA	16.1	15.5	3.5%	16.0	0.8%	0.4
% of Total Revenues	29.2%	31.4%		29.1%		
EBIT	7.0	9.4	-25.3%	9.2	-23.2%	-0.3
% of Total Revenues	12.8%	19.0%		16.7%		

Wireless Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	716.6	702.4	2.0%	702.4	2.0%	0.0
thereof Postpaid	588.8	564.5	4.3%	564.5	4.3%	0.0
thereof Prepaid	127.8	137.8	-7.3%	137.8	-7.3%	0.0
MoU (per Ø subscriber)*	328.3	331.8	-1.1%	331.8	-1.1%	0.0
ARPU (in EUR)	16.7	17.5	-4.6%	17.5	-4.6%	0.0
Churn (%)	1.3%	1.3%		1.3%		

Wireline Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
RGUs (in '000)	172.0	147.5	16.6%	147.5	16.6%	0.0

* Q3 2015 Minutes of Use value has been adjusted retrospectively.

Segment Republic of Macedonia

Key Performance Indicators

in EUR million	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change proforma	Absolute change (proforma - reported)
Total Revenues	30.3	18.0	68.4%	32.5	-7.0%	14.6
thereof Wireless Revenues	23.6	14.3	65.5%	24.3	-2.5%	10.0
thereof Service Revenues	21.8	13.3	63.1%	22.2	-1.9%	8.8
thereof Equipment Revenues	1.7	0.8	101.7%	1.4	21.7%	0.6
thereof Fixed-line and Other Revenues	6.6	3.7	79.8%	8.3	-20.0%	4.6
EBITDA	7.2	4.5	61.2%	7.1	1.4%	2.6
% of Total Revenues	23.8%	24.9%		21.9%		
EBIT	-3.3	0.9	n.m.	0.2	n.m.	-0.8
% of Total Revenues	-11.0%	5.3%		0.5%		

Wireless Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change	Absolute change (proforma - reported)
Wireless Subscribers (in '000)	1,137.5	624.3	82.2%	1,218.6	-6.7%	594.3
thereof Postpaid	629.8	338.0	86.4%	633.4	-0.6%	295.5
thereof Prepaid	507.7	286.3	77.3%	585.1	-13.2%	298.8
MoU (per Ø subscriber)*	409.2	394.6	3.7%	374.1	9.4%	-20.5
ARPU (in EUR)	6.4	7.2	-11.6%	6.1	3.6%	-1.1
Churn (%)	2.6%	1.7%		1.7%		

Wireline Indicators	Q3 2016 reported	Q3 2015 reported	% change	Q3 2015 proforma	% change	Absolute change (proforma - reported)
RGUs (in '000)	307.1	187.9	63.4%	309.0	-0.6%	121.0

* Q3 2015 Minutes of Use value has been adjusted retrospectively.

Condensed Consolidated Financial Statements

Telekom Austria Group

Condensed Consolidated Statements of Comprehensive Income

in EUR million, except per share information	Q3 2016 unaudited	Q3 2015 unaudited	1–9 M 2016 unaudited	1–9 M 2015 unaudited
Service Revenues (incl. other operating income)	961.6	933.5	2,804.3	2,767.7
Equipment revenues	111.6	91.9	309.0	251.3
Total revenues (incl. other operating income - 00I)	1,073.2	1,025.5	3,113.3	3,019.0
Cost of service	-329.0	-321.5	-988.2	-962.7
Cost of equipment	-126.3	-106.0	-355.6	-300.5
Selling, general & administrative expenses	-202.6	-216.4	-689.7	-717.1
Others	0.2	-1.7	-0.6	-3.7
Total cost and expenses	-657.7	-645.6	-2,034.1	-1,984.0
Earnings before interest, tax, depreciation and amortisation - EBITDA	415.5	379.9	1,079.1	1,035.0
Depreciation and amortisation	-212.8	-191.0	-644.7	-587.1
Operating income - EBIT	202.7	188.9	434.4	447.9
Interest income	3.0	7.5	9.3	20.6
Interest expense on financial liabilities	-43.4	-41.0	-103.5	-121.6
Interest on employee benefits and restructuring and other financial items, net	-3.3	-4.3	-6.1	-13.2
Foreign currency exchange differences, net	1.0	-3.2	8.2	-1.7
Equity interest in net income of associated companies	0.3	-0.2	0.8	0.1
Financial result	-42.4	-41.2	-91.3	-115.7
Earnings before income tax - EBT	160.3	147.7	343.2	332.2
Income tax	-17.1	-10.6	-36.5	-23.8
Net result	143.2	137.1	306.7	308.4
Attributable to:				
Equity holders of the parent	136.7	130.7	287.4	289.4
Non-controlling interests	0.2	0.0	0.3	0.1
Hybrid capital owners	6.4	6.4	19.0	18.9
Basic and diluted earnings per share attributable to equity holders of the parent	0.2	0.2	0.4	0.4
Weighted-average number of ordinary shares outstanding	664,084,841	664,084,841	664,084,841	664,084,841
Other comprehensive income items:				
Items that may be reclassified to profit or loss:				
Effect of translation of foreign entities	8.4	-64.5	-24.2	-128.7
Realised result on hedging activities, net of tax	1.1	1.1	3.3	3.3
Unrealised result on securities available-for-sale, net of tax	0.2	-0.1	0.1	-0.3
Items that will not be reclassified to profit or loss:	9.7	-63.5	-20.7	-125.7
Remeasurements of defined benefit obligations, net of tax	-12.0	-1.1	-18.0	-3.3
Total other comprehensive income (loss)	-2.3	-64.6	-38.7	-129.0
Total comprehensive income (loss)	141.0	72.5	268.0	179.5
Attributable to:				
Equity holders of the parent	134.4	66.1	248.7	160.4
Non-controlling interests	0.2	0.0	0.3	0.1
Hybrid capital owners	6.4	6.4	19.0	18.9

Condensed Consolidated Statements of Financial Position

in EUR million	30. Sept. 2016 unaudited	31 Dec. 2015 audited	1 Jan. 2015 audited
ASSETS			
Current assets			
Cash and cash equivalents	67.5	909.2	1,018.1
Short-term investments	1.7	2.4	14.4
Accounts receivable: Subscribers, distributors and other, net	662.6	624.6	600.1
Receivables due from related parties	1.1	0.9	1.3
Inventories, net	92.6	78.9	91.7
Income tax receivable	16.2	4.4	27.4
Assets held for sale	0.0	0.0	0.4
Other current assets, net	247.7	232.7	245.6
Total current assets	1,089.4	1,853.1	1,998.9
Non-current assets			
Property, plant and equipment, net	2,477.4	2,409.4	2,294.5
Intangibles, net	2,338.3	2,507.9	2,570.1
Goodwill	1,231.3	1,229.7	1,189.5
Investments in associated companies	39.8	40.4	38.3
Long-term investments	8.6	8.2	7.4
Deferred income tax assets	191.7	206.7	170.9
Other non-current assets, net	53.1	49.0	46.9
Total non-current assets	6,340.2	6,451.4	6,317.5
TOTAL ASSETS	7,429.6	8,304.5	8,316.4
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	-499.9	-810.4	-247.4
Accounts payable	-786.6	-905.2	-748.5
Accrued liabilities and current provisions	-303.8	-335.5	-337.3
Income tax payable	-42.3	-38.9	-33.4
Payables due to related parties	-3.1	-1.8	-7.1
Deferred revenues	-165.3	-161.5	-163.9
Total current liabilities	-1,801.0	-2,253.3	-1,537.5
Non-current liabilities			
Long-term debt	-1,986.6	-2,584.1	-3,385.0
Deferred income tax liabilities	-55.4	-71.4	-90.8
Deferred revenues and other non-current liabilities	-21.1	-22.8	-16.6
Asset retirement obligation and restructuring	-702.8	-750.3	-867.5
Employee benefits	-229.5	-196.5	-200.9
Total non-current liabilities	-2,995.5	-3,625.2	-4,560.8
Stockholders' equity			
Capital stock	-1,449.3	-1,449.3	-1,449.3
Treasury shares	7.8	7.8	7.8
Additional paid-in capital	-1,100.1	-1,100.1	-1,100.1
Hybrid capital	-591.2	-591.2	-591.2
Retained earnings	-197.8	48.0	382.1
Other comprehensive income (loss) items	699.4	660.7	533.9
Equity attributable to equity holders of the parent	-2,631.1	-2,424.1	-2,216.8
Non-controlling interests	-2.0	-1.9	-1.2
Total stockholders' equity	-2,633.2	-2,426.0	-2,218.0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	-7,429.6	-8,304.5	-8,316.4

Condensed Consolidated Statements of Cash Flows

in EUR million	Q3 2016 unaudited	Q3 2015 unaudited	1–9 M 2016 unaudited	1–9 M 2015 unaudited
Earnings before income tax - EBT	160.3	147.7	343.2	332.2
Items not requiring the use of cash:				
Depreciation	132.7	120.3	404.4	368.6
Amortisation of intangible assets	80.0	70.7	240.3	218.5
Equity interest in net income of associated companies	-0.3	0.2	-0.8	-0.1
Result on sale of investments	-1.1	0.0	-4.9	0.0
Result on sale of property, plant and equipment	0.4	1.7	-2.9	2.1
Net period cost of labor obligations and restructuring	-13.3	7.5	-2.1	26.4
Foreign currency exchange differences, net	-1.0	3.2	-8.2	1.7
Interest income	-3.0	-7.5	-9.3	-20.6
Interest expense	44.0	41.6	105.2	123.4
Other adjustments	-0.4	-0.1	-0.7	-2.4
Working capital changes:				
Accounts receivable from subscribers, distributors and other	-16.8	-1.5	-38.9	19.1
Prepaid expenses	-0.7	9.2	-6.3	8.2
Due from related parties	-0.2	-0.1	-0.2	0.3
Inventories	4.9	-2.4	-14.2	17.8
Other assets	-7.3	7.5	-11.2	11.5
Employee benefits and restructuring	-27.5	-22.7	-80.3	-74.5
Accounts payable and accrued liabilities	-42.7	-68.1	-24.5	-35.5
Due to related parties	1.7	-2.1	1.2	-3.7
Deferred revenues	1.9	4.8	1.9	0.2
Interest received	3.0	6.7	9.3	18.8
Income taxes paid	-9.1	-7.6	-33.2	-11.9
Net cash flow from operating activities	305.6	309.1	867.8	1,000.0
Capital expenditures paid	-205.1	-171.5	-622.0	-525.8
Dividends received from associates	0.9	0.7	1.3	0.7
Proceeds from sale of plant, property and equipment	3.3	2.2	15.4	5.7
Purchase of investments	-0.4	-0.1	-1.9	-2.0
Proceeds from sale of investment	0.4	-0.3	5.5	13.3
Acquisition of businesses, net of cash acquired	0.0	-153.0	0.0	-158.6
Sale of businesses, net of cash disposed	0.0	0.0	0.0	0.6
Net cash flow from investing activities	-201.0	-322.1	-601.8	-666.0
Repayments of long-term debt	-152.6	-2.7	-905.3	-5.3
Interest paid	-24.9	-17.6	-130.8	-125.8
Change in short-term debt	2.4	-2.1	-2.8	0.0
Dividends paid	0.0	0.0	-67.1	-67.1
Net cash flow from financing activities	-175.1	-22.4	-1,106.0	-198.2
Adjustment to cash flows due to exchange rate fluctuations, net	0.7	-7.5	-1.8	-12.5
Net change in cash and cash equivalents	-69.8	-42.9	-841.7	123.3
Cash and cash equivalents beginning of period	137.3	1,184.3	909.2	1,018.1
Cash and cash equivalents end of period	67.5	1,141.3	67.5	1,141.3

Capital expenditures

in EUR million	Q3 2016 unaudited	Q3 2015 unaudited	% change	1–9 M 2016 unaudited	1–9 M 2015 unaudited	% change
Capital expenditures paid	205.1	171.5	19.6%	622.0	525.8	18.3%
Reconciliation of additions in accounts payable	-8.6	3.2	n.m.	-84.7	-64.4	31.6%
Total capital expenditures	196.5	174.7	12.5%	537.4	461.4	16.5%
Thereof tangible	171.5	148.1	15.8%	460.7	379.6	21.4%
Thereof intangible	25.0	26.6	-5.8%	76.7	81.8	-6.3%

Total capital expenditures are defined as additions to intangibles and to property, plant and equipment ("tangibles"), excluding additions related to asset retirement obligation and including interest capitalised.

Reconciliation of additions in accounts payable include the adjustment of capital expenditures of current period not yet paid as well as capital expenditures of prior periods paid in the current period in accordance with IAS 7.43.

Condensed Consolidated Statements of Changes in Stockholders' Equity

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2016	1,449.3	-7.8	1,100.1	591.2	-48.0	-660.7	2,424.1	1.9	2,426.0
Net Result	0.0	0.0	0.0	0.0	306.4	0.0	306.4	0.3	306.7
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	-38.7	-38.7	0.0	-38.7
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	306.4	-38.7	267.7	0.3	268.0
Distribution of dividends	0.0	0.0	0.0	0.0	-60.6	0.0	-60.6	-0.2	-60.8
Balance at 30 Sept. 2016	1,449.3	-7.8	1,100.1	591.2	197.8	-699.4	2,631.1	2.0	2,633.2

in EUR million (unaudited)	Capital stock	Treasury shares	Additional paid-in capital	Hybrid capital	Retained earnings	Other comprehensive items	Total	Non-controlling interest	Total stockholders' equity
Balance at 1 January 2015	1,449.3	-7.8	1,100.1	591.2	-382.1	-533.9	2,216.8	1.2	2,218.0
Net Result	0.0	0.0	0.0	0.0	308.3	0.0	308.3	0.1	308.5
Other comprehensive income (loss)	0.0	0.0	0.0	0.0	0.0	-129.0	-129.0	0.0	-129.0
Total comprehensive income (loss)	0.0	0.0	0.0	0.0	308.3	-129.0	179.4	0.1	179.5
Distribution of dividends	0.0	0.0	0.0	0.0	-60.6	0.0	-60.6	-0.2	-60.8
Balance at 30 Sept. 2015	1,449.3	-7.8	1,100.1	591.2	-134.4	-662.9	2,335.6	1.1	2,336.7

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. Sept. 2016 unaudited	31 Dec. 2015 audited
Long-term debt	1,986.6	2,584.1
Short-term debt and current portion of long-term debt	499.9	810.4
Cash and cash equivalents and short-term investments	-69.2	-911.5
Net debt	2,417.3	2,483.0
Net debt/EBITDA (last 12 months)	1.7x	1.8x

Condensed Operating Segments

1–9 M 2016

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	1,894.4	300.3	288.1	229.8	156.7	155.9	87.3	0.8	3,113.3
Intersegmental revenues	18.8	3.1	7.1	0.5	2.3	5.2	1.1	-38.1	0.0
Total revenues (incl. OOI)	1,913.2	303.3	295.2	230.3	159.0	161.1	88.4	-37.4	3,113.3
Segment expenses	-1,192.1	-202.9	-225.9	-119.4	-116.3	-130.6	-68.2	21.3	-2,034.1
EBITDA	721.1	100.4	69.3	110.9	42.7	30.5	20.2	-16.0	1,079.1
Depreciation and amortisation	-368.0	-82.4	-58.6	-50.1	-24.0	-34.5	-39.8	12.7	-644.7
Operating income - EBIT	353.0	18.1	10.6	60.9	18.7	-4.0	-19.6	-3.3	434.4
Interest income	1.5	2.1	2.4	1.4	2.0	0.3	0.2	-0.5	9.3
Interest expense	-15.0	-0.8	-8.1	-2.4	-0.9	-1.3	-0.6	-74.4	-103.5
Other financial result	-6.0	-0.2	4.3	0.8	0.0	-1.1	0.0	4.3	2.1
Equity interest in net income of associated companies	1.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.8
Earnings before income tax - EBT	334.8	19.2	9.3	60.7	19.7	-6.1	-19.9	-74.4	343.2
Income taxes									-36.5
Net result									306.7
EBITDA margin	37.7%	33.1%	23.5%	48.2%	26.9%	18.9%	22.9%	n.a.	34.7%
Capital expenditures - intangible	46.0	15.2	3.9	3.6	4.2	1.6	2.1	-0.1	76.7
Capital expenditures - tangible	282.1	33.9	45.9	52.8	13.1	16.0	21.6	-4.6	460.7
Total capital expenditures	328.1	49.1	49.7	56.4	17.4	17.6	23.7	-4.7	537.4

1–9 M 2015

in EUR million (unaudited)	Austria	Bulgaria	Croatia	Belarus	Slovenia	Republic of Serbia	Republic of Macedonia	Corporate, Other & Eliminations	Consolidated
External revenues	1,883.1	267.9	265.6	249.3	156.8	148.2	48.7	-0.6	3,019.0
Intersegmental revenues	18.2	1.9	5.6	0.0	2.1	4.0	2.4	-34.1	0.0
Total revenues (incl. OOI)	1,901.3	269.8	271.2	249.3	158.8	152.2	51.1	-34.7	3,019.0
Segment expenses	-1,242.9	-168.3	-207.7	-122.3	-100.8	-119.0	-39.4	16.4	-1,984.0
EBITDA	658.4	101.5	63.5	127.0	58.1	33.1	11.6	-18.2	1,035.0
Depreciation and amortisation	-349.0	-61.3	-51.0	-59.7	-17.4	-38.7	-10.2	0.0	-587.1
Operating income - EBIT	309.4	40.2	12.5	67.3	40.7	-5.5	1.5	-18.2	447.9
Interest income	1.7	1.6	4.2	10.0	1.5	0.1	0.1	1.4	20.6
Interest expense	-11.2	-0.2	-6.4	-1.6	-1.3	-1.4	-0.5	-99.1	-121.6
Other financial result	-11.6	0.1	0.3	-0.6	0.0	0.4	-0.4	-3.0	-14.8
Equity interest in net income of associated companies	0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.1
Earnings before income tax - EBT	288.7	41.7	10.7	75.0	40.8	-6.4	0.8	-119.1	332.2
Income taxes									-23.8
Net result									308.4
EBITDA margin	34.6%	37.6%	23.4%	50.9%	36.6%	21.8%	22.8%	n.a.	34.3%
Capital expenditures - intangible	48.8	12.8	3.1	3.3	2.8	10.5	0.5	0.0	81.8
Capital expenditures - tangible	253.6	30.3	31.6	27.1	8.4	19.2	9.4	0.0	379.6
Total capital expenditures	302.5	43.1	34.7	30.4	11.2	29.7	9.9	0.0	461.4

Selected Explanatory Notes to the Consolidated Interim Financial Statements

Basis of Presentation

The consolidated interim financial statements, in the opinion of Management, include all adjustments necessary for a fair presentation in accordance with IAS 34 “Interim Financial Reporting” and are not audited or reviewed and should be read in connection with the audited Telekom Austria Group’s annual consolidated financial statements according to IFRS for the year ended 31 December 2015. The consolidated results for the interim periods are not necessarily indicative of results for the full year.

No major related party transactions, commitments and guarantees have occurred since 31 December 2015.

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

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

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

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

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

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

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

Format of the Condensed Consolidated Financial Statements

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

In prior periods, the condensed consolidated statements of profit or loss were presented in a separate statement according to the nature of expense method and are now presented in the statements of comprehensive income according to the cost of sales method as the management considers this presentation to provide more relevant information on Telekom Austria Group’s financial performance in the telecommunication industry. Material, employee and other expenses are now presented according to their function as cost of service, cost of equipment, selling, general & administrative expenses and others (mainly including loss on retirement of equipment, fines and penalties). Depreciation and amortisation is not allocated to functions.

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

	1–9 M 2015 As previously reported	Reclassifications	1–9 M 2015 New reporting structure
Total revenues (incl. other operating income - OOI)	3,037.9	–19.0	3,019.0
Total cost and expenses	–2,003.1	19.2	–1,984.0
Earnings before interest, tax, depreciation and amortisation - EBITDA	1,034.8	0.2	1,035.0
Depreciation and amortisation	–584.8	–2.3	–587.1
Operating income - EBIT	450.0	–2.1	447.9
Interest income	16.9	3.7	20.6
Interest expense on financial liabilities	–133.3	11.7	–121.6
Interest on employee benefits and restructuring and other financial items, net	0.2	–13.3	–13.2
Foreign currency exchange differences, net	–1.7	0.0	–1.7
Equity interest in net income of associated companies	0.1	0.0	0.1
Earnings before income tax - EBT	332.2	0.0	332.2
Income tax	–23.8	0.0	–23.8
Net result	308.4	0.0	308.4

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

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

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

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

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

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

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

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

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

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

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

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

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

	1–9 M 2015 As previously reported	Reclassifications	1–9 M 2015 New reporting structure
Depreciation	584.8	2.3	587.1
Inventories	4.5	13.3	17.8
Accounts payable and accrued liabilities	–28.9	64.4	–35.5
Equity interest in net income of associated companies	0.6	–0.7	–0.1
Interest expense	8.4	114.9	123.4
Net cash flow from operating activities	806.0	194.2	1,000.0
Capital expenditures paid	–445.5	–80.2	–525.8
Dividends received from associates	0.0	0.7	0.7
Proceeds from sale of plant, property and equipment	5.4	0.4	5.7
Net cash flow from investing activities	–586.8	–79.1	–666.0
Change in short-term debt	–10.9	10.9	0.0
Interest paid	0.0	–125.8	–125.8
Net cash flow from financing activities	–83.3	–114.9	–198.2
Adjustment to cash flows due to exchange rate fluctuations, net	–12.5	0.0	–12.5
Net change in cash and cash equivalents	123.3	0.0	123.3

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

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

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

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

Business combinations

On 22 December 2015, Vipnet acquired 100% of CATV-047 d.o.o Kabela televizija (“CATV”) in Croatia for a purchase price of EUR 0.8 million which was reported in long-term investments as of 31 December 2015 as no statement of financial position as of the acquisition date was avail-

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

Comprehensive Income – Additional Information

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

	1–9 M 2016	1–9 M 2015
Other operating income	59.6	73.2
Write-down/ reversals of write-down of inventories	6.9	0.0
Employee benefit expenses	-561.4	-609.1

The decrease in other operating income is mainly due to the received payment by Si.mobil in the first quarter 2015 as a condition of the agreement with Telekom Slovenije was fulfilled, partly compensated by the net gain on sale of Property, plant and equipment in Austria in the first nine month 2016.

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

Non-Current assets

In the first nine months 2016 the estimated useful lives of certain communication network and other equipment were reduced resulting in an increase in depreciation of EUR 16.9 million in the first nine months 2016. The reduction of useful lives mainly relates to base stations and equipment of the merged company "ONE" in the segment Republic of Macedonia.

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

Non-Current and Current Liabilities

In the first nine months 2016 a EUR 750 million bond and EUR 155.3 million of long-term bank debt were repaid and no long-term debt was issued.

The reduction in short-term debt due to the repayments of the EUR 750 bond in January 2016 and of bank debts was partly offset by the shift of a EUR 500 million bond maturing in January 2017 to short-term debt. The decrease in long-term debt is due to the shift of the EUR 500 million bond and the above mentioned repayment of bank debt.

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

In 2010, Telekom Austria Group has introduced a Long Term Incentive Programme (LTI). On 26 April 2016, the Supervisory Board approved the seventh tranche (LTI 2016). Grant date was 1 September 2016, the performance period is 1 January 2016 to 31 December 2018. Return on Invested Capital (ROIC) and Telekom Austria Group Revenue Market Share (weighted with 50% each) were defined as key performance indicators. As of reporting date a liability for LTI 2016 measured at fair value for expected future expense which is already vested, in the amount of EUR 0.4 million is recorded.

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. Sept. 2016 unaudited	31 Dec. 2015 audited
Restructuring and social plans	584.8	668.5
Civil servants changed to the government	26.3	33.7
Total restructuring	611.2	702.2

The reduction of the provision for restructuring is mainly due to the usage of the provision and the change in parameters applied to the calculation, as the rate of compensation increase for civil servants released from work was reduced from 4.5% to 3.9%. Additionally the discount rates applied to the calculation of the provision for restructuring and social plans as well as for employee benefit obligations were changed to reflect the current market conditions as follows:

	30. Sept. 2016	31 Dec. 2015
Restructuring		
Employees permanently leaving the service process	1.00%	2.00%
Social plans	0.50%	1.00%
Civil servants changed to the government	0.50%	1.00%
Employee benefit obligations		
Service awards	0.75%	1.25%
Severance	1.25%	2.25%
Pensions	0.75%	1.25%

The effect of the change for service awards in the amount of EUR 2.6 million is recognised in administrative expenses. The effect of the change for severance and pensions in the amount of EUR 18.7 million is recognised in other comprehensive income.

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

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

The change of these parameters resulted in an increase of the asset retirement obligation and the corresponding tangible assets in the amount of EUR 32.6 million.

Income Taxes

	1–9 M 2016	1–9 M 2015
Effective tax rate	10.6%	7.2%
in EUR million	30. Sept. 2016	31 Dec. 2015
Net deferred taxes	136.3	135.3

The reduction of deferred tax liabilities resulting from the depreciation and amortisation of assets recognised in previous business combinations and due to the application of reporting in hyperinflationary economies in previous years in the segment Belarus was mainly offset by the decrease in deferred tax assets resulting from the application of the expected effective tax rate.

Stockholders' Equity

In February 2016 and 2015, 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, 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 nine months according to local GAAP amounting to EUR 25.2 million, net of the related tax benefit of EUR 6.3 million, which is recognised in stockholders' equity according to IAS 12.

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

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

Financial Instruments

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

in EUR million	30. Sept. 2016	Fair value unaudited	31 Dec. 2015	Fair value audited
	Carrying amount unaudited		Carrying amount audited	
Cash and cash equivalents	67.5	67.5	909.2	909.2
Accounts receivable: Subscribers, distributors and other, net	662.6	662.6	624.6	624.6
Receivables due from related parties	1.1	1.1	0.9	0.9
Other current financial assets	85.6	85.6	80.5	80.5
Other non-current financial assets	40.5	40.5	36.3	36.3
Loans and receivables	789.7	789.7	742.3	742.3
Long-term investments	7.1	7.1	6.5	6.5
Short-term investments	1.7	1.7	2.4	2.4
Available-for-sale investments	8.8	8.8	8.9	8.9
Investments at cost	1.5	1.5	1.7	1.7

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

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

Investments at cost mainly relate to the stake in CEESEG AG. As this stake can only be disposed of at the initial indexed purchase price and due to the absence of an active market, this equity instrument is carried at acquisition cost. At 31 Dec. 2015 additionally the investment in CATV was included (see "Business Combinations").

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

in EUR million	30. Sept. 2016		31 Dec. 2015	
	Carrying amount unaudited	Fair value unaudited	Carrying amount audited	Fair value audited
Liabilities to financial institutions	0.0	0.0	5.1	5.1
Bonds	2,286.3	2,644.2	3,033.9	3,297.4
Other current financial liabilities	163.2	163.2	150.0	150.0
Non-current liabilities to financial institutions	200.0	215.2	355.3	391.6
Other non-current liabilities	0.8	0.8	0.8	0.8
Accounts payable - trade	478.7	478.7	573.7	573.7
Payables due to related parties	3.1	3.1	1.8	1.8
Accrued interest	50.9	50.9	93.2	93.2
Financial liabilities at amortised cost	3,183.1	3,556.2	4,213.9	4,513.7

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

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

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

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

30. Sept. 2016				
in EUR million (unaudited)	Level 1	Level 2	Level 3	Total
Available-for-sale & other investments	7.8	1.0	0.0	8.8
Financial assets measured at fair value	7.8	1.0	0.0	8.8

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

The levels of fair value hierarchy are determined as follows:

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

Subsequent and Other Events

There were no subsequent events.